

TEHAMA COUNTY FY 2025-26 ADOPTED BUDGET OVERVIEW NARRATIVE



AUG 5, 2025

BUDGET OVERVIEW

In accordance with State Law, this document presents Administration's recommendation for the Fiscal Year (FY) 2025-26 Budget to the Board of Supervisors.

Administration and the budget team would like to thank the County's department heads and their fiscal staff for their dedicated work in developing this year's budget. During this period of economic uncertainty at both the state and local levels, the goal of our teams and County departments has been to present the Board with a fiscally conservative budget that prioritizes core services.

At the start of this budget cycle, we implemented a significant change to how vacant positions are budgeted. Funding for these positions has been removed from individual department budgets and consolidated into a single contingency fund. This new process allows for better tracking and simplifies budget management at both the department and county-wide levels. This policy change, combined with close collaboration with departments to identify and prioritize essential services, has shaped the budget presented here.

The chart below (Exhibit A) represents a budget comparison across three fiscal years, focusing on the changes between the adopted budget for FY 2024-25 and the adopted budget for FY 2025-26. It also details the differences between the recommended and final adopted budgets for FY 2025-26.

EXHIBIT A

	ADOPTED FY 23-24	ADOPTED FY 24-25	RECOMMENDED FY 25-26	ADOPTED FY 25-26	REC vs. ADOPTED FY 25-26
Taxes	36,381,243	37,103,357	39,350,862	39,659,990	309,128
License & Permits	4,384,631	4,296,895	4,897,927	4,805,733	(92,194)
Fines Forfeitures & Penalties	1,464,797	1,433,461	2,149,298	2,149,298	-
Revenue from Money & Property	1,407,722	2,517,187	2,041,264	2,041,264	-
Intergovernmental	169,783,412	172,672,272	140,172,070	140,986,248	814,178
Charge for Current Service	46,711,356	35,311,231	53,659,361	54,918,255	1,258,895
Other Revenue	24,689,433	47,521,189	24,360,894	49,819,277	25,458,383
	284,822,594	300,855,591	266,631,675	294,380,065	27,748,391
Salary & Benefits	101,106,847	105,175,414	103,885,566	104,830,271	944,704
Services & Supplies	117,263,211	113,125,046	86,527,395	87,559,619	1,032,223
Fixed Assets	16,373,398	25,846,837	15,789,342	16,345,565	556,223
Other Charges	39,941,230	39,489,706	40,341,293	66,309,067	25,967,774
Transfers & Reimbursements	25,060,844	26,735,275	30,184,106	30,615,195	431,089
	299,745,531	310,372,278	276,727,702	305,659,716	28,932,014

Overall Financial Summary

The adopted budget for Fiscal Year 2025-26 includes total revenues of \$294,380,068 and total expenditures of \$305,659,716. This results in a projected budget deficit of \$11,279,650 across all funds.

It is important to note that of this \$11.2 million deficit, \$4,040,373 is structured to be covered by prior-year fund reserves in non-General Funds revenues. The remaining **\$7,239,277** is the portion of the deficit impacting the General Fund and Public Safety funds, which will need to be covered by the General Fund reserve. This represents a **\$313,071 reduction** in the projected General Fund and Public Safety deficit compared to the \$7,552,348 deficit in the recommended budget.

Year-Over-Year Comparison (Adopted FY 2024-25 vs. Adopted FY 2025-26)

Revenues

When comparing this year's budget to the last, total adopted revenues for FY 2025-26 are projected to decrease by approximately \$6.5 million (-2.15%). This change is almost entirely driven by a significant \$31.7 million reduction in Intergovernmental funding, which fell from \$172.7 million to \$141 million. However, this steep decline was partially offset by strong performance in other areas. The County saw a substantial increase of \$19.6 million from Charges for Current Services, while revenue from Taxes and Other Revenue also grew by a combined \$4.8 million.

Expenditures

On the expenditure side, the budget shows a net decrease of about \$4.7 million (-1.52%) from the prior year. This reflects a major shift in spending priorities rather than an overall cut. A large reduction of \$25.6 million was achieved in Services and Supplies, but this was almost entirely redirected into a \$26.8 million increase in Other Charges. The budget also includes a notable \$9.5 million decrease in Fixed Assets, which is primarily due to reduced costs as the Jail Expansion Project nears completion. Finally, the budget accounts for contractual obligations, with Salary and Benefits rising by \$3.7 million to cover negotiated MOU increases and Transfers and Reimbursements increasing by \$3.9 million.

