



COUNTY OF HUMBOLDT

For the meeting of: 6/9/2026

File #: 26-542

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:
Proposed Fiscal Year (FY) 2026-27 Budget

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive and review Humboldt County's Proposed FY 2026-27 Budget; and
2. Approve the Proposed FY 2026-27 appropriations subject to modifications and staff direction for adoption of the final budget on June 18, 2026; and
3. Adopt a Resolution authorizing an Inter-Fund Loan for Forest Resources and Recreation Fund (1710); and
4. Approve the transfer of \$2.0 million in FY 2026-27 from the Tax Loss Reserve Fund (3010) to the General Fund provided the required balance is met; and
5. Approve a hiring freeze in Fund 1160 for FY 2026-27 and authorize the County Administrative Officer (CAO), or designee, to approve requests for exception; and
6. Approve the prepayment of the FY 2026-27 CalPERS Unfunded Accrued Liability (UAL) contribution in the amount of \$35,191,523; and
7. Authorize department heads to continue to approve voluntary unpaid furloughs for employees under their appointment authority for FY 2026-27; and
8. Direct the CAO to return to your Board on June 18, 2026, to consider the adoption of the Final Budget for FY 2026-27; and
9. Take other action as appropriate.

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:

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.

This report has been divided into three key sections:

1. An overview of the state and federal economic conditions impacting the county in the coming year; and
2. A review of the FY 2026-27 Proposed Budget including additional requests for General Fund appropriation (ARGFA), funds

- with negative fund balances, and major revenue sources for consideration; and
3. Policy decisions for your Board to consider in evaluating the county's current and projected financial conditions.

Section 1: Economic Outlook

State and Federal

The Governor's May Revision reflects a substantially improved fiscal outlook for California compared to earlier budget projections. Revenue projections are higher in personal income tax receipts, largely driven by gains in the technology and artificial intelligence sectors, having generated significant additional revenue and reduced near-term budget pressures. However, the May Revision is not favorable to counties particularly with regard to backfill administrative funding for HR 1 impacts.

As reported in previous budget reports, it is anticipated that there will be increased pressure on behavioral health, higher demand for housing, homelessness and social service programs and additional administrative workload associated with eligibility, compliance and program management requirements. Additionally, this increases the administrative cost burden on counties and without state intervention, there are insufficient local funds to backfill for these reductions.

Local Economy

For over a decade, HdL Companies has provided the county with reliable sales tax projections. For FY 2026-27, HdL anticipates a (2.1%) decline in Bradley-Burns sales tax, an (0.1%) decrease in Measure Z Local sales (likely to be similar in Measure O) and a 2.3% increase in Proposition 172 Public Safety sales tax. This is the first expected increase in Proposition 172 since the end of COVID-19. Sector-specific challenges remain, particularly in the garden and agriculture industries, which continue to be affected by the ongoing downturn in the cannabis market. Overall, the unincorporated portion of the county's sales tax was down (3.2%) and most industries struggled as of the most recent report based on the fourth quarter of 2025. The county, including incorporated cities, fared slightly better, only down (1.7%). The downward trend is likely to hold as consumers are impacted by the increase in fuel prices and the rising costs of household items.

Section 2: Fiscal Year (FY) 2026-27 Proposed Budget

FY 2026-27 Budget Timeline

- On Feb. 10, 2026, as part of the Mid-Year Budget Review, your Board set parameters for the development of the FY 2026-27 budget for General Fund allocations and the budget calendar. The parameters included direction to set departmental General Fund allocations to increase by 5% based on FY 2025-26 allocations and to adjust allocations further for departments impacted by the negotiated raises approved in the County Attorney Association (CAA)/Teamsters bargaining unit and other attorney classifications. In addition, your Board directed staff to deallocate FY 2026-27 unbudgeted positions, accept ARGFAs for one-time expenditures up to \$250,000 per request, 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. 19, 2026, when the County Administrative Office (CAO) staff presented to departments the parameters for development of the FY 2026-27 budget requests. Departments were asked to submit their requests to the CAO by April 6, 2026. This represents one additional week provided to departments for budget development over last year. The CAO continues to expand the timeline for departments with the implementation of budget software in FY 2024-25. CAO staff met with each department during this time. The CAO reviewed the budget from April through June 2026.
- On May 11, 2026, optional department budget presentations to your Board were held.
- Presentation of the proposed budget is before your Board today.
- Public Hearings on the proposed budget are scheduled to be held on June 15, 2026.
- The final budget is anticipated to be adopted on June 18, 2026.

FY 2026-27 Budget

Today, the total proposed budget (or spending plan) before your Board for FY 2026-27 is \$657,799,662 (excluding internal service funds and enterprise funds). The total proposed budget represents an increase of \$28,016,610 in expenditures, or 4.4% more than the budget your Board adopted for FY 2025-26. This number is higher primarily due to the recommended ARGFAs, CAO operational funding recommendations, an increase in Behavioral Health due to additional grant funds secured for the new Sempervirens building and for additional programs, as well as additional capital projects in the Facilities and Roads Divisions.

