



NOVEMBER 4, 2025

Q1 BUDGET REPORT
FY 25-26
BUDGET WORKSHOP
FY 26-27

DARCIE ANTLE
CHIEF EXECUTIVE OFFICER

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Exhibits

BU 1000 Non-Departmental Revenue Forecast	Exhibit A
Resolution 1 st Quarter FY 2025-26	Exhibit B

Attachments:

FY 2025-26 1 st Quarter Budget Adjustments and Administrative Clean Up	Attachment A
FY 2025-26 FY Fixed Assets and Structural Improvement Requests	Attachment B
Mendocino Co. Uninc. 2Q25 Newsletter.....	Attachment C
FY 2025-26 YTD 1 st Quarter General Fund Report.....	Attachment D

INTRODUCTION

With this document, the County begins the Budget Reporting process to the Board of Supervisors for Fiscal Year (FY) 2025-26. The First Quarter Report covers July 1, 2025, through September 30, 2025, and provides information projecting how the County's prior year budget status is projected to end on June 30, 2025. This report examines current Budget to Actuals organized by Functional Area, revenue projections for 2025-26, FY 2024-25 close out, and local economy trends.

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 the revenue reality that is presented. 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.

EXECUTIVE SUMMARY

The first quarter of FY 2025-26 reflects continued fiscal uncertainty as State and Federal policy changes evolve without clear implementation guidance. In this environment, the County must remain focused on austerity measures and process improvements that enhance efficiency and uphold our responsibility as fiscal stewards of taxpayer dollars.

While short-term pressures are significant, the County's fiscal challenges are also deeply rooted. Mendocino County has operated under a structural deficit for many years, and long-term stability will require a deliberate and disciplined reset of County finances. Achieving a balanced budget – where one-time revenues are reserved exclusively for one-time expenditures – will demand difficult but necessary decisions. Nearly all County departments perform mandated services or direct support of those mandates, leaving little room for further reductions without affecting service delivery.

The pending impacts of HR 1 further heighten these challenges, with expected consequences for health and human services, as well as the broader local economy. Counties across California are preparing for a period of constrained revenues and heightened competition for limited State and Federal funding. Mendocino County must continue to braid all eligible funding sources to sustain essential operations and protect critical community services.

Advocacy will be key. The County must continue to engage State and Federal partners on priorities including water security, housing, roads and transportation infrastructure, emergency medical services, and overall affordability for residents. Declining sales and use tax revenues, coupled with stagnation in realignment funding, signal minimal near-term growth. A disciplined focus on fiscal restraint, efficiency, and unified effort across all departments will be vital as the County navigates this uncertain economic landscape.

FIRST QUARTER RECOMMENDATIONS

- Accept the Fiscal Year 2025-26 First Quarter Report as presented
- Approve 1st Quarter Department Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve 1st Quarter Fixed Assets and Structural Improvement Requests (Attachment B)
- Direct staff to present a plan for the use of Fiscal Year 2024-25 Fund Balance Carryforward at the Mid-Year budget report in February 2026

STRATEGIC PLAN 2022-2027

The Board of Supervisors, in May 2022, adopted the County's first Strategic Plan in over 30 years. The plan has and will continue to help guide the critical decisions the Mendocino County Board of Supervisors will face over the next five years to improve the quality of life for county residents. County leadership engaged in conversations with over 1,000 county residents to explore the challenges the county faces and identify solutions that has and will continue to result in a more effective county government organization, a thriving economy, and a county that is safe, healthy, resilient, and prepared for future uncertainties. The County is grateful to the many constituents who voiced their opinions about what's important to them, their families, and the county's future.

The County has identified ambitious goals with specific objectives that will enable achievable and positive results. Accomplishing these goals will depend on allocating sufficient County staff to implement key tasks; designating resources via the budget process within the context of the County's mandated funding commitments; close collaboration with community members, businesses, nonprofits, and local government organizations; and finally, the Board of Supervisors' commitment and leadership.

The Strategic Planning Task Force and consultants gathered input over an eight-month process through the following sources:

- Individual interviews with the 5 members of the County's Board of Supervisors
- Individual interviews with the County's Chief Executive Officer (CEO)
- Group meetings with all Department Heads
- Group meeting with staff from the CEO's office
- 3 virtual Town Halls, attended by 206 County residents
- 6 community focus groups, averaging 8 community leaders per group, representing the following sectors:
 - Cities & towns in the County
 - Community-based organizations
 - Businesses
 - Public safety
 - Healthcare
 - Latino community service providers
- Individual interviews with Mendocino County Tribal Council Leaders
- One-on-one interviews and 6 focus groups with 41 County staff leaders
- Survey responses from 432 County employees
- 330 comments received via email from County residents
- Documents from existing County planning efforts, including the following, among others:
 - MOVE2030: Community Economic Action Plan
 - Mendocino County Homeless Services Continuum of Care Strategic Plan to Address Homelessness
 - Mendocino County Public Health Department's 6 Priorities
 - Priorities of the Mendocino County Climate Action and Advisory Committee, the Grassroots Institute, and Climate Action Mendocino

Strategic Priorities

The strategic plan consists of 17 goals under these 4 priority areas:

- An Effective County Government Organization
- A Safe and Healthy County
- A Thriving Economy
- A Prepared and Resilient County



These priorities and goals are supported by specific, actionable objectives for County staff to implement. The first priority of an effective County organization is critical to the implementation of the other three priorities. A strong internal organization, with a healthy culture, participative leadership, clear communication channels, and departments fully staffed with qualified individuals, will make it possible for the County to achieve results in the additional three priority areas.

Priorities, Goals & Objectives

An Effective County Government Organization

- Define clear roles, responsibilities, and processes for government leadership
- Create a thriving organizational culture
- Implement new approaches to demonstrate our commitment to Diversity, Equity, and Inclusion (DEI)
- Improve operational efficiency by streamlining processes and implementing technology-based solutions
- Increase transparency in government operations to build trust with employees, communities, and partners
- Assure financial sustainability of the County

A Safe and Healthy County

- Provide a person-centered approach to help under-resourced individuals and families thrive
- Deliver culturally relevant public health services that focus on prevention and are guided by social determinants of health
- Increase access to behavioral health services
- Help people feel safe in their communities
- Implement practices that support a sustainable environment and responsible stewardship of natural resources

A Thriving Economy

- Support a vibrant economy
- Support increased housing stock at a range of affordability levels
- Ensure that affordable and reliable broadband communications are available to all County residents

A Prepared and Resilient County

- Increase disaster/emergency preparedness and resiliency
- Ensure access to rural fire protection and emergency medical services
- Improve and maintain transportation and road systems/access routes

In prior budget cycles, the Board of Supervisors identified budget goals and priorities as focus areas in the development and implementation of the County budget. The County's adoption of a Strategic Plan in May of 2022 has led to a change in the approach to how priorities are defined.

General Fund Budget to Actuals – Q1 2025-26

FY 2025-26 Q1 expenditures are 1.6% higher than prior year (24-25) Q1. Public Assistance functional area is expected to net zero with State and Federal Revenues.

Figure 7a illustrates the relationship between Q1 expenditures and the Revised 2025-26 Budget for General Fund (Fund 1100) budget units by Functional Area.