Recommended vs. Adopted Budget Analysis (FY 2025-26)

The final adopted budget for FY 2025-26 is significantly larger than the budget that was initially recommended. Adopted revenues ended up being \$27.7 million higher than the recommended amount, a change driven almost exclusively by a \$25.5 million upward adjustment to the Other Revenue category. Similarly, adopted expenditures grew by \$28.9 million over what was recommended. The vast majority of this increase can be traced to the Other Charges category, which was increased by nearly \$26 million, from a recommended \$40.3 million to the final adopted amount of \$66.3 million.

MISSION AND STRATEGIC PRIORITIES

This budget is more than just a collection of numbers. It is a reflection of our commitment to responsible fiscal stewardship and a strategic plan for Tehama County's future. The foundation of our approach is a

renewed focus on the fundamentals: ensuring every dollar is spent wisely to deliver the essential services our residents rely on.

A cornerstone of this year's budget process was a significant update to our internal policies. We began by changing how we budget for vacant positions, moving them from individual department budgets into a central contingency fund. This structural change provides a clearer, more accurate picture of our actual personnel costs and prevents funds from being tied up in unfilled roles. This allows for more strategic allocation of resources throughout the year. This policy, combined with a rigorous, detailed analysis of every request for new positions and fixed assets, ensures that we are investing in personnel and equipment that directly support core public services.

