



COUNTY OF SAN DIEGO

BOARD OF SUPERVISORS

1600 PACIFIC HIGHWAY, ROOM 335, SAN DIEGO, CALIFORNIA 92101-2470

AGENDA ITEM

DATE: September 30, 2025

14

TO: Board of Supervisors

SUBJECT

PREPARING FOR FISCAL DISRUPTION THROUGH AN AD HOC SUSTAINABLE FISCAL PLANNING SUBCOMMITTEE (DISTRICTS: ALL)

OVERVIEW

After months of public engagement and deliberation, the Board of Supervisors and Chief Administrative Officer (CAO) delivered a structurally balanced County budget. The Adopted Operational Plan for Fiscal Years 2025–26 and 2026–27 maintains essential functions, such as keeping deputies on patrol, firefighters on call, and home health aides supporting older adults. The Adopted Operational Plan also makes strategic investments, from behavioral health workforce expansion to emergency response infrastructure.

However, decisions in Washington D.C. and Sacramento are rapidly reshaping the fiscal landscape in ways that undermine local stability. The federal administration has withdrawn critical financial support, especially for the safety net programs that protect San Diego’s most vulnerable. The recently passed “One Big Beautiful Bill Act” (OBBA), introduced as H.R. 1, cuts federal spending by \$1.4 trillion over the next 10 years, including \$187 billion from SNAP and \$917 billion from Medicaid. OBBA will cost the County at least \$300 million per year in lost funding and increased administrative expenses alone, putting 400,000 San Diegans at risk of losing health insurance and 100,000 San Diegans at risk of losing food assistance. The Trump Administration’s upcoming Fiscal Year 2026 budget proposal goes further, slashing non-defense spending by another \$163 billion next year, including a devastating 44% cut to the Housing and Urban Development Department—affecting tens of thousands of older adults, veterans, and people with disabilities who rely on affordable housing and supportive services. The Department of Government Efficiency (DOGE), a sweeping federal downsizing initiative, has frozen billions in federal grants and contracts in San Diego with no timeline for resolution. The State of California closed a \$12 billion budget deficit this year by scaling back Medi-Cal and homelessness investments, which are core pillars of County service delivery. At the same time, the cross-border sewage crisis in the Tijuana River Valley continues to threaten public health, tourism and local economies, creating new costs for County government and communities alike. With nearly half of

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the County's budget dependent on state and federal dollars, these cascading cuts represent a serious and immediate threat to local capacity.

Today's item proposes establishing an Ad Hoc Sustainable Fiscal Planning Subcommittee to assess emerging fiscal threats and opportunities and recommend a strategy for protecting essential services, funding strategic investments in key priorities, and preserving the County's strong financial standing and credit rating.

Key focus areas for the strategy include:

- **Fire Preparedness**
- **Healthcare**
- **Food Security and Food Assistance**
- **School Readiness and Childcare**
- **Mental Health and Substance Use Services**
- **In-Home Healthcare**
- **Public Safety**
- **Tijuana River Sewage Crisis**

To support the Subcommittee, this action recommends authorizing procurement of expert consulting services to assist in researching emerging fiscal threats and opportunities at the local, state, and federal levels and developing a sustainable funding strategy informed by the County's Strategic Plan, budget projections, public opinion, focus areas outlined in this Board letter, operational priorities, and financial impact estimates of various fiscal mechanisms.

San Diego County has a strong track record of responsible financial stewardship and strategic service delivery. This item protects that progress by equipping the Board with the research and tools to confront fiscal uncertainty head-on—preserving core services and safeguarding long-term investments despite federal divestment and state shortfalls.

