



# **2026-27 General Fund Budget Outlook & Five-Year Forecast**

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# 2026-27 General Fund Budget Outlook

- Yolo County continues to face a structural budget deficit
  - Ongoing expenditures exceed and are outpacing ongoing revenues
- Solving the structural deficit will require structural solutions
  - Some combination of revenue increases and expenditure reductions
- Will not be solved in a single year
  - Deficit is the result of long-term trends that have compounded over many years
  - Will likely take several years to correct



# 2026-27 General Fund Budget Outlook

- In 2025-26, the County initiated a 2-pronged approach to balancing the budget
  - Immediate focus – meet statutory requirement to begin year with balanced budget
  - Longer-term focus – thoughtful and deliberate strategy to address structural deficit
- 2025-26 budget included some structural solutions, but was largely balanced with use of one-time or short-term solutions
  - Fund Balance, Reserves, Vacancy Savings, Chula Vista Fund, etc.
- The 2026-27 budget should begin to make meaningful progress toward addressing the structural budget deficit



# Preliminary Budget Discussions

- January 13
  - Initial discussion
  - Preliminary thoughts and feedback to inform 2026-27 Budget Principles
- January 27
  - Continued discussion
  - Approval of 2026-27 Budget Principles
  - Board direction on 2026-27 budget process and approach to addressing structural deficit



# General Fund

- The most discretionary funding for County operations
- Consists of General Purposes revenues (appx. \$118 million 25/26)
  - Property Tax, Sales Tax, Franchise Fees, etc.
- Accounts for approximately 15% of the County's total budget
- Departments requiring additional revenue to operate receive General Fund support, also referred to as Net County Cost



# General Fund Five Year Forecast

- Updated based on 2025-26 Adopted Budget
- Projects revenues and expenditures based on historical trends and other assumptions
- Includes full cost of all authorized and funded positions
- Does not assume future changes in policy or corrective actions



# General Fund Five Year Forecast

## In \$ Thousands

	2026-27	2027-28	2028-29	2029-30	2030-31
	Projected	Projected	Projected	Projected	Projected
<b>Beginning Fund Balance</b>	<b>7,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
<b>Total Revenue</b>	171,375	176,767	182,413	188,395	194,730
<b>Total Expenditures</b>	205,307	216,979	227,010	236,759	246,995
<b>Ending Fund Balance</b>	<b>(26,932)</b>	<b>(35,213)</b>	<b>(39,597)</b>	<b>(43,365)</b>	<b>(47,265)</b>
<b>Potential Additional Expenditures</b>	<b>3,105</b>	<b>3,194</b>	<b>3,286</b>	<b>3,377</b>	<b>3,473</b>
Pension Supplemental	2,105	2,194	2,286	2,377	2,473
Contingency	1,000	1,000	1,000	1,000	1,000
<b>Adjusted Ending Fund Balance</b>	<b>(30,037)</b>	<b>(38,407)</b>	<b>(42,883)</b>	<b>(46,742)</b>	<b>(50,738)</b>



# General Fund Five Year Forecast

## Key Assumptions

### Revenues

- Property Tax – 4% Growth
- Sales Tax/Prop. 172 – 3% Growth
- RDA Pass-Through – 7% Growth
- Gradual decline in Interest Earnings
- Continuing decline in fund balances

### Expenditures

- Includes all authorized and funded positions
- No vacancy or salary savings
- Salary Growth – 4.5% (average)
- Pension/OPEB – Based on current valuation reports
- No GF backfill for impacts of Federal policy changes

