County of San Mateo

Inter-Departmental Correspondence

Department: COUNTY EXECUTIVE

Board Meeting Date: 2/10/2026

Special Notice / Hearing: None
Vote Required: 4/5ths

To: Honorable Board of Supervisors

From: Michael P. Callagy, County Executive
Roberto Manchia, County Chief Financial Officer

Subject: FY 2025-26 County Mid-Year Budget Update

RECOMMENDATION:
Recommendation to:

A) Accept the FY 2025-26 County Mid-Year Budget Update, including key revenue and expenditure projections and budget assumptions; and

B) Accept the Proposed Proposition 172 Maintenance of Effort Certification; and

C) Approve Appropriation Transfer Requests (ATRs) in the aggregate amount of $831,829 to support 8 positions in the Sheriff's and District Attorney's Offices for a Human Trafficking Taskforce, the Family Justice Center, and to address increased crime lab demand; and

D) Accept the FY 2025-27 Children, Youth, and Families Budget.

BACKGROUND:
On September 23, 2025, the Board adopted the FY 2025-26 Budget. This memorandum includes the Mid-Year Report, which provides an update on the FY 2025-26 Budget and a look ahead to the FY 2026-27 Budget.

This memorandum also discusses and recommends acceptance of the County's proposed FY 2025-26 Maintenance of Effort certification required under Proposition 172, the statewide half-cent sales tax for support of local public safety functions.

To address heightened concern around the issues of human trafficking, domestic violence, and child abuse, this item also approves Appropriation Transfer Requests to provide funding for 8 positions in the District Attorney's Office and Sheriff's Office for the remainder of FY 2025-26. Additional funding for FY 2026-27 and beyond will be included in the FY 2026-27 Recommended Budget. A separate Salary Resolution Amendment (SRA) will add the related positions.

The FY 2025-27 Children, Youth, and Families Budget is also attached for review and acceptance.

DISCUSSION:

The County of San Mateo continues to navigate a complex and evolving fiscal environment while maintaining its commitment to meeting the needs of residents and delivering mandated and priority services. Across the nine Bay Area counties, five are currently operating in a structural budget deficit. The County is not in that position, due to years of prudent fiscal management and strategic planning, even as external pressures on county governments continue to intensify across the state.

These financial challenges are driven by several factors, including the increasing impact of state and federal mandates, including funding reductions, growing and more complex service demands from residents, and reductions or uncertainty in state and federal funding. At the same time, rising costs in healthcare, public safety, behavioral health, housing, and social services along with inflationary pressures on wages and contracts continue to place sustained strain on the County's operating budget. Compounding these challenges, County revenues remain highly sensitive to broader economic conditions and policy decisions at the state and federal levels.

The Mid-Year Budget Update for FY 2025-26 reflects the County's proactive approach to managing these challenges. While the County is not currently operating in a structural deficit, maintaining long-term fiscal sustainability will require continued vigilance, thoughtful prioritization, and alignment of resources with both mandated responsibilities and strategic priorities. The County is closely monitoring economic indicators, service demand trends, and anticipated changes in intergovernmental funding that could affect programs and services in future fiscal years.

As the County looks ahead to FY 2026-27, transparency, collaboration, and long-term planning will be increasingly important to navigating a more constrained fiscal environment. Drawing on lessons from peer Bay Area counties and closely monitoring emerging fiscal risks, the County is continuing to assess the structural balance between ongoing revenues and ongoing expenditures, while carefully evaluating the appropriate use of one-time resources. Preparing for FY 2026-27 will require early identification of cost pressures, thoughtful consideration of which current initiatives can be sustained on an ongoing basis, and strategic use of limited one-time funding to serve our residents

without creating future structural deficits. This forward-looking approach will help the County manage near-term challenges, preserve long-term financial flexibility, and continue delivering essential services while adapting to evolving community needs and intergovernmental funding uncertainties.

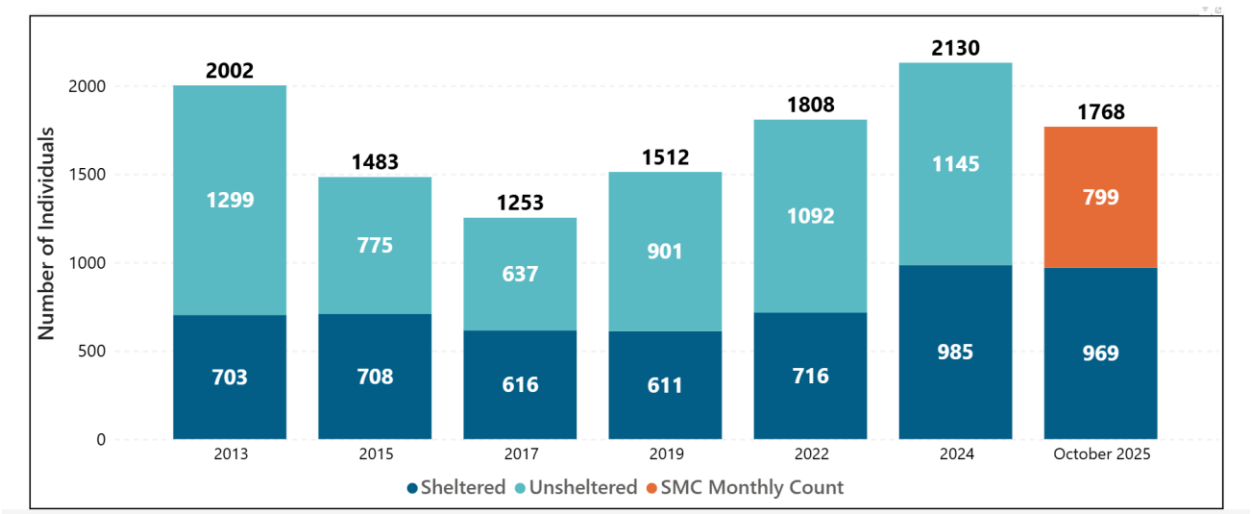
A. County Priorities

1. Housing and Homelessness

The County continues to make significant progress in expanding housing stability and strengthening the homeless response system through strategic investments in permanent supportive housing, system improvements, and targeted services. Construction is underway and lease-up planning is progressing for the 721 Airport Boulevard permanent supportive housing development in South San Francisco, alongside the continued lease-up of Stone Pine Cove in Half Moon Bay.

The County is also advancing employee housing initiatives, running feasibility studies at the Walnut Avenue and Law Library sites as well as preparing updates to the Employee Down Payment Assistance Program to further support workforce retention including an increase to the loan amount which will be brought to this Board in March 2026.

Systemwide improvements are underway with the anticipated launch of Coordinated Entry System (CES) 2.0, informed by the completion of independent evaluations of the homeless response system and the initiation of implementation efforts to address identified gaps and opportunities. During periods of severe weather, the County successfully expanded its Inclement Weather Program by leveraging newly available shower and restroom facilities at the San Mateo County Event Center, improving dignity and safety for participants. The County received $14.1 million in funding from the Encampment Resolution Fund Grant Program to expand intensive homeless services in the cities of Half Moon Bay, South San Francisco, San Bruno, Burlingame, San Mateo, and Menlo Park. To date, this grant funding has assisted with moving 50 individuals formerly residing in homeless encampments into stable housing, and 24 have entered shelter, where they continue to receive intensive support toward housing placement. In 2025, 7 of the 19 identified encampments were resolved, meaning no individuals remained at those locations. These efforts are complemented by continued monitoring of Affordable Housing Fund performance and outcomes to ensure investments in permanent housing opportunities deployed effectively.



2. Children, Families, and Seniors

The County continues to prioritize investments in children, youth, and families to advance long-term stability, well-being, and economic opportunity. The Board has allocated $500,000 annually to support implementation of the United for Youth Mental Health Blueprint, strengthening prevention efforts, early intervention, and access to youth mental health services. To support the early care and education workforce, the County committed $1.5 million per year in **Measure K** funding to the Early Childhood Educator Development Program, expanding career pathways to enter and advance in the field. In addition, the County is procuring an online platform to help families more easily identify available childcare openings and access subsidized childcare options. Addressing food insecurity remains a critical focus, with more than $2 million invested in Second Harvest of Silicon Valley, along with supplemental funding to support holiday protein distribution for families most in need. Collectively, these investments reinforce the County's commitment to a comprehensive safety net that promotes family resilience, housing stability, and healthy child development.

The Children's Budget provides a comprehensive overview of many of these investments supporting children, youth, and families across departments, including health, education, well-being, and engagement. It serves as an important tool for transparency, accountability, and performance monitoring, enabling the County to track progress toward shared outcomes and respond to emerging needs. For FY 2025–27, the Children's Budget has transitioned to a digital-first approach with an interactive website to improve public access and allow for ongoing updates. A printed tri-fold summary highlighting success stories and financial overview is also available and has

been provided to this Board. Additional information is available at smcgov.org/ceo/budget-publications.

With this Mid-Year Budget Update, the County is also adding positions to support the establishment of the Family Justice Center (FJC) to deliver a coordinated, survivor-centered response to domestic violence, child abuse, and other forms of abuse by co-locating essential services in a single, safe, and accessible location. The FJC aims to reduce barriers to care, minimize retraumatization, and improve outcomes through collaboration among law enforcement, prosecutors, victim advocates, medical providers, and social service agencies. The addition of a Program Services Manager II, a Fiscal Office Specialist, and a Management Analyst will provide leadership, fiscal, and analytical support to ensure program success.

The County is also adding three (two full time and one term) positions to support a Human Trafficking Initiative to advance prevention, identification, and survivor support through coordinated, multi-agency collaboration. The initiative emphasizes strengthened partnerships among public agencies and community-based organizations to ensure survivors can quickly access trauma-informed services. Its goal is to disrupt trafficking networks while building a consistent, victim-centered response system across the county.

