

2026 Third Quarter Financial Report

July 2025 – March 2026



Submitted by
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Chief Executive Officer



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Introduction

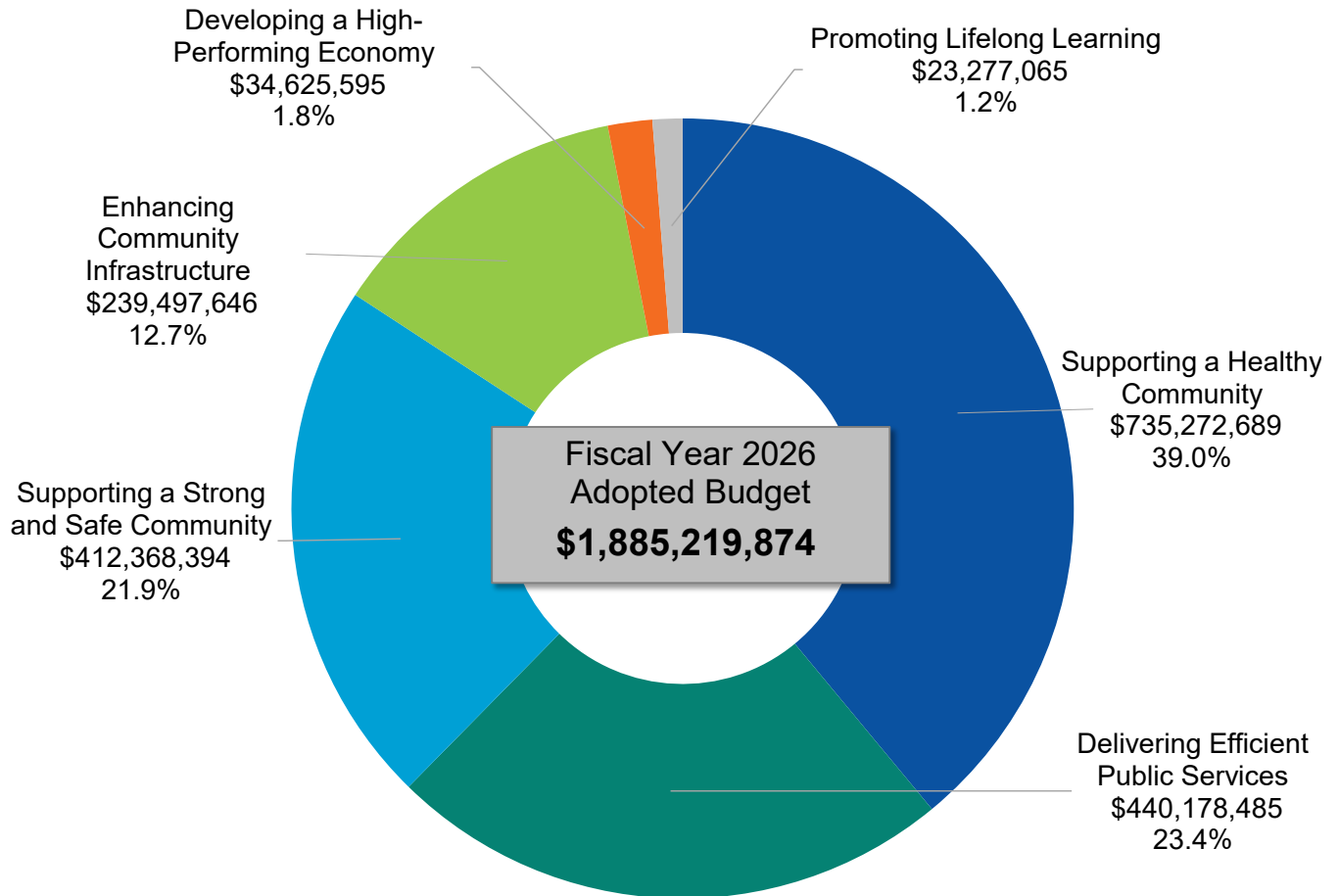
This report presents the 2026 Third Quarter Financial Report for Stanislaus County for the period of July 1, 2025, through March 31, 2026, as submitted by the Chief Executive Officer. It is provided to inform the Stanislaus County Board of Supervisors, County leadership, and the public of the County's financial condition. The report includes estimated summaries of revenues and expenditures for County programs, organized in alignment with the Board's priority areas and identifies adjustments to the County budgets since the Adopted Budget was approved in September 2025, including those incorporated through prior quarterly financial reports and individual actions approved by the Board throughout the fiscal year.

Background

The 2026 Adopted Budget was approved by the Board of Supervisors on September 30, 2025, and totaled \$1.89 billion for all funds, representing an increase of \$32.3 million, or 1.7%, over the prior fiscal year. It was balanced using a combination of \$1.68 billion in estimated revenue and the use of \$208.3 million in fund balance and retained earnings. The 2026 Adopted Budget included funding to support 4,904 allocated full-time positions, a decrease of 22 positions over that supported by the 2025 Adopted Budget.

The 2026 Adopted Budget was developed with a primary focus on supporting existing service levels across the organization. This included support for services previously authorized by the Board of Supervisors, the re-appropriation of multi-year projects previously approved, and standard cost-of-doing-business increases. In addition, a net increase of \$15.7 million was approved to align services and staffing costs with necessary funding in the 2026 Adopted Budget. The following chart is organized by Board of Supervisors' priorities and reflects the total spending authority approved by the Board of Supervisors in the 2026 Adopted Budget.

2026 Adopted Budget by Board Priority

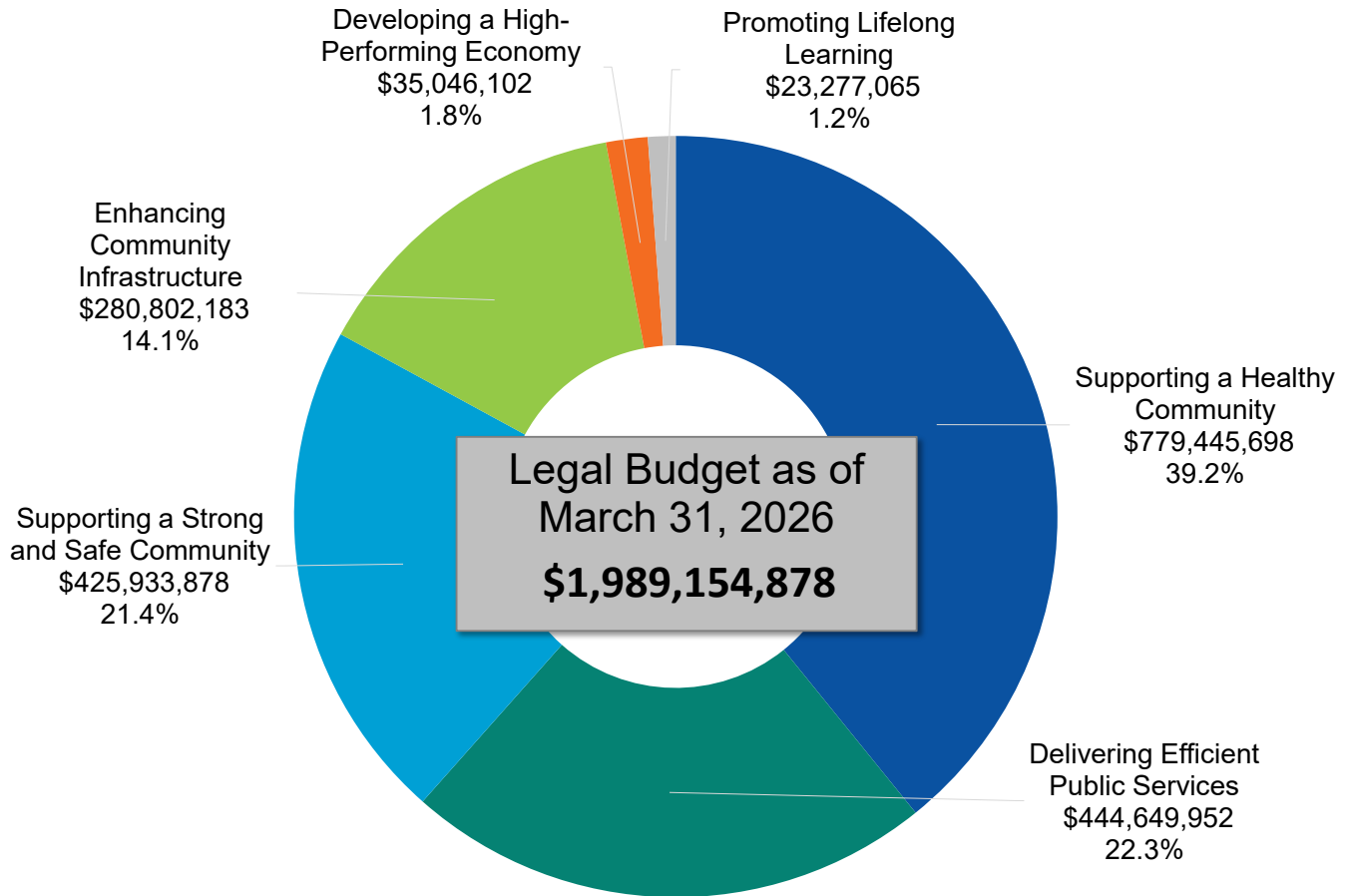


Summary of Budget Adjustments

The Adopted Budget is adjusted each year to include appropriations that are carried forward from the prior fiscal year for projects that were planned for and authorized by the Board of Supervisors but were not fully completed. Additionally, the Board of Supervisors approves budget adjustments identified through quarterly financial reports and separate Board action throughout the fiscal year. The sum of these adjustments made through March 31, 2026, total \$103.9 million.

The County’s Legal Budget as of March 31, 2026, prior to the inclusion of any recommended budget adjustments identified in this 2026 Third Quarter Financial Report, totals \$1.99 billion, as reflected in the following chart.

Legal Budget as of March 31, 2026, by Board Priority



2026 Third Quarter Financial Report Overview

The 2026 Third Quarter Financial Report serves as a fiscal review of departmental programs and includes recommended adjustments to ensure that departments complete the fiscal year within their approved budgets. The report also includes a brief analysis of multi-year trends for both revenue and expenditures by priority area. Updates are also provided on Discretionary Revenue aligned with year-end estimates.

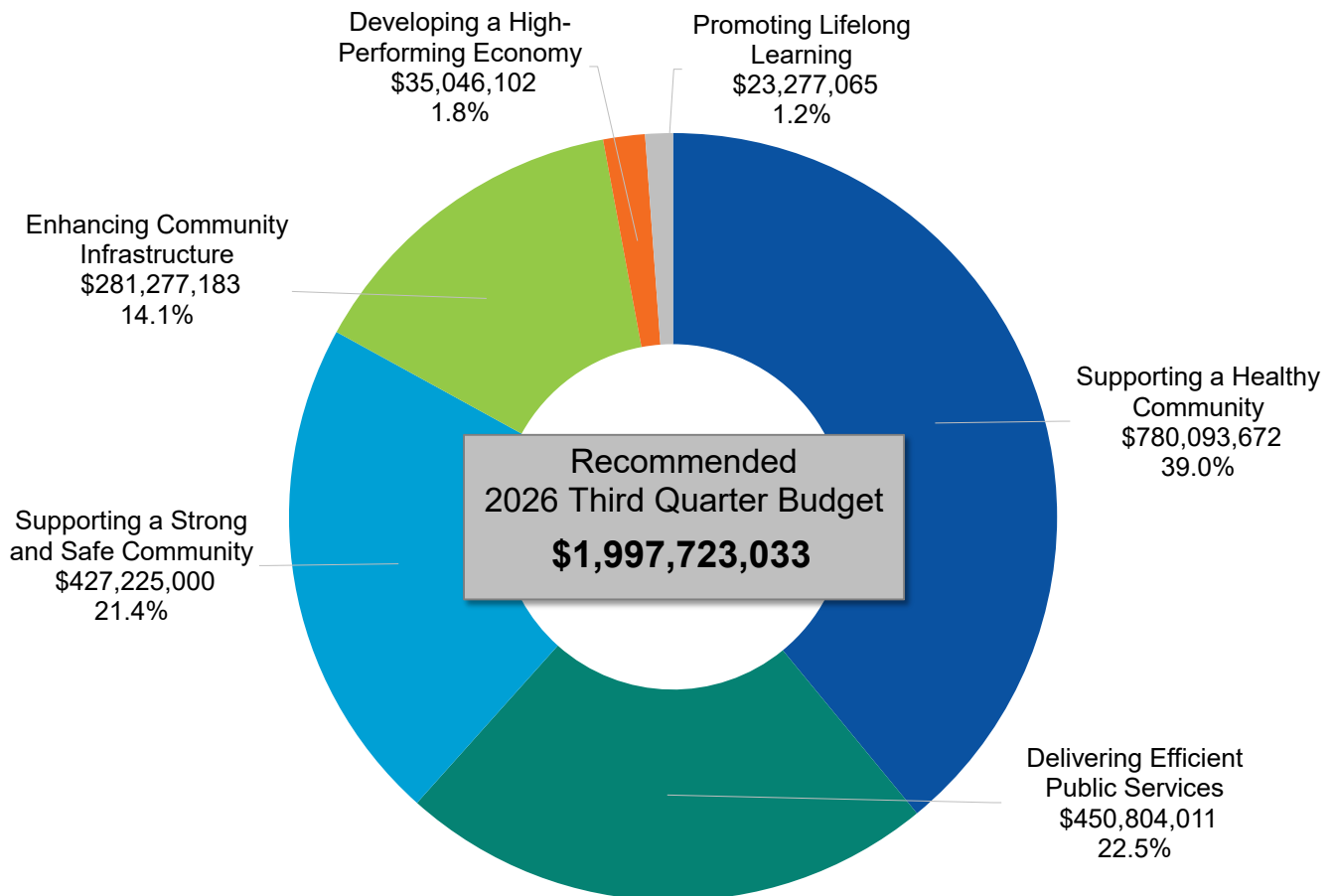
The recommendations presented in the 2026 Third Quarter Financial Report include an increase in estimated revenue of \$2.1 million and an increase of \$8.6 million in appropriations. These adjustments result in an additional \$6.5 million reliance on fund balance and retained earnings, of which, \$427,964 is within the General Fund.

County General Fund support for various departments is made possible through the transfer of \$1.1 million from Appropriations for Contingencies, the County’s contingency funding reserved for use throughout the fiscal year to cover unanticipated needs as they arise. These transfers will cover increased program costs, employee cash-outs, negotiated labor increases, and other operational needs consistent with third quarter budget policy and instructions. The transfer of Appropriations for Contingencies requires a four-fifths vote by the Board of Supervisors. If

approved, a balance of \$2.8 million will remain in Appropriations for Contingencies to address any additional needs of the organization for the remainder of Fiscal Year 2026.

The following chart depicts the \$2 billion 2026 Third Quarter Budget, inclusive of the recommended adjustments that are described in greater detail by department in subsequent sections of this report. Consistent with past practice, the budget and financial report are organized by Board priority area.

2026 Recommended Third Quarter Budget by Board Priority



Consistent with standard accounting practices, the County’s budget is divided into separate financial entities known as “funds.” These include three “governmental funds” (General, Special Revenue, and Capital Projects funds) to account for local governmental activities and two proprietary funds to address “business-type” activities (Enterprise and Internal Service funds). The following table reflects the progression of the County’s budget from the 2026 Adopted Budget to the Legal Budget as of March 31, 2026, and finally, the recommended 2026 Third Quarter Budget.

Summary of Third Quarter Appropriation Adjustments by Fund Type

Fund Type	2026 Adopted Budget	Legal Budget as of 3/31/2026	Recommended 2026 Third Quarter Adjustments	Recommended 2026 Third Quarter Budget
General Fund	\$ 538,737,944	\$ 546,566,412	\$ 101,000	\$ 546,667,412
Special Revenue	1,062,248,819	\$ 1,115,062,534	\$ 993,489	1,116,056,023
Capital Projects	28,015,312	\$ 34,195,192	\$ -	34,195,192
Enterprise	74,936,811	\$ 108,728,851	\$ 48,666	108,777,517
Internal Service	181,280,988	\$ 184,601,889	\$ 7,425,000	192,026,889
Total All Funds	\$1,885,219,874	\$ 1,989,154,878	\$ 8,568,155	\$ 1,997,723,033

General Fund

The recommended 2026 Third Quarter Budget for the General Fund totals \$546.7 million, reflecting an increase of \$101,000 from the Legal Budget as of March 31, 2026. This change represents an overall total increase of \$1.2 million in appropriations for departmental requests offset by \$1.1 million in transfers from Appropriations for Contingencies. Appropriation increases include \$447,734 to support termination cash-outs, \$292,270 for Employee Choice Bonus Plan costs, and \$203,501 to support negotiated labor increases and specialty pay, with the remaining increases estimated at \$216,758 supporting alignment with current-year costs.

