EXECUTIVE SUMMARY

Inspiring Resilience and Recovery

Chair Nelson and Board Members,

The proposed Fiscal Year (FY) 2021-22 Recommended Budget is submitted for your consideration. The recommended budget is a product of careful consideration of available resources, fiscal policies and the thorough deliberation by County departments and the County Executive Office regarding the impacts, consequences, and alternatives of various budgetary actions. This document is prepared in accordance with statutory requirements of the County Budget Act and demonstrates a commitment to the vision and priorities set by the Board of Supervisors.

The coming fiscal year represents a time of recovery for our community and a light at the end of the tunnel after a year of unprecedented challenges. The COVID-19 pandemic caused a national recession, a sudden reduction in state and local revenues, and severe economic distress for businesses, families, community organizations and public agencies. It has jeopardized the health of our communities and our economic livelihood. With the wide distribution of vaccines and the State's anticipation of moving beyond the Blueprint for a Safer Economy on June 15, 2021, we are hopeful that California will fully reopen its economy across the state.

The County's FY 2021-22 Recommended Budget, which includes the County's General Operational Budget as well as budgets for special districts governed by the Board of Supervisors, totals $1.35 billion and marks a third year in a row that service level reductions are not proposed by any County department. This fiscal stability results from years of prioritizing key projects, careful planning, managing resources and preparing for the future. Despite the pandemic, property tax and sales tax revenues have remained stable with modest growth, and cannabis revenue has remained strong, continuing to exceed estimates. Critical federal and State resources for pandemic relief minimized anticipated budget gaps and reserve uses to cover response efforts, further stabilizing the fiscal outlook. All of these resources have been essential to offset increasing costs related to labor, general liability insurance, and critical departmental needs. The recommended budget incorporates the Board's policies on program-based budgeting, fiscal stability, identifying and mitigating fiscal risks and maintaining prudent reserves. Additionally, it continues to advance the Board's commitment to Renew '22 initiatives.

Over the past fiscal year, the federal and State governments have allocated significant one-time funding into the economy. The County has received direct allocations and State pass-through throughout the pandemic. Funding provided through the Coronavirus Aid, Relief and Economic Security Act (CARES Act) ($46.1 million in FY 2020-21) and the more recent American Rescue Plan Act (ARPA) ($86.7 million, of which $43.3 million is included in the recommended budget), will be instrumental in helping our community recover. The Governor's May Revise of the State's budget demonstrates continued economic improvement and higher revenue projections than anticipated. The State's budget also provides targeted funding for statewide priorities, such as homeless services, rental assistance, and other safety net services. The recommended budget, however, also reflects significant revenue losses resulting from State legislative changes, which threaten to impact critical services in the Public Health and Probation Departments.

The FY 2021-22 Recommended Budget is based on the assumptions that projected revenues will remain stable and that a portion of cannabis tax revenue (currently projected at $19 million) will be used for ongoing budgetary purposes. Cannabis tax revenue has previously been dedicated—after fully funding enforcement and program compliance and administrative costs—to one-time uses, due to uncertainty of the stability of the relatively new program. This policy change results in $6.3 million of cannabis tax revenue available for discretionary uses. The ongoing funds support enhanced cannabis education, compliance and permit processing functions, critical needs for criminal justice departments, and set-asides for future needs related to elections, In-Home Supportive Services, Crisis Intervention Teams and homelessness operation services.

The development of the budget reflects consideration of prudent fiscal policies, including promoting the use of one-time funds for one-time (not ongoing) uses, program-based budgeting, fiscal stability and maintaining the Strategic Reserve balance at 8% of General Fund operating revenue that totals $38.8 million in FY 2021-22. Operational efficacy was encouraged by making investments that have ongoing returns in either savings or new revenues, such as departmental management and operational reviews, continuing efficiencies and process improvements, seeking grant opportunities, better grant coordination, and partnering with other departments and agencies. Additionally, the recommended budget continues to address the Board's focus areas of an 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, and stable finances with prudent reserves.

THE BUDGET IN BRIEF

	2019-20 Actual	2020-21 Adopted	2021-22 Recommended
Operating Revenues	$1.17 B	$1.19 B	$1.35 B
Operating Expenditures	$1.07 B	$1.19 B	$1.33 B
Non-Operating Expenditures	$0.09 B	--	$0.02 B
Staffing (FTEs)	3,893	4,306	4,347

The FY 2021-22 Recommended Operating Budget for all funds totals $1.35 billion, an increase of $160.5 million, or 13.5% from the FY 2020-21 Adopted Budget. The General Fund, which funds many County operations, totals $436.2 million, an increase of $31.5 million, or 7.8%. The budget, in total, supports a workforce of 4,347 full-time equivalent (FTE) employees and reflects a net increase of 41 FTE employees. A majority of the change in the overall budget of $160.5 million from last fiscal year is related to Federal American Rescue Plan Act (ARPA) funding that is the largest single increase at $43.3 million (half of the County's total allocation comes in FY 2021-22). Much of the remaining increase is related to a wide variety of State and federal grants secured for FY 2021-22, including the federal Emergency Rental Assistance Program and the California Homeless Housing, Assistance, and Prevention grant program. Finally, tax revenue and charges for services each increased by $20.8 million. Operating expenditures include both ongoing and one-time costs, and ongoing costs are largely supported by ongoing revenues.

Overall, the recommended budget includes funding to provide mandated and essential services, meet debt service obligations, address critical deferred maintenance and infrastructure needs, and adhere to the Board's financial management policies.

The FY 2021-22 Recommended Budget was developed based on the following:

- **Revenue growth is expected to remain stable.** Two of the County's largest discretionary revenue sources—property and sales taxes—experienced stable growth over the past year, as strong home sales continued and taxable sales remained steady, despite a shift from in-person to online retail. This stable growth is expected to continue in FY 2021-22. Transient occupancy taxes, which fell in FY 2020-21 as a result of less tourism, are expected to experience growth in FY 2021-22 as the travel and tourism industry reopens. State and federal funds for ongoing services are anticipated to improve slightly. Legislative action, however, has impacted the Public Health Department through the loss of 340B pharmacy discounts totaling $4.2 million, and the Probation, Public Defender, and Sheriff Departments have been impacted by the loss of $2.6 million, mostly in Probation, due to the elimination of criminal justice administrative fees.

- **Service level reductions have been avoided** for the upcoming fiscal year as a result of adequate revenue and efficiencies in the departments, the use of one-time funds for ongoing operations in several departments and some General Fund Contribution (GFC) allocations to resolve increased liability insurance costs. However, the outlook beyond FY 2021-22 is more uncertain, with most labor groups in negotiations, more general liability cost increases anticipated and the SBCERS triennial study in FY 2022-23, which could impact retirement rates.

- **Labor and liability costs continue to increase.** Salaries and benefits are expected to rise by $39.0 million to $700.1 million, making up 52.8% of operating expenditures. The largest drivers here are salaries, which increased $17.3 million, to $411.9 million, and pension costs, which increased by $16.4 million to $175.1 million. Pension costs are partially offset by employee retirement pickup, which totals $7.8 million in the recommended budget, for a net cost of $167.3 million in FY 2021-22. Another operating expense, general liability insurance, increased by $3.5 million, which is smaller in relation to salaries and pensions, but represents a 24.4% increase over the premiums in the FY 2020-21 Adopted Budget. This is the third year that liability premiums have increased by at least 20%, a trend statewide that shows no sign of abating.

- **Cannabis tax revenue** has proven recession-resistant, as steady growth over the past year is expected to continue into next fiscal year, with ongoing annual revenues estimated at $19 million. The recommended budget allocates ongoing discretionary cannabis tax revenue for enforcement operations and cannabis program administrative activities, as well as other priorities funded by the Board in prior years, totaling $8.6 million. Thus far, cannabis tax revenue had not been considered for ongoing uses beyond those mentioned above given the relative newness and uncertainty of the revenue source. Revenue received above that level has been used to fund one-time priority needs of the community, such as for the operation of a countywide library system and deferred maintenance needs.

  Going into the fourth year of experience with a regulated, licensed and taxed cannabis industry, the FY 2021-22 Recommended Budget proposes to distribute cannabis tax revenue spending to allocate a greater portion of revenue to support beneficial countywide programs and services, such as mental health, housing, homelessness and emergency recovery. This recommended budget considers Board direction received during the budget workshops held in April 2021 that staff consider a maximum of 75% of the annual cannabis tax revenue to be a stable ongoing discretionary revenue source, available to fund ongoing expenses. The 75% is calculated on revenue available after considering prior ongoing funding commitments such as cannabis enforcement, compliance, program administration, and Board priorities. The remaining 25% of annual tax revenue would be reserved for one-time expenditures. In addition, the County will maintain a prudent reserve equal to a minimum 25% of the ongoing revenue amount. In FY 2021-22, this reserve amount equals $4.8 million.

  The concept for the new policy stems in part from the need to address critical needs coming from KPMG recommendations, organizational enhancements such as Information Technology, data and discovery, purchasing and other department program needs that have been delayed in the past due to limited GFC resources. Over the past several years, GFC growth has been first used towards commitments to the new jail operations, fire tax shift and pension cost increases related to the change in rate of return. While GFC growth has also been able to cover annual increases in salary and benefits and general liability insurance in order to keep departments at status quo levels, very little remains to address these other issues to the extent needed.

