

COUNTY OF SANTA BARBARA
GENERAL FUND DISCRETIONARY REVENUE

ATTACHMENT A

Revenue Source	Five-Year Forecast						
	FY 20-21 Actual	FY 21-22 Budgeted	FY 22-23 Forecast	FY 23-24 Forecast	FY 24-25 Forecast	FY 25-26 Forecast	FY 26-27 Forecast
Cannabis Taxes	\$ 15,746,619	\$ 19,056,000	\$ 17,715,400	\$ 18,784,000	\$ 19,557,800	\$ 20,310,000	\$ 21,101,100
Current Property Taxes	160,703,262	168,286,000	176,143,000	182,741,400	189,186,100	195,438,900	201,919,400
Countywide Cost Allocation Plan	17,354,759	19,612,900	20,814,000	22,589,000	22,041,000	21,464,000	21,869,000
Federal In Lieu and Reimbursements	2,015,901	2,098,000	2,097,200	2,139,100	2,181,900	2,225,500	2,270,000
Franchise Fees	3,009,773	3,205,100	3,193,100	3,288,900	3,387,600	3,489,200	3,593,900
Interest Income	675,823	1,938,000	727,000	748,800	771,300	794,400	818,200
Penalties and Interest - Property Taxes	3,859,496	5,899,000	4,455,000	4,611,000	4,772,300	4,939,400	5,112,200
Property Taxes In-Lieu of VLF	62,750,946	64,947,000	67,870,000	70,584,800	73,231,700	75,794,800	78,447,700
Real Property Transer Taxes	8,030,897	4,458,000	5,500,000	5,000,000	4,500,000	4,500,000	4,500,000
Redevelopment Agency Funds	11,397,989	11,751,000	11,885,000	12,296,700	12,722,800	13,163,700	13,620,200
Sales and Use Tax	12,545,274	12,536,800	13,212,500	13,641,900	14,153,500	14,684,200	15,271,600
Transient Occupancy Tax	12,534,806	12,115,500	12,574,400	13,140,300	13,600,200	14,076,200	14,568,900
All Other Discretionary Revenue	1,911,822	1,479,500	1,559,200	1,578,400	1,598,300	1,619,000	1,640,600
TOTAL	\$ 312,537,366	\$ 327,382,800	\$ 337,745,800	\$ 351,144,300	\$ 361,704,500	\$ 372,499,300	\$ 384,732,800
Dollar Change Per Year	\$ 21,732,470	\$ 26,862,600	\$ 10,363,000	\$ 13,398,500	\$ 10,560,200	\$ 10,794,800	\$ 12,233,500
Overall Growth Per Year		8.6%	3.2%	4.0%	3.0%	3.0%	3.3%
GROWTH RATES:							
Cannabis Taxes	29.3%	21.0%	-7.0%	6.0%	4.1%	3.8%	3.9%
Current Property Taxes	3.9%	4.7%	4.7%	3.7%	3.5%	3.3%	3.3%
Countywide Cost Allocation Plan	56.5%	13.0%	6.1%	8.5%	-2.4%	-2.6%	1.9%
Federal In Lieu and Reimbursements	-1.0%	4.1%	0.0%	2.0%	2.0%	2.0%	2.0%
Franchise Fees	-5.9%	6.5%	-0.4%	3.0%	3.0%	3.0%	3.0%
Interest Income	-74.4%	186.8%	-62.5%	3.0%	3.0%	3.0%	3.0%
Penalties and Interest - Property Taxes	-29.5%	52.8%	-24.5%	3.5%	3.5%	3.5%	3.5%
Property Taxes In-Lieu of VLF	5.0%	3.5%	4.5%	4.0%	3.7%	3.5%	3.5%
Real Property Transer Taxes	89.4%	-44.5%	23.4%	-9.1%	-10.0%	0.0%	0.0%
Redevelopment Agency Revenues	-1.2%	3.1%	1.1%	3.5%	3.5%	3.5%	3.5%
Sales and Use Tax	11.8%	-0.1%	5.4%	3.2%	3.8%	3.7%	4.0%
Transient Occupancy Tax	23.1%	-3.3%	3.8%	4.5%	3.5%	3.5%	3.5%
All Other Discretionary Revenue	-25.5%	-22.6%	5.4%	1.2%	1.3%	1.3%	1.3%

Discretionary Revenue Forecast Assumptions:

Cannabis Taxes - Cannabis taxes budget was forecast to increase by 21% in FY 2021-22 based on significant growth experienced in the cultivation sector over the first three years of this industry, in addition to the anticipated opening of new retail storefront operations. However, the Quarter 1 receipts are indicating the projected actual will be nearly \$3 million short. Throughout the state, oversupply of cannabis product is beginning to develop, therefore a reduction of 7% has been factored into the forecast in FY 2022-23 with growth stabilizing to around 4% in the out years.

