



Financial Update

2024-25

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County Administrative Office

March 26, 2024

Topics:

- 2024-25 Areas of Focus
- Economic Drivers and Outlook
- County Financial Outlook
- Risks
- Next Steps in 2024-25 Budget

2024-25 Areas of Focus

- Early Board Engagement
- Strategic Planning
- Use of Data to Guide Decisions
- Careful, Though Confident
 - “Slower Growth”

Economic Driver – Inflation & Interest Rates

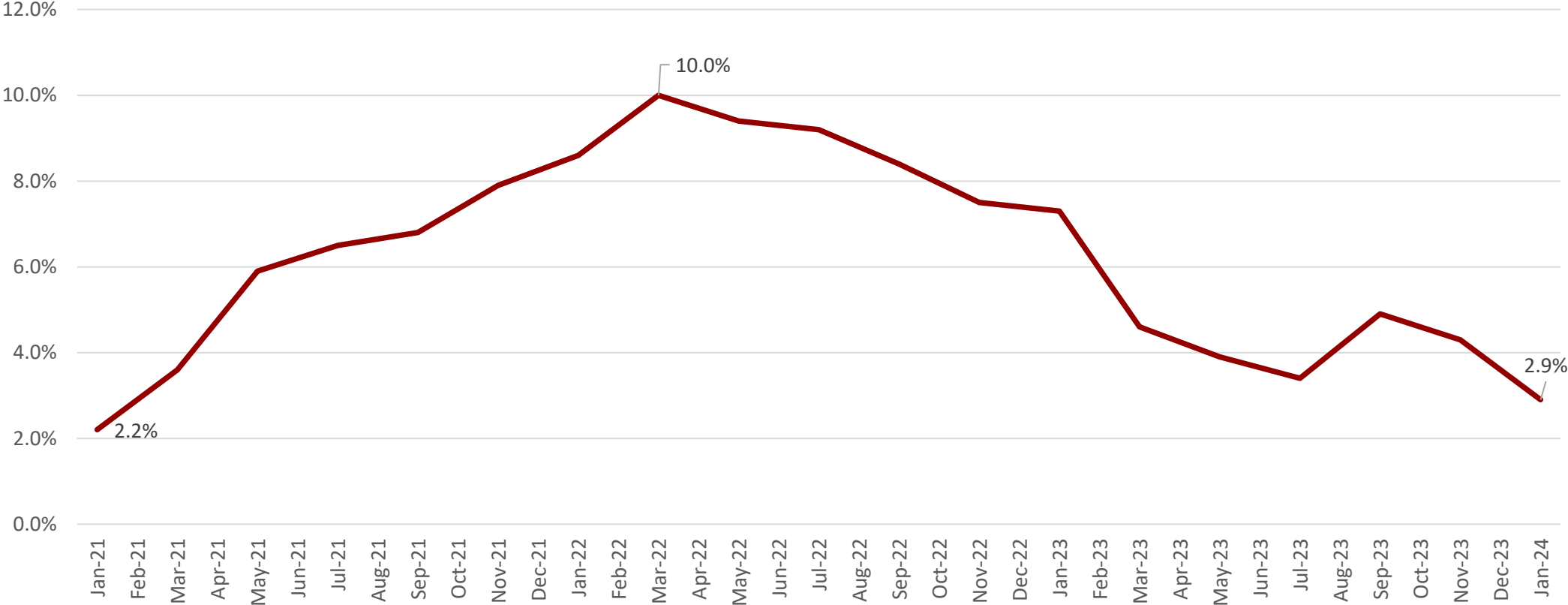
A primary economic driver facing the County (and Country) has been inflation and the Federal Reserve's response through adjustments to the Federal Funds Rate (i.e. interest rates). The overall economy has been resilient, but the longer rates stay high, various economic sectors may be impacted, such as:

- Home Sales
- Consumer Spending
- Investments
- Labor Market

LOCAL ECONOMY

INFLATION – TRENDING LOWER

Annual Percent Change in Consumer Price Index for all Urban Consumers (CPI-U)
Riverside-San Bernardino-Ontario, CA, January 2021-January 2024



