



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

PALOMA AGUIRRE
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

MONICA MONTGOMERY STEPPE
Fourth District

JIM DESMOND
Fifth District

DATE: May 19, 2026

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TO: Board of Supervisors

SUBJECT

FISCAL YEAR 2025-26 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT, BUDGET ADJUSTMENTS, AND AUTHORITY TO EXECUTE A GRANT AGREEMENT WITH FEEDING SAN DIEGO (DISTRICTS: ALL)

OVERVIEW

This report summarizes the status of the County of San Diego's (County) Fiscal Year 2025-26 Adopted Operational Plan, as measured by projected year-end fund balance from current year operations. The projected year-end balance for the General Fund is \$25.2 million (or 0.3% of the General Fund budget). The projected year-end balance for all other funds combined is \$61.3 million (2.0% of the other funds combined budget). For all budgetary funds combined, the projected year-end balance is \$86.5 million (or 0.8% of the overall budget). The projected fund balance anticipates an overall positive expenditure variance and an overall negative revenue variance from the Fiscal Year 2025-26 Amended Budget. The projection assumes General Purpose Revenue (GPR) will perform better than estimated, and business groups will produce operating balances, except for Public Safety Group where a negative variance is projected due to higher than anticipated staffing costs associated with the implementation of Proposition 36 and cost overruns with the current medical contract for offsite hospital care, and revenue variances due to grant funded activities that will be deferred to the next fiscal year.

Transfers and revisions to the adopted appropriations can be made by formal action of the Board of Supervisors (Board) in accordance with the California County Budget Act, and specifically, Government Code Section 29125. Increases to the overall budget require four votes. Transfers of appropriations between departments within the same budgetary fund that do not increase the overall budget, or the cancellation of appropriations require a majority vote. Transfers of appropriations to facilitate transfers between budgetary funds require four votes even if the overall budget is not increased.

In the Public Safety Group (PSG), recommendations include appropriation and program revenue increases for staffing costs to support Proposition 36 (Prop 36), *The Homelessness, Drug Addiction, and Theft Reduction Act* implementation, information technology modernization projects, tenant improvements for Regional Auto Theft Task Force (RATT), staffing and operational costs related to Consumer Protection activities, staffing and operational costs

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associated with grant programs, County Service Area 69, payment to State Court Facilities Construction Fund, and for contractual psychological services for clients.

In the Land Use and Environment Group (LUEG), recommendations include appropriation adjustments for consultant contracts, road maintenance projects, for the Rainbow Water Quality Improvement Project, and for South Mission Road North Project 1.

In the Finance and General Government Group (FGG), recommendations include appropriation adjustments to recognize interest earned on Tax and Revenue Anticipation Notes (TRANs), one-time IT costs, for returned grant funds from the Community Enhancement and Neighborhood Reinvestment Program to be allocated to new projects, and for the land acquisition of Iron Mountain County Preserve.

Today's action also includes recommendation related to the appropriation of Unlocked Reserves, including:

- The transfer of appropriations for expanded funding of the Innovative Housing Trust Fund and for Feeding San Diego, based on the advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning (Subcommittee) per direction given to the Chief Administrative Officer (CAO) during the January 28, 2026 (21) meeting.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Accept the Fiscal Year 2025-26 Third Quarter Report on projected year-end results.

**Increases to the Overall Budget and/or Transfers Between Budgetary Funds
(Recommendations 2 through 17):**

2. Increase the Sheriff's Office budget by \$2,170,000 to support increases in overtime staffing costs due to Proposition 36 implementation and \$2,000,000 in the District Attorney's Office to support information technology modernization projects based on available fund balance from Proposition 172. There will also be an increase to the budget in the Proposition 172 (Prop 172) Special Revenue Fund by \$4,170,000 to support costs in the Sheriff's Office and the District Attorney's Office.
 - Establish appropriations of \$4,170,000 in the Proposition 172 Special Revenue Fund, Operating Transfers Out, to the Sheriff's Office for increased staffing costs as a result of Proposition 36, *The Homelessness, Drug Addiction, and Theft Reduction Act* implementation (\$2,170,000) and to support the District Attorney's Office one-time expenses for information technology modernization projects (\$2,000,000), based on available fund balance from the Proposition 172 Special Revenue Fund. **(4 VOTES)**
 - Establish appropriations of \$2,170,000 in the Sheriff's Office, Salaries & Benefits, to support increased costs as a result of Proposition 36, *The Homelessness, Drug Addiction,*

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and Theft Reduction Act implementation, based on an Operating Transfers In from the Proposition 172 Special Revenue Fund. **(4 VOTES)**

