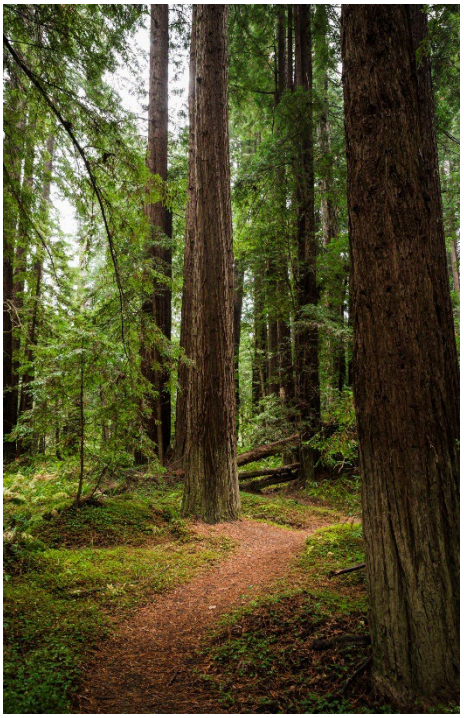
County of Mendocino

Fiscal Year 2026/2027
First Quarter Budget Report





Prepared by
Executive Office Budget Team
November 3, 2026

TABLE OF CONTENTS

Introduction 3
Executive Summary 3
Local Economy 4
Fiscal Year 2026-2027 First Quarter Budget Summary – General Fund Only 5
Discretionary Revenue 6
Budget to Actuals – General Fund Summary 7
Budget to Actuals – General Fund by Series 7
Budget to Actuals – General Fund Salary and Benefits 9
Budget to Actuals – General Fund Services and Supplies 9
Capital Improvement Projects 11
General Fund Reserves 12
Fiscal Year 2026-2027 Budget Schedule 12
Fiscal Year 2026-2027 First Quarter CEO Recommendations 12

Exhibits

Budget Unit 1000 Non-Departmental Revenue Forecast ..... Exhibit A
Fiscal Year 2026-2027 First Quarter Resolution ..... Exhibit B

Attachments:

Fiscal Year 2026-2027 First Quarter Budget Adjustments and Administrative Clean Up ..... Attachment A
Fiscal Year 2026-2027 Fixed Assets and Structural Improvement Requests ..... Attachment B
Mendocino Co. Unincorporated Q2.26 Newsletter ..... Attachment C

Introduction

This is the Mendocino County Fiscal Year (FY) 2026-2027 First Quarter Budget Report, submitted by the Chief Executive Officer (CEO) for the period of July 01, 2026, through September 30, 2026. This report aims to provide the Board of Supervisors and public with an update on the County's financial status as of the first three months of the fiscal year and presents an initial projection as to how the County's financials are projected to end on June 30, 2027.

This report examines: current local economy trends, FY 2026-2027 first quarter budget to actuals, requested adjustments to the approved FY 2026-2027 adopted budget, and lastly general fund reserve account balances. First quarter projections are difficult to estimate due to various factors, including delay in expense postings due to the prior fiscal year still being open, and timing of State reimbursements. Due to these factors, forecasting anything further than this fiscal year in the first quarter is unreliable. The CEO Budget Team will bring back a three-year forecast during mid-year.

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. 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 to advise and administer Board direction in fulfilling the requirements of GC § 29009.

Executive Summary

The FY 2026-2027 budget was approved by the Board of Supervisors on June 23, 2026, and totaled $530.3 million for all Governmental Funds (as reported on Schedule 5 submitted to the State), which was a decrease of $58.2 million over last fiscal year's projections. The budget was balanced using $2.60 million of one-time funds, for one-time expenses. The budget included funding to support 1,021.20 filled positions, a decrease of roughly 42 FTEs when compared to prior year.

The FY 2026-2027 adopted budget was developed with a primary focus of supporting existing services and reflects continued fiscal uncertainty as State and Federal policy changes evolve without clear implementation guidance. This focus continues into quarter one. The County must remain focused on austerity measures and process improvements that enhance efficiency and uphold our responsibility as fiscal stewards of taxpayer dollars. Declining Transient Occupancy Tax and Bradley-Burns Sales Tax revenues, coupled with stagnation in realignment funding is requiring a disciplined focus on fiscal restraint and efficiency.

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. The County much achieve a balanced budget — where one-time revenues are reserved exclusively for one-time expenditures. Nearly all County departments perform mandated services or direct support of those mandates, leaving little room for further reductions without affecting service delivery. 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.

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 at all levels is vital. The County must continue to engage partners on priorities including water security, housing, roads and transportation infrastructure, emergency medical services, and overall affordability for residents.

LOCAL ECONOMY

The primary source of labor data was provided by California Employment Development Department (EDD).

- As of August 2026, the unemployment rate in Mendocino County was 5.6%, slightly higher than the state average of 5.4%. Total labor force was 36,480, with 34,440 individuals employed and 2,040 unemployed.
- From August 2025 to August 2026 the following changes occurred:
  - Private Sector Service-Providing Jobs increased 1.50% from 20,530 to 20,830
  - Government Jobs increased 2.3% from 7,010 to 7,170

While the County has seen roughly a 4% increase in secured property tax over the last few fiscal years, the County must remain cautious in projections. It is anticipated there may be requests for **Proposition 8 (Prop 8)** reductions to some agricultural properties. In California a Prop 8 reduction is a temporary reduction in a property's taxable assessed value when its current market value drops below its normal Proposition 13 assessed value.

