



**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: December 16, 2025
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 First 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 First Quarter Budget and Status Report as of September 30, 2025, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors; and
- b) 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 first quarter ending September 30, 2025, provides a fiscal year-to-date look at the County's financial position relative to the FY 2025-26 adjusted budget.

As of the end of the first quarter, the General Fund is projecting a positive year-end variance of \$6.5 million driven primarily by multiple departments with positive variances, including five with reportable variances. Discretionary revenue is the primary driver of the overall positive variance, with property tax projecting a \$4.1 million positive variance due to better than anticipated assessed value growth and interest income projecting higher-than-budgeted by \$2.6 million driven by the higher rate environment. These positive variances are offset somewhat by lower-than-budgeted revenues in Community Services-Parks, and greater-than-budgeted overtime costs in the Sheriff's Office.

This projected year-end positive variance is less than the prior year, which ended with a \$14.7 million General Fund surplus, 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 recommended to be held for construction costs for the expansion of the Northern Branch Jail in the next fiscal year.

There are also positive reportable variances in two special revenue funds that are described in more detail below.

Discussion:

FIRST QUARTER REPORT

The first quarter of the fiscal year includes activity through September 30, 2025. 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 three months of FY 2025-26 and then add departmental projections for the remaining nine 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 September 30, 2025, the General Fund had a projected year-end positive variance of \$6.5 million. This is the result of favorable results in most General Fund departments, offset by reportable negative variances in two departments as described below.

General Revenues (Department 991) projects a positive year-end variance of \$8.8 million (2.2% 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.

Property Taxes are projecting a positive variance of \$4.1 million which constitutes just 1.3% of the total FY 2025-26 adopted Property Tax revenue budget of \$319 million and is primarily due to higher than anticipated assessed value (AV) growth for the FY 2025-26 tax year. 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). Due to higher than anticipated AV growth, Current Secured taxes are projected to end the year at \$209.4 million which reflects a positive variance of \$2.3 million, while Property Tax In-Lieu of VLF is projected at \$83.1 million representing a positive variance of about \$820 thousand. Current year Supplemental Property Tax is also contributing to the positive variance, projecting higher-than-budgeted by \$514 thousand on an adopted budget of \$4.5 million and is being driven by continued strength in the local real estate market as property sales prices are generally holding or gaining in value. When a property is sold and a transfer occurs, the property gets reassessed with Supplemental Tax due on the new assessed value.

Interest Income projects higher than budgeted by \$2.6 million (41% on an adopted budget of \$6.4 million) as interest earned on General Fund cash balances held by the treasury remained robust through the first quarter, commensurate with the higher rate environment. Any prospective changes in interest rates will be monitored closely, and interest income projections will be updated accordingly.

Transient Occupancy Tax (TOT) and Sales Tax project greater than budgeted revenues, with positive variances of \$1.7 million and \$521 thousand, respectively. The TOT variance is driven by stronger-than-expected demand for lodging in the unincorporated area throughout the 2025 calendar year despite a tax rate increase approved by voters which increased from 12% to 14% and took effect on January 1st. TOT receipts in FY 2024-25, which included half a year at the higher tax rate, ended up exceeding estimated actuals that included the assumed effects of the new tax rate increase, by about \$2.2M. The FY 2025-26 budget was developed using that lower estimated actuals assumption as a base with growth assumptions then applied, therefore the current year budget is lower compared to the actuals being projected. 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.

Discretionary General Revenue Summary (in thousands):					
Source			Adjusted FY 2025-26	Projected FY 2025-26	Variance Actual vs. Projected
Property Tax			\$ 320,038	\$ 324,182	\$ 4,144
Interest Income			6,371	8,984	2,613
Transient Occupancy Tax			22,434	24,148	1,714
Sales & Use Tax			15,501	16,022	521
All Other Revenues			43,766	43,509	(257)
Total Discretionary Revenues			\$ 408,110	\$ 416,845	\$ 8,735
All Other Transfers			408,110	408,004	(106)
Projected Fiscal Year End Variance			\$ -	\$ 8,841	\$ 8,841

Community Services-Parks is currently projecting a negative \$516 thousand variance (1.3% on an adjusted budget of \$41 million), due primarily to lower than projected revenues resulting from continued closures for the RV area improvement project at Cachuma Lake. The RV area project improvements were originally expected to be completed in June 2024, but due to weather conditions, equipment delays, and necessary sewer and waterline corrections, completion is now anticipated by spring 2026.