- Establish appropriations of \$2,000,000 in the District Attorney's Office, Services & Supplies, for one-time expenses associated with information technology modernization projects, based on an Operating Transfers In from the Proposition 172 Special Revenue Fund. **(4 VOTES)**
3. Increase the District Attorney's Office budget by \$1,500,000 for one-time expenses for tenant improvements for Regional Auto Theft Task Force (RATT).
 - Establish appropriations of \$1,500,000 in the District Attorney's Office, Services & Supplies, for one-time expenses associated with tenant improvements of the Regional Auto Theft Task Force (RATT) facility, based on available funds from fees collected pursuant to California Code, Vehicle Code – VEH Section 9250.14. **(4 VOTES)**
 4. Increase the District Attorney's Office budget by \$1,900,000 for staffing and operational costs related to Consumer Protection activities and investigations based on available current year funds from County Proposition 64 Consumer Fraud Fund.
 - Establish appropriations of \$1,900,000 in the District Attorney's Office, Salaries & Benefits (\$400,000), Services & Supplies (\$800,000), and Capital Assets (\$700,000) to support Consumer Protection activities and investigations based on available funds from County Proposition 64 Consumer Fraud Fund. **(4 VOTES)**
 5. Increase the District Attorney's Office budget by \$1,300,000 to support staffing and operational costs associated with grant programs from various State and federal funding sources.
 - Establish appropriations of \$1,300,000 in the District Attorney's Office, Salaries & Benefits (\$620,000), Services & Supplies (\$680,000), to support provisional help and operational costs associated with competitively awarded grants, based on the State of California, Department of Insurance (\$1,000,000) and Department of Justice, Bureau of Justice Assistance (\$100,000), and Office on Violence Against Women (\$200,000). **(4 VOTES)**
 6. Establish appropriations in County Service Area 69 to transfer available fund balance from County Service Area 69 to the City of Santee and Lakeside Fire Protection District.

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- Establish appropriations of \$500,000 in County Service Area 69, Contributions to Other Agencies, for the transfer of funds to the City of Santee and Lakeside Fire Protection District based on the available fund balance from County Service Area 69. **(4 VOTES)**
7. Increase the Courthouse Construction Special Revenue Fund budget by \$215,000 for fines, forfeitures and penalties that were collected after final Hall of Justice debt service payment and must be remitted to the State Court Facilities Construction Fund.
 - Establish appropriations of \$215,000 in the Courthouse Construction Special Revenue Fund, Other Charges, for payment to State Court Facilities Construction Fund, based on fines, forfeitures and penalties. **(4 VOTES)**
 8. Increase the Office of the Public Defender's budget by \$168,509 to support its Holistic Service Unit by embedding contracted services for one psychologist within the unit. The psychologist will provide integrated behavioral health services for clients experiencing mental health disorders by working collaboratively with attorneys, investigators, social workers, and substance abuse assessors to provide clinical evaluation, ongoing treatment recommendations, consultation and attorney training; the funding source is a State grant awarded by the Office of the State Public Defender.
 - Establish appropriations of \$168,509 in Services & Supplies, for psychological services based on a State grant awarded by the Office of the State Public Defender on December 18, 2025. **(4 VOTES)**
 9. Increase the budget by \$34,797 in the Alta Loma Permanent Road Division No. 105 for road resurfacing maintenance.
 - Establish appropriations of \$34,797 in the Department of Public Works (DPW) Permanent Road Division (PRD) No. 105 – Alta Loma Drive, Services & Supplies, for road maintenance based on available prior year fund balance within PRD No. 105 – Alta Loma Drive. **(4 VOTES)**
 10. Increase the budget by \$44,751 in the Zone A Alta Loma Permanent Road Division No. 105A for road resurfacing maintenance.
 - Establish appropriations of \$44,751 in the Department of Public Works (DPW) Permanent Road Division (PRD) No. 105A – Zone A Alta Loma Drive, Services & Supplies, for road maintenance based on available prior year fund balance within Zone A Alta Loma Drive. **(4 VOTES)**
 11. Transfer funds from the Department of Public Works (DPW) General Fund to Road Fund in the amount of \$1,506,118 for construction of the Rainbow Water Quality Improvement Project.

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- Transfer appropriations of \$1,506,118 within Department of Public Works General fund, Services & Supplies to Operating Transfers Out; *and* establish appropriations of \$1,506,118 in the Road Fund, Services & Supplies, for the Rainbow Water Quality Improvement Project, based on Operating Transfer In from General Fund. **(4 VOTES)**
12. Transfer funds from the Department of Public Works General Fund to Road Fund in the amount of \$1,157,975 for construction of the South Mission Road North Project 1.
- Transfer appropriations of \$1,157,975 within Department of Public Works General fund, Services & Supplies to Operating Transfers Out; *and* establish appropriations of \$1,157,975 in the Road Fund, Services & Supplies, for the South Mission Road North Project 1, based on an Operating Transfer In from General Fund. **(4 VOTES)**
13. Increase the budget in Finance Other to recognize the interest earned on Tax and Revenue Anticipation Notes (TRANS) funds, which will be applied towards the TRANS obligation payment.
- Establish appropriations of \$7,158,888 in Finance Other, Other Charges, based on unanticipated interest earned and premium received to apply towards the TRANS obligation payment. **(4 VOTES)**
14. Increase the Treasurer-Tax Collector's budget for one-time IT costs related to the decommission of the physical data center.
- Establish appropriations of \$1,600,000 in the Treasurer-Tax Collector's Office, Services & Supplies, based on over-realized Property Tax System Administration (\$1,300,000) and Banking Pool (\$300,000) revenues for one-time IT costs related to the decommission of the physical data center. **(4 VOTES)**
15. Allow returned grant funds of \$8,285 from the Community Enhancement Program and \$65,164 from the Neighborhood Reinvestment Program to be allocated to new projects by establishing appropriations in the respective grant program budgets in the current fiscal year.
- Establish appropriations of \$8,285 in the Community Enhancement Program budget Org 12900 (\$4,930 for District 3, \$3,302 for District 4 and \$53 for District 5), Other Charges, based on unused portions of prior year allocations so the funds can be allocated to other projects. **(4 VOTES)**
 - Establish appropriations of \$65,164 in the Neighborhood Reinvestment Program budget (\$98 for District 1 in Org 15650, \$22,805 for District 2 in Org 15655, \$9,589 for District 3 in Org 15660, \$28,344 for District 4 in Org 15665, and \$4,328 for District 5 in Org

