



FY 2023-24 Budget End of Year Report

Budget Committee

NOVEMBER 25, 2024

COUNTY ADMINISTRATIVE OFFICE

FY 2023-24 End of Year Unaudited Results

General Fund	Adopted Budget	Modified Budget	Year-End Actual
Available Financing Approved for Budget Purposes:			
Cancellation of Unassigned Fund Balance	\$ -	\$ 1.8	\$ 27.4
Cancellation - Restricted Fund Balance	8.3	18.3	15.2
Cancellation - Strategic Reserve			25.0
Cancellation - Assigned Fund Balance	2.7	5.0	25.1
Revenues	836.7	866.5	825.5
Total Financing Sources	\$ 875.1	\$ 901.9	\$ 918.2
Financing Uses:			
Additions to Unassigned Fund Balance			
Addition - Restricted Fund Balance	\$ -	\$ -	\$ 11.8
Addition - Strategic Reserve	-	-	19.1
Addition - Assigned Fund Balance ¹	-	-	29.0
Expenditures	847.8	908.2	824.8
Total Financing Uses	\$ 847.8	\$ 908.2	\$ 884.8
Unassigned Fund Balance:	\$ (6.6)	\$ (6.3)	\$ 33.4
Obligated in FY 2024-25 Adopted Budget ²	\$ -	\$ -	\$ (5.3)
Obligated in FY 2023-24 Budget	\$ -	\$ -	\$ -
Unobligated Unassigned Fund Balance:	\$ -	\$ -	\$ 28.1
Audited Beginning Unassigned Fund Balance (FB)³	\$27.4		
Anticipated FB if Board Approves Recommendations³			\$0.7

Dollars shown in millions. Numbers may not total due to rounding.

¹ Includes recommended designations to fund balance assignments.

² Board approved \$5.3 million during Budget Hearings for FY 2024-25

³ Year-End result of \$27.4 million in unassigned fund balance shown, however Board designated \$1.8 million in FY23 BEYR report for FY2023-24. If all recommendations in FY24 BEYR are approved by the Board, the remaining unassigned fund balance will be \$711,237.

The County again faced challenges posed by local disasters which required the use of \$25 million from the strategic reserve

Unaudited unassigned fund balance is estimated at \$30.6 million. Of this amount \$5.3 million were approved by the Board to be used as part of the FY 2024-25 budget.

If recommendations in this report are approved, unassigned fund balance would be reduced to \$1.2 million.



Recommendations

1. Receive and accept the Budget End-of-Year Report for FY 2023-24 from the County Administrative Office.
2. Authorize an increase in appropriations in the amount of \$58,027 in the District 2 FY 2024-25 adopted budget funded by cannabis assignment to complete the security improvement project in the district 2 office.
3. Authorize an increase in appropriations in the amount of \$25,000 in the District 5 FY 2024-25 adopted budget funded by cannabis assignment to complete office improvements due to the change in supervisors in that district.
4. Designate the use of \$160,000 from the cannabis assignment for the Emergency Operations Plan (\$125,000) and the strategic plan (\$35,000) in the Department of Emergency Management.
5. Designate the use of \$275,000 from the cannabis assignment for the Climate Action Plan in the County Administrative Office Department – Sustainability Division.
6. Designate the use of \$25,505 from the cannabis assignment for the contracted services in the Civil Rights Office.
7. Designate \$1,411,813 from unassigned fund balance for the King City Courthouse Parking Lot Repaving Project located at 250 Franciscan Way.
8. Designate \$1,422,698 from unassigned fund balance for the Axon contract for body worn cameras and other technology in FY 2025-26.
9. Designate \$5,242,600 from unassigned fund balance for the energy efficiency and solar project at 168 W Alisal.
10. Designate \$10,000,000 from unassigned fund balance to replenish the County's Strategic Reserve.
11. Designate \$6,000,000 from unassigned fund balance to fund projected cost increases in FY 2024-25.

