



County Administrative Office

2024–25 Mid–Year Budget Overview and Outlook

February 25, 2025

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Presentation Goals

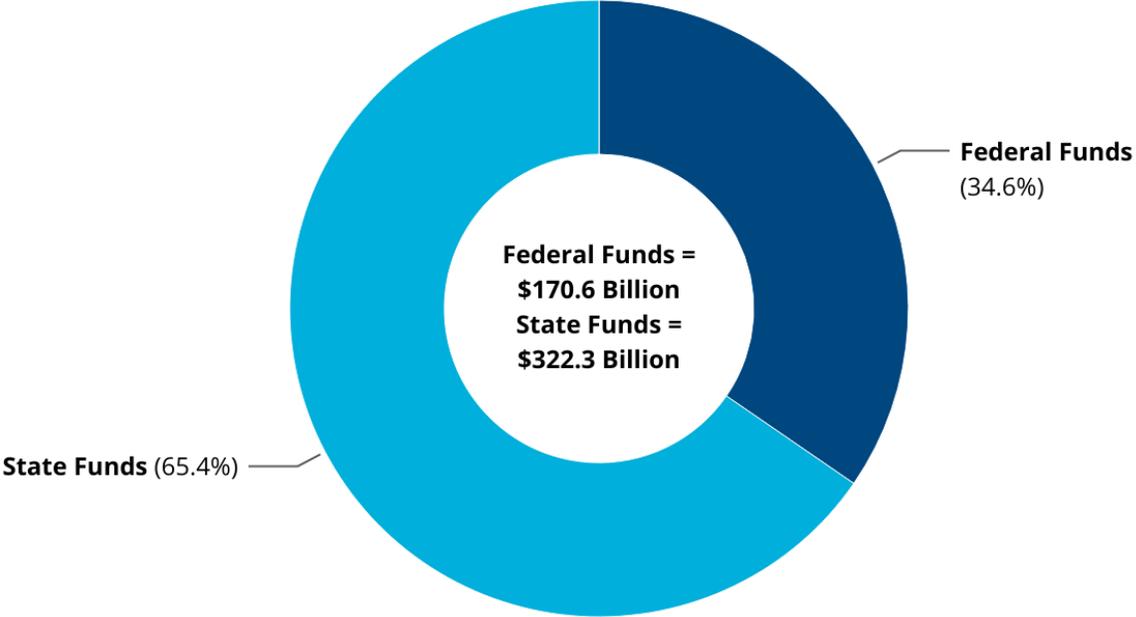
- Identify Federal Funding Risks
- Highlight County Progress on Priorities
- Discuss Status of 2024-25 Budget
- Receive Updated Forecast and Outlook
- Review Measure K Spending Plan
- Answer Questions



Federal Funding Risks

Federal Funds Make Up Over One-Third of California's State Budget

Governor's Proposed 2025-26 Expenditures = \$492.9 Billion

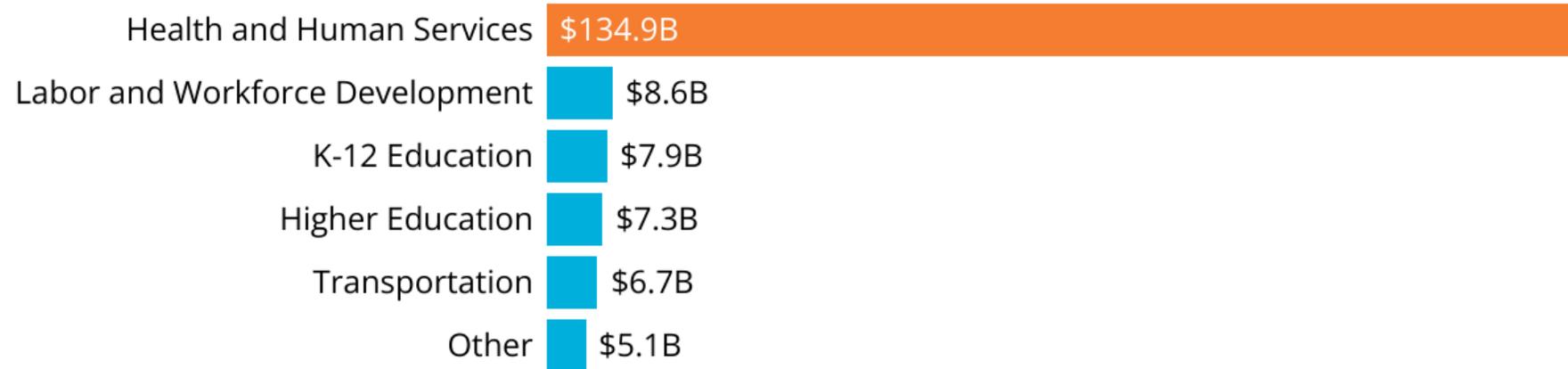


Note: State funds reflect General Fund, special fund, and bond fund dollars.
Source: Department of Finance



Almost 80% of Federal Funds Spent Through the State Budget Support Health & Human Services

Federal Funds Estimated to Be Spent in 2025-26 Under the Governor's Proposed State Budget = \$170.6 Billion



Note: "Other" reflects a number of budget categories, including Environmental Protection, Natural Resources, and Government Operations. Figures do not sum to total due to rounding.

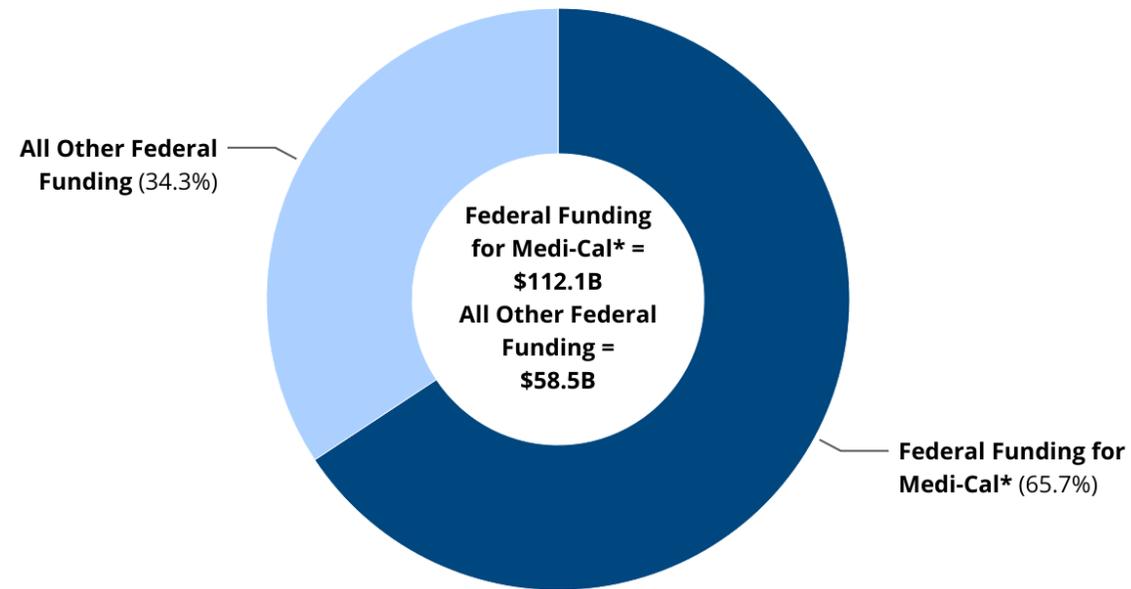
Source: Budget Center analysis of Department of Finance data



California Budget
& Policy Center

Medi-Cal Receives Nearly Two-Thirds of All Federal Funds That Flow Through California's State Budget