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15670), Other Charges, based on unused portions of prior year allocations so the funds can be allocated to other projects. **(4 VOTES)**

16. This recommendation is a technical adjustment that reclassifies departmental maintenance and capital spending plans based on capitalization thresholds. The result is a net increase of budget in the Major Maintenance Capital Outlay Fund (MMCOF) of \$8,425,399.

- Transfer appropriations within departments between Services & Supplies and Operating Transfers Out, as noted in Appendix D, in the net amount of \$8,425,399 for major maintenance projects listed in Appendix D that were subsequently reclassified, based on capitalization thresholds, for financial reporting purposes; and establish, transfer and cancel appropriations, as noted in Appendix D for a net increase of \$8,425,399. **(4 VOTES)**

17. Transfer funds from Finance Other, which was approved by the Board of Supervisors (Board) on March 3, 2026 (13), to the Multiple Species Conservation Plan (MSCP) Acquisition Fund for the purchase of Iron Mountain County Preserve, approved by the Board on April 22, 2026 (6).

- Transfer appropriations of \$2,000,000 from Finance Other, Services & Supplies, to Contribution to Capital Outlay Fund, Operating Transfers Out; *and* establish appropriations of \$2,000,000 in MSCP, to properly record the purchase of Iron Mountain County Preserve land acquisition, based on an Operating Transfer In from the General Fund from previously approved Unlocked Reserves. **(4 VOTES)**

**Transfers Within Budgetary Funds and/or Cancellation of Appropriations
(Recommendations 18 through 21):**

18. Transfer project costs from the Department of Parks and Recreation to the Department of Public Works for the temporary pipe extension at Saturn Boulevard.

- Transfer appropriations of \$2,500,000 from Department of Parks and Recreation, Services & Supplies, to Department of Public Works, Services & Supplies to fund construction of a temporary pipe extension at Saturn Boulevard, based on previously approved Unlocked Reserves.

19. Transfer appropriations from Finance Other to the Assessor/Recorder/County Clerk (ARCC) to properly record one-time costs related to the County's property tax systems.

- Transfer appropriations of \$12,000,000 from Finance Other, Services & Supplies, to the Assessor/Recorder/County Clerk, Services & Supplies, to properly record one-time costs

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for the County's property tax system based on previously approved use of Unlocked Reserves.

20. Transfer appropriations of \$217,260 from Finance Other to the Department of Parks and Recreation (DPR) for one-time start-up costs for the Bonsall Community Park.

- Transfer appropriations of \$217,260 from Finance Other, Services & Supplies, to Department of Parks and Recreation, for one-time start-up costs for the Bonsall Community Park based on one-time General Purpose Revenue previously allocated to and no longer needed for other land use projects.

21. Cancel the remaining budget of Capital Projects that are anticipated to be completed or cancelled by the end of the Fiscal Year. The remaining funds will be returned to the original funding sources.

- Cancel appropriations and related revenue of up to \$3,488,656.08 as noted in Schedule C for Capital Projects that will be completed/cancelled and closed by the end of Fiscal Year 2025-26. This is composed of \$3,488,656.08 in the Capital Outlay Fund.

**Recommendation on use of Unlocked Reserves based on advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning
(Recommendations 22 through 23):**

22. Transfer appropriations of \$23,222,944~~11,000,000~~ for the use of Unlocked Reserves in Fiscal Year (FY) 2025-26 based on the advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning (Subcommittee) per direction given to the CAO during the January 28, 2026 (21) meeting. This item will transfer appropriations based on operational savings with no impact to existing services or the General Fund.

- Transfer and allocate appropriations of \$23,222,944~~11,000,000~~ to Housing and Community Development Services, Services & Supplies, for expanded funding of the Innovative Housing Trust Fund (\$22,222,944~~10,000,000~~) including production and preservation of affordable housing and to Self-Sufficiency Services, Services & Supplies, for Feeding San Diego (\$1,000,000) to support hunger-relief efforts in San Diego County, based on Unlocked Reserves. This transfer and allocation of appropriations is based on operational savings within Behavioral Health Services, with appropriation capacity and related funding that is not anticipated to be used. As a result, there is no impact to services or the General Fund and no increase in the overall budget. The use of Unlocked Reserves is recommended based on San Diego County Administrative Code Section 113.1 for time-sensitive operational expenditures. This follows Board direction to develop proposals to utilize Unlocked Reserves for FY 2025–26 in coordination with and with the advice and

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guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning (Subcommittee), and to present recommended appropriations to the Board for consideration as part of the quarterly budget adjustments.

