



## OFFICE OF THE COUNTY EXECUTIVE

### County of Sonoma

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**DATE:** May 29, 2026

**TO:** Members of the Board of Supervisors and Board of Directors

**FROM:** David Guhin, County Executive

**SUBJECT:** FY 2026-27 Available Sources

This memo provides an overview of sources available to fund departments' add-back requests, program change requests, Board Budget Requests, and critical issues including funding of HR 1 impacts. These requests are listed in the Budget Deliberation Tool (Tab 3) and are described in more detail in Tab 4 – Add Backs and Program Change Requests; and Tab 6 – Board Budget Requests.

The sources identified in this document include a mixture of ongoing sources and one-time sources, primarily fund balance, that may be utilized to address coming needs. In general, and in alignment with the Board's adopted Financial Policies that include the Basic Fiscal Principle to deliver County services and programs based on a structurally balanced budget, ongoing costs should be balanced with ongoing sources. In this year, there is significant uncertainty around the duration and size of HR 1 impacts, while the size exceeds readily available ongoing capacity. As such, one-time funding may be recommended to fund these actions over the medium term. Given the significant uncertainty over size and duration of impacts, staff do not recommend that all capacity identified in this memo be utilized in the current year.

The first part of this memo discusses Sources that are recommended for use either as a whole or in part in the County Executives recommendations (Tab 3). Following that is a brief description of other funds that have been identified as potentially available for addressing future needs but that are not utilized in CEO recommendations. In most cases use of these funds would require de-committing them from another priority.

### Funding Sources in CEO Recommendations

The following sources are utilized in the CEO recommendations. In some cases only a part of the funding is utilized and appearance in this section does not indicate that the full funding be programmed at Budget Hearings. In particular, the Realignment funds in Health and Human Services will be necessary for addressing future HR 1 impacts.

Ongoing Sources: \$8.2 million

General Fund Capacity, \$2.8 million

Final General Fund projections include ongoing capacity of \$2,819,289 above what was utilized to balance the Recommended Budget.

Reinvestment and Revitalization Fund, \$3.2 million

The Reinvestment and Revitalization (R&R) Fund is expected to grow moderately over prior year with property tax growth, as successor agency obligations are generally either flat or decreasing. This increase is programmed based on projected revenues from FY 2025-26, and there is strong confidence that it will be available in FY 2026-27. This additional capacity of \$3,219,000 can be utilized to fund ongoing demands.

Community Investment Fund, \$1.5 million

Under the Community Investment Policy, the Community Investment Fund (CIF) has a mixture of allocations that adjust annually with either costs or the level of tax and allocations that remain flat. Because of this, as revenues have grown over the past several years the fund has developed some additional ongoing capacity. Based on the FY 2026-27 Recommended Budget, there is expected to be \$1,472,107 more in revenue received than will be programmed. Unlike property tax, which tends to grow slowly but rarely decline, Transient Occupancy Tax (which funds the CIF) is significantly more volatile, and there is a lower level of certainty that this funding will continue to be available.

Graton Mitigation Funds, \$649,060

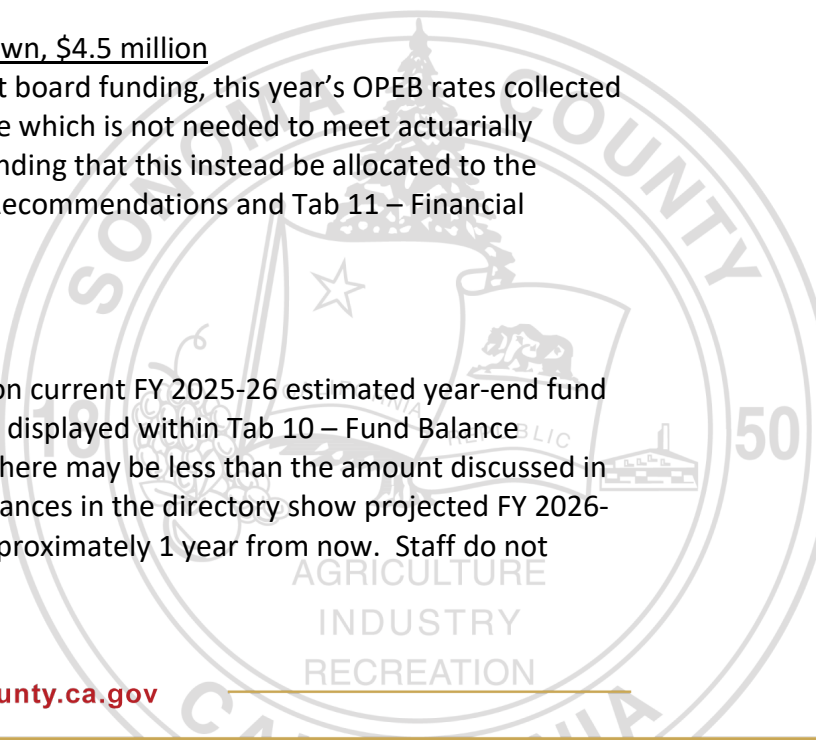
Most Graton Mitigation funds were programmed on an ongoing basis during FY 2024-25 Budget Hearings and continue to be programmed following that direction. However, a limited amount of capacity related to Law, Justice and Tribal Affairs (\$522,116) and Health and Human Services (\$126,944) was not programmed at that time and is available.

