

**CLERK OF THE BOARD OF SUPERVISORS
EXHIBIT/DOCUMENT LOG**

MEETING DATE & AGENDA NO. 03/11/2025 #14

STAFF DOCUMENTS (Numerical)

No.	Presented by:	Description:
1	Staff	19-Page PowerPoint

2

3

4

PUBLIC DOCUMENTS (Alphabetical)

No.	Presented by:	Description:
A	N/A	

B

C

D

E

F

G



COUNTY OF SAN DIEGO

FISCAL YEAR 2024-25 • 2ND QUARTER ECONOMIC UPDATE

March 11, 2025

Item #14

Ebony Shelton, Chief Administrative Officer

Amy Thompson, HHS Executive Finance Director

Matthew Parr, Director of Economic Development and Government Affairs



Overview



Regional Economic Update



Quarter 2 Budget Performance



County Financial Outlook



Looking Ahead





COUNTY OF SAN DIEGO

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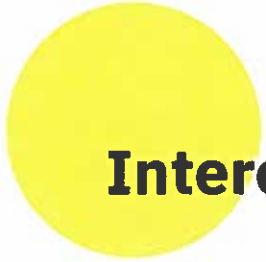
County Financial Outlook



Looking Ahead

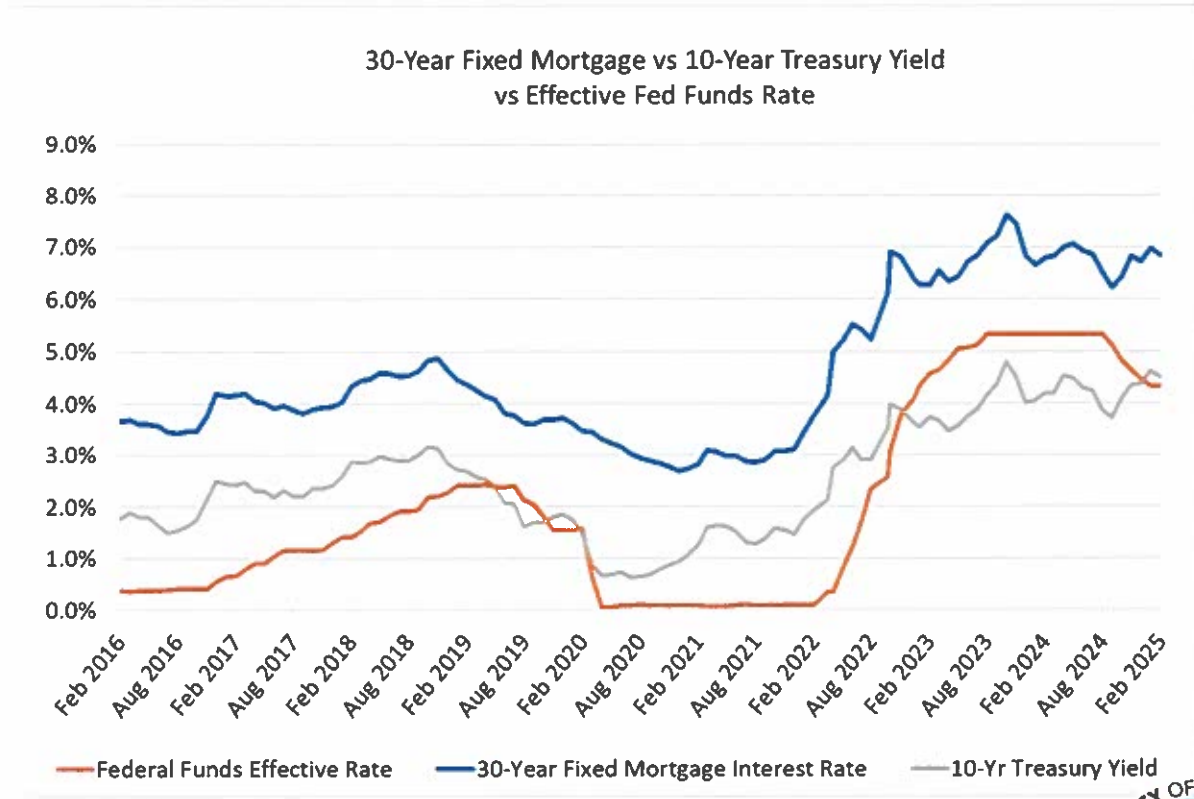


Regional Economic Update



Interest Rates

- The Federal Reserve (Fed) held the Federal Funds rate steady at 4.25% to 4.50% in January ending a three-meeting streak of rate cuts.
- Expectation that rates keep steady at the next FOMC meeting.
- The Fed is in the mode of waiting to see what policies are enacted.



