

# Budget End of Year Report

Fiscal Year 2022-23

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## INTRODUCTION

The County Administrative Office is pleased to present the Budget End-of-Year Report (BEYR) for Fiscal Year (FY) 2022-23. The BEYR is prepared to promote financial transparency and responsible financial oversight. The BEYR provides a comprehensive analytical comparison between the County’s final modified budget and year-end results by reviewing the following items:

- The health of the County’s finances.
- The major financial developments, issues, and trends shaping the County’s finances.
- The management of the budget and the forecasting of revenues and expenditures.
- The management of fund balance, reserves, and long-term liabilities.

The BEYR begins with an analysis of the general fund’s countywide performance, followed by a breakdown of departmental performance (also in the general fund), and financial condition of the County’s other major funds. The financial data utilized in this analysis is unaudited and subject to revisions in the Annual Comprehensive Financial (ACFR) report prepared by the Auditor-Controller.

The County continues its conservative fiscal management, balancing operational priorities and long-term investments within the parameters of a structurally balanced budget. During the fiscal year, the County invested in the community, promoted public safety, supported health and wellness, and improved infrastructure.

## GENERAL FUND COUNTY-WIDE PERFORMANCE

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 2022-23 adopted budget included \$851.3 million in appropriations, matched by an equivalent amount of financing: \$793.4 million in revenue and \$58.0 million in fund balance. Throughout the year, subsequent modifications increased appropriations by \$101.0 million, financed by \$22.5 million in additional revenue and \$78.5 million in fund balance for one-time expenditures.

<b>General Fund</b>	<b>Adopted Budget</b>	<b>Modified Budget</b>	<b>Year-End Actual</b>
<b>Available Financing:</b>			
Unassigned Fund Balance (FY 2022-23)	\$ 6.6	\$ 22.6	\$ 4.0
Cancellation - Restricted Fund Balance	7.6	9.6	7.3
Cancellation - Assigned Fund Balance	43.8	114.9	107.7
Revenues	793.4	815.9	798.2
<b>Total Financing Sources</b>	<b>\$ 851.3</b>	<b>\$ 963.0</b>	<b>\$ 917.2</b>
<b>Financing Uses:</b>			
Addition - Restricted Fund Balance	\$ -	\$ -	\$ 6.2
Addition - Strategic Reserve	-	-	36.5
Addition - Assigned Fund Balance <sup>1</sup>	-	-	57.2
Expenditures	851.3	952.3	856.0
<b>Total Financing Uses</b>	<b>\$ 851.3</b>	<b>\$ 952.3</b>	<b>\$ 956.0</b>
<b>Unassigned Fund Balance:</b>	\$ -	\$ 75.3	\$ 13.3
Obligated in FY 2023-24 Adopted Budget	\$ -	\$ -	\$ -
<b>Unobligated Unassigned Fund Balance:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13.3</b>
Dollars shown in millions. Numbers may not total due to rounding.			
<sup>1</sup> Includes recommended designations to fund balance assignments.			

Actual general fund performance includes expenditures of \$856.0 million, revenues of \$798.2 million, cancellation of assigned funds of \$107.7 million, and cancellation of \$7.3 million of restricted fund balance. Revenues grew by \$40.2 million from the prior year and were \$11.7 million higher than year-end estimate, but \$17.7 million lower than the final budget.

- Discretionary (non-program) revenue performed strongly and above budget.
  - The strong performance is largely attributed to property tax, which was \$17.0 million above budget; an increase of \$7.2 million from the prior year, resulting from high real estate demand and a growing consumer economy.
  - A decline in cannabis revenue offset these gains by \$3.9 million. Cannabis revenue underperformed its budget due to a Board approved reduction of the cannabis tax rate and implementation of a protracted payment plan system which resulted in delayed payments.
- Conversely, program revenue was \$53.5 million below the final budget largely due to delays in federal revenue not received during the accrual period, lower fees for services, reduced reimbursable personnel costs for public safety realignment programs, personnel vacancies, and lower caseloads in revenue-generating positions in primary care clinics and social service programs.
- Year-end expenditures were \$96.3 million below the final modified budget.
  - Over half of these lower expenditures resulted from salary and benefit savings from vacant positions, lower than expected overtime and health premium costs.
  - Other factors include lower-than-planned contracted services.
- A net decrease of \$15.6 million in Strategic Reserve resulting from the release of \$52.1 million to respond to the winter storms and additions of \$36.5 million at year end.
- A decrease of \$50.4 million in assigned fund balance, mostly made up of a release of \$46.0 million from the pension trust for a transfer approved by the Board the prior fiscal year.
- A decrease of \$11.1 million in the cannabis tax assignment resulting from Board approved uses for one-time expenses incurred in the fiscal year.
- Excluding non-departmental budgets, eighteen departments ended the fiscal year with a general fund contribution (GFC) surplus totaling \$29.1 million, while four departments had a GFC deficit totaling \$1.6 million, resulting in overall GFC savings of \$27.5 million.
- The County Administrative Office estimates ending FY 2022-23 with an unassigned fund balance of \$13.3 million, prior to the recommendations from this report. If those recommendations are funded, the remaining unassigned fund balance would be \$12.3 million.

## GENERAL FUND REVENUE

General fund revenue is composed of program and non-program revenue. Program revenue is designated and/or statutorily required for specific purposes while non-program revenue is discretionary. In FY 2022-23, the total revenue collected was \$798.2 million. Program revenue accounted for 59% of revenue, \$470.5 million. Sources of program revenue include: State and federal aid for various mandated programs such as health and social services; charges for services that are primarily fees collected by health clinics but also encompasses assessment and tax collection fees, recording and permit fees; other financing sources include reimbursement from realignment funds for health, social services, and public safety programs; and revenue from the use of money and property is composed primarily of investment income from funds held in the treasury pool.

Non-program revenues of \$327.7 million accounted for 41% of the general fund's revenues. These revenues, as previously indicated, are discretionary funds which are used to address local priorities, leverage federal and State monies, and to meet maintenance of effort requirements. Non-program revenue sources are primarily derived from taxes; including property taxes, transient occupancy tax (TOT), cannabis taxes, sales & use taxes and franchise fees. Revenue from the use of money and property includes investment income from fund balance. ARPA revenues were also a component of this type of revenue in FY 2022-23.

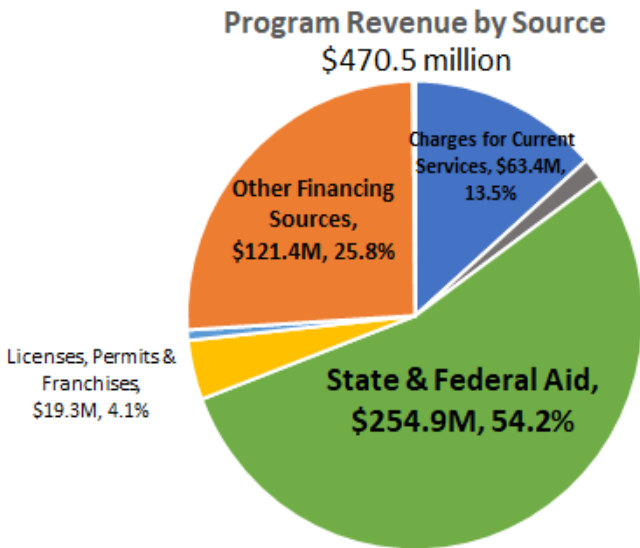


Figure 1. Other revenue sources in the chart: Fines, Forfeitures & Penalties (1.5%), Miscellaneous Revenues (0.7%), and Revenue from Use of Money & Property (0.2%).

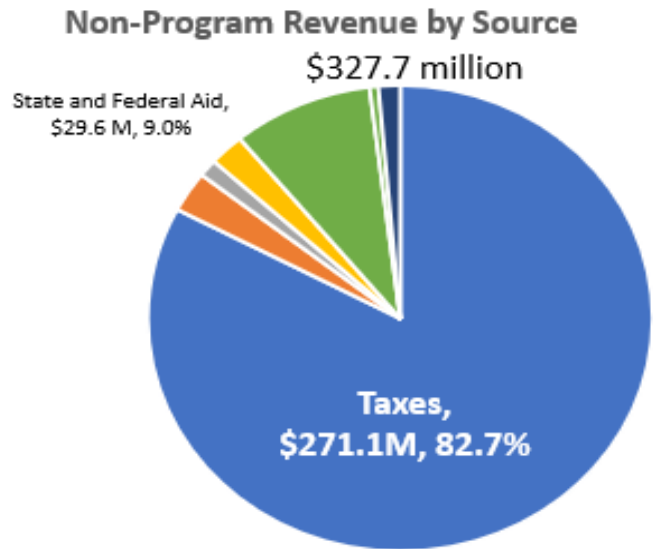


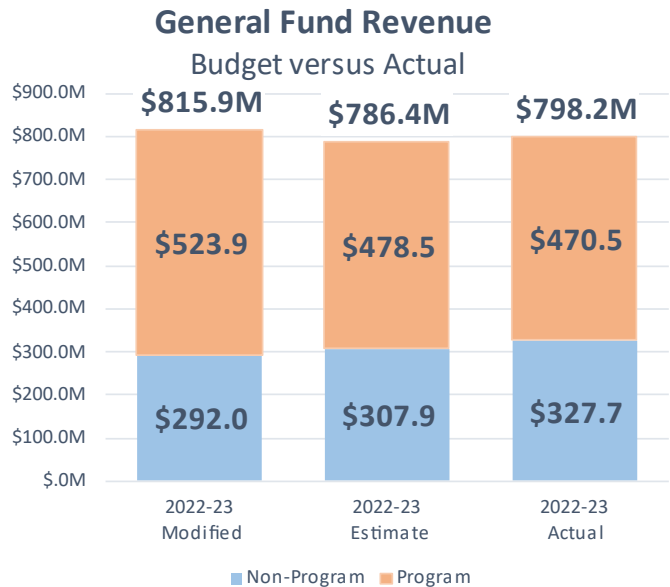
Figure 2. Other revenue sources in the chart: Licenses, Permits & Franchises (2.8%), Revenue from Use of Money and Property (2.3%), Miscellaneous Revenues (1.4%), Fines, Forfeitures & Penalties (1.2%), and Charges for Services (0.6%).

### REVENUE ACTUALS COMPARED AGAINST THE BUDGET

Revenues of \$798.2 million were \$17.7 million below the final budget. Major variances included:

Discretionary non-program revenue exceeded the budget by \$35.7 million due to higher collected taxes and investment income.

- TOT revenue was budgeted at \$27.8 million based on historic trends, but actuals of \$38.0 million demonstrate that the local hospitality industry has weathered the pandemic and is more elastic to inflationary factors and sustained the new higher rate achieved in the prior year. However, this number is \$1.9 million lower than the FY 2022-23 estimate and FY 2024-25 budget. This means that TOT revenue targets for FY 2024-25 will likely not be met.
- Property taxes came in \$9.6 million higher than budget due to the continued growth in the housing market. Sales tax revenue came in \$5.4 million above budget, and franchise fees at \$3.5 million more.
- Investment income was \$5.0 million higher due to the increase in interest rates.
- Cannabis tax revenue collected was \$3.5 million, which is \$3.9 million under budget because of lower cannabis tax rates adopted by the Board of Supervisors and continued cost pressures impacting the industry.
- Federal aid from ARPA for coronavirus local recovery aid was \$5.9 million lower than budget from unused allocations. Most of this amount was re-budgeted in FY 2023-24 leaving \$1.2 million unallocated. More details on the year’s ARPA allocated projects are presented later in this report.
- The State provided an advance of \$23.0 million to help the County respond to the winter storms of which \$9.4 million were recognized in the General Fund to help the County’s response to devastating winter storms.

