



County of El Dorado

Chief Administrative Office


330 Fair Lane
Placerville, CA 95667-4197

Tiffany Schmid
Chief Administrative Officer

Phone (530) 621-5530

February 18, 2025

TO: Honorable Board of Supervisors

FROM: Tiffany Schmid 
Chief Administrative Officer

SUBJECT: FY 2024-25 Mid-Year Budget Report

The Chief Administrative Office has annually provided the Board of Supervisors with a Mid-Year Budget Report to update the Board and the public on County Departments' fiscal performance and to assess the financial environment for the County as we prepare for the coming fiscal year budget. Due to the County's conservative approach to budgeting, there are usually unspent funds at the end of the year, which can be used to fund the following year's needs.

To compile this report, County departments were asked to review their budgets and to identify any known or anticipated significant changes to expenditures and/or revenues through the end of the fiscal year. Departments have developed conservative projections of their year-end fund balances, often assuming best-case scenarios for filling vacancies, receiving ordered fixed assets, and completing projects for the remainder of the fiscal year. These fund balance estimates will aid the Chief Administrative Office in projecting General Fund savings through the end of the year. This projection of General Fund savings is an important part of budget development for the following fiscal year.

This memo summarizes departmental year-end financial forecasts and related issues and includes a summary of the next steps in the budget development process, with a brief discussion of the Governor's Proposed Budget. Exhibit B includes a brief description of each department's anticipated year-end variances from the budget.

FY 2024-25 General Fund Year-End Projection

The net projected General Fund balance on June 30, 2025, is \$19.34 million, of which \$7.85 million is unspent contingency. Approximately \$3.8 million will need to be re-budgeted in FY 2025-26 for projects and purchases that will not be completed in FY 2024-25 and carried over into FY 2025-26. Excluding contingency and the \$3.8 million that needs to be re-budgeted, this leaves an estimated

\$7.6 million of fund balance available to fund operations in the FY 2025-26 Recommended Budget, representing 3.3% of Departments' Net County Cost. This is an increase from the \$6 million projected to be available to fund operations in the FY 2023-24 Mid-Year Report.

The \$11.5 million in fund balance, unrelated to contingency, is composed of \$5.7 million in departmental savings, \$3.8 million in appropriations that will need to be carried over into FY 2025-26, and \$2 million in additional General Fund revenues. Exhibit A to this memo includes a table showing anticipated savings for each department, and Exhibit B is a narrative description of each department's projected savings.

The \$5.7 million in departmental savings has been generated through a combination of higher departmental revenues and reduced departmental expenditures. The most common area of reduced departmental expenditures is from Salaries and Benefits savings from vacancies.

General Revenues are the General Fund revenues received to fund Net County Cost and other General Fund expenditures. These revenues are projected to be \$2 million higher than budgeted. The projected increase in General Revenues through the end of FY 2024-25 is attributed to Current Unsecured Property Tax, Interest, and Assessment and Tax Collection Fee receipts that are projected to be \$3 million higher than anticipated. This is offset by a projected \$1 million decrease in projected Sales and Use Tax, based upon a 12% decrease in revenue in the first quarter of the fiscal year. Due to the State's disbursement schedule, as of the publication of this report the County has only received one full quarter of receipts. Staff continue to closely monitor this revenue and will update the Board as more data is received.

The projections do not include excess Discretionary Transient Occupancy Tax (DTOT) receipts or savings. An updated projection of DTOT receipts was presented to the Board on February 11, 2025, with [Legistar item 25-0236](#).

This fund balance projection does not include any unspent Capital Project funds that may also remain at the end of the fiscal year and will be returned to the Capital Projects Designation to be re-budgeted in FY 2025-26. Capital Projects often span multiple years; any unspent use of the Capital Projects Designation would need to be re-budgeted to complete the projects and therefore would not be recommended as available for discretionary use and will be returned to the Designation so as to not inflate General Fund Fund Balance.

It should be noted that these are preliminary projections and will be used only for planning purposes at this point.

The projected excess fund balance should be considered a one-time funding source, the use of which should be determined strategically, balancing departmental needs with countywide obligations, while adhering to the County's budget policies, considering the County Strategic Plan, and considering the Board's priorities. The Recommended Budget that will be presented in June will reflect updated projections, and those figures may increase or decrease from the current projection.

