Monterey County Financial Forecast

March 2025

Introduction

The County Administrative Office is pleased to present the financial forecast for the County of Monterey. The forecast is the first step of the annual budget development cycle, which concludes with the adoption of a balanced budget by July 1 of each year. To meet this timeline, staff conducts a comprehensive mid-year review of planned spending and anticipated revenues for the current fiscal year (FY 2024-25), the upcoming budget year (FY 2025-26), and two additional years. The result of this review is an assessment of the County's financial condition, emerging needs, and expected fiscal capacity to meet those needs.

Approach and Assumptions

The forecast is an analysis of estimated revenues and costs for existing levels of staffing and services within the context of current statutes and policies. A forecast is different than a budget. In forecasting, departments estimate "normal" cost of operations, which generally include the filling of vacancies and current level of discretionary spending. Developing a three-year forecast provides a window of opportunity to identify potential actions necessary to balance revenues and expenditures over the long-term to ensure financial sustainability of the County. Similarly, the forecast also serves as a tool for the upcoming budget to assess the impact that decisions made in the present, such as considering wage increases, a new revenue source or the funding of a new program, will have on future fiscal condition of the County.

The forecast includes employee salary and benefits changes as authorized under existing memorandums of understanding (MOUs) and scheduled employee step advances. The forecast also takes into consideration known increases in PERS retirement rates and health insurance premiums. Revenue estimates are based on the most recent financial data and available information about federal and State funding levels. The forecast compares expenditures required to carry out existing operations related to estimated financing sources. This analysis is a key financial management tool to guide the upcoming budget process and help preserve long-term financial stability.

General Fund Results Prior Fiscal Year

The general fund supports core governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration. The FY 2023-24 adopted budget included $847.8 million in appropriations, matched by an equivalent amount of financing: $836.7 million in revenue and $11.1 million in fund balance. Throughout the year, subsequent modifications increased appropriations by $60.4 million, financed by $29.8 million in additional revenue for one-time expenditures.

The County ended the fiscal year with a favorable performance compared to the final budget. The general fund ended with revenues of $858.8 million, cancellation of assigned funds of $23.1 million, cancellation of $15.2 million of restricted fund balance, releases of strategic reserve of $25.0 million; expenditures of $830.2 million, additions to restricted fund balance of $11.8 million, additions to assigned fund balance of $53.6 million, and replenishment of strategic reserve of $19.1 million which resulted in an initial operating surplus of $7.3 million. $24.6 million of additions were made to the assigned fund at the direction of Board of Supervisors following the Budget End of Year Report for FY 2023-24. These additions included $10 million to replenish the Strategic Reserve, $6.0 million to cover salary and project cost increases in FY 2024-25, $5.2 million for the 168 W Alisal solar project, and $3.4 million for other projects that can be found in RES 24-198. Even though the County had to release significant amounts from its strategic reserves, the Board's strong commitment to prioritize its replenishment is a strong indicator of the County's commitment to weathering future unforeseen events and meet emerging needs with strategic planned used of its reserves.

Subsequent Events

During the time period between departmental forecast submissions and the publication of this report, changes in department outlooks have occurred. Below is a list of items that are expected to have a major impact on the results of our current year. These items were not included in the initial forecast and will not be included in the charts and tables provided throughout this document.

Sherriff – Due to issues with submission timelines, the Sherriff's Office believes the numbers shared in this report do not reflect an accurate financial position for FY24-25 and future years. While the forecast indicates a small deficit of $43,519 in the current fiscal year and $10.7 to $25.5 million in forecast years, the department has provided a more up to date estimate of deficits of $7.6 million in the current year and ranging from $29.6 million to $44.4 million in future years. The Sheriff's Office increased deficit in expenditures is largely driven by negotiated wage increases from various labor unions amounting to $5.4 million, as well as $1.3 million in retirement and separation payouts. Both of which have not been included in this forecast.

Health Department - Although the forecast depicts the department ending the current fiscal year with a $5.4 million deficit, the Department anticipates narrowing or closing the gap with additional new fee for service revenue at the primary care clinics which was identified after the submission of the year-end estimates, and with expenditure adjustments. The Department projects ending within or very close to the allocated General Fund Contribution in the current year. The projected deficits in the forecast years are clerical in nature, as use of restricted funds was not included. The Department will submit annual budgets in compliance with the allocated General Fund Contribution.

Social Services - For the prior year, FY2023-24, DSS ended the year with a deficit of approximately $6.5 million due to delayed revenue that was not received until after the fiscal year accrual deadlines. The revenue received to balance this deficit is not included in this forecast as it does not represent operational revenues for the current fiscal year. Therefore, at the FY2024-25 year end, DSS expects to have a technical surplus of $6.5 million to return to the General Fund.

The 3 items listed above are expected to have a favorable net impact of $4.3 million to the results presented below. However, it should be noted that $6.5 million of this favorability is funds that are revenues received to balance the FY2023-24 DSS deficit.

General Fund Current Fiscal Year Estimated Results

The three-year forecast for the General Fund indicates challenging results in FY 2024-25, but those results turn to significant deficits in the three following fiscal years. Given this forecast, the Board's commitment to prudent financial management of the County's finances will be imperative in the upcoming fiscal years. This prudent management approach is evident in the current year, the County could add an estimated $13 million to fund balance at the end of FY 2024-25. This positive result could not have been achieved without continuous management of operational budgets by Departments. The modified budget is not inclusive of transactions occurring after the submission of the current year estimate. Although results are positive for the entire fund, upcoming challenges with potential federal funding issues and increases in wages can add to the volatility of these estimates.

General Fund Outlook through 2027-28 (figures in millions of dollars)

	2023-2024	2024-2025			2025-2026	2026-2027	2027-2028
	Actual	Adopted	Modified	Year End Estimate	Forecast		
Available Financing:							
Unassigned Fund Balance	27.4	5.2	10.7	10.7			
Release of Fund Balance	63.3	13.3	13.3	15.3			
Revenues	858.8	873.8	876.2	881.9	917.0	937.4	958.5
Total Financing Sources	$ 949.5	$ 892.3	$ 900.2	$ 907.8	$ 917.0	$ 937.4	$ 958.5
Financing Uses:							
Assignments/Restrictions	84.6						
Expenditures	830.2	883.9	892.0	886.7	958.9	1,003.8	1,051.6
Salary Adjustments					(7.4)	(7.8)	(8.3)
Appropriations for Contingencies	-	8.4	8.2	8.2	8.7	8.7	8.7
Total Financing Uses	$ 914.8	$ 892.3	$ 900.2	$ 894.8	$ 960.3	$ 1,004.7	$ 1,052.1
Unassigned Fund Balance	$ 34.7	$ -	$ -	$ 13.0	$ (43.3)	$ (67.4)	$ (93.6)

Overall, 17 general fund departments are estimating ending the year within their budget and estimating a $9.3 million surplus. However, 6 departments estimate they will end the year over their allocated GFC, resulting in a deficit of $8.5 million. Significant deficits are estimated for the Health Department ($5.4 million), Public Works, Facilities and Parks ($2.0 million), and the Department of Social Services ($970,239). Details for departmental forecasts are provided toward the end of this report.

Department	Final Budge	Current Year Estimate	Variance
Agriculture Commissioner's Office	$ (5,838,428)	$ (4,690,724)	$ 1,147,704
Assessor-County Clerk-Recorder	$ (6,264,616)	$ (5,921,731)	$ 342,885
Auditor-Controller's Office	$ (1,191,747)	$ (1,138,930)	$ 52,817
Board of Supervisors	$ (6,382,790)	$ (6,312,593)	$ 70,197
Civil Rights Office	$ (382,624)	$ (432,666)	$ (50,042)
Clerk of the Board's Office	$ (987,345)	$ (990,944)	$ (3,599)
Cooperative Extension Service	$ (570,019)	$ (565,851)	$ 4,168
County Administrative Office	$ (8,182,123)	$ (7,851,187)	$ 330,936
County Counsel	$ (1,637,140)	$ (1,391,153)	$ 245,987
Department of Child Support Services	$ (62,821)	$ (25,141)	$ 37,680
Department of Emergency Management	$ (3,731,803)	$ (3,532,638)	$ 199,165
Department of Social Services	$ (26,348,875)	$ (27,319,114)	$ (970,239)
District Attorney's Office	$ (19,611,946)	$ (17,199,010)	$ 2,412,936
Elections Department	$ (4,125,284)	$ (4,112,148)	$ 13,136
Health Department	$ (25,542,267)	$ (30,987,572)	$ (5,445,305)
Housing and Community Development Department	$ (9,625,779)	$ (8,315,855)	$ 1,309,924
Human Resources Department	$ (813,044)	$ (274,867)	$ 538,177
Information Technology Department	$ (2,769,799)	$ (1,192,530)	$ 1,577,269
Probation Department	$ (25,210,412)	$ (24,767,320)	$ 443,092
Public Defender's Office	$ (14,992,145)	$ (14,766,447)	$ 225,698
Public Works, Facilities and Parks Department	$ (14,538,470)	$ (16,509,188)	$ (1,970,718)
Sheriff-Coroner	$ (102,632,910)	$ (102,676,429)	$ (43,519)
Treasurer-Tax Collector	$ (245,845)	$ 140,304	$ 386,149

Expenditures are $5.3 million lower than the modified budget, and therefore contributing a positive bottom line. The lower expenditures are primarily due to the salary and benefit saving in the general fund of $16.5 million mainly in the Health Department ($5.3 million), District Attorney's Office ($1.8 million), and Probation ($1.7 million). Favorability in salary and benefits is partially offset by an increase to services and supplies of $9.0 million.

Current year non-program revenue is estimated $3.5 million higher than budget primarily due increased property tax of $2.7 million and Federal Aid of $1.0 million.

Forecast

The forecast reveals significant deficits in the upcoming three years. FY 2025-26 forecasts estimates a deficit of $43.3 million. Similarly, the deficit grows to $67.4 million and $93.6 million in FY 2025-26 and 2026-27 respectively. These deficits are projected despite the anticipated increases in non-program revenue next in the forecast years. This imbalance is the result of continuing increased costs which will exceed available funding. More details about the cost drivers creating this imbalance are provided in the cost driver section of this report.

Furthermore, there are pending negotiations, classification and compensation studies being performed by the Human Resources Department which could affect the projected expenditures in FY 2024-25. The forecast reflects deficits primarily driven by the rising cost of health insurance, PERS, general liability insurance, worker's compensation, and negotiated salary increases.

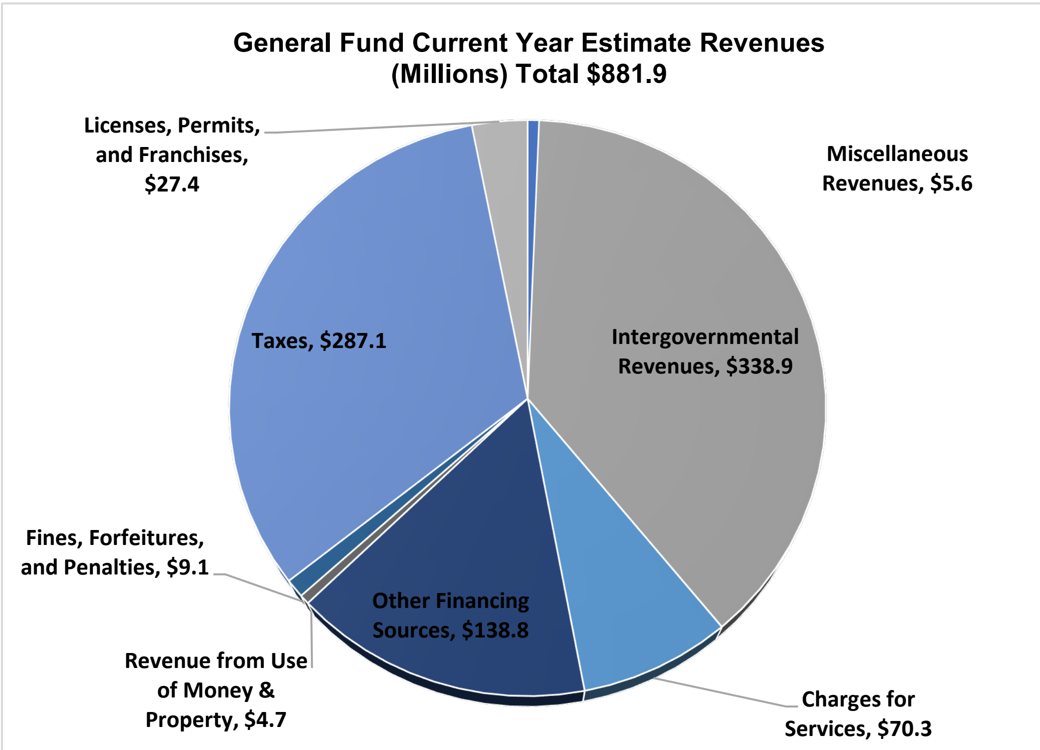
Departments estimate program revenues based on the programs they deliver and known federal and State funding sources as well as grants for the forecast period. Non-program revenue, which is the County's discretionary revenue, is projected to increase. County staff are typically conservative when estimating revenues and expenditures with actual performance generally favorable compared to forecasts. These hypothetical deficits are based on current operations and policy and do not include future service enhancements, wage increases for wage studies, changes in federal or State financial commitments, or revenue declines in an economic downturn, or inflationary changes.

Looking into the future, the County, like the State and other local governments, must continue to plan for a stable and sustainable future for coming generations by maintaining its Strategic Reserve, addressing infrastructure needs, and paying down unfunded liabilities. The financial forecast assumes that the economy continues to grow through the forecast period and does not include potential impacts that may result from possible federal or State policy changes or impacts of a recession or current year discretionary revenue declines. This forecast also does not include any consideration of the use of the County's new sales tax revenue beginning in April of 2025. Consideration of these revenues will be brought forward at a later date when more reliable estimates are calculated.

While some growth is assumed in forecasted years, it is not sufficient to cover increases in costs for current levels of staffing and services. Any new budget commitments will increase the severity of reductions the County would have to make in an economic downturn. Given these uncertainties and events, prudent financial management practices, including limiting new on-going commitments or expansion of programs, is paramount for the current environment.

General Fund Revenues

General fund revenue is composed of program and non-program revenue. Program revenue is specifically designated and/or statutorily required for programs. Sources of program revenue are derived from State and federal aid for various mandated programs primarily in Health and Social Services, charges for services are primarily fees collected by health clinics and other revenues include primarily reimbursement from realignment funds for health, social services, and public safety programs.



Non-program or "discretionary" revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are $5.7 million over budget expectations. The major variances compared to budgeted revenue in the current year include:

- **Revenue in the Department of Social Services is $10.1 million higher than budget.** The estimated revenue increase is correlated to the increase in reimbursable expenditures by the State for higher salary costs of negotiated staff COLAs and increased entitlement caseload costs for CalWORKS, General Assistance, and Out of Home Care programs.

  For the prior year, FY2023-24, DSS ended the year with a deficit of approximately $6.5 million due to delayed revenue that was not received until after the fiscal year accrual deadlines. The revenue received to balance this deficit is not included here as it does not represent operational revenues for the current fiscal year. Therefore, at the FY2024-25 year end, DSS expects to have a technical revenue of $16.6 million greater than the budget.

- **Revenue in the County Administrative Office is $6.7 million higher than budget.** This revenue increase was driven by an $8.5 million transfer from NMC Enterprise Fund to the

Strategic Reserve Fund and will be offset by a decrease in Fund 451. Funds were transferred to increase reserves available for NMC's working capital to cover major capital projects and equipment, which include a hospital information technology system conversion. This increase is partially offset by a $1.1 million reduction of Federal Aid expected for Homelessness Strategies and Initiatives, and a $0.5 million reduction in Fines, Forfeitures, and Penalties recovered.

- **Non-program revenue is projected to be $3.5 million higher than budget.** In the current year, the increase in discretionary revenue is largely driven by property tax $2.7 million above budget due to higher property values.

