

Monterey County Financial Forecast

March 2026

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 2025-26), the upcoming budget year (FY 2026-27), 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 2024-25 adopted budget included \$892.3 million in appropriations, matched by an equivalent amount of financing: \$873.8 million in revenue and \$18.5 million in fund balance. Throughout the year, subsequent modifications increased appropriations by \$40.1 million, financed by \$10.0 million in additional revenue and \$32.0 million in additional fund balance 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 \$899.5 million, cancellation of assigned funds of \$15.4 million, cancellation of \$9.3 million of restricted fund balance, releases of strategic reserve of \$11.7 million; expenditures of \$851.2 million, additions to restricted fund balance of \$27.0 million, additions to

assigned fund balance of \$19.4 million, and replenishment of strategic reserve of \$31.0 million which resulted in an initial operating surplus of \$39.9 million. \$36.6 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 2024-25. These additions included \$20 million to cover salary and projected cost increases, \$8 million for the purchase of the Life Foundation building, \$4.8 million to replenish the Strategic Reserve, \$2 million to replenish the Contingency Reserve, and \$1.7 million for other projects that can be found in RES 25-182. 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 use of its reserves.

General Fund Current Fiscal Year Estimated Results

The three-year forecast for the General Fund indicates unfavorable results in FY 2025-26, with those results turning 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. The County could see an estimated reduction of \$11.8 million in fund balance at the end of FY 2025-26. The modified budget is not inclusive of transactions occurring after the submission of the current year estimate. Upcoming challenges with potential federal funding issues and increases in wages can continue to add to the volatility of these estimates.

General Fund Outlook through 2028-29 (figures in millions of dollars)

	2024-2025	2025-2026			2026-2027	2027-2028	2028-2029
	Actual	Adopted	Modified	Year End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	32,742,020	23,456,798	5,663,697	48,443,072			
Release of Fund Balance	36,327,267	19,243,110	19,243,110	19,243,110	-	-	-
Revenues	899,473,939	947,689,122	948,918,083	959,225,208	924,298,912	941,054,960	966,136,617
Total Financing Sources	\$ 968,543,226	\$ 990,389,030	\$ 973,824,890	\$ 1,026,911,390	\$ 924,298,912	\$ 941,054,960	\$ 966,136,617
Financing Uses:							
Assignments/Restrictions	68,943,198			16,551,484			
Expenditures	851,156,956	983,090,943	968,343,628	968,184,076	1,037,693,119	1,078,875,226	1,122,658,915
Appropriations for Contingencies	-	7,298,087	5,481,262	5,481,262	5,481,262	5,481,262	5,481,262
Total Financing Uses	\$ 920,100,154	\$ 990,389,030	\$ 973,824,890	\$ 990,216,822	\$ 1,043,174,381	\$ 1,084,356,488	\$ 1,128,140,177
Ending Unassigned Fund Balance	\$ 48,443,072	\$ -	\$ -	\$ 36,694,568	\$ (118,875,469)	\$ (143,301,528)	\$ (162,003,560)

Overall, 11 general fund departments are estimating ending the year within their budget and estimating a \$8.4 million surplus. However, 12 departments estimate they will end the year over their allocated GFC, resulting in a deficit of \$11.9 million. Significant deficits are estimated for the Sheriff’s Department, County Administrative Office, and Public Works, Facilities and Parks. Details for departmental forecasts are provided toward the end of this report.

Entity Parent Name	Final Budget	Current Year Estimate	Variance
Agriculture Commissioner	\$ (4,192,039)	\$ (3,595,772)	\$ 596,267
Assessor-County Clerk-Recorder	\$ (6,724,223)	\$ (7,320,920)	\$ (596,697)
Auditor-Controller	\$ (1,288,707)	\$ (865,613)	\$ 423,094
Board of Supervisors	\$ (6,303,408)	\$ (6,319,713)	\$ (16,305)
Civil Rights Office	\$ 163,333	\$ 159,959	\$ (3,374)
Clerk of the Board	\$ (1,152,251)	\$ (1,085,727)	\$ 66,524
Cooperative Extension Service	\$ (587,498)	\$ (592,329)	\$ (4,831)
County Administrative Office	\$ (12,329,974)	\$ (14,231,277)	\$ (1,901,303)
County Counsel	\$ (246,618)	\$ (498,400)	\$ (251,782)
Department of Child Support Services	\$ (28,529)	\$ (27,826)	\$ 703
Department of Emergency Management	\$ (3,095,318)	\$ (3,181,827)	\$ (86,509)
District Attorney	\$ (23,294,444)	\$ (22,795,830)	\$ 498,614
Elections	\$ (6,490,855)	\$ (4,752,378)	\$ 1,738,477
Health	\$ (28,665,489)	\$ (26,446,217)	\$ 2,219,272
Housing and Community Development	\$ (10,333,224)	\$ (8,896,327)	\$ 1,436,897
Human Resources	\$ 28,247	\$ 105,961	\$ 77,714
Information Technology Department	\$ (3,750,639)	\$ (3,961,282)	\$ (210,643)
Probation	\$ (27,731,501)	\$ (27,266,703)	\$ 464,798
Public Defender	\$ (18,665,948)	\$ (17,789,766)	\$ 876,182
Public Works, Facilities and Parks	\$ (10,868,021)	\$ (12,693,083)	\$ (1,825,062)
Sheriff-Coroner	\$ (113,496,448)	\$ (120,332,755)	\$ (6,836,307)
Social Services	\$ (26,684,758)	\$ (26,719,270)	\$ (34,512)
Treasurer-Tax Collector	\$ (212,043)	\$ (322,189)	\$ (110,146)

Current year non-program revenue is estimated \$12.6 million higher than budget primarily due to an unbudgeted reimbursement from PARS of \$6.1 million and increased property taxes of \$5 million.

Forecast

The forecast reveals significant deficits in the upcoming three years. FY 2026-27 forecasts estimates a deficit of \$118.9 million. The deficit grows to \$143.3 million and \$162.0 million in FY 2027-28 and 2028-29 respectively. This imbalance is the result of continuing increased costs which will exceed available funding. The forecast reflects deficits primarily driven by the rising cost of health insurance, PERS, general liability insurance, worker’s compensation, and negotiated salary increases. More details about the cost drivers creating this imbalance are provided in the cost driver section of this report.

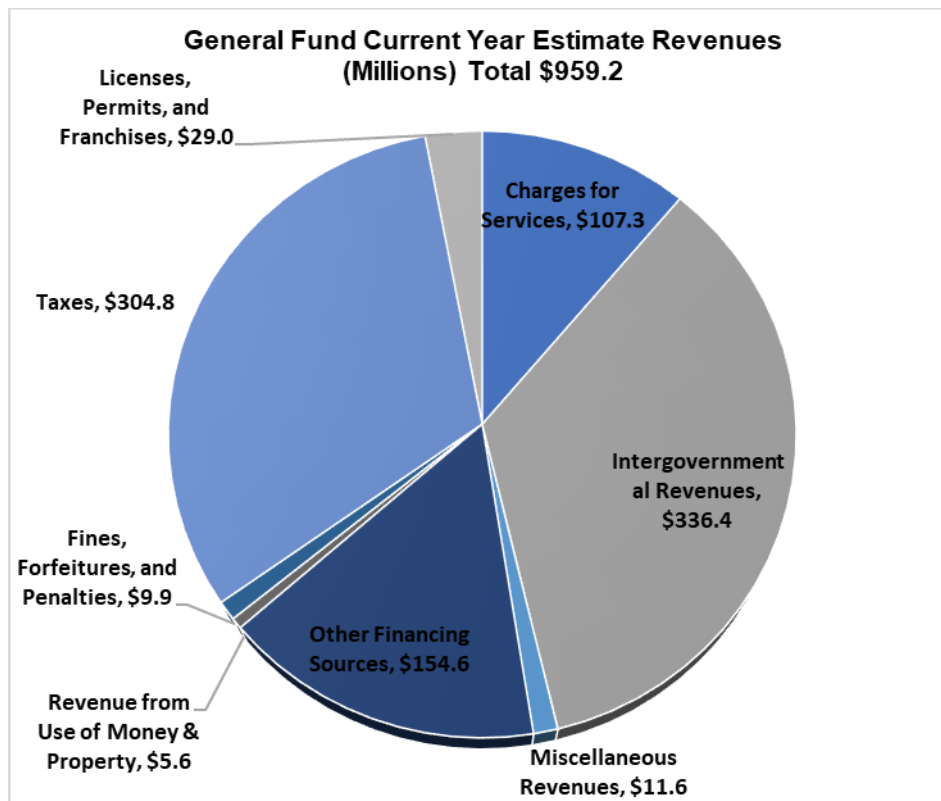
Departments estimate program revenues based on the programs they deliver and known federal and State funding sources as well as grants for the forecast period. Non-program revenue, which is the County’s discretionary revenue, is projected to increase. County staff are typically conservative when estimating 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.

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.

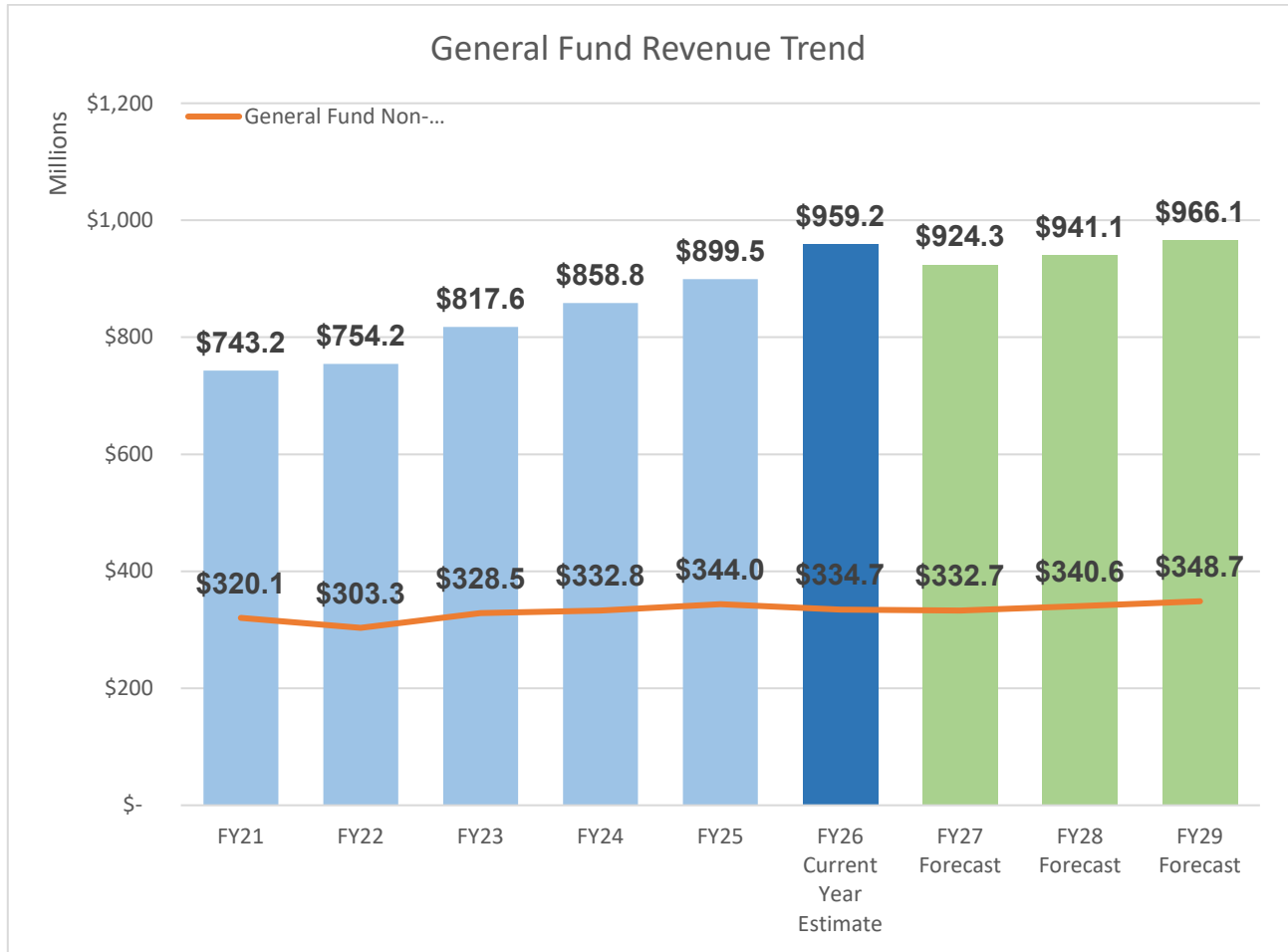


Non-program or “discretionary” revenues are mostly derived from taxes and are utilized to address local priorities and to provide funds to leverage federal and State monies, including maintenance of effort requirements.

Current year revenues are \$10.3 million over budget expectations. The major variances compared to budgeted revenue in the current year include:

- **Non-program revenue is projected to be \$12.6 million higher than budget.** In the current year, the increase in discretionary revenue is driven by a PARS reimbursement of \$6.1 million and property tax \$5 million above budget due to higher property values.
- **Revenue in Public Works, Facilities, and Parks is \$4.0 million higher than budget.** The increase in revenues is largely attributable to AB 102 funding for the Pajaro Mansion project totaling \$2.9 million. Additionally, \$0.8 million in revenue was transferred in to cover the unscheduled maintenance projects. Parks revenues also increased by approximately \$.3 million due to improved water levels at Lake San Antonio.
- **Revenue in the Elections Department is \$2.8 million higher than budget.** Due to the unscheduled November 4, 2025, Statewide Special Election, both expenditures and revenues will exceed the adopted budget. The County received \$3.5 million in State funding to offset costs associated with administering the special election, which was not included in the budget.
- **Revenue in the Health Department is \$2.6 million higher than budget.** The increase in revenue is driven primarily by a \$1.6 million settled deficit from FY 2024-25, associated with the conversion of primary care clinics from standalone to intermittent status, which resulted in an improved reimbursement rate and increased revenue.
- **Revenue in the County Administrative Office is \$5.4 million lower than budget.** This revenue decrease was driven by unrecognized grant revenue for Homelessness Strategies and Initiatives.
- **Revenue in the Department of Social Services is \$4.8 million below Budget.** Lower revenues were driven by a decrease in reimbursable expenditures by the State due to higher than anticipated vacancy rate, lower retirement costs, and reduced entitlement costs for CalWORKs.