Board members have indicated that it would be helpful to hear alternatives to cannabis revenue as the source for ongoing budget costs. The CEO will bring the Budget Development Policies to the Board in December 2021 and can include further considerations of limiting cultivation cannabis revenue to only certain one-time items. If this limitation is applied, the FY 2021-22 ongoing budget funding could be supplanted by new GFC growth and available State or federal resources, etc. over time until the retail cannabis revenue level is met, should the Board direct this approach.

- **Northern Branch Jail Operating Fund has no change recommended** at this time to the original funding plan for Northern Branch Jail (NBJ) operations, which will increase by $2.2 million to $17.1 million in FY 2021-22. Criminal justice departments' efforts to seek jail diversion where appropriate, and collaboration between criminal justice partners, as well as preliminary staffing plans and facility impacts at the Main Jail after the NBJ is open, could ultimately impact the original funding plan in future years. Construction completion and occupation of the NBJ is anticipated in FY 2021-22 with an operating cost estimated at $21.5 million, including staffing costs to operate and maintain the facility, as well as costs for inmate medical services, food, utilities, and other necessities.

- **Deferred Maintenance and Capital Investments are included.** The 18% funding plan continues to carve out funding for deferred maintenance, increasing by $2.8 million in FY 2021-22, to a total of $10.9 million in ongoing General Fund, split among Public Works, General Services, and Community Services Departments. Further funding of $6.6 million is provided for critical capital and maintenance projects, including Countywide accessibility improvements, roof replacements, energy efficiency upgrades, and more. Additionally, plans continue in preparation of issuing debt to fund major capital projects such as the Public Safety Radio System and the Main Jail Renovations. Non-general funds included in the recommended budget for deferred maintenance and capital investments, such as SB1 and grants related to transportation total an additional $7.8 million.

- **Investments in Technology are recommended consistent with Board policy.** The Board adopted a budget policy that prioritizes funding for critical information technology needs. A set-aside of $2 million annually will assist with technology replacement that is prioritized through the Executive Information Technology Committee (EITC). This critical funding will support the purchase of Office 365, the Accela program, cybersecurity and other projects that benefit several service departments. Per policy, at least $1.5 million per year is being set aside towards the County Enterprise Resource Planning System that was initiated through the Business Applications Needs Assessment (BANA) and one-time and ongoing resources are considered for a reorganization effort of IT services.

Early Recommended Expansions

Early expansions granted and discussed during budget workshops totaling $2.9 million are included in the recommended budget to mitigate high liability risks and compliance issues, meet mandates, and address critical organizational needs. Priority consideration was given to those requests that support Board strategic and programmatic priorities and the General Fund Contribution Allocation Policy. These include the following items:

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#	Description	FTE	Ongoing	One-Time
Clerk-Recorder-Assessor				
1	**Redistricting process:** Consultant and staff work related to redistricting efforts.			$225,700
General Services				
2	**Purchasing staffing**: Add one Buyer position and one Department Business Specialist position to compliance with processing requirements and address operational need as recommended by KPMG.	2.0	$225,000	
Human Resources				
3	**Program Business Leader:** To assist with KPMG recommendations, Hybrid workforce model implementation, policy updates and County ERP project.	1.0	$150,000	
4	**Leadership Classification Compensation Study**: Outside consultant for study.			$80,000
5	**Extra-help EEO Investigator**		$25,000	
6	**Leave of Absence System:** Software and maintenance**.**		$70,000	$40,000
Planning & Development				
7	**Development Review Contingency Fund Set Aside:** To assist with adequate staffing needs based on customer activity level throughout the year.			$300,000
Probation				
8	**Pre-trial Assessment Services:** Allows program to continue due to grant funding ending mid-year.		$390,300	
Public Defender				
9	**Convert 5 Extra-help Legal Office Professional positions to regular FTE**	5.0	$176,600	
10	**Convert 1 Extra-help Computer Systems Specialist position to regular FTE**	1.0	$46,600	
11	**Arraignment Court:** Add 2 Deputy Public Defender IV positions for bifurcated court.	2.0	$312,000	
Sheriff				
12	**Data Center Replacement:** To replace outdated system to mitigate risk exposure and comply with mandates. Department is using $300k from Asset Forfeiture for equipment.			$650,000
13	**Over-hire Program Set Aside:** Increase set aside for up to two more positions if needed.			$250,000
	Total	**11.0**	**$1,395,500**	**$1,545,700**

CEO Recommended Expansions

Following the workshops wherein the Board and public provided input and comment on departments' budgets, the County Executive Office continued to work with departments on specific issues and conducted more analysis on expenditures and available revenues. As a result, some expansion requests were considered and included in this recommended budget. CEO-recommended expansions total $10.4 million primarily in the General Fund ($7.2 million in ongoing funding and $3 million in one-time funding of which $260,000 is funded through Prop 172) and 15 FTE. Funding recommendations were based on consideration of State and federal requirements, Board priorities, established needs, and areas in which the County could face significant financial, legal, health, or safety risks or liability.

#	Description	FTE	Ongoing	One-Time
County Executive Office				
1	**Cannabis Permits and Licensing Technicians:** To assist with annual license processing and assist with customer outreach and response.	2.0	$135,000	$135,000
2	**Chief Data Officer Position (Data/Discovery):** Add one Chief Data Officer postion to oversee the data efforts countywide as recommended by KPMG.	1.0	$256,000	
Clerk Recorder Assessor				
3	**AB 37 and Voter's Choice Act (VCA) Election Staffing:** One AOP position to assist with AB 37 implementation and move to the California's Voter's Choice Act (VCA). Department will use state revenue as well as fund balance in FY 2021-22 to cover remaining costs, but ongoing $350k will likely be needed starting in FY 2022-23.	1.0	$105,000	
District Attorney				
4	**eSCARS Coordinator:** One Victim Witness Supervisor to implement and manage the eSCARS child abuse reporting project in the County.	1.0	$124,600	
General Services				
5	**Capital Projects Team:** Adds one Enterprise Leader and funding for two contracted project managers to assist with the increased volume of capital projects handled through General Services.	1.0	$190,000	$550,000
Planning & Development				
6	**Administration Division - Enterprise Leader:** Add one Enterprise Leader to oversee Administration Division. GFC request will partially fund position costs, with remaining recovered through permit revenue.	1.0	$74,000	
7	**Cannabis - License and Permitting:** Add one Supervising Planner and one Planner III for up to 2 years to expedite permit processing.	2.0		$140,400
Probation				
8	**Pretrial Supervision Program:** Enhance existing Pretrial Supervision Program by adding two Deputy Probation Officers.	2.0	$270,400	
Public Defender				
9	**IT Staffing:** Add one permanent FTE position to enhance the productivity and efficiency of the technology team.	1.0	$118,600	
10	**Fiscal Staffing:** Add one permanent FTE Accountant position to handle fiscal matters and all grants.	1.0	$112,000	

FY 2021-22 CEO Recommended Expansions (continued)

#	Description	FTE	Ongoing	One-Time
Public Works				
11	**Floradale Bridge Project:** Local match required for the Federal Highway Bridge Program revenue.			$993,000
Sheriff				
12	**Body-Worn Cameras:** Provides funding for the body-worn camera ongoing software maintenance and data storage, and fund a position (Computer Systems Specialist) to manage the hardware and operate the software. Sheriff's Office will provide the one-time funding necessary for the purchase of the cameras using asset forfeiture funds.	1.0	$313,000	
Treasurer-Tax Collector-Public Administrator				
13	**Cannabis Tax Collection and Compliance:** One Enterprise Leader position to be responsible for cannabis tax collection and compliance auditing efforts.	1.0	$219,400	
General County Programs				
14	**Equity Set-Aside:** To continue training, education and outreach efforts through County HR and Community Services Department.			$500,000
15	**Public Bank Viability Study:** The County of Santa Cruz requested interest to participate in a viability study to establish a Central Coast Public Bank with Counties of Monterey, San Benito and San Luis Obispo.			$25,000
16	**Employee Housing Study:** Funding will not be released until staff completes initial evaluation and returns to Board.			$245,000
17	**Data/Discovery Set Aside:** Provides funding to add five (5) positions and equipment to multiple departments. CEO is leading discussion on how funding should be allocated and will be brought back to Board for final allocation approval.		$743,600	$510,000
18	**Voter's Choice Act (VCA) Election Set-Aside:** Preserves ongoing funding for elections staffing and professional services needed to facilitate Voter's Choice Act election model. AB 37 legislation recently amended will enable department to phase in VCA resulting in lower costs. Department has identified funds for FY 2021-22, but most are one-time in nature. The set aside funding could be used towards one-time needs in FY 2021-22.		$350,000	
19	**Cannabis Education Set Aside:** BWell and Public Health Departments to develop plan for use that will include allocation to Community Based Organizations. In addition, BWell was recently awarded Prop 64 grant funding ($959k through 2023-24) for extra help staff for outreach and education to youth.		$160,000	
20	**Bi-lingual Translation Services:** Need identified by departments for enhanced access translation services and recommended by KPMG.		$50,000	
21	**General Liability Set Aside:** 9.1% or $1M cost increase projected for 22-23		$500,000	
22	**Program Stabilization:** Increases set aside for unanticipated contractual cost increases by $2.25M.		$2,250,000	

FY 2021-22 CEO Recommended Expansions (continued)

#	Description	FTE	Ongoing	One-Time
23	**Crisis Intervention Team Set Aside:** Sets aside ongoing funding for the county's three crisis intervention teams, which are currently funded by grants that will be ending in the next 18 to 24 months. The set aside funding could be used towards one-time needs in FY 2021-22.		$500,000	
24	**IHSS MOU increase:** County's share related to State MOU ongoing funding changes.		$300,000	
25	**Homeless Shelter Operating Costs Set Aside:** Sets aside ongoing funding for homeless shelter operations currently being funded through a variety of grants that may not be ongoing in future fiscal years. The set aside funding could be used towards one-time needs in FY 2021-22.		$500,000	
	Total	**15.0**	**$7,271,600**	**$3,098,400**

The recommended budget includes funding for Data and Discovery expansion requests, most of which were discussed at budget workshops. A common theme from public safety departments has been the need for data collection and more efficient processing of discovery for court proceedings. KPMG also addressed these needs during their departmental management reviews. Several expansion requests for data positions and equipment were identified in budget workshops that support these initiatives. The Chief Data Officer position (#2, $256,000) has been added to the County Executive Office to help coordinate this effort. Funding for the other requests (#17) totaling $1.3 million has been set aside in General County Programs for future allocation. Since budget workshops, funding for a data analyst and costs for developing a data dashboard totaling $389,000 has been added. Part of KPMG's recommendation was that there be a coordinated discussion on these efforts with a lead from the County Executive Office. The CEO will bring the final funding allocation recommendation to the Board in the next few months.

