



**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: June 9, 2026
Placement: Departmental Agenda
Estimated Time: 20 MINUTES
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Director: Mona Miyasato, County Executive Officer
Contact: Paul Clementi, Budget Director
SUBJECT: Fiscal Year 2025-26 Third Quarter Budget Status Report

DocuSigned by:
Mona Miyasato
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County Counsel Concurrence

As to form: N/A

Other 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 (FY) 2025-26 Third Quarter Budget and Status Report as of March 31, 2026, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors;
- b) Provide other direction as appropriate; and
- c) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA), because pursuant to sections 15378(b)(4) and 15378(b)(5) the recommended actions consist of organizational, administrative, or fiscal activities of government that will not result in direct or indirect physical changes in the environment.

Summary Text:

The Fiscal Year (FY) 2025-26 budget status report for the third quarter ending March 31, 2026, provides a fiscal year-to-date look at the County's projected financial position relative to the FY 2025-26 adjusted budget.

As of the end of the third quarter, the General Fund is projecting a year-end surplus of \$4.7 million, which is less than prior years and represents a significant reduction from the most recent five-year historical surplus average of about \$16.8 million. Any year-end surplus that does materialize is typically recommended to be held for capital projects or other emergent needs in the next fiscal year. The projected year-end variance is positive due to multiple departments with positive variances,

including five with reportable variances, and tax revenues exceeding expectations; however, the surplus is reduced by a \$10.1 million projected deficit in the Sheriff's Office, driven by overtime. The projected surplus in the General Fund is being further reduced by an expected \$2.5 million transfer from General Revenues to the Social Services and In-Home Support Services Funds to cover projected deficits at fiscal year-end. Because Sheriff and Social Services proved unable to reduce expenditures during the year to rectify their projected deficit, and do not have fund balance available to balance the over-expenditures, they will be returning to the Board to request a transfer of General Fund to cover expenditures at the June 23, 2026 meeting.

There are also reportable variances in five special revenue funds (including the two mentioned above) that are described in more detail below.

Discussion:

THIRD QUARTER REPORT

The third quarter of the fiscal year includes activity through March 31, 2026. In this report, projected financial results for the fiscal year end are compared to the annual adjusted budget. The major differences (variances) between budgeted and actual amounts are discussed on the following pages.

This report highlights the variances that exceed the following thresholds:

- 1) General Fund departments (including Discretionary General Revenues) with projected variances greater than \$300 thousand per department; shown in the Financial Summary Report (Attachment A); and
- 2) Special Revenue and Other Funds with projected variances greater than \$500 thousand per Fund; shown in the Financial Summary Report (Attachment B).

Both Attachments A and B use actual revenues and expenditures for the first nine months of FY 2025-26 and then add departmental projections for the remaining three months to arrive at the "Projected Actual" columns. These annual projections are then 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 and Attachment B reports).

BUDGET POLICY

Departments are responsible for maintaining expenditure levels within the Board-approved budget appropriations in accordance with Board adopted policy and procedure '*Budgetary Control & Responsibility*' as the following abbreviated excerpt states:

- A. If expenditures are projected to exceed appropriations, the department head responsible for the budget shall perform one or more of the following steps in the following order:
 - 1) Lower the expenditure level to maintain overall expenditures within the total amount budgeted,
 - 2) Request a transfer from fund balance within the same department and fund under the department head's control (if available for appropriation),
 - 3) Prepare a transfer request from General Fund Contingency and an agenda item for the Board of Supervisors with a memo to the County Executive Office, providing adequate justification.

In addition, the County Budget Act, Section 29121, California Government Code, places liability for over-expenditure upon the department director authorizing the expenditure:

Except as otherwise provided by law, obligations incurred or paid in excess of the amounts authorized in the budget unit appropriations are not a liability of the county

or dependent special district, but a personal liability of the official authorizing the obligation.