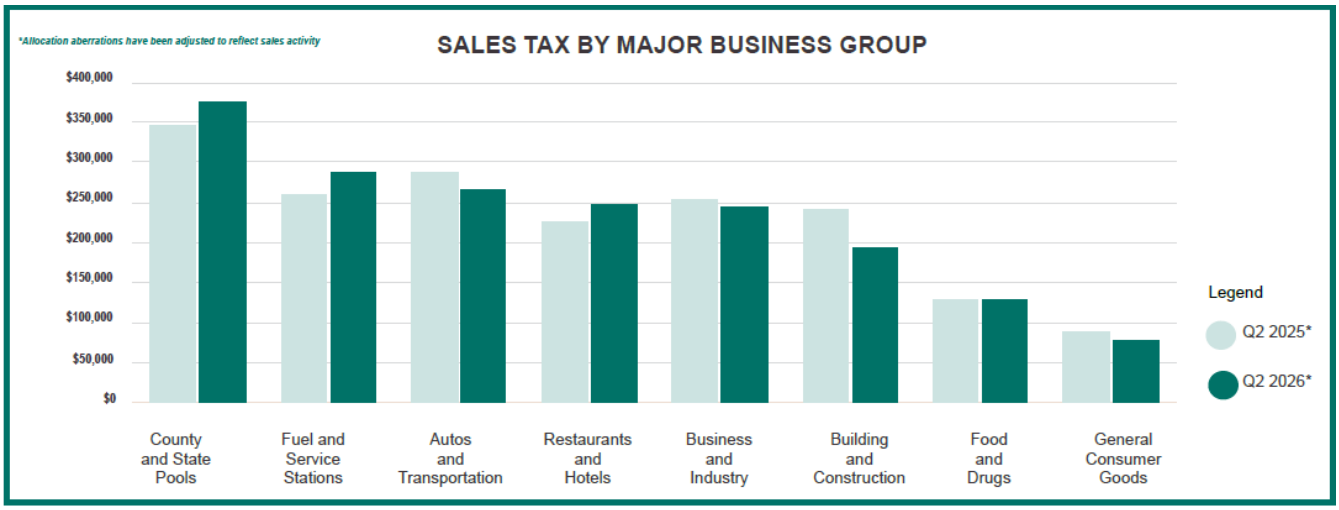
The County is seeing little to no growth in Transient Occupancy Tax (TOT) during last few fiscal years.

- FY 2022/23 Actuals: $7,550,530
- FY 2023/24 Actuals: $7,340,873
- FY 2024/25 Actuals: $8,234,991
- FY 2025/26 Actuals Unaudited: $8,315,264
- FY 2026/27 Projection: $8,500,000

The County is continuing to see a decline in Bradley-Burns sales tax for the unincorporated area (excludes Measure P).

- FY 2022/23 Actuals: $7,760,485
- FY 2023/24 Actuals: $7,457,747
- FY 2024/25 Actuals: $6,962,799
- FY 2025/26 Actuals Unaudited: $7,170,973
- FY 2026/27 Projection: $7,031,895

When comparing April-June of calendar year 2026 to April-June of calendar year 2025, there was 0.6% decrease in Bradley-Burns sales tax for the unincorporated area. As noted in the recap below, there has been an increase to the County and State Pools, alongside an increase in Fuel/Service Stations, and Restaurants. These increases are partly driven by the increase in fuel costs. These increases are being offset by the steep decline in the Building and Construction category.



Please see Attachment C for additional details.

FISCAL YEAR 2026-2027 FIRST QUARTER BUDGET SUMMARY – GENERAL FUND ONLY

The FY 2026-2027 General Fund adopted budget (including Social Services) totaled $242.8 million, a decrease of $500 thousand when compared to last fiscal year's projections (as reported on Schedule 5 submitted to the State). The General Fund budget was balanced using the following one-time funds, for one-time expenses.

- Executive Office Short Term Contracts - $200K
- General Services Short Term Contracts - $240K
- Miscellaneous Short-Term Contracts - $75K (Bond Counsel and Financial Advisors)
- Human Resources Short Term Contracts - $50K
- Facilities Capital Projects - $30K (Detention Locks and Mower)
- Land Improvement Trash Capture Device Project - $231K
- Information Services Department Short Term Contracts - $105K
- Financial System Implementation Project - $500K
- Sheriff's Office and Jail Capital Projects/Equipment - $590K
    - Technology Equipment $153K
    - Vehicle Upfit - $72K, Jail Projects - $365K
- Sheriff's Office Short Term Contracts - $20K
- Sheriff's Office Lateral Transfer Bonuses - $40K
- Juvenile Hall Short Term Extra Help - $31K
- Animal Care Capital Projects - $25K (Incinerator Upgrade)
- Little River Airport Capital Projects - $305K
- Environmental Health Short Term Contracts - $102K
- Museum Capital Projects - $51K

  Total - $2.60M

First quarter projections are difficult to estimate due to various factors; however, overall, the general fund budget units are expected to come in on budget. All departments except two (Assessor and Clerk-Recorder) were able to absorb wage increases. There are five departments asking for additional general fund to cover anticipated salary and benefits for staffing changes, not wage increases. All five departments have undergone significant staffing transitions since budget adoption. The five departments are Auditor-Controller, County Counsel, Public Defender, Alternate Defender, and Planning and Building Services. The additional requests are being offset by an increase in discretionary revenue, noted in the next section, along with increased revenue in Emergency Services and small savings in various departments.