Special Revenue Funds

The recommended 2026 Third Quarter Budget for Special Revenue Funds totals \$1.1 billion, an increase of \$993,489 over the Legal Budget as of March 31, 2026.

The increase is primarily driven by an increase to the Community Services Agency – In-Home Supportive Services (IHSS) Provider Wages budget to meet the Maintenance of Effort (MOE) requirement resulting from a negotiated increase in wage supplement and inflation factor, an increase in Sheriff – Court Security for negotiated labor rate adjustments and staffing right-sizing, and an increase in the Office of Emergency Services (OES) – County Fire Service Fund for unanticipated salary costs and intercounty expenditure charges.

Capital Projects Funds

The recommended 2026 Third Quarter Budget for Capital Projects totals \$34.2 million, consistent with the Legal Budget as of March 31, 2026. There are no recommended adjustments for these funds at third quarter.

Enterprise Funds

The recommended 2026 Third Quarter Budget for Enterprise Funds totals \$108.8 million, an increase of \$48,666 above the Legal Budget as of March 31, 2026. The increase to appropriations is for the Health Services Agency – Clinics and Ancillary Services budget unit to support the Department’s internal cost plan charges.

Internal Service Funds

The recommended 2026 Third Quarter Budget for Internal Service Funds totals \$192 million, an increase of \$7.4 million above the Legal Budget as of March 31, 2026. The primary drivers of this increase are additional costs in the Medical Self-Insurance Fund, including \$5 million for medical claims and \$2 million for pharmacy claims. In addition, diesel fuel costs within Public Works Morgan Shop are increasing by \$425,000.

Fund Balance

The 2026 Adopted Budget reported a total beginning fund balance as \$809.7 million. Following the third quarter financial review, this amount has been reduced by \$31.3 million, resulting in a revised beginning fund balance of \$778.4 million. This adjustment is consistent with budget policy requiring Proprietary Funds, including Internal Service Funds and Enterprise Funds, to be reported on a full accrual basis and to incorporate post-closing adjustments. These adjustments are a standard component of the County’s year-end financial process and continue through completion of the Annual Comprehensive Financial Report.

The 2026 Third Quarter Financial Report recommends allocating \$235.6 million of fund balance across all departments.

The table below outlines the updated beginning fund balances on July 1, 2025, for the various fund types, as well as the projected year-end balances, which reflect the actions approved by the Board of Supervisors through March 31, 2026, and recommendations contained in the 2026 Third Quarter Financial Report. Overall, the projected fund balance for the fiscal year ending June 30, 2026, is approximately \$542.9 million.

Summary of Fund Balance by Fund Type

Fund Type	Beginning Fund Balance on 7/1/25*	Recommended Third Quarter Budget Revenue	Recommended Third Quarter Budget Appropriations	Recommended Third Quarter Use of Fund Balance	Projected Fund Balance on 6/30/2026
General Fund	\$ 214,493,000	\$ 525,959,200	\$ 546,667,412	\$ 20,708,212	\$ 193,784,788
Special Revenue	385,168,812	981,455,957	1,116,056,023	134,600,066	250,568,746
Capital Projects	18,070,200	19,064,693	34,195,192	15,130,499	2,939,701
Enterprise	123,337,510	59,957,550	108,777,517	48,819,967	74,517,543
Internal Service	37,385,818	175,685,573	192,026,889	16,341,316	21,044,502
Total All Funds	\$ 778,455,340	\$ 1,762,122,973	\$ 1,997,723,033	\$ 235,600,060	\$ 542,855,280

*The beginning Fund Balance as of March 31, 2026 is a decrease of \$31.3 million compared to the \$809.7 million reported in the 2026 Adopted Budget document (page 72). The difference is due to post-closing journal entries made by the Auditor-Controller's office as part of the Fiscal Year 2025 year-end close process.

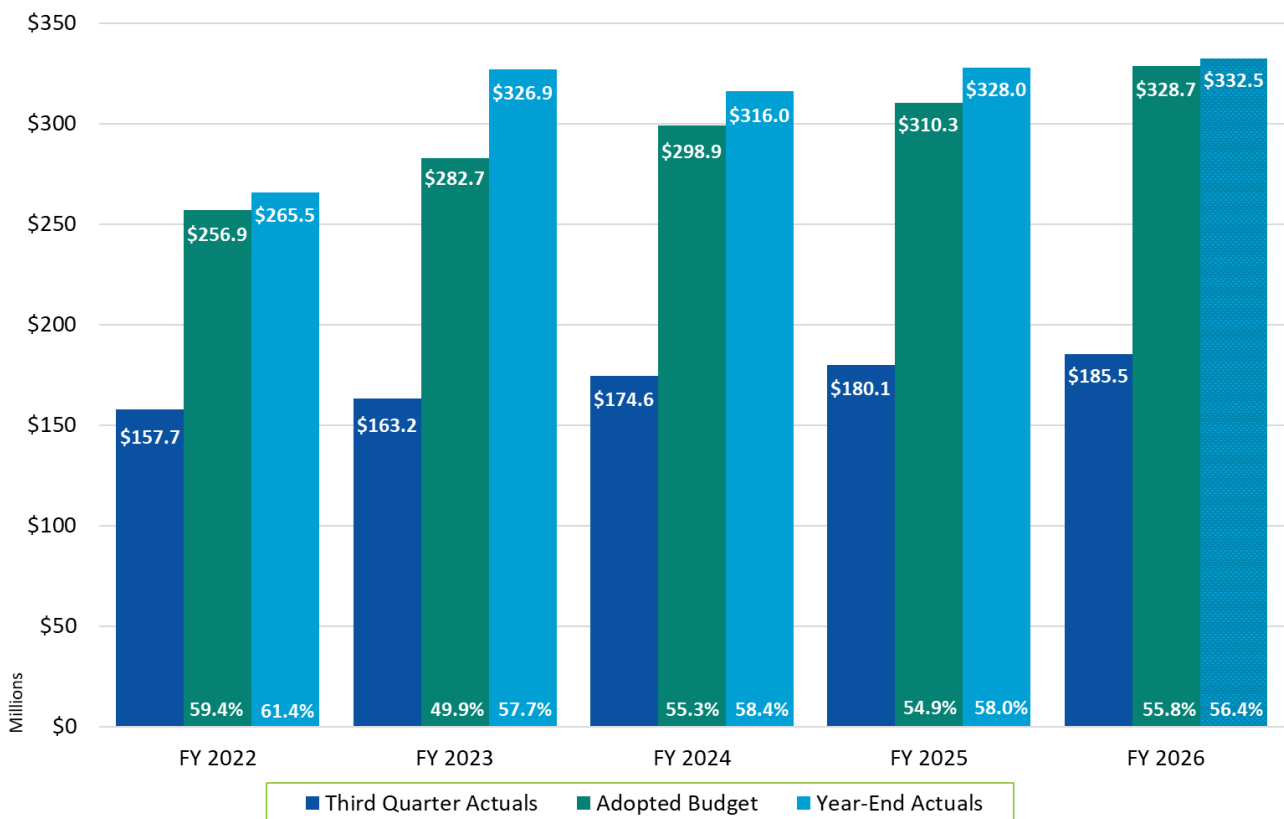
General Fund Update

Discretionary Revenue

Discretionary Revenue refers to revenue received in the General Fund that is available to fund programs at the Board of Supervisors' discretion. Total Discretionary Revenue included in the 2026 Adopted Budget was projected at \$328.7 million and was adjusted using updated projections to \$332.5 million in the Midyear Financial Report. As of March 31, 2026, approximately \$185.5 million in Discretionary Revenue has been collected, representing 56.4% of the \$328.7 million projected in the 2026 Adopted Budget. Over the past four years, Discretionary Revenue collected by the end of the third quarter has varied between 57.7% and 61.4% of the Adopted Budget, placing this year's receipts slightly below the historical range. Additionally, the four-year history indicates that revenue realized through third quarter ranged from 49.9% and 59.4% of actual year-end totals. Revenue receipts through March represent 55.8% of the year-end estimate updated at third quarter, which falls within the historical range.

The following chart provides a five-year comparison of third quarter performance, including the current fiscal year. It displays revenue collected during the first nine months of each fiscal year alongside the Adopted Budget and prior-year-end actuals.

Discretionary Revenue Five-Year Historical Chart



Discretionary Revenue Third Quarter Projections

Third quarter analysis of Discretionary Revenue includes an evaluation of year-to-date data using nine months of receipts along with projections using historical trend data and analysis from expert outside consultants. Updated year-end projections reflect a range with some potential for additional revenue. Taxes, Revenues from the Use of Money, and Intergovernmental Revenue are revenue categories of note at third quarter and are examined below.

Taxes

Included in this category are various property-related taxes (secured, unsecured, supplementals, redevelopment pass-through increment, property tax received in lieu of vehicle license fees, and property transfer tax), 1% sales and use taxes, and transient occupancy taxes. Analysis of receipts through March 2026 indicates additional revenue from Statewide sales tax. Sales tax revenue projections for Fiscal Year 2026 provided by the County's sales tax consultant show a slight increase from the prior year and the Legal Budget as of March 31, 2026. In this category of Taxes, projections total \$234.4 million, which represents a projected increase of \$1.4 million over the Legal Budget. This increase will fully offset the potential decreases in the Revenue from Use of Money and Intergovernmental Revenue categories and results in the recommendation to leave the 2026 Legal Budget discretionary revenue unchanged.

Revenues from the Use of Money

This category primarily reflects interest earnings on pooled Treasury cash. As the General Fund cash balance and interest rates have decreased, interest earnings have been trending below the Adopted Budget and Legal Budget estimates. Projections provided by the County Treasurer-Tax Collector – Treasury division show a slight decrease from the prior year and the Legal Budget as of March 31, 2026, which are projected through the end of Fiscal Year 2026. In this category of Revenues from the Use of Money, projections total \$17.9 million, which represents a projected decrease of \$954,060 over the Legal Budget. This decrease will be fully offset by the potential increases in the Taxes category and results in the recommendation to leave the 2026 Legal Budget discretionary revenue unchanged.

Intergovernmental Revenue

The Intergovernmental Revenue category represents revenue received from Federal, State, and other governmental entities in the form of grants, shared revenues, and payments in lieu of taxes. The largest source within this category is the one-half cent Sales and Use Tax dedicated to local public safety services, also known as Proposition (Prop) 172 Sales and Use tax.

Analysis of receipts through March 2026 indicates a decrease in revenue from local public safety services. Prop 172 Sales and Use tax revenue projections provided by the County's sales tax consultant show a slight decrease from the prior year and the Legal Budget as of March 31, 2026, which are projected through the end of Fiscal Year 2026. In this category of Intergovernmental revenue, projections total \$66.2 million, which represents a projected decrease of \$325,950 over the Legal Budget. This decrease will be fully offset by the potential

increases in the Taxes category and results in the recommendation to leave the 2026 Legal Budget discretionary revenue unchanged.

The following chart summarizes 2026 Third Quarter Discretionary Revenue projections of \$332.6 million for Fiscal Year 2026, a potential net increase of \$125,301 over the 2026 Legal Budget.

Discretionary Revenue Category	FY 2025 Actuals	Legal Budget as of 03/31/2026	2026 Third Quarter Projections	Potential Additional Revenue	2026 Third Quarter Budget
Taxes	\$ 224,639,163	\$ 232,988,080	\$ 234,393,392	\$ 1,405,312	\$ 232,988,080
Licenses, Permits, and Franchises	1,332,912	1,333,000	1,333,000	-	1,333,000
Fines, Forfeitures, Penalties	3,865,344	3,580,000	3,580,000	-	3,580,000
Revenue from Use of Money & Property	21,933,896	18,864,000	17,909,940	(954,060)	18,864,000
Intergovernmental Revenue	65,607,446	66,535,761	66,209,811	(325,950)	66,535,761
Charges for Services and Interfund	4,942,780	4,607,644	4,607,644	-	4,607,644
Miscellaneous	2,395,613	1,500,000	1,500,000	-	1,500,000
Other Financing Sources	3,262,813	3,093,675	3,093,675	-	3,093,675
Total Discretionary Revenue	\$ 327,979,968	\$ 332,502,160	\$ 332,627,461	\$ 125,301	\$ 332,502,160

Recommendation: While projections indicate a potential for an increase of \$125,301, it is recommended to hold estimated Discretionary Revenue at the current Operating Budget level of \$332.5 million, allowing any surplus to fall into fund balance in the General Fund at year-end.

SUPPORTING A STRONG AND SAFE COMMUNITY



District Attorney
Grand Jury
Office of Emergency Services
Probation
Public Defender
Sheriff

Supporting a Strong and Safe Community

Priority Overview

Ensuring a safe community and protecting the safety of the residents of Stanislaus County continues to be a top priority of the Board of Supervisors. The departments within this priority area focus on the safety of our neighborhoods and strengthening our communities. The impact of gangs, drugs, and vagrancy directly contributes to the decline of the physical, economic, and social health of the County. Robust partnerships within the organization, local municipalities, and community-based organizations throughout the region can maintain effective public safety programs and the ability to respond to emergencies on behalf of our community.

Departments assigned to the Board of Supervisors' priority area of *Supporting a Strong and Safe Community* include the District Attorney, Grand Jury, Office of Emergency Services, Probation, Public Defender, and Sheriff. The revenue used to pay for these services comes primarily from local taxes such as property and sales taxes, fees, franchise fees, service charges, and various other discretionary revenue sources. Public Safety Sales Tax (Proposition 172) revenue is also used to partially fund the District Attorney, Probation, and Sheriff's Department budgets. These departments also receive dedicated funds for specific grant-funded programs.

Recommendations contained in this report will increase appropriations by \$1.3 million and estimated revenue by \$1.2 million, resulting in a net increase in Net County Cost of \$965,944. These recommendations also generate \$851,686 in savings to departmental fund balance for departments *Supporting a Strong and Safe Community*. Overall, departments within this priority are on track to end the year within budget and in a positive fiscal position.

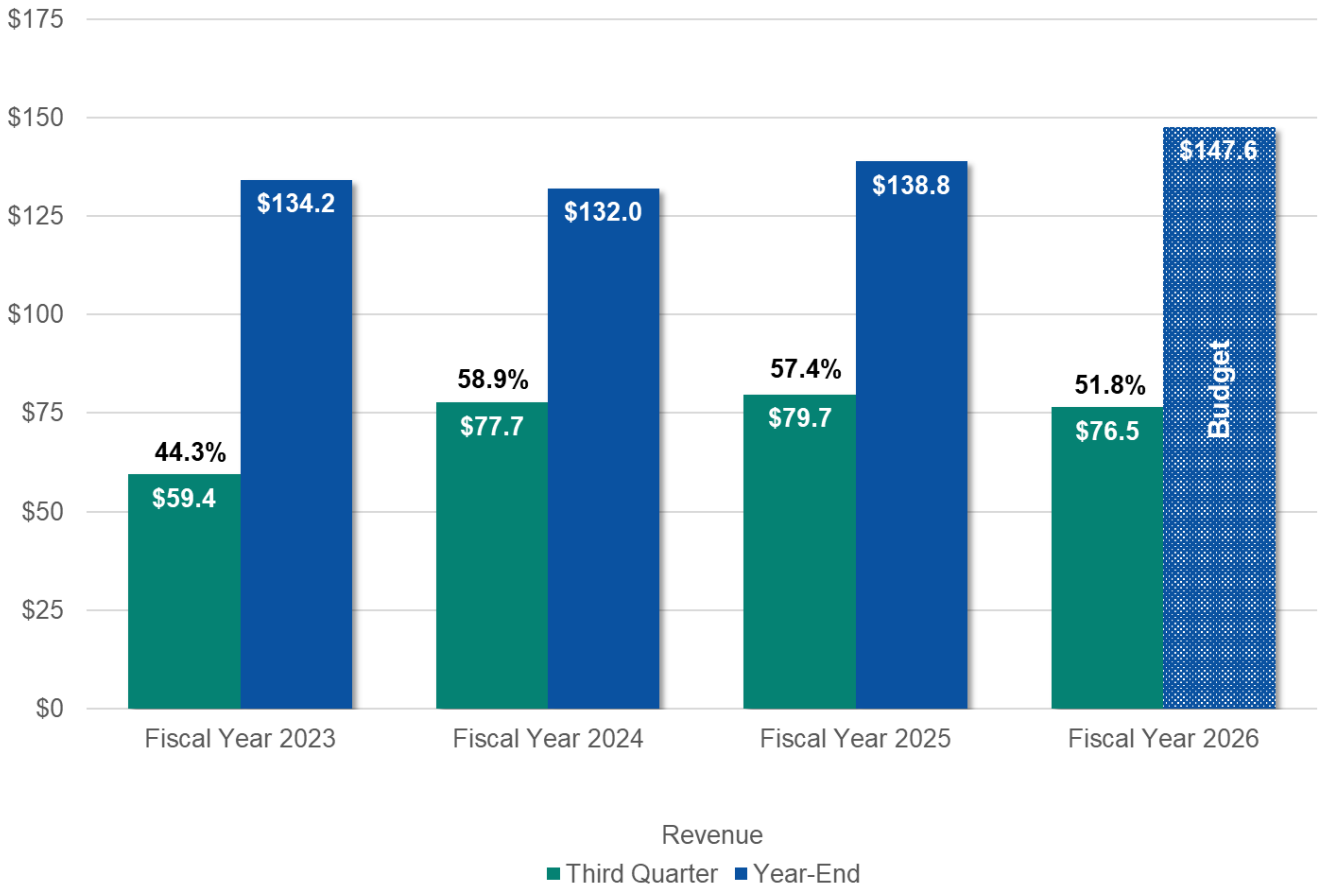
Departmental Revenue

For the department budgets *Supporting a Strong and Safe Community*, as of March 31, 2026, actual revenue collected totaled \$76.5 million, representing 51.8% of the estimated annual revenue. This is within the historical range compared to revenue received as of the third quarter in the prior three years, when collections ranged from 44.3% to 58.9% of the final revenue receipts.