GENERAL FUND SUMMARY (Attachment A)

As of March 31, 2026, the General Fund had a projected year-end positive variance of \$4.8 million. This is the result of favorable results in most General Fund departments, mostly offset by reportable negative variances in two departments as described below.

General Revenues (Department 991) projects a positive year-end variance of \$11.4 million (2.8% on an adjusted budget of \$408.1 million), with significant variances detailed in the table below. This variance is due primarily to higher than budgeted Property, Transient Occupancy, and Sales Taxes, as well as higher-than-budgeted Interest Income, offset somewhat by a negative variance in Other Transfers.

Property Taxes are projecting a positive variance of \$5.8 million which constitutes just 1.8% of the total FY 2025-26 property tax revenue adjusted budget of \$320 million and is primarily due to higher-than-budgeted delinquent and redemption penalty payments that are projecting a \$2.7 million positive variance on an adopted budget of \$7.8 million. Higher-than-anticipated assessed value (AV) growth for the FY 2025-26 tax year is also driving the overall positive variance in property tax at about \$2.5 million. When the FY 2025-26 budget was developed in the spring of 2025, Auditor-Controller staff had estimated overall assessed property values to grow by 4.0%, however, the roll closed higher reflecting growth of 5.1%. AV growth is a critical factor as it drives major revenue line items such as Current Secured and Property Tax In-Lieu of Vehicle License Fees (VLF).

Interest Income projects higher than budgeted by \$4.7 million (74% on an adopted budget of \$6.4 million) as interest earned on General Fund cash balances held by the treasury remained robust through the third quarter, commensurate with the higher rate environment. Due to these higher than anticipated returns, the interest income recommended budget for FY 2026-27 has been adjusted upward to reflect the recent trend of robust growth.

Transient Occupancy Tax (TOT) and Sales Tax project greater than budgeted revenues, with positive variances of \$2.3 million and \$1.2 million, respectively. The TOT variance is driven by stronger-than-expected demand for lodging in the unincorporated area throughout the 2025 calendar year, in addition to a recent tax rate increase approved by voters which increased from 12% to 14% and took effect last calendar year. The projected positive variance in Sales Tax revenue is mainly attributable to better than anticipated consumer and discretionary spending on taxable goods despite continued uncertainty in the economy.

Other Transfers are projecting higher than budgeted by \$2.3 million driven primarily by an expected transfer of \$2.5 million to the Department of Social Services to cover their projected fiscal year end deficit. This transfer was not budgeted and staff will return with a budget revision prior to year end to establish appropriations for the transfer.

Discretionary General Revenue Summary (in thousands):					
Source			Adjusted FY 2025-26	Projected FY 2025-26	Variance Actual vs. Projected
Property Tax			\$ 320,038	\$ 325,849	\$ 5,811
Interest Income			6,371	11,078	4,707
Transient Occupancy Tax			22,434	24,779	2,345
Sales & Use Tax			15,501	16,663	1,162
All Other Revenues			43,766	43,460	(306)
Total Discretionary Revenues			\$ 408,110	\$ 421,829	\$ 13,719
All Other Transfers			408,110	410,433	2,323
Projected Fiscal Year End Variance			\$ -	\$ 11,396	\$ 11,396

Community Services-Parks is currently not projecting any variances. However, consistent with prior quarter projections, the department continues to experience a revenue shortfall primarily due to continued closures associated with the RV area improvement project at Cachuma Lake, along with lower-than-anticipated concession revenues at The Ellwood, the Cachuma Marina Café, Hook'd Bar & Grill, and the Cachuma General Store. The revenue impacts are partially offset by higher-than-expected reservation and wedding fee revenues, insurance proceeds and salary savings. As noted in the previous quarter, the department is now projecting a planned use of fund balance of close to \$900,000 to close their estimated gap at fiscal year-end.