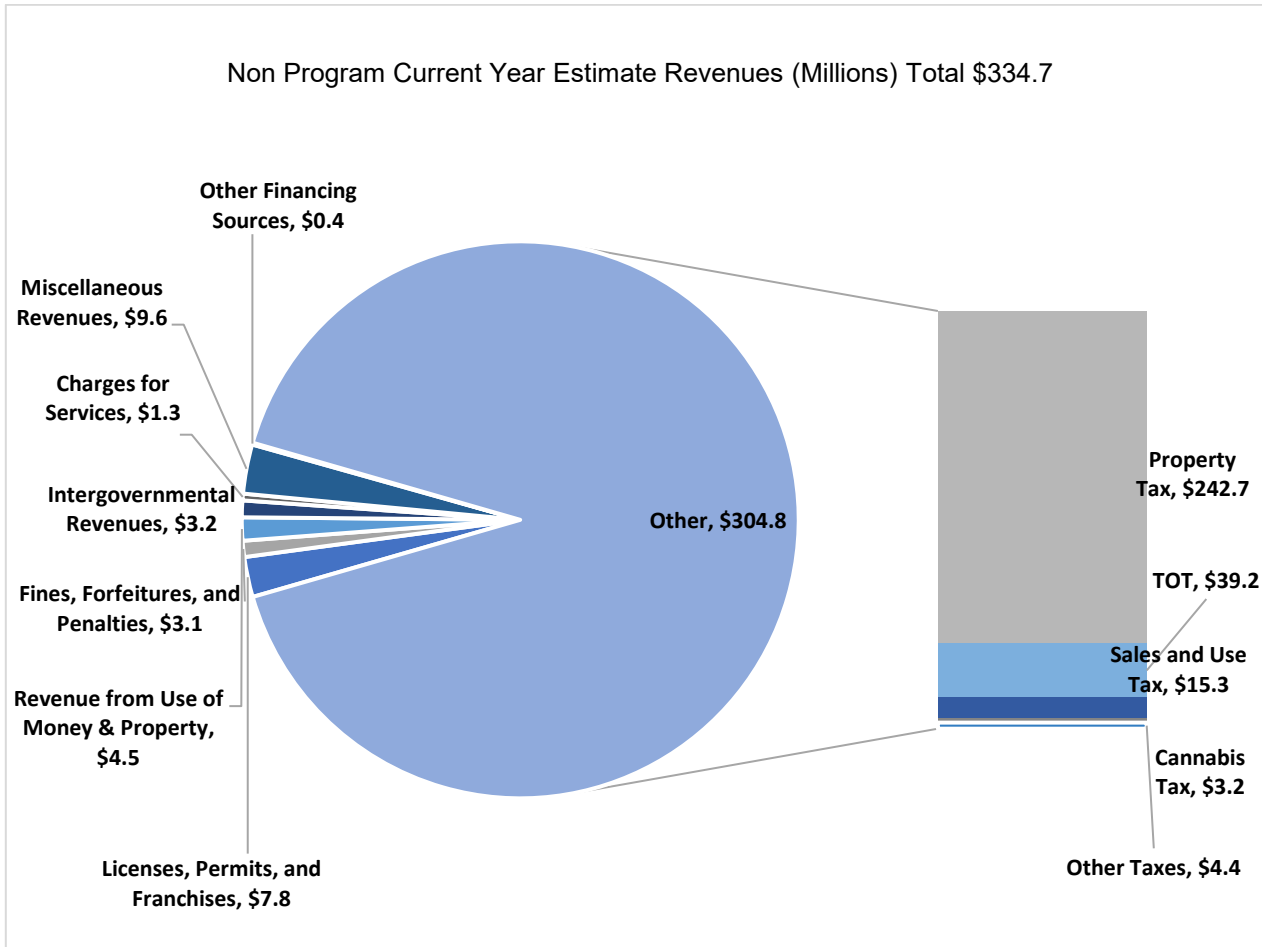
Forecasted years exclude one-time revenue sources, but overall, assume modest growth in program and discretionary revenues. Departments balance their budgeted expenditures based on a combination of revenues earned directly by the program (State reimbursement, permit fees, clinic charges, etc.) and County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



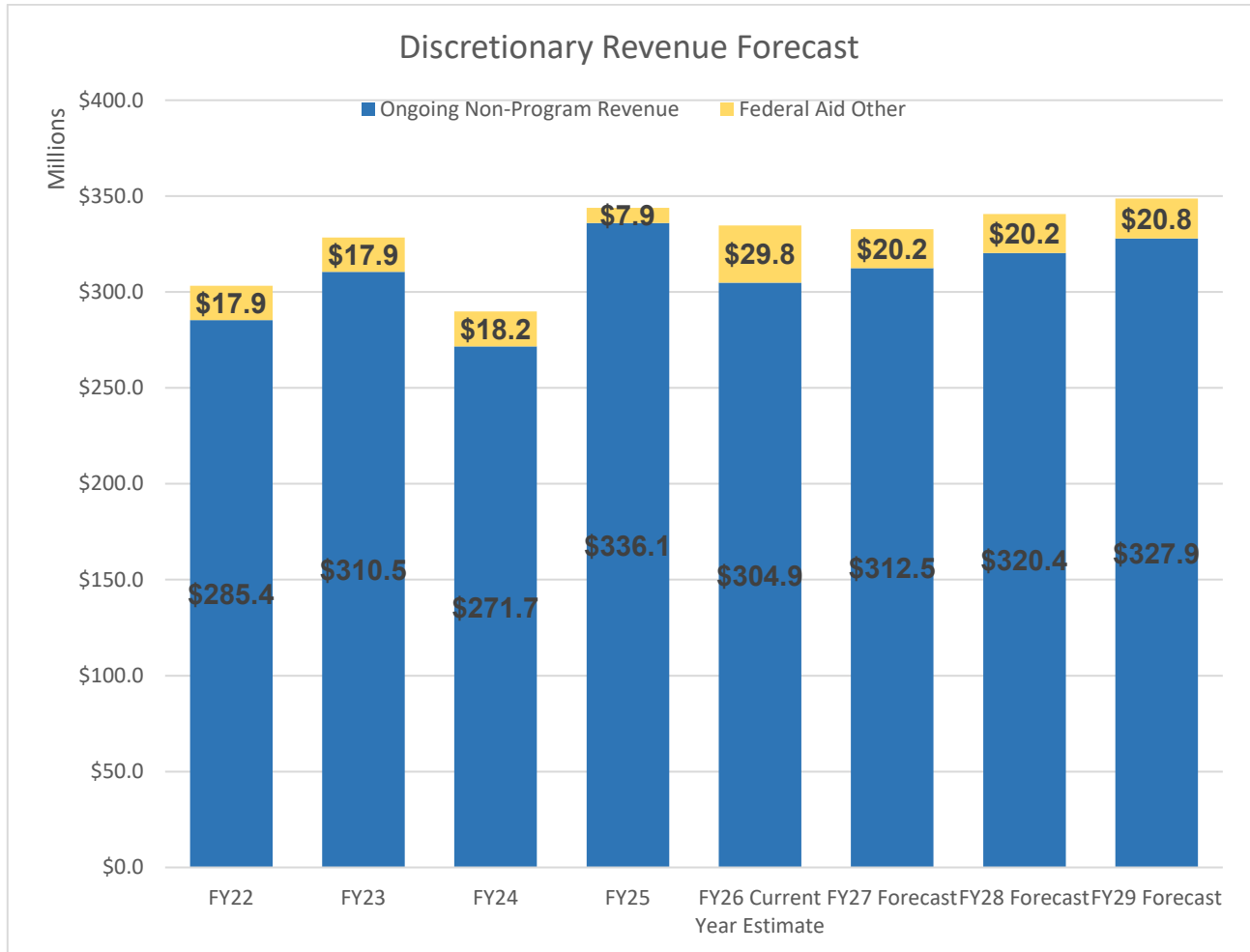
Since FY 2013-14, the County’s program revenues have mostly grown under state-county realignment and the Affordable Care Act to support increased responsibilities and associated costs, including mandated public assistance and health and public safety programs. For FY 2025-26, general fund revenues are estimated to increase \$59.8 million over FY 2024-25. 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.

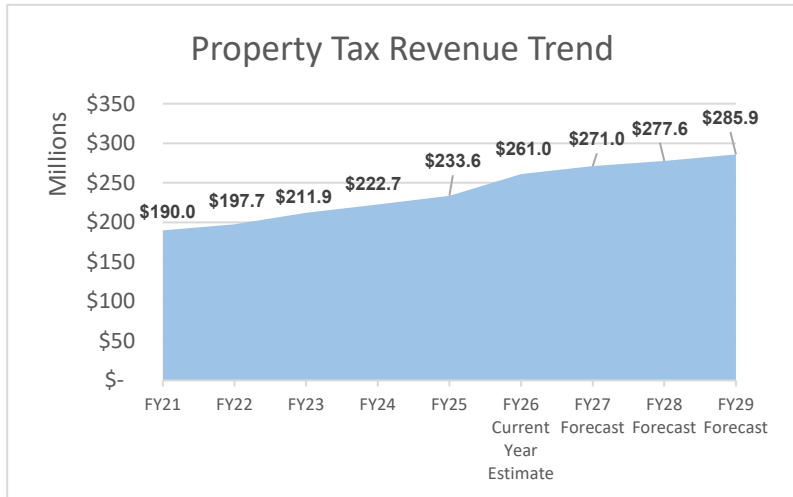


Tax revenue accounts for majority of local discretionary monies. Sources of non-program revenue are displayed in the chart above. Total non-program revenue in the current year is estimated at \$334.7 million. Property tax revenue is the largest source of non-program revenue, projected at \$242.7 million (74%) of total current year estimated non-program revenue. Other significant sources of discretionary revenue include: \$39.2 million in TOT, \$15.3 million in sales and use tax revenue, and franchise fees of \$7.8 million.

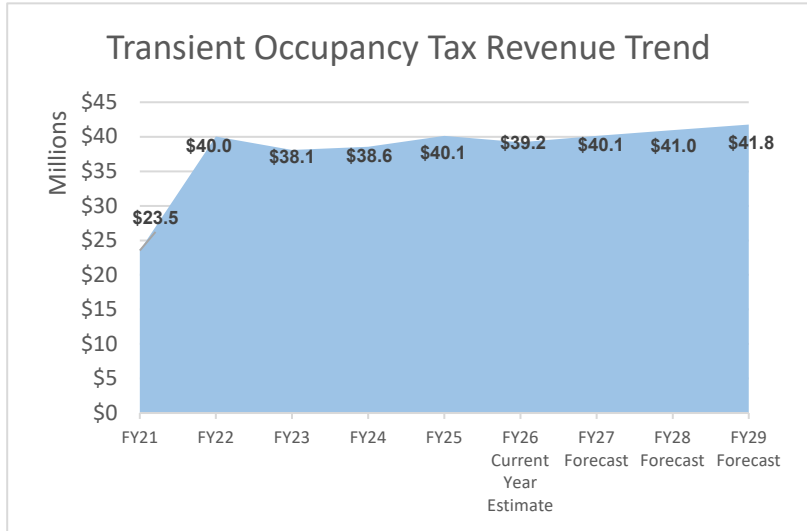


Discretionary revenue continues to grow in coming years. The chart reflects the projected non-program revenue in the current year, upcoming budget year (FY 2026-27) and two out years. Projected current year non-program revenue is above budget mostly due to improvement in property taxes as current year 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 \$7.6 million in FY 2026-27 and an additional \$7.9 million and \$7.5 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.

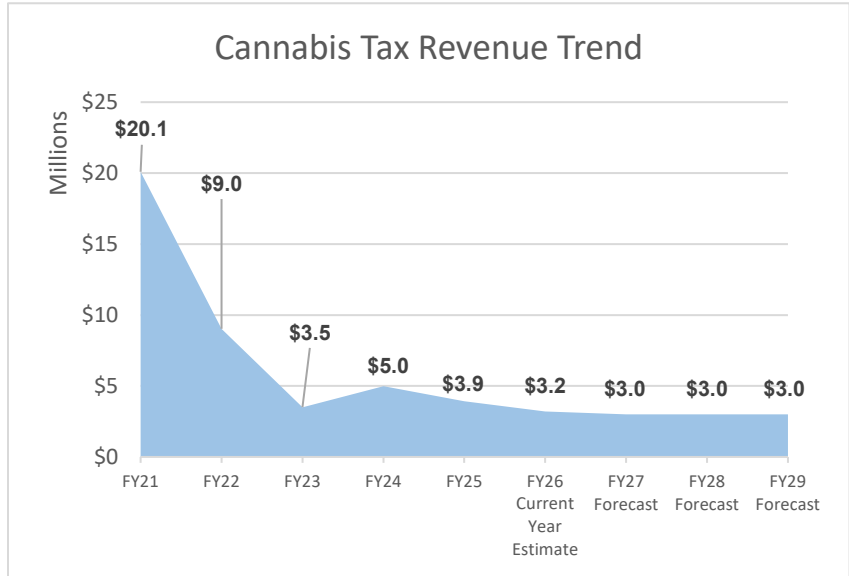
Increases in property assessments result in discretionary revenue growth. As seen on the chart, property taxes continue to grow due to positive trends in property values and an increase in assessments. Next year, the forecast assumes a 3.8% growth resulting in a \$10 million improvement in property tax revenue. The two out years include a more conservative growth assumption of 2.7% each, yielding additional revenue of \$6.6 and \$8.3 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 \$40.0 million. In FY 2022-23 and FY 2023-24, TOT revenue remained high at \$38.1 million and \$38.6 million. And in FY 2024-25, TOT came in at \$40.1 million. TOT revenue is expected to remain stable at an estimated \$39.2 million in revenue for FY2025-26 and has been forecasted in out years with an expected growth of 2.0% 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 \$3.2 million for FY 2025-26. 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.