23. Authorize the Chief Administrative Officer, or designee, upon successful negotiations, to execute a grant agreement with Feeding San Diego in an amount of up to \$1,000,000 to support hunger relief efforts, and find, in accordance with Government Code section 26227, that such program is necessary to meet the social needs of the population.

EQUITY IMPACT STATEMENT

After the Board of Supervisors (Board) adopts the Operational Plan, it is monitored by the departments, Groups, and the Board. Departments are expected to work within their respective budgets. Budgets may, however, be modified during the year as circumstances warrant. In conjunction with the fund balance projection process, the Chief Administrative Officer meets with each Group to review accomplishments, emergent issues, and budget status. Department heads are required to communicate any potential problems or errors to the appropriate authority. Groups complete fund balance projections quarterly providing explanations of significant variances of their budget. The recommended actions are intended to provide resources to address inequities in County of San Diego (County) services and to identify disparities, develop meaningful outcomes, and create a County government culture of equity, belonging, and racial justice.

SUSTAINABILITY IMPACT STATEMENT

Today's actions support the sustainability measures across the County of San Diego (County) considering the environment, economy, health/wellbeing, and/or social aspects of the community by aligning the County's available resources with services to maintain fiscal stability and ensure long-term solvency.

FISCAL IMPACT

Funds associated with today's recommendations are partially included in the Fiscal Year (FY) 2025-26 Operational Plan. If approved, in the General Fund these actions will result in an increase to the overall budget of \$17,870,846, transfers between budgetary funds of \$10,783,975, transfers within budgetary funds of \$37,940,204, and no cancellation of appropriations. The funding sources for the increases are unanticipated interest earned and premium received on Tax and Revenue Anticipation Notes (TRANs) funds (\$7,158,888), available fund balance from Proposition 172 Special Revenue Fund (\$2,170,000 & \$2,000,000), County Proposition 64 Consumer Fraud Fund (\$1,900,000), over-realized Property Tax System Administration and Banking Pool revenues (\$1,600,000), fees collected pursuant to California Code, Vehicle Code – VEH Section 9250.14 (\$1,500,000), grants from State of California, Department of Insurance, Department of Justice, Bureau of Justice Assistance, and Office on Violence Against Women (\$1,300,000), State grant awarded by the Office of the State Public Defender (\$168,509), unused portions of prior year allocations for Neighborhood Reinvestment Program (\$65,164), and unused portions of prior year

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allocations for Community Enhancement Program (\$8,285). The transfer and allocation of appropriations identified in Recommendation 22 (~~\$23,222,944~~~~11,000,000~~) are based on operational savings within Behavioral Health Services and the one-time use of Unlocked Reserves. Based on San Diego County Administrative Code Section 113.1 no more than 25% can be used in one fiscal year which equates to \$95,421,241. In the FY 2025-26 First Quarter Operational Plan Status Report, \$14,248,297 was appropriated for one-time lump sum payments and in the FY 2025-26 Second Quarter Operational Plan Status Report, \$56,150,000 was appropriated for Tijuana River Valley and various appropriations based on the advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning (Subcommittee) per direction given to the Chief Administrative Officer during the January 28, 2026 (21) meeting. In Recommendation 22, ~~\$23,222,944~~~~11,000,000~~ of Unlocked Reserves will be appropriated, which will leave a remaining balance of Unlocked Reserves in FY 2025-26 of ~~\$1,800,000~~~~14,022,944~~. If approved, Recommendation 23 will result in one-time costs of up to \$1,000,000 to support hunger relief efforts, based on the use of Unlocked Reserves.

In all other funds combined, these actions will result in a net increase to the overall budget of \$14,565,384, transfers between budgetary funds of \$2,305,517, and cancellation of appropriations of \$9,231,876. The funding sources for the increases are Operating Transfer In from the General Fund (\$10,783,975), available fund balance from Proposition 172 Special Revenue Fund (\$4,170,000), Operating Transfers In from various non-General Fund (\$2,305,517), available County Service Area 69 (\$500,000) fund balance, fines, forfeitures and penalties (\$215,000), available prior year PRD No. 105A – Zone A Alta Loma Drive fund balance (\$44,751), and available prior year PRD No. 105 – Alta Loma Drive fund balance (\$34,797). These are offset by decreases in U.S. Environmental Protection Agency grant (\$3,452,972) and General Purpose Revenue (\$35,684).

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

N/A

BACKGROUND

As shown in Schedule A, the General Fund year-end fund balance projection of \$25.2 million is based on the estimate that expenditures will be approximately \$130.7 million less than the Fiscal Year (FY) 2025-26 Amended Budget and revenues will be a net \$105.6 million less than the FY 2025-26 Amended Budget. The Amended Budget consists of the Adopted Budget plus encumbrances carried over from the prior year, plus approved year-to-date changes. The projected balance for all other funds combined is a net of \$86.5 million.

Attachments to this letter have been included to provide additional detail of these fund balance projections. Schedule A summarizes the fund balance projection by business group, department,

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and fund category. Schedule B shows the projected General Fund fund balance by business group split between operating and reserve balances. The Notes to Schedules A and B explain variances from budget by department, fund and for General Purpose Revenue. The Notes to the General Fund Variances details General Fund Variances by expenditure and revenue are summarized briefly below.

