



MAY 6, 2025

## 3RD QUARTER REPORT

FY 24/25

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County of Mendocino

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## Exhibits

BU 1000 Revenue Forecast for Fiscal Year 2024/25.....	Exhibit A
Resolution 3 <sup>rd</sup> Quarter FY 2024/25 .....	Exhibit B

## Attachments

FY 2024/25 3 <sup>rd</sup> Quarter Budget Adjustments and Administrative Clean Up.....	Attachment A
FY 2024/25 3 <sup>rd</sup> Quarter Fixed Assets and Structural Improvement Requests.....	Attachment B
HdL Mendocino County Sales Tax Update 4Q 2024 (October-December) .....	Attachment C
HdL Sales Tax Rate Breakdown – Mendocino County .....	Attachment D
2024-25 YTD 3 <sup>rd</sup> Quarter General Fund Report .....	Attachment E

## INTRODUCTION

This 3<sup>rd</sup> Quarter Budget Report for Fiscal Year 2024-25 covers July 1, 2024, through March 31, 2025, and provides information projecting how the County's current year budget status is projected to end on June 30, 2025.

Many departments cannot operate or maintain services without infusions of discretionary general fund dollars. These revenue infusions are financed primarily by property tax, sales tax, and transient occupancy tax revenues. The pool from which the County provides these monies is limited and is annually adopted in the County's budget as Budget Unit 1000.

California Government Code § 29009 requires the County to produce a balanced budget, and the quarterly reporting is an important step in the process of fulfilling this legal requirement of the County's financial management. Every year, the County strives to produce a budget that is balanced between the community's needs and revenue reality. All decisions and policies in this matter are solely the responsibility of the Board of Supervisors. The Chief Executive Officer serves as the administrative officer designated by the Board to advise and administer Board direction in fulfilling the requirements of GC § 29009.

## 3<sup>rd</sup> Quarter Recommendations

- Accept the FY 2024/25 3<sup>rd</sup> Quarter Budget Report as presented
- Accept Exhibit A revenue adjustments
- Approve FY 2024/25 3<sup>rd</sup> Quarter Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve FY 2024/25 3<sup>rd</sup> Quarter Fixed Assets and Structural Improvement Requests (Attachment B)
- Implement full hiring freeze. Departments to work with CEO and Board to fill critical mandated positions.

## Budget Calendar

Date	Event
March 17-20, 2025	Budget Conferences for Fiscal Year 2024/25
March 20, 2025	3 <sup>rd</sup> Quarter Reporting Instructions Transmitted
April 8, 2025	Budget Workshop
April 11, 2025	3 <sup>rd</sup> Quarter Budget Projection Report Due Fiscal Year 2024/25
April 15, 2025	Budget Listening Session in Fort Bragg
April 22, 2025	Fee Hearing and Budget Workshop FY 2024/25
May 6, 2025	3 <sup>rd</sup> Quarter Report Presentation and Budget Workshop FY 2024/25
May 13, 2025	Narratives Due for Fiscal Year 2024/25
June 3-4, 2025	Final Budget Public Hearing for Fiscal Year 2024/25