General Fund-1100

The FY 2026-27 budget proposes that your Board allocate \$165,467,032 in General Fund expenditures, which is an increase of \$7,572,999, or 4.8%, from the prior year. This increase is attributed to the recommended ARGFAs of \$3,227,112 and CAO countywide operational funding recommendations of \$5,385,939. Of the total \$8,613,051 between those recommendations, \$5,425,872 is one-time expenditures and \$1,929,508 is anticipated to offer offsetting savings in the future.

After several years of requiring departments to absorb cost increases in their General Fund allocations, your Board approved 5% increases in General Fund allocations. Revenue increases were able to fully offset these increases. Additionally, your Board maintained contributions to the General Reserve and Deferred Maintenance prioritizing fiscal sustainability. General Fund wages and benefits increased by an overall \$4,258,352 or 4.9% due to negotiated wages and benefit increases. Despite the increase in wages and benefits, they make up a slightly smaller share of the General Fund expenditure budget at 55.5% of total expenditures compared to 57% in the prior year.

In the General Fund, projected revenues for FY 2026-27 are \$139,919,581, which is an increase of \$2,782,726 or 2.0% from FY 2025-26. Discretionary General Fund revenue is anticipated to increase \$3.0 million over the FY 2025-26 budget due to increases in anticipated property taxes and interest revenue. Small decreases in non-discretionary revenue have offset this increase in discretionary revenues. To present a balanced budget, the current budget proposes the use of \$25,547,451 of fund balance from the General Fund, of which \$11,627,094 is due to one-time General Fund contingencies, contributions to the General Reserve and Deferred Maintenance, additional requests for General Fund appropriation and CAO countywide operational funding recommendations. Additionally, \$1,929,508 is recommended for allocation to fund an Alternate Counsel Office. Though not expected to be a cost savings, as a mandate of the county, it is anticipated that utilizing internal counsel will bring stability to costs, preventing large, unexpected spikes in costs. The FY 2026-27 recommended use fund balance, less those one-time costs and the Alternate Counsel allocation, is \$11,990,849. This is commonly referred to as the structural deficit. This amount is a very slight reduction in fund balance use from the FY 2025-26 adopted budget of (\$11,387) or (0.1%). While this budget deficit can be funded with fund balance in FY 2026-27 and shows maintenance of ongoing expenditures, in future years, the county will need to both increase revenue and decrease expenditures to work toward a structurally balanced budget.

Should revenues and expenditures come in as budgeted in the coming year, it is anticipated that the General Fund will end FY 2026-27 with \$2.0 million available to fund future fiscal years. This is a reduction over the mid-year projection of \$10.0 million. As previously mentioned, this is attributed to the recommended additional requests for General Fund Appropriation of \$3.2 million and CAO countywide operational funding recommendations of \$5.4 million, offset by interest revenue increases, all of which were not anticipated in the mid-year projection.

Estimated Fund Balance 1100 - General Fund	
FY 2025-26 Estimated Beginning Fund Balance	35,442,042
Estimated Revenues	136,273,130
Estimated Expenditures	144,131,626
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	<u>(7,858,496)</u>
FY 2025-26 Estimated Ending Fund Balance	<u>27,583,546</u>
Estimated Revenues	139,919,581
Estimated Expenditures	165,467,032
Estimated Use of Fund Balance	<u>(25,547,451)</u>
FY 2026-27 Estimated Ending Fund Balance	<u>2,036,095</u>

General Fund Reserve

Over the last several years, your Board has prioritized long-term fiscal sustainability by making regular contributions to the General Reserve. The proposed budget before your Board today maintains this priority with another contribution of \$3 million.

The General Reserve policy has set a target funding level of 10% of the county’s total General Fund expenditures, as averaged by the current and prior year adopted budgets with a goal of reaching the Government Finance Officers Association (GFOA) recommended level of 16%. For this budget cycle, this target funding level is \$16.2 million with the GFOA recommendation at \$25.9 million. The current balance of the General Reserve is \$16.6 million which is just above the target funding level, however, with the contribution of \$3 million in FY 2026-27, your Board will bring the General Reserve balance to \$19.6 million, well over the minimum target balance, but still short of the GFOA recommended goal. The continued contributions to building the General Reserve will allow the county to be better prepared to respond to future fiscal threats. Continued investment in the General Reserve will better position the county to respond to future fiscal challenges and unforeseen economic pressures. Your Board should be commended for maintaining this commitment to fiscal resilience while navigating several years of difficult budgets marked by ongoing structural deficits

Additional Requests for General Fund Appropriation

Departments submitted 17 ARGFAs for a total of \$3,227,112 in one-time requests (Attachment 4). Your Board limited requests to one-time expenditures up to \$250,000 per request. All department requests before your Board today meet those requirements. As all of the submitted requests have merit and there are sufficient resources in the General Fund to support the submitted requests, the CAO is recommending all 17 requests in the FY 2026-27 proposed budget.