GENERAL FUND EXPENDITURE VARIANCES

The projected third quarter positive expenditure variances in the General Fund of \$130.7 million are due to positive variances in Services & Supplies (\$125.1 million), Other Charges (\$7.9 million), Capital Assets Equipment (\$0.8 million), Capital Assets Software (\$0.5 million), Operating Transfers Out (\$0.1 million), and Capital Assets/Land Acquisition (\$0.1 million), offset by negative variances in Expenditure Transfer & Reimbursements (\$3.4 million) and in Salaries & Benefits (\$0.3 million). Expenditure variances are described in detail in the Notes to the General Fund Variances.

GENERAL FUND REVENUE VARIANCES

The projected third quarter negative revenue variances in the General Fund of \$105.6 million are due to negative variances in Intergovernmental Revenues (\$109.2 million), Charges For Current Services (\$10.8 million), Other Financing Sources (\$10.7 million), Fines, Forfeitures & Penalties (\$4.2 million), Taxes Current Property (\$3.3 million), and Licenses Permits & Franchises (\$1.0 million), offset by positive variances in Taxes Other Than Current Secured (\$23.6 million), Revenue From Use of Money & Property (\$7.1 million) and Miscellaneous Revenues (\$2.8 million). Revenue variances are described in detail in the Notes to the General Fund Variances.

Adjustments to the Fiscal Year 2025-26 Amended Budget

Transfers and revisions to the amended budget can be made by formal action of the Board of Supervisors (Board) in accordance with the California County Budget Act, and specifically, Government Code Section 29125. Increases to the overall budget require 4 votes while transfers of appropriations between departments within the same budgetary fund that do not increase the overall budget or the cancellation of appropriations require a majority vote. However, transfers of appropriations between budgetary funds, referred to as operating transfers, require 4 votes even if the overall budget is not increased.

The recommendations for budget adjustments are explained as follows:

**Increases to the Overall Budget and/or Transfers Between Budgetary Funds
(Recommendations 2 through 17):**

Recommendation 2

This recommendation will establish appropriations of \$4,170,000 in Operating Transfers Out, of the Proposition 172 Special Revenue Fund and establish appropriations of \$2,170,000 in the Sheriff's Office and \$2,000,000 in the District Attorney's Office, based on available Proposition

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172 Special Revenue Fund fund balance. These recommendations will support the District Attorney's Office request to fund information technology modernization projects (\$2,000,000) and the Sheriff's Office request for increased staffing costs due to Prop 36 implementation (\$2,170,000) based on Prop 172 fund balance.

The Sheriff's Office will increase Salaries & Benefits by \$2,170,000 to support increased staffing needs due to the increase in average daily jail population, which has risen by approximately 300-500 incarcerated persons as a result of Proposition 36, *The Homelessness, Drug Addiction, and Theft Reduction Act* implementation.

The District Attorney's request for \$2,000,000 in Services & Supplies will provide one-time funding to advance several priority technology modernization projects. These projects respond to increasing operational demands, modern digital evidence management standards, sustainability goals, and the County's strategic commitment to technology driven service delivery.

Recommendation 3

The San Diego County Regional Auto Theft Task Force (RATT) is a multi-agency task force that investigates and prosecutes vehicle theft in the San Diego Region. The County of San Diego (County) is the financial administrator for the task force. On February 10, 2026 (9), the Board authorized an amendment to a lease agreement for the Regional Auto Theft Task Force facility to extend the term of the lease and expand the leased space by 718 square feet. If approved, this request will establish appropriations of \$1,500,000 in Services & Supplies for tenant improvement costs of the facility based on available funds from fees collected pursuant to California Code – VEH Section 9250.14.

Recommendation 4

For decades, the District Attorney's Office (DAO) Economic Crimes Division and Consumer Protection Unit, has been committed to the investigation and prosecution of violations under California's Unfair Competition Law and related consumer protection statutes. The District Attorney convened a countywide stakeholder group comprised of local, state, and federal law enforcement agencies, City Attorney's Office, County Counsel, PSG leadership, consumer advocates, community representatives, and legal experts to assist in formulating a strategic plan to address unmet needs in consumer protection and identify ways to expand the DAO's enforcement of consumer laws. This stakeholder collaboration resulted in recommendations to expand consumer protection activities in the following focus areas: (1) cyber-crime investigations and forensics; (2) unfair competition, deceptive and unlawful business practices; (3) elder financial abuse; (4) additional environmental protection from unfair and unlawful business practices for additional services and law enforcement activities that will reduce the harm experienced by citizens of San Diego. On November 7, 2023 (4), the Board authorized competitive solicitations for the implementation of consumer protection activities. If approved, this request will establish appropriations of \$1,900,000 for Consumer Protection prosecution and investigation activities.

