

Revenue Source	Five-Year Forecast						
	FY 22-23 Actual	FY 23-24 Budgeted	FY 24-25 Forecast	FY 25-26 Forecast	FY 26-27 Forecast	FY 27-28 Forecast	FY 28-29 Forecast
Cannabis Taxes	\$ 6,117,413	\$ 7,500,000	\$ 6,143,200	\$ 6,377,400	\$ 6,513,700	\$ 6,644,000	\$ 6,776,900
Current Property Taxes	196,211,991	210,871,000	213,488,000	220,610,400	227,978,700	235,600,600	243,485,800
Countywide Cost Allocation Plan	19,878,620	21,947,700	23,051,000	25,143,000	25,255,800	25,679,800	26,149,500
Federal In Lieu and Reimbursements	2,216,544	2,068,200	2,332,600	2,392,900	2,454,800	2,518,300	2,583,400
Franchise Fees	4,021,842	3,597,600	4,604,600	4,926,900	5,271,800	5,640,800	6,035,700
Interest Income	4,686,218	3,283,000	5,166,500	5,011,500	4,861,200	4,715,400	4,573,900
Penalties and Interest - Property Taxes	7,423,391	5,554,000	5,665,000	5,778,300	5,893,700	6,011,500	6,131,600
Property Taxes In-Lieu of VLF	70,430,378	74,128,000	78,116,000	80,850,100	83,679,800	86,608,600	89,639,900
Real Property Transfer Taxes	5,248,014	4,675,000	4,247,900	4,375,300	4,419,100	4,507,500	4,642,700
Redevelopment Agency Funds	4,390,132	4,234,000	4,497,000	4,516,200	4,629,000	4,744,800	4,863,400
Sales and Use Tax	15,172,376	15,081,700	15,031,700	15,482,700	15,947,200	16,409,700	16,902,000
Transient Occupancy Tax	17,202,198	17,561,800	17,547,700	18,249,600	18,979,600	19,738,800	20,528,400
All Other Discretionary Revenue	4,360,209	1,582,100	1,580,100	1,601,200	1,623,400	1,646,700	1,671,200
<b>TOTAL</b>	<b>\$ 357,359,326</b>	<b>\$ 372,084,100</b>	<b>\$ 381,471,300</b>	<b>\$ 395,315,500</b>	<b>\$ 407,507,800</b>	<b>\$ 420,466,500</b>	<b>\$ 433,984,400</b>
<b>Dollar Change Per Year</b>	<b>\$ 23,727,217</b>	<b>\$ 14,724,774</b>	<b>\$ 9,387,200</b>	<b>\$ 13,844,200</b>	<b>\$ 12,192,300</b>	<b>\$ 12,958,700</b>	<b>\$ 13,517,900</b>
<b>Overall Growth Per Year</b>		<b>4.1%</b>	<b>2.5%</b>	<b>3.6%</b>	<b>3.1%</b>	<b>3.2%</b>	<b>3.2%</b>

**GROWTH RATES:**

Cannabis Taxes	-29.8%	22.6%	-18.1%	3.8%	2.1%	2.0%	2.0%
Current Property Taxes	14.3%	7.5%	1.2%	3.3%	3.3%	3.3%	3.3%
Countywide Cost Allocation Plan	1.4%	10.4%	5.0%	9.1%	0.4%	1.7%	1.8%
Federal In Lieu and Reimbursements	7.2%	-6.7%	12.8%	2.6%	2.6%	2.6%	2.6%
Franchise Fees	4.5%	-10.5%	28.0%	7.0%	7.0%	7.0%	7.0%
Interest Income	278.3%	-29.9%	57.4%	-3.0%	-3.0%	-3.0%	-3.0%
Penalties and Interest - Property Taxes	-3.9%	-25.2%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Taxes In-Lieu of VLF	8.1%	5.3%	5.4%	3.5%	3.5%	3.5%	3.5%
Real Property Transfer Taxes	-32.3%	-10.9%	-9.1%	3.0%	1.0%	2.0%	3.0%
Redevelopment Agency Revenues	-63.4%	-3.6%	-6.2%	0.4%	2.5%	2.5%	2.5%
Sales and Use Tax	-1.1%	-0.6%	-0.3%	3.0%	3.0%	2.9%	3.0%
Transient Occupancy Tax	1.3%	2.1%	-0.1%	4.0%	4.0%	4.0%	4.0%
All Other Discretionary Revenue	191.0%	-63.7%	-0.1%	1.3%	1.4%	1.4%	1.5%

