



FY 2026-27 Recommended Budget Hearings

Presented by the County Administrative Office
May 27 and 28, 2026

CAO and Budget Team Opening Presentation and Remarks

Budget Overview and Fiscal Environment

Review Department Funded and Unfunded Augmentations

Strategic Reserve

Departmental Presentations and Comments

Board Augmentation Approvals

Examining Alternative Approaches to
Budget Mitigation

Budget Process in Brief



- Preliminary plans for carrying out next year's operations.
- Must be balanced.
- Assumes no augmentations.

- Prioritized proposals if additional County Contributions are Available.
- Filled Positions Priority.

Countywide Analysis

- Countywide Needs Assessment
- DHs Workshop
- BOS Workshop
- Budget Hearings
- Budget Adoption

MAY REVISE

Impacts on the County

- New statewide digital software sales tax projected to generate \$1.1 billion annually. The County's estimated share is \$3-4 million/year, with \$1.5 million expected in FY 2026-27.
- Reduction in CalFresh federal funding will impact the County by \$1.7 million annually. There is a potential risk to \$4.4 million in administrative funding; however, only \$30 million in one-time statewide relief has been provided.
- State funding for CalCONNECT and CalREDIE has been eliminated. Counties are now responsible for financing new disease surveillance systems, incurring costs in the hundreds of thousands of dollars.
- Growth in realignment sales tax revenue is not keeping pace with rising costs.
- A \$20 million reduction to the Judicial Council will affect Probation's pretrial program.
- Changes to the affordable housing program increase local infrastructure costs. The County will need to identify \$2 million to remain competitive for funding allocations. Counties may be encouraged or required to waive assessed development impact fees. A new state fee will require counties to file impact reports and negative declarations.

MAY REVISE

Impacts on the County

- State regulations require local governments to upgrade fleets to Zero Emissions Vehicles with no specific funding identified.
- The Outdoors for All program invests \$3.6 million to develop the Fort Ord Dunes campground
- Libraries are ending the “diploma for adults” career program due to eliminated funding
- Eliminates the state cost share of the federal penalty on Community First Choice; support to individuals with disabilities reassessed untimely \$92M cost to counties
- Adult Protective Services 2021 expansion reverted, increasing eligibility age to 65; the County impact is \$2.23M total program loss (State and Federal Drawdown) Supported by 8 Full Time Equivalent Positions.

Recommended Budget ALL FUNDS Summary

All Funds	Actual 2024-2025	Adopted 2025-2026	Recommended 2026-2027
Expenditures			
Salaries and Employee Benefits	\$ 926.8	\$ 1,040.3	\$ 1,106.6
Services and Supplies	551.9	548.3	571.1
Other Charges	197.3	213.7	244.6
Capital Assets	75.3	123.2	124.8
Other Financing Uses	617.8	293.2	286.6
Appropriation For Contingencies	0.0	7.3	9.5
Total Expenditures	\$ 2,369.1	\$ 2,226.0	\$ 2,343.2
Revenues			
Taxes	\$ 328.1	\$ 325.1	\$ 361.9
Licenses, Permits, and Franchises	32.1	31.1	32.8
Fines, Forfeitures, and Penalties	12.1	13.7	12.8
Use of Money & Property	63.6	29.0	36.1
Intergovernmental Revenues	883.1	919.8	971.5
Charges For Services	479.0	522.2	551.4
Miscellaneous Revenues	39.6	18.2	22.3
Other Financing Sources	617.1	279.9	290.9
Total Revenues	\$ 2,454.7	\$ 2,139.0	\$ 2,279.7
Use of Fund Balance	\$ (85.6)	\$ 87.0	\$ 63.5
FTE Positions	-	5,811.90	5,700.80

- \$2.34 billion in appropriations
 - Appropriations increase \$117.2 million (5.2%) over the FY 2025-26 Adopted Budget
 - \$66.3 million increase in Salaries and Employee Benefits
 - \$26.5 million increase at Natividad Medical Center, driven by labor costs and demand for medical services
 - \$32.6 million increase in the Road Fund for construction and unincorporated road projects
 - Supports 5,700.8 positions; a decrease of 111.1 positions, or 1.9% decrease from FY 2025-26 Adopted Budget
 - Financed by \$2.28 billion in revenue, a \$139.7 million (6.5%) increase over the FY 2025-26 Adopted Budget
 - \$63.5 million use of fund balance

Key takeaway: expenditure growth is broad-based, but revenue growth and use of fund balance keep the budget balanced.

Recommended Budget GENERAL FUND Summary

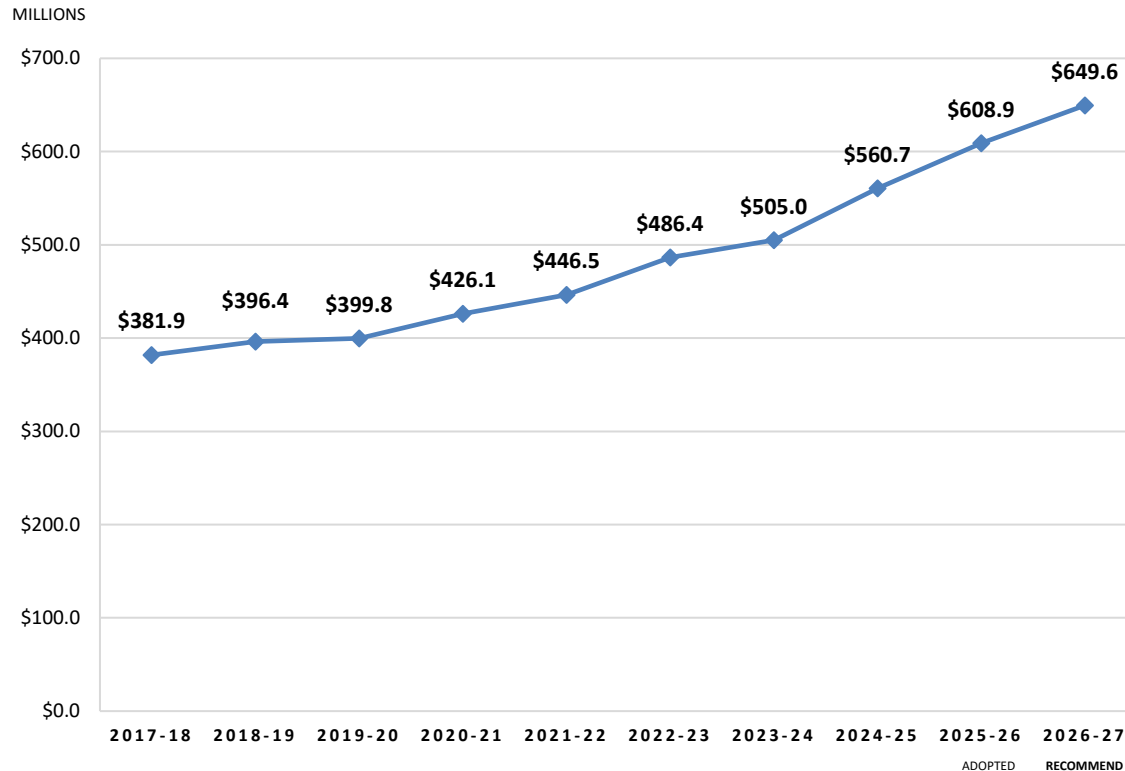
General Fund	Actual 2024-2025	Adopted 2025-2026	Recommended 2026-2027
Expenditures			
Salaries and Employee Benefits	\$ 527.3	\$ 608.9	\$ 649.6
Services and Supplies	197.4	218.9	222.5
Other Charges	65.5	79.3	92.7
Capital Assets	6.8	20.5	11.0
Other Financing Uses	55.4	36.2	35.9
Appropriation For Contingencies	0.0	7.3	9.5
Total Expenditures	\$ 852.3	\$ 971.1	\$ 1,021.2
Revenues			
Taxes	\$ 300.7	\$ 300.0	\$ 336.1
Licenses, Permits, and Franchises	29.6	29.5	32.3
Fines, Forfeitures, and Penalties	11	11.2	10.2
Use of Money & Property	14.6	4.8	7.4
Intergovernmental Revenues	314.2	343.9	316.0
Charges For Services	83.1	99.1	110.3
Miscellaneous Revenues	7.9	6.8	5.6
Other Financing Sources	144.1	152.4	172.4
Total Revenues	\$ 905.3	\$ 947.7	\$ 990.3
Use of Fund Balance	\$ (52.9)	\$ 23.5	\$ 30.9
FTE Positions	-	3,508.2	3,439.3

