



# COUNTY OF SONOMA SUMMARY REPORT

575 ADMINISTRATION  
DRIVE, ROOM 102A  
SANTA ROSA, CA 95403

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**Agenda Date:** 10/22/2024

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**To:** Board of Supervisors/Directors/Commissioners/Directors of the Sonoma Valley County Sanitation District of the County of Sonoma

**Department or Agency Name(s):** County Administrator's Office

**Staff Name and Phone Number:** Nikolas Klein, 707-565-5312

**Vote Requirement:** 4/5th

**Supervisorial District(s):** Countywide

**Title:**

Fiscal Year 2024-25 First Quarter Consolidated Budget Adjustments

**Recommended Action:**

- A) Adopt a Concurrent Resolution to adjust Fiscal Year 2024-25 budget appropriations by \$112.2 million. (4/5th Vote)
- B) Adopt a Resolution to adjust Fiscal Year 2024-25 budget appropriations for the Sonoma Valley County Sanitation District. (2/3 Vote)

**Executive Summary:**

The recommended action adds approximately \$112.2 million in new appropriations to the County's FY 2024-25 adopted budget, including \$75.7 million of re-budgeted appropriations from the prior fiscal year and \$36.5 million in new appropriations. The \$75.7 million re-budget includes \$10.9 million for Sonoma Valley County Sanitation District projects and \$42.8 million for other Sonoma Water projects. These adjustments increase budgeted FY 2024-25 total gross expenditures to \$3.46 billion. Excluding internal transfers and reimbursements results in a net budget of \$2.57 billion, which more accurately reflects the County's operating and capital expenditures. Details of the requested changes are included in Exhibit A of the attached Budget Resolution.

**Discussion:**

**Budget Adjustments**

Throughout the fiscal year, it is necessary for many County Departments, Agencies, and Districts to adjust the revenues and/or expenditure appropriations in their budgets. To facilitate this need, the County of Sonoma utilizes quarterly a Consolidated Budget Adjustments (CBA) process, whereby departments submit adjustments to be consolidated into a countywide budget resolution that meet specific criteria, including activities that have received prior board direction or approval, clean-up transactions and re-budgets of prior year funds, or adjustments that meet other ministerial requirements.

A total of 21 departments are requesting budgetary adjustments via First Quarter Consolidated Budget Adjustments. The proposed adjustments do not include any new programs or initiatives not previously approved by the Board. The proposed action adds expenditure appropriations of \$112.2 million to the FY 2024-25 budget, including \$75.7 million of re-budgeted appropriations from the prior fiscal year, bringing the net expenditure budget to \$2.57 billion. Because spending authority is approved by the Board on an annual basis

and expires June 30 at the end of the County's fiscal year, it is necessary to re-budget unspent funds from prior fiscal years as part of quarterly adjustments.

### General Fund

In the General Fund, expenditure appropriations are increasing by \$21.9 million. Approximately \$9.2 million of this is funded with updated sources, while the remaining \$12.7 million is funded with use of designated fund balances identified during the FY 2023-24 year-end close process and consistent with Budget Hearings Board direction codified in the adopted budget resolution. Key highlights include:

- Increasing expenditures to program \$9.8 million in prior FY 2023-24 year-end savings beyond what was assumed during budget hearings. Per direction at budget hearings, this sum is directed as follows: \$7.8 million contribution to the General Fund Reserves; \$1.0 million accelerated payment of unfunded pension liabilities; and \$1.0 million additional contribution to the Deferred Maintenance Fund. The contribution to reserves will bring the total to \$76.5 million, or 11.4% of operating revenues.
- Increasing revenues and expenditures by \$4.8 million from the final Fiscal Year 2023-24 Assessment Value roll close. Per the 'Boards Financial Policies <https://sonomacounty.ca.gov/administrative-support-and-fiscal-services/county-administrators-office/budget-and-operations/financial-policies>, 40% (approximately \$1.9 million) of this is being directed to the Deferred Maintenance Capital Project Fund. The remaining 60% (approximately \$2.9 million) is programmed in the Non-Departmental budget; unless otherwise programmed by the Board, if all adopted budget revenue assumptions materialize, these funds may become part of available FY 24-25 year-end fund balance.
- Re-budget \$2.0 million for the Integrated Justice System Phase 2 Modernization project in the Information Systems Department's budget with funding previously set-aside in the Non-Departmental Designated Purposes Fund (04/16/24; Item #17).
- Re-budget expenditure appropriations of \$1.8 million for anticipated needs funded by fund balance assigned during the FY 2023-24 year-end close process, including: \$1.0 million for a Department of Health grant to provide critical behavioral health services to wildfire survivors, previously deposited in the General Fund but not transferred to Health by year-end; \$414,000 for the mandated FY 22-23 Incompetent to Stand Trial Growth Cap penalty payment to the state that did not have a finalized billing by FY 23-24 year-end close; \$200,000 in unspent prior year Department of Emergency Management Master Services Agreement funding for Emergency Management Services; and \$163,000 for other departmental projects.
- Increasing appropriations by \$1.0 million across departmental budgets to re-budget technology improvement projects with the Information Services Department (ISD) for projects that were not completed in FY 2023-24. Unused funds associated with these projects were reserved as part of the FY 2023-24 year-end close process and will be re-appropriated for these projects.

### Other Funds

In Other Funds, expenditures are increasing by \$90.3 million and funding sources are increasing by \$41.9

million, resulting in a net \$48.4 million use of accumulated special and/or specific use fund balances. Of the total, about \$54.3 million (~60%) of the budget increases are associated with Sonoma Water's re-budgeted appropriations for previously approved capital projects. Key highlights include:

- Adjustments of \$54.3 million to re-budget Sonoma Water's capital projects for climate resiliency, technology upgrades, wastewater improvements and maintenance, water delivery and storage, and hazard mitigation. This amount includes adjustments totaling \$10.9 million in the Sonoma Valley County Sanitation District's budget, primarily to re-budget appropriations for flood studies, design and construction of the Sonoma Valley trunk main replacements, treatment plant and distribution system improvements, and natural hazard mitigation improvements.
- Adjustments of \$11.3 million in the Community Development Commission's (CDC) budget, including re-budget of appropriations for CDC's office relocation and Homekey funding for George's Hideaway capital projects, and a non-cash adjustment in the amount of \$5.8 million for the removal of the of Sebastopol Inn asset and depreciation from the balance sheet. The Sebastopol Inn (Elderberry Commons) was transferred to Burbank Housing Development Corporation on July 5, 2024, to complete the conversion and operate the facility as permanent supportive housing.
- Adjustments of \$8.9 million in Sonoma County Public Infrastructure's (SPI) department budget to purchase five Phoenix buses and other transfers between funds that are needed to consolidate SPI's administrative expenditures in its budget.
- Adjustments of \$4.0 million to transfer individual Board Districts' Community Infrastructure funds to departments to implement various projects and initiatives:
  - District 2 - Re-budget a \$100,000 funding transfer for the Regional Parks Natural Resources Helen Putnam Rainwater Catchment Project.
  - District 4 - Re-budget a \$15,000 funding transfer for the Regional Parks Natural Resources vegetation management project.
  - District 5 - Transfer \$3.8 million to Public Infrastructure Capital Projects for various roads projects, including: \$750,000 for downtown Guerneville infrastructure; \$600,000 for traffic calming efforts; \$555,000 for Occidental downtown lot maintenance; \$400,000 for Rio Nido and Villa Grande culverts; \$386,400 for Forestville skate spot permitting and development; \$120,000 for South Wright crosswalk improvement; \$100,000 for Timber Cover fire station; \$75,000 for Odd Fellows bridge; \$20,000 for Monte Rio Skatepark; and \$787,632 for other urgent project to be identified in consultation with District 5 staff. Transfer \$100,000 to the Economic Development Collaborative for a Public Art Grant program to be managed by Creative Sonoma with a focus on impact in District 5 for publicly accessible locations.
- Additional Capital Project expenditures of \$3.8 million, primarily to program the aforementioned District 5 Community infrastructure projects.

A full list of adjustments in the General Fund and other funds is found in Exhibit A to the Concurrent Budget Resolution.

