



FEBRUARY 24, 2026

MID-YEAR BUDGET REPORT FY 25-26

DARCIE ANTLE
CHIEF EXECUTIVE OFFICER

TABLE OF CONTENTS

Introduction 3

Executive Summary 3

Mid-Year Recommendations 4

Strategic Plan 2022-2027 5

 Strategic Priorities 6

 Priorities, Goals & Objectives 6

State Audit 8

Social Services Funding and HR1 Impacts 12

FY 2025-26 Mid-Year Quarter Budget Summary 15

 Mid-Year 2025-26 Budget Adjustments 15

 General Fund Budget to Actuals – Mid-Year 2025-26 16

 Budget to Actuals by Series 17

General Fund Department Budget Projections & 6% Attrition 20

Overtime 24

Public Safety Budget 10-Year 25

Discretionary Revenues 26

FY 2024-25 Unrestricted Fund Balance 28

Local Economy 29

 Economic Summary 29

FY25-26 Budget Schedule 29

Mid-Year CEO Recommendations 30

 CEO Recommended Actions 30

Exhibits

BU 1000 Non-Departmental Revenue Forecast Exhibit A

Resolution Mid-Year FY 2025-26 Exhibit B

Attachments:

FY 2025-26 Mid-Year Budget Adjustments and Administrative Clean Up Attachment A

FY 2025-26 Fixed Assets and Structural Improvement Requests Attachment B

Mendocino Co. Uninc. 3Q25 Newsletter Attachment C

FY 2025-26 YTD Mid-Year General Fund Report Attachment D

A87 Cost Basis - Table of Allocated Costs Attachment E

INTRODUCTION

With this document, the County begins the Budget Reporting process to the Board of Supervisors for Fiscal Year (FY) 2025-26. The Mid-Year Report covers July 1, 2025, through December 31, 2025, and provides information projecting how the County's prior year budget status is projected to end on June 30, 2026. 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

Mid-year 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. Since budget adoption, the County has continued implementation of the Strategic Hiring process and a 6% attrition factor to help manage the General Fund, with year-to-date payroll trends indicating that a portion of the assumed attrition savings is expected to be realized if hiring discipline is maintained through the remainder of the fiscal year.

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 delivery services. As part of this longer-term strategy, the Board has also discussed expanding recovery of allowable overhead costs through the A-87 cost allocation plan to reduce reliance on the General Fund where other funding sources are eligible to share in administrative support costs.

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. At the same time, the County's reserve levels remain below long-term best-practice benchmarks, reinforcing the importance of cautious fiscal management as economic conditions evolve.

Advocacy continues to 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.

The following provides a snapshot of year-to-date activity and updated projections, supporting the monitoring of revenues, and expenditures, to ensure alignment with the County's stabilization efforts.

MID-YEAR RECOMMENDATIONS

- Accept the Fiscal Year 2025-26 Mid-Year Report as presented
- Approve Mid-Year Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve Fixed Assets and Structural Improvement Requests (Attachment B)
- Fund the recommendations below from the FY24/25 Unrestricted Fund Balance
 - \$2.5M for Risk
 - \$1M for Road Maintenance
 - \$500k for Water
 - \$360k for Little River Airport
 - \$300k for Capital Improvements
 - \$250k Low Gap Landfill project
 - \$119k for LJAG Cannabis grant
 - \$100k architectural design for Courthouse relocation
 - Prioritize remaining funds for Reserve

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.

The California State Auditors released the audit report on December 18, 2025, outlining key findings and recommendations to the County of Mendocino. The summary of key findings, recommendations, and quotes from the report are noted below.

“Mendocino’s government provides or facilitates services for county residents in several different areas, including public protection, public assistance, and health and sanitation. Each year, Mendocino creates a budget showing the amounts it plans to spend in these and other areas. The budget process begins with each county department developing the proposed budget for its operations in the upcoming fiscal year. The CEO and ACTTC meet with departments to discuss their budgets, and the CEO then produces the proposed budget for that fiscal year. The board is responsible for adopting the county’s annual budget. State law requires all counties to adopt a balanced budget in which budgeted expenditures equal budgeted revenue. Thus, Mendocino must balance its projected expenditures against the revenue it expects to receive from sources such as taxes, fees, and the state and federal government.

To ensure uninterrupted operations during emergencies and to serve as a buffer during economic downturns, it is important for governments to maintain an unrestricted general fund balance. The Government Finance Officers Association (GFOA) has recommended governments maintain a minimum unrestricted general fund balance of no less than two months of general fund revenue or expenditures. Unrestricted funds are those funds that a government can use at its discretion and that are not restricted to only specific uses by law, regulation, or grant agreement terms. The GFOA cautions that this guidance is a suggestion for the minimum balance that governments should carry and that the actual amount that a government chooses should reflect that government’s unique circumstances. For example, governments dependent on more volatile sources of revenue without corresponding flexibility to adjust expenditures may need to keep a larger balance.

Throughout the year, Mendocino reports on its financial activities and condition. The CEO generally updates the board each quarter on the status of the budget for the current fiscal year, including projections of the revenue the county expects to receive in that fiscal year. Additionally, after the end of each fiscal year, Mendocino prepares its Annual Comprehensive Financial Report (ACFR), which provides information from its audited financial statements on the amount of funding received, spent, and available for each of its major funds. The finalized ACFR therefore provides critical information to county government officials and the public on Mendocino’s financial condition.

Recent media reports have indicated that Mendocino’s financial condition is poor or declining, citing the frustration of members of the board who stated that they did not know the county’s overall financial condition. Mendocino’s late financial reports prompted the State Controller’s Office to perform a review of Mendocino’s financial reporting that concluded in July 2024, and that review resulted in several recommendations for improvement. Additionally, the county encountered problems in 2024 during the administration of the primary election in which voters received incorrect ballots. Finally, in 2023 the ACTTC and another county staff member were indicted on charges of misappropriation of public funds. Those charges have since been dismissed. These events have caused concern that Mendocino was not operating effectively. Accordingly, the Legislature and the Governor amended state law to require us to perform this audit by January 1, 2026.

These events have caused concern that Mendocino was not operating effectively. Accordingly, the Legislature and the Governor amended state law to require us to perform this audit by January 1, 2026. The audit was required to include a review of any potential waste, fraud, abuse, and mismanagement; the county’s administration of elections in 2024; and the county’s contracting and procurement.”

Key Findings and Recommendations

1. Mendocino’s Financial Conditions is Gradually Declining and Requires Corrective Action.

a. “Mendocino County faces a strained financial condition. Its tax revenue has remained generally unchanged over a five-year period, its expenditures are growing at a rate greater than its revenue, and its general fund reserve has declined.”

- “The amount the county spent from its general fund on personnel increased about \$25.4 million, from \$110.3 million in fiscal year 2019-20 to \$135.7 million in fiscal year 2023-24, accounting for 57 percent of the total increase in general fund spending.”
- Mendocino’s General Fund Expenditures Increased Faster Than its Revenue From Fiscal Years 2019-20 through 2023-24



Source: Mendocino’s audited financial statements.

Note: We calculated general fund revenue by combining revenue and all other financing sources. We calculated general fund expenditures by combining expenditures and all other financing uses. Other financing uses in these fiscal years consisted only of transfers out of the general fund, and we concluded that the nature of Mendocino’s transfers out of the general fund was operational. Mendocino’s transfers were nearly entirely for the purpose of supporting its governmental activities, including debt service. The figure shows a substantial increase in revenue in fiscal year 2022-23. Mendocino’s assistant CEO explained that in that fiscal year the county changed how it accounted for state provided realignment funding and expressed her belief that the significant rise in general fund revenue in this fiscal year was primarily because of the county’s change in accounting method. Accordingly, the increase in revenue does not represent a substantial change to the total funding flowing into the county, but rather reflects a change to the county’s approach to accounting for these funds.

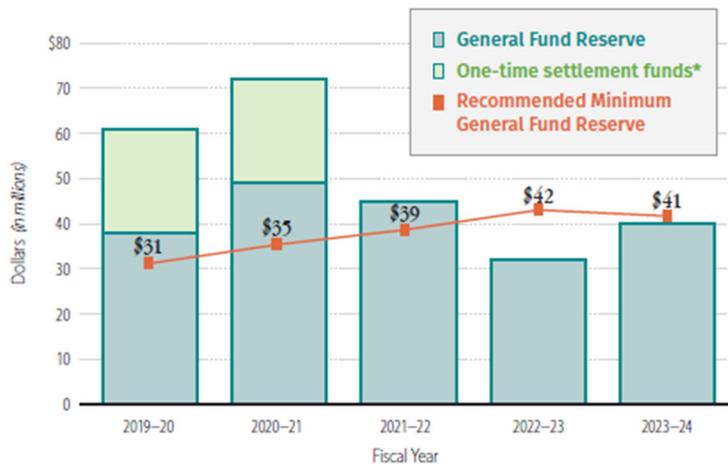
- Mendocino’s Tax Revenue Remained Generally Consistent from Fiscal Years 2019-20 through 2023-24



Source: Mendocino’s audited financial statements.