Below is a recap of the departments which had overall increases or decreases to general fund contribution.

- Auditor-Controller: increase of $7,027 – staffing increases
- Assessor: increase of $33,177 – wage increase
- County Counsel: increase of $71,538 – staffing increases
- Human Resources: **decrease** of ($3,340) – reduction in contracts
- Elections: **decrease** of ($43,106) – election revenue
- Fleet and Facilities: increase of $1,865 – electric vehicle charging stations reclass of activity to new department
- Economic Development: **decrease** of ($3,239) – unfilled vacant position
- Clerk-Recorder: increase of $9,066 – wage increases
- District Attorney: increase of $726 - software
- Public Defender: increase of $177,691 – staffing increases
- Alternate Defender: increase of $47,858 – staffing increases

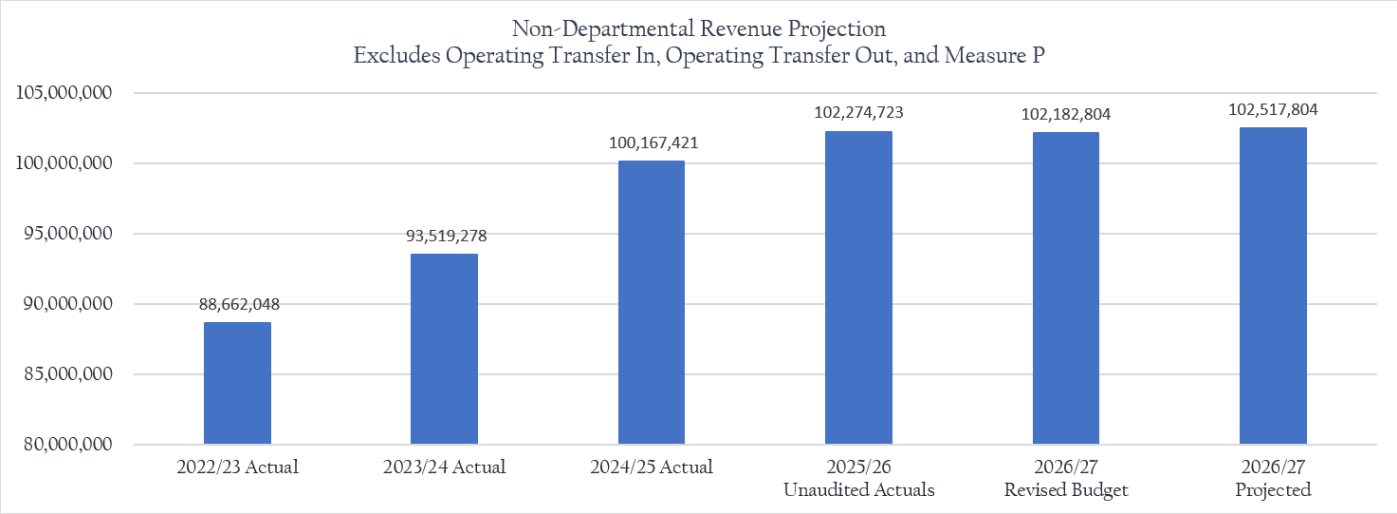
- Sheriff's Office: **decrease** of ($625,298) – increase in revenue due to Prop 64 and other grants
- Jail: increase of $625,298 – increase in medical services contract, offset by increase in State revenue. General fund savings from Sheriff's Office is requested to be transferred to Jail to cover increase in expenses.
- Probation: increase of $17,371 – increase in capital improvement cost at no fault of department
- Emergency Services: **decrease** of ($122,235) – state revenue increase
- Planning & Building Services: increase of $142,846 – staffing increases, requesting Chief Planner to be filled
- Museum: **decrease** of ($3,666) – overestimate of benefits at budget adoption
- Non-Departmental Revenue: increase of ($335,000) – see below
  Total General Fund Impact: ($1,421) - The revenue will be held until mid-year for future departmental needs

Discretionary Revenue

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 represented in the County's budget as Budget Unit 1000.

Non-Departmental (ND) revenue projections reflect an increase of approximately $335,000 over revised budget.