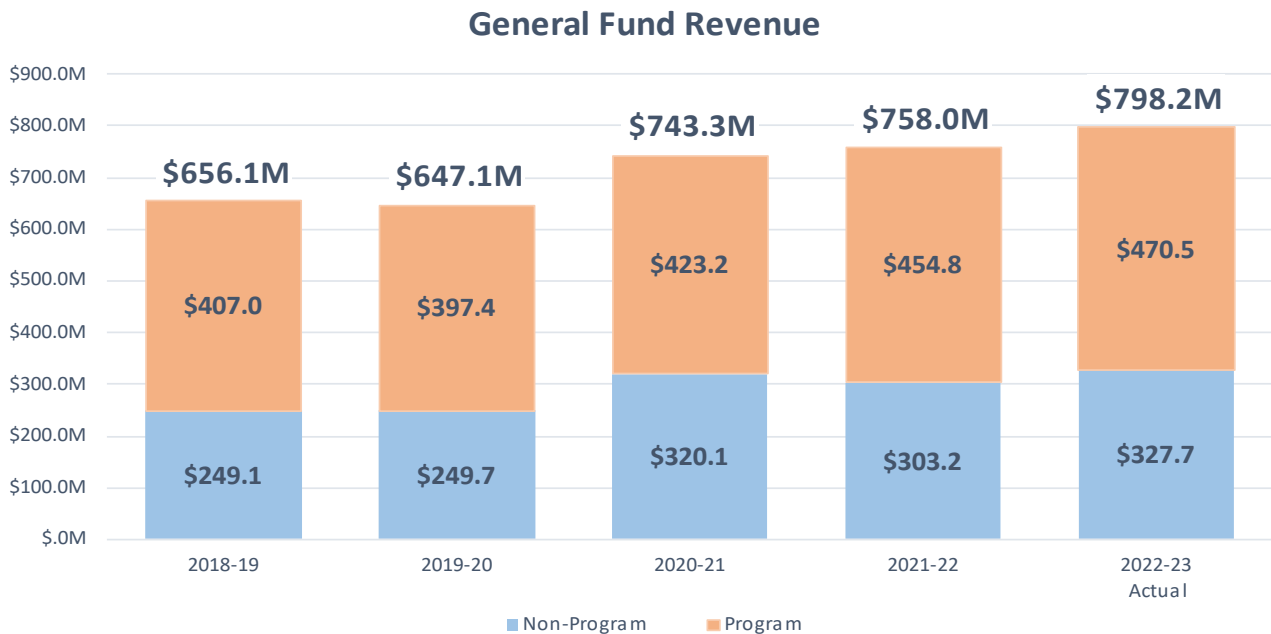


## Budget End-of-Year Report – Fiscal Year 2022-23

Program revenue came in \$53.5 million under budget due to multiple factors including:

- Lower reimbursable costs for health, social service and public safety realignment programs.
  - The Health department received \$27.5 million less than budget resulting from unplanned vacancies in revenue generating positions in the primary care clinics and because of grant-funded public health positions diverted to pandemic response efforts.
  - The Department of Social Services collected \$13.5 million less than it budgeted for revenue due to lower reimbursable expenditures resulting from lower than budgeted service levels and revenue earned but not received during the accrual period.
  - Probation’s revenue was \$5.5 million below budget primarily from reduced reimbursable staffing costs for Public Safety Realignment programs and lower eligible costs related to Title IV-E reimbursement.
  - The District Attorney’s received \$3.5 million less in revenue due to State delays and decreased invoicing as a result of salary savings from vacancies.
- The Assessor-County Clerk-Recorder actual revenue was \$1.7 million lower versus budget largely from a reduction in recordings tied to the increase in interest rates from 3.5% to 7.0%.
- The Treasurer-Tax Collector’s revenue was \$1.3 million below budget due to lower levels of reimbursable expenditures caused by the continued impact of Assembly Bill 177 which vacated many court-ordered fees previously collected by the department.

## FY 2022-23 REVENUE COMPARED TO THE PRIOR YEAR



**Total revenue increased by \$40.2 million compared to the prior year.**

## PROGRAM REVENUE

Program Revenue increased \$15.7 million compared to the prior year. Year-over-year variances include:

- \$23.4 million in higher Social Service program revenues from higher State and federal aid for social service programs, CalWorks, aging and out of home care (due to more guardianships).
- \$2.1 million in higher revenue for Probation for direct State reimbursements mainly for pretrial release and community corrections performance.
- Other significant increases included \$1.3 million for business licenses granted through consumer health protection, \$1.2 million from State aid for agriculture (from mill and unclaimed gas tax (UGT)), \$1.1 million for housing



Budget End-of-Year Report – Fiscal Year 2022-23

construction permits from several apartment projects, and \$1.0 million for health fees at the Laurel Family Clinic.

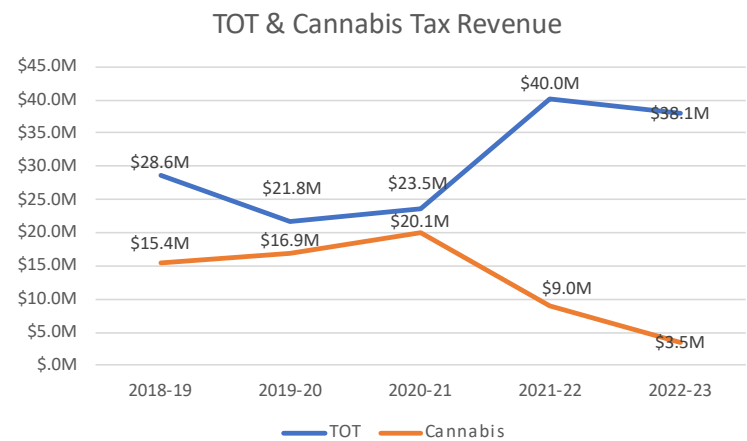
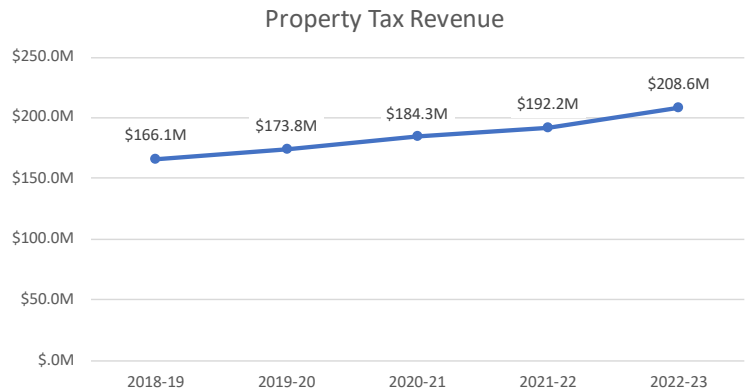
- Drops in program revenue include \$23.0 million in federal aid for revenue generating community and social service programs, and \$3.4 million for public health due to vacancies, \$1.1 million in lower recording fees for the Assessor-County Clerk-Recorder as a result of higher interest rates, and \$1.0 million since the prior year had more election expenditures.

**NON-PROGRAM REVENUE**

**Non-program revenue increased \$24.5 million over the prior year.** The increase of 8.1% is largely from higher property taxes, investment income, and State disaster relief.

Major year-over-year variations in discretionary revenue include:

- A \$17.0 million increase, 9.5%, in property taxes due to higher assessments of real estate properties.
- This was offset by a \$2.2 million decrease, -39.9%, in real property transfer tax as a result of fewer transactions as interest rates increased.
- An increase of \$5.4 million, 272.2%, in investment income from higher interest rates.
- An increase of \$9.4 million in State disaster relief to address the historic winter storms.
- An increase of \$2.1 million in sales and use tax, 13.5%.
- A \$5.5 million decrease in cannabis tax, -61.2%.
- A \$2.0 million decrease in TOT.



**AMERICAN RESCUE PLAN ACT AID**

Under Coronavirus Local Fiscal Recovery Fund (CLFRF), counties received \$65.1 billion in funding allocated based on each county’s population share of the total national population. The County was allocated \$84.3 million over two years. ARPA CLFRF funds must be used for specific purposes, including response to the pandemic, premium pay to eligible workers providing essential work, to backfill revenue reductions due to COVID-19, and to make necessary investments in water, sewer, or broadband infrastructure. The Board’s ARPA spending plan allocated the funds over four years. The County must obligate all ARPA funds by December 31, 2024 and has until December 31, 2026 to complete all expenditures.

In FY 2022-23, the ARPA plan allocated \$32.0 million across multiple departments. General fund departments were allocated \$22.8 million, while other funds were allocated \$9.2 million mostly for sewage and water infrastructure projects. Of the total allocated amount, \$26.1 million were used as intended (\$17.6 million in the General Fund and \$8.5 million in other funds) while \$4.6 million were carried into next fiscal year, and \$1.2 million remain unspent and can be allocated by the Board in FY 2023-24 or FY 2024-25.

**ARPA Allocation**





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Monterey County ARPA Plan Expenditure Summary								
Updated 11/07/2023								
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						\$ 95,000		\$ 95,000
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
<b>Totals General Fund</b>	<b>\$ 8,968,245</b>	<b>\$ 17,788,011</b>	<b>\$ 17,571,916</b>	<b>\$ 22,760,524</b>	<b>\$ 5,188,608</b>	<b>\$ 17,748,177</b>	<b>\$ 877,973</b>	<b>\$ 62,954,322</b>
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					\$ 22,346
Workforce Development Board Fund	\$ 745,342	\$ 145,425		\$ -	\$ -			\$ 890,766
<b>Totals Other Funds</b>	<b>\$ 745,342</b>	<b>\$ 2,359,609</b>	<b>\$ 8,530,173</b>	<b>\$ 9,193,879</b>	<b>\$ 686,052</b>	<b>\$ 8,512,848</b>	<b>\$ -</b>	<b>\$ 20,125,625</b>
<b>Grand Total Obligated County</b>	<b>\$ 9,713,586</b>	<b>\$ 20,147,619</b>	<b>\$ 26,102,089</b>	<b>\$ 31,954,403</b>	<b>\$ 5,874,660</b>	<b>\$ 26,261,025</b>	<b>\$ 877,973</b>	<b>\$ 83,079,946</b>
<b>Federal Allocation</b>								<b>\$ 84,311,261</b>
<b>Unallocated</b>								<b>\$ 1,231,315</b>

The County Administrative Office is aware the following departments have expressed interest in receiving a portion of this funding:

- Department of Emergency Management – \$150,000 to hire a contractor to update the Emergency Operations Plan (EOP) in a 6-10 month planning effort. The EOP establishes the overall authority, roles, and functions performed during incidents, delineating organizational relationships and coordination between agencies during emergencies. The plan was adopted by the Board in 2020 and will need to be updated by 2025.
- Public Works, Facilities and Parks- Upon the completion of water infrastructure project assessments as part of initial development work, PWFP has identified additional needs in the amount of \$4.5 million for the Lakes facilities (including \$2.6 million to replace the water intake supply line at Lake Nacimiento), \$1.1 million for Toro Park, and \$5.0 million for CSDs (including \$2.9 million for Pajaro). Inflation and supply issues have increased project cost estimates as well. Therefore, supplemental ARPA funding would be required to complete work as planned and the

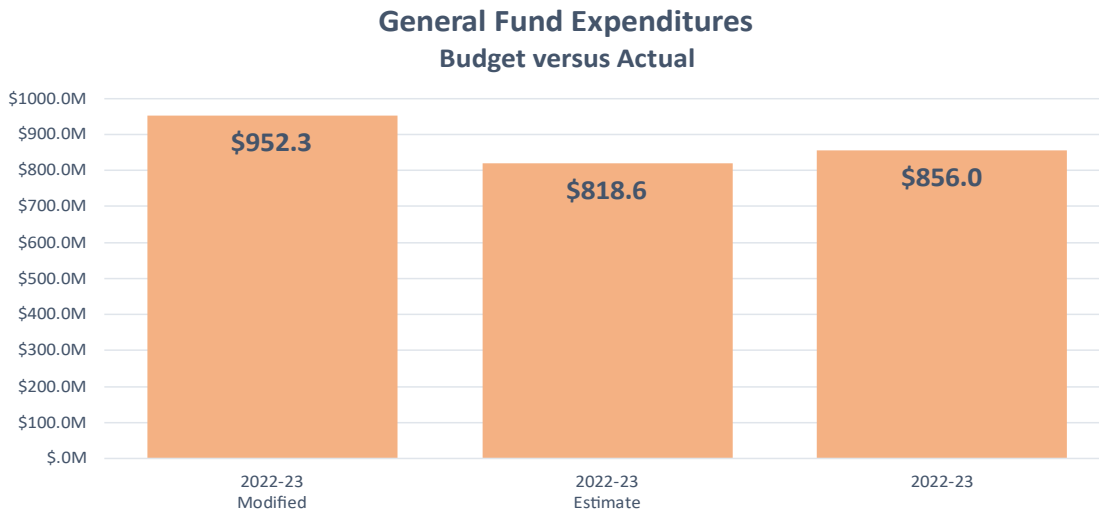
projects are identified in the CIP as unfunded until a stream of revenue is secured.

- Department of Social Services

Over the past three fiscal years the County has spent \$56.0 million, 66.4%, of its \$84.3 million ARPA allocation. As part of the budget process the Board allocated \$26.3 million to FY 2023-24 and \$877,973 have been allocated to FY 2024-25.