Source: U.S. Bureau of Labor Statistics

— All items

California Economy: Beacon Economics

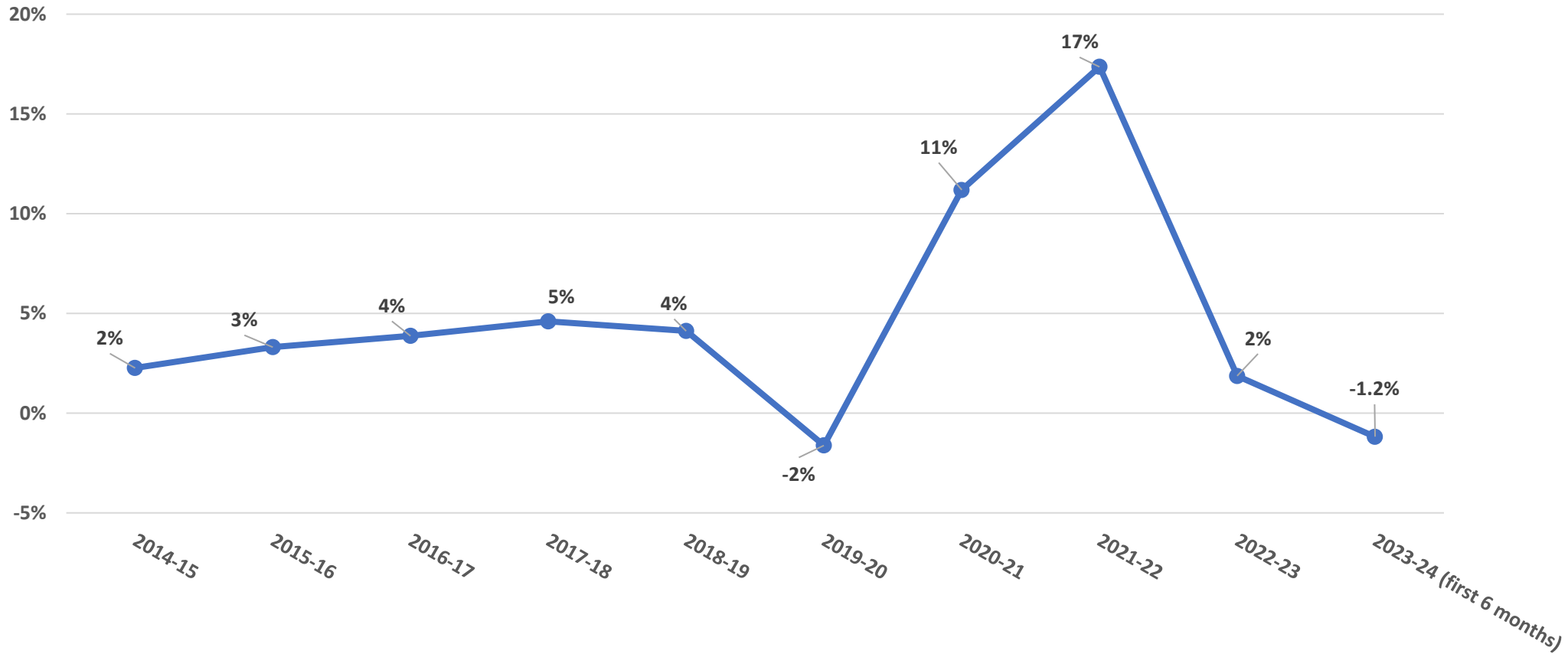
Reports provided by Beacon Economics indicate the following:

- While Beacon Economics does not expect an economic calamity to materialize in California, we expect slower growth in 2024.
- These economic headwinds have not stopped California home prices, which are well above the pre-pandemic peak in February 2020.
- As of October 2023, seasonally adjusted existing single family home sales had declined for 26 consecutive months, and rapidly rising mortgage rates have further exacerbated California's chronic housing shortage.