- Increase in Penalty & Cost on Delinquent Tax: $250,000
- Increase in Federal Land in Lieu: $285,000
- Decrease in Tobacco Settlement: $200,000



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

Operating Transfers In reported in Exhibit A represent one-time transfers utilized to balance the budget. Operating Transfers Out reported in Exhibit A represent appropriations approved by the Board for the following uses:

- Roads: $4,242,096
- Library: $1,553,908
- Measure P: $4,500,000
- Camp TOT: $600,000
- Debt Services: $2,431,299
- Health Services Realignment Match: $347,945
- Mental Health Services Realignment Match: $28,840
- IT ERP Implementation: $500,000

Budget to Actuals – General Fund Summary

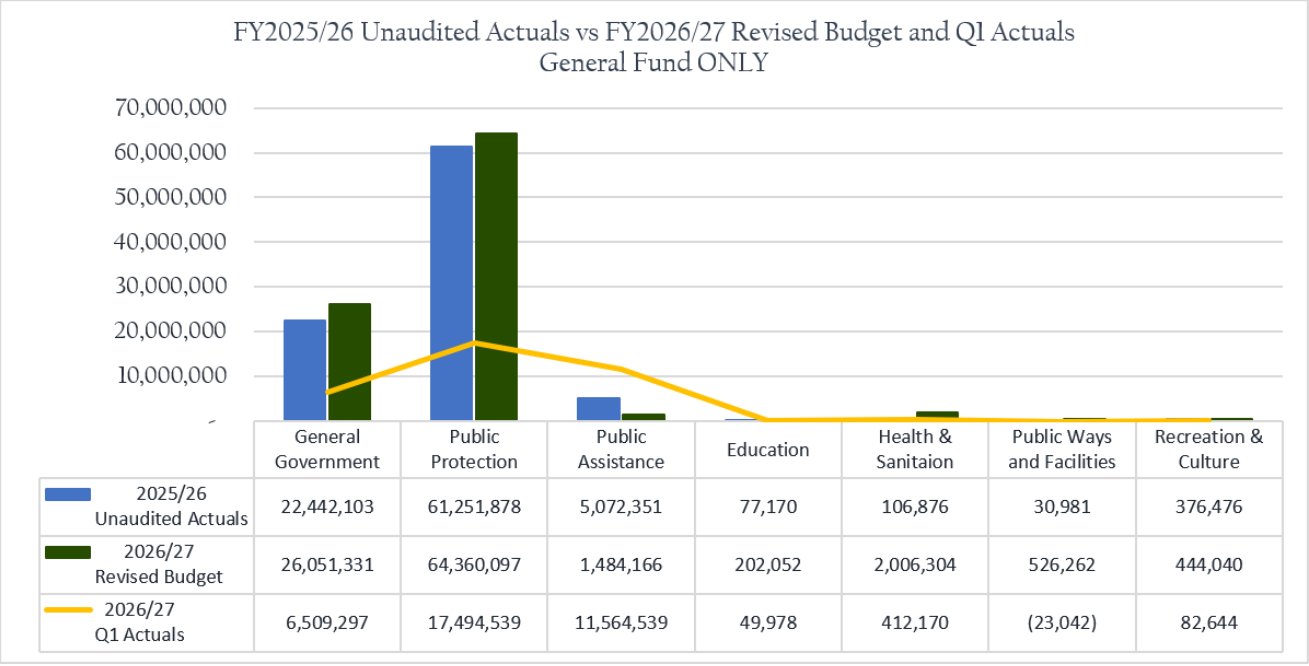
The figures below illustrate the relationship between the revised budget and first quarter expenditures for the General Fund (Fund 1100) budget units by Functional Area. This graph represents all expenditure series, including Salaries and Benefits (1000 series) and Services and Supplies, (2000 Series), 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 graphs.

Please note, first quarter always appears under budget as many entries related to goods/services, other charges, and transfers are still pending posting, while the Auditor-Controller's office focuses on entries related to closing the prior fiscal year.

Below are the first quarter's actuals as a percentage of revised budget by Functional Area.

- Education – 24.74%
- Health and Sanitation – 20.54%
- Public Ways and Facilities – (4.38%)
- Recreation and Culture – 18.61%
- General Government – 24.99%
- Public Protection – 27.18%
- Public Assistance – 779% - large variance is due to unposted journal entries



	General Government	Public Protection	Public Assistance	Education	Health & Sanitaion	Public Ways and Facilities	Recreation & Culture
2025/26 Unaudited Actuals	22,442,103	61,251,878	5,072,351	77,170	106,876	30,981	376,476
2026/27 Revised Budget	26,051,331	64,360,097	1,484,166	202,052	2,006,304	526,262	444,040
2026/27 Q1 Actuals	6,509,297	17,494,539	11,564,539	49,978	412,170	(23,042)	82,644

General Government

Clerk of the Board	Human Resources
Board of Supervisors	Elections
Executive Office	Facilities
Auditor-Controller	Fleet Management
Assessor	Economic Development
Treasurer-Tax Collector	Land Improvement
Payroll Administration	Retirement
Fiscal Services	Teeter Plan
Central Services	Miscellaneous
County Counsel	Clerk-Recorder
	Information Services

Public Protection

Courts - AB 233	Jail
Grand Jury	Juvenile Hall
District Attorney	Probation
Public Defender	Agriculture
Alternate Defender	Cannabis Management
Conflict Defender	Office of Emergency Services
Child Support Services	Planning & Building
Sheriff-Coroner	Animal Care

Public Ways and Facilities

Round Valley Airport
Little River Airport

Health & Sanitation

Environmental Health
Emergency Medical Services
Solid Waste

Public Assistance

Social Services Administration
Cal Works/Foster Care
In-Home Supportive Services
General Relief/Assistance

Education

Farm Advisor

Recreation & Culture

Museum

Budget to Actuals – General Fund by Series

The majority (57.4%) of General Fund expenditures are Salaries and Benefits (1000 Series). All other series expenditures total (42.6%) of the Revised Budget.

