



COUNTY OF HUMBOLDT

For the meeting of: 6/9/2025

File #: 25-756

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Public Hearing

Vote Requirement: Majority

SUBJECT:

Public Hearing on the Proposed County Budget and Special District Budgets for Fiscal Year (FY) 2025-26

RECOMMENDATION(S):

That the Board of Supervisors:

1. Convene as the Board of Directors for the Special Districts governed by the Humboldt County Board of Supervisors;
2. Open the public hearing;
3. Receive testimony from the public;
4. Close the public hearing;
5. Approve the FY 2025-26 budgets for special districts governed by the Humboldt County Board of Supervisors including final modifications (Attachment 1);
6. Set June 24, 2025, as the date to adopt the Special Districts' budgets;
7. Adjourn and reconvene as the Board of Supervisors;
8. Open the public hearing;
9. Receive a presentation on the County of Humboldt's State and Federal Legislative Program;
10. Receive the staff report;
11. Receive a presentation on the City of Eureka Employee Childcare Program;
12. Receive a presentation on the Public Works' FY 2025-26 Measure O Spending Plan;
13. Receive testimony from the public;
14. Continue the hearing to 5:30 PM;
15. Receive update reports from staff (if required);
16. Receive additional testimony from the public;
17. Close the public hearing;
18. Deliberate on the FY 2025-26 proposed spending plan;
19. Give direction to staff regarding any desired modifications to the Proposed Budget; and
20. Set June 24, 2025, as the date to adopt the budget.

STRATEGIC PLAN:

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: Core Services/Other

Strategic Plan Category: 9999 - Core Services/Other

DISCUSSION:

Special Districts Budget FY 2025-26

The Auditor-Controller prepares annual budgets for the special districts governed by the Humboldt County Board of Supervisors pursuant to Chapter 1 of Division 3 of Title 3 of the California Government Code. California Government Code Section 29080 requires that the proposed budgets be made available for public inspection at least 10 days prior to the public hearing pertaining to such budgets. The Clerk of the Board of Supervisors published notice on May 25, 2025 and June 1, 2025, that this documentation is available for inspection at the Office of the Clerk of the Board and that the Board will consider adoption of the proposed budgets on June 9, 2025. The California Government Code requires each special district to adopt a balanced budget on an annual basis. The budgets are presented with the attached proposed FY 2025-26 budget (Attachment 1).

The budget for Fund 3970 - County Service Area 4 was inadvertently missed in the Proposed Budget. Staff seek direction from your Board today to update the budget for fund 3970 to \$212,500 in revenue, an increase of \$1,720 over proposed and \$200,000 in expenditures for the contract with Cal Fire, an increase of \$199,656 over proposed. Should your Board approve the increase in fund 3970 this will bring total special district budgets to \$1,996,972, an increase of \$63,473 over the prior year. This increase over prior year is primarily attributed to expenditure increases in Loleta Fire Protection District.

Humboldt County Budget FY 2025-26

Annually, the County Administrative Office (CAO) presents a proposed budget to the Board of Supervisors. The adoption of an annual budget is one of the most significant policy decisions of the Board. As such, it requires substantial preparation and benefits markedly from public input.

California Government Code Sections 29000 through 30200, known as The County Budget Act, as applied through rules issued by the Office of the State Controller, provide the legal requirements pertaining to the content of the proposed budget, adoption procedures and dates by which action must be taken. The CAO, as designated by the Board, is responsible for completing the budget process within the confines of state code.

Locally, the budget process is lengthy and includes the below steps:

- On Feb. 4, 2025, as part of the Mid-Year Budget Review, your Board set parameters for the development of the FY 2025-26 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental General Fund allocations as status quo to FY 2024-25 with adjustments to increase allocations to include the FY 2024-25 Board-approved additional requests for General Fund appropriation (ARGFA). In addition, your Board directed staff to deallocate FY 2025-26 unbudgeted positions, suspend ARGFA submissions, set departmental contributions to Public Agency Retirement Services (PARS) at 2% of annual salaries, include the annual contribution to the Deferred Maintenance Trust Fund (3464) at policy level and include a contribution of \$3 million to the General Reserve.
- Preparation of the proposed budget began on Feb. 27, 2025, when the County Administrative Office (CAO) staff presented to departments the parameters for development of the FY 2025-26 budget requests. Departments were asked to submit their requests to the CAO by April 7, 2025. CAO staff met with each department during this time. The CAO reviewed the budget from April through June 2025.
- On May 5-6, 2025, optional department budget presentations to your Board were held and the CAO presented a 5-year financial forecast for the General Fund and an update on Strategic Plan progress.
- Presentation of the proposed budget went before your Board on June 3, 2025.
- Public Hearings on the proposed budget are before your Board today.
- The final budget is anticipated to be adopted on June 24, 2025.