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Recommendation 5

The Board approved applying for and accepting grants from the State of California, Department of Insurance on June 3, 2025 (1), and Department of Justice Bureau of Justice Assistance on April 4, 2023 (2), and Office on Violence Against Women, March 16, 2021 (6) and in subsequent years provided there are no material changes to these grant's terms, purpose, or funding level. This recommendation will establish appropriations of \$1,300,000 in the District Attorney's Office, Salaries & Benefits (\$620,000) and Services & Supplies (\$680,000), to support provisional help and operational costs based on the State of California, Department of Insurance (\$1,000,000) and Department of Justice, Bureau of Justice Assistance (\$100,000), and Office on Violence Against Women (\$200,000).

Recommendation 6

On August 30, 2022, the Board authorized the adoption of a property tax exchange resolution relating to the reorganization of County Service Area 69 (CSA 69) with Lakeside Fire Protection District (FPD) and the City of Santee. On October 3, 2022, the Local Agency Formation Commission (LAFCO) proposed the reorganization of CSA 69 and the transfer of emergency medical services from CSA 69 to Lakeside FPD and the City of Santee. On December 20, 2022, the City of Santee, Lakeside FPD, and County Fire signed an agreement for the transfer of property tax and other funds. On January 26, 2023, LAFCO recorded the Certificate of Completion for the CSA 69 reorganization. This request will establish appropriations of \$500,000 in County Service Area 69 to transfer fund balance to City of Santee and Lakeside FPD.

Recommendation 7

This recommendation will establish appropriations of \$215,000 in the Courthouse Construction Special Revenue Fund based on fines, forfeitures and penalties that were collected after the final debt service payment for the Hall of Justice. According to Government Code section 70402(a), these funds can only be used for the Hall of Justice debt service, and any remaining funds must be transferred to the State.

Recommendation 8

Increase the Public Defender's budget by \$168,509 to support its Holistic Service Unit by embedding contracted services for one psychologist within the unit. The psychologist will provide integrated behavioral health services for clients experiencing mental health disorders by working collaboratively with attorneys, investigators, social workers, and substance abuse assessors to provide clinical evaluation, ongoing treatment recommendations, consultation and attorney training; the funding source is a State grant awarded by the Office of the State Public Defender on December 18, 2025.

Recommendation 9

This recommendation will establish appropriations of \$34,797 in the Permanent Road Division (PRD) No. 105 – Alta Loma Drive for road resurfacing maintenance. This is due to an increase in

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the estimated road project costs for a slurry project within the PRD. The project remained open for one year following its completion to allow staff to review the project work to determine if changes are needed. Once verification was finalized, the project reconciliation and closure process initiated in Fiscal Year 2025-26. The funding source is available prior year fund balance within Permanent Road Division No. 105 – Alta Loma Drive. The total project cost is \$125,000 and the project was completed in July 2024.

Recommendation 10

This recommendation will establish appropriations of \$44,751 in the Department of Public Works (DPW) Permanent Road Division (PRD) No. 105A – Zone A Alta Loma Drive for road resurfacing maintenance. This is due to an increase in the estimated road project costs for a slurry project within the PRD. The project remained open for one year following its completion to allow staff to review the project work to determine if changes are needed. Once verification was finalized, the project reconciliation and closure process initiated in Fiscal Year 2025-26. The funding source is available prior year fund balance within Permanent Road Division No. 105A – Zone A Alta Loma Drive. The total project cost is \$145,000 and the project was completed in July 2024.

Recommendation 11

This recommendation will establish appropriations of \$1,506,118 in the Department of Public Works Road Fund to fund the construction for the Rainbow Water Quality Improvement Project. The funding will cover costs to ensure timely completion for this stormwater compliance project. Cost overruns, including construction engineer inspections and contract management support, were higher than anticipated during this year's Operational Plan development. The funding source is available prior year General Fund fund balance allocated for planning future stormwater capital projects. The total estimated project is \$16,914,000 and is anticipated to be completed by September 2026.

Recommendation 12

This recommendation will establish appropriations of \$1,157,975 in the Department of Public Works Road Fund to fund the construction for South Mission Road North Project 1. This is an Infrastructure project with Public Works for their Green Streets program. The location of South Mission Road was identified as a top candidate for ARPA funding to reduce pollutants in stormwater. This request will establish appropriations to ensure funding is available for project completion which includes construction engineering inspection and materials laboratory tests associated with the construction of the project. The Board approved an ARPA allocation for Green Streets Infrastructure projects in 2021. To meet the ARPA spending timeline, a smaller portion of an existing Green Streets project was identified. The funding source is available prior year General Fund fund balance allocated for planning future stormwater capital projects. The total estimated project cost is \$4,157,975 and is anticipated to be completed by June 2027.

SUBJECT: FISCAL YEAR 2025-26 THIRD QUARTER OPERATIONAL PLAN STATUS REPORT, BUDGET ADJUSTMENTS, AND AUTHORITY TO EXECUTE A GRANT AGREEMENT WITH FEEDING SAN DIEGO (DISTRICTS: ALL)

Recommendation 13

On June 3, 2025 (22), the Board adopted a resolution approving the issuance and sale of the 2025 Tax and Revenue Anticipation Notes (TRANs) in an aggregate principal amount not to exceed \$200,000,000 to address short-term cash flow requirements in the current fiscal year. TRANs reflects the County's issuance of short-term debt, which is payable within the same fiscal year. In July 2025, the County issued \$200,000,000 in TRANs, and throughout this fiscal year has prudently invested the TRANs proceeds in accordance with approved investment policy and applicable legal guidelines, generating interest earnings. The total obligation payment for the TRANs issuance is \$9,858,888. At the time the TRANs was approved, it was estimated that \$2,700,000 of the obligation payment would be based on General Purpose Revenue, which was included in the Fiscal Year 2025-26 Operational Plan, and \$7,158,888 of interest earnings would be credited toward the remaining balance.