Governor's Estimate of Federal Funds That Will Flow Through the State Budget in 2025-26 = \$170.6 Billion



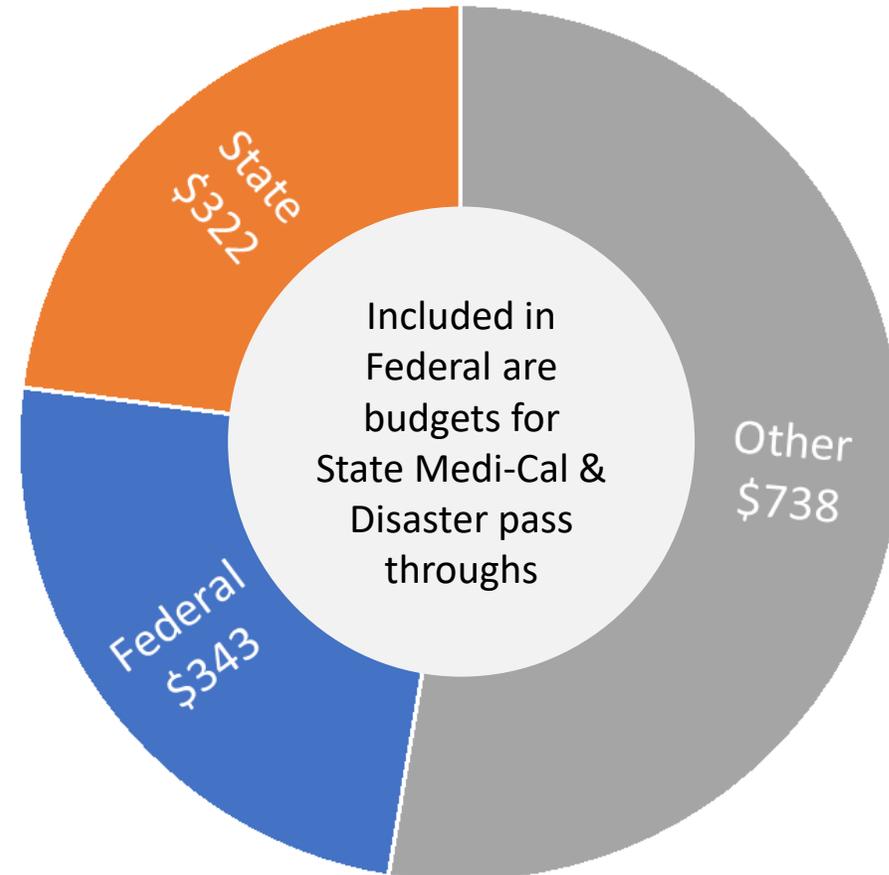
* Reflects federal funding for Medi-Cal benefits that is estimated to flow through the state Department of Health Care Services.

Source: Budget Center analysis of Department of Finance data

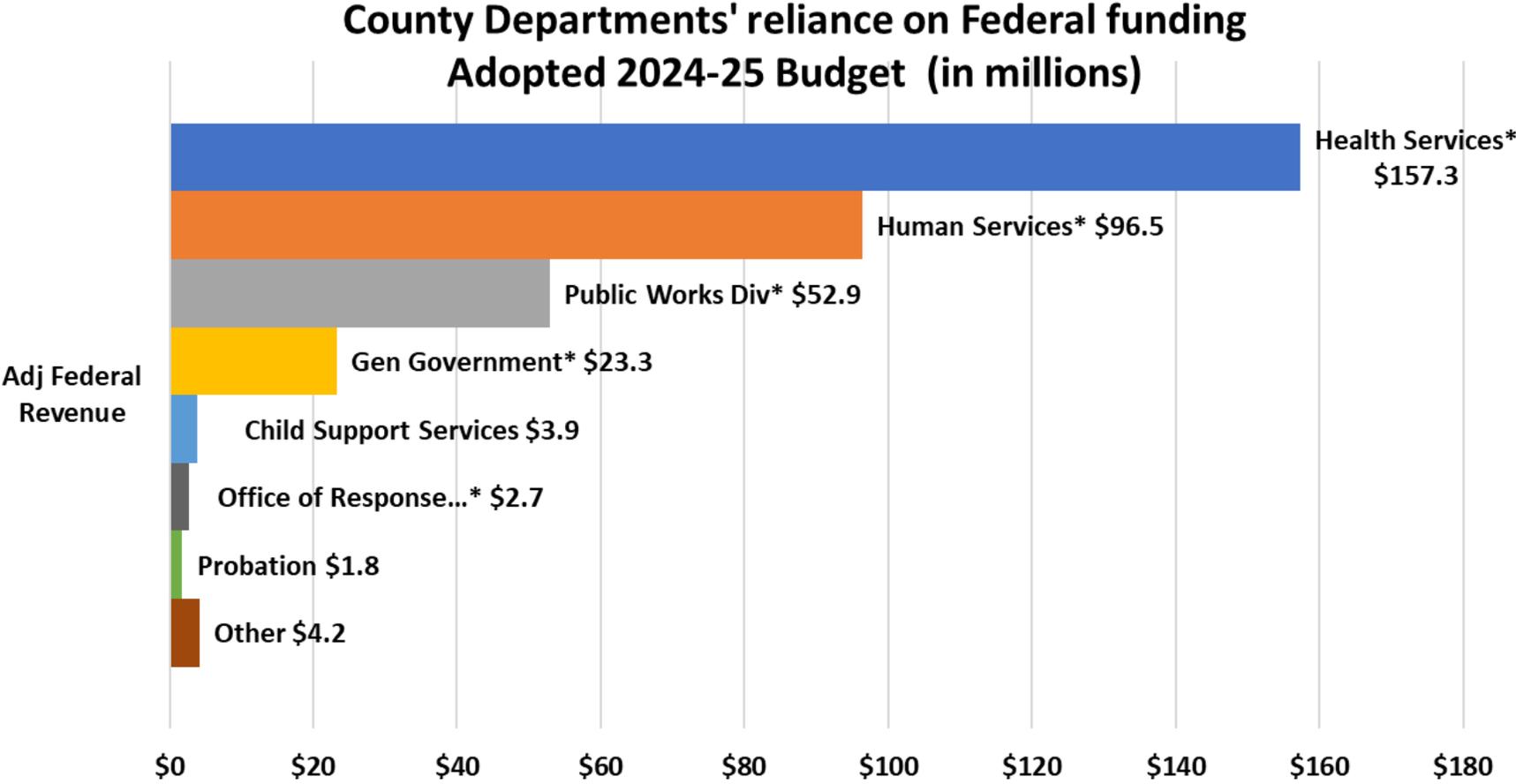
County Services Rely on Federal & State Funding

Federal and State Funds make up appx. 47% of all County Funds Adopted 2024-25 Budget (in millions)

- Federal funds make up nearly a quarter of the county wide budget
- Some other Federal funds are comingled in State and Other revenues (grants, charges for services, etc.)



Almost 75% of Federal Funds Received Are Spent on Health & Human Services



*Budget amounts include certain State funding as a Federal pass through (Medi-Cal, Disaster reimbursements, etc.)

