

County of Monterey Three Year Forecast

Budget Committee Meeting 02/28/2024



Order of Presentation

- General Fund
 - Year end Estimate and Forecast Overview
 - Revenue Trends
 - Expenditure Trends and Cost Drivers
- Other Funds
- Next Steps



General Fund



General Fund Current Year Estimate Favorable

- Current year estimate shows positive balance adding \$10.7 million to unassigned fund balance

	2022-23	FY 2023-24			2024-25	2025-26	2026-27
	Actual	Adopted	Modified	Year-End Estimate	Forecast		
Available Financing:							
Beg. Unassigned Fund Balance	\$ 4.0	\$ -	\$ 0.7	\$ 0.7	\$ -	\$ -	\$ -
Release of Fund Balance	167.1	11.1	11.6	12.3	-	-	-
Revenues	798.2	836.7	841.9	836.6	831.2	839.3	852.9
Total Financing Sources	\$ 969.3	\$ 847.8	\$ 854.2	\$ 849.6	\$ 831.2	\$ 839.3	\$ 852.9
Financing Uses:							
Assignments/Restrictions	\$ 100.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures	856.0	844.3	851.8	835.8	860.7	879.9	896.6
Salary Adjustment					(6.6)	(6.7)	(6.8)
Appropriation for Contingencies	-	3.5	2.4	2.4	3.4	3.4	3.4
Total Financing Uses	\$ 956.0	\$ 847.8	\$ 854.2	\$ 838.2	\$ 857.5	\$ 876.6	\$ 893.2
Ending Unassigned Fund Balance	\$ 13.3	\$ -	\$ -	\$ 11.4	\$ (26.3)	\$ (37.3)	\$ (40.3)

Forecasted years show a deficit of \$26.3 million in FY 2024-25 which grows to \$37.3 and \$40.3 million in FY 2025-26 and FY 2026-27

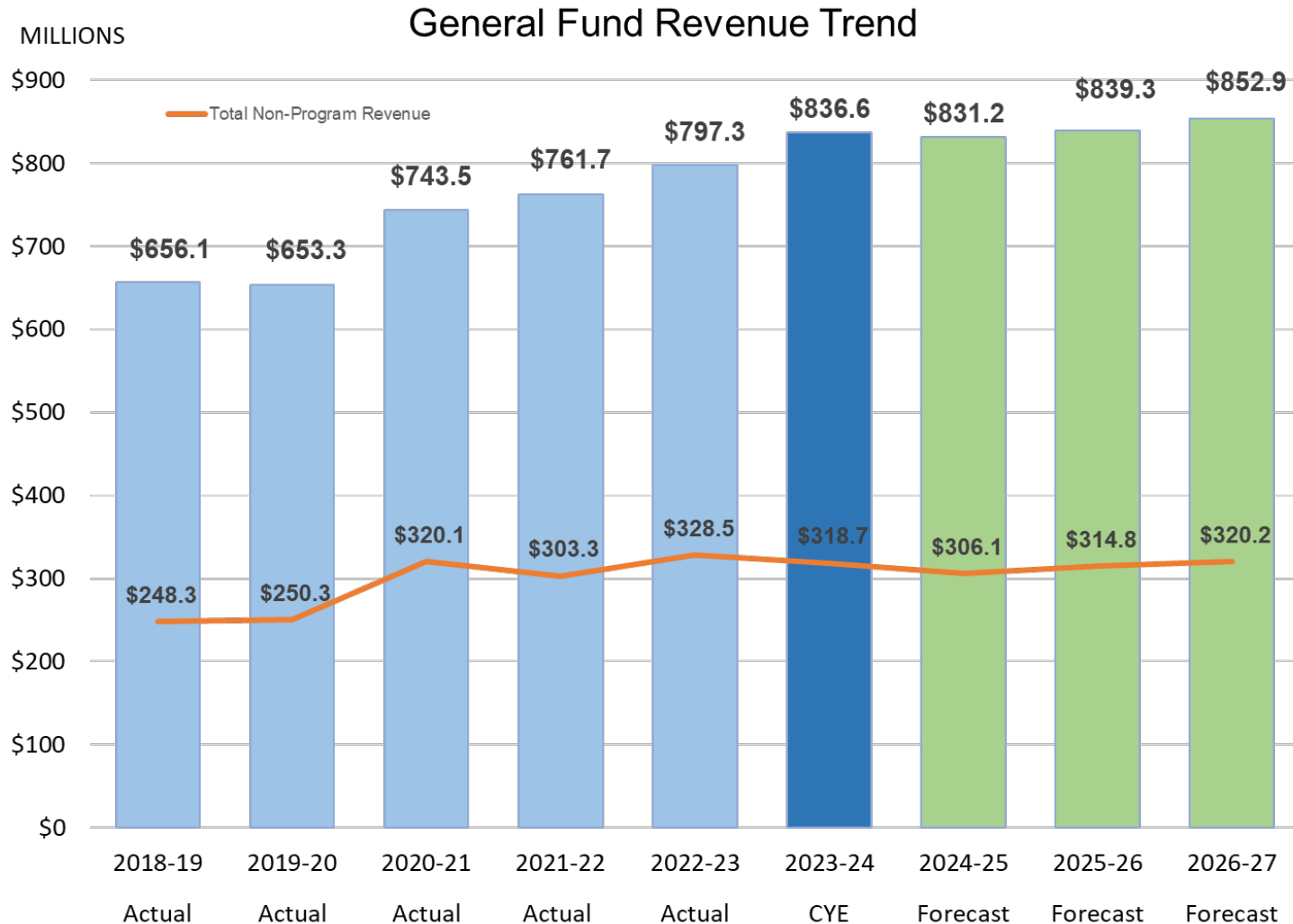
The estimated deficit for FY 2024-25 will be refined once departments submit their baseline budget by March 1, 2024; and presented to the board during the budget workshop April 2, 2024.



Revenues



General Fund Revenue Still Increasing

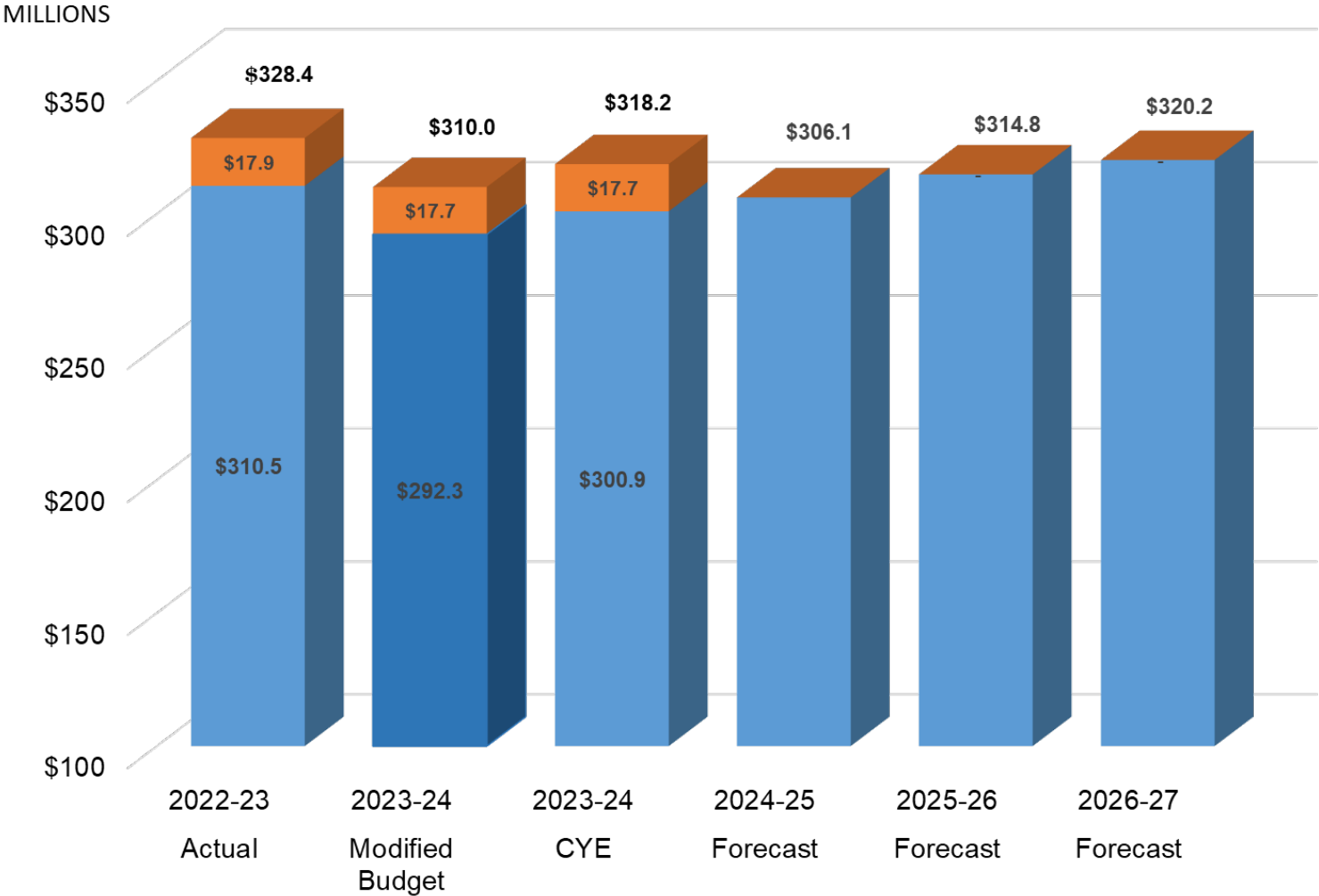


- General fund revenue is estimated to increase by \$39.3 million in FY 2023-24 when compared to actuals in FY 2022-23.
- Overall revenue is projected to decrease \$5.4 million the following year before increasing to \$852.3 million by the end of the forecast period. The decrease from FY 2023-24 to 2024-25 is related to one time revenue (mostly ARPA).