These priorities are clearly visible in the budget figures. The deliberate choices made to focus on essential functions are a key reason for the significant decrease seen in the Services and Supplies category. By carefully evaluating needs versus wants, we were able to redirect funds to more critical areas, reflecting our commitment to lean and effective government.

This disciplined approach is not just about navigating the upcoming fiscal year. It is a proactive stance designed to prepare Tehama County for the challenges ahead. We are acutely aware of the economic instability at the state level and the corresponding uncertainty of state revenue streams. Compounded by a lack of significant new local revenues, it is imperative that we plan not just for today, but for the years to come. This budget represents a critical step in building a resilient financial future for our county, ensuring we can weather economic shifts while continuing to provide the services that our community deserves.

FINANCIAL OVERVIEW: EXPENDITURE AND REVENUES

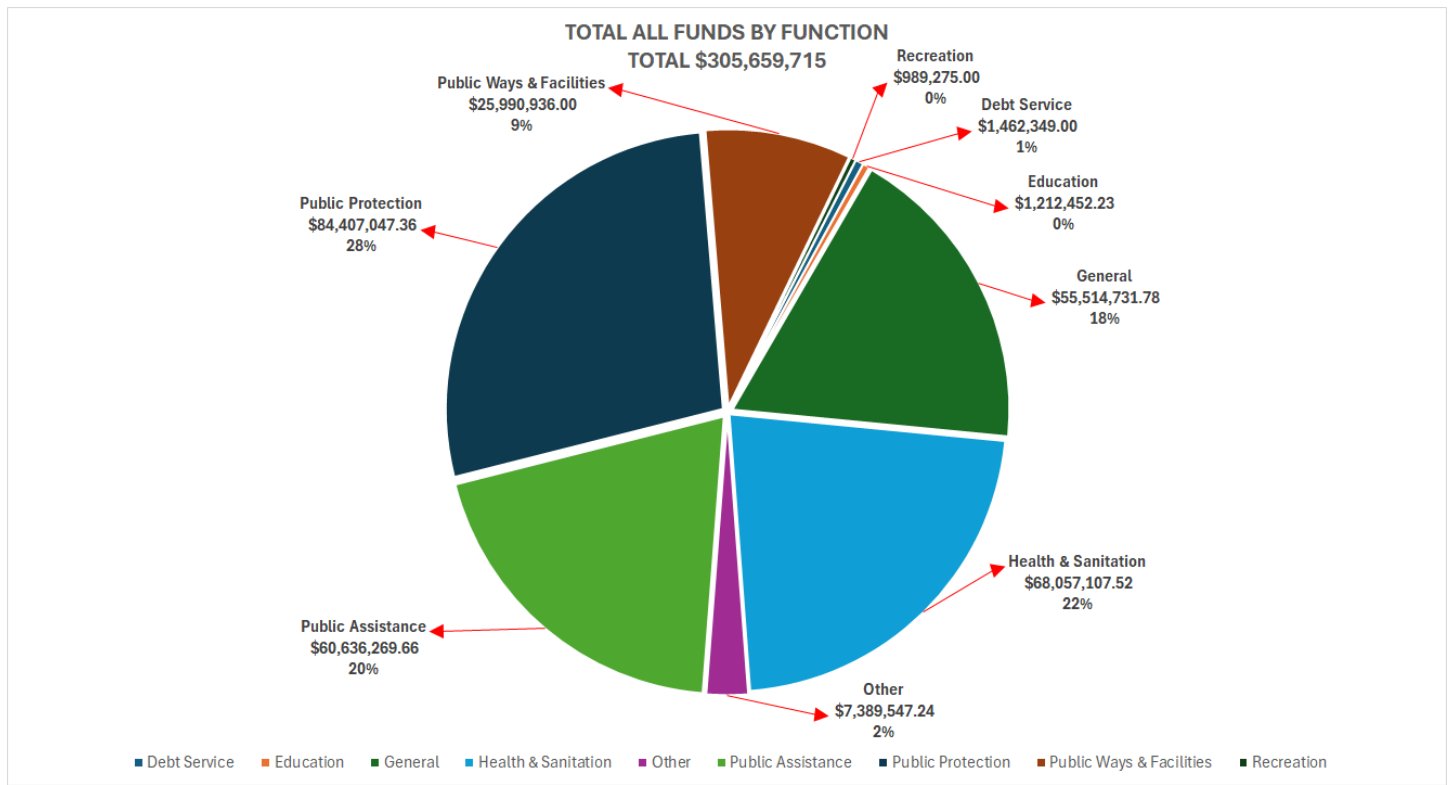
This budget is allocated across several key government functions, and the distribution of these funds provides a clear picture of the County's strategic priorities. The chart, titled "TOTAL ALL FUNDS BY FUNCTION" (Exhibit B), breaks down the total expenditures of \$305,659,715 and shows a significant concentration of resources in areas essential to public well-being and safety. This allocation is a direct reflection of our mission to prioritize core services, ensuring that the majority of funding is directed toward the most critical community needs.