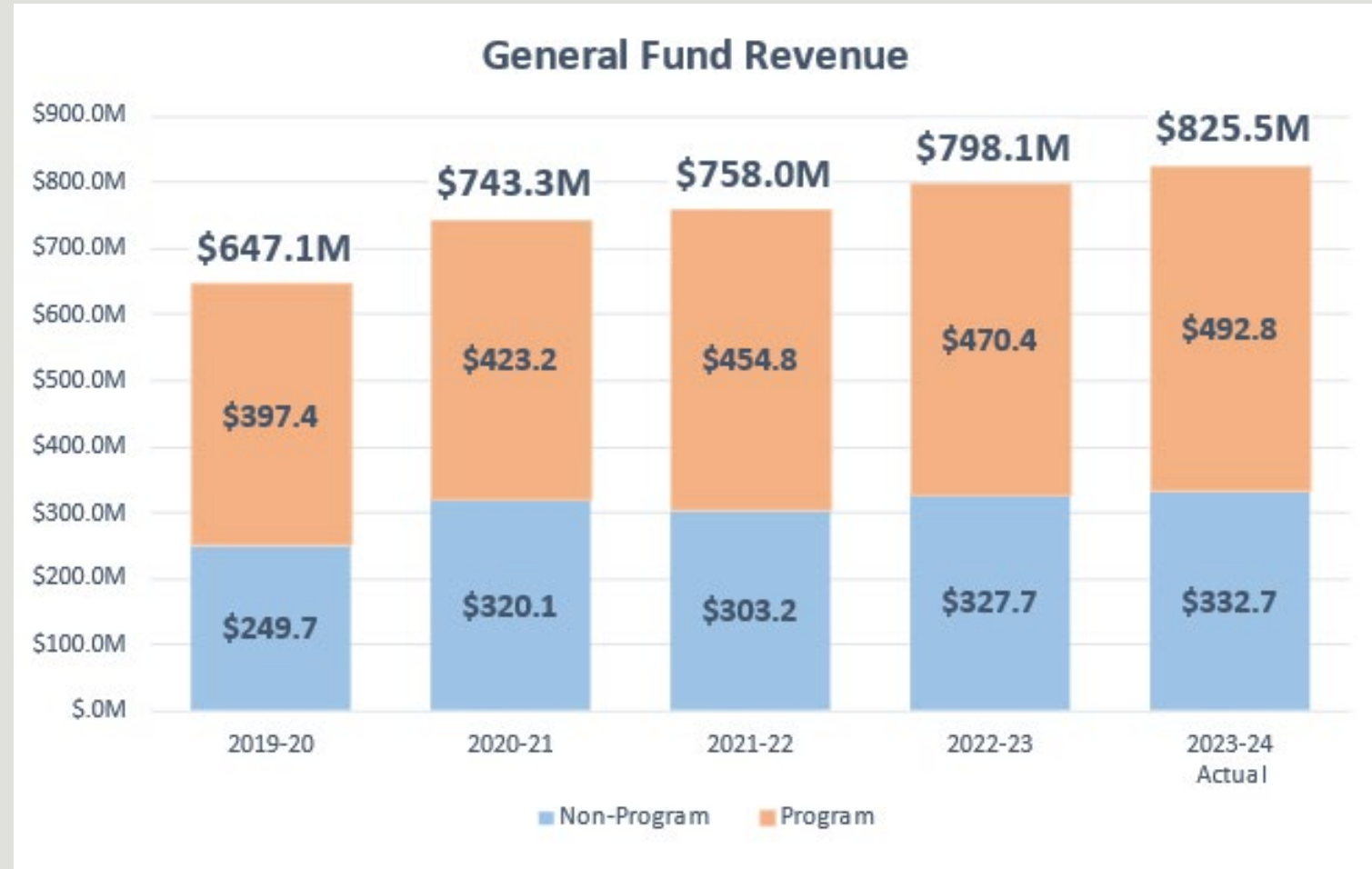


General Fund Revenue Trend

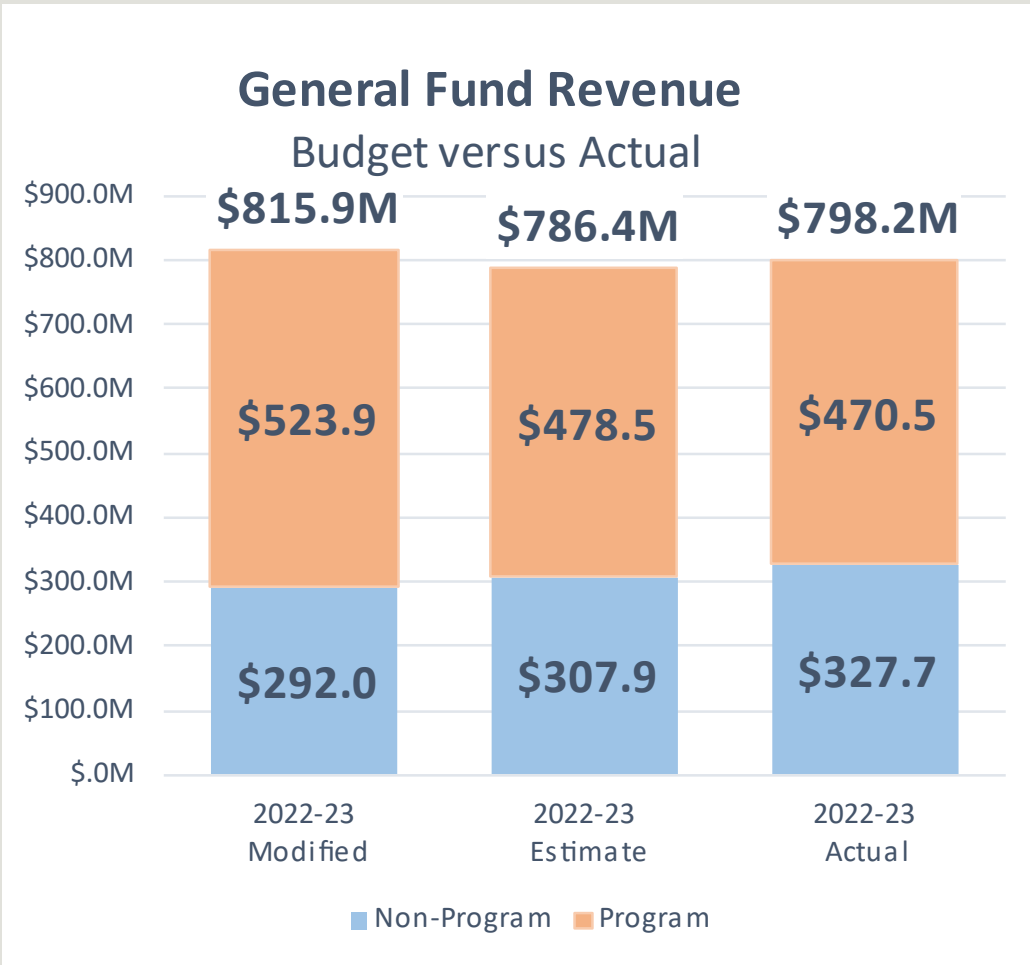
Revenues increased \$27.4 million compared to the prior year