General Fund Discretionary Revenue Still Increasing

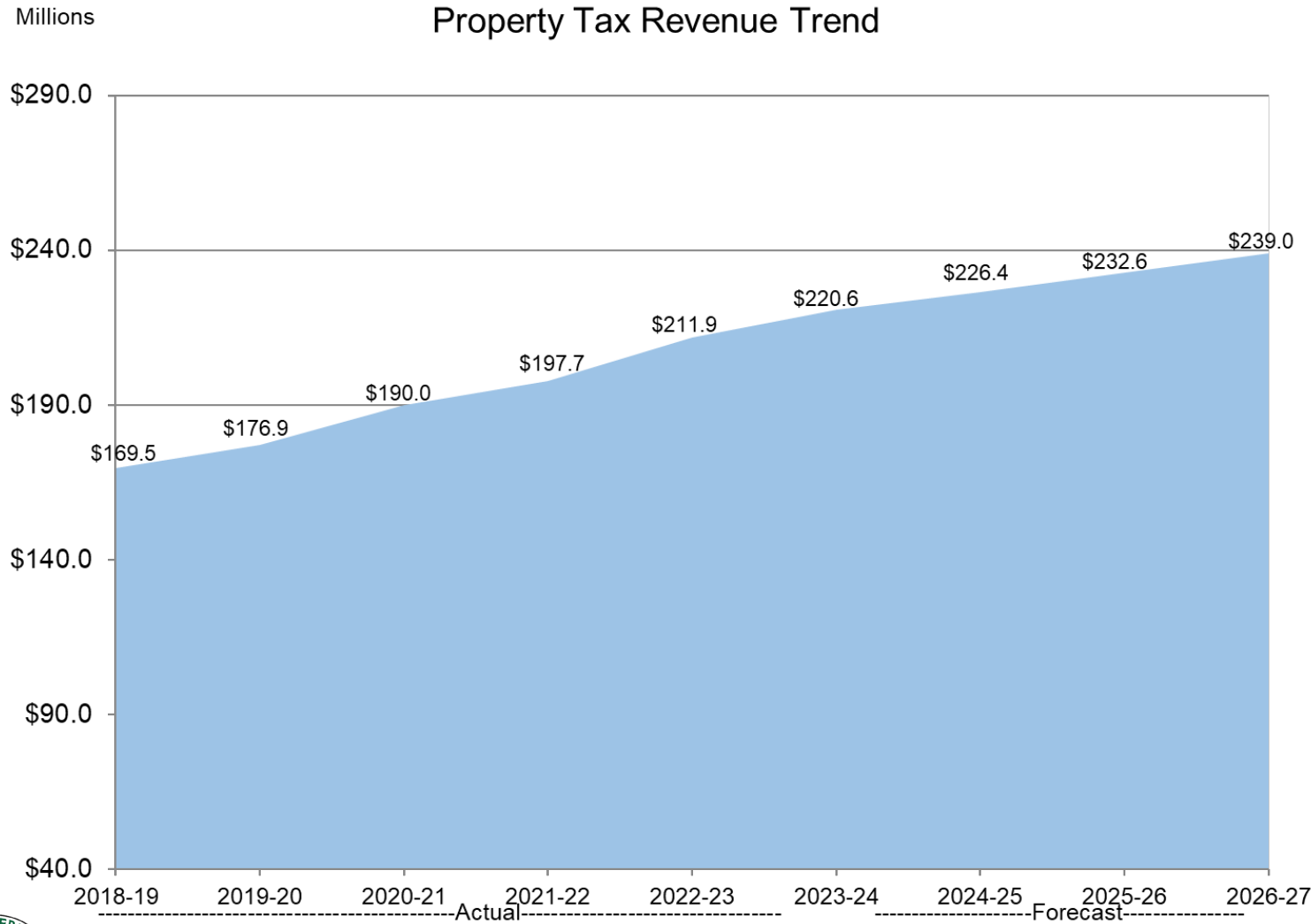
Discretionary Revenue Forecast



- Discretionary revenue is projected higher by \$8.2 million in FY 2023-24 compared to budget, with primary growth derived from Property Taxes and Transient Occupancy Taxes
- Forecast years assume all one-time revenue is not received, resulting in a decrease of \$5.2 million in revenue. When adjusting for effects of one-time revenue, overall revenue is increasing \$5.2 million.



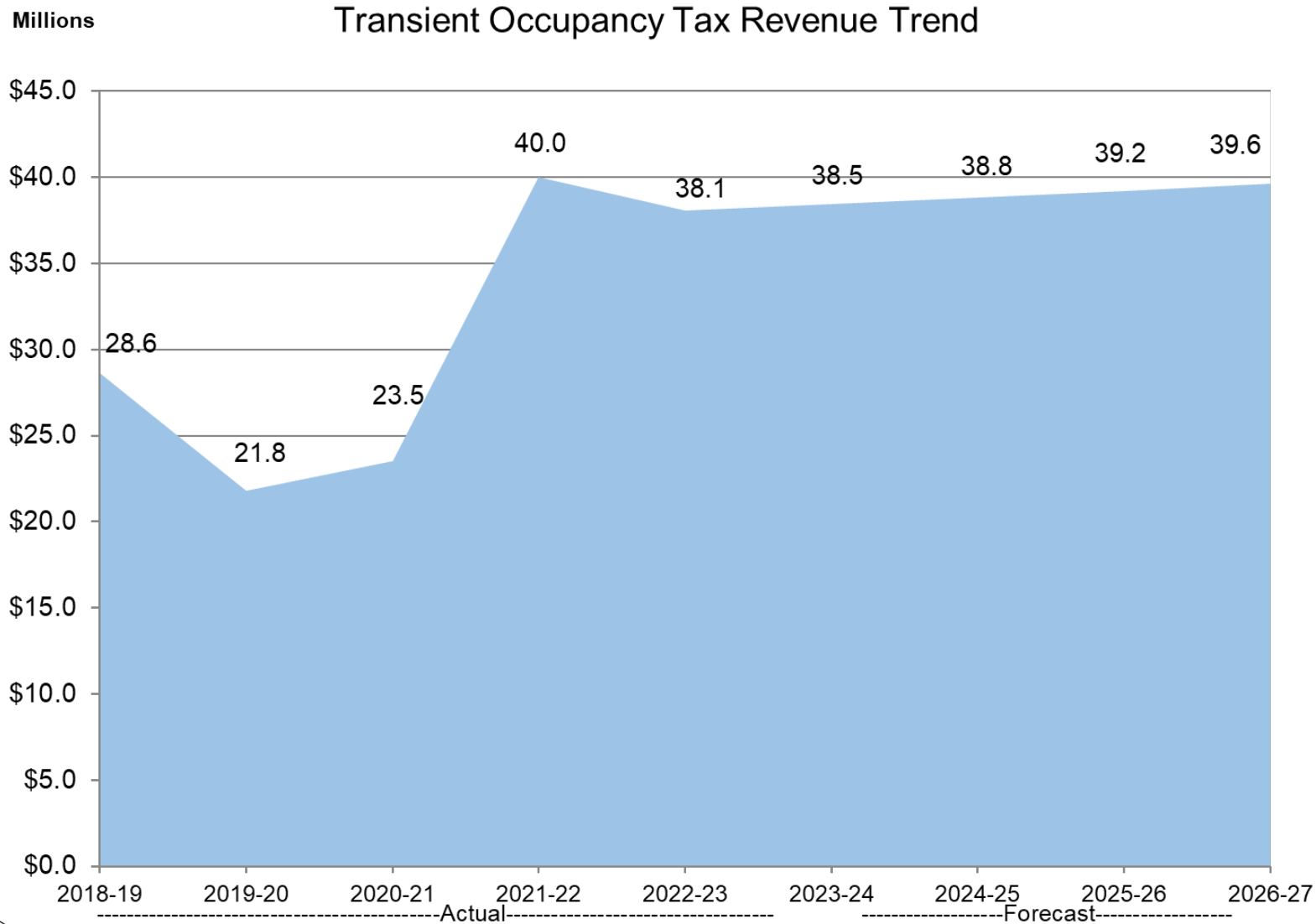
General Fund Discretionary Revenue Drivers – Property Tax



