Attachment A

COUNTY OF SANTA BARBARA
FY 2023-24 PRELIMINARY BUDGET SUMMARY

The preliminary budget reflects the budget at this stage in the development process. Changes will continue to be made after the workshops, including incorporation of Board input, before the Recommended Budget is released in May. The preliminary budget for FY 2023-24 includes $1.52 billion in operating revenues, an increase of $100 million over the prior year. This increase is driven largely by a $35 million increase in secured property taxes across the General Fund, Fire District, and Public Works, a $28.8 million increase in State revenue, mostly 1991 and 2011 Realignment, to Behavioral Wellness and Social Services, and a $22.8 million increase in charges for services, including a $6 million increase to the Fire District's State contract revenues, a $4.8 million increase due to Community Services' State Creative Corps grant, and $3 million in increased revenue for the Tajiguas landfill as fees continue to increase to cover the debt service on the new facilities. Compared to last year, one-time federal resources will decrease but are more than offset by an increase in State revenues in FY 2023-24.

Operating expenditures are increasing by $86.2 million, and include both ongoing and one-time costs, with ongoing costs largely supported by ongoing revenues. One of the largest increases, $20.4 million, is in the Fire Department, proposing to add 46 full-time equivalent (FTEs) staffing due to the scheduled opening of the Regional Fire Communication Center in April 2024, increased funding for fire crews in contracted State Responsibility Areas, and the transfer of the Office of Emergency Management to Fire from the CEO's Office, a move which will enhance disaster readiness capabilities. The Department of Social Services budget is increasing $21 million, including the proposed addition of 48.5 FTEs to maximize federal and State revenues in economic assistance and protective services programs. The Department of Behavioral Wellness is also proposing to add 16.9 new FTEs to maximize revenue under the new State fee-for-service reimbursement model, largely consisting of new administrative staff to allow licensed staff to focus on reimbursable activities. The FY 2023-24 preliminary budget includes full-time equivalent staffing of 4,628.5, an increase of about 162 positions over the prior year, with most of the staff growth occurring in the three departments mentioned above.

Budget at a Glance

	FY 2022-23 Adopted	FY 2023-24 Preliminary
Operating Revenues	$1.42 Billion	$1.52 Billion
Operating Expenditures	$1.39 Billion	$1.48 Billion
Non-Operating Expenditures	$0.03 Billion	$0.04 Billion
Staffing (FTEs)	4,467	4,629

State and Federal Budget Impacts

The Governor's Budget was released in January with anticipated changes that will be incorporated into his final May Revise. The Legislative Analyst's Office (LAO) issued The 2022-23 Budget: Overview of the Governor's Budget (ca.gov) on January 13, 2023, that indicates the proposed budget forecasts that General Fund reserves will be $29.5 billion lower than projections. The proposed budget indicates that California will be facing an estimated budget gap of $22.5 billion in the 2023-24 fiscal year. This year's budget delays or foregoes some spending in the near term and relies on budget solutions like fund shifts, trigger reductions, and limited revenue generation and borrowing to address the budget problem. The budget shortfall includes funding delays of $7.4 billion and $5.7 billion in reductions and pullbacks.

Some highlights in delays or reductions include over $300 million statewide in healthcare workforce development programs that were intended to increase the pool of registered nurses, community health workers, social workers, and more. For now, none of these changes would have a direct impact on the County Public Health Department's budget. The Governor's budget also withdraws the final year of a three-year investment in the provision of indigent defense through the Public Defense Pilot Program. The Public Defender is developing a strategy for mitigating the loss of funding for the third year of this program, if it occurs. The County is continuing to monitor how State budget delays and reductions may impact the County.

The State budget does not change the commitments to the Homeless Housing, Assistance and Prevention (HHAP) program and the encampment resolution grant program with $1 billion statewide of HHAP and $400 million for the encampment program. The budget includes $375 million to fund the non-federal share of behavioral health-related services at the start of the California Advancing and Innovating Medi-Cal (CalAIM) Behavioral Health Payment Reform. The budget includes initial estimate of costs to implement the CARE Act for FY 2025-26 with an ongoing total of $108.5 million for county behavioral health departments, $31.5 million for public defenders/legal services organizations, and $68.5 million for the Judicial Branch. These estimates are expected to be revised as further conversations with stakeholders unfold.

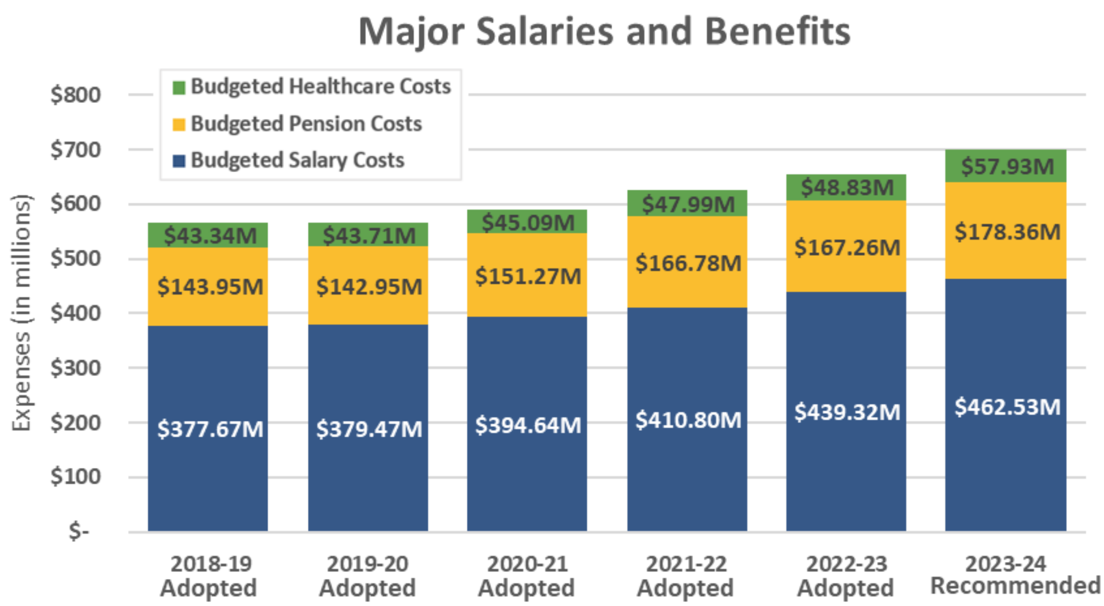
A $6.9 trillion proposed federal budget was submitted to Congress by President Biden on March 9, 2023. A few highlights of the federal budget include the following: the budget proposes to increase funding for Housing and Urban Development by 1.6 percent to a total of $73.3 billion; the Substance Abuse and Mental Health Services Administration would be increased by $3.3 billion to $10.8 billion. Lastly, the budget proposes $535 million for the Payments in Lieu of Taxes Program, which is the same amount that was enacted last year. The County received approximately $2 million through PILT last year, and we are monitoring to ensure this funding is received in FY 2023-24. As additional details of the federal budget are released, staff will continue to monitor and analyze impacts to County departments.