- “Mendocino’s reserve policy is outdated and is not effective for guiding the county in its future consideration of how much to keep in reserve for unexpected circumstances.”
- “To ensure uninterrupted operations during emergencies and to serve as a buffer during economic downturns, it is important for governments to maintain an unrestricted general fund balance.”

- Mendocino’s General Fund Reserve Fell Below the GFOA’s Recommended Minimum Amount in Recent Years



Source: Mendocino’s audited financial statements.

Note: We calculated the recommended minimum general fund reserve amount by using the GFOA’s recommended minimum for general purpose government reserves of two months of expenditures. We calculated expenditures by including all general fund expenditures and all other uses of financing from the general fund. The general fund reserve shown in the figure includes all unrestricted funds as reported in Mendocino’s audited financial statements.

* Mendocino continued to hold about \$670,000 in one-time settlement funds in fiscal years 2021-22 through 2023-24 that we do not depict in this figure for those years due to its scale.

- “The county is behind in completing property tax assessments that would assist in identifying additional revenue and in collecting property taxes that have gone unpaid. Mendocino has struggled to complete property tax-related tasks since at least 2021 when it began using a new software to assist its process. The county estimated that as of December 2025 it needed to collect \$30.6 million in taxes, penalties, interest, and fees related to properties in default status.”
- “Mendocino faces a structural budget deficit that is unlikely to resolve without further strategic action from its board of supervisors. Although the board has taken some steps to control expenditures, it will likely need to consider additional cuts to expenditures and methods of increasing revenue, such as tax increases.”
 - “Although the county will likely need to continue to examine its spending to determine other areas in which it can achieve savings, we believe that it will also need to consider solutions that would increase its revenue. Mendocino’s sales tax rate is 7.875 percent, and it has a transient occupancy tax of 10 percent. Both rates place Mendocino near the middle of a group of 12 northern counties that we reviewed. We believe that the county will struggle to address its long-term fiscal instability without considering and applying revenue generating solutions such as, but not limited to, raising its tax rates to increase tax revenue.”

2. The County’s Procurement and Financial Reporting Processes Leave It Vulnerable to Waste, Fraud, and Abuse of Public Funds

- “We found problems with the supporting documentation for nearly half of the 30 expenditures we reviewed. Specifically, we noted that county departments did not consistently obtain required approvals for purchases, such as purchases from online retailers, or document the reasons for purchases, such as for a television, making it unclear if they were made for justifiable reasons.
- Mendocino has not exercised adequate oversight of the Sheriff’s Office’s and District Attorney’s Office’s use of asset forfeiture funds. We found that each office made donations to private entities

without adequate safeguards, had violated prohibitions against direct funding of religious organizations, and that the District Attorney's Office made a gift of public funds by spending \$3,600 on an end-of-year gathering and dinner event for its staff and their guests.

- c. County departments have not justified their use of sole-source agreements for services. Of the 20 sole-source agreements we reviewed, 14 did not have justifications that adequately explained why a sole-source procurement was necessary. Also, the county has split contract agreements over multiple year necessary. Also, the county has split contract agreements over multiple years and therefore has not had to seek competitive bids or board approval of certain agreements. For example, the county executed four separate one certain agreements. For example, the county executed four separate one-year agreements, each for \$25,000, with the same vendor for the same services. Had the county combined these procurements into a single agreement, it would have required board approval.
- d. The ACTTC's Office has not ensured that the county's financial statements are audited and published in a timely manner and must still take corrective actions to address deficiencies in its procedures and practices that previous reviews have highlighted as problematic, such as the absence of policies directing staff to reconcile bank records"

SOCIAL SERVICES FUNDING AND HR1 IMPACTS

The Governor's January 2026 Proposed Budget for FY 2026–27 presents a mixed outlook for county Departments of Social Services. While several core programs remain stable or modestly funded, the budget shifts significant fiscal risk and operational responsibility to counties, particularly in In-Home Supportive Services (IHSS), Medi-Cal eligibility administration, CalFresh, and automation cost sharing.

Of greatest concern are structural cost shifts, sunseting one-time housing funds, and federal policy changes under H.R. 1, which collectively increase county exposure without commensurate ongoing revenue.

Realignment Revenue Volatility

- 1991 Realignment: FY 2025–26 sales tax revenue is projected to grow only 2.53% over FY 2024–25 actuals, reflecting slower-than-anticipated economic growth.
- 2011 Realignment: FY 2024–25 actual revenues were approximately \$27 million lower statewide than estimated in the prior Budget Act, reducing funds available for support services.

Risk: Continued softening of sales tax growth directly impacts DSS discretionary funding and limits the County's ability to absorb new cost shifts.

Housing Programs: Loss of Ongoing Funding

- Bringing Families Home (BFH) and Home Safe have no ongoing funding.
- Remaining one-time funds (\$81M BFH; \$88.8M Home Safe) are available only through June 30, 2028.
- Housing and Disability Advocacy Program (HDAP): Maintains \$25M ongoing; no one-time funding in FY 2026–27 and no assumed federal Title XIX match.

Risk: As one-time housing funds sunset, counties will face increased homelessness and system pressure without a stable funding replacement, particularly impacting child welfare, APS, and behavioral health-involved clients.

Medi-Cal and Health Care Services:

- Total Medi-Cal Budget is estimated to be \$196.7 billion in 25/26 and \$222.4 billion in FY 26/27. The Budget estimates a caseload totaling approximately 14.5 million beneficiaries for FY 25/26 with a projected decline to 14 million beneficiaries in FY 26/27. Reduction in caseload is attributed to the implementation of H.R. 1 requirements (6-month renewals, work and community engagement, and improvements in the efficiency of residency verification processes).
- Governor's Budget continues to include a freeze of the COLA for Medi-Cal County Administration therefore there is no change in funding from 25-26 to 26-27.

Risk: Heightened operational strain on eligibility, case management, and fiscal units beginning mid-FY 2026–27.

In-Home Supportive Services (IHSS): Highest Long-Term Fiscal Exposure

- Total IHSS funding grows to \$33.5 billion in FY 2026–27.
- **Proposed cost shift:** Beginning FY 2027–28, the State eliminates its share of growth in assessed hours per case, shifting costs to counties (estimated \$233.6M statewide).
- **IHSS MOE:** Annual 4% inflation increases county MOE by an estimated \$91.8M statewide in FY 2026–27.
- IHSS Residual Program alignment with Medi-Cal will result in auto-termination when Medi-Cal is discontinued.
- Elimination of IHSS provider backup funding.

Risk: IHSS represents the single largest structural risk to county finances, combining escalating mandated local contributions with service disruption risks for vulnerable populations.

Cal-Works: Stable but Constrained

- Caseloads remain relatively flat.
- No Maximum Aid Payment (MAP) increase.
- Single Allocation increases modestly (4.45%).
- Home Visiting Program fully restored in FY 2026–27

Risk: While operationally stable, stagnant grant levels continue to limit family self-sufficiency outcomes, increasing reliance on ancillary county services.

Child Care and Early Education:

- \$6.8B allocated statewide for DSS-administered childcare programs.
- \$89.1M ongoing COLA increase.
- Caseload growth in Stages 2 and 3 tied to reimbursement policy changes.
- \$11.5M one-time infrastructure funding for disaster-impacted areas.

Risk: Increased provider rates and caseloads require accurate billing and staffing capacity to avoid payment delays and lost reimbursements.

CalFresh: Reduced Caseloads, Higher Administrative Cost Share

- CalFresh caseload is projected to slightly decline in 2026-27 due to federal policy changes under HR 1, including ABAWD time limits and changes for certain noncitizen groups.
- Federal administrative cost share reduced from 50% to 25%, increasing both State and county administrative responsibility.
- No new funding is provided for county implementation of ABAWD requirements.
- A new pilot minimum benefit for eligible CalFresh recipients (\$50/month) is funded with \$6.3 million General Fund.

Risk: Counties must manage more complex eligibility rules, increase error risk, and higher administrative costs with limited offsetting resources.

Child Welfare: Continued Investment with Declining Caseloads

- Overall child welfare funding increases by \$413.6 million in total funds.
- Caseloads continue to decline across foster care and family maintenance.

Ongoing investments include:

- Continuum of Care Reform (CCR)
- Resource Family Approval (RFA)
- Child and Adolescent Needs and Strengths (CANS)
- Child Welfare Training Program
- Tiered Rate Structure implementation continues toward 2027.

Risk: Funding supports system stability and reform implementation, but workforce demands remain high despite declining caseloads.

Adult Protective Services (APS)

- \$70M General Fund continues APS expansion.
- Training funding remains flat.

Risk: Expanded service expectations without proportional workforce investment may challenge long-term sustainability.

Automation and Systems

- Major systems (CalSAWS, CWS-CARES) remain funded.
- Increased county cost share due to reduced federal participation, especially for CalFresh automation.
- New verification initiatives introduce future fiscal exposure.