- Property Taxes have continued to grow, with the most significant growth occurring in FY 2022-23 and continued growth projected in the forecast years.
- Property taxes have been surprisingly strong amid the pandemic and other economic pressures; but need to monitor closely as reduction in this revenue could be impactful to service levels



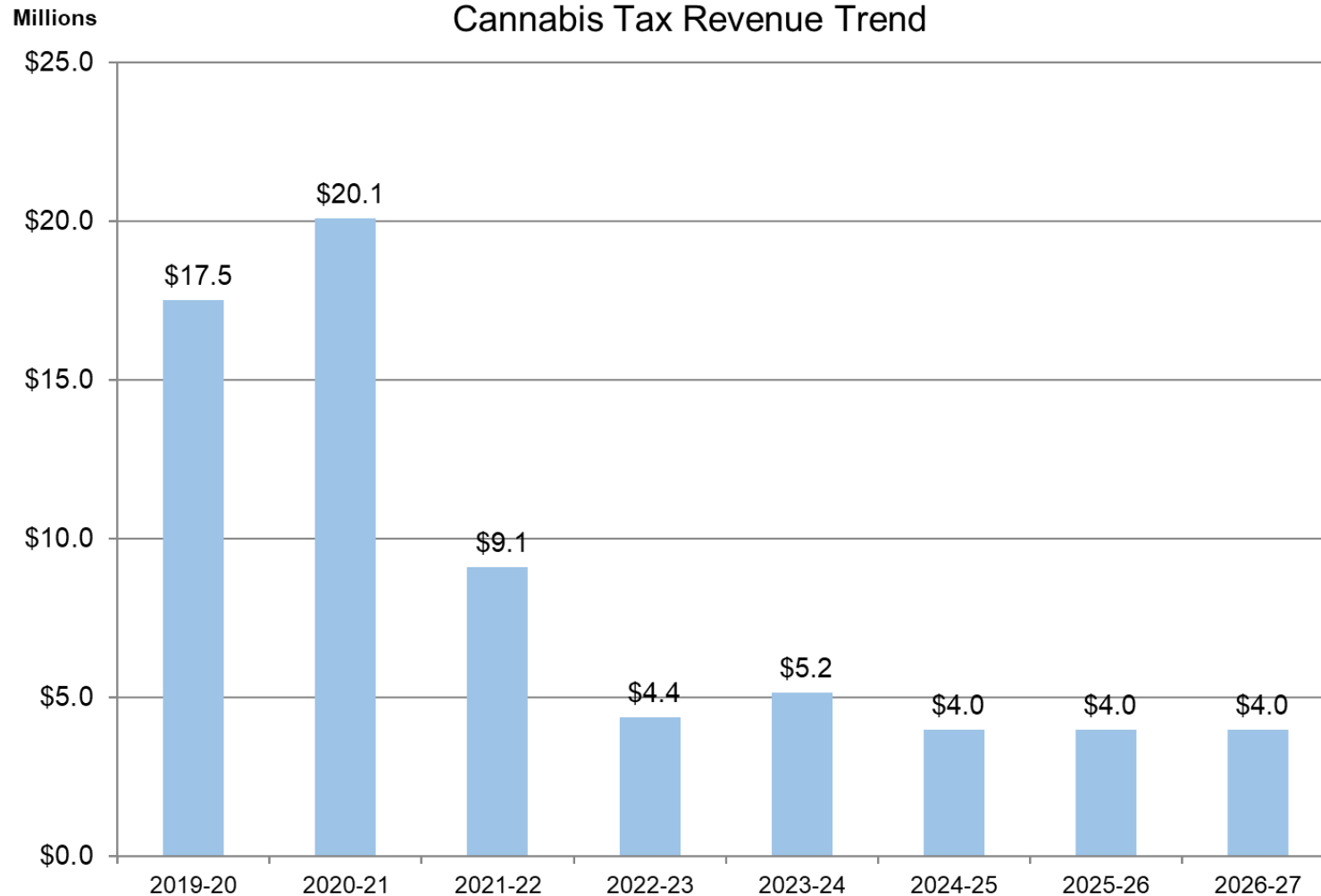
General Fund Discretionary Revenue Drivers – TOT



- Transient Occupancy Taxes is the County's second largest source of discretionary revenue, it is also, one of the most volatile as it responds quickly to changes in the economy
- FY 2021-22 actuals of \$40 million represents and unprecedented amount for this revenue but actuals for FY 2022-23 were lower at \$38.1 million.
- Revenue is projected to increase in the forecast years, but the County must monitor closely due to its high volatility



General Fund Cannabis Revenue



- Cannabis revenue has also changed significantly year over year since its inception; latest estimates indicate this revenue source will be \$5.2 million in FY 2023-24.
- This estimate could change significantly dependent on industry performance.
- Revenue collected in FY 2023-24 is as of 02/22/2024 is \$3.3 million.



General Fund									
Department	Spent			Allocated*	Variance	Budgeted	Allocated	Total	
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	All Years	
Ag Commissioner	\$ -	\$ 222,353						\$ 222,353	
Assessor-Clerk Recorder						\$ 545,159		\$ 545,159	
Auditor Controller	\$ -	\$ 167,200	\$ 356,590	\$ 356,590	\$ -			\$ 523,790	
Board of Supervisors	\$ -	\$ -	\$ 234,506	\$ 234,506	\$ -			\$ 234,506	
Civil Rights	\$ -	\$ 50,799	\$ 199,010	\$ 204,767	\$ 5,757	\$ 38,294		\$ 288,103	
Clerk of the Board	\$ -	\$ -	\$ 102,727	\$ 102,727	\$ (0)			\$ 102,727	
Cooperative Extension						\$ 40,118		\$ 40,118	
County Administrative Office	\$ 4,989,651	\$ 2,669,030	\$ 2,605,688	\$ 3,668,762	\$ 1,063,074	\$ 2,667,864	\$ 800,000	\$ 13,732,234	
County Administrative Office EOC	\$ 747,169	\$ (747,169)	\$ -	\$ 100,000	\$ 100,000	\$ 100,000		\$ 100,000	
County Counsel	\$ -	\$ 107,494	\$ 517,710	\$ 517,710	\$ -			\$ 625,204	
Department of Emergency Management						\$ 215,354	\$ 195,354	\$ 410,708	
District Attorney	\$ -	\$ 237,000	\$ 1,687,964	\$ 1,687,964	\$ -	\$ 100,325		\$ 2,025,289	
Elections						\$ 1,460,659		\$ 1,460,659	
Health	\$ 2,045,677	\$ 6,329,477	\$ 1,955,732	\$ 3,307,419	\$ 1,351,687	\$ 749,148	\$ 77,973	\$ 11,158,007	
Housing and Community Development	\$ -	\$ 934,112	\$ 520,000	\$ 520,000	\$ -	\$ 320,906		\$ 1,775,018	
Human Resources	\$ -	\$ 349,545	\$ 652,660	\$ 652,659	\$ (1)	\$ 50,000		\$ 1,052,204	
Information Technology	\$ -	\$ -	\$ 1,395,901	\$ 3,295,901	\$ 1,900,000	\$ 4,095,333		\$ 5,491,234	
Probation	\$ -	\$ 371,012	\$ 12,558	\$ 12,560	\$ 2	\$ 136,182		\$ 519,752	
Public Defender	\$ -	\$ 504,002	\$ 559,549	\$ 559,549	\$ -	\$ 292,970		\$ 1,356,521	
Public Works Facilities and Parks	\$ 424,720	\$ 3,400,726	\$ 1,414,394	\$ 1,414,394	\$ -	\$ 1,523,102		\$ 6,762,943	
Sheriff Coroner	\$ 504,038	\$ 2,906,798	\$ 3,812,723	\$ 3,812,723	\$ -	\$ 3,380,255		\$ 10,603,814	
Social Services	\$ 256,989	\$ 223,822	\$ 1,518,629	\$ 2,062,293	\$ 543,664	\$ 2,114,659		\$ 4,114,099	
Social Services (storm- general asst)			\$ 25,575	\$ 250,000	\$ 224,425			\$ 25,575	
Treasurer Tax Collector	\$ -	\$ 61,810		\$ -	\$ -	\$ 38,203		\$ 100,013	
Totals General Fund	\$ 8,968,245	\$ 17,788,011	\$ 17,571,916	\$ 22,760,524	\$ 5,188,608	\$ 17,868,531	\$ 1,073,327	\$ 63,270,030	
Other Funds									
	Spent			Allocated	Variance	Allocated	Allocated	Total	
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2022-23	FY 2022-23	FY 2023-24	FY 2024-25	All Years	
Emergency Communications	\$ -	\$ 278,046			\$ -			\$ 278,046	
Public Works - Carmel Lagoon		\$ 96,867	\$ 110,583	\$ 160,027	\$ 49,444	\$ 49,444		\$ 256,894	
Public Works - prop 68		\$ -	\$ 63,001	\$ 157,848	\$ 94,847	\$ 94,857		\$ 157,858	
Public Works - Road Fund	\$ -	\$ 110,000			\$ -			\$ 110,000	
Public Works - Boronda CSD	\$ -	\$ 38,993			\$ -			\$ 38,993	
Public Works - San Jerardo CSD	\$ -	\$ 35,159	\$ 131,341	\$ 131,341	\$ -			\$ 166,500	
Public Works - Pajaro CSD	\$ -	\$ -	\$ 1,178,797	\$ 1,178,797	\$ -	\$ 1,160,163		\$ 2,338,960	
Public Works - Capital Projects	\$ -	\$ 1,655,119	\$ 7,024,104	\$ 7,565,866	\$ 541,762	\$ 7,208,384	\$ -	\$ 15,887,607	
Public Works - Health HVAC	\$ -	\$ -	\$ 22,346						
Workforce Development Board Fund	\$ 745,342	\$ 145,425		\$ -	\$ -			\$ 890,766	
Totals Other Funds	\$ 745,342	\$ 2,359,609	\$ 8,530,173	\$ 9,193,879	\$ 686,052	\$ 8,512,848	\$ -	\$ 20,125,625	
Grand Total Obligated County	\$ 9,713,586	\$ 20,147,619	\$ 26,102,089	\$ 31,954,403	\$ 5,874,660	\$ 26,381,379	\$ 1,073,327	\$ 83,395,654	
Federal Allocation			\$ 55,963,295					\$ 55,963,295	
								\$ 84,311,261	