Unrelated to previously mentioned programs, but important in ensuring justice for children, families, and seniors, the Sheriff's Office is adding two Criminalists, one for the Forensic/Biology DNA Unit and one for the Controlled Substances Unit to provide additional support for current case backlogs and ongoing demand for services.

Collectively, these investments and staffing enhancements strengthen the County's ability to protect vulnerable populations, support families, and improve outcomes for children, youth, and seniors. By expanding prevention, coordination, and system capacity, the County is reinforcing a responsive safety net that addresses current needs while supporting long-term community well-being.

3. Emergency Preparedness

Emergency preparedness remains a critical County priority. The Department of Emergency Management (SMC EM) leads coordinated efforts to strengthen community preparedness, response, and resilience, including managing SMC Alert, the County's emergency notification system that delivers timely, multilingual alerts to residents. Through mid-year FY 2025-26, SMC Alerts focused on the following areas: public outreach and education (31); alert and warning (22); and training and exercise (14). SMC EM also held the County's 21st Annual Disaster Preparedness Day, bringing together over 1,600 residents, first responders, and community partners. At the event, interactive workshops, CPR training, emergency kit preparation, alert registration, and household planning, strengthened readiness while providing tools that reduce fear and build psychological wellbeing.

Additional **Measure K** Emergency Preparedness initiatives have made significant progress in FY 2025-26. In partnership with Ladris Technologies, SMC EM has developed a situational awareness dashboard and is in the process of countywide app development to further enhance alert and warning capabilities. A partnership with the La Honda Fire Brigade has deployed two additional CONEX-based Advanced Resource Containers equipped with Starlink connectivity, WiFi, GMRS radio, and weather monitoring to improve emergency response in rural communities. Also supporting rural communities, the Coastside CERT program has trained 37 new certified CERT volunteers, added 36 bilingual members, hosted two community preparedness events reaching over 300 participants, and grown the neighborhood safety network by 115 members to 2,747 total.

SMC EM will continue to prioritize community preparedness, emergency alerts, and inter-agency coordination for disaster response through these **Measure K**-funded partnerships.

B. Current Challenges

Federal and State Landscape

Continued uncertainty around Federal and State funding and programs has required the County to take a precautionary approach to ongoing expenditures and will require additional careful scrutiny to ensure that the County is able to respond to potential funding gaps. Currently, material impacts are anticipated for County Health and the Human Services Agency (HSA).

At the state level, key Medi-Cal changes effective January 1, 2026, include an enrollment freeze for the full-scope state-only Medi-Cal expansion for individuals without Satisfactory Immigration Status (SIS) and the reinstatement of Medi-Cal asset tests for non-MAGI (Modified Adjusted Gross Income) populations. These policy shifts are expected to reduce Medi-Cal enrollment, increase the uninsured population, and decrease healthcare safety-net funding, with disproportionate impacts on individuals with Unsatisfactory Immigration Status (UIS). Demand is expected to shift toward emergency and safety-net services, generating significant ongoing budgetary impacts beginning now, growing in FY 2026-27 and annually thereafter. Additional changes beginning July 1, 2026, including the elimination of state-only dental benefits for certain populations and future premium requirements, will further constrain coverage, increase client confusion, and create new service access challenges. In response, HSA and Health are coordinating closely to help eligible clients remain enrolled, minimize coverage losses, and support transitions to other available resources, while Health accelerates efforts to improve operational efficiency, closely monitor enrollment and utilization trends, and conduct a department-wide organizational assessment to maximize limited resources.

At the Federal level, HR-1 further compounds these impacts beginning in late 2026 and 2027 through federal eligibility, redetermination, and work-requirement changes. Redefinition of Qualified Non-Citizen status, semi-annual eligibility checks, shortened retroactive Medi-Cal periods, and new work and community engagement requirements for the Adult Expansion population are expected to result in coverage losses for tens of thousands of county residents, further increasing the uninsured population and straining healthcare safety-net funding. For CalFresh Supplemental Nutrition Assistance Program (SNAP), changes resulting from HR-1, including expanded Able-Bodied Adults Without Dependents (ABAWD) work requirements, narrowed noncitizen eligibility, increased administrative cost sharing, and heightened financial penalties tied to payment error rates will reduce participation, increase administrative churn, and raise staffing costs.

Continued uncertainty around federal and state funding requires the County to maintain a precautionary approach to expenditures, with material impacts anticipated for County Health and the Human Services Agency. A Board Study Session on HR-1 was held on January 27, 2026 to review these funding risks, policy changes, and potential budgetary and operational impacts. Estimated cost impacts to HSA and Health reported during this meeting are $27.5 million in FY 2026-27 and as much as $56.6 million in FY 2027-28 with additional cumulative costs beyond.

Additional federal impacts are being monitored and evaluated for community impact. In the current fiscal year, the Sheriff's Office has lost approximately $225,000 in funding from the Department of Homeland Security (DHS) for one Lieutenant position and in FY 2026-27, a DHS - FEMA Homeland Security Grant Program (HSGP) funding decision targeting "sanctuary jurisdictions" may impact 25 of the Sheriff's Office regional and countywide program positions and projects, with an annual cost of $9.3 million. A federal court opinion issued in December 2025 ordered DHS to return this grant funding, but there is ongoing uncertainty over potential appeals.

Additional potential state-level impacts were announced on January 9th, 2026 when Governor Gavin Newsom released his last state budget proposal for FY 2026-27, which largely outlines a $348.9 billion status quo spending plan. Although the proposal includes a modest projected deficit of $2.9 billion, external analysts and groups estimate a much larger deficit, with the Legislative Analyst's Office anticipating an $18 billion deficit for the upcoming year. Looking ahead, the Administration will provide an updated budget proposal in May that balances the budget in both FY 2026-27 and FY 2027-28 with adequate budget reserves.

While the Governor's budget includes $1.4 billion to address the state's fiscal impacts as a result of the requirements of H.R. 1, it does not include any funding to address the previously mentioned impacts of H.R.1 on county budgets. In addition, as expected, the Governor's budget proposal fails to include the County's Vehicle License Fee (VLF) shortfall dollars owed.

Taken together, these federal and state actions increase fiscal uncertainty and underscore the need for conservative budgeting, ongoing monitoring, and contingency planning. County staff will continue to track developments, assess operational and budgetary impacts, and update the Board as material changes emerge, while prioritizing expenditure restraint, coordination, and advocacy to mitigate risks to core services and overall financial stability.

Vehicle License Fee Adjustment Amount (VLFAA)

The County continues to monitor uncertainty regarding the Vehicle License Fee Adjustment Amount (VLFAA) reimbursement and impacts to County services as a result. The potential for an unreimbursed VLFAA shortfall is the single largest threat to the financial stability of the County. The table below summarizes the shortfall amounts owed to the County and Cities as well as the amount of the shortfall that has been provided to date to make the County whole and the remaining balance owed.

	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 (Estimate)
Owed to County	$41.5M	$67.9M	$70.8M	$96.8M
Owed to Cities	$28.5M	$46.5M	$48.4M	$66.1M
Total Shortfall Owed	**$70.0M**	**$114.3M**	**$119.2M**	**$162.9M**
Received	$70.0M	$76.5M	$0*	TBD
Balance Owed	**$0**	**$37.8M**	**$119.2M**	**TBD**

**Reflects current amount included in Governor's Proposed FY 2026-27 Budget*

The Governor's Proposed Budget for FY 2026-27 released January 9, 2026, did not include funding to cover last year's (FY 2024-25) shortfall of $119.2 million. This similarly occurred for the FY 2023-24 shortfall which required intervention from the State Legislature to attempt to make the County whole. Ultimately, the State only provided 2/3 of the total shortfall amount owed for FY 2023-24.

Following this action, the County resubmitted its claim for the FY 2023-24 VLFAA shortfall to the State for the balance due to the County and the cities for the total amount of $37,750,993. The County also initiated litigation against the State and public officials to recover the outstanding funds and confirm the State's obligation to make the County and the cities whole for VLFAA shortfall amounts. The cities within San Mateo

County, Alpine, and Mono Counties have joined the lawsuit to recover their respective outstanding amounts. The lawsuit is currently pending, with no trial date set.

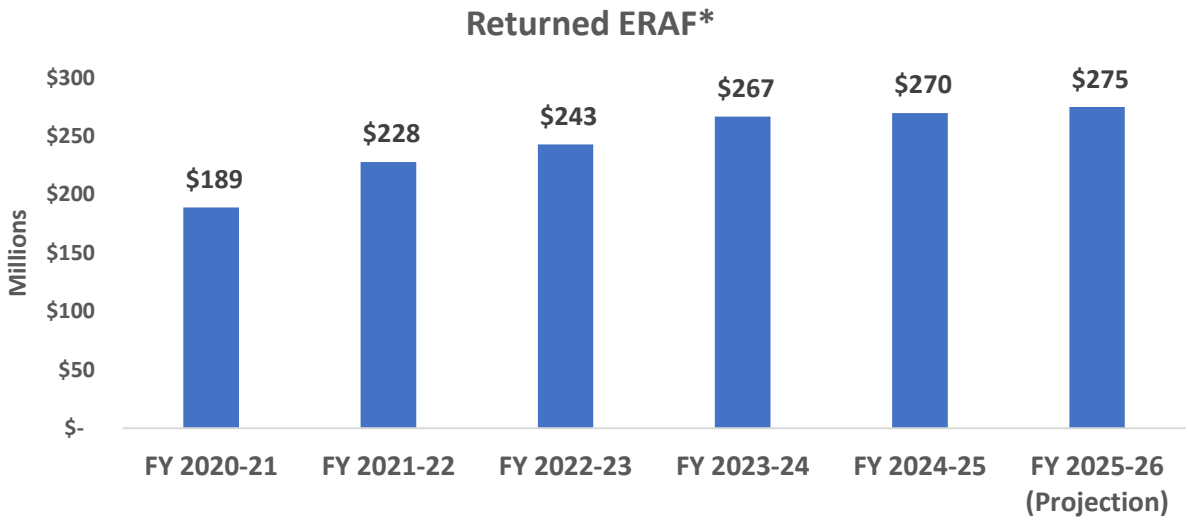
The County anticipates continued interaction with the State Legislature to advocate for dollars owed from the State and it is expected that continued advocacy will be required next year when the State releases the FY 2027-28 Budget which will include the FY 2025-26 countywide VLF Shortfall amount most recently calculated and reported at $162.9 million.