Countywide Salary and Benefit Costs

Salary and benefit costs are major budgetary drivers that affect most County operating funds and are primarily driven by salaries, pensions, and healthcare. Total salaries and benefits costs are expected to rise by $48.8 million countywide in FY 2023-24 to $781.2 million, making up 52.8% of the County's total operating expenditures. Most labor contracts are currently in place, with increases between 2.0% and 4.5%, as well as additional equity adjustments where negotiated. Salary costs for all operating funds are estimated to increase $23.2 million in FY 2023-24, or 5.3%, driven by these negotiated wage increases as well as the addition of 162 FTE countywide which were added mostly in health and human services departments and County Fire as these departments bolster their operations by maximizing available State revenues.

Pension costs are driven by salary increases, pension investment returns, and expectations regarding existing and future retirees. Costs are projected to increase by 6.6%, or about $11.1 million, due to the factors mentioned above. The impact of investment gains and losses, as well as other actuarial changes, are smoothed in over a five-year period and are contributing to the increase in costs, including the diminished returns of -1.78% experienced by the SBCERS pension fund in FY 2021-22.

Healthcare costs are driven primarily by increases to medical insurance premiums, which saw an increase of 8.8% in 2023. Additionally, negotiations with all bargaining groups have included premium subsidies for employees on dependent and family insurance plans, phased in over multiple years, starting in calendar year 2023. These factors have resulted in a projected increase in healthcare costs of $9.1 million, representing an increase of about 18.6%. The table below shows major adopted salary and benefit costs for the County over the previous five years, as well as the preliminary FY 2023-24 costs.



Discretionary General Funding

The General Fund is the main operating fund for the County and a primary focus of budget discussions that relate to discretionary revenue, such as property, transient occupancy, sales, and cannabis tax revenues. These major discretionary revenues are distributed to departments as General Fund Contribution (GFC), with nearly 90% allocated to General Fund departments. GFC finances departmental operations and services for which no special or dedicated revenues are available and, in special revenue departments, often serves as local match for State and federal funding. FY 2023-24 preliminary recommendations have been developed for the major budgetary components of the General Fund and areas of major impact are discussed below.

Discretionary Revenue. A total budget of $367.4 million in General Fund discretionary revenues has been estimated for FY 2023-24. The primary discretionary revenue sources are property, transient occupancy, sales, and cannabis tax revenues. Growth from these revenue sources is vital to paying for increases in labor and operational costs for many County operations, including most of the public safety function. A description of the year-over-year budgetary changes to these primary discretionary revenue sources is provided below, along with the factors that drive these changes.

Discretionary General Fund Revenue Summary (in millions)

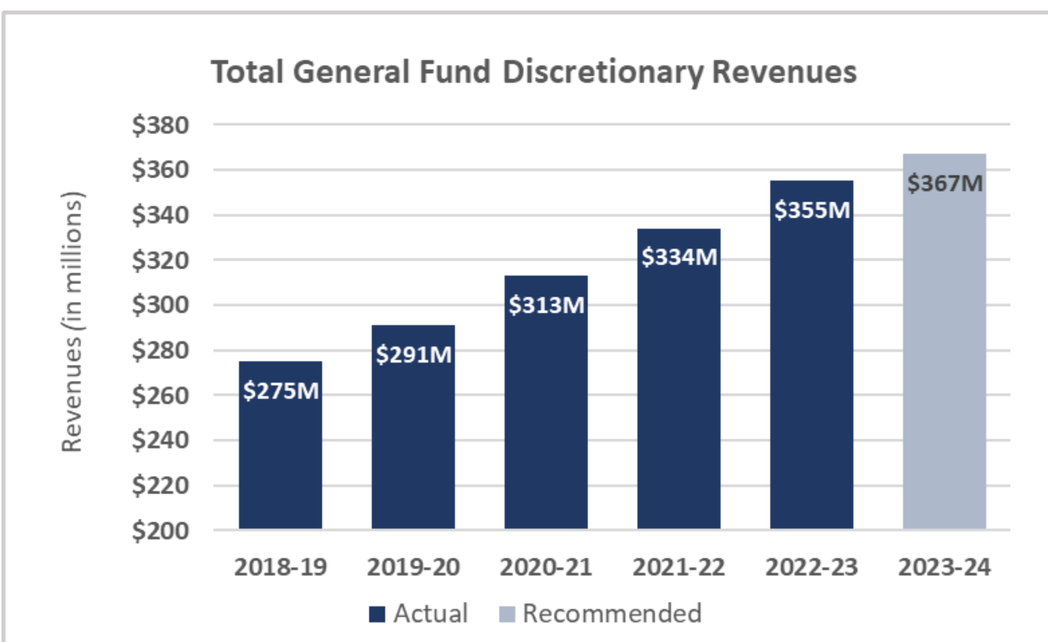
	FY 2022-23 Adopted	FY 2023-24 Preliminary	$$ Change
Cannabis Taxes	$16.29	$7.50	-$8.79
Property Taxes	261.72	290.00	28.28
Sales and Use Tax	14.24	15.08	0.84
Transient Occupancy Tax	15.17	17.56	2.39
All Other Discretionary Revenue	33.14	37.24	4.10
Total General Fund Discretionary Revenues	**$340.56**	**$367.38**	**$26.82**

- **Cannabis Tax**: Since cannabis program inception in 2018, cannabis tax revenues will have generated an estimated $50.1 million by the end of FY 2022-23, with $15.7 million collected in FY 2020-21 standing as the strongest annual fiscal year collection on record. The tax on cultivation generates the vast majority of this revenue. Since FY 2020-21, cannabis cultivation tax revenue has consistently declined, primarily due to oversupply of wholesale cannabis product that has developed statewide and the resulting compression of prices, coupled with the attrition of a significant number of cannabis operators that had previously contributed to the tax revenue base. Based on these factors and the declining revenue trend, projections for the current year have been adjusted downward to $6.7 million on a $16.3 million FY 2022-23 adopted budget, representing a 59% reduction. The FY 2023-24 preliminary cannabis revenue estimate is $7.5 million, a decrease of 54% from the FY 2022-23 adopted budget, to reflect the impacts of continued oversupply of wholesale product and the associated compression of prices. The estimate is an increase of about $800 thousand from the FY 2022-23 projection based primarily on the addition of new cannabis retail storefront operators that are expected to complete the County's land use permitting and business licensing processes and commence operations. Given the continued decline in cannabis tax revenue, a special issue presentation and discussion will take place at the budget workshops to evaluate ongoing and one-time use commitments made by the Board, in the event that revenues decline further.