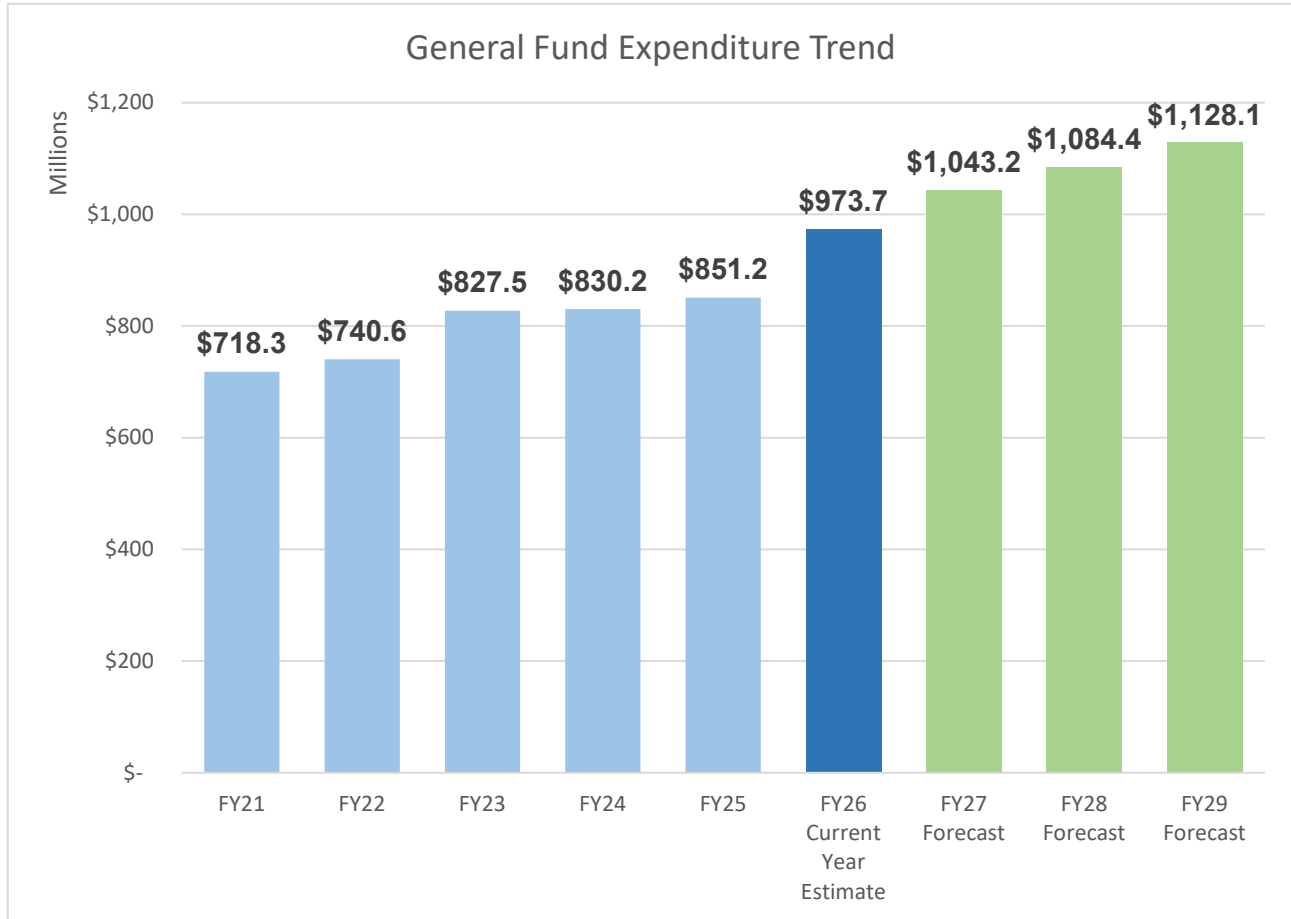


As of the date of this report, the cannabis assignment has an estimated uncommitted balance of \$0.6 million. The assignment is not expected to grow future years since cannabis revenue is allocated entirely as part of the GFC next fiscal year.

Cannabis Assignment Balance	
FY 2024-25 Beginning Balance	2,584,530
Cannabis Assignment Expenditures FY 2024-25	524,431
FY 2024-25 Ending Balance	2,060,099
Approved for FY 2025-26 Adopted Budget by Board	1,465,943
Available Balance	594,156
Repay unallowed use under cannabis grant	65,130
Projected Ending Balance FY 2025-26	529,026

General Fund Expenditures

The FY 2025-26 adopted budget included appropriations of \$990.4 million. The modified budget is \$973.8 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’s expenditures are estimated at \$973.7 million, or 0.2 million below budgeted expenditures.

The primary factor for below budget expenditures in the current year is \$19.6 million in salary and benefits savings from vacancies across the County, offset by increased services & supplies, capital improvements, and other expenses.

At the writing of this report, the County had an overall 11.3% vacancy rate in the general fund. For perspective, the 4% increase that most units in the County received and the wage adjustments had an estimated cost of \$30 million in the current year, based on currently filled positions. At the time the forecast was developed there were an estimated 397 vacancies in the general fund, with an estimated annualized value of \$78.3 million next fiscal year. Of these vacancies, approximately 54% 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

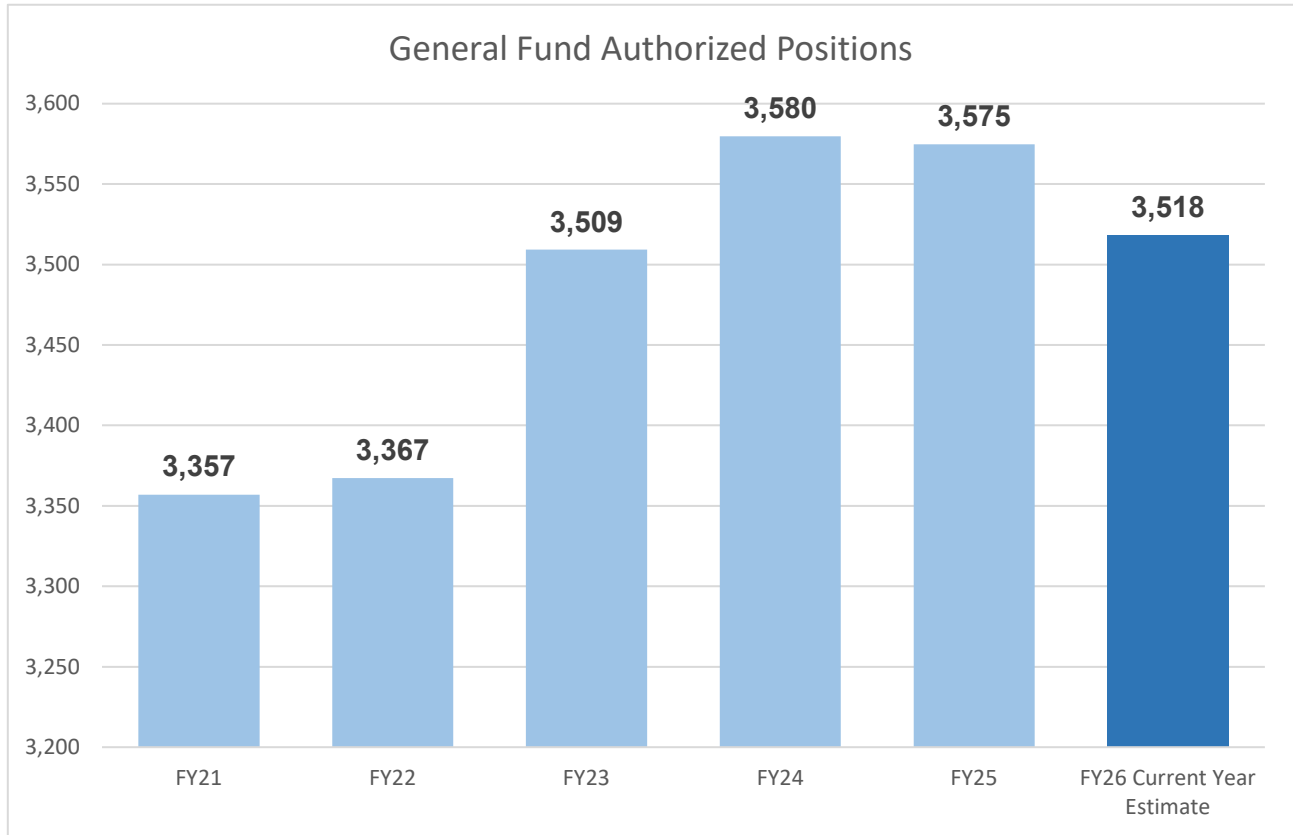
from State and federal agencies for costs not incurred. The same holds true for departments with grant-funded vacancies or departments that share cost with other payors.

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.

The FY 2025-26 adopted budget included a fund balance use of \$13.5 million to support department programs and one-time funding needs. Departmental restricted fund balance is utilized by the Health Department (\$10.5 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 \$2.2 million in restricted funds for its community programs and other programs. Additionally, the Budget includes \$5.8 million in cancellation of assignments including \$5.6 million from the County Administrative Office for operational contingencies to provide the County with sufficient working capital and a margin of safety for such impacts as natural disasters, economic shocks resulting in significant revenue shortfalls, and/or program changes; \$1.5 million from the cannabis assignment primarily to fund Public Works parks and security positions; \$4.3 million from the measure AA assignment primarily used as a contribution to the road fund, to fund deputy positions in the Sheriff's Department, and additional Animal Services positions.

Major Cost Drivers

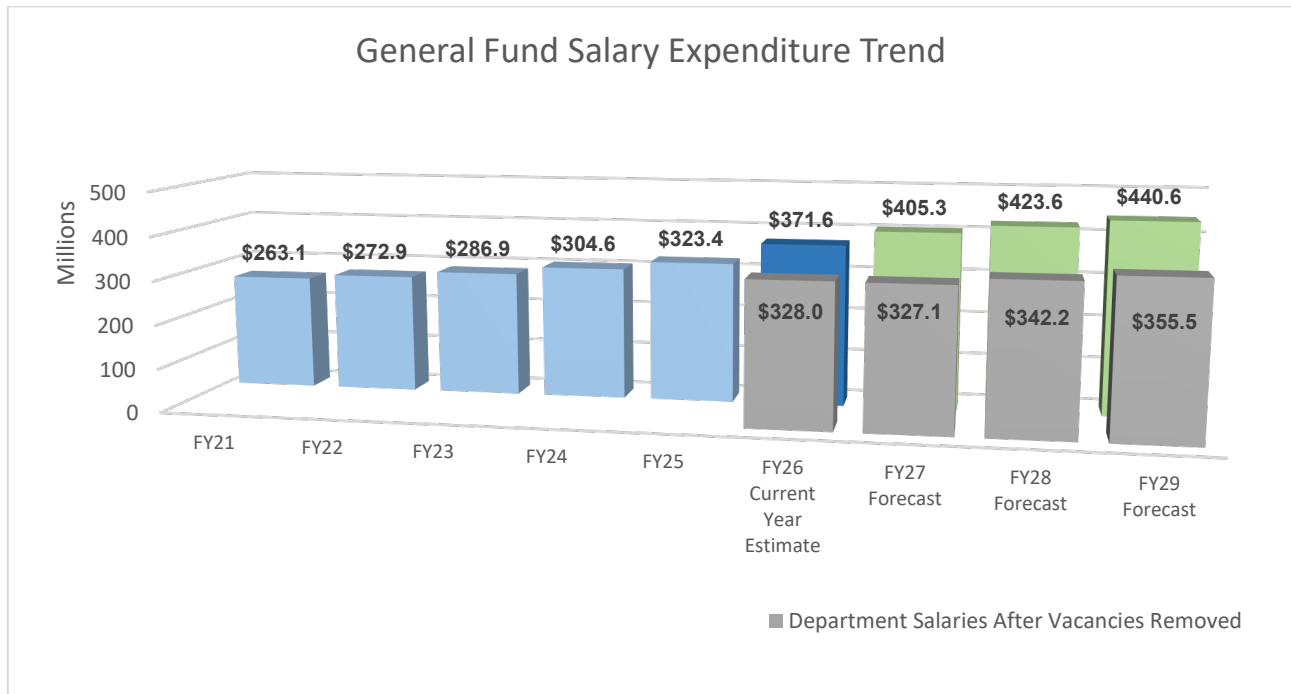
County programs and services continue to be impacted by higher labor costs resulting from negotiated salary increases, increased employer pension contributions, increased healthcare costs, higher workers’ compensation, and general liability costs.



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 four years, the general fund has absorbed an average annual increase of \$10.6 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. Authorized General Fund positions grew year-over-year by a total of 161 positions from

FY 2020-21 to FY 2025-26.