Risk: Automation remains essential but increasingly shifts financial and implementation risk to counties.

Recommended Next Steps

1. Monitor IHSS cost-shift proposals closely and coordinate with CWDA advocacy efforts.
2. Begin long-range planning for the sunset of one-time housing funds.
3. Assess eligibility staffing and automation capacity in anticipation of Medi-Cal and CalFresh changes.
4. Incorporate these risks into Countywide fiscal forecasting and reserve planning.

Mid-Year 2025-26 Budget Adjustments

Summary of Key Changes

The FY 2025–26 Mid-Year Budget Adjustments reflect project timing updates, staffing changes, revenue refinements, and administrative clean-up.

General Fund

Updated Non-Departmental (ND) revenue projections reflect an increase of approximately \$2.8 million, primarily due to stronger property tax, in-lieu of VLF, Williamson Act replacement tax, and interest earnings. These gains are partially offset by adjustments in sales tax and opioid settlement revenue.

It is important to note this net increase in ND revenue does not represent additional General Fund dollars available, as it is offset by the net end of fiscal year position for General Fund departments, impacted by departments projecting to come in over budget or not meeting their 6% attrition. A detailed overview of projected Department end-of-year projections starts on page 20.

Executive Office adjustments reflect staffing and project changes since adoption, resulting in a net General Fund increase of approximately \$112,000.

District Attorney adjustments are largely driven by the merger of budget units 0448 and 0464, and consolidation of 0465 into 2070, resulting in a net General Fund increase of approximately \$726,000.

Social Services continues refining its budget following significant first-quarter changes, including updated staffing levels and realignment funding adjustments.

Grants and Economic Development budgets are reduced due to staffing changes and vacancies.

Public Health has refined its budget but is not requesting additional General Fund support.

Transportation and Storm Damage (Fund 1200)

The Transportation Department is requesting a reduction in Storm Damage and Roads budgets due to project cancellations and delays. Total appropriations decrease by approximately \$5.7 million, reflecting delayed/cancelled construction activity and timing shifts between fiscal years.

Capital Projects (Fund 1201)

Capital Projects is requesting additional one-time General Fund support of approximately \$339,551, primarily for Evidence Storage security measures and the Little River Airport Hangar Door project. Adjustments also include EV charging infrastructure modifications and a fuel management system replacement.

Other Funds and Administrative Clean-Up

Additional adjustments include Landfill Closure increases supported by fund balance, Grants Administration refinements due to staffing transitions, Library and Museum donation adjustments, Planning and Building contract updates, and BHRS and Disaster Recovery transfer corrections.

General Fund Budget to Actuals – Mid-Year 2025-26

Figure 16a illustrates the relationship between Mid-Year expenditures and the Revised 2025-26 Budget for General Fund (Fund 1100) budget units by Functional Area. This graph represents all expenditure series, including Salaries and Benefits (1000 series) and Good and Services, (2000 Series), Other Charges (3000 series), Fixed Assets (4000 series), and Expenditure Transfers and Reimbursements (5000 series).

For reporting purposes, the Department of Social Services is included in the following Mid-Year General Fund graphs. In later sections of this report, it is explicitly noted when Social Services is excluded from the totals.

All Mid-Year budget reporting reflects Fiscal Year July 1st, 2025, through December 31st, 2025.

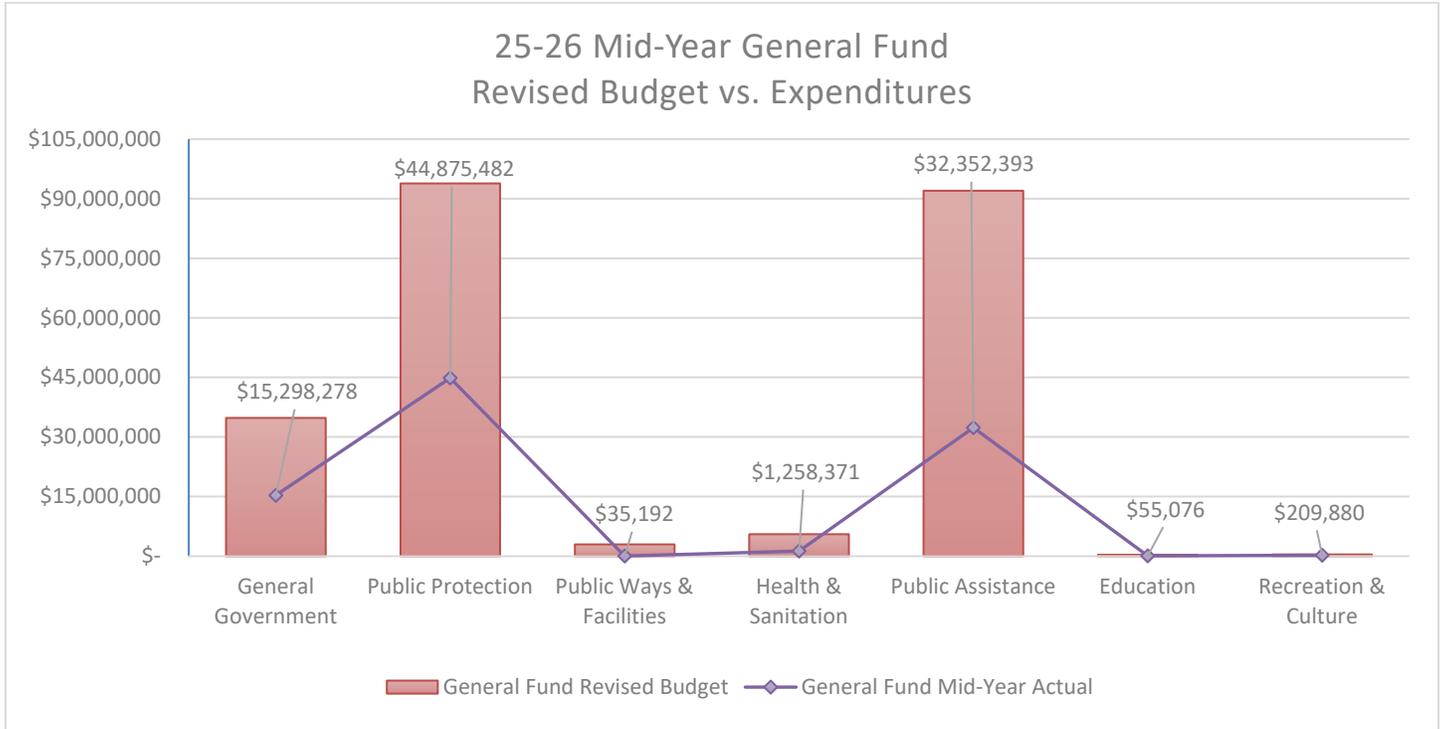


Figure 16a – GF Mid-Year Budget vs Actuals by Functional Area

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

Budget to Actuals by Series

Figure 17a depicts Mid-Year 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 (60.2%) of General Fund expenditures are Salaries and Benefits (1000 Series). All other series expenditures total 39.8% of the Revised Budget. Each series will continue to be monitored through the second half of the fiscal year.