## COUNTY FINANCIAL OUTLOOK

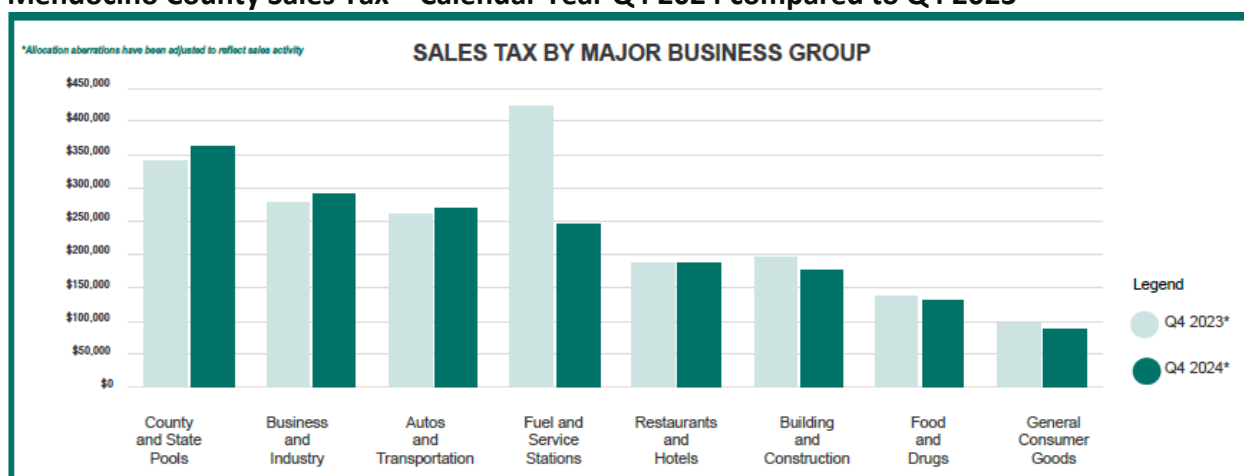
### Mendocino County Sales Tax

The following statistics are from the County's most recent sales tax report, provided by HDL Companies (Attachment F - Mendocino Co. Unic. 4Q24 Newsletter), for Calendar Year Q4, October-December 2024, compared to the same timeframe last year, October-December 2023. Additional narrative can also be found in the attached Mendocino Co. Unic. 4Q24 Newsletter.

For further information regarding Sales Use Tax, please see **Attachment C and Attachment D**, provided by HdL Companies.

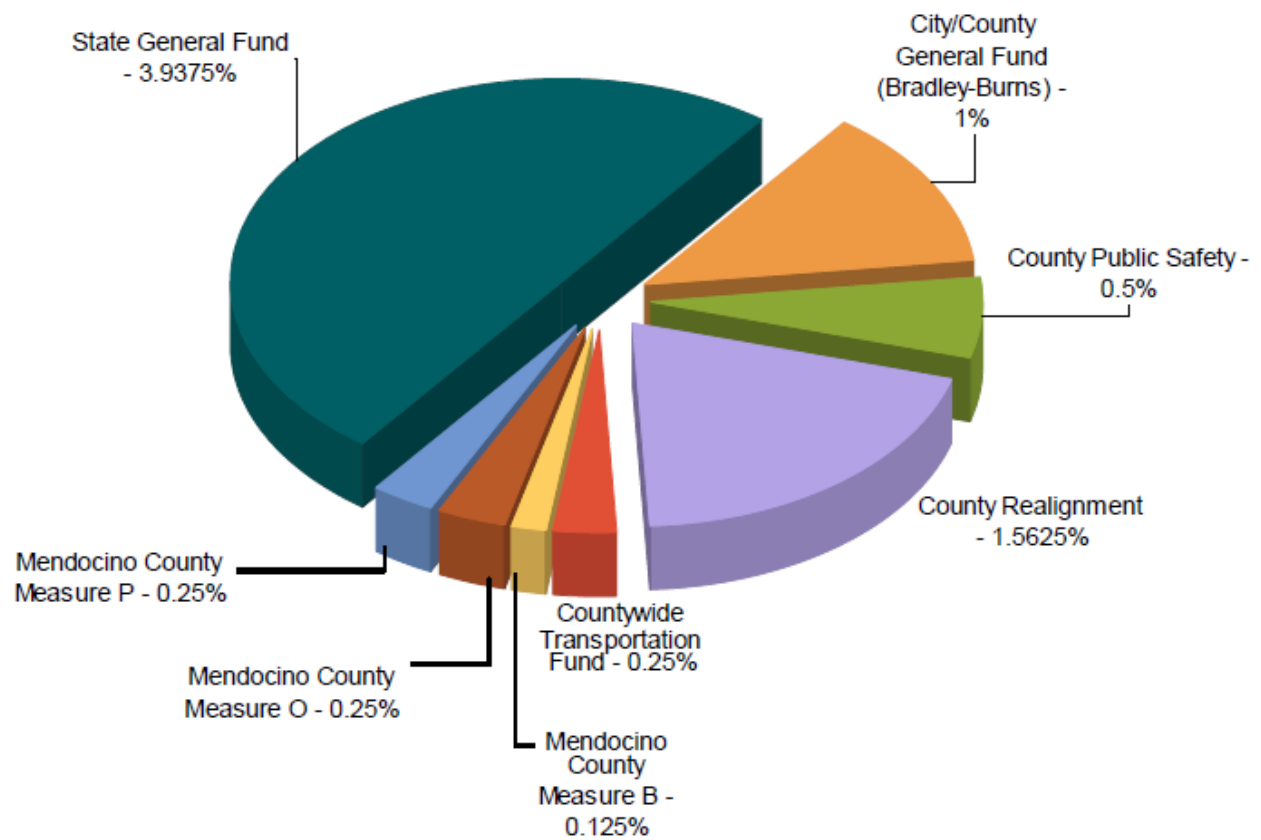
- Overall County sales tax **decreased 8.7%**, net of adjustments
- Services stations **decreased 8.9%** overall
- Grocery Stores **decreased 2.7%**
- Contractors **decreased 8.8%**
- Casual Dining **decreased 1.1%**
- Wineries **decreased 11%**
- Building Materials **decreased 1.4%**
- Hotels and Motels **decreased 0.5%**
- Plumbing and Electrical Supplies **decreased 18.8%**
- Quick Services Restaurants **decreased 0.5%**
- Garden and Agricultural Supplies **decreased 9.5%**