The County will continue its efforts to obtain State reimbursement for these shortfalls and will continue to advocate for a permanent solution, with a revised proposal expected in May. In the meantime, the County is allocating fund balance that are typically placed in Reserves to cover capital-related expenses due to VLFAA shortfalls. The use of fund balance to cover VLFAA shortfalls may adversely impact the County's ability to fund capital outlays, ongoing maintenance costs, purchase of new buildings, and other capital improvements.

Returned Educational Revenue Augmentation Fund (ERAF)

Under State law, the County, cities and special districts within the County shift a portion of their shares of property tax dollars to ERAF. ERAF monies are used to help fund non-basic aid school districts up to their State-guaranteed Local Control Funding Formula (LCFF) amount. Under State law, local agencies' contributions to ERAF that exceed the amount necessary to fully fund such non-basic aid districts to their LCFF levels are returned to local agencies, after funding special education programs, as Returned ERAF. The County's estimated share of Returned ERAF for FY 2025-26 is approximately $275 million. The County is currently monitoring LCFF reform efforts by school districts to modify the LCFF, potentially reducing funding returned.

The amount of Returned ERAF and VLFAA estimated and distributed to the County and other agencies may be negatively impacted by property tax revenues received by school districts, changes in school enrollment, implementation of the LCFF, and/or State efforts to legislatively or by executive interpretation of property tax laws, redirect or reduce Returned ERAF for its own purposes.



*Note: This distribution amount includes Returned ERAF from prior years. The Returned ERAF amount for any given year is not finalized until after the final certified school reports are issued from the California Department of Education, which takes 2 years from the end of the fiscal year. Thus, the Controller's Office has adopted a policy to stagger Returned ERAF distributions for any given fiscal year.

C. UPDATE ON FINANCIAL CONDITIONS

County Workforce

The County continues to make significant investments in its employees. The FY 2025-26 Adopted Budget includes 5,889 positions with employees averaging 9.6 years of service, demonstrating a strong dedication to serving the public.

In FY 2025-26, the vacancy rate is projected to decline slightly to 10.9 percent due to continued hiring incentives, revamped examination processes, inclusive job requirements, and continuous recruitment. The employee turnover rate is projected to continue to decrease to 7.7 percent due to a tighter labor market after peaking to 12 percent during pandemic recovery. Retirement eligibility has been declining over the last few years but has begun to level off as younger Millennial and Generation Z employees now make up the majority of the County's workforce. Vacancy, turnover, and retirement eligibility rates are summarized in the following table:

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Projected
Vacancy Rate	13%	14%	13%	11%	10.9%
Turnover Rate	12%	10%	10%	9%	7.7%
Retirement Eligibility	22%	20%	18%	18%	18%

Labor Negotiations

The County is currently engaged in ongoing labor negotiations with the following bargaining units: Deputy Sheriffs Association, Deputy District Attorneys (new bargaining unit), and California Nurses Association. The County will also begin negotiations with the Organization of Sheriff's Sergeants as soon as their Memorandum of Understanding (MOU) expires in April 2026. Additional updates will be provided to this Board when available.

Salaries and Benefits make up 66 percent of total ongoing General Fund expenditures and are the County's largest ongoing expense. Labor negotiations are key to balancing a fiscally responsible budget with a strong workforce. A hypothetical one percent increase in salaries and benefits across all bargaining units would result in an additional annual cost of approximately $12.4 million.

Capital Projects

All current capital projects remain fully funded with departments anticipating some rollover of funds into FY 2026-27 due to project delays. By fully funding capital projects from the start, the County reduces the availability of one-time funds in the short term but has a clearer picture of long-term obligations which provides a higher level of confidence in the County's fiscal stability when navigating requests for increases in ongoing funding. For FY 2025-26, the Adopted Budget included $508 million in capital projects. Due to the nature of capital construction and delayed invoicing, information on anticipated rollover of capital projects will be brought to this Board with the FY 2026-27 Recommended Budget and final amounts will be published with the FY 2026-27 September Revisions.

As outlined in the County's 5-Year Capital Plan for FY 2025-2030, the County is shifting away from the historic ground-up construction era of the last 10 years. As a result, the County will be winding down the Project Development Unit with existing positions already moved into the Department of Public Works. This move will be finalized via budgetary changes to the FY 2026-27 Recommended Budget.

Fund Balance Projections

Year-End Fund Balance is estimated at Mid-Year to provide the Board of Supervisors with an update on anticipated available resources for the upcoming year, including the portion of the departments' Fund Balance that will be returned to the General Fund. This estimate also gives departments better information to inform their future budgets. The variance shown in the table below calculates the difference between the updated Year-End Fund Balance estimate and the current year (FY 2025-26) budgeted Reserves. This variance captures any unanticipated or over-realized revenue and/or unspent

appropriations. This variance is used to update the department estimates of the FY 2026-27 starting Fund Balance.

As shown in the table below, there is an estimated $195.2 million Fund Balance variance, or one-time dollars, projected for FY 2025-26. Of that $195.2 million, $134.5 million is associated to the General Fund, which for most departments, is attributed to vacancies in permanent positions, and savings in contracts, services and supplies, and other general expenditures. Of note, is a projected $8.1 million shortfall for the Sheriff's Office (offset to $2.2 million due to savings in other Criminal Justice departments), largely attributed to increased expenditures in Salaries and Benefits due to significant overtime incurred in the first half of the fiscal year. The County Executive's Office is currently conducting a fiscal audit of the Sheriff's Office to evaluate overtime and contracts.

For Non-Departmental Services, there is an estimated variance of $102.8 million, the majority of which is tied to capital projects currently in progress which will continue in FY 2026-27 and beyond. Additional funds available in the General Fund will be allocated toward future one-time expenditures including deferred maintenance, facility infrastructure upgrades, and work to create County facilities that are welcoming and accessible to everyone.

The remaining $60.7 million is Non-General Fund and is restricted for costs associated to special districts, such as roads, sewers, utilities, solid waste, and other fee-based or franchised services. There is an $8 million negative in Non-General Fund Health Services associated with the Medical Center. This is due to an accounting issue requiring payment for Epic Electronic Health Record System to be made through the operating budget. The San Mateo Medical Center has planned sufficient reserves for this payment.

County of San Mateo Agencies by Fund	FY 2024-25 Budgeted Reserves	FY 2024-25 Est. Year-End Fund Balance	Variance
Agencies - General Fund			
Criminal Justice	59,999,817	57,799,152	(2,200,665)
Health Services	29,871,730	37,640,321	7,768,591
Social Services	36,250,466	42,969,653	6,719,187
Community Services	23,074,114	28,365,500	5,291,386
Admin-Fiscal	28,715,347	42,836,266	14,120,919
Subtotal Agencies - General Fund	177,911,474	209,610,892	31,699,418
Non-Departmental - General Fund			
Non-Departmental Services	403,720,107	506,520,351	102,800,244
Subtotal Non-Departmental - General Fund	403,720,107	506,520,351	102,800,244
Agencies - Non-General Fund			
Health Services	11,190,023	3,182,023	(8,008,000)
Community Services	191,985,635	254,674,399	62,688,764
Admin-Fiscal	14,318,594	20,322,332	6,003,738
Subtotal Non-General Fund	217,494,252	278,178,754	60,684,502
Total ALL Funds	799,125,833	994,309,996	195,184,163

