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DATE: May 30, 2025
TO: Members of the Board of Supervisors and Board of Directors
FROM: M. Christina Rivera, County Executive
SUBJECT: FY 2025-26 Budget Overview

Introduction

The Recommended Budget prior to final budget hearings actions includes \$2.71 billion in total expenditures and 4,481 full time equivalent (FTE) positions, a reduction of 42.5 FTE from the prior fiscal year. The Recommended budget represents a continuation of existing programs. The Recommended budget shows a 7.9% year-over-year increase, mostly due to the inclusion of Measure H - Fire Services Sales Tax and Measure I - Child Care and Children's Health sales tax. Taxes from these two voter-approved measures are collected by the County and passed through to other entities. Excluding these pass-through funds, the County's budget is increasing by a modest 3.8%.

The Recommended Budget Book is available at:

<https://sonomacounty.ca.gov/Main%20County%20Site/Administrative%20Support%20%26%20Fiscal%20Services/CAO/Documents/Public%20Reports/Budget%20Reports/2025-26/FY2025-26-Recommended-Budget-Combined.pdf>

The enclosed Budget Hearing Binder materials provide additional information complementing the FY 2025-26 Recommended Budget. These materials include funding requests from departments and Board members; County Executive's recommendations; Board Information Requests submitted in April along with staff responses; supplemental budget adjustments to the FY 2025-26 Recommended Budget, which typically reflect Board direction given after the Recommended Budget was finalized and are administrative in nature; an overview of position allocation changes; status of General Fund Reserves, County Financial Policies; and the County's Proposition 4 appropriations limit adoption.

Above all the materials include the budget resolutions that will codify the Board's close of hearing actions and adoption of the Adopted FY 2025-26 budget.

What follows is a brief review of some of the key issues facing the County as we look toward the upcoming FY 2025-26 budget.

Discussion of Key Issues

Federal Budget Implications

The greatest source of uncertainty currently facing state and local governments around the nation is centered around federal funding changes by the current administration. The Recommended Budget includes \$335.9 million (or 15% of the Budget) in federal funding, with tens of millions of additional state funding that is directly dependent on federal funding to the state. Congress is working on a budget and policy package that could include the largest changes to federal programs in decades. Proposals include major changes to reduce costs of programs such as Medicaid/Medi-Cal and food assistance that are administered by the County on behalf of the state. Changes to these programs will impact community members, and impact the Recommended Budget plan.

In addition to reducing funding availability, the current administration is attempting to make federal funding for state and local jurisdictions contingent on broader alignment to its priorities. In some cases, these priorities conflict with State laws as well as Board policies. This could place millions of dollars of funding for transportation, law and justice, disaster preparedness, and social services at risk.

Federal policy also creates uncertainty through impacts to the economy. The most prominent example of this has been trade policy, where several iterations of tariffs have been announced and suspended. This puts inflationary pressure on the costs of many goods and impacts businesses that rely on foreign inputs, which consequently impact economic output and consumer confidence. Other areas may also have secondary impacts. Recent weeks have seen long-term interest rates rise based on fear of increased deficits and reduced faith in the security of Federal debt. Immigration policy could create shortages of workers that will increase inflationary pressures. Taken together, these put an already uncertain economy at further risk of tipping into a period of "[stagflation](#)" if not an outright recession.

State Budget Implications

The state is facing its own fiscal pressures, both tied to Federal policy and to its own challenges. On May 14th the Governor released the May Revised Budget, which includes cuts to state programs in order to address significant, multi-year revenue shortfalls.