**Discretionary Revenue Forecast Assumptions:**

**Cannabis Taxes** - The overall Cannabis tax budget was forecast to increase by 22.6% to \$7.5 million in FY 2023-24 over FY 2022-23 actuals, primarily due to anticipated increases in retail storefront taxes associated with new operators commencing operations. However, through the first quarter of the current fiscal year, a shortfall is being projected and is mostly driven by the timing assumptions made when the budget was developed as to when operations will open for business, coupled with the actual receipts paid by existing operators which are falling short of revenue expectations. Based on this projected tax revenue shortfall in the current fiscal year, year one of the forecast assumes a further decline of about 18% to account for the retail storefront receipts that are not materializing to the degree anticipated. Year two forecasts solid growth of 3.8% due mostly to additional retailers coming on-line, and slight positive growth in cultivation tax as prices for wholesale product are expected to stabilize and grow slightly. The forecast then assumes modest growth of about 2% in each of the final three forecast years driven by slow, yet positive growth expected in both cannabis cultivation and retail storefront activities.

**Current Property Taxes** - The FY 2023-24 Property Tax revenue budget increased 7.5% over prior year actuals due in large part to robust assessed value growth of 6.4% on residential and commercial properties. However, year one of the forecast assumes modest growth of 1.2% as economic growth is expected to slow and the volume of property transfers is assumed to remain low mostly due to increased mortgage rates. Over the final four forecast years revenue growth is expected to return to more typical levels with growth of 3.3% assumed in each year as the economy and real estate market stabilizes.

**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 10.4% in FY 2023-24 is mainly attributable to increased prior year costs incurred by General Services, Human Resources and Counsel. In the forecast years, growth ranges from 0.4% to 9.1% and 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. In FY 2023-24 PILT funds were budgeted at \$2.07 million representing a 6.7% decrease over prior year actuals, however, updated year-end projections now indicate growth over prior year actuals of about 2.6%. Growth in the forecast has been updated to reflect these updated projections as prior year actuals often serve as the basis for receipts in the subsequent year. In year one of the forecast, growth of 12.8% over the current year's adopted budget is anticipated and is mainly due to the lower revenue expectation that was assumed when the current year's budget was adopted. For the balance of the four forecast years PILT funds are expected to grow by about 2.6%, more in line with the average historical growth of this revenue.

**Discretionary Revenue Forecast Assumptions Continued:**

**Franchise Fees** - These fees are generated 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. In FY 2023-24 a budget of \$3.6 million was adopted, representing a decrease of 10.5% over prior year actuals. However, current fiscal year-end actuals are now projecting higher than budgeted due to significant increases in the gross receipts of some of the utilities, representing a 7% increase over prior year actuals. Assumptions for the forecast years have been updated accordingly with growth of 28% expected in year one; this sharp increase is mainly due to the previously mentioned increase in projections compared to lower revenue expectations that were assumed when the FY 2023-24 budget was developed, making the year-over-year percentage increase appear large. Years two through five of the forecast assumes more uniform, yet solid growth of 7%, corresponding with the recent trend of increased gross receipts by the utility companies.

**Interest Income** - The Treasury Pool interest rate has steadily increased over the past seven quarters dating back to the spring of 2022 and is mainly attributable to a higher rate environment. The interest rate for the period ending 9/30/23 was about 2.2%, representing an increase of about 722% since the trend of increased rates began in early 2022. Accordingly, interest income has been robust with actuals earned in FY 2022-23 of about \$4.7 million. When the FY 2023-24 budget was developed, the substantial amount of actual interest income earned in FY 2022-23 was not yet known, therefore the FY 2023-24 budget was developed with a lower basis. That said, the current fiscal year's adopted budget represents a 30% decline from the prior year's actuals. Year one of the forecast assumes an increase of about 57% over the FY 2023-24 adopted budget and accounts for the recent trend of increased interest income. The balance of the forecast years assume that interest rates and interest income retreat somewhat, with interest income earned anticipated to be robust, but declining at a rate of 3% per year.

**Penalties and Interest** - Property tax penalties and delinquencies are estimated to increase modestly by 2% in all five years of the forecast as the economy stabilizes and property owners pay off any outstanding property taxes owed, along with any associated penalties and interest.

