



OFFICE OF THE COUNTY ADMINISTRATOR

County of Sonoma

575 Administration Drive - Room 104A
Santa Rosa, CA 95403-2888

p: (707) 565-2431

f: (707) 565-3778

M. CHRISTINA RIVERA

County Executive

JENNIFER SOLITO

Assistant County Administrator

ANDREW J. STURMFELS

Assistant County Administrator

PETER BRULAND

Deputy County Administrator

CHRISTEL QUERIJERO

Deputy County Administrator

PAUL GULLIXSON

Communications Manager

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 General Fund Reserve

Sonoma County enters Fiscal Year (FY) 2025-26 with \$76,478,121 in General Fund Reserves, which equals 10.8% of FY 2024-25 Adopted Budget General Fund operating revenues and 10.2% of FY 2025-26 Recommended Budget General Fund operating revenues. Staff recommends that a minimum \$1,496,572 in FY 2024-25 year-end available fund balance be added to General Fund Reserves to increase the balance and maintain a funding ratio of 10.8% of FY 2024-25 General Fund sources. No use of reserves is recommended in FY 2025-26

Current General Fund Reserve Policies

Per the Board's current financial policies:

- "The Board will maintain a minimum level of unassigned General Fund Reserve balance equal to 1/12 (8.3%) or 1 month of annual General Fund revenues. Consistent with best practice recommendations from the Government Finance Officers Association of the United States and Canada, the County will strive to maintain a total unassigned General Fund Reserve balance equal to 1/6 (16.7%) or 2 months of annual General Fund operating revenues."
- "Anytime the Board authorizes drawdown of Reserves, staff will present a re-payment schedule which shall include the amount of state/federal reimbursements expected to be received."

These policies were put in place to ensure the County would have capacity to deal with future emergencies and to maintain the County's credit rating, which is currently AA+ per Fitch. For purposes of the FY 2025-26 Budget, the targeted reserve amount of two months of General Fund revenues equals \$120.9 million.