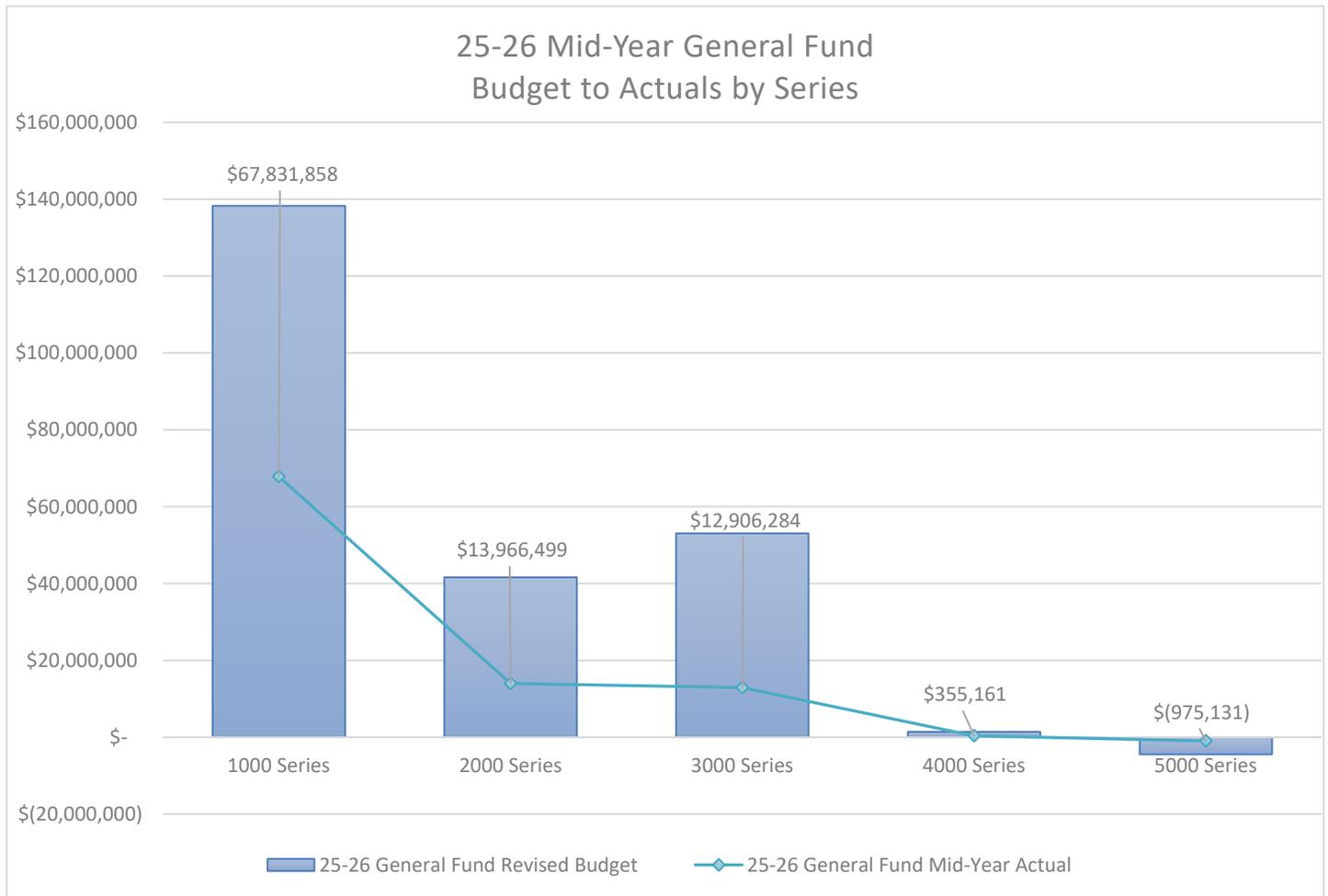


Figure 17a – GF Mid-Year Budget to Actuals by Series

As of mid-year (through December 31, 2025), General Fund salary expenditures total 49% of the annual budget. As noted in the First Quarter Budget Report, 1000-Series salary expenses align more closely with the revised budget at mid-year due to salary increases and additional annual allocations. As these costs continue to be incurred over the remainder of the fiscal year, the variance is expected to further narrow during the second half of the year.

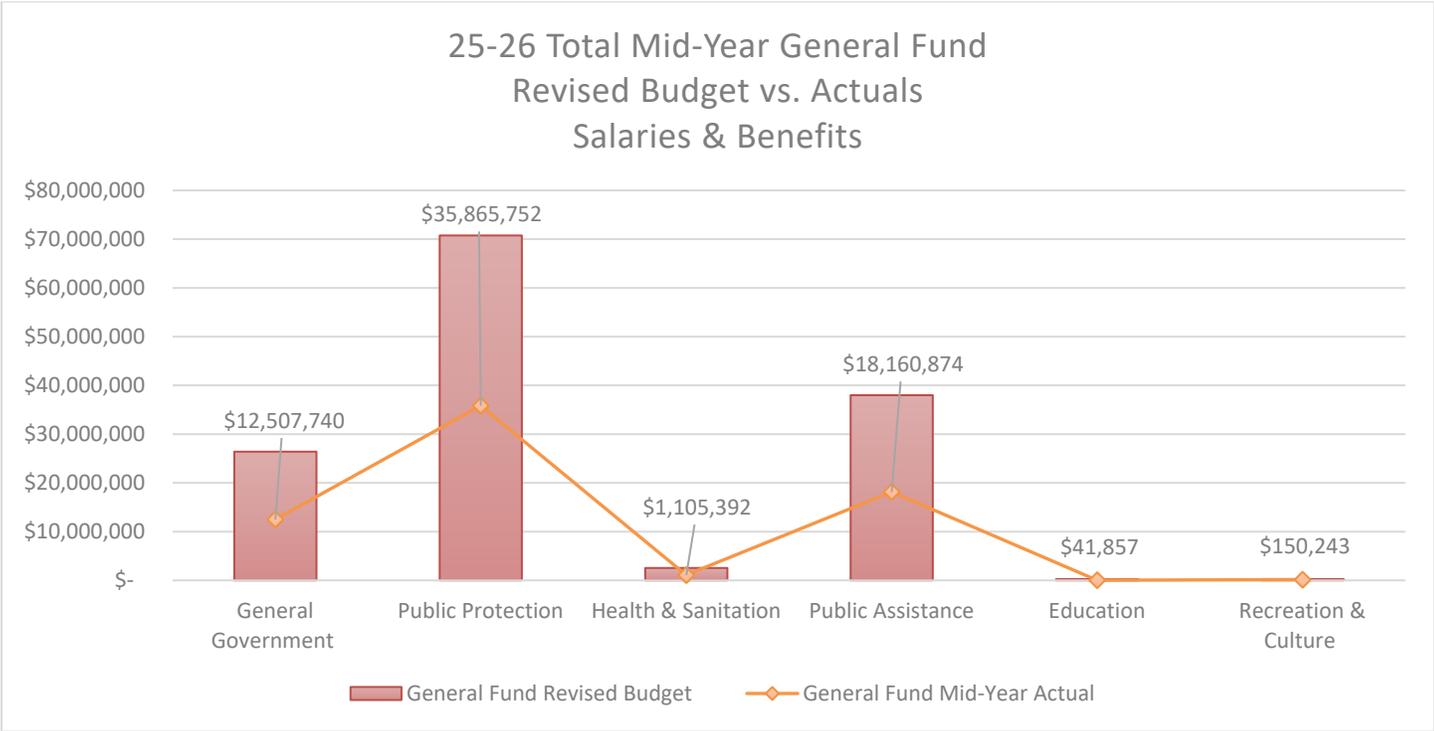


Figure 18a – GF Mid-Year Budget to Actuals Salaries and Benefits

Mid-year General Fund 1000-Series salary expenditures decreased by 0.7%, from \$68,315,649 in mid-year FY 2024–25 to \$67,831,858 in the current fiscal year, a reduction of approximately \$484,000. This amount reflects the 6% attrition savings of \$5,246,657 incorporated into the budget at adoption. Additional detail on projected year-end outcomes by General Fund department is provided on page 19, *General Fund Department Budget Projections & 6% Attrition*.

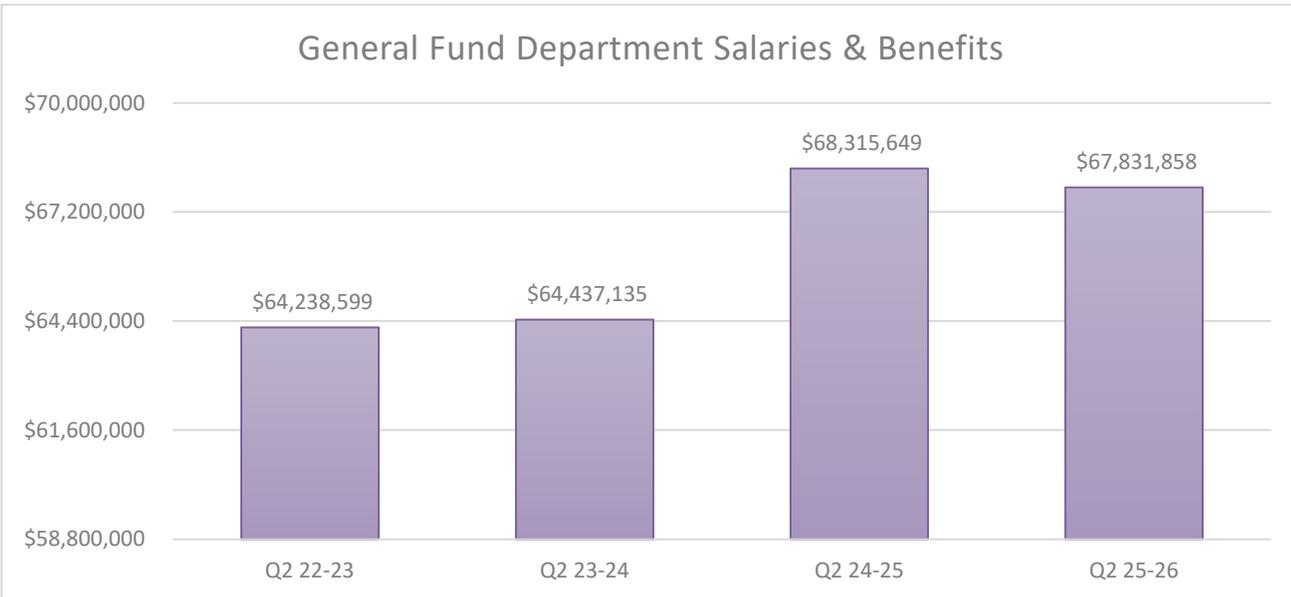


Figure 18b – GF Mid-Year 4year Salaries and Benefits

Figure 19b shows staffing trends data from 2018 through 2026. Historical year totals are of Pay Period 10 (April/May) of each calendar year. Current year totals are as of Pay Period 2 (January). Overall staffing has decreased by over 94 Full Time Employees (FTE's), representing a -8.5% decrease from 2018. Despite this reduction of FTE count, Salary and Benefit expenses have risen 42.5% or \$1,820,381 per pay period since 2018.