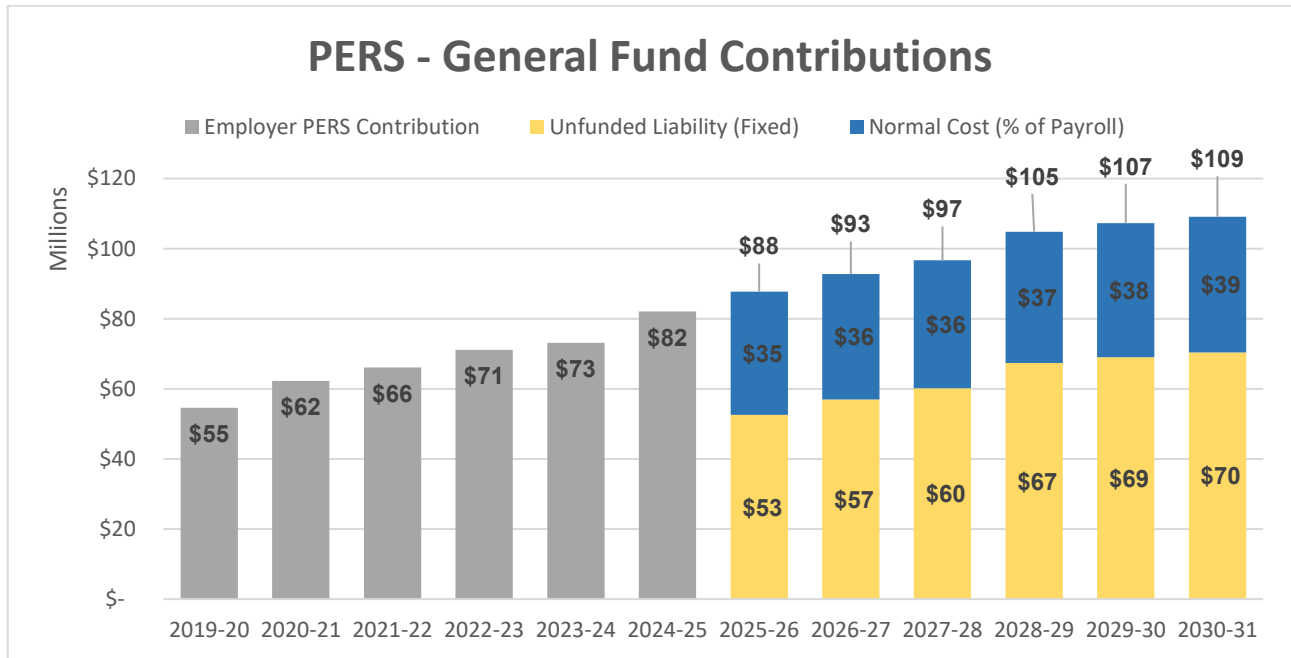
Departments estimate salary expenditure increases of \$48.2 million, from \$323.4 million in the prior year to \$371.6 million in the current year. The estimate includes higher wages based on labor agreements, classification age studies, plans to fill additional positions through the current year, and 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 adjustment to illustrate the cost of forecasted vacancies. Taking the vacancy adjustment into consideration, salary expenditures increase to \$355.5 million by FY 2028-29. The forecast includes future wage increases for labor agreements through FY 2028-29 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.

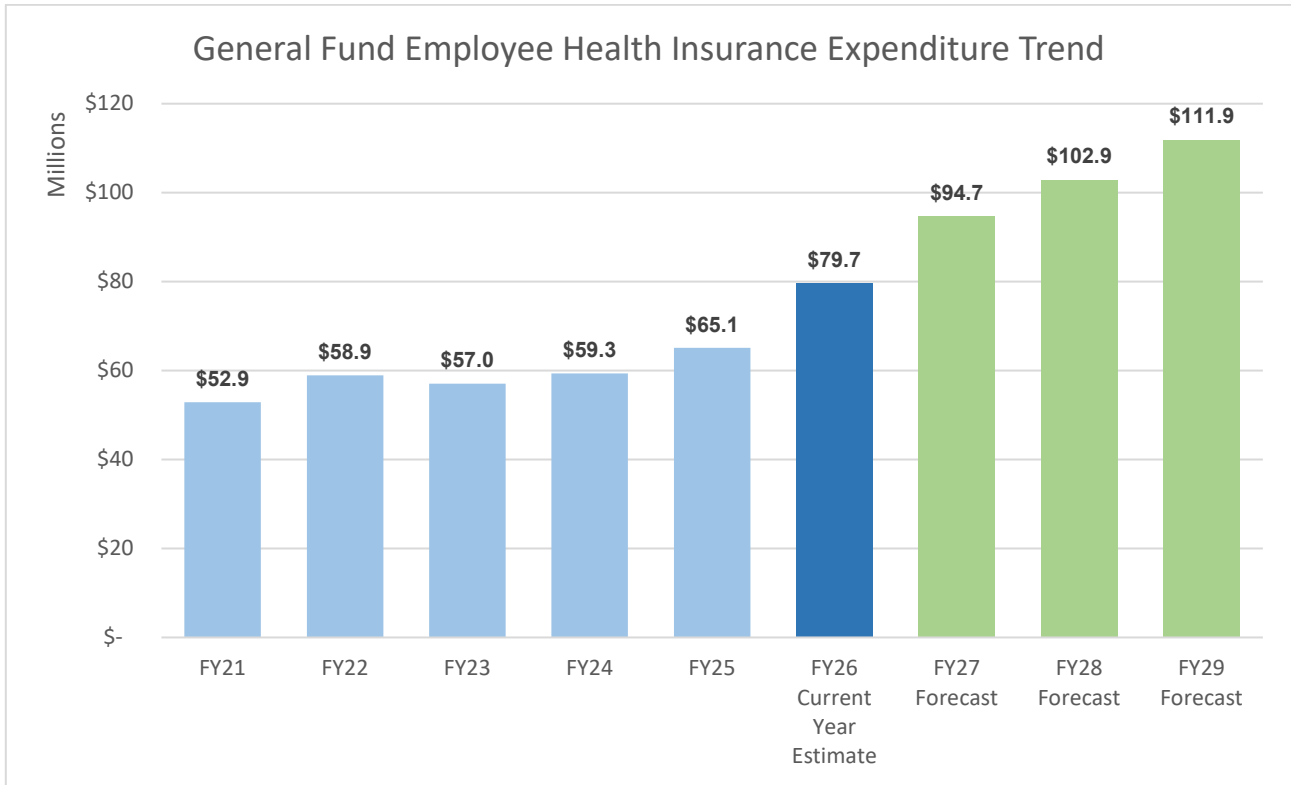


General fund contributions continue to increase in the forecast years with an increase of \$5 million next fiscal year bringing the total contribution to \$93 million.

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.

Increases in health insurance premiums continue to add to Countywide fiscal pressures.

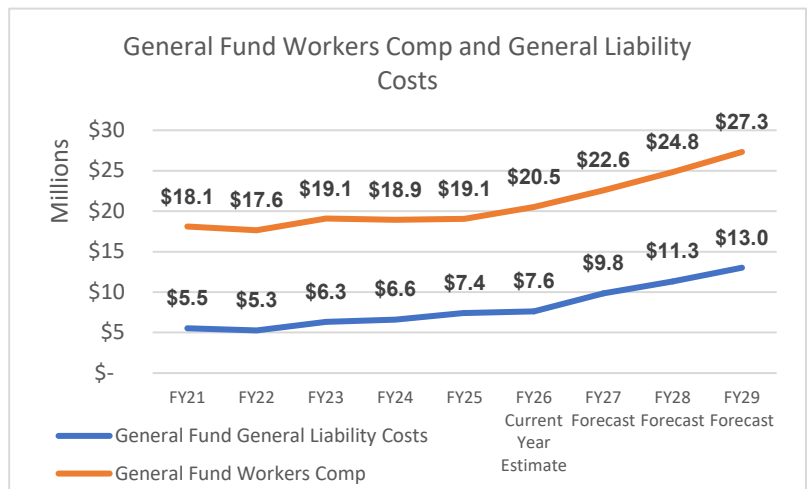
Health care costs for the current year are estimated at \$79.7 million, an increase of \$14.6 million from the prior year. As comparison, costs increased \$12.2 million from FY 2020-21 to FY 2024-25.



Additionally, costs are estimated to grow by \$15 million in FY 2026-27. 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 2026-27 through FY 2028-29).

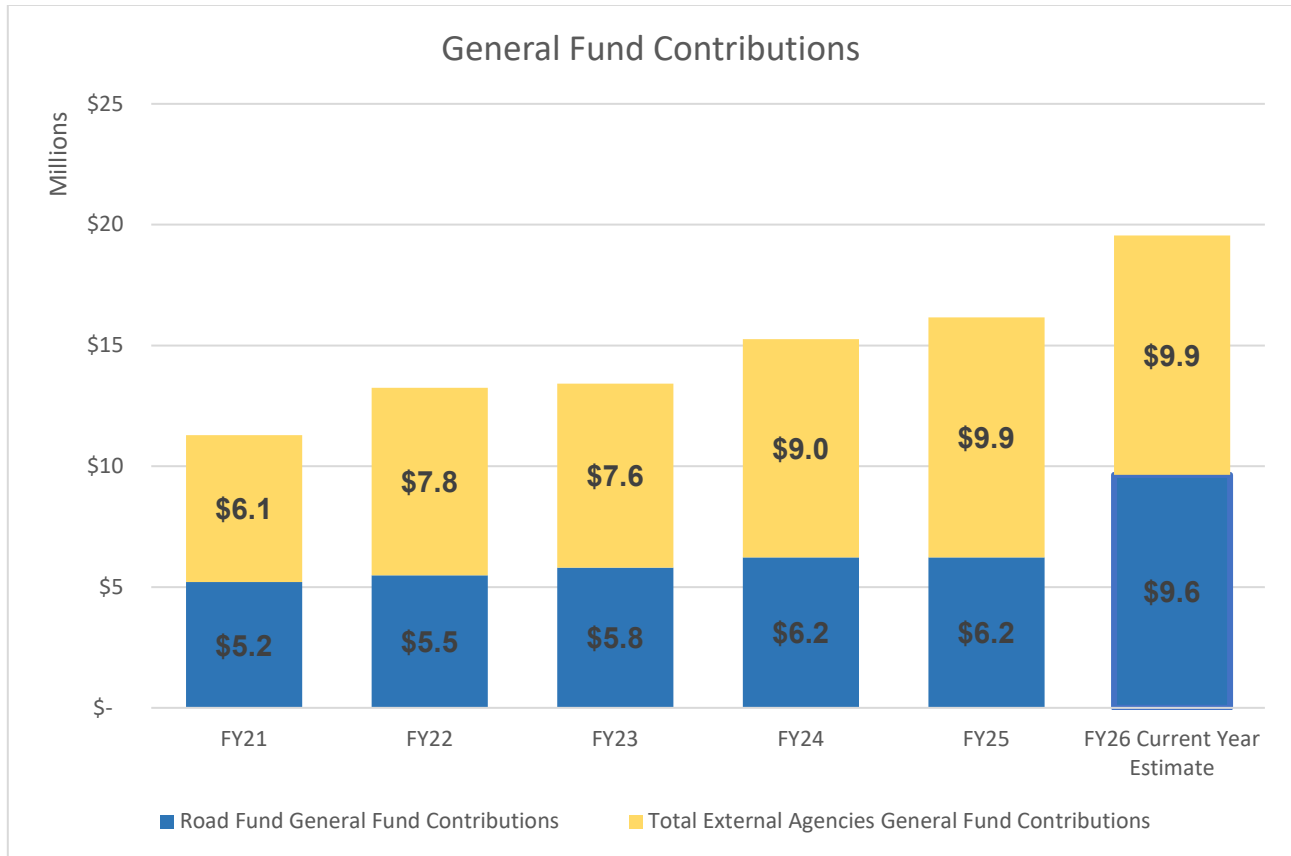
Costs to run internal service fund programs continue to increase.

The workers’ compensation program continues its trend of increasing projected allocated costs. FY 2026-27 costs are estimated at \$22.6 million or \$2.5 million higher than the current year and projected to grow 10% annually in the following two years, to \$27.3 million by FY 2028-29. This growth represents a \$9.2 million increase from FY 2020-21 costs. Next fiscal year, the general liability (GL) program’s allocated costs to departments also are estimated slightly higher than the current year at \$9.8 million (recoverable and non-recoverable combined) and then grow 15% in the subsequent two years to \$13 million by FY 2028-29.



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 \$19.6 million in FY 2025-26 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 set 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 2025-26 contributions to user agencies of the 911 center total \$2.2 million and the allocation to the fire districts is \$4.1 million and were based on the original formula using FY 2023-24 actuals as the base. 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 is \$10 million.

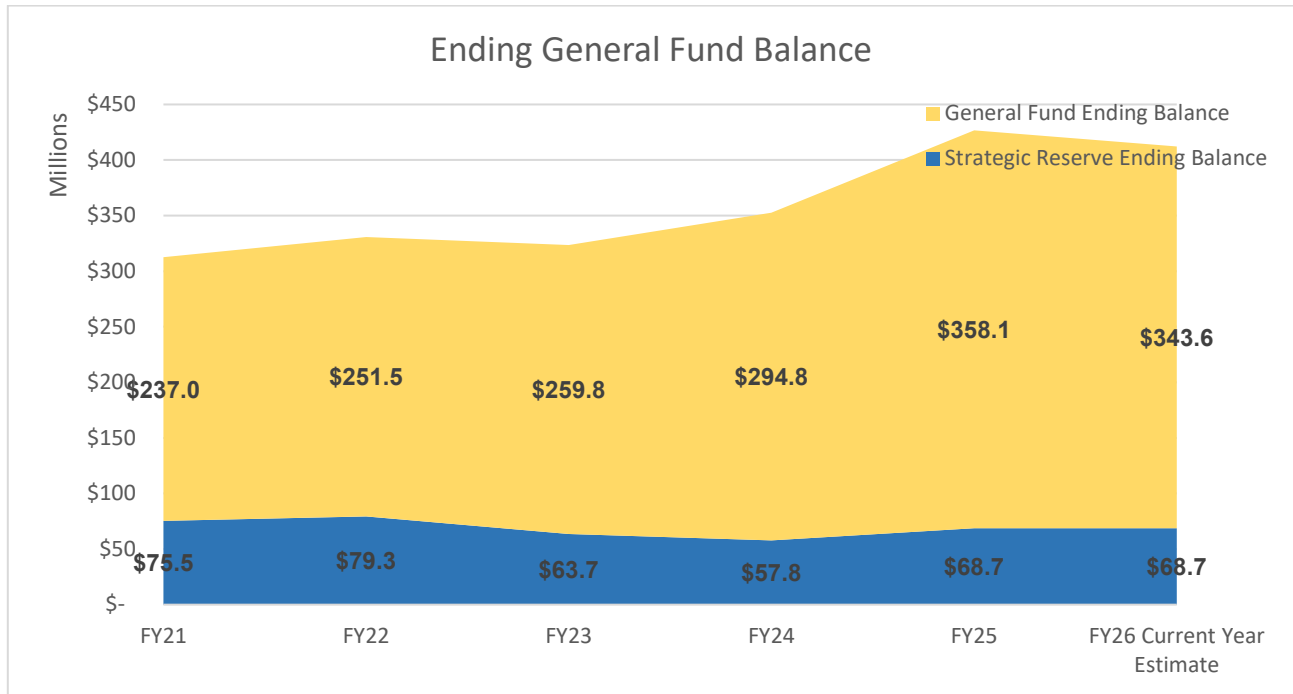
Emerging Countywide Needs

The following 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.