County Health & Human Services Federal Funding at Risk

- Health and Human Services budget includes at least **\$254 million in federal revenues** and **\$189 million in state revenues**, including pass-throughs, in Fiscal Year 2024-25.
- Loss of federal funding **jeopardizes essential services** and puts **low-income** and **vulnerable populations** at risk.
- Community impact estimates for Fiscal Year 2024-25:
 - 86,541 Medi-Cal health coverage enrollees
 - 43,488 CalFresh food assistance recipients
 - 4,336 CalWORKS cash aid recipients

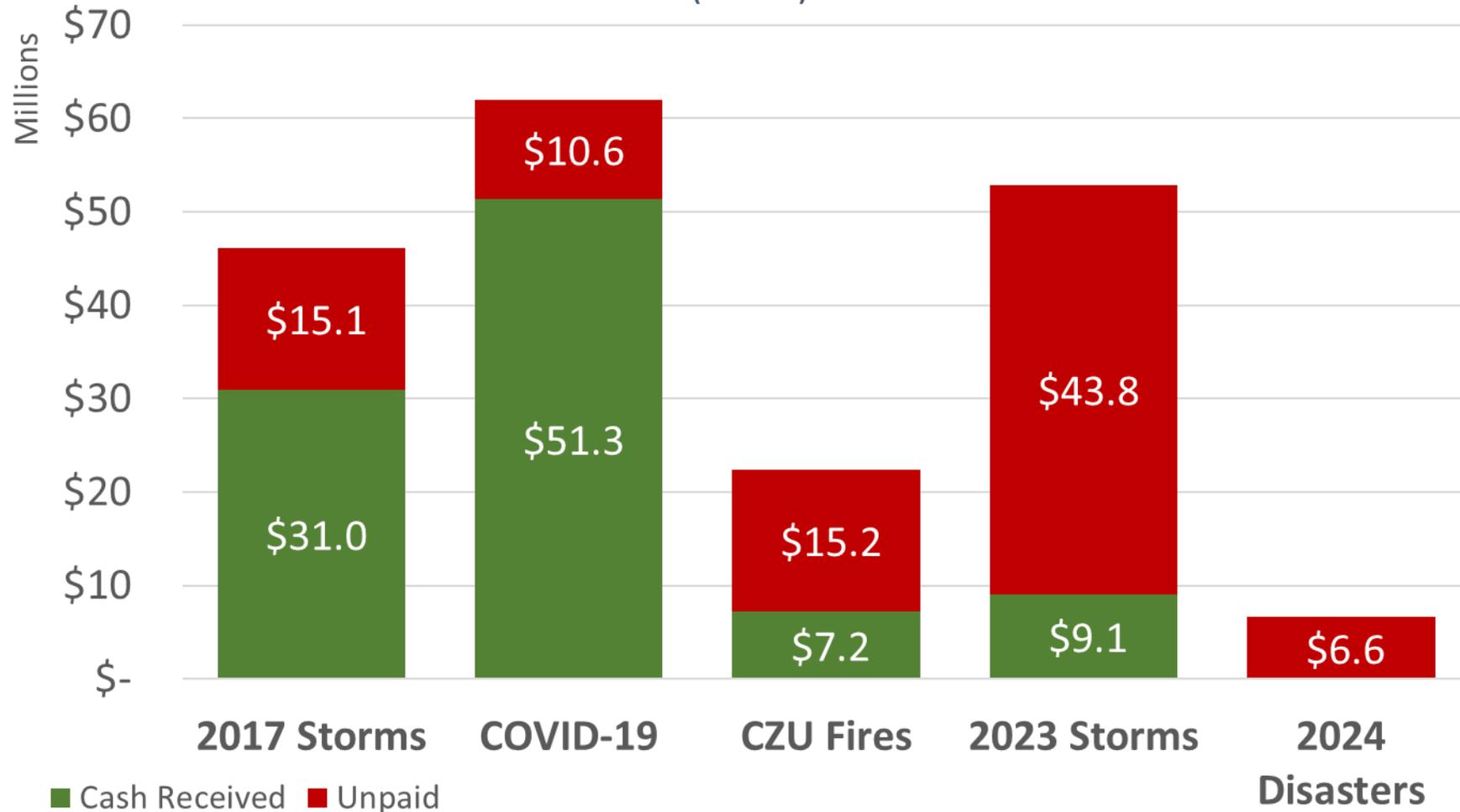
Safety Net Programs at Risk

- **Medicaid (Medi-Cal in California):** Counties help finance and administer Medi-Cal, which serves approximately **one in three residents**.
- **Supplemental Nutrition Assistance Program (SNAP/CalFresh):** Approximately **15% of residents** rely on CalFresh benefits for access to nutritious food.
- **Temporary Assistance for Needy Families (TANF/CalWORKs):** Provides cash assistance, work activities, supportive services, and child care to help families achieve self-sufficiency.

Disaster Costs are Mounting and Federal Reimbursement Moves Slowly

\$91.3 million in unpaid federal disaster claims

(Jan 2025)



Federal Grants at Risk

- County staff is compiling data on active federal awards.
- Many grants operate on a reimbursement basis, so a funding freeze could cause **substantial budget impacts**.
- The County **cannot backfill** the loss of federal funds.
- Loss of federal funds could have **catastrophic effects** on health and human services, and infrastructure programs.

Federal Policy Response Team

Quickly gather, analyze, collaborate, advocate, strategize, and adapt with best information available.

Data Collection
& Impact
Analysis

Fiscal Impacts &
Resilience

Community
Partners
Engagement

Federal & State
Legislative
Advocacy



County Progress – Action and Results –

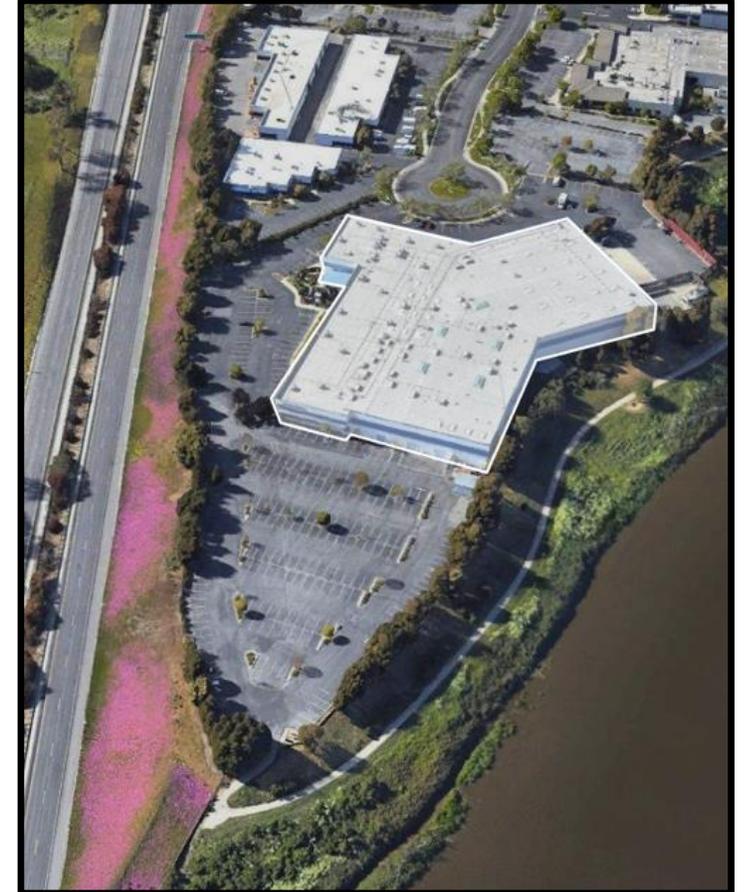
County Progress on Priorities

- Extensive Storm Damage Road Repairs
- Pajaro River 100-year Flood Protection Partnership
- South County Government Center
- 2023-25 Operational Plan and
- Office of the Public Defender
- Sheriff's Office Inspector General
- Sheriff's DNA Lab
- Sustainability Update
- Housing Element
- Sea-level Rise Study Funding
- New and Renovated Library Branches
- Park Improvements
- Artificial Intelligence Policy
- Equity Statement
- New Emergency Alert System
- Mobile Emergency Crisis Response
- Commission Representation and Restructuring Efforts
- AA Bond Rating
- Reduced Pension Costs
- New Locally-Controlled Revenue Sources
- General Fund Contingencies and Reserves
- Budget System Improvements
- Online Budget