Department		2018	2019	2020	2021	2022	2023	2024	2025	PP02/2026	Diff to 2018
General Fund	Filled FTEs	243.90	233.40	226.30	251.30	275.60	274.60	257.75	250.70	231.80	(12.10)
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	1,310,552	421,071
Public Safety - Gen Fund	Filled FTEs	296.70	298.70	289.85	286.90	273.50	286.00	289.00	294.80	289.60	(7.10)
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	2,259,751	768,550
Non General Fund	Filled FTEs	566.75	582.45	584.00	543.10	543.65	548.35	530.55	517.75	491.60	(75.15)
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	2,532,771	630,760
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	1,013.00	(94.35)
Change	Filled FTEs		7.20	(14.40)	(18.85)	11.45	16.20	(31.65)	(14.05)	(50.25)	
Change %			0.65%	-1.29%	-1.71%	1.06%	1.48%	-2.85%	-1.30%	-4.73%	-8.5%
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	6,103,075	1,820,381
Change	Salary & Benefits		104,836	280,281	461,242	331,197	254,002	73,876	307,472	7,475	
Change %			2.45%	6.39%	9.88%	6.46%	4.65%	1.29%	5.31%	0.12%	42.5%

Figure 19a – Staffing Trends 2021- 2025

Historical year totals are of Pay Period 10 (April/May) of each calendar year.

General Fund Filled FTE and Salary & Benefits in Figure 18a exclude the Department of Social Services, which is included in the Non-General Fund totals.

Mid-Year 2000 Series General Fund expenditures represent **18.1%** of the FY 25-26 revised budget and are **33.6%** expended as of Mid-Year, July 1st, 2025, through December 31st, 2025. 2000 Series expenses will continue to be monitored by the CEO Budget Team for adjustments throughout the year if saving opportunities are identified.

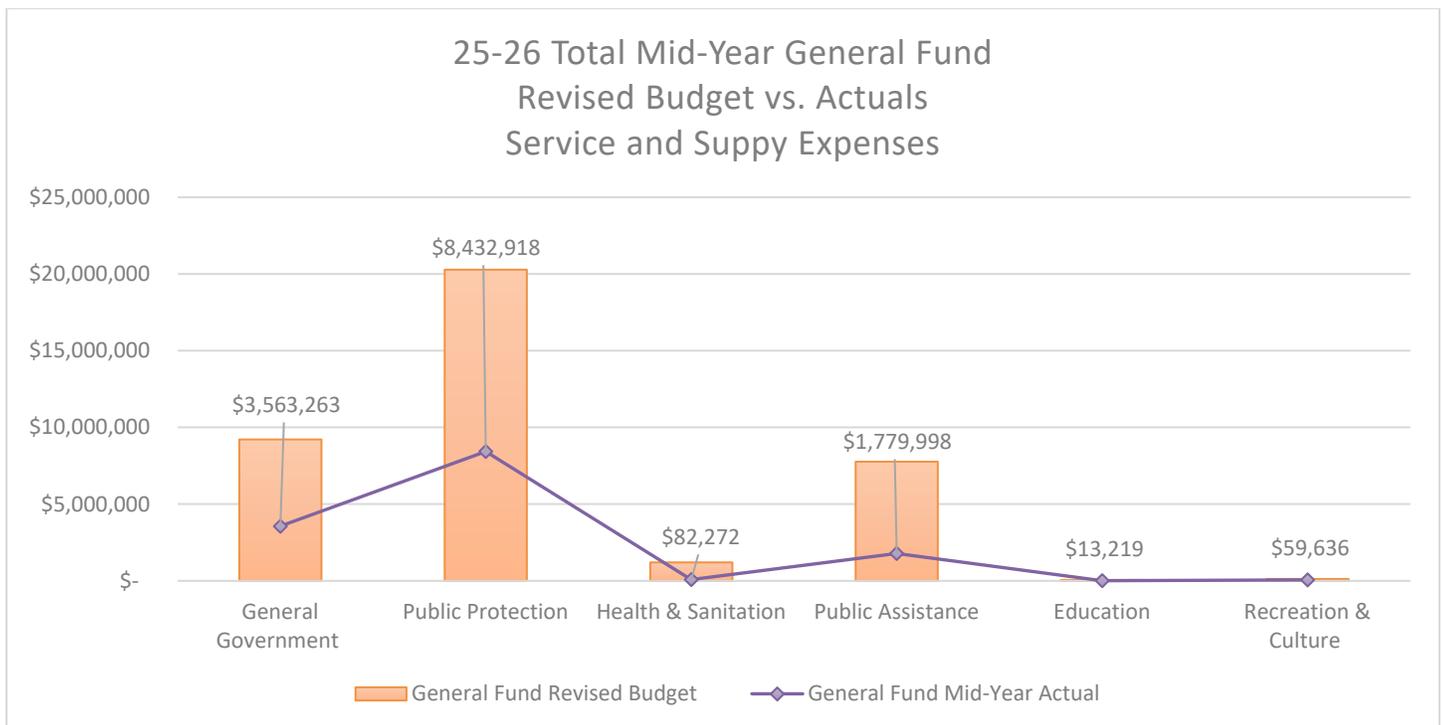


Figure 19b – GF Mid-Year Budget to Actuals Service and Supply

Mid-Year expenses for 2000 series - Services and Supplies for General Fund departments have closely tracked the prior two Fiscal Years, FY23-24 and FY24-25.

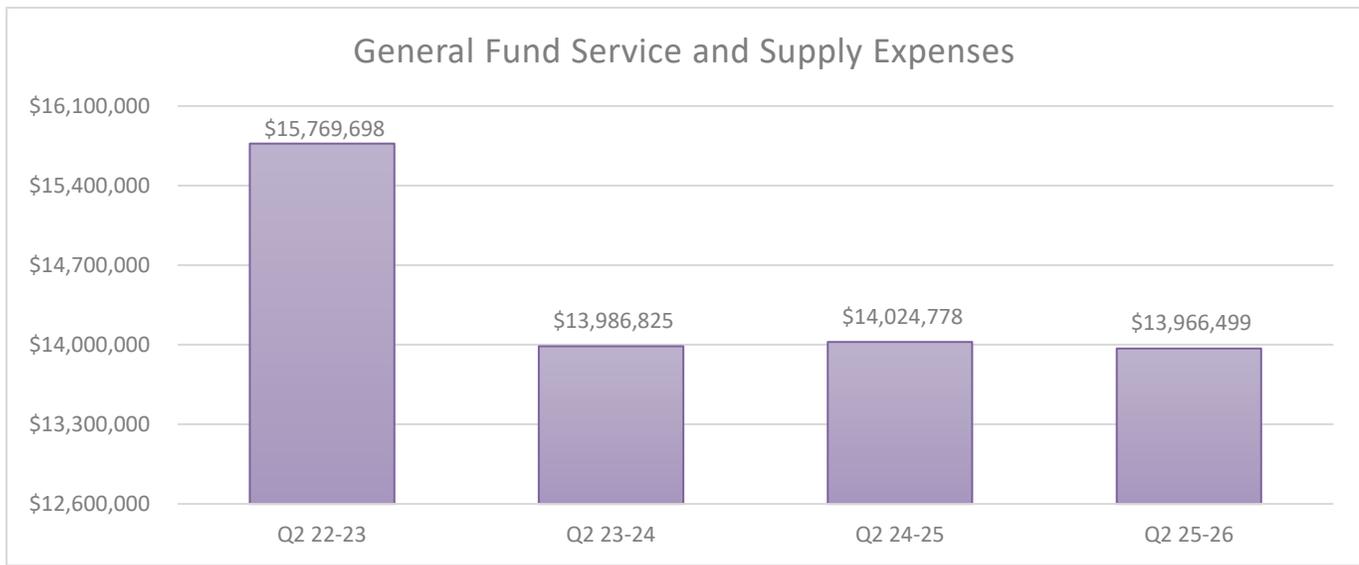


Figure 20a – GF 4year Mid-Year Service and Supply

GENERAL FUND DEPARTMENT BUDGET PROJECTIONS & 6% ATTRITION

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 Mid-Year Budget Report, departments were asked to provide an update on their projections and plans to meet their allocated 6% attrition savings. The following table shows where County General Fund department’s project to be over/under budget by the end of the fiscal year and includes the current revised budget and Mid-Year proposed revised budget.

Highlighted cells are departments that project to be over their current revised budget, before mid-year adjustments.