ARPA Revenue

- Total County allocation is \$84.3 million
- \$9.7 million were spent in FY 2020-21, \$20.1 million in FY 2021-22, and \$26.1 million in FY 2022-23.
- FY 2021-22 was the first full fiscal year these funds are available as Congress enacted this bill around May of 2021
- The Board approved a three and a half fiscal year plan for the use of fund to enable the County to respond o the pandemic. This plan allocated higher dollar amounts in FY 2021-22 and FY 2022-23 to minimize the County's dependence on these funds in the out years
- \$915,000 million of the total remain unallocated in accordance with this plan; the budget office recommends fully allocating these funds as part of the budget process; allowing the Board to look at comprehensive County needs and available funding

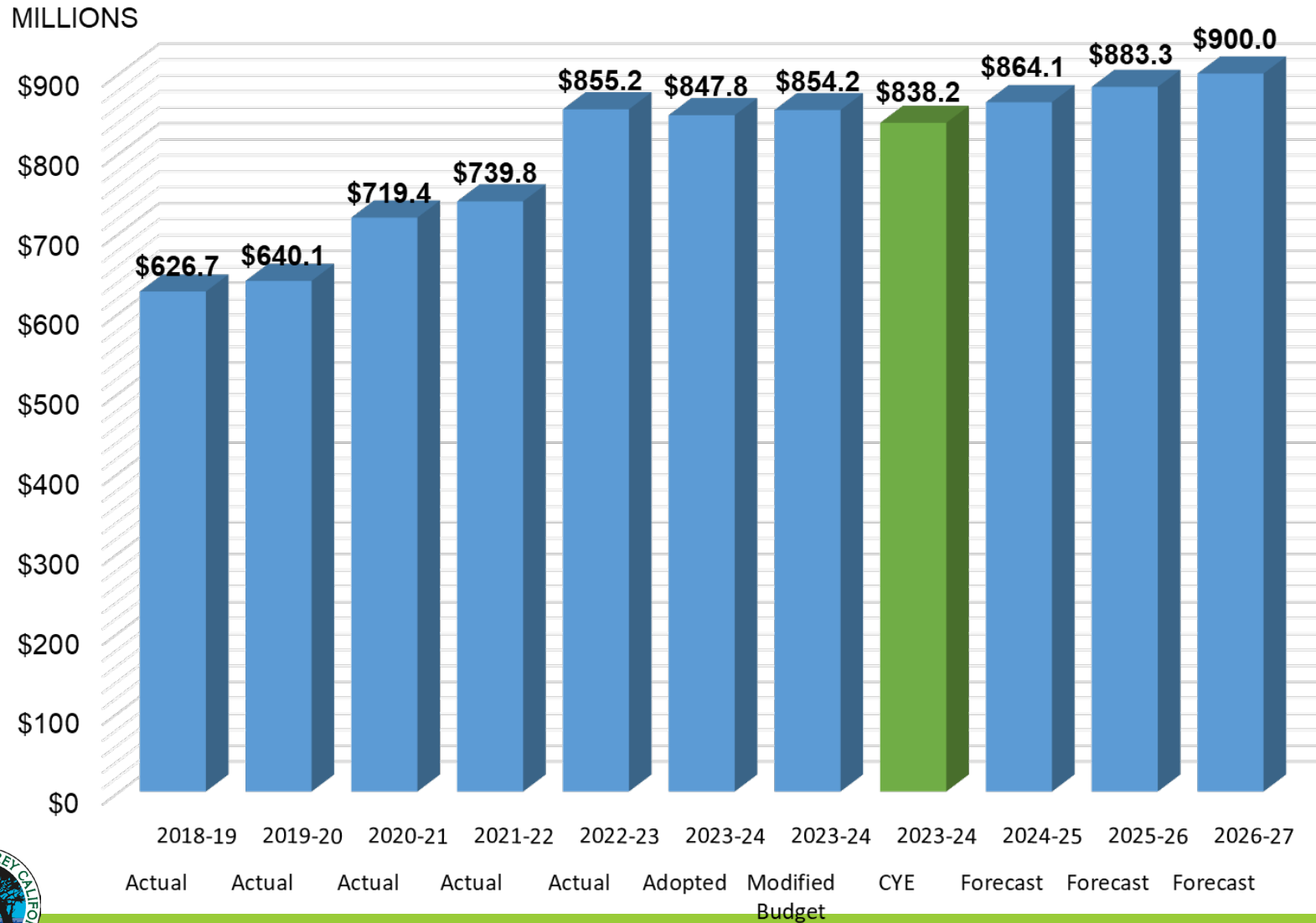


Expenditures and Cost Drivers



General Fund Expenditures Trend

General Fund Expenditure Trend

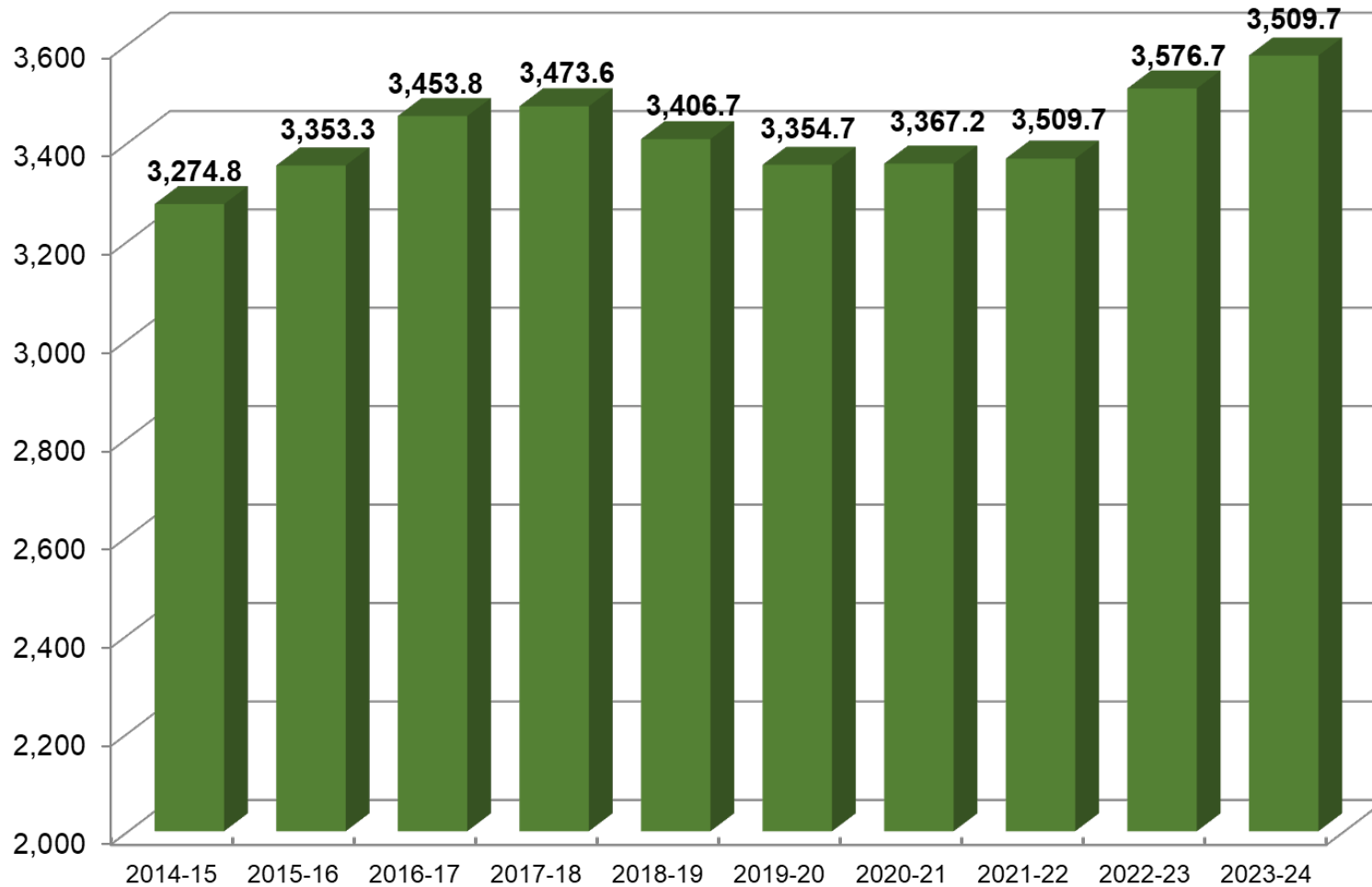


- Expenditures in the general fund continue to grow at a faster rate than revenue
- Current year estimates indicate expenditures of \$838.2 million, that is \$211 million more than the County spent in FY 2018-19
- Expenses continue to grow in the forecast years due to cost drivers explained in the following slides.



General Fund Cost Drivers - Positions

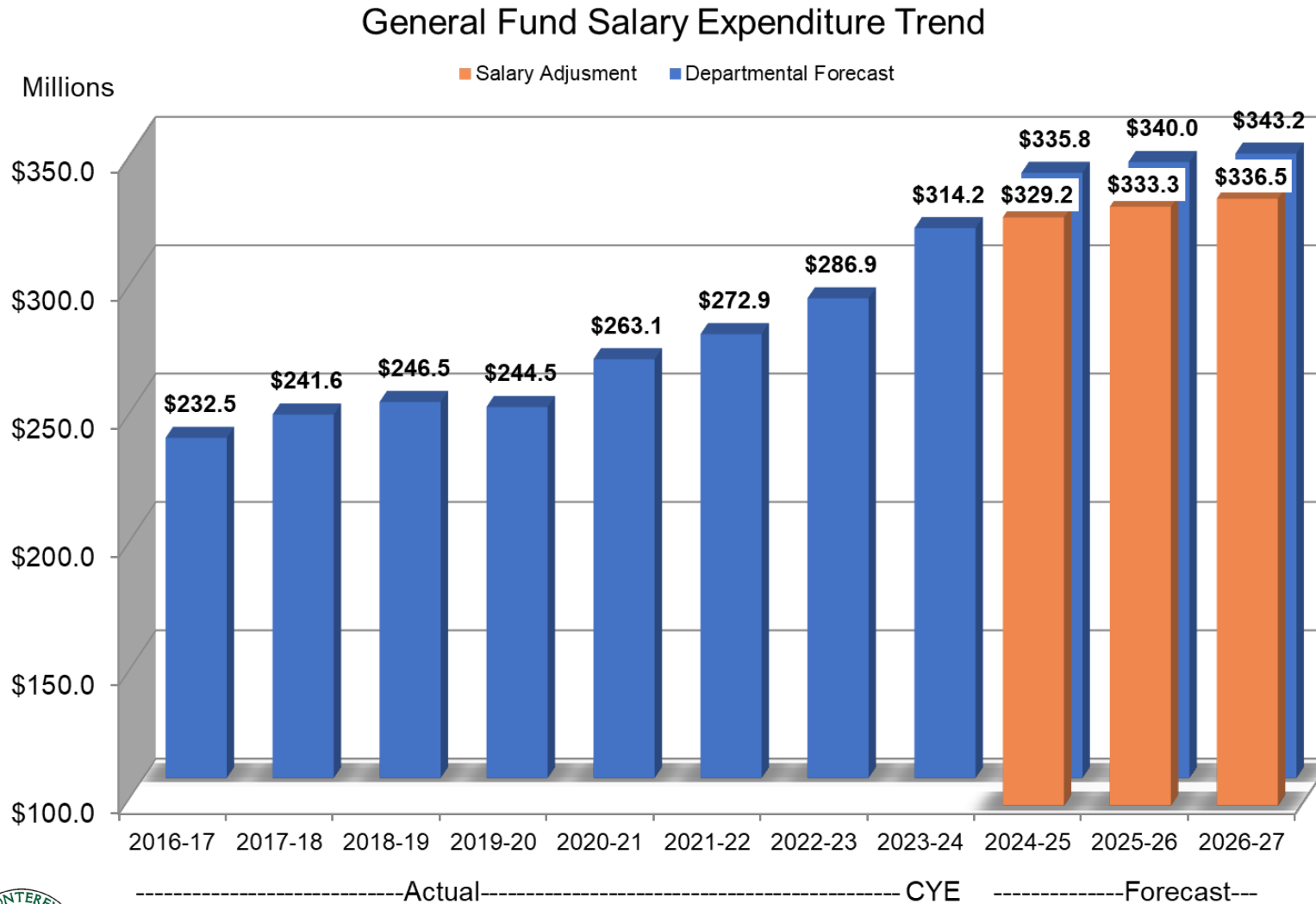
General Fund Authorized Positions



- Positions have grown from a low of 3,274.8 in FY 2014-15 to 3,509.7 in the current year



