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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:	September 23, 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 2024-25 Fourth Quarter Budget Status Report

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County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

a) Receive and file the Fiscal Year (FY) 2024-25 Fourth Quarter Budget and Status Report as of June 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) 2024-25 budget status report for the fourth quarter ending June 30, 2025, provides a look at the County's financial position at the close of the fiscal year, relative to the FY 2024-25 adjusted budget. The County ended FY 2024-25 with a net positive $14.7 million year-end variance in the General Fund, which is $2.4 million less than projected at the end of the third quarter mainly due to a larger than anticipated negative variance from the Sheriff's Office discussed more below. However, this year-end positive variance within the General Fund is consistent with the most recent five-year historical average but is larger than the prior year's carry-forward of $10 million. Cannabis taxes came in less than budgeted but overall Discretionary Revenues ended with a positive variance, which is discussed in greater detail below.

The fiscal position of the General Fund is monitored and presented to the Board on a quarterly basis, with this final report brought after the close of the fiscal year. Staff recommends that the balance be put towards construction costs for the expansion at the Northern Branch Jail, which will help reduce ongoing debt service costs by an estimated $1 million.

Special Revenue Funds are required to end the year balanced, so those funds are not included in this update's attachments. There was only one significant year-end issue in the Special Revenue Funds, which is discussed below. All reportable variances in the General Fund will be discussed in greater detail below.

<u>Discussion:</u>

FOURTH QUARTER REPORT

The fourth quarter for the fiscal year includes activity through June 30, 2025. In this report, the year-end 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 General Fund departments (including Discretionary General Revenues) with variances at, or above, $300,000, shown in the Financial Summary Report (Attachment A), or that would have ended negative without additional assistance.

Attachment A uses actual revenues and expenditures 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 Attachment A).

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)

The General Fund had a year-end positive variance of $14.7 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) ended the fiscal year with a positive variance of $16.2 million (4.2% on an adjusted budget of $382.2 million), with significant variances detailed in the table below. This variance is due primarily to higher than budgeted Property, Property Transfer, Transient Occupancy, and Sales Taxes, as well as higher-than-budgeted Interest Income. Cannabis Cultivation Taxes ended the year lower than budgeted but are not contributing to the projected year-end variance and are discussed later in this section.

Property Taxes ended the year with a positive variance of $6.4 million which constitutes just 2.1% of the total FY 2024-25 adopted Property Tax revenue budget of $303 million and is primarily due to higher than anticipated assessed value (AV) growth for the FY 2024-25 tax year. When the FY 2024-25 budget was developed in the spring of 2024, Auditor-Controller staff had estimated overall assessed property values to grow by 3.75%, however, the roll closed reflecting growth of 5.5%. 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 collected totaled $199.0 million which resulted in a positive variance of $3.1 million, while Property Tax In-Lieu of VLF ended at $79.1 million representing a positive variance of $1.2 million. Additionally, property tax fines, forfeitures, and penalties collected were robust, ending the year at $8.4 million reflecting a positive variance of $1.4 million. In addition to the positive variance in property tax, property transfer tax also ended the year with a positive variance of $1.2 million on an adopted budget of $4.1 million. This is mainly attributable to property sales prices generally increasing in value when transfers occur despite the continued decrease in the volume of transfers from historical averages due to mortgage rates remaining elevated.

Interest Income ended the year higher than budgeted by $3.5 million (55% on an adjusted budget of $6.4 million) as interest earned on General Fund cash balances held by the treasury continues to remain robust in this higher rate environment.

Transient Occupancy Tax (TOT) and Sales Tax receipts both exceeded budget with positive variances of $4.5 million and $954 thousand, respectively. The TOT variance was driven by stronger-than-expected year-over-year growth as well as the recent tax increase from 12% to 14%, both of which weren't anticipated during budget development last 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.

Cannabis Cultivation and Retail Storefront Tax ended the year with a negative variance with actuals collected of $5.2 million which is $958 thousand less than the adopted budget of $6.1 million. Although cannabis tax receipts came in under budget, this shortfall is consistent with projections made in each of the first three quarters and with estimated actuals that were used as the basis in developing the adopted FY 2025-26 cannabis tax revenue budget. This variance was driven by a shortfall in cultivation tax revenue mainly due to the attrition of licensed cultivators in the County that had paid taxes in prior years but have recently surrendered their licenses. The revenue collected in FY 2024-25 reflects a decrease from the $5.8 million collected in the prior fiscal year, representing a reduction of about $585 thousand or 10.1%. Despite the projected shortfall in tax revenue, this variance is not contributing to the Department 991 projected year end variance as a cannabis prudent reserve is held in fund balance to mitigate revenue volatility and is available to cover this shortfall.