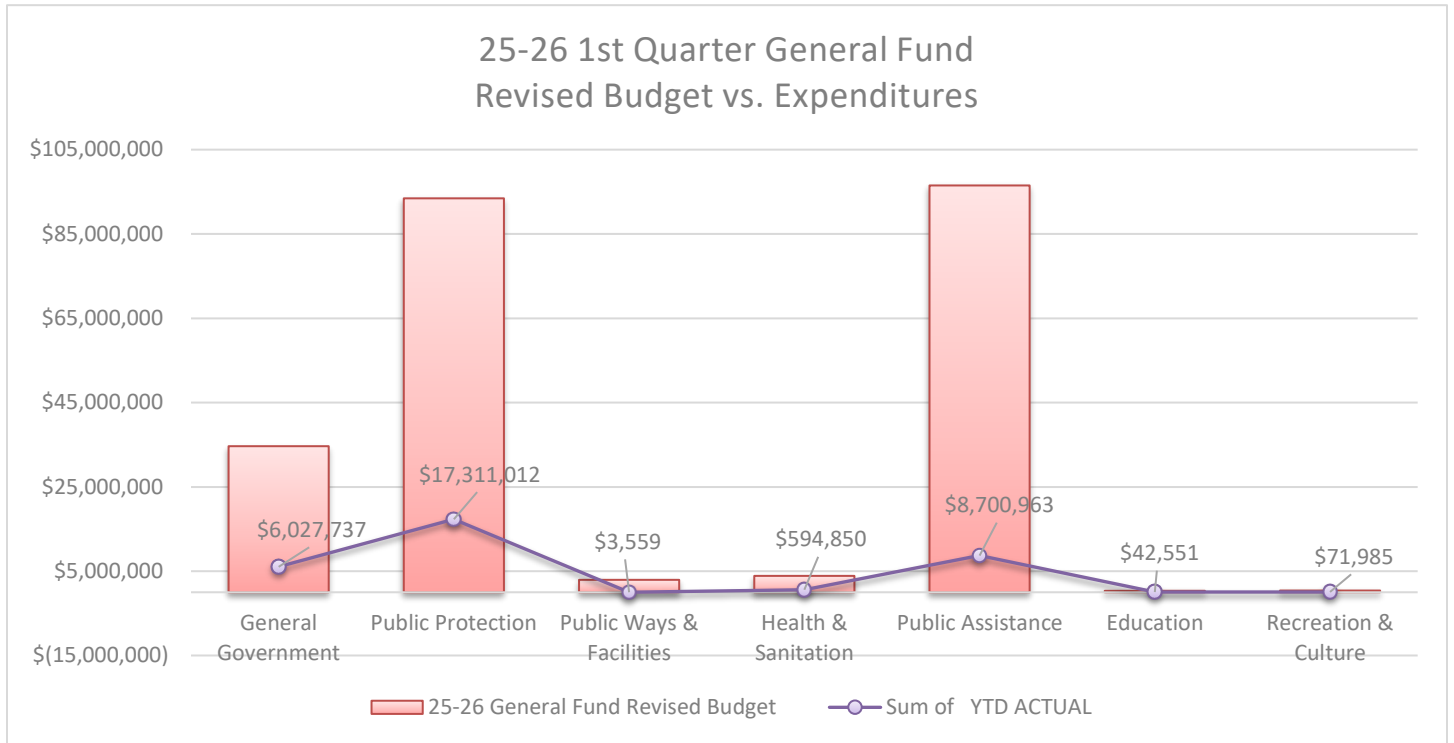


Figure 7a - GF Q1 Budget vs Actuals by Functional Area

General Government - Assessor Clerk Recorder - Auditor - Board of Supervisors - County Counsel - Executive Office - Human Resources - Tax Collector	Public Protection - Agriculture - Animal Care and Control - Cannabis - Child Support - District Attorney - Planning and Building - Probation - Public/Alternate Defender - Sheriff - Coroner	Public Way & Facilities Department of Transportation	Health & Sanitation - Behavioral Health - Public Health - Solid Waste (DOT)	
		Public Assistance Social Services	Education - Farm Advisor - Library	Recreation & Culture Museum

Budget to Actuals by Series

Figure 8a depicts Q1 expenditures by series. Series are defined as:

- 1000: Salaries and Benefits
- 2000: Services and Supplies
- 3000: Other Charges
- 4000: Fixed Assets
- 5000: Expenditure Transfer & Reimbursement

The majority (86%) of General Fund expenditures are Salary and Benefit expenses (1000 Series). All series expenditures total 14.1% of Revised Budget. The 2000 and 3000 series historically trend low in 1st Quarter. 1000 Series salary expenses also trend lower in Q1 and are expected to narrow in Q2 due to an additional pay period, salary increases, and additional annual allocations.

Each series will be monitored throughout the fiscal year as more information becomes available.

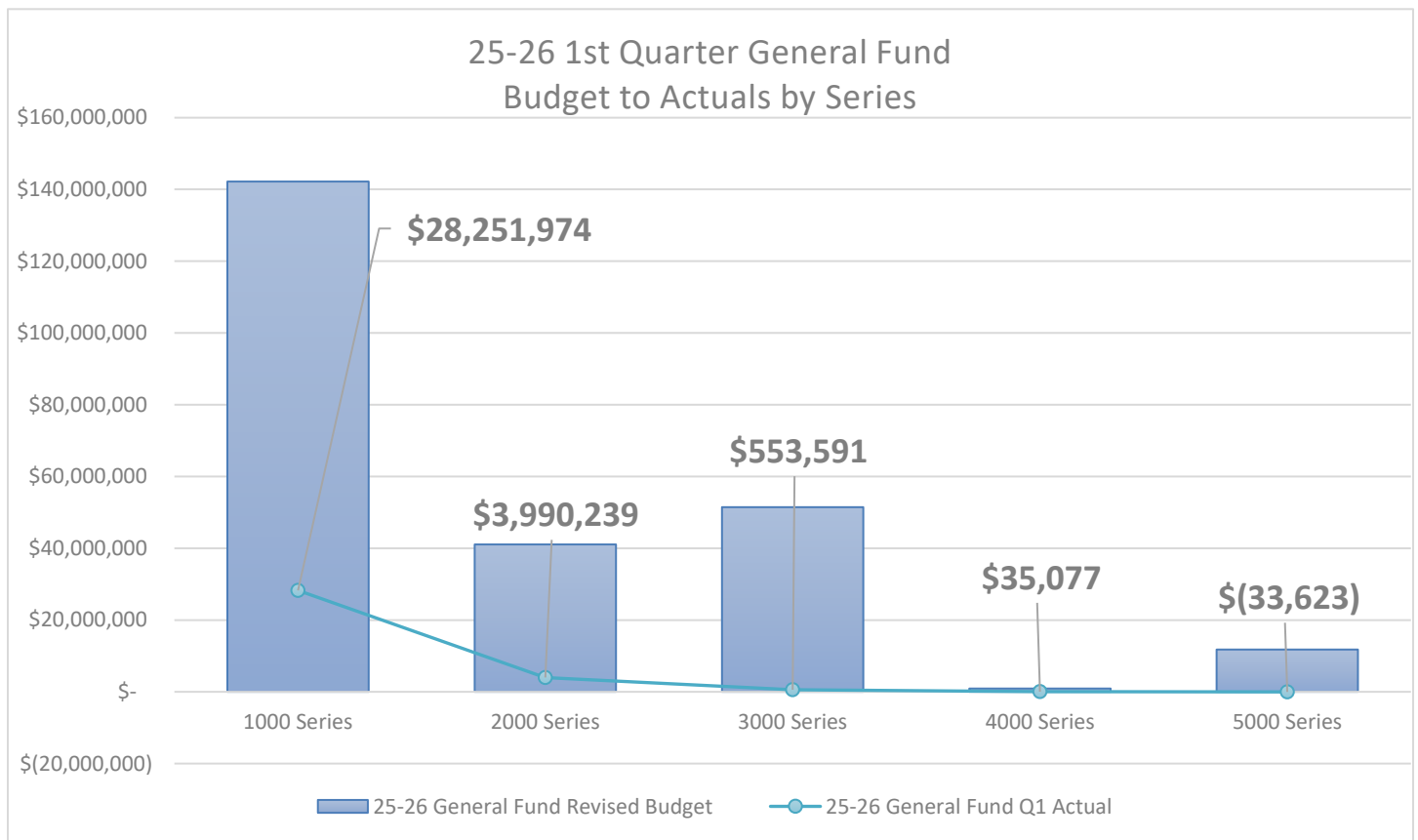


Figure 8a - GF Q1 Budget to Actuals by Series

General Fund salary expenses are **19.9%** expensed as of Q1 of the Fiscal Year 2025-26 revised General Fund budget. The gap between Revised Budget and 1000 Series salary expenses is expected to narrow in Q2 due to an additional pay period, salary increases, and additional annual allocations.

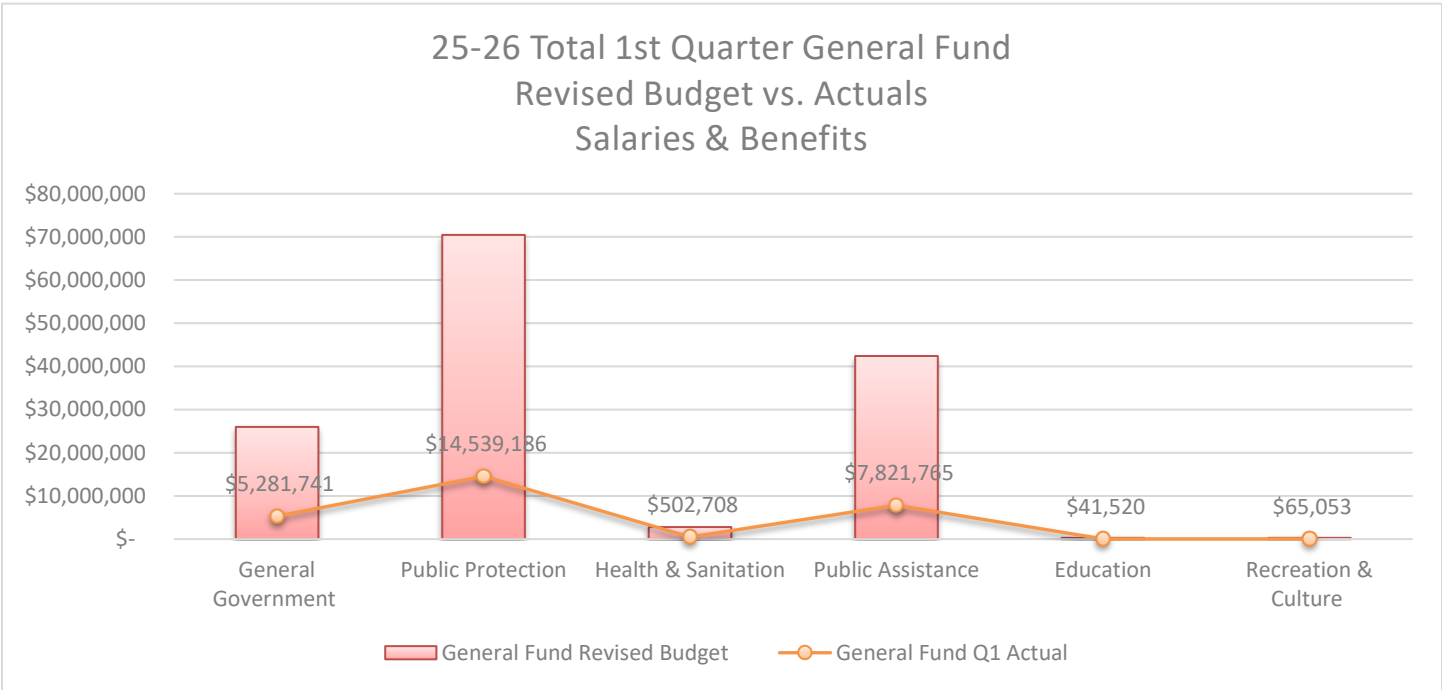


Figure 9a – GF Q1 Budget to Actuals Salaries and Benefits

Salary expenses (1000 Series) for General Fund by departments have increased by **2.1%** or **\$27,657,927** to **\$28,251,974** (approximately \$594k) over 1st Quarter FY 24-25.