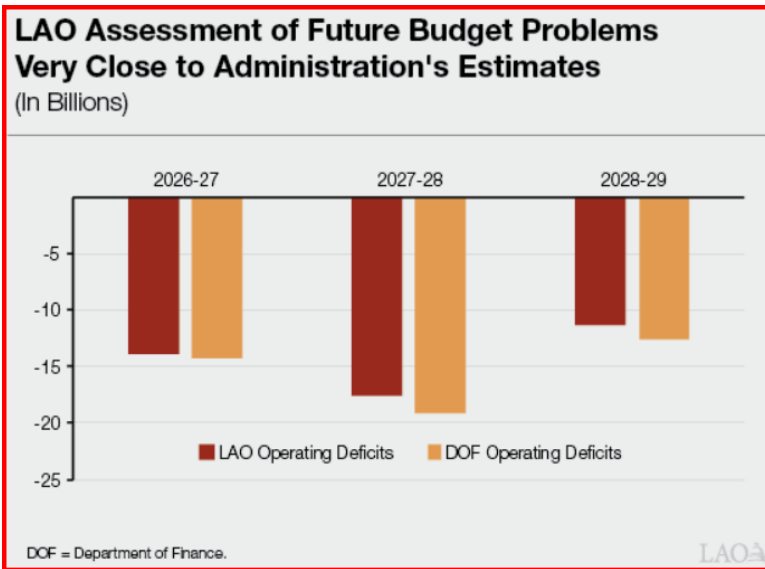


Figure 1 - [LAO 2025-26 Budget Multiyear Budget Outlook](#)

be facing major revisions to their budgets as the impacts of federal changes become clearer in the fall. The Recommended Budget includes \$561.8 million in state funding, which makes up nearly 25% of all county revenues. Much of this funding is dependent on federal funding received by the state.

Dealing with Uncertainty

To prepare for what is expected to be a year of ongoing fiscal uncertainty, staff recommend adopting the FY 2025-26 budget with a baseline framework. This approach maintains continuity of services while funding for only the most critical and time-sensitive needs. It positions the Board to respond strategically to potential federal policy changes and better manage emerging community impacts. Further the established [Financial Policies](#) state that *“Federal and state program reductions will not be backfilled with County discretionary revenues except by Board of Supervisors direction. The Board of Supervisors typically does not backfill these programs due to their sheer size and magnitude on the County’s financial position.”*

Consequently, unlike recent prior years’ budget hearings, staff will not be presenting a list of *estimated* available funding for new uses. Instead, the County Executive’s Office is working with departments to fully understand the risks and tradeoffs our community may face, if the [H.R. 1 legislative package](#) which includes a variety of tax cuts, spending adjustments, and policy changes, is approved. Therefore, staff needs time to develop plans to strategically utilize anticipated discretionary funds. Tab 3 further discusses recommendations from the County Administrator.

Homeless Costs, \$126.5 million Spent in FY 2023-24

Each year in the Budget Hearing materials, as recommended by the FY 2019-2020 Grand Jury [Report](#), we provide information on costs associated with homeless response and prevention for

the prior complete fiscal year. The information provided below reflects homelessness costs incurred in FY 2023-24.

Due to the nature of homelessness prevention and response, the County does not have a financial account coding structure exclusively designed to track homelessness related expenses, as delivery of service interactions are not all identified as providing services to housed versus unhoused clients. Likewise, individuals may interact with a County department for a number of reasons, and their housing status may or may not be the leading cause for that interaction. Therefore, determining costs associated with addressing homelessness relies on considering expenditures as well as available case data. Ultimately, the reported costs approximate actual expenses incurred due to these realities.

In total, in FY 2023-24 Countywide spending on homelessness prevention and response totaled over \$126.5 million, an increase of \$28.7 million (29.3%) over the previous fiscal year. This increase is partially due to the accounting of the transfer of \$13.4 million fund balances from Community Development Commission (CDC) to the Department of Health (DHS) that accompanied the transfer of the Homelessness Division to DHS. Additionally, several departments, including CDC, DHS, and the Human Services Department, were successful in securing grant, State, and Federal funding to provide services. The largest share of expenditures come from the CDC, through various Housing Voucher programs, and DHS, which include funds that flow through the Continuum of Care (CoC) and are approved by the County's Board of Supervisors/Board of Commissioners.

The enclosed table includes costs associated both with prevention, such as rental assistance programs/housing vouchers, as well as response, such as cleaning up homeless encampments in parks. Even the delineation between prevention and response can be nuanced. That said, the majority of costs in the Community Development Commission, Health Services, and Human Services can better be characterized as preventative costs, while response costs are attributable to the other departments.