Non-Discretionary revenue grew \$22.4

Discretionary revenue grew by \$5 million, most of the growth is attributed to property taxes.



Revenue Performance FY 2022-23



Revenues were \$17.7 million below budget

Discretionary revenue performed well

- Property taxes \$9.6 million higher than budget
- Transient occupancy tax (TOT) exceeded the budget by \$10.2 million, but were lower than the prior year
- Investment income was \$5 million over budget
- State provided \$9.4 million for winter storm response

Program revenue \$53.5 million below budget

- Vacancies in revenue generating positions
- Federal revenue not received during the accrual period

Discretionary Non-Program Revenue (1)

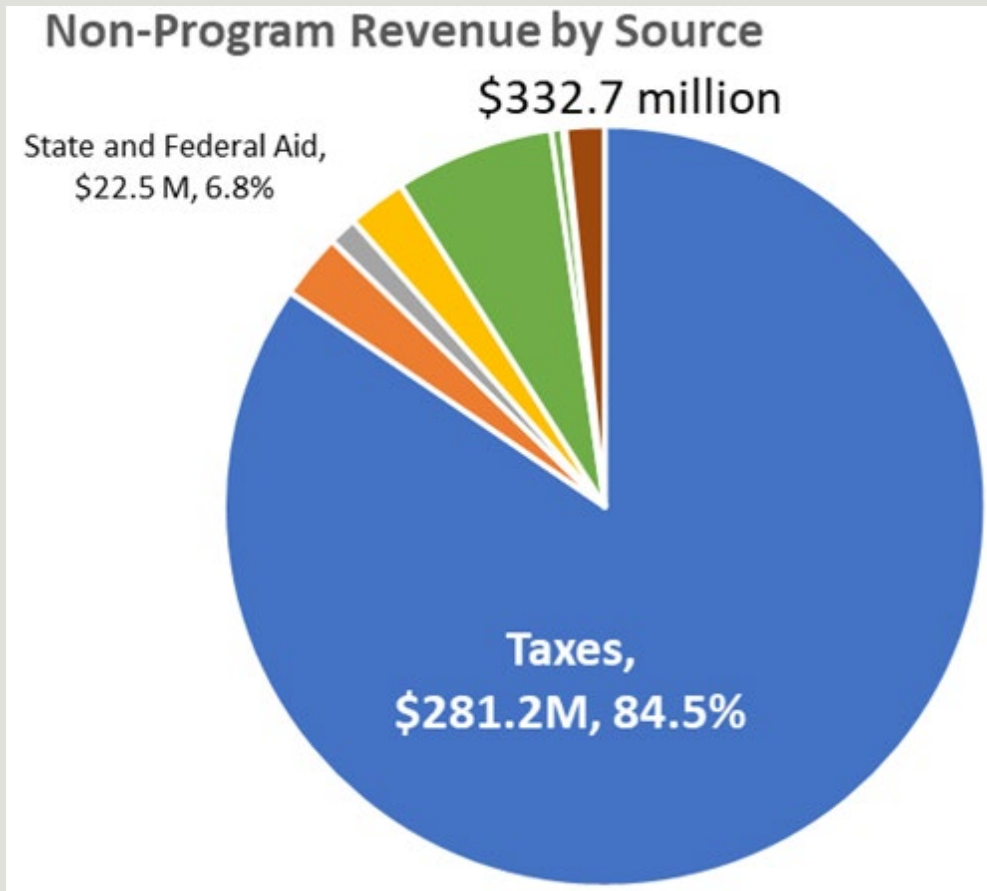
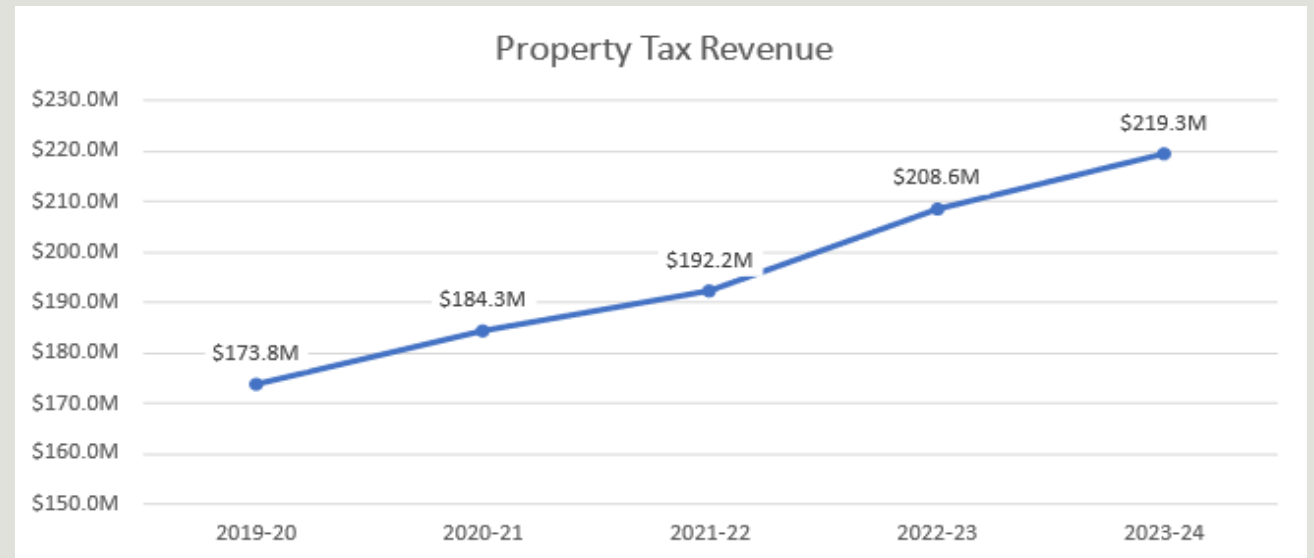