A few of the ongoing set-asides listed in the FY 2021-22 CEO Recommended Expansions on the previous pages were identified as ongoing for future use beyond next fiscal year and could be used as one-time funding for FY 2021-22 for one-time projects. These items include #18 Voter's Choice Act, #23 Crisis Intervention Team, and #25 Homeless Shelter Operating Costs for a total of $1.35 million. Therefore, the amount available in one-time funds for cannabis tax revenue has been increased to include this amount. The total remaining available one-time cannabis revenue for FY 2021-22 is $8.8 million.

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 key challenges and emerging issues for FY 2021-22 are unique to Santa Barbara County, and some are common among most local government agencies.

- **Delayed Census data and redistricting efforts:** With Census data now anticipated in August or September, which is 5-6 months late, mandated efforts to redraw County supervisorial lines are compressed. The timelines challenge the Citizens Independent Redistricting Commission (CIRC) to finalize a map by December 15, 2021 and turn it over to the County Elections Officer to incorporate precinct changes accordingly prior to candidate filing in March. The recommended budget includes funding of $500,000 for

CIRC activity and another $225,000 for Clerk-Recorder-Assessor for one-time consulting assistance to ensure timely processing of changes.

- **Increasing and changing State and federal mandates and regulations:** Legislative and regulatory changes continue to impact funding, workload, and service delivery systems. These changes are particularly prevalent among the social service and criminal justice departments. For example, Probation Department faces uncertainty due to the transfer of responsibility related to the realignment of Division of Juvenile Justice (DJJ), and Public Health is impacted by the transition of pharmacy carve-out from managed care (Medi-Cal Rx), losing an estimated $4.2 million in 340B savings. Departments continue to work closely with their respective professional organizations to mitigate impacts or prevent detrimental changes, as well as explore ways to work with the CEO's Office to find opportunities to meet new demands.

- **Public Works cash flow needs for major bridge construction projects and Road Fund long-term operating challenges:** Advance construction costs became a cash flow issue for the General Fund in FY 2020-21 when $1.7 million was needed to start the Floradale Bridge project. It is anticipated an additional $5 million will be needed for this project in FY 2021-22. Since budget workshops, $3.5 million has been included as a final budget adjustment to be adopted by the Board at hearings for costs projected beginning in July 2021. With changes in federal funding for cash advances, the County must now find alternative cash flow and seek reimbursement for costs. The department is reviewing alternative financing options, as multiple other bridge projects are being considered for next fiscal year that would further impact General Fund resources. Additionally, the department continues to be concerned about operational costs for the Road Fund exceeding ongoing resources and will be working with the CEO's Office to develop a long-term fiscal stability plan.

- **Deferred Maintenance:** Departments continue to struggle with addressing deferred maintenance for parks, roads and county facilities. In response to growing deferred maintenance needs, the Board developed a funding policy, effective in July 2015, providing a mechanism to increase ongoing funding available for maintenance projects. The policy commits 18% of unallocated discretionary general revenue growth to address maintenance needs on an annual basis, thereby increasing the ongoing funding every year that experiences growth in discretionary revenues.

  As previously mentioned, $10.9 million in ongoing General Fund revenues will be available to be dedicated to deferred maintenance as per the 18% formula in FY 2021-22. In addition to this improved level of ongoing revenues available to meet this need, the recommended budget allocates $4.4 million in General Fund resources to address key deferred infrastructure replacement projects. Despite the annual growth anticipated in funding, the backlog of deferred maintenance projects Countywide remains in the $471 million range, leaving a very significant gap between allocated funding and current need. The proposed federal infrastructure plan ("the American Jobs Plan") released March 31, 2021, may provide funding for some of these needs, including bridge funding discussed above, if passed by Congress.

- **Allocation of ARPA Funding:** The U.S. Treasury issued guidance on criteria for the allocation of the American Rescue Plan Act funds in mid-May. The County is anticipated to receive $43.3 million in FY 2021-22. A special Board meeting to be held June 1, 2021 will include a discussion on the spending options and potential uses for the funds that could be incorporated into the adopted budget. The ARPA funding is eligible to be used: to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; for the provision of government services to the extent of the reduction in revenue of such county due to such emergency; or to make necessary investments in water, sewer, or broadband infrastructure. It cannot be used for deposit into any pension fund.

State Budget Impact

The Governor's May Revise State budget for the 2021-22 fiscal year was issued May 14, 2021 and reflects more funding allocations than the January preliminary budget as a result of a projected $75.7 billion surplus. The long-term revenue forecast in the May Revise indicates that total General Fund revenues from the State's major sources are expected to increase from $139.1 billion in FY 2019-20 to $181.3 billion in FY 2024-25. The majority of the increase occurs in the current year FY 2020-21 as revenues are expected to surge 23.8 percent. The May Revise also includes $24.4 billion in reserves. The reserve funds include: $15.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies, $450 million in the Safety Net Reserve, $4.6 billion in the Public School System Stabilization Account, and an estimated $3.4 billion in the state's operating reserve.

As a result of the surplus, the May Revise includes immediate relief for Californians recovering from the pandemic totaling $12 billion in state tax rebates in the form of direct checks to Californians and an additional $6.2 billion for the small business relief program. It also includes a $12 billion plan to address the homelessness crisis, $20 billion in proposed investments to transform public schools and $5.1 billion to support the state's drought response and water infrastructure. It is anticipated that counties will receive allocations from these new initiatives. In particular, the homelessness investment funding allows for additional Homekey acquisitions, addresses student homelessness and assistance for Project Roomkey clients that is part of a five-year plan to end family homelessness. State revenues to County departments are expected to increase by $38.2 million in FY 2021-22, which is primarily driven by sales tax-based revenues—1991 Realignment, 2011 Realignment, and Proposition 172 public safety revenues—and COVID-19–related homelessness assistance grants.

Essential Priorities and Commitments for the Future

In FY 2020-21, the County remained at the forefront of fighting the pandemic, expanding and intensifying healthcare and safety net services, public safety and leading emergency operations. While mounting an epic response to the pandemic, County departments continued to advance prior commitments and key initiatives. The following are major initiatives continuing in FY 2021-22:

- **Improving access to justice and diversion.** Many evaluations of the criminal justice system and plans for improvements have been developed over the past two years. KPMG completed management reviews of all criminal justice departments, as well as produced a report focused on identifying efficiencies within the system as a whole. Through a Bureau of Justice Assistance Sixth Amendment Initiative technical assistance grant, the Center for Court Innovation conducted a strategic planning and research support effort. The pandemic crisis sped the implementation of some recommended system efficiency initiatives, while also requiring innovative action in response to external demands and the pandemic environment. Certain actions will end as the Courts and community services reopen; others—those that have proven effective and efficient—will continue. The County's challenge now becomes a matter of refining current successful collaborative efforts to enhance data-driven decision-making, enhance the use of technology to more efficiently respond to and address the needs of the criminal justice partners and their clients, and put into action many of the recommendations that were made in the KPMG reports and other evaluations. These efforts to create sustainable, effective improvements to the criminal justice system and the Board's direction to enhance diversion efforts will improve access to justice and better outcomes for the community. The recommended budget includes $1,509,600 for data and discovery positions and technology needs and $660,700 for efforts to ensure continuance and expansion of pre-trial evaluations.

- **Partnering to enhance mental health services.** Criminal justice partners and Behavioral Wellness continue to implement major initiatives to reduce the numbers of mentally ill individuals entering the criminal justice system and increase referrals to appropriate mental health services. The County developed its Pre-Trial Felony Mental Health Diversion Program Plan, which was approved by the Department of State Hospitals in August 2020. In addition to the major multi-year grants that were previously awarded by the State to support efforts to divert individuals with histories of serious mental illness from the criminal justice system, the County received a grant in the amount of $571,123 from the Bureau of State and Community Corrections through the Coronavirus Emergency Supplemental Funding Program to support diversion activities while decreasing the risk of COVID-19 exposure for clients, healthcare and justice system providers, and the community.