General Fund Cost Drivers - Salaries

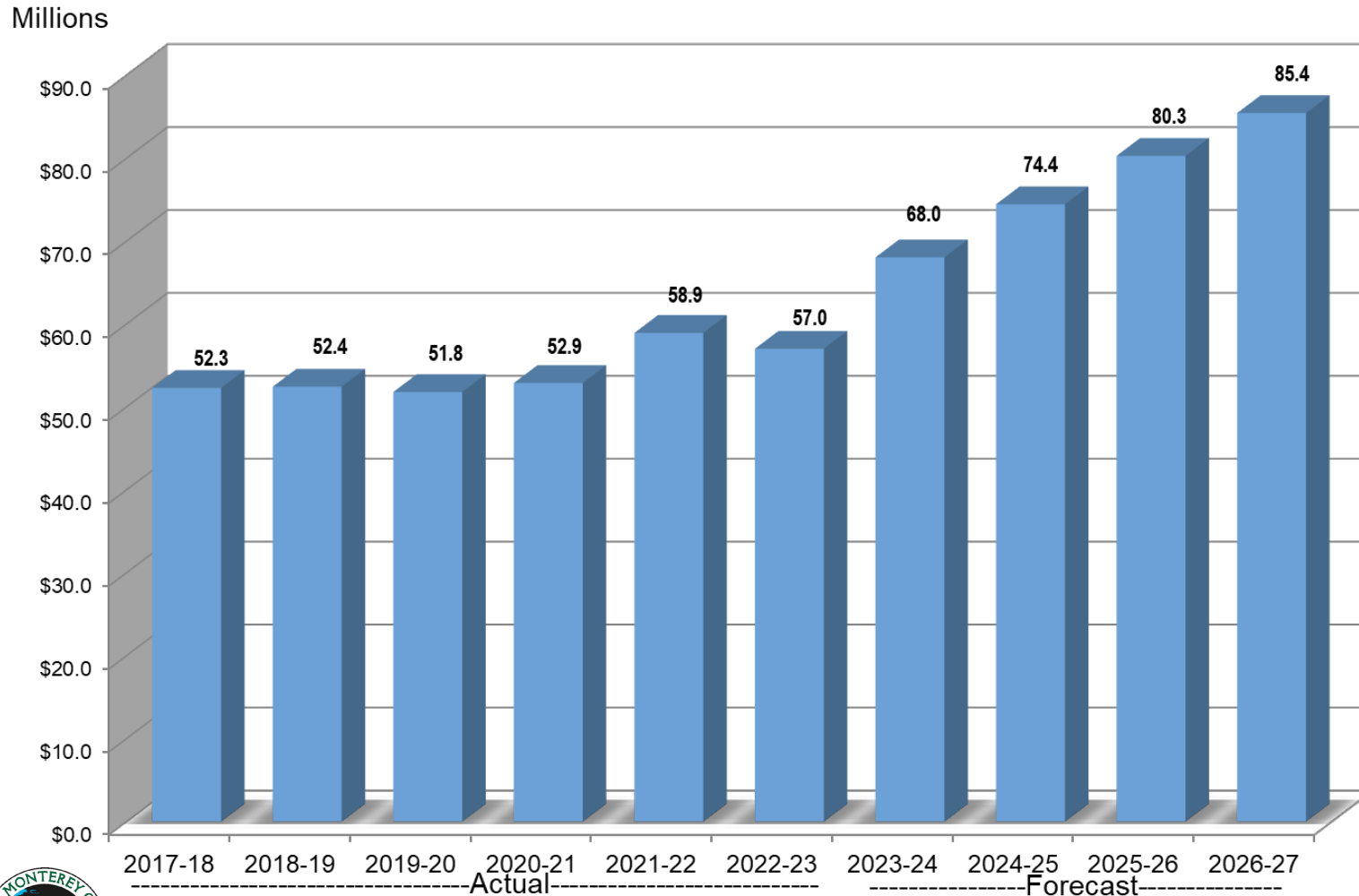


- Salaries are estimated to grow to \$314.2 million in FY 2023-24; an increase of \$27.3 million from FY 2022-23.
- The largest contributing factor to this growth is related to increased wages due to labor agreement negotiations, wage studies and cost of living adjustments
- Additionally, salaries are projected to grow to \$335.8 million by FY 2023-24
- Part of this increase is driven by the increase in total positions
- But increased wages due cost of living adjustments, negotiations and wage studies also play a significant part



General Fund Cost Drivers – Health Insurance

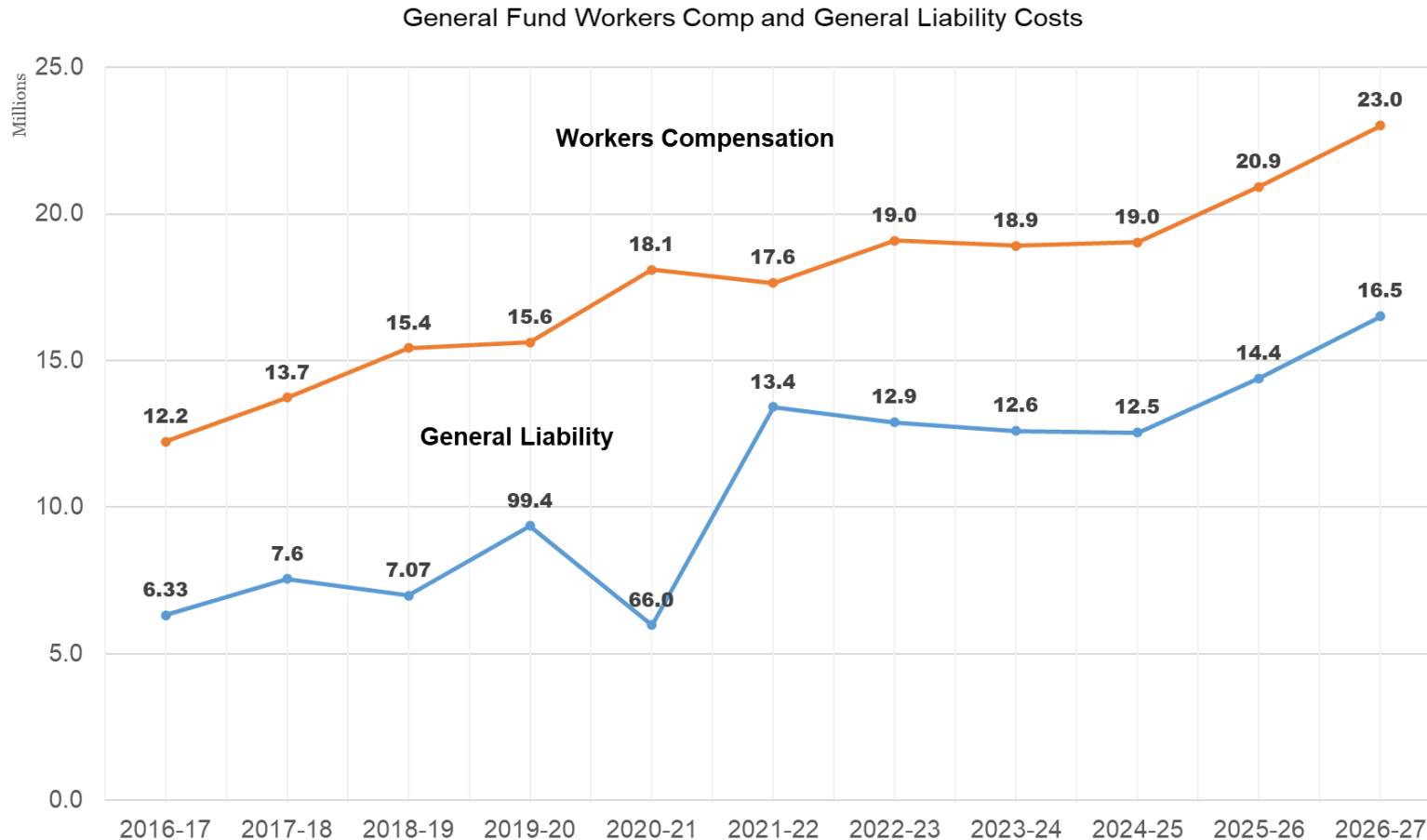
General Fund Employee Health Insurance Expenditures



- Health Insurance costs are projected at \$68 million at the end of FY 2023-24, which represents an increase of \$11 million from the prior fiscal year.
- This rate of growth is unprecedented and is expected to continue in FY 2024-25 (\$6.4 million) because of increased premiums and negotiated labor agreements which increased the County's share of cost of those premiums.
- Additionally, cash back payments to bargaining units which previously not received them were implemented as part of the new labor agreements



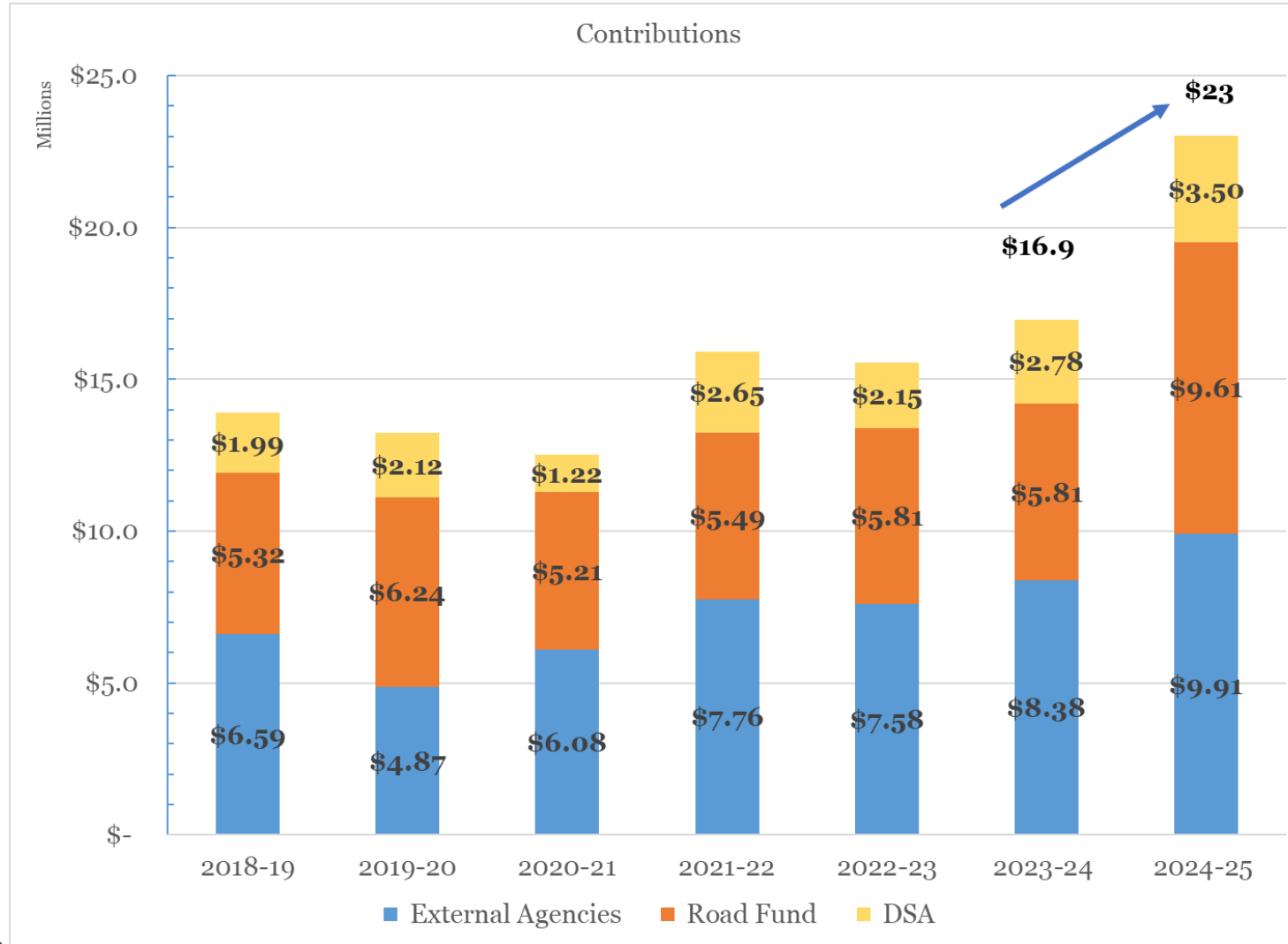
General Fund Cost Drivers – GL and WC



- Worker's compensation and general liability costs continue to grow, and it is important to manage this growth to minimize the impact on County operations