## GENERAL FUND EXPENDITURES

**General fund expenditures were \$856.0 million, \$96.3 million below the final budget.** Given the State’s precarious economic situation, departments continued to apply the same cautious approach towards expenditures that emerged during the pandemic. Lower expenditures are attributed to salary savings from vacant positions and lower-than budgeted pension, healthcare premium, and overtime costs, and lower expenditures on contracted services, health and social services programs, and equipment as explained below.



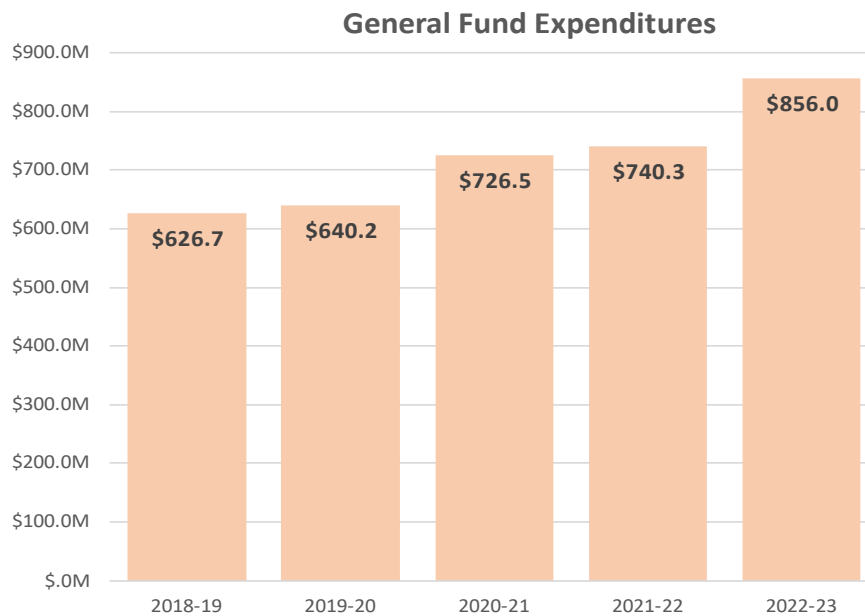
### Key areas of unspent appropriations:

- The Health Department’s expenditures were \$35.8 million lower than budget due to salary and benefit savings of \$19.9 million as a result of a 25% vacancy rate attributable to separations and recruiting challenges in primary care clinics and public health. The Department also has unused appropriations of \$15.6 million in programs related to these areas impacted by high vacancy rates and prolonged grant application processes and delivery timelines from supply chain challenges.
- Expenditures for Social Services were \$21.9 million below budget resulting primarily from \$13.2 million in salary and benefit savings from hiring challenges. Lower expenditures of \$5.7 million in the Out of Home Care program due to more guardianships and fewer children entering the foster system.
- Public Works, Facilities and Parks expenditures were \$9.2 million lower than budget due to \$8.2 million in unspent Strategic Reserve funds from winter storm remediation projects delays. The department will request that \$5.6 million of the unused amount be reauthorized to continue and complete projects in progress. Salary and benefit savings of \$1.0 million from vacancies in parks, facilities and fleet made up the remainder of the difference.
- Probation experienced lower than budget costs due to salary and benefit savings of \$4.8 million due to vacancies and \$0.9 million in contracted services and supplies for grant, state, and federally funded programs, in particular realignment and Title IV-E.
- The County Administrative Office has lower than budgeted expenditures of \$7.8 million from ARPA rollover projects, and lower transfers to Water Resources and Emergency Communications in its non-departmental units and salary savings, unspent Emergency Operation Center response to the pandemic, and unspent contingencies in the cannabis program in the departmental units.
- The District Attorney finished the year \$3.5 million below budgeted expenditures as a result of vacancy salary savings; however, the department exceeded its budgeted General Fund Contribution. More details about this will be provided in the departmental narrative section.

## Budget End-of-Year Report – Fiscal Year 2022-23

- Information Technology’s expenditures were \$2.8 million lower than budget mostly tied to a delay in a broadband infrastructure project.
- Housing and Community Development experienced salary savings of \$1.8 million.
- The Treasurer-Tax Collector underspent appropriations by \$1.7 million due to vacancy salary savings and service and supply savings.
- The following departments had a combined \$3.7 million in unused appropriations chiefly because of salary and benefit savings from vacant positions and lower than budgeted benefit and overtime costs: Assessor-County Clerk-Recorder (\$819,067), Auditor-Controller (\$813,318), Child Support Services (\$657,047), County Counsel (\$914,335), Human Resources (\$533,815).

**Expenditures grew \$115.7 million higher than the prior year.** Overall operating and personnel costs grew by \$21.9 million from the prior year while transfers to other county funds grew by \$78.3 million.



The year-over-year growth for personnel cost was \$39.9 million. The general fund adopted positions in FY 2022-23 increased by 141.5 FTE, magnifying the impact rising wages and higher retirement benefits costs had on the general fund. Additional details related to personnel costs are explained in the Cost Drivers section.

In addition to rising personnel costs, other expenditures variances include:

- Transfers to other funds were \$78.3 million higher, primarily for unfunded pension liabilities (\$46.0 million) and winter storm repairs.
- The Social Services Department saw operating costs decrease \$24.4 million over the prior year as the increases that occurred in community programs like emergency rental assistance, In Home Support Services, and Area Agency on Aging last year stabilized. This was offset by an increase of \$10.4 million in public assistance payments.
- An increase in outpatient services of \$2.3 million mostly attributable to a renewal of the Sheriff’s contract with CFMG Wellpath for additional inmate health services.

### GENERAL FUND COST DRIVERS

The chart below reflects the major cost drivers impacting expenditures on a cumulative basis. Over the past five years, these cost drivers have grown by \$90.9 million, \$24.8 million in FY 2022-23 alone. During that same period, the general fund adopted FTEs increased by 113 FTE from 3,396 FTE to 3,509 FTE.

Salaries are the biggest cost driver, growing \$45.3 million over the last five years due to step increases and the

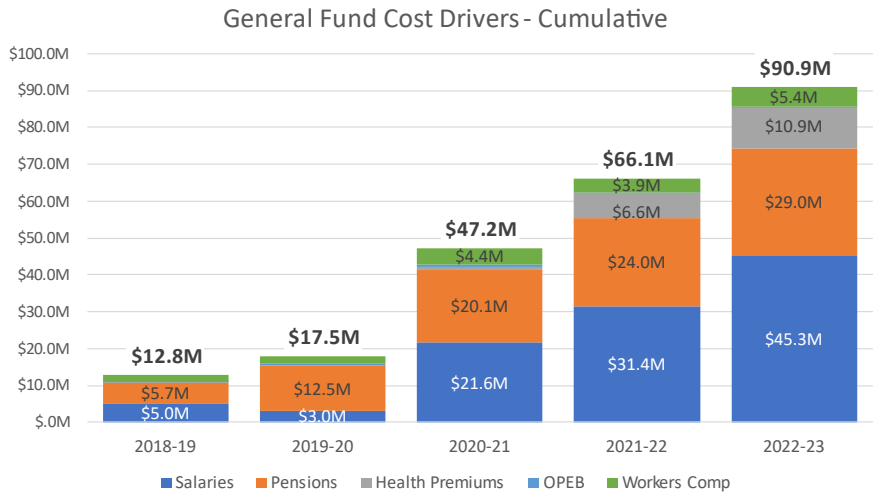
implementation of wage studies to bring salaries of several classifications in alignment with comparable agencies. Pension contribution costs represent the second largest increase and have grown \$29.0 million cumulatively over this time, including a \$4.9 million increase in FY 2022-23. Healthcare premium costs have grown by \$10.9 million. This trend of growth in pension and health premium costs is part of the ongoing cost pressure in the County’s budget which has seen benefit costs account for an increasing share of the employee compensation package. In FY 2022-23, retirement benefits, healthcare premiums and other premiums, and other post-employment benefits (OPEB) totaled 38.4% of total salary and benefits compared to 35.8% five years ago.

**Salary costs increased \$13.9 million over the prior year, largely due to higher wages.** 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 2022-23. Over the past five years, the general fund has absorbed an average annual increase of \$9.1 million in salary costs.

**Contributions to CalPERS for employee pensions increased \$4.9 million over the prior year.** CalPERS implemented changes in actuarial methodology to accelerate payment towards agencies’ unfunded liability and updated demographic assumptions as members continue to live longer and have higher salaries than previously estimated, thus resulting in higher lifetime benefits. Additionally, the CalPERS actuarial studies are assuming a lower discount rate, which will increase current and future contributions.

**Contributions to healthcare premiums increased by \$2.7 million over the prior year.** Premiums costs have increased by a \$1.7 million annual average over the past five years; however, FY 2022-23 costs grew by \$4.3 million from the prior year. This was a result of various factors, including health premium increases, the phase out of more affordable plans by CalPERS, and a higher County share of cost per negotiated labor agreements. It is imperative to develop strategies to minimize the impacts these costs will have in the County’s finances going forward. If the current negotiated labor agreements’ structure is maintained, the County could see some cost pressure relief in this area, but if the opposite is true, cost pressures in this area will continue to impact the County.

**Workers’ Compensation and OPEB costs increased a combined \$1.6 million over the prior year.** Most of this growth is attributable to Workers’ compensation costs which grew by \$1.5 million. As the County continues to manage its overall cost pressures, it is important to continue implementation of best practices to reduce the cost growth in this area.

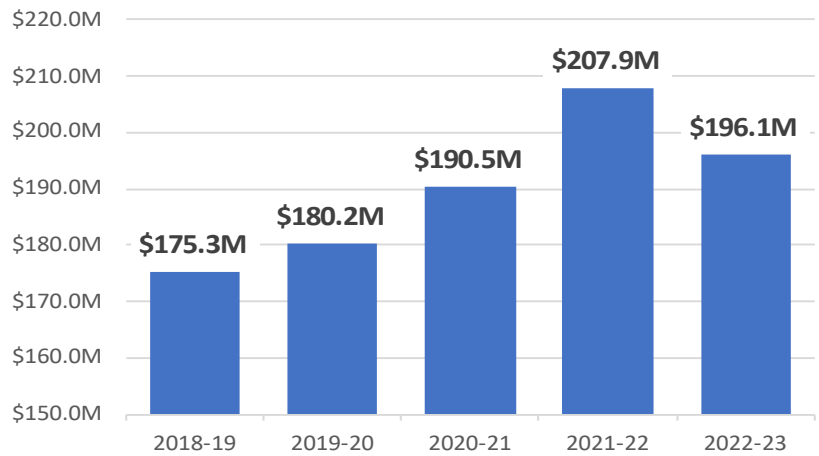


## FUND BALANCE – PLANNING FOR FUTURE INVESTMENTS AND RISKS

Since the Great Recession, the Board has strengthened financial policies to restore the balance between ongoing revenues and expenditures, ending the practice of using one-time gains in fund balance to finance ongoing operations. The County continues to invest year-end surpluses in its strategic reserve and other key investments such as funding vital capital projects and reducing pension liabilities. Having robust financial policies and prudent management allows the County to utilize reserves for emergencies, such as actions taken

by the Board to mitigate the impact of the pandemic. Fortunately, federal aid such as ARPA has reduced the reliance on fund balance to fund critical programs. The unrestricted fund balance has grown from \$175.3 million in FY 2018-19 to an estimated \$196.1 million at the end of FY 2022-23. This represents a reduction from a high of \$207.9 million last fiscal year. Unrestricted fund balance is referred to as the portion of the total fund balance that is not reserved for any specific use. An unrestricted fund balance that is available in the general fund is viewed by the rating agencies, as well as finance professionals, as an indicator of the financial health of the County.