- **Focusing on equity and inclusion.** During FY 2020-21 budget hearings, the Board set aside $500,000 to support social and racial equity initiatives, of which $135,000 was allocated to the Human Resources Department; $75,000 for the Community Services Department to establish an inventory of historical landmarks, support underrepresented artists, and facilitate community conversations, and $19,200 for climate equity issues; and $270,800 to be disbursed to the community in a manner to be determined. In the past year, Human Resources began implementation of the J.O.I.N. framework on race and equity by conducting an organizational assessment to determine the County's current state, holding learning labs for executives and managers, and starting a resource library on the Diversity and Inclusion intranet site. Community Services formed and launched the Equity Advisory & Outreach Committee, comprised of 12 community members and organizations representing marginalized and under-resourced communities. The County continues to pursue its equity, diversity, and inclusion goals and the recommended budget includes a one-time allocation of $500,000 within General County Programs to continue these efforts.

- **Furthering our commitment to a sustainable environment through completion and commissioning of the ReSource Center.** Formerly known as the Tajiguas Resource Recovery Project, the ReSource Center project will convert commercial and residential waste into resources by recovering recyclable materials, transforming organics into landscape nutrients, and creating renewable energy in the process. With this new technology, approximately 60% of additional waste from our trash cans will be diverted from the landfill, bringing our region's diversion rate above 85% while significantly reducing greenhouse gas emissions. The facility broke ground in December 2018 and construction is nearly complete, with a total cost of $133.9 million. Facility commissioning is planned for summer 2021.

- **Initiating major capital projects.** High-priority capital projects were identified in early 2019 for Certificate of Participation (COP) funding, and COPs are expected to be issued within the next year. Funding for debt service payments is carved out in the recommended budget in anticipation of this issuance and projects will be brought to the Board for necessary approvals.

    - **Public Safety Radio Replacement:** The need for replacement of the public safety radio system has been identified as a critical need with a potential price tag of around $45 million. The County of Santa Barbara has a diverse radio communications environment, with several different land mobile radio systems deployed to meet specific operational needs of County departments. These systems, which together make up the County's Public Safety Radio Network (PSRN), have varying technologies and capabilities. The County needs to replace the PSRN as it has reached the end of its useful life. The replacement network must meet public safety standards for performance and reliability and provide robust radio communications for the next 10 to 20 years. The County will consider consolidating systems where it can provide efficiencies and reduce operating costs. COPs are likely the most cost-effective funding option for this project, but the project will also require a significant upfront cash investment to fund certain components of this project that don't lend themselves to long-term financing, such as assets with shorter useful lives. The recommended budget includes the set aside of one-time sources to build up the necessary cash balance, and the project RFQ is being finalized for retention of the system design consultant.

- **Probation Department Headquarters:** This project, which is being developed using Net Zero Energy (NZE) principles, will consolidate operations by combining Probation Administration and Adult Services with the Probation Report and Resource Center and Juvenile Services. This consolidation would result in an estimated annual savings of approximately $350,000. In addition, it would remove a large amount of deferred maintenance needs due to the age of the existing facilities. The total cost is estimated at $30 million, $2.1 million of which will be contributed by the Probation Department using earmarked funds. In FY 2020-21, General Services and Probation staff confirmed final facility programming and developed the final facility concepts. Next steps include the final cost estimate development and working with the Board to clarify final facility scope and funding, with the goal to initiate final design through construction drawings and bidding documents during FY 2021-22. Construction may start in late 2022 or early 2023.

- **Main Jail Renovation:** The Main Jail facilities and infrastructure are aging and severely deteriorated, as documented by reports, studies, and maintenance records. The result is an estimated, on average, $260,000 in emergency repairs annually. The renovation project will address egress issues, ADA modifications and repairs, paths of travel enhancements, seismic upgrades, medical and mental health modifications, housing unit upgrades, classroom/program space additions, security upgrades, and address overall deferred maintenance. This project would be completed in two phases, with a total estimated cost of $21 million. The RFQ for design was issued, and a consulting partner will be selected before the end of FY 2020-21. Funding of $1.5 million is allocated in FY 2021-22 to begin the programming verification from the 2019 Implementation Plan, then complete design through construction documents, bidding and construction administration. With added review required due to the reduction of the facility population driven by the COVID-19 pandemic, the full renovation is anticipated to span through FY 2023-24.

- **Cachuma Lake Park Infrastructure Upgrades**: This project will renovate the RV Park campsites at Cachuma Lake and includes elements designed to address deferred maintenance and improve the economic competitiveness and desirability of recreational opportunities, while delivering increased revenues estimated at $450,000 per year. The project's total estimated cost is $12 million.

- **Ensuring resilience through Renew '22:** During the last year, we prepared and positioned ourselves to adopt new practices, be responsive and resilient, and rethink what the public needs and expects of us through our Renew '22 initiative. The pandemic caused an acceleration of Renew '22, which was initiated in 2017 to fortify the organization against the next economic or natural emergency. We have continued to pursue efficiencies and improvements in the way we do business to help position us to mitigate or avoid the difficult funding choices that were necessary during the last recession. Some Renew '22 efforts that have continued over the past year include the following:

  - **Process Improvement and Innovation Training through the County's InnovateSBC program**, which launched in July 2020, has already trained nearly 200 employees. The original goal was to train 225 employees by June 2022, but, given the success and overwhelming positive feedback from participant departments, we are considering expanding this goal to 10% of all County employees, over 400, by June 2022. This training provides staff at all levels with tools to review processes and practices, and empowers them to implement innovations in the ways we deliver services to our customers, with the ultimate result of streamlining and improving our outcomes. We continue to track the innovation efforts implemented through InnovateSBC, and we will return to the Board at a later date with a full report; however, initial efficiencies identified by participants thus far have the potential to exceed $1 million.

- **KPMG Departmental Management Reviews** will continue, conducting high-level assessments of departments, identifying strengths and opportunities, and developing benchmark financial and operational areas with similar jurisdictions. Of twelve departmental reviews currently under contract, nine are completed and the remaining three are underway, with all departments anticipated to be completed by December 2021. The next set of departmental reviews will be identified during the second quarter of FY 2021-22. In addition, KPMG is providing more focused and detailed reviews of certain County programs and processes at departments' request, including the County's assessment appeal process; cannabis licensing and permitting, cannabis tax revenue assessment and collection; calculation of annual internal service fund charges among departments; General Services' internal purchasing operating structure, policies, and practices; as well as the County's broader decentralized procurement model.

- **Additional or improved digital and online service**, which was part of the Renew '22 "Big Picture Goals," shared by all departments, will leverage and build upon what has been done during the pandemic to provide greater efficiency and customer service. Countywide, these include a new website platform making it easier to update content and new Microsoft Office tools in 2021, as well as an added IT Project Manager to implement these Countywide efforts.

- **Greater employee engagement**, in the form of regular feedback surveys to employees from County HR; expansion of e-learning opportunities; supervisorial, management and leadership training; and dissemination of our Countywide values. These practices help fortify connections among employees, remind them of our purpose in serving the public, and highlight the positive parts of our County culture. Strengthening the ties that bind us together is important in times of stress and uncertainty for employees, as we continue a hybrid workforce of virtual and on-site employees.

- **Department adaptations and innovations that have led to efficiencies.** Over the past year, the COVID-19 pandemic has challenged us in new and unique ways, upending the ways we live and work. When physical locations were required to close, each department evaluated and swiftly adapted its operations to migrate staff to telework or other socially-distanced solutions, while continuing to provide essential services to the public that were previously offered only in-person. At the same time, County employees working remotely increased from 3.8% in 2019 to 33.5% within just three months of the pandemic onset.

  Many departments spearheaded innovative efforts to be more efficient in work processes and serving their customers and clients. Some departments have migrated critical services online, such as Child Support Services' full spectrum of caseload management, telehealth appointments provided by Behavioral Wellness and Public Health, as well as virtual hearings and online permitting by Planning & Development. General Services worked with several departments to move to DocuSign for electronic signatures, which has streamlined approval processes and concurrences on contracts, resolutions and board letters. As the end of the pandemic draws closer, departments will be asked to reflect upon how their functions have adapted and changed and what they would continue with beyond the pandemic.

EXECUTIVE SUMMARY

Coronavirus Pandemic Response from a Public Health Perspective

Over the last year, and into the next fiscal year, County staff will continue to respond to the impacts of, and recovery from, the Coronavirus pandemic. As a County, we rose to the challenge, guided by science, data, and most of all, compassion and commitment to deliver services to all community members, with an equity focus on assisting our most vulnerable community members.

The COVID-19 pandemic put the County's Public Health Department at center stage in protecting the health of our community, especially those most disproportionately impacted. Throughout the pandemic, the department mitigated COVID-19 infections through testing, contact tracing, isolation and quarantine; and promoted our community's wellness and health through safeguards like masking, social distancing, and vaccination.

Addressing health disparities

The COVID-19 pandemic revealed the health inequities that exist across our country. National, state, and local data collected during the COVID-19 pandemic revealed that Black, Indigenous, Latinx, and Asian American and Pacific Islanders disproportionately bear the burden of disease in morbidity and mortality. Compelled by the early indications of a disproportionate number of cases and hospitalizations in our Latinx community, Public Health formed new partnerships and strengthened existing ones to problem-solve these health disparities. Together with a several collaborators, the department successfully formed the Latinx and Indigenous Migrant COVID-19 Response Task Force early in the pandemic to pursue partnerships and resources to mitigate increasing cases and hospitalizations in the Latinx and Indigenous Migrant communities, particularly those living in Santa Maria and working in the agricultural sector; and to ensure access to prevention services and supplies, supportive services during recovery from COVID-19, and vaccinations. The department's collaborative response efforts with these partners enabled the County to address health equity issues in various communities of color and underserved communities during these extraordinary times.