Figure 2: Other revenue sources in the chart: Licenses, Permits & Franchises (2.8%), Revenue from Use of Money and Property (2.5%), Miscellaneous Revenues (1.6%), Fines, Forfeitures & Penalties (1.2%), Charges for Services (0.5%), and Other Financing Sources (0.1%).

Majority of discretionary revenues are derived from property taxes

While property values and taxes continued to grow (\$10.7 million from prior year), the rate of growth was lower than the prior fiscal year.

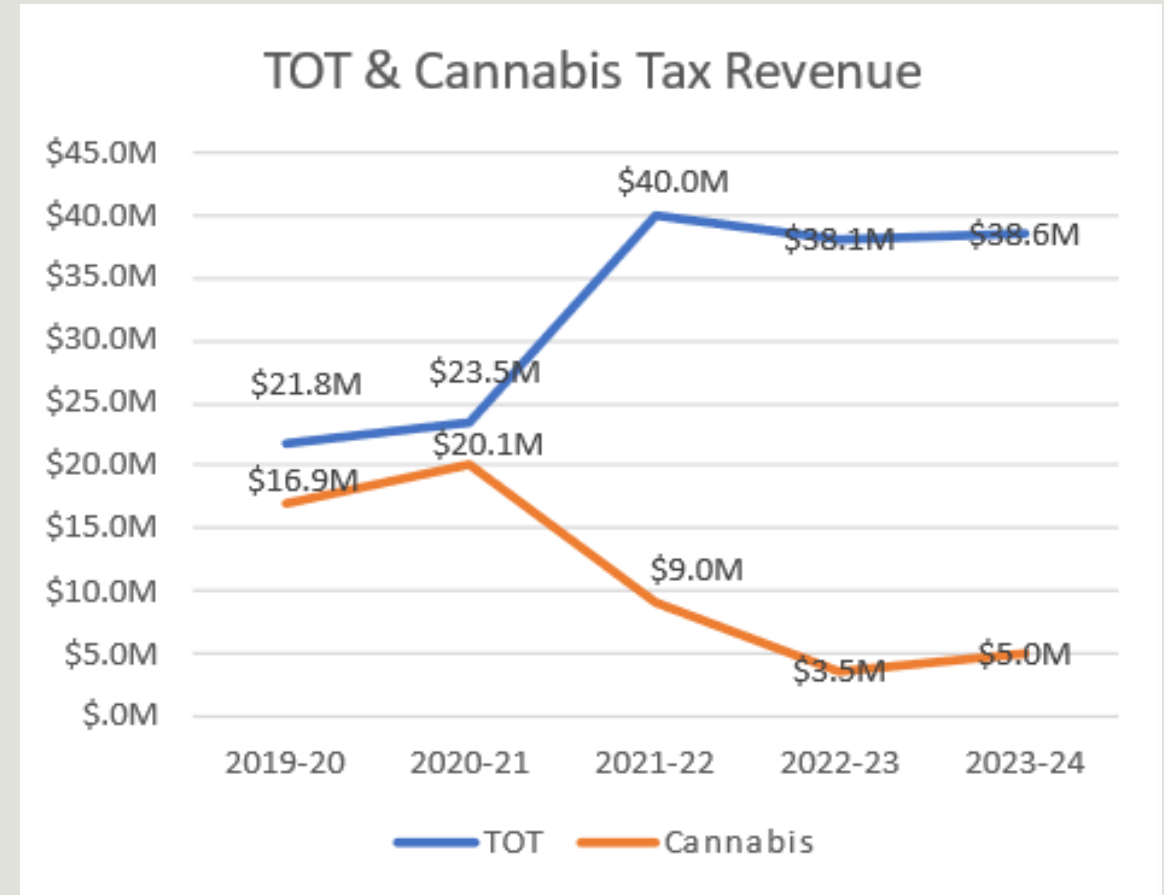


Discretionary Non-Program Revenue (2)