- **Property Taxes**: The assessed value of the final, closed property tax roll for the 2022-23 property tax year grew by 8.1% compared to anticipated growth of 4.5% that was assumed when the FY 2022-23 budget was developed. This substantial increase in assessed value growth is expected to result in projected FY 2022-23 property tax revenues of $279.6 million, $17.9 million over the adopted budget of $261.7 million, a positive variance of 6.8%. The increase in assessed value growth was primarily driven by the high volume of property transfers, and the elimination of the remaining Proposition 8 backlog, that occurred in fiscal years 2020-21 and 2021-22, resulting in numerous properties being reassessed, often at significantly higher value than their previously assessed base year value. The anticipated increase in FY 2022-23 tax revenue has been factored in when developing the FY 2023-24 budget estimate. The net impact to the General Fund for property tax revenue for FY 2023-24 is an increase of $28.3 million, which includes the $17.9 million of FY 2022-23 unanticipated revenues over that year's adopted budget. Aside from those unanticipated revenues, the next most significant driver of the year over year increase is secured property taxes, comprised of residential and commercial properties, that assumes assessed value growth of 4% due to continued solid market growth, despite a substantial decrease in the volume of property transfers as mortgage rates have increased from historic lows and remain elevated.

- **Local Sales Tax:** Local sales tax represents the local portion of the retail sales tax collected by the State from sales generated within the unincorporated areas of the County. The County's current sales tax rate, along with the city of Buellton, stands at 7.75%, which contrasts with the cities of Goleta, Guadalupe, Lompoc, Santa Barbara, Santa Maria, and Solvang whose rate is 8.75%, and the City of Carpinteria at 9%. Sales tax revenue grew moderately in the first half of the current fiscal year as consumer demand remained high in the post-pandemic period; however, the effects of the Federal Reserve's interest rate hikes are expected to begin impacting consumer spending in the second half of the current fiscal year with a slight decline in growth being anticipated for those six months. With the assistance of Sales and Use Tax consultant, HdL, $15.2 million in revenue has been projected in FY 2022-23 on an adopted budget of $14.2 million, an increase of 6.9%. In FY 2023-24 a preliminary budget of $15.1 million has been estimated to reflect a slight flattening in consumer demand over FY 2022-23 projections, before improving in subsequent years.

- **Transient Occupancy Tax (TOT):** TOT revenue is highly dependent on tourism and the availability of lodging in the unincorporated areas of the County, and like sales tax revenue, has surged as a result of strong economic growth experienced over the past few years. TOT revenue is projected to reach $17.4 million in FY 2022-23, $2.2 million above the adopted budget of $15.2 million, an increase of 14.7%. TOT revenue has secured the position as the second highest discretionary revenue after property taxes with the FY 2023-24 preliminary budget estimated at $17.6 million, which reflects a flattening when compared to the current year's projections as a result of potential economic slowdown relating to actions taken by the Federal Reserve and their anticipated adverse impacts on disposable income and consumer spending.



The table above shows the preliminary General Fund Discretionary Revenues with five years of actual collections. The preliminary FY 2023-24 budget projects growth of $12.5 million, or 3.5%, over estimates of FY 2022-23 actual receipts. The growth in discretionary revenue over the five-year forecast period is presented in the financial forecast table for the General Fund in the County Fiscal Plan section below.

County Fiscal Plan

Long-term fiscal planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. It is a strategic process that provides governments with insights and information needed to establish multi-year budget solutions, fiscal policies, and actions that maintain good fiscal health. The County creates a five-year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making, in order to maintain and continue the fiscal health of the County and to ensure and enable a plan for the provision of services and capital assets.

The forecast is updated annually and is not a budget. It does not establish policy or priorities; it simply summarizes fiscal capacity. The forecast identifies key factors that affect the County's fiscal outlook and assesses how difficult balancing the budget may be in the future.

Updated Five-Year Financial Forecast. The five-year financial forecast was presented in December and has now been updated with the most current estimates for the FY 2023-24 preliminary budget. A five-year forecast as it relates to ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund was prepared using the forecast projections for discretionary revenue and salaries and benefits in addition to consideration of prior Board policy commitments and certain anticipated major operational cost increases. The forecast assumes status quo operations and does not include any department expansion requests. Cannabis tax revenue was excluded as an ongoing source in accordance with Board approved policy.

General Fund expenditures are projected to grow throughout the forecast period primarily due to increases in salaries, retirement contributions, and health insurance costs as well as escalating general liability and workers compensation insurance premiums. This growth in expenditures exceeds the projected growth in General Fund revenues in the last three years of the forecast resulting in budget deficits and the unavailability of ongoing sources for expansion of operations, new projects, or critical needs in those years. Estimates will continue to be refined until budget adoption to ensure available funds are appropriated prudently and according to Board priorities. It will be imperative that thoughtful consideration is made related to the extremely limited resources that are available.

As previously mentioned, substantial revenue growth is anticipated in FY 2023-24 driven mainly by unanticipated property tax revenues in the current fiscal year. Revenues are assumed to revert to more typical growth levels starting in FY 2023-24. It is important to note that the preliminary budget and forecast assumes status quo operation levels for General Fund departments and no expansion requests are included. FY 2023-24 ongoing General Fund revenue growth is estimated to sufficiently fund the increase in ongoing General Fund costs, resulting in a balance of $1,265,200 which staff recommends utilizing to replace ongoing cannabis tax revenue funding that has been allocated for purposes unrelated to the cannabis program, in the event that cannabis tax revenue continues to decline. By law, the Board must adopt a balanced budget. As part of the County's fiscal plan, it will be crucial to mitigate the years of deficit through careful planning of the use of future discretionary revenue growth or consider ongoing expenditure reductions or identification of additional revenue opportunities.

Attachment A

FIVE-YEAR FINANCIAL FORECAST
INCREMENTAL CHANGE IN GENERAL FUND ONGOING REVENUE AND COSTS
FISCAL YEARS 2023-24 THROUGH 2027-28