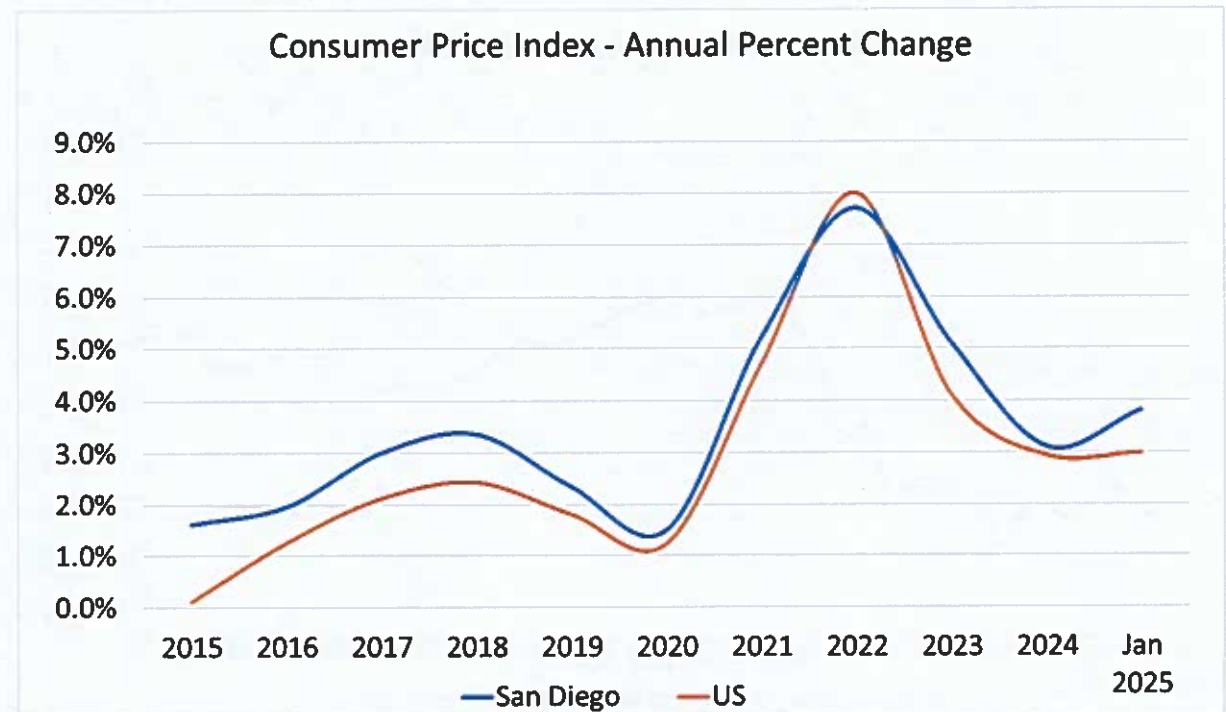
Source: Federal Reserve Bank of St Louis, Freddie Mac



Regional Economic Update

Inflation

- The trend is slowly moderating but remains above the Fed's 2% target.
- As of January 2025:
 - U.S. Consumer Price Index (CPI) increased 3.0% year-over-year.
 - Inflation in San Diego is higher than national levels with CPI at 3.8%.



Source: Bureau of Labor Statistics.

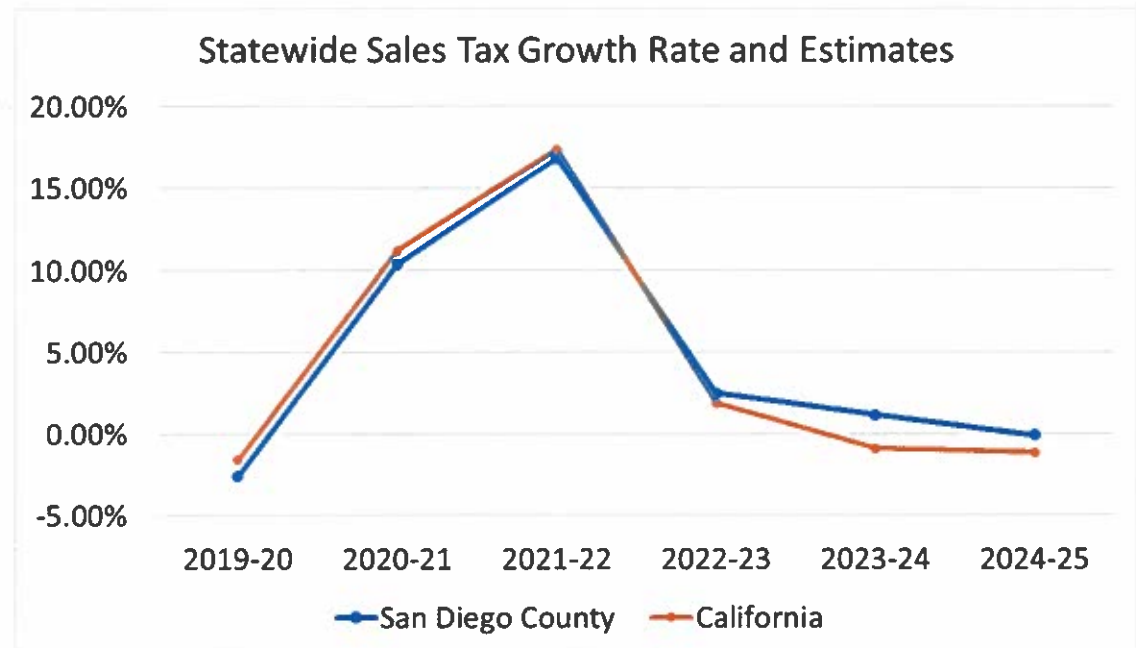


Regional Economic Update

Sales Tax

- Sales tax is a key source of revenue for the County.
- Year over year growth rate in San Diego is expected to drop -0.08% this Fiscal Year (FY) then increase 3.21% in FY 2025-26.
- Contributing factors of the decline include higher business operating costs and to what extent Federal Funds interest rates may decline further into 2025.