### Mendocino County Sales Tax – Calendar Year Q4 2024 compared to Q4 2023



<sup>1</sup> HDL Companies

## Mendocino County Sales Tax Breakdown

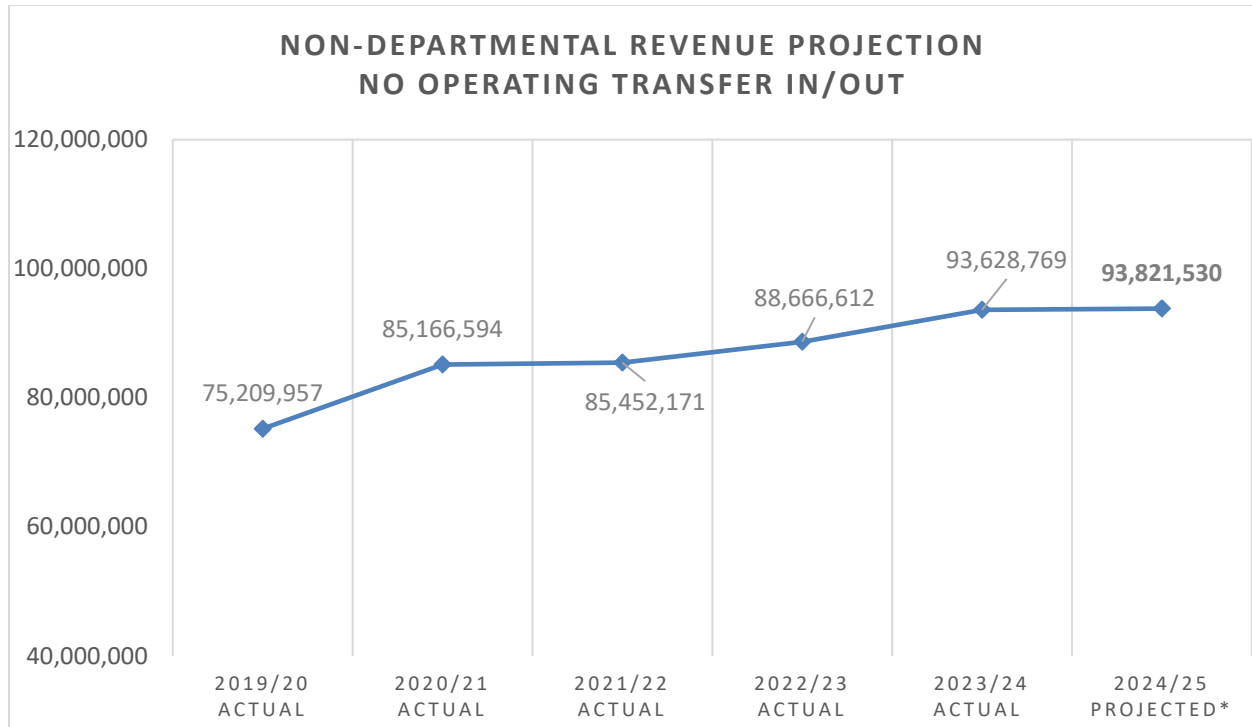


State General Fund	3.9375%
City/County General Fund (Bradley-Burns)	1.0000%
County Public Safety (Prop 172)	0.5000%
County Realignment (Mental Health/Welfare/Public Safety)	1.5625%
Countywide Transportation Fund	0.2500%
Mendocino County Measure B (MCMH)	0.1250%
Mendocino County Measure O (MLST)	0.2500%
Mendocino County Measure P (MCES)	0.2500%
<b>Total Rate</b>	<b>7.8750%</b>