South County Government Center

500 Westridge Dr, Watsonville

- Facility:
 - 121,000 square feet
 - 9.4 acres
 - 441 parking spaces
- Departments:
 - Human Services Department
 - Agricultural Commissioner
 - Agricultural Extension
 - Clerk/Elections Services
 - Auditor–Controller–Treasurer–Tax Collector
 - Rotating County Services

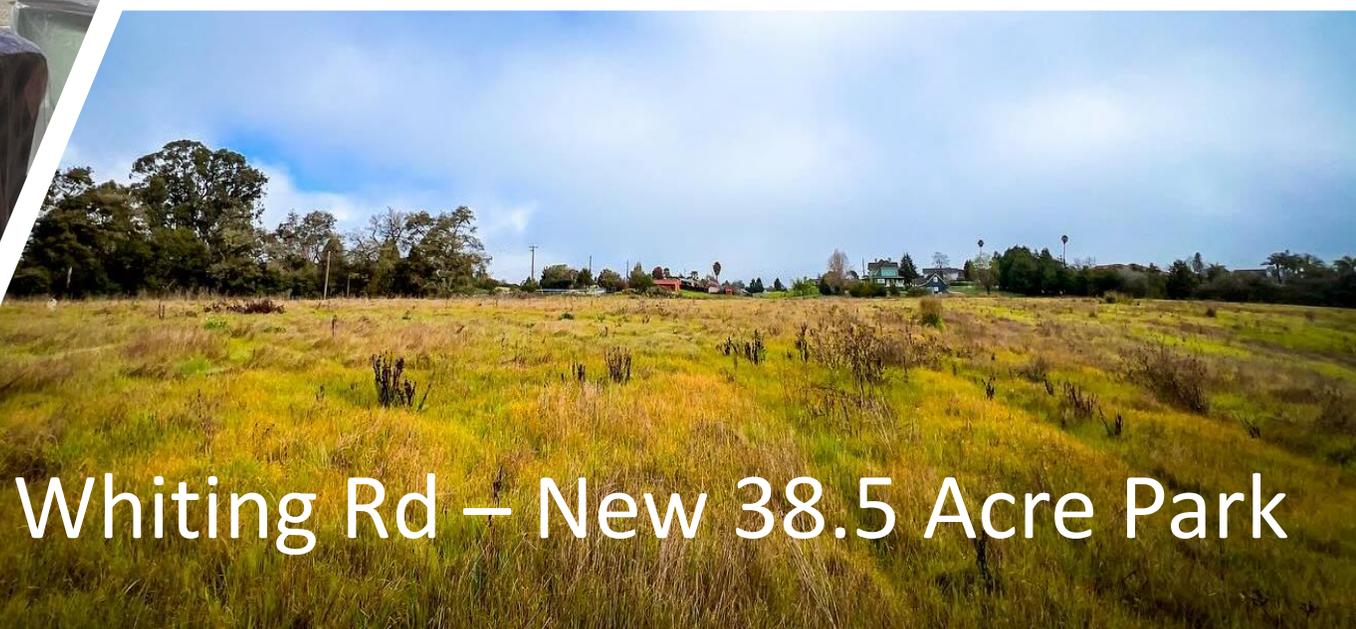




Aptos Branch
Library



Sobering Center



Whiting Rd – New 38.5 Acre Park

Children's Crisis Residential Program & Stabilization Unit

5300 Soquel Ave

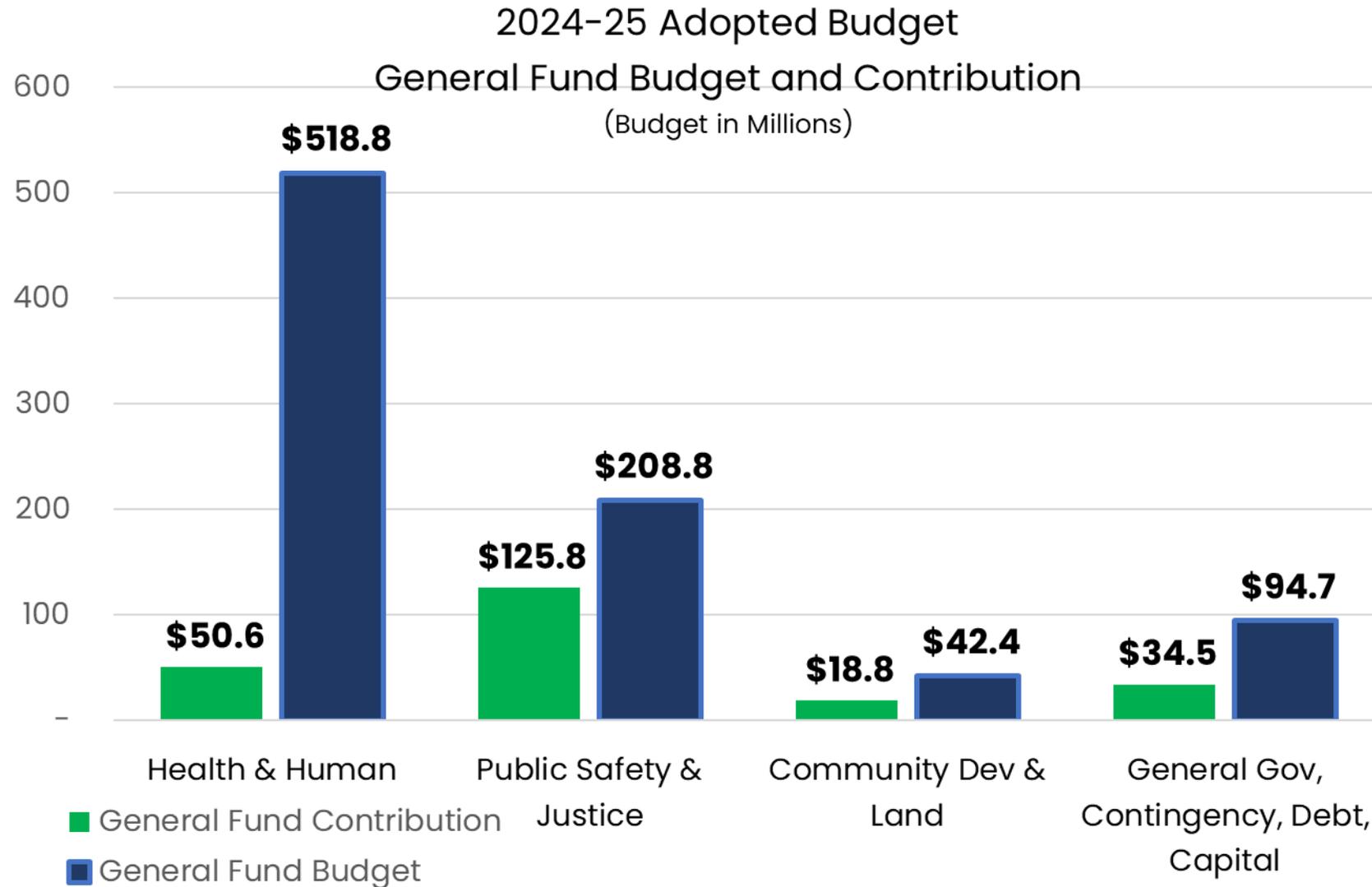
- Locally support youth in crisis
- 8-bed Crisis Stabilization Unit and 16-bed Crisis Residential Program
- Divert youth from out-of-county psychiatric hospitalization
- 100% grant-funded acquisition
- Only 14 facilities in California