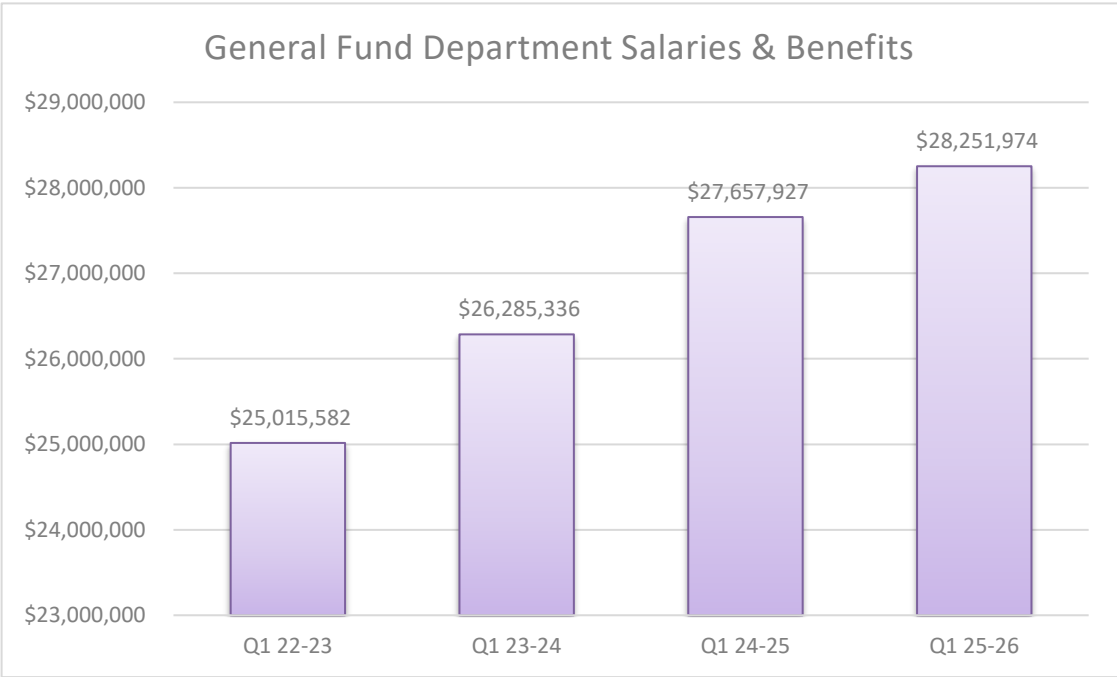


Figure 9b – GF Q1 4year Salaries and Benefits

Figure 10a shows staffing trends data from 2018 through Pay Period 21 (September 28th) of 2025. Overall staffing has decreased by 90 Full Time Employees (FTE's), representing a -8.1% decrease from 2018. Despite this reduction of FTE count, Salary and Benefit expenses have **risen 42.6% or \$1,823,740 per pay period** since 2018.

Department		2018	2019	2020	2021	2022	2023	2024	2025	PP21/2025 *	Diff to 2018
General Fund	Filled FTEs	243.90	233.40	226.30	251.30	275.60	274.60	257.75	250.70	237.80	(6.10)
General Fund	Salary & Benefits	889,481	916,095	949,910	1,045,682	1,241,535	1,343,679	1,353,861	1,354,501	1,335,150	445,668.97
Public Safety - Gen Fund	Filled FTEs	296.70	298.70	289.85	286.90	273.50	286.00	289.00	294.80	289.80	(6.90)
Public Safety - Gen Fund	Salary & Benefits	1,491,201	1,498,817	1,596,439	1,732,777	1,781,055	1,826,605	1,973,610	2,211,825	2,314,286	823,084.95
Non General Fund	Filled FTEs	566.75	582.45	584.00	543.10	543.65	548.35	530.55	517.75	489.75	(77.00)
Non General Fund	Salary & Benefits	1,902,011	1,972,617	2,121,461	2,350,594	2,437,660	2,543,969	2,460,657	2,529,274	2,456,997	554,986.34
Total	Filled FTEs	1,107.35	1,114.55	1,100.15	1,081.30	1,092.75	1,108.95	1,077.30	1,063.25	1,017.35	(90.00)
Change	Filled FTEs		7.20	(14.40)	(18.85)	11.45	16.20	(31.65)	(14.05)	(45.90)	
Change %			0.65%	-1.29%	-1.71%	1.06%	1.48%	-2.85%	-1.30%	-4.32%	-8.1%
Total	Salary & Benefits	4,282,694	4,387,530	4,667,810	5,129,053	5,460,250	5,714,252	5,788,128	6,095,600	6,106,434	1,823,740
Change	Salary & Benefits		104,836	280,281	461,242	331,197	254,002	73,876	307,472	10,834	
Change %			2.45%	6.39%	9.88%	6.46%	4.65%	1.29%	5.31%	0.18%	42.6%

Figure 10a - Staffing Trends 2021- 2025

Q1 2000 Series General Fund expenditures represent **17.7%** of the FY 25-26 revised budget and are **9.7%** expended as of Q1 and as of the date of this publication. 2000 Series expenses will continue to be monitored by the CEO Budget Team for adjustments throughout the year if saving opportunities are identified.

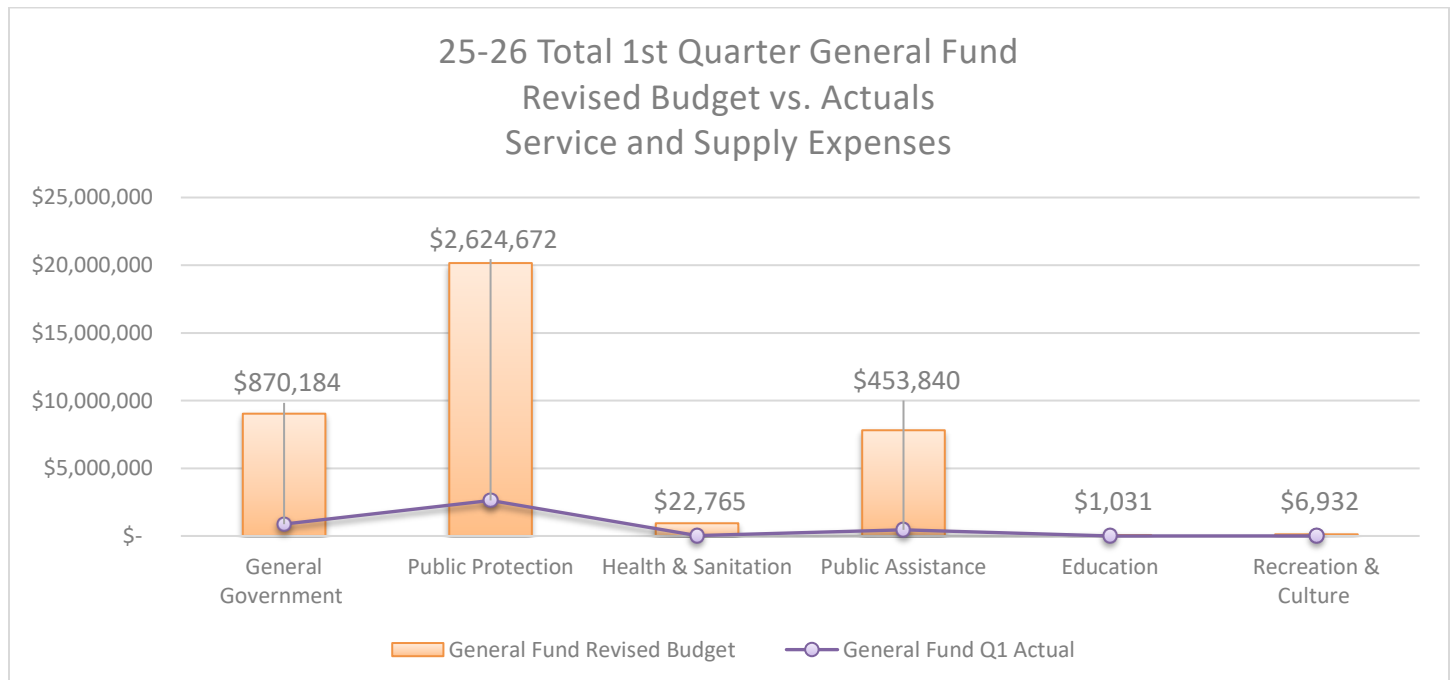


Figure 10b - GF Q1 Budget to Actuals Service and Supply

Expenses for 2000 series, services and supplies, for General Fund departments, decreased by approximately **-2.9%** (\$120k) compared to 1st Quarter expenses from prior fiscal year 2024-25. These amounts are as of the date of this publication.