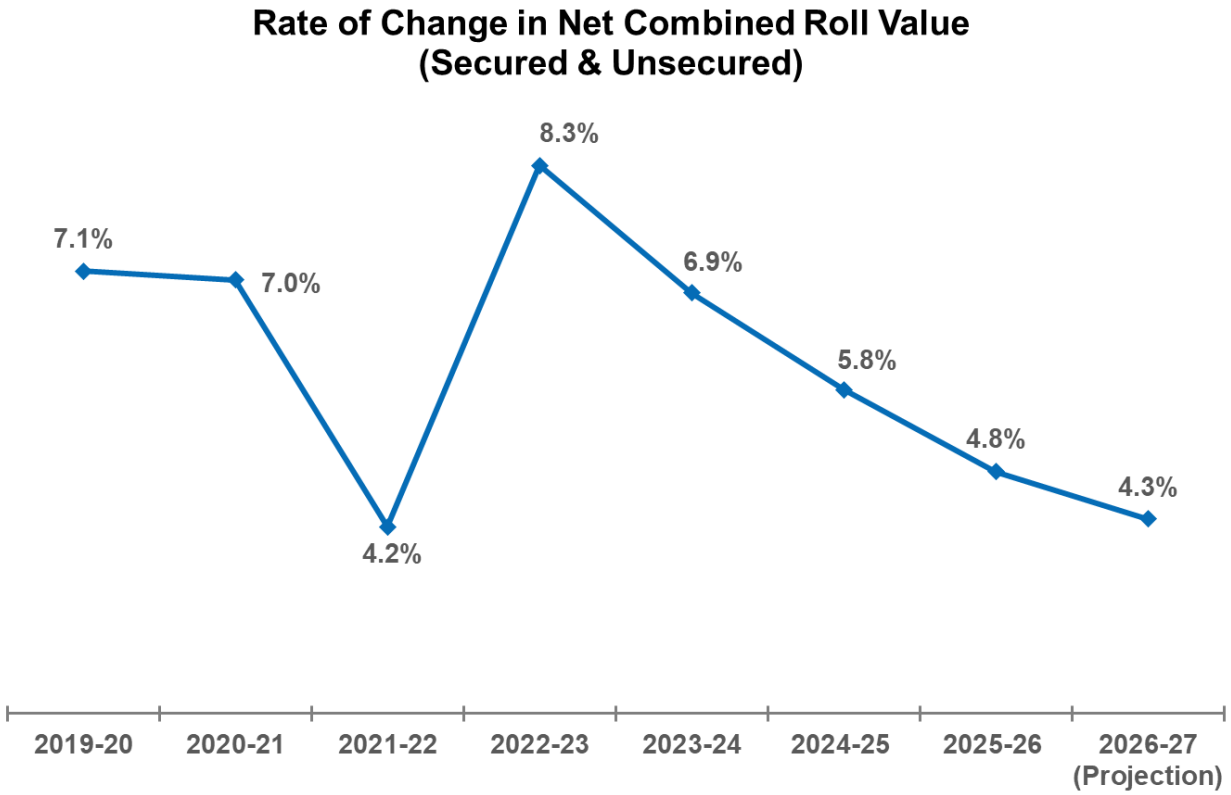
SamCERA Retirement Contributions

With the Board's authorization, the County will continue implementing a long-term strategy to strengthen pension sustainability through a new Memorandum of Understanding with SamCERA that provides for ongoing supplemental retirement contributions beyond actuarially required levels. Under the updated funding policy adopted by the SamCERA Board of Retirement, the County will amortize the current unfunded accrued liability over a new 15-year period and separately amortize any future unfunded liability layers over subsequent 15-year terms, improving contribution predictability while maintaining disciplined progress toward full funding, currently at just under 90 percent. The County's planned supplemental contributions—including the $50 million payment made in FY 2024–25 and an additional $50 million scheduled for FY 2029–30—should stabilize the average contribution rate at a minimum of 27 percent of payroll in the near term, with any amounts paid above the statutory rate deposited into the County Supplementary Contribution Account. Together, these forward-looking actions are projected to reduce total pension costs by approximately $131 million over the next 12 years, enhance long-term funding stability, and support continued improvement in the plan's funded status.

Property Taxes

For FY 2025-26, the value of the County's total Combined Assessment Roll (including secured, unsecured rolls) increased year-over-year by $15.5 billion, or 4.8 percent, to a record high of over $341 billion. This year's roll growth can be attributed to steady residential demand and significant commercial development; however, inflation and elevated mortgage interest rates continue to keep roll growth in check.

Although the total Combined Assessment Roll is again expected to increase for FY 2026-27, the annual percentage increase will likely be lower and is currently estimated to be approximately 4.3 percent. This lower anticipated increase is primarily due to continued pressure from inflation and elevated interest rates. While home sales have risen slightly compared to the prior year, they remain well below FY 2022-23 levels. Inflation and high interest rates have also tempered new residential construction activity. However, home prices have remained relatively stable or increased due to the limited inventory of available homes. Commercial and mixed-use construction has slowed down and is expected to have an impact on growth of the FY 2026-27 total Combined Assessment Roll.



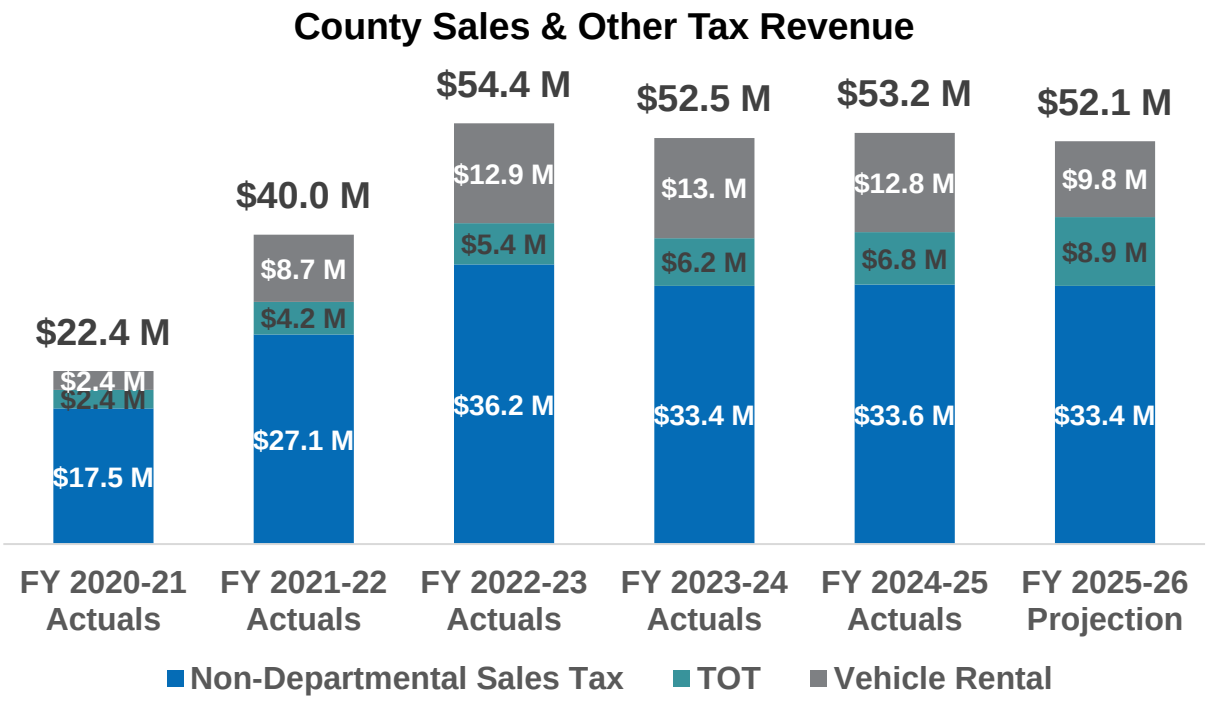
Source: Assessor-County Clerk-Recorder-Elections Office of Mark Church, County of San Mateo https://www.smcacre.org/assessment-roll-summaries

County Sales and Other Tax Revenue

The County receives county-derived sales tax revenue for Unincorporated Areas from the State Board of Equalization, distributed according to state and local statute. Unincorporated County receipts (General Fund) include:

- Unincorporated Sales Tax (UST)
- Transient Occupancy Taxes (TOT)
- Vehicle Rental Taxes (VRT)

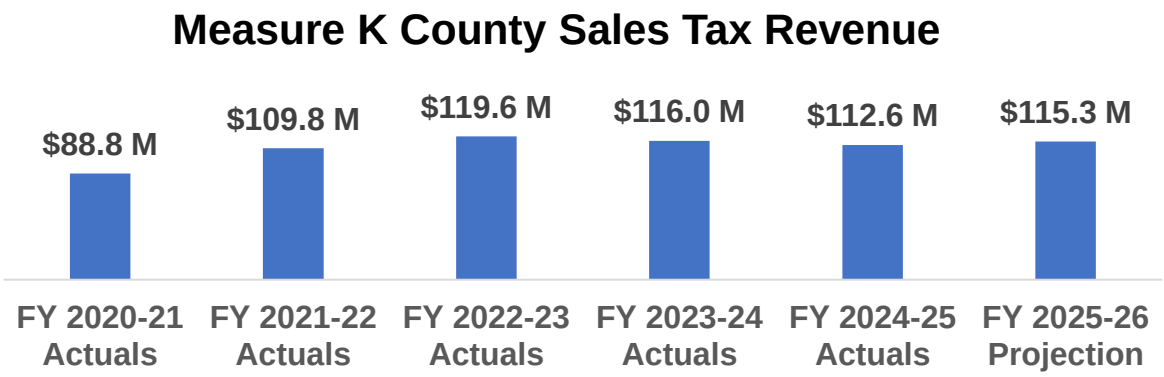
County-derived sales tax revenue, has begun to taper off, falling slightly from the 2023 post-pandemic high. County sales tax revenue increased by $0.7 million in FY 2024-25 when compared to the previous year. Looking forward, this revenue decline is largely attributed to reduced vehicle rentals at San Francisco Airport.



Measure K Revenue

Measure K, a half-cent, countywide sales tax, represents a significant source of discretionary revenue for the County; however, its practical flexibility is increasingly constrained as the County looks ahead to FY 2026-27. As shown in the chart below, **Measure K** revenue is projected to increase by 2.7 percent in FY 2025-26, reflecting continued pressure from reduced consumer demand combined with higher prices, resulting in largely flat real growth. Approximately 70 percent of **Measure K** funding is currently dedicated to ongoing programs or previously approved multi-year commitments, which will continue into FY 2026-27 and beyond, limiting the portion available to address emerging needs or offset future budget gaps. As the County prepares for FY 2026-27, careful management of the remaining discretionary **Measure**

K resources will be critical, with an emphasis on limiting new ongoing commitments, prioritizing one-time investments, and aligning available funding with long-term fiscal sustainability.



D. Conclusion

Overall, the FY 2025-26 Mid-Year Budget Update demonstrates that San Mateo County remains in a comparatively strong fiscal position amid significant regional, state, and federal uncertainty. Through disciplined financial management, prudent use of one-time resources, and sustained investments in County priorities, the County has avoided a structural deficit while continuing to deliver essential and mandated services. At the same time, emerging pressures—including federal and state policy changes, Medi-Cal and Medicare impacts, labor negotiations, and ongoing Vehicle License Fee and ERAF uncertainty—underscore the importance of continued vigilance and thoughtful long-term planning. The County's proactive monitoring of economic conditions, service demand, and intergovernmental funding trends positions it to respond effectively to near-term risks while maintaining flexibility for future needs.