RECOMMENDATION(S)

CHAIR LAWSON-REMER AND VICE-CHAIR MONTGOMERY STEPPE

1. Establish an ad hoc subcommittee of this Board, entitled the Ad Hoc Subcommittee on Sustainable Fiscal Planning (Subcommittee), and appoint Supervisor Terra Lawson-Remer and Supervisor Monica Montgomery Steppe for the purpose of exploring, studying, planning, and developing a strategy to address emerging fiscal threats in order to sustain County services and invest in the well-being of all San Diegans.
 - a. To advance the purposes described above, the activities of the Subcommittee may include, but will not be limited to, the following: (i) working with the Chief Administrative Officer (CAO) to undertake fiscal scenario planning; and (ii) working with the CAO and contracted parties to explore fiscal opportunities at the local, state, and federal levels, assess the financial impact and public support for fiscal mechanism design options, and recommend a viable fiscal strategy to the Board.
 - b. The Chief Administrative Officer shall make available County staff with relevant expertise to inform the work of the Subcommittee as needed. It is anticipated that

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the following Departments and Offices may have information and advice on relevant topics:

1. Chief Financial Officer
 2. County Fire Chief
 3. Aging & Independence Services
 4. Behavioral Health Services
 5. Child & Family Well-Being
 6. Economic Development & Government Affairs
 7. Environmental Health & Quality
 8. IHSS/Public Authority
 9. Homelessness Solutions
 10. Public Health Services
 11. Public Works
 12. Self-Sufficiency Services
 13. Housing & Community Development
 14. County Communications Office
- c. The Subcommittee members will report back and bring forth recommendations for approval by the full Board as needed.
2. In accordance with Section 401, Article XXIII of the County Administrative Code, authorize the Director, Department of Purchasing and Contracting, to issue a competitive solicitation or solicitations, and upon successful negotiations and determination of a fair and reasonable price, award a contract or contracts for consulting services to support the work of the Subcommittee as set forth in Recommendation #1 and to include a contract option for implementing recommendations as approved by the full Board. Waive Board Policy A-87 to the extent necessary to allow for the use of Simplified Procurement Procedures. The CAO shall prepare the Statement of Work and evaluation criteria in accordance with this Board letter and in consultation with the Subcommittee, which will include, but not be limited to, fiscal research, public opinion research, fiscal mechanism design, and financial impact estimation. The Subcommittee shall bring forward any recommendations requiring Board action to the full Board for consideration and approval, as required.
 3. Direct the CAO to add to the County's Legislative Program, Sponsorship Proposals section, legislation needed to advance fiscal stability and funding options, as recommended by the Subcommittee, the CAO, and EDGA, consistent with Board Policy M1.
 4. Once the purposes outlined above have been achieved, the Subcommittee will conclude its work.

EQUITY IMPACT STATEMENT

By developing a sustainable funding strategy, this item aims to ensure that essential food, health, fire preparedness, public safety, and housing services remain accessible to all residents and support the Board's recent efforts to address the inequitable health burdens of the Tijuana Reiver sewage crisis and close service gaps that disproportionately affect marginalized and underserved communities across San Diego County.

SUSTAINABILITY IMPACT STATEMENT

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This proposal advances the County’s commitment to environmental sustainability by developing a fiscally responsible solution to supporting investments in mitigating and cleaning up the sewage crisis in the Tijuana River Valley and buffering the County’s ongoing sustainability efforts from deep cuts. By aligning these efforts with the Board’s adopted sustainability goals, this item will allow the Board to ensure the County is poised to meet regulatory requirements and maintain critical environmental services without compromising its financial health or future obligations.

FISCAL IMPACT

Funds for this request are partially included in the Fiscal Year 2025–26 Operational Plan as existing staff time in the Finance and General Government Group supported by General Purpose Revenue. In order to support the one-time costs related to the review and recommendation of options to explore revenue opportunities and to address emergent financial pressures, \$500,000 will be reallocated within Finance Other. This reallocation will impact amounts set aside to respond to year-over-year fluctuations in information technology and other operational costs, and is supported by General Purpose Revenue. There will be no change in net General Fund cost, and no additional staff years. Based on the recommendations of the Ad Hoc Subcommittee on Sustainable Fiscal Planning, there may be future fiscal impacts which would be presented to the Board for consideration and approval.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

San Diego County has a track record of responsible fiscal stewardship and efficient use of taxpayer dollars through results-oriented service delivery. In accordance with Board direction, the County has sought to strengthen essential services and make strategic investments in key priorities. Yet the County is now facing an historic disruption to its fiscal environment. Federal and state fiscal retrenchment, economic slowdown, a deepening cross-border sewage crisis, and rising benefit, administrative, and operational costs threaten to destabilize the County’s budget and jeopardize essential services and key investments in the safety and well-being of all San Diegans. Prudence and fiscal responsibility require proactive long-term fiscal planning to navigate this period of disruption.