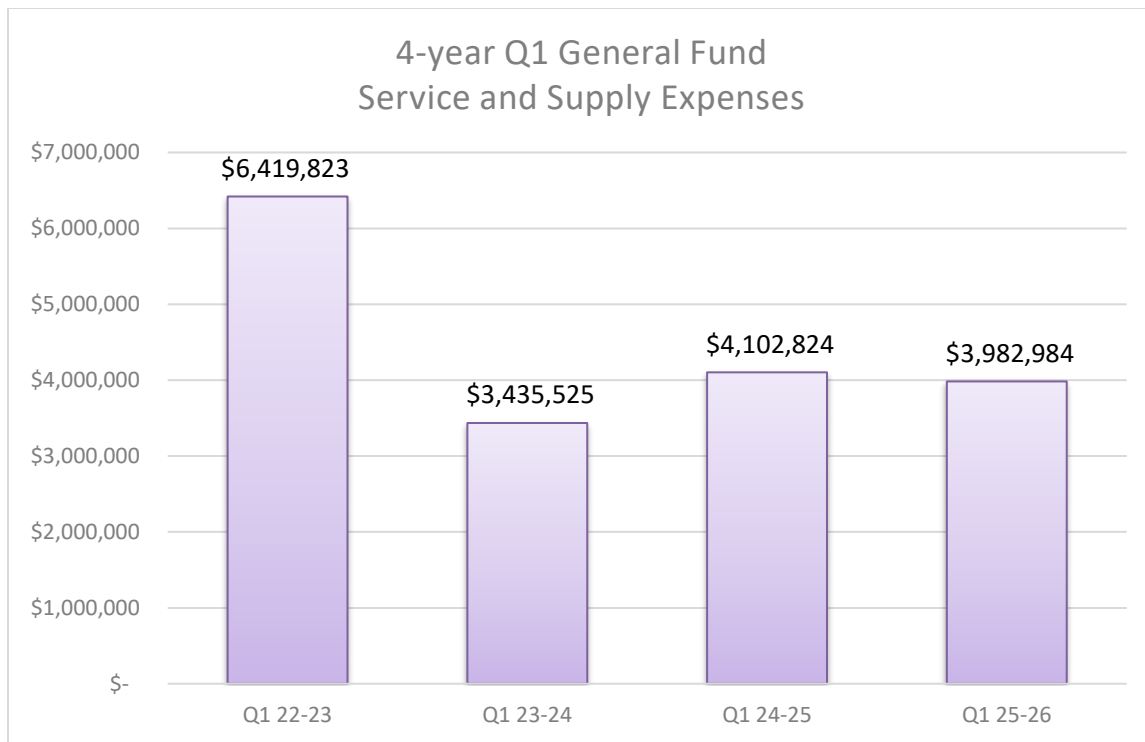


Figure 11a - GF 4year Q1 Service and Supply

6% ATTRITION SUMMARY

To address the budget deficit as part of the FY 2025-26 Adopted Budget, County General Fund departments were required to take a cut to their Salary and Benefits (1000 Series) based on a 6% attrition factor, which totaled **\$5,246,657** across departments. This factor was calculated based on an historical average County-wide attrition rate. The 6% rate was conservatively adjusted to account for a degree of staffing variability throughout the fiscal year.

To realize these attrition savings, a Strategic Hiring Plan was presented to the Board of Supervisors on June 24, 2025 as part of the FY 2025-26 Final Budget. This plan sets forth department guidelines for requesting to hire positions, including a requirement to present staffing requests to the Board of Supervisors for approval.

For the FY 2025-26 Q1 Budget, departments were asked to provide an update on their projections and plans to meet their allocated 6% attrition savings. The following table shows attrition amounts by department, and if the department is expecting to meet or not meet the 6% savings.

Department	Budget Unit	Attrition Amount	Addressed 6% Attrition	Comments
Clerk of the Board	1010	\$ (20,159)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
Board of Supervisors	1015	\$ (53,371)	Yes	Department not expecting to meet 6% attrition savings. May be offset by EO managed budget due to vacancies and operating budget savings.
Executive Office	1020	\$ (73,394)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.

Auditor-Controller	1110	\$ (107,188)	No	Department not expecting to meet 6% attrition savings
Assessor	1120	\$ (64,433)	Yes	10/7/25 BOS, Item 4c - Department presented vacancies and proposed requests to fill would maintain 6% attrition
Treasurer-Tax Collector	1130	\$ (89,418)	No	Department not expecting to meet 6% attrition savings
Payroll Administration	1140	\$ (22,577)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
Fiscal Services	1150	\$ (52,624)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
Central Services	1160	\$ (24,480)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
County Counsel	1210	\$ (185,188)	Yes	Projecting within budget due to vacancies
Human Resources	1320	\$ (5,164)	Yes	Projecting within budget
Elections	1410	\$ (23,602)	Yes	Projecting within budget
Facilities	1610	\$ (104,829)	Yes	Projecting within budget
Economic Development	1810	\$ (9,378)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
Land Improvement	1910	\$ (61,552)	Yes	Reducing 2000 series expenditures to address attrition.
Clerk-Recorder	1941	\$ (20,418)	Yes	10/7/25 BOS, Item 4c - Department presented underfilling vacancy would result in an approximate 33k savings and meet the 6% attrition
Information Technology	1960	\$ -	N/A	No attrition assigned due to position reductions at budget adoption
District Attorney	2070	\$ (414,341)	No	See comments below
Public Defender	2080	\$ (277,996)	Yes	Projecting within budget due to salary savings
Alternate Defender	2085	\$ (69,595)	Yes	Projecting within budget
Sheriff-Coroner	2310	\$(1,719,765)	No	See comments below
Jail	2510	\$ (855,128)	No	See comments below
Juvenile Hall	2550	\$ (175,664)	Yes	See comments below
Probation	2560	\$ (388,521)	Yes	See comments below
Agriculture	2710	\$ (59,842)	Yes	Projecting within budget due to attrition, strategic reclassification of vacancies, and internal coverage of additional positions, resulting in immediate and sustained savings.
Cannabis Management	2810	\$ -	N/A	No attrition assigned due to position reductions at budget adoption

Office of Emergency Services (OES)	2830	\$ (22,934)	Yes	EO managed budgets projecting to be within adopted budget due to vacancy and operating budget savings.
Planning & Building	2851	\$ (153,452)	Yes	Department projecting within budget due to vacancies
Animal Care	2860	\$ -	N/A	No attrition assigned due to position reductions at budget adoption.
Environmental Health	4011	\$ -	N/A	No attrition assigned due to position reductions at budget adoption.
Farm Advisor	6210	\$ (18,317)	Yes	Projecting within budget due to position vacancies.
Museum	7110	\$ (18,465)	Yes	Anticipate 6% to be covered with reduction in 2000 series (Services and Supplies)

Sheriff-Coroner and Jail

The Sheriff's Office and Jail do not expect to meet the applied 6% attrition savings - totaling \$1,719,765 and \$855,128 respectively - for Fiscal Year 2025-26, due to public safety staffing needs for patrol and new Jail staffing expenses. Elimination of positions and cuts to services and supplies have been offered to address, in part, the 6% savings.