TOT and Cannabis revenues declined

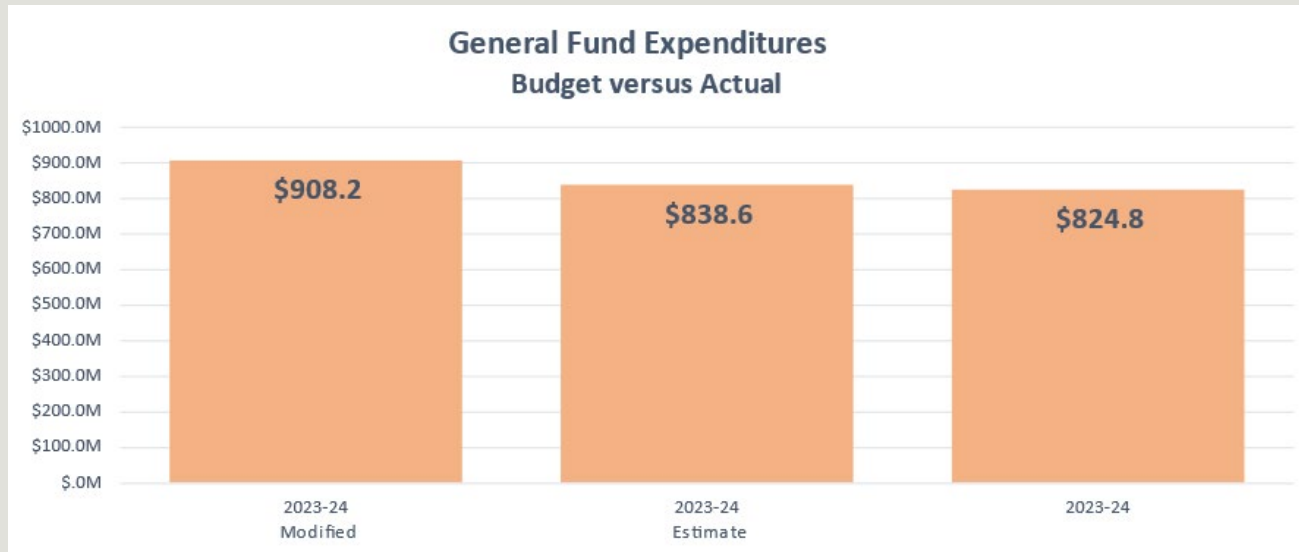
TOT grew to \$38.6 million from the prior fiscal year but has not regained the highest level seen in FY 2021-22.

Cannabis revenue increased from \$3.5 million to \$5 million, but part of that increase is due to the payment of revenue from a prior year by some industry members



General Fund Expenditures

Expenditures were lower than budget by \$83.4 million, mostly due to vacancies



Departments with highest vacancy and related program savings:

- \$22.1 million Health
- \$13 million Social Services
- \$4.8 million Probation
- \$4.8 million Public Works