Staff will seek direction on these requests from your Board through the Budget Hearings on June 15, 2026.

County Operational Funding Recommendations

The FY 2026-27 proposed budget includes the following adjustments to General Fund allocations as recommended by the CAO. As these are operational and structural recommendations, these are not included as ARGFAs. These are recommended by the CAO to implement your Board's policies, strategic plan and to prepare for future economic and fiscal impacts. The total adjustments to General Fund allocations totals \$5,385,939, of which \$2,198,760 are one-time adjustments, \$1,257,671 are ongoing adjustments and \$1,929,508 for the establishment of Alternate Counsel is ongoing, but anticipated to stabilize and reduce costs for indigent defense long-term. The adjustments include:

- \$100,000 CAO Management & Budget (1100-103 One-Time) - With the approval of the tourism marketing strategy, it is recommended that the county simultaneously implement a rebranding initiative to align efforts. A strong, consistent countywide brand will help build public trust, improve how the county delivers services and communicates across departments.
- \$70,000 CAO Management & Budget (1100-103 One-Time) - This training series would serve as a unifying professional development opportunity for elected officials and department leadership to strengthen cross-departmental relationships and promote organizational cohesion. In addition, the training is intended to enhance county leadership, ensure improved policy implementation and promote consistency in decision-making.
- \$108,943 Auditor-Controller (1100-111 Ongoing) - The FY 2023-24 Voluntary Separation Incentive Program (VSIP) requirement to hold vacancy has expired. The Auditor-Controller has one position that has not been deallocated from the VSIP program. This returns the allocation that was removed for participation in the program.
- \$200,000 Personnel (1100-130 Ongoing) - The Department of Health and Human Services will be merging some functions of their Employee Services division with Human Resources. This allocation allows the Personnel budget to accept one position which will be included in the cost allocation plan charges and will be recovered in future fiscal years. This is a structural improvement to centralized administrative functions and consistency amongst those functions and is a consolidation effort directed by your Board.
- \$50,000 Personnel (1100-130 Ongoing) - This allocation will fund certificates, plaques and related program expenses that acknowledge employee dedication and performance. Implementing a structured recognition program is expected to improve retention, engagement and morale while supporting the Board's strategic priority of workforce and operational excellence. Employee feedback has consistently highlighted a desire for a more robust and meaningful recognition program that acknowledges individual and team contributions to the

organization's success.

- \$500,000 Certificates of Participation (1100-190 Ongoing) - In the near future, the 2020 Finance Plan will need to be converted from short-term financing to long-term financing. In preparation, it is recommended that your Board increase the allocation for future principal payments.
- \$1,929,508 Alternate Counsel (1100-253 Ongoing with potential to offset costs in the future) - Opening an Alternate Counsel office will allow for a third level of conflict before outside attorneys are necessary for indigent defense. Though not expected to be a cost savings, as a mandate of the county, it is anticipated that utilizing internal counsel will bring stability to costs, preventing large, unexpected spikes in costs. This is dependent on the ability of this office to secure staffing and a location; this allocation will allow the Public Defender to explore this.
- \$97,141 Building Inspector (1100-262 Ongoing) - The FY 2023-24 VSIP requirement to hold vacancy has expired. The Planning & Building - Building Inspector has one position that has not been deallocated from the VSIP program. This returns the allocation that was removed for participation in the program.
- \$301,587 Jail Medical (1100-490 Ongoing) - This adjustment is typically necessary annually due to increased contract costs for delivering jail medical services.
- (\$402,091) General Fund Contingencies (1100-990 One-Time) - In FY 2025-26 your Board allocated three positions in the General Fund for increased workloads due to Measure Z and Measure O. At that time, your Board approved utilizing contingencies for FY 2025-26 and FY 2026-27 until these costs were recouped through cost allocation plan charges to those funding sources beginning in FY 2027-28.
- \$430,851 General Fund Contingencies (1100-990 One-Time) - At mid-year, staff presented that budget 1100-490 would be increased for County Medical Services Program (CMSP) participation fees that were anticipated to return as a result of HR1. The CMSP board has elected to waive those fees for FY 2026-27. As the state budget is still under development and the Governor's May Revision did not include backfill for HR1, staff recommend that the anticipated allocation for this be included in contingencies for unanticipated costs in the coming year as a result of HR1.
- \$2,000,000 General Fund Contingencies (1100-990 One-Time) - All labor agreements are set to expire Dec. 31, 2026. Staff recommend your Board include a contingency for the next round of labor negotiations.

As with ARGFAs, your Board may choose not to include these recommendations in the final budget for adoption. Staff will seek direction on these requests from your Board through the Budget Hearings on June 15, 2026.