Budget Status and Outlook

Adopted 2024-25 General Fund



Deficit driven by federal risks, aging infrastructure, climate disasters & mandates

Federal funding loss from \$5mm to \$17.5mm

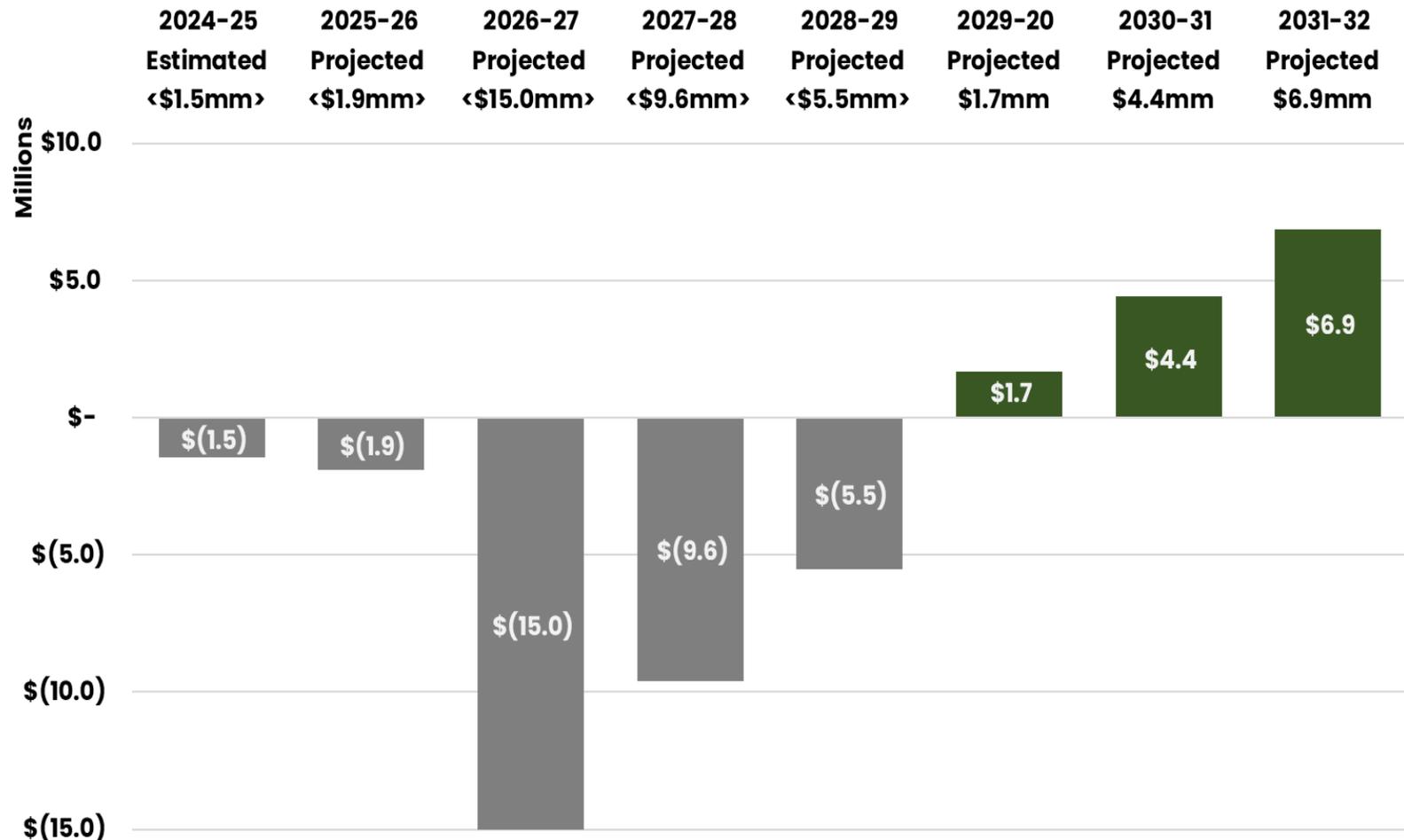
Infrastructure & facilities investments of \$11mm to \$16mm