Department/Program	FY22-23 APPROXIMATED ACTUAL	FY23-24 APPROXIMATED ACTUAL
Community Development Commission Programs		
Affordable Housing ⁱ	\$14,484,974	\$11,022,762
Housing Authority ⁱⁱ	\$48,283,287	\$56,255,148
<i>Community Development Commission Total</i>	<i>\$62,768,261</i>	<i>\$67,277,910</i>
Health Services Programs		
Accessing Coordinated Care & Empowering Self Sufficiency (ACCESS) ⁱⁱⁱ	\$3,998,925	\$20,885,126
Ending Homelessness ^{iv}	\$12,945,705	\$16,536,830

Department/Program	FY22-23 APPROXIMATED ACTUAL	FY23-24 APPROXIMATED ACTUAL
Behavioral Health Acute Forensic	\$6,789,527	\$8,624,737
Behavioral Health Youth & Family	\$1,092,402	\$1,009,838
Health Service Total	\$24,826,559	\$47,056,531
Human Services Programs		
Adult & Aging	\$723,997	\$993,229
Employment & Training	\$3,183,500	\$4,955,004
Family Youth & Children	\$2,103,015	\$2,592,955
Human Services Total	\$6,010,512	\$8,541,188
District Attorney Total	\$237,939	\$170,741
Regional Parks Total^v	\$839,825	\$587,650
Probation Total	\$1,562,959	\$1,573,677
Public Infrastructure Total	\$486,553	\$285,467
Sheriff- Law Enforcement Total^{vi}	\$467,957	\$442,339
Sonoma Water Total^{vii}	\$620,326	\$587,650
Total Homelessness Prevention and Response Costs:	\$97,820,891	\$126,523,153

Description of Notable Changes – FY 2022-23 to FY 2023-24

ⁱ The Community Development Commission's affordable housing cost decline of \$3.4M from FY2022-23 was primarily attributed to the ending of the COVID-19 Emergency Rental Assistance Program. The funding was received as part of the American Rescue Plan Act of 2021 that provided rental subsidies for individual and families that experience loss of wages associated with the COVID-19 pandemic.

ⁱⁱ The Housing Authority cost increase of \$8M from FY2022-23 was primarily attributed to the cost associated with the American Rescue Plan Act funding and increase in Voucher spending (Housing Choice Vouchers, Emergency Housing Vouchers and Mainstream Vouchers).

ⁱⁱⁱ Reflects DHS's full assumption of management of Homeless Services from CDC, including transfer of \$13.4 Million in fund balance; standing up the Homeless Encampment Assistance and Resource Team (HEART) and Solving Obstacles for Unsheltered Lives (SOUL) programs; and new investments in HomeKey projects.

^{iv} Ending Homelessness Initiative received and expended additional state and federal grants and awards.

^v Regional Parks re-examined which expenditures to include in this analysis, which is an improvement in the methodology.

^{vi} Sheriff Office does not include detention costs to house individuals self-reported as homeless.

^{vii} Sonoma Water represents work performed in specific geographical areas.

Layout of the Binder

Budget Hearings Overview (Tab 1)

This tab includes this Overview Memo and the Budget Hearing Schedule. The Budget Hearings begin on Tuesday, June 10, at 9:00 a.m. and have been publicly noticed to continue from day-to-day for up to fourteen days. Public comment on the Budget has been scheduled for each day.

Available Sources Memo (Tab 2)

This year the County Executive is recommending only very limited funding be utilized to maintain services. The use of discretionary fund balances is not recommended. This will preserve resources to react to federal reductions that are expected.

Budget Hearing Deliberation Tool (Tab 3)

The Budget Hearing Deliberation Tool illustrates the requests for department-funded program changes as well as requests for discretionary funding. It also includes Board Budget Requests. Details on the organization of the Budget Hearing Deliberation Tool are included in the cover memo for that tab. The cover memo also includes County Executive funding recommendations.

Add Backs and Program Changes (Tab 4)

This tab provides Add Back (aka baseline restoration) and Program Change Requests description and justifications submitted by departments.

General Fund Reserve Memo (Tab 5)

This tab provides an overview memo of the General Fund Reserve balance and policies.

