



**BOARD OF
SUPERVISORS
AGENDA LETTER**

Agenda Number:

**Clerk of the Board of
Supervisors**
105 E. Anapamu Street, Suite
407
Santa Barbara, CA 93101
(805) 568-2240

**Submitted on:
(COB Stamp)**

Department Name:	County Executive Office
Department No.:	012
Agenda Date:	April 14 and 16, 2025 (April 17 if needed)
Placement:	Departmental Agenda
Estimated Time:	2 Days
Continued Item:	No
If Yes, date from:	N/A
Vote Required:	Majority

TO: Board of Supervisors

FROM: Department Director(s): Mona Miyasato, County Executive Officer
Contact Info: Paul Clementi, Budget Director

SUBJECT: Fiscal Year 2025-26 Preliminary Budget and Budget Development Workshops

DocuSigned by:

41846F5C725B460...

Recommended Actions:

That the Board of Supervisors:

- Receive and file information about the Fiscal Year 2025-26 preliminary budget;
- Confirm recommended uses of one-time funds to be included in the County Executive Office's Recommended Budget;
- Provide direction, if any, regarding other items to be addressed or included in the County Executive Office's Recommended Budget, scheduled for release in May and Board adoption scheduled for June 17 and 18;
- Provide direction, if any, regarding Special Issues or other items; and
- Determine pursuant to CEQA Guidelines 15378(b)(4) that the above actions are not a project subject to CEQA review, because it is a government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

This item is before the Board to receive information on the Fiscal Year (FY) 2025-26 preliminary budget and provide staff with direction on Board priorities and other items to be included in the Recommended Budget, scheduled for publication in May and Board consideration in June. Preliminary budget appropriations and revenue estimates remain subject to change until the tax roll is completed and the State budget is adopted. Currently, the preliminary budget is projected to be \$1.69 billion.

Budget Workshops

At this year's budget workshops, scheduled for April 14 and 16, and, if necessary, April 17, departments will present their FY 2025-26 preliminary budgets, significant operational changes, anticipated accomplishments, future goals, proposed service level reductions and budget expansion requests. Workshops provide an opportunity for the Board and the public to review the County budget in its planning phase and provide direction to staff, as appropriate, on particular priorities and policy issues that affect department budgets. Workshops will also include a special issue report scheduled for Monday, April 14 regarding the County's Workday enterprise resource planning project.

Direction received by the Board during workshops will be incorporated into the CEO's Recommended Budget, which will be compiled in accordance with the County Budget Act (Government Code §29064) and released on or before May 30. Recommended Budget hearings are scheduled to be held on June 17, and June 18 if necessary. At those hearings, staff will present the Recommended Budget for the Board's consideration, amendment, and adoption.

Stability amid Uncertainty: Sustaining Progress through Prudent Planning

Like a lighthouse that acts as a beacon in turbulent seas, the County's leadership, fiscal planning and resilience will serve to guide us as we continue to advance our priorities, even if the future is obscured by fog and shifting tides.

The Preliminary FY 2025-26 budget aims to create stability amid future fiscal uncertainty driven by:

- **Jail and other operating costs outpacing revenue growth and contributing to forecasted deficits in the General Fund of \$20.6 million over the next five years;**
- **Slowdown of state revenues upon which we rely; and**
- **Volatility of proposed federal funding cuts for key County services.**

Future sustainability depends largely on how these factors will impact departmental budgets and be mitigated by practical cost-reducing or revenue-producing measures. The FY 2025-26 budget provides a stable position from which to start conducting a careful assessment of these factors and other financial risks and begin planning for change.

Preliminary department budgets, with the exception of Social Services, are largely status quo. They include no expansion requests, except from the Sheriff's Office, and minimize budget growth through increased use of salary savings, and in the case of Social Services, significant deletion of vacant positions. This does not mean that departments have no additional needs or wants; they do. At the CEOs request, they have maximized their resources and prioritized needs to avoid expansion of services that require greater General Fund support. Fewer requests will enable the County to address expected deficits in the near future.