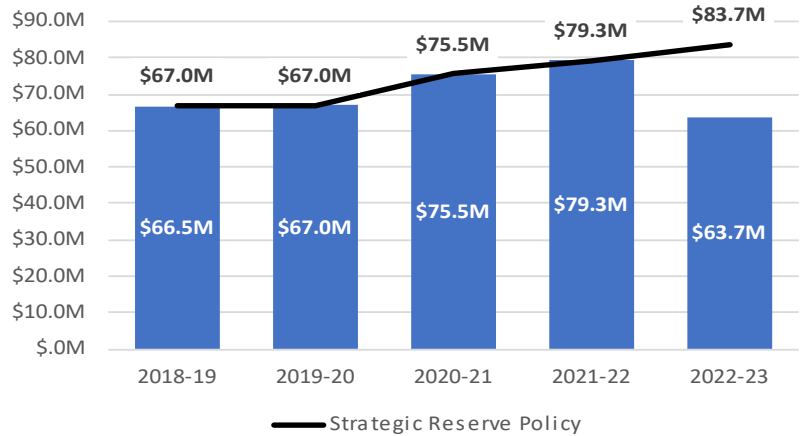
Unrestricted Fund Balance



## STRATEGIC RESERVE

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. Though the County had to rely on \$52.1 million in strategic reserves to respond to the winter storms, after another year of favorable fiscal management, it was replenished by \$36.5 million. The strategic reserve balance at the end of the year was \$63.7 million, a decrease of \$15.6 million from the prior year. The strategic reserve balance is currently at 7.6% of general fund estimated revenues, compared to the 10% policy target prudently set by your Board. Also, by Board policy, Natividad holds \$25.0 million of its own funds in the strategic reserve, for a total strategic reserve of \$88.7 million. Maintaining adequate reserves through robust management of the County’s resources, including adherence to strong financial policies and practices, has allowed the County to retain a AAA rating from the credit rating agency Standard & Poor’s and an AA+ from Fitch, who recently evaluated and held their ratings.

Strategic Reserve



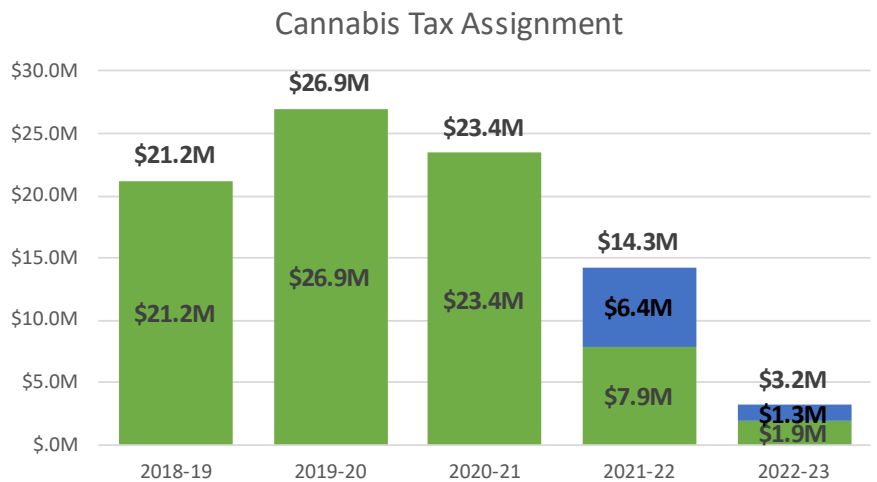
The strategic reserve balance is currently at 7.6% of general fund estimated revenues, compared to the 10% policy target prudently set by your Board. Also, by Board policy, Natividad holds \$25.0 million of its own funds in the strategic reserve, for a total strategic reserve of \$88.7 million. Maintaining adequate reserves through robust management of the County’s resources, including adherence to strong financial policies and practices, has allowed the County to retain a AAA rating from the credit rating agency Standard & Poor’s and an AA+ from Fitch, who recently evaluated and held their ratings.

This year there were other changes to unrestricted fund balances, both in unassigned and assigned fund balances. Some changes to assigned fund balance were approved by the Board at the presentation of last year’s BEYR budget surplus, including \$1.7 million to the general capital assignment for capital and equipment acquisition for the Elections and Agricultural Commissioner departments, \$4.0 million to increase the compensated absences assignment to reduce the leave accrual liability, \$783,450 in excess proposition 172 revenues to harbor potential revenue stabilizations in the future, \$400,000 in the capital project assignment for sustainability projects, and \$15.4 million for contribution to the County’s pension trust. The general fund contingency assignment increased by \$433,510 to reach the 1.0% of general fund estimated revenues at \$8.4 million, maintaining the policy target set by the Board.

### CANNABIS TAX ASSIGNMENT

Over the past five years, the cannabis tax assignment served as a vital County reserve. The assignment funded pandemic aid programs, capital projects, and other one-time allocations to external agencies. End of year cannabis tax surpluses would fund additions to the assignment, offset by cannabis program costs and other one-time allocations. Starting in FY 2020-21, the total estimated cannabis tax revenue was allocated to the cannabis program and other general fund departments as part of the annual general fund contribution allocated to departments from non-program revenue. Due to the change in the cannabis tax rates and ongoing use of the assignment as a funding source for important one-time expenditures, the FY 2022-23 assignment decreased by a third year in a row.

The cannabis tax assignment began the year with a balance of \$14.3 million; of this total \$6.6 million was allocated during the FY 2022-23 budget process, leaving an available balance of \$7.9 million, which was fully allocated by the Board during FY 2022-23. Part of the \$6.6 million allocated as part of the FY 2022-23 adopted budget included \$1.8 million for MCFL’s Gonzales Community Center. Other projects funded by the cannabis assignment included \$2.7 million for Laguna Seca capital projects, \$1.3 million towards Pajaro CSD, \$1.0 million towards the close out of the Jail house addition project, and \$700,000 for the storm disaster response and recovery efforts.



After a reconciliation performed by staff, not all approved funds were utilized. Accordingly, the cannabis tax assignment is expected to have a starting FY 2023-24 balance of \$3.2 million. However, \$1.3 million of this total will be requested by departments to complete the projects previously approved by the Board, leaving an available fund balance of \$1.9 million.

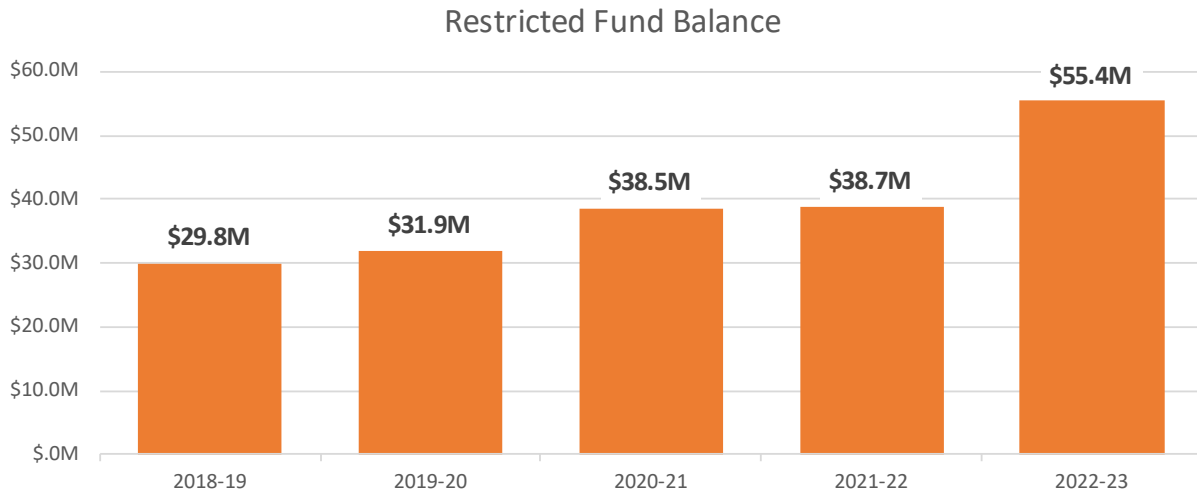
Cannabis Tax Assignment		
<b>FY 2022-23 Beginning Cannabis Tax Assignment Balance</b>		<b>\$ 14,296,681</b>
Use of Assignment	Assigned as Fund Source in FY 2022-23 Adopted Budget	(4,497,541)
	Mid-Year Board-Approved Releases of Assignment	(6,566,141)
Additions to Assignment	Unused construction for JH project	4,666
<b>FY 2022-23 Estimated Ending Cannabis Tax Assignment Balance</b>		<b>\$ 3,237,665</b>
Use of Assignment	Assigned as Fund Source in FY 2023-24 Adopted Budget	(1,343,363)
<b>FY 2023-24 Estimated Beginning Cannabis Tax Assignment Balance</b>		<b>\$ 1,894,302</b>

## RESTRICTED FUND BALANCE

Restricted fund balance refers to funds constrained to specific purposes by their providers (such as grantors and external government agencies) through constitutional provisions or by legislation. Non-spendable fund balance are funds that are not in a spendable form (such as inventory). The estimated FY 2022-23 restricted fund balance is \$55.4 million, an increase of \$16.7 million over the prior year. Funding for Health Department programs (\$21 million) and the pension trust fund (\$16.6 million) make up most of the restricted fund balance.

Changes in restricted fund balance include:

- \$2.8 million released by the Health department for Managed Care reconciliation payments to the State.
- \$2.1 million restricted by the Health department from the opioid settlement and another \$636,660 for environmental health.
- \$851,875 released by Information Technology for public meeting broadcasting designated purposes.
- \$504,561 released for Public Defender grant activities related to indigent defense that had been unspent in the prior year and \$211,626 added to their restricted account for a pilot grant.

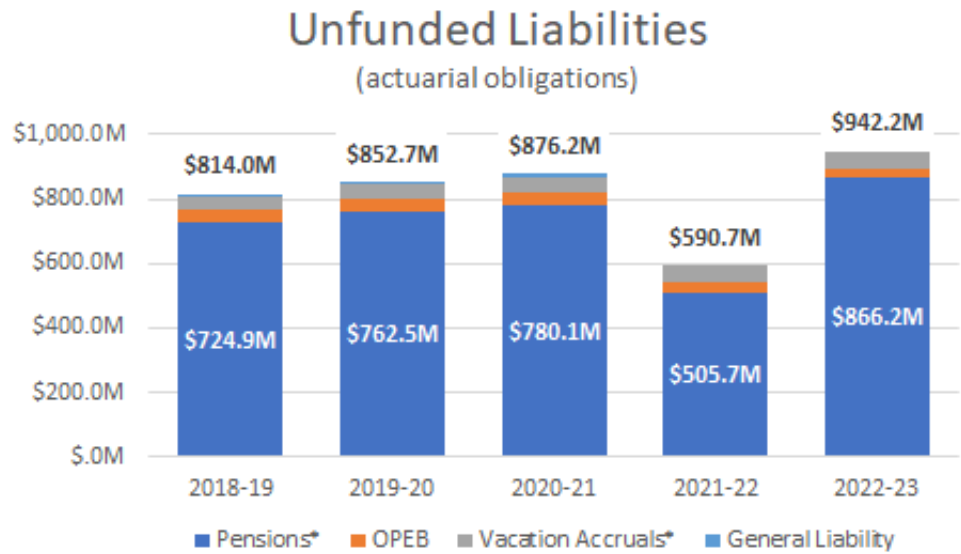


## UNFUNDED LIABILITIES

The County's financial condition is affected by various liabilities. Those liabilities include actuarially determined accrued liabilities for employee benefits (vacation accruals and post-employment health premiums, pension benefits) and workers' compensation and general liability programs. The unfunded liability is the amount, at any given time, by which future obligations exceed the present value of assets available to pay them. Major long-term obligations include CalPERS' pension, OPEB (State-mandated premium for retiree health insurance), vacation accruals, workers' compensation, and the general liability self-insured program. The County's unfunded liabilities total \$942.2 million, a significant increase of \$351.5 million from the prior year.



**Unfunded employee pension benefits are the largest liability at \$866.2 million.** The County’s pension plans provide defined retirement, disability, and death benefits to eligible employees. According to the latest actuarial report dated July 2023, the County’s total liability is \$3.3 billion, with assets of \$2.4 billion, resulting in an unfunded liability of \$947.5 million. However, the chart below shows the modified liability of \$866.2 million after taking into account the \$81.3 million in the 115-pension trust fund established by the Board. That is a \$360.6 million increase over the prior year. The increase was larger for the miscellaneous plan at 83.8% versus the safety plan of 39.4%. The increase in liability resulted from a loss in the County’s assets due to a negative FY 2021-22 CalPERS investment return of 6.1% after historic returns of 21.3% in the prior year. The last two years have shown just how volatile CalPERS investment returns can be. The 2016 changes in the discount rate and investment assumptions adopted by the CalPERS Board also continued to impact the County, and its impacts will continue to at least FY 2024-25.



\*: includes the \$81.3 in the Section 115 pension trust and \$12.7 million in the compensated absences assignment.