Since then, the County has determined that the full \$9,858,888 obligation payment, including the \$7,158,888 of interest earnings, must be appropriated and recorded for compliance with financial reporting requirements. The request today is to establish appropriations of \$7,158,888 in Finance Other based on interest earnings to allow proper recording of the TRANs obligation payment.

Recommendation 14

The County Technology Office (CTO) is requiring all applications to be moved from the physical data centers to cloud-based platforms to facilitate the procurement and implementation of the new information and telecommunications (IT&T) contract. The new IT&T contract will provide stable and secure operations, continuous improvement, innovation and modernization, and cost optimization. One of the cost avoidance measures under the new IT&T contract will be moving away from the cost of leasing physical data centers and transitioning to available cloud-based solutions and platforms.

The Treasurer-Tax Collector's (TTC) Office has multiple critical systems used for property tax collection, cashiering, mail remittance, and property tax refund that need to be migrated out of the physical data centers. Due to updated projections, TTC was able to identify existing program revenues, including over-realized Property Tax System Administration and Banking Pool revenues to cover the cost of these projects in the current fiscal year. This recommendation will establish one-time appropriations of \$1,600,000 based on Property Tax System Administration (\$1,300,000) and Banking Pool (\$300,000) revenues to complete the decommission of the physical data center prior to the implementation of the new IT&T contract.

Recommendation 15

This recommendation establishes appropriations totaling \$8,285 in the Community Enhancement Program budget Org 12900 (\$4,930 for District 3, \$3,302 for District 4, and \$53 for District 5) based on unused portions of prior year grant allocations that were returned in the current fiscal year. This will allow the recently returned funds to be allocated to other projects.

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This recommendation establishes appropriations totaling \$65,164 in the Neighborhood Reinvestment Program budget (\$98 for District 1 Org 15650, \$22,805 for District 2 Org 15655, \$9,589 for District 3 Org 15660, \$28,344 for District 4 Org 15665 and \$4,328 for District 5 Org 15670) based on unused portions of prior year allocations that were returned in the current fiscal year. This will allow the recently returned funds to be allocated to other projects.

Recommendation 16

This recommendation will result in a net increase of appropriation in the Major Maintenance Capital Outlay Fund (MMCOF) of \$8,425,399, which is supported by existing department budgets. Board Policy B-37, Use of Capital Program Funds, notes that on occasion, due to the nature of major maintenance projects, these projects may be reclassified as an operating or capital expense based on financial reporting requirements. Pursuant to Board Policy B-37, to ensure accuracy in financial reporting, the Chief Financial Officer shall make required adjustments to departmental operating budgets and within the MMCOF or the Major Maintenance Internal Service Fund. Due to the emergent nature of some major maintenance projects, some of these adjustments may require ratification by the Board. These recommendations will allow for the accurate financial reporting of major maintenance projects, which are listed in Appendix D along with the related required adjustments.

Recommendation 17

This recommendation will allow for a technical adjustment to transfer funding from Finance Other to the Multiple Species Conservation Plan (MSCP) Acquisition Fund for the purchase of Iron Mountain County Preserve. Capital project funding must be maintained separately in alignment to meet the criteria for capitalization. Funds were allocated by the Board of Supervisors for MSCP acquisition on March 3, 2026 (13) from Unlocked Reserves in the amount of \$2,000,000. This action will establish those funds within the appropriate capital fund to facilitate the land purchase.

Transfers Within Budgetary Funds and/or Cancellation of Appropriations (Recommendations 18 through 21):

Recommendation 18

On March 3, 2026 (13), the Board approved the use of \$2,500,000 of Unlocked Reserves to fund the construction of temporary pipe extension at Saturn Boulevard. This recommendation will transfer project costs from the Department of Parks and Recreation to the Department of Public Works for the temporary pipe extension at Saturn Boulevard. After the Second Quarter adjustment, it was determined that DPW is the appropriate lead department due to the project's scope, technical requirements, and construction activities which align directly with DPW's operational responsibilities and expertise. DPR led the preliminary planning for this project. As part of the next phase, work will involve complex infrastructure and engineering elements beyond DPR's functions, prompting the need to realign the project budget with the department that will execute the work. The project will address a part of the Tijuana River sewage crisis including Saturn Boulevard infrastructure. The temporary pipe extension is necessary due to the immediate need to

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alleviate the flows that result in aerosolization of toxic chemicals at the Saturn Boulevard Hotspot.

