



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legistar File Number: BC 25-062

May 21, 2025

Introduced: 5/9/2025

Current Status: Agenda Ready

Version: 1

Matter Type: Budget Committee

Support Request to:

- a. Amend the FY 2024-25 Adopted Budget for the Health Department's Behavioral Health Bureau, (022-8410-HEA015), to increase appropriations by \$14,330,006, financed by available fund balance; and
- b. Amend the FY 2024-25 Adopted Budget for the Health Department's Behavioral Health Bureau (023-8410-HEA012) to increase appropriations by \$21,510,132 financed by an increase of Mental Health Services Act (MHSA) revenue of \$7,180,126 and a transfer-in from (022-8410-HEA015) of \$14,330,006 and
- c. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the Changes in the FY 2024-25 Health Department's Behavioral Health Bureau's Adopted Budget (022-8410-HEA015, and 023-8410-HEA012).

RECOMMENDATION:

It is recommended that the Budget Committee of the Board of Supervisors support request to:

- a. Amend the FY 2024-25 Adopted Budget for the Health Department's Behavioral Health Bureau, (022-8410-HEA015), to increase appropriations by \$14,330,006, financed by available fund balance; and
- b. Amend the FY 2024-25 Adopted Budget for the Health Department's Behavioral Health Bureau (023-8410-HEA012) to increase appropriations by \$21,510,132 financed by an increase of Mental Health Services Act (MHSA) revenue of \$7,180,126 and a transfer-in from (022-8410-HEA015) of \$14,330,006 and
- c. Authorize and direct the Auditor-Controller and County Administrative Office to incorporate the Changes in the FY 2024-25 Health Department's Behavioral Health Bureau's Adopted Budget (022-8410-HEA015, and 023-8410-HEA012).

SUMMARY/DISCUSSION:

The County of Monterey Health Department's Behavioral Health Bureau (BHB) requests to increase appropriations in the amount of \$14,330,006 in Fund 022 and \$21,510,132 in Fund 023 of its adopted budget for Fiscal Year 2024-25. This request is driven by several key factors impacting both contracted and internal operational costs.

The primary cost driver is an increase in contract expenses necessary to meet the requirements of operating the County's Medi-Cal Mental Health Plan (MHP). In addition, the implementation of CalAIM payment reform has introduced fiscal uncertainty by transitioning from an annual cost-settlement model to a fee-for-service payment structure. This shift places more financial risk on

contractors and has resulted in system-wide contract costs exceeding budgeted amounts significantly.

In addition to rising contract expenses, BHB has experienced ongoing increases in salary and benefits costs due to active efforts to fill critical vacancies and the implementation of Memorandum of Understanding (MOU) adjustments finalized in the current fiscal year. As a result, salary and benefit expenditures are projected to exceed FY 2024-25 budget allocations by \$2,405,163.57.

To offset the increased appropriation request, BHB anticipates that a significant portion will be covered by Mental Health Services Act (MHSA) revenues, which are projected to exceed budgeted revenues by at least \$7,180,126. The remaining \$14,330,006 is expected to be funded through available 2011 Realignment fund balance from Fund 022.

BHB continues to refine its approach to mitigating the impact of payment reform by utilizing a weighted rate methodology in rate setting and enhancing system efficiencies. These adjustments are expected to generate additional Federal Medicaid and State General Fund revenues, which will likely reduce the need to use the full Fund 022 transfer being requested.

This work supports the County of Monterey Health Department 2025 - 2028 Strategic Plan Goal(s):
2. Provide Exceptional Person-Centered Care through Accessible, Community-Focused Health Services. It also supports one of the ten essential public health services, specifically 7. Link people to needed personal health services and assure the provision of health care when otherwise unavailable.

OTHER AGENCY INVOLVEMENT:

No other departments were involved.

FINANCING:

Approval of the recommendation will have no impact on the General Fund. The requested appropriation increases are financed with Mental Health Services Act (MHSA) revenue of \$7,180,126 and available fund balance of \$14,330,006.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

☐ Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

☒ Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

☒ Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services, promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

☐ Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for

County residents and supports economic development results.

☐ Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

Prepared by: Nick Cronkhite, Finance Manager II (WOC), 796-1270

Approved by: Elsa Mendoza Jimenez, Director of Health Services, 755-4526

Attachment(s):

Staff Report