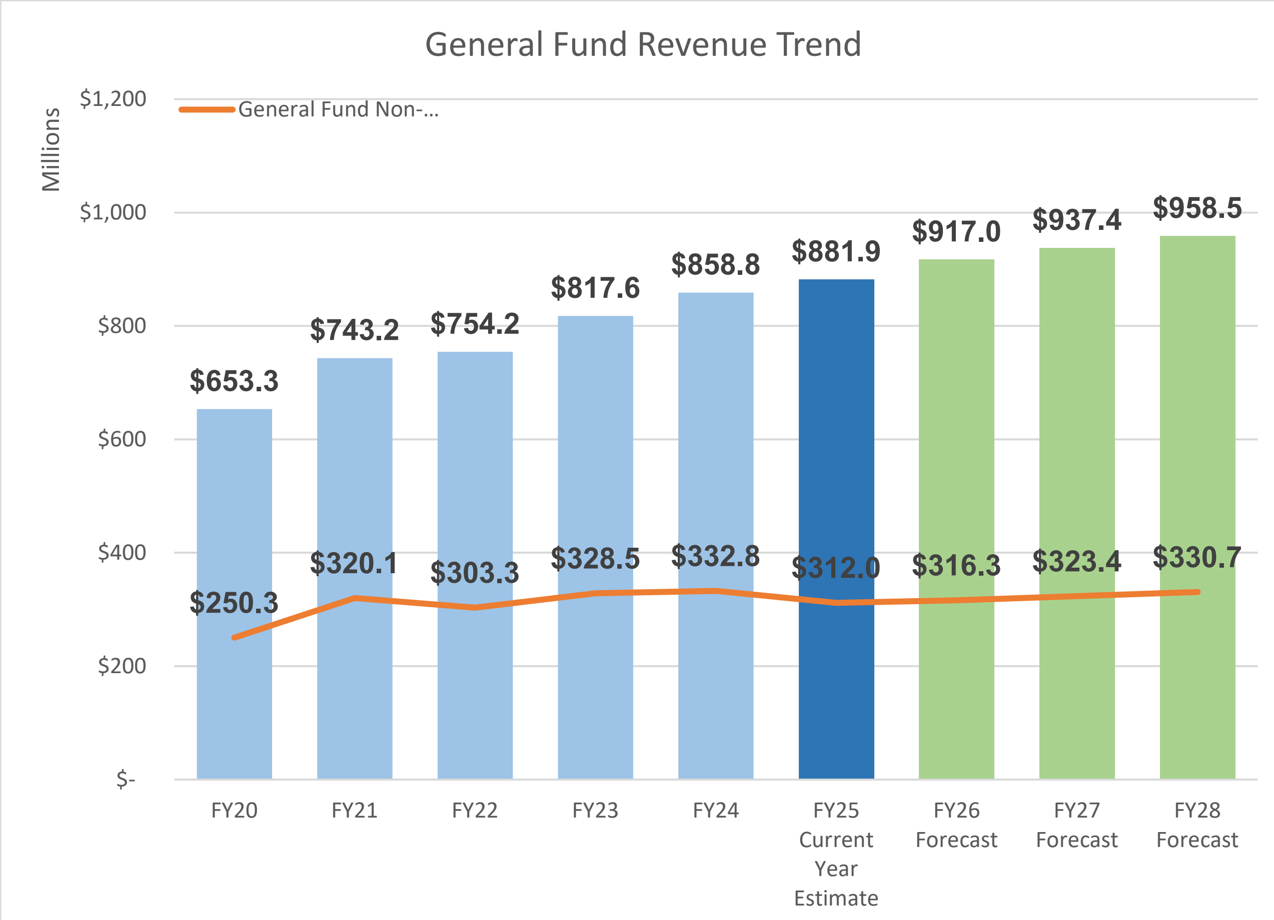
- **Revenue in Public Works, Facilities, and Parks is $1.0 million higher than budget.** The revenue increase is mainly attributed to higher park visitation at Lake San Antonio due to improved water levels ($0.3 million), a $0.1 million grant for a boat, and $0.1 million from increased shared utility costs. Additionally, $0.4 million in revenue was transferred in to cover the unscheduled maintenance projects.

- **Revenue in the Sheriff-Coroner is $0.9 million higher than Budget.** Increase in revenue is driven primarily by CalAIM grants provided to support inmate care and supportive services as they transition back to the communities.

- **Revenue in the Health Department is $15.5 million below budget.** The contributing factors to lower than budgeted revenue include the high vacancy rate which impacted the level of services provided, and decreased patient visits at the primary clinics.

- **Revenue in the Treasurer Tax Collector is $1.1 million below Budget.** The Treasurer Tax Collector projects revenue to be $1.1 million below budget due to lower levels of reimbursable expenditures in the TTC's Revenue and Treasury Divisions. In addition, the repeal of various administrative fees by Assembly Bills 177 and 199 continues to negatively impact previously collectible revenue sources.

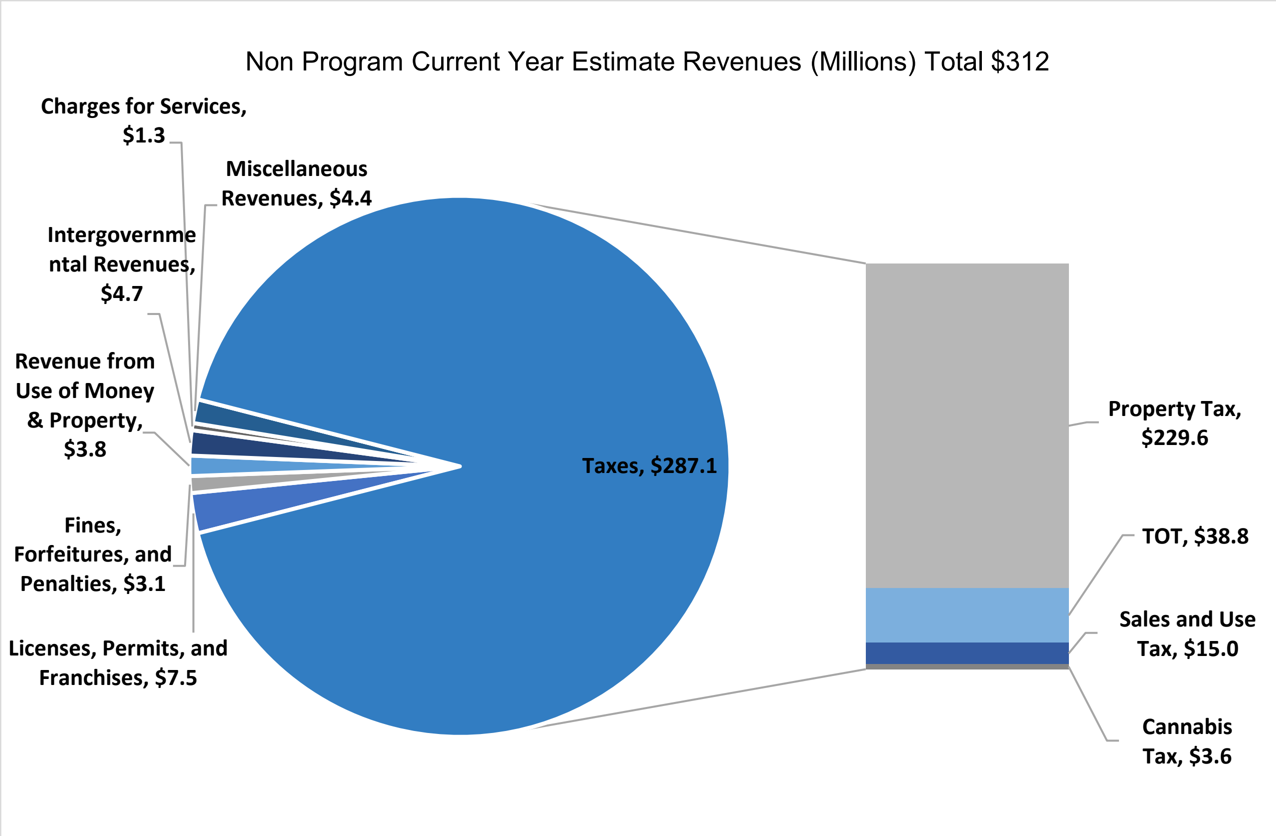
Forecasted years exclude one-time revenue sources and ARPA revenue, but overall, assume modest growth in program and discretionary revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County contributions of discretionary "non-program" revenue.



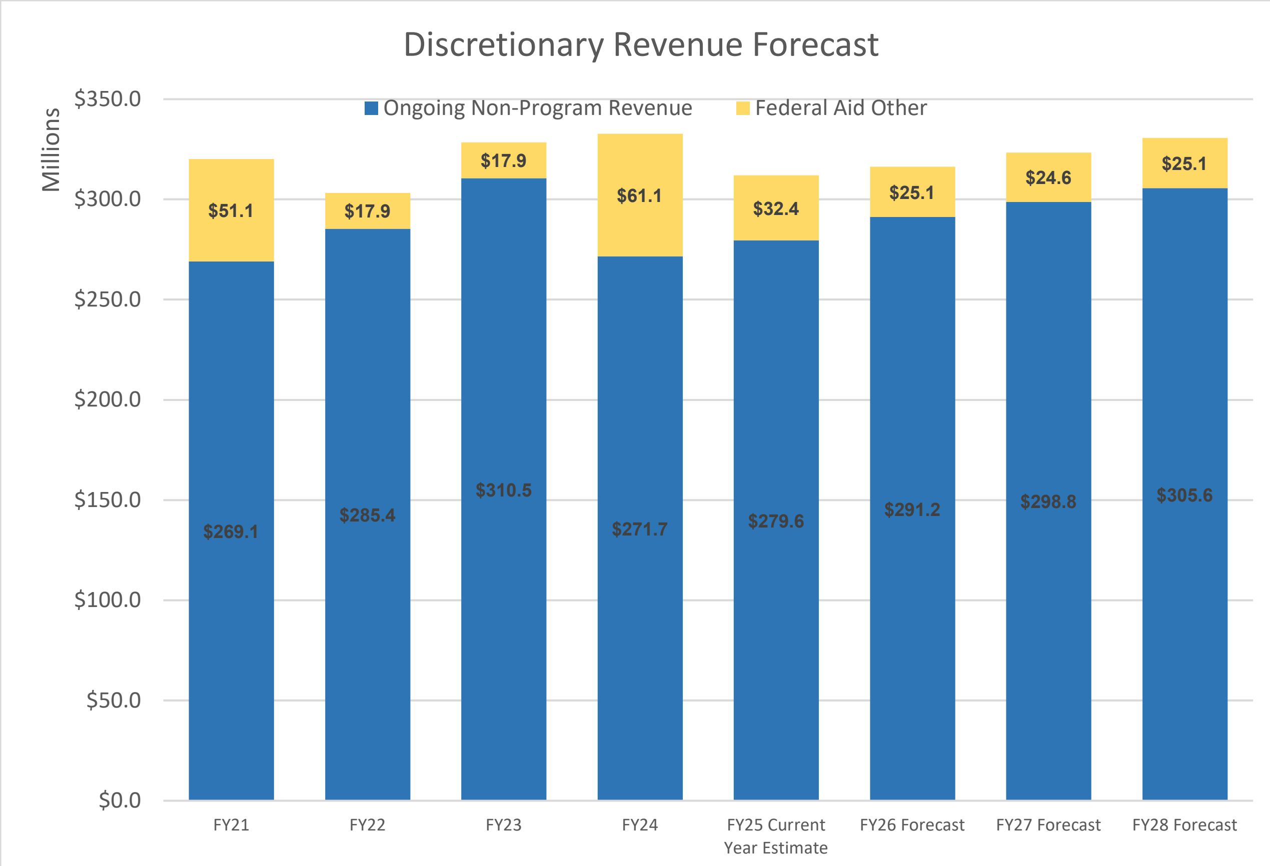
Since FY 2013-14, the County's program revenues have mostly grown under state-county realignment and the Affordable Care Act to support increased responsibilities and associated costs, including mandated public assistance and health and public safety programs. For FY 2025-26, general fund revenues are estimated to increase $35 million. This increase is primarily due to higher State reimbursements within DSS and the Health Department salary increases and will be offset by the related expenses. The chart above reflects the overall general fund revenue trend and the non-program revenue trend, which accounts for slightly over one-third of general fund revenues.

Discretionary Revenues

Discretionary revenues provide the Board flexibility to address local priorities and to provide matching funds to leverage federal and State monies and to meet maintenance of effort requirements.

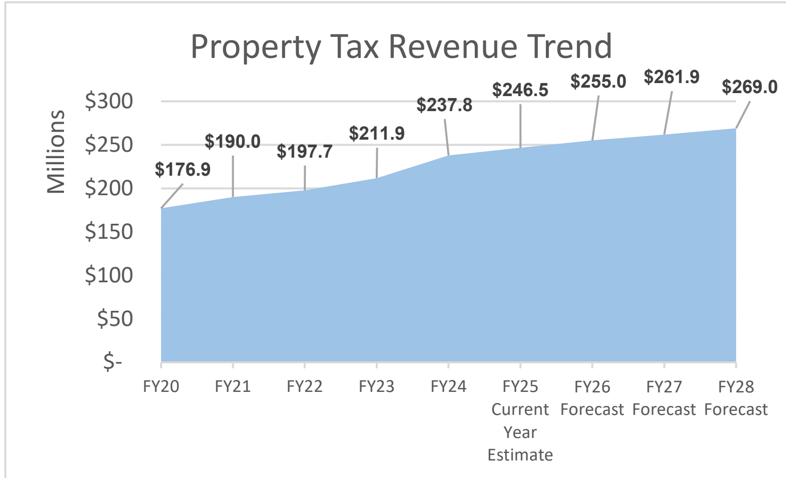


Tax revenue accounts for majority of local discretionary monies. Sources of non-program revenue are displayed in the chart above. Total non-program revenue in the current year is estimated at $312.0 million. Property tax revenue is the largest source of non-program revenue, projected at $229.6 million (74%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: $38.8 million in TOT, $15.0 million in sales and use tax revenue, franchise fees of $7.5 million, $3.8 million of federal aid, tobacco settlement monies of $3.8 million, investment income of $3.8 million, and $3.6 million in cannabis revenue.

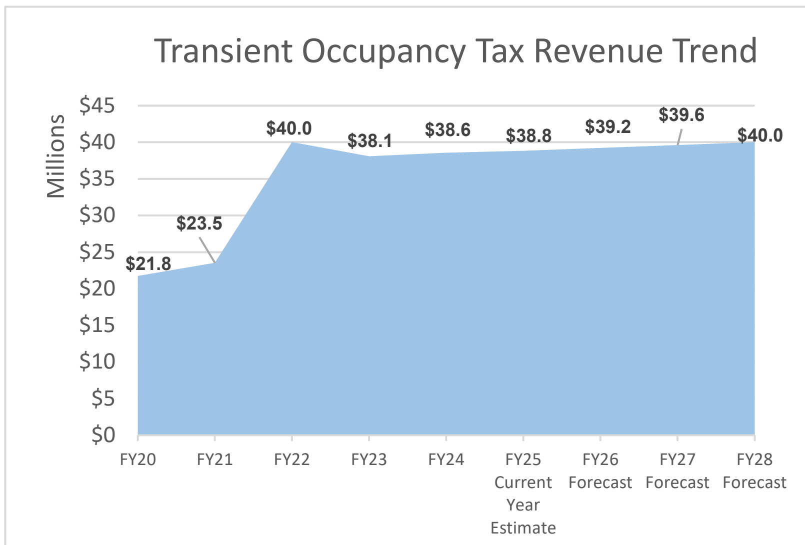


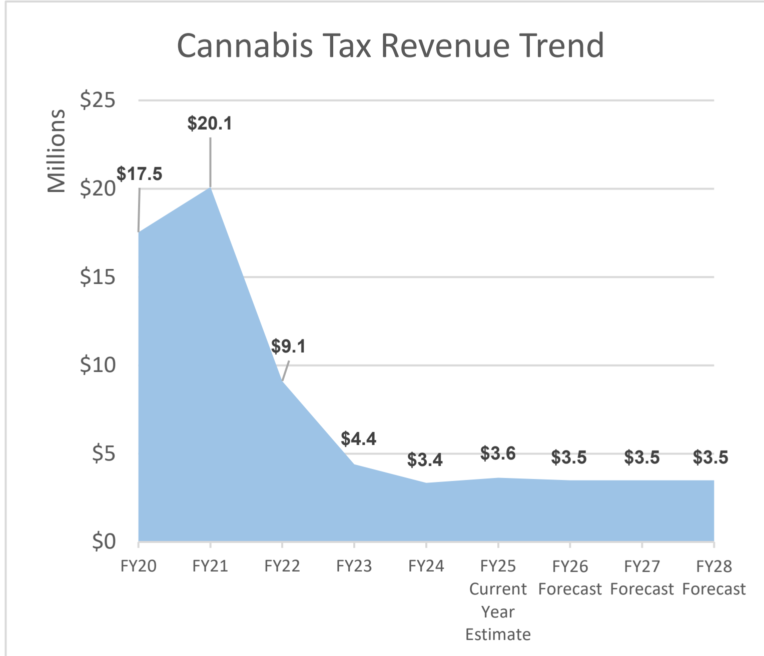
Discretionary revenue continues to grow in coming years. The chart reflects the projected non-program revenue in the current year, upcoming budget year (FY 2025-26) and two out years. Projected current year non-program revenue is above budget mostly due to improvement in property taxes as current year performance has fared better than initial more conservative estimates included in the budget. The chart also breaks out Federal Aid revenue from the prior year and current year, to reflect a more accurate trend in discretionary revenues. Adjusting out the Federal Aid revenues from the current year, we see that discretionary revenue grows $11.6 million in FY 2025-26 and an additional $7.6 million and $6.8 million in the subsequent two years, respectively. The improvement in projected revenue is primarily due to positive trends in property tax collections resulting from higher assessments.