Salary increases. Most bargaining units labor agreements were negotiated with the County in the prior year, resulting in additional costs of \$29.7 million. Additionally, several wage studies for various classifications occurred in the prior year, with an estimated cost of \$6.3 million for the current 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 \$36.6 million is anticipated next fiscal years. This is independent of position growth or salary increases.

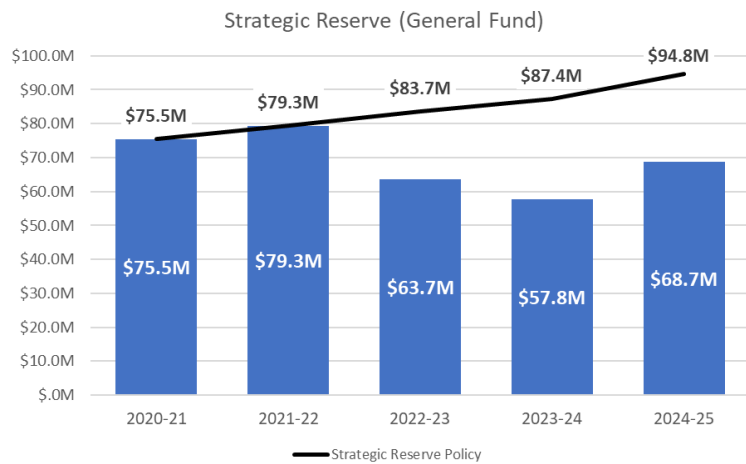
Financial Reserves



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 2025-26 modified budget includes \$19.2 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 \$343.6 million at year-end.

A significant component of the unrestricted fund balance is the strategic reserve, which was established to fund unforeseen crises or changes in fiscal conditions, including: short-term revenue reductions due to economic downturns; legal judgments against the County in excess of reserves normally designated for litigation; declared natural disasters; one-time State budget reductions that could not be addressed through the annual appropriations for contingencies; and regional emergencies. The County had to rely on strategic reserves to



respond to the winter storms over the last two years, ending the year with a strategic reserve balance of \$57.8 million in FY 2023-24. During FY 24-25, the County was able to add \$22.5 million back to the Strategic Reserve, including \$6.9 million collected during the fiscal year for primarily FEMA reimbursements and

insurance proceeds, \$5.7 million was reclassified from unassigned fund balance to the Strategic Reserve for prior year collections or reimbursements for projects resulting from natural disasters funded by the Strategic Reserve, and \$10.0 million from prior year (FY 2023-24) surplus. However, during the fiscal year, departments utilized \$11.7 million from the reserve, including \$9.2 million to the Road Fund as advanced funding pending reimbursements to complete projects related to winter storms. This results in a reserve balance of \$68.7 million in FY 2024-25, which is 7.2% of general fund estimated revenues. Based on the 10% (\$94.8 million) policy target prudently set by your Board, there is a gap of \$26.1 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 \$31.4 million is outstanding.

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 2025-26 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 2026-27 is distributed using the same priorities. GFC for the remaining forecast years is assumed to be static from FY 2026-27. 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.

AGR000 Agriculture Commissioner	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 13,563,118	\$ 14,114,729	\$ 15,206,016	\$ 15,876,125	\$ 16,674,525
B. Cost Plan	\$ 1,126,276	\$ 1,126,276	\$ 1,126,276	\$ 1,126,276	\$ 1,126,276
C. Total Expenditures, A+B	\$ 14,689,394	\$ 15,241,005	\$ 16,332,292	\$ 17,002,401	\$ 17,800,801
D. Revenue	\$ 10,497,354	\$ 11,645,233	\$ 11,241,100	\$ 11,246,100	\$ 11,251,100
E. Financing Need, C-D	\$ 4,192,040	\$ 3,595,772	\$ 5,091,192	\$ 5,756,301	\$ 6,549,701
F. Preliminary GFC	\$ 4,192,040	\$ 4,192,040	\$ 4,071,095	\$ 4,071,095	\$ 4,071,095
G. Surplus/(Deficit), F-E	\$ 0	\$ 596,268	\$ (1,020,097)	\$ (1,685,206)	\$ (2,478,606)

Agricultural Commissioner – The Agricultural Commissioner estimates to end the current fiscal year with \$15.2 million in expenditures, \$11.7 million in revenues and a general fund contribution of \$3.6 million resulting in an estimated year-end surplus of \$596,268 dollars. The Agricultural Commissioner’s office expects expenditures to exceed budget due to a reimbursable event sponsored by the California Dept. of Pesticide Regulations (CDPR) scheduled near the end of the fiscal year, offset by reimbursement revenues from CDPR. Revenue estimates are higher than budget due to unanticipated revenue expected from state agencies for mandated work performed in FY 2024-25. The resulting surplus amount is due to a combination of salary savings during vacant position recruitment and unanticipated revenue earned through Unclaimed Gas Tax (UGT) as distributed by the California Dept. of Food & Agriculture (CDFA). The department

plans to manage expenditures during the remaining fiscal year to ensure maintenance of effort requirements and in turn receive UGT revenue for FY 2026-27. The department will request a budget modification in the current year to accommodate the higher expenditure and revenues. In the forecast years, the projected expenses increase due to higher salary and benefit costs, increased expense to service & supply due to ongoing price changes and scheduled equipment and vehicle replacement.

AUD000 Auditor-Controller	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 9,332,003	\$ 8,908,930	\$ 11,426,400	\$ 14,217,621	\$ 14,933,369
B. Cost Plan	\$ (7,086,297)	\$ (7,086,297)	\$ (7,086,297)	\$ (7,086,297)	\$ (7,086,297)
C. Total Expenditures, A+B	\$ 2,245,706	\$ 1,822,633	\$ 4,340,103	\$ 7,131,324	\$ 7,847,072
D. Revenue	\$ 679,018	\$ 679,033	\$ 679,018	\$ 679,018	\$ 679,018
E. Financing Need, C-D	\$ <u>1,566,688</u>	\$ <u>1,143,599</u>	\$ <u>3,661,085</u>	\$ <u>6,452,306</u>	\$ <u>7,168,054</u>
F. Preliminary GFC	\$ 1,566,688	\$ 1,566,688	\$ 747,903	\$ 747,903	\$ 747,903
G. Surplus/(Deficit), F-E	\$ 0	\$ 423,089	\$ (2,913,182)	\$ (5,704,403)	\$ (6,420,151)

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 \$679,033, resulting in a projected surplus of \$423,089. 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 the ERP Replacement project comes to a completion.

ACR000 Assessor-County Clerk-Recorder	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 9,467,261	\$ 8,907,221	\$ 10,968,118	\$ 11,562,105	\$ 12,221,046
B. Cost Plan	\$ 1,687,440	\$ 1,687,440	\$ 1,687,440	\$ 1,687,440	\$ 1,687,440
C. Total Expenditures, A+B	\$ 11,154,701	\$ 10,594,661	\$ 12,655,558	\$ 13,249,545	\$ 13,908,486
D. Revenue	\$ 4,430,476	\$ 3,273,744	\$ 3,273,889	\$ 3,273,889	\$ 3,273,889
E. Financing Need, C-D	\$ <u>6,724,225</u>	\$ <u>7,320,917</u>	\$ <u>9,381,669</u>	\$ <u>9,975,656</u>	\$ <u>10,634,597</u>
F. Preliminary GFC	\$ 6,724,224	\$ 6,724,224	\$ 6,741,301	\$ 6,741,301	\$ 6,741,301
G. Surplus/(Deficit), F-E	\$ (1)	\$ (596,693)	\$ (2,640,368)	\$ (3,234,355)	\$ (3,893,296)

Assessor-County Clerk/Recorder – The Assessor-County Clerk/Recorder estimates year-end expenditures of \$10.6 million and revenues of \$3.3 million, resulting in an estimated deficit of \$596,693. The estimated deficit is attributed primarily to continued revenue shortfalls in recording revenue caused by persistent high federal interest rates impacting the conventional lending industry. Also impacting revenue projections was the Governor’s veto of Assembly Bill 1430, which proposed to increase the recording base fee from \$10 to \$15. The recording base fee has not increased in over 10 years.

The deficits emerging in forecast years are driven by negotiated salary increases, health insurance premiums, retirement costs, and persistent low recording revenue.

BOS000 Board of Supervisors	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 5,288,509	\$ 4,289,911	\$ 4,692,156	\$ 4,953,175	\$ 5,248,454
B. Cost Plan	\$ 1,014,898	\$ 2,029,796	\$ 1,014,898	\$ 1,014,898	\$ 1,014,898
C. Total Expenditures, A+B	\$ 6,303,407	\$ 6,319,707	\$ 5,707,054	\$ 5,968,073	\$ 6,263,352
D. Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
E. Financing Need, C-D	\$ 6,303,407	\$ 6,319,707	\$ 5,707,054	\$ 5,968,073	\$ 6,263,352
F. Preliminary GFC	\$ 6,303,407	\$ 6,303,407	\$ 6,223,590	\$ 6,223,590	\$ 6,223,590
G. Surplus/(Deficit), F-E	\$ 0	\$ (16,300)	\$ 516,536	\$ 255,517	\$ (39,762)

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 \$6.31 million compared to a budgeted GFC of \$6.30 million, resulting in a year-end estimated deficit of \$16,300. The estimated deficit is primarily due to an increase in final Cost Plan cost. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, retirement costs, and general liability insurance.

CHI000 Department of Child Support Services	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 11,635,889	\$ 11,028,093	\$ 12,334,605	\$ 12,981,716	\$ 13,694,323
B. Cost Plan	\$ 746,103	\$ 746,103	\$ 746,103	\$ 746,103	\$ 746,103
C. Total Expenditures, A+B	\$ 12,381,992	\$ 11,774,196	\$ 13,080,708	\$ 13,727,819	\$ 14,440,426
D. Revenue	\$ 12,353,462	\$ 11,746,369	\$ 12,142,610	\$ 12,142,610	\$ 12,142,610
E. Financing Need, C-D	\$ 28,530	\$ 27,828	\$ 938,098	\$ 1,585,209	\$ 2,297,816
F. Preliminary GFC	\$ 28,530	\$ 28,530	\$ 26,198	\$ 26,198	\$ 26,198
G. Surplus/(Deficit), F-E	\$ 0	\$ 702	\$ (911,900)	\$ (1,559,011)	\$ (2,271,618)

Child Support Services - Child Support Services is funded almost entirely through federal and state subventions for mandated services. For the current year, the Department estimates year-end expenditures of \$11.7 million, supported by \$11.7 million in revenue and a General Fund Contribution (GFC) of \$27,828. The GFC is necessary to cover non-reimbursable costs, such as general liability expenses, that are not eligible for state reimbursement. The Department’s expenses are \$607,795 below budget, due to salary and benefits savings resulting from employee turnover and retirements, as well as reduced operating costs related to building lease, janitorial services, and utilities.

Over the forecast period, expenditures are expected to increase primarily due to rising employee salary and benefit costs associated with negotiated labor agreements, wage studies, insurance premiums, and increased PERS contributions rates. These cost drivers are expected to increase the need for GFC in future years. Additionally, the anticipated increase in Cost Plan charges for FY 2026-27 is expected to increase the need for GFC beyond what was originally forecasted.

Assuming funding allocations from the State Department of Child Support Services remain flat, the Department anticipates a growing deficit throughout the forecast period. Without mitigating actions to offset escalating costs, these increases will negatively impact Child Support Services’ ability to sustain current staffing levels and service delivery.

CRO000 Civil Rights Office	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 1,222,165	\$ 1,225,540	\$ 1,379,566	\$ 1,447,499	\$ 1,524,987
B. Cost Plan	\$ (1,385,500)	\$ (1,385,500)	\$ (1,385,500)	\$ (1,385,500)	\$ (1,385,500)
C. Total Expenditures, A+B	\$ (163,335)	\$ (159,960)	\$ (5,934)	\$ 61,999	\$ 139,487
D. Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
E. Financing Need, C-D	\$ (163,335)	\$ (159,960)	\$ (5,934)	\$ 61,999	\$ 139,487
F. Preliminary GFC	\$ (163,335)	\$ (163,335)	\$ (236,052)	\$ (236,052)	\$ (236,052)
G. Surplus/(Deficit), F-E	\$ 0	\$ (3,375)	\$ (230,118)	\$ (298,051)	\$ (375,539)

Civil Rights – The Civil Rights Office estimates expenditures of \$1.2 million offset by a cost plan credit of \$1.4 million. The current year estimate reflects a small deficit due to a clearing charge that is expected to be reverted; the department does not anticipate a deficit in the current year. The forecast period reflects growing deficits at the current level of funding based on rising costs for salary, pension, and healthcare costs, as well as higher operating expenses to continue civil rights programs and services.

COB000 Clerk of the Board	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 1,056,502	\$ 992,082	\$ 1,219,048	\$ 1,286,511	\$ 1,356,352
B. Cost Plan	\$ 116,148	\$ 116,148	\$ 116,148	\$ 116,148	\$ 116,148
C. Total Expenditures, A+B	\$ 1,172,650	\$ 1,108,230	\$ 1,335,196	\$ 1,402,659	\$ 1,472,500
D. Revenue	\$ 20,400	\$ 22,500	\$ 2,200	\$ 2,200	\$ 2,200
E. Financing Need, C-D	\$ 1,152,250	\$ 1,085,730	\$ 1,332,996	\$ 1,400,459	\$ 1,470,300
F. Preliminary GFC	\$ 1,152,250	\$ 1,152,250	\$ 1,080,277	\$ 1,080,277	\$ 1,080,277
G. Surplus/(Deficit), F-E	\$ 0	\$ 66,520	\$ (252,719)	\$ (320,182)	\$ (390,023)

Clerk of the Board – The Clerk of the Board estimates year-end expenditures of \$1 million and revenue of \$22,500 ending the year with a surplus of \$66,520. The surplus is a result of salary savings from a vacant Board Clerk position which is in the process of being filled. 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 possible projected deficits.