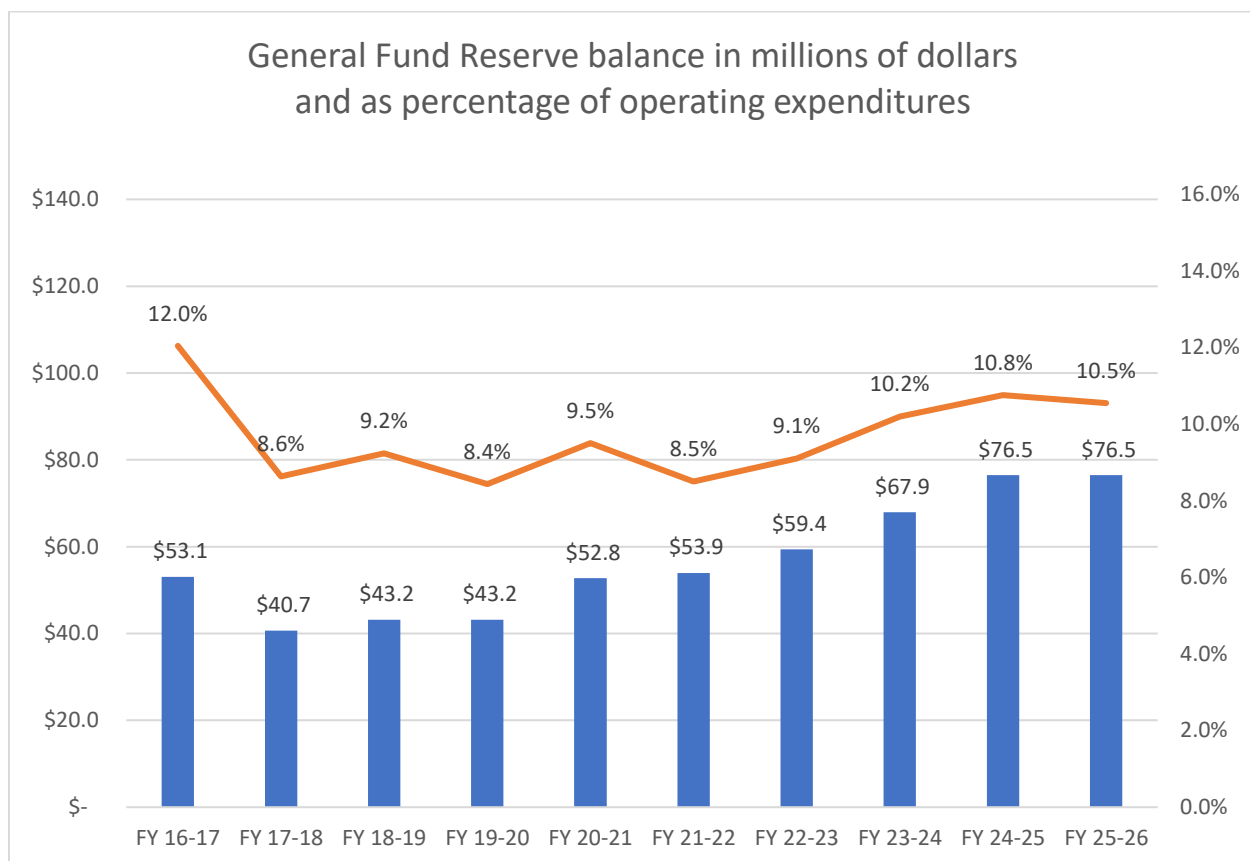
History and Projections

Prior to the 2017 wildfires, Sonoma County had been steadily increasing reserves toward the target of two months of operating costs. At the start of FY 2017-18, on the eve of the fires, reserves stood at \$53.1 million, or 11.3% of FY 2017-18 operating revenues. In the FY 2018-19 adopted budget, the Board designated \$8.5 million of the reserve balance for recovery and resiliency projects, with a focus on grant matches, as well as designating a \$3.9 million FEMA audit reserve. This left reserves at \$40.7 million, or 8.7% of operating revenues.

Since then, the Board has committed to keeping the Reserve balance at the one-month minimum and maintain the achieved Reserve as a percentage of revenues consistently year-over-year:

- At budget hearings in FY 2020-21, the Board dedicated \$8.5 million in PG&E Settlement funds to replenish the \$8.5 million that was drawn down following the 2017 Wildfires, bringing the total to \$52.8 million or 9.2% of General Fund sources.
- In FY 2021-22, the Board contributed \$1.18 million to reserves based on direction at budget hearings.
- In FY 2022-23, the Board added an additional \$5.5 million.
- In FY 2023-24, the Board approved an initial \$5.0 million contribution to the General Fund Reserves during budget hearings, and after fiscal year-end close an additional \$3.5 million of excess General Fund savings was transferred midyear per the Board's direction in the FY 2023-24 budget adoption resolution, for a total increase of \$8.5 million.
- In FY 2024-25, the Board approved an initial contribution of \$788,794 in order to maintain a steady level of operating reserves. As part of the "waterfall" for unallocated General Fund year end fund balance, an additional \$7.7 million was added to reserves.

This brings reserves to the current total of \$76.5 million, or 10.8% of General Fund operating revenues. Because the reserve is calculated as a percent of General Fund operating revenues, absent additional contributions, the Reserves funding ratio can gradually erode. Figure 1 below illustrates this history in terms of total dollars and percentage of operating revenues.



Recommendations

Staff recommends that, when available, the Board strive setting aside year-end fund balance totaling 1% of General Fund operating revenues each year until the reserve reaches the target of 16.7%. For FY 2025-26, increasing the General Fund Reserve funding ratio an additional 1% to 11.8% would require a contribution of \$8,748,229 from current levels. Given the high level of uncertainty around state and federal funding, staff

recommend a minimum \$1,496,572 contribution to maintain the current 10.8% level, sourced as the first priority for FY 2024-25 year end General Fund unassigned balance.