Looking ahead to FY 2026–27, the County will continue to align resources with strategic priorities, protect core services, and responsibly manage one-time fund balance and reserves. As the County prepares the upcoming Recommended Budget, collaboration with the Board, departments, labor partners, and community stakeholders will remain central to balancing fiscal sustainability with equity, resilience, and service excellence. This balanced approach will support the County's ability to navigate uncertainty, invest in its workforce and infrastructure, and meet the evolving needs of residents now and in the future.

E. PROPOSITION 172 MAINTENANCE OF EFFORT CERTIFICATION

In June 1995, the Board of Supervisors approved the Maintenance of Effort (MOE) certification for the base year (FY 1992-93) and the first certification (FY 1994-95). The Board also adopted a resolution defining public safety services to include: Sheriff, District Attorney, Private Defender, Probation, Coroner, Correctional Health, Release on

Own Recognizance, Mental Health Forensics, Public Safety Communications, Emergency Services, Fire Protection, Public Safety Capital Projects, and Debt Service.

Based on the FY 2025-26 Adopted Budget, the projected MOE certification for FY 2025-26 is $413.4 million. The County expects to exceed the FY 2025-26 Proposition 172 MOE requirement by $247.7 million.

COMMUNITY IMPACT:
The approval of the FY 2025-26 County Mid-Year Budget Update for the County of San Mateo includes analysis of economic conditions that form a critical foundation for our planning process, ensuring that our decisions align with the diverse needs of our community. In recognizing the economic complexities, our goal is to employ a lens of equity that acknowledges and addresses disparities. This Mid-Year Budget Update is a proactive step towards fostering a county where every resident has the opportunity to thrive.

FISCAL IMPACT:
There is no fiscal impact associated with accepting this FY 2025-26 County Mid-Year Update, the Proposition 172 MOE certification, or the FY 2025-27 Children's Budget. ATRs in the amount of $831,829 are funded via Non-Departmental Services and ongoing allocations for these positions in FY 2026-27 and beyond will be covered by Net County Cost.

APPENDICES: LOCAL ECONOMIC INDICATORS

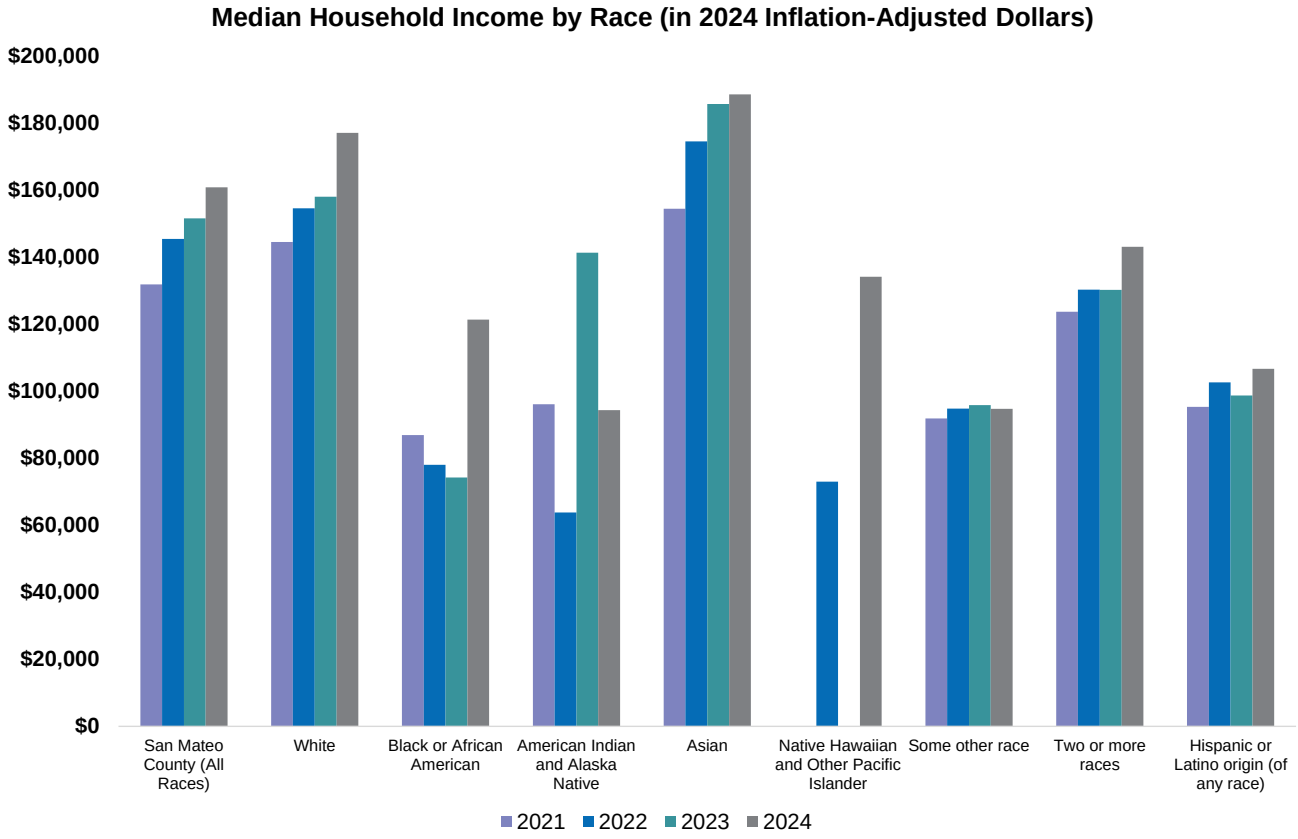
The following indicators provide information on current local economic activity compared to prior years, and compared to the larger Region, State, and Nation. The data presented in these indicators assists the County is identifying trends that may affect revenue streams, changes in County services, and future economic conditions within the County.

As in past reports, the data collected shows signs of an economically healthy County with relatively low unemployment, high average salaries, and continually valuable real estate. However, the data also presents signs of residents in need of continued County services, a housing market that is struggling to meet the needs present in this County, and a commercial real estate market that is less attractive than in years past. These indicators can help us see the strengths and possibilities that San Mateo County continues to hold, and the areas where the County must continue to build upon, especially in the face of changing Federal priorities.

A. Median Household Income
B. Childcare Costs
C. Unemployment Rate
D. Poverty Rate
E. Residential Rents
F. Home Prices
G. Childcare Costs
H. Consumer Price Index

A. Median Household Income

Median household income as an indicator of current economic can provide insight into how well households can financially provide for basic needs like food, shelter, and clothing. Overall, San Mateo County household median income has increased year-over-year for the past four years. From the years 2021 through 2024, White, Asian, Black, and Latino households saw increases in their median household incomes of 23 percent, 22 percent, 40 percent, and 12 percent, respectively. While the overall household income trajectory is positive in San Mateo County, this data highlights variations in income growth rates within our community.

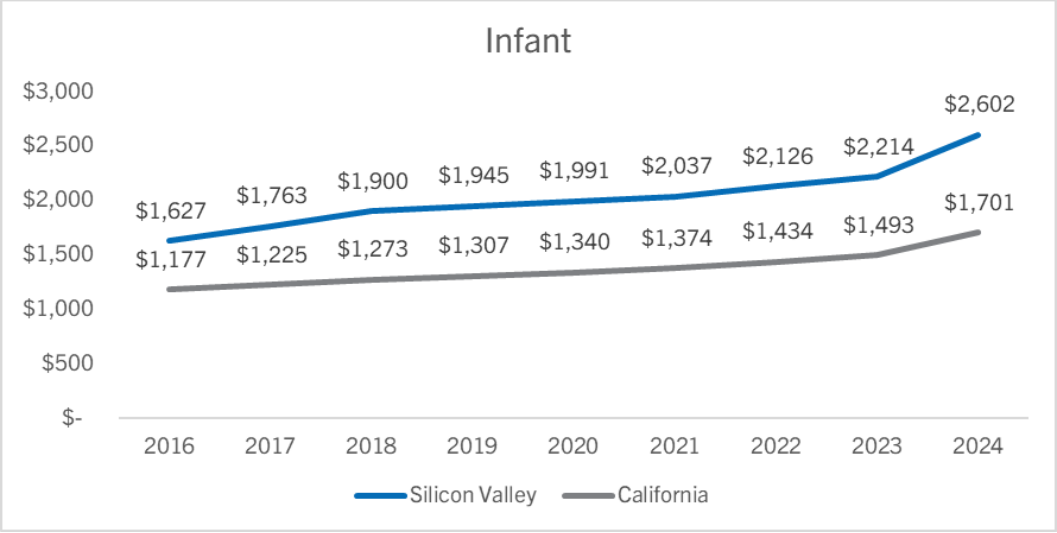


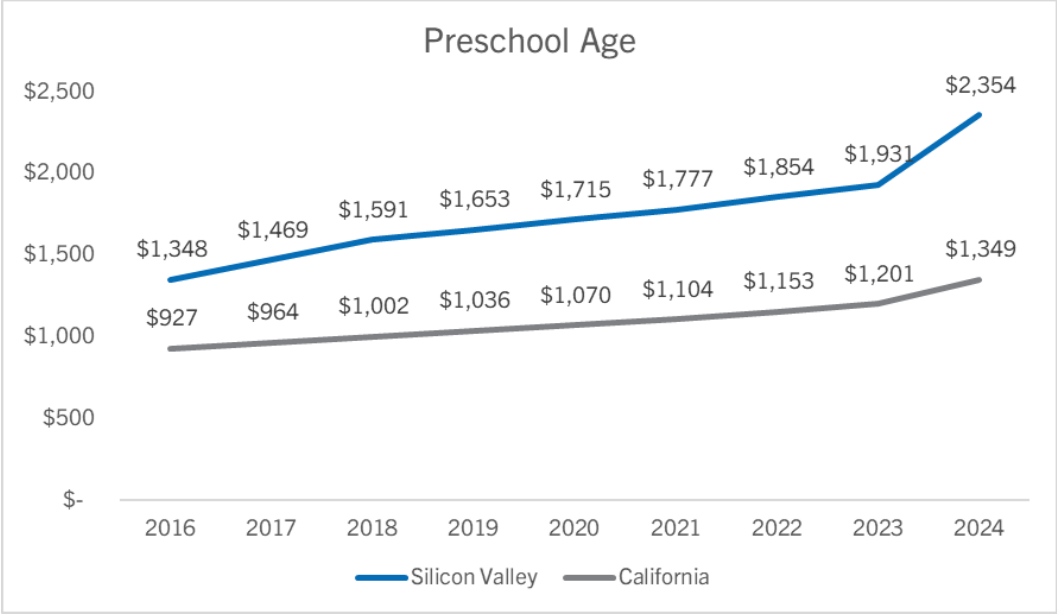
For 2021 and 2023, no data was collected for Native Hawaiian and Other Pacific Islander.