Row	Category	Ongoing Revenue Sources:	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
1	Forecast	Discretionary Revenue (excludes Cannabis)	$35,593,200	$8,889,200	$9,673,100	$9,298,000	$11,056,600
		Total Revenue Change	$35,593,200	$8,889,200	$9,673,100	$9,298,000	$11,056,600
		Ongoing Cost Changes:					
2	Forecast	Negotiated and Assumed Salary Increases	$4,246,900	$5,149,400	$4,682,000	$5,100,100	$5,312,400
3	Forecast	Pension Costs	4,337,500	3,049,200	2,884,800	1,198,800	6,208,000
4	Forecast	Health Benefits	2,341,900	2,481,300	2,129,500	1,695,000	1,835,000
5	Policy	Strategic Reserve Growth	1,665,600		38,000	98,300	
6	Policy	Northern Branch Jail Operations Plan	1,300,000	1,250,000	1,200,000	1,150,000	900,000
7	Policy	General Liability/Workers Comp/IT-GS Increases	2,326,100	2,000,000	2,000,000	2,000,000	2,000,000
8	Policy	Sheriff ASU Maintenance Plan Increase	150,000				
9	Policy	County Enterprise Resource Planning System	500,000				
10	Policy	18% Deferred Maintenance	3,346,200				
11	Operational	Benefits & Initiatives	6,000,000				
12	Operational	IT Department Operations	500,000	500,000			
13	Operational	Homelessness Services Costs			5,000,000		
14	Operational	IHSS MOE & Labor Increases			861,700	1,817,300	
15	Operational	Voter's Choice Act Implementation		850,000			
16	Operational	AB1869 Backfill Sunset				850,000	
17	Operational	CARE Court		400,000	700,000		
18	Operational	Libraries CPI Increase	113,800				
19	Fiscal Plan	Set Aside GFC for Future Deficits (990)	7,500,000				
20	Fiscal Plan	Release Board Approved Prior Year Set Aside Offset: General liability, labor/pension		(6,790,700)	(6,809,300)		
21	Fiscal Plan	Replace Ongoing Cannabis Tax Revenue Funding for Uses Unrelated to the Cannabis Program	1,265,200				
		Total Change in Costs	$35,593,200	$8,889,200	$12,686,700	$13,909,500	$16,255,400
		Annual (Deficit)/Surplus	**$ -**	**$ -**	**($3,013,600)**	**($4,611,500)**	**($5,198,800)**
		FY 2023-24 Preliminary Budget Balance	**$ -**				

The table above is ordered by category type. The forecast line items reflect the preliminary budget estimates for FY 2023-24 and projections for the following four-years to assist with fiscal planning. Policy, operational and fiscal plan line items for FY 2023-24 are updated for the preliminary budget that reflects a balanced budget. The following items detail the changes listed in the table:

- **Policy**
  a) Strategic Reserve Growth: The Board has a current policy of maintaining a prudent reserve at 8% of total General Fund operating revenue (30 days working capital). The preliminary budget and forecast years assume growth will be set aside each year to maintain the required 8% balance.
  b) Northern Branch Jail Operations Plan: The operating costs of the Northern Branch Jail have continued to exceed the ongoing funding set aside for that purpose. Based on cost projections and status quo staffing levels, an increase to the operating fund each fiscal year from available revenue sources including General Fund and Proposition 172 is necessary. The table above shows the additional use of the General Fund dollars each year, with the General Fund covering half of the increase and the other half coming from Proposition 172. If Proposition 172 growth

in future years is not adequate to cover half of the increases, additional General Fund will be necessary. If the population at the jail is reduced over time, the increases may decline in the out years.

c) 18% Deferred Maintenance: The Board has a current policy to allocate 18% of unallocated Discretionary General Fund revenues to be committed for maintenance needs to be allocated to Public Works (50%), General Services (35%) and Parks (15%). The increase for FY 2023-24 is $3,346,200 for a total of $15 million being allocated to those departments.
d) General Liability/Workers' Comp/IT-GS Increases: Rates charged to departments for internal services received, or to cover insurance premiums and worker's compensation costs, continue to rapidly escalate for a variety of reasons, including market conditions for insurance in California. General liability insurance and worker's compensation costs alone are increasing by $5.7 million in FY 2023-24, an increase of 28.8%. Per recently approved budget policy, the preliminary budget includes an increase in General Fund allocation totaling about $2.3 million and assumes an increase of $2 million in each subsequent forecast year to assist departments with these rate increases and avoid service level reductions. $3.6 million of Prop 172 dollars were also used in the FY 2023-24 preliminary budget to avoid service level reductions in the Sheriff's Office, District Attorney, and Public Defender.
e) Sheriff/Fire Air Support Unit (ASU): Per budget development policy 4.d, ongoing funding of $150,000 was added to the County ASU budget to offset rising costs in fuel and general maintenance. Consistent with the ASU Memorandum of Understanding (MOU), the added costs are borne equally by Sheriff/General Fund and the Fire Department.
f) County Enterprise Resource Planning System: An additional $500,000 has been allocated to support the ongoing maintenance of the ERP system after implementation, bringing the total allocated for ongoing annual maintenance to $2.75 million. Routine system maintenance will be a critical investment in optimizing and preserving this valuable asset for years to come.

- **Operational**
  a) Benefits & Initiatives: The County, like many other employers, has been struggling to recruit and retain employees throughout the organization. Referral programs, hiring incentive bonuses among other strategies have been approved by the Board. Additionally, labor negotiations have included health benefit subsidies for all participants and equity considerations for critically impacted positions. A $6 million set-aside of ongoing GFC is recommended for further long-term recruitment and retention efforts to be determined.
  b) IT Department Operations: On January 10, 2023, the Board approved formation of a standalone Information Technology (IT) Department for incorporation into the FY 2023-24 budget. To date, several new positions have been added to the department and a phased implementation of a new hybrid IT model will proceed over the next two fiscal years, a change that will enable the County to improve productivity, cybersecurity, continuity and efficiency of IT operations. A set-aside of $500,000 is being budgeted in FY 2023-24 to support any prospective operational needs of the new department.
  c) Homelessness Services Costs: State grants and American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund (SLFRF) have been identified to fund many homeless project operations for the next three years; however, this limited funding ends by FY 2025-26. An estimated $5 million may be needed to continue these programs should alternative funding not be available.