Other Post-Employment Benefit (OPEB) True Down, \$4.5 million

Due to strong investment returns and consistent board funding, this year's OPEB rates collected from departments include a 2% unclaimable rate which is not needed to meet actuarially determined contributions. The CEO is recommending that this instead be allocated to the newly-created Pension Trust fund (see Tab 3 – Recommendations and Tab 11 – Financial Policies).

One-Time Sources: \$133.5 million

The one-time sources provided here are based on current FY 2025-26 estimated year-end fund balances as June 30, 2026. 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 2026-27 year-end positions as of June 30, 2027, or approximately 1 year from now. Staff do not



recommend programming fund balances not expected to be realized by June 30, 2026, at the end of this Fiscal Year, because any expected increases in FY 2026-27 are still hypothetical.

General Fund FY 2025-26 Year End Fund Balance, \$11.8 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 approximately \$11,800,000 in available fund balance.

Teeter Fund available balance, \$1.3 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 exist. Based on estimates from the Auditor-Controller-Treasurer-Tax Collector’s Office the lowest level of Teeter Reserves over a three-year window will be \$1,269,700 above the 1.5% policy.

Reinvestment and Revitalization Funds, \$7.9 million

The additional ongoing capacity accrued in the R&R fund have led to accumulation of fund balance which has not been fully programmed over the past three years. Currently there is an anticipated FY 2025-26 year end fund balance of \$7,929,835 after accounting for \$2,924,965 in earmarks for projects. Details on the R&R fund balance and earmarks are found in Tab 10 - Fund Balance Directory.

Tobacco Deallocated Fund, \$4.4 million

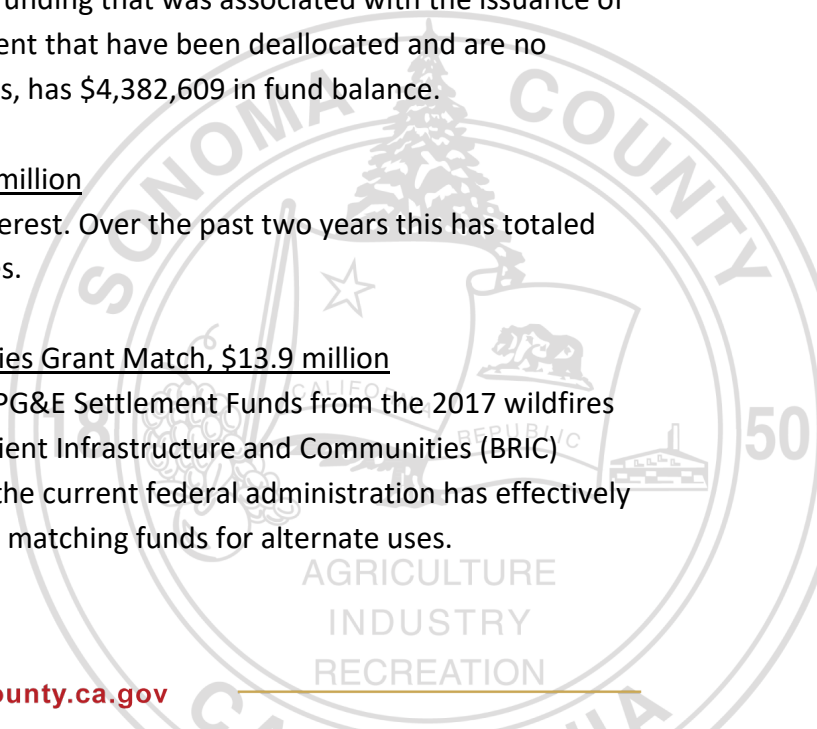
The Tobacco Deallocated fund, which includes funding that was associated with the issuance of bonds related to the County’s Tobacco settlement that have been deallocated and are no longer required to be utilized on capital projects, has \$4,382,609 in fund balance.

Graton Mitigation Fund Interest Accrued, \$6.5 million

The Graton Mitigation Fund retains accrued interest. Over the past two years this has totaled \$6,526,789 and is available for general purposes.

Building Resilient Infrastructure and Communities Grant Match, \$13.9 million

The County designated a significant portion of PG&E Settlement Funds from the 2017 wildfires toward providing a match for the Building Resilient Infrastructure and Communities (BRIC) grant. As was discussed in Budget Workshops, the current federal administration has effectively terminated this grant which frees up remaining matching funds for alternate uses.