Negative Fund Balances

Negative fund balances in other funds continue to be a threat to the General Fund and negatively impact the county's cash flow and the interest earned by the General Fund. These negative balances are primarily the result of not receiving expected reimbursement for county activities. It is important the entire agency implement prudent fiscal practices to correct and prevent funds from having negative fund balances. As the existing one-time funds in the General Fund are used to support long-term fiscal sustainability per your Board's policies and to manage the ongoing structural deficit in the General Fund, negative fund balances in other funds are more likely to threaten the ability of the General Fund to utilize its resources for General Fund programs.

Of primary concern to organizational fiscal health is Fund 1160, as the fund has continued to go further negative and does not seemingly have a path back to positive without significant action by the department and your Board.

Social Services-1160

DHHS-Social Services is primarily funded by state and federal funding sources in which staff claim their costs for reimbursement on a quarterly basis. As reported over the last three years, DHHS-Social Services fund 1160 is negative and continues to fall further negative. The department reports ending FY 2025-26 with a negative fund balance of (\$15.0 million), which would be an improvement of \$9.6 million over the prior year. As reported in the mid-year budget report, in FY 2024-25, the department fell (\$11.0 million) further negative despite anticipating an improvement in fund balance. Though DHHS staff have implemented strategies to reduce expenditures and save discretionary revenue in order to remedy the negative fund balance, they are overcoming a significant structural deficit due to years of overbudgeting revenue. After reductions, DHHS is budgeting to contribute \$1.1 million to the 1160 fund balance in FY 2026-27, reducing the negative fund balance to (\$13.9 million) by the end of next fiscal year. Should the fund's financial position deteriorate further by the end of FY 2025-26, staff anticipates bringing forward recommendations for enhanced oversight and administrative controls to ensure the long-term fiscal sustainability of the fund.

Estimated Fund Balance 1160 - Social Services Administration	
FY 2025-26 Estimated Beginning Fund Balance	(24,610,480)
Estimated Revenues	129,877,163
Estimated Expenditures	120,240,653
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	9,636,510
FY 2025-26 Estimated Ending Fund Balance	(14,973,970)
Estimated Revenues	121,679,401
Estimated Expenditures	120,606,065
Estimated Use of Fund Balance	1,073,336
FY 2026-27 Estimated Ending Fund Balance	(13,900,634)

Behavioral Health-1170

DHHS-Behavioral Health anticipates the Behavioral Health fund will end FY 2025-26 with a (\$7.0 million) negative fund balance. DHHS-Behavioral Health has been plagued by delays in the cost settlement process in which state and federal funding is received. In the prior year, payment reform at the state level was implemented in which payments are supposed to be processed much timelier, however, this took some time for the state to implement, and payments were delayed. In FY 2024-25 and FY 2025-26, the fund balance recovered to pre-payment reform levels. DHHS-Behavioral Health has submitted a balanced budget for the coming year, therefore, there is not anticipated progress in negative fund balance. However, as reported at mid-year, DHHS-Behavioral Health staff report four years of outstanding claims adjudication which are anticipated to resolve the negative fund balance. It is still unknown when those processes will resolve.

Estimated Fund Balance 1170 - Mental Health Fund	
FY 2025-26 Estimated Beginning Fund Balance	(10,983,103)
Estimated Revenues	75,268,252
Estimated Expenditures	71,299,727
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	3,968,525
FY 2025-26 Estimated Ending Fund Balance	(7,014,578)
Estimated Revenues	97,931,233
Estimated Expenditures	97,931,233
Estimated Use of Fund Balance	-
FY 2026-27 Estimated Ending Fund Balance	(7,014,578)

Roads Fund-1200

The Roads fund is estimated to end FY 2025-26 with a negative fund balance of (\$9.1 million), a reduction in the negative fund balance of \$2.8 million due to your Board’s decision to allocate \$3 million of the first three months of Measure O receipts toward the Roads fund negative fund balance. As approved by your Board in the Measure O spending plan, the Roads fund balance is projected to improve by \$1 million in FY 2026-27.

Your Board directed staff that 50% of Measure O revenue above projections be contributed to the Roads Fund negative fund balance until that balance is resolved. The first contribution from this process will take place in FY 2026-27 in the amount of \$40,780. While this represents a positive step, staff encourages your Board to consider a more proactive strategy for addressing the Roads fund deficit. The continued negative balance results in interest charges to the fund, further reducing the resources available for road maintenance and repair activities. Accelerating repayment of the deficit would improve the fund’s long-term financial stability and increase its capacity to address critical infrastructure needs.