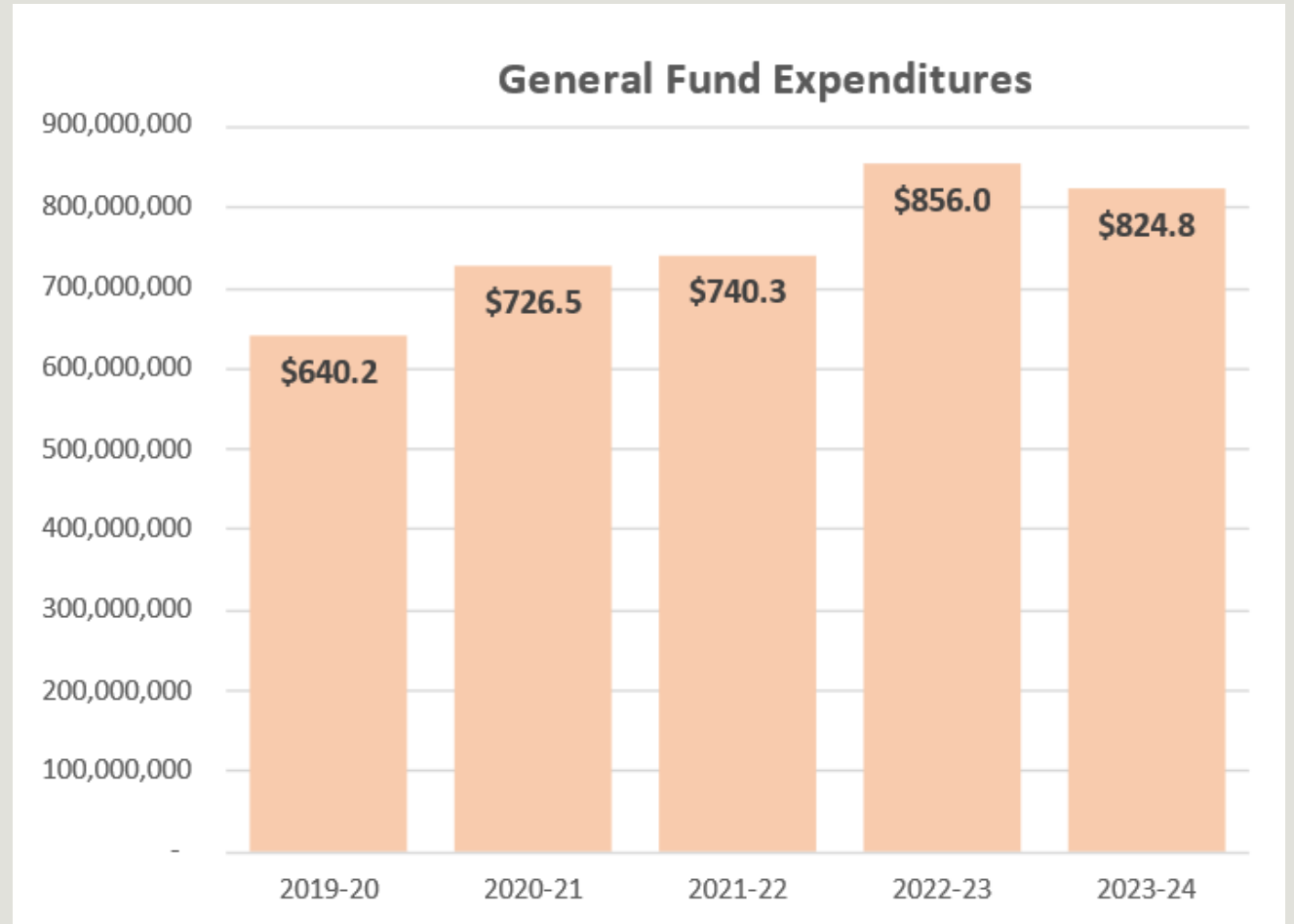


General Fund Expenditure Trend

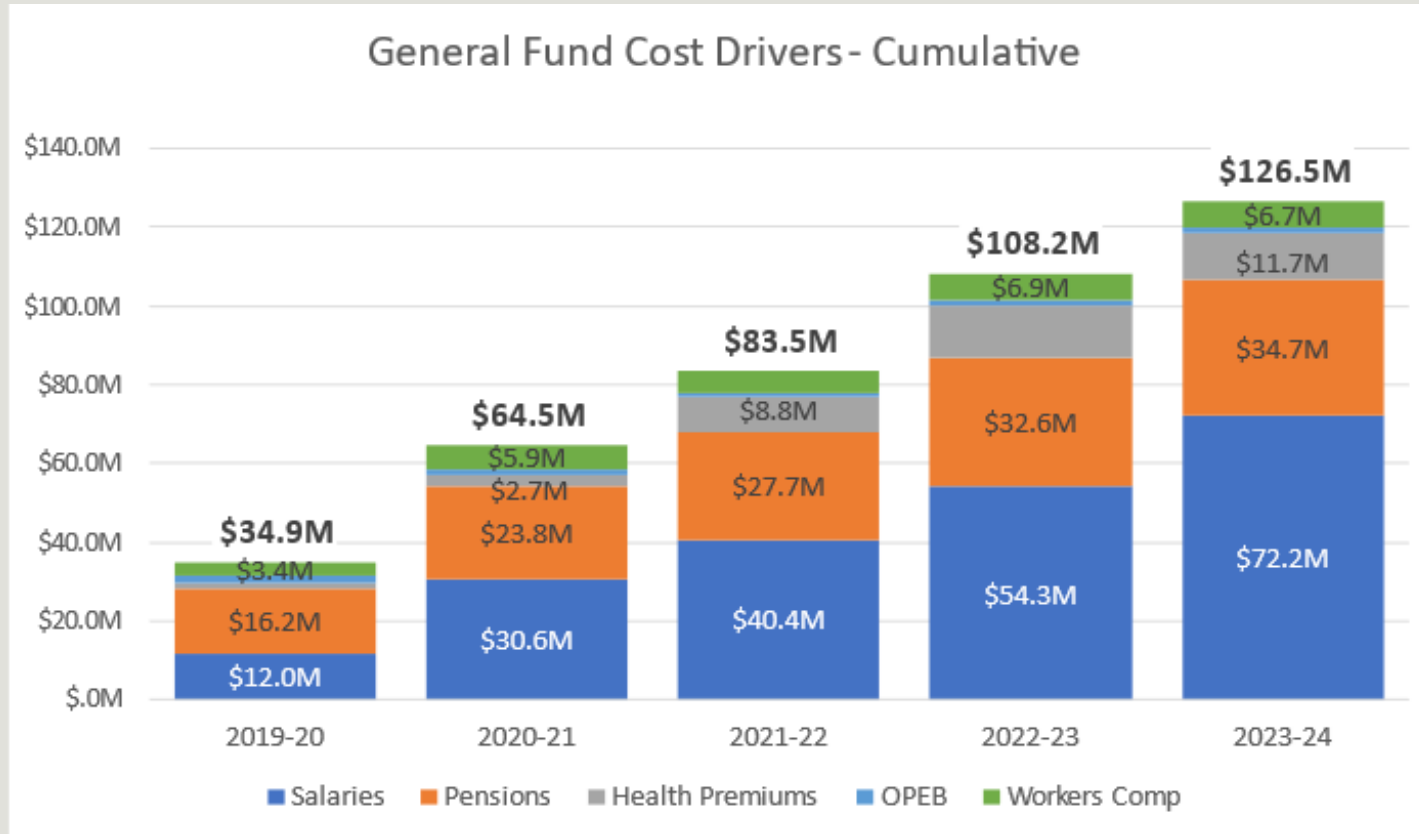
Expenditures decreased \$31.2 million compared to the prior year