At today's hearings, staff recommends that you accept additional public comment and staff input and provide any direction you wish staff to pursue prior to the final opportunity for public input and budget adoption, scheduled for June 24, 2025.

FY 2025-26 Budget

The total proposed budget (or spending plan) before your Board for FY 2025-26 is \$629,738,053 (excluding internal service funds and enterprise funds). The total proposed budget represents an increase of \$21,489,698 in expenditures, or 3.5% more than the budget your Board adopted for FY 2024-25. This number is higher due to the addition of anticipated Measure O Roads and

Transportation sales tax expenditures, budgeted at \$27 million, and a one-time labor negotiations contingency of \$5 million offset by overall budget reduction efforts in many departments.

General Fund-1100

The FY 2025-26 budget proposes that your Board allocate \$157,889,033 in General Fund expenditures, which is a decrease of \$8,904,488, or (5.3%), from the prior year. In FY 2025-26, two changes in local accounting practices are impacting the General Fund (1100) including moving Measure Z to a separate fund (1103) and moving Probation Realignment expenditures previously budgeted in fund 3741 back to the General Fund. Taking these changes into account, the total adopted General Fund expenditures for FY 2024-25 were \$151,191,290, resulting in an increase in FY 2025-26 of \$6,697,743, or 4.4% over the prior year.

Additional Funding Requests

Your Board directed the CAO not to accept any ARGFAs for the current budget cycle, therefore, none are presented for your review. Departments worked diligently to develop budget submissions that aligned with your Board's General Fund allocation targets. They met your Board's request by prioritizing needs and managing their resources to operate within their allocations reflecting commitment to fiscal responsibility. This work to reduce expenditures will continue to put pressure on departments' ability to make future cuts without program or service reductions. The McKinleyville Municipal Advisory Committee (MMAC) has submitted a request (Attachment 2). This is not included in the FY 2025-26 Proposed Budget in accordance with your Board's direction.

American Rescue Plan Act

On Aug. 10, 2021, your Board approved a spending plan for the initial American Rescue Plan Act (ARPA) payment of \$13.16 million, which included funding for an economic impact grant program with priority areas of housing, childcare, and telehealth and broadband, DHHS General Relief Client debt forgiveness, and community requests as determined to be eligible. On Jan. 24, 2023, your Board opted to utilize \$1.5 million of ARPA funds, previously appropriated for broadband, as matching funds for the Behavioral Health Continuum Infrastructure Program (BHCIP) grant application to fund building a Behavioral Health Crisis Triage Center. These matching funds were paid in FY 2024-25.

The final ARPA payment of an additional \$13.16 million arrived June 16, 2022, and your Board allocated those funds primarily in FY 2022-23 and the remainder in FY 2023-24. The county received a total of \$26.3 million in ARPA funds. All ARPA funds were required to be obligated by Dec. 31, 2024, and are required to be spent by Dec. 31, 2026. \$24.3 million in ARPA funds have been expended and it is estimated that an additional \$28,450 will be expended prior to the end of FY 2024-25, for a total of \$24.4 million expended of the original \$26.3 million. The remaining \$1.9 million has already been obligated by your Board by the obligation deadline to the following projects:

ARPA FY 2025-26	
HVAC for Information Technology Facility	\$ 85,000
Child Care Programming	\$ 242,825
Housing Trust Fund	\$ 1,500,000
Human Resources Staffing	\$ 142,421
Total	\$ 1,970,246

On June 3, 2025, your Board received a presentation from the North Edge Financing which administers the Childcare Stabilization Fund indicating that \$500,000 remains available to allocate toward a potential county childcare facility and program. Your Board may consider directing staff to amend the North Edge contract as needed in order to re-direct these funds to the options presented by North Edge:

Option 1: Education and Professional Development

Build a program to fund existing and new professional development initiatives and support people in

the early childhood education workforce.