Current Property Taxes - Property taxes increased 4.7% in FY 2021-22 due in large part to increased values of residential and commercial properties. Despite the ongoing pandemic, continued growth is anticipated in FY 2022-23 at 4.7%, then tapering off to 3.3% in the last two years of the forecast.

Countywide Cost Allocation Plan (CAP) - The cost allocation plan reimburses the General Fund for costs of services incurred by proprietary (Enterprise and ISF) and subvented funds (Mental Health, Social Services, etc.). The plan is developed based on the actual costs identified in the previous two fiscal years. The increase of 13% in FY 2021-22 is mainly attributable to the County Counsel Department transitioning from direct billing for services, into the County's cost allocation plan. In the forecasted years, growth stabilizes somewhat and in fact shows a decline, but is ultimately based on forecasted costs incurred by General Fund departments.

Federal In Lieu and Reimbursements - These funds primarily represent Federal Payments in Lieu of Taxes (PILT) funds. PILT funds help to offset the loss of property tax revenues caused by the presence of tax-exempt federal land. PILT funds have historically been unbudgeted due to concerns of funding instability, however due to the consistency in which the funds have materialized, these funds are now budgeted beginning in FY 2021-22.

Franchise Fees - These fees are from cable and road right of way usage by several utility type companies. The General Services Department collects the fees, which are typically based on a percentage of the payor's gross receipts. Year one of the forecast projects to be flat, with a 3% increase assumed in each of the remaining years.

Interest Income - The Treasury Pool interest rate has decreased substantially since the onset of the pandemic, returning .384% for the quarter ending 9/30/21. The FY 2021-22 budget assumed the rates would begin to increase, however that does not appear to be the case through Quarter 1. Forecast projections have therefore been decreased accordingly to reflect this downward trend in rates.

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GENERAL FUND DISCRETIONARY REVENUE

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Discretionary Revenue Forecast Assumptions Continued:

Penalties and Interest - Property tax penalties and delinquencies are projecting to decrease in year one of the forecast as a result of a strong economic recovery, then returning to normal expectations of 3.5% growth going forward.

Property Taxes In-Lieu of VLF - This "VLF Swap" adjustment is calculated by the Auditor-Controller and represents the annual growth of assessed valuation for the General Fund (less annexation transfers) that is allocated to the County in lieu of vehicle license fees (VLF). Propositions 1A set the VLF rate at 0.65% and dedicated the revenue source for counties and cities. Under the Proposition, the State cannot decrease VLF revenues without providing replacement funding. The VLF swap began in FY 2004-05 and is a permanent adjustment. The revenue grows or declines in conjunction with changing gross property tax valuation. The forecast assumes continued solid growth in years one and two due to continued growth in residential and commercial property values, with a leveling off occurring in the out years to 3.5%.

Real Property Transfer Taxes - The County charges \$0.55 for every \$500 in value of property on each deed, instrument, etc. pursuant to Revenue and Taxation Code 11911. The Recorder collects this revenue that has rose to a record high in FY 2020-21 due to a strong real estate market and high demand for the purchase of properties, coupled with historically low mortgage rates. The forecast assumes a continued robust real estate market to continue in the first two years, then flattening in the remaining years.

Redevelopment Agency Revenues - The County receives revenues from City Redevelopment Agencies (RDA). RDA-related revenues fall into the following three categories: 1) pass-through payments received by RDAs, 2) dissolution proceeds from Successor Agencies, and 3) distributions of residual balances remaining in trust funds of former RDA successor agencies. Dissolution Proceed amounts are a result of legal agreements and are therefore uniform and fixed. The remaining RDA revenues are projecting modest growth from FY 2021-22 to FY 2022-23, then grow by 3.5% per year for the balance of the forecast.

