



Financial Update

2025-26

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Matthew Erickson, *County Chief Financial Officer*

County Administrative Office

March 25, 2025

Topics:

- 2025-26 Areas of Focus
- Economic Drivers and Outlook
- County Financial Outlook
- Risks
- Next Steps in 2025-26 Budget

2025-26 Areas of Focus

- Use of Data to Guide Decisions
- Recruitment and Retention
- Stability Amid Uncertainty
- Strategic Planning
 - Seek Opportunities Responsibly

Economic Driver – Tariffs, Inflation & Interest Rates

The primary economic driver facing the County (and Country) is tied to the interplay between tariffs, inflation, and the Federal Reserve's response through the Federal Funds Rate (i.e. interest rates). This could result in **stagflation**, where we could see:

- **stagnant economic growth,**
- **high unemployment, and**
- **rising inflation.**

San Bernardino County Economy: Beacon Economics

January 2025

“Despite uncertainty... Beacon Economics is confident that the economy will stay on track in the near term and does not foresee a recession. **The outlook for San Bernardino County could change if... tariffs [are imposed] on key trading partners, triggering a trade war.”**

LOCAL ECONOMY

LOGISTICS EMPLOYMENT IN SOUTHERN CALIFORNIA

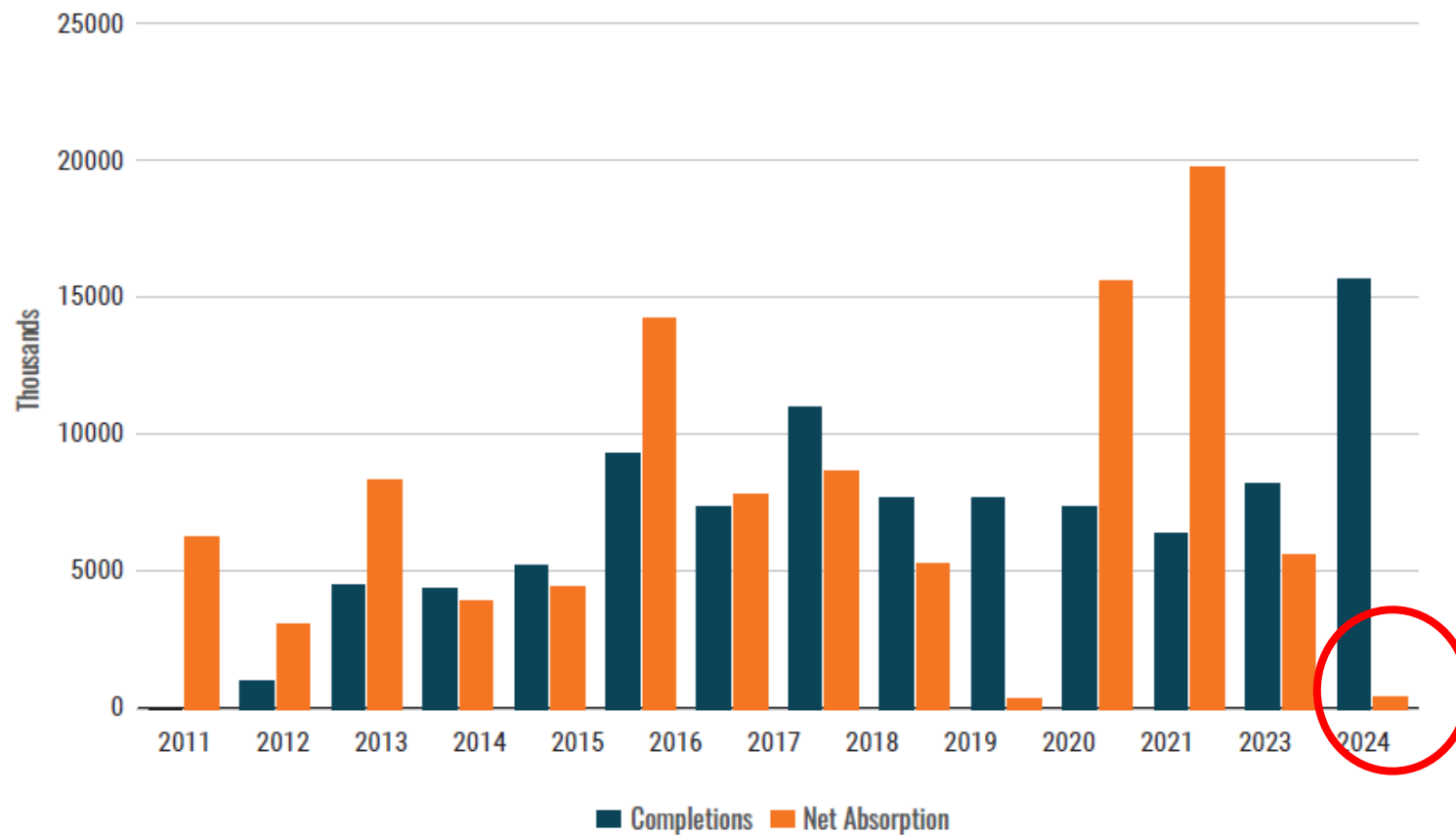
	Transportation and Warehousing					
	Change from 2020-Q1			Change from 2022-Q1		
	Change	Percent		Change	Percent	
Los Angeles	3500	1.8		-6502	-3.2	
Orange	4535	16.9		2356	8.1	
Riverside	19216	35.9		-3868	-5	
San Bernardino	23102	24		-10707	-8.2	
San Diego	7618	26.9		1144	3.3	
Ventura	2114	40.2		85	1.2	