The county's commitment to its residents is most evident in its three largest areas of expenditure. Public Protection stands as the single largest investment, commanding \$84,407,047, which is 28% of the total budget. This is followed closely by spending on Health & Sanitation at \$68,057,108 (22%) and Public Assistance at \$60,636,270 (20%). In total, these three core functions represent 70% of all county expenditures, a figure that powerfully underscores our strategic focus on maintaining a safe, healthy, and supportive community.

Beyond these top-tier priorities, significant funding is also dedicated to the foundational operations of the county. The General government function accounts for \$55,514,732 (18%), while Public Ways & Facilities, which includes infrastructure, receives \$25,990,936 (9%). The remaining functions receive a much smaller portion of the budget, with Debt Service at 1% and both Recreation and Education at less than 1% each. This distribution demonstrates a disciplined approach, confirming that while all functions

of government are maintained, resources are strategically focused on the areas that have the greatest impact on the daily lives of Tehama County residents.

EXHIBIT B



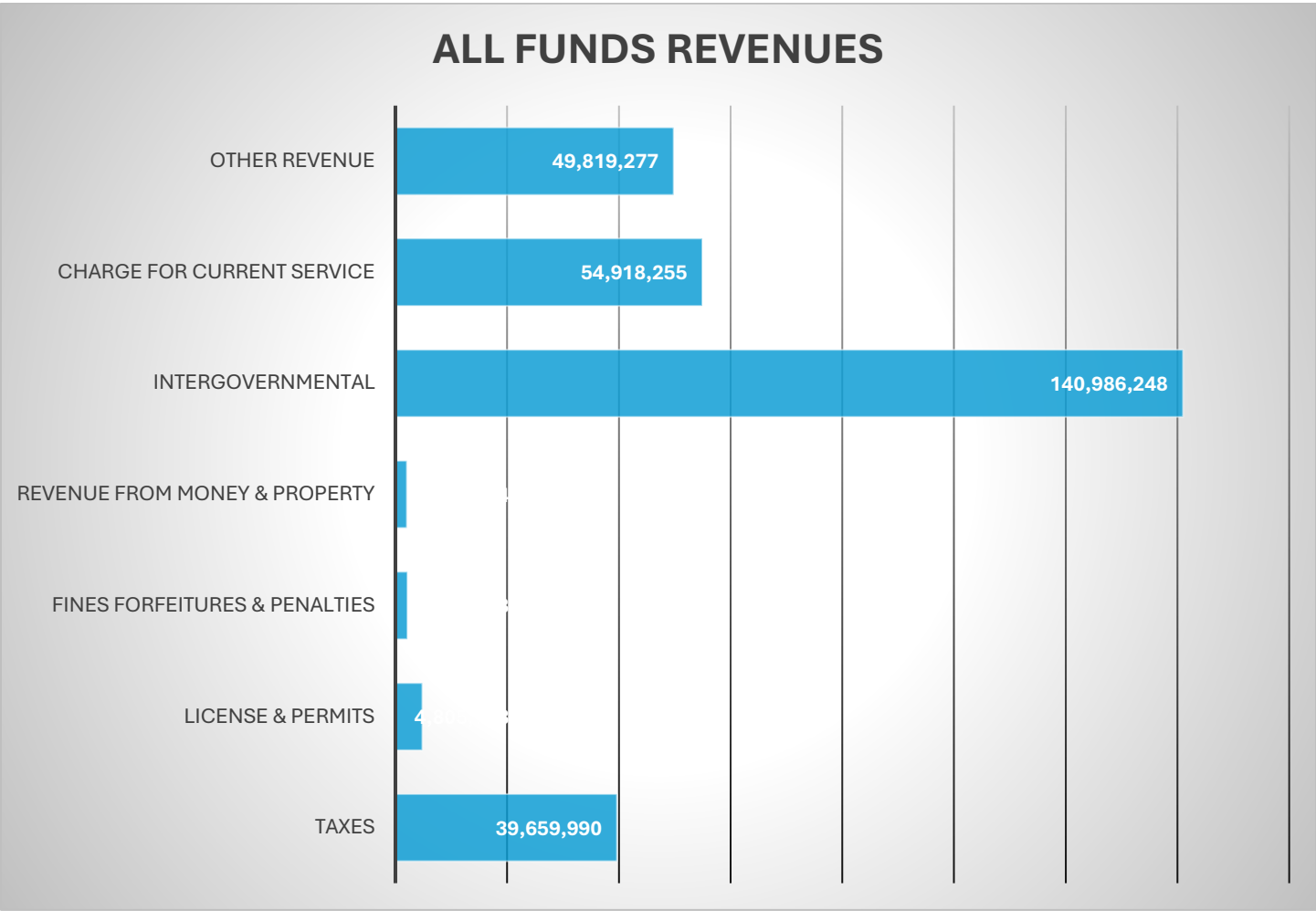
An analysis of the county’s revenue sources for the adopted FY 25-26 budget reveals a heavy reliance on funding from external government agencies rather than local sources. The total anticipated revenue is \$294,380,065 (Exhibit C). Understanding where this money comes from is fundamental to appreciating the county's financial position and the strategic challenges it faces. The revenue breakdown clearly illustrates why fiscal discipline and long-term planning are not just priorities, but necessities for maintaining stable operations and services for our residents.

The overwhelming majority of the county’s funding comes from three main sources. The single largest source is Intergovernmental revenue, which provides \$140,986,248, or nearly half of the total budget. This category represents funding passed down from the state and federal governments. The next two most significant sources are Charge for Current Service, which accounts for \$54,918,255, and Other Revenue, at \$49,819,277. Together, these three streams make up over 83% of all county revenue, demonstrating a significant dependence on money generated from fees and external partners.

This financial reality underscores the importance of our strategic mission to plan for economic uncertainty. In stark contrast to the large amount of intergovernmental aid, locally generated Taxes account for \$39,659,990. While this is a substantial figure, it highlights the county’s vulnerability to fiscal decisions made at the state level. This reliance on external funding is precisely why our long-term planning must be conservative and our approach to spending must be disciplined. It reinforces the need

to prioritize core services and manage our resources prudently to ensure we can continue to serve the public effectively, even when revenues from outside Tehama County may be unstable.