Increases in property assessments result in discretionary revenue growth. As seen on the chart, property taxes continue to grow due to positive trends in property values and an increase in assessments. Next year, the forecast assumes a 3.4% growth resulting in a $8.4 million improvement in property tax revenue. The two out years include a more conservative growth assumption of 2.7% each, yielding additional revenue of $6.9 and $7.1 million respectively.



Transient Occupancy Tax Continues at a Level Rate. TOT is the County's second largest source of discretionary, revenue. Often referred to as the "hotel tax," TOT is the tax applied on hotel/motel accommodations. Various tourist attractions contribute to the County's TOT. The tax rate for Monterey County is 10.5%. The pandemic and corresponding stay at home orders negatively impacted revenue collected in the second half of the FY 2019-20. As travel restrictions eased in FY 2020-21, the County saw a rebound in tourism with revenues coming in at $23.5 million. In FY 2021-22 TOT revenue came in at a historic $40.0 million. In FY 2022-23 and FY 2023-24, TOT revenue remained high at $38.1 million and $38.6 million. TOT revenue is expected to remain stable at an estimated $38.8 million in revenue for FY2024-25 and has been forecasted in out years with an expected growth of 1.0% assuming no economic downturn.





Cannabis revenue continues at a decreased level based on approved tax changes. In FY 2022-23, the Board approved reductions to cannabis tax rates resulting in $5.5 million decrease to cannabis revenue. Cannabis revenue is estimated to be $3.6 million for FY 2024-25. If lower cannabis tax rates are adopted by the Board of Supervisor as cost pressures continue in the industry, cannabis revenue will further decrease, and the cannabis program will be further affected.

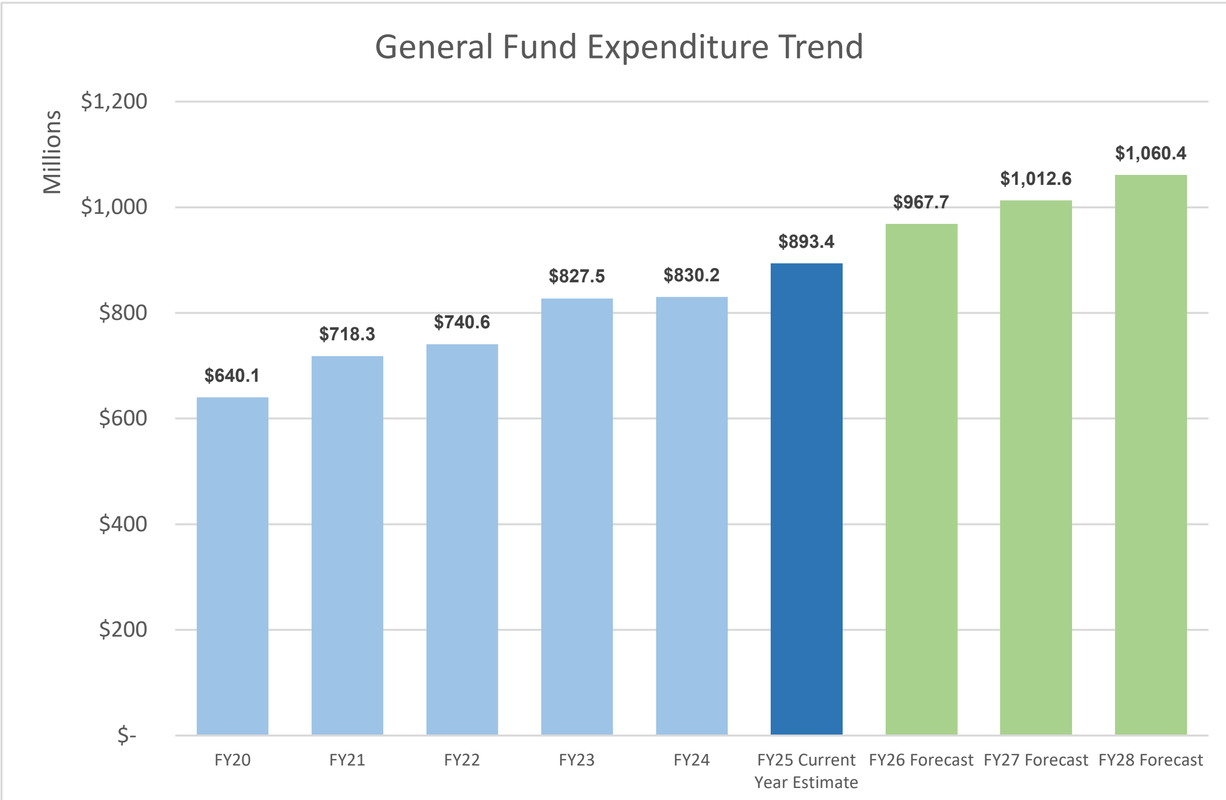
As of the date of this report, the cannabis assignment has an estimated uncommitted balance of $0.3 million. The assignment is not expected to grow future years since cannabis revenue is allocated entirely as part of the GFC next fiscal year. Assignment utilization in FY 2024-25 totals $2.2 million as shown in the table below.

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**

General Fund Expenditures

The FY 2024-25 adopted budget included appropriations of $881.9 million. The modified budget is $900.7 million. There are modifications to budgets which occurred after this report was compiled and



were not included in the modified budget figures due to timing. Departments continue to amend their budget throughout the year as the need arises and the final modified budget will be different.

Current year expenditures are estimated at $893.4 million, or 7.3 million below budgeted expenditures.

The primary factor for below budget expenditures in the current year is $16.5 million in salary and benefits savings from vacancies across the County. The Health Department alone accounts for $5.3 million in salary and benefit savings, the District Attorney's Office accounts for $1.8 million, and Probation Department $1.7 million, as the departments continue to struggle recruit and to find qualified staff.

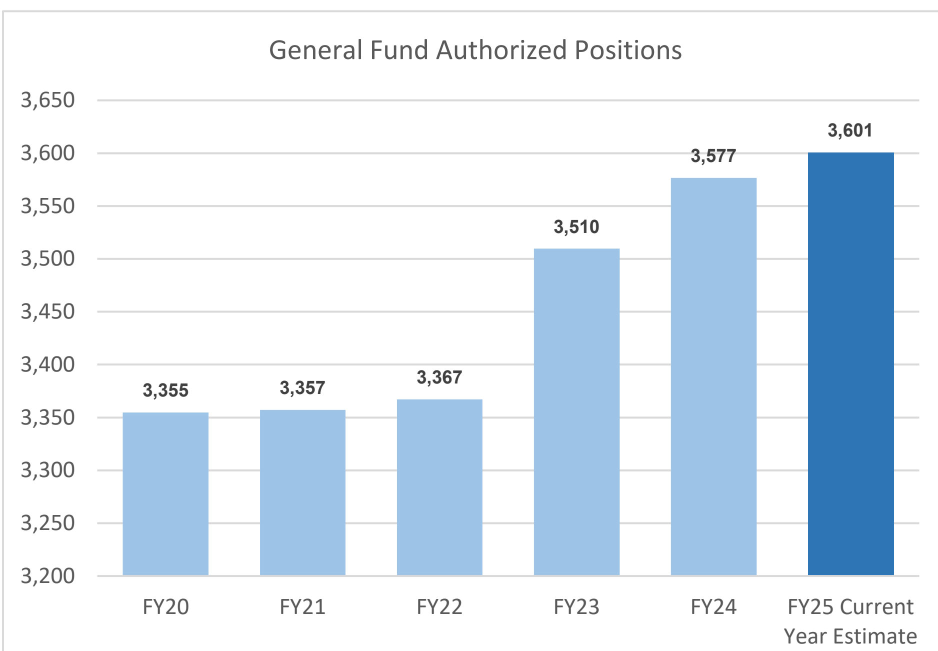
At the writing of this report, the County had an overall 13.5% vacancy rate in the general fund. For perspective, the 2.5% increase that most units in the County received and the wage adjustments had an estimated cost $22.5 million in the current year, based on currently filled positions. At the time the forecast was developed there were an estimated 486 vacancies in the general fund, with an estimated annualized value of $51.2 million next fiscal year. Of these vacancies, approximately 56% reside within two departments: Health and Social Services. To the extent these departments fill vacant positions costs will go up, but it is likely some of the costs would qualify for some level of reimbursements from State and federal agencies. Therefore, vacancies in these departments do not translate into County savings to the same extent as departments which cannot seek reimbursement from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies or departments that share cost with other payors.

For next year's forecast, one-time expenditures such as infrastructure projects are excluded. In the forecast, departments generally assume that all vacancies are filled and at top step. This conservative estimate illustrates potential increases in expenditure levels; however, expenditures are curtailed to available funding. As responsible fiscal managers, Departments make operational changes if funding levels are constrained, including delaying hiring of vacant positions. An adjustment for salary savings is made in the forecast years. This adjustment is discussed later in the report.

The FY 2024-25 adopted budget included a fund balance use of $18.5 million to support department programs and one-time funding needs. Departmental restricted fund balance is utilized by the Health Department ($4.5 million) to cover a liability payment to the state related to the true-up of payments received and services rendered in health clinics and for environmental health oversight. The Department of Social Services plans to utilize $3.4 million in restricted funds for its community programs and other programs. The County Administrative Office will use $1.4 million to provide a rate subsidy to Pajaro Sanitation District. Public safety departments use of $924,596 in departmental restricted fund balance for expenses that meet restrictions of funds. Additionally, the Budget includes cancellation of assignments including $1.1 million from the Information Technology Assignment to fund projects to replace technology infrastructure; $1.7 million from the Cannabis Assignment to fund body-worn cameras in the Sheriff's Office and to fund a position in the Department of Emergency Management; $550,000 from the disaster assignment to fund an agreement to manage Federal Emergency Management Agency (FEMA) cost recovery for previous disaster response; and $1.0 million from the Compensated Absences Assignment to provide additional funding for community requests.

Major Cost Drivers

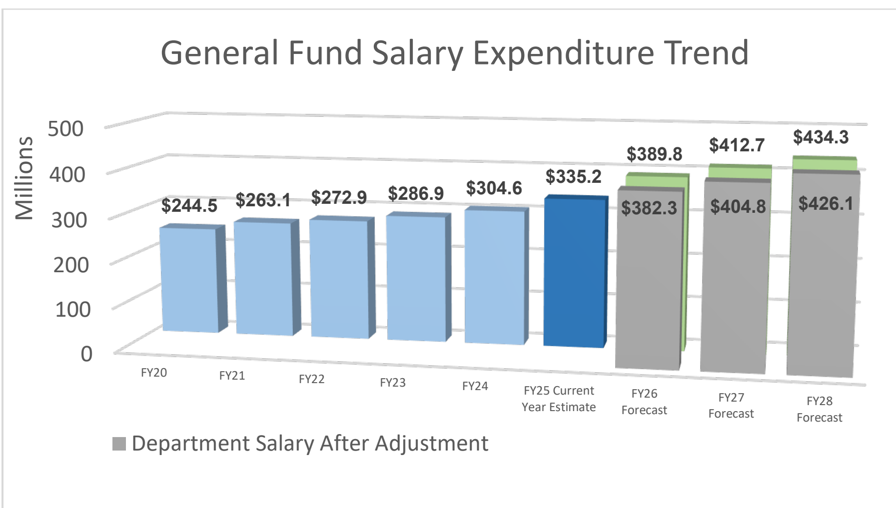
County programs and services continue to be impacted by higher labor costs resulting from negotiated



salary increases, increased employer pension contributions, increased healthcare costs, higher workers' compensation, and general liability costs.

Prior and current fiscal year wage increases add to salary cost. Higher salary costs are associated with wage increases based on approved MOUs, which provided employees in most bargaining units a 2.5% base wage increase in FY 2023-24. Over the past five years, the general fund has absorbed an average annual increase of $11.6 million in salary costs. In the fall of 2024, the Board of Supervisors approved various Tentative Agreements with labor groups which included wage increases for FY 2024-25 through FY 2026-27. The Board approved annual wage increases for most labor groups of 4.0% through FY 2026-27, while CEMA represented units received 4.0% every six months starting in January 2025 and ending in July 2026. Additionally, the County has implemented wage adjustments for various classifications throughout the County resulting in increased costs to the County. These adjustments originated from compensation studies conducted by Human Resources in accordance with the County's compensation philosophy. Independent of position growth, wage increases approved for the three fiscal years had and estimated impact of $45.3 million in cost (wages and impact to payroll taxes and higher pension contributions) to the general fund in the current year, compounded to $150.8 million by the end of FY 2027-28. The forecast assumes approved wage increases through FY 2027-28.

Along with increases in staffing levels, salary increases continue to constrain department's budgetary flexibility. General Fund positions grew year-over-year by a total of 246 positions from FY 2020-21 to FY 2024-25.

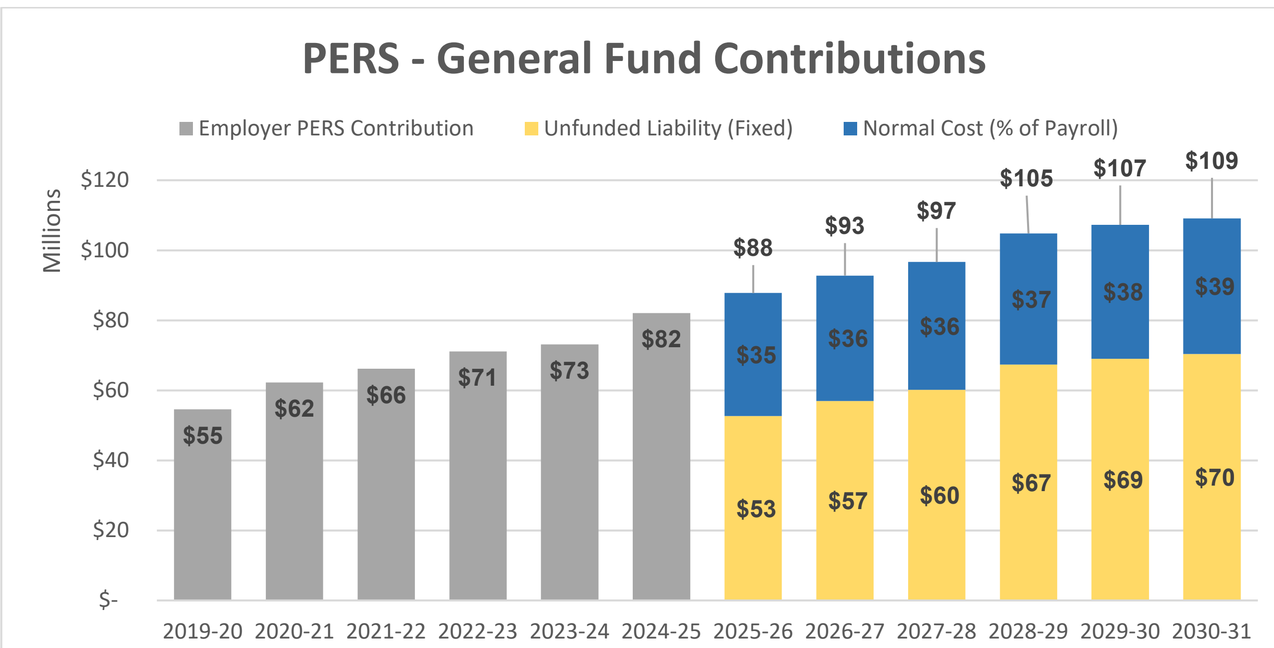


Departments estimate salary expenditures increases of $30.6 million, from $304.6 million in the prior year to $335.2 million in the current year. The estimate includes higher wages based on labor agreements, classification age studies, plans to fill additional positions through the current year, and step advances. Departments generally forecast all vacancies are filled and at top step. Departments manage their budgets to anticipated funding levels, and thereby make changes to their operations – including delaying hiring. Additionally, savings in salaries have consistently occurred due to attrition and turnover. Some Departments such as Health and Social Services build in a vacancy rate into the forecast. However, it is important to note that most departments experience turnover and attrition, and actual performance is historically better than the projections. As such, the forecast added a salary savings adjustment to illustrate prior years' experience more closely in salary expenditures. Taking the salary adjustment into consideration, salary expenditures increase to $426.1 million by FY 2027-28. The forecast includes future wage increases for labor agreements through FY 2027-28 but does not include any increases for negotiations that are currently occurring.