Discretionary General Revenue Summary (in thousands):						
Source		Adjusted FY 2024-25		Actuals FY 2024-25		Variance Actuals vs. Projected
Property Tax	$	302,677	$	309,078	$	6,401
Transient Occupancy Tax		17,676		22,179		4,503
Interest Income		6,437		9,982		3,545
Property Transfer Taxes		4,111		5,266		1,155
Sales & Use Tax		15,108		16,062		954
Cannabis Tax		6,143		5,185		(958)
All Other Revenues		30,000		29,617		(383)
Total Discretionary Revenues	**$**	**382,152**	**$**	**397,369**	**$**	**15,217**
Decrease to Cannabis Fund Balance	$	6,143	$	5,185	$	(958)
All Other Transfers		376,009		376,009		0
Fiscal Year End Variance	**$**	**-**	**$**	**16,175**	**$**	**16,175**

Community Services-Parks ended the year with a balanced budget and zero net financial impact, an improvement over their Q3 projection of a negative $350K variance. This outcome was primarily driven by higher-than-anticipated Park & Recreation Fee concessions revenue, increased operating transfers from other funds for program administrative costs, and utilization of available fund balance. The department also proactively managed vacancies to generate salary savings that helped close the projected gap. The projected gap was the result of lower-than-anticipated RV revenue due to the continued closure of the RV rental sites at Cachuma Lake due to construction project delays.

General Services General Fund ended the year with a positive variance of $498 thousand (1.6% on an adjusted budget of $31.5 million), primarily due to lower-than-budgeted expenditures in services and supplies and other charges. Key drivers of this outcome included underspending on Maintenance, Janitorial Services, IT ISF rates, and Natural Gas.

Public Defender ended the year with a negative variance of $431 thousand (1.7% on an adjusted budget of $25.2 million), primarily due to higher-than-budgeted salaries and benefits and expert cost. Grant revenue came in lower than anticipated due to delays in program implementation. The available salaries and benefits appropriations associated with the delay grant programs masked overspending of salaries and benefits in other programs and projects. As a result, the overall salaries and benefits appropriation appeared sufficient, concealing the overages and contributing to the department's year-end shortfall. To prevent this in the future, the department will implement more detailed tracking of expenditures by program and projects and improve coordination between grant timelines and budget. In addition, staff recommend the department report quarterly on expenditures against outside revenue sources and incorporate this reporting into the quarterly operational review meeting with the County Executive Office to provide better funding estimates by fiscal year-end.

The Sheriff's Office ended the year with a negative variance of $4.4 million (2.0% on an adjusted budget of $224.4 million), primarily due to significant increases in custody overtime and lower than anticipated salary savings (which has historically offset overtime costs). This was previously reported in July when the Auditor required a budget revision to close fiscal year-end accounting entries. The overspending in salaries and benefits was partially masked until fiscal year end by approximately $3.3 million in unrealized revenue for specific grant, realignment and law enforcement programs, some of which the department said it would attempt to recover and return to the General Fund in FY 2025-26.

The Sheriff has had a negative year-end position in four of the past five fiscal years, although the General Fund and County overall ended with balanced budgets or surpluses. Negative positions fall to the bottom line at year-end and are commonly offset by savings or surpluses elsewhere in the General Fund, and in the case of the Sheriff, Proposition 172 fund balance. The FY 2024-25 year-end variance of $4.4 million was after the release of the $2M Proposition 172 set aside, used to cover training backfill costs.

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Total Sources	161,938,991	174,664,374	188,241,361	201,825,575	217,529,252
Total Uses	162,485,135	175,102,072	189,826,656	201,794,487	221,953,823
Net Financial Impact	**(546,144)**	**(437,699)**	**(1,585,295)**	**31,089**	**(4,424,571)**

Recommendations. In accordance with the County's Budgetary Control and Responsibility Policies, department heads are responsible for maintaining departmental expenditure levels within approved budget appropriations and for notifying the Board of anticipated over-expenditures. To avoid unanticipated overruns in overtime costs and better manage sources of outside revenue going forward, staff recommend the following changes to budget practices and specific overtime cost analysis:

1. **Re-budget realistic overtime costs and salary savings** by budget program and manage costs to the budget throughout the fiscal year. The Sheriff has historically budgeted minimal overtime and salary savings appropriations with the expectation that actual overtime costs should materialize commensurate with savings from departmental vacancies and the two should offset one another. However, the absence of a realistic overtime budget makes tracking overtime costs relative to salary savings more difficult and requires staff to calculate year-end estimates outside of the financial system. The recommendation to budget realistic and offsetting overtime and salary savings is intended to facilitate better budget monitoring. On average, over the past five years, the Sheriff has budgeted salary savings of 1.7% ($2.4M in FY 2024-25) and realized actual savings between 7% and 12.5%. Similarly, overtime has been budgeted at around 3.4% ($5.2M in FY 2024-25) and realized at 7% to 19%. Given historic salary savings and overtime costs, it is recommended that the Sheriff consider budgeting a minimum of 7% in overtime and salary savings appropriations and manage costs to that budget starting in FY 2025-26.