- For the Social Service Department, a convergence of increased assistance payment costs, declining state revenue and diminished fund balances contributed to a \$14.2 million projected gap identified during budget development a few months ago. The department closed \$10.8 million of that gap by un-funding vacant positions; deferring capital projects, maintenance and hardware replacements; and eliminating external trainings.
- A \$3.4 million funding gap for Social Services remains heading into budget workshops, which the CEO recommends funding with one-time funding from the General Fund to allow the department time to reduce operating costs over the next fiscal year. Alternatively, the Board may direct the department to implement further cuts, resulting in layoffs, to balance its budget without General Fund support in FY 2025-26.
- Behavioral Wellness and Public Health are drawing down more of their fund balances for operations next year than in the past, due to costs outpacing their ongoing revenues. While not a significant issue next year, continuing this practice is a concern for the future. Both departments are evaluating ways to address this challenge.

Despite growing uncertainty, sustained progress toward countywide priorities continues in FY 2025-26. The preliminary budget includes appropriations to advance critical countywide initiatives related to interim and permanent supportive housing programs that address homelessness; implementation of several Housing Element Update programs designed to help the County meet its regional housing needs; the coordinated delivery of medical, behavioral health, and other social safety net services to support disadvantaged and vulnerable populations; improvements to the criminal justice system aimed at safely reducing the total inmate population and improving conditions of confinement; continued investment in climate resiliency through the County's electric vehicle program and implementation of the Climate Action Plan; and the planning, design and completion of critical capital and other infrastructure improvement projects.

Past prudence has afforded the County time to plan for future reductions; continued prudence will be essential. The FY 2025-26 preliminary budget position is relatively stable compared to other jurisdictions in California thanks to past fiscal planning and savings that established ongoing set-asides from which the County plans to draw next fiscal year. While future deficits are anticipated to grow to \$20.6 million over the next five years, the past set asides have afforded us the benefit of time to plan methodically for reductions or new revenue generation: the CEO will ask departments to start compiling strategies for doing so after the budget is adopted in June. A summary plan for continued fiscal stability will be presented to the Board with the FY 2026-31 five-year forecast by January 2026.

Reserving or redirecting revenue now will also be essential to start mitigating the large deficit ahead. Given the extent of the forecasted deficit, it is recommended that the County begin reserving one-time available funds; redirecting funds for projects of less priority; consider opportunities to increase other revenue sources; and develop strategies to reduce spending, which may include decreasing core service levels in order to balance the budget. Staff will discuss at workshops any recommended changes to funding for capital improvement projects that will be needed to mitigate the deficit.

Budget Highlights

The following is a summary of programmatic priorities and/or strategic investments seeing progress in the FY 2025-26 preliminary budget.

Focused Priority Area: Housing and streamlined housing-related permitting and processes

On January 7, 2025, the Board adopted a focused priority area of housing and streamlined housing-related permitting and processes, to help departments develop work plans for the coming year. Efforts toward this priority in FY 2025-26 include funding to support implementation of almost half of the Housing Element Update's 25 programs designed to help the County meet its Regional Housing Needs Allocation goals. These and other work plan initiatives include the following:

- Development of a local preference housing program
- Collaborating with employers and developers on the development of workforce and farmworker housing
- Identifying financial incentives for the creation of affordable housing
- Creating pre-approved plans for accessory dwelling units to reduce permitting timelines and fees for those who use them
- Completion of zoning ordinance amendment updates to facilitate housing in multi-family and commercial zone districts
- Expanded implementation of Accela permitting software to facilitate online permitting for housing projects as well as other building, planning and public works projects
- Ordinance updates to expand ministerial permits and further streamline permit processes and for additional on-demand building permits for simple improvements
- Possible actions following presentation of the County's Workforce Housing and Preservation Study, to be presented to the Board this spring