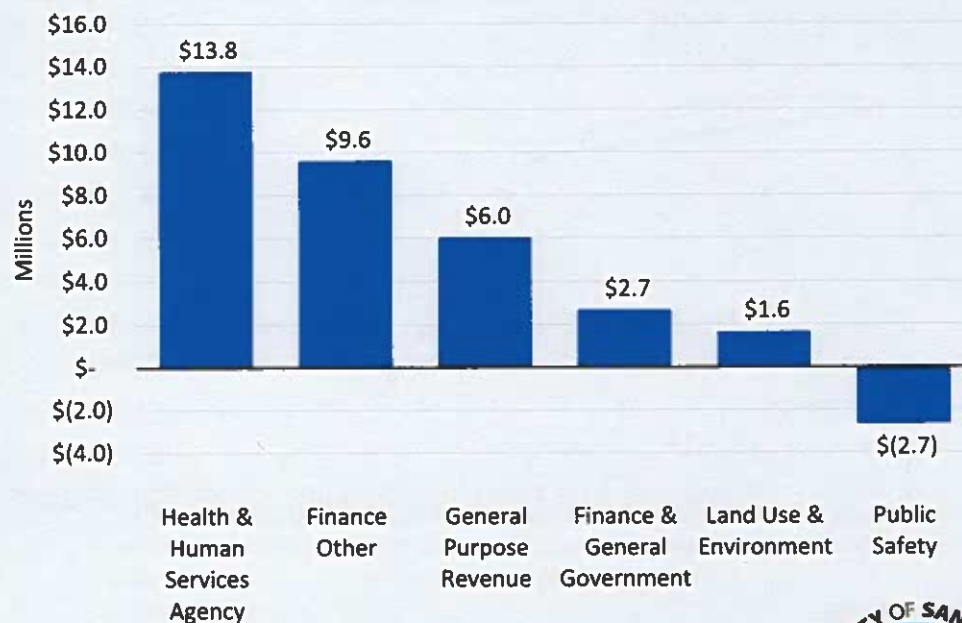
Source: State Controller's Office Half-Percent Sales Tax for Public Safety for actuals from FY2019-20 to FY2023-24. HdL 3Q24 Prop 172 Report for FY2024-25 to FY2025-26 growth estimate.



Budget Performance • 2nd Quarter Results

County Summary (in millions)				
	Expenditures Variance	Revenues Variance	Projected Fund Balance (FB)	% of Projected FB to Budget
General Fund (GF)	\$111.0	(\$80.0)	\$31.0	0.4%
Non-GF	\$35.5	\$9.2	\$44.7	1.4%
TOTAL	\$146.5	(\$70.8)	\$75.7	0.7%

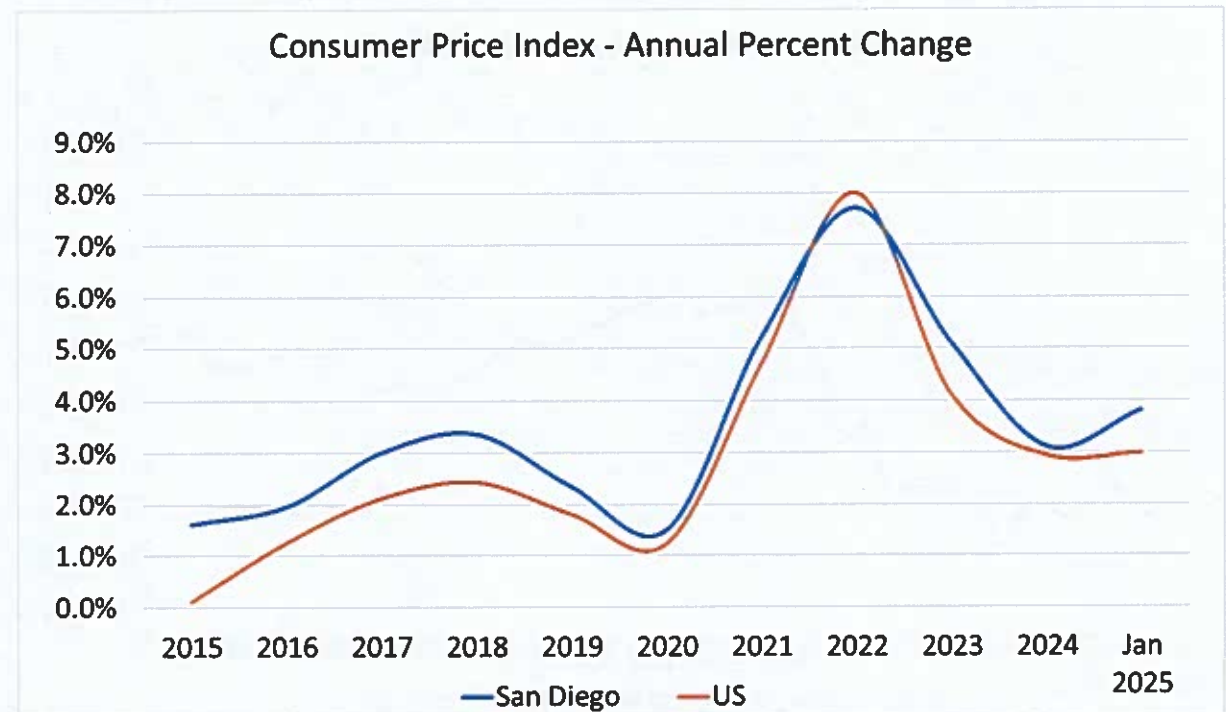
General Fund (\$31.0M)
Fiscal Year 2024-25 Second Quarter