## FY 2024/25 Q3 UPDATES

### Non-Departmental Revenues – BU 1000

A detailed revenue breakdown for BU 1000 revenue forecasts is provided in **Exhibit A**.



The chart above reflects non-departmental revenue, excluding all Operating Transfers In and Out. Operating Transfers In represent one-time funds used to balance the budget. For Fiscal Year 2024/25, the adopted budget for Operating Transfers Out totaled \$13.5m, covering funding obligations including Measure P (\$4m), Roads (\$4.1m), the Library (\$2m), and others.

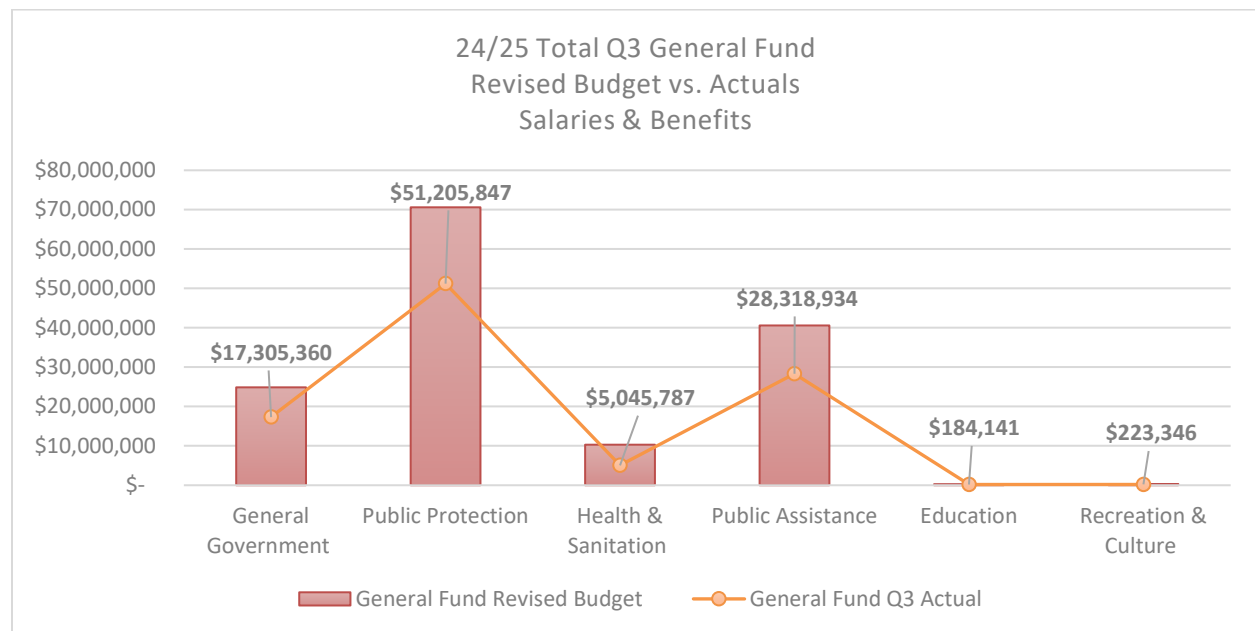
FY 2024/25 Projections are up \$1.2m from Mid-Year projections and 0.21% from prior year 2023/24 actuals.