**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 commensurate with anticipated solid assessed value growth. Year one of the forecast assumes growth of 5.4% to \$78.1 million, while the remaining forecast years assume more moderate growth of 3.5% per year.

**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 volume of property transfers has recently trended downward, correlating with the trend of increased mortgage rates over the past couple of years. Property Transfer revenues have in turn been on the decline with year one of the forecast assuming a 9.1% decline over the FY 2023-24 adopted budget. Year two assumes growth of 3% as mortgage rates are expected to decrease and a corresponding increase in property transfers is to occur. Year three assumes modest growth of 1% and slowly increasing back to 3% in the forecast's final year with mortgage rates expected to retreat from current elevated levels.

**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 growth of 6.2% in year one of the forecast then moving to nominal growth of 0.4% in year two, before leveling out at 2.5% for the remainder of the forecast years.

**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. Year one of the forecast assumes a decrease in growth of 0.3% over the prior year and is mainly attributable to the expected softening of economy which will have a negative impact on consumer sentiment and consumption of taxable goods. With the economy expected to stabilize, sales and use tax growth is expected to return to more typical levels of about 3% in each of the last four forecast years.

**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 is expected to decline slightly in the near-term, correlating with the expected softening of the economy. Year one of the forecast assumes a decline in growth of 0.1%, however, the balance of the forecast years assumes a return to solid growth of 4% each year, as the economy recovers and discretionary spending rebounds.

**All Other Discretionary Revenue** - This category consists of revenue from varying sources. The forecast assumes a slight decline of 0.1% in year one, followed by modest, positive growth of about 1.4% in the remaining years.

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

**ATTACHMENT A**

<b>Category</b>	<b>FY 2024-25</b>	<b>FY 2025-26</b>	<b>FY 2026-27</b>	<b>FY 2027-28</b>	<b>FY 2028-29</b>
Countywide Projected Salary Costs	\$ 482,094,900	\$ 497,915,500	\$ 515,000,800	\$ 532,761,900	\$ 551,193,700
Change from prior year (\$)	16,984,984	15,820,600	17,085,300	17,761,100	18,431,800
Change from prior year (%)	3.7%	3.3%	3.4%	3.4%	3.5%
Countywide Projected Pension Costs	\$ 187,708,900	\$ 194,171,900	\$ 192,210,200	\$ 207,456,000	\$ 210,540,900
Change from prior year (\$)	9,162,484	6,463,000	(1,961,700)	15,245,800	3,084,900
Change from prior year (%)	5.1%	3.4%	-1.0%	7.9%	1.5%
Countywide Projected Healthcare Costs	\$ 70,086,400	\$ 77,640,400	\$ 84,163,400	\$ 90,624,000	\$ 97,656,600
Change from prior year (\$)	12,048,301	7,554,000	6,523,000	6,460,600	7,032,600
Change from prior year (%)	20.8%	10.8%	8.4%	7.7%	7.8%
Countywide Projected Other Costs	\$ 89,548,200	\$ 91,461,100	\$ 93,230,400	\$ 95,694,600	\$ 98,598,500
Change from prior year (\$)	7,967,431	1,912,900	1,769,300	2,464,200	2,903,900
Change from prior year (%)	9.8%	2.1%	1.9%	2.6%	3.0%
<b>Total Salary and Benefits Costs</b>	<b>\$ 829,438,400</b>	<b>\$ 861,188,900</b>	<b>\$ 884,604,800</b>	<b>\$ 926,536,500</b>	<b>\$ 957,989,700</b>
Change from prior year (\$)	46,163,200	31,750,500	23,415,900	41,931,700	31,453,200
Change from prior year (%)	5.9%	3.8%	2.7%	4.7%	3.4%

**Salary and Benefit Assumptions:**

**Salaries** – Forecasted salary costs assume an annual 3% cost-of-living adjustment for all non-safety represented and unrepresented bargaining groups across all five years of the forecast. Negotiated cost-of-living and equity adjustments ranging from 2.5% to 7.5% were included for represented safety groups in accordance with contracted years, and a 3% cost-of-living adjustment was applied in the years that extend beyond current contract terms.