Regional Economic Update

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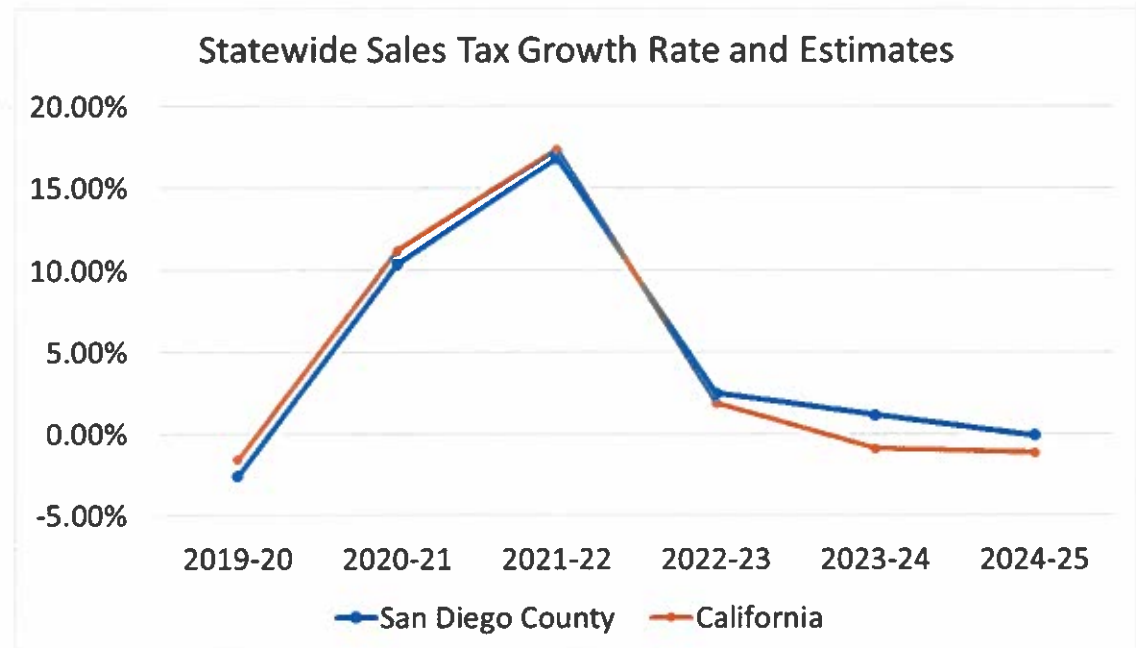


Regional Economic Update

Sales Tax

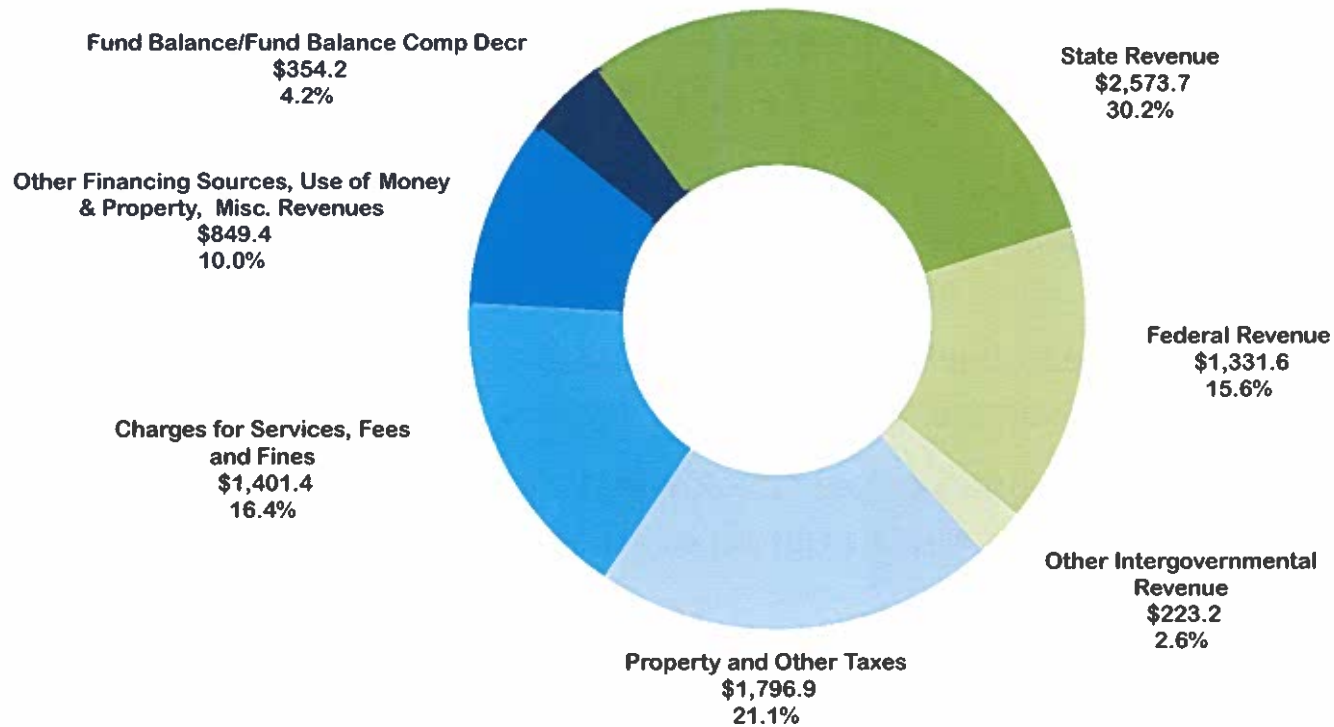
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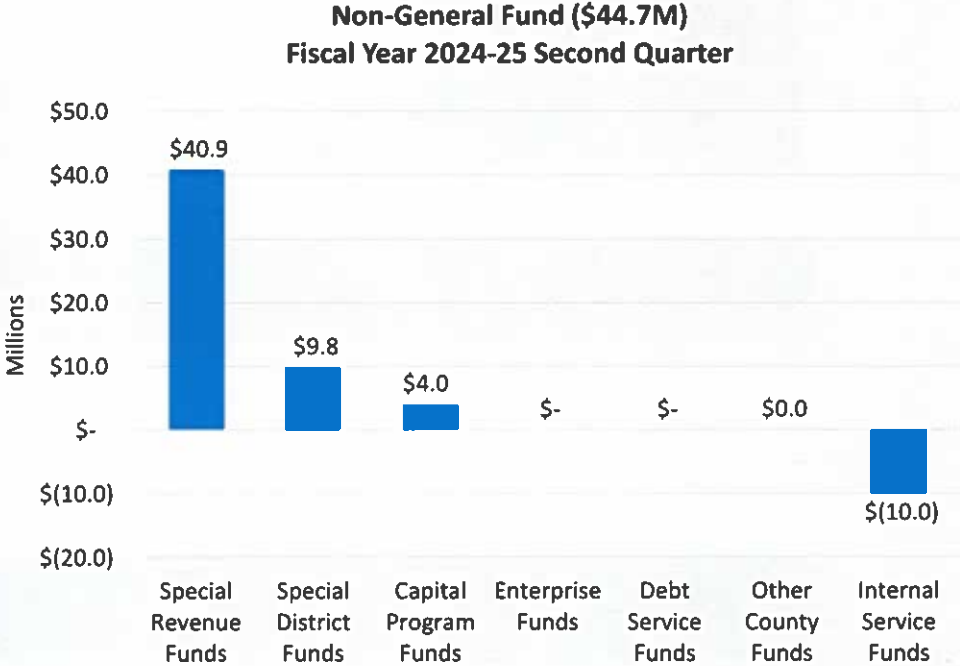
San Diego County Funding Sources