Approximately \$15 million in outstanding revenue related to Community Corrections Partnership (CCP) and Jail-Based Competency Treatment funding for expenses incurred by the Sheriff’s Office were still pending at third quarter in Fiscal Year 2023, reflecting lower actual revenues compared to the historical trends, as well as a lower percentage of year-end receipts.

Supporting a Strong and Safe Community Four-Year Revenue Comparison

In Millions



Departmental Expenditures

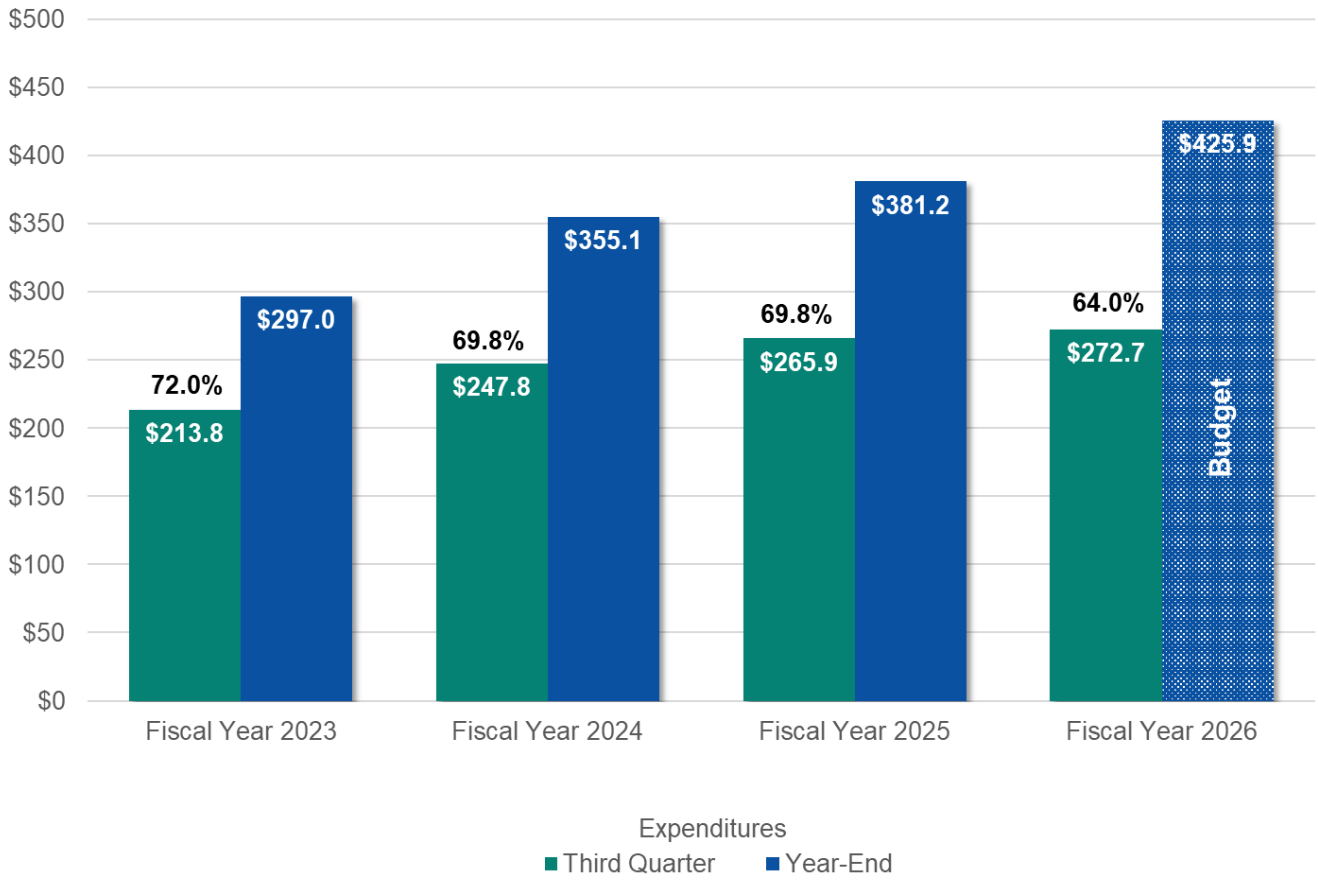
As of March 31, 2026, expenditures totaled \$272.7 million, representing 64% of budgeted appropriations. This year-to-date percentage is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 69.8% to 72% of the final actual expenditures.

Expenditures have increased steadily over the past four fiscal years, with year-end totals rising from \$297.0 million in Fiscal Year 2023 to \$381.2 million in Fiscal Year 2025. Third quarter expenditures have also grown over this period, increasing from \$213.8 million to \$272.7 million. However, despite this overall growth, the proportion of the budget expended by the third quarter has declined. In Fiscal Year 2023, 72.0% of the annual budget had been spent by the third quarter, compared to 69.8% in both Fiscal Years 2024 and 2025, and dropping further to 64.0% in Fiscal Year 2026. Notably, the budget does not reflect a 5% vacancy rate adjustment as was the practice in previous years, thereby reflecting the full cost of funding all positions and maintaining full-service levels within the County.

Significant investments were made in Fiscal Years 2023 and 2024 in the Local Community Corrections budget in Probation, which allocates the 2011 Realignment funds supporting the Community Corrections Partnership (CCP) plan. These funds are reflected in multiple budgets within this priority, effectively doubling the expenditures and widening the gap in overall spending between Fiscal Years 2023 and 2024.

Supporting a Strong and Safe Community Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

The recommendations in this report *Supporting a Strong and Safe Community* will increase appropriations by \$1.3 million, estimated revenue by \$1.2 million, and Net County Cost by \$965,944. These recommendations will generate \$851,686 in savings to departmental fund balance.

District Attorney

Adjustments increasing estimated departmental revenue of \$84,111 and reducing Net County Cost by the same amount are recommended for the District Attorney.

Salary Savings – Decrease appropriations in Salaries and Benefits by \$265,983, due to salary savings and reallocate those funds to support General Fund Services and Supplies expenditures for the following:

- **Microsoft Enterprise Agreements** – Increase appropriations, by \$49,257, using identified salary savings, for two Microsoft Enterprise Agreements: one from January – May 2026, and the other from June 2026 – May 2027. This aligns the agreement's start and end dates with the ITC managed contract to consolidate Microsoft renewals into a single agreement for Board of Supervisors' approval.
- **Attorney Services** – Increase appropriations, by \$216,726, using identified salary savings, for contracted attorney services that assist the Department with case prosecution and issuance of case files.

Realignment Growth – It is recommended to increase estimated revenue by \$84,111 benefitting the County's General Fund by the same amount, to recognize 2011 Realignment Growth funding received earlier in the Fiscal Year and its corresponding impact on base funding in the current fiscal year.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
District Attorney - Criminal Division	\$0	\$49,257	\$0	\$49,257	Increase appropriations for the SHI MS Enterprise Agreement for 5 months from January-May 2026 and a second contract from June 2026 to May 2027 to align with ITC managed contract, funded by a reduction in Services & Supplies.
District Attorney - Criminal Division	\$0	\$216,726	\$0	\$216,726	Increase appropriations for attorney services contracts assisting the department with case load, funded by a reduction in Services and Supplies.
District Attorney - Criminal Division	\$0	(\$265,983)	\$0	(\$265,983)	Decrease Salaries and Benefits appropriations to fund general fund Services and Supplies expenditures.
District Attorney - Criminal Division	\$84,111	\$0	\$0	(\$84,111)	Increase revenue to recognize 2011 Realignment Growth, reducing Net County Cost.
Total	\$84,111	\$0	\$0	(\$84,111)	

Recommendation: It is recommended to increase estimated revenue by \$84,111, resulting in savings of \$84,111 to Net County Cost.

Staffing Recommendation: In 2025, the Department submitted an off-cycle request to review the salary for the Chief Criminal Investigator classification. The study has been completed with the recommendation for a salary adjustment of 6.21%.

Office of Emergency Services

Adjustments to increase appropriations by \$151,000, funded by \$151,000 in the use of Department fund balance, are recommended for the Office of Emergency Services.

Unanticipated Salaries and Benefits Costs – An increase in appropriations of \$121,000, funded by \$121,000 in the use of Department fund balance, is recommended to cover the full cost of a Fire Prevention Specialist position hired at Step Five but budgeted at Step One.

Cost Allocation Plan – An increase in appropriations of \$30,000, funded by \$30,000 in the use of Department fund balance, is recommended to cover unanticipated Cost Allocation Plan charges to the budget unit.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Office of Emergency Services - County Fire Service Fund	\$0	\$121,000	\$121,000	\$0	Increase appropriations in Salaries and Benefits to cover full cost of Fire Prevention Specialist hired at Step Five, funded by Department fund balance.
Office of Emergency Services - County Fire Service Fund	\$0	\$30,000	\$30,000	\$0	Increase appropriations in Intercounty Expenditures to cover unanticipated CAP charges in janitorial services, services and supplies, and utilities, funded by Department fund balance.
Total	\$0	\$151,000	\$151,000	\$0	

Recommendation: It is recommended to increase appropriations by \$151,000, funded by \$151,000 in Department fund balance.

Probation

An adjustment increasing estimated revenue by \$1 million, with a corresponding reduction to the use of Department fund balance, is recommended for Probation.

Sheriff Vocational Training Expansion Project – An increase in estimated revenue of \$1 million, with a corresponding reduction in the use of Department fund balance, is recommended in the Local Community Corrections budget to recognize unused project funds related to the Sheriff Vocational Training Expansion Project.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Probation - Local Community Corrections	\$1,002,686	\$0	(\$1,002,686)	\$0	Increase revenue and decrease the use of Department Fund balance for unused project funds related to Sheriff Vocational Training Expansion Project
Total	\$1,002,686	\$0	(\$1,002,686)	\$0	

Recommendation: It is recommended to increase estimated revenue by \$1,002,686, resulting in a savings to Department fund balance in the same amount.

Public Defender

Adjustments to increase appropriations by \$431,348, funded by \$431,348 of Net County Cost, are recommended for Public Defender.

Unanticipated Termination Cash Outs – It is recommended that the cost of unanticipated termination cash outs not incorporated in the existing budget be supported. To support these costs, a total increase in appropriations of \$135,000 is recommended to be split as follows: \$45,000 in the Public Defender budget and \$90,000 in the Indigent Defense budget. It is recommended to fund increase in appropriations with Net County Cost.

Labor Negotiations – On January 27, 2026 (Board Resolution 2026-0039), the Board of Supervisors approved a labor agreement between the County and the County Attorneys' Association for the negotiated term of July 1, 2025, through June 30, 2028. It is recommended to increase appropriations by \$94,108 in the Public Defender budget and \$9,656 in the Indigent Defense budget to support the costs of the new agreement. It is recommended to fund the increase in appropriations with Net County Cost for a total increase of \$103,764.

Labor Negotiations – On March 3, 2026 (Board Resolution 2026-0089), the Board of Supervisors approved a labor agreement between the County and the Service Employees International Union (SEIU) for the negotiated term of July 1, 2025, through June 30, 2028. It is recommended to increase appropriations by \$18,541 in the Public Defender budget and \$1,043 in the Indigent Defense budget to support the costs of the new agreement. It is recommended to fund the increase in appropriations with Net County Cost for a total increase of \$19,584.

Employee Recruitment and Retention Strategy – An increase in appropriations and Net County Cost of \$133,000 is recommended to support bonus payments under the County's Employee Recruitment and Retention Strategy. The increases are recommended as follows: \$120,000 in the Public Defender budget and \$13,000 in the Indigent Defense budget.

Cost Allocation Plan – An increase in appropriations and Net County Cost of \$40,000 is recommended to support increased Cost Allocation Plan charges in the Public Defender budget.



Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Public Defender	\$0	\$94,108	\$0	\$94,108	Increase appropriations in Salaries and Benefits for negotiated labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0039), funded with Net County Cost.
Public Defender	\$0	\$18,541	\$0	\$18,541	Increase appropriations in Salaries and Benefits for negotiated labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0089), funded with Net County Cost.
Public Defender	\$0	\$45,000	\$0	\$45,000	Increase appropriations and Net County Cost to support unanticipated termination cash outs that were not included in the approved budget, funded with Net County Cost.
Public Defender	\$0	\$40,000	\$0	\$40,000	Increase appropriations and Net County Cost to support increased Cost Allocation Plan charges, funded with Net County Cost.
Public Defender	\$0	\$120,000	\$0	\$120,000	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Employee Choice Bonus Payments not included in the approved budget, funded with Net County Cost.
Public Defender - Indigent Defense	\$0	\$9,656	\$0	\$9,656	Increase appropriations in Salaries and Benefits for negotiated labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0039), funded with Net County Cost.
Public Defender - Indigent Defense	\$0	\$1,043	\$0	\$1,043	Increase appropriations in Salaries and Benefits for negotiated labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0089), funded with Net County Cost.
Public Defender - Indigent Defense	\$0	\$90,000	\$0	\$90,000	Increase appropriations and Net County Cost to support unanticipated termination cash outs that were not included in the approved budget, funded with Net County Cost.
Public Defender - Indigent Defense	\$0	\$13,000	\$0	\$13,000	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Employee Choice Bonus Payments not included in the approved budget, funded with Net County Cost.
Total	\$0	\$431,348	\$0	\$431,348	

Recommendation: It is recommended to increase appropriations by \$431,348, funded by \$431,348 of Net County Cost.

It is also recommended to authorize transferability among the Public Defender's two General Fund budget units to provide the Department with maximum capacity to balance the General Fund budgets and end the year in a positive fiscal position.

Sheriff

Adjustments increasing appropriations by \$708,774, funded by \$90,067 of estimated revenue and \$618,707 of Net County Cost are recommended for the Sheriff.

Employee Recruitment and Retention Strategy – An increase in appropriations and Net County Cost of \$142,706 is recommended to support bonus payments under the County's Employee Recruitment and Retention Strategy. The increases are recommended as follows: \$10,389 in the Administration budget, \$95,028 in the Detention budget, and \$37,289 in the Operations budget.

Unanticipated Retirement Cash Outs – It is recommended that the cost of unanticipated retirement cash outs not included in the approved budget be supported. To support these costs, a total increase in appropriations of \$267,734 is recommended to be split as follows: \$3,841 in the Administration budget, \$185,215 in the Detention budget, and \$78,678 in the Operations budget. It is recommended to fund this recommendation with Net County Cost.

Labor Negotiations – On March 3, 2026 (Board Resolution 2026-0089), the Board of Supervisors approved a labor agreement between the County and the Service Employees International Union (SEIU) for the negotiated term of July 1, 2025, through June 30, 2028. It is recommended to increase appropriations by \$6,514 in the Court Security budget, \$7,706 in the Detention budget and \$22,720 in the Operations budget to support the costs of the new agreement. It is recommended to fund the increase in appropriations with Net County Cost for a total increase of \$36,940.

Court Security Costs – An increase in appropriations of \$186,667 is recommended, supported by the recognition of previously deferred State Court Security revenue to cover increased Salaries and Benefits costs. These increased expenses are due to the activation of two Superior Court judgeships, which require the Sheriff to provide full-time bailiff and courtroom security services for both courtrooms.

Specialty Pay – It is recommended that costs associated with negotiated specialty pays not included in the approved budget be supported. To support these costs, a total increase in appropriations of \$49,727 is recommended to be split as follows: a \$4,642 increase in the Detention budget to support Acting Sergeant and Acting Watch Commander specialty pays, and a \$45,085 increase in Operations to support Acting Sergeant and Acting Watch Commander specialty pays. It is recommended to fund this recommendation with Net County Cost.

Vocational Training Expansion Project – The Fiscal Year 2024 Community Corrections Partnership (CCP) Plan for 2011 Public Safety Realignment included \$2.5 million for the Sheriff's Vocational Training Program Expansion project. The Detention budget was increased

by this amount on October 15, 2024 (Board Resolution 2024-0588). Approximately \$1 million in funds are unused and need to be returned to Probation. To facilitate this transfer it is recommended to transfer \$864,955 of appropriations in Capital Outlays and \$137,731 of appropriations in Services and Supplies to Operating Transfer Out in the Detention budget.