**Pensions** – Forecasted pension rates assume stable retirement plan membership and a 7% annual rate of return on pension investments. Swings in forecasted pension rate contributions are attributable to the smoothing in and out of the County’s investment returns and losses over a 19-year period, which includes a five-year smoothing-in and four-year smoothing-out of the amortization payment at the beginning and end of the amortization period, and 10 years of level payments as a percentage of payroll in between. Year three of the forecast assumes the final smoothing-in of significant gains from FY 2020-21, which are projected to reduce the county’s pension obligation by 1% in that year. In year four, a good portion of those gains will be offset by the final smoothing-in of FY 2021-22 losses and assumption changes, which will drive the pension obligation back up by 7.9%.

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

**ATTACHMENT A**

**Health Benefits** – Forecasted health benefit costs assume an annual growth rate of 10% for health care premiums in the first three years of the forecast and 9% in the final two. In addition to the assumed rate, growth is accelerated in forecast years one and two by a combination of 1) greater-than-anticipated calendar year 2024 premiums, which outpaced assumptions included in the FY 2023-24 Adopted Budget; and 2) negotiated increases to dependent and family plan premium contributions in calendar years 2024 and 2025.

**Other Salary and Benefit Costs** – The remaining salary and benefit costs include Social Security contributions, workers compensation payments, and overtime pay, among others. These costs are primarily driven by assumptions related to direct salary costs, in the case of Social Security contributions, and vacancies, in the case of overtime pay. Workers compensation costs are estimated annually based on prior year experience and exposure to risk.

**GENERAL FUND RESERVES**  
**GENERAL COUNTY PROGRAMS - BUDGET UNIT 990**  
**Estimated Balances for FY 2024-25**

**ATTACHMENT A**

Reserve Account	FY 2023-24 Adopted Budget			Earmarks Future		Prudent Reserve	Ending Balance
	Beg Balance	Budgeted Net Increases	Budgeted Net Uses	Use			
1 9768 -- Public Safety Prop 172	\$ 17,961,200	\$ 784,600	\$ 6,131,400	\$ 3,916,800	\$ 4,000,000	\$ 4,697,600	
2 9775 -- Local Innovation Sub-Account	993,700	150,000	200,000	-	-	943,700	
3 9811 -- Behavioral Wellness	2,800,100	1,000,000	-	-	-	3,800,100	
4 9815 -- Props 215/64 - Cannabis	8,281,300	6,000,000	9,935,900	2,700,100	1,645,300	-	
5 9818 -- 18% Deferred Maintenance	-	15,799,200	15,799,200	-	-	-	
6 9819 -- Advance Construction Reserve	5,993,000	16,331,700	9,490,000	2,268,300	-	10,566,400	
7 9830 -- Capital	16,937,000	10,260,900	11,441,500	15,756,400	-	-	
8 9833 -- Technology Replacement	15,129,500	2,000,000	7,064,600	5,945,800	-	4,119,100	
9 9835 -- In-Car Video Replacement	920,000	185,000	-	-	-	1,105,000	
10 9836 -- Roads - Baseline	-	500,000	500,000	-	-	-	
11 9839 -- Countywide ERP System	-	9,814,600	8,739,600	-	-	1,075,000	
12 9840 -- Strategic Reserve	40,576,700	3,457,000	-	-	-	44,033,700	
13 9845 -- Litigation	12,887,700	9,680,100	2,125,200	20,442,600	-	-	
14 9846 -- Disaster Recovery	8,928,400	14,000,000	14,324,000	8,604,400	-	-	
15 9849 -- Program Stabilization	6,565,000	18,798,000	14,059,000	11,304,000	-	-	
16 9851 -- Facilities Maintenance - Baseline	3,686,000	3,600,000	6,328,900	957,100	-	-	
17 9856 -- Sheriff Replacement Vehicles	963,600	-	-	-	-	963,600	
18 9853 -- Hazardous Tree Mitigation	-	500,000	500,000	-	-	-	
19 9880 -- New Jail Operations	7,123,700	21,900,000	25,436,800	-	-	3,586,900	
20 9890 -- Emerging Issues (one-time funding)	12,123,300	11,974,800	8,957,600	13,598,900	-	1,541,600	
21 9898 -- Contingencies	4,829,800	540,100	648,700	100,000	-	4,621,200	
22 9940 -- Fund Balance-Residual (One-time)	24,431,600	31,346,100	44,693,300	379,300	-	10,705,100	
	\$ 191,131,600	\$ 178,622,100	\$ 186,375,700	\$ 85,973,700	\$ 5,645,300	\$ 91,759,000	