d) IHSS MOE & Labor Increases: The IHSS program provides personal care and domestic services to low-income- individuals to help them remain safely in their own homes and communities. IHSS costs are shared by the federal government, state, and county. Historically, counties paid 35 percent of the nonfederal share of IHSS service costs and 30 percent of the nonfederal share of IHSS administrative costs. Beginning in 2012--13, however, the historical county share of- cost model was replaced with an IHSS county maintenance- of- effort (MOE), meaning county costs would reflect a set amount of nonfederal IHSS costs as opposed to a certain percent of nonfederal IHSS costs. The set amount for the County is anticipated to grow. While increased labor contracts affect the cost of the program, DSS has been funding these increases through 1991 Realignment funds and does not anticipate needing additional funding until at least FY 2025-26.
e) Voters' Choice Act (VCA) Implementation: This act modernizes elections in California by allowing counties to conduct elections under a model that provides greater flexibility and convenience for voters. This election model allows voters to choose how, when, and where to cast their ballot by mailing every voter a ballot, expanding in-person early voting, and allowing voters to cast a ballot at any vote center within their county. There are one-time costs associated with transitioning to VCA that will be funded by existing grants. Ongoing costs, which include the addition of 3.0 FTE, will be offset somewhat by election billing revenue and funds previously set aside in the General Fund, resulting in a net ongoing cost of $850 thousand. The department has since elected to defer full VCA implementation to FY 2024-25 while they undergo significant changes to Election division staffing and strategize on an effective and efficient implementation plan.
f) AB 1869 Backfill Sunset: AB 1869 repealed the authority of counties to charge 23 different criminal justice fees. Effective July 1, 2021, the bill includes a backfill provision that provides some relief to counties to mitigate revenues lost as a result of the repeal. The backfill provision sunsets after FY 2025-26. The County's backfill allocation totals $847 thousand per year, and the funding is allocated between the Probation Department and the Sheriff's Office to support existing staffing and other related costs of adult supervision programs.
g) CARE Court: In fall 2022, Governor Newsom signed SB 1338, Community Assistance, Recovery and Empowerment (CARE) Court, a new court system framework to support those with mental health and substance use disorders. The County is required to implement the CARE Act by December 1, 2024. Preliminary estimates are that CARE Court will require the following additional General Fund staff FTE positions: in County Counsel, 1.0 Senior Deputy County Counsel position and 0.5 Senior Legal Office Professional position; in Public Guardian/Administrator/Conservator, 1.0 Public ADM/Conservator position; and in Public Defender, 1.0 Senior Deputy Public Defender, 1.0 Senior Legal Office Professional, 1.0 Investigator, and 1.0 Caseworker for one Countywide team. Behavioral Wellness does not anticipate a fiscal impact that would impact General Fund at this time, due to anticipated State funding to offset implementation of CARE Court costs. Civil rights advocacy groups have filed litigation to block implementation of the CARE Act, which is currently under review by the California Supreme Court; the State has filed opposition and expects to move forward with implementation efforts.
h) Libraries CPI Increase: The County continues to provide funding to support the local library system, with an annual CPI adjustment of 3%. For FY 2023-24, the CPI equates to an increase

of $113,800 from the County, with an expectation that the city library partners will match these CPI adjustments each year.

- **Fiscal Plan**
  a) Set Aside GFC for Future Deficits: The five-year forecast shows deficits beginning in FY 2025-26 primarily resulting from the homelessness services costs currently being funded through temporary one-time funds, in addition to labor cost increases. Holding available ongoing resources for use toward these known future costs would be part of a prudent fiscal plan in the event alternative ongoing resources are not identified.
  b) Release Board Approved Prior Year Set Aside Offset – General Liability, Labor/Pension: As part of previous years' budget development fiscal plans, the Board approved the set aside of funding for GL Insurance increases ($500k) and labor negotiation increases ($4.5M) to plan for these anticipated fiscal impacts. Releasing these funds will be necessary to balance the General Fund beginning in FY 2024-25.
  c) Replace $1,265,200 of ongoing cannabis tax revenue funding for ongoing allocated uses that are unrelated to the cannabis program due to continued decline in cannabis tax revenues.

Pre-Workshop Expansions

After review of department budget submittals, the CEO may identify certain expansion requests that are necessary to mitigate high liability risks and compliance issues, meet mandates and address critical organizational needs. Priority consideration is given to those requests that support Board strategic and programmatic priorities and the General Fund Contribution Allocation Policy. Due to the limited resources of the General Fund and after review of the department expansion requests, no ongoing General Fund dollars were recommended to fund pre-Workshop expansions.

General Fund and non-General Fund One-time Sources Available for Allocation

As part of budget development, the Board considers one-time carry forward fund balances from the previous fiscal year towards one-time expenditures. The GF Fund Balance Unallocated (9940 Account) is derived from unspent funds carried forward from General Fund departments on June 30, 2022, and after allocations has $5 million remaining unallocated. Additionally, $5 million is available in the Capital Fund Balance (9830 Account) funded through a buildup of ongoing funds set aside for debt service payments, but currently available as one-time funding. There are also General Fund dollars from any ARPA SLFRF projects approved by the Board that had previously been funded by the General Fund ($1,802,200) being held in the Emerging Issues (9890 Account) and available for allocation.

A new one-time source this year is the Local Assistance and Tribal Consistency Fund, which is ARPA funding separate and distinct from the SLFRF, and totals $2.3 million. The County's $2.3 million LATCF allocation was determined by a set formula incorporating acreage and economic conditions in the County—such as poverty rates, household income, land values, and unemployment rates—over a 20-year period ending on September 30, 2021. The funds authorized by Congress in the ARPA LATCF are more flexible than the ARPA SLFRF previously received from U.S Treasury—LATCF can be used for any governmental purpose other than lobbying.

Proposition 172 fund balance has grown over time and has been a valuable resource for addressing unanticipated needs in Public Safety departments as they arise. After actual uses in the current year and planned uses in FY 2023-24, $1.5 million of unallocated prior year carryover remains. If allocated, this funding must be spent in Public Safety departments.

One-time funding available for the Board's consideration is as follows:

One-time Unallocated Fund Balance Available for FY 2023-24

GF Fund Balance Unallocated (9940 Account)	$5,000,000
Capital Fund Balance (9830 Account)	5,000,000
Emerging Issues Fund Balance (9890 Account) ARPA SLFRF Backfills	1,802,200
Local Assistance and Tribal Consistency Fund (LATCF)	2,291,369
Total One-time Funds Available	**$14,093,569**
Recommended Capital Priority List	**($11,933,000)**
Subtotal One-time Remaining	**$2,160,569**

Public Safety Proposition 172 Restricted Fund Balance (9768 Account)	1,520,800

About $22.4 million carried over to GF Fund Balance Unallocated (9940 Account) on June 30, 2022. A significant portion of this ($12.3 million) was needed for uninsured litigation costs in the current year, as well as to bolster the Litigation Fund Balance for future costs, both anticipated and unanticipated. Additional amounts are being recommended to provide cashflow for recovery projects in the Public Works Transportation division related to the 2023 storms, as well as for major capital projects that will be debt-funded but are getting underway now. This type of cashflow will be reimbursed to the General Fund when funding is received from FEMA, and debt-issuance, respectively. Other uses include additional funding for prior Board-approved programs and projects, such as the three years of consultant staff work in Long Range Planning and the completion of the Electric Vehicle Infrastructure upgrades in General Services, both approved with partial funding in FY 2022-23. As mentioned above, $5 million remains unallocated in the GF Fund Balance account.

General County Programs Reserves

The County maintains several General Fund set asides or reserves in General County Programs for specific purposes related to statutory funding, Board policy and future operational needs. Reserves in General County Programs are estimated to total $130 million on June 30, 2023, and, with anticipated uses of reserves for intended purposes and earmarks for set asides needed for future years, will total $74 million by June 30, 2024. This includes increasing the Strategic Reserve by $3.5 million, to $44.0 million, to maintain a balance equaling 8% of General Fund operating revenue. Several General County Program reserve funds have been shifted to the Disaster Recovery account to prepare for likely cashflow needs in the Public Works Transportation division as they work towards recovery from the 2023 storms. $5 million of prior year fund balance carryover is also being recommended to offset one-time allocations previously made with cannabis revenue that, due to declines, is no longer available.