Technical Adjustments – Two technical adjustments for the Detention budget are necessary to align estimated revenue for the Recreation Yards Project and to align appropriations and estimated revenue associated with California Office of Traffic Safety Selective Traffic Enforcement Program.

- On January 13, 2026, the Board awarded a construction agreement and approved budget adjustments to begin construction on the Recreation Yards Capital Project (Board Resolution 2026-0014). The budget journal included with that agenda item reduced appropriations in the Detention budget without a corresponding decrease in estimated revenue for funds diverted from the Sheriff’s Fiscal Year 2026 CCP approved spending plan. To accurately capture this adjustment, it is recommended to reduce estimated revenue by \$121,600, with a corresponding increase to Net County Cost.
- It is recommended to increase appropriations and estimated revenue by \$25,000 to reflect a modification to the Selective Traffic Enforcement Program grant.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff - Administration	\$0	\$10,389	\$0	\$10,389	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Employee Choice Bonus Payments not included in the approved budget.
Sheriff - Administration	\$0	\$3,841	\$0	\$3,841	Increase appropriations in Salaries and Benefits and General Fund Contribution to support unanticipated retirement cash outs that were not included in the approved budget.
Sheriff - Court Security	\$0	\$6,514	\$0	\$6,514	Increase appropriations in Salaries and Benefits and General Fund Contributions for known labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0089).
Sheriff - Court Security	\$186,667	\$186,667	\$0	\$0	Increase appropriations in Salaries and Benefits and Services & Supplies funded by an offsetting in increase in revenue to right-size the legal budget to align with actuals.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff - Detention	\$0	\$95,028	\$0	\$95,028	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Employee Choice Bonus Payments not included in the approved budget.
Sheriff - Detention	\$0	\$185,215	\$0	\$185,215	Increase appropriations in Salaries and Benefits and General Fund Contribution to support unanticipated retirement cash outs that were not included in the approved budget.
Sheriff - Detention	\$0	\$4,642	\$0	\$4,642	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Acting Sergeant and Acting Watch Commander specialty pays that not included in the approved base budget.
Sheriff - Detention	\$0	\$7,706	\$0	\$7,706	Increase appropriations in Salaries and Benefits and General Fund Contributions for negotiated labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0089).
Sheriff - Detention	(\$121,600)	\$0	\$0	\$121,600	Technical adjustment to right-size estimated revenue increasing Net County Cost related to GSA Capital Projects for the Sheriff's Recreation Yards Project (Board Resolution No. 2026-0014). Agenda item reduced costs without reducing corresponding CCP revenue.
Sheriff - Detention	\$0	(\$864,955)	\$0	(\$864,955)	Decrease appropriations and Net County Cost in Capital Outlays to support return of unused Sheriff Vocational Training Expansion project funds to Probation (Board Resolution No. 2024-0588).
Sheriff - Detention	\$0	(\$137,731)	\$0	(\$137,731)	Decrease appropriations in Services and Supplies and Net County Cost to support return of unused Sheriff Vocational Training Expansion project funds to Probation (Board Resolution No. 2024-0588).



Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Sheriff - Detention	\$0	\$1,002,686	\$0	\$1,002,686	Increase appropriations in Transfers Out to return unused Sheriff Vocational Training Expansion project funds to Probation (Board Resolution No. 2024-0588).
Sheriff - Detention	\$25,000	\$25,000	\$0	\$0	Increase appropriations in Services and Supplies and Estimated Revenue for the modified grant agreement from the California Office of Traffic Safety for the Selective Traffic Enforcement Program (Board Resolution No. 2025-0518).
Sheriff - Operations	\$0	\$37,289	\$0	\$37,289	Increase appropriations in Salaries and Benefits, funded by Net County Cost to support Employee Choice Bonus Payments not included in the approved budget.
Sheriff - Operations	\$0	\$78,678	\$0	\$78,678	Increase appropriations in Salaries and Benefits and General Fund Contribution to support unanticipated retirement cash outs that were not included in the approved budget.
Sheriff - Operations	\$0	\$45,085	\$0	\$45,085	Increase appropriations in Salaries and Benefits and General Fund Contribution to support Acting Sergeant and Acting Watch Commander specialty pays that not included in the approved base budget.
Sheriff - Operations	\$0	\$22,720	\$0	\$22,720	Increase appropriations in Salaries and Benefits for known labor rate increases, as approved by the Board of Supervisors (Board Resolution No. 2026-0089), funded by Net County Cost.
Total	\$90,067	\$708,774	\$0	\$618,707	

Recommendation: It is recommended to increase appropriations by \$708,774, funded by \$90,067 in estimated revenue and \$618,707 of Net County Cost. It is further recommended to authorize transferability among the Sheriff's three General Fund budget units, specifically, Administration, Detention, and Operations. The Sheriff's Office has historically been provided with transferability among these three General Fund budget units to provide the Department with maximum capacity to balance the General Fund budgets to end the year in a positive fiscal position.

Staffing Recommendation: It is recommended to study two Community Services Officer positions to determine if the current duties and responsibilities are in alignment with the current designation.

SUPPORTING A HEALTHY COMMUNITY



Aging and Veterans Services

Behavioral Health and Recovery Services

Child Support Services

Community Services Agency

Health Services Agency

Supporting a Healthy Community

Priority Overview

Supporting a Healthy Community is vital to the quality of life for our residents. Protecting and promoting our residents' physical health and safety includes preventing disease, disability, and death. Protecting emotional safety focuses on social problems like homelessness, incarceration, and fragmented families with financial and emotional needs. Resources dedicated to prevention allow services to reach a broader population.

The departments assigned to this priority area include Aging and Veterans Services, Behavioral Health and Recovery Services (BHRS), Child Support Services, Community Services Agency (CSA), and Health Services Agency (HSA). The major funding sources for the programs and services provided by these departments include Federal and State funding, along with County local discretionary funds, where required, to match other governmental funding in support of these programs.

As reported in the 2026 Adopted Budget, the combined fund balance/retained earnings for the three largest "Healthy Community" departments, BHRS, CSA, and HSA, increased from approximately \$184.5 million in July 2024 to \$203.2 million in July 2025. As of the 2026 First Quarter Financial Report, the combined fund balance/retained earnings was adjusted to \$182.8 million in July 2024 and \$203.3 million in July 2025. Due to the size of the fund balance/retained earnings and the departments' planned reliance on this funding to support operations, a detailed multi-year reconciliation is underway, involving departmental staff, the Chief Executive Office, and the Auditor-Controller. This complex review includes correcting accounts receivable balances, addressing accounting changes resulting from the shift to Oracle Cloud, and addressing recommendations from prior audits. The process is strengthening institutional knowledge of mandated program funding and Realignment revenues. The analysis of HSA's Clinics and Ancillary Services budget was completed and addressed in the department section of the 2026 Midyear Financial Report. Ongoing analysis and work continue for the remaining departments, with planned updates to be reported in subsequent budget cycles. If as a result there is any confirmed surplus County Match, this will be returned to the County General Fund in alignment with Board-approved policy.

The recommendations contained in this report *Supporting a Healthy Community* will increase appropriations by \$647,974 and decrease the use of fund balance by \$501,802. These adjustments are funded by a \$1.1 million increase in estimated revenue. Overall, departments within the priority *Supporting a Healthy Community* are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

For department budgets representing the priority *Supporting a Healthy Community*, actual revenue received as of March 31, 2026, totaled \$466.3 million, which is 65.7% of the estimated annual revenue. This ratio is within historical trends, compared with revenue received as of the Third Quarter Financial Report for the previous three years, which ranged from 57.3% to 70.2% of year-end actual totals.

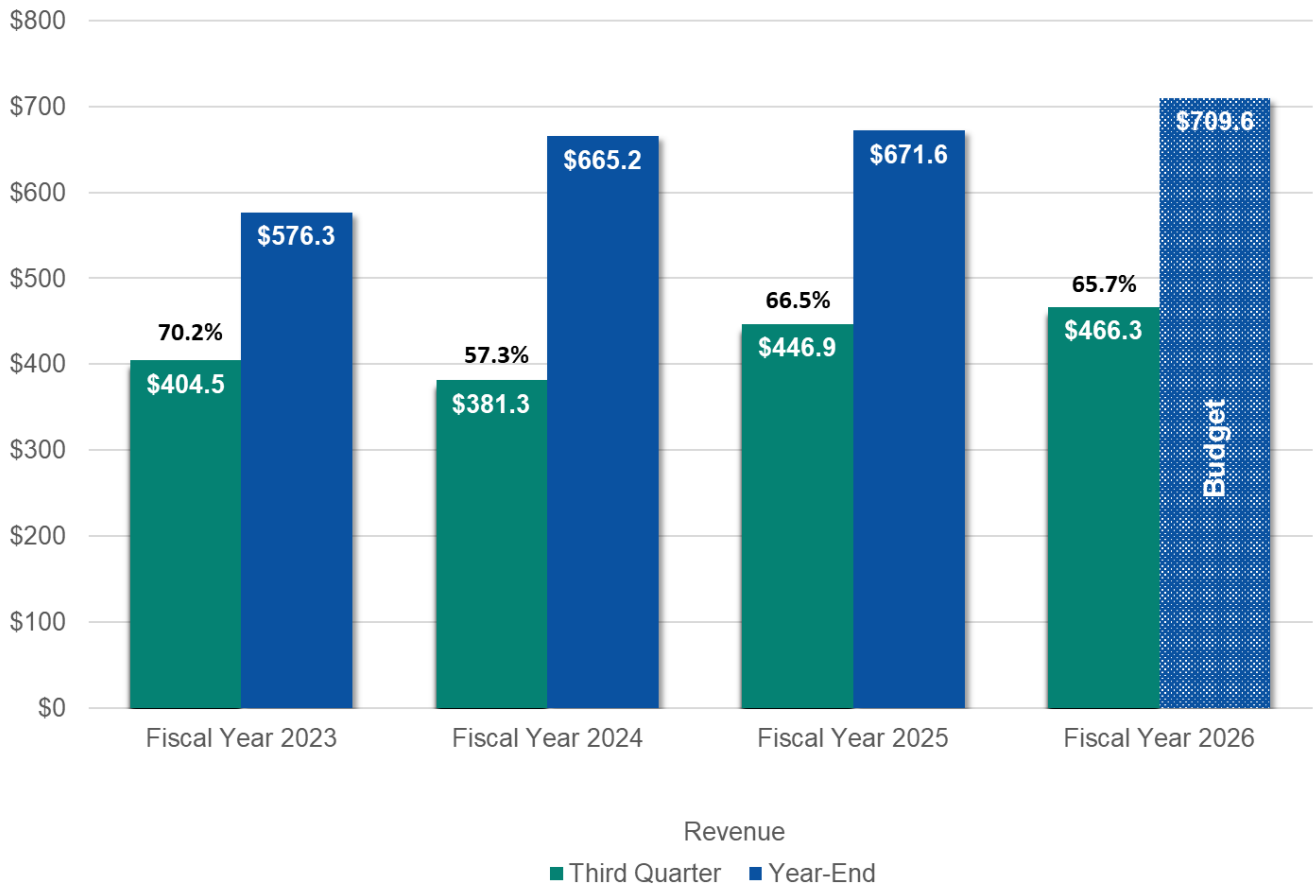
From Fiscal Year 2023 to Fiscal Year 2026, actual revenue reported through the third quarter increased from \$404.5 million to \$466.3 million. The year-over-year change reflects a net increase largely driven by a \$34.9 million gain in Behavioral Health and Recovery Services (BHRS), tied to operational improvements that enhanced Medi-Cal revenue. These gains were partially offset by revenue declines of \$9.3 million in the Health Services Agency (HSA) and \$5.8 million in the Community Services Agency (CSA).

HSA's decrease is primarily attributable to reduced Intergovernmental Transfer (IGT) revenue, lower shareable revenue from the Health Plan of San Joaquin, and a 1991 Realignment adjustment by the State Controller's Office, as noted in the 2026 Midyear Financial Report. HSA also recorded a \$1.7 million reduction in prospective payment system (PPS) revenue due to reconciliation settlements for Fiscal Years 2024 and 2025. CSA's reduction reflects lower spending (resulting in less revenue drawdown), timing lags in grant funding, and changes in revenue accrual posting.

Revenue dipped in Fiscal Year 2024 due to BHRS challenges in implementing CalAIM payment reforms and delays in Child Support Services revenue posting. Despite this, actual revenue recorded through the third quarter has grown 15.3% from 2023 to 2026. The increase from Fiscal Year 2024 to 2025 stems from BHRS's improved ability to recognize revenue monthly, resolved billing challenges in Child Support Services, and HSA's accrual of IGT revenue that was absent in the prior year.

Supporting a Healthy Community Four-Year Revenue Comparison

In Millions



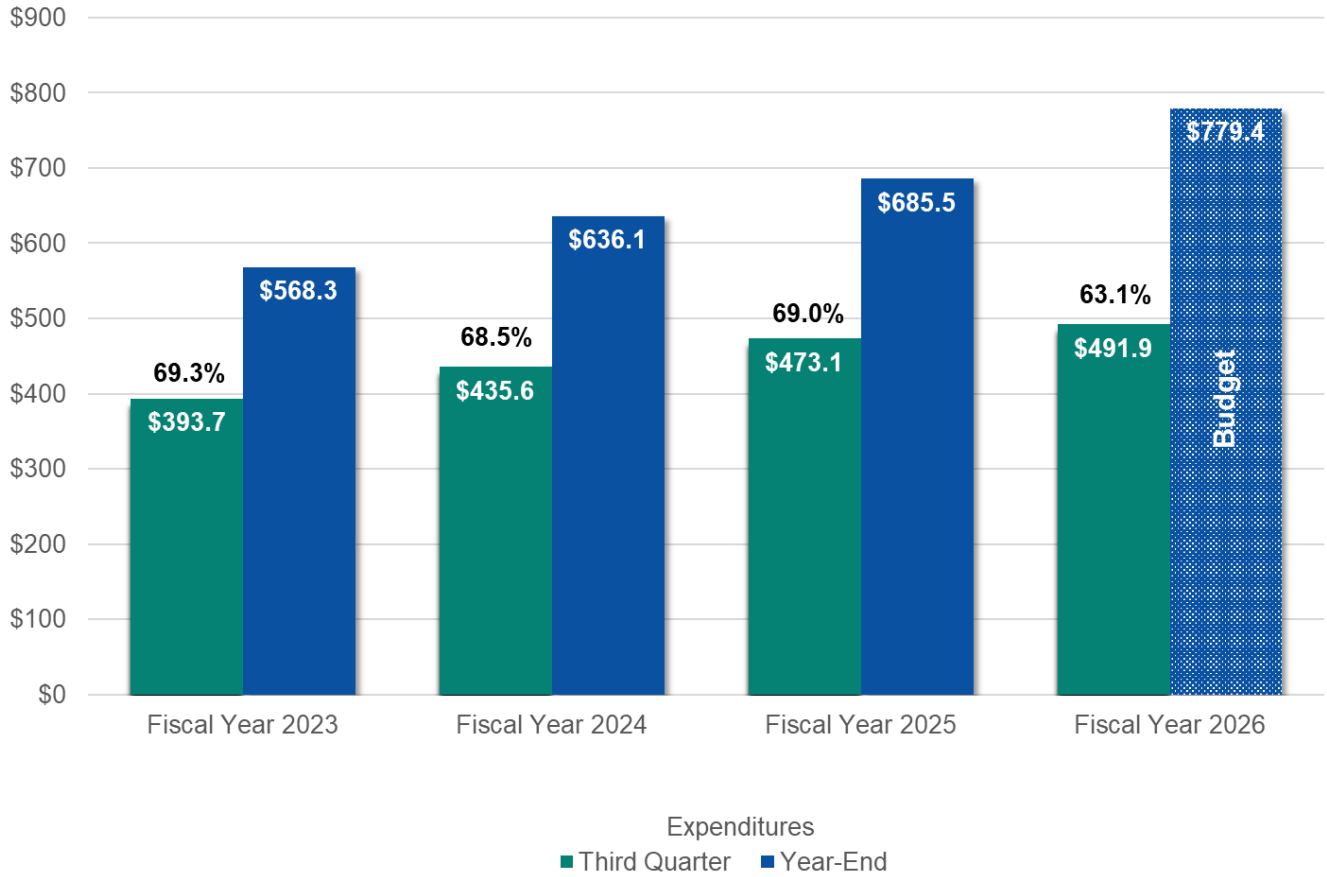
Departmental Expenditures

As of March 31, 2026, expenditures in this priority area totaled \$491.9 million, representing 63.1% of budgeted appropriations. This ratio is below the range when compared to expenditures in the Third Quarter Financial Report for the previous three years, which ranged from 68.5% to 69.3% of year-end actual totals.