Budget Unit 2310 - Sheriff's Office

BU 2310 2000 Series Services and Supplies Expenses									
Line Item	Description	FY21/22 Actuals	FY22/23 Actuals	FY23/24 Actuals	FY24/25 Budgeted	FY24/25 Actuals	FY25/26 Budgeted	FY25/26 Q1 YTD	Possible Savings
862050	Clothing & Personal Items	915.91	126	757	600	2,033	1,600	98	500
862060	Communications	204,596	232,248	239,723	247,800	251,585	268,490	38,340	
862062	Communications Microwave	367,595	382,354	392,825	0	0	365,917	0	
862101	Insurance-General	212,582	198,393	441,100	555,425	555,425	715,455	0	
862120	Maintenance Equip	16,332.54	24,645	24,094	25,000	9,200	25,000	68	5,000
862150	Memberships	7,353.00	8,315	11,086	10,000	13,520	13,000	3,105	
862170	Office Expense	100,598.27	83,711	74,413	77,072	87,730	80,500	9,693	
862185	Medical & Dental Svcs	753,556.98	868,826	810,629	838,000	743,625	890,000	131,873	40,000
862187	Education & Training	174,068.36	152,048	183,997	181,494	113,044	204,000	5,377	50,000
862189	Prof & Spec Svcs - Other	383,794.51	370,148	401,480	346,850	429,353	491,875	90,342	10,000
862190	Publ & Legal Notices	2,850.00	611	463	1,000	1,044	500	0	
862200	Rnts & Leases-Equipment	350.00	0	0	0	0	0	708	-1000
862210	Rents & Leases-Bldg. & Grounds	35,226.00	43,476	43,476	54,301	37,176	31,000	7,719	
862227/30	Info Tech Equip/Software	333,989.22	432,618	592,066	546,401	570,870	616,925	42,347	10,000
862232	Law Enforce Supp & Services	255,537.65	462,623	329,293	459,930	371,437	434,281	51,125	10,000
862239	Spec Dept Exp	35,811.11	37,167	59,050	40,000	29,641	60,000	901	
862250	Transportation & Travel	681,634.15	626,567	75,113	694,899	660,005	643,560	91,367	
862253	Transportation & Travel-OOC	3,663.62	2,688	19,958	35,000	131,797	70,000	22,336	
862260	Utilities	14,254.61	21,236	22,983	25,000	20,454	26,000	3,420	1,000
TOTAL 2000 SERIES		3,584,709	3,947,622	3,722,508	4,138,772	4,027,939	4,938,103	498,819	125,500

Figure 13a - BU 2310 Services and Supplies proposed reductions

Deletion of a vacated Account Specialist III position (approximate savings to General Fund for Q2-4 = \$100k).

Total combined savings for BU 2310 due to cuts outlined in Figure 13a and Account Specialist III position total approximately \$225,500. Additional revenue from the Opioid Settlement funds applied to Coroner related expenses may further offset general fund contribution, but this amount will likely not be known until mid-year.

Budget 2510 – Jail

Deletion of SST position and Account Specialist III position (currently filled and in the process of being reclassified due to workload and HR recommendation).

Addition of Department Analyst II position. Approximate savings of add/deletes will equal \$60-\$80k.

Cut \$44,000 from equipment budget for Livescan machine replacement. A recent software patch resolved a long-standing issue and has enabled the machines to continue running; thus replacement can be postponed.

Total savings to Jail from add/deletes/cuts total approximately \$104,000. There may also be additional revenue realized through the Jail Based Competency Treatment Program (JBCT) agreement with Department of Homeland Security (DHS) due to the program's success and the occupied bed count increasing slightly from what was initially budgeted back in March. We are projecting approximately \$100,000 in additional revenue from JBCT activities.

District Attorney

The District Attorney's Office has reported that the Office will meet the applied 6% attrition savings of \$414,341. Executive Office attrition tracking for the Office projects the DA budget will be **over budget** by approximately \$800,000 in Salaries and Benefits by the end of fiscal year based on current trends. The Executive Office will continue to work with the District Attorney's Office and monitor activity throughout the fiscal year as more information becomes available.

Probation and Juvenile Hall

When considering the two departments combined, the likelihood of meeting the combined reductions this year is good based on vacancies in Probation and increased revenue projections for Juvenile Hall.

Probation

Probation is expected to meet the 6% attrition within the 1000 Series and currently anticipates being approximately 2% (\$116,674) below the revised budget in this series. This is due to extended vacancies, long recruitment times, extended period for completing backgrounds, etc. The department also had a longer than anticipated start time for one new hire due to the relocation from out-of-state. These delays are impacting staff as they are having to pick up additional workload to cover these vacancies in addition to their already full workload. In addition, Probation provides overtime assistance to Juvenile Hall as needed and available to cover vacant shifts due to vacancies, illness, training, etc.

Juvenile Hall

Juvenile Hall will not be able to meet the 6% attrition of \$175,644 within the 1000 Series. Currently department revenues are expected to be higher than budgeted due to increase detention of out-of-county youth in our facility. First quarter billings totaled 61% of the annual budget, \$92,912.90. Budgeted estimated quarterly revenue for the remaining 3 quarters is \$38,000, or \$54,912.90 in additional revenue. In

addition, the department is working on engaging another county for detention services, which opens the possibility for additional revenue.

The department is also looking at cost savings for various professional contract, medical/dental services and supply expenses when CalAIM is effective on January 1, 2026. The full effect is yet to be determined, but a clearer estimate should be available mid-year for these additional savings.

Lastly, the department budgeted \$22,000 to replace Livescan equipment. After consultation with the Sheriff's Office IT department, the department does not anticipate needing this equipment which would have been a general fund expense. Probation also continues to support Juvenile Hall, when possible, with overtime assistance to cover absences or vacancies.

OVERTIME

County overtime hours have stayed largely consistent since the start of FY 25-26. Figure 13a shows overtime hours per pay period for FY 25-26. To date, the lowest pay period totaled **2,291** overtime hours, while the highest totaled **2,703**. The average overtime hours per pay period is **2,543**.

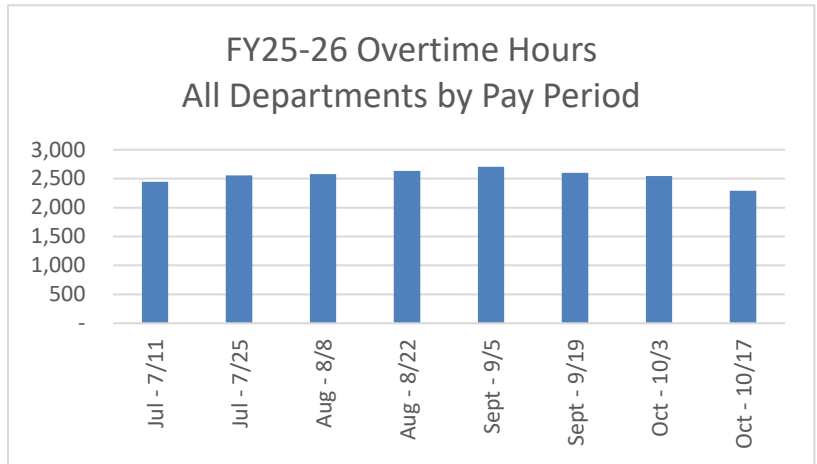


Figure 13a - OT Hours by Pay Period

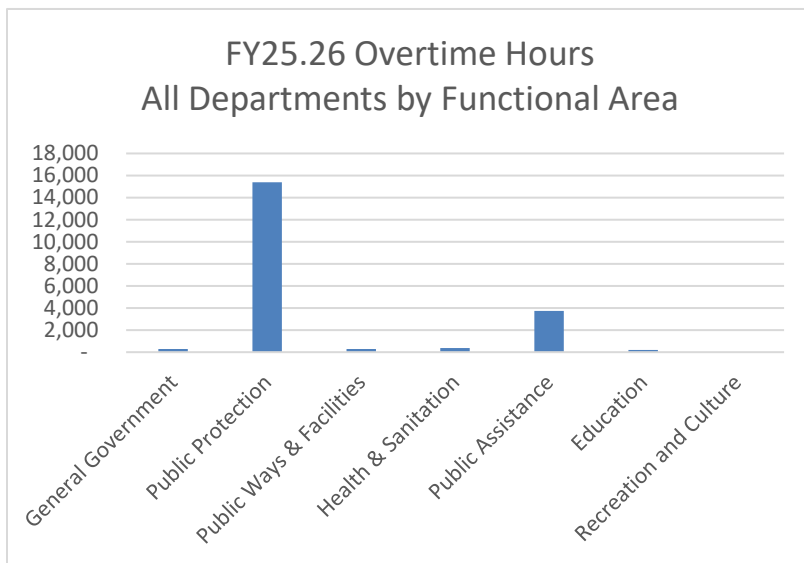


Figure 13b - OT Hours by Functional Area

Figure 13b shows total overtime hours by Functional Area from the start of FY 25-26. The lowest volume of hours is in Recreation and Culture at 0 hours, while the highest volume is in Public Protection at 15,400.

Functional Area	Hours
General Government	298
Public Protection	15,400
Public Ways & Facilities	289
Health & Sanitation	383
Public Assistance	3,732
Education	202
Recreation and Culture	-

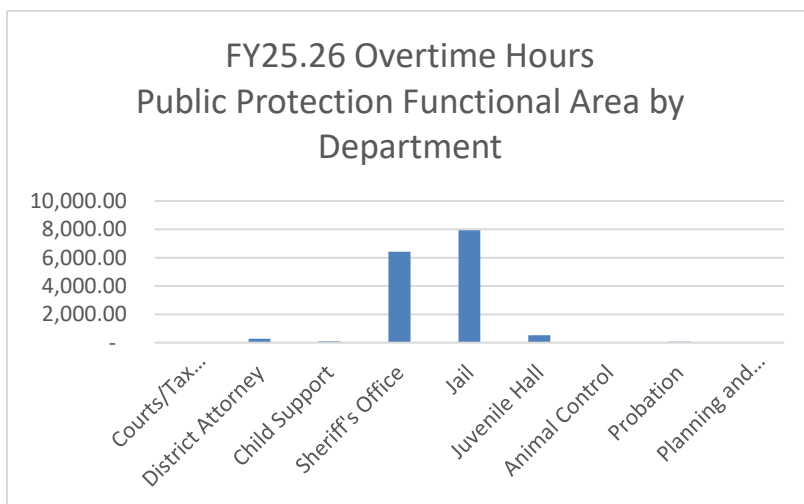


Figure 13c - Public Protection OT Hours by Department

Public Protection overtime data by Department shows that 93% of overtime hours in the Public Protection area occur in the Sheriff's Office and Jail, totaling **14,370** of the total **15,400** overtime hours, as shown in Figure 13c.