The Sheriff's Office is currently projecting a \$10.1M deficit (4.4% on an adjusted budget of \$227 million). The primary driver of this variance is overspending in salaries and benefits. Overtime costs through the third quarter of the year were \$13.6 million on an annual overtime budget of \$10.1 million, already utilizing 134% of the full year's budget. While overtime hours worked have decreased 27% in Q3 of FY 25/26 compared to the prior fiscal year, the department is still projecting to spent \$17.5 million total on overtime this fiscal year, more than \$7.4 million beyond their overtime budget.

Of the projected \$17.5 million in overtime, \$10.3 million is in the Custody budget program. Additionally, the Sheriff's Office is projected to overspend their extra help budget by \$1.0 million by the end of the fiscal year, and the department is also on track to come in roughly \$2 million below their targeted salary savings, which exacerbates the deficit. As of March 31, the department had 55.5 funded vacancies, a funded vacancy rate of 7%, which was slightly higher than the 5% of the prior quarter, but well below the 11% rate, roughly 83 vacancies, from the prior fiscal year.

Historically, the Sheriff's Office has often exceeded budget at fiscal year-end, but never to this degree. It usually occurs when overspending in overtime is not fully offset by salary savings from funded position vacancies, which have generally covered more of the costs in the past. The table below shows that the Sheriff has had a negative year-end position in all but one of the past 8 years, which the rest of the General Fund, along with Prop 172 set-asides more recently, has mitigated.

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Projected
Total Sources	144,539,691	151,996,949	161,938,990	174,664,373	188,339,361	201,825,575	215,529,252	228,003,274
Total Uses	145,597,264	156,384,906	162,485,135	175,102,072	189,826,656	201,794,487	221,953,823	238,064,752
NFI	(1,057,573)	(4,387,957)	(546,145)	(437,699)	(1,487,295)	31,089	(6,424,571)	(10,061,478)

Additional review and oversight by the CEO's Office

The CEO continues working on the additional oversight and review of Sheriff's Office expenditures discussed in the Q2 report in March, which may end up having more of a discernable impact in the upcoming FY 2026-27 than in the current, nearly concluded FY 2025-26. Updates on these measures are as follows:

1. Institute a more rigorous hiring review, where the Public Safety Assistant CEO reviews and evaluates each requisition before it is opened for recruitment (*In-progress*);
 - a. The CEO's office is reviewing all requisitions and evaluating them to ensure that necessary recruitments proceed, while working with the department to understand those that do not appear prudent or lack sufficient justification given the current budgetary constraints of the department.
2. Institute purchase order reviews by the CEO's Office, where all purchase orders are reviewed by the Public Safety Assistant CEO and questioned for urgency or necessity (*In-progress*);
 - a. The CEO's office has initiated review of purchase orders to assess appropriateness and necessity as well as to ensure that the Sheriff's Office utilizes best practices and maximizes efficiencies when making purchases. Due to the large number of purchases orders, processes to ensure review can occur without unnecessarily delaying action can continue to be reviewed and refined.
3. Require Sheriff's Office submit a list of all extra help currently employed by the department, and a justification for necessity of continued use for each one, to the CEO's Office as soon as possible (*In-Progress*).
 - a. Joint review, analysis and discussions continue but have already resulted in an agreement to separate a significant number of employees that were not assigned to mandated service provision or who were subject to post-retirement work limitations. Addition of any new EXH is also being closely monitored and restricted to mission critical and post specific assignments. In the coming weeks, it is anticipated that further analysis will incorporate review of hours worked and assignments to ensure they continue to be aligned with a shared understanding of mission critical and post specific assignments.

General Fund support, along with release of Prop 172 set-aside, will be necessary to close this deficit at year end. The CEO's office will work with the department to bring a board item and budget revision to the June 23, 2026, Board meeting addressing this deficit.

The Probation Department is projecting a positive variance of \$1.0 million (1.1% on an adjusted budget of \$91.7M). The driver of this positive variance is primarily from salary savings on vacant, funded positions. The Department anticipates that the amount of excess salary savings will decrease as the year continues and hiring actions are finalized.