From Fiscal Year 2023 to Fiscal Year 2025, actual expenditures for this priority, as of the Third Quarter Financial Report, increased from \$393.7 million to \$473.1 million, with Fiscal Year 2026 actuals at \$491.9 million, an increase of \$18.8 million over the prior fiscal year. BHRS experienced a \$26.2 million increase in expenditures over this period, accounting for most of the priority's growth. This growth is attributed to improved invoice processing within the Department, increased penalty payments related to the State's Incompetent to Stand Trial (IST) penalty, and retroactive payments to Doctors' Behavioral Health Centers to cover the difference between Medi-Cal rates and the Department's contracted rates. This increase is partially offset by the net of a \$9.4 million decrease in the CSA, due to a hiring pause and reduced caseloads in Public Economic Assistance, and a \$1.9 million increase in HSA, due to the purchase of the Northpoint Towers facility. Overall growth from Fiscal Year 2023 through the current fiscal year is \$98.2 million. This growth is largely attributable to spending in BHRS and CSA, which account for 96.5% of the growth, driven by improved invoice processing in BHRS and reduced vacancy rates and caseload growth in CSA.

Supporting a Healthy Community Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

The recommendations contained in this report *Supporting a Healthy Community* will increase appropriations by \$647,974 and decrease the use of fund balance by \$501,802. These adjustments are funded by a \$1.1 million increase in estimated revenue.

Behavioral Health and Recovery Services

An adjustment to increase estimated revenue by \$612,408 and decrease the use of Department fund balance by \$612,408 is recommended for Behavioral Health and Recovery Services.

Realignment Growth – It is recommended to increase estimated revenue, benefiting the use of Department fund balance, by \$612,408 to recognize 2011 Realignment Growth and the corresponding impact on base in the current fiscal year.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Behavioral Health and Recovery Services	\$612,408	\$0	(\$612,408)	\$0	Increase estimated revenue, benefiting the use of department fund balance, to recognize 2011 Realignment Growth and the corresponding impact on base.
Total	\$612,408	\$0	(\$612,408)	\$0	

Recommendation: It is recommended to increase estimated revenue by \$612,408 and decrease the use of Department fund balance by \$612,408.

Community Services Agency

Adjustments increasing appropriations by \$488,702 are recommended for the CSA. These adjustments are funded with estimated revenue.

Increase IHSS MOE/Realignment Growth – Due to labor increases approved by the Board of Supervisors on September 30, 2025 (Board Resolution 2025-056) and the 4% inflation factor, it is recommended to increase appropriations by \$435,504 in the In-Home Supportive Services (IHSS) Provider Wages budget to support the increase in Maintenance of Effort (MOE) for IHSS. This adjustment will be funded by an increase in Net County Cost. To offset this increase in Net County Cost, it is recommended to increase estimated revenue by \$427,663 in the Program Services and Support budget, benefiting Net County Cost, to recognize 2011 Realignment Growth, the corresponding impact on base in the current fiscal year, and base restoration. Additionally, it is recommended to decrease appropriations and Net County Cost by \$7,841 in the General Assistance budget. The total of the two adjustments benefiting Net County Cost completely offset the increase in Net County Cost to support the IHSS MOE.

IHSS Allocation – It is recommended to increase appropriations and estimated revenue by \$102,430 in the IHSS Public Authority Administration budget to recognize the increased Public Authority Administration allocation per County Fiscal Letter (CFL) 25/26-06 dated August 12, 2025. The increased allocation will be used to support scanning equipment for staff to improve efficiencies and further support staff costs claimed to the program.

Align Revenue with Projections – It is recommended to decrease appropriations and estimated revenue by \$41,391 in the Program Services and Support budget to align the Department’s 1991 Realignment revenue budget with current projections. The decrease in appropriations is not anticipated to impact current service levels.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Community Services Agency - General Assistance	\$0	(\$7,841)	\$0	(\$7,841)	Decrease appropriations and Net County Cost to support the IHSS Provider Wages Maintenance of Effort.
Community Services Agency - In-Home Supportive Services (IHSS) Public Authority Administration	\$102,430	\$102,430	\$0	\$0	Increase appropriations and estimated revenue to align with the Public Authority Administration revenue allocation .
Community Services Agency - IHSS Provider Wages	\$0	\$435,504	\$0	\$435,504	Increase appropriations and Net County Cost to support the Maintenance of Effort .
Community Services Agency - Program Services and Support	\$427,663	\$0	\$0	(\$427,663)	Increase appropriations, benefiting Net County Cost, to recognize 2011 Realignment Growth and base restoration.
Community Services Agency - Program Services and Support	(\$41,391)	(\$41,391)	\$0	\$0	Decrease appropriations and estimated revenue to align with 1991 Realignment revenue projections.
Total	\$488,702	\$488,702	\$0	\$0	

Recommendation: It is recommended to increase appropriations and estimated revenue by \$488,702. Additionally, it is recommended to allow transferability of General Fund County Match and corresponding appropriations between budgets receiving General Fund to allow the Department to end the year in a positive fiscal position.

Health Services Agency

Adjustments increasing appropriations by \$159,272 are recommended for the Health Services Agency. These adjustments are funded with \$48,666 in estimated revenue and \$110,606 in the use of Department fund balance.

Unanticipated Retirement Costs – It is recommended to increase appropriations and the use of fund balance in the Administration budget by \$110,606 to support unanticipated retirement cash-out costs. These costs will be charged out to the Clinics and Ancillary Services and Public Health budgets. To recognize these cost transfers, it is recommended to decrease appropriations by \$61,940, increase estimated revenue by \$48,666, and decrease the use of Department fund balance by \$110,606 in the Administration budget. Additional adjustments to increase appropriations and use of fund balance by \$48,666 in the Clinics and Ancillary Services budget and by \$61,940 in the Public Health budget are recommended to recognize the costs in these respective budgets.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Health Services Agency - Administration	\$0	\$110,606	\$110,606	\$0	Increase appropriations and the use of Department fund balance to support unanticipated retirement related cash-outs.
Health Services Agency - Administration	\$48,666	(\$61,940)	(\$110,606)	\$0	Decrease appropriations and increase estimated revenue to reflect the charging out of the retirement cash-out costs to Public Health and Clinics and Ancillary Services, reducing the use of Department fund balance.
Health Services Agency - Clinics and Ancillary Services	\$0	\$48,666	\$48,666	\$0	Increase appropriations and use of Department fund balance to support the internal cost plan charges supporting retirement related cash-outs.
Health Services Agency - Public Health	\$0	\$61,940	\$61,940	\$0	Increase appropriations and use of Department fund balance to the internal cost plan charges supporting retirement related cash-outs.
Total	\$48,666	\$159,272	\$110,606	\$0	

Recommendation: It is recommended to increase appropriations by \$159,272, funded with \$48,666 in estimated revenue and \$110,606 in the use of Department fund balance.

DEVELOPING A HIGH-PERFORMING ECONOMY



Agricultural Commissioner
UC Cooperative Extension
Workforce Development

Developing a High-Performing Economy

Priority Overview

The Board of Supervisors' priority area of *Developing a High-Performing Economy* recognizes the critical role that County government can play in promoting, protecting, and sustaining our agricultural economy, while providing for more diversified economic opportunities, all to strengthen our local economy and provide for a better, more stable, quality of life for our residents. Supporting job creation, providing a wide range of employment and training services, and providing educational resources are key aspects of *Developing a High-Performing Economy*. Departments assigned to this priority area include the Agricultural Commissioner, the University of California (UC) Cooperative Extension, and Workforce Development.

Departments in this priority recognize the vital role of the County's number one industry, agriculture, which generates billions of dollars in value of agricultural commodities per year. Farmland conversion, air pollution mitigation, soil salinity and drainage, agricultural water supply and water quality, and preservation of the County's unique agricultural heritage are key aspects of *Developing a High-Performing Economy*. Stanislaus County is an international agri-business powerhouse. The 2024 Stanislaus County Agricultural Report notes that the total gross value of Stanislaus County's agricultural production in 2024 was \$3.2 billion, a slight decrease from 2023.

There are various funding sources supporting departments in this priority area. The Agricultural Commissioner/Sealer of Weights and Measures receives State funding for several programs and charges fees for specific services, with additional support from the General Fund. University of California (UC) Cooperative Extension's advisors and programmatic support staff are funded through the UC system; however, the County provides General Fund support for staffing and operational expenses. Workforce Development receives Federal and State funds for work focused on fulfilling its mission.

While the agricultural industry is a significant economic driver in the County, regional development strategies are in place to increase economic diversity. Initiatives include job creation, business assistance and retention, demand-driven workforce readiness and innovation.

There are no recommended budget adjustments for this priority at third quarter. Overall, the departments within the priority *Developing a High-Performing Economy* are on track to end the year within budgeted appropriations and in a positive fiscal position.

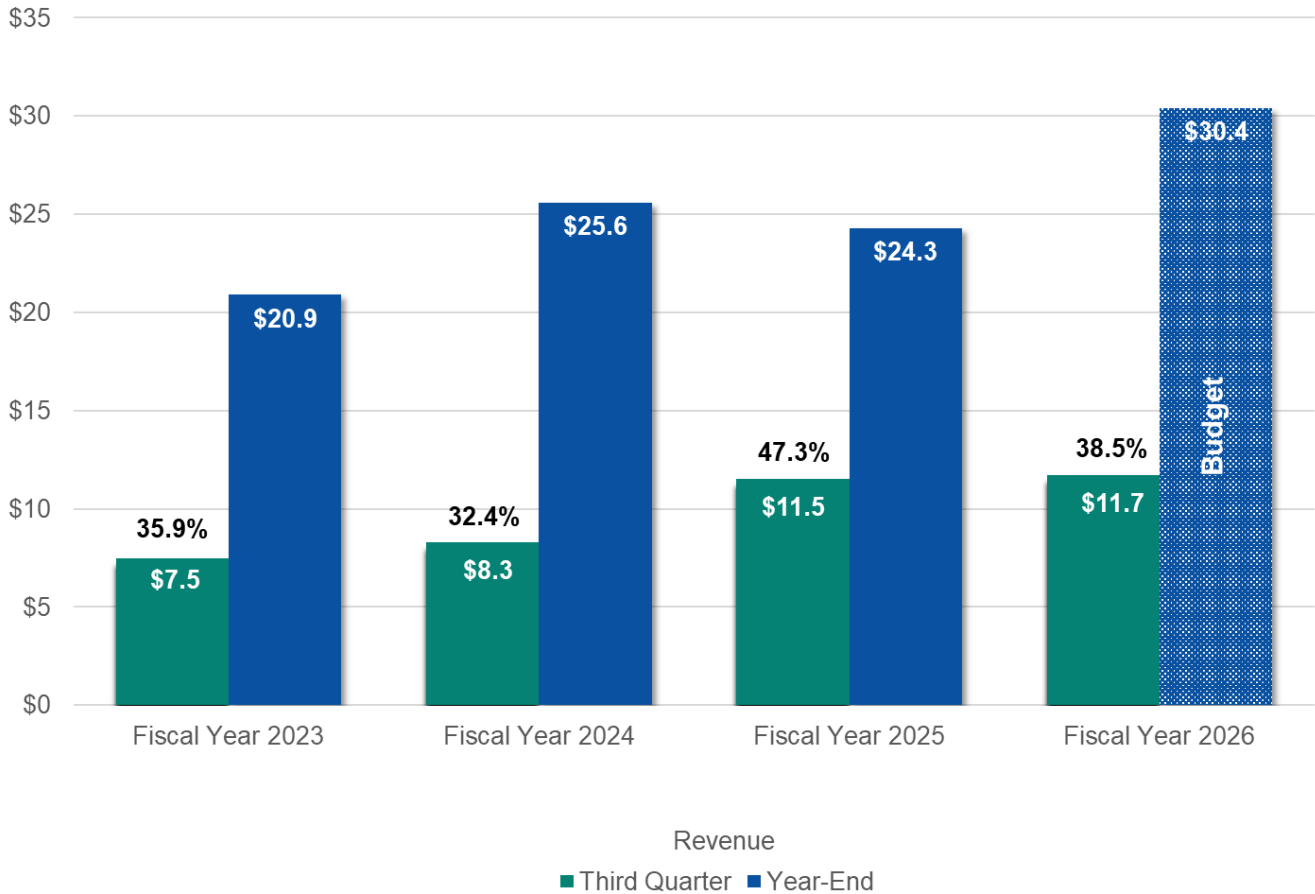
Departmental Revenue

As of March 31, 2026, departments *Developing a High-Performing Economy* collected \$11.7 million in revenue, representing 38.5% of the estimated annual total. This level falls within the historical third-quarter range of the past three years, when revenues collected ranged from 32.4% to 47.3% of year-end receipts.

Budgeted revenue for Fiscal Year 2026 increased by \$6.1 million, or 25.1%, compared to the prior year’s actuals. This increase is largely driven by anticipated additional reimbursement-based revenue for Workforce Development. In addition, the Agricultural Commissioner has entered into several revenue-generating agreements with the California State Department of Food and Agriculture. These agreements contributed to increased actual revenues at the third-quarter mark in Fiscal Years 2025 and 2026.

Developing a High-Performing Economy Four-Year Revenue Comparison

In Millions



Departmental Expenditures

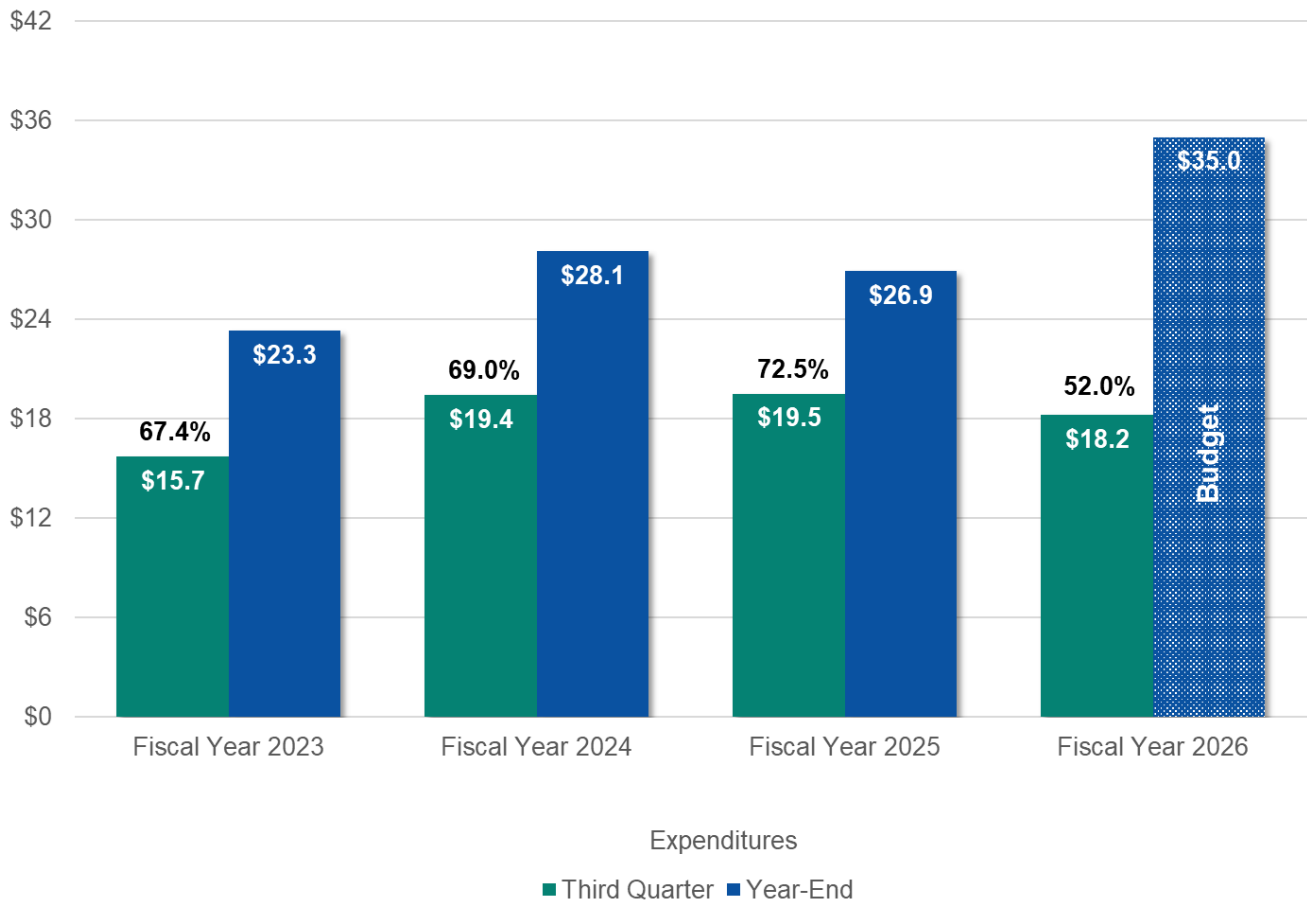
As of March 31, 2026, expenditures in this priority area totaled \$18.2 million, or 52% of budgeted appropriations. This level is below the historical third quarter range from the prior three years, when expenditures represented 67.4% to 72.5% of year-end totals.