Source: US Bureau of Labor Statistics. Analysis by Beacon Economics

LOCAL ECONOMY

ABSORPTION OF WAREHOUSE IN SOUTHERN CALIFORNIA

NET ABSORPTION OF WAREHOUSE/DISTRIBUTION SPACE BY FY IN SAN BERNARDINO COUNTY



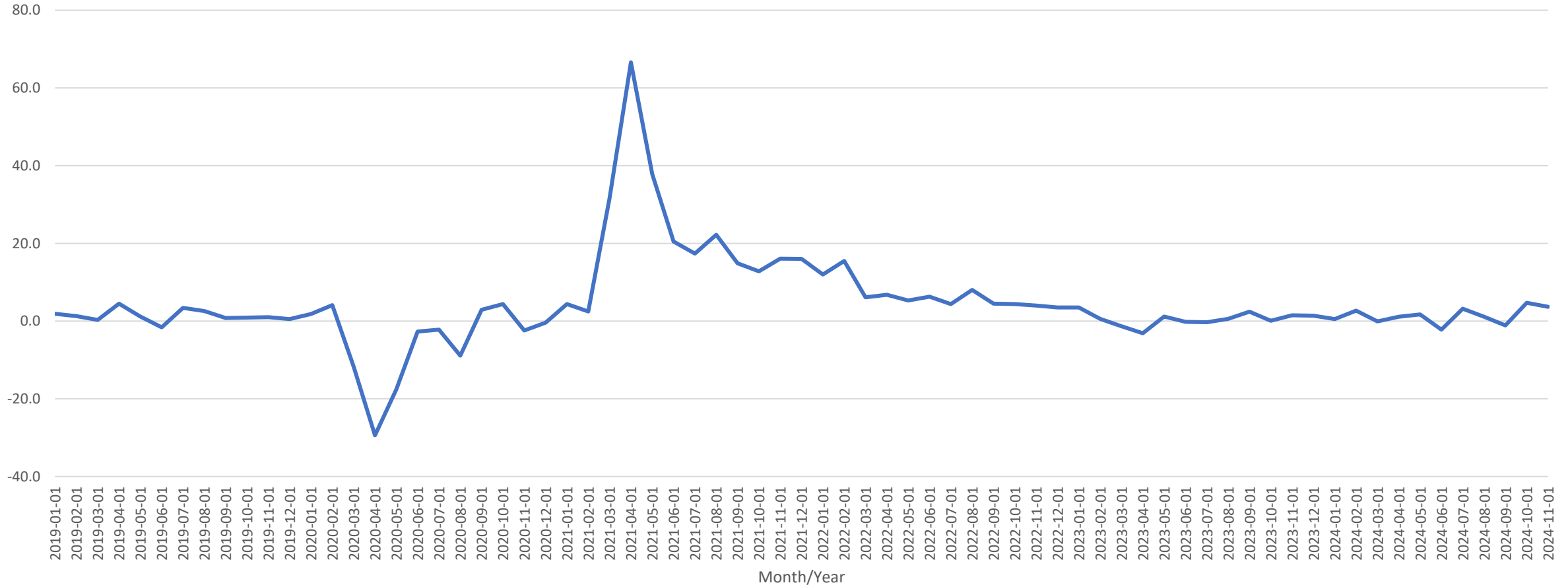
Net Absorption:

The total square feet that has been occupied less the square feet that has become physically vacant.

Source: Board of Governors of the Federal Reserve System, Analysis by Beacon Economics

CALIFORNIA ECONOMY

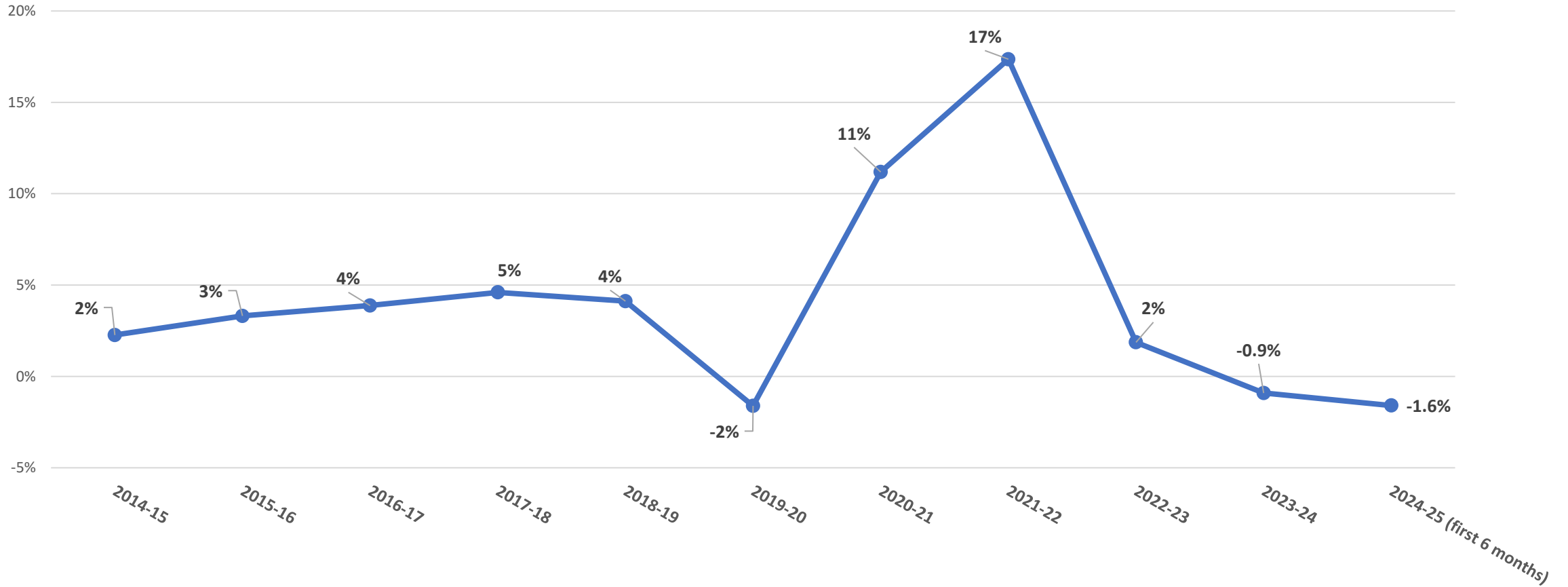
Monthly State Retail Sales: Total Retail Sales Excluding Nonstore Retailers in California



