Agenda for this week

• Context for the FY 2021-22 Preliminary Budget

• Preliminary Budget Overview
  • Revenue and Expenditure Trends
  • Budget Expansions and Identified Needs

• Departmental Budgets and Special Issues
  • Monday - Public Safety, Policy & Executive
    • Special issue: Jail Population, Diversion, and Collaborative Justice,
    • Special Issue: Main Jail staffing and Facility Assessment Alternatives
  • Wednesday - Health & Human Services, Community Resources & Public Facilities
  • Friday - General Government & Support Services, General County Programs
    • Special Issue: Capital and Deferred Maintenance Projects & funding sources
    • Special issue: Digital Transformation Projects

• Board deliberation and direction
Purpose of Budget Workshops

• Present preliminary FY 2021-22 budget prior to developing the CEO’s Recommended Budget

• Provide a summary of departments’ budgets, major work efforts, budget expansion requests, and updates on Renew ‘22 initiatives

• Present special issues

• Allow opportunity for the Board to discuss information, ask questions and hear public input

• Provide direction to the CEO on policy issues or specific items prior to completion of the Recommended Budget
SETTING THE CONTEXT
Emerging from the Pandemic

- Public Health response and community recovery
- Continue Board’s focus areas
  - Efficient and fair criminal justice system
  - Environmentally sustainable community
  - Infrastructure improvements and maintenance
  - Enhanced community amenities, recreation and open spaces
  - Preservation of the safety net
  - Equity and inclusion
  - Stable finances with prudent reserves

- To emerge stronger, our organization and Renew effort has focused on:
  - Adapting new digital services and methods
  - Redesigning our process through Innovate SBC and KPMG
  - Reimagining the workforce with Hybrid teams
  - Imbedding values, mission and actions in our culture
  - Returning more resilient
Economic Outlook

Average Annual Growth Rate of Real GDP

Source: UCLA Anderson Forecast, March 2021

- Strong U.S. economic growth forecasted in 2021
  - Fiscal relief measures
  - COVID vaccination efforts and resumption of social interactions
- Sustained growth in 2022 and 2023 expected
- Unemployment rate expected to reach pre-pandemic levels by the end of 2023
U.S. Economy

- Unprecedented spending by the federal government into economy
  - Coronavirus Aid, Relief, and Economic Security Act (CARES Act)
  - COVID-19 Relief Package (December 2020)
  - American Rescue Plan Act (ARPA)
  - Proposed American Jobs Plan

- County has received direct allocations and State pass-through

- Unemployment is improving; relatively low inflation and low interest rates continue
State Fiscal Picture Has Improved

• State budget picture has improved, surpassing prior revenue projections.

• Governor’s January Budget included one-time surplus and strong state revenues which should result in positive May Revise.

• State has provided targeted funding for statewide priorities, such as homelessness funding, rental assistance, and other safety net services.

• Challenges still exist regarding legislative changes that have resulted in reduced revenue.
Property Tax Revenue Trends

Increase in Secured Roll Value

Sources: Santa Barbara County Assessor’s Division, October 2020
Business Cycle Dating Committee, National Bureau of Economic Research
Fiscal outlook for the County is stable in FY 2021-22

FY 2021-22 will be the third year without service level reductions implemented in any department

Positive Financial Factors

- Despite pandemic, property tax and sales tax remain stable with modest growth
- TOT expected to rebound
- Cannabis tax revenue remains strong
- Federal and state resources for pandemic have assisted with response costs
- Sufficient reserves to mitigate short-term impacts
- General Fund Strategic Reserve fully funded at $38.8 million

Challenging Financial Factors

- State legislative changes result in loss of local revenue (i.e. in Public Health, Probation)
- New state or federal mandates impose new costs (ex. Voter Choice Act)
- Employee and general liability costs continue to increase
- Investment required for technology and data operations
- Deferred maintenance costs continue
- Many unfunded major capital projects
<table>
<thead>
<tr>
<th>Year</th>
<th>Commitment</th>
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<tbody>
<tr>
<td>2011</td>
<td>Northern Branch Jail operations funding plan begins</td>
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<tr>
<td>2012</td>
<td>Fire Tax Shift begins</td>
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<tr>
<td>2012</td>
<td>Workers Compensation Program funding plan begins (completed 2018)</td>
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<tr>
<td>2012</td>
<td>Retiree health plans begin closing; funding plan formalized</td>
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<tr>
<td>2014</td>
<td>18% Deferred Maintenance policy begins</td>
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<td>2016</td>
<td>Strategic Reserve fully funded (fell below target in 2017 and 2018)</td>
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<tr>
<td>2018</td>
<td>Pension cost-sharing begins (three year roll-in)</td>
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<tr>
<td>2020</td>
<td>Fire Tax Shift reached target</td>
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Opportunities and Threats

- New federal funding opportunity to prioritize long-term goals
- Innovations and adaptation learned from COVID
- Momentum on criminal justice collaboration and statewide changes
- Partnerships for regional economic vitality efforts
- Pension cost increases
- Major disasters (fire, earthquake, tsunami, cyber breach, next pandemic, etc.)
- Economic downturn – federal, state, regional
- Unaffordability of housing
- State or federal mandates
- Deferred maintenance and unanticipated technology shifts
• By constantly learning and improving, and exploring ways to work differently, employees are equipped to thrive in the present, adapt to a post-COVID tomorrow, and anticipate the future.

• Thanks to our Board, Department Directors, County employees, community non-profits, businesses, and individual members for what will be one of the most challenging years of our lifetime.

• Together, we’ve shown great resilience, collaboration and compassion. Together, we will overcome the challenges ahead. Together, we are one county, with one future.