- \$1.021 billion in appropriations, a \$50.1 million (5.1%) increase over the FY 2025-26 Adopted Budget.
 - \$40.7 million (6.7%) increase over the FY 2025-26 Adopted Budget in Salaries and Employee Benefits, including negotiated wage increases and wage study implementation.
 - Salaries and Employee Benefits represent 63% of expenditures
 - Vacant positions decreased from the FY 2025-26 Adopted Budget by 68.9 (1%)
- \$990.3 million in revenues, a \$42.6 million (4.5%) increase over the FY 2025-26 Adopted Budget
 - \$39.8 million (12.3%) increase over the FY 2025-26 Adopted Budget in non-program/discretionary revenue, primarily due to Measure AA and property tax growth
 - \$30.9 million use of fund balance to support departmental programs and one-time funding needs

Key takeaway: While the General Fund is balanced, there are ongoing structural pressures due to recurring costs increasing more rapidly than sustained revenues. revenues.

GENERAL FUND Salaries & Employee Benefits Summary and Trend

GENERAL FUND SALARIES & BENEFITS



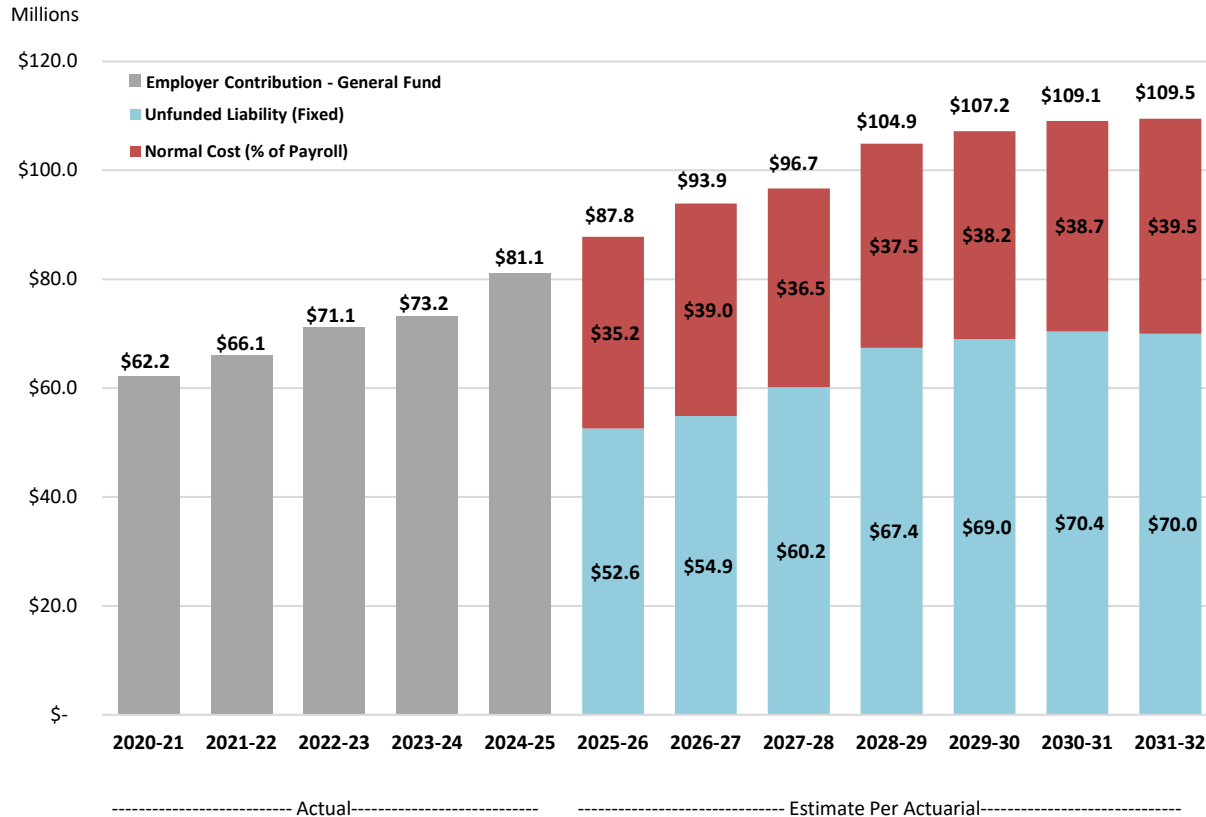
- Salaries and Employee Benefits are recommended at \$649.6 million in FY 2026-27.
 - Costs have grown from \$381.9 million in FY 2017-18 to \$649.6 million in FY 2026-27, a \$267.7 million (70%) increase.
 - This reflects negotiated wage increases, step increases, the implementation of the base wage studies, and increased pension and health insurance costs.

Key takeaway: Labor cost escalation is the primary driver of pressure on the General Fund budget.

California Public Employee Retirement System (CalPERS)