Property tax growth from 4.6% to 5.2%

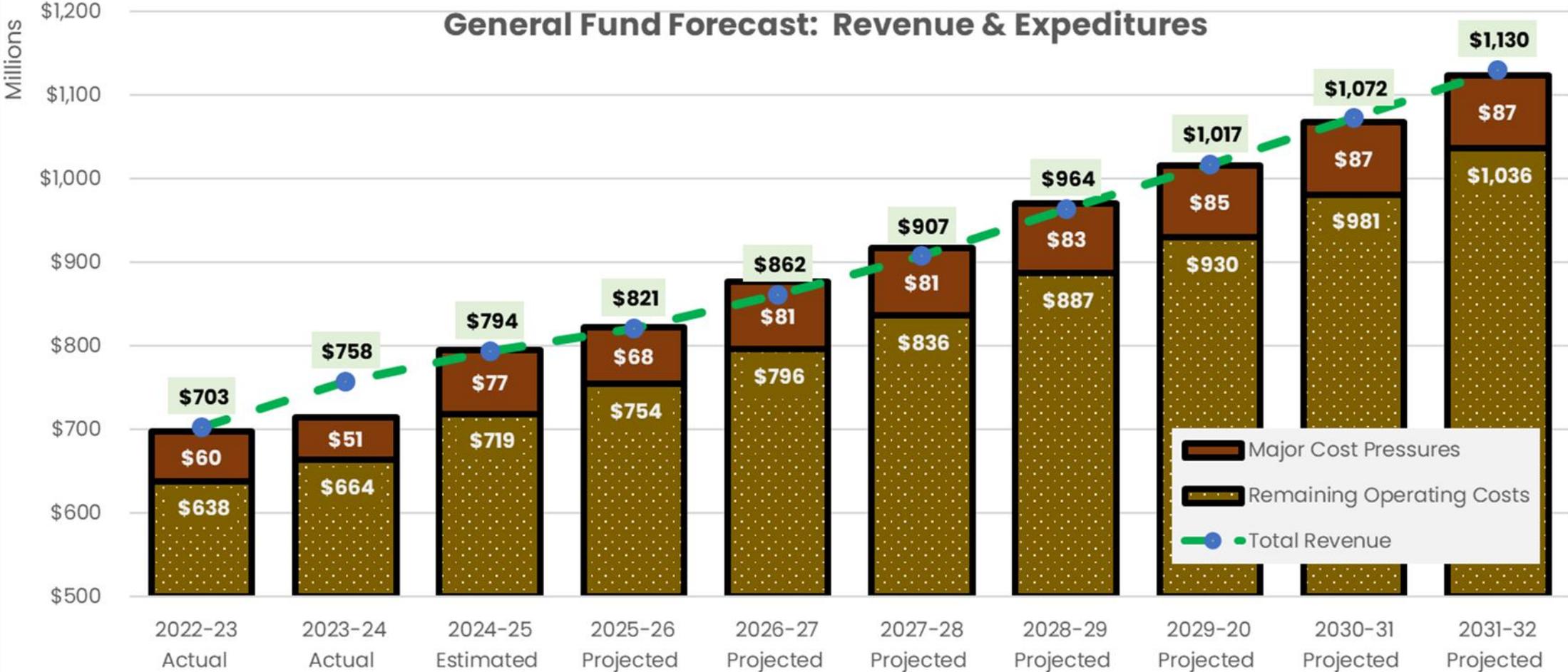
Sales tax growth from 2% to 4.4%

State pension will meet or exceed investment targets

General Fund Forecast: Projected Deficits through 2028-29

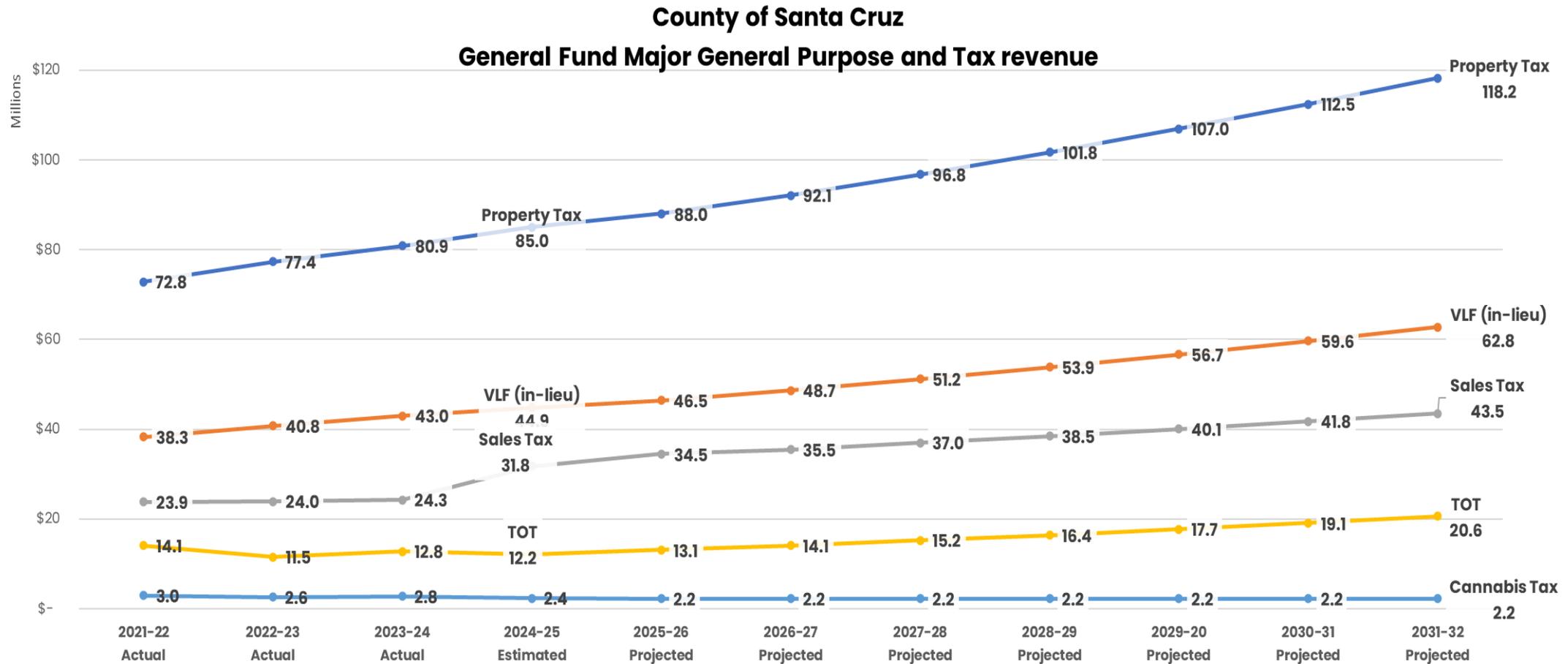


Out-years structurally out of balance



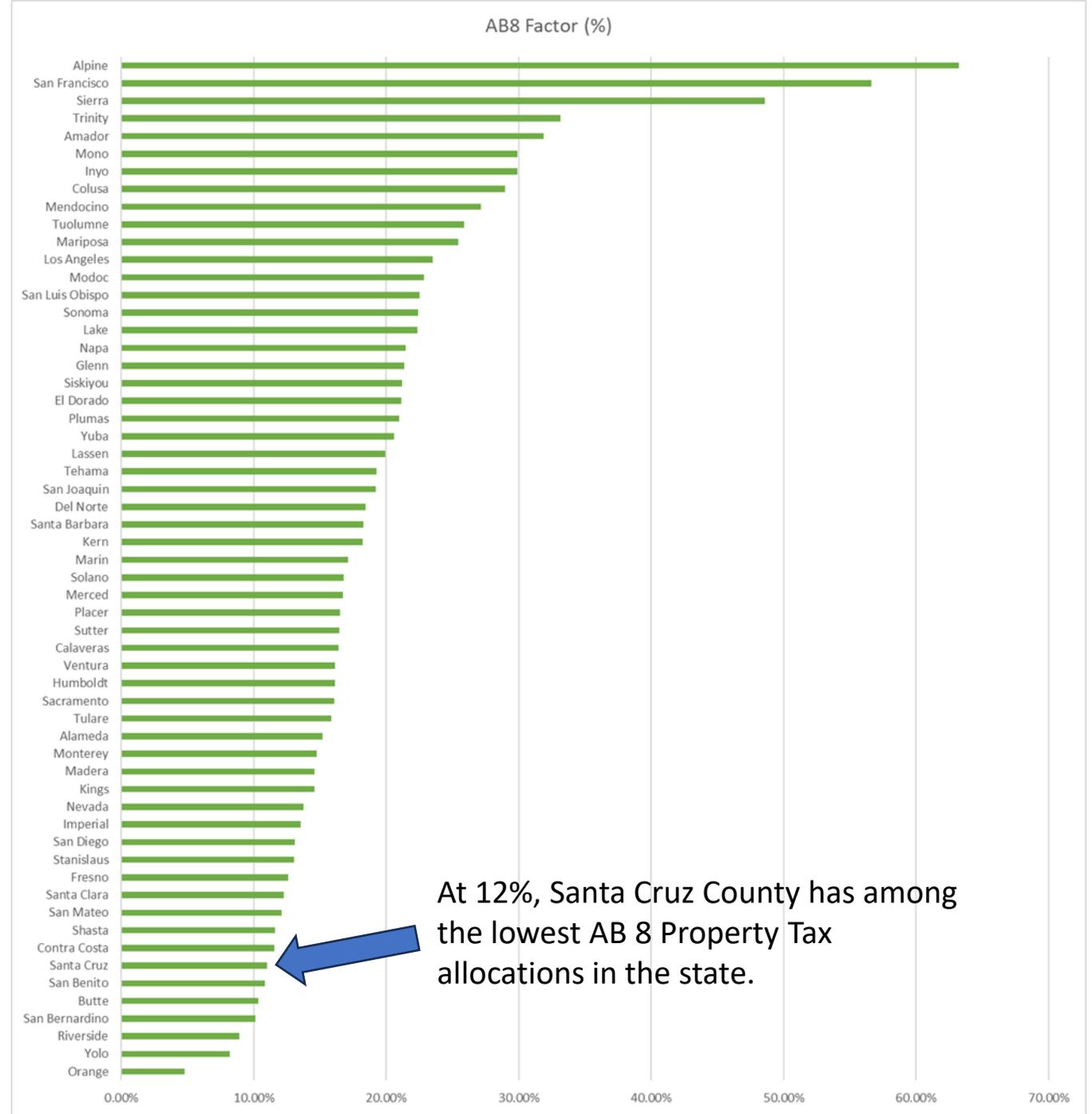
Revenue growth insufficient

Strengthened by
 ✓ 2022 Hotel/Vac Tax (Measure B)
 ✓ 2024 Sales Tax (Measure K)