LOCAL REVENUE

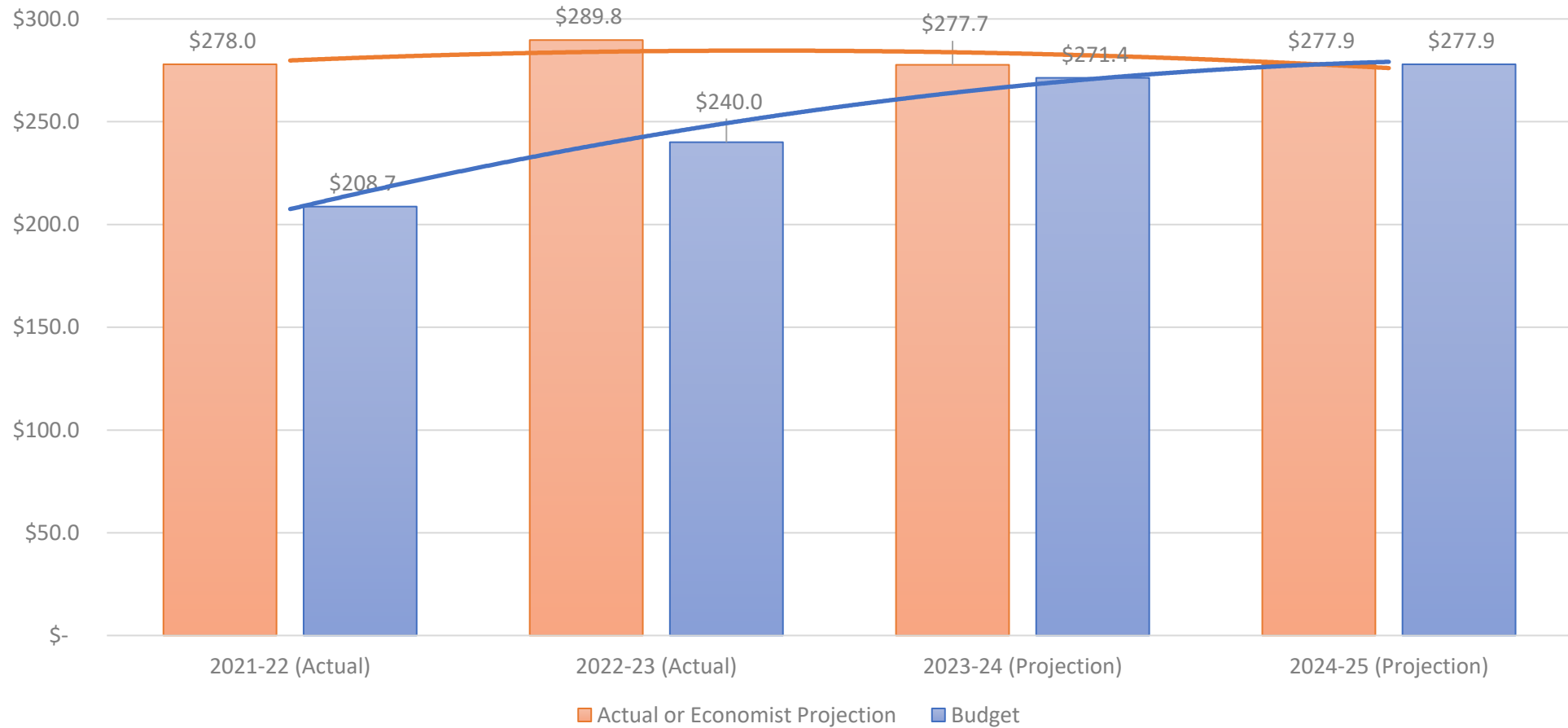
PROPOSITION 172 PUBLIC SAFETY HALF-CENT SALES TAX

Statewide Percent Increase/Decrease



LOCAL REVENUE

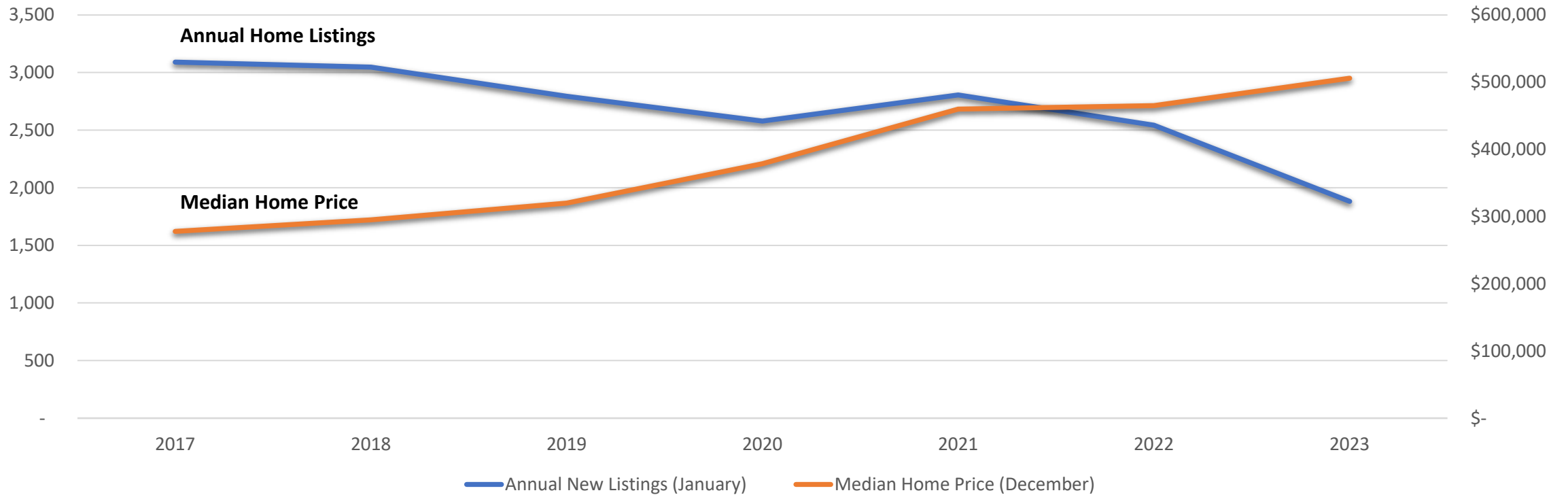
PROP 172: COUNTY BUDGET AND ACTUALS/PROJECTIONS



LOCAL REVENUE

PROPERTY TAX RELATED

San Bernardino County
Home Listing and Median Home Price



Financial Outlook Notable Changes



- Conservative Property Tax Growth Model
 - 3% 2024-25 and beyond
 - Over the last 10 Years = 6.6% Average Annual Assessed Valuation Growth Rate



- Sales Tax Slow-Down (Proposition 172 Half Cent)
 - 2022-23 and 2023-24 New Program Funding - \$50 Million
 - 2024-25 New Program Funding - \$0



- Employee Costs
\$187.6 Million Ongoing General Fund for Memoranda of Understanding through 2028-29
- Retirement Costs
\$44.5 Million Ongoing Savings – largely due to Final Pension Obligation Bond Payment in 2023-24
- Human Service Programs
\$52.4 Million Ongoing General Fund through 2028-29 primarily for projected In-Home Supportive Services Maintenance of Effort increases and Adoption cost increases

Prior Years
Funding for
Economic
Uncertainty

• • •
**\$69 Million
Ongoing**

Risks



- State Budget Deficit
 - Governor's Budget Proposal - \$38 Billion Deficit
 - Legislative Analyst Office - \$73 Billion Deficit



- May Revise - ???

- Federal Government Shutdown



- Recession

- Federal Reserve Maintains High Rates Too Long



- Geopolitical Risks

- Disasters/Emergencies

Next Steps:

May 7, 2024:

2024-25 Budget Workshop

May 21, 2024:

Budget Book Delivery

June 11, 2024:

2024-25 Budget Hearing and Adoption

QUESTIONS



THANK YOU