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**FEMA Reimbursement Update**

Given no new reimbursements from FEMA have been received, there are no updates to report since the prior update included in the Q3 CBA Board item report dated April 30, 2024. On August 30, 2024, FEMA notified all state and local jurisdictions nationwide that it implemented Immediate Needs Funding (INF) guidance, pending enactment of the federal budget. Under INF guidance, all new obligations that are not essential for lifesaving and life-sustaining activities are paused, including all COVID-19 project obligations. FEMA and Cal OES will release additional guidance once the INF is lifted and deadlines are established.

To date, the County has spent \$197 million on disasters and \$183 million is estimated to be eligible for reimbursement by FEMA/Cal-OES. Of the \$183 million, \$59 million has been reimbursed. Of the remaining \$124 million estimated to be eligible for reimbursement, approximately \$32 million is for Roads to fund repair work; \$1 million is for Regional Parks repair projects associated with the 2019 flood and 2023 storms; and \$91 million is due to the General Fund, of which \$81 million is associated with COVID-19.

Costs have been temporarily covered through a mix of General Fund sources and other funds. In FY21-22, the Kincadee Settlement Fund provided \$20 million as a temporary bridge for reimbursement delays; repayment of the Kincadee Settlement Fund is being tracked and will occur as FEMA reimbursements are received and overall Disaster Funds are balance. As is true for all municipalities, FEMA reimbursements are exceedingly slow. The Disaster Finance Team in the Auditor-Controller-Treasure-Tax Collector's (ACTTC) Office is working regularly with FEMA and Cal-OES on the reimbursement process. The County anticipates submitting all final closeout document for the 2017 Sonoma Complex Fires event to Cal OES and FEMA by the end of November 2024.

In October 2023, FEMA Region IX (which includes Sonoma County) notified the State and counties of its decision to decline reimbursement for costs associated with Non-Congregate Sheltering (NCS) client stays beyond 20 days, incurred as part of the COVID-19 response effort, which occurred from May 2020 to May 2023. Non-congregate sheltering played a crucial role in our county's response to the ongoing public health crisis and was one of many strategies implemented to house vulnerable populations, particularly those high-risk individuals experiencing homelessness. The decision by FEMA Region IX in December 2023 to decline reimbursement for NCS costs is estimated to have a fiscal impact to Sonoma County of approximately \$32 million dollars, or 39% of the County's total estimated FEMA eligible costs. The CAO submitted a letter to the California Governor's Office of Emergency Services on January 5, 2024, requesting assistance from the state to advocate on behalf of counties and help challenge FEMA's NCS decision. In March 2024, Congressional representatives for all California jurisdictions sent a joint letter to FEMA requesting reconsideration of FEMA's decision. In June 2024, FEMA responded to the letter stating its overall decision has not changed; however, jurisdictions may work with them on a case-by-case basis for potential approval of reimbursements.

**Strategic Plan:**

N/A

**Racial Equity:**

**Was this item identified as an opportunity to apply the Racial Equity Toolkit?**

No

**Prior Board Actions:**

**FISCAL SUMMARY**

<b>Expenditures</b>	<b>FY24-25 Adopted</b>	<b>FY25-26 Projected</b>	<b>FY26-27 Projected</b>
Budgeted Expenses			
Additional Appropriation Requested	\$112,197,049		
<b>Total Expenditures</b>	<b>\$112,197,049</b>		
<b>Funding Sources</b>			
General Fund/WA GF	\$12,519,217		
State/Federal	\$13,215,084		
Fees/Other	\$38,010,402		
Use of Fund Balance	\$48,403,834		
General Fund Contingencies	\$48,512		
<b>Total Sources</b>	<b>\$112,197,049</b>		

**Narrative Explanation of Fiscal Impacts:**

Please refer to Exhibit A for departmental budget changes by General Fund and Other Funds.

**Staffing Impacts:**

<b>Position Title (Payroll Classification)</b>	<b>Monthly Salary Range (A-I Step)</b>	<b>Additions (Number)</b>	<b>Deletions (Number)</b>

**Narrative Explanation of Staffing Impacts (If Required):**

N/A

**Attachments:**

1. Concurrent Budget Resolution with Exhibit A
2. Sonoma Valley County Sanitation District Budget Resolution

**Related Items "On File" with the Clerk of the Board:**

N/A