Estimated Fund Balance 1200 - Roads	
FY 2025-26 Estimated Beginning Fund Balance	(11,880,777)
Estimated Revenues	65,228,432
Estimated Expenditures	62,418,883
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	<u>2,809,549</u>
FY 2025-26 Estimated Ending Fund Balance	<u>(9,071,228)</u>
Estimated Revenues	70,856,394
Estimated Expenditures	69,815,614
Estimated Use of Fund Balance	<u>1,040,780</u>
FY 2026-27 Estimated Ending Fund Balance	<u>(8,030,448)</u>

Natural Resources-1720

The Natural Resources fund in Public Works draws in millions of grant dollars every fiscal year. Annually, they receive a small General Fund contribution of \$20,000 for costs that cannot be claimed to grants. As reported over the last several years, the Natural Resources fund balance has dipped into the negative with an anticipated negative fund balance of (\$1.9 million) at the end of FY 2025-26 and no anticipated progress to the fund balance in FY 2026-27. Public Work’s Natural Resources staff have previously reported sufficient receivables to recoup this negative fund balance, however, in the last three years the fund has continued to go further negative.

Estimated Fund Balance 1720 - Northcoast Resource Partnershi	
FY 2025-26 Estimated Beginning Fund Balance	(2,107,964)
Estimated Revenues	18,916,813
Estimated Expenditures	18,689,341
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	<u>227,472</u>
FY 2025-26 Estimated Ending Fund Balance	<u>(1,880,491)</u>
Estimated Revenues	19,062,134
Estimated Expenditures	19,062,134
Estimated Use of Fund Balance	<u>-</u>
FY 2026-27 Estimated Ending Fund Balance	<u>(1,880,491)</u>

Aviation Enterprise Fund-3530

As reported at the mid-year budget update, the Aviation Enterprise Fund had gone negative with an estimated negative fund balance of (\$62,672) at the end of FY 2024-25. In FY 2025-26, staff have worked to correct that negative fund balance and it is anticipated that the fund will end the current year with a positive fund balance of \$227,712 attributed to increased parking lot revenues. Aviation is working to manage operating revenues to balance to operating expenditures in the coming year, while managing match requirements for several large capital projects. Staff are working with the Federal Aviation Administration (FAA) and a consultant to reinstate Passenger Facility Charges (PFC) in order to fund the match for large capital projects at the California Redwood Coast - Humboldt County Airport, such that other funds do not have to be utilized for that purpose going forward. In addition, staff continue to work on updating several revenue-generating contracts to improve revenue in the future.

Estimated Fund Balance 3530 - IGS-Airport Enterprise Fund	
FY 2025-26 Estimated Beginning Fund Balance	(62,672)
Estimated Revenues	4,997,722
Estimated Expenditures	4,707,338
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	290,384
FY 2025-26 Estimated Ending Fund Balance	227,712
Estimated Revenues	6,642,168
Estimated Expenditures	6,634,073
Estimated Use of Fund Balance	8,095
FY 2026-27 Estimated Ending Fund Balance	235,807

Aviation Capital Projects-3539

As reported over the last several years, the Aviation Capital Projects Fund has gone negative. The fund is estimated to end FY 2025-26 with a negative fund balance of (\$5.7 million), which is an improvement of \$1.2 million over the prior year. There are still several capital projects that are awaiting closeout or reimbursement from the FAA, however, it is not anticipated that this fund balance will be fully resolved with outstanding reimbursements. Reinstating the PFC program will allow Aviation to immediately draw down \$2.8 million that are eligible for prior projects and will help to resolve the negative fund balance. This is a priority for staff in the coming year, however, it will take time to resolve.

Estimated Fund Balance 3539 - Aviation Capital Projects	
FY 2025-26 Estimated Beginning Fund Balance	(6,858,341)
Estimated Revenues	3,319,762
Estimated Expenditures	2,124,737
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	1,195,025
FY 2025-26 Estimated Ending Fund Balance	(5,663,316)
Estimated Revenues	21,716,634
Estimated Expenditures	21,716,634
Estimated Use of Fund Balance	-
FY 2026-27 Estimated Ending Fund Balance	(5,663,316)

Measure Z (Fund 1103)

On April 21, 2026, your Board reviewed the FY 2026-27 list of Measure Z applications as prioritized by the Measure Z Citizens’ Advisory Committee (Attachment 5). The committee had \$1.65 million available to allocate in the FY 2026-27 process, \$1.15 million of fund balance due to underspending by county departments and \$500,000 of anticipated additional revenues. The committee’s recommendations funded the first five ranked projects, with a remainder of \$1,334. The proposed budget is submitted based on the Committee’s recommendations. The Board’s adjustments will be included in the adopted budget.

Staff estimate \$13 million in revenues based on projections provided by HdL Companies. HdL has years of experience in preparing projections and have traditionally provided the county accurate sales tax projections. Total county obligations, including carryforward projects and the reserve account, are proposed at \$14,826,606.

Your Board directed staff to approve the Committee’s recommendations but add \$18,666 from the Measure Z Reserves to the Boys and Girls Club of the Redwoods Teen Court project, with direction to replenish the reserves in FY 2027-28 before the next application process. Additionally, your Board directed staff to explore the feasibility of a tax measure ballot initiative and other funding assistance to support ambulance and rural fire services.