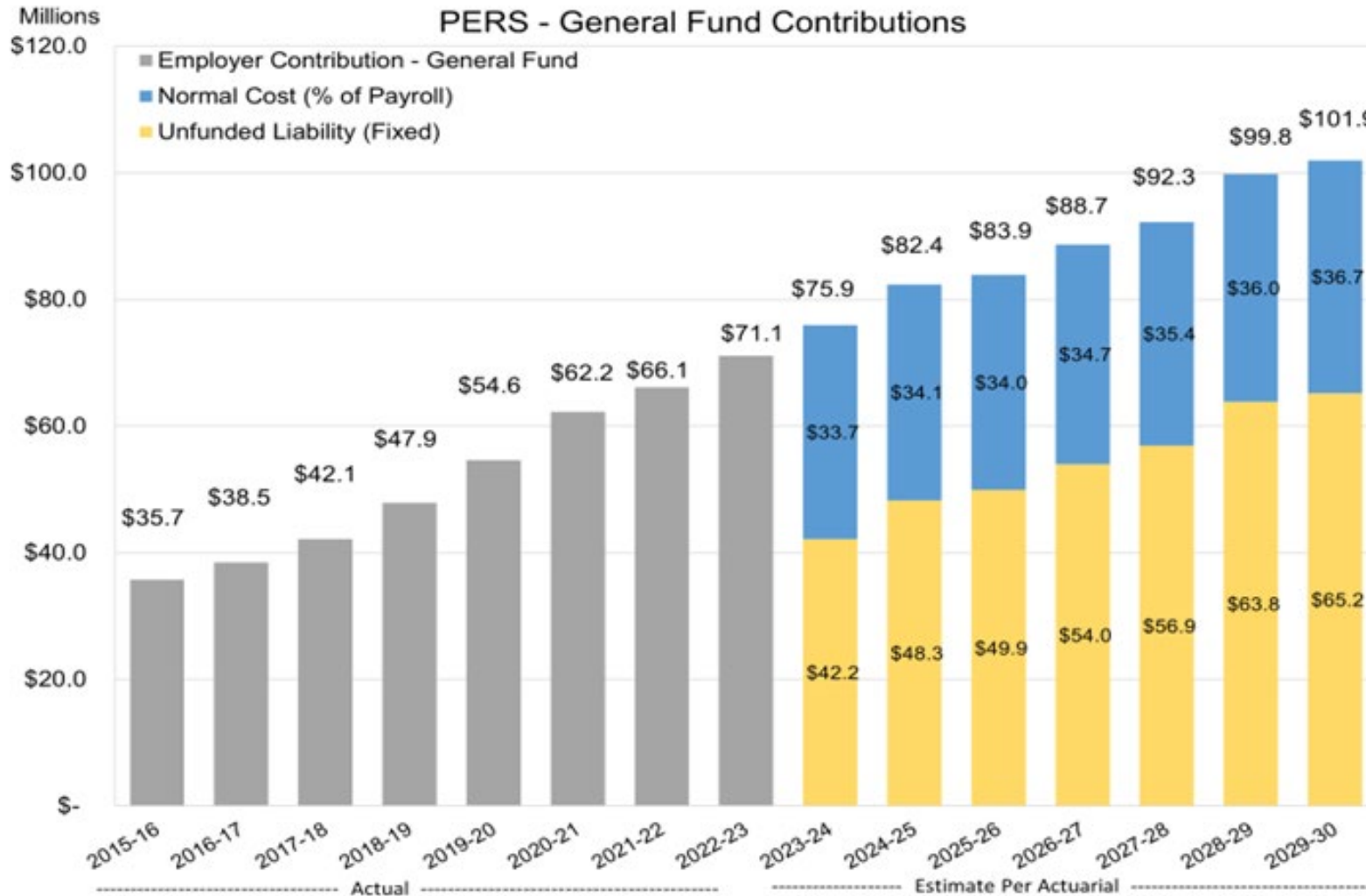
General Fund Cost Drivers – Contributions



- Contributions grow by \$6.1 million in FY 2024-25 from the prior year due to
 - The Board's decision to provide 25% of Transient Occupancy Taxes to the Road fund (\$3.8 million increase), and
 - Restoring the formula approach to contributions to the Development Set Aside (DSA) agencies (\$0.8 million).
 - Increase in contributions to fire agencies (172 revenue share \$1.5 million)



General Fund Cost Drivers – Pension Costs



- Pension costs are projected to increase to \$75.9 million in FY 2023-24 and grow to a high of \$101.9 in FY 2029-30.
- Costs being paid in FY 2023-24 are more than double the amount the County paid in FY 2015-16
- These cost increases are due to changes in the discount rate resulting from responses to the investments' performance
- Normal cost remains stable in the projections, but unfunded liability costs have grown significantly and remain the more volatile part of this cost



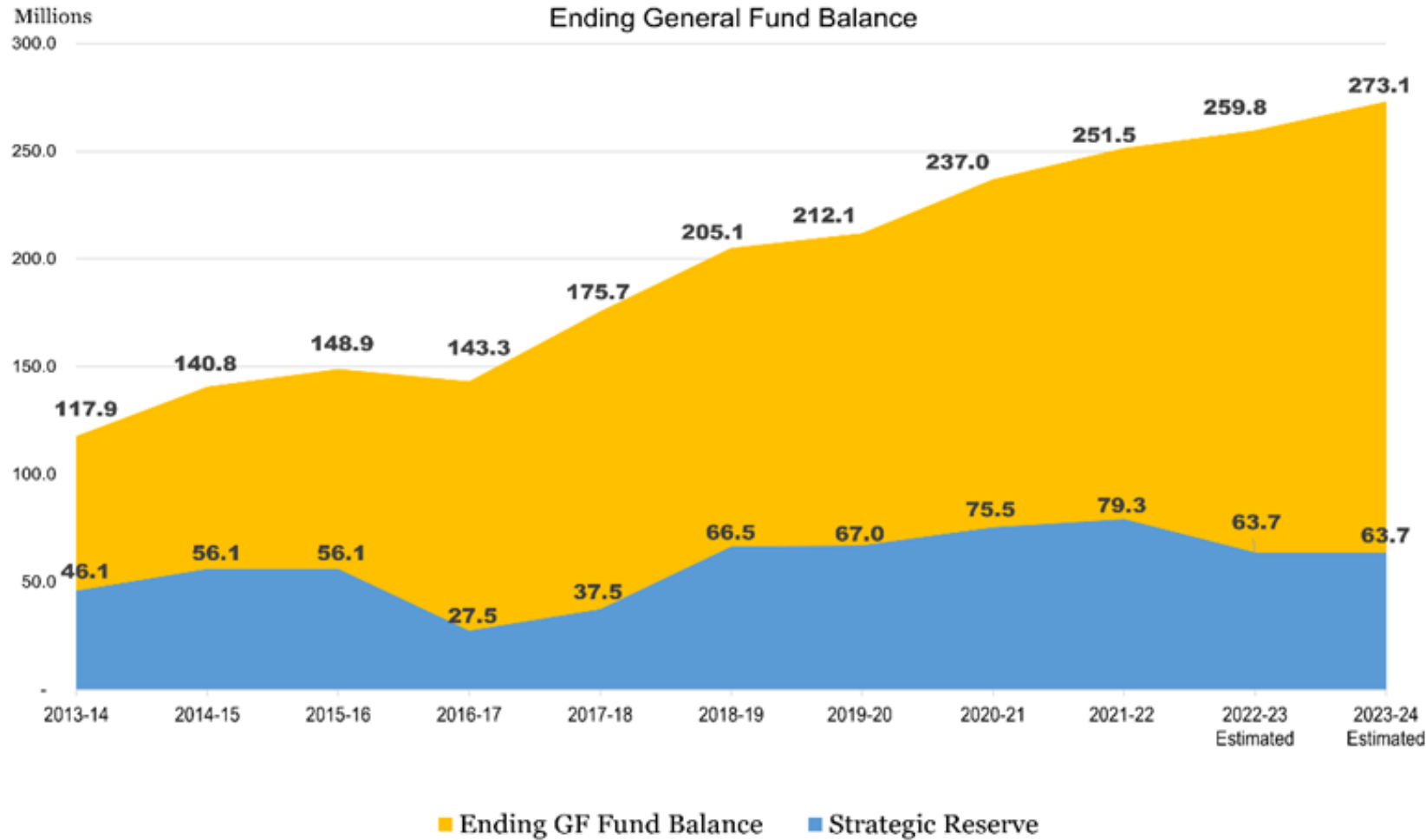
Emerging County's Needs

Emerging Needs - General Fund	FY 2023-24	FY 2024-25	FY 2025-26
Wage study adjustments	\$ 8.0	TBD	TBD
Salary Increases, Labor Agreements	\$ 22.5	\$ 50.4	TBD
PERS Contribution Increase	\$ 3.7	\$ 3.6	TBD
2023 Winter Storm & Atmospheric River Event	\$ 52.1	TBD	TBD
2024 Winter Storm Event		TBD	TBD
Total	\$ 86.3	\$ 54.0	\$ -