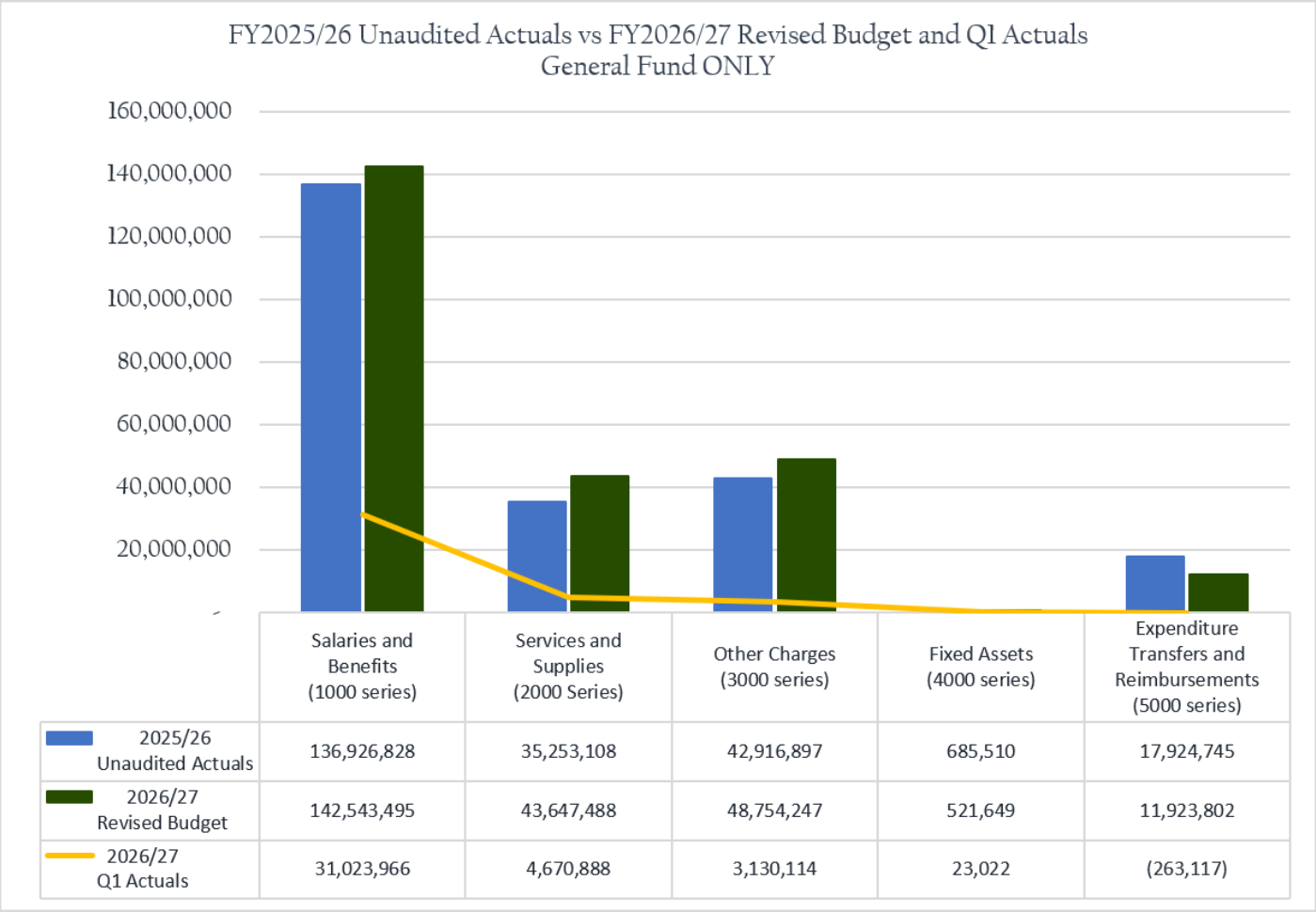
For reporting purposes, the department of Social Services is included in the following graph.

First quarter's actual expenditure reflects 15.6% of the revised budget for all series in General Fund departments.

Please note, first quarter always appears under budget as many entries related to goods/services, other charges, and transfers are still pending posting, while the Auditor-Controller's office focuses on entries related to closing the prior fiscal year.