This level of volatility pinpoints the importance for the County to continue addressing this large unfunded liability. Accordingly, the Board adopted a pension liability policy and established an IRS Section 115 pension trust. The trust serves as an investment vehicle outside of the County’s treasury pool to generate investment proceeds to address future pension liability obligations. Starting in FY 2022-23, the County began including supplemental pension unfunded liability contribution to the pension trust by allocating these costs to departments as a percentage of their normal pension costs. This is a further step the County is taking to reduce this liability, per the pension liability policy.

**The unfunded liability for Other Post-Employment Benefits (OPEB) decreased \$7.2 million to \$29.3 million.** The County participates in the California Employers’ Retiree Benefit Trust (CERBT) to provide a low cost, professionally managed investment vehicle for pre-funding other post-employment benefits. The County makes regular contributions to CERBT based on actuarial valuations obtained every two years. Over the past two years, the OPEB funded ratio increased from 50.8% to 62.0%.

**The unfunded portion of vacation accruals totals \$54.0 million, a \$3.7 million increase over the prior year, representing the amount owed to employees for compensated time earned but not used.** When an employee separates from the County, the employee is due their vacation accruals. The total leave accrual liability is \$66.7 million, but the Board agreed to set aside funds in the compensated absences assignment, which currently holds \$12.7 million leaving an unfunded liability of \$54.0 million.

Total unfunded liabilities resumed their growing trend after a reversal last year and continue to place cost pressures on the County’s operational capacity and annual budget. It is estimated that the liability will increase next year due to the CalPERS poorly performing investment returns. The ongoing cost for pensions continues to absorb a greater portion of the budget as contributions increase to reduce the unfunded liability. To minimize adverse impacts, it is important to address unfunded liabilities through prudent financial planning and adjust the County’s operating plan accordingly to maintain structural balance and meet future commitments. The contributions towards the pension trust and the ongoing funding of the OPEB trust and compensated absences assignment are some of the steps the County has taken to address

these long-term liabilities.

## LOOKING AHEAD

After weathering the Great Recession, the County’s Board of Supervisors seized opportunities from the economic expansion to institutionalize a fiscally conservative culture and best-practice financial policies, adopt structurally balanced annual budgets without the use of one-time funds for operating needs, and significantly increase reserves. The Board’s financial policies set proper reserves and realistic budgets that, during the pandemic, allowed the County to expand services to the community members most in need without impacting service levels in other areas or eliminating positions. As inflation continues to impact operations and a low unemployment rate adds recruitment and wage pressures, the County has continued to provide sustained service levels due to judicious utilization of one-time funding (ARPA and contingencies). Additionally, the continuous culture of conservative financial management that avoids ongoing commitment of “peak” revenues, builds reserves, and pays down unfunded liabilities is now more essential to preserving sustainable service levels into the future and to continue to address the impacts of the economy, especially as fears of recession arise from the Federal Reserve’s attempt to curtail ballooning inflation.

Looking ahead to FY 2024-25, the County will still face cost pressures such as increasing wages and benefits, but with little left in pandemic federal aid. Cost pressures include labor negotiations with bargaining groups, which will further burden the general fund to incur personnel cost increases resulting from increases to base level wages. The County no longer has significant cannabis tax revenue or cannabis tax assignment funds to count on when contingency reserves run low. Early FY 2023-24 estimates indicate discretionary revenue growth will be insufficient to cover these increased costs creating a budgetary gap of \$12.3 million. This estimate will be refined once departments have been able to review program revenue estimates and year to date expenditures. In addition, FY 2024-25 forecasted figures project a budgetary gap of \$36.9 million that fiscal year. As departments work with the CAO’s office, an updated forecast will be prepared in early January, with findings presented to the Board’s Budget Committee in late February and to the full Board in early March.

## LOOKING TO THE FUTURE – Capital Needs

The County is an organization which proactively manages its long-term capital needs. However, over the last couple of years, there has been an emphasis from external agencies requesting to partner with the County to build facilities for the community. An example of such projects is the construction of a parking garage at the corner of Gabilan and Church streets in Salinas. In addition, the Board has also expressed the need to develop a more comprehensive plan to improve the County road conditions as evidenced during the presentations responding to board referral 2020.12.

These important capital needs, along with the County’s identified capital projects, plus the ongoing cost pressures to provide services to the community, dictate the County develop a systematic approach to prioritize funding for all these important needs. As described in previous sections of this report, the County will face challenges balancing ongoing funding with ongoing obligations; as such, to provide funding for some of these capital projects the County may need to issue debt to finance the top projects in the Capital Improvement Program (CIP). As the County considers debt issuance, it is important to have systematic approach to prioritize the top projects, identify the debt capacity of the County, both legal and financial, to ensure the County’s ability to make its debt service payments.

A list of CIP projects which were identified as part of the FY 2023-24 budget include \$819 million in unfunded capital projects. Some of the projects have identified partial funding for the first year (\$69.8 million) and future year funding (\$1.1 million). Please refer to Attachment B to this report

Row Labels	Sum of Total Funded	Projects Total Unfunded
First Year - Funded	\$ 69,829,337	\$ 204,546,194
First Year – Unfunded	\$ 6,161,950	\$ 104,858,338
Future Year - Fully Funded	\$ 3,400,000	\$ -
Future Year - Unfunded	\$ 1,056,000	\$ 509,599,587
<b>Grand Total</b>	<b>\$ 80,447,287</b>	<b>\$ 819,004,119</b>

for a full list of projects. This list does not include any new projects which may be identified as part of the FY 2024-25 CIP process led by the Public Works Facilities, and Parks department. Once that process is complete, it is anticipated the

capital projects needs will grow. Accordingly, if any debt issuance is explored in the future; it should evaluate the high priority projects identified in Attachment B and the County’s ability to make debt service payments without impacting ongoing revenue used for the provision of services.

## **SUMMARY OF RECOMMENDATIONS**

Based on FY 2022-23 general fund performance, the County Administrative Office recommends the following actions in FY 2023-24:

1. Designate \$587,064 to the revenue stabilization assignment from surplus Proposition 172 revenue.
2. Designate \$264,916 to the general capital assignment for future Agricultural Commissioner capital project outlay.
3. Designate \$150,000 to the general capital assignment for Elections equipment.

## **DEPARTMENTAL BUDGET PERFORMANCE**

The annual budget approved by the Board of Supervisors is the County’s central financial planning document embodying the annual goals, objectives, priorities, and levels of service and associated operating revenue and expenditures for all departments and agencies under the Board’s authority. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department heads are responsible for managing their budgets within the total appropriation of their department. As established in the Board’s general financial policies, expenditures shall not exceed appropriations and allocated discretionary general fund contributions (GFC). If revenues fall short, departments must take all available actions to re-establish a balance between revenue and expenditures, including developing service alternatives and mitigation strategies.

In FY 2022-23, County programs, services, and administrative functions were provided through twenty-five departments. Twenty-two of these departments receive funding from the general fund. Departments and major funds supported outside the general fund include the Road Fund, Monterey County Free Libraries, Behavioral Health, Emergency Communications, Natividad Medical Center, Parks – Lake & Resort, and Laguna Seca Recreational Area.

Overall, FY 2022-23 GFC performance is favorable in comparison to budgeted amounts. Unaudited year-end results indicate eighteen general fund departments ended the fiscal year below budgeted GFC, and four exceeded their budgeted GFC. The combined surpluses and deficits resulted in an overall \$27.5 million in GFC savings. The table below summarizes year-end GFC results by department compared to the final budget, including budget modifications.

Budget End-of-Year Report – Fiscal Year 2022-23

General Fund Departments	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to Adjusted Actual
Agricultural Commissioner	\$4,715,700	4,425,592	3,744,215	\$681,377	\$971,485
Assessor-County Clerk-Rec.	5,672,511	7,021,612	6,548,541	473,071	(876,030)
Auditor-Controller (Departmental)	1,203,292	865,533	479,859	385,674	721,163
Board of Supervisors	4,795,331	4,692,219	4,790,190	(97,971)	5,141
Child Support Services	84,216	82,189	65,469	16,720	18,747
Civil Rights Office	381,261	313,144	277,216	35,928	98,288
Clerk of the Board	1,141,754	1,039,273	978,052	61,221	163,702
Cooperative Extension Service	523,772	467,209	513,333	(46,124)	10,439
County Admin Office (Departmental)	16,601,913	8,940,011	14,513,940	(5,573,929)	2,087,973
County Counsel	1,359,120	1,014,378	272,307	742,071	1,086,813
District Attorney	20,667,266	21,205,498	20,894,667	310,831	(452,538)
Elections	3,943,908	3,938,085	3,057,472	880,613	886,436
Housing and Community Development	11,001,974	8,845,264	6,970,011	1,875,253	4,031,963
Health	20,596,891	23,500,374	16,539,683	6,960,691	(182,819)
Human Resources	1,470,406	1,124,517	908,413	216,104	561,993
Information Technology	(349,454)	(1,602,236)	(4,746,979)	3,144,743	1,358,154
Probation	26,963,461	26,957,825	26,639,043	318,782	324,416
Public Defender	15,558,833	15,547,232	15,474,010	73,222	(126,803)
Public Works, Facilities & Parks	26,870,652	15,692,181	17,405,239	(1,713,058)	9,465,413
Sheriff-Coroner	98,640,864	98,528,878	98,087,919	440,959	272,779
Social Services	25,982,532	25,236,055	16,612,150	8,623,905	7,024,931
Treasurer-Tax Collector	2,062,948	1,765,652	1,670,397	95,255	392,551
<b>General Fund Department Totals <sup>1</sup></b>	<b>\$289,889,151</b>	<b>\$269,600,485</b>	<b>\$251,695,148</b>	<b>\$17,905,337</b>	<b>\$27,844,196</b>

<sup>1</sup> Excludes countywide, non-operational functions including: the appropriations for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service; memberships in regional organizations; health realignment maintenance-of-effort; vehicle asset management, and the County's non-program (i.e. discretionary) revenue.

## BREAKDOWN BY GENERAL FUND DEPARTMENT PERFORMANCE AND FINANCIAL CONDITION OF OTHER MAJOR FUNDS

### GENERAL FUND DEPARTMENTS

#### Agricultural Commissioner

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$13,903,844	\$12,813,092	\$13,851,908
Revenues	9,188,144	8,387,500	10,107,693
GFC (Exp. - Rev.)	4,715,700	4,425,592	3,744,215
GFC Final Budget versus Actual:		<b>Surplus</b>	971,485

- The Agricultural Commissioner’s fiscal year-end totaled \$13.9 million in expenditures and \$10.1 million in revenues for a General Fund Contribution (GFC) of \$3.7 million.
- Expenditures were under budget by \$51,936 mainly due to lower salary and benefits resulting from vacant positions. Expenses exceeded mid-year estimate amounts due to a mid-year modification to increase appropriations to maintain Maintenance of Effort (MOE) requirements to the State due to the receipt of unanticipated revenues.
- Revenues were \$919,549 above budget due to Unclaimed Gas Tax (UGT) and Mill Tax on pesticides amounts received from state agencies for work performed by the department. Overall, the department ends FY 2022-23 in a GFC surplus of \$971,485.

#### Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$10,630,862	\$10,498,112	\$9,811,795
Revenues	4,958,351	3,476,500	3,263,254
GFC (Exp. - Rev.)	5,672,511	7,021,612	6,548,541
GFC Final Budget versus Actual:		<b>Deficit</b>	-876,030

- The Assessor-County Clerk-Recorder ended the year with expenditures of \$9.8 million, \$819,067 below budget, mainly due to vacancies.
- Actual revenue is \$3.3 million or \$1.7 million under budget due to a 38% decrease in recordings caused by unexpected multiple federal interest rate increases (from 3.5% to 7.0%) impacting the conventional lending industry.
- When the year-end estimate was developed, the department identified a funding gap of \$1.3 million; to reduce expenses, the department did not fill seven vacancies, delayed recruitments and reduced services and supplies costs such as travel expenses to mitigate the forecasted deficit. The Assessor-County Clerk-Recorder ended FY 2022-23 with a deficit of \$876,030.

Budget End-of-Year Report – Fiscal Year 2022-23

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$7,575,934	\$7,260,756	\$6,845,315
Cost Plan Credits	-5,779,271		-5,779,271
Interfund Reimbursements	0	0	-90,690
Revenues	593,371	607,845	495,495
GFC (Exp. - Rev.)	1,203,292	6,652,911	479,859
GFC Final Budget versus Actual:		<b>Surplus</b>	723,433
Transferred to Restricted Fund Balance			2,270
Adjusted Financial Result:		<b>Surplus</b>	721,163

- The Auditor-Controller departmental operations had a budget of \$7.6 million in expenditures financed by \$5.8 million in cost plan credits, \$593,371 in revenues and \$1.2 million in General Fund Contribution (GFC). The department ended the year with a GFC surplus of \$721,163 primarily due to savings from position vacancies occurring throughout the year.
- Expenditures were \$813,318 lower than the budget, while revenues were \$97,876 lower than budget.
- Expenditures of \$975,466 were derived from \$6.8 million of operational expenditures offset by a cost plan credit of \$5.8 million.