2. **Review overtime timecoding practices** specifically in custody operations. This was raised and recommended in the fiscal year end budget update to the Board on July 15, 2025 and referred to the Auditor's Office for review given that overtime hours have significantly increased despite lower vacancies. Sheriff employees coding over 1,000 overtime hours in a single fiscal year has jumped from 8 employees in FY 2019-20 to 55 in FY 2024-25. One employee coded 2,334 hours of overtime in the last fiscal year. Overall, overtime hours coded per employee increased 74% from an average of 258 in FY 2019-20 to 448 in FY 2024-25. While some of this can be attributed to overtime needed while new deputies are in training and not fully utilized, further analysis of significantly increased overtime by certain employees is recommended, and records have been provided to the Auditor's Office for further analysis of timecoding practices. Additionally, further analysis of overtime use relative to vacant positions is recommended to identify the extent to which the department has used overtime beyond what is needed to backfill vacant positions.

3. **Conduct a custody new hire cost analysis**. In FY 2024-25 overtime hours for Custody Deputies and Special Duty Deputies grew significantly despite lower vacancies. The Sheriff has pointed to recent hiring as a driver of increased overtime necessary to onboard and train new deputies. Further analysis of the relationship between new hires and overtime use is recommended to identify the specific practices and costs associated with developing new staff into "productive assets," which can be used to better estimate costs in future years.

4. **Report quarterly on expenditures against outside revenue sources** (such as CCP and grant funding) to more accurately estimate whether funding will be realized by fiscal year end. Reporting can be part of the department's quarterly operational review meeting with the County Executive Office.

In August 2024, salary increases and one-time lump sum and longevity payments for members of the Deputy Sheriff's Association (DSA) were approved by the Board to assist in retention and attraction. This added approximately $3.5 million in unbudgeted costs, which were covered with a release of funds at year-end held in General County Programs for this purpose. Additionally, General County Program funds were released to cover the $2.2 million increased costs (after credits) that came with the one-year extension of the current Jail Medical Healthcare contract, as well as the cost increases of the new contract that began April 1. Neither the additional medical contract costs, nor the impacts of the DSA agreement contributed to the $4.4 million deficit, due to planned release of fund balances for these purposes, but they *do* represent additional General Fund support to the Sheriff's Office on top of the $4.4 million needed to cover the year-end shortfall.

Probation ended the year with a positive $1.47 million variance (1.6% on an adjusted budget of $90.56 million), primarily due to salary and benefit savings on vacant, funded positions. The department had 41 vacancies at the end of the fourth quarter, a decrease from the 47 vacancies at the end of Q3, and has several recruitments open as well. For FY 2025-26 the department has increased their budgeted salary savings from 7% to 10%, which should lead to less year-end savings.

County Executive Office ended the year with a positive variance of $658 thousand (6.3% on an adjusted budget of $10.5 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

To balance the Social Services Fund (Fund 0055) at year-end, Social Services (DSS) needed to use all departmental fund balances and utilized two transfers from General Fund. At fiscal year end, DSS faced a funding gap between expenditures and revenues of approximately $1,583,800. The gap was mainly due to unanticipated growth in categorical aid payments in adoptions and foster care payments and salaries and benefits costs coming in higher than expected due to lower than anticipated attrition. The department released $623,800 in fund balance and transferred in $655,200 in General Fund that had originally been budgeted to be used in FY 2025-26. The department also used $304,800 in General Funds previously set aside to offset future In-Home Supportive Services Maintenance of Effort costs. The department is returning to the Board in October with a revision to the department's budget based on the impacts from balancing at the end of year, as well as other Federal and State changes.

ADVANCE CONSTRUCTION RESERVE ACTIVITY

To date, 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 this fiscal year, 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 June 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 B)

The overall funded vacancy rate at the close of the fourth quarter was 11%, which is consistent with the 11% vacancy rate reported in Q3. At the end of June, 513.55 of the County's 4,767 adopted, funded positions were vacant. Departments with the highest rates of funded vacancies include the County Executive Office (22%), the Clerk-Recorder-Assessor's Office (17%), and Behavioral Wellness (17%). 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 increased to 22% (up from 18% in the third quarter) with 10 vacant, funded positions reported as of the end of the fourth quarter. One of these positions has recently been filled, recruitments are in progress for an additional two, and one (in the Cannabis licensing program) was deleted in the fourth quarter; the remaining six positions are intentionally being held vacant as the department assesses restructuring within the office, potential transfer of positions, and future budget uncertainties.

Vacancies in the Clerk-Recorder-Assessor's Office have decreased slightly from 18% in the third quarter, with 18.1 vacant, funded positions reported at the end of the fourth quarter. Nine of these positions have recently been filled, recruitments are in progress for an additional two, and one position (a Human Resources Manager in the Administrative Division) has proven to be difficult-to-fill. Six positions are intentionally being held vacant: four in the Clerk-Recorder division due to the continued decrease in recording volume; and two in the Elections division, which are anticipated to be filled during the election period.

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 and Fire had the lowest funded vacancy rates (at 7% or lower). A table of funded vacancy rates by department as of June 30, 2025, may be found in Attachment B. 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 – Funded Vacancies by Department

Contact Information:

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