

COUNTY OF SACRAMENTO  
CALIFORNIA

For the Agenda of:  
September 3, 2025  
9:30 A.M.

To: Board of Supervisors  
Board of Directors, Sacramento County Water Agency

Through: David Villanueva, County Executive

From: Amanda Thomas, Chief Fiscal Officer  
Office of Budget & Debt Management  
Chad Rinde, Director, Department of Finance

Subject: Public Hearing On, And Consideration Of Possible Revisions  
To, The Fiscal Year 2025-26 Approved Recommended  
Budget And Capital Improvement Plan; Approve Fiscal Year  
2025-26 Adopted Budget Resolutions

District(s): All

RECOMMENDED ACTION

1. Approve the attached adopted budget resolutions for Fiscal Year 2025-26 for the following:
  - a. General Fund under the supervision and control of the Board;
  - b. Operating Funds under the supervision and control of the Board;
  - c. Special Districts under control of the Board;
  - d. Sacramento County Public Facilities Financing Corporation;
  - e. Sacramento County Water Agency
2. Approve authorization for the Director of Finance to transfer money between funds to support general fund during cash deficits.
3. Direct the Department of Personnel Services to prepare an administrative Salary Resolution Amendment (SRA) to reflect the positions approved in the FY 2025-26 Adopted Budget, including any deletion of positions and recognizing any class name changes approved by the Board but not yet reflected in the FY 2025-26 Summary of Positions.
4. Approve the project changes and new projects for inclusion in the **County's Capital Improvement Plan (CIP)** as shown on Attachment 1.
5. Consider the loan request from the City of Isleton included as Attachment 2 and provide direction and authorization to staff, as needed.

## BACKGROUND

The County Budget Act requires that boards of supervisors in every county approve a Recommended Budget by June 30<sup>th</sup> for the fiscal year that begins on the upcoming July 1<sup>st</sup>. This Approved Recommended Budget provides appropriation (expenditure) authority from July 1, until the budget is adopted, which must occur no later than October 2<sup>nd</sup>. Prior to October 2<sup>nd</sup>, the Budget Act requires that boards of supervisors hold a public hearing on the Approved Budget, including any recommended revisions, make any changes desired and approve resolutions adopting the budget.

In Sacramento County, the annual budget process begins in October and involves departments preparing their requested budgets, which are reviewed and analyzed by staff in the Office of the County Executive (OCE). OCE staff also prepare estimates of the amount of discretionary and semi-discretionary (Proposition 172 and Realignment) revenue the County will receive. After review, the County Executive provides a Recommended Budget to the Board of Supervisors for consideration, and the Board hears public comment, makes any desired revisions and approves the Recommended Budget (**the "Approved Budget"**).

Following closing **of the County's books for the prior fiscal year in late July**, departments prepare requests for revision to the Approved Budget based on updated fund balance and other information. OCE staff reviews those requests and updates discretionary and semi-discretionary revenue estimates. After review, the County Executive then recommends revisions to the Approved Budget (**the "Revised Recommended Budget"**).

The purpose of this meeting is for the Board to hold a public hearing on the Revised Recommended Budget and approve the attached budget resolutions. Government Code Section 29088 requires that the Board, after conclusion of budget hearings, formally ratify the actions by the approval of budget resolutions no later than October 2 of that year as prepared by the Department of Finance. In prior fiscal years, approval of budget resolutions was recommended during the last Board meeting in September. Beginning in FY 2025-26, staff recommend that the Board approve budget resolutions after the conclusion of public hearings. If the Board makes revisions to the Revised Recommended Budget during hearings, staff will make necessary adjustments to the budget resolutions. This process change is consistent with practices in other California counties and will allow staff to implement internal efficiencies.

In addition to approving the budget resolutions, staff is requesting that the Board take several related actions. These include:

- Approving authorization for the Director of Finance to transfer money between funds to support general fund during cash deficits, consistent with Government Code **Section 25252, which states "The board of supervisors may, by resolution, authorize the auditor to transfer money from one fund to another if the board of supervisors has authority over each fund."**
- Directing the Department of Personnel Services to prepare an administrative SRA to reflect the positions approved in the FY 2025-26 Adopted Budget, including the deletion of positions.
- Approving the new or revised projects for inclusion in the **County's CIP as shown on Attachment 1. These are projects** that are included in the Revised Recommended Budget.

#### City of Isleton Loan Request

On August 15, 2025, the County received a loan request from the City of Isleton (Attachment 2). The Revised Recommended Budget does not include funding for this loan, and as explained below, staff does not recommend entering into the loan with Isleton.

Isleton requests extension of an \$800,000 loan to be repaid with interest over a 10-year period after an initial 6-month repayment deferment. Loan principal would be used to pay off three major debts: (1) a \$500,000 bridge loan from a private lender, (2) amounts owed to the State Employment Development Department, and (3) amounts owed to the Small Cities Organized Risk Effort.

Loan payments, if not made, would **be deducted from Isleton's property tax** revenues before disbursements from the County, and Isleton requests that the interest rate not exceed the County treasury pool rate plus one percent. Due to investment restrictions for the County treasury pool, any loan would need to come from the County General Fund rather than directly from the treasury pool.

Staff does not recommend entering into the loan with Isleton for the following reasons:

- Any amount loaned to Isleton would not be available for County purposes until repaid and would need to be redirected from other General Fund uses such as the

General Fund contingency, which is already much lower than the FY 2024-25 budgeted level, or General Fund **discretionary reserves, which are well below the County's** reserve policy target.

- Financial information provided by Isleton shows the requested loan amount represents approximately 50% of annual general fund revenue, representing an outsized fiscal request for the City. This, as well as financial management concerns identified by staff and also highlighted in a recent Grand Jury report, including a lack of independent audits since FY 2020-21 and operating without timely adopted budgets in recent years, lead staff to believe it is unlikely that Isleton would be in a position to repay the loan and fund required city services from available revenues over the 10-year term. Additionally, Isleton already owes the County approximately \$600,000 for unpaid Sheriff services and for **the County's share of a prior city loan from the** redevelopment agency.
- While a County loan would provide immediate cash flow assistance, it does not address the larger structural issue **that a city of Isleton's size is** unlikely to generate sufficient tax revenue to sustainably fund city administration, debt service, and service delivery, which means that bankruptcy and/or disincorporation are very real possibilities with or without a County loan.

#### FINANCIAL ANALYSIS

**As proposed, the County's budget is balanced.** Should the Board direct staff to enter into the loan with the City of Isleton, the \$800,000 loan amount would need to be redirected from another budgeted use, including General Fund contingency or discretionary reserves.

**The Board's approval of the attached resolutions authorizes the expenditures,** revenues, reserves, and intrafund/interfund transfers as specified in the attached resolutions. Fund(s) where cash is transferred to support general fund cash flow will have a reduction in their allocation of the Treasury pool earnings.

Attachments:

RES 1 – General Fund

RES 2 – Operating Funds

RES 3 – Special Districts

RES 4 – Public Facilities Financing Corporation

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RES 5 – Sacramento County Water Agency

ATT 1 - Adjustments to the Capital Improvement Plan (CIP) and List of New  
Projects by Department

ATT 2 – City of Isleton Loan Request