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$126,764	\$126,764	\$125,698
Cost Plan Credits	-7,879		-7,879
Revenues	0	0	0
GFC (Exp. - Rev.)	118,885	126,764	117,819
GFC Final Budget versus Actual:		<b>Surplus</b>	1,066

- The Non-Departmental units administered by the Auditor-Controller’s budget provide for functions that meet a countywide need or responsibility.
- Expenditures of \$117,819 were derived from \$125,698 of operational expenditures offset by cost plan credit of \$7,879.
- Year-end actuals reflect a surplus of \$1,066 due to lower-than-budgeted audit costs.

Board of Supervisors

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$4,795,331	\$4,692,219	\$4,790,842
Revenues	0	0	652
GFC (Exp. - Rev.)	4,795,331	4,692,219	4,790,190
GFC Final Budget versus Actual:		<b>Surplus</b>	5,141



## Budget End-of-Year Report – Fiscal Year 2022-23

- The Board of Supervisors budget funds the five individual district offices and an operational unit for general Board expenditures.
- The Board ended the fiscal year with a surplus of \$5,141.

### Child Support Services

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$11,646,776	\$11,301,584	\$10,989,730
Revenues	11,562,560	11,219,395	10,924,260
GFC (Exp. - Rev.)	84,216	82,189	65,469
GFC Final Budget versus Actual:		<b>Surplus</b>	18,747

- The Department of Child Support Services is funded almost entirely through federal and state subventions for mandated services. Expenditures were budgeted at \$11.6 million funded by revenues of \$11.6 million and a General Fund Contribution (GFC) of \$84,216.
- Actual expenditures were \$11.0 million, \$657,047 below budget, primarily due to salary savings from vacant positions.
- Actual revenues were \$10.9 million, \$638,300 below budget, due to corresponding lower reimbursable expenditures. The department had \$51,728 in disaster-related expenses for staff time that are pending FEMA reimbursement.
- Even though the department had unbudgeted and unreimbursed disaster-related expenditures, it ended with a surplus of \$18,747 mainly due to unbudgeted depreciation reimbursement of \$101,407 and timing in collections.

### Civil Rights Office

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$1,100,015	\$1,031,898	\$998,690
Cost Plan Credits	-718,754	-718,754	-718,754
Interfund Reimbursements	0	0	-2,720
Revenues	0	0	0
GFC (Exp. - Rev.)	381,261	313,144	277,216
GFC Final Budget versus Actual:		<b>Surplus</b>	104,045
Unspent ARPA			5,757
Adjusted Financial Result:		<b>Surplus</b>	98,288

- The Civil Rights Office (CRO) had a budget of \$1.1 million in expenditures financed by \$718,754 in cost plan credits and General Fund Contribution (GFC) of \$381,261.
- Actual operational expenditures totaled of \$998,690, offset by a cost plan credit of \$718,754 and a general fund contribution of \$277,216.
- Overall, this results in a year-end GFC surplus of \$104,045. The surplus is attributed mostly to salary savings from a vacant Senior Equal Opportunity Analyst position that was filled later into the fiscal year and the unused ARPA allocation for Title VI and Title VII training projects.



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Clerk of the Board

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$1,161,754	\$1,049,273	\$998,106
Revenues	20,000	10,000	20,054
GFC (Exp. - Rev.)	1,141,754	1,039,273	978,052
GFC Final Budget versus Actual:		<b>Surplus</b>	163,702

- The Clerk of the Board ended the year with a surplus of \$163,702 mainly due to salary savings and decreases in various supplies and services such as publication of notices and professional services.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$551,347	\$483,854	\$513,333
Revenues	27,575	16,645	0
GFC (Exp. - Rev.)	523,772	467,209	513,333
GFC Final Budget versus Actual:		<b>Surplus</b>	10,439

- The Cooperative Extension Services ended the year with a GFC surplus of \$10,439 due to salary savings from a partial year vacancy.
- The department estimated \$16,645 in revenue for its reimbursed programs from the University of California; however, due to a reduction in reimbursable hours, only \$6,996 is anticipated. The revenue was not collected in time for the year-end close but is anticipated to be received.

County Administrative Office (Departmental)

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$20,984,302	\$13,021,488	\$17,607,708
Cost Plan Credits	-2,062,217	-2,062,217	-2,062,217
Revenues	2,320,172	2,019,260	1,031,551
GFC (Exp. - Rev.)	16,601,913	8,940,011	14,513,940
GFC Final Budget versus Actual:		<b>Surplus</b>	2,087,973
Unspent ARPA			363,074
Adjusted Financial Result:		<b>Surplus</b>	1,724,899

- The County Administrative Office (CAO) Departmental includes the business areas of Finance and Administration, Budget and Analysis, Contracts/Purchasing, Intergovernmental & Legislative Affairs, Office of Community Engagement & Strategic Advocacy (OCESA), Office of Emergency Services, Economic Development Administration, and Cannabis Program.
- CAO Departmental ended the year with a budgetary surplus of \$1.7 million. Significant factors driving the surplus include:

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- \$471,059 in salary savings, primarily in Finance and Administration, Office of Emergency Services, and OCESA.
- \$773,877 budget surplus attributed to the unspent allocation for the Emergency Operations Center’s response to the local emergency declarations, offset by \$363,074 unspent ARPA for the Funeral Assistance Program (\$350,000) and contracts (\$13,074).
- \$501,400 budget surplus attributed to unspent contingencies in the Cannabis Program.
- \$386,558 in services and supplies savings in IGLA-Sustainability and OCESA attributed to contracted services for the Climate Action Plan and the Violence Prevention Initiative Update.

County Administrative Office (Non-Departmental)

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$136,829,783	\$76,164,564	\$132,353,380
Revenues	299,349,344	313,957,315	334,303,006
GFC (Exp. - Rev.)	-162,519,561	-237,792,751	-201,949,625
GFC Final Budget versus Actual:		<b>Surplus</b>	39,430,064
Unspent ARPA			2,400,000
Adjusted Financial Result:		<b>Surplus</b>	37,030,064

- The County Administrative Office (CAO) non-departmental general fund units are countywide, non-operational functions including: the appropriation for contingencies; contributions, transfers and obligations to other agencies; trial court obligations; debt service, memberships in regional organizations; health realignment maintenance-of-effort; development set-aside; and the County’s non-program revenue.
- CAO non-departmental units ended the year with a budget surplus of \$37 million. Significant factors driving the surplus include:
  - Non-program revenue was \$35.7 million higher than budget primarily due to continued favorable Transient Occupancy Tax, which exceeded budget by \$10.2 million and property taxes that came in \$9.6 million higher. Additionally, \$9.4 million was collected from disaster-related aid from State agencies to reimburse the use of Strategic Reserve for the 2023 Winter Storms. Additionally, \$17.6 million in American Rescue Plan (ARPA) revenues were recognized during the fiscal year.
  - Other discretionary revenues coming in above budget include: sales tax was \$5.4 million higher; investment income was \$5.0 million higher; and franchise fees were \$3.5 million higher.
- Revenues lower than budget include: cannabis tax \$3.9 million below budget and \$6.0 million lower ARPA due to lower ARPA expenditures in Health, ITD broadband project, and Social Services projects. Some of the unspent ARPA allocations were rolled over in the FY 2023-24 budget.
  - \$2.4 million of the ARPA-funded Economic Recovery Development Set-Aside agreements were rolled over in the FY 2023-24 budget.
- Other Financing Uses expenses were lower than anticipated by \$1.25 million due to two transfers:
  - Water Resources Agency’s well destruction project was \$754K less than budgeted.
  - Emergency Communications Department was \$743K lower than budget as the department’s Public Safety Sales Tax was over budget in the previous fiscal year, thus requiring a lower transfer of GFC.

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County Counsel

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$5,852,726	\$5,516,878	\$4,938,391
Cost Plan Credits	-4,093,606	-4,093,606	-4,093,606
Revenues	400,000	408,894	572,478
GFC (Exp. - Rev.)	1,359,120	1,014,378	272,307
GFC Final Budget versus Actual:		<b>Surplus</b>	1,086,813

- County Counsel expenditures were budgeted at \$5.9 million, funded by \$4.1 million in cost plan credits, \$400,000 in revenues and \$1.4 million in General Fund Contribution (GFC).
- Actual expenditures for the year were \$4.9 million, while revenues were \$572,478 resulting in a GFC surplus of \$1.1 million which derived primarily from salary savings generated by vacancies and retirements, additional revenue from a legal settlement and lower costs of the Lake San Antonio remediation project.

District Attorney

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$39,346,040	\$37,267,547	\$35,863,071
Revenues	18,257,975	16,062,049	14,775,597
Use of Restricted FB	420,799		192,807
GFC (Exp. - Rev.)	20,667,266	21,205,498	20,894,667
GFC Final Budget versus Actual:		<b>Deficit</b>	-227,401
Transferred to Restricted Fund Balance			225,137
Adjusted Financial Result:		<b>Deficit</b>	-452,538

- The Office of the District Attorney’s (DA) budget was \$39.3 million funded by \$18.3 million in revenues, \$420,799 in restricted fund balance, and \$20.7 million in General Fund Contribution (GFC).
- The DA’s Office ended the year with \$35.9 million in expenditures, \$14.8 million in revenues, \$192,807 use of restricted fund balance, \$225,137 transfer from the General Fund unassigned fund balance to restricted revenue, and \$20.9 million in GFC.
- Overall, the department ended the year with a deficit of \$452,538 and will work with the budget office to ensure deficits are not incurred in future years.

Elections

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$5,653,076	\$5,518,578	\$5,559,524
Revenues	1,709,168	1,580,493	2,502,052
GFC (Exp. - Rev.)	3,943,908	3,938,085	3,057,472
GFC Final Budget versus Actual:		<b>Surplus</b>	886,436

## Budget End-of-Year Report – Fiscal Year 2022-23

- The Elections Department ended the year with \$5.6 million in expenditures, \$2.5 million in revenue and a general fund contribution of \$3.1 million.
- Year-end expenditures were \$93,552 lower than budget primarily due to salary and benefit cost savings from a vacant position.
- Revenues were \$792,884 higher than budget due to reimbursement of election costs from a higher number of billable jurisdictions for the cost of the General Election and grant reimbursement.
- The department ended the year with a GFC surplus of \$886,436.

## Health

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$150,938,869	\$123,679,891	\$115,150,272
Revenues	124,155,688	100,179,517	95,416,240
Use of Restricted FB	6,186,290		3,194,349
GFC (Exp. - Rev.)	20,596,891	23,500,374	16,539,683
GFC Final Budget versus Actual:		<b>Surplus</b>	4,057,208
Unspent ARPA			1,516,641
Transferred to Restricted Fund Balance			2,723,386
Adjusted Financial Result:		<b>Deficit</b>	-182,819

- The Health Department’s total expenditures were \$35.8 million below budget due to a vacancy rate of 25% generating \$19.9 million in salary and benefit savings. Most vacancies occurred in Primary Care Clinics (\$9 million), Public Health (\$6.8 million), and Environmental Health (\$1.9 million) and were attributable to separations and recruiting challenges.
- Expenditures in services and supplies were \$15.6 million below budget, mainly due to lower-than-anticipated programmatic activities associated with vacancies in the Primary Care Clinics and in Public Health due to lengthy grant expenditure approval process at State and Federal levels and prolonged delivery timelines resulting from supply chain challenges.
- 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 for which any resulting overpayments must be returned. Liability payments resumed during the budget year. The department anticipated payments in the amount of \$5.4 million; however, actual invoices received totaled \$2.8 million. The department has made provisions in the FY 2023-24 budget for the anticipated payment amount.
- Year-end revenue was \$28.7 million lower than budget. This variance in revenues was primarily a result of vacancies in revenue-generating positions in Primary Care Clinics (\$8.7 million) and in Public Health (\$18.8 million). This includes \$183,000 in grant revenue that was not received during the accrual period, mainly from State Aid and Federal Aid.
- The department did not spend \$1.5 million of its ARPA allocation, continuing to maximize grant funds and direct funding instead. The unspent balance will revert to the County for repurposing in accordance with the Board’s priorities.
- Transfers to restricted funds totaling \$2.7 million are: \$2.07 million in Opioid Settlement funds, \$636,660 in Environmental Health restricted funds, and \$9,382 in Public Health restricted funds.
- The Health Department ended the year with a GFC deficit of \$182,819 due to anticipated revenues that were not realized by the accrual period.

