



## County of Santa Cruz Board of Supervisors

### Agenda Item Submittal

**From:** County Executive Office

**Subject:** Proposed 2025-26 Budget for General Fund Contingencies

**Meeting Date:** June 3, 2025

**Formal Title:** Approve the Proposed 2025-26 Budget for General Fund Contingencies, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer

### Recommended Action

1. Approve the Proposed 2025-26 Budget for General Fund Contingencies, including any supplemental materials, as provided in the referenced budget documents:
  - [Proposed Budget](#)
  - [Supplemental Budget](#)
2. Authorize the County Executive Officer, or designee(s), with approval from the Auditor-Controller-Treasurer-Tax Collector, to transfer appropriations for any of the restricted amount of \$900,000 in Board directed Measure K District Sales Tax contributions to other departments or funds in accordance with the uses contained herein.

### Executive Summary

The Proposed 2025-26 Budget for the General Fund Contingencies is used to address unanticipated costs and unanticipated revenue shortfalls that occur throughout the fiscal year. Contingencies are normally targeted at 1% of General Fund expenditures; however, they have been decreased by \$1,304,980 to retain a balanced budget, resulting in a funded contingency of \$6,685,731 or 0.84% of General Fund expenditures. In addition to the general contingency, the budget includes restricted contingencies of \$2,500,000 from Measure K District Sales Tax contributions. There are no divisions or funded staffing.

### Discussion

The purpose of General Fund Contingencies is to respond quickly to unanticipated costs and revenue shortfalls that occur throughout the fiscal year. Contingencies are normally targeted at 1% of County General Fund expenditures. The department Proposed 2025-26 Budget is available online at: <http://www.SCCvision.us>

For 2025-26, the General Fund Contingencies Proposed Budget with Supplemental changes is \$799,071,147. A fully funded contingency would have been \$7,990,711 but it was reduced by \$1,304,980 to a funded level of \$6,685,731 or 0.84% of total General Fund expenditures to provide for a balanced General Fund Budget.

In addition to any Board direction resulting from 2025-26 budget hearings, other reductions may be necessary as part of June 10, 2025, last day or concluding budget actions to fully fund the County's share of any increased member costs for:

- Association of Monterey Bay Area Governments
- Local Agency Formation Commission
- Monterey Bay Air Resources District

- Santa Cruz County Animal Shelter
- Santa Cruz Regional 911 Center

Over the next fiscal year, the department will be focused primarily on restoring the general contingency to its targeted 1% funding level and providing for allocation of Board directed District Sales Tax contributions in accordance with the Measure K spending plan.

In addition to the General Fund contingency, this budget also includes \$2,500,000 of Board restricted Measure K District Sales Tax contributions. This includes \$1,000,000 to respond to new disasters or any shortfalls or denials of General Fund disaster claims, such as those related to storm damages in County parks, pending approval by the Board. It also includes \$600,000 for housing-related uses pending approval by the Board. Finally, it includes \$900,000 in remaining contributions pending direction from each Supervisor for environmental and parks capital projects within and benefiting unincorporated areas as follows: \$200,000 for District 1; \$200,000 for District 2 ; \$100,000 remaining for District 3 (after contributions to the Davenport Sanitation District and Shark Fin Cove Feasibility Study); \$200,000 for District 4; and \$200,000 for District 5.

For this \$900,000 in remaining contributions, the County Executive Officer is authorized with approval by the Auditor-Controller-Treasurer-Tax Collector, to transfer any of these appropriations following direction from each Board of Supervisor, for use in a capital fund, other fund or other applicable department.

### **Financial Impact**

The General Fund Contingencies Proposed Budget provides for \$9,185,731 in expenditures offset by \$6,685,731 in General Fund contributions and \$2,500,000 in District Sales Tax contributions for restricted uses, reflecting a total decrease of \$1,280,922 or 12% from the Fiscal Year 2024-25 Adopted Budget.

The \$1,304,980 gap between the target 1% of General Fund expenditures and current contingency less the restricted District Sales Tax contributions may increase with Board direction resulting from the 2025-26 budget hearings, including increases from the County's share of member agency costs.

### **Strategic Initiatives**

Operational Plan - Comprehensive Health & Safety, Attainable Housing, Reliable Transportation, Sustainable Environment, Dynamic Economy, Operational Excellence

### **Submitted By:**

Carlos J. Palacios, County Executive Officer

### **Recommended By:**

Carlos J. Palacios, County Executive Officer

### **Artificial Intelligence Acknowledgment:**

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.