GENERAL FUND Contribution Summary

PERS - General Fund Contributions

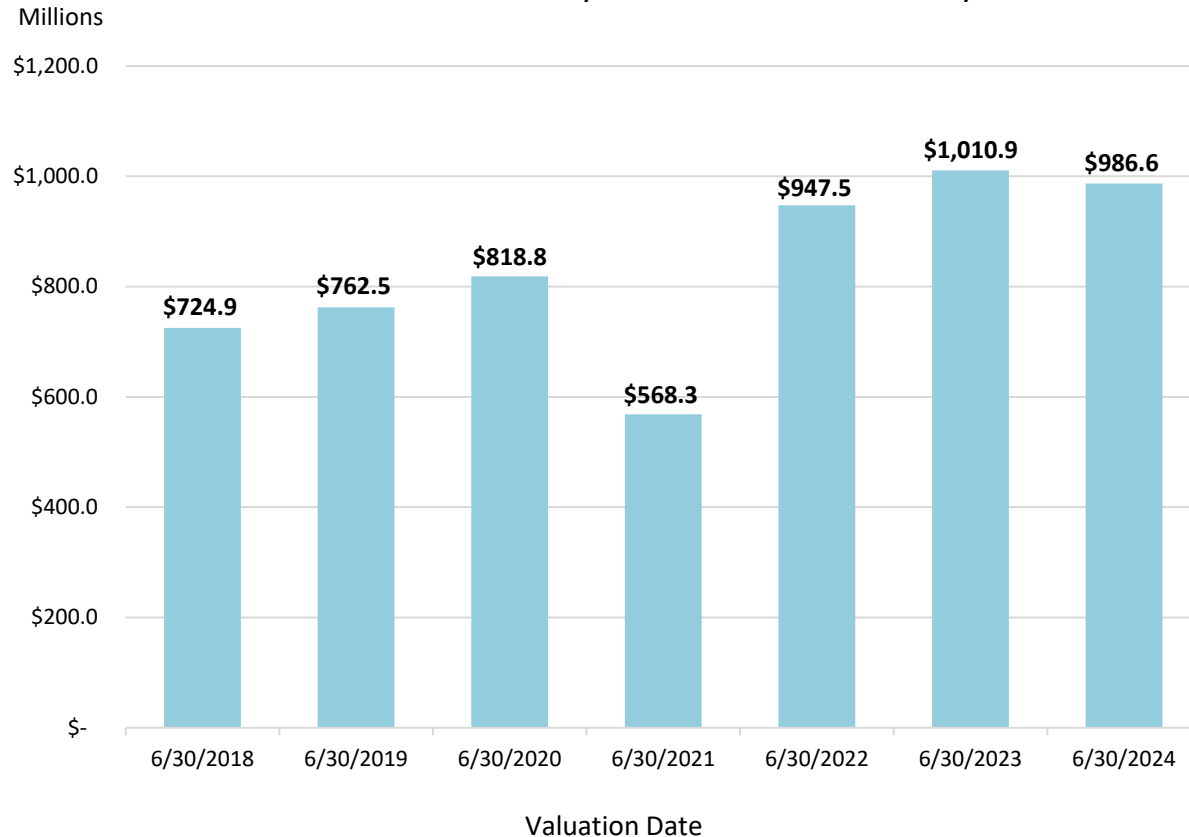


- Projected to continue increasing through the forecasted six-year period.
- The FY 2026-27 Recommended Budget includes an estimated \$54.9 million contribution toward unfunded accrued liability (UAL). (All Funds estimated at \$93.9 million.)
- Projected increases are driven by CalPERS actuarial assumptions, amortization policies, and unfunded liability obligations.

Key takeaway: pension obligations remain a major fixed cost, limiting budget flexibility.

Miscellaneous & Safety Plan Unfunded Accrued Liability Summary

Miscellaneous & Safety Plan - Unfunded Liability

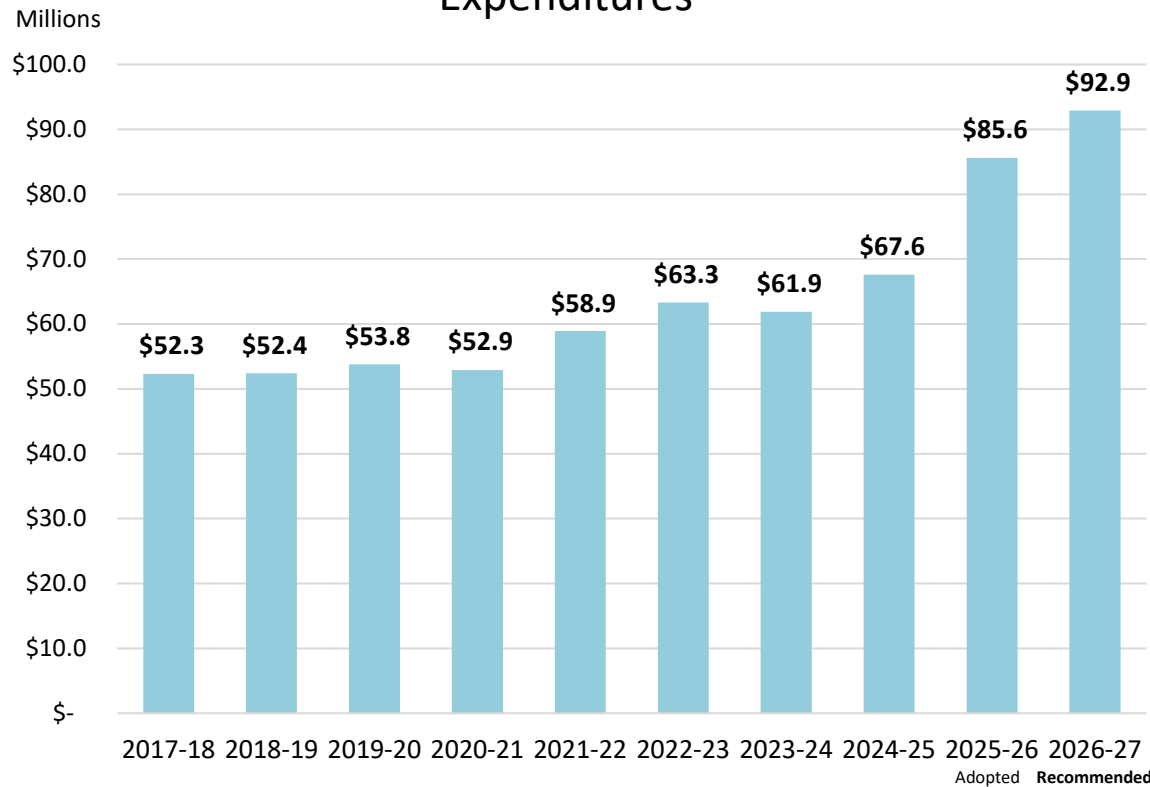


- The County’s unfunded accrued liability (UAL) is estimated at \$986.6 million as of the June 30, 2024, CalPERS valuation.
 - The liability declined modestly (2.4%) from \$1.010 billion in the prior valuation but remains materially higher than pre-2022 levels.
 - The FY 2026-27 Recommended Budget again suspends supplemental pension trust contributions (Section 115 Pension Trust) and uses \$2.3 million toward the UAL payment.
 - Investment performance improved relative to the prior cycle, but amortization schedules and economic assumptions keep the liability elevated.
- The chart does not reflect the balance of the Trust that helps offset UAL; the balance as of May 2025 is \$115.7 million.

Key takeaway: The County has made policy progress, but the unfunded pension liability remains a long-term fiscal risk.

GENERAL FUND Health Insurance Expenditures Summary

General Fund Employee Health Insurance Expenditures

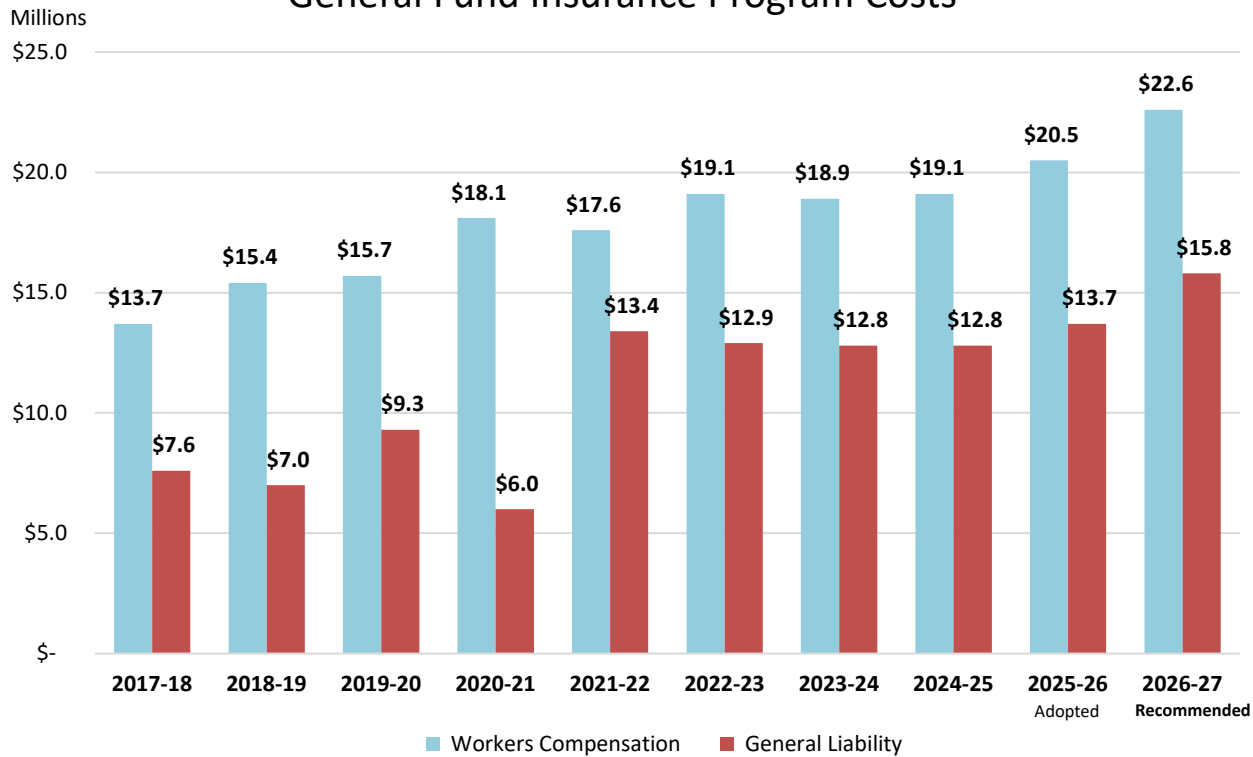


- Costs are recommended at \$92.9 million for FY 2026-27.
 - \$7.3 million (8.5%) increase over the FY 2025-26 Adopted Budget.
 - Costs increased by \$40.6 million since FY 2017-18, a cumulative increase of approximately 77%.
 - Recent increases reflect negotiated labor contract premium contributions and workforce growth.