The increase in ND revenue does not represent additional General Fund dollars available, as it is offset by departments projecting to come in over budget or not meeting their 6% attrition. The following chart starting on Page 21 shows the projected Fiscal Year End Net budget position with the additionally projected ND revenues. Projections show these amounts Net to \$14,097, which means that the projected Year End General Fund budget is nearly balanced and will require strict budget monitoring over the remainder of the 2025-26 Fiscal Year.

Dept.	BU	Munis FY25.26 Revised Budget	Department End of Year Projected	Difference between Revised and Projected	6% Attrition Factored into Budget
Clerk of the Board	1010	648,213	775,489	(127,276)	(20,159)
Board of Supervisors	1015	933,719	1,083,905	(150,186)	(53,371)
Executive Office	1020	1,615,578	1,620,895	(5,317)	(73,394)
Auditor-Controller	1110	1,436,075	1,551,672	(115,597)	(107,188)
Assessor	1120	3,056,998	3,056,998	-	(64,433)
Treasurer-Tax Collector	1130	1,050,666	995,474	55,192	(89,418)
Payroll Administration	1140	460,038	515,600	(55,563)	(22,577)
Fiscal Services	1150	823,917	703,782	120,135	(52,624)
Central Services	1160	436,455	498,773	(62,318)	(24,480)
County Counsel	1210	1,660,322	1,660,322	-	(185,188)
Human Resources	1320	2,030,507	1,996,629	33,878	(5,164)
Elections	1410	698,205	698,205	-	(23,602)
Facilities	1610	5,474,751	5,531,611	(56,860)	(104,829)
Fleet Management	1620	62,591	62,591	-	-
Economic Development	1810	151,940	80,629	71,311	(9,378)
Land Improvement	1910	723,735	723,735	-	(61,552)
Retirement	1920	-	-	-	-
Teeter Plan	1930	(1,500,000)	(1,500,000)	-	-
Miscellaneous	1940	1,169,973	1,169,973	-	-
Clerk-Recorder	1941	144,324	144,324	-	(20,418)
Information Services	1960	4,172,305	3,952,874	219,431	-
Courts - AB 233	2012	7,876	7,854	22	(7,612)
Grand Jury	2060	73,122	73,122	-	-
District Attorney	2070	6,643,361	7,893,573	(1,250,212)	(414,341)
Public Defender	2080	4,288,085	4,288,085	-	(277,996)

Alternate Defender	2085	1,198,441	1,198,441	-		(69,595)
Conflict Defender	2086	220,000	127,000	93,000		-
Child Support Services	2090	(180,000)	(10,173)	(169,827)		(117,294)
Sheriff-Coroner	2310	24,502,608	25,102,608	(600,000)		(1,719,765)
Jail	2510	14,759,539	15,578,100	(818,561)		(855,128)
Juvenile Hall	2550	2,329,695	2,381,245	(51,550)		(175,664)
Probation	2560	2,218,509	1,979,957	238,552		(388,521)
Agriculture	2710	511,459	511,459	-		(59,842)
Cannabis Management	2810	871,405	871,405	-		-
Office of Emergency Services (OES)	2830	252,335	252,335	-		(22,934)
Planning & Building	2851	2,341,239	2,341,239	-		(153,452)
Animal Care	2860	1,305,135	1,224,123	81,012		-
Round Valley Airport	3050	86,652	86,652	-		-
Little River Airport	3060	320,056	320,056	-		-
Environmental Health	4011	331,121	331,121	-		-
Emergency Medical Services (EMS)	4016	1,121,589	1,127,211	(5,622)		(2,658)
Solid Waste	4510	-	-	-		(27,298)
Cal Works/Foster Care	5130	-	-	-		-
In-Home Supportive Services	5170	10,000	(2,321)	-		-
General Relief/Assistance	5190	283,037	204,774	-		(18,317)
Farm Advisor	6210	346,705	326,075	20,630		-
Museum	7110	355,286	355,286	-		(18,465)
Additional ND Revenue	-	-	-	2,543,647		-
Net Total	-	-	-	14,097		-

Sheriff-Coroner and Jail

The Sheriff's Office does not expect to meet the applied 6% attrition savings – totaling \$1,719,765 for Fiscal Year 2025-26, due to public safety staffing needs for patrol. Elimination of positions and cuts to services and supplies are contributing to address, in part, the 6% savings. A funded administrative position has been deleted and there have been several vacated Patrol positions left unfilled. This will effectuate some savings in the 1000 series.

Jail

The Jail will not meet 6% staffing attrition reduction due to mandatory staffing levels in the Jail and staffing requirements necessary for the new Jail behavioral health wing- totaling \$855,128. The Jail is actively seeking alternate funding for additional staffing, including a higher Community Corrections Partnership (CCP) contribution and funding from Jail Based Competency Treatment Program (JBCT) and the EAVES program for services offered in the Jail's new Behavioral Health wing.

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 is currently anticipated being approximately 6% (\$342,605) below the revised budget in this series. This is due to extended vacancies, long recruitment time, and extended time for mandated backgrounds for these positions have resulted in significant projected cost savings thus far this fiscal year. While Probation still have several vacancies at mid-year, the department has made progress and continue to do so with the hopes of being at or near full staffing by fiscal year-end. The challenge of attracting qualified candidates is a challenge which has slowed the recruitment process. 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. Juvenile hall cannot achieve the 6% attrition in the 1000 Series: basic staffing levels are mandated by the State. Additional revenues and reduced expenses are able to achieve a significant portion of the targeted cost reduction.

OVERTIME

County overtime hours have stayed largely consistent since the start of FY 25-26. Figure 24a shows overtime hours per pay period for FY 25-26. To date, the lowest pay period totaled **1,346** overtime hours, while the highest totaled **2,893**. The average overtime hours per pay period is **2,442**.

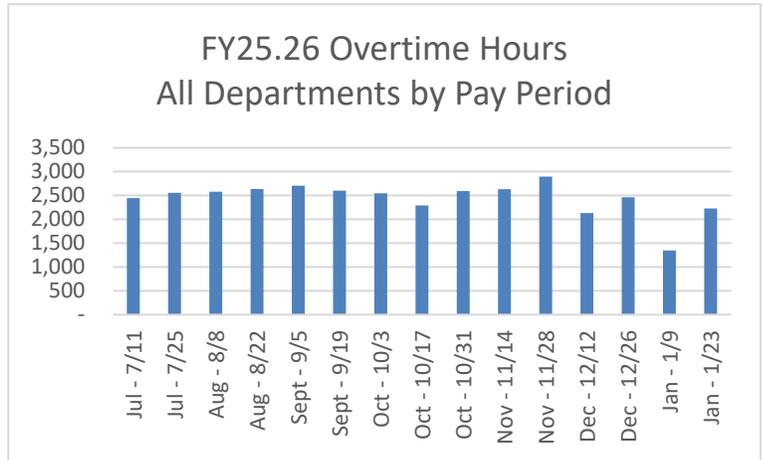
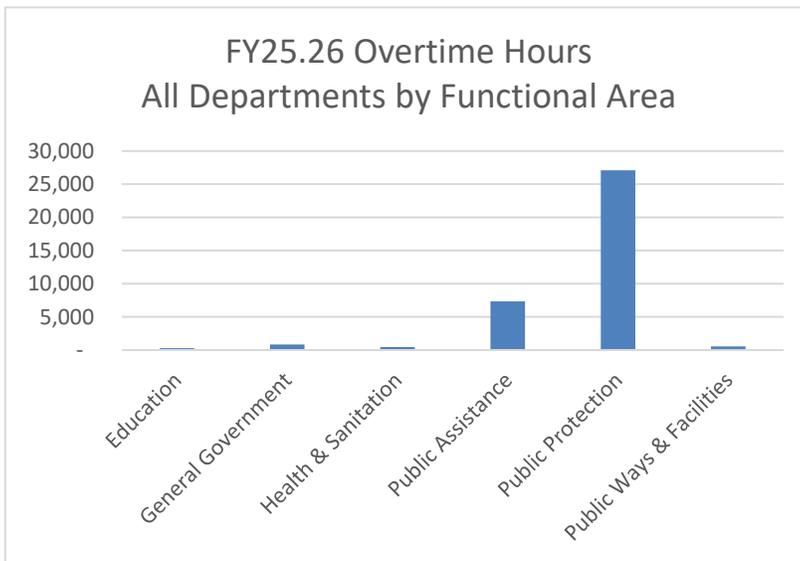


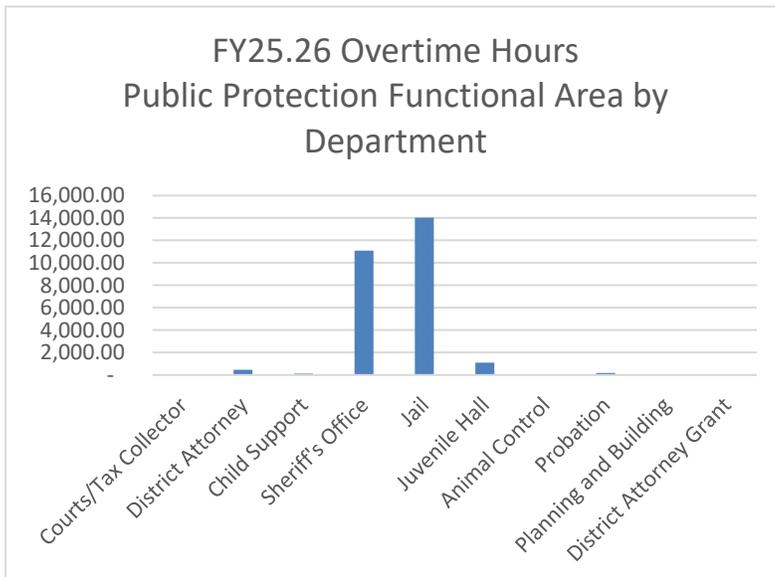
Figure 24a – OT Hours by Pay Period



Functional Area	Hours
Education	283
General Government	842
Health & Sanitation	455
Public Assistance	7,331
Public Protection	27,081
Public Ways & Facilities	557

Figure 24b 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 27,081.