### 3<sup>rd</sup> Quarter Expenditures

The graph in this section compares salaries and benefits expenditures for Fiscal Year 2024/25 to their respective revised budgets. To aid interpretation, the data is largely organized by the County's Functional Areas, highlighting where the most significant funding has been appropriated.

Additional Year-to-Date Budget to Actuals department data can be found in **Attachment E**.

<div>General Government</div> <div><ul style="list-style-type: none"><li>Assessor Clerk Recorder</li><li>Auditor</li><li>Board of Supervisors</li><li>County Counsel</li><li>Executive Office</li><li>Human Resources</li><li>Tax Collector</li></ul></div>	<div>Public Protection</div> <div><ul style="list-style-type: none"><li>Agriculture</li><li>Animal Care and Control</li><li>Cannabis</li><li>Child Support</li><li>District Attorney</li><li>Planning and Building</li><li>Probation</li><li>Public/Alternate Defender</li><li>Sheriff - Coroner</li></ul></div>	<div>Public Way &amp; Facilities</div> <div><ul style="list-style-type: none"><li>Department of Transportation</li></ul></div>	<div>Health &amp; Sanitation</div> <div><ul style="list-style-type: none"><li>Behavioral Health</li><li>Public Health</li><li>Solid Waste (DOT)</li></ul></div>	
		<div>Public Assistance</div> <div><ul style="list-style-type: none"><li>Social Services</li></ul></div>	<div>Education</div> <div><ul style="list-style-type: none"><li>Farm Advisor</li><li>Library</li></ul></div>	<div>Recreation &amp; Culture</div> <div><ul style="list-style-type: none"><li>Museum</li></ul></div>



\*Actuals subject to change pending 3<sup>rd</sup> Quarter close

General Fund salary expenses for the 3<sup>rd</sup> quarter (July-March) are at 69.6% of the Revised Budget, representing a 4.05% increase over the same period in Fiscal Year 2023/24. This gap is expected to narrow in the 4<sup>th</sup> quarter and should not be used to estimate a carryforward as departments such as Social Services and Public Health are largely funded by State and Federal Funds.

## General Fund Department Projections

Many departments are projecting budget variations as of 3rd Quarter. These variations are represented by increases and decreases in anticipated General Fund NCC through the end of the Fiscal Year 2024-25, based on expected staff vacancies, underutilized or unneeded contracts, unanticipated department revenue, or other trend factors.

The chart below shows General Fund Department 3<sup>rd</sup> Quarter projected budget variance from the Revised Budget amounts by Functional Area. While Public Assistance is anticipating needing additional General Funding, the need is offset by projected decreases across the other functional areas such as General Government, Public Protection, Health & Sanitation, and Education.

No changes to the anticipated need for one-time funds have been made as a result of Departmental Q3 projections. With ongoing uncertainties regarding Federal Revenue, Sales Tax reductions, and economic tariffs, the CEO Budget team is recommending holding changes in anticipated one-time funding for when more information becomes available, and budget variances are more concrete.

## One-time funds

The approved budget for FY 2024/25 included the potential use of approximately \$7.1 million in the use of one-time funding to balance the budget. One-time funding included the following:

- \$3.2m – Retirement Reserve
- \$300k – CalFire Contract Adjustment
- \$1.2m – PG&E Settlement (Drought)
- \$1m – Mental Health Audit Reserve
- \$1.3m – ARPA
- **\$7.1m – Total\***

Mid-Year projections anticipated that approximately \$4.2 million in one-time funds would be needed to balance the Fiscal Year 2024/25 budget. It was decided to reallocate all previous one-time funding and dedicate the remaining \$4.2 million in ARPA funding to balance the 24-25 budget. However, based on current FY 2024/25 budget projections, it is anticipated that approximately \$3 million in one-time funding will be needed to balance the budget. ARPA funding is still recommended to be used to offset the deficit.