Sales and Use Tax - This tax represents the local portion of the retail sales tax collected by the State from sales generated within the unincorporated areas of the County. Despite the ongoing effects of the pandemic, retail sales in the County have returned to pre-pandemic levels as consumer spending has shifted away from services and back to goods. The forecast assumes significant growth of 5.4% in year one as the economy continues its recovery, then returns to a more standard level of growth of 3.2% in year two, before increasing gradually in the out years to 4%.

Transient Occupancy Tax - The County collects a Transient Occupancy Tax (TOT) that is charged to occupants of every hotel, motel, and individual vacation rental in the unincorporated areas, who stay for a period of thirty days or less. This discretionary tax revenue was impacted the most by the pandemic due to stay-at-home mandates and related travel restrictions, but has since rebounded to pre-pandemic levels and then some, as the general public's desire to travel has surged. The forecast assumes solid growth ranging from 3.5% to 4.5%.

All Other Discretionary Revenue - This category consists of revenue from varying sources. The forecast assumes that this category will remain somewhat flat.

**COUNTY OF SANTA BARBARA
COUNTYWIDE MAJOR SALARY AND BENEFITS CHANGE**

ATTACHMENT A

Category	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Countywide Projected Salary Costs	\$ 427,900,977	\$ 437,992,594	\$ 448,394,900	\$ 457,553,535	\$ 466,851,760
Change from prior year (\$)	17,096,937	10,091,617	10,402,306	9,158,635	9,298,225
Change from prior year (%)	4.2%	2.4%	2.4%	2.0%	2.0%
Countywide Projected Pension Costs	170,910,954	172,301,888	173,925,000	174,953,500	170,461,900
Change from prior year (\$)	4,126,055	1,390,934	1,623,112	1,028,500	(4,491,600)
Change from prior year (%)	2.5%	0.8%	0.9%	0.6%	-2.6%
Countywide Projected Healthcare Costs	48,073,480	50,723,963	53,703,752	56,749,816	59,977,502
Change from prior year (\$)	87,203	2,650,483	2,979,789	3,046,064	3,227,686
Change from prior year (%)	0.9%	5.5%	5.9%	5.7%	5.7%
Total Major Salary and Benefits Costs	\$ 646,885,411	\$ 661,018,445	\$ 676,023,652	\$ 689,256,851	\$ 697,291,162
Change from prior year (\$)	\$ 21,310,195	\$ 14,133,034	\$ 15,005,207	\$ 13,233,199	\$ 8,034,311
Change from prior year (%)	3.4%	2.2%	2.3%	2.0%	1.2%

Salary and Benefit Assumptions:

Salaries - Salary increases matched MOUs for all bargaining groups with agreements in place. In general, this was 2.5% in FY 22-23 and 2% in FY 23-24 (as well as 3% in the current fiscal year, which took place prior to this forecast period). Each year beyond that had an assumed annual increase of 2%. For bargaining groups without agreements in place, assumed increases matched the recently signed MOUs with other bargaining groups, but starting in FY 22-23. This means 3% in FY 22-23, 2.5% in FY 23-24, and 2% in FY 24-25. 2% was assumed for each year beyond that.

Pensions - A pension rate model was created that assumed continued smoothing in of the losses the pension fund experienced in FY 2019-20, as well as the large gains the fund experienced in FY 2020-21. Additionally, an assumption was made that SBCERS would lower the discount rate 25 basis points, from 7.00% to 6.75%, beginning with FY 2022-23. This change in the discount rate would partially, but not fully, offset the gains from FY 2020-21. The SBCERS Board is scheduled to make this decision on December 8, 2021. The overall trend in the forecast is declining pension plan rates, which drive pension contributions downward, offset by salary increases, which drive contributions upwards. In the final year of the forecast, the plan rates have a steeper drop, due to the FY 2019-20 losses being fully smoothed into the rates by FY 2025-26, while the gains of FY 2020-21 are smoothed in for one more year, causing a net decrease to pension contributions in FY 2026-27.