Public Safety Funding

Proposition 172 revenue is expected to grow from $43.1 million in current year budget to $48.9 million in FY 2023-24. Of this $5.8 million growth, approximately $3.7 million has been allocated to the Sheriff's

Office, District Attorney, and Public Defender to balance rate increases and other costs that would have otherwise resulted in service level impacts. An additional $1.3 million was allocated to General County Programs to help fund the Northern Branch Jail Operations Plan. This leaves approximately $800,000 in anticipated growth currently unallocated. As mentioned above, there is also about $1.5 million of one-time unallocated Proposition 172 fund balance.

An additional source of funding for public safety comes from the recently passed AB 199, which provides backfill revenue for criminal justice administrative fees that the State repealed. The County will receive $651 thousand annually, which may be used to offset the fiscal impact due to the repeal of the fees and support criminal justice programs, services, strategies, and system enhancements. The preliminary budget recommends allocating $225 thousand of the annual backfill to expand Probation's Pretrial Assessment Unit, enabling the department to better manage the increased workload anticipated for this unit and expanding the use of pretrial assessors for roles not previously associated with pretrial work. Staff will continue to evaluate additional potential uses of the remaining ongoing backfill allocation.

ARPA State and Local Fiscal Recovery Fund

The FY 2023-24 preliminary budget includes $30.3 million for ARPA SLFRF projects, of the total $86.7 million previously allocated by the Board.

Project	Department	Amount
Data Analyst	CEO	$ 168,400
Court Backlog		
Discovery LOP and Backlog DDAs	District Attorney	460,200
Discovery LOP and Backlog DPDs	Public Defender	460,200
Sicuro Data Analytics Consultant	District Attorney	250,000
Arraignment Attorneys	Public Defender	422,800
COVID-19 Direct Response Costs		
COVID-19 Direct Response Costs	Sheriff's Office	542,100
Health and Human Services		
HomeKey, Housing Support, North County Beds, Encampment Strategy, Homeless Services, and Outreach Teams	CSD	12,975,200
Multi-Disciplinary Team	BWell	2,011,500
Mental Health Services & Assessments	BWell	748,000
Outreach, Services & Transforming GI	CEO	1,326,000
Senior Nutrition Plan	CSD	600,000
Co-Response Teams	Sheriff's Office	657,800
Triton Security Contract	GS	87,500
Digital Literacy - SB Partners in Education	CSS/CEO	200,000
Childcare Recovery & Resiliency	First 5/CEO	831,900
Revenue Replacement		
PSRN Phase 2 Equipment Staging	IT	5,500,000
Project Clean Water Mandates	Public Works	738,000
San Antonio Creek Crossing TUG	CSD	1,200,000
Orcutt Community Park Sports Field Lighting	CSD	500,000

Admin Compliance & Reporting		
Admin Compliance & Reporting	CEO	650,300
Total		**$ 30,329,900**

Staff anticipates returning to the Board periodically for additional funding adjustments to ARPA SLFRF programs and projects based upon actual project costs, availability of other funding opportunities, and updated needs of departments and partners to meet Board-established priorities, ahead of the December 31, 2026 expenditure deadline.

Key Challenges and Emerging Issues

Every year, the County develops a balanced budget while maintaining focus on community priorities, State and federal mandates, legislative and regulatory changes, and building a strong future. Some challenges are unique to Santa Barbara County, and some are common among most local government agencies. As departments identified their key challenges, some common themes emerged, many of which were identified as such in last year's budget as well.

State and federal mandates and regulations impacting departments: Legislative and regulatory changes continue to impact funding, workload, and service delivery systems. These changes are particularly prevalent among the health and human services and criminal justice departments.

- The Public Health Department continues to be impacted by the transition of pharmacy carve-out from managed care (Medi-Cal Rx), losing up to $4.2 million in 340B savings.
- State legislative programs for homelessness are promoting one-time funding for facilities but minimal ongoing resources to pay for the services to this population.
- The evolution of criminal justice reform continues to impact the criminal justice departments. In particular, the expansion of post-conviction relief options increases the burden on both the District Attorney and the Public Defender, who are responsible for re-litigating more cases, sometimes decades after the original conviction or plea bargain, adding resource strain on the departments. The State's January proposed budget eliminates the third and final year of funding for the Public Defense Pilot Project (PDPP), which directed resources to implement several such legislative reforms. If not restored, this would result in a one-time loss of $563 thousand in FY 2024-25 to the Public Defender for resentencing-specific workloads.
- The Clerk Recorder Assessor continues to be challenged with the implementation of Proposition 19 base year property value transfers that require new property assessment criteria and the tracking of those transfers.
- Senate Bill 184 (2022) implements a cap for individuals committed as Incompetent to Stand Trial (IST) on felony charges and imposes a penalty if it is exceeded. On December 19, 2022 the County received notice from the Department of State Hospitals (DSH) establishing a growth cap and estimated a $6.2 million penalty amount. Penalty funds sent to DSH would come back to the County pursuant to the County's to-be-determined local expenditure plan. To help develop the local expenditure plan, County safety and health and human services partners formed a Felony IST Collaborative Solutions team and submitted a Letter of Intent on January 31, 2023 for a DSH grant opportunity to address the IST growth cap. The grant offers $100,000 per year, for five years, to meet and work toward local solutions.

- California Advancing and Innovating Medi-Cal (CalAIM) is a reformed service framework being implemented in FY 2023-24 that coordinates Medi-Cal services across County Public Health, Behavioral Wellness, and Social Services departments. CalAIM implementation requires infrastructure "readiness" for systems reform including modernized and integrated IT systems, capacity building of county-wide healthcare workforce, and a strong partnership with CenCal Health. These include new contractual obligations for Managed Care, Mental Health and Substance Use Plans, competitive procurement for services, accreditations, and reimbursement payment restructuring. The County has invested ARPA SLFRF for integrated IT systems and healthcare staff care coordination for no wrong door systems and care coordination, high utilizer identification and management, and housing and homelessness services. These efforts will enable the sharing of data for client care, create analytics on the overall design of service delivery models, and provide housing services.

Staffing and Team Development: Most County departments continue to express staffing challenges that are even more prevalent since the pandemic began. Recruiting and retention issues are generally the result of the high cost and lack of affordable housing within the County. The following are common themes throughout departments:

- Maintaining continuity and timeliness of operations through staffing changes related to retirements, promotions and general turnover.
- Recruiting, developing and retaining highly-qualified staff to support operations.
- Encouraging employee engagement and supporting aspiring leaders through opportunities for development and leadership training.