Option 2: Invest in County Employee Childcare Facility

Long-term investment in a childcare facility for county employees potentially including a needs assessment, case study of the City of Eureka Little Saplings program, feasibility study or capital investment. The City of Eureka has successfully developed a county childcare program and will be available to present and answer questions for your Board.

Staff recommend your Board consider providing direction to staff to work with North Edge to pursue Option 2.

Local Assistance and Tribal Consistency Funds

The county was awarded \$3,196,536.10 in Local Assistance and Tribal Consistency Fund (LATCF) funds to be distributed in two separate tranches, one in federal fiscal year (FFY) 2022 and one in FFY 2023. This program is intended as a general revenue enhancement program intended to augment or stabilize revenues. The county received the first tranche in October 2022 and the second tranche in December 2023. On Jan. 10, 2023, your Board allocated \$1 million of these funds to establish an Earthquake Recovery & Assistance Program to assist residents displaced as a result of the December 2022 earthquake and subsequent aftershocks. Of the \$1 million, \$500,000 has been expended, \$118,103 is pending 100% reimbursement from the California Office of Emergency Services for sheltering, and \$250,000 remains obligated. While \$131,897 remains available for future earthquake response needs, if the full reimbursement is received, \$250,000 will be available for this purpose, unless your Board should choose to reallocate. In addition to any remaining earthquake funds mentioned above, \$2,196,536 remains available and unobligated for your Board to allocate in FY 2025-26. Your Board may consider the following options for these funds:

Option 1: Hold the Funds for FY 2025-26

As is reflected in the proposed budget, your Board could choose to hold the funds, accruing interest, for the next year while staff and your Board continue to work to stabilize the General Fund.

Option 2: Additional Investment in County Employee Childcare Facility

Your Board could choose to allocate the remaining available funds to a county childcare program to supplement the ARPA childcare funds, should your Board choose that option for ARPA. Should your Board elect to move forward with allocating funds for this purpose, staff will work to develop a program and bring it back to the Board for consideration.

Additionally, your Board could choose to allocate these funds differently than the above options.

Measure O

Measure O is a local one-cent sales tax for roads, transit and essential services, and applies throughout the county, including incorporated cities. It was passed by Humboldt County voters in

November 2024 and became effective in April 2025. The measure was placed on the ballot as a continued outfall of the Education Revenue Augmentation Fund (ERAF) shift from the 1990's and corresponding decrease of more than \$500 million in local funding, increasing natural disasters impacting roads and delayed and uncertain federal reimbursements for those disasters. These factors combined resulted in Humboldt County's 1,000+ mile road system being rated as "poor" in its pavement condition index report and on the verge of failing and put the Road Fund in a negative position of \$10 million at the time the measure was placed on the ballot (this has since improved to roughly negative \$4.2 million following the \$3 million contribution in FY 2024-25 Measure O revenue).

This revenue measure was passed at the same time as several other cities' measures and the county needed to have legislation passed, AB 1256 (2022), in order to allow the county's measure to exceed the 2% local limit imposed by state law. Combined with other taxes, each city's sales tax rate is at least 9.50% with Eureka and Arcata at 10.25%. The unincorporated area is at 8.75%. Annual revenue projections are \$24 million, which is double the amount of Measure Z, though the compounding impact of local taxes on actual sales activity, and therefore revenue projections are subject to change.