Key takeaway: Health insurance inflation compounds the County's broader labor cost pressure.

GENERAL FUND Insurance Program Costs

General Fund Insurance Program Costs



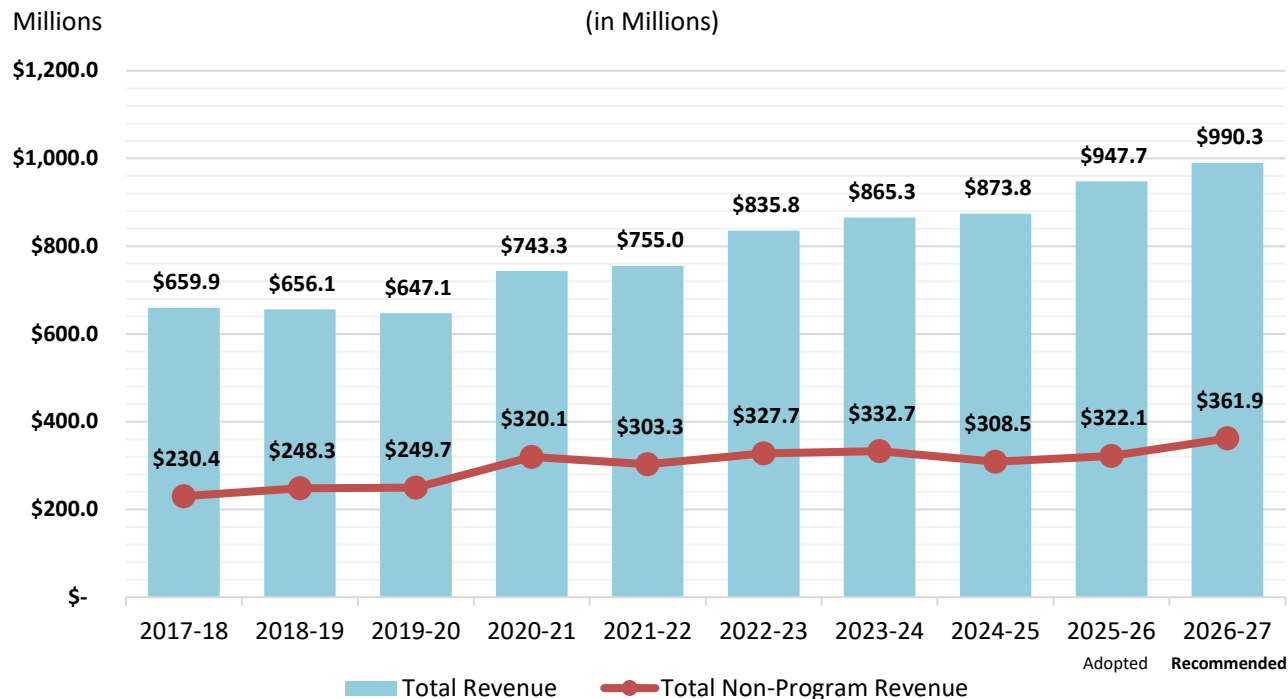
- Workers' Compensation and General Liability costs remain significant, at \$17.1 million higher than in FY 2017-18.
- FY 2026-27 costs recommended at \$22.6 million for Workers' Compensation and \$15.8 million for General Liability.
- Both programs are forecast to increase from 10% to 15% in the FYs 2026-27 and 2027-28.
- Program costs are sensitive to actual claims experience, actuarial estimates, and investment returns.

Key takeaway: Insurance program costs are stabilizing but remain a sizable and growing operating pressure.

GENERAL FUND Revenue Trend and Summary

General Fund Revenue Trend

(in Millions)



- General Fund revenue is recommended at \$990.3 million for FY 2026-27.
- Discretionary revenue increases by \$39.7 million (12.3%), primarily due to the Measure AA tax and property tax growth.
 - Measure AA tax contributes \$25.0 million in projected revenue, while the property tax increased by \$13.4 million.
- Transient Occupancy Tax (TOT), sales tax, and other economically sensitive revenues remain key risk areas if economic conditions weaken.

Key takeaway: Revenue growth is positive, but economic sensitivity and one-time funding constraints require conservative planning.

GENERAL FUND Discretionary Revenue Detail

Revenue	Actual 2024-2025	Adopted 2025-2026	Recommended 2026-2027	Change from Rec. to Adopt.
Property Taxes Revenue	\$229,893,473	\$234,511,046	\$247,991,693	\$13,480,647
Transient Occupancy Tax	40,148,614	39,227,287	40,951,587	1,724,300
Cannabis Tax	4,015,020	3,500,000	3,000,000	(500,000)
Vehicle License Fee	722,285	458,205	458,205	-
Sales and Use Taxes	15,904,935	15,088,516	15,904,935	816,419
Franchises	8,797,443	7,801,216	8,375,613	574,397
Tabacco Settlement	3,623,367	3,819,638	3,442,199	(377,439)
Federal Aid - Taxes	1,167,714	1,108,394	1,108,394	-
Federal Aid - Grants, Programs	7,903,686			
Contributions Other	35,149,187	16,612,990	40,626,913	24,013,923
Grand Total	\$347,325,724	\$322,127,292	\$361,859,539	\$39,732,247

- Discretionary revenue recommended at \$361.9 million represents a \$39.7 million (12.3%) increase over the FY 2025-26 Adopted Budget.
 - Property tax revenue recommended at \$248.0 million represents a \$13.5 million (5.7%) increase over the FY 2025-26 Adopted Budget.
 - Transient Occupancy Tax (TOT) increases by \$1.7 million (4.3%), while Cannabis Tax and Tobacco Settlement revenues declined.
 - Contributions recommended at \$40.6 million represent a \$24.0 million (144%) increase over the FY 2025-26 Adopted Budget, primarily reflecting Measure AA tax revenues and related adjustments.

Key takeaway: The revenue plan relies heavily on property tax stability and growth and new Measure AA tax proceeds.

FY 2026-27 Recommended Budget Overview

- The FY 2026-27 Recommended Budget is balanced.
 - All Funds: Expenditures total \$2.343 billion, revenues amount to \$2.280 billion, with a planned use of fund balance of \$63.5 million.
 - General Fund: Expenditures are \$1.021 billion, revenues are \$990.3 million, and the fund balance usage is \$30.9 million.
 - Contingencies are fully funded at \$9.5 million, satisfying the County's 1% of estimated General Fund revenues policy.
 - Transient Occupancy Tax (TOT) allocations remain:
 - 25% (\$10.0 million) to the Road Fund
 - 7.87% (\$3.16 million) to the Development Set-Aside Agencies
 - Unfunded augmentation requests total \$16.6 million, including 32.0 Full-Time Equivalent (FTE) positions.
 - Dependence on one-time funding for ongoing operations will create structural gaps in future years.