Board Member Budget Requests (Tab 6)

This tab includes funding requests received from the Board of Supervisors and, where relevant and information is available, a staff response for the Board's consideration.

Board Information Requests (Tab 7)

This tab includes responses to the Board Information Requests (BIRs) received in conjunction with the Spring Budget Workshops in April.

Supplemental Budget Adjustments (Tab 8)

This tab presents Supplemental Budget Adjustments, which are administrative or are tied to Board approved actions that have occurred between the submission of the Recommended Budget by departments to the County Executive on March 5, 2025, and the June Budget Hearings.

Summary of Position Changes (Tab 9)

This section provides a summary of position changes from the FY 2024-25 Adopted Budget through the present, including changes made during FY 2024-25, changes in the FY 2025-26 Recommended Budget and changes in Supplemental Adjustments.

Financial Policy Updates (Tab 10)

This tab contains the County's Financial Policies, with any changes displayed in track changes. Enclosed version does not include any recommended changes.

Appropriations Limits-Proposition 4 (Tab 11)

This tab provides the details for the calculations for the FY 2025-26 appropriations limits for the County and for various special districts and agencies governed by the Board of Supervisors, and the associated Resolutions. Each year the County Board must approve an appropriations limit for the year, which dictates the total amount of tax revenue and certain related revenue streams that can be appropriated during a fiscal year.

Board Resolutions (Tab 12)

This tab contains the two resolutions and related exhibits with which the Board codifies their approval in order to officially adopt the FY 2025-26 Budget. The Concurrent Resolution contains the actions necessary for the Auditor-Controller-Treasurer-Tax-Collector and the County Executive to implement the Adopted Budget. The Concurrent Resolution includes four exhibits as follows:

Exhibit A – The Final Budget Adjustment Tool, approved by straw vote in advance of the formal adoption.

Exhibit B – A list of the Governmental Entities governed by the Board.

Exhibit C – Supplemental Budget Adjustments.

Exhibit D – Contains a Countywide summary of positions by department and the Position Allocation List for FY 2025-26.

This tab also includes the Resolution for the Sonoma Valley County Sanitation District.

Overview of Budget Hearings/Budget Schedule

The Budget Hearings will begin on Tuesday, June 10 at 9:00 a.m. The first day will include presentations on the budget and on County Executive recommendations. The Board is expected to begin deliberations on Tuesday. Should the Board conclude deliberations, the Budget could be adopted on Tuesday. If additional time is needed for deliberations or significant time is required to update materials based on Board decisions, the Hearings will be continued to either Wednesday, June 11 or Friday June 13.

If needed, the Board will continue deliberations on Wednesday, June 11. . The Board may choose to adopt the Budget on Wednesday, or if significant adjustments are needed the meeting will be adjourned to Friday, June 13.

There will be no Budget Hearings on Thursday, June 12.

Should the Board require additional time for deliberations, hearings may be continued to the week of June 16.

FY 2025-26 Budget Hearing Schedule

Day 1 – Tuesday, June 10 at 9:00 am

- 9:05 AM: Public Comment on the Budget
- Budget Overview Presentation
- CAO Recommendations (Tab 3), Budget Deliberation Tool Overview (Tab 3, Attachment 2)
- Lunch Break
- Review and Straw Vote on Department-Funded Program Change Requests (Tab 3, Attachment 1) (ACTION)
- Begin Deliberations
- If ready: Adoption of the FY 2025-26 Budget, Financial Policies, and Prop 4 Appropriations Limits (Tab 11)

Day 2 (if necessary) – Wednesday, June 11 at 9:00 am

- 9:05 AM: Public Comment on the Budget
- Continue Deliberations
- Lunch
- Continue Deliberations
- Direction to Staff (Straw Vote)
- If ready: Adoption of the FY 2025-26 Budget, Financial Policies, and Prop 4 Appropriations Limits (Tab 11)

Day 3 – (if necessary) Friday, June 13 at 9:00 am

- 9:05 AM: Public Comment on the Budget
- Recap of Budget Deliberation Tool and Other Actions
- Adoption of the FY 2025-26 Budget, Financial Policies, and Prop 4 Appropriations Limits (Tab 11)

