



**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:** March 3, 2026  
**Placement:** Departmental Agenda  
**Estimated Time:** 20 MINUTES  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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

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**County Counsel Concurrence**

As to form: Yes

**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 Second Quarter Budget and Status Report as of December 31, 2025, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors;
- b) Provide feedback on CEO’s proposed additional oversight and review of Sheriff’s Office expenditures, as discussed in this report;
- c) Provide other direction as appropriate; and
- d) 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 second quarter ending December 31, 2025, provides a fiscal year-to-date look at the County’s projected financial position relative to the FY 2025-26 adjusted budget.

As of the end of the second quarter, the General Fund is projecting a significantly smaller year-end surplus of \$2.2 million, which is far less than prior years and represents a significant reduction from the most recent five-year historical surplus average of about \$16.8 million. Any year-end surplus that

does materialize is typically recommended to be held for capital projects or other emergent needs in the next fiscal year. The projected year-end variance is positive due to multiple departments with positive variances, including three with reportable variances, and tax revenues exceeding expectations; however, the surplus is reduced by lower revenues in Community Services-Parks, and, most significantly, a \$9.6 million projected deficit in the Sheriff's Office, driven by overtime.

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

**Discussion:**

**SECOND QUARTER REPORT**

The second quarter of the fiscal year includes activity through December 31, 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 six months of FY 2025-26 and then add departmental projections for the remaining six 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 December 31, 2025, the General Fund had a projected year-end positive variance of \$2.2 million. This is the result of favorable results in most General Fund departments, mostly offset by reportable negative variances in two departments as described below.

**General Revenues (Department 991) projects a positive year-end variance of \$9.8 million** (2.4% 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 \$3.5 million** which constitutes just 1.1% of the total FY 2025-26 Property Tax revenue adjusted budget of \$320 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). 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 \$3.6 million** (56% on an adopted budget of \$6.4 million) as interest earned on General Fund cash balances held by the treasury remained robust through the second 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 \$2.2 million and \$542 thousand, respectively. The TOT variance is driven by stronger-than-expected demand for lodging in the unincorporated area throughout the 2025 calendar year, in addition to a recent tax rate increase approved by voters which increased from 12% to 14% and took effect last calendar year. The projected positive variance in Sales Tax revenue is mainly attributable to better than anticipated consumer and discretionary spending on taxable goods despite continued uncertainty in the economy.

<b>Discretionary General Revenue Summary (in thousands):</b>			
<b>Source</b>	<b>Adjusted FY 2025-26</b>	<b>Projected FY 2025-26</b>	<b>Variance Actual vs. Projected</b>
Property Tax	\$ 320,038	\$ 323,495	\$ 3,457
Interest Income	6,371	10,003	3,632
Transient Occupancy Tax	22,434	24,652	2,218
Sales & Use Tax	15,501	16,043	542
All Other Revenues	43,766	43,517	(249)
<b>Total Discretionary Revenues</b>	<b>\$ 408,110</b>	<b>\$ 417,710</b>	<b>\$ 9,600</b>
All Other Transfers	408,110	407,911	(199)
<b>Projected Fiscal Year End Variance</b>	<b>\$ -</b>	<b>\$ 9,799</b>	<b>\$ 9,799</b>

**Community Services-Parks is currently projecting a negative \$795 thousand variance** (2.0% on an adjusted budget of \$41 million), primarily driven by lower-than-projected revenues resulting from continued closures for the RV area improvement project at Cachuma Lake. Additionally, concession revenue at Elwood, the Cachuma Marina Cafe, and the Cachuma General Store fell short of projections, partly due to the Cachuma RV area closure. The RV area improvements project was 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 end of FY 2025-2026. A fund balance returned by the department to General County Programs in the prior year is being held to offset this shortfall, if necessary, at fiscal year-end.

**The Sheriff's Office is currently projecting a \$9.6M deficit (4.2% on an adjusted budget of \$227 million).** The primary driver of this variance is overtime projections. Overtime costs through the second quarter of the year were \$9.9 million on an annual overtime budget of \$10.1 million, utilizing 99% of the full year's budget. While overtime hours worked per pay period have decreased 22% since the start of the fiscal year - from a high of 10,074 hours in pay period 15, to 7,939 hours in pay period 26 – the Sheriff's Office still used essentially their entire overtime budget by the close of the second quarter, and total overtime hours worked in the first half of the year are only down 5% compared to the same period in the prior fiscal year. If overtime hours remain at the current level, even if the department realizes an estimated \$7.6 million in salary savings (based on the current vacancy rates), the department is on track to exceed their total budget by over \$9 million. If the downward trajectory in overtime each pay period continues, the overall deficit could be somewhat less.