### Housing and Community Development

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$19,500,366	\$18,612,835	\$17,748,069
Revenues	8,498,392	9,767,571	10,778,057
GFC (Exp. - Rev.)	11,001,974	8,845,264	6,970,011
GFC Final Budget versus Actual:		<b>Surplus</b>	4,031,963

- The Housing and Community Development Department's budgeted expenditures were \$19.5 million, funded by \$8.5 million in revenues and a General Fund Contribution (GFC) of \$11.0 million.
- Actual expenditures were \$17.7 million, \$1.8 million below budget. This variance is attributed to vacancies of hard to fill positions. While the total salary saving was \$2.0 million, there was an increase in consultant expenditures for permit application review and initial studies.
- American Rescue Plan Act (ARPA) funding allocated to the department was fully expended in the amount of \$520,000.
- Actual revenues were \$10.8 million, \$2.3 million over budget, as Building Construction Permit Revenue and Planning Application Revenues increased by a combined total of \$2.0 million due to a large construction project and several apartment building projects.
- Overall, the department ended the fiscal year with a GFC surplus of \$4.0 million.

### Human Resources

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$7,705,928	\$7,360,039	\$7,172,113
Cost Plan Credits	-\$5,591,442	-\$5,591,442	-\$5,591,441
Interfund Transfers	-\$644,080	-\$644,080	-\$672,244
Revenues	0	0	15
GFC (Exp. - Rev.)	1,470,406	1,124,517	908,413
GFC Final Budget versus Actual:		<b>Surplus</b>	561,993

- The Human Resources Department's expenditures were budgeted at \$7.7 million financed by \$5.6 million in cost plan credits, \$644,080 in interfund transfers, and \$1.5 million in general fund contribution (GFC).
- Actual expenditures were \$7.2 million, while cost plan credits were \$5.6 million, and interfund transfers were \$672,244; resulting in a GFC surplus of \$561,993 due primarily to salary savings generated by vacant positions.

### Information Technology

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$34,773,570	\$32,385,788	\$31,787,117
Cost Plan Credits	-25,248,810	-25,248,810	-25,248,810
Interfund Reimbursements	-8,189,214	-8,189,214	-8,019,717
Revenues	550,000	550,000	1,249,323
Use of Restricted FB	1,135,000		2,016,247
GFC (Exp. - Rev.)	-349,454	-1,602,236	-4,746,979
GFC Final Budget versus Actual:		<b>Surplus</b>	4,397,525
Unspent ARPA			1,875,000
Transferred to Restricted Fund Balance			1,164,372
Adjusted Financial Result:		<b>Surplus</b>	1,358,154

- The Information Technology Department (ITD) budgeted expenditures were \$34.8 million, funded by \$25.2 million in cost plan credits, \$8.2 million in interfund reimbursements, revenues of \$550,000 and use of restricted fund balance of \$1.1 million.
- Actual expenditures were \$31.8 million, funded by \$25.2 million in cost plan credits, \$8.0 million in interfund reimbursements, revenues of \$1.2 million and use of restricted fund balance of \$2.0 million. This resulted in a preliminary GFC surplus of \$4.4 million.
- After accounting for unused ARPA funds which were rolled over to FY 2023-24 (\$1.9 million) and the transfer of restricted funds (\$1.2 million), the department ended with a surplus of \$1.4 million.

### Probation

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$64,139,321	\$64,133,685	\$58,337,856
Revenues	37,175,860	37,175,860	31,698,813
GFC (Exp. - Rev.)	26,963,461	26,957,825	26,639,043
GFC Final Budget versus Actual:		<b>Surplus</b>	324,418
Unspent ARPA			2
Adjusted Financial Result:		<b>Surplus</b>	324,416

- The Probation Department’s total expenditures were \$58.3 million, \$5.8 million below budget, due primarily to vacancies generating salary savings of \$4.8 million and contracted services and supplies in the amount of \$898,872 that were budgeted but not realized for grant, federal and State programs.
- Actual revenues were \$31.7 million, \$5.5 million below budget. This amount includes the offset of \$1.8 million in increased revenue from higher-than-expected State collection of Public Safety Sales Tax and direct State reimbursements mainly for the pretrial release and community corrections performance programs. The lower-than-budgeted revenues are primarily a result of decreased reimbursable staffing costs for Public Safety

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Realignment programs due to vacancies, staff separations, and reduced eligible costs related to Title IV-E reimbursement.

- The Probation Department ended the fiscal year with a surplus of \$324,418. This amount is comprised of an operational surplus of \$33,887 with the remaining amount of \$290,531 originating from a reporting system error that caused unspent encumbrances from the prior fiscal year to clear in the current fiscal year.

### Public Defender

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$18,449,637	\$18,473,290	\$18,007,906
Revenues	2,290,804	2,926,058	2,029,335
Use of Restricted FB	600,000		504,561
GFC (Exp. - Rev.)	15,558,833	15,547,232	15,474,010
GFC Final Budget versus Actual:		<b>Surplus</b>	84,823
Transferred to Restricted Fund Balance			211,626
Adjusted Financial Result:		<b>Deficit</b>	-126,803

- The Public Defender’s Office’s actual expenditures were \$18.0 million, or \$441,731 below budget, because of lower than anticipated legal services and trial related expenses.
- Year-end revenue was \$2.0 million, or \$261,469 below budget, mainly due to lower-than-expected reimbursable expenditures related to grant and State programs.
- The Department ended the year with a GFC surplus of \$84,823, before transferring \$211,626 in unused revenues for the Public Defense Pilot Program to the restricted revenue account. After this transfer, the department’s final adjusted result was a deficit of \$126,803.
- The department will work with the budget office to review the transfers made between funds and accounts and ensure deficits are not incurred in future years.

### Public Works, Facilities and Parks

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$29,260,728	\$18,342,218	\$20,055,469
Revenues	2,390,076	2,650,037	2,650,230
GFC (Exp. - Rev.)	26,870,652	15,692,181	17,405,239
GFC Final Budget versus Actual:		<b>Surplus</b>	9,465,413

- The Public Works, Facilities and Parks Department’s (PWFP) expenditures were budgeted at \$29.3 million which included \$10.1 million from the County’s strategic reserve to address winter storm remediation projects, of which \$8.2 million were unspent during the fiscal year. Accordingly, actual expenditures totaled \$20.1 million, or \$9.2 million below budget.
  - This variance is primarily related to unspent strategic reserve funds allocated to respond to the winter storms (\$8.2 million). PWFP will request approximately \$5.6 million of the Strategic Reserve funds be reappropriated in FY 2023-24 to complete these projects started.



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- The remaining one million is attributed to PWWP vacancies in Parks, Facilities, and Fleet which resulted in salary and benefit savings of \$3.0 million, partially offset by a reduction in reimbursements due to staffing constraints and other expenses of \$1.5 million and a decrease in overall services and supplies of \$0.4 million.
- Revenues were budgeted at \$2.4 million. Actual revenues of \$2.7 exceeded the budget by \$0.3 million.
  - Parks experienced a \$0.5 million revenue increase largely due to high water levels from winter storms at Lake San Antonio and San Lorenzo Park camping re-opening after removing it as a COVID-19 isolation location designation.
  - Facilities and the Rifle Range revenues declined by \$0.2 million due to a delayed HVAC project and a reduction in customers, respectively.
- Overall, PWWP budgeted a General Fund Contribution (GFC) of \$26.9 million, but utilized \$17.4 million, and ended the fiscal year (FY) with a GFC surplus of \$9.5 million.

Sheriff-Coroner

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$145,766,547	\$145,157,611	\$143,770,330
Revenues	47,005,683	46,628,733	45,682,411
Use of Restricted FB	120,000		0
GFC (Exp. - Rev.)	98,640,864	98,528,878	98,087,919
GFC Final Budget versus Actual:		<b>Surplus</b>	552,945
Transferred to Restricted Fund Balance			280,166
Adjusted Financial Result:		<b>Surplus</b>	272,779

- The Sheriff’s Office’s expenditures were \$143.8 million, \$2 million lower than the final modified budget but \$3 million higher than the Adopted Budget, primarily from unused appropriations due to the prolonged implementation of labor negotiated salary increases, delay in the implementation of the RAN Board Fingerprint System and other equipment maintenance projects, and cancellation of radio orders due to shortages.
- The Sheriff’s Office requested modifications to the adopted budget at year-end to cover unbudgeted overtime for storm response and inmate medical expenditures amounting to \$5 million, and once the Board approved the use of Strategic Reserve, Compensated Absences, and Unassigned Fund Balance, the Department was able to complete the year within the amended budget.
- Despite an increase in Public Safety sales tax, revenues were \$45.7 million, \$1.3 million lower than budget due to revenue loss from the rescheduling of major special events, elimination of the iCare Program, elimination of Sheriff’s share to the Tobacco License fee, and delay of Vehicle License fee for the CALID Program.
- The Sheriff’s Office is working with the County consultant to submit claims to FEMA from the two storms that happened in early 2023. If approved, an estimated \$1.0 million would help replenish the Strategic Reserve.
- The Sheriff’s Office ended the year with a general fund contribution surplus of \$552,945 before transferring \$280,166 to restricted fund balance for a final adjusted surplus of \$272,779.

Social Services

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$264,469,611	\$247,844,318	\$242,542,429
Revenues	238,015,107	222,608,263	224,502,119
Use of Restricted FB	471,972		1,428,160
GFC (Exp. - Rev.)	25,982,532	25,236,055	16,612,150
GFC Final Budget versus Actual:		<b>Surplus</b>	9,370,382
Unspent ARPA			768,089
Transferred to Restricted Fund Balance:			1,577,361
Adjusted Financial Result:		<b>Surplus</b>	7,024,931

- The Department of Social Services' (DSS) year-end expenditures totaled \$242.5 million, \$21.9 million below budget.
  - o Of the decrease in expenditures, \$14.2 million originates from Social Services administration, with the majority tied to salaries/benefits (\$13.2 million) because of staff vacancies due to hiring challenges.
  - o Another \$5.7 million in lower expenditures originates from the entitlement programs, mainly from Out of Home Care due to more guardianships (permanency), and the successful Family & Children Services' Team meetings with pre-custodial families that include other family members who are willing to support and assist parents in creating a safer environment, which has resulted in a preventative decrease in children coming into foster care system.
- Year-end revenues were \$224.5 million, \$13.5 million below budget, due to corresponding lower expenditures in revenue generating Social Services programs and using Homeless, Housing, and Assistance Program (HHAP) Round 1 and 2 fund balance (\$1.1 million) that was originally budgeted to come in as revenue.
- The Department used a GFC of \$16.6 million compared to the \$25.9 million budgeted, recognizing a savings of \$9.4 million, mainly due to \$7.6 million in FY 2021-22 revenue received after the close of the prior year. The department closed FY 2021-22 with a GFC deficit in the amount of \$8.1 million.
  - o Additionally, \$768,089 of unused ARPA funds resulted from Project Roomkey and the Storm Recovery Subsidy Program. During FY 2023-24 Budget Hearings, the Board approved a carry-over of unspent Project Roomkey ARPA funds to partner with the City of Salinas on their Emergency Motel Room Program. The department will plan to request funds be rolled over to FY 2023-24 for use for the Storm Recovery Subsidy Program which was approved through October 2023.
  - o Additionally, there is an additional GFC expense of \$529,283 of disaster related expenditures related to Pandemic shelter activities (\$92,985) and Storm related shelter activities (\$436,298) that if FEMA costs had been reimbursed, the departments year end surplus would have been higher.
  - o The Department has an open encumbrance of \$10,500 which was not automatically closed by the Advantage system and if it had closed, the Departments' year end surplus would have been higher.
- The department restricted revenues of \$1,577,361 to Fund Balance for (HHAP) and Children Trust revenues.