LOCAL REVENUE

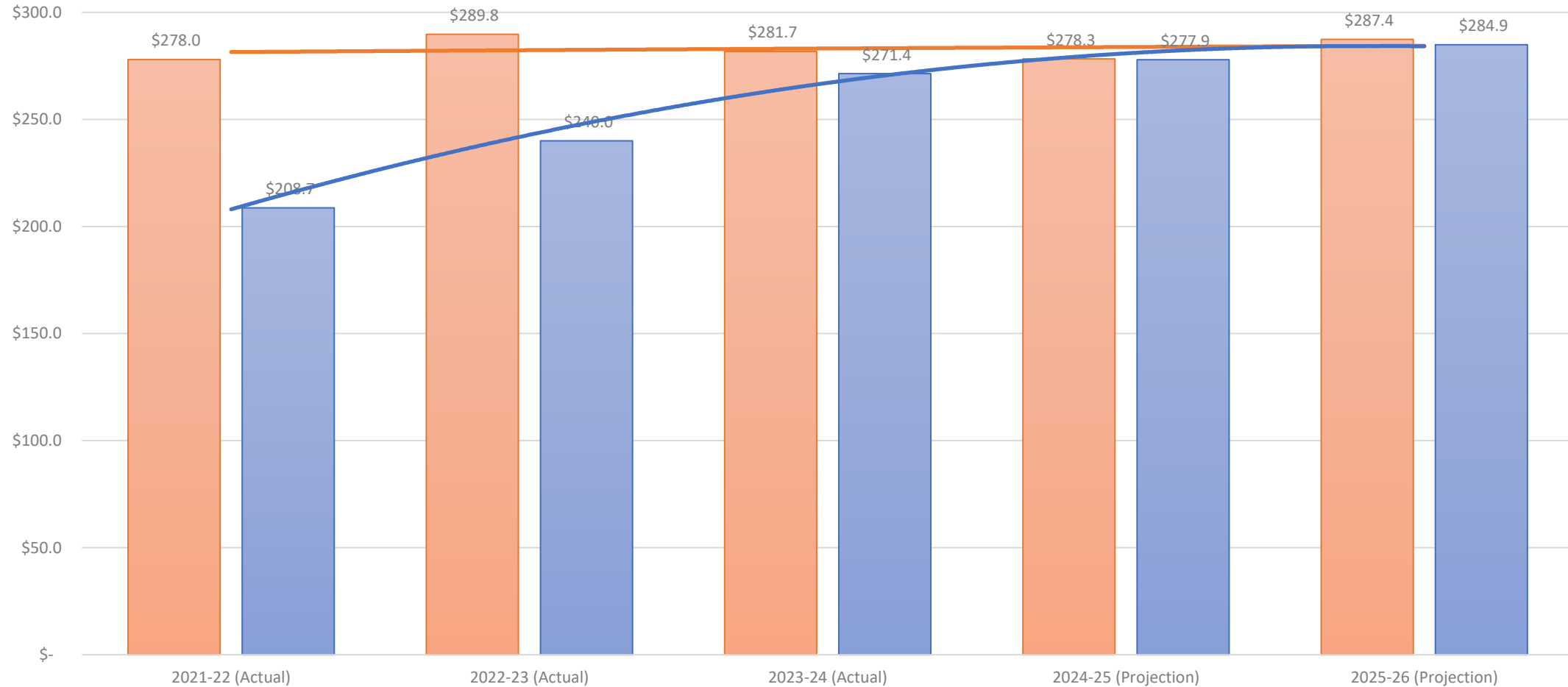
PROPOSITION 172 PUBLIC SAFETY HALF-CENT SALES TAX

Percent Increase/Decrease



LOCAL REVENUE