For the departments within the *Developing a High-Performing Economy* priority, budgeted appropriations increased by \$8.1 million, or 30.1%, over the prior year’s actual expenditures. This increase is largely due to increased reimbursement-based activities in Workforce Development for the current fiscal year, which significantly increased the overall budget for this priority area.

Expenditures through the third quarter are lower than the levels reported in Fiscal Years 2024 and 2025. This is primarily due to Workforce Development costs running below anticipated levels at third quarter, reducing the ratio of expenditures to appropriations. In addition, the midyear deletion of 12 long-standing vacant positions also contributed to lower expenditures to date in Fiscal Year 2026.

Developing a High-Performing Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

There are no recommended budget adjustments for those departments *Developing a High-Performing Economy*.

Agricultural Commissioner

Staffing Recommendation: It is recommended to study one Account Clerk II to determine if the current duties and responsibilities are in alignment with the current designation.

PROMOTING LIFELONG LEARNING



Library

Promoting Lifelong Learning

Priority Overview

The Library is the department responsible for supporting the Board of Supervisors' priority of *Promoting Lifelong Learning*. The Department serves members of the community and provides valuable services to local agencies and other County departments.

The Library is responsible for implementing *Promoting Lifelong Learning* opportunities for all residents to advance community and individual prosperity. The Stanislaus County Library engages members of the community and offers access to information, knowledge, and tools for innovation and personal development. The Library offers early literacy programs for children, basic literacy services to adults, workforce readiness programs, resources for veterans and their families, and outreach services beyond the physical walls of libraries, including online resources and community outreach activities such as home delivery service for customers who are unable to come to the Library due to advanced age, injury, or illness. The Library also offers unique services such as the Veterans Resource Center, passport application processing, and programs for job seekers.

The Library is primarily funded by a voter-approved 1/8-cent sales tax to support Library operations. The voter-approved 1/8-cent sales tax was extended for 12 years when Measure S passed in the November 7, 2017, election. In Fiscal Years 2023, 2024, and 2025, the Library budget was significantly increased by a total of \$10 million, with the implementation of Building Community Services Investment (BCSI) General Fund support to address various needs in the library system as part of an organization-wide three-year strategic initiative. The investment supports targeted projects which will directly contribute to the local quality of life, community wellness, and strategic facility planning.

There are no recommended budget adjustments for this priority at third quarter. The Library is on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

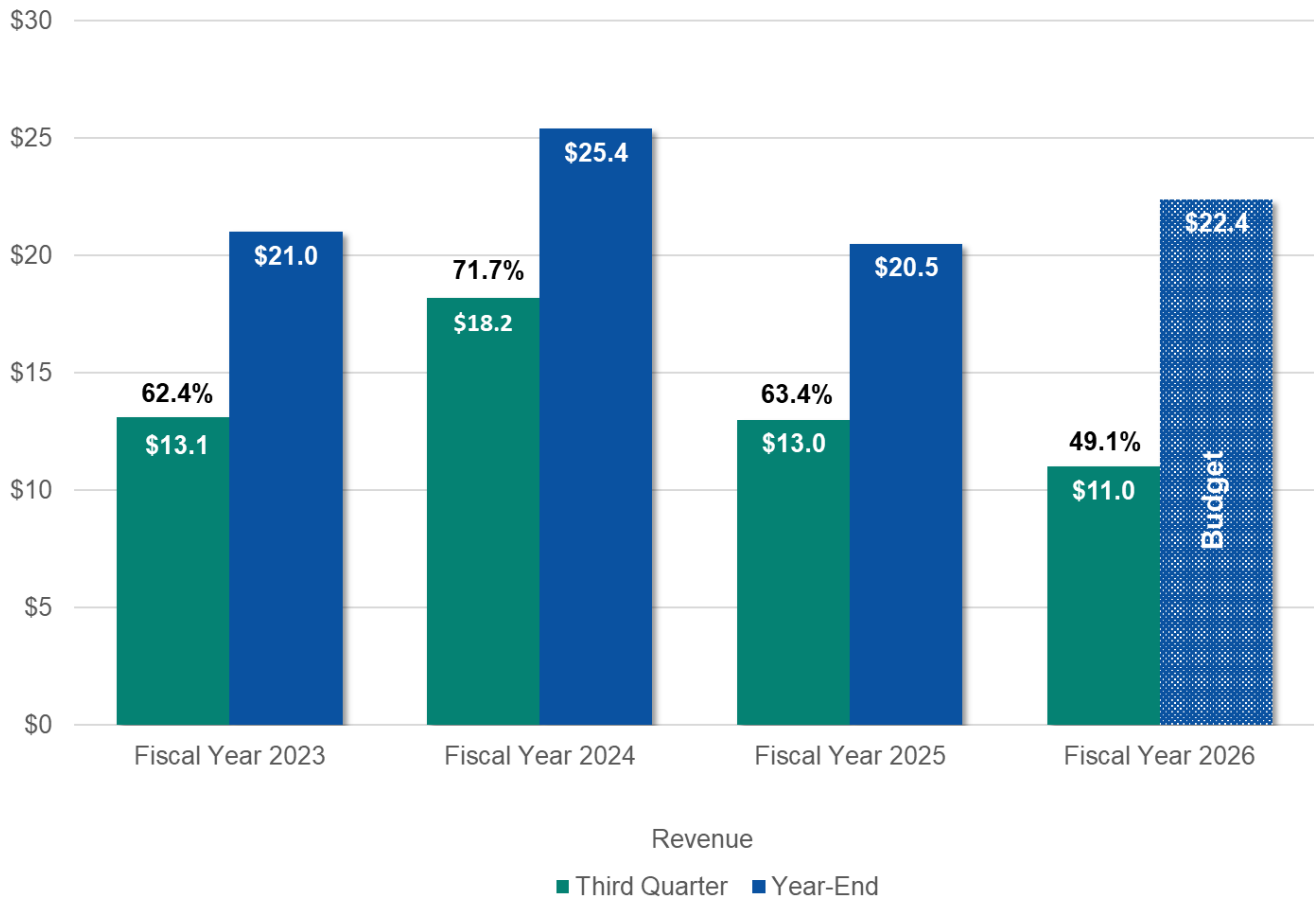
As of March 31, 2026, the department *Promoting Lifelong Learning* collected \$11 million in revenue, representing 49.1% of estimated annual revenue. This level is below the historical third-quarter range of the past three years, when revenue collections totaled between 62.4% and 71.7% of year-end receipts.

Budgeted revenue for Fiscal Year 2026 increased by \$1.9 million (9.3%) compared to the prior year's actuals. Notably, Fiscal Year 2024 budgeted revenue included \$3.5 million in BCSI General Fund support in both Fiscal Years 2023 and 2024, as approved by the Board of Supervisors in the Fiscal Year 2023 Adopted Budget as part of a three-year, \$60 million strategy to strengthen key organizational areas. The final \$3 million installment of BCSI support is reflected in the Fiscal Year 2025 budgeted revenue.

In Fiscal Years 2025 and 2026, the Library budgeted for the anticipated receipt of a \$5 million second installment from the Building Forward Library Facilities Improvement Program State grant approved by the Board (Resolution No. 2023-0565). Receipt of this installment in Fiscal Years 2025 and 2026 would have placed revenue within the historical third-quarter range; however, the second installment will not be issued until the initial \$5 million grant received in Fiscal Year 2024 is fully expended. Building Forward funds remain available through December 2027.

Promoting Lifelong Learning Four-Year Revenue Comparison

In Millions



Departmental Expenditures

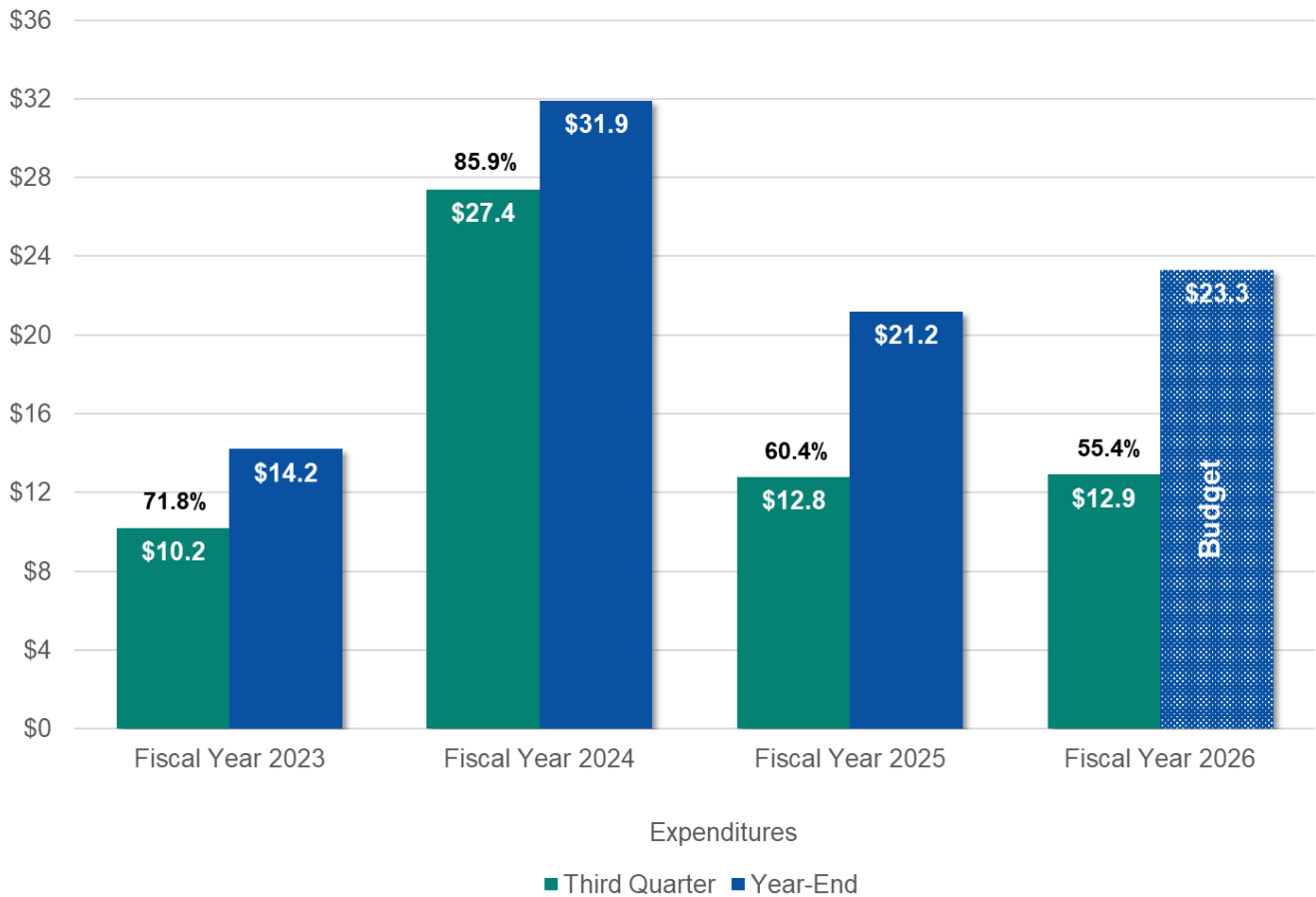
As of March 31, 2026, expenditures in this priority area totaled \$12.9 million, representing 55.4% of budgeted appropriations. This is below the historical range compared to the third quarter point of the prior three years, when expenditures ranged from 60.4% to 85.9% of the final actual expenditures.

Budgeted expenditures represent an increase of \$2.1 million, or 9.9% above the prior year’s actuals. While expenditures to date are similar to that identified last year at third quarter, the increase in budget over prior-year actuals throws off the ratio. Rarely does the department fully expend its budget; last fiscal year the department utilized 79.1% of its budget.

Of note, the Library increased its budget by \$17.7 million in the 2024 Adopted Budget, including \$7 million to account for years one and two of BCSI funding and \$5 million as part of the Library Building Forward Grant. The final \$3 million allocation of the three-year, \$10 million BCSI commitment was appropriated in the 2025 Adopted Budget.

Promoting Lifelong Learning Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

There are no recommended budget adjustments for the department *Promoting Lifelong Learning*.

DELIVERING EFFICIENT PUBLIC SERVICES



Assessor

Auditor-Controller

Board of Supervisors

Chief Executive Office

CEO-HR

Clerk-Recorder

County Counsel

County Operations

General Services Agency

Information Technology Central

Treasurer-Tax Collector



Delivering Efficient Public Services

Priority Overview

Efficiency is a critical element in the effective operation of government agencies and allows for the sustained provision of valuable services to the community. County departments provide a multitude of services to a diverse customer base, and these customers expect government to be responsive to their needs. County departments must work to understand these needs and determine how to best provide the desired services. Customer feedback is a valuable source of insight in this process and encourages departments to remain focused on continuous improvement.

Departments assigned to the Board of Supervisors' priority area of *Delivering Efficient Public Services* include the Assessor, Auditor-Controller, Board of Supervisors, Chief Executive Office, CEO – Human Relations, Clerk-Recorder, County Counsel, County Operations budgets, General Services Agency, Information Technology Central, and Treasurer-Tax Collector. These departments serve members of the community while also providing valuable services to local agencies and other County departments. The revenue used to pay for many of these services comes from local taxes such as property tax, sales tax, various fees, franchises, charges for services, and a variety of other discretionary funding sources.

Recommendations contained in this report will increase appropriations by \$6.2 million, increase revenue by \$76,000, and increase the use of fund balance/retained earnings by \$7 million, resulting in a decrease of \$921,941 in the use of Net County Cost for departments in the *Delivering Efficient Public Services* priority area. Overall, departments within this priority are on track to end the year within budget and in a positive fiscal position.

Departmental Revenue

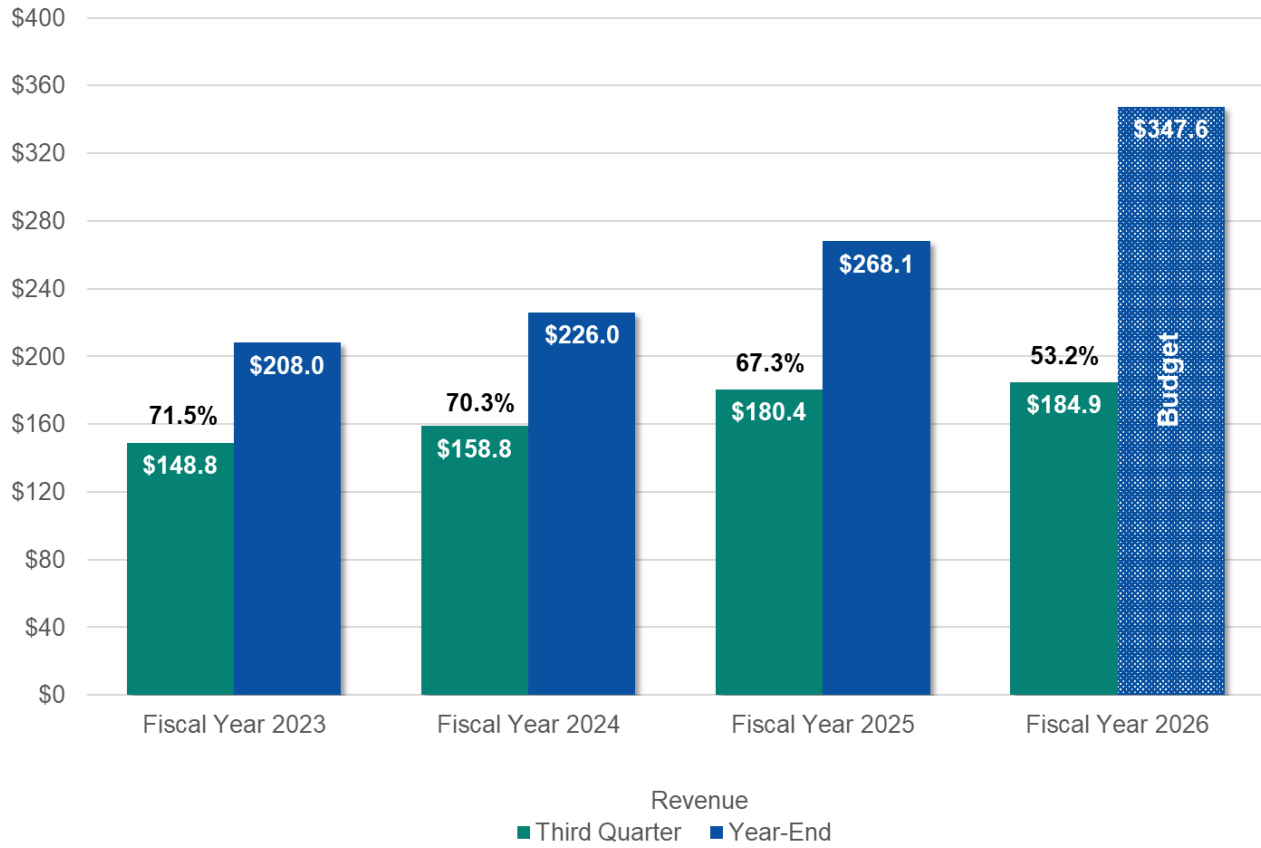
For the department budgets that make up the Board of Supervisors' *Delivering Efficient Public Services* priority area, actual revenue collected as of March 31, 2026, totaled \$184.9 million, representing 53.2% of the estimated annual revenue. This falls below the historical range when compared to the third quarter point of the prior three years, when collections ranged from 67.3% to 71.5% of the final actual revenue.