- With the Board's approval, other implementation activities such as updating the Inclusionary Housing Ordinance and pursuing a pro-housing designation from the State that will give the County priority status when applying for various Housing and Community Development grants

Provide Coordinated Community Service Delivery and Strengthen the Safety Net

Continue to make Santa Barbara County a place where our community can lead healthy, prosperous lives

Homelessness

The preliminary budget includes appropriations to advance critical countywide initiatives related to interim and permanent supportive housing programs that address homelessness. The Community Services Department (CSD) will continue to administer interim supportive housing sites across the County, including Hope Village in Santa Maria and La Posada in the Goleta Valley which provides 174 non-congregate residential cabin units. To close the interim housing bed gap identified in the Community Action Plan to Address Homelessness, CSD will focus on developing and implementing a homelessness prevention program and pursuing competitive funding and grant opportunities to sustain services and interim housing operations in FY 2025-26.

Supporting disadvantaged and vulnerable populations

The preliminary budget includes appropriations that advance countywide initiatives, such as improving access to inpatient mental health care treatment. Responding to the growing need for acute and subacute beds, Behavioral Wellness is budgeting a \$6.5 million increase in contracted services for the increased utilization of beds both inside of the county and outside of the county, which includes increased use of approximately 15 beds during the current year and an additional 7 beds anticipated to be utilized in the next few months. The department is funding this through a combination of General Fund, Mental Health Realignment and use of existing fund balance.

The Department of Social Services is continuing to leverage state and federal grants to improve access to employment, education, training, and resources for populations with specific challenges. This includes the implementation of the National Farmworker Jobs Program grant, which the department is appropriating \$2 million towards in FY 2025-26.

Enhancing recreational and economic opportunities

In FY 2025-26, CSD will focus on finalizing the Countywide Recreational Master Plan. Building on FY 2024-25, CSD will complete the Programmatic Environmental Impact Review and commence planning for selected County projects in FY 2025-26. This effort aims to streamline recreational development, improve public access, and foster community engagement. The plan will also boost economic development through tourism and ensure equitable access that aligns with community needs.

Advance Improvements in the Criminal Justice System

Continue to improve our Criminal Justice system so that justice is served fairly, expeditiously, and with humanity

The County is seeing promising results from the Re-entry Early Access and Diversion (READY) pilot, which aims to reduce the length of jail stays by connecting incarcerated persons with an attorney before their first court appearance. READY has reduced the jail population by an estimated 14 beds in its limited implementation within the Northern Branch Jail. Further expansion within the Northern Branch Jail, as well as implementation within the Main Jail, is expected to further reduce the jail population, and will be contingent on continued Community Corrections Partnership funding.

The Medication-Assisted Treatment (MAT) program in our county jail has more than doubled in size over the last year. The MAT program serves individuals with substance use disorders by combining medication with counseling to help a person stabilize from addiction to opioids. On March 1, 2024, 83

people were enrolled in the program; by March 1, 2025, the number of participants was at 215. These efforts have contributed to over a 36% reduction in overdose-related deaths in our county jail from 2023 compared to 2024.

Jail improvements in accordance with Disability Rights California Settlement

General Services continues to make progress on Main Jail Americans with Disabilities Act (ADA) improvements, finalizing the Inmate Reception Center (IRC) ADA parking upgrades, and winding down the yard improvements, including updated fencing and tower security coordination. IRC Expansion and Interior ADA Improvements has 95% construction documents complete and is expected to reach completion by April 2027. This \$20 million project was funded as part of the debt issued in spring of 2024.

A new jail and juvenile healthcare services contract with California Forensic Medical Group (CFMG) was adopted by the Board on April 1, 2025, which increased the number of contracted positions by 21.95. The new contract resulted in an increase of \$8.8 million over the Sheriff's FY 2024-25 Adopted Budget, necessitating additional General Fund to cover, which is included in this preliminary budget. The contract expands mental health services at both County jail locations.