DISCRETIONARY REVENUES

A detailed revenue breakdown for BU 1000 revenue forecasts is provided in **Exhibit A**. No revisions to Fiscal Year 2025-26 Non-Departmental (ND) revenues have been submitted with Quarter 1 consolidated adjustments. Revisions may be submitted with the Mid-Year consolidated budget adjustments in February 2026 as determined by the Auditor's Office.

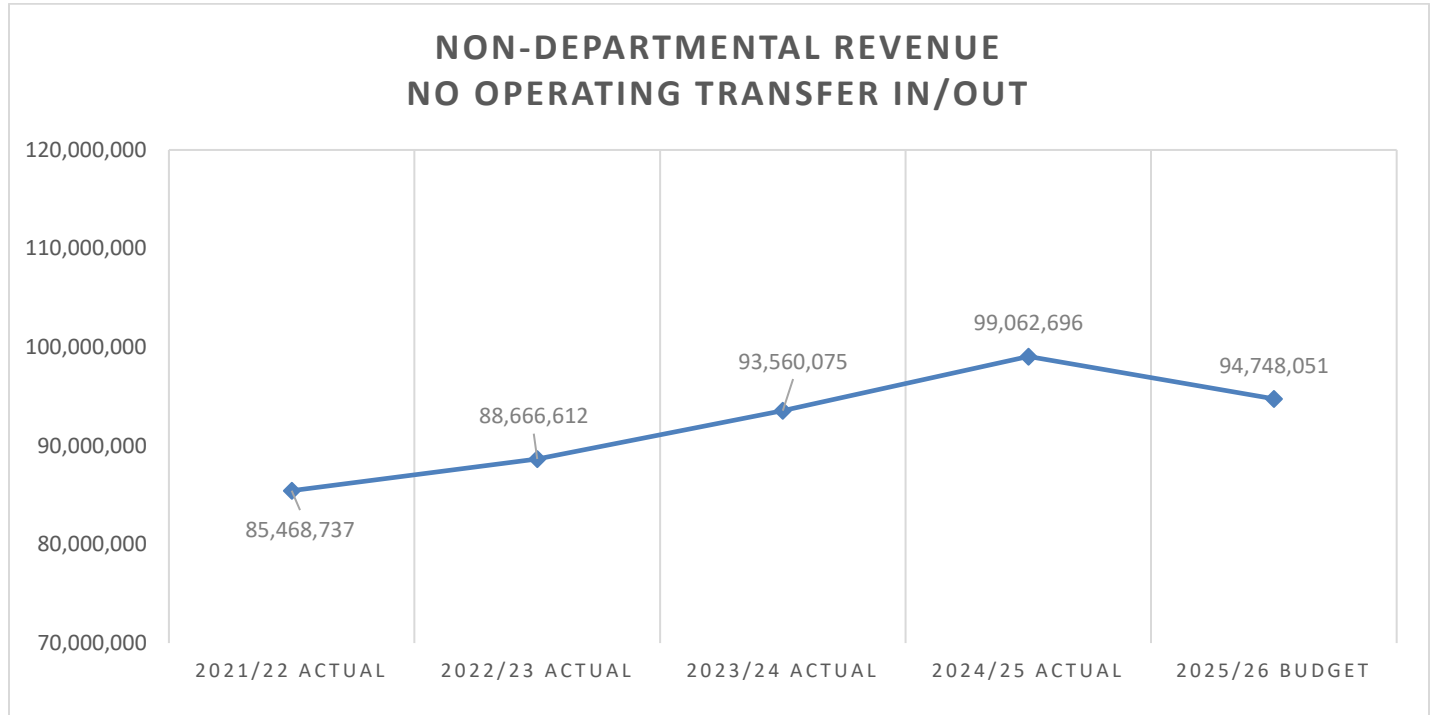


Figure 14a - 2025-26 ND Revenue No OTO/OTI

Figure 14a reflects Non-Departmental (ND) revenue excluding all Operating Transfers Ins and Outs. Operating transfer Ins reflect one-time funds used to balance the budgets. Operating Transfer Outs reflect funding obligations such as Roads, Library, Water, and Measure P funding for fire services.

FY 2025-26 Operating Transfer Outs Include:

- \$4,578,810 Roads
- \$4,428,000 Fire Funding
- \$2,468,725 Debt Service
- \$2,205,887 Library
- \$753,135 Landfill Closure
- \$347,945 Public Health Realignment Match
- \$280,983 Information Technology Service Fund (ITSF)
- \$85,000 Water Agency
- \$60,000 Capital Improvement

Fiscal Year 2025-26 budgeted ND revenues are **4.4% lower** compared with FY 2024-25 actuals, with actuals of \$99,059,470 in FY 2024-25 compared to \$94,748,051 budgeted in FY 2025-26. Revisions throughout the fiscal year may be made to FY 2025-26 ND revenue based on Auditor Office projections.

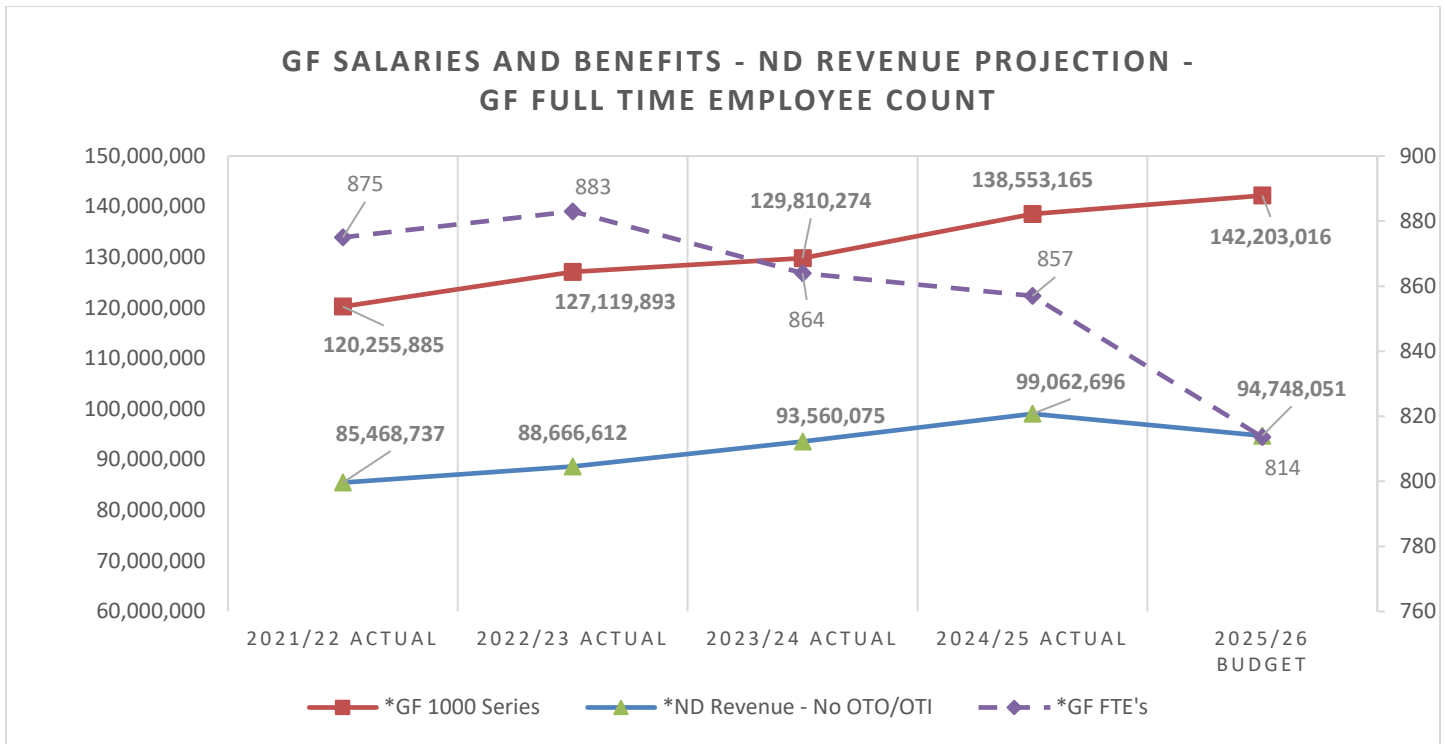


Figure 15a - Revised 2025-26 ND projection pending Auditor updates

Figure 15a reflects the relationship between General Fund Salaries and Benefits, Non-Departmental Revenue, and General Fund Full-Time Employees (FTE's).

The approval of the CEO's Budget Deficit Turnaround Plan has contributed to a steady decrease in FTE count, with the largest decrease between FY 2024-25 and 2025-26, from 857 to 814 FTE's. FY 2025-26 FTE count is based on Pay Period 21-25, beginning September 28th, 2025.