Figure 24b – OT Hours by Functional Area



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, accounting for **25,106** of the total **27,081** Public Protection overtime hours, as shown in Figure 23c.

Figure 24c – Public Protection OT Hours by Department

PUBLIC SAFETY BUDGET 10-YEAR

Per Board Request, the following section provides an analysis of the last 10 years of Public Safety budgets. Public Safety includes the District Attorney’s Office, the Public and Alternate Defender’s Offices, the Sheriff’s Office and Jail, the Probation Department and the Juvenile Hall.

The revised budget represents the Net County Cost (NCC) of Public Safety, that is, the net impact to the County General Fund after all other financing sources are applied.

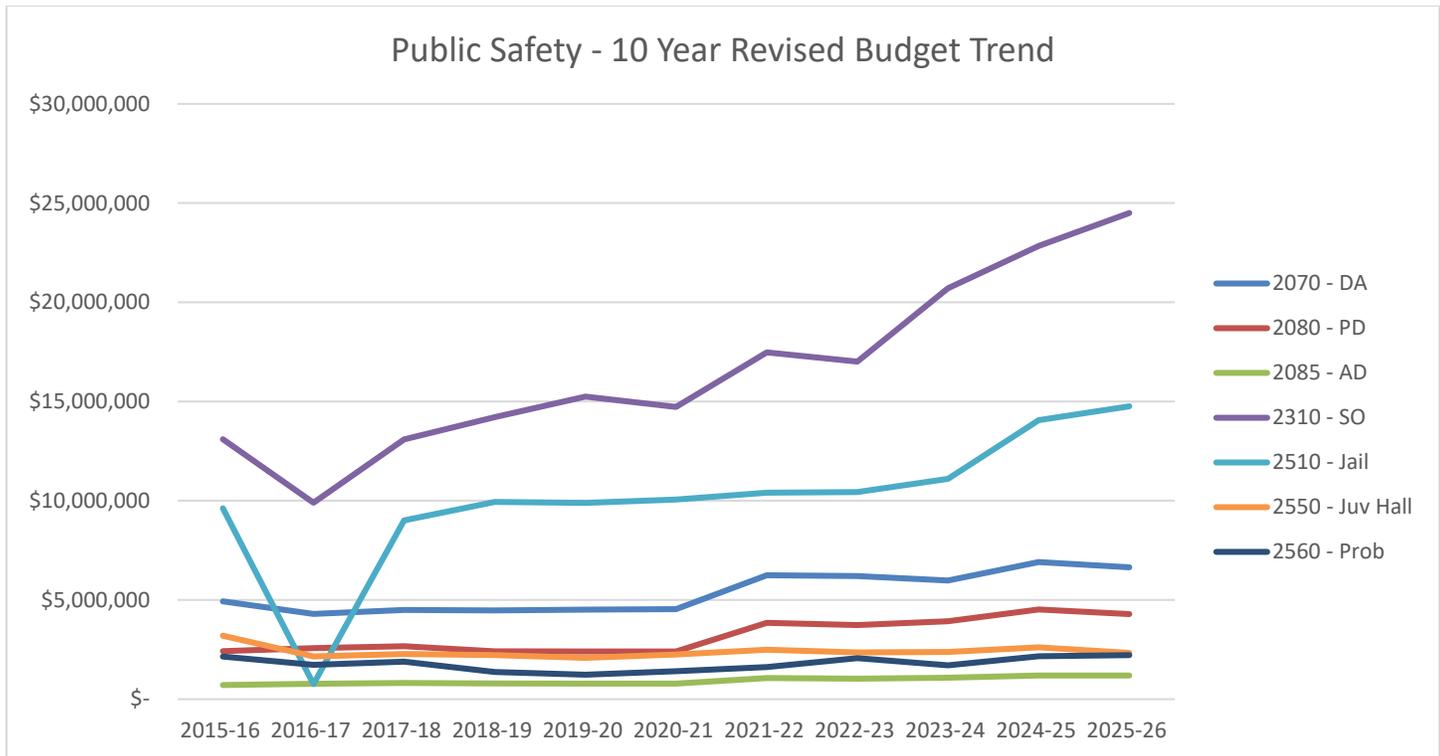


Figure 25a – Public Safety – 10 Year Revised Budget Trend

Over the past decade (FY 2015-16 through FY 2025-26), the Public Safety portfolio has experienced steady and significant growth in its revised budget:

- Overall Trend: Total revised budget has increased year-over-year, with the most pronounced growth occurring in the last three fiscal years. This is largely due to rising personnel costs (1000 series), and inflationary pressures on goods and services (2000 series).
 - Sheriff’s Office (SO) and Jail consistently account for the largest share of the budget, together representing more than half of total Public Safety allocations.
 - District Attorney (DA) and Public Defender (PD) show moderate growth, while Probation, Juvenile Hall, and Alternate Defense (AD) remain relatively stable.

Jail costs are expected to increase in the next Fiscal Year due to staffing needed for the new Behavioral Health wing of the Jail. Staffing estimates project an additional \$1.8 million in additional personnel expenses to adequately staff the new wing.

DISCRETIONARY REVENUES

The Auditor-Controller's Office has provided updated Non-Departmental (ND) revenue projections. This revision raises the FY 2025-26 projected ND revenue from \$94,748,051 to \$97,631,249, a **\$2,883,198** increase when not factoring Operating Transfers In or Out. Despite this increase, projected FY 2025-26 ND revenues remain approximately 1.4% below FY 2024-25 actuals of \$99,059,470.

