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Vanessa Delgado

**Agenda Item
Special Meeting of the
Board of Supervisors
Monday, September 22, 2025**

Item Number: 2.A

MEETING DATE: 09/22/2025

DEPARTMENT: COUNTY ADMINISTRATION OFFICE

AGENDA ITEM PREPARER: Vanessa Delgado

DEPT HEAD/DIRECTOR: Esperanza Colio Warren

SUBJECT:

COUNTY ADMINISTRATIVE OFFICE - E. COLIO WARREN

Receive a presentation from the County Administrative Officer (CAO) on the proposed amended FY 2025-2026 County Budget; open a public hearing on the proposed amended budget to receive public testimony; provide direction on any changes by the Board to the proposed FY 2025-26 Amended County Budget.

SBC FILE NUMBER: 119

AGENDA SECTION:

REGULAR AGENDA

BACKGROUND/SUMMARY:

On September 8, 2025, the Board provided direction to the CAO regarding amendments to the County budget for FY 2025-26 adopted in June 2025. In particular, the direction received was focused primarily on addressing the fiscal imbalance (gap) in the General Fund. The direction received from the Board is summarized as follows:

- Ensure that General Fund reserves stay at or above the reserve policy levels of:
 - Operating reserve – 15% of the operating budget,
 - Emergency reserve – 5% of the operating budget, and
 - Disaster reserve of \$500,000;
- Balance operational revenues and expenditures (including operating transfers) without

the use of reserves;

- Allow the one-time use of available reserves to fund capital projects for road improvements, library improvements, and other capital projects totaling \$7.09 million; and
- Meet in closed session to provide direction to the CAO and County labor negotiators for purposes of meeting with labor groups to discuss options and impacts on any decisions made to address the fiscal gap.

By way of background, the County is facing a projected budget deficit for Fiscal Year 2025–26 for the General Fund that, if not addressed, would raise urgent concerns about the current and long-term fiscal health of the County. Over the past five years, the County has experienced several changes in revenue and expenditure trends, unspent capital balances, and interfund transfers, all of which have contributed to a cumulative fiscal gap in the General Fund that would fully deplete available General Fund reserves.

The County received a report from its independent consultants, Baker Tilly, on September 2 that informed the Board regarding analysis of prior year revenue and expenditure patterns and recommendations to address the fiscal gap that would align with Government Finance Officers Association (GFOA) best practices and set a path forward to address the County’s long-term fiscal health. That report led to the Board providing initial direction to the CAO to present options for addressing the fiscal gap at its September 8 meeting. The direction provided at that meeting forms the basis for today’s discussion.

ANALYSIS:

Summary of FY 2025-26 Adopted Budget from June 2025

In June, the Board adopted a budget based on the recommended revenues and spending plan of non-General Fund funds. The adopted budget also included a “placeholder” budget for the General Fund that included projected revenues based on latest trends and analysis, and expenditures based on the FY 2024-25 budget with reductions that would maintain a minimum amount of available reserves in the General Fund. A summary of the adopted budget for the General Fund and all other funds is presented in the following table:

	General Fund	All Other Funds	Total
Revenues	\$ 71,739,955	\$ 183,509,879	\$ 255,249,834
Expenditures	(95,321,663)	(213,483,183)	(308,804,846)
Net surplus (deficit)	(23,581,708)	(29,973,304)	(53,555,012)
Projected available reserves as of 7/1/2025	23,300,939	114,152,531	137,453,470
Projected ending reserves as of 6/30/2026	\$ (280,769)	\$ 84,179,227	\$ 83,898,458

Note: Adjustments to the General Fund made by the Board led to a temporary over expenditure of reserves for FY 2025-26, with the anticipation that the subsequent amendments that are the basis for this meeting would address that issue.

Proposed Amendments to the Adopted FY 2025-26 Budget

Based on direction received from the Board on September 8, the CAO and staff met with County department leaders and their staff to identify options for addressing the fiscal gap. Based on the outcome of those meetings, amendments to the General Fund were made and are proposed for Board consideration.

General Fund Budget Amendments (Proposed)

The goals of General Fund expenditure reductions were to:

1. Balance operational revenues and expenditures to the fullest extent possible;
2. Maintain General Fund reserves at or above the minimum reserve policy (operating, emergency and disaster); and
3. Allow for the one-time use of reserves to fund specified capital projects.

The amendments to the General Fund were substantial. A total of \$18.2 million in operational expenditure reductions from the original adopted budget in June have been included for Board consideration. Staff has prepared a summary of the proposed budget that is attached as Attachment 1. A summary of the total amendments to the General Fund budget are as follows:

	Adopted Budget (June 2025)	Proposed Amendments – Positive (Negative) Adjustment	Proposed Amended Budget
Operating revenues (incl. transfers in)	\$ 71,739,955	\$ 378,000	\$ 72,117,955
Operating expenditures (incl. operating transfers out)	(95,321,663)	18,247,945	(77,073,718)
Net operating surplus (deficit) before one-time uses	(23,581,708)	18,625,945	(4,955,763)
One-time capital outlay transfers	-	(7,090,000)	(7,090,000)
Net surplus (deficit) including one-time capital outlay transfers	(23,581,708)	11,535,945	(12,045,763)
Projected available reserves as of 7/1/2025	23,300,939	3,443,451	26,744,390
Projected ending reserves as of 6/30/2026	\$ (280,769)	\$ 14,979,396	\$ 14,698,627

The proposed amendments include the following:

- **Operating revenues** – Minor adjustments included an increase in projected transfers from trust accounts, increase in AB109 realignment, and decrease in state aid grants.
- **Operating expenditures** – Reductions in nearly all department budgets included

reductions in staffing (11 unfilled positions and 9 filled positions), reductions in materials and services, and other adjustments, discussed in greater detail below. A summary of the proposed amendments from June are attached as Attachment 2 to this report.