Key Takeaways - The reduction in General Fund FTE count has resulted in a slower projected growth of Salary and Benefit expenses in FY 2025-26 when compared with FY 2024-25. Continued attention to general fund staffing levels will be critical to sustainably align County revenues with expenses into the future.

FY 2024-25 PRELIMINARY CLOSE OUT

All FY 2024-25 year end actuals are reported by Auditor Controllers Office as of 10.28.25 and are unaudited and may be subject to change.

The Board adopted the FY 2024-25 budget in a multi-step process by holding budget hearings, on June 4, 2024, and approving the final budget on June 25, 2024. Due to this timeline, the Budget was adopted prior to the final close-out of the previous fiscal year.

Fiscal Year 2024-25 Non-Departmental revenue actuals came in at **\$99,062,696**. Excluding operating transfers that include funding obligations such as Fire, Library, and Roads, FY 2024-25 actuals available to cover General Fund Net County Cost (NCC) total **\$83,623,205**.

Notable variances in budget to actuals for FY 2024-25 Non-Departmental revenue include:

- Property Taxes - increase of \$4.15 million
- Property Tax in lieu of VLF revenues - increase \$815 thousand
- Cost Plan - increase of \$1.36 million
- Transient Occupancy Tax - increase of \$805 thousand
- Interest - increase of \$2.5 million

Total FY24/25 General Fund balance carryforward reported by Auditor Controller's Office **\$12,157,765***.

Prior-year General Fund balance carryforward is considered one-time funding and should not be used to cover operational expenses.

The Executive Office and Auditor Controllers Office will continue to work together on FY 2024-25 close and provide an additional report out at the Mid-Year budget report in February of 2026.

*Includes unavailable Fair Market Value in the amount of \$1,024,187 for a total of \$11,133,578.

LOCAL ECONOMY

Economic Summary

Primary source of economic data unavailable due to Federal Government shutdown.

Local Economic Indicators Mendocino County:

- As of Q1 2025 the unemployment rate in Mendocino County was 5.8%, slightly higher than the state average of 5.5%. Total labor force was 37,590, with 35,410 individuals employed and 2,180 unemployed. (source CA EDD)
- From August 2024 to August 2025 Goods Producing jobs decreased -.5% from 4,190 to 4,170, Private Sector Service-Providing jobs have increased by 1.9% from 20,010 to 20,400 and Government jobs increased 2.7% from 7,080 to 7,270. (source CA EDD)
- The 2024 estimated labor force as percent of population of Mendocino County was 42%, lower than the California average of 62.4%
- The median price of existing homes sold in Mendocino County in September 2025 was \$473,500 down -9.8% from \$525,000 September of 2024
(source <https://www.car.org/marketdata/data/countysalesactivity>)

BUDGET SCHEDULE

- December 2025 - Fee Hearing
- February 2026 - Mid-Year Report
- April 2026 - Fee Hearing
- Spring Budget Workshops
- May 2026 - 3rd Quarter Report
- June 2026 - Budget Hearings and Adoption

FIRST QUARTER RECOMMENDATIONS

CEO Recommended Actions

- Accept the Fiscal Year 2025-26 First Quarter Report as presented
- Approve 1st Quarter Department Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve 1st Quarter Fixed Assets and Structural Improvement Requests (Attachment B)
- Direct staff to present a plan for the use of Fiscal Year 2024-25 Fund Balance Carryforward at the Mid-Year budget report in February 2026

CANNABIS TAXES

Cannabis Business Tax Reduction Sunset

In September 2024, the Board of Supervisors adopted an ordinance temporarily reducing the County's Cannabis Business Tax for cultivation and nursery operations. The reduction applies for Tax Years 2025 and 2026 and is intended to provide short-term relief to local cultivators amid continued industry challenges.

Under the adopted schedule, the tax is reduced by 40% for Tax Year 2025 and 35% for Tax Year 2026, after which the full rates established in County Code Chapter 6.32 will resume. Potential impacts will be reported during budget preparation for the FY 2026-27 budget process.

Cannabis Collections

According to information provided by the Cannabis Department and Treasurer-Tax Collectors Office, 412 individual True-up payments remain outstanding between 2020 through 2024. These delinquencies correspond to approximately 200 cultivation operations with active licenses that are past due on one or more True-Ups.

Were the minimum outstanding True-Ups to be paid for all operations, the County could expect additional tax revenues each year.

- FY25-26 - \$1,494,750
- FY26-27 - \$1,619,312*
- FY27-28 - \$2,491,250

* FY26-27 amounts factor sunset of 35% reduction in Cannabis Tax rate.

The CEO's Office recommends the Board direct the staff to research options for the collection of delinquent Cannabis business taxes and to present findings to the Board of Supervisors no later than the Mid-year Budget Report in February of 2026.

EMERGENCY MEDICAL SERVICES (EMS) SUSTAINABLE FUNDING

At the October 21st, 2025, Board of Supervisors meeting, the Board directed staff to research long-term and sustainable funding mechanisms to support emergency medical services (EMS) countywide. Mendocino County currently relies on a mix of local fire protection districts, ambulance providers, and County support, with significant variation in service levels and financial stability between regions.

To ensure equitable and sustainable EMS coverage across all communities, several potential funding mechanisms have been reviewed, including a potential local sales tax measure, reallocation of existing revenue streams, and the possible expansion of County Service Area 3 (CSA 3) for ambulance services.

Option 1: Local Sales Tax Measure

A countywide sales tax dedicated to EMS could be considered to bolster Countywide services. Based on current taxable sales levels reported by the California Department of Tax and Fee Administration (CDTFA), a ¼-cent (0.25%) sales tax rate would generate an estimated:

- Approximately \$5.5 million annually countywide, if applied across all incorporated and unincorporated areas; or
- Approximately \$2.2 million annually if limited to unincorporated areas only (recognizing that incorporated cities may elect to maintain their own allocations or separate measures).

Actual revenue would vary depending on total taxable sales, exemptions, and any concurrent local measures already reaching the statutory cap of 9.25%*. The measure could be structured as a special tax (requiring two-thirds voter approval) dedicated to EMS, or as a general tax (majority approval) placed alongside an advisory measure indicating the Board's intent for EMS use.

* A request to increase the statutory cap could be submitted to the State Legislature for approval.

Option 2: Utilize Existing Revenue Sources

Measure P, approved by voters in 2022, established a 0.25 percent countywide general sales tax to support essential services. The ballot measure estimated approximately \$4 million in annual revenues. FY 2024-25 Measure P revenue actuals came in at \$4,812,916, higher than budgeted by \$889,916. Because Measure P is a general tax, the Board of Supervisors has discretion to allocate these revenues across priority needs.

The County could consider directing a portion of Measure P proceeds to stabilize and enhance EMS service delivery. This approach would leverage an existing, countywide revenue source and align EMS funding with broader public safety objectives. This option would require clear direction from the Board and integration into a long-term strategy that maintains consistency with voter expectations for the tax and consideration of the tax sunset in 2032

Option 3: CSA 3 and LAFCo Consideration

Mendocino County's existing County Service Area 3 (CSA 3) was originally established to support ambulance services in the coastal region. The Local Agency Formation Commission (LAFCo) is currently considering adjustments to its sphere of influence or enabling language to clarify whether CSA 3 could be used as a countywide vehicle for EMS service coordination and funding.

If expanded or reactivated, CSA 3 could provide a mechanism for the County to levy a service charge, benefit assessment, or special tax within defined geographic boundaries. This structure would allow for more tailored funding across service zones – for example, distinct rates for coastal, inland, and north county areas– while maintaining local accountability through Board oversight. Any new or expanded assessments would require property owner or voter approval per Proposition 218 requirements.

5-YEAR LOOK AHEAD

Figure 17a represents a 5-year forecast for General Fund (GF) revenues compared with Non-Departmental (ND) revenues.

For the current 25-26 Fiscal Year budget, General Fund budgeted expenditures are \$6,157,737 higher than budgeted Non-Departmental revenue. The deficit was addressed in the adopted budget with one-time revenues, which included funds from the Retirement Reserve (\$3.2m), Mental Health Audit Reserve, (\$1m), 23-24 carryforward (\$1m), Teeter Reserve, (\$325k), and PG&E funds (\$533k).

Dollar amounts assume a 3% year-to-year growth in expenses, and a 10-year historical growth percentage to Non-Department revenues. FY 2026-27 expenditures include an anticipated reduction of approximately \$4.4m in Pension Obligation Bond (POB) expenses. Additionally, FY 2030-31 includes an anticipated reduction of approximately \$2m in Certificate of Participation (COP) expenses.

Per this forecast, if General Fund expenses continue to be strategically monitored and managed, we can expect revenues to closely align to expenses in Fiscal Year 28-29.