Employer contributions continue to increase. The County continues to see its contributions towards employee pensions increase. Driving the increases are changes to CalPERS' actuarial methodology, including the following actions:

- Changes in amortization and rate smoothing policies to accelerate paying down large unfunded liabilities.
- Change to fixed dollar contribution for the unfunded liability portion, rather than as a percentage of payroll, to prevent potential funding issues that could arise from a declining payroll.
- Adoption of new demographic assumptions that show retirees living longer, and thus requiring higher lifetime payout of benefits.
- Approval of a new funding risk mitigation policy to incrementally lower the discount rate.

Projected results assume no plan changes, no changes in assumptions, and no liability gains or losses. Additionally, projected results are based on investment returns not falling below the assumed rate of return, which will increase contributions. Projections are also based on payroll reported to CalPERS and assume an inflation factor; however, projections do not consider adding new positions. Any changes to those elements will have a direct impact on required contributions.



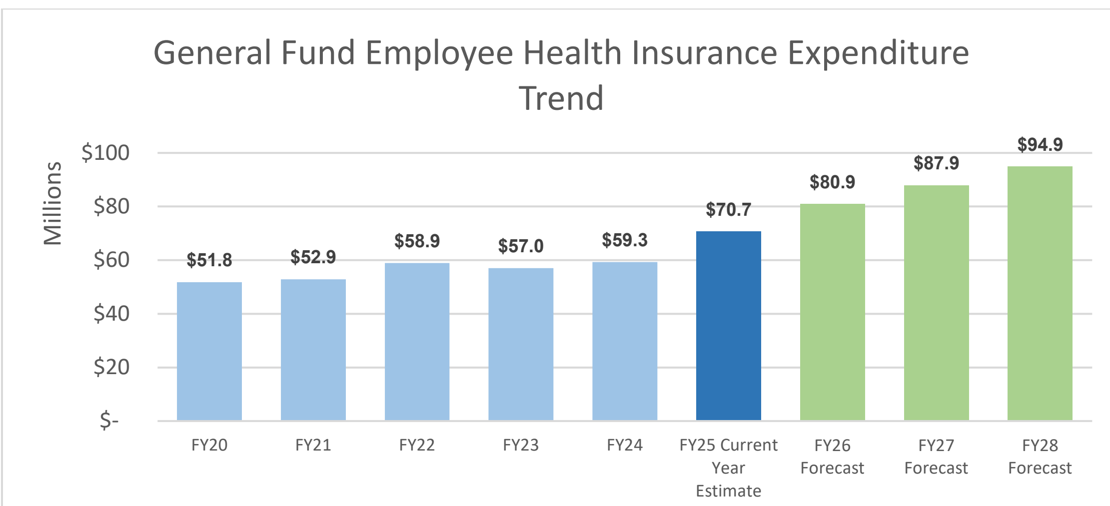
General fund contributions continue to increase in the forecast years with an increase of $5.6 million next fiscal year bringing the total contribution to $88 million.

As part of their Funding Mitigation Policy, CalPERS is using a discount rate of 6.8% effective with the June 30, 2021 valuation. Their policy seeks to reduce funding risk over time and establishes a mechanism that prompts adjustments if the investment performance significantly outperforms the discount rate, expected investment returns, and strategic asset allocation targets. This was the case for FY 2020-21, where performance yielded a 21.3% return on investment, and therefore, a 20-basis point adjustment was triggered by the funding policy. However, in FY 2021-22, the performance yielded a

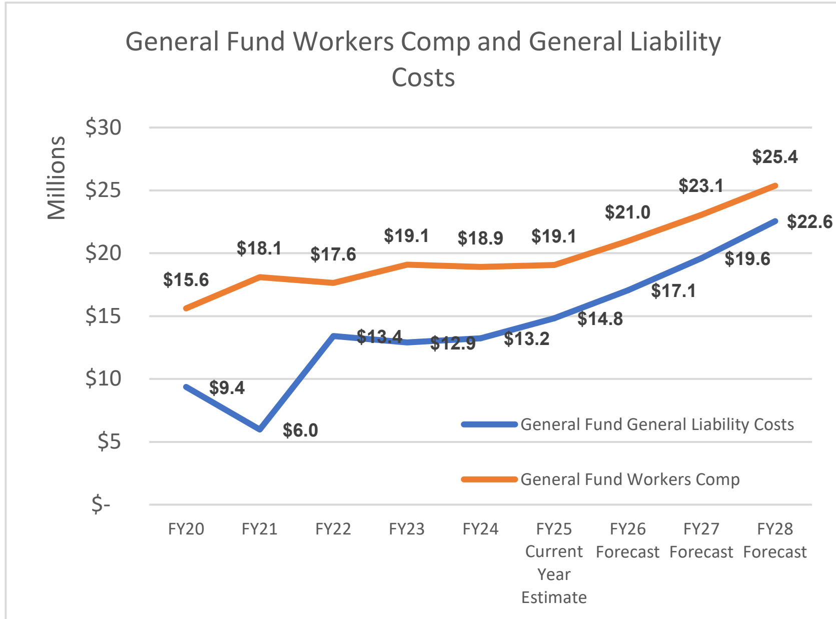
-6.1% return on investment leading to the first loss since the 2009 financial crisis. In FY 2022-23, the CalPERS investment return rate of 5.8% continued to fall short of the 6.8% discount rate. As a result, required employer contributions are expected to increase in the coming years. The projections in the chart above are based on CalPERS actuarial valuations, which are built on actual payroll data obtained by CalPERS, and therefore, based on existing levels of filled staffing. The chart breaks out the portion of the contribution that goes toward paying unfunded liabilities. The County's current unfunded liabilities are $906.5 million after considering the $108 million in the 115 -pension trust fund.

In addition to the increases shown in the chart above, higher inflation rates are expected to further increase the required contribution amounts in future years. During the time period between the valuation date and the publication of the CalPERS Actuarial Report, inflation has been higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2024, valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists.

Increases in health insurance premiums continue to add to Countywide fiscal pressures. Health care costs for the current year are estimated at $70.7 million, an increase of $11.4 million from the prior year. As comparison, costs increased $7.5 million from FY 2019-20 to FY 2022-24.



Additionally, costs are estimated to grow by $10.2 million in FY 2025-26. This increase is a direct result of premium increases, phase out of more affordable plans, and the terms of the latest negotiated labor contracts which include higher County contributions for premiums and higher costs of flex cash credits provided to more bargaining groups. However, much of the increase is tied to assumptions that vacancies are filled in forecast years (FY 2024-25 through FY 2026-27).

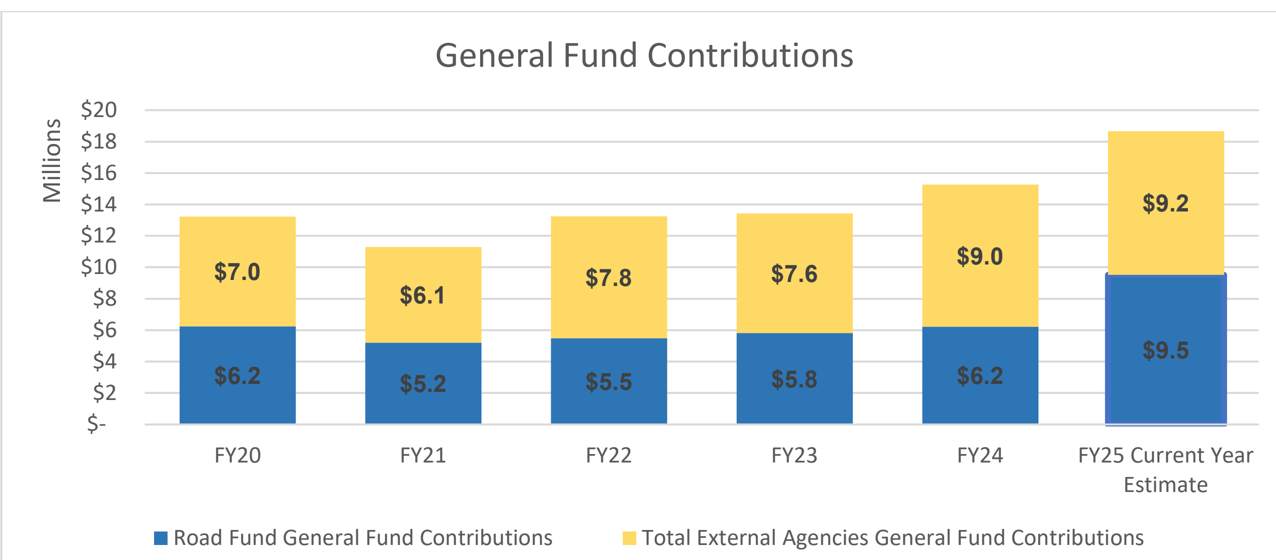


Costs to run internal service fund programs continue to increase. The workers' compensation program continues its trend of increasing projected allocated costs. FY 2025-26 costs are estimated at $21.0 million or $1.9 million higher than the current year and projected to grow 10% annually in the following two years, to $25.4 million by FY 2027-28. This growth represents a $9.8 million increase from FY 2019-20 costs. Next fiscal year, the general liability (GL) program's allocated costs to departments also are estimated slightly higher than the current year at $14.8 million (recoverable and non-recoverable combined) and then grow 15% in the subsequent two years to $22.6 million by FY 2027-28.

The chart above, shows the trend of historical and projected workers' compensation and general liability costs. The chart reflects a dip in FY 2020-21 for general liability costs, which reflects the suspension of approximately $8.5 million in charges of GL recoverable costs to general fund departments due to budgetary constraints. In FY 2021-22, the GL recoverable costs resumed.

Funding Commitments

In addition to operational cost drivers, County policy provides for funding towards external agencies and to the Road Fund. Funding agreements are based on percentage formulas, which have generally resulted in increased annual contributions in recent years. These commitments total $18.7 million in FY 2024-25 and result from the following:



Funding to external agencies in support of their mission to economic development. County policy provides funding for agencies that promote economic development, tourism, and cultural arts. Contributions to these endeavors has varied over time as the County's contribution adapts to the economic conditions facing the community. For example, during FY's 2016-17 and 2017-18, contribution amounts were capped at FY 2015-16 levels, or $1.9 million, due to fiscal constraints. In FY 2018-19, contributions returned to formula based; however, in FY 2019-20 contributions were aet at a capped amount, totaling $2.1 million. In FY 2020-21, the contribution was reverted to a formula driven approach, with a cap reflecting the anticipated decline of TOT revenue due to the COVID-19 Pandemic, resulting in a contribution of $1.2 million. In FY 2021-22, the amount was based on a formula using FY 2018-19 (pre pandemic) revenue, resulting in a contribution of $2.5 million. On April 26,2022, the Board of Supervisors established that all future contributions will be capped at the FY 2019-20 amount of $2.1 million. The forecast assumes static amounts from the current year. In FY 2022-23 adopted budget a one-time augmentation of $10,000 to the Film Commission and $20,000 to the Arts Council was approved by the Board. In FY 2023-24 adopted budget included a modified contribution which represented a 29.1% ($657,113) increase over their year. In FY 2024-25 adopted budget the contribution was reverted to a formula approach; increased the DSA percentage of TOT from 8.93% to 9.19%; included the Business Council as an official DSA agency with a dedicated percentage of the formula; resulting in a total contribution of $3.4 million. Contributions to these agencies had grown by an average of $160,000 annually over the last nine fiscal years. During the budget development, the Board decides the level of contributions and can modify distribution percentages for this funding based on current economic conditions.

- **Proposition 172 revenues (Half-Cent Public Safety Tax).** The County distributes Proposition 172 revenues based on funding agreements to user agencies of the 911 dispatch center and to fire districts to promote public safety. These contributions are at the discretion of the Board. The FY 2024-25 contributions to user agencies of the 911 center total $2.3 million and the allocation to the fire districts is $4.1 million and were based on the original formula using FY 2021-22 actuals as the base. Contributions to user agencies and fire districts have grown $582,895 and $1.1 million annually over the last five fiscal years. Due to an uncertain economic outlook, it is assumed that Proposition 172 revenue will see no growth in contributions from the current year.

- **TOT to the Road Fund**. In FY 2013-14, the Board adopted a policy to contribute a percentage of TOT revenue to the Road Fund, recognizing that well maintained roads are vital to the local economy. In FY 2019-20, the Board approved adjusting the contribution to the Road Fund at a level necessary to meet maintenance of effort (MOE) with the difference directed to Board approved road projects. In FY 2022-23 the amount was kept at the minimum MOE required. In FY 2024-25 the Board approved 25 percent of TOT revenue to the Road fund. Based on current formulas, next fiscal year, the estimated contribution to the Road Fund to meet MOE is $6.4 million will be exceeded by $3.2 million for a total of $9.6 million.

Emerging Countywide Needs

The following table summarizes emerging needs including departmental cost pressures that will require budget solutions beginning in the current year and next fiscal year. Although most departments are anticipating absorbing the additional cost, some departments may require budgetary solutions in the current year.

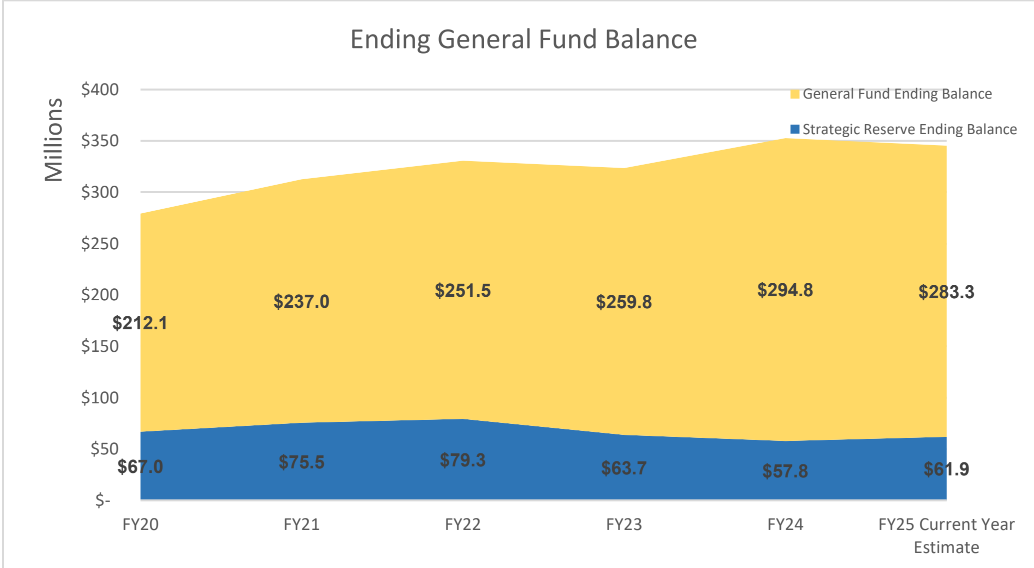
Emerging Needs	FY24-25	FY25-26	FY26-27
Wage Study Adjustments		$ 6,379,451	$ 6,201,474
Salary Increases	$ 2,306,294	$ 29,735,229	$ 31,073,386
PERS Contribution Increases	$ 8,944,891	$ 5,675,216	$ 5,013,033
Total	**$ 11,251,185**	**$ 41,789,896**	**$ 42,287,893**

Salary increases. Most bargaining units labor agreements were negotiated with the County in the current year, resulting in additional costs of $2.3 million and $29.7 million the following year. Additionally, several wage studies for various classifications occurred in the current year, with an estimated cost of $6.3 million for the next fiscal year. While non-program revenue is increasing, it is not sufficient to keep pace with increasing costs, resulting in some unfunded needs next fiscal year.