Recommendation 19

On March 3, 2026 (13), the Board approved the use of \$12,000,000 of Unlocked Reserves to support one-time costs for the County's property tax systems. These funds will support projects to replace legacy systems used by the Assessor's Office to mitigate risks associated with outdated IT architecture and to move the systems out of the physical data centers, while allowing research and development on future system improvements and enhancements to continue. Projects include the migration of Mainframe and AS/400 to Mainframe-as-a-Service (MFaaS), migration of Microsoft Access Databases from the Tulsa Datacenter to Amazon Web Services (AWS), decommissioning of SharePoint 2013 servers, and the replacement of ApplicationXtender. Since these projects are centered around applications belonging to the Assessor/Recorder/County Clerk (ARCC), it is recommended that the appropriations be transferred from Finance Other to ARCC where these one-time costs should be recorded.

Recommendation 20

This recommendation will transfer appropriations of \$217,260 from Finance Other to the Department of Parks and Recreation for one-time start-up costs, including purchases of minor equipment, tools, and fleet units for the new Bonsall Community Park facility. Funding for these start-up costs is available from savings in prior year projects in other LUEG departments that were initially funded by one-time use of General Purpose Revenue, including the completed Stormwater Capital Planning project (\$14,000) and Total Maximum Daily Load (TMDL) Monitoring Reporting project (\$7,664). Additional available funding includes the Climate Action Plan (CAP) Bike Lanes project (\$195,596), for which the Department of Public Works will seek alternative funding sources such as grants.

Recommendation 21

By the end of Fiscal Year 2025-26, a total of 3 capital projects are anticipated to be completed and eventually closed and capitalized. These projects are listed in Schedule C. Appropriations of up to \$3,488,656.08 related to these projects will be completed, all of which are in the Capital Outlay Fund. At the end of the fiscal year, remaining appropriations will be cancelled along with the revenue related to the respective appropriations and returned in accordance with Board Policy B-37, Use of the Capital Outlay Funds, to the original funding sources which include, General Purpose Revenue (\$35,684.08) and U.S. Environmental Protection Agency grant (\$3,452,972.00). Capital Project #1025467 Tijuana River Valley Smuggler's Gulch Dredging was funded by General Purpose Revenue (\$2,867.26) and grant funds from the U.S. Environmental Protection Agency (\$3,452,972.00). For this capital project, the Auditor and Controller's office determined that the costs are not capitalizable. The project will be cancelled in the Capital Outlay Fund and established in The Department of Parks and Recreation General Fund in the 2026-28 CAO Recommended Operational Plan.

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**Recommendation on use of Unlocked Reserves based on advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning
(Recommendations 22 through 23):**

Recommendation 22

On September 9, 2025 (23), the Board adopted updates to the San Diego County Administrative Code relating to General Fund Balances and Reserves. These changes were designed to implement one-time resources to mitigate potential current and future budget impacts. The Board directed the Chief Administrative Officer (CAO) to create a proposed framework for use of these resources, known as Unlocked Reserves. The Administrative Code limits how much of the Unlocked Reserves can be used in a single fiscal year to 25% of the total amount determined at the time the Unlocked Reserves were established, which was \$381,684,964.

On January 28, 2026 (21), the Board further directed the CAO to develop proposals for the use of Unlocked Reserves in FY 2025–26, in coordination with and with the advice and guidance of the Ad Hoc Subcommittee on Sustainable Fiscal Planning. This recommendation implements that direction by proposing appropriations of \$23,222,944~~11,000,000~~ for expanded funding of the Innovative Housing Trust Fund (\$22,222,944~~10,000,000~~) to Housing and Community Development Services and for Feeding San Diego (\$1,000,000) to support hunger-relief efforts in San Diego County to Self-Sufficiency Services; these appropriations are supported by Unlocked Reserves. This recommendation will result in a remaining balance of Unlocked Reserves in FY 2025-26 of \$1,800,000~~14,022,944~~.

This recommendation will transfer and use existing appropriations that are not planned to be used in FY 2025-26, based on operational savings in Behavioral Health Services and have no impact on services or the General Fund. The use of Unlocked Reserves is consistent with San Diego County Administrative Code Section 113.1 and addresses time-sensitive operational needs while advancing Board priorities.

Recommendation 23

This recommendation is to find that the Feeding San Diego grant to support hunger-relief efforts in San Diego is necessary to meet the social needs of the population. In accordance with Government Code section 26227, hunger-relief efforts are necessary to meet the needs of the County’s population in the areas of health and welfare.

This recommendation also authorized the Chief Administrative Officer, upon successful negotiation, to execute the grant agreement with Feeding San Diego to support their hunger relief efforts in an amount not to exceed \$1,000,000.

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STATUS REPORT, BUDGET ADJUSTMENTS, AND AUTHORITY TO
EXECUTE A GRANT AGREEMENT WITH FEEDING SAN DIEGO
(DISTRICTS: ALL)

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed actions support the Strategic Initiatives of Sustainability, Equity, Empower, Community and Justice in the County of San Diego's (County) 2026-2031 Strategic Plan by fully committing to use County resources to meet the highest priority needs of residents.

Respectfully submitted,



EBONY N. SHELTON
Chief Administrative Officer

ATTACHMENT(S)

Note: Due to the size of the attachments, the documents are available online through the Clerk of the Board's website at www.sandiegocounty.gov/content/sdc/cob/bosa.html

Schedules A and B

Notes to Schedules A and B

Notes to the General Fund Variances

Schedule C: Capital Projects for Completion & Cancellation

Appendix D: MMCOF Adjustments