#### Disaster Funds Accumulated Reimbursements, \$19.5 million

While the County is waiting on significant amounts of FEMA reimbursements, the County has received some funding, primarily related to COVID 19, over the past year which has led to the accumulation of \$19.5 million in various disaster funds. This portion of funding came from General Fund contributions and the Kincadee Wildfire Settlement Fund and is available for general purposes. Portions that came from the Roads fund are returned to the Roads fund and are not included here.

#### 2024-25 Year-End Fund Balance set aside for Capital Projects, \$4.0 million

In alignment with the FY 2025-26 Budget Resolution, \$4.0 million of Year End General Fund balance was reserved for use on Capital Projects. This funding is limited only by Board direction and can be utilized for general government purposes.

#### Other Discretionary Fund Balances to Sweep, \$6.8 million

In addition to the funds discussed above, the County has accumulated various other funds that are no longer needed for their intended purpose. The largest share of this comes from General Fund employer contributions that were collected in anticipation of Affordable Care Act expenses. It also includes various funding in the Designated Purpose Fund for projects that were completed without use of all funding.

#### 1991 Health Realignment Funds - \$63.1 million

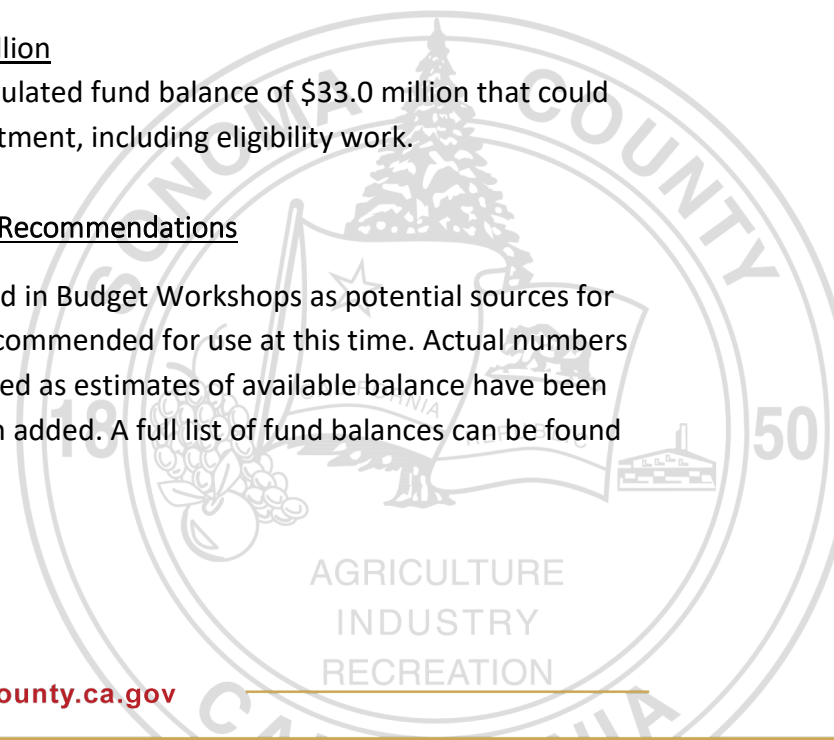
The Department of Health Services has accumulated \$63.1 million in available balance in 1991 Health Realignment. This funding is available for purposes realigned at the time, including indigent care. It is not available for most behavioral health services.

#### Human Services Realignment Funds - \$33.0 million

The Department of Human Services has accumulated fund balance of \$33.0 million that could be utilized for appropriate needs in that department, including eligibility work.

#### Additional Possible Sources not utilized in CEO Recommendations

The following sources include sources identified in Budget Workshops as potential sources for addressing HR 1 impacts, but which are not recommended for use at this time. Actual numbers associated with these sources may have changed as estimates of available balance have been updated, and some additional funds have been added. A full list of fund balances can be found in Tab 10 – Fund Balance Directory



Additional Ongoing Sources that could be redirected: \$10.8 million

General Fund – Behavioral Health Housing Unit Staffing/Operations Set Aside, \$6.6 million

Graton Mitigation Funds, \$4.2 million

In addition to the items discussed above, four buckets of Graton Mitigation Funding are not currently programmed in the Recommended Budget. These buckets are:

- Groundwater Mitigation - \$397,277
- Affordable Housing Mitigation - \$303,375
- Air Quality Mitigation - \$1,285,733
- Funding Previously Designated for Sonoma County Transit Authority for Marin-Sonoma Narrow Project - \$2,176,007

Additional One-Time Sources: \$103.5 million

Food Insecurity Initiative set aside, \$838,000

Low Wage Disaster State Insurance Advocacy, \$1.0 million

Behavioral Health Housing Unit Capital Set Aside, \$27.2 million

County Center Modernization Fund, \$52.9 million

Graton Mitigation Funds Available Balance, \$5.1 million

FEMA Audit Reserve, \$16.4 million

