



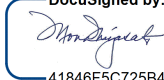
**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

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

**Department Name:** CEO  
**Department No.:** 012  
**For Agenda Of:** August 24, 2021  
**Placement:** Administrative  
**Estimated Time:** N/A  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

**TO:** Board of Supervisors  
**FROM:** Department: Mona Miyasato, County Executive Officer  
Director(s)  
Contact Info: Nancy Anderson, Assistant CEO

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**SUBJECT: Fiscal Year 2020-21 Fourth Quarter Budget Update**

**County Counsel Concurrence**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- a) Receive and file the Fiscal Year 2020-21 Fourth Quarter Budget and Financial Status Report as of June 30, 2021, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors.

**Summary:**

The Fiscal Year 2020-21 Budget and Financial Update for the fourth quarter ending June 30, 2021, provides a look at the County's year-end financial position relative to the FY 2020-21 adjusted budget.

The County ended with a net positive \$9.3 million in the General Fund, which is greater than the \$6.8 million positive projected at the end of the third quarter. Overall, Discretionary General Revenues ended the year \$6.4 million above budget, and this amount was increased by positive net financial variances in some departments. Several General Fund departments ended the year with expenditure savings and/or higher than anticipated revenues, most notably Probation (\$1.3 million), Auditor-Controller (\$613,000), Community Services (\$485,000), and Clerk-Recorder-Assessor (\$290,000). The positive variances were partially offset by negative variances in Agriculture/Weights & Measures (\$249,000) and Public Defender (\$101,000), with a slight deficit in County Counsel (\$16,000). These variances are explained in greater detail later in the report.

Special Revenue Funds are required to end the year balanced, so those funds are not included in this update. However, Courts Special Services (Fund 0069) required additional funding from the General Fund in the amount of \$600,000 during the fiscal year due to continued decline in fine, fee and penalties

revenues. This occurred in the prior fiscal year as well, and is a trend that is expected to continue. To offset this continued declining revenue, the recently adopted FY 2021-22 budget increased General Fund contribution to Courts Special Services.

### **Background:**

#### **FOURTH QUARTER REPORT**

In this report, the year-end financial results for the fiscal year-end are compared to the annual adjusted budget. The major differences (variances) between budgeted and actual amounts through June 30, 2021, are discussed below.

This report highlights General Fund departments (including Discretionary General Revenues) with either positive variances greater than \$200,000, or negative variances of any amount, shown in the Financial Summary Report (Attachment A). As mentioned above, this report does not discuss Special Revenue Funds, which are required to end the year with a balanced budget.

Attachment A uses actual revenues and expenditures for the fiscal year compared to Adjusted Budgets for both Sources and Uses to produce a “Net Financial Projected Variance” for the end of the fiscal year (shown in the far-right column of the Attachment A).

The Sheriff’s Office had projected a \$818,000 negative year-end balance as of March 31, 2021, though it was expected that CARES Act funding could reduce the gap by year-end. At year-end, CARES Act funding as well as additional state funding eliminated the negative projected balance. State funding to support jail inmates that, if it were not for COVID, would have been held in state institutions, exceeded expectations by \$300,000, and CARES funding to reimburse the department for certain COVID-related personnel and supply costs exceeded third quarter projections by an additional \$500,000.

### **Discussion:**

#### **GENERAL FUND SUMMARY (Attachment A)**

The General Fund had a year-end net positive variance of \$9.3 million. The departments with significant net financial impacts are discussed in detail below.

**County Counsel** had a negative variance of \$16,000 or 0.2% on a total adjusted budget of \$10.3 million, primarily due to a shortfall in Cannabis Permits revenue. Current fees are below full cost recovery; however, the department will be performing a fee study during the 2021-22 Fiscal Year to ensure full cost recovery moving forward.

**Probation** had a positive variance of \$1.3 million, or 1.8% on a total adjusted budget of \$73 million, primarily as the result of staffing vacancies which have generated significant savings in salary and benefit costs.

**Public Defender** had a negative variance of \$101,000, or 0.7% on a total adjusted budget of \$15.1 million, primarily due to the need to fill a supervisory position behind an employee on paid leave. This personnel situation was resolved during the fiscal year and will not be an ongoing issue.

**Agriculture/Weights & Measures** ended the fiscal year with a negative variance of \$249,000, or 3.6% on a total adjusted budget of \$6.9 million, primarily resulting from less work performed on revenue-generating programs due to reduced inspections and permitting because of COVID-19 impacts to agriculture. This also negatively impacted the department’s share of the State Unclaimed Gas Tax disbursements. Additionally, fees the department charges have not been updated in many years, leading

to less than full cost recovery for certain services. The Department is completing a fee study and will bring proposed updates to the Board this fiscal year.

**Community Services** ended the fiscal year with a positive variance of \$485,000, or 1.2% on a total \$40.1 million adjusted budget, primarily due to salary savings and substantially heightened demand for camping and hookup fees due to restrictions placed on other travel activities during the pandemic, with some offsetting declines in park concessions and all group activities impacted by COVID-19 (weddings, special events, veterans' buildings, group camping, and day use rental areas).