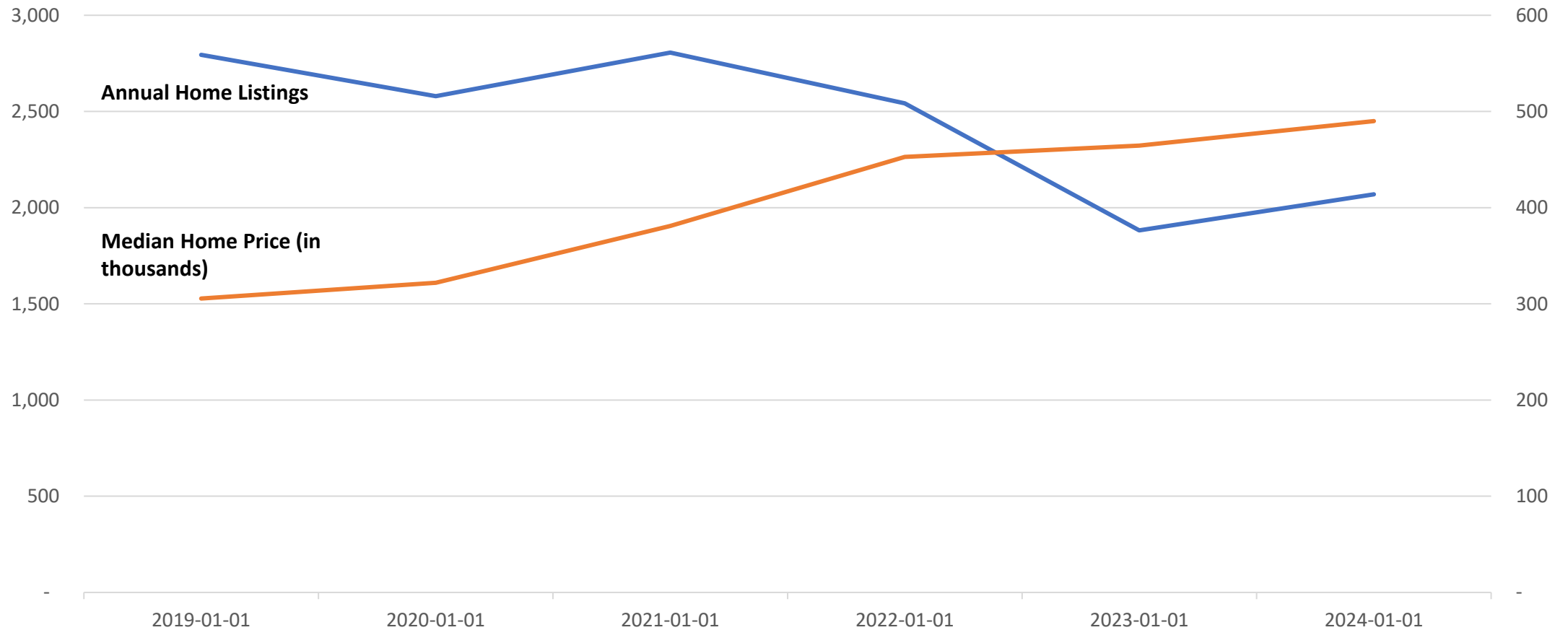
PROP 172: COUNTY BUDGET AND ACTUALS/PROJECTIONS



Actual or Economist Projection Budget Poly. (Actual or Economist Projection) Poly. (Budget)