Should revenues and expenditures come in as budgeted in the coming year, it is anticipated that the Measure Z fund will end FY 2026-27 with \$701,798.

Estimated Fund Balance 1103 - Measure Z - Public Safety	
FY 2025-26 Estimated Beginning Fund Balance	5,014,655
Estimated Revenues	13,134,800
Estimated Expenditures	15,621,050
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	<u>(2,486,250)</u>
FY 2025-26 Estimated Ending Fund Balance	<u>2,528,404</u>
Estimated Revenues	13,000,000
Estimated Expenditures	14,826,606
Estimated Use of Fund Balance	<u>(1,826,606)</u>
FY 2026-27 Estimated Ending Fund Balance	<u>701,798</u>

Measure O (Fund 1104)

In April 2025, your Board approved that based on \$24 million in revenue each year, revenue will be allocated as 85% of that revenue (or \$20.4 million) will be allocated to Humboldt County Public Works for roads, and 15% (or \$3.6 million) to Humboldt Transit Authority for transit services annually. Further, 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. Based on the FY 2024-25 revenue overage of \$81,560, \$40,780 is allocated each to contingencies and the Roads negative fund balance. Fiscal Year 2026-27 allocations will be:

Measure O FY 2026-27	
Public Works Roads	\$ 20,400,000
Humboldt Transit Authority	\$ 3,600,000
Public Works Roads Negative Fund Balance	\$ 40,780
Contingencies	\$ 40,780
Total	\$ 24,081,560

In addition to the Public Works Roads regular allocation above, a carryforward from FY 2025-26 was requested with the spending plan of \$4.0 million, resulting a total expenditure budget in the coming year of \$28.1 million.

FY 2025-26 Estimated Fund Balance 1104 - Measure O - Roads and Transit	
FY 2025-26 Estimated Beginning Fund Balance	6,081,560
Estimated Revenues	24,726,300
Estimated Expenditures	24,820,018
Estimated Other Financing Sources (Uses)	-
Estimated Use of Fund Balance	(93,718)
FY 2025-26 Estimated Ending Fund Balance	5,987,842
Estimated Revenues	24,000,000
Estimated Expenditures	28,061,542
Estimated Use of Fund Balance	(4,061,542)
FY 2026-27 Estimated Ending Fund Balance	1,926,300

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.

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. \$24.5 million in ARPA funds have been expended and it is estimated that an additional \$11,700 will be expended prior to the end of FY 2025-26, for a total of \$24.5 million expended of the original \$26.3 million. The remaining \$1.8 million has already been obligated by your Board by the obligation deadline to the following projects and is expected to be expended by the deadline:

ARPA FY 2026-27	
Child Care Programming	\$ 242,825
Housing Trust Fund	\$ 1,500,000
Human Resources Staffing	\$ 101,661
Total	\$ 1,844,486

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. \$131,897 remains available for future reallocation. In addition to any remaining earthquake funds, \$2,196,536 remains available and unobligated for your Board to allocate in FY 2026-27. Staff will seek further direction on the allocation of these funds from your Board through the Budget Hearings.

National Opioid Settlements Funds

In November 2022, the county began receiving the Opioid Settlement payments. For California, the Department of Health Care Services (DHCS) is monitoring expenditures of these funds and has established reporting and spending guidelines. Funds must be used for opioid abatement activities as defined by DHCS. Opioid Settlement funds are held in Fund 1600 which ended FY 2025-26 with a cash balance of \$7.5 million. FY 2025-26 payments will trickle in for the next few months and are estimated at \$2.9 million. In FY 2025-26, your Board approved a budget utilizing \$3.3 million of these funds with a mid-year carryforward adjustment to \$3.4 million. These funds are subject to 15% backstop for state attorneys' fees, therefore, some of the payments received will be utilized for this purpose if the funds have not already been withheld. Staff have continued to work with the Opioid Workgroup including the Sheriff's Office, Probation, County Counsel, Public Defender and DHHS to consider how to allocate these funds. For FY 2026-27, the Workgroup received a one-time proposal from the District Attorney which the group voted to bring forward in the proposed budget. Based on this group's recommendations and in accordance with the requirements set forth by DHCS, the FY 2026-27 proposed budget reflects utilizing \$4.0 million in opioid settlement funds allocated to the following projects:

Opioid Settlement FY 2026-27	
DHHS - Behavioral Health	
Drug Medi-Cal Organized Delivery System PUPM Medi-Cal Match	\$ 200,000
Carryforward from FY 2023-24 - Crisis Triage Center	\$ 500,000
Recovery Housing	\$ 133,875
SB43 Preparation	\$ 422,135
Warm Handoff Services	\$ 81,004
System Navigation Services	\$ 171,827
Administration of Opioid Settlement Funds	\$ 25,750
	\$ 1,534,591
DHHS - Public Health	
Harm Reduction Program: personnel, disposal from syringe kiosks	\$ 186,270
Youth Interventions School Outreach	\$ 100,000
Hepatitis C Virus Navigation and Care	\$ 214,542
Medication Assisted Treatment (MAT) Navigation and Care	\$ 228,615
Opioid Education and Coordination	\$ 255,447
Carryforward from FY 2024-25 - Community Health Assessment & Community Health Improvement Plan	\$ 64,523
	\$ 1,049,397
Sheriff	
Jail Medication Assisted Treatment (MAT) & Long-Acting Injectable	\$ 769,064
Opioid Problem-Oriented Policing Team	\$ 492,284
	\$ 1,261,348
District Attorney	
Opioid Trauma Training for 6 staff	\$ 29,070
	\$ 29,070
Public Defender	
Deputy Public Defender - Opioid and Diversion	\$ 166,809
	\$ 166,809
Total	\$ 4,041,215

Measure S - Cannabis Excise Taxes

On Feb. 10, 2026, your Board approved an ordinance repealing the Measure S Cannabis Excise Tax. Due to the uncertainty of Measure S in the last several years, staff have recommended not budgeting for this funding stream. Though, there are still prior year collections that are trickling in, due to the uncertain nature of this revenue stream and its one-time nature, staff have not budgeted for it in the coming year and will not budget for it going forward. Any receipts of Cannabis Excise Taxes in FY 2026-27 will be available to fund FY 2027-28.

Transient Occupancy Tax

On April 28, 2026, your Board received a marketing asset inventory analysis and countywide travel and tourism marketing strategy and approved staff recommendations for the FY 2026-27 Transient

Occupancy Tax (TOT) allocations. Staff recommended to maintain the existing funding allocations for one additional year while the Tourism Advisory Board is formed and the Destination Strategy Organization is secured through the requests for proposal process. The Economic Development Division in coordination with the CAO - Management & Budget Team have been maintaining the existing marketing assets in the interim period and your Board approved the proposed allocation that reflects the additional costs associated with those assets replacing the prior year’s allocation for Project Trellis administration.

Pursuant to the Film Commission’s current contract, the allocation for their funding is based on a percentage of FY 2024-25 TOT collections.

TOT FY 2026-27			
	Base TOT	Measure J	Total TOT
Gateway Communities:			
	71,079		\$ 71,079
Garberville Chamber	\$ 130,786		\$ 130,786
Orick Chamber	\$ 34,118		\$ 34,118
Willow Creek Chamber	\$ 34,118		\$ 34,118
Arcata Chamber	\$ 28,432		\$ 28,432
McKinleyville Chamber		\$ 25,000	\$ 25,000
Loleta Chamber		\$ 10,000	\$ 10,000
RREEL (Film Commission)	\$ 246,407	\$ 30,000	\$ 276,407
Economic Development	\$ 341,179	\$ 75,000	\$ 416,179
Local Housing Trust Fund		\$ 100,000	\$ 100,000
Ink People		\$ 150,000	\$ 150,000
Aviation		\$ 45,000	\$ 45,000
Total	\$ 886,119	\$ 435,000	\$ 1,321,119

Section 3: Policy Decisions for FY 2026-27

Recommendation 3: Inter-Fund Loans

An inter-fund loan is necessary for the Forest Resources and Recreation Fund as it is anticipated the costs for infrastructure and operations of the McKay Community Forest will exceed available revenues. The resolution (Attachment 1) before your Board today authorizes the General Fund to loan \$308,695 to the Forest Resources and Recreation Fund against the expected payment from future timber harvests. If approved, the total loan amount from the General Fund for the McKay Community Forest will be \$2,008,271.

Recommendation 4: Transfer from Tax Loss Reserve Fund

A Teeter plan requires counties to have 1% of all property taxes and assessments levied (Revenue and Taxation code 4703(a)) placed in a tax loss reserve fund, or Teeter fund. For Humboldt County this

means the county’s tax loss reserve fund should be approximately \$2.0 million. Any dollar amount over the 1% requirement can be credited to the county General Fund. For FY 2025-26 your Board approved transferring \$2.0 million to the General Fund from the Tax Loss Reserve fund. The county’s tax loss reserve fund (3010) is estimated to have a balance of \$5.6 million at the end of the current FY, with an additional \$2.0 million in revenue anticipated for FY 2026-27. An estimated \$2.0 million can typically be transferred to the General Fund on an on-going basis depending on economic conditions. Based on the current estimated additional fund balance and financial conditions, it is recommended that \$2.0 million be transferred to the General Fund for FY 2026-27.