PERS contribution. As mentioned earlier in the report, pension contributions continue to increase. An increase of $5.6 million is anticipated next fiscal years. This is independent of position growth or salary increases.

2025 Moss 300 Lithium-ion Battery Energy Storage Facility Structure Fire and Hazardous Materials Event. On January 16, 2025, shortly after 3:00 p.m. a fire began at the Vistra Energy 300-MW Phase I battery energy storage facility located at the Moss Landing Power Plant. The Vistra operation is one of the largest lithium battery storage facilities in the world and the fire caused the lithium batteries to burn. Local fire officials could not extinguish the fire due to the extreme heat from the multiple lithium batteries burning, and as of January 17th the fire continued burning. On January 16th, the Monterey County Sheriff evacuated approximately 1,200 individuals in the area. Response and recovery efforts are ongoing and the total cost to the County is unknown currently. On January 16, 2025, shortly after 3:00 p.m. a fire began at the Vistra Energy 300-MW Phase I battery energy storage facility located at the Moss Landing Power Plant. The Vistra operation is one of the largest lithium battery storage facilities in the world and the fire caused the lithium batteries to burn. Local fire officials could not extinguish the fire due to the extreme heat from the multiple lithium batteries burning, and as of January 17th the fire continued burning. On January 16th, the Monterey County Sheriff evacuated approximately 1,200 individuals in the area. Response and recovery efforts are ongoing and the total cost to the County is unknown currently.

Financial Reserves



Since the recession, the Board has strengthened financial policies to restore balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. Historically, the County has invested year-end surpluses and one-time gains in its strategic reserve and other key investments, resulting in improvement to the County's ending fund balance each year.

The FY 2024-25 modified budget includes $11.5 million in use of fund balance including funds authorized from restricted fund balance and other assignments. Based on the current year estimated results, the estimated general fund balance is projected at $283.3 million at year-end. At the time this report was written, the Annual Comprehensive Financial Report (ACFR) was not available; therefore, fund balance figures for FY 2023-24 are estimated.

The County has previously built up the general fund strategic reserve which allowed the County to be able to respond to natural disasters and extraordinary legal costs. Because of favorable results, the County was able to keep investing in the Strategic Reserve reaching 10% of estimated annual general fund revenues, thereby meeting the Board' strategic reserve policy ceiling in FY 2021-22 ($79.3 million). Therefore, in FY 2022-23, the County was able to redirect $52.1 million towards unforeseen disasters.

The current Strategic Reserve is $57.8 million a decrease of $5.9 million mainly due to the reliance on strategic reserves for responses to winter storms over the last two years. The strategic reserve balance is currently at 6.8% of general fund estimated revenues for FY 2025-26, compared to the 10% ($91.7 million) policy target prudently set by your Board. This leaves the strategic reserve with a gap of $29.8 million to meet the policy requirements. Minimum reserves levels must be restored within five years of the event by policy.

As illustrated in the above graph, unforeseen costs can easily reduce reserve levels. Without the prior investments, the County may not have been able to respond to the magnitude of costs due to unforeseen events or the recession during FY 2008-09. Potential uses of the strategic reserve will help the County mitigate impacts during an economic recession or other extraordinary events. It is important to continue to preserve the County's finances, and align expenditures to available ongoing revenues, to be better prepared for future events including an economic downturn.

Natural Disasters Affecting the County's Finances

The County has seen an increase in the number of disasters affecting its constituents. The severity of these disasters has also grown in duration and intensity. This has required the County to utilize a significant amount of its local reserves to help alleviate the community's impact caused by these disasters pending federal and other financing sources which could be used for this purpose. Since Federal reimbursements for these costs usually take a long time to reach local communities, the County the impact to the County's finances has been significant. Based on estimates provided by the Department of Emergency Management (DEM), since 2019, the County has incurred an estimated $97 million in eligible response costs to various emergencies of which an estimated $11 million has been received from the Federal government and $46-80 million are outstanding. The final reimbursement amount is still in the process of refinement and does not account for the $23 million the County received in FY 2022-23 from the State as part of an advance to help respond to the 2023 storm events. The CAO department will continue working with the DEM department to fine tune these figures and provide a more complete picture of FEMA reimbursements when the FY 2025-26 budget is presented to the Board.

Disaster #	Incident Name	Status	Possible FEMA Eligible Damage	Low End Reimbursement	Maximum Possible Federal	Obligated Federal Share
4434	2019 Winter Storm	Close Out	$95,762	$70,429	$77,250	$70,429
4482	2020 COVID-19	In Progress	$18,179,563	$7,114,934	$18,149,804	$7,114,934
4558	2020 Wildfires	Close Out	$1,820,703	$1,737,358	$1,737,358	$1,737,358
4683	2023 January Winter Storms	In Progress	$27,999,026	$18,754,646	$23,489,059	$2,036,926
4699	2023 March Winter Storms	In Progress	$43,751,190	$17,341,847	$32,813,393	$384,717
4769	2024 February Winter Storms	Commencing	$4,953,995	$778,336	$3,715,496	-
Grand Total			**$96,800,239**	**$45,797,550**	**$79,982,360**	**$11,344,364**

General Fund Departmental Forecasts

This section provides individual departmental forecasts, which compare forecasted needs (i.e., expenditures) based on current staffing and services to available financing including estimated program revenue plus authorized general fund contributions adopted by the Board. The resulting forecast summaries help identify potential areas where service capacity may be impacted because of projected changes in expenditures and revenues. Departmental summaries offer a tool to assist the Board of Supervisors in prioritizing the distribution of discretionary general fund contributions in the upcoming budget process.

Per County policy, Departments forecasting current year deficits are required to prepare and submit a Budget Committee report outlining the cause of the problem, the alternatives available to mitigate the projected deficit, and the Department's recommended action. In the current year, Departments estimating a deficit include the Health Department, District Attorney, and Probation.

General Fund Contributions

Departments are provided preliminary estimates of general fund contributions for purposes of building their initial "baseline" budgets. The initial GFC estimates represent preliminary allocations of discretionary general fund monies to be used for planning purposes. Departments use these monies to supplement program-specific revenues to finance operations. All non-program revenue, including growth, was allocated as GFC to departments.

Preliminary GFC planning estimates for the budget year and forecast years were based on current year GFC allocations with the following adjustments:

- Worker's Compensation & General Liability Increase Adjustments
- Cost Plan Adjustment – preliminary GFC planning estimates did not include an adjustment to departments GFC for anticipated cost plan charges or credits. Departments assumed static cost plan charges and credits for the forecast. Since the preliminary GFC estimates were distributed, the Auditor-Controller's Office has published updated countywide cost plan allocation (COWCAP) amounts to be applied next fiscal year. An updated GFC estimate was distributed to departments to include an adjustment for COWCAP. Per the Board's prior direction, updated GFC estimates redistributed preliminary GFC allocations across general fund departments to make the updated COWCAP a budget-neutral event (to the extent of available resources) and minimize the COWCAP's impact to general fund departments.

Departmental Forecasts

Departmental forecasts assume the budget year 2024-25 preliminary General Fund Contribution (GFC) figures as approved by the Board to fund levels of staffing and services as prioritized in the adopted budget; and assumes growth in discretionary revenue in the FY 2025-26 is distributed using the same priorities. GFC for the remaining forecast years is assumed to be static from FY 2025-26. The forecast tables in the upcoming sections reference the cost plan. This represents the cost allocation plan charges or credits for departments receiving or providing internal administrative services respectively.

Fund 1001 (General Fund) Agriculture Commissioner's Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 13,419,426	$ 13,211,862	$ 14,582,976	$ 15,013,686	$ 15,852,283
B. Cost Plan	$ 2,569,502	$ 2,569,502	$ 2,569,502	$ 2,569,502	$ 2,569,502
C. Total Expenditures, A+B	$ 15,988,928	$ 15,781,364	$ 17,152,478	$ 17,583,188	$ 18,421,785
D. Revenue	$ 10,150,500	$ 11,090,640	$ 10,224,500	$ 10,249,500	$ 10,274,500
E. Financing Need, C-D	$ 5,838,428	$ 4,690,724	$ 6,927,978	$ 7,333,688	$ 8,147,285
F. Preliminary GFC	$ 5,838,428	$ 5,838,428	$ 5,499,602	$ 5,499,602	$ 5,499,602
G. Surplus/(Deficit), F-E	$ -	$ 1,147,704	$ (1,428,376)	$ (1,834,086)	$ (2,647,683)

Agricultural Commissioner – The Agricultural Commissioner's Office expects to end the current year with $15.8 million in expenditures, $11.1 million in revenues and a general fund contribution of $4.7 million resulting in a year-end surplus of $1.1 million. The surplus is primarily due to unanticipated revenue earned through Unclaimed Gas Tax (UGT) and distributed by the California Dept. of Food & Agriculture (CDFA). The Department plans to manage expenditures during the remaining fiscal year to ensure it meets maintenance of effort requirements and earn maximum UGT revenue for FY 2025-26. In the forecast years, the projected expenses increase due to higher salary and benefit costs, increases to service and supply due to inflationary pricing changes and scheduled equipment and vehicle replacement. Revenues are estimated to maintain current budgeted levels in forecast years, and do not assume continuance of the unanticipated revenue realized in the current year. The forecast period reflects growing deficits for the Department as rising cost pressures outpace revenue growth.

Fund 1001 (General Fund) Auditor-Controller's Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 7,826,509	$ 7,773,691	$ 8,469,654	$ 9,682,327	$ 13,430,368
B. Cost Plan	$ (6,014,469)	$ (6,014,468)	$ (6,014,468)	$ (6,014,468)	$ (6,014,468)
C. Total Expenditures, A+B	$ 1,812,040	$ 1,759,223	$ 2,455,186	$ 3,667,859	$ 7,415,900
D. Revenue	$ 620,293	$ 620,293	$ 620,293	$ 620,293	$ 620,293
E. Financing Need, C-D	$ 1,191,747	$ 1,138,930	$ 1,834,893	$ 3,047,566	$ 6,795,607
F. Preliminary GFC	$ 1,191,747	$ 1,191,747	$ 1,209,756	$ 1,209,756	$ 1,209,756
G. Surplus/(Deficit), F-E	$ -	$ 52,817	$ (625,137)	$ (1,837,810)	$ (5,585,851)

Auditor-Controller – The table summarizes the finances for departmental operations. The Auditor-Controller estimates ending the fiscal year with expenditures of $1.8 million and revenues of $620,293, resulting in a projected surplus of $52,817. The surplus is a result of salary and benefit savings due to vacancies. The deficits in the forecast years are driven by increases in PERS contributions and supplemental charges, health insurance cost, salary increases resulting from labor agreements and wage studies, and decreased interfund reimbursements for staff costs as a result of the expected completion of the ERP Replacement project.

Fund 1001 (General Fund) Assessor-County Clerk-Recorder	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 9,312,139	$ 7,946,947	$ 10,340,705	$ 11,023,025	$ 11,734,899
B. Cost Plan	$ 1,323,477	$ 1,323,477	$ 1,323,477	$ 1,323,477	$ 1,323,477
C. Total Expenditures, A+B	$ 10,635,616	$ 9,270,424	$ 11,664,182	$ 12,346,502	$ 13,058,376
D. Revenue	$ 4,371,000	$ 3,348,693	$ 4,696,700	$ 4,801,700	$ 4,951,800
E. Financing Need, C-D	$ 6,264,616	$ 5,921,731	$ 6,967,482	$ 7,544,802	$ 8,106,576
F. Preliminary GFC	$ 6,264,616	$ 6,264,616	$ 6,314,371	$ 6,314,371	$ 6,314,371
G. Surplus/(Deficit), F-E	$ -	$ 342,885	$ (653,111)	$ (1,230,431)	$ (1,792,205)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of $9.3 million, and revenues of $ 3.3 million resulting in an estimated surplus of $ 342,885. The estimated surplus is attributed to salary savings from vacant positions. Revenue continues to decrease as real estate transactions in the Recorder's office decrease. Forecasted deficits are due to estimated step advances, negotiated salary increases, employee benefit costs and decreased revenue.

Fund 1001 (General Fund) Board of Supervisors	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 5,417,608	$ 5,347,411	$ 5,779,955	$ 6,156,084	$ 6,502,428
B. Cost Plan	$ 965,182	$ 965,182	$ 965,182	$ 965,182	$ 965,182
C. Total Expenditures, A+B	$ 6,382,790	$ 6,312,593	$ 6,745,137	$ 7,121,266	$ 7,467,610
D. Revenue	$ -	$ -	$ -	$ -	$ -
E. Financing Need, C-D	$ 6,382,790	$ 6,312,593	$ 6,745,137	$ 7,121,266	$ 7,467,610
F. Preliminary GFC	$ 6,382,790	$ 6,382,790	$ 6,428,752	$ 6,428,752	$ 6,428,752
G. Surplus/(Deficit), F-E	$ -	$ 70,197	$ (316,385)	$ (692,514)	$ (1,038,858)

Board of Supervisors – The budget for the Board of Supervisors includes six general fund units, providing for each of the five districts, and a general pool that covers shared expenses not specific to any one district. The Department projects year-end expenditures of $6.3 million compared to a budgeted GFC of $6.3 million, resulting in a year-end estimated surplus of $70,197. The estimated surplus is primarily due to decreases in various services and supplies such as equipment, miscellaneous services, and other departmental expenses. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, retirement costs, and general liability insurance.

Fund 1001 (General Fund) Department of Child Support Services	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Operating Expenditures	$ 11,347,611	$ 11,400,026	$ 11,343,849	$ 12,126,870	$ 12,920,244
B. Cost Plan	$ 895,327	$ 895,327	$ 895,327	$ 895,327	$ 895,327
C. Total Expenditures, A+B	$ 12,242,938	$ 12,295,353	$ 12,239,176	$ 13,022,197	$ 13,815,571
D. Revenue	$ 12,180,117	$ 12,270,212	$ 12,142,610	$ 12,142,610	$ 12,142,610
E. Financing Need, C-D	$ 62,821	$ 25,141	$ 96,566	$ 879,587	$ 1,672,961
F. Preliminary GFC	$ 62,821	$ 62,821	$ 88,934	$ 88,934	$ 88,934
G. Surplus/(Deficit), F-E	$ -	$ 37,680	$ (7,632)	$ (790,653)	$ (1,584,027)

Child Support Services - is funded almost entirely through federal and state subventions for mandated services. The Department estimates year-end expenditures of $12.3 million, revenue of $12.3 million and General Fund Contribution (GFC) of $25,141. The GFC is to cover cost such as non-recoverable general liability cost that are not reimbursable by the State. The Department will be relocating its offices during the fiscal year, resulting in a cost of nearly $1 million which is offset by salary savings from vacancies during the year. Overall, the estimate reflects an increase in expenditures of $52,416; however, state reimbursements will also be higher than budget, resulting in a surplus GFC of $37,680.

Expenditures are forecasted to increase primarily due to increase in employee salary and benefits, workers compensation and PERS contributions. The forecast assumes elimination of nine vacant position that have not been filled due to budgetary restraints. Even then, the department is projecting deficits in the forecast period due to rising cost pressures, assuming the allocation from the State Department of Child Support remains static with FY 24-25.