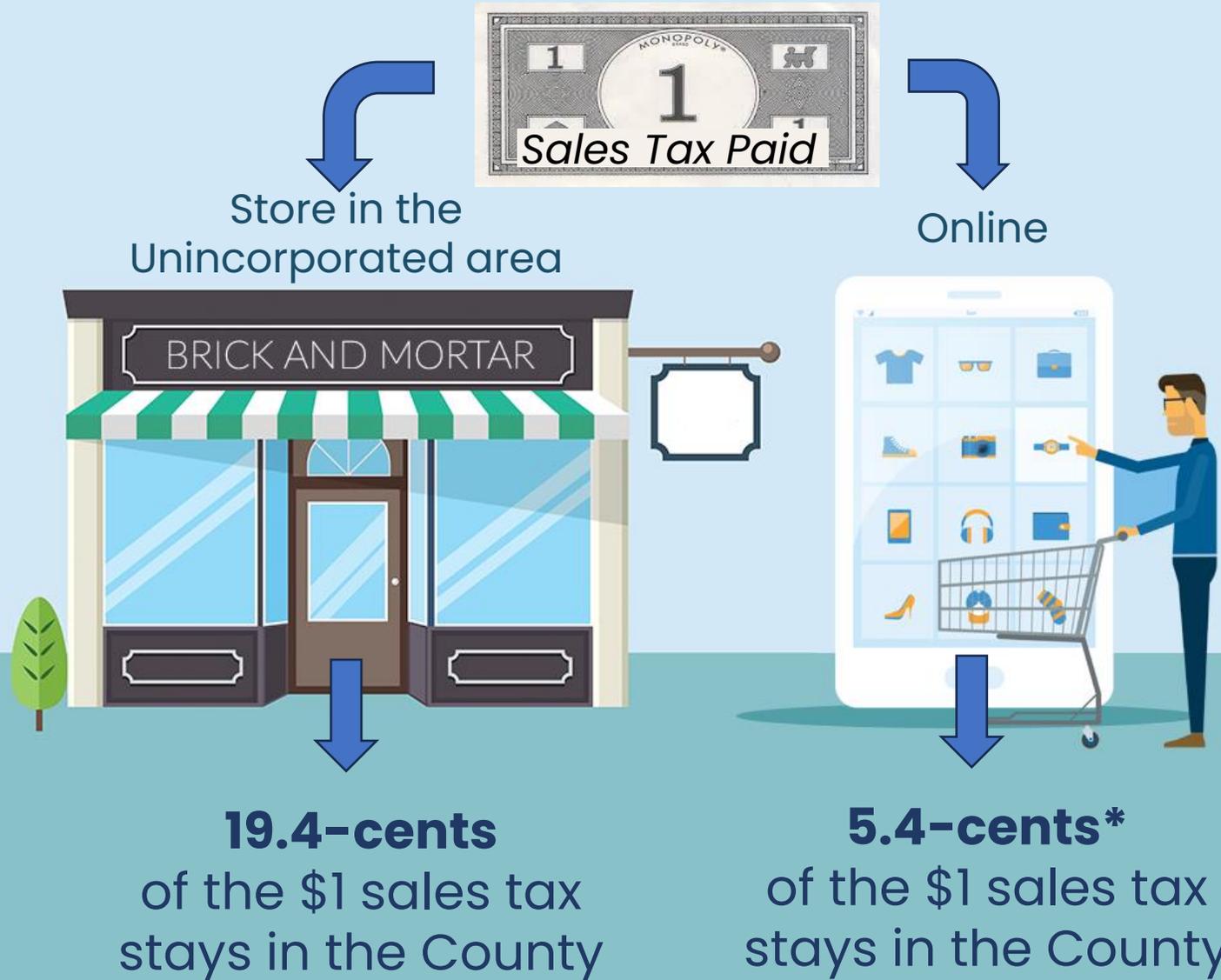


Santa Cruz County Property Tax Disparity

Worse when
base tax
allocation
among all
Counties



Sales Tax Allocation Lost



Example

The same \$11 purchase results in the same \$1 sales tax

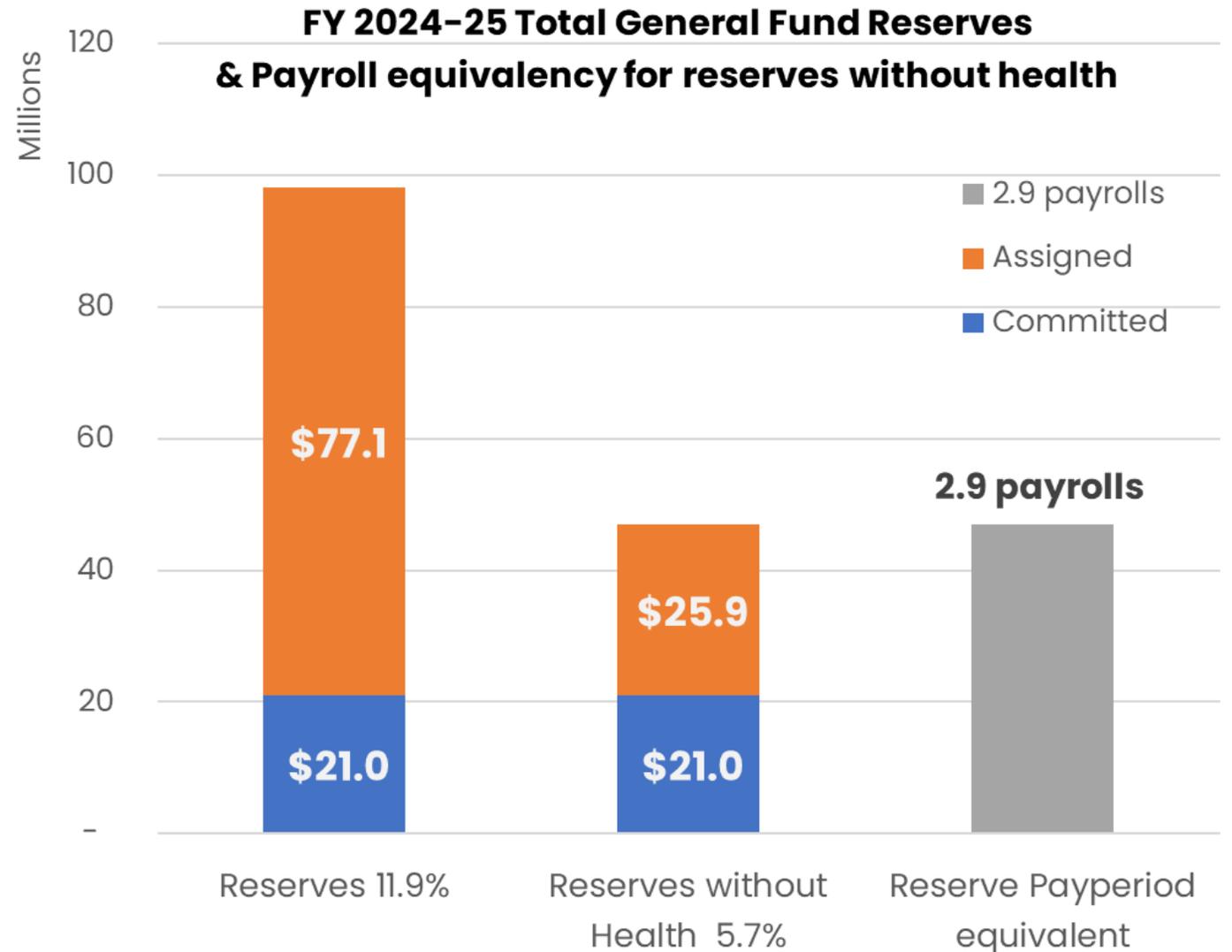
But "where" determines how much stays local

\$5 million annually shifts to counties with the online fulfillment centers

General Fund Reserves at 12% but...