Information Systems and Technology Infrastructure: Several major initiatives will be underway in FY 2023-24 that will enhance customer service and provide better up to date system functionality. These are large multi-year projects for departments and will take staff resources and dedication to be successfully implemented. The following are some of the major system initiatives underway throughout the County:

- Auditor-Controller, Human Resources, and General Services (ICT): Continued implementation of a new County Enterprise Resource Planning (ERP) System to replace the current legacy financial and human resources systems that will provide an integrated solution for payroll, financial accounting and human resources.
- Public Health and Behavioral Wellness: As discussed above, CalAIM initiatives to coordinate Medi-Cal services across health and human services departments, such as adoption of a new case management Electronic Health Record (EHR), are in progress and will be phased in through 2027. The EHR module managed by Public Health allows for the documentation and billing of Enhanced Care Management (ECM) services under CalAIM. ECM is a new state-wide benefit providing comprehensive care management to the highest-need enrollees, with more intensive coordination of health and health-related services.
- Social Services: California Statewide Automated Welfare system (CalSAWS) for economic assistance client management.
- Planning and Development, Environmental Health Services, Public Works, and Cannabis: Departments are entering into Phase 2 of implementation of a digital service delivery model through the Accela enterprise permitting system that will allow for online permitting.
- Information Technology Department (ITD): ITD will continue to work with other departments on a coordinated Geographic Information System (GIS). This initiative was formerly housed

within the ICT Division of General Services. Additional initiatives managed within the new ITD include wireless expansion efforts, building energy management to improve control of energy usage and fiscal savings as well as environmental positive outcomes across the County, and implementation of space management software to help with managing buildings and space usage throughout the County.

- Sheriff's Office, District Attorney's Office, and Public Defender's Office: Implementation of a Digital Evidence Management System (DEMS) improve these offices' independent and shared processes for the secure and timely transmission of evidence that is collected by law enforcement and must be made available to prosecution and defense attorneys.

Sheriff/City Contracts: The Sheriff's Office preliminary budget for FY 2023-24 assumes full cost recovery for services provided to the cities of Goleta, Buellton, Carpinteria, and Solvang. The cities are still reviewing the proposed cost model. Based on the outcome of those ongoing discussions, any changes to the proposed model could impact the Sheriff's Office budget.

Addressing Homelessness: Several County departments have been involved in providing services to prevent, address, mitigate or house homeless individuals. Homeless programs continue to increase in their complexities but have received renewed interest and effort at the federal, State and local levels. The County has been successful in applying for and administering available homeless funding, and provides additional support for this population including anticipated $1.6 million in General Fund Contribution for FY 2023-24. The bulk of homelessness funding is managed within the Community Services Department, consisting of approximately $30.1 million in state and federal sources for programs such as the Homeless Housing Assistance and Prevention Program (HHAP) ($10.2 million), Emergency Rental Assistance Program (ERAP) ($11 million) and HOME – American Rescue Plan Act (HOME-ARP) ($4.6 million). Additionally, the Board has allocated $24.3 million to date in ARPA SLFRF funding for facilities, services and encampment strategies. These State grants and federal COVID-19 related funding have been identified to fund many homeless project operations for the next two years; however, this limited funding ends by FY 2025-26. As these one -time funds end, enhanced assistance to address homelessness is ending. The State is requiring counties to meet outcome goals to be eligible for some funding resources, including HHAP. Existing congregate shelter structures and funding for their operation costs have been a struggle to maintain.

January 2023 Storm Recovery and Repair Costs: The presidential disaster declaration for "California Severe Winter Storms, Flooding, Landslides, and Mudslides" spanning from December 27, 2022 to January 31, 2023 includes all categories of Federal Emergency Management Agency (FEMA) public assistance (emergency protective measures, permanent work and mitigation). On February 28, 2023 the Board approved an agreement with Ernst and Young (EY) to support the County's efforts in cost recovery associated with this event. Auditor-Controller and CEO Budget staff are working together with EY to assist departments with their submittal processes. Current County damage estimates exceed $83 million. Public Works Transportation division estimates $32 million of damages to county roads and infrastructure and indicates they will likely need cash flow assistance from the General Fund. Though it is too soon to know what portion will pose a General Fund impact for FEMA local match or large project cash flow, $14 million is being earmarked in the Disaster Recovery fund balance to prepare for this need.

Department Expansion Requests

The FY 2023-24 preliminary budget is balanced to ensure essentially status quo operations for General Fund departments with approximately $0 remaining in ongoing General Fund Cost and $15.6 million in one-time resources remaining available ($1.5 million of this being Prop 172 and restricted to public safety). Departments have submitted requests for budget expansions totaling $7.2 million in ongoing funding and $6.7 million in one-time funds, with an increase in staffing of 31 FTE. These requests will be discussed in detail in department presentations and included in Tab 3 of the Budget Workshop binder. Additionally, a Special Issue will be presented during workshops that outlines more than $10 million in unfunded capital projects recommended for further funding consideration.

Summary of Expansion Requests

#	Description	FTE	Ongoing	One-Time
	County Counsel			
1	**HR Deputy County Counsel–** Second personnel attorney to support departments and special districts on labor relations, employee relations, benefits, disability, leaves of absence and civil service. Focus on written legal opinions will allow departments to rely on advice for future similar situations, providing continuity and decreasing workload.	1.0	$210,000	
	Community Services			
2	**Orcutt Branch Library Rent Increase –** Monthly increase of $4,507 per month, doubling prior monthly rent, took effect January 1, 2023.	0.0	$75,000	
3	**Sustainability Transportation Electrification Specialist -** implement zero-emission vehicle (ZEV) related measures and actions identified in the CAP, coordinate ZEV education and outreach to departments, county employees and general public, identify funding sources, apply for grant funding and lead or assist with grant implementation for ZEV and charging infrastructure projects, and support General Services, Public Works and other County departments to transition gas vehicles to ZEVs.	1.0	$160,000	
4	**Sustainability Grant Writing Support** – consultant.	0.0		$75,000
5	**Emergency Shelters and Warming Centers –** Additional County funding for Good Samaritan, PATH, and Freedom Warming Centers to supplement operating deficit.	0.0	$192,500	
6	**Land Stewardship and Carbon Farming Specialist –** Support the agricultural community with implementing carbon farm plans and sustainable agricultural practices and applying for Federal and State funding for carbon sequestration projects	1.0	$160,000	
7	**Climate Adaptation and Resiliency Specialist –** Coordinate across departments to maintain an active database of programs and projects, develop a process by which to prioritize projects and then identify and secure funding for implementation in coordination with Departments.	1.0	$185,000	
8	**CivicSpark or Climate Action Corp Fellow –** Support Sustainability Division program managers with implementation of 2030 Climate Action Plan measures and conduct communitywide outreach for the Climate Resilient campaign and interactive platform that encourages community resilience and relationship development. Fellow would also assist with coordination of the County Sustainability Committee and the Regional Climate Collaborative.	0.0	$50,000	
9	**Cultural Arts Master Plan Implementation –** Expand services to reach more people, particularly traditionally underserved communities throughout the county**.**	0.0	$300,000	
	District Attorney			
10	**Deputy District Attorney** – Limited-term backfill for a DDA Senior who will be reassigned to oversee implementation of new case management system and other upcoming technology initiatives.	1.0		$164,900
11	**Victim-Witness Advocate** – Allow more intensive follow-up case management where increase in violent and domestic violence cases in North County have increased active caseload.	1.0	$117,900	