Key Fiscal Actions Shaping the FY 2026-27 Recommended Budget

- \$20.0 million in FY 2024-25 Unassigned Fund Balance is used to support recommended augmentations and essential services.
- \$1.0 million in 1991 Realignment funding is redirected from Health to Social Services to address service needs.
- Section 115 Pension Trust contributions are suspended; \$2.3 million from the Trust is applied toward the County's Unfunded Accrued Liability (UAL) payment.
- The Recommended Budget eliminates 111.1 vacant positions countywide with 68.9 of those positions coming from the General Fund.
- Position costs are beginning to align with recurring revenues, though structural budget pressure persists.
- At year-end, the available FY 2025-26 Unassigned Fund Balance should be reviewed for stabilization in FY 2027-28.

The background of the slide features a large, faded seal of the University of California. The seal depicts a grizzly bear standing on a rocky outcrop, holding a shield on its chest. The bear is surrounded by a circular border containing the text "UNIVERSITY OF CALIFORNIA".

Review Department Augmentations

Funding suggestions prioritized according to the resources at hand

Augmentation Request Summary by Fund

Fund	FTE	Expenditures	Revenues	Net Request
1001 – General	137.8	44,693,657	1,652,404	43,041,253
1331 – Health & Welfare Realignment Public Health	-	1,517,457	1,000,000	517,457
1380 – Hitchcock Road Animal Services	-	\$998,395	896,585	101,810
1407 – CSA #17 Rancho Tierra Grande	-	\$20,000	-	20,000
1423 – CSA #44 Corral De Tierra Oaks	-	\$25,000	-	25,000
1525 – San Jerardo Co Sanitation District	-	\$30,000	-	30,000
Grand Total	137.8	47,284,509	3,548,989	43,735,520

- Requests from the General Fund amount to \$43 million, making up about 98% of the net total.
- Other fund requests total \$694,000 from the General Fund, mainly for Health - Animal Services.
- The General Fund request covers the 132.8 requested FTEs.
- Capital infrastructure requests using Fund 478 have been excluded from the augmentation table and will be brought to the Board at a later time.

Augmentation Request Summary by Category (All Funds)

Augmentation by Category	Req FTE	Expenditures	Revenues	Net Request
Contribution to Other Funds	4.5	748,396	-	748,396
New Mandated Prog/Serv w/General Fund	-	812,230	198,190	614,040
New Program/Service w/ General Fund	-	6,293,491	-	6,293,491
New Program/Service w/ Outside Fund	3.0	567,573	567,573	-
Request New Position	10.0	1,696,759	916,025	780,734
Status Quo Filled Position	77.8	19,447,635	-	19,447,635
Status Quo Other	-	9,896,597	1,000,000	8,896,597
Status Quo Vacant Position	37.5	7,821,828	867,201	6,954,627
Grand Total	132.8	47,284,509	3,548,989	43,735,520

- Departments submitted \$43.7 million in General Fund augmentation requests.
- Status quo operational needs total \$33.6 million, including \$19.4 million for filled positions, \$7.9 million for other operating requirements, and \$6.3 million for vacant positions.
- Position-related augmentation requests total 132.8 Full-Time Equivalents (FTEs), with the largest share dedicated to sustaining status quo filled positions.

Augmentation Request Summary by Department

Department	Req FTE	Expenditures	Revenues	Net Request
Assessor-County Clerk-Recorder	13.0	1,682,180		1,682,180
Auditor-Controller	14.0	3,179,051		3,179,051
Civil Rights Office	2.5	269,828		269,828
Clerk of the Board	-	100,400		100,400
Cooperative Extension Service	0.3	81,999		81,999
County Administrative Office	4.0	1,011,799	567,573	444,226
County Counsel	3.0	1,338,454		1,338,454
Department of Emergency Management	2.0	308,846		308,846
District Attorney	10.0	3,082,446		3,082,446
Health	7.5	4,674,751	2,544,858	2,129,893
Housing and Community Development	-	800,000		800,000
Human Resources	4.0	1,369,931		1,369,931
Probation	4.5	860,756		860,756
Public Defender	6.0	2,440,878		2,440,878
Public Works, Facilities and Parks	16.0	6,360,040		6,360,040
Sheriff-Coroner	47.0	15,420,413		15,420,413
Social Services	4.0	4,302,737	436,558	3,866,179
Grand Total	137.8	47,284,509	3,548,989	43,735,520

- Off-setting revenues include state and federal grants and contributions to other funds

- Sheriff-Coroner requests a total of \$15.4 million and 47.0 Full-Time Equivalents (FTEs), primarily to maintain filled and vacant sworn and corrections staffing.

- Public Works, Facilities and Parks Department requested \$6.4 million and 16.0 FTEs, primarily to maintain filled and vacant positions.

- Department of Social Services requests include cost pressures for Out-of-Home Care and General Assistance.

Augmentation Request Summary

Recommended vs. Unfunded

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Department	Req FTE	GFC Request	Rec. FTE	Recommended	Unfunded FTE	Unfunded Request
Assessor-County Clerk-Recorder	13.0	\$1,682,180	13.0	\$1,682,180	-	-
Auditor-Controller	14.0	\$3,179,051	6.0	\$1,509,980	8.0	\$1,669,071
Civil Rights Office	2.5	\$269,828	1.5	\$133,378	1.0	\$136,450
Clerk of the Board	-	\$100,400	-	\$100,400	-	-
Cooperative Extension Service	0.3	\$81,999	0.3	\$45,448	-	\$36,551
County Administrative Office	4.0	\$444,226	4.0	\$194,226	-	\$250,000
County Counsel	3.0	\$1,338,454	3.0	\$1,338,454	-	-
Department of Emergency Management	2.0	\$308,846	1.0	\$129,145	1.0	\$179,701
District Attorney	10.0	\$3,082,446	10.0	\$3,082,446	-	-
Health	7.5	\$2,129,893	3.0	\$517,457	4.5	\$1,612,436
Housing and Community Development	-	\$800,000	-	-	-	\$800,000
Human Resources	4.0	\$1,369,931	3.0	\$1,099,215	1.0	\$270,716
Probation	4.5	\$860,756	2.0	\$450,746	2.5	\$410,010
Public Defender	6.0	\$2,440,878	6.0	\$1,941,288	-	\$499,590
Public Works, Facilities and Parks	16.0	\$6,360,040	12.0	\$1,859,846	4.0	\$4,500,194
Sheriff-Coroner	47.0	\$15,420,413	37.0	\$9,202,135	10.0	\$6,218,278
Social Services	4.0	\$3,866,179	4.0	\$3,866,179	-	-
Grand Total	137.8	\$43,735,520	105.8	\$27,152,523	32.0	\$16,582,997

Note: The Recommended Budget includes funding for all filled positions, apart from the corrections to be made which are noted on Slide 33.