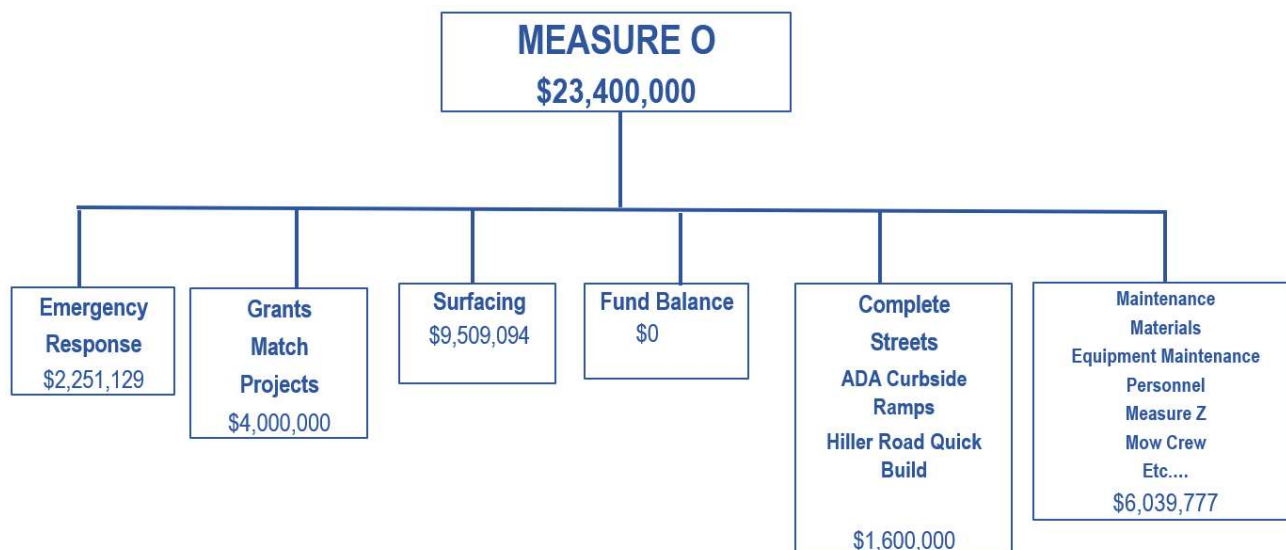
As a general tax, the Board has authority on how this funding should be allocated. Transit advocates heavily advocated for funding from this measure to offset emissions caused by vehicles. In February 2025, the Board appointed a "Funding Ad Hoc" to recommend how the funding should be allocated between roads and transit for the following 5 years. After discussion, on April 22 your Board adopted a 5-year spending plan, assuming \$24 million in revenue each year, and allocating 85% of that revenue (or \$20.4 million) to Humboldt County Public Works for roads, and 15% (or \$3.6 million) to Humboldt Transit Authority for transit services annually. Half of excess revenue will go towards the negative balance in the Roads Fund until it is brought to a positive position and half will go towards a contingencies account until reaching 16% of annual projected revenue, or \$3.8 million. After those benchmarks are hit, 85% of excess revenue will be allocated to roads and 15% will go towards transit. The Funding Ad Hoc will reconvene towards the end of the 5-year spending plan to recommend a future spending plan. In addition, your Board directed staff that the \$6 million in anticipated FY 2024-25 revenue be split with \$3 million going to the Road Fund negative fund balance and \$3 million added to the Public Work's allocation in the coming year. Fiscal Year 2025-26 allocations will be:

Measure O FY 2025-26	
Public Works Roads	\$ 23,400,000
Humboldt Transit Authority	\$ 3,600,000
Total	\$ 27,000,000

Spending Plans

On June 5, 2025, as required by your Board's resolution, Public Works Director Mattson presented the FY 2025-26 spending plan for the Public Works Roads allocation to the Humboldt County Association of Governments (HCAOG) Technical Advisory Committee (TAC). Public Works incorporated feedback

from the TAC into the presentation before your Board (Attachment 3) and includes:



Your Board may approve the spending plan as is, or direct staff to include edits in the adopted budget.

On June 11, 2025, as required by your Board's resolution, Humboldt Transit Authority (HTA) will present the FY 2025-26 spending plan for the Transit allocation to the HCAOG Social Services Transportation Advisory Council (SSTAC). From there, HTA will make changes if necessary and present the spending plan to the HTA Board of Directors when it adopts its budget on June 25th.

Administrative Staffing

With the implementation of Measure O, there are anticipated impacts on central service departments which may require additional staffing allocations, particularly in the Auditor-Controller, County Counsel, CAO and Purchasing. On June 3, 2025, staff recommended the following staffing allocations for your Board's consideration:

1100-111 Auditor Controller

1.0 FTE Senior Fiscal Assistant

1100-121 County Counsel

1.0 FTE Deputy County Counsel I-IV

1100-103 CAO Management & Budget Team

1.0 FTE Administrative Analyst I/II

3555-115 Purchasing

1.0 FTE Buyer I/II

Staffing allocations to central service departments that are in Cost Allocation Plan will be billed through that mechanism, which is 2 years in arrears. Should your Board choose to fund staffing allocations, the General Fund allocations in those departments (Auditor-Controller, County Counsel and CAO Management & Budget Team) will need to be increased, in which costs will be recouped from Measure O through the Cost Allocation Plan. The first charges for any new staffing allocations in those departments will not be charged to Measure O until FY 2027-28.