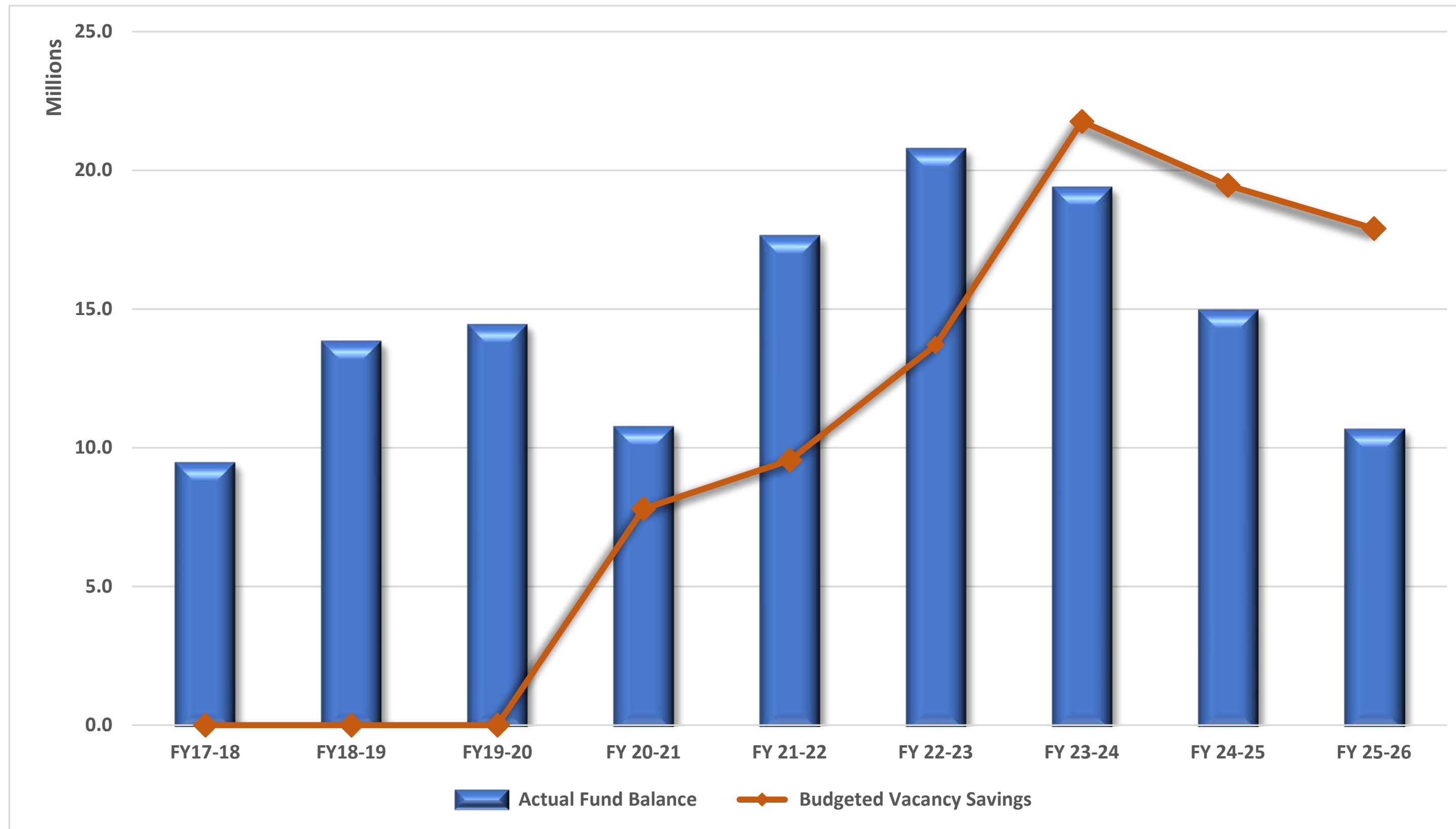


# General Fund Unassigned Fund Balance





# Fund Balance & Budgeted Vacancy Savings





# Options to Address Structural Deficit

Can only be solved through revenue increases or expenditure reductions

- Based on forecast, \$47 million in combined revenue increases and expenditure reductions will be required over the next five years

Potential options for revenue enhancement presented to Board on November 18, 2025