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2022-23 Actual
Expenditures	\$9,514,514	\$8,172,068	\$7,854,014
Revenues	7,451,566	6,406,416	6,183,617
GFC (Exp. - Rev.)	2,062,948	1,765,652	1,670,397
GFC Final Budget versus Actual:		<b>Surplus</b>	392,551

- Actual year-end expenditures for the Treasurer-Tax Collector total \$7.9 million, underspending appropriations by approximately \$1.7 million. The reduction in expenditures primarily resulted from a combination of vacancies and conservative spending throughout various services and supplies.
- Actual revenues of \$6.2 million ended the year \$1.3 million below budget. This was due to lower levels of reimbursable expenditures caused by the continued impact of Assembly Bill 177 which vacated many court-ordered fees previously collected by the department. The loss of this funding was partly mitigated by the receipt of \$880,000 in state backfill revenue.
- The Treasurer-Tax Collector recognized a positive ending GFC balance of \$392,551 primarily due to reduced expenditures and backfill funds provided by the State.

**OTHER MAJOR FUNDS**

Road Fund – 002

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Fund Balance	\$18,531,866	\$21,070,513	\$18,316,076
Revenue	98,227,646	66,036,485	82,487,485
<b>Total Financing Sources</b>	<b>116,759,512</b>	<b>87,106,998</b>	<b>100,803,561</b>
Expenditures	95,688,999	64,253,615	71,271,580
<b>Total Financing Uses</b>	<b>95,688,999</b>	<b>64,253,615</b>	<b>71,271,580</b>
Ending Fund Balance	\$21,070,513	\$22,853,383	\$29,531,981

- Road Fund expenditures were budgeted at \$95.7 million (including \$18.6 million for storm recovery projects). Actual expenditures totaled \$71.3 million, including \$14.9 million for the January and March winter storms.
  - Expenditures are \$24.4 million below budget largely due to the delay of four construction projects estimated at \$11.9 million (Davis Road Bridge, Palo Colorado, Viejo Road Slope Repair, and G-12 Pajaro to Prunedale Corridor Study) and winter storm repairs and projects in progress (\$13.3 million).
- Revenues were budgeted at \$98.2 million, including an \$18.6 million transfer from General Fund Strategic Reserve to cash flow the January and March Winter storm events. Actual revenues were \$82.5 million.
  - Revenues were \$15.7 million lower than budget due to State and Federal Aid revenues corresponding to construction in progress delayed projects (\$12 million) and accrued revenue not received within 60 days of the fiscal year-end (\$3.8 million).
- The Road Fund is projected to end with a positive fund balance of \$30.3 million attributable primarily to the Road Fund’s revenue Measure X, SB 1 and transfer in from General Fund Strategic Reserve for winter storms.

Monterey County Free Library – 003

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Fund Balance	\$6,273,441	\$6,273,441	\$6,669,037
Revenue	13,003,540	12,933,540	13,965,031
<b>Total Financing Sources</b>	<b>19,276,981</b>	<b>19,206,981</b>	<b>20,634,068</b>
Expenditures	13,138,848	12,362,296	12,405,498
<b>Total Financing Uses</b>	<b>13,138,848</b>	<b>12,362,296</b>	<b>12,405,498</b>
Ending Fund Balance	\$6,138,133	\$6,844,685	\$8,228,570

- The Monterey County Free Libraries (MCFL) final budget included \$13.1 million in appropriations, \$13.0 million in revenue, including a \$1.8 million transfer in for the Gonzales Library from the cannabis assignment, and \$135,308 in fund balance use.
- Actual expenditures were \$12.4 million, or \$733,350 below budget primarily due to salary and benefit savings from vacant positions.
- Year-end revenue was \$14.0 million, or \$961,494 above budget primarily from higher property taxes, which were \$883,707 over budget due to increasing property values and assessments.
  - The library also received \$119,548 from the State for Lunch in the Library Grant which was unbudgeted.
  - These higher revenue sources helped offset some decreases resulting from lower contributions and lower Library Service fees.
- As a result of higher revenues and lower than anticipated expenditures, MCFL ended the year with a net gain of \$1.6 million, for an ending fund balance of \$8.2 million.
- Several facility projects on the horizon, along with ongoing upgrades to technology are anticipated to require use of fund balance in the next budget year, and MCFL is currently working diligently with Human Resources to fill all vacant permanent positions to adequately staff full operations again.

Behavioral Health Fund – 023

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Fund Balance	\$62,593,487	\$62,593,487	\$61,287,939
Revenue	150,279,106	139,961,602	130,290,780
<b>Total Financing Sources</b>	<b>212,872,593</b>	<b>202,555,089</b>	<b>191,578,719</b>
Expenditures	157,398,704	144,011,754	147,833,494
<b>Total Financing Uses</b>	<b>157,398,704</b>	<b>144,011,754</b>	<b>147,833,494</b>
Ending Fund Balance	\$55,473,889	\$58,543,335	\$43,745,224

- Behavioral Health Fund expenditures were \$147.8 million, which was approximately \$9.6 million below budget.
  - Factors contributing to this variance include a reduction of: \$3.5 million in transfers out for the Whole Person Care Program as other funding sources became available; \$3.4 million in salary and benefits costs because of an 18.2% vacancy rate; \$2.0 million in other contracted services; and \$696,000 in construction costs not incurred as the Pearl Street Clinic rehabilitation was deferred to FY 2023-24.
- Revenues were \$130.3 million, which was approximately \$20.0 million below budget.
  - The Bureau experienced a decrease of \$16.6 million in Mental Health Services Act (MHSA) funds. This reduction in MHSA revenue was due to lower-than-anticipated income tax revenue at the State level and

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income tax filing extensions due to the winter storms which pushed revenue from April 2023 to October 2023.

- The remaining \$3.4 million is due to lower-than-anticipated federal revenue from the Medi-Cal Administrative component.
- For Fiscal Year 2022-23, the ending balance for Behavioral Health Fund decreased by \$17.6 million from \$61.3 million to \$43.7 million of which \$32.1 million is unassigned.

Emergency Communications – 028

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Fund Balance	\$3,381,708	\$3,381,708	\$2,994,868
Revenue	13,238,353	12,615,703	12,704,625
<b>Total Financing Sources</b>	<b>16,620,061</b>	<b>15,997,411</b>	<b>15,699,493</b>
Expenditures	12,909,353	12,891,697	12,435,591
<b>Total Financing Uses</b>	<b>12,909,353</b>	<b>12,891,697</b>	<b>12,435,591</b>
Ending Fund Balance	\$3,710,708	\$3,105,714	\$3,263,903

- The Emergency Communications Department operates in Special Revenue Fund 028 to provide Dispatch and Call-Taking services to 12 Cities, three Fire Districts and the County Sheriff and Probation Departments. FY2022-23 was the Emergency Communications Department’s fourth year operating as a special revenue fund.
- Year-end expenditures for the Department were \$12.4 million or \$473,762 below budget due to a delayed capital project to install a security fence around the Department’s Dispatch Center, inter-fund reimbursements for services provided by the Department, and benefit cost savings from vacancies.
- Year-end revenues for the Department were \$12.7 million or \$533,728 under budget due to a reconciliation to FY 2022-23 dispatch charges, which resulted in a lower operating transfer in, as the general fund was credited \$795,091 for FY 2021-22 Public Safety Sales Tax collection overages.
  - This credit was partially offset by excess unbudgeted revenues from late payment fees to user agencies, higher than budgeted Public Safety Sales Tax for FY 2022-23, and higher than anticipated interest income.
- The Department ended the fiscal year with a net gain of \$269,034 resulting in ending balance of \$3,263,903.

Natividad Medical Center – 451

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Net Position	\$225,199,071	\$225,199,071	\$264,284,167
Revenue	384,650,960	404,393,676	521,759,730
<b>Total Financing Sources</b>	<b>609,850,031</b>	<b>629,592,747</b>	<b>786,043,897</b>
Expenditures	366,221,605	382,527,072	491,543,192
<b>Total Financing Uses</b>	<b>366,221,605</b>	<b>382,527,072</b>	<b>491,543,192</b>
Change in Net Assets	18,429,355	21,866,604	30,216,538
Ending Net Position	\$243,628,426	\$247,065,675	\$294,500,705

- Natividad Medical Center’s enterprise fund ending balance for the year was \$294.5 million, an increase of \$30.2 million or 11.4%.
- Total revenues of \$521.8 million exceeded budget by 35.6%.
  - Overall services revenues were higher than budget for inpatient and outpatient services, while government funded revenues ended higher than budget by 32.2%.

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- Actual expenses were \$491.5 million and 34.1% higher than budget due to higher nursing registry and physician costs, increased volume, increased costs in supplies for both medical and non-medical services and coverage for other patient service areas.

Parks – Lakes Resorts – 452

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Net Position	\$2,323,808	\$2,323,808	\$2,323,807
Revenue	4,806,639	3,271,332	3,979,623
<b>Total Financing Sources</b>	<b>7,130,447</b>	<b>5,595,140</b>	<b>6,303,430</b>
Expenditures	4,193,603	3,698,724	3,621,998
<b>Total Financing Uses</b>	<b>4,396,603</b>	<b>3,698,724</b>	<b>3,621,998</b>
Change in Net Assets	410,036	(427,392)	357,625
Ending Net Position	\$2,733,844	\$1,896,416	\$2,681,432

- The Park Lake & Resort expenditures were budgeted at \$4.4 million, including \$203,000 for storm recovery projects.
- Actual expenditures were \$3.6 million, excluding depreciation expense of approximately \$215,000, and are below budget by \$0.8 million or 18%.
  - The reduced expenditure level resulted from planned reduction in operating expenses in response to reduced revenues.
- Revenues were budgeted at \$4.8 million. Actual revenues were \$4.0 million, short \$0.9 million or 17% below budget; of this total, \$3.2 million are operating revenue.
  - Non-operating revenues totaled \$0.7 million, including a transfer-in from the General Fund of \$0.5 million for the annual long-term debt payment related to the Water World Resort, Inc. settlement and a \$0.2 million one-time advance from Strategic Reserve to fund the January 2023 storm damage repairs. The remaining \$.04 million is interest earnings.
  - Although, the winter storms brought water levels up to 94% capacity by year-end, water level for the first 6 months dropped to a low of 16%, which resulted in a decline in patronage. The storms also caused downed trees, damages to the entrance road, debris in the lake, and water damage to the lodges, which caused some closures.
- Overall, revenues exceeded expenditures by \$0.4 million, prior to depreciation. When including depreciation cost of \$215,000, the beginning Net Position of \$2.3 million will increase \$0.1 million, to an anticipated ending Net Position of \$2.4 million.
  - Of this total, only \$0.8 million is available for use as the rest is restricted for the Zebra/Quagga Mussel Program use (\$0.5 million), for the 2018 Trailer Fire Insurance Proceeds use (\$0.3 million), 2023 storm-damage repair projects (\$0.1 million), while the remaining \$0.8 million is required to be set aside for Net Investment in Capital Assets, equivalent to the capital assets' net book value.

Laguna Seca – 453

	Final Budget	Year-End Estimate	2022-23 Actual
Beginning Net Position	\$9,863,458	\$9,863,458	\$9,931,812
Revenue	21,294,645	16,982,410	18,487,179
<b>Total Financing Sources</b>	<b>31,158,103</b>	<b>26,845,868</b>	<b>28,418,991</b>
Expenditures	21,810,643	17,735,369	18,534,616
<b>Total Financing Uses</b>	<b>21,810,643</b>	<b>17,735,369</b>	<b>18,534,616</b>
Change in Net Assets	(515,998)	(752,959)	(47,437)
Ending Net Position	\$9,347,460	\$9,110,499	\$9,884,375

- Laguna Seca Recreation Area (LSRA) completed its third year as an Enterprise Fund with total Revenues of \$18.5 million, including transfers-in of \$3.3 million from the General Fund Strategic Reserve for storm recovery projects. Compared to the budget of \$21.3 million, revenues are 13% lower.
  - Revenue loss is primarily due to the tracks closure for 6 months while the Bridge and Track Overlay projects were completed.
- Expenditures were budgeted at \$21.8 million, including \$3.3 million for the storm damages. Actual expenditures were \$18.5 million, excluding adjustments for depreciation and capitalized costs of \$0.2 million. With these adjustments included, total expenditures are estimated at \$18.7 million. Overall, the savings versus budget is about 14%.
- This results in a net loss of \$0.2 million, which is less than the budgeted net loss of \$0.5 million.
- The fiscal year 2022-23 began with \$10.0 million net position, of which \$8.8 million is the Net Investment in Capital Assets, with the remaining \$1.2 million being unrestricted.
- This fiscal year’s net loss of \$0.2 million (after anticipated depreciation and adjustment to capitalize expenses), will lower the ending Net Position to \$9.8 million, of which \$1.2 million is unrestricted and available as financing source for operations.