Historic response effort by County staff and partners

Public Health began responding to the threats of COVID-19 in December 2019 and ramped up in full force with the County's first case on March 15, 2020—and today, response efforts are still ongoing. For over a year, the department has been consumed by COVID-19 response efforts, with every program impacted and many staff redirected from non-COVID scopes of work to direct COVID efforts. A measurement of the tremendous efforts involved is that as of March 2021, Public Health has expended 215,300 total hours (including 21,200) of overtime hours for pandemic response and approximately $19.5 million in total COVID project expenses. Public Health anticipates using federal and state grants, including the Epidemiology & Laboratory Capacity Grants 1-3, Immunization Grant, and Health Resources & Services Administration (HRSA) funding via the American Recovery Plan to recover the costs of these local efforts. For the past 14 months, between 111 and 248 Public Health team members worked on the COVID-19 response efforts, including contact tracing, isolation and quarantine, mass testing, vaccine distribution, and administrative and operational support for the aforementioned efforts.
To date, the Public Health Department has:

- Conducted contact tracing for 33,736 cases
- Supported at least 600 people in Isolation & Quarantine
- Coordinated COVID-19 testing via our own public health lab, commercial labs, three State testing sites, and one testing bus
- Performed COVID-19 testing via pop-up testing sites for essential workers as well as sites in various health equity areas and facilities, including schools, jail, homeless shelters, and congregate living
- Built a network of vaccine providers, ensuring access through equity clinics and community partnerships

- Maximized State allocations by maintaining high administration rates
- Seized the opportunity to draw down federal vaccine allocations via our five Health Care Centers and held HRSA equity clinics resulting in 40,459 number of first and second doses offered to community members, as of May 2, 2021
- Implemented mobile clinics on April 15 to vaccinate hard-to-reach communities
- As of May 2, these clinics have vaccinated 3,253 individuals
- Vaccinated 47% of our population with at least one dose and 33.3% have been fully vaccinated, as of May 2, 2021
- According to the California Department of Public Health, Santa Barbara County is 17th in the State with 356,399 doses administered
- Created public dashboards to share critical information and data on COVID-19, including cases, hospitalization, testing, and vaccination

Although the Public Health Department has been the backbone of COVID-19 response efforts since December 2019, they were not alone. They have been supported by other County departments, community organizations, business sectors, community leaders, and volunteers. These partners offered resources and supported the efforts of Public Health in so many important ways, lending staff for nine months to the department's contact tracing unit and its isolation and quarantine efforts, and also lending at least 70 staff representing 19 County departments working in the County's mass vaccination clinics. It has truly taken a community linking arms, lending resources and expertise, and caring for each other during these past 14 months that has made Santa Barbara County stronger and more resilient as we exit the pandemic.

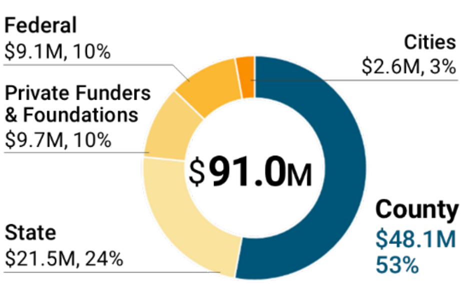
Addressing Homelessness Throughout the Pandemic

The pandemic also exacerbated conditions for homeless individuals and jeopardized stable housing for many residents. County departments have been involved in providing services to prevent, address, mitigate or house homeless individuals for many years. 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 federal and State homeless funding, such as the Rental Assistance Program ($14M), CARES Act allocations for unsheltered and vulnerable populations, and Project Roomkey, and continue to partner with local Community Based Organizations and other government agencies to address homelessness. The recommended budget includes an ongoing set-aside of $500,000 for operational costs towards homeless shelter services. We expect that our local community will benefit from the Governor's May Revise proposal, which includes a $12 billion investment in homeless response, including $7 billion for additional Homekey acquisitions, $447 million to address student homelessness, and $150 million to stabilize and rehouse Project Roomkey clients.

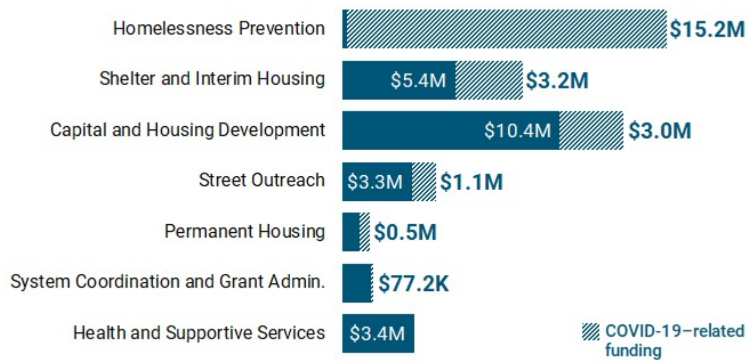
The ongoing need for additional housing and services for the community's unsheltered population continues to manifest throughout the community. The County's regional Phase II Community Action Plan to Address Homelessness has been adopted by the Board of Supervisors and many of our cities to develop coordinated goals to reduce homelessness in the region, with discussions occurring through the Elected Leaders Forum to Address Homelessness, at Board of Supervisor and city council meetings, and the Continuum of Care Board. County departments also continue to coordinate efforts to search for housing locations, connect with service providers and obtain funding. Development of homeless services facilities/Navigation Centers has been identified as a long-term need. Staff are evaluating potential site locations that could be integrated into the overall facilities planning for the County, with the goal to be ready when funding becomes available.

The charts on the next page reflect the funding invested in a host of homeless services in FY 2020-21, including eviction prevention, housing developments dedicated to formerly homeless households, COVID-19, shelter impacts, services, and housing. In addition, hundreds of households have been provided with Emergency Rental Assistance. Capital projects such as Residences at Depot Street and Homekey Studios were completed and leased. These have increased the number of persons transitioning to permanent housing from homelessness to date. The increases in both federal and State funding are largely from one-time sources with quick expenditure deadlines and heavily prescribed requirements.

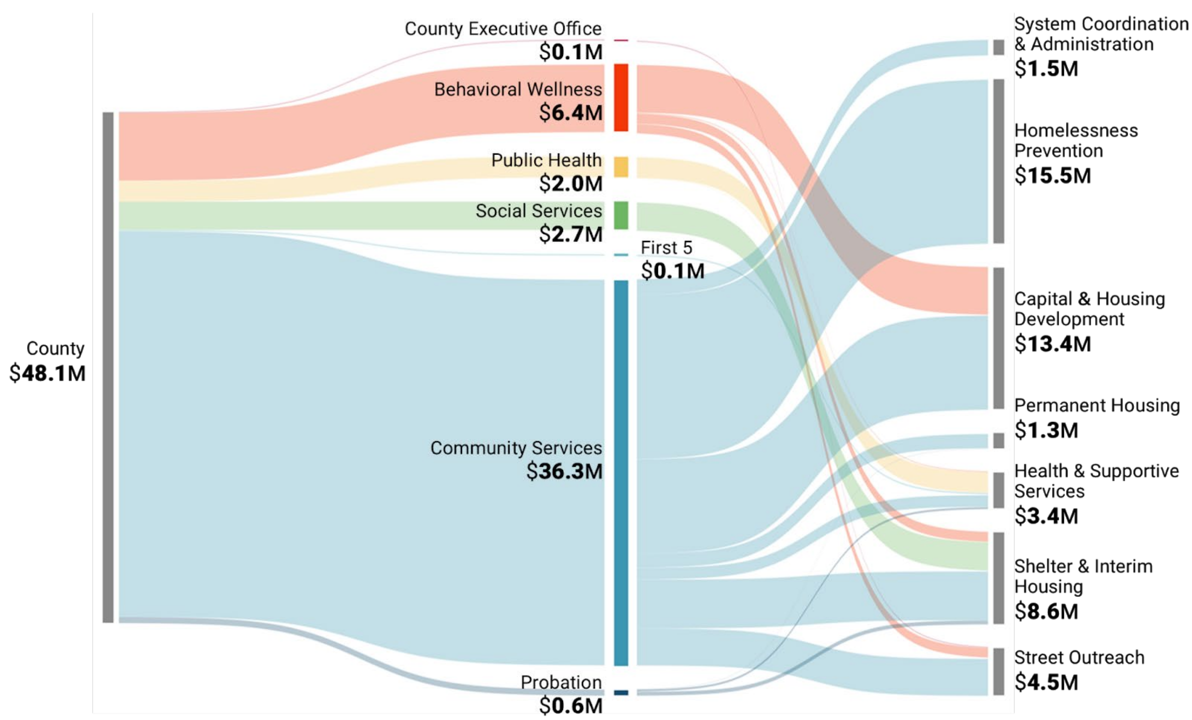
Regional Investment in Homelessness
2020-21



COVID-19 Homelessness Assistance and Prevention Funding
Coronavirus Relief Funds and Emergency Rental Assistance Programs allocated to the County significantly increased financial resources available for homelessness response efforts.



How the County's homelessness funding has been distributed
Totals reflect funding dedicated to addressing and preventing homelessness and include both one-time and ongoing sources.



EXECUTIVE SUMMARY

Cultivating Organizational Resilience into the Future

The County's stable fiscal outlook results from years of prioritizing key projects, careful planning, managing resources, and preparing for the future. As our community begins to emerge and recover from the impacts of the pandemic, the County will continue to follow responsible fiscal practices that will further strengthen our financial position against future economic impacts.