Healthcare - Calendar year 2022 saw lower premiums than anticipated when the FY 2021-22 budget was adopted. These lower premiums have a downward effect on the FY 2022-23 rates, offset by an assumed increase of 7% in calendar year 2023. Assumed increases for the remaining years of the forecast are close to 6% annually.

**GENERAL FUND RESERVES
GENERAL COUNTY PROGRAMS - BUDGET UNIT 990**

Attachment A

Reserve Account	FY 2021-22 Adopted Budget					Ending Balance
	Beg Balance	Budgeted Net Increases	Budgeted Net Uses	Earmarks Future Use		
1 9768 -- Public Safety Prop 172	\$ 7,533,100	\$ -	\$ 600,000	\$ 3,685,400	\$ 3,247,700	
2 9775 -- Local Innovation Sub-Account	401,400	75,000			476,400	
3 9811 -- Behavioral Wellness	4,723,200	1,000,000	800,000	3,923,200	1,000,000	
4 9815 -- Props 215/64 - Cannabis	15,665,800	19,056,000	24,917,100	9,523,300	281,400	
5 9818 -- 18% Deferred Maintenance	-	10,857,000	10,857,000		-	
6 9830 -- Capital	39,963,600	5,300,000	9,345,300	35,773,300	145,000	
7 9833 -- Technology Replacement	5,623,400	3,750,000	597,500	8,775,900	-	
8 9835 -- In-Car Video Replacement	550,000	185,000			735,000	
9 9836 -- Roads - Baseline	-	500,000	500,000		-	
10 9840 -- Strategic Reserve	38,785,300				38,785,300	
11 9845 -- Litigation	12,024,900		793,000	11,231,900	-	
12 9846 -- Disaster Recovery	9,688,400		3,000,000	4,000,000	2,688,400	
13 9849 -- Program Stabilization	7,500,000	4,300,000	995,200	8,554,800	2,250,000	
14 9851 -- Facilities Maintenance - Baseline	2,055,600	3,600,000	4,395,300	1,256,000	4,300	
15 9852 -- Assessment Appeals Support	668,900		668,900		-	
16 9853 -- Hazardous Tree Mitigation	-	500,000	500,000		-	
17 9880 -- New Jail Operations	13,347,500	17,100,000	21,498,400		8,949,100	
18 9890 -- Emerging Issues(one-time funding)	3,701,500	7,005,700	2,791,100	6,687,300	1,228,800	
19 9898 -- Contingencies	5,358,800		337,600	2,846,500	2,174,700	
20 9940 -- Fund Balance-Residual (One-time)	10,501,500	9,337,300	1,959,500	17,879,300	-	
	\$ 178,092,900	\$ 82,566,000	\$ 84,555,900	\$ 114,136,900	\$ 61,966,100	

Notes:

- 1 9768 -- Public Safety Prop 172: Earmark includes a \$3.2 million prudent reserve set aside.
- 3 9811 -- Behavioral Wellness: \$3.9 million earmark is transfer to Litigation costs for a settlment. Policy requires \$1 million balance to be maintained.
- 4 9815 -- Props 215/64 - Cannabis: Earmark includes \$4.7 million prudent reserve.
- 6 9830 -- Capital: Earmark includes \$20.9 million for the public radio replacement plan and \$11.6 million previously set aside that is being transferred to litigation costs.
- 7 9833 -- Technology Replacement: Earmark includes \$5 million set aside for County ERP project.
- 11 9845 -- Litigation: Earmark includes significant uninsured litigation costs identified by County Counsel.
- 13 9849 -- Program Stabilization: Earmark includes \$5.4 million in set asides approved in the FY 21-22 budget including Sheriff Overhire Program and General Liability and pension cost increases. The remaining balance of \$3.2 million is earmarked for the County ERP that wil be transferred to the Technology Replacement account.
- 18 9890 -- Emerging Issues (one-time funding): Earmark includes items approved in the FY 21-22 budget including set asides for Discovery/Data Needs, IT Department costs, redistricting and election costs, court security services, etc.
- 19 9898 -- Contingencies: Earmark is transfer to litigation account for uninsured litigation costs.
- 20 9940 -- Fund Balance-Residual (One-time): Earmark includes set aside of \$9.9 million for advance bridge construction cash flow and \$7.9 million to be transferred to the litigation account for uninsured litigation costs.