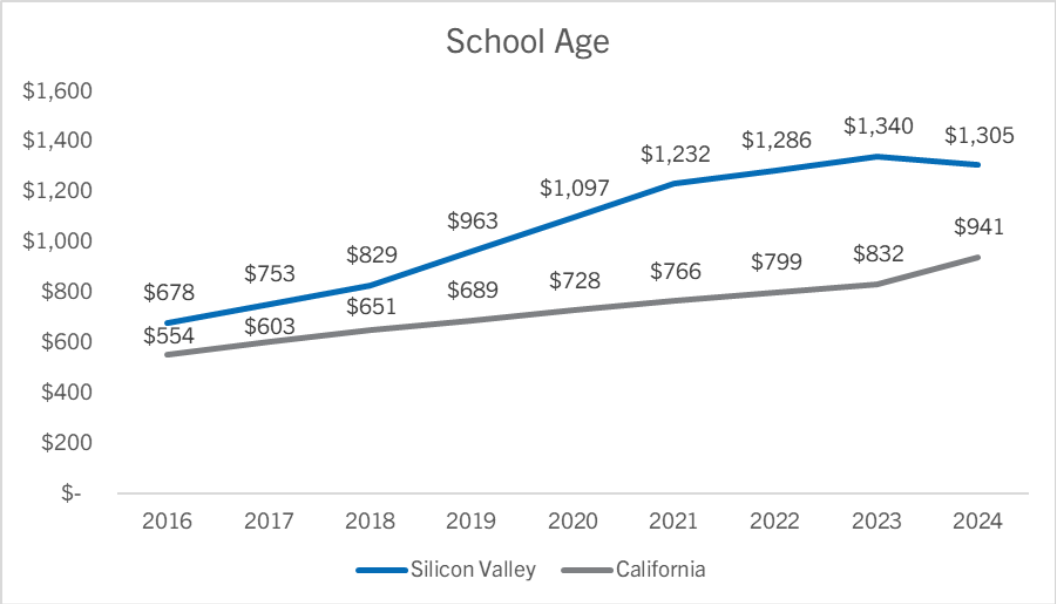
Source: U.S. Census Bureau – American Community Survey: ACS 1-Year Estimates Subject Tables (2024). S1903: Median Income in the Past 12 ... - Census Bureau Table

B. Childcare Costs

The cost of childcare in the Silicon Valley (San Mateo and Santa Clara Counties) is high in comparison to the rest of the state. The median yearly cost for infant care for 2024 was over $31,000, or $2,602 per month. Additionally, with a median household income of $160,733 (pre-tax), over half of all San Mateo County households would be paying over 19% of their income in infant care (if they utilized childcare services). When childcare costs consume so much of a household's income, the household cannot adequately save and fully participate in the local economy. Both of those issues can have larger impacts to tax revenue for local government and increase the need for publicly funded services (such as healthcare).







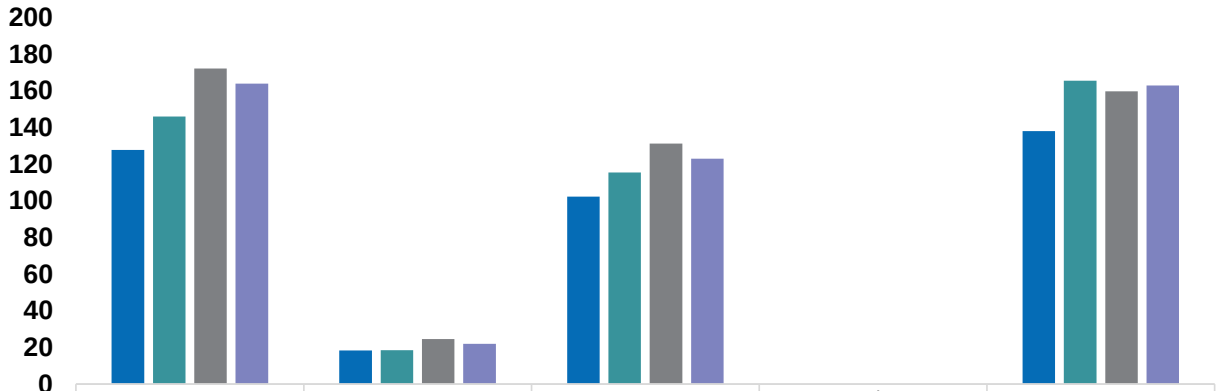
Source: Silicon Valley Institute for Regional Studies. Cost of Childcare

Source: U.S. Census Bureau: San Mateo County, CA Profile. San Mateo County, California - Census Bureau Profile

C. Unemployment

Since the end of 2021, San Mateo County has seen a relatively stable rate of new and continued weekly unemployment claims averaging between 400 to 600 per week. The current rate is continuing to show stability in terms of claim patterns. For example, claims for quarters 3 and 4 have typically seen a drop in weekly unemployment claims compared to quarters 1 and 2 of the same year, coinciding with the holiday season and increases in temporary job opportunities. Numerically, however, quarters 1, 3, and 4 in 2025 experienced lower average weekly claims than the prior two years, suggesting a slight decreasing trend in San Mateo County's unemployment rate, which is already well below that of the State. From a County revenue and expenditures standpoint, lower rates of unemployment coincide with an increase in sales tax revenue and decreased usage of County services, which decreases County costs.

Countywide Average Weekly Unemployment Claims by Race and Ethnicity



	Asian	Black	Hispanic	Native American/Alaskan	White
2022	128	18	102	0	138
2023	146	19	116	0	166
2024	172	25	131	0	160
2025	164	22	123	0	163

California EDD did not identify any unemployment claims by Native American/Alaskan Natives, in San Mateo County, for 2022 through 2025

Source: State of California Employment Development Department: Unemployment Benefits Data. County and State Breakout Data.

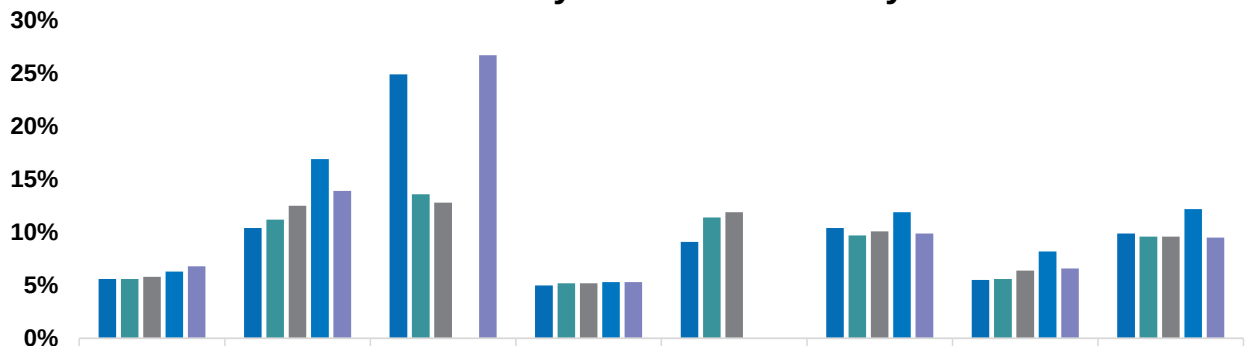
Population 16+: Unemployed	
San Mateo County	3.77%
California	5.76%

Source: San Mateo County All Together Better: 2025 Demographics – Employment Data for County. San Mateo County All Together Better :: Demographics :: County :: San Mateo :: Employment

D. Poverty Rate

San Mateo County continues to have a productive economy, high personal income, and generally increasing property values, yet many of our most vulnerable residents still struggle with poverty and paying for basic needs. Notably, the County's African American, American Indian and Alaska Native, and Latino households experience a higher-than-average poverty rate. Additionally, as noted in past reports, the County's population is aging, and it is therefore important to recognize that approximately 20 percent of all retirement-age residents fall below the poverty line. Finally, approximately 23,100 households in San Mateo County rely on the Supplemental Nutrition Assistance Program (SNAP), which makes up nearly 9% of all households in the County. As the County continues to face periodic threats to federal funding, it is important for the County to ensure that our most vulnerable residents maintain continued access to food, shelter, and necessary services.