Reserves drop to 5.7% after adjusting for \$51.2 mm of health funding

Climate based disaster response risk greater than reserve capacity



Forecast Data Points

Economic Indicators	Metric Type	Rate	Change from Prior Year
CalPERS Investment Return	2-Year % Chg.	7.6%	↑
Payroll Jobs: SCC	Annual % Chg.	-1.0%	↓
Unemployment Rate: SCC	Current Rate	5.8%	↑
30-Year Mortgage Rate	Current Rate	6.9%	↑
California GDP Growth	Annual % Chg.	3.6%	↑
US Retail Sales	Annual % Chg.	3.9%	↓
Consumer Confidence	Annual % Chg.	6.2%	↓
Producer Price Index	Annual % Chg.	3.3%	↑
Consumer Price Index	Annual % Chg.	2.9%	↓
Personal Savings Rate	Current Rate	4.4%	↓

Summary of 2024–25 Adjustments

- Reduce General Fund Contingency by \$1.28 million:
 - \$400k for Behavioral Health Services
 - \$200k for Housing Authority
 - \$400k for Housing Uses
 - \$233.5k for Lompico alternate emergency access
 - \$50k for Davenport Sanitation
- Add missing appropriations of \$800k for Soquel Buffered Bike Lane
- Add missing appropriations of \$113k for CSA-11 equipment
- Accept 2024–25 revenue:
 - \$610k for transfers between flood control district funds
 - \$50k for Davenport Sanitation District fund
 - \$46.1k for Capital Projects fund
 - \$36.9k for Capitola Library Project fund
- Correct \$350k between existing Capital Project funds
- Modify 2024–25 Fixed Assets Schedule

Challenges & Emerging Issues

- Federal funding risks
- Health Services Agency revenue shortfall
- Aging roadways, culverts and county facilities
- Federal disaster reimbursement
- Sales tax revenue slowing
- Systematic underfunding
- Unfunded State mandates
- State pension investment underperformance
- Limited but funded reserves



Measure K Spending Plan

Measure K Priorities



Providing wildfire, flood and emergency response, and disaster recovery services and investing in neighborhood parks



Repairing streets and potholes, and investing in public infrastructure and facilities



Housing to attracting and retaining frontline workers including nurses and first responders



Investing in countywide homeless navigation centers and other services



Support essential County services including mental health crisis services for children and vulnerable populations and improve public safety

2024-25 Measure K Plan

Category	Amount
Measure K Revenues	\$7,500,000
Measure K Expenditures	
Environmental & Parks Capital Projects (Capital Projects)	\$1,000,000
Homelessness Programs & Services (Housing for Health)	\$1,000,000
Housing Uses (Restricted Contingencies)	\$1,000,000
Emergency Road Projects (Restricted Contingencies)	\$1,000,000
General Fund Contingencies for Emergencies	\$3,500,000
Total Expenditures	\$7,500,000

2025-26 Measure K Plan

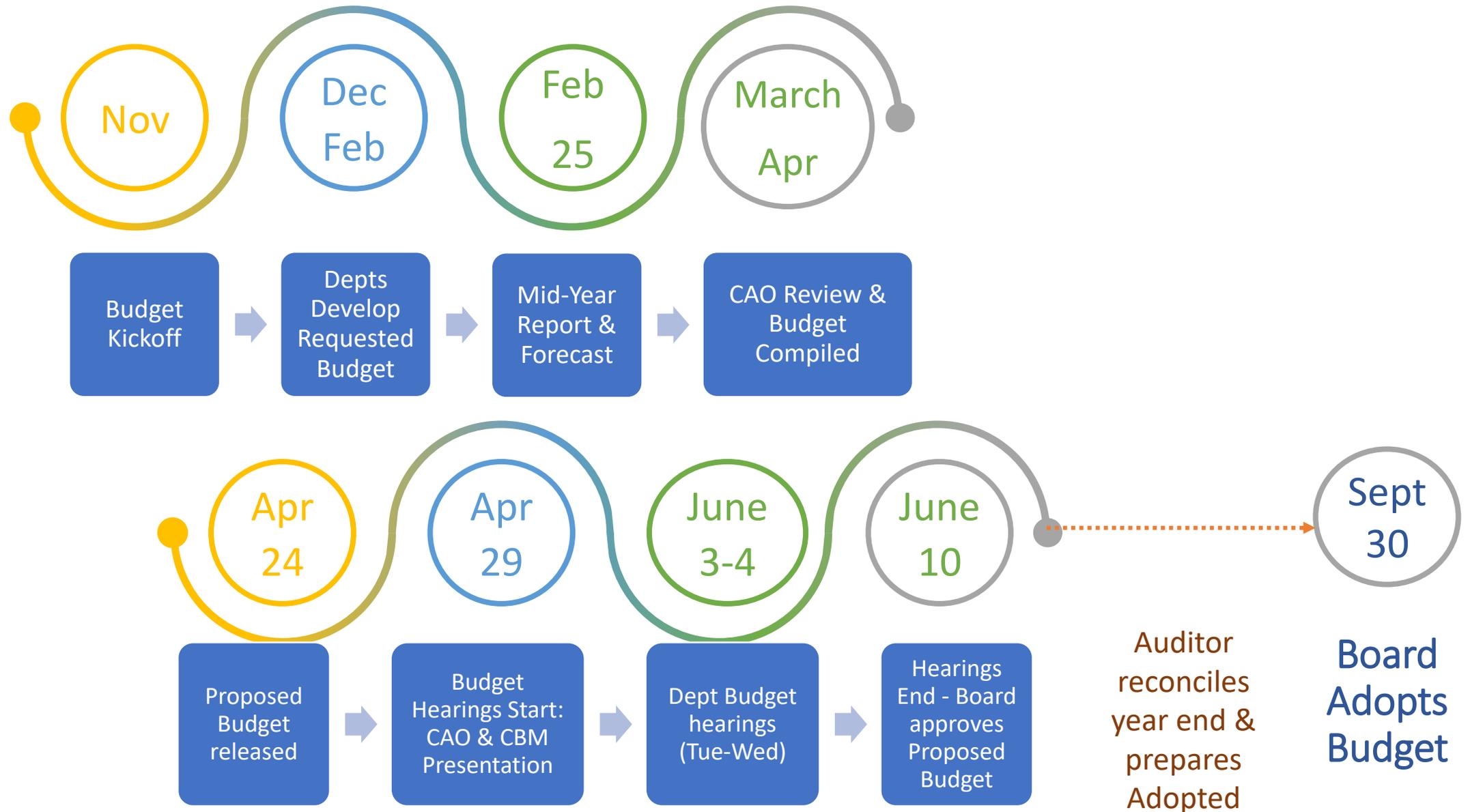
Category	Amount
Measure K Revenues	\$10,100,000
Measure K Expenditures	
Environment & Parks Capital Projects (Capital Projects)	\$1,000,000
Homelessness Programs & Services (Housing for Health)	\$1,000,000
Housing Uses	\$1,000,000
Road Repair & Maintenance (Road Fund)	\$2,000,000
County Essential Services	\$5,100,000
Total Expenditures	\$10,100,000



Budget Timeline



Our Budget Cycle



Questions?

Thank You

Summarized Recommended Actions:

- Accept & file mid-year report
- Approve 2024-25 budget & fixed assets schedule changes
- Approve in concept 2025-26 Measure K spending plan
- Schedule public hearings for 2025-26 budget & unified fee schedule