Also on April 1, 2025, the Board directed staff to begin design and construction for a one and a half unit housing addition to Northern Branch Jail to replace some of the bed capacity that will be lost at the Main Jail. While the design phase for the Northern Branch Jail expansion has been fully funded in prior fiscal years, construction costs are anticipated to be over \$178.8 million and will need to be funded through a debt issuance, expected in FY 2026-27, with anticipated annual debt service of \$12.4 million over 30 years. Staff will spend FY 2025-26 preparing for the debt issuance and developing a funding plan for the debt service payments, which are not expected to start until FY 2028-29.

Foster Financial and Organizational Excellence

Continue to improve the transparency, efficiency and effectiveness of how we do our work, and to make County of Santa Barbara a great place to work

County Financial Stability

The FY 2025-26 Budget Development Policies, adopted by the Board in January 2025, continue to prioritize financial stability through the identification and mitigation of fiscal risks and preparation for future challenges. In compliance with these policies, the preliminary budget draws on prior-year fiscal prudence through the release of a \$6.8 million ongoing set-aside to offset growing labor costs. Other key components include the following:

- Continues to fund ongoing General Fund operational costs with ongoing revenue
- Aims to maximize reimbursement from State and federal programs
- Maintains set-aside funding for identified need
- Maintains a \$47.5 million strategic reserve, which is 8% of General Fund operating revenue
- Assumes salary savings of approximately 6.1%
- Offsets labor and internal service cost increases for General Fund departments to avoid service level reductions
- Concludes the Northern Branch Jail funding plan by shifting General Fund Contribution away from General County Programs and directly to the Sheriff to fund ongoing operating costs.

In the coming fiscal years, it will be critical that the County reinforce a stable financial position against growing operational costs, slowing discretionary revenue growth, and other economic uncertainties surrounding the federal and state budgets. It is imperative that we continue adherence to the Board's financial management policies and the cautious use of unallocated fund balances into the near future.

Organizational Efficiency

Workday and Sherpa, the County's new enterprise resource planning and budget development software systems will go live in August and November 2025 respectively. These systems are intended to increase

fiscal capabilities, efficiency and transparency through a new chart of accounts, enhanced financial reporting, standardized business processes with increased automation, data analytics, salary modeling, and budget development functionality. A Workday learning management system that will support the transition by allowing departments to create custom training content will accompany the financial system launch in August 2025. Implementation of a new digital budget book is also planned for go live in FY 2026-27 that will offer the public a dynamic tool for understanding the County budget.

Additional efforts to enhance organizational efficiencies include focused departmental implementation of four priority operational performance review recommendations and the launch of new artificial intelligence tools to help boost productivity through the automation and streamlining of routine business processes.

Promote Sustainability and Climate Resiliency

Continue to reduce Santa Barbara County's contribution to climate change, and improve our resilience to the impacts of a changing climate

Sustainability and Adaptation

As part of the County's ongoing commitment to address climate change, several key projects are anticipated for FY 2025-26. General Services will complete the installation of EV charging stations at the Regional Fire Communications Center (RFCC), Tajiguas Resource Center, Santa Barbara Main Jail, Northern Branch Jail facilities and begin designing 150 new level 2 and level 3 EV charging stations across the County. CSD will continue to actively pursue grants, incentives and financial strategies to fund Climate Action Plan initiatives and plans to deliver the 2030 Climate Action Plan 1-Year Progress Report and the Greenhouse Gas Inventory report in FY 2025-26.

Strategically Invest in Facilities and Infrastructure

Continue to invest in the physical future of Santa Barbara County by building and maintaining infrastructure

Capital Improvements

The County remains committed to strategically investing in its facilities, infrastructure, and recreational assets to ensure efficient and sustainable services for residents, investors, and employees. This commitment is reflected in planned capital projects across multiple departments. Overall, the preliminary budget includes the \$109.7 million of capital improvement projects presented to the Board on March 11, 2025, and managed by the General Services, Public Works, and Community Services departments.