- Salary increases are projected to impact the current year's budget by 22.5 million and \$50.4 million the following year
- Wage study adjustments will continue to impact the County's costs into the future
- Most of the ARPA revenue will sunset after FY 2023-24
 - pandemic response costs may impact the county without this revenue source
- Winter and Atmospheric River Events, or other disasters will continue to impact the County so the County must have adequate reserves to respond to these emergencies.
- Labor agreements are expiring at the end of FY 2023-24, any cost increases resulting from these negotiations would exacerbate the projected deficits.



Strategic Reserve



- Strategic reserve balance is estimated at \$63.7 million since a significant portion was used during FY 2022-23.
- Pending any uses of the reserve for FY 2023-24 storm impacts, this level could be reduced.



Departmental Estimated Results and Other Funds



Departmental Performance

Departments projecting a deficit in the fiscal year (more details on page 3 of the forecast report)

- Health, self funded, so this deficit is eliminated
- Sheriff
- Social Services

Department	Modified GFC Budget FY 2023-24	Estimated GFC FY 2023-24	Variance
Agricultural Commissioner	\$ 5,020,091	\$ 4,586,868	\$ 433,223
Auditor-Controller	\$ 1,572,281	\$ 1,238,531	\$ 333,750
Assesor-County Clerk Recorder	\$ 6,204,670	\$ 5,634,731	\$ 569,939
Board of Supervisors	\$ 4,958,011	\$ 4,864,470	\$ 93,541
Child Support Services	\$ 78,835	\$ 78,835	\$ -
Civil Rights Office	\$ 407,997	\$ 337,417	\$ 70,580
Clerk of the Board	\$ 1,299,354	\$ 1,195,209	\$ 104,145
Cooperative Extension	\$ 467,431	\$ 467,245	\$ 186
County Administrative Office	\$ 5,170,711	\$ 4,458,652	\$ 712,059
County Counsel	\$ 1,528,855	\$ 1,100,576	\$ 428,279
Department of Emergency Management	\$ 4,432,518	\$ 2,495,762	\$ 1,936,756
District Attorney	\$ 21,625,742	\$ 19,381,831	\$ 2,243,911
Elections Department	\$ 5,829,434	\$ 5,811,609	\$ 17,825
Health	\$ 24,010,289	\$ 27,372,300	\$ (3,362,011)
Housing and Community Development	\$ 9,568,429	\$ 9,133,479	\$ 434,950
Human Resources	\$ 758,282	\$ 165,273	\$ 593,009
Information Technology	\$ 4,118,043	\$ 4,118,043	\$ -
Probation	\$ 27,299,257	\$ 27,261,328	\$ 37,929
Public Defender	\$ 15,563,265	\$ 15,535,042	\$ 28,223
Public Works, Facilities, and Parks	\$ 13,866,887	\$ 15,688,095	\$ (1,821,208)
Sheriff Coroner	\$ 101,261,147	\$ 101,960,343	\$ (699,196)
Social Services	\$ 27,240,923	\$ 28,109,035	\$ (868,112)
Treasurer Tax Collector	\$ 1,914,009	\$ 1,227,814	\$ 686,195
Totals			\$ 1,973,973



Other Funds

- The Library – The fund is projected to add \$0.4 million its fund balance with revenues of \$11.7 million and expenditures of \$11.3 million. Fund balance is projected to decrease grow from \$8.1 million in FY 2023-24 to \$7.1 million in FY 2026-27.
- Emergency Communications – reducing fund balance by approximately \$531,000 in FY 2023-24 due to a true up of proposition 172 revenues received the previous fiscal year. Each subsequent year, fund balance is projected to increase as revenues would exceed expenditures as one-time expenditures are competed in the current fiscal year.
- Natividad – Natividad's net position is projected to improve from \$294.5 million at the end of FY 2022-23 to \$312.6 million at the end of FY 2023-24; similar increases in net position project the hospital to end FY 2026-27 with a net position of \$320.5 million.
- Lake Resort – fund balance is projected to increase from \$2.7 million to \$3.1 million in FY 2023-24. Of this total amount, \$1.9 million is restricted. The forecast projects increases in fund balance to a high point of \$4.6 million by the end of FY 2026-27.
- Laguna Seca – is projecting an operating gain of about \$1.2 million in FY 2023-24, but projects negative results in the forecast years with fund balance decreasing to \$2.4 million by the end of the forecast period. Careful monitoring of financial performance is paramount as this fund should be self sustaining just like all other enterprise funds.



Other Funds – Road Fund

- Road Fund – Revenues are projected lower than expenditures, resulting in the reduction of \$10 million to fund balance due to the implementation of the pavement index management program. The forecast years show a reduction in fund balance as more projects in this program are estimated for completion.

Fund 002 Road Fund	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2023-24	2024-25	2026-27
A. Beginning Fund Balance	\$ 30,858,217	\$ 30,858,217	\$ 20,834,874	\$ 8,880,416	\$ (2,013,443)
B. Revenue	61,572,791	59,654,741	74,355,650	76,473,570	68,060,679
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	92,431,008	90,512,958	95,190,524	85,353,986	66,047,236
E. Expenditures	78,446,989	69,678,084	86,310,108	87,367,429	77,192,478
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	78,446,989	69,678,084	86,310,108	87,367,429	77,192,478
H. Ending Fund Balance, D-G	\$ 13,984,019	\$ 20,834,874	\$ 8,880,416	\$ (2,013,443)	\$ (11,145,242)



Other Funds – Behavioral Health

- Behavioral Health Fund – This fund is reducing its fund balance by about \$6 million since revenues are estimated at \$163 million and expenditures at \$170 million. Accordingly, The ending fund balance is estimated at \$37.4 million in FY 2023-24 and is projected to decrease to \$18.9 million in FY 2025-26.
- It is important to continue monitoring the fund balance and the potential impacts to the Mental Health Services Act revenues associated with proposed changes at the State level which would redirect local revenues to State mental health programs.

Fund 023 Behavioral Health	Modified Budget 2023-24	Year-End Estimate 2023-24	Forecast		
			2024-25	2025-26	2026-27
A. Beginning Fund Balance	\$ 43,745,224	\$43,745,224	\$ 37,353,287	\$ 31,069,833	\$ 25,556,545
B. Revenue	159,522,461	163,670,677	163,670,677	162,390,343	155,293,315
C. Cancellation of Assignments	-	-	-	-	-
D. Total Financing, A+B+C	203,267,685	207,415,901	201,023,964	193,460,176	180,849,860
E. Expenditures	166,379,440	170,062,614	169,954,131	167,903,631	161,893,462
F. Provisions for Assignments	-	-	-	-	-
G. Total Financing Uses, E+F	166,379,440	170,062,614	169,954,131	167,903,631	161,893,462
H. Ending Fund Balance, D-G	\$ 36,888,245	\$37,353,287	\$ 31,069,833	\$ 25,556,545	\$ 18,956,398



NEXT STEPS

Departmental forecasts are the starting point for building initial “baseline budgets”.

Baseline budgets communicate departments’ plans of what they can (and cannot do) with next year’s expected resources, taking into consideration inflationary pressures.

Departments also submit augmentation requests for increased funding to support current operating levels or to enhance programs.

In the coming weeks, staff analyzes baseline budgets to understanding areas of budget flexibility, funding gaps, and potential impacts to build a well-informed and responsible recommended spending plan.

A workshop is held at the end of March with Department Heads to facilitate a shared understanding of countywide finances and programmatic impacts and to gather input on strategies.

The Board’s annual budget workshop on April 2 is an opportunity to provide a “budget preview” and receive direction before building the recommended budget to be presented at the budget hearings on May 29 -30.



Questions