The main reason for the decrease is the transfers out to other funds decreased. When one-time transfers (\$78.3 million) are excluded some important trends are evident:

- Salaries and benefit costs are \$18.7 million higher than the prior year. This trend continues from prior years, and it is unsustainable.
- Positions increased by 67 FTE in FY 2023-24



General Fund Cost Drivers



Over the past five years, major cost drivers have grown \$126.5 million on a cumulative basis

Major cost drivers include:

- \$72.2 million in salaries
- \$34.7 million pension contributions
- \$11.7 million healthcare premiums
- \$6.7 million workers' compensation

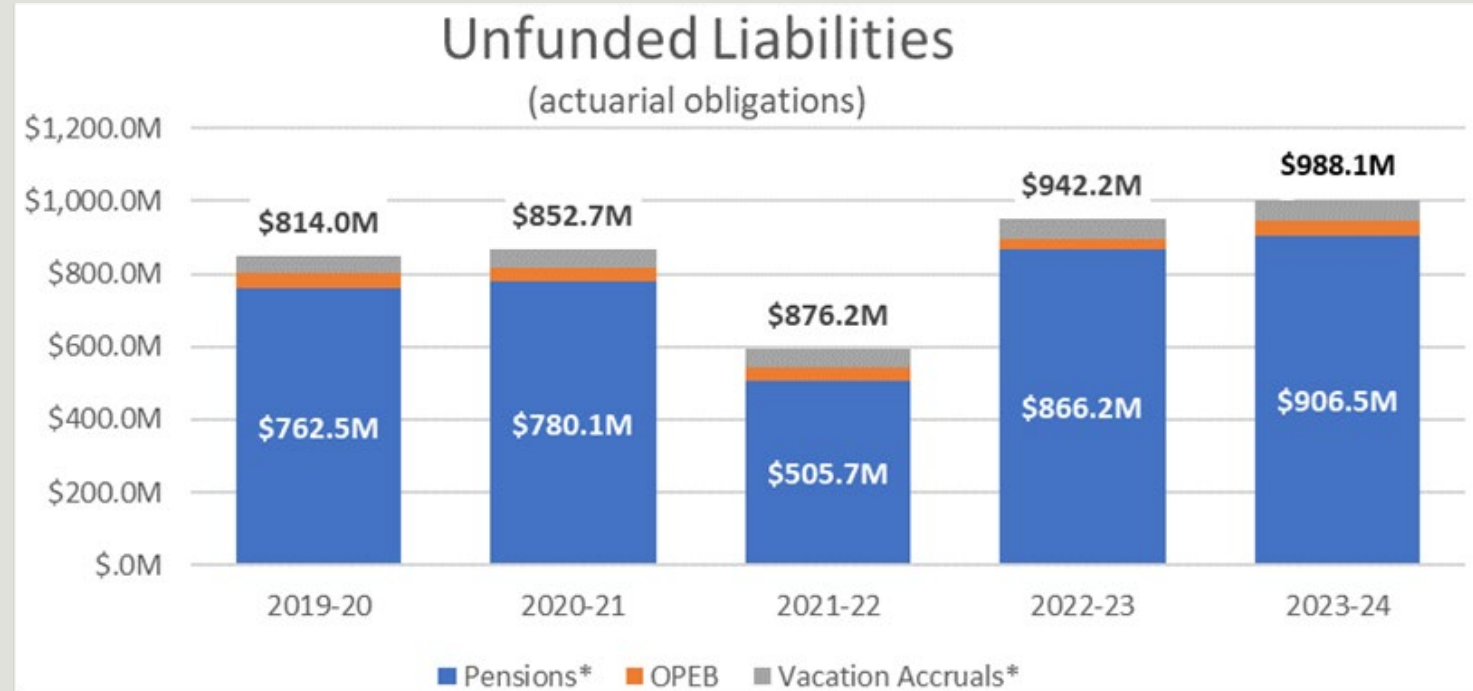


Unfunded Liabilities

Actuarial obligations grew by \$45.9 million overall

Unfunded employee pension benefits are the largest liability at \$906.5 million

- Increase of \$40.3 million
- Impacts of lower discount rate on unfunded liability to continue FY25
- The discount rate was lowered to 6.8% in 2021 and remains at that level



Strategic Reserve



The Strategic Reserve declined by \$5.9 million due to \$25 million needed to recover from local emergencies but was replenished by \$19.1 million after the end of a favorable fiscal year. This amount represents 6.6% of general fund estimated revenues. The Board’s target per County policy is 10%.

Per County Policy, amounts taken from the Strategic Reserve must be replenished within five years. Based on the table below, \$21.5 million must be returned by CY 2029. This report recommends replenishing \$10 million of the \$21.5 million outstanding.