- The Community Services Department has budgeted for variety of updates across parks, campgrounds, trails, and open spaces, including pavement repairs at Goleta Beach Park, initiation of development at Vandenberg Village Park, ballfield lighting at Orcutt Community Park, waterline upgrades and amphitheater renovations at Cachuma Lake, bridge replacement at Tuckers Grove Park (Santa Antonio Creek), and restroom and infrastructure improvements at Rincon Park.
- The General Services Department plans to continue enhancing County facilities through sustainable improvements, energy efficiency initiatives, security upgrades, and functional enhancements. Planned projects include weatherization, security system improvements, HVAC system replacements and upgrades across various County facilities, and the Calle Real Water Loop replacement.
- Furthermore, several significant projects, funded by debt issuance, such as the construction of the new Probation Headquarters, improvements to the Santa Barbara Main Jail, and the Public Safety Radio Network implementation, will continue into FY 2025-26.
- Major Public Works projects funded in the FY 2025-26 preliminary budget include replacement of the Bonita School Road Bridge which serves as a connection between the City of Santa Maria and the City of Guadalupe; phase two of the Modoc Multiuse Path providing safe, ADA-compliant access

along the corridor from Via Senda to Encore; and the Santa Claus Lane Streetscape to increase coastal access through the coastal corridor between the City of Carpinteria and the Community of Summerland.

- Regional Fire Communications Center (RFCC) construction will be completed in the current fiscal year and centralized dispatch services across Santa Barbara, Montecito, Carpinteria-Summerland, Santa Maria, Lompoc, and Guadalupe Fire Agencies will commence in Spring 2025. The consolidated dispatch center is anticipated to enhance coordination of emergency services and improve response times. Initial RFCC operations will rely on \$2.1 million in temporary annual General Fund support until a new emergency medical service provider contract is negotiated in February 2029.

Deferred Maintenance

In accordance with County Budget Development Policy, 18% of unallocated Discretionary General Fund revenues are committed annually to the Public Works, General Services and Community Services Departments to address deferred maintenance of County infrastructure, facilities, and parks. The FY 2025-26 Preliminary Budget appropriates a total of \$16.5 million for deferred maintenance, which represents a \$730K increase compared to the FY 2024-25 Adopted Budget.

Innovation & Technology

The preliminary budget includes appropriations that advance the countywide initiative of investing in new technology and driving innovation, including the continued roll out of Microsoft applications with new artificial intelligence tools and additional cybersecurity enhancements that drive efficiency and improve workflows without disrupting existing processes. The County will be testing Microsoft Copilot among a limited group of employees in June and broader distribution of the artificial intelligence platform is anticipated in FY 2025-26. ITD is also appropriating \$450,000 in the FY 2025-26 preliminary budget that go toward tools that protect (endpoint monitoring) and mitigate (managed backup) against the risk of a cyberattack.

The above priorities and investments are highlighted as they speak directly to the County's ongoing efforts to achieve the Countywide vision and address the goals and objectives of Renew and the budget development policies and priorities adopted by the Board of Supervisors.

Budget Details

Details regarding changes to the budget, staffing, and discretionary General Fund allocations can be found in the FY 2025-26 Preliminary Budget Report (**Attachment A**) and FY 2025-26 Budget Workshop Binder (**Attachment B**).

Fiscal Impacts:

Receiving and deliberating on the information presented during workshops will provide staff direction in finalizing revenues and expenditures, which will be incorporated into the Fiscal Year 2025-26 Recommended Budget for adoption at the June budget hearings. The FY 2025-26 Preliminary Budget currently is \$1.69 billion, and any Board direction to next year's work plans or projects could have a fiscal impact. However, there are no immediate budgetary or fiscal impacts associated with holding the Budget Workshops.

Attachments:

Attachment A – FY 2025-26 Preliminary Budget Report

Attachment B – FY 2025-26 Budget Workshop Binder

Authored by:

CEO Budget & Research