12	**Deputy District Attorney –** Backfill for a DDA Senior who will be reassigned to focus on parole hearings.	1.0	$156,600	
13	**District Attorney Investigator –** Support needed to continue assisting local law enforcement agencies.	1.0	$218,300	
	Human Resources			
14	**Talent Development and Inclusion Strategist –** Converts FY 2022-23 one-time funding of DEI position and program costs to ongoing.	1.0	$265,700	
15	**Administrative Office Professional Senior –** 1-year limited term Executive Recruiting Assistant to address the high volume of executive and management recruitments.	1.0		$121,100
	Public Defender			
16	**LOP Supervisor –** To supervise 31 LOPs and improve departmental efficiency	2.0	$270,100	
17	**Attorney Supervisor –** Racial Justice Act Misdemeanor supervising attorney for South County	1.0	$240,000	
	Public Works			
18	**23STM1 Countywide Transportation Infrastructure Damage –** Local share of costs based on Transportation division's total estimated January '23 storm emergency response costs	0.0		$5,000,000
19	**Deferred Maintenance –** Bring roads PCI level up to industry standard and address annual backlog of deferred maintenance projects	0.0	$726,900	
	Sheriff			
20	**Narcotics Enforcement Team Expansion –** Expansion of Special Investigations Bureau with second narcotics second team consisting of 1 sergeant and 4 detectives.	5.0	$1,249,800	$225,000
21	**ANDE Rapid DNA Instrument –** Annual subscription for DNA chips, DNA swabs, service fee, training and support for ANDE instrument that department already owns.	0.0	$80,200	
22	**Custody Bus Replacement –** Medium-size bus for transporting inmates. Improved efficiency, reliability, and ADA accessibility.	0.0	$56,400	$425,000
23	**Additional Cannabis Compliance Team –** Team consisting of 1 sergeant, 4 detectives, and 1 AOP. Needed due to scope of County cannabis program and pervasiveness and extent of black market for cannabis products.	6.0	$1,330,400	$225,000
24	**Incremental Custody Deputy Staffing** – To help address lack of full shift relief in Custody Operations Branch, resulting in unbudgeted overtime.	3.0	$463,500	$30,000
25	**Incremental Patrol Deputy Staffing** – To help address lack of full shift relief in Law Enforcement Branch, resulting in unbudgeted overtime.	2.0	$400,100	$30,000
26	**Dispatch Center Furniture and Hardware Replacement –** Consoles (desks) approximately 25 years old with 10-15 year lifespan. Many desks lack ergonomic adjustment and structural integrity is compromised.	0.0		$353,500
27	**Supervising Accountant –** Increased grant management and oversight needs due to approximately doubling of State and federal revenue.	1.0	$175,000	$2,500
	Treasurer Tax Collector			
28	**Veterans' Services Supervisor** – AOP Expert to lead Veterans Services Operations in Santa Barbara, Lompoc, and Santa Maria	1.0	$151,000	
	Total	**31.0**	**$ 7,234,400**	**$ 6,652,000**

Next Phases of *Renew*

In 2022, multiple strategic workshops occurred to solicit feedback on the efforts of Renew '22, the County's internal initiative to transform our organization by rethinking how we leverage technology, people and processes to meet new expectations, community needs, and changing economic, social and environmental conditions. The feedback received during these workshops informed the update of the big picture goals that will guide the County with Renew strategic efforts moving into 2023 and beyond. County leadership engaged in revising the big picture goals to demonstrate, as an organization, our commitment to progress and continuous improvement. The five core areas continue to serve as the framework for Renew.

Revised Big Picture Goals

The revised countywide goals reflect the original focus of the core areas of transformation and establish benchmarks for all departments to achieve. The modified Big Picture Goals are:

Re-Balance Our Resources

- All departments will enhance financial resiliency (efficient use of staff, new revenue, cost avoidance, cost reduction, efficiencies) with the goal of enhanced resiliency equal to at least 5% of the department's total FY 2023-24 budget (base) by June 30, 2028.

Re-Designing how we do our work

- To improve customer service delivery, evaluate and migrate 100% of County services determined feasible to be placed on-line or made available in a digital/electronic format, by June 2028.
- Each department will promote and demonstrate process improvement and innovation with the following goals:
    - Reach and maintain at least 30% of all department staff trained through the InnovateSBC Program (# trained/total staff) by June 2028.
    - Initiate, implement and celebrate at least one process improvement project annually.

Responding to residents and customers with the highest quality of services within our means

- Annually solicit customer feedback on prioritized service areas through surveys, questionnaires, or other methods, and develop individual department action plans, including a communications strategy, to address areas of needed improvement.

Retaining high-performing employees and preparing the next generation of leaders

- Measure department's engagement in the County's leadership development program by ensuring 30% of managers participate in leadership development programs (countywide or department sponsored) annually.
- By June of 2025, retain 80% of new employees during their first 5 years of County employment.

Looking forward, Renew Big Picture Goals will continue to be implemented, tracked, monitored, and reported. Currently, the County Executive Office is in the planning process of a reset of countywide strategic initiatives and the alignment of department goals, objectives and performance measures that support the initiatives. This will be a larger project entailing coordination with department leadership and the Board that will be initiated and discussed over the coming months.

Ready for Today, Preparing for Tomorrow

The County's stable fiscal outlook today reflects years of strong fiscal management and prudent budgetary practices led by the Board—setting aside funds for anticipated cost increases, maintaining predominantly status quo budgets for General Fund departments, and adopting fiscally sound budget development policies—allowing the County to weather a global pandemic and numerous local disasters in the past few years alone. The Board's foresight and careful planning in managing limited resources have enabled the County to avoid service level reductions and preserve stability in operations, while also enabling support and progress on many Board priorities, including strategic investments in technology and systems enhancements; homeless and housing services; mental health services; long-range planning; electric vehicle infrastructure; emergency efficiency solutions; diversity, equity, and inclusion efforts; and enhancing disaster readiness capabilities, to name a few.

Maintaining fiscal stability requires organizational resilience and a consistent eye toward the future, as the County budget will continue to be challenged by many internal and external factors, including rising labor, pension, and insurance premium costs, workforce instability, economic pressures, legislative changes, unforeseen disasters, and shortfalls in State and federal revenue sources. The County must remain vigilant in continuing to strive for organizational excellence as we build a budget that both achieves the objectives of today and prepares the County for the needs of tomorrow.

The preliminary budget summary schedules provided on the following pages are consolidated information for departments and funds and will be updated accordingly for the Recommended Budget.