These positions are before your Board today for approval to be incorporated into the FY 2025-26 budget. The Administrative Analyst I/II on the CAO Management & Budget Team was directed to be shared between Measure Z and Measure O.

The cost for these positions and associated increases in General Fund allocation are below:

Measure O Administrative Staffing Cost FY 2025-26				
Budget	Position	Cost	General Fund Allocation Increase	
1100-111 Auditor-Controller	1.0 Senior Fiscal Assistant	\$ 92,227	\$	92,227
1100-121 County Counsel	1.0 Deputy County Counsel IV	\$ 201,101	\$	201,101
1100-103 CAO - Management & Budget Team	1.0 Administrative Analyst I	\$ 109,573	\$	109,573
3555-115 Purchasing	1.0 Buyer I	\$ 85,683	\$	-
Total		\$ 488,584	\$	402,901

As to not increase the overall General Fund budget, your Board may direct staff to reduce the General Fund contingencies by \$402,901 in order to fund the increases in General Fund. As it will be two years before the first charges are recouped, your Board may also direct staff to utilize contingencies for this purpose in FY 2026-27 as well.

Voluntary Separation Incentive Program (VSIP)

In FY 2023-24, your Board implemented a VSIP to achieve salary savings, with success. The program offered a up to \$20,000 cash incentive to staff who separated before the FY 2024-25 year began, with declining amounts for each month that passed after the beginning of the year. It also required departments to hold vacant for two years any positions that participated in the VSIP.

Your Board directed staff to develop a VSIP in FY 2024-25. On Aug. 13, 2024, your Board approved the program plan and the designation list of positions that would be eligible. Departments designated 21 positions as eligible for the VSIP.

Four county employees submitted and were authorized for the VSIP for a total county cost of \$72,000. As a result of offering VSIP, departments are required to hold positions vacant through FY 2026-27. Departments are able to elect alternative positions to the one being vacated, provided that the positions being held vacant are fiscally equal to that being vacated at a minimum of 90%. All the positions that utilized the VSIP were in DHHS, it is estimated that cost savings from vacancies in FY 2024-25 will be \$243,869, accounting for the incentive payments issued to employees for electing to participate in the VSIP. For FY 2025-26 and FY 2026-27, it is estimated that over \$500,000 will be saved annually, for an overall savings of more than \$1.3 million. As it was an option for departments to backfill with extra help, these savings could be reduced some by the utilization of extra help staff or if the departing staff member had large leave balances to be paid out.

This year, staff are proposing your Board consider a VSIP program again. Departments have indicated that this would be useful in continuing to reduce expenditures. Staff are requesting approval from your Board to develop a program substantially similar to the program offered in FY 2024-25 (Attachment 4) and direction to return in July for final adoption of the program.

SOURCE OF FUNDING:

All county funds and dependent special district funds

FINANCIAL IMPACT:

Funding is as shown in the Humboldt County FY 2025-26 Proposed Budget document (Attachment 1). The total proposed county budget is \$629,738,052, proposed General Fund expenditures are \$157,889,033, including a contingency reserve of \$6,490,721, of which \$5,000,000 is designated for labor negotiations.

STAFFING IMPACT:

Staffing is as shown in the Humboldt County FY 2025-26 Proposed Budget document (Attachment 1). The total proposed county staffing allocation is 2,237.13 positions, a decrease of 106.60 positions over the FY 2024-25 adopted positions.

OTHER AGENCY INVOLVEMENT:

All county departments and agencies, as well as several community organizations that receive county funding, are affected.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

1. Proposed Budget FY 2025-26
2. MMAC 2025-26 Budget Request
3. Measure O Spending Plan
4. FY 2024-25 VSIP
5. Legislative Update - Federal
6. Legislative Report - State
7. State Bill Positions, Other Monitored Legislation

PREVIOUS ACTION/REFERRAL:

Meeting of: 6/4/2024, 6/10/2024, 6/25/2024, 2/4/2025, 4/22/2025, 4/22/2025, 4/22/2025, 6/3/2025

File No.: 24-902, 24-956, 24-1012, 25-133, 25-373, 25-498, 25-502 25-665