LOCAL REVENUE

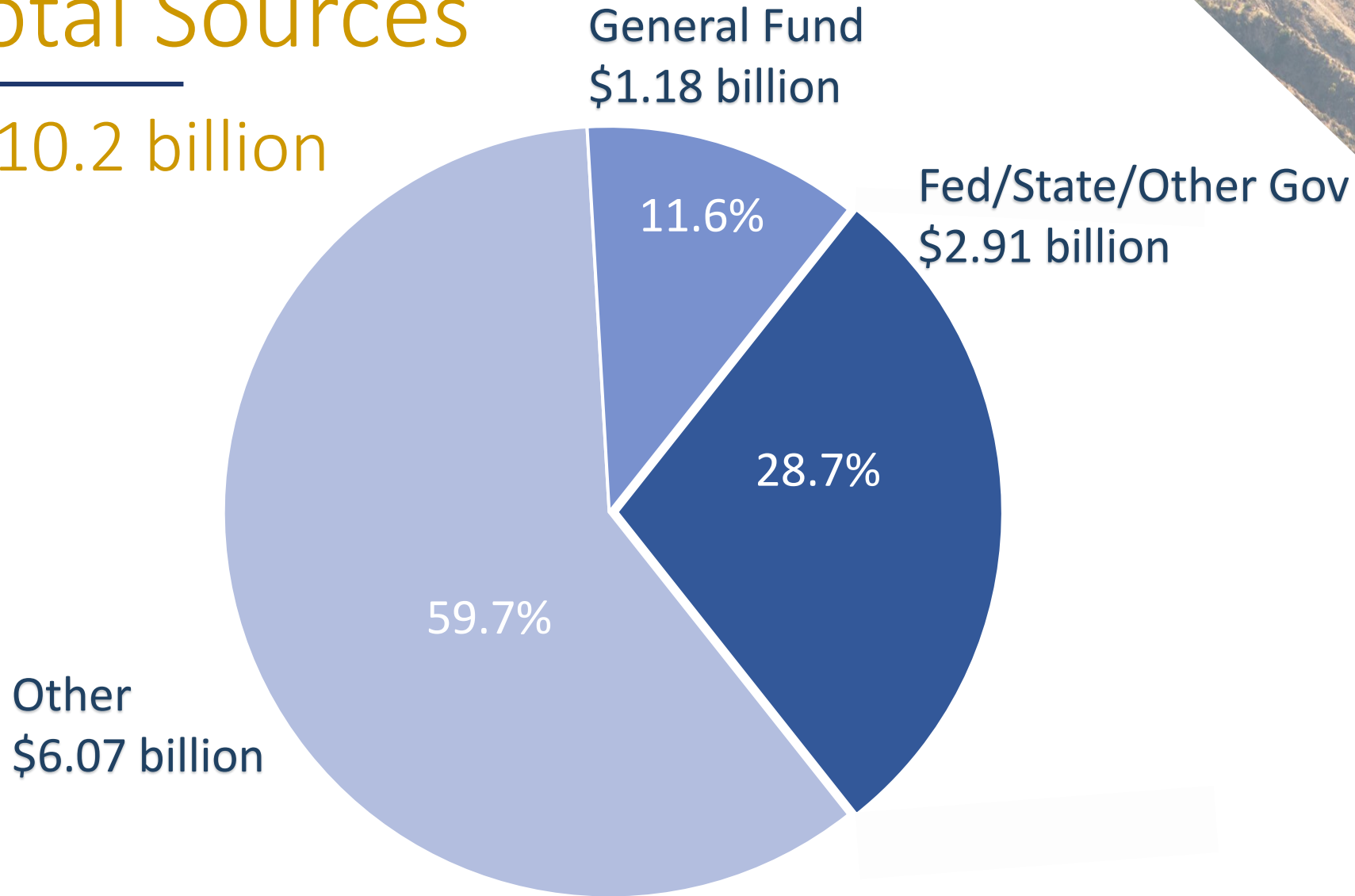
PROPERTY TAX RELATED



FEDERAL FUNDING UNCERTAINTY

Total Sources

\$10.2 billion



Financial Outlook Notable Changes



- Conservative Property Tax Growth Model
 - 3% 2025-26 and beyond
 - Over the last 10 Years = 6.7% 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
 - 2025-26 New Program Funding - \$0
- Employee Costs
 - \$200+ Million Ongoing General Fund For MOUs Through 2029-30
- Retirement Costs
 - \$31.0 Million Ongoing Savings
 - Market Uncertainty
- Jail Needs
 - \$9.3 million set aside for future needs



Prior Years
Funding for
Economic
Uncertainty

• • •
\$74 Million
Ongoing

Risks



- Federal Funding Uncertainty



- Recession/Stagflation



- Disasters/Emergencies



- State Budget

Next Steps:

May 6, 2025:

2025-26 Budget Workshop

May 20, 2025:

Budget Book Delivery

June 10, 2025:

2025-26 Budget Hearing and Adoption

QUESTIONS



THANK YOU