EXT000 Cooperative Extension Service	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 516,491	\$ 532,299	\$ 576,248	\$ 603,556	\$ 633,459
B. Cost Plan	\$ 81,414	\$ 81,414	\$ 81,414	\$ 81,414	\$ 81,414
C. Total Expenditures, A+B	\$ 597,905	\$ 613,713	\$ 657,662	\$ 684,970	\$ 714,873
D. Revenue	\$ 10,409	\$ 21,386	\$ 6,272	\$ 6,305	\$ 6,342
E. Financing Need, C-D	\$ 587,496	\$ 592,327	\$ 651,390	\$ 678,665	\$ 708,531
F. Preliminary GFC	\$ 587,497	\$ 587,497	\$ 588,685	\$ 588,685	\$ 588,685
G. Surplus/(Deficit), F-E	\$ 1	\$ (4,830)	\$ (62,705)	\$ (89,980)	\$ (119,846)

Cooperative Extension - The Cooperative Extension estimates ending the current year with \$613,713 in expenditures, \$21,386 in revenue and a GFC of \$587,497, resulting in a deficit of \$4,830 due to an increase in fleet service charges. The Department projects deficits in forecast years due to salary and benefit cost increases driven by approved bargaining agreements, PERS increases, increased employee health insurance premiums, and higher fleet service charges. A projected

decrease in reimbursable costs to the University of California (UC) attributes for a decrease in estimated revenue in forecast years, offset with lower reimbursable expenditures.

CAO001 County Administrative Office	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 31,084,624	\$ 27,104,208	\$ 20,870,276	\$ 21,569,782	\$ 22,313,159
B. Cost Plan	\$ (1,450,125)	\$ (1,450,125)	\$ (1,450,125)	\$ (1,450,125)	\$ (1,450,125)
C. Total Expenditures, A+B	\$ 29,634,499	\$ 25,654,083	\$ 19,420,151	\$ 20,119,657	\$ 20,863,034
D. Revenue	\$ 20,299,503	\$ 14,417,780	\$ 7,562,914	\$ 7,594,425	\$ 7,630,791
E. Financing Need, C-D	\$ 9,334,996	\$ 11,236,303	\$ 11,857,237	\$ 12,525,232	\$ 13,232,243
F. Preliminary GFC	\$ 9,334,995	\$ 9,334,995	\$ 9,089,268	\$ 9,089,268	\$ 9,089,268
G. Surplus/(Deficit), F-E	\$ (1)	\$ (1,901,308)	\$ (2,767,969)	\$ (3,435,964)	\$ (4,142,975)

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 \$25.7 million, financed by revenues of \$14.4 million and GFC of \$9.3 million. These projections result in a year-end estimated deficit of \$1.9 Million. The estimated deficit is primarily due to increased salary costs caused by a retirement in IGLA, and a decrease in Homelessness Strategies and initiatives due to unrecognized grant revenue. The deficits emerging in forecast years are driven by cost increases related to higher salaries, health insurance premiums, and employee departure costs.

COU000 County Counsel	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 6,344,022	\$ 6,609,503	\$ 7,982,867	\$ 8,318,667	\$ 8,703,832
B. Cost Plan	\$ (5,278,319)	\$ (5,278,319)	\$ (5,278,319)	\$ (5,278,319)	\$ (5,278,319)
C. Total Expenditures, A+B	\$ 1,065,703	\$ 1,331,184	\$ 2,704,548	\$ 3,040,348	\$ 3,425,513
D. Revenue	\$ 500,000	\$ 500,201	\$ 500,000	\$ 500,000	\$ 500,000
E. Financing Need, C-D	\$ 565,703	\$ 830,983	\$ 2,204,548	\$ 2,540,348	\$ 2,925,513
F. Preliminary GFC	\$ 565,703	\$ 565,703	\$ 584,861	\$ 584,861	\$ 584,861
G. Surplus/(Deficit), F-E	\$ 0	\$ (265,280)	\$ (1,619,687)	\$ (1,955,487)	\$ (2,340,652)

County Counsel - County Counsel estimates to end the current fiscal year (FY) 2025-26 at \$1.3 million in expenditures and \$500,201 in revenues, which results in a deficit of \$265,280 after General Fund Contribution of \$565,703. The estimated deficit is due to increased vacation buyout at levels post wage study implementation that had not been anticipated. The estimated deficits anticipated for the 3-year forecast are also due to the salary and benefit increases and wage studies on several positions.

DEM000 Department of Emergency Management	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 8,030,252	\$ 6,125,754	\$ 3,031,650	\$ 3,170,977	\$ 3,296,010
B. Cost Plan	\$ 1,052,008	\$ 1,052,008	\$ 1,052,008	\$ 1,052,008	\$ 1,052,008
C. Total Expenditures, A+B	\$ 9,082,260	\$ 7,177,762	\$ 4,083,658	\$ 4,222,985	\$ 4,348,018
D. Revenue	\$ 5,986,942	\$ 3,995,935	\$ 522,757	\$ 522,757	\$ 522,757
E. Financing Need, C-D	\$ <u>3,095,318</u>	\$ <u>3,181,827</u>	\$ <u>3,560,901</u>	\$ <u>3,700,228</u>	\$ <u>3,825,261</u>
F. Preliminary GFC	\$ 3,095,318	\$ 3,095,318	\$ 2,811,567	\$ 2,811,567	\$ 2,811,567
G. Surplus/(Deficit), F-E	\$ 0	\$ (86,509)	\$ (749,334)	\$ (888,661)	\$ (1,013,694)

Department of Emergency Management – Emergency Management estimates year-end expenditures of \$7.2 million, revenues of \$4.0 million, and a GFC of \$3.1 million resulting in a deficit of \$86,509 due to delays in reimbursements. DEM is continuing recruitment efforts, filling a limited term grant funded position, and will continue applying for additional grants to increase revenues.

In the forecast years, overall appropriation levels decrease due to the end of the State AB102 \$20 million grant for Pajaro flood recovery, though projected remaining base level operational expenses and deficits both increase due to estimated step advances, negotiated salary increases and employee benefits cost.

DEM maintains readiness for disaster response and recovery efforts and continues to monitor and report the fiscal situation as unknown expenses arise.

DIS000 District Attorney	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 36,216,311	\$ 35,223,399	\$ 43,449,777	\$ 45,954,927	\$ 48,797,808
B. Cost Plan	\$ 5,726,291	\$ 5,726,291	\$ 5,726,291	\$ 5,726,291	\$ 5,726,291
C. Total Expenditures, A+B	\$ 41,942,602	\$ 40,949,690	\$ 49,176,068	\$ 51,681,218	\$ 54,524,099
D. Revenue	\$ 18,648,156	\$ 18,153,859	\$ 19,420,620	\$ 19,835,120	\$ 20,254,620
E. Financing Need, C-D	\$ <u>23,294,446</u>	\$ <u>22,795,831</u>	\$ <u>29,755,448</u>	\$ <u>31,846,098</u>	\$ <u>34,269,479</u>
F. Preliminary GFC	\$ 23,294,446	\$ 23,294,446	\$ 20,095,092	\$ 20,095,092	\$ 20,095,092
G. Surplus/(Deficit), F-E	\$ 0	\$ 498,615	\$ (9,660,356)	\$ (11,751,006)	\$ (14,174,387)

District Attorney – The Office of the District Attorney (DA) anticipates year-end expenditures of \$40.9 million, revenues of \$18.2 million and \$23.3 million in GFC, resulting in a year-end surplus of \$498,615. Revenues are down \$494,297 due to delays in settlements of cases in the Civil Unit but could improve as prison unit activity has increased. Expenditures are \$992,912 lower than budgeted levels due to a hiring freeze. The DA projects deficits in the forecast years primarily due to forecasted salary increases, increasing PERS retirement costs and health insurance premiums.

ELE000 Elections	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 5,835,734	\$ 6,928,380	\$ 6,223,053	\$ 6,501,586	\$ 6,830,482
B. Cost Plan	\$ 1,361,823	\$ 1,361,823	\$ 1,361,823	\$ 1,361,823	\$ 1,361,823
C. Total Expenditures, A+B	\$ 7,197,557	\$ 8,290,203	\$ 7,584,876	\$ 7,863,409	\$ 8,192,305
D. Revenue	\$ 706,703	\$ 3,537,827	\$ 2,248,524	\$ 153,000	\$ 2,305,000
E. Financing Need, C-D	\$ <u>6,490,854</u>	\$ <u>4,752,376</u>	\$ <u>5,336,352</u>	\$ <u>7,710,409</u>	\$ <u>5,887,305</u>
F. Preliminary GFC	\$ 6,490,854	\$ 6,490,854	\$ 5,034,220	\$ 5,034,220	\$ 5,034,220
G. Surplus/(Deficit), F-E	\$ 0	\$ 1,738,478	\$ (302,132)	\$ (2,676,189)	\$ (853,085)

Elections - The Elections Department administers all federal, state, county, and local elections. Departmental expenditures and revenues vary based on the number and size of scheduled and unscheduled elections in a given year. The Department expects to end the current year with expenditures of \$8.3 million, revenues of \$3.5 million, and a County contribution of \$4.8 million, resulting in a surplus of \$1.7 million.

Due to the unscheduled November 4, 2025, Statewide Special Election, both expenditures and revenues will exceed the adopted budget. The County received \$3.5 million in State funding to offset costs associated with administering the special election, which was not included in the budget. The final year budget will depend heavily on final election billing for the November 2025 Statewide Special Election and the number of billable districts that consolidate with the June Primary Election. Contingent upon these two variables, the Department will conclude the fiscal year with either a balanced budget or a surplus.

Projected expenditures and revenues in forecast years reflect one scheduled election per fiscal year: a statewide general in FY 2026-27, a Presidential Primary in FY 2027-28, and a Presidential General in FY 2028-29. 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 2027-28 is projected to have reduced revenues due to fewer billable jurisdictions that consolidate with the primary election cycle. FY 2026-27 and FY 2028-29 are 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 attributable to employee wages and compensation, a decrease in grant funds, and the cyclical revenue which is dependent upon reimbursements from billable jurisdictions that go to election.

HEA000 Health	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 164,344,655	\$ 164,694,504	\$ 165,923,967	\$ 168,964,537	\$ 175,628,051
B. Cost Plan	\$ 9,899,042	\$ 9,899,042	\$ 9,899,042	\$ 9,899,042	\$ 9,899,042
C. Total Expenditures, A+B	\$ 174,243,697	\$ 174,593,546	\$ 175,823,009	\$ 178,863,579	\$ 185,527,093
D. Revenue	\$ 145,578,218	\$ 148,147,329	\$ 145,089,146	\$ 150,396,622	\$ 156,656,289
E. Financing Need, C-D	\$ <u>28,665,479</u>	\$ <u>26,446,217</u>	\$ <u>30,733,863</u>	\$ <u>28,466,957</u>	\$ <u>28,870,804</u>
F. Preliminary GFC	\$ 28,665,477	\$ 28,665,477	\$ 17,522,282	\$ 17,522,282	\$ 17,522,282
G. Surplus/(Deficit), F-E	\$ (2)	\$ 2,219,260	\$ (13,211,581)	\$ (10,944,675)	\$ (11,348,522)

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 \$174.6 million, revenues of \$148.1 million, and a financing need of \$26.4 million resulting in a surplus of \$2.2 million.

Year-end expenditures are estimated to be \$349,849 over the budgeted amount. This is primarily due to projected increased expenditures in the Public Health Bureau, \$254,000 program, and \$1 million in capital expenditures for the Space Utilization and Reconfiguration Project, offset with savings of approximately \$998,000 across other Health Department Bureaus. The total estimated expenditures include a liability payment to the State totaling \$14.9 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. The Department continues to monitor expenditure trends and if necessary, will bring the appropriate actions before the Board for consideration and approval. Revenue is projected to end the year \$2.5 million above budget and is mainly attributable to improved reimbursement rates for Clinic Services encounters.

The Department projects ending with a surplus of \$2.2 million, of which \$1.6 million is to settle a deficit from FY 2024-25 associated with the conversion of primary care clinics from standalone to intermittent status, which resulted in an improved reimbursement rate and increased revenue, ultimately. 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.

HCD000 Housing and Community Development	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 19,578,635	\$ 18,408,942	\$ 20,753,399	\$ 21,785,917	\$ 22,958,305
B. Cost Plan	\$ 2,662,716	\$ 2,662,716	\$ 2,662,716	\$ 2,662,716	\$ 2,662,716
C. Total Expenditures, A+B	\$ 22,241,351	\$ 21,071,658	\$ 23,416,115	\$ 24,448,633	\$ 25,621,021
D. Revenue	\$ 11,908,127	\$ 12,175,330	\$ 12,078,974	\$ 12,225,741	\$ 12,452,650
E. Financing Need, C-D	\$ 10,333,224	\$ 8,896,328	\$ 11,337,141	\$ 12,222,892	\$ 13,168,371
F. Preliminary GFC	\$ 10,333,224	\$ 10,333,224	\$ 9,437,255	\$ 9,437,255	\$ 9,437,255
G. Surplus/(Deficit), F-E	\$ 0	\$ 1,436,896	\$ (1,899,886)	\$ (2,785,637)	\$ (3,731,116)

Housing and Community Development - The FY2025-26 year-end estimate for Housing and Community Development (HCD) consists of \$21 million in expenditures, revenues of \$12.1 million, and a General Fund Contribution of \$10.3 million resulting in a net estimated surplus of \$1.4 million. The savings continue to be 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 revenues exceeded the expected amount in the first six months of the year.

HRD000 Human Resources	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 7,520,329	\$ 7,442,614	\$ 8,672,517	\$ 9,189,296	\$ 9,663,709
B. Cost Plan	\$ (7,548,579)	\$ (7,548,579)	\$ (7,548,579)	\$ (7,548,579)	\$ (7,548,579)
C. Total Expenditures, A+B	\$ (28,250)	\$ (105,965)	\$ 1,123,938	\$ 1,640,717	\$ 2,115,130
D. Revenue	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
E. Financing Need, C-D	\$ (28,250)	\$ (105,965)	\$ 1,123,938	\$ 1,640,717	\$ 2,115,130
F. Preliminary GFC	\$ (28,250)	\$ (28,250)	\$ (119,717)	\$ (119,717)	\$ (119,717)
G. Surplus/(Deficit), F-E	\$ 0	\$ 77,715	\$ (1,243,655)	\$ (1,760,434)	\$ (2,234,847)

Human Resources- The Human Resources Department projects \$77,715 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, workers’ compensation insurance, and general liability insurance.