Below are first quarter's actuals as a percentage of revised budget by Series:

- Salaries and Benefits (1000 series) – 21.8%
- Services and Supplies (2000 Series) – 10.7%
- Other Charges (3000 series) – 6.4%
- Fixed Assets (4000 series) – 4.4%
- Expenditure Transfers and Reimbursements (5000 series) – (2.2%)



	Salaries and Benefits (1000 series)	Services and Supplies (2000 Series)	Other Charges (3000 series)	Fixed Assets (4000 series)	Expenditure Transfers and Reimbursements (5000 series)
2025/26 Unaudited Actuals	136,926,828	35,253,108	42,916,897	685,510	17,924,745
2026/27 Revised Budget	142,543,495	43,647,488	48,754,247	521,649	11,923,802
2026/27 Q1 Actuals	31,023,966	4,670,888	3,130,114	23,022	(263,117)

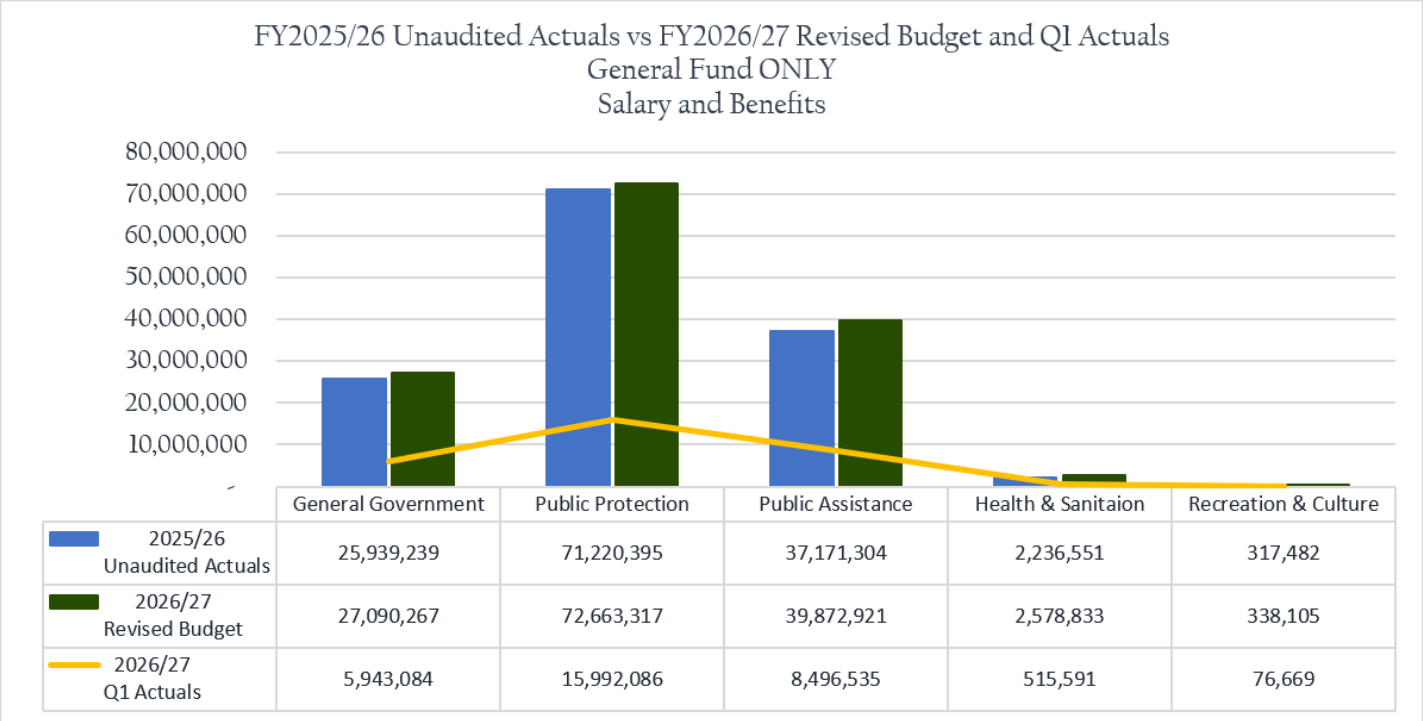
Budget to Actuals – General Fund Salary and Benefits

For reporting purposes, the department of Social Services is included in the following graph.

First quarter's actual expenditure reflects 21.8% of the revised budget for salary and benefits in General Fund departments. Please remember there are 26 pay periods in a fiscal year, so depending on which months contain three paydays, the percentage will not always equate to an even 25% at first quarter.

Below are first quarter's actuals as a percentage of the budget revised by Functional Area:

- Public Ways and Education functional areas do not have salary and benefit expenses under general fund
- Health and Sanitation – 19.9%
- Recreation and Culture – 22.6%
- General Government – 21.9%
- Public Protection – 22.0%
- Public Assistance – 21.3%



	General Government	Public Protection	Public Assistance	Health & Sanitaion	Recreation & Culture
2025/26 Unaudited Actuals	25,939,239	71,220,395	37,171,304	2,236,551	317,482
2026/27 Revised Budget	27,090,267	72,663,317	39,872,921	2,578,833	338,105
2026/27 Q1 Actuals	5,943,084	15,992,086	8,496,535	515,591	76,669