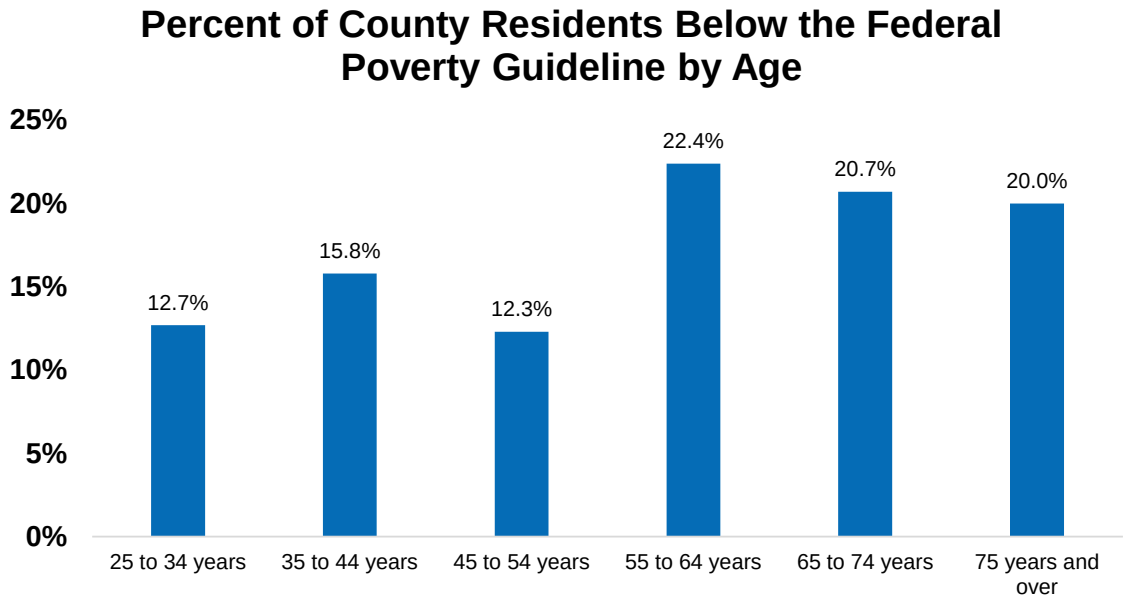
Percent of County Residents Below Federal Poverty Guideline by Race and Ethnicity



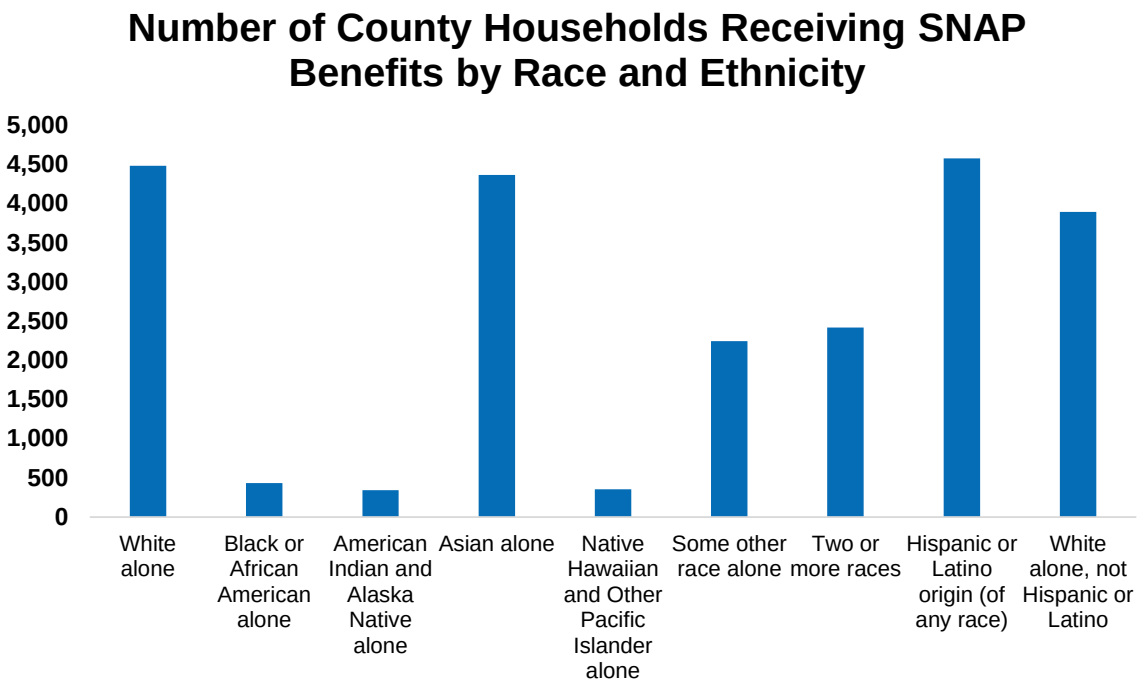
	White	Black or African American	American Indian and Alaska Native	Asian	Native Hawaiian and Other Pacific Islander	Some other race	Two or more races	Hispanic or Latino origin (of any race)
2020	5.60%	10.40%	24.90%	5.00%	9.10%	10.40%	5.50%	9.90%
2021	5.60%	11.20%	13.60%	5.20%	11.40%	9.70%	5.60%	9.60%
2022	5.80%	12.50%	12.80%	5.20%	11.90%	10.10%	6.40%	9.60%
2023	6.30%	16.90%	0.00%	5.30%	0.00%	11.90%	8.20%	12.20%
2024	6.80%	13.90%	26.70%	5.30%	0.00%	9.90%	6.60%	9.50%

For 2023, no data was collected for American Indian and Alaska Native, as well as Native Hawaiian & Other Pacific Islander. For 2024, no data was collected for Native Hawaiian & Other Pacific Islander.

Source: United States Census Bureau: Poverty Status in the Past 12 Months, American Community Survey 1-Year Estimates Subject Tables – 2024. S1701: Poverty Status in the Past ... - Census Bureau Table



Source: United States Census Bureau: Poverty Status in the Past 12 Months, American Community Survey 1-Year Estimates Subject Tables – 2024. [S1701: Poverty Status in the Past ... - Census Bureau Table]



Source: United States Census Bureau: Food Stamps/Supplemental Nutrition Assistance Program (SNAP), American Community Survey 1-Year Estimates Subject Tables – 2024. [S2201: Food Stamps/Supplemental ... - Census Bureau Table]

E. Home Prices

Median home prices in San Mateo County remain higher than the Bay Area regional median and all neighboring counties. From 2021 to 2025, San Mateo County's median home prices increased by more than $100,00. These home price trends generally track growth in per capita income and the County's overall economy, reflecting continued economic growth and housing demand. However, current home prices place county residents in a market where a home costs 12.6 times the annual median income. The combination of high home prices with increased borrowing costs has made the housing market challenging for many potential homebuyers.

Geographic Area	2021	2022	2023	2024	2025
CA	$785,641	$820,308	$815,177	$867,418	$878,985
S.F. Bay Area	$1,256,308	$1,277,458	$1,217,479	$1,306,646	$1,313,091
Alameda	$1,242,958	$1,300,088	$1,210,917	$1,291,622	$1,282,136
Contra-Costa	$902,542	$897,825	$842,178	$879,975	$875,314
Marin	$1,601,875	$1,732,750	$1,600,417	$1,672,417	$1,628,182
Napa	$911,592	$990,583	$892,271	$936,500	$957,424
San Francisco	$1,810,700	$1,775,333	$1,553,125	$1,636,375	$1,697,660
San Mateo	**$2,010,708**	**$2,025,042**	**$1,936,917**	**$2,072,167**	**$2,133,545**
Santa Clara	$1,629,063	$1,749,708	$1,741,333	$1,906,226	$2,004,761
Solano	$565,063	$601,292	$585,603	$591,967	$591,473
Sonoma	$767,267	$826,780	$829,037	$838,935	$834,771

Source: California Association of Realtors: Median Prices of Existing Detached Homes Historical Data. MedianPricesofExistingDetachedHomesHistoricalData.

Geographic Area	Monthly Payment	Minimum Qualifying Income
US	$2,690	$107,600
CA	$5,590	$163,600
S.F. Bay Area	$8,150	$326,000
Alameda	$7,870	$314,800
Contra Costa	$5,420	$216,800
Marin	$10,150	$406,000
Napa	$5,920	$236,800
San Francisco	$10,240	$409,600
San Mateo	**$13,100**	**$524,000**
Santa Clara	$12,060	$482,400
Solano	$3,820	$152,800
Sonoma	$5,200	$208,000

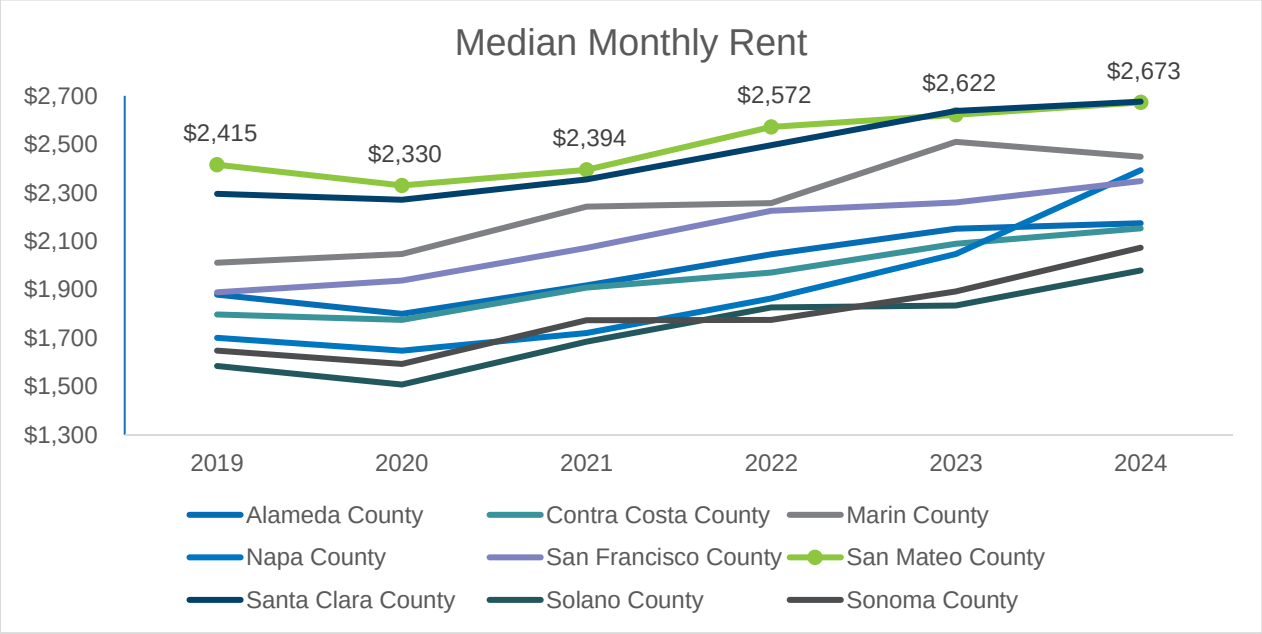
Source: Housing Affordability Index - Traditional
Monthly Payment includes taxes and insurance.