During the hearing on February 10, 2026, your Board provided direction to the Sheriff's Office to continue to explore and implement additional controls to manage and reduce overtime usage. Additionally, the Auditor-Controller's office will provide monthly updates on Sheriff overtime usage to your Board for the next six months, as well as review overtime in other high-usage departments, with a report coming back to the Board in October.

#### **Proposed additional review and oversight by the CEO's Office**

The CEO also proposes the following potential options for oversight and review of Sheriff's Office expenditures, in an attempt to bring down costs where possible in the remainder of this fiscal year, as well as to help mitigate potential overages in the upcoming fiscal year:

1. Institute a more rigorous hiring review, where the Public Safety Assistant CEO reviews and evaluates each requisition before it is opened for recruitment;
2. Institute purchase order reviews by the CEO's Office, where all purchase orders are reviewed by the Public Safety Assistant CEO and questioned for urgency or necessity;
3. Require Sheriff's Office submit a list of all extra help currently employed by the department, and a justification for necessity of continued use for each one, to the CEO's Office as soon as possible.

With these reviews, progress made by the Sheriff's Office to curtail costs could be reported to the Board for the remainder of the fiscal year. Should costs not begin trending downward, the Board could take actions to reduce the Sheriff's current or future budgets or take other actions as permitted by law.

**The Probation Department is projecting a positive variance of \$1.2 million** (1.3% 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 \$1.1 million** (11% 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 December 31, 2025, there was two Internal Service Funds and one Special Revenue Fund with a reportable variance for the quarter.

**The Workers' Comp Self Insurance Fund (Fund 1911) is projecting a positive variance of \$1.2 million** (4.4% on an adjusted budget of \$25.0 million) driven by an unanticipated dividend distribution of \$1.8M received from PRISM, the County's insurance pool, relating to the County's participation in PRISM's Primary Workers' Compensation Program. This dividend was issued after PRISM determined that excess reserves had been paid by the County for the 2024-25 fiscal year. These funds will be added to the Workers' Compensation Fund reserves and will be utilized to offset rate increases beginning in FY 2026-27. The unanticipated dividend is being slightly offset by higher than anticipated claims in the current year.

**The Information Technology Shared Services Fund (Fund 1915) is projecting a \$1.1 million positive variance** (3.2% on an adjusted budget of \$35.6 million), mainly due to salary savings from vacant, funded positions. The department's vacancy rate of 12% this quarter is slightly higher than the 11% last quarter, but still lower than prior year rates. Surpluses are put towards costs in future years in an effort to keep rate increases to departments as low as possible.

**In-Home Supportive Services (IHSS) Fund (Fund 0056) is projecting a negative variance of \$569 thousand** (3.6% on an adjusted budget of \$15.6 million) driven by an underestimated local share of program costs in the current fiscal year. IHSS program costs are split between the federal, State, and county governments. The County's share of costs includes locally negotiated salary and benefit costs for providers plus an annual 4% inflation factor that is paid with State 1991 Realignment revenue and ongoing General Fund Contribution dollars. In the current year, local cost estimates included the annual 4% inflation factor but not the annual increase in salary and benefit costs which is anticipated to result in a \$569K deficit for the fund by fiscal year end. The Department of Social Services, who administers the IHSS fund, has fully exhausted the IHSS fund balance and appropriated this year's 1991 Realignment revenue to other programs. Therefore, General Fund support will be necessary to close this deficit at year end.

### **ADVANCE CONSTRUCTION RESERVE ACTIVITY**

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

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

**Advance Construction Reserve Activity as of December 31, 2025**

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

**FUNDED VACANCIES BY DEPARTMENT (Attachment C)**

**The overall funded vacancy rate at the close of the second quarter was 8%, which is lower than the 9% vacancy rate reported last quarter.** At the end of December, 386.3 of the County’s 4,738 adopted, funded positions were vacant. Departments with the highest rates of funded vacancies include the County Executive Office (20%), Behavioral Wellness (17%), and Child Support Services (19%). 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 fell slightly to 20%, 9 vacant, funded positions reported as of the end of the second quarter. One of these positions has recently been filled and recruitment is underway for another position. 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. Child Support Services similarly holds positions vacant in an effort to address future budget shortfalls.

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

Board of Supervisors, County Counsel, Auditor-Controller, Sheriff, and Social Services had the lowest funded vacancy rates (at 5% or lower). A table of funded vacancy rates by department as of December 31, 2025, may be found in Attachment C. As part of budget strategies to address projected future year deficits, CEO staff will be working with departments to eliminate vacant funded positions, where it makes sense.

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**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