At this time one year ago, there were many uncertainties as the new budget year approached, including how severely the pandemic would impact the County, both from a financial perspective and an operational standpoint, due to public health restrictions. The events of the past year required us to quickly respond and adapt to a rapidly changing environment and circumstances—to create new processes and infrastructure that as a result, further strengthen the County's ability to effectively navigate future challenges that will confront us.

Now, one year after the pandemic began, with the economy's reopening underway and vaccines for all Californians on the horizon, we see the coming year as a time to rebuild and reinvest in critical services and systems that will aid our community's recovery and promote the County's organizational fortitude. This was started and will continue through our Renew '22 effort, as we build better systems and technology; improve revenues, augment reserves, provide efficient services; respond effectively to our clients and customers; and retain and attract quality employees. Our organization's transformation has accelerated over the last year out of necessity, and we will continue to grow and change in this new post-pandemic world by, constantly learning and improving, and exploring ways to work differently, and ensuring our employees are equipped to thrive in the present, adapt to tomorrow, and anticipate the future.

Recommended Budget Summary

The FY 2021-22 Recommended Operating Budget is $1.35 billion, an increase of $160.5 million or 13.5% over the FY 2020-21 Adopted Budget. Operating expenditures include ongoing costs, which are largely supported by ongoing revenues, as well as one-time costs. Full-time equivalent (FTE) employees for FY 2021-22 total 4,347, an increase of 41 FTE over the FY 2020-21 Adopted Budget.

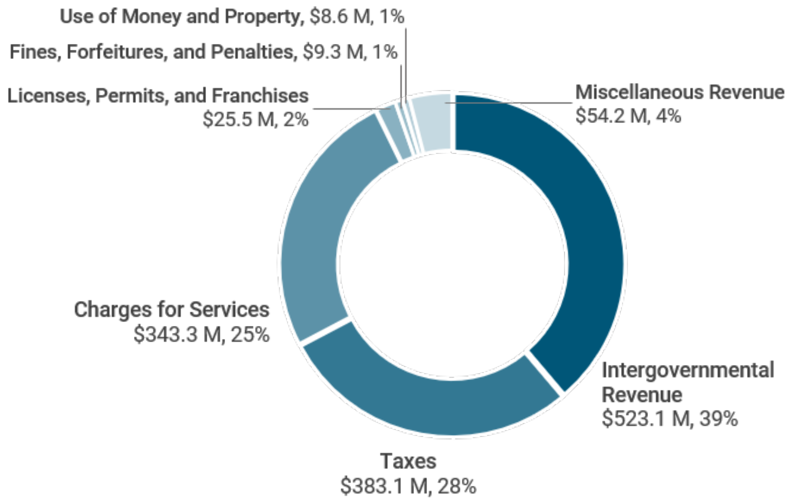
	2019-20 Actual	2020-21 Adopted	2021-22 Recommended
Operating Revenues	$1.17 B	$1.19 B	$1.35 B
Operating Expenditures	$1.07 B	$1.19 B	$1.33 B
Non-Operating Expenditures	$0.09 B	--	$0.02 B
Staffing (FTEs)	3,893	4,306	4,347

Operating Revenues

Operating revenues across all funds total $1.35 billion, an increase of $160.5 million or 13.5% over the FY 2020-21 Adopted Budget. The majority of operating revenues are derived from Intergovernmental Revenues, which include funds from State, federal, and other governments; Taxes; and Charges for Services.

Operating Revenues by Category

	2019-20 Actual	2020-21 Adopted	2021-22 Recommended	Change from Adopted
Intergovernmental Revenue	$382.0 M	$410.5 M	$523.1 M	$112.6 M
Taxes	$349.8 M	$358.8 M	$383.1 M	$24.3 M
Charges for Services	$301.0 M	$321.6 M	$343.3 M	$21.8 M
Licenses, Permits, and Franchises	$21.4 M	$25.4 M	$25.5 M	$0.1 M
Fines, Forfeitures, and Penalties	$13.0 M	$9.2 M	$9.3 M	$0.1 M
Use of Money and Property	$15.6 M	$10.3 M	$8.6 M	-$1.7 M
Miscellaneous Revenue	$83.6 M	$51.0 M	$54.2 M	$3.2 M
Total	**$1,166.4 M**	**$1,186.7 M**	**$1,347.2 M**	**$160.5 M**



Intergovernmental Revenues increase by $112.6 million, or 27.4%, in FY 2021-22. This increase is largely due to federal funds allocated to support COVID-19 response and recovery efforts, including Coronavirus Local Fiscal Recovery Funds authorized by the American Rescue Plan Act (ARPA); Emergency Rental Assistance Program (ERAP) funds; and Epidemiology and Laboratory Capacity (ELC) Enhanced Detection, Response, Surveillance, and Prevention of COVID-19 funds. State revenues are expected to increase by $38.2 million in FY 2021-22, which is primarily driven by sales tax-based revenues—1991 Realignment, 2011 Realignment, and Proposition 172 public safety revenues—and COVID-19–related homelessness assistance grants.

Tax revenues increase by $24.3 million, or 6.8%, in FY 2021-22. The largest driver of this increase is Secured Property Taxes, which accounts for 60.1% of all tax revenues. Secured Property Taxes, which are expected to increase by $10.5 million or 4.8%, are allocated among the County's General Fund and dependent special districts, including the Fire Protection District and Flood Control Districts. The General Fund's share of Secured Property Taxes is projected to increase by $8.8 million, a 6.0% growth from the FY 2020-21 Adopted Budget. Revenues from sales tax and cannabis tax are expected to increase by 21.5% and 79.4%, respectively, over the FY 2020-21 Adopted Budget, while transient occupancy tax (TOT) revenues are projected to decline by 2.3% in FY 2021-22 due to uncertainty in the pace of recovery for travel and tourism.

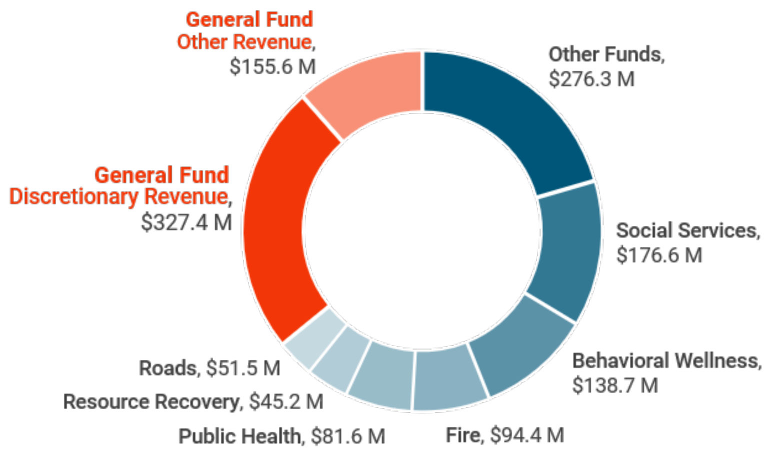
Charges for Services increase by $21.8 million, or 6.8%, in FY 2021-22. A significant driver of this increase is Medi-Cal, the funding for which was budgeted to reflect the negative impacts of COVID-19 in FY 2020-21. Other increases are spread among different charges, including cost allocations for administrative and other services.

Other operating revenues, which include **Licenses, Permits, and Franchises**; **Fines, Forfeitures, and Penalties**; **Use of Money and Property**; and **Miscellaneous Revenue**, are expected to experience a net increase of $1.8 million, or 1.9%, in FY 2021-22. Growth in insurance premium contributions and revenues generated by property tax delinquency penalties is the largest driver of the year-over-year increase. Decreases in projected revenues generated by the use of money and property, primarily interest income, offset this growth.

Revenues by Fund

The majority of revenues are derived in the General Fund and Special Revenue Funds. The General Fund is the chief operating fund of the County, and Special Revenue Funds are typically used when revenues are restricted for specific purposes, such as gasoline tax for road maintenance or specific funding for food stamp programs. A description of Government Funds can be found in Section F, Annual Budgetary Processes, Policies and Fund Structure.

The chart displays FY 2021-22 operating revenues by major fund, the largest of which is the General Fund, making up 35.9% of total operating revenues. The General Fund can be further broken down into Discretionary General Revenues and Other Revenues.



Discretionary General Revenues

Of the $1.35 billion in total operating revenues, the Board of Supervisors has complete discretion over the allocation of $327.4 million, or 24.3%, which is made up primarily of property tax revenues. This local discretionary revenue is allocated out to departments as General Fund Contribution (GFC), with 88.4% to General Fund departments and 11.6% to other funds. GFC funds services that do not have alternate funding sources, including administrative costs, and, in Special Revenue Funds, often serves as match funding for State and federal sources.

The table below summarizes the discretionary general revenues anticipated in FY 2021-22 and compares them with prior fiscal years. Property taxes, sales taxes, and Transient Occupancy Taxes (TOT) are three major local revenues generated based on the performance of the local economy. Significant Property Taxes, including Secured, Unsecured, In-Lieu of Vehicle License Fees, and Property Transfer Taxes, make up 74.2% of total discretionary general revenues.