General Government		Public Protection		Public Ways and Facilities	Public Assistance
Clerk of the Board	Human Resources	Courts - AB 233	Jail	Round Valley Airport	Social Services Administration
Board of Supervisors	Elections	Grand Jury	Juvenile Hall	Little River Airport	Cal Works/Foster Care
Executive Office	Facilities	District Attorney	Probation		In-Home Supportive Services
Auditor-Controller	Fleet Management	Public Defender	Agriculture		General Relief/Assistance
Assessor	Economic Development	Alternate Defender	Cannabis Management		
Treasurer-Tax Collector	Land Improvement	Conflict Defender	Office of Emergency Services	**Health & Sanitation**	**Education**
Payroll Administration	Retirement	Child Support Services	Planning & Building	Environmental Health	Farm Advisor
Fiscal Services	Teeter Plan	Sheriff-Coroner	Animal Care	Emergency Medical Services	
Central Services	Miscellaneous			Solid Waste	**Recreation & Culture**
County Counsel	Clerk-Recorder				Museum
	Information Services				

Budget to Actuals – General Fund Services and Supplies

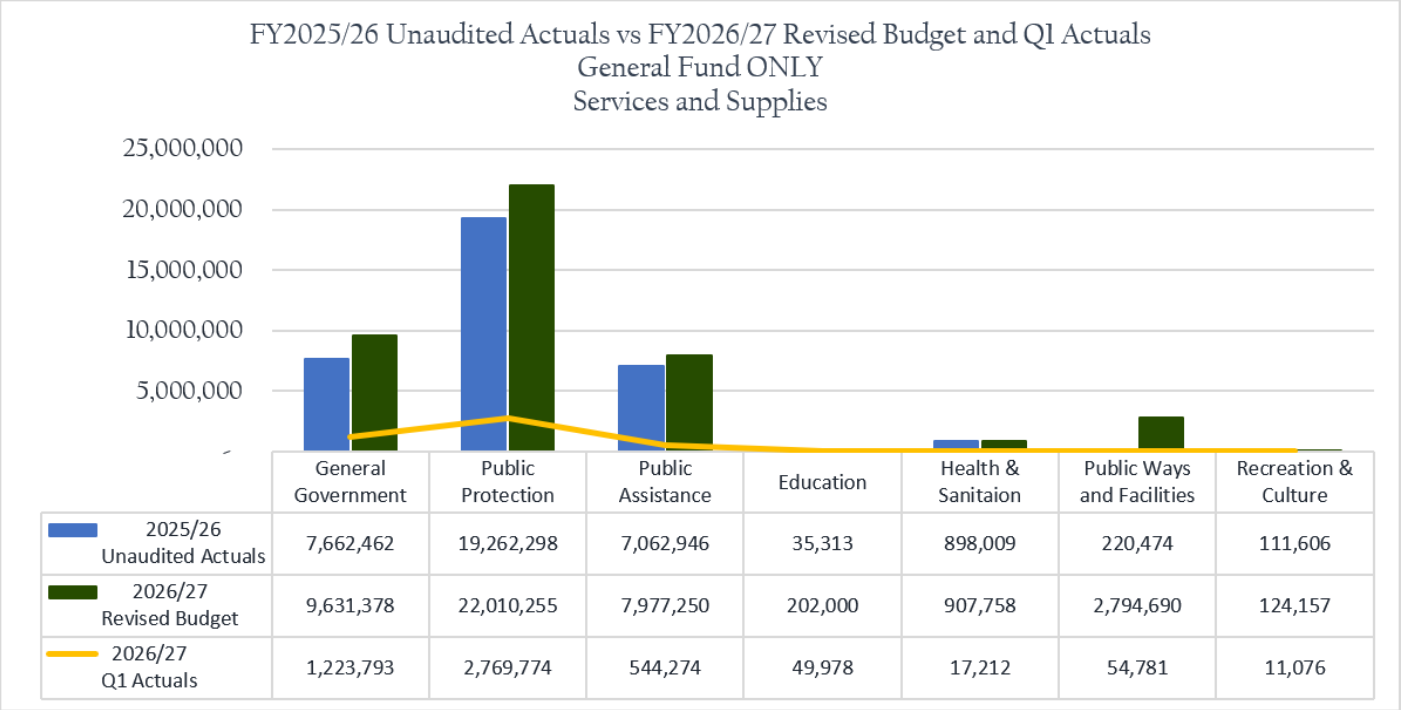
For reporting purposes, the department of Social Services is included in the following graph.

First quarter's actual expenditure reflects 10.7% of the revised budget for all series in General Fund departments.

Please note, first quarter always appears under budget as many entries related to goods/services, other charges, and transfers are still pending posting, while the Auditor-Controller's office focuses on entries related to closing the prior fiscal year.