Approximately \$4.2 million in ARPA funding was left unexpended from FY 2023-24 due to higher than projected revenue actuals. As this funding is required to be expensed by December 31<sup>st</sup>, 2026, the Executive Office is recommending the utilization of the one-time ARPA funds for use in FY 2024-25 budget.



### 3<sup>rd</sup> Quarter Recommendations

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- Accept the FY 2024/25 3<sup>rd</sup> Quarter Budget Report as presented
- Accept Exhibit A revenue adjustments
- Approve FY 2024/25 3<sup>rd</sup> Quarter Budget Adjustments and Administrative Clean Up (Attachment A)
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## GLOSSARY OF TERMS

**General Fund** - The primary operating fund of a government, used to finance most typical services such as public safety, administration, and public works.

**Budget Deficit** - The amount by which government expenditures exceed revenue over a specific period of time, leading to a shortfall that must be financed through borrowing or the use of reserve funds.

**Non-Departmental Revenues** - Revenues that are not directly generated by specific county departments but are collected at a county-wide level, such as general sales taxes, property taxes, and certain grants.

**Net County Cost (NCC)** - The total cost to the county for providing services after accounting for all revenues except for General Fund support. It represents the impact to the General Fund.

**One-Time Funds** - Funds that are not expected to recur on a regular basis, used typically for non-recurring expenditures. Examples include windfalls from legal settlements or one-off state or federal grants.

**Operating Transfers In/Out** - Transfers of money between different government funds as recorded in financial statements. Transfers in are added to a fund, while transfers out are deducted.

**Actuals** - The term used to describe the real financial figures recorded during a specified accounting period. Actuals represent the true amounts of revenue received or expenditures made, as opposed to budgeted figures or forecasts.

**Property Tax In-Lieu of VLF (Vehicle License Fee)** - Revenue received from the state as a replacement for vehicle license fees that local governments previously collected directly.

**Sales Tax Revenue** - Income earned by the government from sales tax, which is imposed on the sale of goods and services. It is a percentage of the price paid by the consumer at the point of sale.

**Transient Occupancy Tax (TOT)** - A tax charged to travelers when they rent accommodations in a hotel, inn, motel, vacation rental, etc., for a period of less than 30 days.

**Measure P** - A sales tax measure that was approved in November 2022 and introduced a 0.25% sales tax increase to fund fire prevention and emergency services across Mendocino County.

**Teeter Plan** - A method of property tax allocation that allows counties to receive the total amount of property taxes levied regardless of the actual collection rate, with the county assuming the risk for delinquent accounts.

**Fiscal Sustainability** - The ability to sustain current spending, tax, and other fiscal policies over the long term without risking fiscal crisis.

**Fiscal Year (FY)** - A one-year period used by governments for accounting and budget purposes, which varies between countries. In Mendocino County, the Fiscal Year is July 1<sup>st</sup> through June 30<sup>th</sup>.

**Adjusted Budget** - Refers to the budget amount that has been modified from the original approved budget to reflect changes such as additional allocations, reductions, or other adjustments during the fiscal year.

**YTD (Year-to-Date)** - The period starting from the beginning of the current fiscal year up to the current date, used for tracking financial progress and performance against the annual budget.

**Projected Deficit** - An estimate of the amount by which expenses are expected to exceed revenues by the end of the fiscal year based on current and forecasted operations.

**Supplemental Roll Tax** - Additional property taxes levied due to changes in property value not accounted for in the original tax roll, often resulting from construction or property sales.

**Penalty & Cost on Delinquent Tax** - Fees and charges applied to tax amounts that are paid late, intended to encourage timely payment of taxes.

**Property Transfer Tax** - A tax imposed by local governments on the transfer of property from one owner to another, based on the property's sale price.

**Revenue Forecast** - The estimated amount of money that will be received from various sources during a specified fiscal period. This is a critical component for budget planning and adjustments.

**Capital Improvement Projects (CIP)** - Long-term investment projects undertaken by the government to build, maintain, or improve its infrastructure assets, such as roads, bridges, schools, and government buildings.