Discretionary General Revenues

	2019-20 Actual	2020-21 Adopted	2021-22 Recommended	Change from Adopted
Significant Property Taxes*	$222.8 M	$230.9 M	$243.1 M	$12.1 M
RDA Property Taxes	$10.7 M	$10.8 M	$10.9 M	$0.1 M
Cost Allocation Services	$11.1 M	$17.4 M	$19.6 M	$2.3 M
Local Sales Tax	$11.2 M	$10.3 M	$12.5 M	$2.2 M
Transient Occupancy Tax	$10.2 M	$12.4 M	$12.1 M	-$0.3 M
Cannabis Taxes	$12.2 M	$10.6 M	$19.1 M	$8.4 M
All Other	$12.3 M	$8.1 M	$10.1 M	$2.0 M
Total	**$290.5 M**	**$300.5 M**	**$327.4 M**	**$26.9 M**

*Significant Property Taxes include, but are not limited to, secured and unsecured property taxes, property tax in-lieu of vehicle license fees, and fines and penalties.

The main drivers of discretionary revenue change are as follows:

Property Taxes. Property values are a key component of the local economy, and modest growth is expected to continue, thereby providing increased property tax revenue. Revenue generated from property taxes is the largest source of discretionary funds in the County's budget. In FY 2021-22, property tax revenue is expected to reach $243.1 million, a growth of 5.3% or $12.1 million over the FY 2020-21 budgeted amount of $230.9 million. This aligns with current property tax revenue trends—continued growth in the real estate market is driving property tax revenues above budgeted levels in FY 2020-21.

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. Retail sales tax is an economically-sensitive revenue source that is used to support the general operations of the County and is expected to increase by $2.2 million, or 21.5%, in FY 2021-22, a reversal from the FY 2020-21 Adopted Budget which assumed a slight year-over-year decline due to anticipated losses in the sale of taxable goods as a result of the pandemic. Actual sales tax revenue is on track to exceed budgeted levels in FY 2020-21 largely due to growth in retail sales and e-commerce.

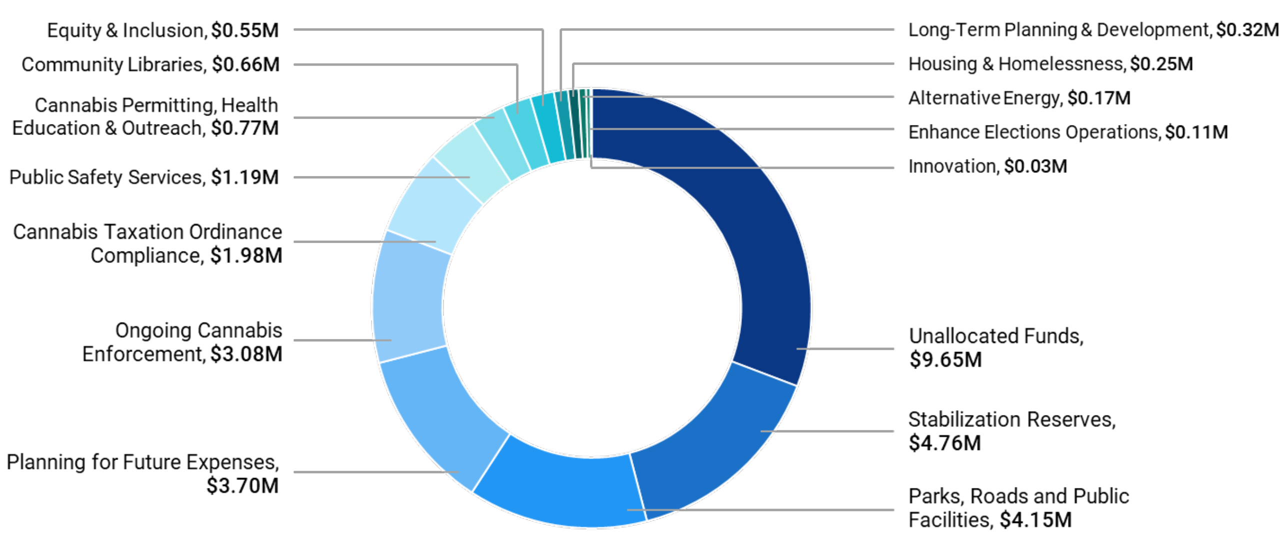
Transient Occupancy Tax (TOT). TOT revenue is highly dependent on tourism and the availability of lodging in the unincorporated areas of the County. The FY 2020-21 Adopted Budget assumed some resumption in travel and tourism; however, the pandemic continued to negatively impact leisure and hospitality as travel had been limited or restricted in an effort to contain the virus. TOT revenue is projected to reach $10.8 million in FY 2020-21 and is budgeted to increase by $1.3 million, or 11.7%, to $12.1 million in FY 2021-22. As infection rates drop and restrictions on activities and businesses are lifted, spending on travel and accommodations is expected to increase though uncertainty remains in how swiftly travel and tourism will return to pre-pandemic levels.

Cannabis Tax. Cannabis tax revenue is expected to reach $19.1 million in FY 2021-22, an increase of $8.4 million or 79.4% over the FY 2020-21 Adopted Budget. Retail storefront operations, which are projected to begin in FY 2021-22, are estimated to generate $625,000, or 3.3% of total cannabis tax revenue. In a shift from prior policy, the recommended budget assumes that 75% of revenues from the tax, which has been levied on cannabis operations since 2018, is stable and ongoing and available for discretionary ongoing uses after funding enforcement and program administration. After funding these costs and prior year ongoing commitments, and establishing a prudent reserve equal to 25% of annual revenue—$4.8 million in FY 2021-22—the balance of ongoing revenue of $6.3 million is recommended to enhance cannabis education, support cannabis compliance and permit processing functions, address critical needs in public safety departments, and create set-asides for future needs related to elections operations, In-Home Supportive Services, law enforcement mental health co-response teams, and homelessness assistance. Approximately $805,000 of the remaining 25% of annual revenue would be allocated for one-time budgetary needs only, and is used in FY 2021-22 to establish the prudent reserve mentioned above. An additional $8.85 million of prior year fund balance carryover remains available for one-time uses after the allocations made in this recommended budget. The carryover includes $1.35 million of ongoing funds being set aside for future use, including set asides for the Voter's Choice Act election ($350,000), Crisis Intervention Team ($500,000) and Homeless Shelter Operations ($500,000) that are available for one-time purposes in FY 2021-22.

Cannabis Tax Revenues and Recommended Uses

	Ongoing	One-time
Available Sources	$19,056,000	$10,969,100
25% of Ongoing to Establish Stabilization Reserves	(4,764,000)	
FY 2021-22 Ongoing Set-Asides Available for One-time Use		1,350,000
Recommended Uses		
Parks, Roads and Public Facilities	$2,609,400	$1,543,000
Planning for Future Expenses	3,702,000	
Ongoing Cannabis Enforcement	3,081,400	
Cannabis Taxation Ordinance Compliance	1,848,800	135,000
Public Safety Services	938,600	250,000
Cannabis Permitting, Health Education & Outreach	260,000	510,400
Community Libraries	658,700	
Equity & Inclusion	50,000	500,000
Long-Term Planning & Development	233,100	90,000
Housing & Homelessness Programs		245,000
Alternative Energy		171,000
Enhance Elections Operations	105,000	
Innovation		25,000
Total of Recommended Uses	$13,487,000	$3,469,400
Remaining Unallocated Sources	**$805,000**	**$8,849,700**

Cannabis Tax Recommended Uses by Category



All Other Discretionary Revenues. This category is made up of Franchise Fees, Interest Income, State, and Federal Payments. These revenues are expected to increase by $2.0 million or 3.4% in FY 2021-22, due mainly to Payments In Lieu of Taxes and Franchises.

Operating Expenditures

Operating expenditures total $1.33 billion, an increase of $136.9 million or 11.5%, over the FY 2020-21 Adopted Budget. These expenditures include salaries and employee benefits, services and supplies, and other charges such as utilities, depreciation, and cash assistance payments.