GENERAL FUND Sources used to compile the FY 2026-27 Recommended Budget

Funding Source	Amount / Use
FY 2024-25 Unassigned Fund Balance	One-time \$20.0 million preserves discretionary capacity to sustain at-risk positions and critical status quo operating costs
Measure AA Tax Revenue	\$5.3 million used conservatively to support status quo filled positions in unincorporated-areas, including Sheriff operations, Cooperating Extension Service, and District Attorney
Health 1991 Realignment Transfer	\$1.0 million from Health to Social Services
VAMP Contribution Freeze	\$760,000 from freezing the department contributions for vehicle replacement
County accounting/auditing charges	\$100,000 for one-time funding support
Recommended General Fund Augmentations	<u>\$27.2</u> million net of offsetting revenues

FY 2026-27 Recommended Measure AA Tax Revenue

Status Quo Filled Positions Detail	FTE	Recommended
Cooperative Extension Service	0.30	\$41,449
District Attorney	1.50	\$480,026
Sheriff-Coroner	18.00	\$4,778,838
Sheriff-Coroner - FY2025-26 Positions	5.50	\$1,318,416
Health - FY2025-26 Positions	4.00	\$180,842
FY 2026-27 Status Quo Filled Position Total	29.30	\$6,799,571
FY 2025-26 Other Approved Items		
	FTE	Recommended
Sheriff-Coroner - Axon Cameras	-	\$1,486,242
Health - Spay Neuter Clinic	-	\$101,780
Total FY 2025-26 Other Approved Items	-	\$1,588,022
Grand Total Request for FY 2026-27	29.30	\$8,387,593

FY 2026-27 Recommended Augmentations by Department

Department	GFC Request	Rec. FTE	Recommended
Sheriff-Coroner	\$15,420,413	37.0	\$9,202,135
Department of Social Services	\$3,866,179	4.0	\$3,866,179
Auditor-Controller	\$3,179,051	6.0	\$1,509,980
District Attorney	\$3,082,446	10.0	\$3,082,446
Public Defender	\$2,440,878	6.0	\$1,941,288
Public Works, Facilities and Parks	\$6,360,040	12.0	\$1,859,846
Assessor-County Clerk-Recorder	\$1,682,180	13.0	\$1,682,180
County Counsel	\$1,338,454	3.0	\$1,338,454
Human Resources	\$1,369,931	3.0	\$1,099,215
Other General Fund Departments	\$2,866,055	11.8	\$1,053,343
Health Department non-gfc	\$2,129,893	-	\$517,457
Grand Total	\$43,735,520	105.8	\$27,152,523

- Recommended augmentations total \$27.2 million across 105.8 Full-Time Equivalent (FTE) positions:
 - General Fund at \$26.6 million
 - Other Funds at \$517,457
- 105.8 FTEs
 - 77.8 filled positions
 - 19.0 vacant positions (pending recruitment for core operations)
 - 9 new positions supported 98% with program revenues.

FY 2026-27 Recommended Augmentations

Key Highlights

Department	Recommended Action
Sheriff-Coroner	\$9.2 million, includes \$7.6 million in Measure AA tax revenue, to fund 33 filled and 4 vacant positions
Social Services	\$3.9 million, includes funding for Out-of-Home Care and General Assistance
District Attorney	\$3.1 million funds 10 filled District Attorney Investigator positions
Public Defender	\$1.9 million funds 6 filled positions and trial-related services
Public Works, Facilities and Parks	\$1.9 million funds 11 filled positions, 1 vacant position, and a fire protection services contract
CAO	\$194,000 funds a Homelessness Strategies and Initiatives management analyst

- The Recommended Budget focuses on maintaining existing service levels, rather than launching or expanding new programs.
- Public safety, social services, and facility operations represent the most significant areas seeking additional fiscal support.
- Measure AA revenues continue to fund eligible unincorporated-area services, with notable support for Sheriff patrol and Animal Services.
- A substantial number of unfunded requests remain for Board consideration, reflecting needs that exceed available resources.

The background of the slide features a large, light gray watermark of the University of California seal. The seal depicts a grizzly bear standing on a rocky outcrop, holding a shield on its chest. The words "UNIVERSITY OF CALIFORNIA" are written in a circular path around the bear. The text "Unfunded Requested Augmentations" is centered over the seal in a bold, orange font.

Unfunded Requested Augmentations

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Requested augmentations not recommended due to the current resource availability.

Unfunded Augmentation Summary

Category	Req. FTE	Expenditures	Revenues	Net Request
Animal Services	4.5	\$698,396	-	\$698,396
New Mandated Program/Service	-	\$512,230	-	\$512,230
New Program/Service-General Fund	-	\$6,289,491		\$6,289,491
Request New Position	4.0	\$753,435	-	\$753,435
Status Quo Other	-	\$3,941,184	-	\$3,941,184
Status Quo Vacant Position	23.5	\$4,211,451	-	\$4,211,451
Other Funds	-	\$1,073,395	\$896,585	\$176,810
Grand Total	32.0	\$17,479,582	\$896,585	\$16,582,997

- Remaining unfunded requests total \$16.6 million net and 32.0 Full-Time Equivalent (FTE) primarily seeking General Fund support.
- Other funds account for an additional \$177,000 net in unmet needs.
- Vacant position augmentation requests total 32.0 FTE and \$5.66 million, which were not recommended.
- Most new or expanded programs remain unfunded due to ongoing resource constraints and prioritization of status quo operations.

Unfunded Augmentation Summary by Department

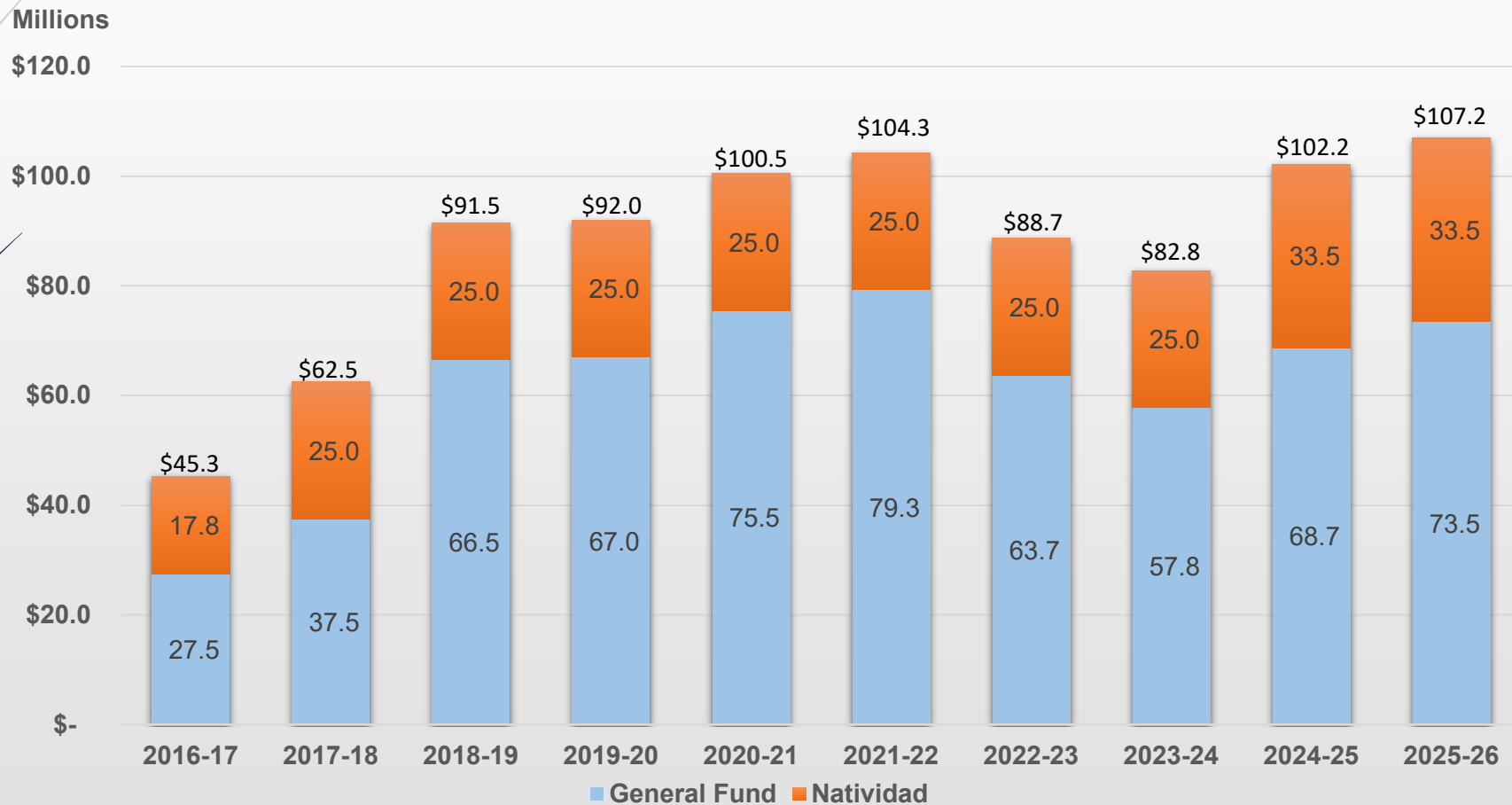
Requests Not Recommended	Req FTE	GFC Request
Auditor-Controller	8.0	\$1,669,071
Civil Rights Office	1.0	\$136,450
Cooperative Extension Service	-	\$36,551
County Administrative Office (CAO)	-	\$250,000
Department of Emergency Management	1.0	\$179,701
Health Department	4.5	\$1,612,436
Housing and Community Development (HCD)	-	\$800,000
Human Resources	1.0	\$270,716
Probation	2.5	\$410,010
Public Defender		\$499,590
Public Works, Facilities and Parks (PWFP)	4.0	\$4,500,194
Sheriff-Coroner	10.0	\$6,218,278
Grand Total	32.0	\$16,582,997