Budgeted revenue reflects an increase of \$79.5 million, or 29.7%, over the prior year's actuals. This increase is primarily driven by additional budgeted activities for County Operations, including a \$14.1 million increase to the Crows Landing Industrial Business Park (CLIBP) budget and a \$10.6 million increase to the American Rescue Plan Act (ARPA) budget.

While year-to-date revenue is up 2.5% over the prior year, that increase trails the 29.7% growth in budgeted revenue, affecting the year-to-date revenue-to-budgeted ratio. Collections for CLIBP and ARPA have come in at 1% and 3%, respectively, of budgeted revenues for the year. The 2026 Adopted Budget includes \$46 million in infrastructure improvements funded by various revenue sources on a cost-reimbursement basis. Delays in construction for many of these projects have resulted in reduced project invoicing and lower revenue collections, adversely impacting current-year revenue performance.

Delivering Efficient Public Services Four-Year Revenue Comparison

In Millions



Departmental Expenditures

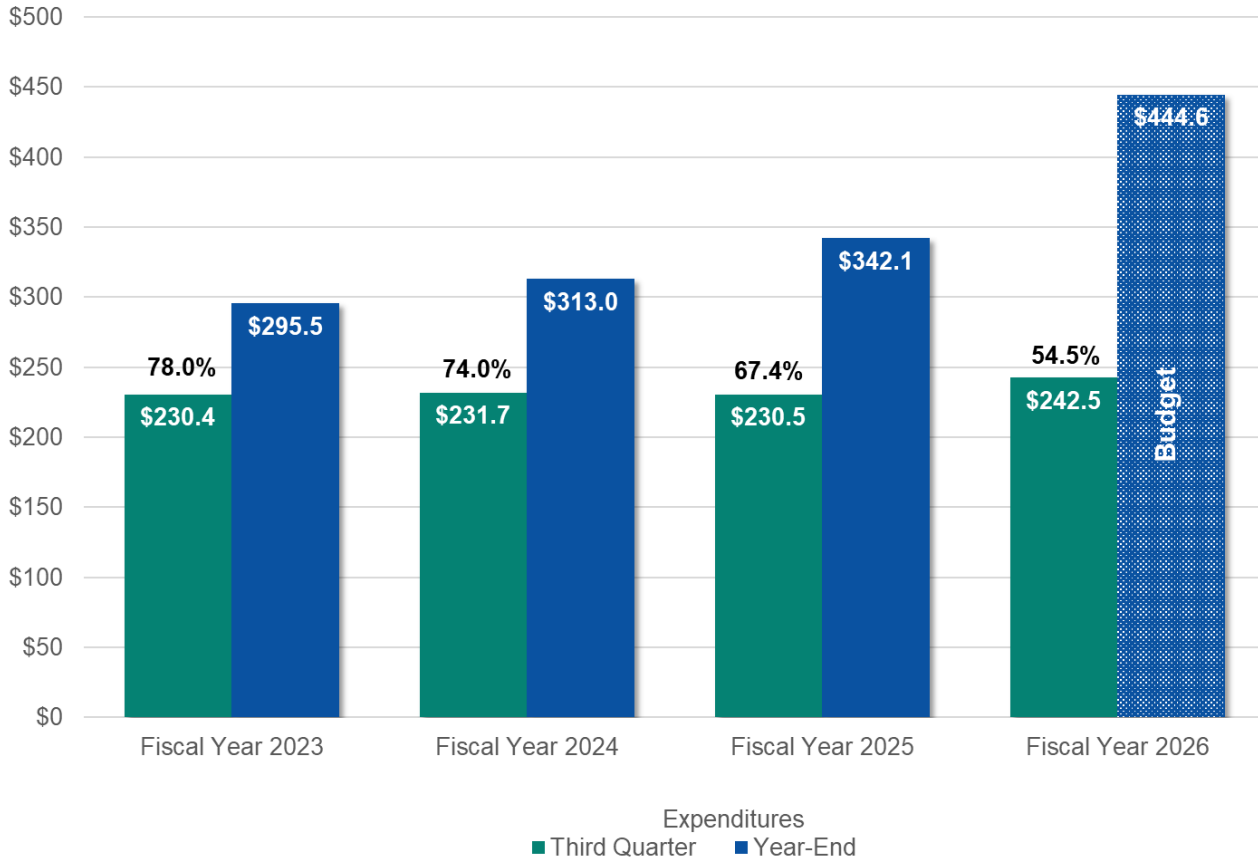
As of March 31, 2026, expenditures in this Board priority area totaled \$242.5 million, representing 54.5% of appropriations budgeted for the year. Expenditures at the third quarter point of the previous three fiscal years ranged from 67.4% to 78% of the final actual expenditures, placing this year outside the historical range.

Expenditures to date increased by \$12 million compared to last year's third quarter actuals, while the budget grew by \$102.5 million, or 29.9%, over the prior year's actuals. The increase in actual spending is primarily due to increased expenditures in General Fund Contributions, Medical Self-Insurance, ARPA, General Services Agency (GSA) and Information Technology Central (ITC), totaling \$17.5 million. This is offset by lower costs associated with Clerk-Recorder Elections division, CLIBP, General Liability, and Workers' Compensation. The overall budget growth in Fiscal Year 2026 is primarily attributed to ARPA and CLIBP, with more modest increases to General Fund contributions, General Liability and ITC.

Several budgets are underspending relative to historical averages. CLIBP and ARPA have spent only 6% and 10% of budget, respectively, due to the timing of construction projects. Clerk-Recorder Elections division spending is at 27% of budget, reflecting the timing of anticipated election costs, which are expected to increase later in the fiscal year as scheduled elections approach. Collectively, these delays have pushed the expenditure-to-budget ratio below historical levels.

Delivering Efficient Public Services Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

The recommendations contained in this report *Delivering Efficient Public Services* will increase appropriations by \$6.2 million. Budget adjustments are funded by a \$76,000 increase in estimated revenue, a \$7 million increase in the use of fund balance, and a \$921,941 decrease in Net County Cost.

Auditor-Controller

Adjustments to increase appropriations and Net County Cost by \$80,808 are recommended for the Auditor-Controller.

Interfund Space Costs – An increase in appropriations of \$19,244 is recommended to adjust interfund charges for office space at Tenth Street Place in the Auditor-Controller’s office. Previously, part of this space was occupied by ITC staff, but since they have vacated the area, the related costs have shifted back to the Auditor-Controller’s office and will be funded by Net County Cost.

Retirement Cash-Outs – A one-time increase in appropriations of \$45,000 is recommended to support the termination cash-out, funded by Net County Cost.

Employee Choice Bonus Plan – A one-time increase in appropriations of \$16,564 is recommended to support the Employee Choice Bonus Plan, funded by Net County Cost.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Auditor-Controller	\$0	\$19,244	\$0	\$19,244	Increase appropriations to right-size interfund space costs at Tenth Street Place previously rented by ITC staff, and now reassigned to ACO, funded by Net County Cost.
Auditor-Controller	\$0	\$45,000	\$0	\$45,000	Increase appropriations for termination cash-outs, funded by Net County Cost.
Auditor-Controller	\$0	\$16,564	\$0	\$16,564	Increase appropriations for Employee Choice Bonus plan, funded by Net County Cost.
Total	\$0	\$80,808	\$0	\$80,808	

Recommendation: It is recommended to increase appropriations by \$80,808, funded by Net County Cost.

Clerk-Recorder

An adjustment to increase revenue and appropriations by \$76,000 are recommended for the Clerk-Recorder.

Intercounty Expenditures – An increase to appropriations and revenue by \$76,000 to address areas that are not fully funded within Intercounty Expenditures, specifically for janitorial and maintenance-related costs in the Clerk-Recorder’s budget unit.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Clerk-Recorder - Recorder	\$76,000	\$76,000	\$0	\$0	Increase appropriations and revenue to address the inadequate allocation of Intercounty Expenditures.
Total	\$76,000	\$76,000	\$0	\$0	

Recommendation: It is recommended to increase appropriations by \$76,000, funded with \$76,000 in estimated revenue.

County Operations

Net increases of \$6 million in appropriations and \$7 million in Department fund balance/retained earnings are recommended for County Operations, resulting in savings to Net County Cost of \$1 million. The Net County Cost savings are offset by increases in other departments’ budgets. These increases result from transfers made from Appropriations for Contingencies and the General Fund Contribution to Other Programs budgets to support Net County Cost increases within those departments recommended within this report.

Appropriations for Contingencies – This budget serves as the contingency fund for the County and provides funds to meet unexpected and emergency financial exposures which may arise during the fiscal year. The transfer of funds from Appropriations for Contingencies to departmental operating budgets requires a four-fifths vote by the Board of Supervisors. The 2026 Proposed Budget included appropriations of \$21,225,000 for use during the fiscal year for General Fund cash-outs, health insurance increases, Cost Allocation Plan (CAP) charges, and other miscellaneous unforeseen program or community needs. The Board of Supervisor’s approved the following board resolutions after the 2026 Proposed Budget which required the use of Appropriations for Contingency:

- September 9, 2025, approved Board Resolution 2025-0465, utilizing \$65,000 for the Agricultural Commissioner;
- September 30, 2025, approved the Adopted Budget Board Resolution 2025-0507, utilizing \$7,713,551 to support various departments for approved adjustments, and Board Resolution 2025-0508, utilizing \$1,059,095 for Community Services Agency;
- November 18, 2025, Board Resolution 2025-0597, utilizing \$65,943 for the Airport Property Tax;
- December 9, 2025, approved the First Quarter Financial Report, Board Resolution 2025-0647, utilizing \$4,552,085 to support various departments for approved adjustments.

- March 17, 2026, approved the Midyear Financial Report, Board Resolution 2026-0125, utilizing \$3,890,219 to support various departments for approved adjustments.

This left a remaining balance of \$3,879,107 in Appropriations for Contingencies for the balance of Fiscal Year 2026.

A transfer of \$1,059,263 out of Appropriations for Contingencies is recommended to meet department Net County Cost needs recommended at third quarter, transferring funds as follows:

- Transfer \$431,348 to the Public Defender's Office to Office to support approved negotiated labor rate increases (Board Resolutions 2026-0039 and 2026-0089), Employee Choice Bonus Plan payments, and termination cash-outs;
- Transfer \$490,593 to the Sheriff's Office to support approved negotiated labor rate increases (Board Resolution 2026-0089), Employee Choice Bonus Plan payments, termination cash-outs, and negotiated special pays for Acting Sergeant and Acting Watch Commander;
- Transfer \$80,808 to the Auditor-Controller's Office to support Employee Choice Bonus Plan payments, termination cash-outs, and increased interfund charges related to space allocation;
- Transfer \$56,514 to County Operations – General Fund Contribution to Other Programs to support the Sheriff's Office Court Security approved negotiated labor rate increases (Board Resolution 2026-0089) and to support additional analysis for the Salida Community Plan Amendment Area Programmatic Environmental Impact Report, along with transfers with a net impact for various programs for Community Services Agency as described below in the General Fund Contributions to Other Programs.

After the third quarter adjustments, a total of \$2,819,844 will remain in Appropriations for Contingencies for use throughout the remainder of Fiscal Year 2026.

General Fund Contributions to Other Programs – A net increase of appropriations of \$56,514 funded by Appropriations for Contingencies is recommended as follows:

- Increase appropriations by \$6,514 to support the Sheriff's Office Court Security approved negotiated labor rate increases (Board Resolution 2026-0089);
- Increase appropriations by \$435,504, offset by decreases to Community Services Agency (CSA) - Program Services and Support (\$427,663) and CSA - General Assistance (\$7,841), to fund Community Services Agency - In-Home Supportive Services (IHSS) Provider Wages, resulting in net zero impact to the overall budget.
- Increase appropriations by \$50,000 to support Planning and Community Development - Salida Planning Efforts to support additional analysis for the Salida Community Plan Amendment Area Programmatic Environmental Impact Report.

Medical Self-Insurance – An increase of \$7 million in appropriations is recommended across the Medical Self-Insurance Fund, increasing the use of retained earnings by \$7 million.

- The \$7 million appropriations increase is necessary to address rising medical and pharmacy claim costs based on the most current utilization trends and updated projections. To support this increase, the Fund will utilize an additional \$7 million in retained earnings to ensure sufficient funding for claims throughout the fiscal year.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
County Operations - Appropriations for Contingencies	\$0	(\$317,649)	\$0	(\$317,649)	Transfer appropriations to Public Defender
County Operations - Appropriations for Contingencies	\$0	(\$113,699)	\$0	(\$113,699)	Transfer appropriations to Public Defender - Indigent Defense
County Operations - Appropriations for Contingencies	\$0	(\$14,230)	\$0	(\$14,230)	Transfer appropriations to Sheriff - Administration
County Operations - Appropriations for Contingencies	\$0	(\$6,514)	\$0	(\$6,514)	Transfer appropriations to Sheriff - Court Security
County Operations - Appropriations for Contingencies	\$0	(\$292,591)	\$0	(\$292,591)	Transfer appropriations to Sheriff - Detention
County Operations - Appropriations for Contingencies	\$0	(\$183,772)	\$0	(\$183,772)	Transfer appropriations to Sheriff - Operations
County Operations - Appropriations for Contingencies	\$0	(\$80,808)	\$0	(\$80,808)	Transfer appropriations to Auditor-Controller
County Operations - Appropriations for Contingencies	\$0	(\$50,000)	\$0	(\$50,000)	Transfer appropriation for Planning and Community Development - Salida Planning Efforts
County Operations - General Fund Contribution to Other Programs	\$0	\$6,514	\$0	\$6,514	Increase appropriations to Sheriff - Court Security
County Operations - General Fund Contribution to Other Programs	\$0	\$435,504	\$0	\$435,504	Transfer appropriations to Community Services Agency - IHSS Provider Wages
County Operations - General Fund Contribution to Other Programs	\$0	(\$7,841)	\$0	(\$7,841)	Transfer appropriations to Community Services Agency - General Assistance

Budget Unit Name	Recommended Budget Adjustment				Description
	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	
County Operations - General Fund Contribution to Other Programs	\$0	(\$427,663)	\$0	(\$427,663)	Transfer appropriations to Community Services Agency - Program and Support
County Operations - General Fund Contribution to Other Programs	\$0	\$50,000	\$0	\$50,000	Increase appropriation to support Planning and Community Development - Salida Planning Efforts
County Operations - Medical Self-Insurance	\$0	\$7,000,000	\$7,000,000	\$0	Support increased Medical and Pharmacy claims costs
Total	\$0	\$5,997,251	\$7,000,000	(\$1,002,749)	

Recommendation: It is recommended to increase appropriations by \$6 million, increase the use of Department fund balance/retained earnings by \$7 million, and decrease Net County Cost by \$1 million.

It is also recommended that transferability between the Other Employee Benefits and Deferred Compensation Legal Budget Units (LBUs) be allowed to provide the Department with maximum capacity to balance the County Operations budgets to end the year in a positive position.

Information Technology Central

Staffing Recommendation: A request to create a new classification of Supervising Information Technology (IT) Business Analyst was submitted by the Department and recommended for study in the 2026 Adopted Budget. The study has been completed, concluding with the recommendation to create a new classification of Supervising IT Business Analyst to provide supervision, coordination, and leadership for the Business Relations team. The position will oversee daily operation, improve standardization of practices, mentor staff, and support strategic engagement between ITC and County departments that are supported by embedded IT Business Analysts. The salary range will be \$48.11 - \$58.49 per hour. The new classifications will be assigned to the Stanislaus County Employees Association (SCEA), American Federation of State, County and Municipal Employees (AFSCME Local #10). It is also recommended to reclassify one vacant block-budgeted Infrastructure Engineer I/II to the new classification.

In addition, it is recommended to study one Staff Services Coordinator to determine if the current duties and responsibilities align with their current classification designation.

ENHANCING COMMUNITY INFRASTRUCTURE



Environmental Resources

Parks and Recreation

Planning and Community Development

Public Works

Enhancing Community Infrastructure

Priority Overview

The Board of Supervisors' priority area *Enhancing Community Infrastructure* is essential to the quality of life for the residents of Stanislaus County and to the maintenance and expansion of a robust economy. Water quality, effective liquid and solid waste disposal, recreational opportunities, and regional approaches to transportation circulation are critical to community infrastructure.