Fiscal Year	CY 2023	CY2024
Reserve Used	\$52.1 M	\$23.9 M
Replenished	\$52.1 M	\$2.3 M
Outstanding	\$ -	\$ 21.5 M



ARPA Expenditure Summary

American Rescue Plan Act Aid			
Fiscal Year	Expenditure	Budgeted	Total
2020-21	\$ 9,713,586		\$ 9,713,586
2021-2022	\$ 20,147,619		\$ 20,147,619
2022-2023	\$ 26,102,089		\$ 26,102,089
2023-2024	\$ 21,568,904		\$ 21,568,904
2024-2025		\$ 6,779,063	\$ 6,779,063
Grand Totals	\$ 77,532,198	\$ 6,779,063	\$ 84,311,261

- County has spent \$77.5 million from its original allocation of \$84.3 million
- \$6.8 million are allocated to be spent in FY 2024-25



Cannabis Assignment

Cannabis Tax Assignment

Description	Amount	Budgeted	Total
FY 2023-24 Beginning Balance	\$		3,237,666
Use of Assignment approved by Board	\$		653,136
Balance	\$		2,584,530
Approved for FY 2024-25 Budget by Board	\$		1,701,645
Recommended Uses BEYR FY 2024-25			
District 2 Project	\$		58,027
District 5 Project	\$		25,000
DEM EOP	\$		125,000
DEM Strategic Plan	\$		35,000
Climate Action Plan - Sustainability	\$		275,000
Civil Rights Office - Contracted Services	\$		25,505
Available Balance			\$339,353

Cannabis assignment is estimated at \$339,353 if all recommendations in this report are approved.

- FY 2023-24 ending balance is \$2.58 million
 - \$1.7 million was approved by the Board for use in FY 2024-25
 - Additional requests totaling \$518,027 are recommended as part of this report.



Looking Ahead - Challenges

- Throughout the pandemic and inflationary environment, the County was able to sustain service levels due to the Board's prudent financial policies and management
- Unprecedented levels of federal aid have infused the County's budget over the last three fiscal years.
 - These revenues are now exhausted;
- The State anticipates ongoing revenues to decline
- At the same time, these pressures have impacted recruitment and wages, affecting County operations.
- The County continues to face a reduction of its strategic reserves to respond to local emergencies.

American Rescue Plan Act Aid

Fiscal Year	Expenditure	Budgeted	Total
2020-21	\$ 9,713,586		\$ 9,713,586
2021-2022	\$ 20,147,619		\$ 20,147,619
2022-2023	\$ 26,102,089		\$ 26,102,089
2023-2024	\$ 21,568,904		\$ 21,568,904
2024-2025		\$ 6,779,063	\$ 6,779,063
Grand Totals	\$ 77,532,198	\$ 6,779,063	\$ 84,311,261



FUTURE CAPITAL NEEDS

Projects F, E, C, and B were prioritized for funding and project A was recommended to be re-evaluated for a potential remodel of the existing building. Project F is recommended for funding as part of this report.

Capital Priority Projects

ID	Project	FY25 Budget	Future Unfunded Need
A	Seaside Community Benefits Office Replacement - 1281 Broadway Ave, Seaside	\$ 3,312,419	\$ 107,209,824
B	Pajaro Mansion Campus Post Storm Restoration	\$ 1,376,736	\$ 4,947,815
C	New Bradley Library and Resiliency Center Project	\$ 33,926	\$ 3,573,074
D	Proposed Constitution Parcel Project	\$ 976,100	\$ 200,000,000
E	Pajaro Library Branch Rehabilitation	\$ 344,588	\$ -
F	King City Courthouse Parking Lot Repaving - 250 Franciscan Way	\$ 1,624,665	\$ 1,411,813
G	South County Ag Commissioner Facility Development	\$ 2,635,004	\$ 1,384,625



Recommendations

1. Receive and accept the Budget End-of-Year Report for FY 2023-24 from the County Administrative Office.
2. Authorize an increase in appropriations in the amount of \$58,027 in the District 2 FY 2024-25 adopted budget funded by cannabis assignment to complete the security improvement project in the district 2 office.
3. Authorize an increase in appropriations in the amount of \$25,000 in the District 5 FY 2024-25 adopted budget funded by cannabis assignment to complete office improvements due to the change in supervisors in that district.
4. Designate the use of \$160,000 from the cannabis assignment for the Emergency Operations Plan (\$125,000) and the strategic plan (\$35,000) in the Department of Emergency Management.
5. Designate the use of \$275,000 from the cannabis assignment for the Climate Action Plan in the County Administrative Office Department – Sustainability Division.
6. Designate the use of \$25,505 from the cannabis assignment for the contracted services in the Civil Rights Office.
7. Designate \$1,411,813 from unassigned fund balance for the King City Courthouse Parking Lot Repaving Project located at 250 Franciscan Way.
8. Designate \$1,422,698 from unassigned fund balance for the Axon contract for body worn cameras and other technology in FY 2025-26.
9. Designate \$5,242,600 from unassigned fund balance for the energy efficiency and solar project at 168 W Alisal.
10. Designate \$10,000,000 from unassigned fund balance to replenish the County's Strategic Reserve.
11. Designate \$6,000,000 from unassigned fund balance to fund projected cost increases in FY 2024-25.



Questions