- Other status quo needs not recommended include \$2.0 million for PWFP – Facilities unscheduled and preventative maintenance
- The new mandated programs not recommended but are potentially Measure AA revenue-eligible include:
 - HCD - General Plan Housing/Safety Element (\$800,000)
 - PWFP - Fort Ord open-space maintenance (\$150,000)
 - Health Department - Spay/neuter clinic costs in the County's unincorporated area (\$164,040)
- Proposed expanded programs not recommended include:
 - Sheriff-Coroner - recruitment/code enforcement (\$400,000) and Flock/Axon/airplane imaging (\$1.4M)
 - Health Department - Medi-Cal outreach (\$750,000), which may be supported with other departmental revenue
 - CAO - Unincorporated encampment outreach, which may be Measure AA revenue-eligible (\$250,000)

Strategic Reserve

Analysis of Trend and Investment

Strategic Reserve Trend – GENERAL FUND and NATIVIDAD MEDICAL CENTER



Financial Policy 8.3 – Committed Fund Balance – Strategic Reserve Fund *(paraphrased)*

The County aims to maintain a strategic reserve equivalent to 10% of the General Fund's projected revenues. The strategic reserve set aside for Natividad Medical Center (NMC) is considered a subcategory of the General Fund's strategic reserve and is not included in the County's overall 10% reserve goal.

- FY 2025-26 target was \$94.8 million, with General Fund estimated revenues at \$948 million; as of May 2026, the balance stood at \$73.5 million
- FY 2026-27 target is \$99 million, based on General Fund estimated revenues of \$990 million
 - The Recommended Budget redirects \$3 million from the Compensated Absences Assignment to the Strategic Reserve, reflecting a reduction in the assignment to align with 10% of the total leave balance of \$5 million.
 - Additionally, the Recommended Budget redirects \$3 million of the FY 2024-25 Unassigned Fund Balance to support the reserve.
 - The FY 2026-27 reserve beginning balance will be \$79.5 million, shortfall of \$19.5 million.

Note: The County is pending Federal Emergency Management Agency (FEMA) reimbursements (approximately \$26,267,418) for events spanning multiple FYs – see next slide.

Strategic Reserve – Outstanding Reimbursement FYs 2018-19 through 2024-25

Incident	Obligated	Obligated Not Paid	Pending Obligation	Advanced	Estimated Outstanding Federal	Estimated Reimbursement (Based on DR %)
2019 Storms	\$ 95,762.42				\$ -	
COVID19	\$ 13,243,645.33		\$ 6,061,653.07		\$ 6,061,653.07	\$ 6,061,653.07
2020 Wildfires	\$ 1,820,702.54		\$ -		\$ -	
Jan 2023 Winter Storm (100% initial 60 days)		\$ 7,601,050.37	\$ 13,034,202.49	\$(10,860,544.00)	\$ 9,774,708.86	\$ 8,552,870.25
Feb 2023 Winter Storm		\$ 12,225,724.13	\$ 11,519,720.79	\$(12,139,456.00)	\$ 11,605,988.92	\$ 8,704,491.69
Feb 2024 Winter Storm	\$ 635,601.68		\$ 3,931,217.07		\$ 3,931,217.07	\$ 2,948,412.80
	\$ 15,795,711.97	\$ 19,826,774.50	\$ 34,546,793.42	\$(23,000,000.00)	\$ 31,373,567.92	\$ 26,267,427.82

\$26,267,418 Estimated Outstanding NET FEMA Reimbursements

Fiscal Year Used	Strategic Reserve Used	Strategic Reserve Repaid	Outstanding Balance	Required Payback Year
2021	\$ 6,328,175	\$ 6,328,175	\$ -	2026
2022	\$ -	\$ -	\$ -	2027
2023	\$ 52,119,982	\$ 52,119,982	\$ -	2028
2024	\$ 25,047,517	\$ 25,047,517	\$ -	2029
2025	\$ 11,685,871	\$ 1,003,647	\$ 10,682,224	2030

Key Modifications to the Proposed Budget

- ❑ **1.25 Full-Time Equivalent (FTE) Workforce Investment Board positions**
 - \$198,476 from the FY 2024-25 Unassigned Fund Balance
 - FILLED positions were previously allocated to the Silver Star Program and will now be redirected to support Social Services Programs, including direct services for Veterans.
 - 1.00 FTE Workforce Investment Board Employment Program Representative
 - 0.25 FTE Workforce Investment Board Employment Program Supervisor
- ❑ **1.00 FTE Deputy Sheriff Operations**
 - \$185,547 from FY 2024-25 Unassigned Fund Balance
 - FILLED position identified through the reconciliation process
- ❑ **1.00 FTE Emergency Services Planner** and associated revenue (wildfire)
 - Grant revenue supports the position and was added in April 2026, but was missed in the Oracle Budget Module.
- ❑ **Animal Services cost share** to remain at FY 2025-26 levels.
 - FY 2025-26 cost share split: 50.89% County and 49.11% City of Salinas
 - 4.5 FTE positions within Animal Services remain unchanged and are not reduced

GENERAL FUND - 3-YEAR FORECAST

ITEM	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast
Revenue	924,298,912	941,054,960	966,136,617
Expenditure	1,043,174,381	1,084,356,488	1,128,140,177
PROJECTED SHORTFALL	(118,875,469)	(143,301,528)	(162,003,560)
Remove Vacant Positions	78,264,295	81,445,357	85,095,540
SHORTFALL LESS VACANCIES	(40,611,174)	(61,856,171)	(76,908,020)



\$21 Million



\$15 Million



One-time Options to Fund Augmentations

- Allocate the remaining Unassigned Fund Balance for FY 2024-25, totaling \$1.2 million.
- Reduce a portion of the Contingencies, which are currently set at \$9.5 million.
 - According to Financial Policy 7.10, the allocation for operational contingencies should be one percent (1%) of estimated General Fund revenues unless the Board specifically adjusts this during the annual budget approval.
- Decrease part of the funds planned for redirection to the Strategic Reserve, amounting to \$6.0 million.
- Designate the remaining Measure AA tax revenue received to date for FY 2025-26, totaling \$3.3 million.

The background of the slide features a large, light gray watermark of the University of California seal. The seal depicts a grizzly bear standing on a shield, holding an olive branch and arrows, with a sunburst above its head. The words "UNIVERSITY OF CALIFORNIA" are written around the perimeter of the seal.