The Public Defender is projecting a positive variance of \$303 thousand (1.1% on an adjusted budget of \$27.4M) The driver of this positive variance is primarily from salary savings on vacant, funded positions, due to a number of recent retirements and departures from the department.

County Executive Office is currently projecting a positive variance of \$838 thousand (8.4% on an adjusted budget of \$10.0 million) mainly driven by salary savings on vacant, funded positions, which are discussed in greater detail in the Funded Vacancies section below.

General County Programs is projecting a positive variance of \$427 thousand (0.2% on an adjusted budget of \$181.7 million) primarily due to savings in services and supplies for contracts that were anticipated but did not materialize.

SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)

As of March 31, 2026, there was three Internal Service Funds and two Special Revenue Funds with a reportable variance for the quarter.

The Workers' Comp Self Insurance Fund (Fund 1911) is projecting a positive variance of \$1.3 million (5.3% on an adjusted budget of \$25.0 million) driven by an unanticipated dividend distribution of \$1.8M received from PRISM, the County's insurance pool, relating to the County's participation in PRISM's Primary Workers' Compensation Program. This dividend was issued after PRISM determined that excess reserves had been paid by the County for the 2024-25 fiscal year. These funds will be added to the Workers' Compensation Fund reserves and will be utilized to offset rate increases beginning in FY 2026-27. The unanticipated dividend is being slightly offset by higher than anticipated claims in the current year.

The Information Technology Services Fund (Fund 1915) is projecting a \$1.3 million positive variance (3.6% on an adjusted budget of \$36 million), mainly due to salary savings from vacant, funded positions and steadily high interest income earnings. The department's vacancy rate within this Fund was 14% this quarter, slightly higher than the 11% last quarter. Surpluses are put towards costs in future years in an effort to keep rate increases to departments as low as possible.

The Information Technology Communications Fund (Fund 1919) is projecting a \$1.1 million positive variance (4.1% on an adjusted budget of \$27.8 million), mainly due to steadily high interest income earnings, salary savings, and lower than anticipated expenditures for equipment maintenance and professional services. Fund 1919's cash balance and strong interest earnings have resulted in higher than anticipated interest income. However, some of this interest income is related to the Certificate Of Participation debt for the Public Safety Radio Network Project, and therefore is restricted for those purposes. As of the third quarter, the department has 3 vacancies within the Communications division (up from 2 last quarter, in a division with 11 FTE). Surpluses are put towards costs in future years in an effort to keep rate increases to departments as low as possible.

The Social Services Fund (Fund 0055) is projecting a negative variance of \$2.0 million (0.9% on an adjusted budget of \$217.6 million) driven largely by unanticipated costs in Child Welfare Services and Adoptions Program Administration and Cash Assistance Payments for Foster Care and Adoptions. The Child Welfare Services and Adoptions Program Administration is projecting a large unbudgeted gap largely due to lower than expected attrition and time spent in areas of Emergency Response, which has a cap on the amount of State and Federal funding that can be drawn. The Cash Assistance Payments for Foster Care and Adoptions are due to greater than anticipated costs per case, especially in the programs with the largest share of County costs including County-Only Foster Care and Short-Term Residential Treatment Program cases in Non-Federal Foster Care.

In-Home Supportive Services (IHSS) Fund (Fund 0056) is projecting a negative variance of \$554 thousand (3.6% on an adjusted budget of \$15.6 million) driven by an underestimated local share of program costs in the current fiscal year. IHSS program costs are split between the federal, State, and county governments. The County's share of costs includes locally negotiated salary and benefit costs for providers plus an annual 4% inflation factor that is paid with State 1991 Realignment revenue and ongoing General Fund Contribution dollars. In the current year, local cost estimates included the

annual 4% inflation factor but not the annual increase in salary and benefit costs which is anticipated to result in a \$554K deficit for the fund by fiscal year end.