Today’s item calls on the Board to establish an Ad Hoc Sustainable Fiscal Planning Subcommittee (Subcommittee) tasked with assessing the fiscal threats and opportunities facing the County and returning to the full Board with a recommendation for a fiscal strategy for sustaining essential County services and investing in key priorities while maintaining the County’s strong financial position, including a top-tier credit rating. Key forward-looking investment priorities for the fiscal strategy should include:

- **Fire Preparedness:** The County has doubled the size of its fire response system, improving call response times, increasing firefighter and first responder staffing, expanding fire response infrastructure in areas such as Mt. Laguna, Valley Center, and Deer Springs, and

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investing in advanced tools like fire helicopters that can prevent catastrophic wildfires and assist in remote rescues. Yet San Diego faces a challenging fire season ahead and cannot count on support from the federal government. The Subcommittee will consider ways to invest in retaining and hiring firefighters, increasing brush clearing and wildfire prevention programs, and upgrading life-saving firefighter and paramedic equipment and vehicles.

- **Healthcare:** Nearly 900,000 San Diegans rely on Medi-Cal to afford health care, helping them access the care they need while avoiding expensive ER visits and medical debt. Although San Diego County has a track record of processing Medi-Cal applications quickly and with short wait times, the imposition of new federal eligibility and reporting requirements creates a significant administrative burden that will likely require significant County investments in staffing, training, and IT systems. As the new administrative requirements create barriers to Medicaid, the share of healthcare costs covered by the federal government will shrink. The Subcommittee will look for ways to ensure the County has the resources it needs to maintain Medi-Cal eligibility service levels and closing the gap in reimbursement rates between federal payments and the cost of healthcare.
- **Food Security and Food Assistance:** The Supplemental Nutritional Assistance Program (SNAP) is the nation's most effective anti-hunger program, helping about 400,000 San Diegans—including 130,000 children and 100,000 older adults—afford nutritious food each month and reducing the likelihood of food insecurity by about 30%. Research has found that SNAP helps participants incur \$1,400 less in annual healthcare expenses per person on average compared to similar nonparticipants, helping to break the cycle of poverty and poor health. Every dollar spent on SNAP generates approximately \$1.80 in economic activity across the supply chain, from farmers to grocery stores, making it an effective economic stabilizer. The Subcommittee will look for ways to invest in SNAP benefits and ensure efficient, accessible program administration to support families in need and address hunger, malnutrition, and healthcare burdens.
- **School Readiness and Childcare:** Affordable, high-quality childcare and pre-K programs are essential social infrastructure for San Diego's families, workers, and businesses. These programs support healthy child development, enable parents to work, and reduce costly business disruptions caused by call-outs. Far too many San Diego parents struggle to access the childcare and early education they need—at prices they can afford, in the locations and hours that work for them—while many childcare workers and early educators struggle to make ends meet. At the same time, the long-term decline in tobacco tax revenues threaten the future of First 5 San Diego's Healthy Development Services, a lifeline for many families seeking support for their children's developmental and behavioral health. The Board has taken important steps, including adopting the San Diego County Child Care Blueprint and allocating \$4.3 million to backfill funding for Healthy Development Services. However, the growing challenges facing San Diego's young families, care workers, and early educators require long-term solutions. The Subcommittee will examine funding options to expand access to quality, affordable childcare and early education and to strengthen First 5 San Diego's Healthy Development Services.