TOTAL FY 2024-25 ADOPTED BUDGET: \$8.53 billion
(in millions)



Budget Performance - 2nd Quarter Results

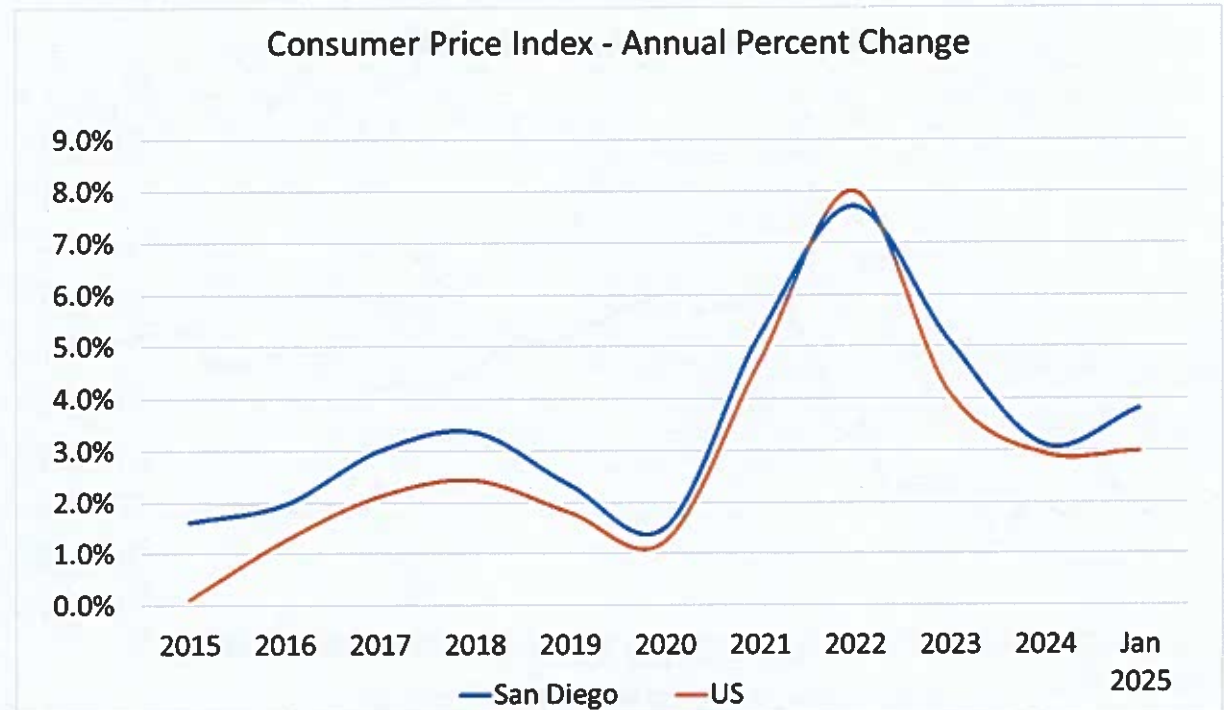
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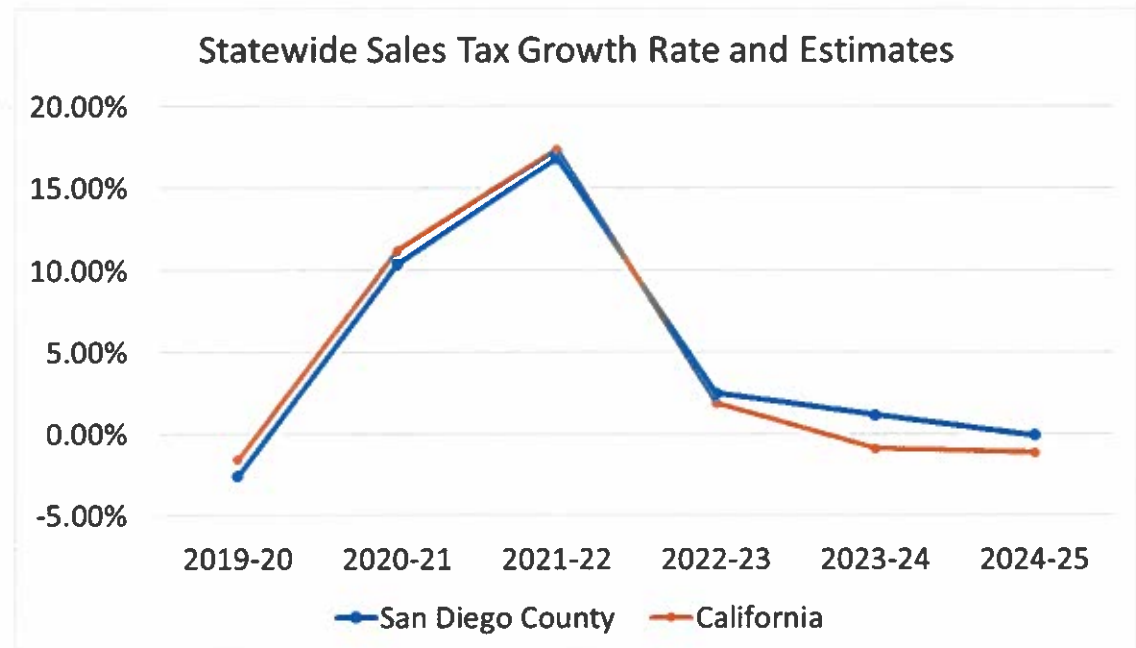