Below are first quarter's actuals as a percentage of revised budget by Functional Area:

- Education – 24.7%
- Health and Sanitation – 1.9%
- Public Ways and Facilities – 2.0%
- Recreation and Culture – 8.9%
- General Government – 12.7%
- Public Protection – 12.6%
- Public Assistance – 6.8%



	General Government	Public Protection	Public Assistance	Education	Health & Sanitaion	Public Ways and Facilities	Recreation & Culture
2025/26 Unaudited Actuals	7,662,462	19,262,298	7,062,946	35,313	898,009	220,474	111,606
2026/27 Revised Budget	9,631,378	22,010,255	7,977,250	202,000	907,758	2,794,690	124,157
2026/27 Q1 Actuals	1,223,793	2,769,774	544,274	49,978	17,212	54,781	11,076

General Government

Clerk of the Board	Human Resources
Board of Supervisors	Elections
Executive Office	Facilities
Auditor-Controller	Fleet Management
Assessor	Economic Development
Treasurer-Tax Collector	Land Improvement
Payroll Administration	Retirement
Fiscal Services	Teeter Plan
Central Services	Miscellaneous
County Counsel	Clerk-Recorder
	Information Services

Public Protection

Courts - AB 233	Jail
Grand Jury	Juvenile Hall
District Attorney	Probation
Public Defender	Agriculture
Alternate Defender	Cannabis Management
Conflict Defender	Office of Emergency Services
Child Support Services	Planning & Building
Sheriff-Coroner	Animal Care

Public Ways and Facilities

Round Valley Airport
Little River Airport

Health & Sanitation

Environmental Health
Emergency Medical Services
Solid Waste

Public Assistance

Social Services Administration
Cal Works/Foster Care
In-Home Supportive Services
General Relief/Assistance

Education

Farm Advisor

Recreation & Culture

Museum

CAPITAL IMPROVEMENT PROJECTS

The following capital improvement projects have been approved by the Board during budget adoption and over the last quarter.

Active:

- Administration Center Back Patio Enclosure
- Bower Park Improvements
- Fleet Fuel Management System Upgrade
- Fort Bragg Veterans Hall ADA Railing Repairs
- Guardian RFID Infrastructure & Equipment
- Heath Services Roof & HVAC Replacement
- HMGP Generators for Critical Facilities
- Juvenile Hall Backup Generator and Fencing
- Juvenile Hall Abatement & Painting
- Juvenile Hall Exercise Equipment Foundations & Installations
- Juvenile Hall Workstations & Improvements
- Psychriatric Health Facility
- Sanhedrin Microwave Site Hardening
- SB844 Jail Project
- Willits Justice Center Radio Room Cooling
- Willits Justice Center HVAC Unit 3 Repairs
- Willits Library Interior Upgrades

Pending/Not Started

- 911 Call Center Roof Replacement
- Admin Center Roof Replacement/Southeast Phase 3
- BHRS Ukiah Clubhouse Day Program Remodel
- BHRS Willits Clubhouse Day Program and Roof Replacement
- Jail Ligature Risk Mitigation
- Little River Airport Roof Replacement Projects
- Museum ADA Entry and Restrooms
- Sanhedrin Repeater Site Tower & Shelter Replacement
- Seal and Paint Jail Building II Exterior Block
- Sonoma Clean Power Avila Charging Stations
- Ukiah Library Roof Replacement
- Willits Justice Center Stucco Repair

General Fund Reserves

In March 2026 the Board of Supervisors adopted an updated reserve policy. The updated policy creates three new accounts.

- Contingency Reserve:
  - Purpose: The Contingency Reserve shall be a general reserve maintained to guard against short-term impacts from revenues or expenditure changes not anticipated in the adopted budget.
  - Reserve Target: The target level for the reserve shall be equal to 5% of budgeted expenditures. Each year's adopted budget shall include deposits required to restore any uses of the reserve during the prior fiscal year to meet this target level.
  - Reserve Minimum: There shall be no minimum required balance for reserve, provided that any uses of the reserve in the current year shall be replenished in the subsequent year's adopted budget.
- Rainy Day Reserve
  - Purpose: The Rainy Day Reserve is established to guard against longer-term impacts resulting from major financial shocks, including recessions, natural disasters, and other declared emergencies.
  - Reserve Target: The target level for the reserve shall be equal to 15% of budgeted expenditures. Once the reserve target is met, any required reserve deposits shall instead be deposited in the Infrastructure and Systems Reserve.
  - Reserve Minimum: There shall be no minimum required balance for the reserve.
- Infrastructure and Systems Reserve
  - Purpose: The Infrastructure and Systems Reserve is established to improve investment in the County's infrastructure, modernize technology systems, and other one-time investments.
  - Reserve Target: The reserve has no target funding level, as deposits to the reserve will typically be appropriated in subsequent fiscal years.
  - Reserve Minimum: There shall be no minimum required balance for the reserve.

The unaudited balances at end of June 2026, the "General Reserve" was $14,042,921. Based on the updated policy the county will reclass the balance in the prior "General Reserve" to the three new reserves.

- Contingency Reserve: $8,067,725
- Rainy Day Reserve: $2,987,598
- Infrastructure & Systems Reserve: $2,987,598

Fiscal Year 2026-2027 Budget Schedule

- December 15, 2026 – Fee Hearing
- March 2027 – FY 2026-2027 Mid-Year Report
- April 2027 – Fee Hearing
- Spring Budget Workshops
- May 2027 – 3rd Quarter Report
- June 2027 – FY 2027-2028 Budget Hearings and Adoption

Fiscal Year 2026-2027 First Quarter CEO Recommendations

- Accept the Fiscal Year 2026-27 First Quarter Report as presented
- Approve First Quarter Budget Adjustments and Administrative Clean Up (Attachment A)
- Approve Fixed Assets and Structural Improvement Requests (Attachment B)