Departments in this priority area include Environmental Resources, Parks and Recreation, Planning and Community Development, and Public Works. The major funding sources for these departments include State and Federal funding, fees and charges for services, the General Fund, special revenue grants, and a 1/2-cent local transportation sales tax commonly referred to as Measure L.

In Fiscal Year 2026, the Board of Supervisors allocated \$3 million of General Fund reserves to the Department of Public Works to purchase and operate for three years, two one-person patchers. The patchers will be deployed throughout the County and will improve the Department's ability to respond to pothole complaints. Additionally, for the first time, Public Works budgeted a department contingency in the amount of \$6 million to address emergency road and bridge projects.

Recommendations contained in this report will increase appropriations by \$475,000, decrease revenue by \$390,475, increase the use of retained earnings by \$425,000, and increase Net County Cost by \$440,475. Inclusive of these adjustments, departments within *Enhancing Community Infrastructure* are on track to end the year within budget and in a positive fiscal position.

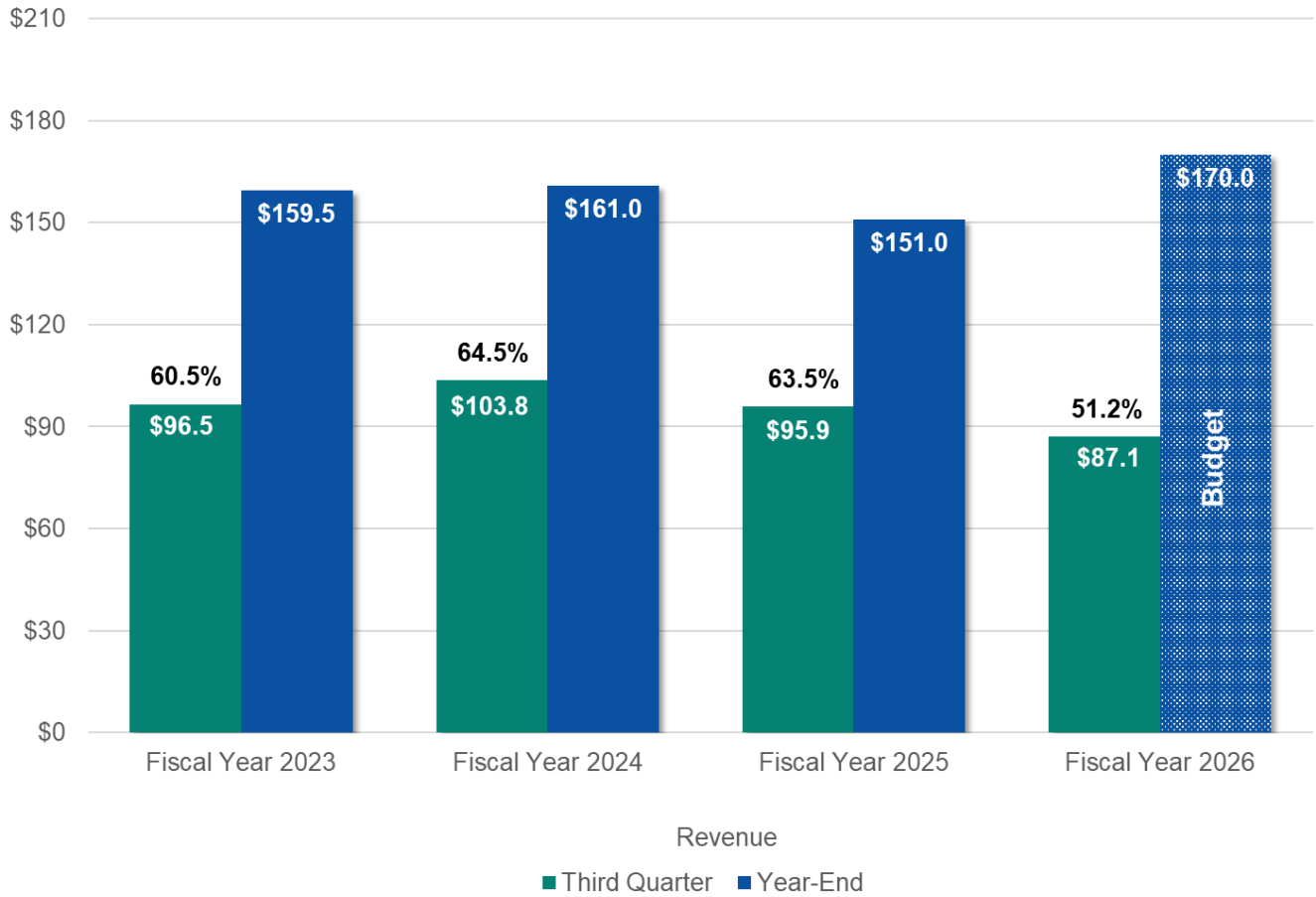
Departmental Revenue

For the budgets representing the Board's priority *Enhancing Community Infrastructure* actual revenue collected as of March 31, 2026, totaled \$87.1 million, representing 51.2% of the estimated annual revenue. This is below historical range when compared to the third quarter point of the prior three years when collections ranged from 60.5% to 64.5% of final actual revenue.

Budgets within this priority include revenue for various projects that impact both budgeted revenue and actual revenue collected. Revenue collected to date in the current fiscal year is \$8.8 million to \$16.7 million less than the prior three fiscal years. This variance is largely due to the project-based revenue in the Public Works Road and Bridge budget. The Road and Bridge budget includes over \$100 million in estimated revenue for over 50 projects. Additionally, Planning and Community Development includes \$12.8 million of housing programs and grant revenue. These revenue sources for Public Works and Planning and Community Development are received on a cost-reimbursement basis, and costs have not yet materialized. Parks and Recreation's revenue stemming from the Woodward and Modesto reservoirs has been negatively impacted by the necessary response to protect waterways from the invasive Golden Mussel species. The year-to-date revenue is approximately \$214,000 to \$350,000 less than the prior fiscal years. Conversely, Fink Road Landfill's year-to-date revenue is \$2.3 million to \$7.7 million more than the prior fiscal years due to the closure of the Waste-to-Energy Facility and the subsequent increase in solid waste delivered to the landfill.

Enhancing Community Infrastructure Four-Year Revenue Comparison

In Millions



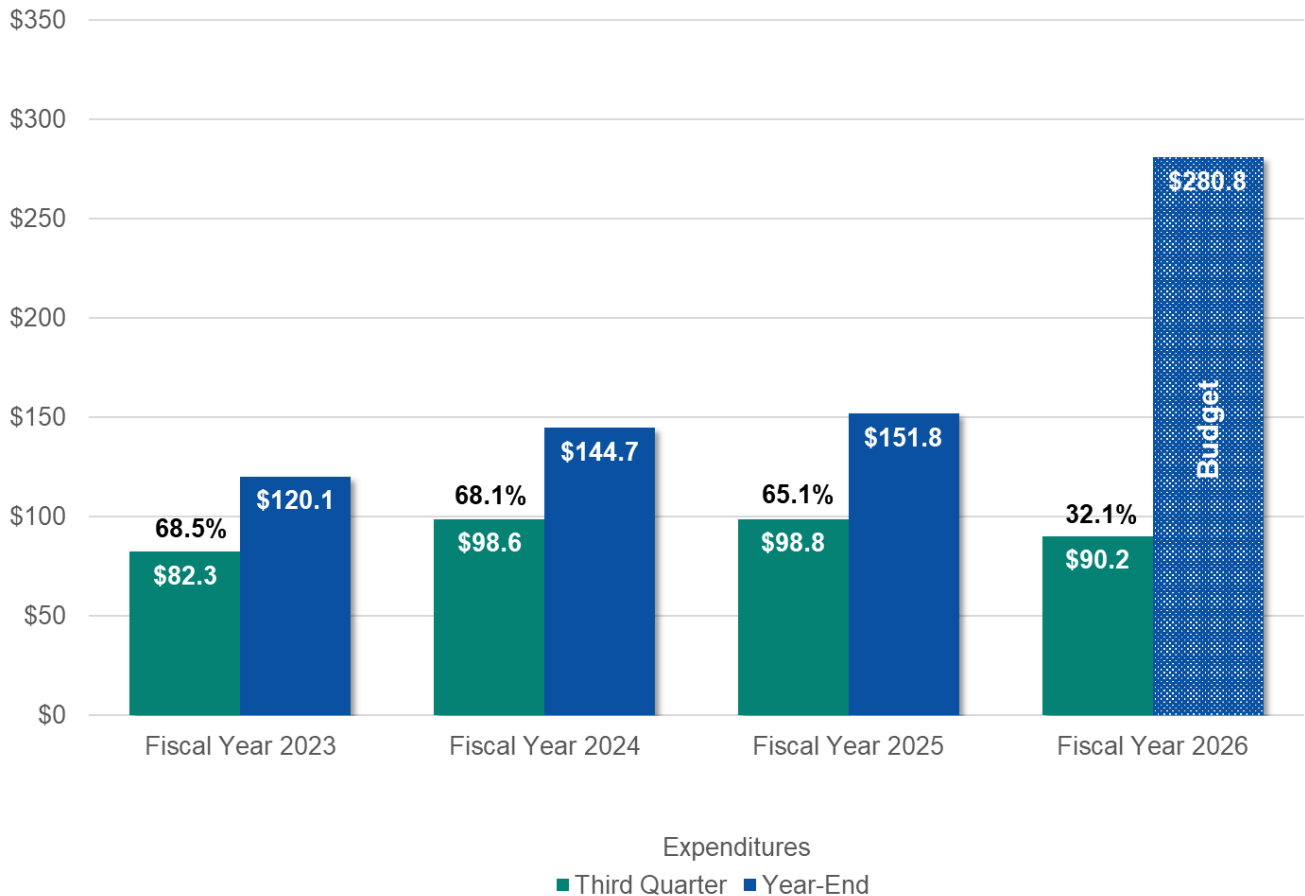
Departmental Expenditures

As of March 31, 2026, expenditures in this priority total \$90.2 million, representing 32.1% of the budgeted appropriations. Expenditures at the third quarter point of the prior three years ranged from 65.1% to 68.5% of the final actual expenditures, placing this year’s expenditures below the historical range.

The shift is primarily due to the increase in overall budget compared to that realized in prior years’ actual expenditures. While Fiscal Year 2026 year-to-date actual expenditures are in line with prior years, departments have budgeted for expenses associated with various projects and activities that have not yet materialized. Environmental Resources – Fink Road Landfill has planned several large expenses for heavy equipment purchases, depreciation, landfill closure costs, and operating transfers that have not yet occurred. Planning and Community Development’s budget includes \$17.3 million of appropriations related to housing programs and other grant programs. The Public Works budget includes provisions for over 50 projects that are still in progress.

Enhancing Community Infrastructure Four-Year Expenditures Comparison

In Millions



Third Quarter Issues and Recommendations

The recommendations contained in this report for *Enhancing Community Infrastructure* will increase appropriations by \$475,000 and decrease estimated revenue by \$390,475. These adjustments are funded by a \$425,000 increase in the use of fund balance and \$440,475 in Net County Cost.

Environmental Resources

Adjustments that transfer \$130,000 of appropriations and Net County Cost from Environmental Resources – Code Enforcement to Environmental Resources – Groundwater Program are recommended.

Groundwater Contracts – On January 27, 2026, the Board of Supervisors approved the Well Mitigation Plan and management actions including a Groundwater Use and Management Program for the Modesto Subbasin Groundwater Sustainability Plan (Board Resolution 2026-0045). Included in the motion, the Board directed staff to hire a third-party consultant to review two different existing studies and develop recommendations for the Board based on the review. The Department of Environmental Resources is currently in the process of securing a third-party vendor with an estimated cost of \$250,000; however, the Groundwater Program legal budget unit (LBU) does not have the capacity to absorb the full cost of this contract. It is recommended that \$130,000 of available appropriations and Net County Cost be transferred from the Code Enforcement LBU to the Groundwater Program LBU to ensure the Groundwater Program LBU ends the year in a positive fiscal position.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Environmental Resources - Code Enforcement	\$0	(\$130,000)	\$0	(\$130,000)	Transfer appropriations from Code Enforcement to the Groundwater Program to cover costs related to the Modesto Subbasin Groundwater Use and Management Program.
Environmental Resources - Groundwater Program	\$0	\$130,000	\$0	\$130,000	Transfer appropriations to the Groundwater Program from Code Enforcement to cover costs related to the Modesto Subbasin Groundwater Use and Management Program.
Total	\$0	\$0	\$0	\$0	

Recommendation: It is recommended to transfer \$130,000 of appropriations and Net County Cost from Environmental Resources – Code Enforcement to Environmental Resources – Groundwater Program.

Parks and Recreation

An adjustment decreasing estimated revenue by \$390,475 funded with a corresponding increase to Net County Cost are recommended for Parks and Recreation.

Reservoir Revenue Shortfall – The 2026 Midyear Financial Report included a discussion highlighting the operational and financial impacts the Department has faced related to the invasive Golden Mussel. Since the introduction of the Golden Mussel, the Department has implemented cost saving measures to offset the reduction in revenue; however, it has not been able to fully mitigate the impact. Fiscal analysis done as part of the midyear budget review revealed a \$390,000 revenue shortfall that would require an increase to the Department’s Net County Cost. Further analysis has been conducted since midyear and staff is recommending a \$390,475 decrease in estimated revenue funded with a corresponding increase to Net County Cost. This will allow the Department to fulfill its contractual obligations to provide recreation at Woodward Reservoir through October 15, 2026.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Parks and Recreation	(\$390,475)	\$0	\$0	\$390,475	Decrease estimated revenue due to decreased visitation at Woodward Reservoir as a result of the invasive Golden Mussel species prevention program, funded by an increase in Net County Cost.
Total	(\$390,475)	\$0	\$0	\$390,475	

Recommendation: It is recommended to decrease estimated revenue by \$390,475 funded with a corresponding increase to Net County Cost.

Planning and Community Development

An adjustment increasing appropriations by \$50,000, funded by a corresponding increase in Net County Cost is recommended for Planning and Community Development.

Salida Planning Efforts – On July 23, 2024, the Board of Supervisors approved a \$899,000 agreement with Ascent Environmental, Inc. for the preparation of a Programmatic Environmental Impact Report (PEIR) for the Salida Community Plan and a Salida Incorporation Feasibility Analysis. This contract was partially funded with a General Fund contribution of \$682,780. Additional funding is necessary to cover the costs of added analysis identified to fully address comments on roadway cross-sections and associated stormwater collection infrastructure cost estimates. A \$50,000 increase in appropriations is recommended to cover these costs, funded by a corresponding increase in Net County Cost.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Planning and Community Development - Salida Planning Efforts	\$0	\$50,000	\$0	\$50,000	Increase appropriations to cover costs for additional analysis which is needed for the Salida Community Plan Amendment Area Programmatic Environmental Impact Report, funded by Net County Cost.
Total	\$0	\$50,000	\$0	\$50,000	

Recommendation: It is recommended to increase appropriations by \$50,000, funded by a corresponding increase in Net County Cost.

Public Works

An adjustment increasing appropriations by \$425,000, funded by retained earnings, is recommended for Public Works.

Morgan Shop – Morgan Shop budgets over \$1 million annually for gasoline, oil, and fuel. Diesel prices have increased dramatically and Department estimates indicate that Morgan Shop is on pace to exceed its fuel budget by \$425,000. Therefore, it is recommended to increase appropriations by \$425,000, funded by retained earnings, to account for the increased fuel costs. The retained earnings balance as of July 1, 2025, was \$16.9 million. If the recommendation is approved, it is anticipated Morgan Shop will have year-end retained earnings balance of approximately \$13.2 million, as retained earnings have been budgeted for other purposes throughout the year.

Recommended Budget Adjustment					
Budget Unit Name	Revenue	Appropriations	Fund Balance/ Retained Earnings	Net County Cost/ General Fund Contribution	Description
Public Works - Morgan Shop	\$0	\$425,000	\$425,000	\$0	Increase appropriations to accommodate the rise in diesel costs in Morgan Shop.
Total	\$0	\$425,000	\$425,000	\$0	

Recommendation: It is recommended to increase appropriations by \$425,000, funded by retained earnings.

Staffing Recommendation: In 2026, the Department submitted an off-cycle request to review the salary for the Deputy Director of Public Works classification. The study has been completed with the recommendation for a salary adjustment of 11.3%.

Third Quarter Financial Report Conclusion

The 2026 Third Quarter Financial Report shows the County budget is balanced inclusive of updated information and actual performance, tracking within the March 31, 2026, Legal Budget and year-end projections. Staff will continue to monitor operations against the budget and be prepared to recommend any necessary and appropriate adjustments prior to year-end, informed by continuous analysis of realized revenue and actual expenditures.

Budget Schedule

For planning purposes, the following target schedule for upcoming reports to the Board of Supervisors is recommended.

Budget Cycle Activity	2027 Proposed Budget	2027 Adopted Budget
Document Published for the Public	June 12, 2026	September 4, 2026
Presentation to the Board of Supervisors	June 23, 2026	September 15, 2026