Regional Economic Update

Sales Tax

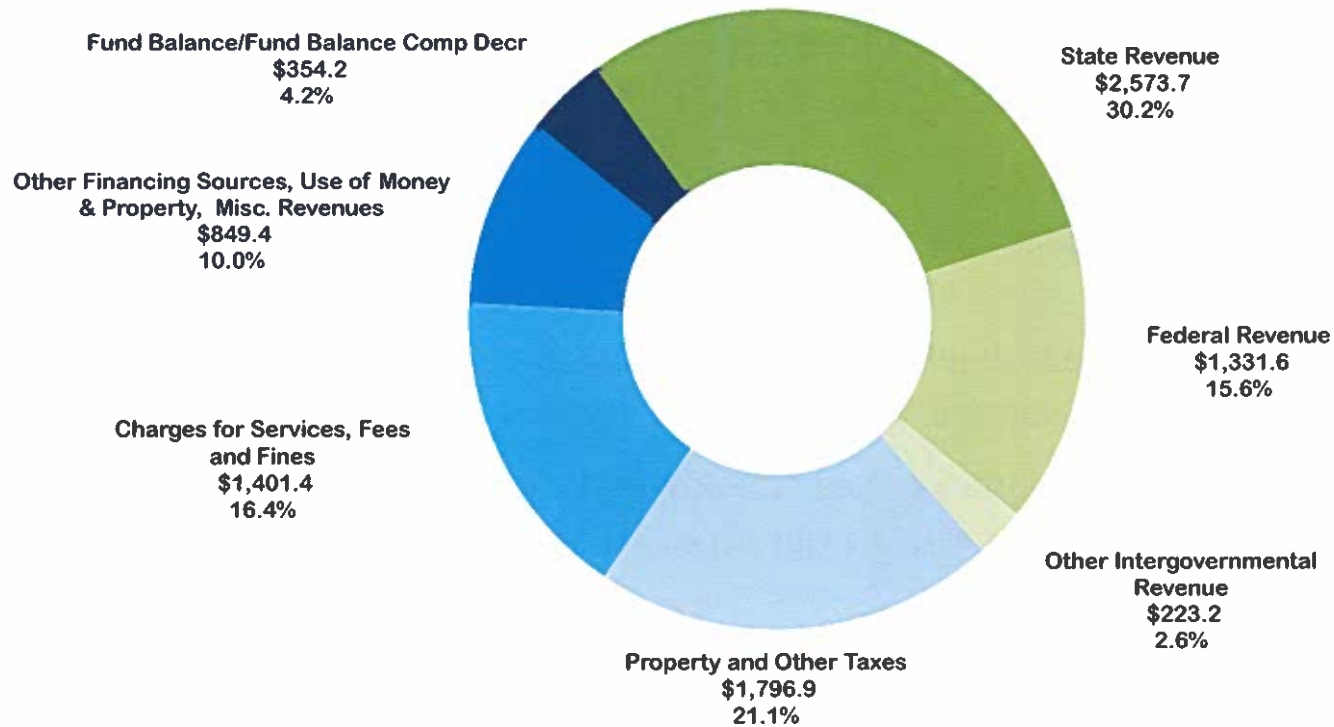
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San Diego County Funding Sources

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San Diego County Core Services

Regional Services

- Emergency preparedness, criminal prosecution and defense, detention facilities, social services assistance, food and restaurant inspections, beach water monitoring, elections