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

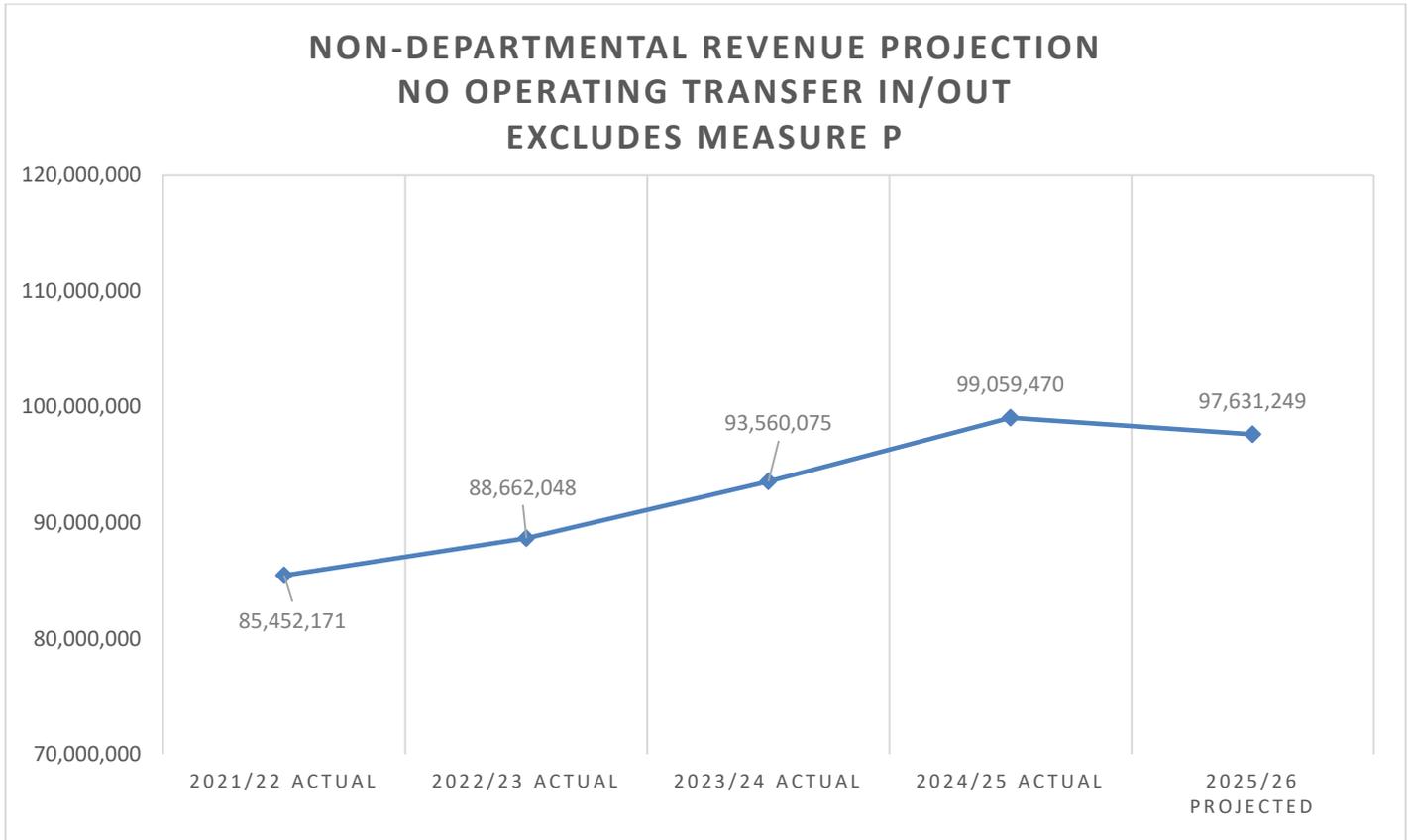


Figure 26a - 2025-26 ND Revenue No OTO/OTI

Figure 26a 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.

Current 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

Mid-year adjustments include a proposed Operating Transfer Out adjustment of \$339,551 for Capital Improvements.

GF SALARIES AND BENEFITS - ND REVENUE PROJECTION - GF FULL TIME EMPLOYEE COUNT

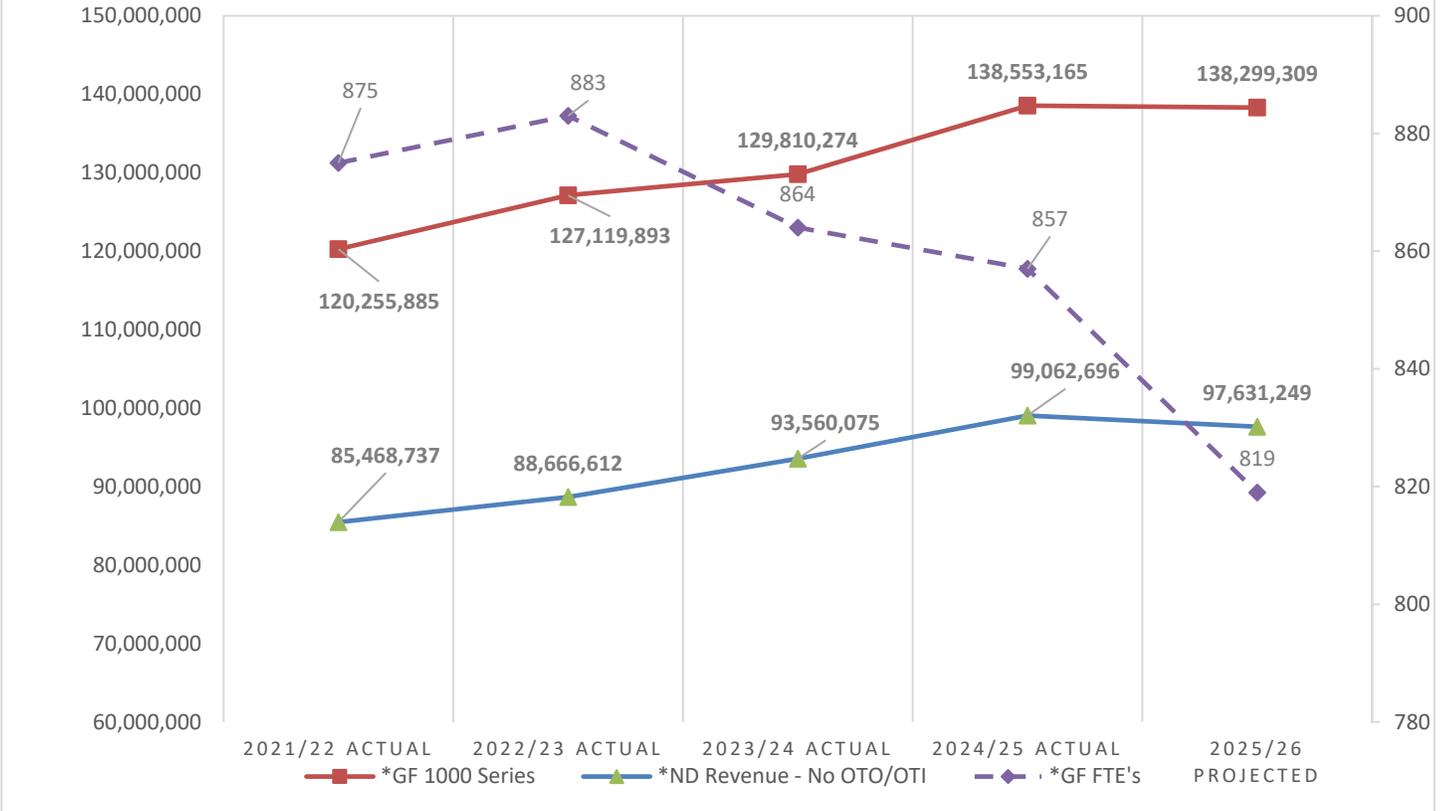


Figure 27a - Revised 2025-26 ND projection pending Auditor updates
 *2025-26 Projected Revenue includes proposed Mid-Year ND adjustments from Auditor Controller's Office

Figure 27a 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 819 FTE's. FY 2025-26 FTE count is based on Pay Period 26-25, beginning December 14th, 2025. Recent hires have increased the 2025-26 FTE count from 814 reported at 1st Quarter, to the 819 presented in this report.

The reduction in General Fund full-time employees 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 UNRESTRICTED FUND BALANCE

All FY 2024-25 year end actuals are reported by Auditor Controller's Office and as of 2.18.26 have been audited.

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

• Beginning Balance from FY23/24:	\$2.002M
• Balance Sheet Adjustments:	\$1.024M (not considered available for use)
• Non-Departmental Ongoing Revenue:	\$914K
• Non-Departmental 1x Revenue:	\$3.688M
• Change in Accounting Revenue Availability Period:	\$2.040M
• Departmental Savings:	\$2.496M
• Unrestricted Fund Balance:	\$12.164M

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

The Executive Office recommends the potential use of fund balance to cover known future one-time expenses. These recommended appropriations include the following:

- \$2.5M for Risk
- \$1M for Road Maintenance
- \$500k for Water
- \$360k for Little River Airport
- \$300k for Capital Improvements
- \$250k Low Gap Landfill project
- \$119k for LJAG Cannabis grant
- \$100k architectural design for DA Office move
- **Total: \$5,129,000**

Remaining Fund Balance is recommended to be placed in the General Reserve.

LOCAL ECONOMY

Economic Summary

Local economic indicators in Mendocino County:

- As of 2024 the region's population increased by 2.6% since 2019, growing by 2,243. Population is expected to increase by 0.4% between 2024 and 2029, adding 368.
- From 2019 to 2024, jobs declined by 2.2% in Mendocino County, CA from 38,335 to 37,480. This change fell short of the national growth rate of 4.4% by 6.6%. As the number of jobs declined, the labor force participation rate decreased from 53.7% to 49.8% between 2019 and 2024.
- Median household income is \$64.7k, \$13.9K below the national median household income of \$78.5K.
- Concerning educational attainment, 14.8% of Mendocino County, CA residents possess a Bachelor's Degree (6.7% below the national average), and 9.1% hold an Associate's Degree (0.3% above the national average).
- The top three industries in 2024 are Education and Hospitals (Local Government), Local Government, Excluding Education and Hospitals, and Individual and Family Services.

Source: Lightcast

FY25-26 BUDGET SCHEDULE

- March 10 – Budget Workshop
- April 7 – Budget Workshop
- April – Fee Hearing
- May 5 – 3rd Quarter Report and Budget Workshop
- June 2026 – Budget Hearings and Adoption

CEO Recommended Actions

- Accept the Fiscal Year 2025-26 Mid-Year Report as presented
- Approve Mid-Year Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve Fixed Assets and Structural Improvement Requests (Attachment B)
- Fund the recommendations below from the FY24/25 Unrestricted Fund Balance
 - \$2.5m for Risk
 - \$1m for Road Maintenance
 - \$500k for Water
 - \$360k for Little River Airport
 - \$300k for Capital Improvements
 - \$250k Low Gap Landfill project
 - \$119k for LJAG Cannabis grant
 - \$100k architectural design for Courthouse relocation
 - Prioritize remaining funds for Reserve