The Department of Social Services, who administers both the IHSS fund and Social Services Fund, has fully exhausted its fund balance and other local funds. Therefore, General Fund support will be necessary to close these deficits at year end. The CEO’s office will work with the department to bring a board item and budget journal entry to the June 23, 2026, Board meeting addressing this deficit.

ADVANCE CONSTRUCTION RESERVE ACTIVITY

As of the end of the third quarter, the Advance Construction Fund was repaid \$9.6 million and has \$1.0 million still owed. The Board approved a Budget Development Policy in December 2021 to establish an Advance Construction Reserve in General County Programs to provide cashflow for reimbursable projects and track the activity. Funds returned to General County Programs following the completion of a project are reallocated to other planned projects. Accordingly, the \$9.6 million reimbursed to date (reflected in the table below) was anticipated and has already been allocated or earmarked for specific uses, such as future high-cost bridge projects, energy efficient lighting upgrades at County facilities on Foster Road, and the Cachuma Lake RV project.

Since its establishment in FY 2021-22, the Advance Construction Reserve has provided temporary transfers of General Fund cash to Public Works (Fund 0017) for high-cost bridge construction projects that require cashflow in advance of federal reimbursement. There have also been temporary transfers to General Services for design and/or construction of several projects including the new Probation Headquarters project and the Main Jail Renovation, both of which were reimbursed in FY 2024-25, following the disbursement of Certificate of Participation (COP) debt proceeds. The status of these transfers and reimbursements are reported in each quarterly update to the Board, as summarized in the below table.

Advance Construction Reserve Activity as of March 31, 2026

Project	Transferred To-Date	Reimbursed to General Fund To-Date	Outstanding Balance Owed
Floradale Bridge	\$ (5,270,600)	\$ 4,270,600	\$ 1,000,000
Foothill Bridge	(3,000,000)	3,000,000	0
Probation HQ	(1,651,194)	1,651,194	0
Main Jail Renovation	(659,236)	659,236	0
Total	\$ (10,581,030)	\$ 9,581,030	\$ 1,000,000

FUNDED VACANCIES BY DEPARTMENT (Attachment C)

The overall funded vacancy rate at the close of the third quarter was 10%, which is higher than the 8% vacancy rate reported last quarter. At the end of March, 469.9 of the County’s 4,738 adopted, funded positions were vacant. Departments with the highest rates of funded vacancies include the County Executive Office (20%), Behavioral Wellness (20%), and Child Support Services (20%). Unused funds due to vacancies return to the General Fund or associated funding source at the end of the fiscal year, unless authorization is given otherwise.

The vacancy rate in the County Executive Office remains unchanged from the second quarter at 20% with nine vacant, funded positions (three in Risk Management, six in County Administration) reported

as of the end of the third quarter. In County Administration, one position is under review for recruitment; one position will be recruited in December 2026; one position is being held open for evaluation by the new CEO in consideration of future budget uncertainties and potential restructuring; and the remaining three positions will be unfunded in FY 2026-27. In Risk Management, recruitment for two positions is underway and one position will be transferred to the Human Resources Department in FY 2026-27. Child Support Services similarly holds positions vacant in an effort to address future budget shortfalls.

Many of the remaining County vacancies, especially in Behavioral Wellness, are in historically difficult to fill positions, often requiring highly technical or specialized skills, although departments continue to work closely with Human Resources to fill all funded positions.

Board of Supervisors, County Counsel, Public Works, and Social Services had the lowest funded vacancy rates (at 5% or lower). A table of funded vacancy rates by department as of March 31, 2026, may be found in Attachment C. As part of budget strategies to address future year deficits, many departments eliminated vacant funded positions in the FY 2026-27 budget.

Attachments:

Attachment A – Financial Summary Report – General Fund

Attachment B – Financial Summary Report – Special Revenue and Other Funds

Attachment C – Funded Vacancies by Department

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