INF000 Information Technology Department	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 23,138,170	\$ 23,349,569	\$ 23,231,079	\$ 23,199,612	\$ 23,137,762
B. Cost Plan	\$ (18,637,539)	\$ (18,637,539)	\$ (18,637,539)	\$ (18,637,539)	\$ (18,637,539)
C. Total Expenditures, A+B	\$ 4,500,631	\$ 4,712,030	\$ 4,593,540	\$ 4,562,073	\$ 4,500,223
D. Revenue	\$ 750,000	\$ 750,754	\$ 750,000	\$ 750,000	\$ 750,000
E. Financing Need, C-D	\$ 3,750,631	\$ 3,961,276	\$ 3,843,540	\$ 3,812,073	\$ 3,750,223
F. Preliminary GFC	\$ 3,750,632	\$ 3,750,632	\$ 3,709,323	\$ 3,709,323	\$ 3,709,323
G. Surplus/(Deficit), F-E	\$ 1	\$ (210,644)	\$ (134,217)	\$ (102,750)	\$ (40,900)

Information Technology – The Information Technology Department (ITD) estimates year-end operational expenditures of \$23.3 million. The Department recovers its operational expenditures through direct charges to customers, as well as the Cost Plan which in current year reflects a credit in the amount of \$18.6 million. Year-end revenue is estimated at \$750,754 from cable funding and billing external ITD customers. Combined expenditure and revenue results in an estimated general fund need of \$3.9 million, resulting in a deficit of \$210,644 mainly due to an increase in salary and benefits costs. Future forecast figures include an increase in operational expenses mostly due to salary and benefit costs, which are planned to be mostly offset via direct customer charges and the Cost Plan, reflecting slight deficits year over year.

The Department also anticipates year-end capital project expenditures of \$1.1 million that is offset by use of \$1.1 million of ITD assignment funds. This capital project portion is not included in the above table.

PRO000 Probation	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 69,520,794	\$ 68,464,491	\$ 72,627,089	\$ 75,758,591	\$ 79,638,428
B. Cost Plan	\$ 7,106,161	\$ 7,106,161	\$ 7,106,161	\$ 7,106,161	\$ 7,106,161
C. Total Expenditures, A+B	\$ 76,626,955	\$ 75,570,652	\$ 79,733,250	\$ 82,864,752	\$ 86,744,589
D. Revenue	\$ 48,895,458	\$ 48,303,950	\$ 46,028,578	\$ 46,028,578	\$ 46,028,578
E. Financing Need, C-D	<u>\$ 27,731,497</u>	<u>\$ 27,266,703</u>	<u>\$ 33,704,672</u>	<u>\$ 36,836,174</u>	<u>\$ 40,716,011</u>
F. Preliminary GFC	\$ 27,731,496	\$ 27,731,496	\$ 28,249,745	\$ 28,249,745	\$ 28,249,745
G. Surplus/(Deficit), F-E	\$ (1)	\$ 464,793	\$ (5,454,927)	\$ (8,586,429)	\$ (12,466,266)

Probation – The Department projects year-end expenditures of \$75.6 million, revenues of \$48.3 million and a GFC of \$27.3 million. The estimated surplus of \$464,793 is mainly due to salary and benefit savings projected from department vacancies. The estimate reflects a decrease in budgeted revenues and expenditures of \$591,508 and \$1,056,303, respectively. The decrease in revenue is primarily federal funding due to a lower candidate eligibility rate for the Title IV-E program. The lower expenditures are due to vacancies and reduced claimable staff activities for the Title IV-E program amounting to an expected savings of \$1,416,221, offset by higher costs of \$352,112 in reimbursable professional services, minor equipment, and technology investments for the State Cal-AIM program.

The forecast years reflect deficits of \$5.5 to \$12.5 million due to climbing costs for staff salary and benefits from negotiated bargaining agreements coupled with continued flat revenue projections for GFC and State funding for local community corrections and public safety programs. Overall, Probation has conservatively forecasted revenues to be maintained at current levels. However, these revenues, including sales tax, are subject to volatility and amounts could vary by large margins in the future due to national and State economic pressures and uncertainty.

Additionally, forecast years project a diminishing fund balance, which provides operating transfers to multiple County departments for the local community corrections and public safety programs in support of State’s AB 109 realignment activities. The department continues to monitor this funding and is working with the County stakeholder departments to plan for adjusting future service levels to align with expected funding.

PUB000 Public Defender	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 22,181,179	\$ 21,844,983	\$ 27,299,031	\$ 27,942,388	\$ 26,830,131
B. Cost Plan	\$ 2,173,215	\$ 2,173,215	\$ 2,173,215	\$ 2,173,215	\$ 2,173,215
C. Total Expenditures, A+B	\$ 24,354,394	\$ 24,018,198	\$ 29,472,246	\$ 30,115,603	\$ 29,003,346
D. Revenue	\$ 5,688,445	\$ 6,228,430	\$ 7,171,476	\$ 6,519,050	\$ 4,467,467
E. Financing Need, C-D	<u>\$ 18,665,949</u>	<u>\$ 17,789,768</u>	<u>\$ 22,300,770</u>	<u>\$ 23,596,553</u>	<u>\$ 24,535,879</u>
F. Preliminary GFC	\$ 18,665,949	\$ 18,665,949	\$ 17,161,268	\$ 17,161,268	\$ 17,161,268
G. Surplus/(Deficit), F-E	\$ 0	\$ 876,181	\$ (5,139,502)	\$ (6,435,285)	\$ (7,374,611)

Public Defender - The Public Defender’s Office estimates year-end expenditures of \$24.0 million, revenues of \$6.2 million, and a GFC of \$18.7 million, resulting in a surplus of \$876,181. The surplus

is primarily due to additional grant funding relating to Care Court, Proposition 47 Cohort 4, and Expanded Holistic Defense. 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 workload and associated service agreements that maintain department operations.

PFP000 Public Works, Facilities and Parks	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 30,203,532	\$ 36,072,767	\$ 33,960,076	\$ 35,474,534	\$ 37,132,386
B. Cost Plan	\$ (14,908,965)	\$ (14,908,965)	\$ (14,908,965)	\$ (14,908,965)	\$ (14,908,965)
C. Total Expenditures, A+B	\$ 15,294,567	\$ 21,163,802	\$ 19,051,111	\$ 20,565,569	\$ 22,223,421
D. Revenue	\$ 4,426,546	\$ 8,470,718	\$ 4,453,151	\$ 4,465,011	\$ 4,477,287
E. Financing Need, C-D	\$ 10,868,021	\$ 12,693,084	\$ 14,597,960	\$ 16,100,558	\$ 17,746,134
F. Preliminary GFC	\$ 10,868,023	\$ 10,868,023	\$ 9,133,417	\$ 9,133,417	\$ 9,133,417
G. Surplus/(Deficit), F-E	\$ 2	\$ (1,825,061)	\$ (5,464,543)	\$ (6,967,141)	\$ (8,612,717)

Public Works, Facilities, and Parks (PWWP) - The FY 2025-26 current year estimate projects expenditures of \$21.2 million, revenues of \$8.5 million and general fund contribution of \$10.9 million, resulting in a net deficit of \$1.8 million. This reflects an increase in expenditures and revenues of \$5.9 million and \$4.0 million, respectively, compared to the modified budget. Budget modifications for additional security needs (\$0.2 million) and the use of Strategic Reserve funds for the Pajaro Mansion project (\$1.4 million) were applied after the Current Year Estimate process began, increasing the general fund contribution to \$12.5 million. As a result, the revised current year estimated deficit is \$0.2 million.

Expenditures increased primarily due to project and service needs that extended into FY 2025-26 and were not fully known or finalized at the time the budget was adopted. This includes the continuation of the Pajaro Mansion project and unscheduled maintenance projects totaling \$5.1 million, which required funding to carry forward into the new fiscal year.

Additional expenditure increases reflect service level and operational requirements necessary to maintain public safety and essential facilities. Security service levels were adjusted during the budget process to align with the limited General Fund Contribution allocation; however, service levels were subsequently increased in response to operational direction provided at the start of the fiscal year, resulting in higher costs of \$.5 million. Similarly, encampment cleanup and Carmel Lagoon maintenance activities represent recurring and necessary operational costs that were addressed during the year to meet public health, safety, and environmental obligations, contributing approximately \$0.3 million in additional expenditures.

The increase in revenues is largely attributable to AB 102 funding for the Pajaro Mansion project totaling \$2.9 million. Additionally, \$0.8 million in revenue was transferred in to cover the unscheduled maintenance projects. Parks revenues also increased by approximately \$.3 million due to improved water levels at Lake San Antonio.

Projected deficits in subsequent years are driven by reductions in General Fund Contributions along with increased costs for salaries, wage study compensation, pension contributions and insurance

premiums. Revenues are also expected to decline due to one-time funding sources in FY 2025-26 related to the Pajaro Mansion and unscheduled maintenance projects.

SHE000 Sheriff-Coroner	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 150,324,860	\$ 159,560,366	\$ 183,528,935	\$ 191,820,258	\$ 200,630,568
B. Cost Plan	\$ 15,948,311	\$ 15,948,311	\$ 15,948,311	\$ 15,948,311	\$ 15,948,311
C. Total Expenditures, A+B	\$ 166,273,171	\$ 175,508,677	\$ 199,477,246	\$ 207,768,569	\$ 216,578,879
D. Revenue	\$ 52,776,731	\$ 55,175,916	\$ 26,258,816	\$ 25,351,716	\$ 25,371,716
E. Financing Need, C-D	\$ 113,496,440	\$ 120,332,761	\$ 173,218,430	\$ 182,416,853	\$ 191,207,163
F. Preliminary GFC	\$ 113,496,439	\$ 113,496,439	\$ 110,656,325	\$ 110,656,325	\$ 110,656,325
G. Surplus/(Deficit), F-E	\$ (1)	\$ (6,836,322)	\$ (62,562,105)	\$ (71,760,528)	\$ (80,550,838)

Sheriff-Coroner – The Sheriff’s Office projects year-end expenditures of \$175.5 million or \$9.2 million higher than budget, with revenues of \$55.2 million or \$2.4 million higher than budget, and \$120.3 million in GFC or \$6.8 million more than provided by the Board. The Sheriff’s Office deficit results from higher contracted medical care costs in the jail for which the department intends to request an augmentation from the Board.

The Sheriff’s Office projects growing deficits in forecast years, ranging from \$62.5 million to \$80.6 million, primarily due to increases in salary and benefits from negotiated bargaining agreements, increased contractual costs to service agreements, especially jail medical services, and fleet. Though there was an increase in revenues in the current year for unbudgeted CalAIM funds, these are not anticipated in forecast years.

The Sheriff’s Office will continue to implement controls in spending in an attempt to meet balanced budgets.

SOC000 Social Services	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 275,106,703	\$ 270,301,821	\$ 295,519,291	\$ 308,687,398	\$ 322,374,585
B. Cost Plan	\$ 12,248,151	\$ 12,248,151	\$ 12,248,151	\$ 12,248,151	\$ 12,248,151
C. Total Expenditures, A+B	\$ 287,354,854	\$ 282,549,972	\$ 307,767,442	\$ 320,935,549	\$ 334,622,736
D. Revenue	\$ 260,670,096	\$ 255,830,708	\$ 271,029,693	\$ 277,192,110	\$ 286,580,013
E. Financing Need, C-D	\$ 26,684,758	\$ 26,719,263	\$ 36,737,749	\$ 43,743,439	\$ 48,042,723
F. Preliminary GFC	\$ 26,684,758	\$ 26,684,758	\$ 26,078,442	\$ 26,078,442	\$ 26,078,442
G. Surplus/(Deficit), F-E	\$ 0	\$ (34,505)	\$ (10,659,307)	\$ (17,664,997)	\$ (21,964,281)

Social Services – The Department of Social Services (DSS) estimates year-end expenditures of \$282.5 million, revenues of \$255.8 million and GFC of \$26.7 million. This results in an overall deficit of \$34,505. The deficit is driven by General Assistance cash benefits offset by higher revenues in Community Programs and salary savings in Military and Veterans Affairs.

Year-end expenditures are estimated to be \$4.8 million lower than budgeted due to a higher than anticipated vacancy rate, lower retirement costs, and reduced entitlement costs for CalWORKs. These reductions are offset by higher costs in the General Assistance and Out of Home Care programs and increases in IHSS provider health benefits due to an updated bargaining

agreement. Year-end revenues are estimated to be \$4.8 million lower, correlating with the decrease in reimbursable expenditures by the State for the above programs.

It should be noted that the year-end estimate process 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 forecast deficits. Most of the expenditure increases in the forecast years pertain to employee salary and benefit increases. Realignment revenue was forecasted with minimal 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 and other program 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.

TRE000 Treasurer-Tax Collector	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Operating Expenditures	\$ 11,639,312	\$ 10,707,499	\$ 12,326,816	\$ 12,963,327	\$ 13,606,632
B. Cost Plan	\$ (1,735,441)	\$ (1,735,441)	\$ (1,735,441)	\$ (1,735,441)	\$ (1,735,441)
C. Total Expenditures, A+B	\$ 9,903,871	\$ 8,972,058	\$ 10,591,375	\$ 11,227,886	\$ 11,871,191
D. Revenue	\$ 9,691,830	\$ 8,649,870	\$ 9,437,380	\$ 9,721,654	\$ 10,007,796
E. Financing Need, C-D	\$ 212,041	\$ 322,188	\$ 1,153,995	\$ 1,506,232	\$ 1,863,395
F. Preliminary GFC	\$ 212,041	\$ 212,041	\$ 231,118	\$ 231,118	\$ 231,118
G. Surplus/(Deficit), F-E	\$ 0	\$ (110,147)	\$ (922,877)	\$ (1,275,114)	\$ (1,632,277)

Treasurer-Tax Collector - Tax Collector (TTC) projects year-end expenditures of \$9 million, revenue of \$8.7 million, and a general fund contribution (GFC) of \$212,041, resulting in an estimated deficit of \$110,147. This deficit is largely due to unanticipated salary expenses for retirement payouts. Revenue is projected to be \$1.04 million below budget, primarily a result of lower levels of reimbursable expenditure in 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, salary increases due to recent position studies, 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 for road and bridge projects and maintenance 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 \$9.6 and \$12.3 million, respectively.