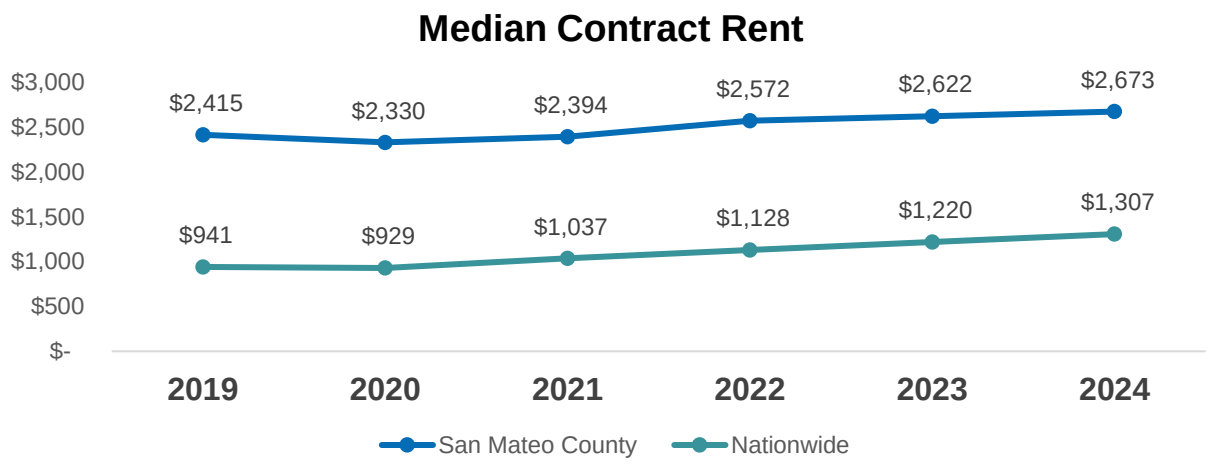
F. Residential Rents

San Mateo County remains one of the most expensive rental markets in the nation. According to the latest U.S. Census data, the median rent is $2,673 per month. For comparison, the average median rent in the Bay Area is closer to $2,324, meaning typical rents in San Mateo County are higher than many other California counties.

Local rental listing data shows that asking rents in many Peninsula neighborhoods grew again in 2024 and 2025, following a brief stabilization during the pandemic. This means a household earning the county's median income often faces a rent burden that exceeds the recommended 30% of income.

These high housing costs make it challenging for many residents-especially young adults, lower-income families, and seniors on fixed incomes, to remain in the community. They also increase demand for County services related to housing stability, rental assistance, and homelessness prevention.





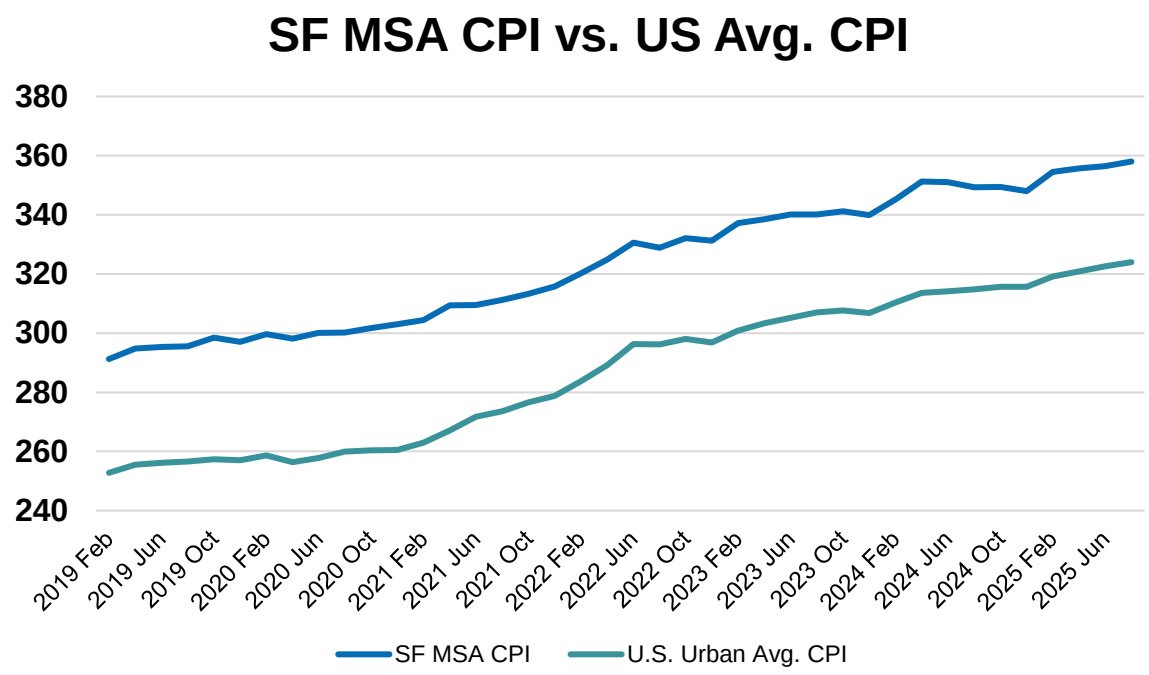
Source: U.S. Census Bureau, 2024 American Community Survey, 1-Year Estimates: Median Contract Rent (Dollars)

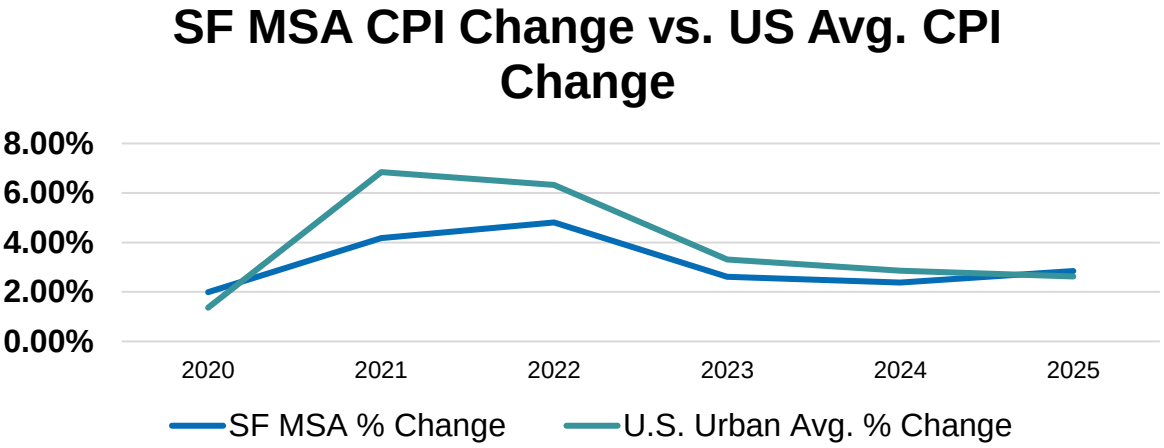
G. Consumer Price Index

The Consumer Price Index number looks at the price of over 200 different types of goods and services in eight categories: food & beverage, housing, apparel, transportation, medical care, recreation, education & communication, and other goods & services. It compares the price of these goods and services to their same price in the time frame of 1982-84, giving prices in that time period the number of 100 (equivalent to 100%). For example, as of October of 2024 the CPI for the San Francisco Metropolitan Statistical Area (SF MSA) was approximately 350, meaning that the prices of these goods and services in the Bay Area have increased 350% (or multiplied by 3.5) since the early 1980's.

The Bay Area's Consumer Price Index continues to rise at a moderate pace, increasing 2.85 percent in 2025. This is similar to the national CPI increase of 2.63 percent, showing that inflation pressures in the SF MSA are now closely aligned with national trends. While inflation has slowed from the highs of 2021-2022, when regional CPI grew 4.18 percent and 4.81 percent, prices remain well above pre-pandemic levels. Over 2020-2025, annual CPI changes in the SF MSA ranged from 2.38 percent to 4.81 percent, resulting in significantly higher costs for households and continued pressure on County operating expenses.

For San Mateo County residents, slowing inflation offers welcome stability after several years of rapid price increases. More predictable costs for housing, transportation, and daily necessities make it easier for households to manage their budgets. For County government, this stability strengthens long-range planning, supports consistent service delivery, and helps ensure public resources are used effectively.





Source: U.S. Bureau of Labor Statistics: Consumer Price Index for All Urban Consumers. BLS Data Viewer. Source: U.S. Bureau of Labor Statistics: Consumer Price Index for All Urban Consumers – All Items in San Francisco-Oakland-Hayward, CA. Bureau of Labor Statistics Data