- Board encouraged to consider viability of revenue options in light of projected deficits
- Whatever portion of structural deficit that cannot be solved through new revenues will need to be solved through expenditure reductions
- Given the magnitude of projected deficits, even multiple new revenue sources will likely be insufficient to resolve structural deficit



# Notable General Fund Revenue Options

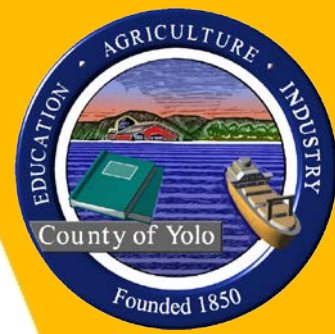
## As Presented on 11/18/2025

Sample Revenue Concepts	Potential Revenue (per year)
Countywide Sales Tax (0.5%)	\$25,000,000
Unincorporated Sales Tax (1.0%)	\$6,000,000
Legislative ERAF Fix	\$3,000,000
Enhanced Cost Recovery	\$500,000
Economic Development	TBD



# Options to Address Structural Deficit

- Many revenue options require voter approval and cannot be implemented immediately
- Expenditure reductions are required in 2026-27 to make progress on addressing structural deficit
- Magnitude of reductions will depend on future revenue assumptions, and how aggressively the County acts to resolve the deficit
  - Staff will be seeking Board feedback on these two points at the January 27 Board meeting



# Baseline Scenario

Assumes no new revenue & no reductions in 2026-27

	2026-27	2027-28	2028-29	2029-30	2030-31	<i>Reserve Balances</i>
<b>Adjusted Deficit</b>	<i>(26,932)</i>	<i>(35,213)</i>	<i>(20,934)</i>	<i>(6,443)</i>	<i>(3,900)</i>	
New Revenue	0	0	0	0	0	
Reductions	0	18,663	18,259	6,443	3,900	
One-Time Funding Sources	26,932	16,550	2,675	0	0	
<b>Total Solutions</b>	<b>26,932</b>	<b>35,213</b>	<b>20,934</b>	<b>6,443</b>	<b>3,900</b>	
<i>Suplus/(Deficit)</i>	<i>0</i>	<i>0</i>	<i>(0)</i>	<i>0</i>	<i>0</i>	
<u>One-Time Funding Detail</u>						
General Reserve	10,076	13,875	0	0	0	0
Pension Trust	9,344	0	0	0	0	0
Chula Vista Fund	3,376	2,000	2,000	0	0	
Other One-Time Funding	4,136	675	675	0	0	
<b>Total One-Time Funding</b>	<b>26,932</b>	<b>16,550</b>	<b>2,675</b>	<b>0</b>	<b>0</b>	



# Alternate Scenarios

- Scenario 1 – Maximize reductions to achieve structural balance as quickly as possible
- Scenario 2 – Spread reductions out over 2-3 years and utilize one-time funding/reserves to balance the budget in the interim
- Scenario 3 – Some variation of Scenarios 1 and 2 but with assumption of new revenues
  - May also require use of one-time revenues/reserves to balance the budget



# Conclusion and Next Steps

- January 13 – Initial budget outlook discussion
  - Preliminary thoughts and feedback to inform 2026-27 Budget Principles
- January 27 – Continued budget outlook discussion
  - Approval of 2026-27 Budget Principles & Budget Calendar
  - Direction on 2026-27 budget process and approach to addressing structural deficit
- January 28 – Budget instructions sent to departments & budget system open
- February 27 – Budget submissions due from departments



# Questions/Discussion



# Appendix



# County Full-Time Equivalents

- Authorized County FTE: 1,824.35
- Funded FTE (2025-26 Adopted Budget): 1777.0
- Funded and Vacant FTE (12/29/25): 205.17
- Average FTE Salary and Benefit Cost (Projected 2026-27 Recommended Budget):  
\$178,587