Fund 1001 (General Fund) Civil Rights Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Operating Expenditures	$ 1,128,545	$ 1,178,587	$ 1,245,888	$ 1,374,377	$ 1,438,536
B. Cost Plan	$ (745,921)	$ (745,921)	$ (745,921)	$ (745,921)	$ (745,921)
C. Total Expenditures, A+B	$ 382,624	$ 432,666	$ 499,967	$ 628,456	$ 692,615
D. Revenue	$ -	$ -	$ -	$ -	$ -
E. Financing Need, C-D	$ 382,624	$ 432,666	$ 499,967	$ 628,456	$ 692,615
F. Preliminary GFC	$ 382,624	$ 382,624	$ 385,231	$ 385,231	$ 385,231
G. Surplus/(Deficit), F-E	$ -	$ (50,042)	$ (114,736)	$ (243,225)	$ (307,384)

Civil Rights – The Civil Rights Office estimates expenditures of $1.2 million offset by a cost plan credit of $745,921. The Department anticipates ending the year with a projected deficit of $50,042. Much of this deficit is attributable to the unanticipated $23,000 increase in wages due to approved labor agreements. Other increases included unanticipated but necessary security measures for the Civil Rights Office. The forecast period reflects continuous deficits at the current level of funding based on rising costs for salary, pension, healthcare costs as well as higher operating expenses to continue necessary protections for civil rights.

Fund 1001 (General Fund) Clerk of the Board's Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Operating Expenditures	$ 965,382	$ 969,171	$ 1,054,658	$ 1,123,750	$ 1,183,702
B. Cost Plan	$ 41,963	$ 41,973	$ 41,973	$ 41,973	$ 41,973
C. Total Expenditures, A+B	$ 1,007,345	$ 1,011,144	$ 1,096,631	$ 1,165,723	$ 1,225,675
D. Revenue	$ 20,000	$ 20,200	$ 20,100	$ 20,100	$ 20,100
E. Financing Need, C-D	$ 987,345	$ 990,944	$ 1,076,531	$ 1,145,623	$ 1,205,575
F. Preliminary GFC	$ 987,345	$ 987,345	$ 988,926	$ 988,926	$ 988,926
G. Surplus/(Deficit), F-E	$ -	$ (3,599)	$ (87,605)	$ (156,697)	$ (216,649)

Clerk of the Board – The Clerk of the Board estimates year-end expenditures of $1.0 million and revenue of $20,200 ending the year with a deficit $3,599 resulting from an expense mistakenly charge to the department which is currently being corrected. In forecasted years, revenues from assessment appeal applications filings are projected to remain static while expenditures are expected to continue rising due to step advances, negotiated salary increases and employee benefit costs resulting in projected deficits.

Fund 1001 (General Fund) Cooperative Extension Service	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 519,647	$ 502,345	$ 563,151	$ 600,374	$ 633,180
B. Cost Plan	$ 71,282	$ 71,282	$ 71,282	$ 71,282	$ 71,282
C. Total Expenditures, A+B	$ 590,929	$ 573,627	$ 634,433	$ 671,656	$ 704,462
D. Revenue	$ 20,910	$ 7,776	$ 15,849	$ 15,891	$ 15,938
E. Financing Need, C-D	$ 570,019	$ 565,851	$ 618,584	$ 655,765	$ 688,524
F. Preliminary GFC	$ 570,019	$ 570,019	$ 571,970	$ 571,970	$ 571,970
G. Surplus/(Deficit), F-E	$ -	$ 4,168	$ (46,614)	$ (83,795)	$ (116,554)

Cooperative Extension - Cooperative Extension estimates ending the current year with $573,627 in expenditures, $7,776 in revenue and a GFC of $565,851, resulting in a surplus of $4,168. The Department projects a deficit in the forecasted years, primarily due to higher salary and benefits costs resulting from wage increases and higher pension and healthcare cost.

Fund 1001 (General Fund) County Administrative Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 24,625,252	$ 23,062,420	$ 12,426,412	$ 13,433,174	$ 14,247,711
B. Cost Plan	$ (2,111,398)	$ (2,111,398)	$ (2,111,398)	$ (2,111,398)	$ (2,111,398)
C. Total Expenditures, A+B	$ 22,513,854	$ 20,951,022	$ 10,315,014	$ 11,321,776	$ 12,136,313
D. Revenue	$ 14,331,731	$ 13,099,835	$ 514,707	$ 568,054	$ 591,199
E. Financing Need, C-D	$ 8,182,123	$ 7,851,187	$ 9,800,307	$ 10,753,722	$ 11,545,114
F. Preliminary GFC	$ 8,182,123	$ 8,182,123	$ 7,992,618	$ 7,992,618	$ 7,992,618
G. Surplus/(Deficit), F-E	$ -	$ 330,936	$ (1,807,689)	$ (2,761,104)	$ (3,552,496)

County Administrative Office - The table above summarizes the finances for the County's Administration "departmental" operations, including Administration and Finance, Budget and Analysis, Contracts/Purchasing, Intergovernmental and Legislative Affairs (IGLA), Community Engagement & Strategic Advocacy, Economic Development, Cannabis, Sustainability, Communications, and Homelessness Strategies and Initiatives.

The Department projects year-end expenditures of $21.0 million, financed by revenues of $13.1 million and GFC of $8.2 million. These projections result in a year-end estimated surplus of $330,944. The estimated surplus is primarily due to salary savings from vacancies.

The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, and retirement costs.

Fund 1001 (General Fund) County Counsel	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 6,084,390	$ 5,911,393	$ 6,709,960	$ 7,103,725	$ 7,466,461
B. Cost Plan	$ (3,997,250)	$ (3,997,250)	$ (3,997,250)	$ (3,997,250)	$ (3,997,250)
C. Total Expenditures, A+B	$ 2,087,140	$ 1,914,143	$ 2,712,710	$ 3,106,475	$ 3,469,211
D. Revenue	$ 450,000	$ 522,990	$ 450,000	$ 450,000	$ 450,000
E. Financing Need, C-D	$ 1,637,140	$ 1,391,153	$ 2,262,710	$ 2,656,475	$ 3,019,211
F. Preliminary GFC	$ 1,637,140	$ 1,637,140	$ 1,665,118	$ 1,665,118	$ 1,665,118
G. Surplus/(Deficit), F-E	$ -	$ 245,987	$ (597,592)	$ (991,357)	$ (1,354,093)

County Counsel - County Counsel estimates to end the current fiscal year (FY) 2024-25 at $1.9 million in expenditures and $522,990 in revenues, which results in a surplus of $245,987 after General

Fund Contribution of $1.6 million. The estimated surplus is due to increased revenue from direct bill clients and salary savings from some vacant and underfilled positions throughout the fiscal year. The estimated deficits anticipated for the 3-year forecast are due to the salary and benefit increases and wage studies, especially for the attorney positions.

Fund 1001 (General Fund) Department of Emergency Management	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 9,779,994	$ 9,574,255	$ 10,177,988	$ 10,379,510	$ 10,562,839
B. Cost Plan	$ 701,224	$ 701,224	$ 701,224	$ 701,224	$ 701,224
C. Total Expenditures, A+B	$ 10,481,218	$ 10,275,479	$ 10,879,212	$ 11,080,734	$ 11,264,063
D. Revenue	$ 6,749,415	$ 6,742,841	$ 6,500,964	$ 6,500,964	$ 6,500,964
E. Financing Need, C-D	$ 3,731,803	$ 3,532,638	$ 4,378,248	$ 4,579,770	$ 4,763,099
F. Preliminary GFC	$ 3,731,803	$ 3,731,803	$ 2,286,168	$ 2,286,168	$ 2,286,168
G. Surplus/(Deficit), F-E	$ -	$ 199,165	$ (2,092,080)	$ (2,293,602)	$ (2,476,931)

Department of Emergency Management – Emergency Management estimates year-end expenditures of $10.3 million, revenues of $6.7 million, and a GFC of $3.7 million resulting in a surplus of $199,165. The estimated surplus is a result of salary and benefits savings due to several positions becoming vacant and the delay in being able to fill them as well as delays in several contract executions. DEM is continuing recruitment efforts and will be filling limited term grant funded positions. The department will continue to monitor the year-end estimate as unknown expenses continue to arise from prior year storms and the potential for future unknown disaster events may occur.

In the forecast years, the projected expenses increase due to estimated step advances, negotiated salary increases and employee benefits cost.

Fund 1001 (General Fund) District Attorney's Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 32,318,661	$ 30,337,591	$ 37,745,497	$ 40,277,293	$ 42,748,752
B. Cost Plan	$ 4,912,339	$ 4,912,339	$ 4,912,339	$ 4,912,339	$ 4,912,339
C. Total Expenditures, A+B	$ 37,231,000	$ 35,249,930	$ 42,657,836	$ 45,189,632	$ 47,661,091
D. Revenue	$ 17,619,054	$ 18,050,920	$ 17,903,836	$ 17,846,462	$ 18,012,874
E. Financing Need, C-D	$ 19,611,946	$ 17,199,010	$ 24,754,000	$ 27,343,170	$ 29,648,217
F. Preliminary GFC	$ 19,611,946	$ 19,611,946	$ 19,513,320	$ 19,513,320	$ 19,513,320
G. Surplus/(Deficit), F-E	$ -	$ 2,412,936	$ (5,240,680)	$ (7,829,850)	$ (10,134,897)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of $35.2 million, revenues of $18 million and $19.6 million in GFC, resulting in a year-end surplus of $2.4 million. Revenues are down $300K due to delays in settlements of cases in the Civil Unit, decreased Prison Unit billings and decreased sales tax revenues. Expenditures are significantly lower than budgeted levels due to salary savings from vacancies throughout the year. The DA projects deficits in the forecast years primarily due to forecasted salary increases, increasing PERS retirement costs, health insurance premiums and allocated costs such as workers' compensation insurance.

Fund 1001 (General Fund) Elections Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Operating Expenditures	$ 6,004,435	$ 6,153,236	$ 6,388,629	$ 6,613,753	$ 6,800,088
B. Cost Plan	$ 443,875	$ 443,875	$ 443,875	$ 443,875	$ 443,875
C. Total Expenditures, A+B	$ 6,448,310	$ 6,597,111	$ 6,832,504	$ 7,057,628	$ 7,243,963
D. Revenue	$ 2,323,026	$ 2,484,963	$ 702,374	$ 1,918,000	$ 268,000
E. Financing Need, C-D	$ 4,125,284	$ 4,112,148	$ 6,130,130	$ 5,139,628	$ 6,975,963
F. Preliminary GFC	$ 4,125,284	$ 4,125,284	$ 4,140,155	$ 4,140,155	$ 4,140,155
G. Surplus/(Deficit), F-E	$ -	$ 13,136	$ (1,989,975)	$ (999,473)	$ (2,835,808)

Elections - The Elections Department administers all federal, state, county, and local public elections. Departmental expenditures and revenues vary based on the number and size of scheduled and unscheduled elections each year. The Department expects to end the current year with expenditures of $6.6 million, revenues of $2.5 million, and a general fund contribution of $4.1 million, resulting in a surplus of $13,136.

The Department had savings in salary and benefits from vacancies, reduction of printing costs related to efficiencies in the ballot layout and design of the November 5, 2024 Presidential Election and a corresponding reduction in postage. This cost savings will facilitate previously deferred purchases, including the maintenance and upgrade of computer hardware and the potential implementation of electronic poll books, estimated at $552,665. The Department expects to end the Fiscal Year with an overall remaining surplus of $13,135.

Projected expenditures and revenues in forecast years reflect one scheduled election per fiscal year: a statewide primary in FY 2025-26, a statewide general in FY 2026-27, and a Presidential Primary in FY 2027-28. The funds necessary to conduct mandated county, state and federal elections must be provided by the General Fund. Revenues from local districts reimburse the cost of their portion of the election. FY 2025-26 and FY 2027-28 are projected to have reduced revenues due to fewer billable jurisdictions that consolidate with the primary election cycle. FY 2026-27 is projected to have an increase in revenue from a greater number of billable jurisdictions consolidating with the general election cycle. Revenue from state and federal grants is expected to decrease significantly during the forecast period. The deficits in the forecast period are attributed to higher employee compensation, a decrease in grant funds, and the cyclical revenue which is dependent on reimbursements from jurisdictions.

Fund 1001 (General Fund) Health Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Operating Expenditures	$ 138,271,490	$ 128,720,462	$ 147,822,798	$ 151,463,434	$ 156,212,109
B. Cost Plan	$ 8,990,492	$ 8,527,433	$ 8,527,433	$ 8,527,433	$ 8,527,433
C. Total Expenditures, A+B	$ 147,261,982	$ 137,247,895	$ 156,350,231	$ 159,990,867	$ 164,739,542
D. Revenue	$ 121,719,715	$ 106,260,323	$ 139,493,920	$ 141,311,377	$ 144,308,574
E. Financing Need, C-D	$ 25,542,267	$ 30,987,572	$ 16,856,311	$ 18,679,490	$ 20,430,968
F. Preliminary GFC	$ 25,542,267	$ 25,542,267	$ 16,863,777	$ 16,863,777	$ 16,863,777
G. Surplus/(Deficit), F-E	$ -	$ (5,445,305)	$ 7,466	$ (1,815,713)	$ (3,567,191)

Health Department – The Health Department provides a wide array of services including but not limited to animal services, public health, clinic services, public guardian/conservator/administrator, emergency medical services, and environmental health. The Department estimates year-end expenditures of $137.2 million, revenues of $106.3 million, and a financing need of $31.0 million.

Year-end expenditures are estimated at $10.1 million lower than budgeted primarily due to salary and benefits savings of $5.2 million resulting from a vacancy rate of approximately 22% as the Department continues to struggle to find qualified staff across all bureaus, but particularly in the

Public Health Bureau and Health Department Administration and Office of Equity, and savings of $4.9 million in services and supplies, other charges and fixed assets attributable to lower levels of services to the public than planned. Overall, most of the savings are in the categories of professional services, which will not be required due to the lower than planned staffing, and capital assets due to delays in equipment acquisition associated with the supply chain. The total estimated expenditures include a liability payment to the State totaling $4.2 million from budgeted restricted fund. As of March 2015, some Central California Alliance for Health members were moved from fee-for-service to capitation with the State performing yearly reconciliations. Any over payment for services rendered by the County found by the State must be returned. Revenue is projected to end the year $15.5 million below budget. The contributing factors to lower than budgeted revenue include the high vacancy rate which impacted the level of services provided, and decreased patient visits at the primary clinics.

Although the table depicts the Department ending the current fiscal year with a $5.4 million deficit, the Department anticipates narrowing or closing the gap with additional new fee for service revenue at the primary care clinics which was identified after the submission of the year-end estimates, and with expenditure adjustments. The Department projects ending within or very close to the allocated General Fund Contribution in the current year. The projected deficits in the forecast years are clerical in nature, as use of restricted funds was not included. The Department will submit annual budgets in compliance with the allocated General Fund Contribution.

Fund 1001 (General Fund) Housing and Community Development Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 17,961,329	$ 16,633,469	$ 19,551,621	$ 20,818,311	$ 22,026,146
B. Cost Plan	$ 1,733,296	$ 1,733,296	$ 1,733,296	$ 1,733,296	$ 1,733,296
C. Total Expenditures, A+B	$ 19,694,625	$ 18,366,765	$ 21,284,917	$ 22,551,607	$ 23,759,442
D. Revenue	$ 10,068,846	$ 10,050,910	$ 10,068,846	$ 10,068,846	$ 10,068,846
E. Financing Need, C-D	$ 9,625,779	$ 8,315,855	$ 11,216,071	$ 12,482,761	$ 13,690,596
F. Preliminary GFC	$ 9,625,779	$ 9,625,779	$ 8,749,673	$ 8,749,673	$ 8,749,673
G. Surplus/(Deficit), F-E	$ -	$ 1,309,924	$ (2,466,398)	$ (3,733,088)	$ (4,940,923)

Housing and Community Development - The FY2024-25 year-end estimate for Housing and Community Development (HCD) consists of $18.4 million in expenditures, revenues of $10 million and a General Fund Contribution of $9.6 million resulting in a net estimated surplus of $1.3 million. The savings is attributed to salary and benefit savings due to vacancies. The Department is working to fill vacant positions to provide a higher level of service to the constituents of Monterey County. HCD continues to utilize outside consultants to process Planning and Building applications. The Department continues to forecast revenues conservatively even though the non-discretionary costs continue to rise.

Fund 1001 (General Fund) Human Resources Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 7,364,193	$ 6,826,016	$ 8,109,970	$ 8,752,075	$ 9,289,870
B. Cost Plan	$ (6,551,149)	$ (6,551,149)	$ (6,551,149)	$ (6,551,149)	$ (6,551,149)
C. Total Expenditures, A+B	$ 813,044	$ 274,867	$ 1,558,821	$ 2,200,926	$ 2,738,721
D. Revenue	$ -	$ -	$ -	$ -	$ -
E. Financing Need, C-D	$ 813,044	$ 274,867	$ 1,558,821	$ 2,200,926	$ 2,738,721
F. Preliminary GFC	$ 813,044	$ 813,044	$ 778,319	$ 778,319	$ 778,319
G. Surplus/(Deficit), F-E	$ -	$ 538,177	$ (780,502)	$ (1,422,607)	$ (1,960,402)

Human Resources- The Human Resources Department projects $538,177 in unused appropriations for the current fiscal year due to position vacancies.