Governor's Proposed Budget

The Governor released his budget proposal for FY 2025-26 on January 10, 2025, and is not projecting a budget shortfall as was presented in January 2024 for the FY 2024-25 Budget. The Governor's Proposed Budget states, "while the Budget forecast does not reflect a recession, it does recognize several risk factors that could negatively affect the economy and state revenues." The Governor's FY 2025-26 Budget proposal assumes a 1.7% increase in Sales and Use Tax revenue from the FY 2024-25 Budget and a 5.4% increase in Property Tax revenue. The Governor's Proposed Budget states, "Overall, the broader long-term picture of state revenues remains largely unchanged and is modestly upgraded from the 2024 Budget Act. Following a two-year surge of 55 percent through 2021-22 and a correction of 21 percent in 2022-23, revenues from the Big Three—personal income tax, corporation tax, and sales tax—have stabilized and are projected to grow 6.4 percent in 2023-24, followed by normal rates of growth averaging a little over 5 percent through the end of the forecast." As we move through the budget development process, staff will be watching closely for relevant developments at the state level that would affect the County's FY 2025-26 Recommended Budget.

FY 2025-26 Budget Development

As you are aware, there are several factors that indicate balancing the FY 2025-26 Recommended Budget will be more difficult than in recent years. Growth in our largest discretionary revenue, Property Tax, declined in FY 2024-25 due to the sluggish housing market as a result of elevated home prices, high mortgage interest rates, and the unaffordability or unavailability of homeowner's insurance. We have not seen improvement in any of these factors, and in fact, this year's wildfire losses in Southern California are likely to further exacerbate the troubles in the insurance market. Based on this we are projecting a further decline in growth. Sales and Use Tax and Transient Occupancy Tax are both projected to come in lower than budgeted in the current fiscal year, a trend which is expected to continue into next year. As these revenues have slowed, expenses have not. Premiums for our General Liability and Workers' Compensation programs increased a combined 18% in FY 2024-25, and health insurance premiums increased nearly 7%. We have had to adjust budgets for most of our capital projects due to inflation in construction and labor costs, and departments have felt the impacts of inflation in their services and supplies and utilities budgets. Finally, the budget for the current fiscal year relied on more than \$12 million in one-time funding, which is not sustainable. While the County has been prudent in maintaining reserves in anticipation of a financial downturn, the goal is to bring expenses into alignment with revenues without drawing down those reserves.

Achieving long-term budget sustainability while maintaining a culture where employees are valued and fairly compensated will be challenging. Acknowledging this, my office checked in with the Board on November 5, 2024, and received the following direction with regard to development of the FY 2025-26 budget:

- 1) Increase in Countywide Cost Allocation Plan cost recovery from departments in the General Fund with partial funding from other resources;
- 2) Review Professional Services budgets for potential savings that will not impact services;
- 3) Review Travel budgets for potential savings that will not impact services;
- 4) Review Salary and Benefits budgets for potential savings that will not impact services;

- 5) Work with departments to maximize the use of Special Revenue Funds, for their intended use, to offset General Fund costs;
- 6) Work with departments to review all vacant positions and determine if any positions can be eliminated and, if eliminated, what the service impact would be;
- 7) Work with departments to develop a FY 2025-26 Budget that maintains their FY 2024-25 Adopted Budget Net County Cost;
- 8) Maintain Budget Policy designations at their current levels and reduce/suspend annual contributions to Board Policy Goals; and
- 9) Reduce/suspend Discretionary Transient Occupancy Tax (DTOT) contributions to outside agencies/entities and increase use of DTOT revenue for County operations in Tahoe.

The Board gave additional direction to staff on January 28, 2025, to return to the Board with a discussion on discretionary programs. Staff plan to return to the Board with this discussion and to receive direction from the Board on which discretionary programs they would like staff to pursue for potential outsourcing, reduction, or elimination.

Staff will return to the Board on April 22, 2025, for further Board direction on revenue assumptions, policy issues, and Board priorities for the FY 2025-26 Recommended Budget.

- Exhibits: A: General Fund Mid-Year Projection Table
B: FY 2024-25 Summary of Department Mid-Year Projections