# General Reserve

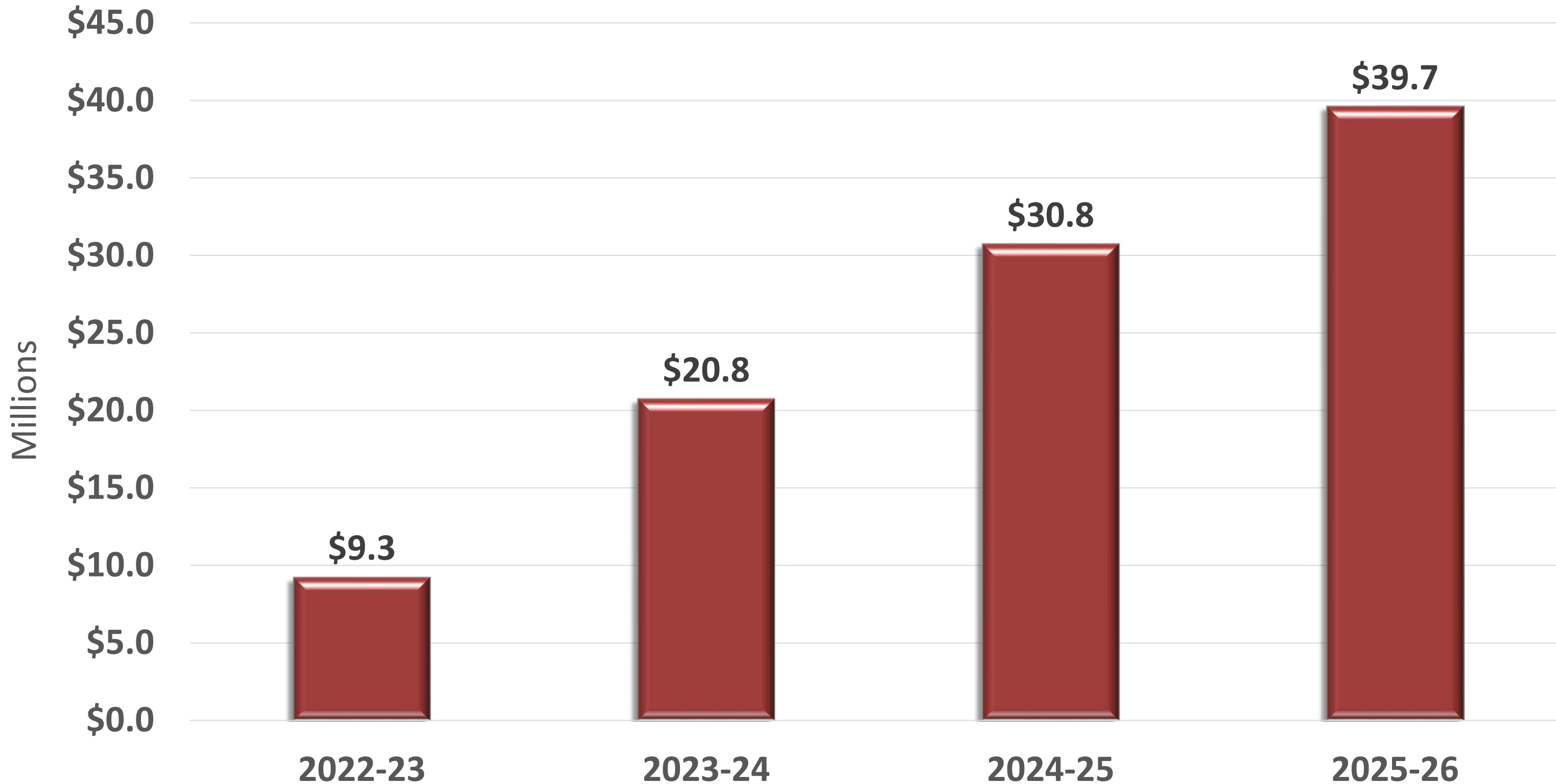


Reserve Target – 10%

Current Balance  
\$23.9 million



# Base Budget Gap Trend





# Fund Balance in the Recommended Budget