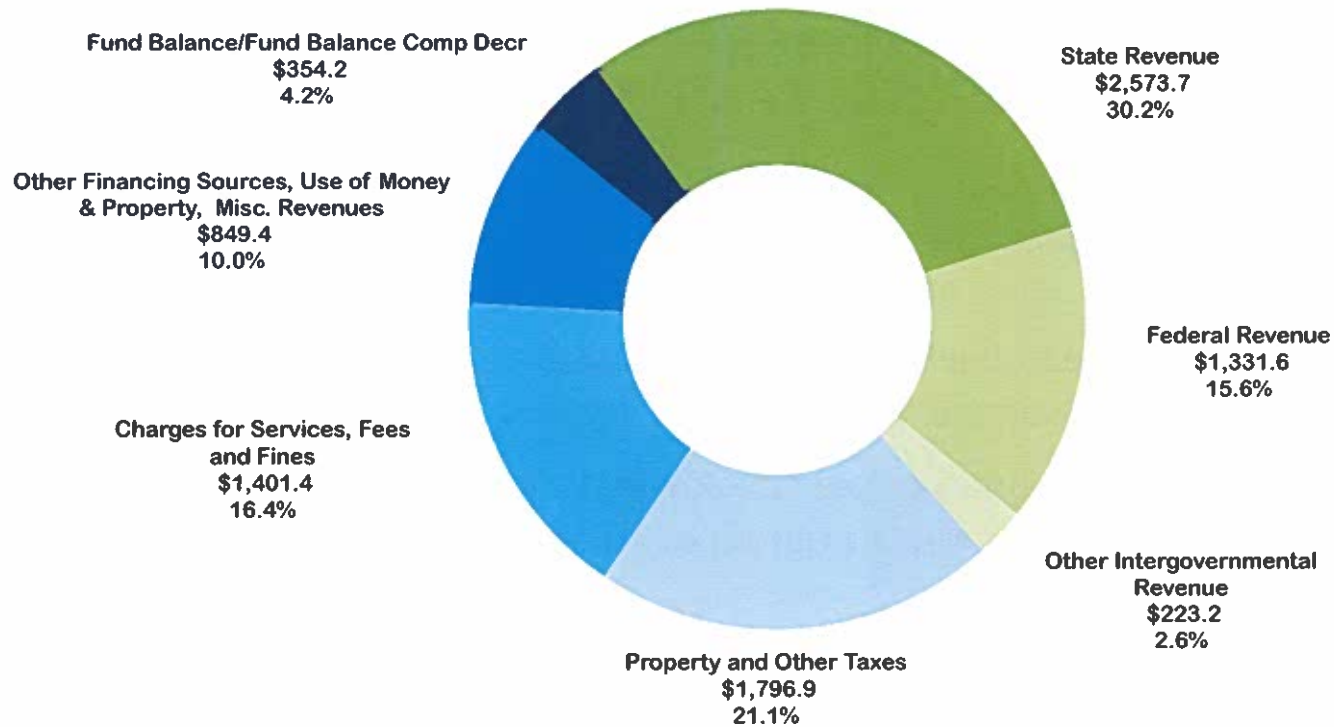
Services for Unincorporated Communities

- Law enforcement, roads, building permits, animal shelters and protection, parks, and libraries



San Diego County Funding Sources

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(in millions)



Potential Federal Policy Impact



Federal Funding

- Continue to monitor actions at the federal level to determine potential impacts to the County.
 - Many early Federal actions have been paused and are moving through judicial processes.
 - Notable activities that may impact the County are the Federal budget and reconciliation discussions.
- The County's FY 2024-25 Adopted Budget includes \$1.3 billion of federal revenue. About 10% comes directly from a federal agency.



State Budget Outlook



2025-26

Governor's Budget

- The 2025-26 Governor's budget remains roughly balanced, but more clarity will come at the May Revise.
- Revenue collections have improved but spending is also anticipated to be higher.
- The State faces structural deficits of \$13 billion in 2026-27, \$19 billion in 2027-28, and \$15 billion in 2028-29.

Source: State Legislative Analysts Office, January 2025 report



County Budget Outlook: FY 2025-27



While the County is seeing an amount of revenue growth, the costs of operations continues to increase



Focusing on core services and programs



Planning for the needs of the region in the face of uncertainty

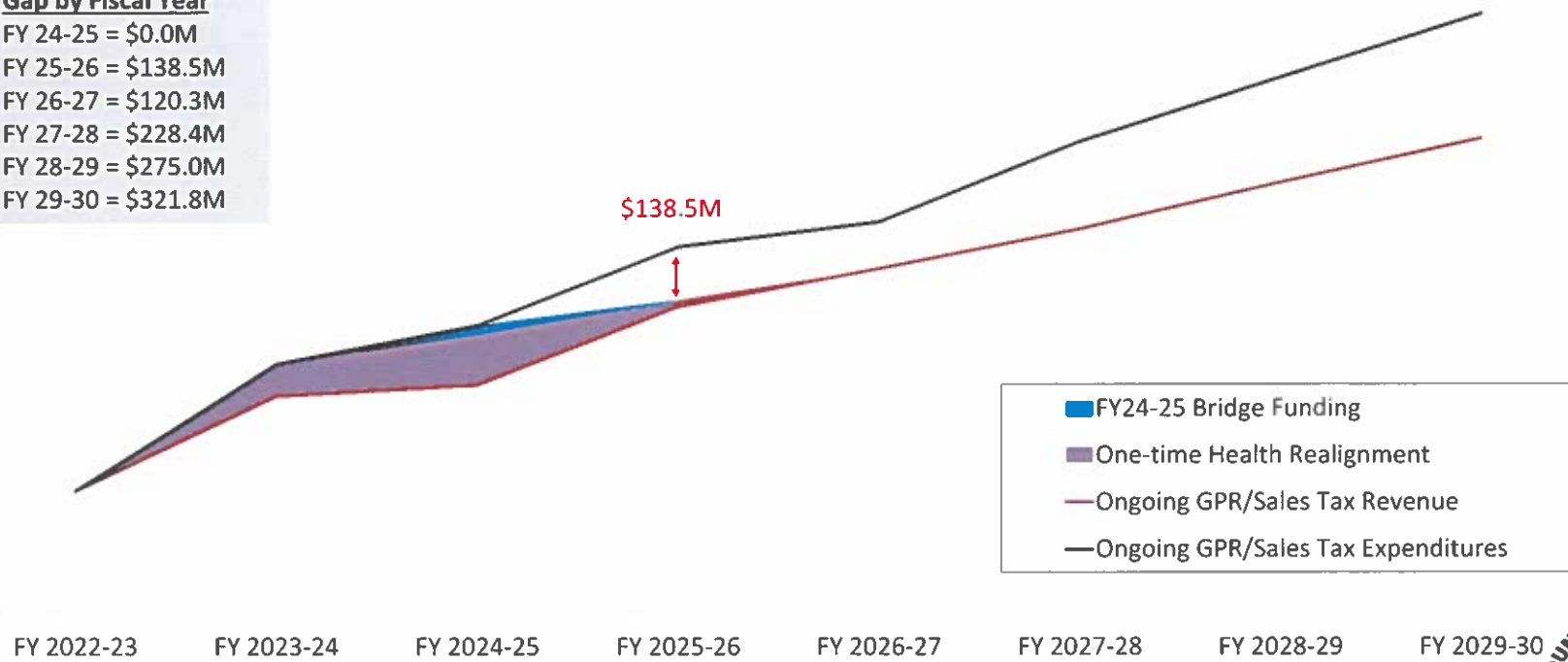
County Financial Planning as of Dec 2024