A deficit is projected for the forecasted years, and it is projected to grow over the next few years primarily because of rising salary and benefit costs, such as wage increases, position step advances, PERS contributions, worker's comp insurance, and general liability insurance.

Fund 1001 (General Fund) Information Technology Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 23,675,359	$ 22,172,261	$ 25,721,295	$ 27,212,867	$ 28,588,503
B. Cost Plan	$ (20,355,560)	$ (20,355,560)	$ (20,355,560)	$ (20,355,560)	$ (20,355,560)
C. Total Expenditures, A+B	$ 3,319,799	$ 1,816,701	$ 5,365,735	$ 6,857,307	$ 8,232,943
D. Revenue	$ 550,000	$ 624,171	$ 550,000	$ 550,000	$ 550,000
E. Financing Need, C-D	$ 2,769,799	$ 1,192,530	$ 4,815,735	$ 6,307,307	$ 7,682,943
F. Preliminary GFC	$ 2,769,799	$ 2,769,799	$ 2,172,840	$ 2,172,840	$ 2,172,840
G. Surplus/(Deficit), F-E	$ -	$ 1,577,269	$ (2,642,895)	$ (4,134,467)	$ (5,510,103)

Information Technology – The Information Technology Department estimates year-end operational expenditures of $22.2 million and revenue of $624,171. The Department recovers its operational expenditures through direct charges to customers and cable funds received, as well as the cost plan which in the current year reflects a credit in the amount of $20.4 million. Combined expenditure and income results in an estimated General Fund Contribution need of $1.2 million, resulting in a surplus of $1.6 million over the budgeted amount. Future forecast figures include an increase in operational expenses mostly due to salary and benefit costs, which reflect a corresponding deficit increase in GFC.

Fund 1001 (General Fund) Probation Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 63,507,288	$ 61,980,502	$ 68,207,294	$ 71,881,205	$ 75,464,484
B. Cost Plan	$ 3,865,789	$ 3,865,789	$ 3,865,789	$ 3,865,789	$ 3,865,789
C. Total Expenditures, A+B	$ 67,373,077	$ 65,846,291	$ 72,073,083	$ 75,746,994	$ 79,330,273
D. Revenue	$ 42,162,665	$ 41,078,971	$ 40,922,883	$ 40,992,379	$ 41,123,515
E. Financing Need, C-D	$ 25,210,412	$ 24,767,320	$ 31,150,200	$ 34,754,615	$ 38,206,758
F. Preliminary GFC	$ 25,210,412	$ 25,210,412	$ 24,995,631	$ 24,995,631	$ 24,995,631
G. Surplus/(Deficit), F-E	$ -	$ 443,092	$ (6,154,569)	$ (9,758,984)	$ (13,211,127)

Probation – The Department projects year-end expenditures of $65.8 million, revenues of $41.1 million and a GFC of $25.2 million. The estimated surplus of $443,090 is primarily due to salary and benefit savings projected from department vacancies and lower PERS expenses resulting from the County's prepayment to the State of a portion of PERS retirement costs. The estimate reflects a decrease in budgeted revenues and expenditures of $1,083,694 and $1,526,784, respectively. The decrease in revenues is due to lower State Prop 172 funding and reduced expected reimbursements from a local service program. The lower expenditures are due to vacancies and reduced claimable activities for the mentioned service program. The forecast years are primarily due to continued flat revenue projections and cost increases to salaries and benefits from negotiated bargaining agreements with rising pension contribution costs.

Fund 1001 (General Fund) Public Defender's Office	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 17,697,503	$ 17,940,009	$ 23,544,568	$ 24,925,070	$ 25,765,657
B. Cost Plan	$ 1,245,843	$ 1,245,843	$ 1,245,843	$ 1,245,843	$ 1,245,843
C. Total Expenditures, A+B	$ 18,943,346	$ 19,185,852	$ 24,790,411	$ 26,170,913	$ 27,011,500
D. Revenue	$ 3,951,201	$ 4,419,405	$ 6,532,221	$ 6,719,307	$ 6,364,219
E. Financing Need, C-D	$ 14,992,145	$ 14,766,447	$ 18,258,190	$ 19,451,606	$ 20,647,281
F. Preliminary GFC	$ 14,992,145	$ 14,992,145	$ 14,449,471	$ 14,449,471	$ 14,449,471
G. Surplus/(Deficit), F-E	$ -	$ 225,698	$ (3,808,719)	$ (5,002,135)	$ (6,197,810)

Public Defender - The Public Defender's Office estimates year-end expenditures of $17.9 million, revenues of $4.4 million, and a GFC of $15.0 million, resulting in a surplus of $225,699. The surplus is primarily due to a small increase in revenues due to additional grant funding relating to Care Court, Proposition 47, and Cohort 4. The department projects deficits in the forecasted years due to increases in non-discretionary costs and a decrease associated with one-time revenues. Non-discretionary cost increases include higher salaries and benefits from negotiated labor agreements, pension contributions, and health insurance premiums. Future revenue and expenditures will continue to vary depending on trial-related costs and associated service agreements that maintain department operations. The Public Defender will continue to monitor these impacts, adjust as needed to minimize their effect, and pursue grant funding opportunities to offset increased costs.

Fund 1001 (General Fund) Public Works, Facilities and Parks Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 29,432,010	$ 32,380,909	$ 33,089,665	$ 34,968,907	$ 36,843,029
B. Cost Plan	$ (11,351,867)	$ (11,351,867)	$ (11,351,867)	$ (11,351,867)	$ (11,351,867)
C. Total Expenditures, A+B	$ 18,080,143	$ 21,029,042	$ 21,737,798	$ 23,617,040	$ 25,491,162
D. Revenue	$ 3,541,673	$ 4,519,854	$ 3,963,701	$ 3,964,874	$ 3,967,280
E. Financing Need, C-D	$ 14,538,470	$ 16,509,188	$ 17,774,097	$ 19,652,166	$ 21,523,882
F. Preliminary GFC	$ 14,538,470	$ 14,538,470	$ 12,269,221	$ 12,269,221	$ 12,269,221
G. Surplus/(Deficit), F-E	$ -	$ (1,970,718)	$ (5,504,876)	$ (7,382,945)	$ (9,254,661)

Public Works, Facilities, and Parks (PWFP) - The FY 2024-25 current year estimate projects expenditures of $21 million, revenues of $4.5 million and general fund contribution of $14.5 million, resulting in a net deficit of $2.0 million. This reflects an increase in expenditures and revenues of $2.9 million and $1.0 million, respectively, compared to the modified budget.

The rise in expenditures is primarily due to the carryover of costs from the December 2022 and March 2023 winter storm project for the Pajaro Mansion, which were not included in the budget. This accounts for $1.6 million. Additionally, $0.4 million in unscheduled maintenance projects, which rolled over into FY 2024-25, and a 23% increase in utility costs for the County, contributing $0.9 million, further drive-up expenditures.

The revenue increase is mainly attributed to higher park visitation at Lake San Antonio due to improved water levels ($0.3 million), a $0.1 million grant for a boat, and $0.1 million from increased shared utility costs. Additionally, $0.4 million in revenue was transferred in to cover the unscheduled maintenance projects.

Looking ahead, forecasted deficits in subsequent years are driven by nondiscretionary cost increases, including salaries, pension contributions, employee insurance allocations, and general liability insurance premiums. Revenue reductions are expected due to the one-time allocations for rolling unscheduled maintenance projects and then in later years to remain stable. Other fluctuations between FY 2024-25 and future years are related to adjustments in the General Fund Contribution (GFC), covering one-time costs for facility maintenance, shared utility costs, and fire fuel abatement.

Fund 1001 (General Fund) Sheriff-Coroner	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 144,336,161	$ 145,251,593	$ 151,484,280	$ 159,730,132	$ 167,509,808
B. Cost Plan	$ 11,020,284	$ 11,020,284	$ 11,020,284	$ 11,020,284	$ 11,020,284
C. Total Expenditures, A+B	$ 155,356,445	$ 156,271,877	$ 162,504,564	$ 170,750,416	$ 178,530,092
D. Revenue	$ 52,723,535	$ 53,595,448	$ 49,810,943	$ 50,315,961	$ 51,046,040
E. Financing Need, C-D	$ 102,632,910	$ 102,676,429	$ 112,693,621	$ 120,434,455	$ 127,484,052
F. Preliminary GFC	$ 102,632,910	$ 102,632,910	$ 102,011,064	$ 102,011,064	$ 102,011,064
G. Surplus/(Deficit), F-E	$ -	$ (43,519)	$ (10,682,557)	$ (18,423,391)	$ (25,472,988)

Sheriff-Coroner – Due to issues with Oracle and submission timelines, the above numbers do not reflect an accurate financial position of the Sheriff's Office for FY24-25. While the table indicates a small deficit of $43,519 in the current fiscal year and $10.7 to $25.5 million in forecast years, the department has provided a more up to date estimate of deficits of $7.6 million in the current year and ranging from $29.6 million to $44.4 million as detailed below.

The Sheriff's Office is projected to end the current fiscal year with a deficit estimated based on mid-year calculations is $7.643 million. Expenditures are estimated at $151.7 million or $7.4 million higher than budget, while revenues are estimated at $52.4 million or $243,356 lower than budget.

The Sheriff's Office deficit in expenditures is largely impacted by unbudgeted negotiated wage increases from various labor unions amounting to $5.4 million. In addition, $1.3 million in unbudgeted retirement and separation payouts is an additional factor. As of the writing of this report, the Sheriff's Office has prepared a Budget Committee report requesting support to seek augmentation funding for the $1.3 million retirement payouts from the Compensated Absences Assignment Balance Sheet Account from the Board. Additionally, the Sheriff's Office has initiated expenditure controls and an overtime reduction program aimed at absorbing the unbudgeted wage increases as well as other necessary expenditures with the objective of keeping a balanced budget for the current fiscal year.

The projected deficit of approximately $243,356 in revenues was attributed to the decrease in estimated revenue from Proposition 172. Additional revenue with an estimated amount of $303,167 was not accounted for in the Mid-Year estimate. Incorporation of this revenue is pending Board approval for the acceptance of new grant revenue totaling $85,000 from the State of California Board of State Community Corrections Medical Assisted Treatment (MAT). Additionally, the Sheriff's Office will collect $218,167 from the Court Security fund for unbilled service costs. The Department is actively searching for additional revenues to help in the balancing of its Budget.

The Sheriff's Office projects growing deficits in forecast years ahead, increasing to $29.6 million in FY 2025-2026; $37.4 million in FY 2026-2027 and $44.4 million in FY 2027-2028 primarily due to increases in salary and benefits from negotiated bargaining agreements; cost of living adjustments; increased costs to service agreements, especially the inmate medical services; fleet costs; Cost Plan changes; and increases to general liability and workers compensation insurance in the next three years.

Lastly, the Sheriff's Office has submitted a total of $2.2 million claims from FEMA, which includes $1.1 million from 2020 fires and $1 million from 2021-2023 winter storms. Receipt of these revenues will potentially augment any deficit in the department revenues in the current fiscal year and in the future.

The Sheriff's Office will continue to seek new funding opportunities to offset increased costs and implement controls in spending to meet a balanced budget at year-end.

Fund 1001 (General Fund) Department of Social Services	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 258,482,088	$ 269,518,114	$ 297,763,423	$ 311,643,925	$ 326,143,113
B. Cost Plan	$ 10,874,544	$ 10,874,544	$ 10,874,544	$ 10,874,544	$ 10,874,544
C. Total Expenditures, A+B	$ 269,356,632	$ 280,392,658	$ 308,637,967	$ 322,518,469	$ 337,017,657
D. Revenue	$ 243,007,757	$ 253,073,544	$ 274,158,981	$ 283,057,950	$ 294,118,534
E. Financing Need, C-D	$ 26,348,875	$ 27,319,114	$ 34,478,986	$ 39,460,519	$ 42,899,123
F. Preliminary GFC	$ 26,348,875	$ 26,348,875	$ 22,180,028	$ 22,180,028	$ 22,180,028
G. Surplus/(Deficit), F-E	$ -	$ (970,239)	$ (12,298,958)	$ (17,280,491)	$ (20,719,095)

Social Services – The Department of Social Services (DSS) estimates year-end expenditures of $280 million, revenues of $253 million and GFC of $27.3 million, resulting in a deficit of approximately $1 million.

Year-end expenditures are estimated at $11 million higher than budgeted due to increased salary costs for negotiated staff COLAs and increased entitlement caseload costs for CalWORKS, General Assistance, and Out of Home Care programs. In addition, CalWORKS and Out of Home Care programs received grant COLA increases. Year-end revenues are estimated at $10 million higher than budgeted, correlating with the increase in reimbursable expenditures by the State for the above programs.

The resulting $1 million deficit is a net result of $1 million of unused fund balance and $2 million deficit in general fund contributions due to the increased county share of costs for both General Assistance and Out of Home Care along with increased costs for county dependent high-risk children in foster care. The increased county share of cost will be covered mostly by sales tax realignment and supplemented with recognized savings in Military & Veterans Affairs due to salary savings due to staff vacancies.

It should be noted that the year-end estimate was completed at a time when only one quarter of fiscal data was available to estimate earned revenues, and these estimates may change before year-end closing. Expenditures in the forecast years are estimated to increase at a higher rate than revenues, leading to forecasted deficits. Realignment was forecasted to be flat with no growth, however, the Governor's January Proposed Budget is forecasting realignment growth. To close the deficit gap in Forecast Year 1, realignment revenues and estimated earned revenues will be re-forecasted using the Governor's forecast and utilize realignment fund balance where possible. For the fund deficits in Forecast years 2 and 3, part of the deficit gap will be covered by realignment growth which was forecasted flat for this exercise.

For the prior year, FY2023-24, DSS ended the year with a deficit of approximately $6.5 million due to delayed revenue that was not received until after the fiscal year accrual deadlines. The revenue received to balance this deficit is not included in the table above as it does not represent operational revenues for the current fiscal year. Therefore, at the FY2024-25 year end, DSS expects to have a technical surplus of $6.5 million to return to the General Fund.

Fund 1001 (General Fund) Treasurer-Tax Collector	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Operating Expenditures	$ 11,004,071	$ 9,468,801	$ 11,131,184	$ 11,783,174	$ 12,388,220
B. Cost Plan	$ (1,746,577)	$ (1,746,577)	$ (1,746,577)	$ (1,746,577)	$ (1,746,577)
C. Total Expenditures, A+B	$ 9,257,494	$ 7,722,224	$ 9,384,607	$ 10,036,597	$ 10,641,643
D. Revenue	$ 9,011,649	$ 7,862,528	$ 9,255,706	$ 9,627,029	$ 10,020,475
E. Financing Need, C-D	$ 245,845	$ (140,304)	$ 128,901	$ 409,568	$ 621,168
F. Preliminary GFC	$ 245,845	$ 245,845	$ 278,251	$ 278,251	$ 278,251
G. Surplus/(Deficit), F-E	$ -	$ 386,149	$ 149,350	$ (131,317)	$ (342,917)

Treasurer-Tax Collector - Tax Collector (TTC) projects year-end expenditures of $7.7 million, revenue just under $7.9 million, and a general fund contribution (GFC) of $245,845, resulting in an estimated surplus of $386,149. This surplus is largely due to estimated expenditures being under budget by $1.5 million, primarily due to lower salary and benefit expenditures resulting from vacancies and delayed recruitments as well as having renegotiated vendor contracts with multiple vendors to reduce costs. However, these savings were partially offset by new expenses due to recent labor union agreements. Revenue is projected to be $1.1 million below budget, primarily a result of lower levels of reimbursable expenditures in the TTC's Revenue and Treasury Divisions. In addition, the repeal of various administrative fees by Assembly Bills 177 and 199 continues to negatively impact previously collectible revenue sources.

