



## 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

**PETER BRULAND**

Deputy County Administrator

**BARBARA LEE**

Deputy County Administrator

**CHRISTEL QUERJERO**

Deputy County Administrator

**PAUL GULLIXSON**

Communications Manager

DATE: May 31, 2024  
TO: Members of the Board of Supervisors and Board of Directors  
FROM: M. Christina Rivera, County Executive  
SUBJECT: FY 2024-25 Available Sources

This memo provides an overview of sources available to fund departments' add-back requests, program change requests, Board Budget Requests, County Executive recommendations, or other Board priorities during Budget Hearing Deliberations. These requests are listed in the Budget Deliberation Tool (**Tab 3**) and are described in more detail in **Tab 5 – Add Backs and Program Change Requests**; and **Tab 6 – Board Budget Requests**.

It is important to emphasize that the Board's adopted Financial Policies include the Basic Fiscal Principle to deliver County services and programs based on a structurally balanced budget. Consequently, the CEO/CAO recommendations are based on existing Board policies.

### **On-Going Sources: \$4.1 million**

#### General Fund Capacity, \$3.6 million

Final General Fund projections include ongoing capacity of \$3,571,562 above what was utilized to balance the Recommended Budget. This balance is largely the result of updated property tax growth projections.

#### Reinvestment and Revitalization Fund, \$519,098

The Reinvestment and Revitalization Fund is expected to grow moderately over prior year with property tax growth. This increase is programmed based on actual revenues from FY 2023-24, and there is strong confidence that it will be available in FY 2024-25. This additional capacity can be utilized to fund ongoing demands.

## **One-Time Sources: \$45.2 million**

The one-time sources provided here are based on current FY 2023-24 estimated year-end fund balances as June 30, 2024. These funds are also displayed within **Tab 10 – Fund Balance Directory**. However, in some cases the amount here may be less than the amount discussed in the directory for the following reason: Fund balances in the directory show projected FY 2024-25 year-end positions as of June 30, 2025, or approximately 1 year from now. Staff do not recommend programming fund balances not expected to be realized by June 30, 2024, at the end of this Fiscal Year, because any expected increases in FY 2024-25 are still hypothetical.

### General Fund FY 2023-24 Year End Fund Balance, \$13.8 million

The final year-end fund balance will not be known until after the close of books in July. Annually, staff estimate fund balance based on third quarter estimates and recommend an amount that will be achieved with high confidence to make available at budget hearings. The General Fund is expected to end the year with \$13,834,027 in available fund balance. This increase is driven primarily by five factors:

- 1) Property tax revenue is estimated to be \$4.4 million above budget, after accounting for the allocation of 40% of growth beyond the budget to the County Center Modernization fund in accordance with Board policy.
- 2) Increased interest rates have led to approximately \$4.9 million in additional interest earnings.
- 3) Based on year-to-date expenditures, approximately \$3.0 million in General Fund Contingencies are expected to be unused, and thus flow into fund balance.
- 4) Salary and benefits costs are expected to be approximately \$9.5 million under the FY 2023-24 Adopted Budget totals.
- 5) These savings are partially offset by lower than anticipated departmental revenues, primarily in Permit Sonoma, due to decreased license and permit revenue and decreased fines and penalties, and in Proposition 172 Public Safety revenues.

In total, estimated year-end fund balance is significantly lower than in the prior year, when \$29.4 million was programmed, primarily due to decreased salary savings as vacancy rates have decreased.

### Teeter Fund available balance, \$4.9 million

State law requires that the Tax Loss Reserve Fund (commonly known as the “Teeter Fund”) maintain a reserve equal to at least 1% of the tax levy. County Financial Policies require that a reserve of 1.5% of levy be maintained to ensure that sufficient balance exists. In preparation for Budget Hearings, the Auditor-Controller-Treasurer-Tax Collector prepared estimates for the fund which show a FY 2023-24 year-end balance of \$4,852,954 above the 1.5% level set by policy. The estimate was tested utilizing 4-year projections to ensure that sufficient balance would remain to meet annual expenditures programmed while maintaining a balance of 1.5% of the tax levy in alignment with Board policy. Because this analysis showed the fund remaining

secure, staff are able to recommend that the expected year-end balance in excess of actuals be made available for use as one-time funding.

Reinvestment and Revitalization Fund available Fund Balance, \$2.9 million

The Reinvestment and Revitalization Fund has experienced unanticipated revenue growth in FY 2023-24, as discussed above. The number proposed here is the available fund balance based on actual receipts and is larger than the number in the fund balance directory, as the final receipts were not known when the third quarter estimates were developed. The balance listed here leaves all existing earmarks in place, as outlined in **Tab 10**.

Graton Casino Tribal Mitigation Fund, \$21.8 million

As part of this budget, staff are making recommendations for the programming of ongoing revenues under the Amended and Restated Intergovernmental Mitigation Agreement, which the Board approved on June 6, 2023. There are also recommendations for use of fund balance accrued under the prior agreement. Recommendations for funding use can be found in **Tab 13**. The majority of the fund balance recommended for use are allocated to items submitted previously by departments specific to this funding source. There is also \$1.6 million of fund balance originally related to law and justice and affordable housing, as well as purely discretionary in lieu transient occupancy tax and interest earnings, that is unprogrammed and available for program change requests.

Lytton Tribal Memorandum of Agreement, \$750,000

**Tab 13** outlines recommendations related to use of \$750,000 of fund balance in the Lytton tribal fund. This amount is recommended for programming for the uses discussed in that memo. Should the recommendations not be accepted this funding is not available for discretionary use.

Criminal Justice Fee Backfill Fund Balance, \$1 million

Chapter 257, Statutes of 2021 (AB 177) eliminated 17 criminal administrative fees previously charged by local governments to individuals arrested, prosecuted, or convicted of a crime. In addition, AB 177 set aside \$25 million in FY 2021-22 and \$50 million in FY 2022-23 and ongoing to backfill counties for estimated lost revenue. Of the \$50 million statewide amount, Sonoma County receives a flat revenue loss backfill allocation of \$663,522 annually. On December 16, 2022, the County received a partial \$331,761 retroactive allocation covering the latter six months of FY 2020-21 and a \$663,522 allocation for FY 2022-23, for a total of \$995,283. These funds were set-aside in the Designated Purposes Fund for future use. Per the legislation, the Board of Supervisors has authority to determine how to spend the AB 177 backfill funds; however, funding uses are restricted to services, strategies, and program enhancements supporting criminal justice departments.