Presentations from Departments Regarding Augmentation Requests

The background of the slide features a large, light gray watermark of the University of California seal. The seal depicts a grizzly bear standing on a shield, holding a bow and arrow, with a sunburst above its head. The words "UNIVERSITY OF CALIFORNIA" are written in a circular path around the bear.

Comments from Departments Regarding Augmentation Requests

The background of the slide features a large, faint, light gray seal of the University of California. The seal depicts a tree with a sunburst behind it, surrounded by the text "UNIVERSITY OF CALIFORNIA".

Examining Alternative Approaches to Budget Mitigation

General Fund Cost Reduction Options

Selection	General Fund Contribution Reduction Options	Amounts
<input type="checkbox"/>	General Departmental GFC reductions 1%	0
<input type="checkbox"/>	Target GFC Reductions	\$2.4 million
<input type="checkbox"/>	Road Fund annual contribution reduction	0
<input type="checkbox"/>	Measure AA Operations/Project Split	34% \$8.4 million
<input type="checkbox"/>	Realignment Swaps	\$1 million
<input type="checkbox"/>	Vehicle Fund Contribution-Limit Contributions	\$760 thousand +
<input type="checkbox"/>	Equipment and Improvement Fund 478 Redirect	0
<input type="checkbox"/>	PARS 115 UAL Drawdown	\$2.2 million
<input type="checkbox"/>	Reduce Current Allocation to Cap Projects	0
<input type="checkbox"/>	Measure AA to Capital Projects Reserve	0
<input type="checkbox"/>	Discretionary Program Reviews	\$250 thousand
<input type="checkbox"/>	Department Incentive Program	FY 2027-28
<input type="checkbox"/>	Department Budget Review Process	FY 2026-27
<input type="checkbox"/>	Explore Revenue Tax Measure	FY 2026-27

Review of Recommended Budget Discretionary Funding Allocations

	Discretionary Contributions	Source	sub-amount	Amount
<input type="checkbox"/>	Contingencies Appropriation FY 2026-27	Fiscal Policy		9,476,891
<input type="checkbox"/>	TOT Contribution to Road Fund up to 25%	Fiscal Policy		10,037,154
<input type="checkbox"/>	Development Set Aside	Fiscal Policy		3,159,696
<input type="checkbox"/>	See Monterey (Development Set Aside) - Fiscal Policy	Fiscal Policy	2,019,475	
<input type="checkbox"/>	Arts Council for Monterey County (Development Set Aside	Fiscal Policy	634,348	
<input type="checkbox"/>	Monterey County Film Commission (Development Set Aside)	Fiscal Policy	305,130	
<input type="checkbox"/>	Monterey County Business Council (Development Set Aside)	Fiscal Policy	200,743	
<input type="checkbox"/>	WDB Silver Star Program	Direction		0
<input type="checkbox"/>	Hartnell College Foundation Salinas Valley Promise	Direction		200,000
<input type="checkbox"/>	Salinas Regional Sports Authority	Direction		200,000
<input type="checkbox"/>	Internal Audits Set-aside			100,000
<input type="checkbox"/>	C/W Memberships (CSAC, NACo, RCRC, CACE)			90,500
<input type="checkbox"/>	Monterey Bay Unified Air Pollution Control District	Direction		69,520
<input type="checkbox"/>	Pajaro Sunny Mesa - Pajaro Park	Direction		59,000
<input type="checkbox"/>	Court Appointed Special Advocates of Monterey County	Direction		50,000
<input type="checkbox"/>	Association of Monterey Bay Area Governments	Direction		36,935
<input type="checkbox"/>	Prunedale Senior Center	Direction		30,000
<input type="checkbox"/>	Pajaro Sunny Mesa Community Services District	Direction		25,000
<input type="checkbox"/>	Fish & Wildlife contribution	Direction		15,000
<input type="checkbox"/>	Pajaro River Watershed Flood Prevention Authority	Direction		10,000
	Total Discretionary Contributions			23,559,696



Workforce Growth Budget Mitigation

- Maintain Soft Hiring Freeze
- Postpone hiring for vacant positions, with a 60-90 day delay before filling
- Enforce Hard Hiring Freeze – Targeted/Strategic Freeze on all non-essential roles
- Introduce Early Retirement Incentive
- Reach Maximum Filled Full-Time Equivalent Positions (remove soft Hiring Freeze) - *added detail on next Slide*

Maximum Filled Full-Time Equivalent (FTE)

- This applies to all departments funded by the General Fund (directly or indirectly), with the end goal of eliminating the Soft hiring freeze, establishing an increased control around workforce growth.
- The Board establishes the maximum number of filled FTEs each department is allowed at any time.
- The baseline is based on the highest number of filled FTEs in the past two years with adjustments with discussion with departments.
- Departments will assess the baseline for review.
- Once approved by the Board, the CAO's Office will deliver bi-monthly reports to the Budget Committee:
 - These reports will include salary and employee benefit forecasts for all departments,
 - Along with suggestions for adjustments to the maximum filled FTEs per department.

Maximum Filled Full-Time Equivalent (FTE)

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Department	Current Authorized FTE	Filled FTE as of 5.17.26	FY26-27 CAO Recommended Budget	FY23 vs FY27 FTE Change	Max Filled 2 YR FTE	Department Request	CAO Recommended FTE
Agriculture Commissioner	75.00	71.00	75.00	-	72.00	75.00	75.00
Assessor-County Clerk-Recorder	65.00	56.00	65.00	-	58.00	62.00	61.00
Auditor-Controller	57.50	34.50	45.50	-	46.50	51.00	45.50
Board of Supervisors	20.00	20.00	20.00	-	20.00	20.00	20.00
Child Support Services	73.00	69.64	70.00	(13.00)	74.48	70.00	70.00
Civil Rights Office	5.00	5.00	5.00	-	5.00	5.00	5.00
Clerk of the Board	6.00	6.00	6.00	1.00	6.00	6.00	6.00
Cooperative Extension Service	3.00	2.00	3.00	-	3.00	3.00	3.00
County Administrative Office	60.00	53.00	60.00	6.00	56.00	56.00	56.00
County Counsel	44.00	41.00	42.00	(2.00)	41.00	42.00	42.00
Department of Emergency Management	12.00	10.00	11.00	4.00	11.00	12.00	11.00
District Attorney	160.00	132.00	157.00	-	142.00	150.00	150.00
Elections	12.00	12.00	12.00	-	12.00	12.00	12.00
Emergency Communications	76.00	65.00	74.00	(1.00)	66.00	74.00	74.00
Health (No Behavioral Health)	775.65	604.43	745.75	124.62	650.33	745.75	650.33
Health - Behavioral Health	510.10	401.14	510.10	26.50	407.65	510.10	510.10
Housing and Community Development	108.00	100.00	107.00	8.00	99.00	104.00	104.00
Human Resources	39.00	38.00	39.00	(2.00)	39.00	39.00	39.00
Information Technology Department	110.00	98.00	107.00	(2.00)	104.00	104.00	104.00
Library	66.00	63.20	66.70	0.70	63.20	66.70	66.70
Natividad	1,507.65	1,317.20	1,468.75	33.35	1,320.65	1,468.75	1,468.75
Probation	300.50	262.00	298.00	10.00	267.00	287.00	282.00
Public Defender	62.00	60.88	64.00	6.50	60.88	64.00	62.00
Public Works, Facilities and Parks	273.50	238.43	272.00	31.50	249.43	266.00	250.00
Sheriff-Coroner	461.00	435.00	445.00	(23.00)	455.00	455.00	446.00
Social Services	855.00	806.00	857.00	(25.00)	820.00	820.00	820.00
Treasurer-Tax Collector	49.00	38.00	49.00	-	42.00	45.00	42.00
Total FTE (All County)	5,785.90	5,039.42	5,674.80	184.17	5,191.11	5,613.30	5,475.38