Estimated expenditures in forecasted years include negotiated cost of living increases, earned step increases, increases in service agreement expenditures, and countywide increases for healthcare insurance, PERS Retirement, property insurance, and other internal service charges. Forecasted revenue assumes allowable cost recovery based on estimated expenditures for the Revenue Division, Treasury services, and conservative increases based on recent and current year experience.

OTHER MAJOR FUNDS

Road Fund – The Road Fund is a special revenue fund established per State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects. The Road Fund's primary funding sources are State Highway User Tax Allocation (HUTA or Gas Tax), the Transportation Agency for Monterey County (TAMC) retail transaction and use tax ordinance (Measure X), the Road Repair and Accountability Act of 2017 (Senate Bill 1 [SB1]), and Transient Occupancy Tax (TOT). Measure X and SB1 produce annual revenues of $9.9 and $12.4 million, respectively.

Fund 1201 (Road Fund Fund) Public Works, Facilities and Parks Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Beginning Fund Balance	$ 26,682,096	$ 26,682,096	$ 8,726,384	$ 9,767,740	$ 7,071,853
B. Total Revenues	$ 61,290,800	$ 62,439,232	$ 79,548,598	$ 64,823,565	$ 65,811,196
C. Total Expenditures	$ 78,152,940	$ 80,394,944	$ 78,507,242	$ 67,519,452	$ 66,001,808
D. Ending Fund Balance	$ 9,819,956	$ 8,726,384	$ 9,767,740	$ 7,071,853	$ 6,881,241
E. Increase/(Decrease) in Fund Ba	$ (16,862,140)	$ (17,955,712)	$ 1,041,356	$ (2,695,887)	$ (190,612)

The FY 2024-25 revenue estimate is $1.1 million higher than budget as HUTA and SB1 exceeded the State's estimates and Davis Road Bridge utility relocation funding was approved for the project. Fluctuations in forecasted revenues is a result of Caltrans Federal and State funded projects. The Chualar, San Ardo and Castroville Safe Route to School projects in FY 2025-26 are key factors contributing to a $17.1 million increase in revenues.

Estimated expenditures exceed the budget by $2.2, reflecting increases in various projects, like the Local Rehabilitation Program and Pavement Management Seal Coat, that carried over from FY 2023-24, but were not in the adopted budget. The increase also includes salary and benefit increases approved by the new MOU for J, F, and X bargaining units.

Ending fund balance is estimated at a positive $8.7 million, with $3.7 million allocated to reserves at year-end. As with prior years, forecasted revenues and expenditures will fluctuate depending on project activity. Measure X and SB1 revenues are the primary fund balance source over the three-year forecast period.

Monterey County Free Libraries – For the current fiscal year estimate, the Library Department estimates using $96,439 in fund balance compared to the original budget of $2.0 million. Expenditures are $1.7 million below budget primarily due to the delay of completion of library projects such as the Gonzales Library and the Pajaro Library, which are now expected in the next fiscal year. Additionally, the Library deferred the purchase of a new South County Bookmobile to offset increases in Salary and Benefits due to approved labor agreements. The Library has salary and benefit savings of $380,289 due to vacant positions. Revenues for the current year are $190,662 above budget due to higher property tax collections. The lower expenditures and higher revenue result in a fund balance use of $96,439.

Fund 1210 (Library Fund Fund) Library Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Beginning Fund Balance	$ 9,948,802	$ 9,948,802	$ 9,852,363	$ 7,774,023	$ 6,492,904
B. Total Revenues	$ 12,250,446	$ 12,441,108	$ 13,084,487	$ 13,461,448	$ 13,633,833
C. Total Expenditures	$ 14,212,669	$ 12,537,547	$ 15,162,827	$ 14,742,567	$ 14,310,482
D. Ending Fund Balance	$ 7,986,579	$ 9,852,363	$ 7,774,023	$ 6,492,904	$ 5,816,255
E. Increase/(Decrease) in Fund Ba	$ (1,962,223)	$ (96,439)	$ (2,078,340)	$ (1,281,119)	$ (676,649)

The forecast reflects higher expenditures in FY 2025-26 due to the Gonzales branch and Pajaro branch now anticipated to complete in FY 2025-26. Other new projects such as the East Garrison Library, and smaller projects for the Big Sur branch, San Lucas branch, and completion of a parking lot including EV charging at the Greenfield branch are also anticipated next fiscal year. FY 2026-27 and FY 2027-28 show a slight decrease due to completion of Library projects. These projects will require fund balance use to fund book collections, technology, and furniture, fixture, and equipment for the new Gonzales and East Garrison branch as well as the reopening of the Pajaro Library. The Library also anticipates significant increases in salaries and benefits in the forecast period due to higher wages and increases in pension and healthcare costs. The Library anticipates using an estimated $2.1 million in fund balance next fiscal year to meet project requirements and operational cost increases.

Behavioral Health – Under Welfare and Institutions Code Section 5600, the Health Department's Behavioral Health Bureau provides a continuum of county-operated and community-based substance use disorder and mental health services. The program primarily provides community prevention programs, crisis intervention, inpatient psychiatric services, social rehabilitation, supportive housing, and outpatient services to Monterey County Medi-Cal beneficiaries who meet the State Department of Health Care Services, Mental Health Division's medical necessity criteria. In addition, the program also serves many non-Medi-Cal eligible residents who have behavioral health disorders. The Behavioral Health Fund (fund 23) captures these services' financial activity.

Fund 1310 (Behavioral Health Fund) Health Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Beginning Fund Balance	$ 30,142,039	$ 30,142,039	$ 23,061,519	$ 11,203,675	$ 106,922
B. Total Revenues	$ 164,773,469	$ 175,518,468	$ 175,297,271	$ 174,510,746	$ 174,463,718
C. Total Expenditures	$ 170,658,951	$ 182,598,988	$ 187,155,115	$ 185,607,499	$ 186,692,475
D. Ending Fund Balance	$ 24,256,557	$ 23,061,519	$ 11,203,675	$ 106,922	$ (12,121,835)
E. Increase/(Decrease) in Fund Ba	$ (5,885,482)	$ (7,080,520)	$ (11,857,844)	$ (11,096,753)	$ (12,228,757)

For the current year estimate, the Behavioral Health Fund expenditures are estimated at $182.6 million and revenues at $175.5 million, resulting in an estimated decrease in fund balance of $7.1 million.

The fiscal year's expenditures are projected to be $11.9 million above the budget of $170.6 million. The factors that impacted the increase in spending are an anticipated increase of $3.5 million in construction costs of the Mental Health Rehabilitation Center and the Pearl Street Renovation Project, as well a projected increase of $8.4 million in operational costs, which includes salary and benefits. Increases in grant revenues will offset some the higher projected expenditure at the end of the current fiscal year.

The bureau's anticipated revenue is $10.7 million above the budget of $164.7 million. The higher revenue is credited to the Mental Health Rehabilitation Center and a projected increase of $7.2 million in Federal Financial Participation from the prior fiscal year and current fiscal year.

The forecast years depicts a moderate increase in FY 2025-26 due to the Mental Health Rehabilitation Center ramped up construction and decreases over the next year. While the project is expected to be completed in FY 2026-27, future costs will be budgeted outside of the Behavioral Health fund. Fiscal years 2026-27 and 2027-28 depict increases in expenditures, as compared to current year, due to salary and benefit increases and contracted services. Revenues for future fiscal years are projected to remain flat. The Bureau will monitor these impacts as it prepares future fiscal year budgets and will adjust as needed to minimize the impact. As reported in the FY 2022-23 year-end report, the fund balance includes $8.4 million is assigned funds for potential future Medi-Cal program settlement costs.

Emergency Communications - The Emergency Communications Department provides dispatch and call taking (9-1-1 and non-emergency) to Monterey County residents and law enforcement, fire protection and emergency medical dispatch services for over 30 local, regional, county, and State public safety agencies.

Fund 1340 (Emergency Communications Fund) Emergency Communication Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Beginning Fund Balance	$ 2,912,230	$ 2,912,230	$ 2,893,444	$ 2,893,443	$ 2,893,440
B. Total Revenues	$ 14,649,287	$ 14,657,896	$ 15,744,911	$ 16,658,181	$ 17,449,460
C. Total Expenditures	$ 14,649,287	$ 14,676,682	$ 15,744,912	$ 16,658,184	$ 17,449,459
D. Ending Fund Balance	$ 2,912,230	$ 2,893,444	$ 2,893,443	$ 2,893,440	$ 2,893,441
E. Increase/(Decrease) in Fund Ba	$ -	$ (18,786)	$ (1)	$ (3)	$ 1

The Department is operating under a special revenue fund and expects to end the current year with expenditures and revenues totaling $14.7 million including a County GFC of $2.3 million. Costs are expected to rise in forecast years due to escalating salaries, pension, and health insurance costs, as well as rising costs of service agreements that maintain the operations at the department. Costs are charged pursuant to the formula in the 9-1-1 Services Agreement which allocates costs to the agencies served through a 3-factor ratio of jurisdictional workload, property value, and population.

Natividad – Natividad is a county enterprise fund, defined as a governmental fund that provides goods and services to the public for a fee, making the entity self-supporting.

Fund 2010 (Natividad Medical Center Fund) Natividad Medical Center	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	Forecast 2026-2027	Forecast 2027-2028
A. Beginning Fund Balance	$ 374,497,547	$ 374,497,547	$ 387,951,004	$ 399,494,218	$ 404,525,663
B. Total Revenues	$ 440,185,028	$ 600,632,056	$ 614,986,992	$ 626,575,072	$ 639,005,083
C. Total Expenditures	$ 426,455,576	$ 587,178,599	$ 603,443,778	$ 621,543,627	$ 640,324,136
D. Ending Fund Balance	$ 388,226,999	$ 387,951,004	$ 399,494,218	$ 404,525,663	$ 403,206,610
E. Increase/(Decrease) in Fund Ba	$ 13,729,452	$ 13,453,457	$ 11,543,214	$ 5,031,445	$ (1,319,053)

Revenue: Net operating revenue for the current year is expected to be $440.6 million, $0.4 million higher than budget. The increase in net revenues resulted from an improvement in the patient payor mix and government assistance for higher expenses in providing care. The remaining $159.9 million in revenue and expenses are offsetting internal government transfers.

Operating Expenses: Expenditures in the current year are estimated at $427.2 million, $0.7 million over budget. Labor and supplies expenses are major contributors to increases in expenditure. While higher volume contributed to additional costs, contracted or travel nurses and labor for ancillary services significantly added to labor expenses. Annual wage increases for both union and non-union employees and benefits are factors to labor costs increases. Contracted physicians to provide 24/7 coverage to trauma services also was a factor. The price of supplies also continues to be high compared to previous years.

Capital Expenditures: The current year and the forecasted years include costs for capital projects. Natividad forecasts to spend on average $10.0 million annually on capital projects. Proposed projects include enhancements to patient flow, seismic compliance upgrade to the facility, installation of a tube system connecting Rehab and Medical-Surgical units with Labor and Delivery, refurbishment of Medical-Surgical Unit 3, upgrade fire alarm system, upgrade to the communication phone system, and replacement of general medical equipment.

Net Results: NMC projects an increase in net position from operations totaling $13.4 million over the current and decreasing in the forecasted years.

Lake & Resort Operations – The Lake & Resort Operations Fund is an enterprise fund dedicated to managing the operations of Lake Nacimiento. As a self-sustaining entity, it provides goods and services to the public in exchange for fees. The Resort at Lake Nacimiento is operated under an agreement with an external operator. This agreement ensures reimbursement for the operator’s expenses, along with monthly management fees and annual incentive payments. Capital expenses, such as infrastructure repairs, remain the responsibility of the County.

Fund 2020 (Parks Lake and Resort Operations Fund) Public Works, Facilities and Parks Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Beginning Fund Balance	$ 3,319,861	$ 3,319,861	$ 3,098,255	$ 3,601,382	$ 4,159,255
B. Total Revenues	$ 4,789,959	$ 8,057,934	$ 4,885,251	$ 5,026,370	$ 5,171,724
C. Total Expenditures	$ 4,703,098	$ 8,279,540	$ 4,382,124	$ 4,468,497	$ 4,615,244
D. Ending Fund Balance	$ 3,406,722	$ 3,098,255	$ 3,601,382	$ 4,159,255	$ 4,715,735
E. Increase/(Decrease) in Fund Ba	$ 86,861	$ (221,606)	$ 503,127	$ 557,873	$ 556,480

As of the beginning of Fiscal Year 2024-25, the fund's total Net Position stood at $3.3 million, which is $0.4 million higher than originally anticipated, primarily due to the capitalization of assets. The estimated ending Net Position for the year is $3.1 million, but this figure is expected to rise by $4.1 million due to the adjustment of assets from ongoing Lake projects. This will result in a total Net Position of $7.2 million, of which $5 million is reserved for Investment in Capital Assets. Additionally, $0.6 million is restricted for specific uses: $0.3 million for the Zebra/Quagga Mussel Program and $0.3 million for mobile home rehabilitation, funded by the 2018 Trailer Fire insurance proceeds. The remaining $1.6 million is available for unrestricted use.

For the current year, the fund is projected to generate $8.1 million in revenues and incur $8.3 million in expenditures, resulting in a net loss of $0.2 million. The increase in revenue estimates, compared to the initial budget, is mainly due to an operating transfer-in of $3.7 million to cover various project costs. A total of $3.6 million of these project costs is reflected in the expenditure estimates. Excluding these non-operating revenues and costs, operating revenues and expenditures align with the budget, yielding an operating gain of $0.1 million, slightly surpassing the budgeted net gain of $0.09 million.

Revenue forecasts for the next three years show a steady increase of approximately 2-3% per year, driven by an expected rise in Lake visitors once the Lake Lodge renovation and County boat repairs are completed. At the same time, expenditure forecasts are expected to remain under control, with increases in line with anticipated revenue growth.

Laguna Seca Recreation Area (Laguna Seca) – The management and operations of Laguna Seca Recreation Area transitioned to Friends of Laguna Seca (FLS) under a long-term concession agreement in August 2024. FLS is solely responsible for all expenses for the management and maintenance of LSRA, with very limited exceptions. Likewise, all revenues will be retained by FLS.

Fund 2030 (Laguna Seca Recreation Area Fund) Public Works, Facilities and Parks Department	Modified Budget 2024-2025	Year End Estimate 2024-2025	Forecast 2025-2026	2026-2027	2027-2028
A. Beginning Fund Balance	$ 31,130,455	$ 31,130,455	$ 28,841,539	$ 26,393,935	$ 23,883,404
B. Total Revenues	$ 22,587,817	$ 2,673,234	$ 365,000	$ 365,000	$ 176,959
C. Total Expenditures	$ 23,984,364	$ 4,962,150	$ 2,812,604	$ 2,875,531	$ 2,771,179
D. Ending Fund Balance	$ 29,733,908	$ 28,841,539	$ 26,393,935	$ 23,883,404	$ 21,289,184
E. Increase/(Decrease) in Fund Ba	$ (1,396,547)	$ (2,288,916)	$ (2,447,604)	$ (2,510,531)	$ (2,594,220)

The initial FY 2024-25 budget projected a net position of $8.2 million by the end of the year. However, this is now expected to increase to $28.8 million, primarily due to adjustments from the prior fiscal year. This includes $19.2 million in costs for the completed Track and Bridge project at Laguna Seca and $2.2 million in ARPA capital projects for LSRA, which were moved from the

Capital Projects Fund to Laguna Seca, increasing the beginning net position. Of the total $28.8 million, $26.4 million is tied up in capital assets, leaving $2.4 million as unrestricted.

Revenue and expenditures for FY 2024-25 are expected to decrease significantly compared to the budget, due to the transition of operations to FLS. Under the new concession agreement, FLS has taken full control of the Laguna Seca Recreation Area (LSRA), including its revenues and expenses. The County will start receiving an incentive based on FLS's net operating income, beginning at the end of 2029.

For the remainder of the current year and the next three years, revenue will primarily come from sponsorships for a single event, which will be used to repay the General Fund for a portion of the Track and Bridge project costs. These revenues will be received over several fiscal years.

Expenditures for the next three years will mostly cover overhead costs, including depreciation of County-owned facilities and insurance expenses that the County is evaluating, in addition to those provided by FLS. Salary and benefit costs are no longer expected, as staff will be reassigned within Public Works, Facilities, and Parks. However, the continuing costs absorbed by the Enterprise Fund are expected to deplete the unrestricted net position sooner than anticipated.