Recommendation 5: Hiring Freeze

At the FY 2025-26 First Quarter report, your Board approved a hiring freeze on Fund 1160 due to the negative fund balance and worsening condition of the fund. Additionally, your Board authorized the CAO to approve requests for exception to the hiring freeze. To date, only three requests for exception have been submitted for three positions, all of which, all were approved. As the condition of fund 1160 has not significantly improved, nor is it budgeted to make improvement in the coming year, it is recommended that your Board maintain the hiring freeze with authority to the CAO to approve requests for exception in FY 2026-27. Your Board may consider additional actions for fund 1160 to correct the negative fund balance.

Recommendation 6: CalPERS UAL Prepayment

The California Public Employees’ Retirement System (CalPERS), as the pension plan administrator of the County of Humboldt and other California government agencies pension plans, establishes actuarial assumptions for all pension plans under their administration. The actuarial reports for the County of Humboldt for FY 2026-27 are attached (Attachment 6 and 7). These reports determine the normal cost and the UAL cost that will be paid in the upcoming year and are as of June 30, 2024.

Per the Pension Funding Policy, revised by the Board on April 20, 2021, should CalPERS provide an incentive or discount for prepayment of the minimum required contribution to remit payment in full at the beginning of the year as opposed to monthly payments, the CAO is directed to bring a financial analysis to your Board to consider each option. The savings offered in FY 2026-27 by CalPERS for prepayment is a total of \$1,176,835, or 3.2%.

Plan	Monthly Payment		Prepayment	Savings
	Total			
Miscellaneous	\$ 27,215,629.00	\$	26,334,965.00	\$ 880,664.00
Safety	\$ 9,152,729.00	\$	8,856,558.00	\$ 296,171.00
Total	\$ 36,368,358.00	\$	35,191,523.00	\$ 1,176,835.00

It has been the prior process of the county to remit prepayment, as such, the Treasurer-Tax Collector has anticipated this payment and ensured sufficient funds are available in the County Treasury. Based on the Quarter 2, FY 2025-26 interest earning rate of 3.52% in the County Treasury, it is anticipated, if

monthly payments of \$3,030,696 were made rather than prepayment, these funds could earn approximately \$643,067 in the County Treasury during FY 2026-27:

Month	Prepayment Balance	
	Less Monthly Payment	Estimated Interest Earned in Treasury
July	\$ 35,191,523.00	\$ 101,814.38
August	\$ 32,160,827.00	\$ 93,046.12
September	\$ 29,130,131.00	\$ 84,277.86
October	\$ 26,099,435.00	\$ 75,509.60
November	\$ 23,068,739.00	\$ 66,741.34
December	\$ 20,038,043.00	\$ 57,973.08
January	\$ 17,007,347.00	\$ 49,204.82
February	\$ 13,976,651.00	\$ 40,436.56
March	\$ 10,945,955.00	\$ 31,668.30
April	\$ 7,915,259.00	\$ 22,900.04
May	\$ 4,884,563.00	\$ 14,131.78
June	\$ 1,853,867.00	\$ 5,363.52
Total		\$ 643,067.37

Given that CalPERS typically earns a higher yield than the county’s Treasury and considering the savings from the discount to the county is an additional \$533,768 above interest that could be earned on these funds, staff recommend remitting prepayment of the required UAL contribution for FY 2026-27.

Recommendation 7: Voluntary Furlough

Your Board approved the use of voluntary unpaid furloughs in FY 2025-26 as a mechanism to addressing potential financial impacts and budget reductions associated with the current economic downturn and the anticipated shortfall in the General Fund. As the county continues to navigate difficult economic conditions and expected shortfalls, staff recommend that your Board authorize Department Heads to approve voluntary unpaid furloughs for employees under their appointing authority for FY 2026-27, utilizing the attached form and calendar (Attachments 2 and 3).

SOURCE OF FUNDING:

All county funds

FINANCIAL IMPACT:

Funding is as shown in the Humboldt County FY 2026-27 Proposed Budget document (Attachment 8). The total proposed county budget is \$657,799,662, proposed General Fund expenditures are \$165,467,032, including a contingency of \$3,579,811.

STAFFING IMPACT:

Staffing is as shown in the Humboldt County FY 2026-27 Proposed Budget document (Attachment 8). The total proposed county staffing allocation is 2,207.53 positions, a decrease of 33.60 positions over the FY 2025-26 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. Resolution McKay Loan from General Fund FY 2026-27
2. Voluntary Furlough Form FY 2025-26
3. Voluntary Furlough Calendar FY 2025-26
4. Additional Requests for General Fund Appropriation FY 2026-27
5. Measure Z Final Rankings
6. Miscellaneous Plan Annual Valuation Report as of June 30, 2024
7. Safety Plan Annual Valuation Report as of June 30, 2024
8. Proposed Budget FY 2026-27

PREVIOUS ACTION/REFERRAL:

Meeting of: 2/10/26, 2/10/26, 4/21/26, 4/28/26

File No.: 26-70, 26-88, 26-268, 26-244