

INITIAL FISCAL YEAR 2026/27 BUDGET PREPARATION ASSUMPTIONS

Revenues

- Property Tax Revenue to increase by 3% from the corrected Property Assessment Roll as of most recent close of the Assessment Roll in July 2025.
- State funding for Public Safety Services (Proposition 172) is based on statewide sales tax and a statewide distribution formula. This critical funding source accounts for roughly 50% of Public Safety Intergovernmental revenues. Prop. 172 funding is projected to increase by approximately 2% when compared to the FY2025/26 Midyear projection, resulting from statewide sales tax revenue increases as reported by HdL, the County's sales tax consultant.

Expenditures

Salary and Benefits:

- Wages: Include the annualized cost increases from the County's Last Best and Final offers made to the County Bargaining Units and any new positions added in FY2025/26.
- Retirement (PERS) Rates: The County has several Retirement tiers in the California Public Employee Retirement System (CalPERS). The budget will reflect the employer share of retirement cost. CalPERS provided the County's retirement benefit plan rates. The County's share of retirement rates are shown below:
 - Miscellaneous – from 32.58% in FY2025/26 to 32.56% in FY2026/27.
 - Safety – from 39.13% in FY2025/26 to 39.29% in FY2026/27.
- Health Insurance Rates: Projections for FY2026/27 reflect a 6% increase for calendar year 2026 Health Insurance premiums.

Insurance Costs:

- Liability Insurance: The liability insurance premium cost for FY2026/27 reflects an increase of \$1.8 million over FY2025/26. The County is proposing to utilize \$1.0 million of available fund balance to offset charges, resulting in a projected net increase of \$800,000 in FY2026/27. Departments may see increases or decreases in their rates based on their respective loss claim experience; however, most departments will see a slight increase.
- Property Insurance: The property insurance premium cost for FY2026/27 reflects an increase of \$2.0 million over FY2025/26. The County is proposing to utilize \$2.0 million of available fund balance to offset charges, this will result in department charges remaining at a comparable rate in FY2026/27. Departments may see increases or decreases in their rates based on their respective loss claim experience.
- Workers' Compensation Insurance: Workers' compensation insurance premiums for FY2026/27 reflect a decrease of \$118,000. Consistent with prior years, the County is proposing to utilize \$4.0 million of available fund balance to offset costs, resulting in a projected net decrease of \$700,000 in FY2026/27. Departmental charges are based on actual prior year loss experience, so departments may see a decrease or increase in their respective charges; however, most departments will see a slight decrease.
- Unemployment Insurance: Projected Unemployment Insurance Claims for FY2026/27 reflect an increase of \$67,000. FY2024/25 and FY2025/26 saw a rate holiday to departments due to reduced claims; however, departments will see charges in FY2026/27 for a total cost of \$147,000.

Department of Information Technology:

- DoIT Departmental charges for services, which are based on DoIT costs net of other revenues, reflect a preliminary projected net increase of \$1.6 million in FY2026/27. Due to the increases in costs over FY2025/26, the County will utilize \$2.0 million of available fund balance to offset charges providing a net decrease in the overall amount charged to departments by \$360,000. Individual departments may see increases or decreases in their rates based on their respective changes in number of log-in IDs, computers, telephones, and dedicated IT staff.

Fleet Rates:

- FY2026/27 rates reflect updated cost projections for maintaining, operating, and replacing department vehicles. The mileage rate for FY2026/27 is \$0.17 per mile, which recovers maintenance and repair costs and reflects lower projected maintenance expenses as older vehicles are replaced, although vehicle replacement costs continue to increase due to manufacturer price adjustments and market conditions. The estimated fuel rate for FY2026/27 is \$0.40 per mile, based on updated fuel price projections. Staff will continue to monitor fuel costs to determine if additional Midyear adjustments will be necessary in FY2026/27.

Other Expenditures:Capital Renewal

- In-line with the Board approved 2016 Facilities Condition Analysis, the County is required to maintain a minimum investment of \$3-\$5 million annually (depending on cost of labor, materials, and equipment) to maintain the County facilities portfolio in “Good” condition. It is anticipated that this cost will continue to be funded through the Capital Renewal Reserve (Deferred Capital/Maintenance Projects) and requires annual contributions.
- The FY2026/27 Recommended Budget will reflect a contribution to the Capital Renewal Fund to address Capital costs necessary to fund critical County project repairs, replacements, and improvements identified in the FY2025/26 to FY2029/30 Capital Facilities Improvement Plan (CFIP). The FY2025/26 to FY2029/30 CFIP will be presented to the Board in April 2026 and will outline priority capital projects necessary to maintain and preserve County facilities.

Pension

- It is anticipated that discussions will continue with the Board on the funding of rising pension costs and unfunded liabilities, and the County will continue to look at Pension Obligations and strategies to address this rising County Cost.

Community Investment Fund

- It is anticipated that there will be limited changes to the total General Fund allocated to Contributions to Non-County agencies through the County Community Investment Fund.

ARPA

- ARPA-SLFRF funds must be fully spent by December 2026. Staff are actively monitoring projects that are not yet completed to ensure all funds are expended and will bring forward any adjustments that are needed before the expenditure deadline.

Initial Projection of Fund Balance:

- The projected Fund Balance at FY2025/26 Midyear is \$32.4 million at year end, June 30, 2026.
- General Fund Contingency is anticipated to be in a range of \$12 to \$14 million in FY2026/27.

- Draws from the Unfunded Employee Leave Payoff Reserve, Capital Renewal Reserve, Employer PERS Rate Increase Reserve and the General Reserve, may be required to finance the operational deficit in FY2026/27.