EXHIBIT C



ALL FUNDS DETAILED BREAKDOWN BY FUNDS

This chart below provides a detailed breakdown of the Fiscal Year 2025-26 Adopted Budget, showing the specific revenues and expenditures for each of the county’s individual funds. This granular view is essential to understanding the county’s overall financial health, as it moves beyond the total budget figures to show where financial pressures and strengths lie. The adopted budget for all funds includes total revenues of \$294,380,065 and total expenditures of \$305,659,715, creating a combined deficit of \$11,279,650. As mentioned in our budget overview, it is important to note that of this \$11.2 million deficit, \$4,040,373 is structured to be covered by prior-year fund reserves in non-General Funds revenues. The remaining **\$7,239,277** is the portion of the deficit impacting the General Fund and Public Safety funds, which will need to be covered by the General Fund reserve. This represents a **\$313,071 reduction** in the projected General Fund and Public Safety deficit compared to the \$7,552,348 deficit in the recommended budget. Analyzing how this deficit is distributed across different funds is a critical part of our strategic mission to manage resources effectively.

Fund	RECOMMENDED BUDGET			ADOPTED BUDGET			Rec v. Adopted Final Dif
	FY26 Revenues	FY26 Expenses	Budget (-/+)	FY26 Revenues	FY26 Expenses	Budget (-/+)	
General Fund	46,670,324	49,369,051	(2,698,727)	47,679,166	49,717,241	(2,038,075)	(660,652)
Road Fund	20,601,610	20,601,610	-	20,677,524	20,677,524	-	-
Capital Outlay	13,962,586	13,962,586	-	13,962,586	13,962,586	-	-
Fish & Game	3,000	18,127	(15,127)	19,050	35,127	(16,077)	950
Fire Fund	6,594,920	9,048,438	(2,453,518)	6,594,920	9,048,438	(2,453,518)	-
Public Safety	39,817,402	44,671,023	(4,853,621)	39,861,699	45,062,901	(5,201,202)	347,581
Risk Management	8,770,002	8,720,124	49,878	8,770,002	8,720,124	49,878	-
Social Services	55,451,700	55,451,700	-	54,614,670	54,615,170	(500)	500
Debt Service Fund	1,468,349	1,462,349	6,000	1,468,349	1,462,349	6,000	-
Health Services	37,470,968	37,471,591	(623)	64,854,285	65,854,908	(1,000,623)	1,000,000
Child Support	2,377,599	2,377,599	-	2,377,599	2,377,599	-	-
Building & Safety	1,461,379	1,461,379	-	1,462,504	1,462,504	-	-
Senior Nutrition	528,014	528,014	-	528,014	528,014	-	-
Transportation Operations	4,267,558	4,267,558	-	4,267,558	4,267,558	-	-
Dental Insurance	728,010	728,010	-	728,010	728,010	-	-
Medical	17,005,000	17,005,000	-	17,005,000	17,005,000	-	-
Vision	124,889	124,889	-	124,889	124,889	-	-
Tc Solid Waste Mgmt Agy	923,211	923,211	-	923,211	923,211	-	-
Tc Ihss Public Authority	481,424	481,424	-	481,424	481,424	-	-
Tc Abandon Veh Abatement	60,200	60,200	-	60,200	60,200	-	-
Law Library	-	-	-	-	-	-	-
Tc Trans Comm Adm	899,447	1,045,854	(146,407)	1,045,854	1,045,854	-	(146,407)
Tc Child & Families Comm	-	-	-	-	-	-	-
Air Pollution District	473,863	473,863	-	480,850	480,850	-	-
Los Molinos Lighting	21,445	13,795	7,650	21,445	13,795	7,650	-
Tc Flood Ctrl/Water Consv	4,361,572	4,284,104	77,468	4,361,572	4,284,104	77,468	-
Tc Flood Zone #3	480,484	480,484	-	480,484	480,484	-	-
Tc Sanitation Dist #1	555,230	555,230	-	555,230	555,230	-	-
Ab923	119,300	119,300	-	119,300	119,300	-	-
Dmv Ab2766 Air Poll	233,000	233,000	-	233,000	233,000	-	-
Carl Moyer Air Poll	578,652	578,652	-	481,133	480,633	500	(500)
Farmer Program Grant	-	-	-	-	572,368	(572,368)	572,368
Development Fund	31,000	100,000	(69,000)	31,000	100,000	(69,000)	-
Carb Woodsmoke Grant	-	-	-	-	69,783	(69,783)	69,783
TIDE	109,537	109,537	-	109,537	109,537	-	-
Totals	266,631,675	276,727,702	(10,096,027)	294,380,065	305,659,715	(11,279,650)	1,183,623

Several of the county's most critical operating funds are projected to operate with a deficit, highlighting the financial challenges in delivering core services. The General Fund, which supports many essential government functions, has an adopted deficit of \$2,038,075. While there is still a shortfall, this is an improvement from the initially recommended deficit of \$2,698,727. Other core service areas face more significant pressure. The Public Safety fund shows the largest shortfall with an adopted deficit of \$5,201,202, followed by the Fire Fund with a deficit of \$2,453,518. The Health Services fund also reflects a notable deficit of \$1,000,623, which is a substantial increase from the \$623 deficit that was originally recommended.