- **One-time capital outlay transfers** – capital transfers totaling \$7.1 million are now included based on Board direction provided on September 8.
- **Projected reserves available as of 7/1/2025** – Based on the preliminary closed books for FY 2025, General Fund available reserves are projected to be \$26.7 million, which is an increase of \$3.4 million over the original projections in June. The increase is primarily due to the inclusion of Prop 172 sales tax revenues that weren't included in the prior projections, plus expenditure savings and revenue adjustments that were not fully known until the books were closed.

Based on the proposed adjustments, the General Fund is projected to end with an operating fiscal gap of over \$4.9 million. One-time capital projects that will come from available reserves will draw down the General Fund reserves by \$7.1 million, which will reduce reserves by a total of \$12 million. The ending reserve balance would be \$14.7 million, which would fall below the Board's minimum reserve policies as discussed below.

General Fund Operating Expenditure Amendments (Proposed)

As indicated above, the total expenditure reductions from the original adopted budget total \$18.2 million as indicated in Attachment 2. As discussed at the September 8 meeting, staff reduced a total of \$14.8 million in the budget. The largest part of this reduction was elimination of capital project funding with a host of other operating costs from the departments.

The CAO met with departments subsequent to that meeting which provided a total of an additional \$3.4 million in reductions, which included reductions in \$1.3 million in operating costs and \$2.1 million in personnel costs resulting in a reduction of 20 positions (11 that are currently vacant and 9 that are filled).

General Fund Personnel Changes

County services are provided by people, and staff reductions are not taken lightly. As such, the CAO worked with departments to, first, prioritize reductions in services and supplies that would have the least impact on service delivery. A total of \$2.1 million in cost reductions come from elimination of staff positions. Reduction of vacant positions (11 included in the proposed budget amendments) were given first priority. Such eliminations may on the surface seem the easiest reductions as they do not impact people in those positions. However, those reductions will have a negative impact on the capacity of the departments' ability to deliver services to the community.

Reductions in filled positions (9 included in the proposed budget amendments) were required as a last resort. The County's projected reductions from staffing (layoffs) incorporate provisions in the County's Personnel Rules and memoranda of understanding (MOUs) for affected bargaining units that must be followed regarding bumping rights, notice to affected employees, and the date in which the layoff can occur. A summary of the departments and the

number of positions is attached as Attachment 3.

General Fund Projected Available Reserves

Based on the proposed amended budget, General Fund reserves are projected as follows:

Reserve Type	Reserve policy	Amount
Operating reserve	15% of operating costs	\$ 11,561,058
Emergency reserve	5% of operating costs	3,853,686
Disaster reserve	Flat amount of \$500,000	500,000
Required minimum reserve amount		15,914,744
Projected ending reserves as of 6/30/2026 based on proposed amended budget (see above)		14,698,627
Excess (shortfall) of available reserves above (below) minimum reserve policy		\$ (1,216,117)

The County would need to reduce expenditures by an additional \$1.2 million to address the reserve shortfall and meet the minimum reserve policy.

Options for Additional Reductions

Considering that the County would need to reduce expenditures to eliminate the operating deficit of \$4.9 million, other reductions will be required. Options for additional reduction may include the following:

- **Furloughs** – if the County implemented a furlough for non-safety positions of one day per pay period beginning in the end of October through the end of the fiscal year, the fiscal impact would be a savings of \$2.8 million.
- **Additional operating expenditure reductions** – Departments would need to reduce their operating expenditures totaling over \$2.1 million (or 2.8% of their current amended budget) if furloughs were implemented, or \$4.9 million (6.4%) if furloughs were not implemented.

Next Steps and Policy Question

Subject to the Board receiving public testimony during the public hearing, the Board can decide to continue the public hearing prior to adoption of the budget. By way of reminder, the budget must be adopted by October 2 to comply with state law.

The following policy questions are posed to the Board regarding the adoption of the amended FY 2025-26 County budget.

Staff seeks Board direction of additional reductions that should be pursued prior to finalizing the amended budget for adoption.

FISCAL IMPACT:

There is no fiscal impact at the present time subject to final direction on the amended County budget.

STAFF RECOMMENDATION:

Receive a presentation from the County Administrative Officer (CAO) on the proposed amended FY 2025-2026 County Budget; open a public hearing on the proposed amended budget to receive public testimony; provide direction on any changes by the Board to the proposed FY 2025-26 Amended County Budget.

ATTACHMENTS:

[Board Agenda Fact Sheet - Budget Hearing](#)

[Summary of Proposed Amended Budget for FY 2025-26 \(Attachment 1\)](#)

[Budget Proposed General Fund Reductions for FY 2025-26 \(Attachment 2\)](#)

[Proposed Unfunded Elimination of Positions for FY 2025-26 \(Attachment 3\)](#)