The Sheriff's Office is currently projecting a \$3.8M deficit (1.7% on an adjusted budget of \$227 million), however, staff analysis estimates the end of year deficit will be closer to \$9.0M absent significant decreases in overtime use. The primary driver of this variance is overtime projections. Overtime costs through the first quarter of the year were \$5.3 million on an annual budget of \$10.1 million, utilizing 52.6% of the full year's budget. While overtime hours worked have decreased 11% since the start of the quarter - from a high of 10,074 hours in pay period 15, to 8,940 hours in pay period 22 – the Sheriff's Office is still projected to utilize the entirety of their annual overtime budget before the close of the second quarter. If overtime hours remain at the current level, even after the application of \$7.6 million in estimated salary savings (based on the current vacancy rates), overtime costs may increase the currently projected deficit to \$9 million, which would eliminate almost the entire remaining General Fund surplus.

Per the Budget Policy discussed above, the department will need to immediately make significant effort to control and reduce costs through the remainder of the fiscal year and identify available funding sources under their control (such as asset forfeiture fund balance), to avoid a deficit of this magnitude. The Auditor-Controller continues to work on its review and analysis of FY 2024-25 Sheriff's Office payroll data and overtime timesheet coding.

The Probation Department is projecting a positive variance of \$531 thousand (0.5% 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.

County Executive Office is currently projecting a positive variance of \$877 thousand (8.8% 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.

SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)

As of September 30, 2025, there was one Internal Service Fund and one Special Revenue Fund with a reportable variance for the quarter. Projected variances in the County Health and Social Services budgets were brought to the Board for separate discussion and consideration on October 7, 2025 and November 18, 2025.

The Opioid Settlement Fund (Fund 0043) is projecting a positive variance of \$1.5 million (36.9% on an adjusted budget of \$4 million) driven by a larger than anticipated Opioid Settlement payment in this fiscal year. The County Health department, which manages this fund, believes that the larger than expected payment is due to longer processing times for some payments from previous years. The department will come back to the Board with a budget adjustment to recognize the unanticipated revenue and add it to fund balance for future use.

The Workers' Comp Self Insurance Fund (Fund 1911) is projecting a positive variance of \$2.2 million (9.0% 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 County Health Department (CHD) and Department of Social Services (DSS) brought budget revisions right after the first quarter ended. On November 18, 2025, CHD asked the Board not to act on budget reductions that they had proposed to the Board on October 7th. On the same day, DSS presented a budget revision that reduced 58 vacant positions, \$2.3 million in costs, and increased a transfer from the General Fund to offset the remainder of a projected gap while avoiding the elimination of filled positions for the remainder of the fiscal year that had been proposed at the October 7th meeting. Both departments have significant structural deficits going into next year's budget, as well as impacts from the state and federal budgets, that will need to be addressed during budget development. We will continue to monitor their activities as they progress through the year.

ADVANCE CONSTRUCTION RESERVE ACTIVITY

As of the end of the first quarter, the Advance Construction Fund was repaid \$8.6 million and has \$2.0 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 \$8.6 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 September 30, 2025

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)	2,000,000	1,000,000
Probation HQ	(1,651,194)	1,651,194	0
Main Jail Renovation	(659,236)	659,236	0
Total	\$ (10,581,030)	\$ 8,581,030	\$2,000,000

FUNDED VACANCIES BY DEPARTMENT (Attachment C)

The overall funded vacancy rate at the close of the first quarter was 9%, which is lower than the 11% vacancy rate reported last fiscal year. At the end of September, 437.80 of the County's 4,738 adopted, funded positions were vacant. Departments with the highest rates of funded vacancies include the County Executive Office (22%), Behavioral Wellness (16%), Child Support Services (14%), Agricultural Commissioner (14%), and First 5 (14%). 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 remained at 22% with 10 vacant, funded positions reported as of the end of the first quarter. Two of these positions have recently been filled and recruitment is underway for another position with interviews having recently been conducted. The remaining seven positions are intentionally being held vacant as the department assesses restructuring within the office, potential transfer of positions, and future budget uncertainties.

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 Defender, Treasurer-Tax Collector, Auditor-Controller, Sheriff, Public Works, Social Services, and Fire had the lowest funded vacancy rates (at 7% or lower). A table of funded vacancy rates by department as of September 30, 2025, may be found in Attachment C. As part of budget strategies to address projected future year deficits, CEO staff will continue scrutinizing vacant positions and consider eliminating or freezing certain positions to balance upcoming year budgets.

Attachments:

Attachment A – Financial Summary Report – General Fund

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

Attachment C – Funded Vacancies by Department

Contact Information:

Katrina Fernandez
Principal Analyst, CEO Budget & Research
kfernandez@countyofsb.org