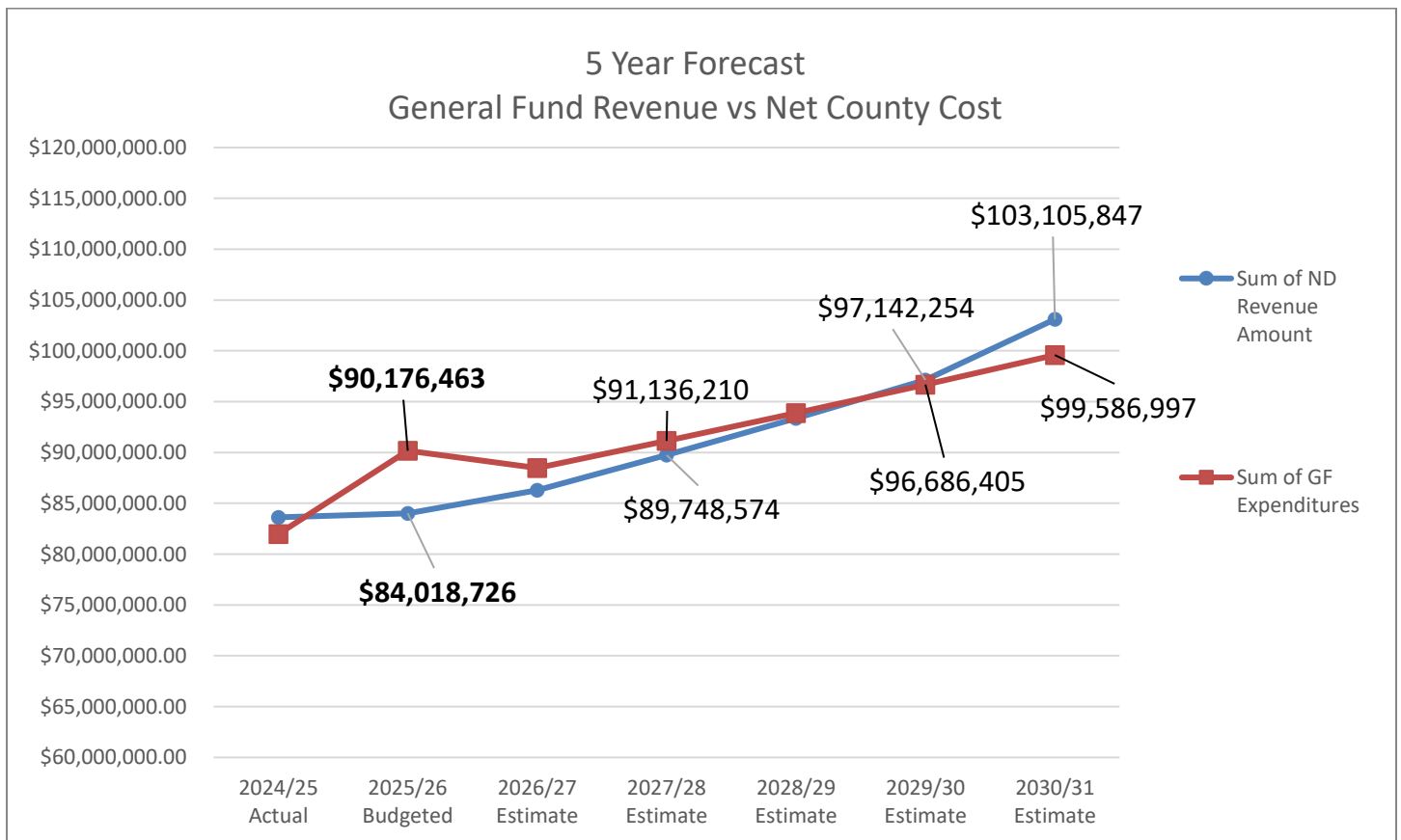


Figure 17a - 5 Year GF Revenue vs NCC Graph

RESERVE ACCOUNTS

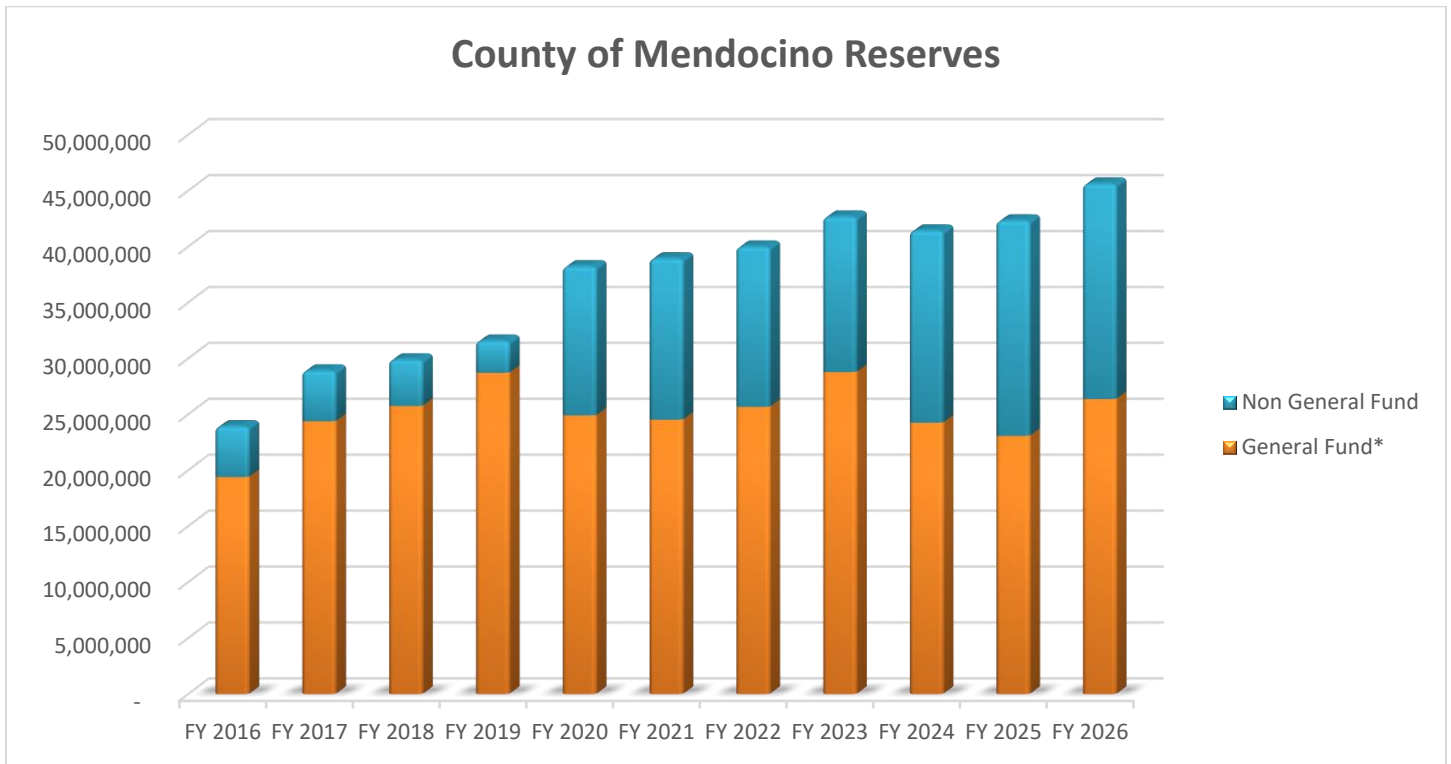


Figure 18a - Balance of County Reserves for General and Non-General Funds

*General Fund includes County General Reserve and Retirement Contribution Reserve, as well as Designated Reserves for specific Departments like the General Plan Update Designated Reserve.

The County General Reserve fund balance is currently **\$14,042,921**. Target General Reserve fund balance is **\$15,950,368**. The target fund balance for the General Reserve is set by Policy 32 - General Reserve and Contingencies (last updated April 24, 2012) and is split between three sub-reserves: Stabilization Reserve, Counter-Cyclical Reserve, and Emergency Reserve. The Executive Office intends to present an updated

Government Finance Officers Association (GFOA) recommends a *minimum* unrestricted general fund balance of two (2) months of General Fund operating expenses. Fiscal Year 2024-25 General Fund unaudited actuals total \$162,495,282, making the target General Fund balance, per GFOA recommendations **\$27,136,712**.

Funding levels and definitions for each General Fund sub-reserve are as follows:

- **Stabilization Reserve:** \$3million or 1.9% of prior budget year's general fund expenditures.
 - Established to manage the fluctuations in sales tax and transient occupancy tax revenues.
 - Based on Policy target: \$4,772,551
 - Based on projected General Reserve: \$4,212,876
- **Counter-Cyclical Reserve:** \$5million or 3.2% of prior budget year's general fund expenditures.
 - Established to protect the County from those short falls in revenue that result from a downturn in the economy, State or Federal budget shortfalls or delays or some combination of the two.
 - Based on Policy target: \$8,037,980
 - Based on projected General Reserve: \$7,021,460
- **Emergency Reserve:** \$2million or 1.25% of prior budget year's general fund expenditures.
 - Established to fund one-time, emergency expenditures that result from natural disasters and other one-time, unanticipated emergencies.
 - Based on Policy target: \$3,139,836
 - Based on projected General Reserve: \$2,808,584

BUDGET WORKSHOP RECOMMENDATIONS

CEO Recommended Actions

- Direct staff to research options for the collection of delinquent Cannabis business taxes and to present findings to the Board of Supervisors no later than Mid-year Budget Report in February 2026.