**Auditor-Controller** ended the fiscal year with a positive variance of \$613,000, or 5.9% on a total budget of \$10.4 million, due primarily to savings in salaries and benefits.

**Clerk-Recorder-Assessor** ended the fiscal year with a positive variance of \$290,000, or 1.4% on a total budget of \$21.2 million, mainly due to salary savings, in addition to savings in services and supplies expenditure line items such as postage and training.

**General Revenues** ended the year with a net positive year-end variance of \$6.4 million, or 2.1% on a \$306.1 million adjusted budget, which is consistent with past year-end totals averaging 2.2% of budget. This variance was due primarily to higher than budgeted Current Year Secured Property Tax, Sales and Use Retail State Tax, Property Transfer Tax, and Payment In Lieu of Taxes, offset by lower than budgeted Current Year Unsecured Property Tax, Prior Year Unsecured Property Tax Corrections, Prior Year Property Tax Redemption Penalty, and Interest Income. Cannabis Tax Revenue collected for the fiscal year came in at \$15.7 million, \$5.1 million above the adopted budget amount of \$10.6 million. Of this amount, \$3.4 million had already been projected and appropriated at the FY 2021-22 budget hearings. A budget revision was processed at fiscal year-end to recognize this unanticipated revenue and fund-balance it in General County Programs for future allocation. This revision is part of the Adjusted Budget reflected in the table below.

The Current Year Secured Property Taxes collected exceeded the budgeted amount by \$2.3 million and contributed to the positive variance as the assessed value of properties in the real estate market exceeded initial projections that were developed when the fiscal year 2020-21 budget was adopted. Sales and Use Retail State Taxes were also a positive contributor as actuals exceeded budgetary expectations by \$2.2 million, driven by robust sales activity and less dire impacts than assumed at the time the budget was developed in the spring of 2020. Property Transfer Taxes received were the strongest on record with actuals exceeding budget by \$4 million – this was the result of the thriving real estate market, driven by historically low interest rates and rising prices as demand from buyers surged. Finally, Payments in Lieu of Taxes (PILT) exceeded budgetary expectations by \$2 million – this was due to the federal funding component historically not having been budgeted due to uncertainties in prior years regarding whether the funds would actually materialize. For FY 2021-22, PILT revenue has been budgeted as a consistent source which would eliminate this variance prospectively.

Unanticipated revenues were offset by Current Year Unsecured Property Taxes that were \$724,000 below budget – this was due to downward corrections of assessed values, largely attributable to a decline in business values, as a result of the pandemic. Additionally, Prior Year Unsecured Property Tax Corrections and Escapes came in \$2.1 million below budget, mainly due to a roll correction refund issued to United Launch Alliance as a result of an assessment appeal. Prior Year Property Tax Redemption Penalties also came in under budget by \$1.3 million as staff's assumptions at the time the budget was developed included an economic downturn resulting from the pandemic that would be shorter-lived than what has actually materialized. Those property owners that have been negatively impacted appear to remain so, suggesting a decreased ability to get properties out of redemption, resulting in lower penalties collected. Lastly,

Interest Income received was \$1.2 million lower than anticipated due to a consistent quarterly decline in treasury interest rates that yielded well under 1% in each quarter of the fiscal year 2020-21.

<b>Discretionary General Revenue Summary (in thousands):</b>			
<b>Source</b>	<b>Adjusted FY 2020-21</b>	<b>Actuals FY 2020-21</b>	<b>Variance Proj vs. Adjusted</b>
Property Tax - Current Secured	\$ 147,785	\$ 150,129	\$ 2,344
Property Tax - Current Unsecured	5,143	4,419	(724)
Property Tax - Prior Year Corrections Unsecured	244	(1,834)	(2,078)
Property Tax - Prior Year Redemption Penalty	2,456	1,194	(1,262)
Sales and Use Retail State Tax	10,320	12,545	2,225
Cannabis Tax	15,747	15,747	0
Property Transfer Taxes	4,003	8,031	4,028
Interest Income	1,900	676	(1,224)
Payments in Lieu of Taxes	19	2,016	1,997
All Other Revenues	118,496	119,614	1,118
<b>Total Discretionary Revenues</b>	<b>\$ 306,113</b>	<b>\$ 312,537</b>	<b>\$ 6,424</b>
Increase to Cannabis Fund Balance*	\$ 15,747	\$ 15,747	\$ -
All Other Transfers	290,366	290,366	0
<b>Net Fiscal Year End Variance</b>	<b>\$ -</b>	<b>\$ 6,424</b>	<b>\$ 6,424</b>

\*This \$15.7 million does not represent available fund balance, but rather the total cannabis revenue received and fund balanced in FY 2020-21. Budgeted draws deplete this balance. Current available unallocated cannabis fund balance is about \$3.3 million.

**Fiscal and Facilities Impacts:**

Impacts are stated above in this Board letter.

**Attachments:**

A – Financial Summary Report – General Fund

**Authored by:**

Nicole Parmelee, Fiscal & Policy Analyst  
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