GENERAL PURPOSE REVENUE & SALES TAX OUTLOOK

\$4,200.0M
 \$4,000.0M
 \$3,800.0M
 \$3,600.0M
 \$3,400.0M
 \$3,200.0M
 \$3,000.0M
 \$2,800.0M
 \$2,600.0M
 \$2,400.0M

Cumulative Funding Gap by Fiscal Year

FY 24-25	= \$0.0M
FY 25-26	= \$138.5M
FY 26-27	= \$120.3M
FY 27-28	= \$228.4M
FY 28-29	= \$275.0M
FY 29-30	= \$321.8M

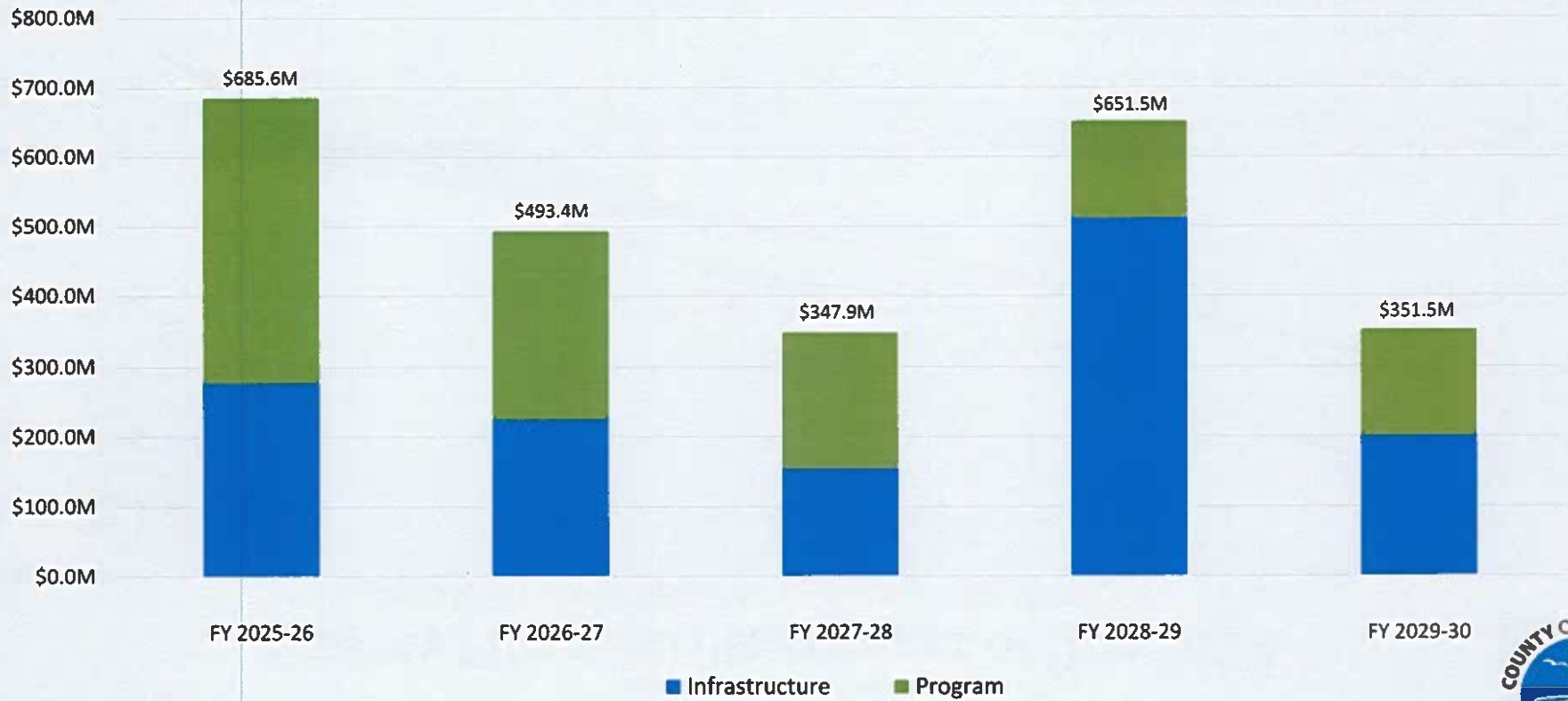


Note: Ongoing GPR/Sales Tax Revenue includes Available GPR to Mitigate Gap. Chart is inclusive of one-time Health Realignment requests and available one-time Realignment resources.



One Time Funding Items

Fiscal Years 2025-26 through 2029-30 (\$2.5 billion)



County Financial Planning | Budget Strategy



Prioritize
Mandated Services



Consolidate/Restructure
& Streamline
Operations



Delay/Suspend
New Requests



Employ Revenue
Stabilization Strategies



Maximize Alternative
Funding



Invest Limited
New GPR



Upcoming Engagement Opportunities

March	Communications Preference Survey & Priorities Tool
March/April	Budget Pop-Ups in Your Community
April	Introductory Community Open House
May 1	CAO Recommended Operational Plan released
May	Community Open House and Virtual Meeting
June 3 & 9	Public Hearings on Budget with Board <ul style="list-style-type: none">• 9:00 AM – June 3 at County Administration Center• 5:30 PM – June 9 at County Administration Center
June 12	Revised Recommended Budget Released
June 24	Budget Deliberations and Adoption



Looking Forward

 Federal Policy Impacts

 Economic Conditions

 Budget Strategies





Be Kind

Be Curious

Be Bold

Do the right thing





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