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- **Mental Health and Substance Use Services:** The County is expanding regional behavioral health capacity with six new crisis stabilization units already serving over 14,000 admissions, supporting additional sober living homes, and adding 200 long-term mental health beds, nearly doubling the region's capacity. The launch of mobile crisis response teams staffed by trained clinicians has diverted over 13,000 calls from law enforcement, allowing deputies to focus on crime prevention and community safety. OBBBA's Medicaid cuts threaten to reduce funding for mental and behavioral health services, putting our expansion plans at risk. The Subcommittee will explore ways to protect our progress on our mental health and substance use services, including investing in our behavioral health workforce to address mental illness, addiction, and homelessness for people who are eligible for or enrolled in Medi-Cal.
- **In-Home Healthcare:** Older adults and people with disabilities rely on In-Home Supportive Services (IHSS) to maintain their health and quality of life, especially in underserved rural communities. IHSS is a highly cost-effective intervention that allows older adults and people with disabilities to live independently and avoid expensive institutional care settings. Although the State of California rejected significant cuts to this essential program in its Fiscal Year 2026 budget, state disinvestment remains a possibility, threatening to limit access to IHSS, exacerbate already-inadequate compensation for homecare workers, and create instability for homecare clients and workers alike. The Subcommittee will look for ways to strengthen the IHSS program and support a professional homecare workforce.
- **Public Safety:** Neighborhood safety is a top concern of our constituents. The County has strengthened law enforcement through expanded staffing, including the addition of over 300 new positions in recent years, and targeted recruitment and retention efforts to address workforce needs. The County has also invested in new Sheriff facilities, crime lab, and advanced tools like upgraded body-worn cameras and digital evidence systems to enhance accountability and efficiency. However, Sheriff deputy staffing remains an ongoing challenge, as law enforcement professionals leave in search of attractive opportunities elsewhere. The Subcommittee will identify resources to support investments in attracting and retaining Sheriff's deputies at the County.
- **Tijuana River Sewage Crisis:** The ongoing cross-border sewage flows in the Tijuana River Valley threaten the health of residents, the safety of our beaches, and the vitality of our regional economy. The Board recently enacted a five-point Sewage Action Plan focused on increased monitoring, pollution mitigation, and public health protections to mitigate the health and economic impacts of cross-border sewage. A permanent fix will require long-term investments in clean-up and sewage infrastructure. The Subcommittee will explore funding options for the Sewage Action Plan and broader improvements necessary to achieve a lasting solution for our residents.

Today's item builds on recent actions to prepare the County for fiscal and operational disruption. On June 24, 2025 (9), the Board initiated a staffing and workload assessment to understand the workforce needs for processing Medi-Cal and CalFresh applications under the new federal requirements, along with fiscal options to bridge funding gaps in food assistance, in-home care,

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sewage clean up, and behavioral health services. Today's item seeks to develop a viable fiscal strategy to help the County effectively navigate a challenging fiscal environment while protecting the most vulnerable and investing in our future.

To support the Subcommittee, this action recommends authorizing procurement of expert consulting services to assist in researching emerging fiscal threats and opportunities at the local, state, and federal levels and developing a sustainable funding strategy informed by the County's Strategic Plan, budget projections, public opinion, focus areas outlined in this Board letter, operational priorities, and financial impact estimates of various fiscal mechanisms. Given the critical and timely need for this funding, this action requests a waiver of Board Policy A-87 to facilitate an expedited competitive procurement process.

In addition, given the specificities of the County's fiscal situation, the dramatic withdrawal of federal funding, the deepening cross-border sewage crisis, and the legal complexities of municipal finance and county authority, the County must be prepared to sponsor and advocate for legislation in Sacramento that expands the fiscal options available to the County. This item recommends that the CAO add to the sponsorship section of the County's Legislative Program legislation needed to advance fiscal stability and funding options, such as mechanisms available to the County, additional flexibility under existing provisions, and recommendations of the Ad Hoc Subcommittee. The CAO shall ensure appropriate collaboration between the Subcommittee, the Department of Economic Development and Government Affairs, and County Counsel to ensure alignment in legal and political assessment and approach.

Today's item seeks to protect and build on the progress the Board has already made on its Strategic Plan. Enacting this Subcommittee does not commit the County to any specific course of action; rather, it will equip the Board with a rigorously researched, viable fiscal strategy that offers San Diego the freedom to steer its own course through fiscal disruption as the federal and state government withdraws longstanding commitments to our region.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

This proposal aligns with the County of San Diego's 2025–2030 Strategic Plan by advancing the goals of the Health, Sustainability, and Community pillars. By exploring sustainable funding options this proposal supports the County's commitment to the "Live Well San Diego" vision of building better health, living safely, and thriving in sustainable, equitable communities.

Respectfully submitted,



TERRA LAWSON-REMER
Chair, Third District



MONICA MONTGOMERY STEPPE
Vice Chair, Fourth District

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ATTACHMENT(S)

N/A