In contrast to the funds facing shortfalls, many other funds are structured to be balanced, where revenues are budgeted to equal expenditures. Examples of this include the Road Fund, the Capital Outlay fund, and the Child Support fund, all of which show a zero balance. A few funds are even projected to end the year with a surplus, such as the Tc Flood Ctrl/Water Consv fund (\$77,468) and the Risk Management fund (\$49,878). This fund-by-fund financial picture is the foundation of our strategic priorities. It allows for transparent management and enables us to identify specific pressure points within

the budget, reinforcing the need for the disciplined, priority-focused approach required to ensure the county's long-term fiscal stability.

DRILL DOWN TO DEPARTMENT REQUEST

The following is a breakdown of the Fiscal Year 2025-26 Adopted Budget. The summary is organized by fund, then by department, focusing solely on the adopted expenditures as detailed in the reports.

General Fund

Several departments within the General Fund saw adjustments between the recommended and adopted budgets.

- **Assessor:** The adopted expenditure budget for the Assessor is \$1,247,363, which is a decrease of \$82,086 from the recommended amount. The most significant reduction was a \$69,160 decrease in the "SALARY & WAGES" line item.
- **Division of Animal Services:** This department's adopted budget increased by \$39,954 to a total of \$495,424, with additions to salaries and services.
- **Library:** The Library's adopted budget grew by \$27,668, primarily due to increased personnel costs.
- **Parks & Recreation:** A significant item was added in the adopted budget that was not in the recommended version: a \$349,223 expenditure for "IMPROVEMENT & STRUCTURES".

Public Safety Fund

- **Sheriff:** The Sheriff's department budget increased by \$222,365 from the recommended amount to a total adopted budget of \$6,268,822. The largest single increase was \$161,800 for "SALARY & WAGES".
- **Probation:** This department's adopted budget increased by \$127,472 to a total of \$3,128,263, also driven primarily by a \$102,784 increase in "SALARY & WAGES".

Health Services Fund

- **Health Services General:** The adopted budget for this department includes two major expenditures that were not in the recommended budget: \$25,000,000 for "RETIRE TRAN" and \$1,000,000 for "INTEREST EXPENSE".
- **Public Health:** The department's budget was increased by \$479,919 to a total of \$6,310,879, with a \$276,166 increase in "SPECIAL DEPARTMENTAL EXP" being a key driver.
- **Mental Health:** This budget grew by \$974,557 to a total of \$14,249,584. The increase is largely due to a \$949,823 addition for "PROFESSIONAL/SPECIAL SERV" and \$120,000 for new vehicles.
- **Clinic Services:** The Clinic's budget increased by \$224,322, driven by additions for professional services and new equipment.

Social Services Fund

- **Social Services Admin & Public Assistance:** The adopted budget for these departments was reduced by over \$1.2 million combined. Key reductions include a \$358,733 decrease for the "CAL-WORKS" program, a \$300,942 decrease in "ADOPTION ASSISTANCE," and a \$121,131 decrease in "PROFESSIONAL/SPECIAL SERV" for administration.

Other Specialized Funds

- **Farmer Program Grant Fund:** A new expenditure of \$572,368 for "CONTR TO OTHER AGENCIES" was added to the adopted budget.
- **CARB Woodsmoke Grant Fund:** This appears as a new budget item in the adopted version, with a total expenditure of \$69,783.
- **Carl Moyer Air Poll Fund:** The adopted budget of \$480,633 for this fund is \$98,019 less than what was recommended.

CONCLUSION

This concludes our overview of the proposed Fiscal Year 2025-26 Budget. As presented, this budget reflects our commitment to prioritizing core public services while navigating significant financial constraints.

At this time, staff respectfully requests the Board's direction and any recommendations you may have on the proposed budget. We are prepared to incorporate any changes you provide to ensure the final budget aligns with the Board's priorities.

We will bring the revised budget back before the Board for final adoption on August 19, 2025.