1201 Road Fund	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 20,463,837	\$ 20,463,837	\$ 19,823,227	\$ 13,457,424	\$ 14,555,418
B. Total Revenues	\$ 63,921,111	\$ 65,116,388	\$ 109,364,004	\$ 71,252,168	\$ 75,732,666
C. Total Expenditures	\$ 64,594,726	\$ 65,756,998	\$ 115,729,807	\$ 70,154,174	\$ 76,592,837
D. Ending Fund Balance	\$ 19,790,222	\$ 19,823,227	\$ 13,457,424	\$ 14,555,418	\$ 13,695,247
E. Increase/(Decrease) in Fund Balance	\$ (673,615)	\$ (640,609)	\$ (6,365,803)	\$ 1,097,994	\$ (860,171)

The FY 2025–26 revenue estimate is \$1.2 million higher than budgeted due to the continuation of the Davis Road Bridge Right of Way Phase project, for which additional funding was approved. Fluctuations in forecasted revenues are primarily the result of grant-funded projects. In FY 2026–27, the Davis Road Bridge project is a key factor contributing to an \$18.8 million increase in revenues, while the Gonzales River Road Bridge project contributes an additional \$29.2 million increase.

Estimated expenditures are \$1.2 million over budget. This increase reflects higher costs associated with the Davis Road Bridge Right of Way Phase project.

The ending fund balance is estimated at a positive \$19.8 million, with \$2.4 million allocated to reserves and \$3.6 million to storm strategic reserves at year-end. As in prior years, forecasted revenues and expenditures will fluctuate based on project activity. Measure X and SB1 revenues are the primary sources of fund balance over the three-year forecast period.

Monterey County Free Libraries – For the current fiscal year-end, the Library Department currently projects utilizing \$940,191 in fund balance, which is \$425,686 less than originally budgeted. This is due to several major projects that were budgeted but will not be completed in the current year. Total expenditures of \$14.2 million are \$224,390 below budget, due to lower salary and benefit costs attributed to vacancies. The Library has several projects whose costs may change and will monitor expenditures to determine if additional appropriations will be needed, or projects delayed.

1210 Library Fund	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 11,153,359	\$ 11,153,359	\$ 10,112,925	\$ 7,064,500	\$ 5,494,292
B. Total Revenues	\$ 13,081,580	\$ 13,282,875	\$ 13,706,061	\$ 14,149,247	\$ 14,607,944
C. Total Expenditures	\$ 14,447,457	\$ 14,323,309	\$ 16,754,486	\$ 15,719,455	\$ 15,013,446
D. Ending Fund Balance	\$ 9,787,482	\$ 10,112,925	\$ 7,064,500	\$ 5,494,292	\$ 5,088,790
E. Increase/(Decrease) in Fund Balance	\$ (1,365,877)	\$ (1,040,434)	\$ (3,048,425)	\$ (1,570,208)	\$ (405,502)

Current-year revenue is \$201,295 higher than budget and is largely attributable to modest increases in property tax receipts, contributions, and higher than anticipated investment income. Property tax revenue remains the Department’s primary funding source. During the year, the Library managed several major capital projects, including replacement of the deck at the Big Sur Library, a roof replacement at the Greenfield Library, and is currently completing relocation to the new Gonzales Library, where MCFL funded furniture, fixtures, and equipment.

Capital improvement projects planned for FY 2026/27 include completion of the new branch in Bradley and starting the new branch in East Garrison, acquisition of a new South County bookmobile, the San Lucas landscaping project, and construction of a new parking lot at the Greenfield Library. The Capital Improvement Program also includes funding for new public computers, and several other facility improvements. Most of the capital projects will be funded with Library fund balance. During FY 2026-27, the Library anticipates utilizing \$3.0 million in fund balance. By the end of the Forecast years, fund balance is estimated to drop by \$5.0 million from the current year.

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 provides community prevention programs, crisis intervention, inpatient psychiatric services, social rehabilitation, supportive housing, and outpatient services primarily to Monterey County Medi-Cal beneficiaries who meet the State Department of Health Care Services 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 400005) captures the financial activity associated with these services.

1310 Behavioral Health	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 29,130,226	\$ 29,130,226	\$ 25,641,291	\$ 23,227,018	\$ 16,888,044
B. Total Revenues	\$ 194,843,727	\$ 207,049,203	\$ 205,284,199	\$ 200,196,017	\$ 200,196,017
C. Total Expenditures	\$ 199,316,276	\$ 210,538,138	\$ 207,698,472	\$ 206,534,991	\$ 211,406,106
D. Ending Fund Balance	\$ 24,657,677	\$ 25,641,291	\$ 23,227,018	\$ 16,888,044	\$ 5,677,955
E. Increase/(Decrease) in Fund Balance	\$ (4,472,549)	\$ (3,488,934)	\$ (2,414,273)	\$ (6,338,974)	\$ (11,210,089)

For the current fiscal year, Behavioral Health Fund expenditures are estimated at \$210.5 million and revenues at \$207.0 million, resulting in an estimated decrease in fund balance of \$3.5 million.

Expenditures are projected to be \$11.3 million above the budget of \$199.3 million. The variance in spending is primarily attributable to increased salary and benefit costs of approximately \$8.6 million, \$4.1 million related to higher hospital charges associated with increased acuity of care, and \$0.6 million related to staff training costs. These increases are partially offset by higher-than-anticipated federal and state Medi-Cal revenues, increased vehicle license fee revenues, and expenditure savings resulting from the halted Mental Health Rehabilitation Center project.

Revenues are projected to be \$12.2 million above the budget of \$194.8 million. The variance in revenue is primarily attributable to increased federal Medi-Cal revenues of approximately \$20.4 million, \$3.1 million in State General Fund support for Medi-Cal services, and the loss of \$9.0 million in grant revenue associated with the halted Mental Health Rehabilitation Center project.

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.

1340 Emergency Communications	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 2,968,006	\$ 2,968,006	\$ 3,688,814	\$ 3,688,814	\$ 3,688,814
B. Total Revenues	\$ 15,682,524	\$ 15,847,029	\$ 16,853,809	\$ 17,834,557	\$ 18,977,953
C. Total Expenditures	\$ 15,682,524	\$ 15,126,221	\$ 16,853,809	\$ 17,834,557	\$ 18,977,953
D. Ending Fund Balance	\$ 2,968,006	\$ 3,688,814	\$ 3,688,814	\$ 3,688,814	\$ 3,688,814
E. Increase/(Decrease) in Fund Balance	\$ 0	\$ 720,808	\$ 0	\$ 0	\$ 0

The Department is operating under a special revenue fund and expects to end the current year with expenditures of \$15.1 million and revenues of \$15.8 million including a County GFC of \$2.4 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.

2010 Natividad Medical Center	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 189,184,998	\$ 189,184,998	\$ 200,589,303	\$ 203,902,689	\$ 206,317,319
B. Total Revenues	\$ 545,093,167	\$ 567,362,768	\$ 549,352,241	\$ 562,802,082	\$ 575,313,457
C. Total Expenditures	\$ 531,635,149	\$ 555,958,463	\$ 546,038,855	\$ 560,387,452	\$ 575,653,327
D. Ending Fund Balance	\$ 202,643,016	\$ 200,589,303	\$ 203,902,689	\$ 206,317,319	\$ 205,977,449
E. Increase/(Decrease) in Fund Balance	\$ 13,458,018	\$ 11,404,306	\$ 3,313,386	\$ 2,414,630	\$ (339,870)

Revenue: Net operating revenue for the current year is expected to be \$567.3 million, \$22.3 million or 4.1% 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

Operating Expenses: Expenditures in the current year are estimated at \$555.9 million, \$24.3 million over budget. Labor and supplies expenses are major contributors to increases in expenditure. 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 \$9.0 million annually on capital projects. Proposed projects include seismic and infrastructure compliance upgrade, facilities capital improvements, and replacement of clinical and diagnostic medical equipment.

Net Results: NMC projects a decrease in net position from operations totaling \$2.1 million over the current and increasing in the forecasted years.

Lake & Resort Operations – The Parks Lake and Resort Operations Fund is an enterprise fund for the operations of Nacimiento Resort & Recreation Area (Lake Nacimiento). Lake Nacimiento is a self-supporting entity, providing goods and services to the public for a fee. It is managed under an agreement with an external operator, ExplorUS. The agreement allows for reimbursement of operator’s expenses when exceeding revenues. In addition, County pays a monthly management fee and annual incentive fee. County is responsible for capital expenditures such as repairs to infrastructure.

2020 Parks Lake and Resort Operations	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 6,417,716	\$ 6,417,716	\$ 5,381,886	\$ 5,161,530	\$ 4,959,119
B. Total Revenues	\$ 4,938,979	\$ 4,212,676	\$ 4,282,825	\$ 4,417,579	\$ 4,543,267
C. Total Expenditures	\$ 5,490,251	\$ 5,248,506	\$ 4,503,181	\$ 4,619,990	\$ 4,744,931
D. Ending Fund Balance	\$ 5,866,444	\$ 5,381,886	\$ 5,161,530	\$ 4,959,119	\$ 4,757,455
E. Increase/(Decrease) in Fund Balance	\$ (551,272)	\$ (1,035,830)	\$ (220,356)	\$ (202,411)	\$ (201,664)

Fiscal Year 2025-26 budget included \$4.9 million of anticipated revenues. Based on year-end estimates, actual revenues are projected to be approximately \$0.7 million lower than budget. This variance is primarily due to a change in how certain revenues are recorded.

Revenues from annual decals and dry and wet storage fees were previously recorded when payments were received. Under accounting guidance, these revenues must be recognized over the period in which the related services are provided. As a result, a portion of these revenues will be recorded in future fiscal years rather than FY 2025-26.

Total expenditures were budgeted at \$5.5 million. Updated year-end estimates indicate spending will be approximately \$0.2 million lower than budget. This net decrease is largely driven by lower-than-expected revenues, which reduced certain directly related expenses by \$0.3 million. These savings were partially offset by \$0.1 million in costs related to unplanned emergency projects that were not included in the adopted budget.

The FY 2025-26 Budget projected a net loss of \$0.6 million, and an ending Net Position of \$5.9 million. Based on current year-end estimates, the net loss is expected to be approximately \$1.0 million, primarily due to lower revenues, resulting in an estimated net position of \$5.4 million. Both the adopted budget and current estimates include \$0.6 million in capital-related expenditures, which will be recorded as assets and are expected to increase the net position to approximately \$6.5 million after year-end adjustments.

The three-year forecast anticipates a net loss of \$0.2 million per year. Revenues are projected to increase from 2% to 3% annually, while expenditures are expected to increase by about 3% annually. An exception occurs in FY 2026-27, when expenditures are projected to decrease by 14% due to the absence of planned capital purchases and operating transfers that are included in the current fiscal year.

Laguna Seca Recreation Area (LSRA) – Laguna Seca Recreation Area is an enterprise fund, operates as a fee-for-service entity. LSRA provides services that include camping, daily track

rentals, venue rentals, corporate team-building packages, and ticket sales to special events. Special events range from small local gatherings to world-renowned international events.

2030 Laguna Seca Recreation Area	Current Year - FY26		Forecast		
	Modified Budget	Year End Estimate	FY27	FY28	FY29
A. Beginning Fund Balance	\$ 29,597,841	\$ 29,597,841	\$ 27,279,067	\$ 24,835,750	\$ 22,454,995
B. Total Revenues	\$ 701,097	\$ 814,971	\$ 771,097	\$ 771,097	\$ 593,597
C. Total Expenditures	\$ 3,238,261	\$ 3,133,745	\$ 3,214,414	\$ 3,151,852	\$ 3,121,625
D. Ending Fund Balance	\$ 27,060,677	\$ 27,279,067	\$ 24,835,750	\$ 22,454,995	\$ 19,926,967
E. Increase/(Decrease) in Fund Balance	\$ (2,537,164)	\$ (2,318,775)	\$ (2,443,317)	\$ (2,380,755)	\$ (2,528,028)

Effective August 1, 2024, the operations and management of LSRA was assumed by Friends of Laguna Seca (FLS), a non-profit organization. County and FLS entered into a 5-year Concessionaire Agreement through December 31, 2028, which can be extended for two additional 25-year periods, subject to compliance with specific conditions set forth in the Agreement. County will begin to earn an incentive fee on Net Operating Income for the calendar year ending on December 31, 2028.

With this transition, budgeted revenues were projected to decrease significantly to \$.7 million. Revenues are primarily from sponsorships, which are to be used to reimburse the General Fund for cash advances for the Start/Finish Bridge project, completed in Fiscal Year 2024. It also includes Cost Plan reimbursement from FLS and an estimate for Investment Income. The current year-end estimate projects an increase in revenues of \$0.1 million related to investment income, outlawed check utilities reimbursement from FLS and a vendor refund of prior year overpayment.

Budgeted expenditures of \$3.2 million include County allocated costs, such as property insurance (\$.7 million), legal services, other personnel and professional services (\$.14 million), depreciation expense (\$1.7 million), cost plan charges (\$.34 million) and an operating transfer out. Operating transfer out of \$355,000 are to reimburse General Fund for the Start/Finish Bridge project advance. The remainder of this advance will be paid annually until FY 2027-28. The year-end estimate for total expenditure is \$0.1 million lower due primarily to lower actual charges for property and stop loss insurance.

The FY 2025-26 budget projected a net loss of \$2.5 million, reducing the Net Position to \$27.1 million. Based on year-end estimates, the ending Net Position is projected to be slightly higher at \$27.3 million, reflecting a combination of higher-than-anticipated revenues and lower-than-anticipated expenditures.

Most of the Net Position is not available for ongoing operations. Approximately \$24.9 million represents County’s investment in capital assets, and \$0.4 million is restricted for pending projects. This leaves approximately \$2.0 million available to support recurring County expenditures, which continue to be reflected in the financial forecasts for the next three fiscal years.