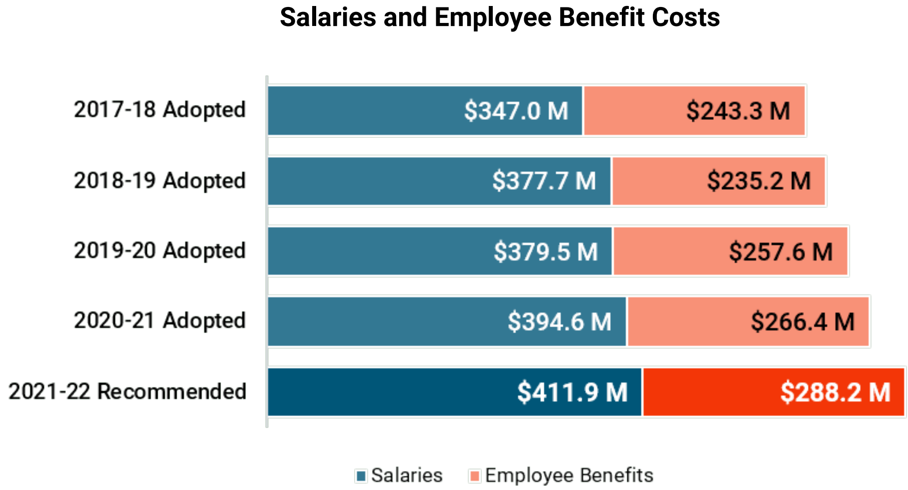
Operating Expenditures by Category

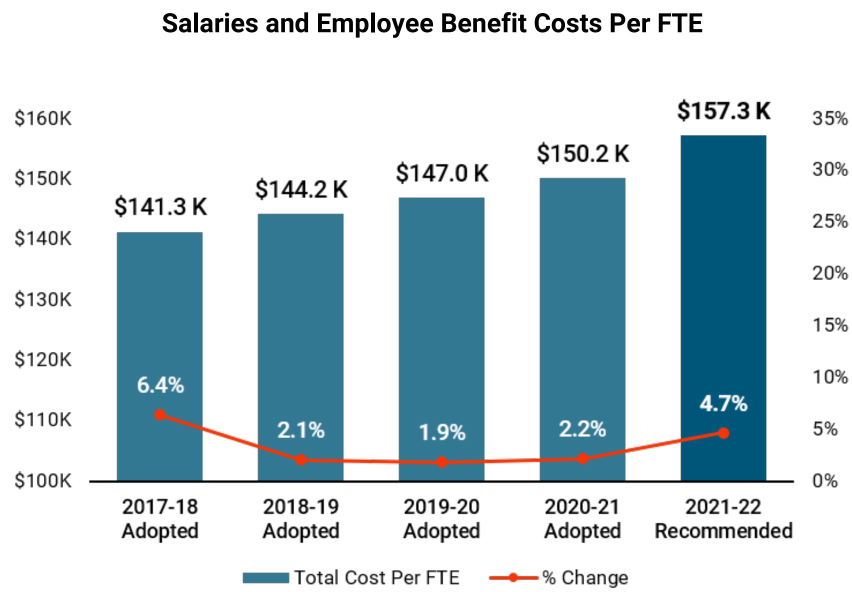
	2019-20 Actual	2020-21 Adopted	2021-22 Recommended	Change from Adopted
Salaries & Employee Benefits	$615.1 M	$661.1 M	$700.1 M	$39.0 M
Regular Salaries	$344.6 M	$394.6 M	$411.9 M	$17.3 M
Net Retirement Contribution	$129.7 M	$151.3 M	$167.3 M	$16.0 M
Retiree Medical OPEB	$13.7 M	$15.9 M	$16.6 M	$0.7 M
Health Insurance Contribution	$38.1 M	$45.1 M	$48.1 M	$3.0 M
Workers Compensation	$16.2 M	$16.9 M	$17.8 M	$0.8 M
Other Labor Costs	$72.9 M	$37.3 M	$38.4 M	$1.1 M
Services & Supplies	$325.1 M	$376.9 M	$461.8 M	$84.8 M
Other Charges	$134.4 M	$151.9 M	$164.9 M	$13.0 M
Total	**$1,074.7 M**	**$1,189.9 M**	**$1,326.8 M**	**$136.9 M**

Salaries and Employee Benefits

Recommended salary and benefit costs of $700.1 million in FY 2021-22, an increase of $39.0 million or 5.9%, represent the combined impacts of the addition of 41 FTE employees, and projected increases in labor costs such as retirement and health insurance contributions. The increase in FTEs is the net result of increases largely in Public Defender (13.0 FTE), Sheriff (12.8 FTE), General Services (9.0 FTE), Behavioral Wellness (6.9 FTE), County Executive Office (6.0 FTE), and Social Services (4.5 FTE) and a decrease in Probation (13.7 FTE). Staffing additions are largely attributable to new revenue sources such as grants or State funding and efforts to improve operations and service delivery or meet new and emerging needs. Each department provides a detail of staffing changes in Section D of this Recommended Budget.

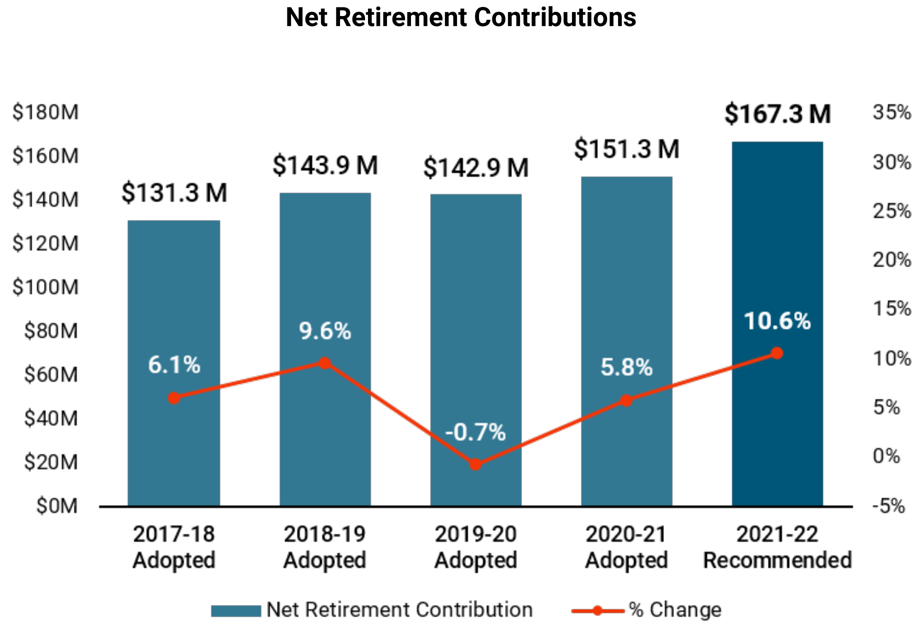
The total cost per FTE is $157,274, a 4.7% growth over the FY 2020-21 Adopted Budget; this total factors in salary and benefit costs for regular employees. The charts below show total salary and benefit costs and total cost per FTE since FY 2017-18. The average annual growth in total salary and benefit costs and total cost per FTE is 3.9% and 3.5%, respectively; the largest driver of this growth has been retirement contributions.





Retirement Contributions. Each year, the Santa Barbara County Employees Retirement System (SBCERS) Board sets employer contribution rates based on an actuarial valuation. In FY 2021-22, the County's overall contribution rate increases largely due to phased-in payments for amortized unfunded actuarial liabilities and a lower return on assets than the assumed rate, which was driven by the pandemic's negative impact on investment markets in the first half of 2020.

The County's net retirement contribution increases by $16.0 million, or 10.6% from the FY 2020-21 Adopted Budget. Retirement cost sharing between the County and employees was negotiated and implemented in FY 2018-19; the first full year of implementation of cost sharing provisions followed in FY 2019-20. The County's retirement contribution grows by 10.3% to $175.1 million in FY 2021-22; however, employee cost-sharing will offset this growth by $7.8 million. The chart below shows the County's retirement contributions net of employees' negotiated share of costs since FY 2017-18. The average annual growth has been 6.3%.



Services and Supplies

In FY 2021-22, expenditures related to services and supplies total $461.8 million, an increase of $84.8 million or 22.5% over the FY 2020-21 Adopted Budget. The primary drivers of this increase are appropriations for Coronavirus Local Fiscal Recovery Funds authorized by ARPA and other COVID-19–related recovery funds as well as grant-funded services.

Other Charges

Other Charges total $164.9 million in FY 2021-22, an increase of $13.0 million or 8.6% over the FY 2020-21 Adopted Budget. This increase is largely driven by growth in liability insurance premiums, which increase by 24.4% countywide, information technology services, and cash assistance payments funded by State and federal sources to beneficiaries of Social Services' programs.

Northern Branch Jail Construction and Operations

The Northern Branch Jail Project is located outside the City of Santa Maria, California; when completed, the facility will provide capacity to hold 376 individuals, of which 32 beds are to be reserved in a separate housing unit for individuals with medical and mental health challenges. The entire jail complex is composed of several buildings totaling approximately 139,000 square feet for inmate housing and ancillary support functions.

The County continues construction of the new jail, with anticipated completion in 2021. The Northern Branch Jail project represents a significant ongoing commitment of future General Fund revenue. While the State provided a majority of the funding for construction through an AB 900 grant, the ongoing operating costs are the responsibility of the County General Fund, and are currently estimated at an annualized cost of $21.5 million for the first year of operations (FY 2021-22), with annual increases in future years. These costs are higher than original operating cost estimates, developed almost 10 years ago, mostly due to a higher cost for medical services contracted at the jail than assumed in original estimates. The County recently changed to a higher cost service provider at the Main Jail, for a higher level of service, and that same provider will also be contracted to provide services at the Northern Branch Jail.

EXECUTIVE SUMMARY

By adding incrementally higher amounts of GFC each year to a dedicated jail fund, we are slowly building towards the annual funding amount needed to operate the new jail. As shown below, $17.1 million is allocated to this fund in the FY 2021-22 budget, building upon the balances contributed in prior years. The fund balance at year-end is estimated to be $7.6 million. A draw of $7 million was made from the fund in FYs 2018-19 and 2019-20 to provide additional funds for construction as costs continue to exceed original estimates for a variety of reasons, including the project architect's withdrawal and subsequent bankruptcy filing. Funding was needed to continue towards project completion, while insurance recovery is being pursued. Total GFC set aside by the end of FY 2022-23, $19.3 million, is $2.9 million less than the currently projected operating costs in that year, meaning it is possible that the funding plan will need to be extended a couple more years to achieve parity between GFC and Operating Costs. However, criminal justice departments' efforts to seek jail diversion where appropriate, and collaboration between criminal justice partners, as well as preliminary staffing plans and facility impacts at the Main Jail after the NBJ is open, could ultimately impact the original funding plan in future years. No change to the funding plan is recommended at this time, and better projections can be made after a full year of operations at the NBJ.

Plan for Future Jail Operations Funding

Fiscal Year	GFC Base	GFC Increase	Total GFC	County Match Construction	Operating Costs	End of Year Balance
2011-12	$0.0	$1.0	$1.0	$0.0	$0.0	$1.0
2012-13	1.0	1.0	2.0	(3.0)	0.0	0.0
2013-14	2.0	1.3	3.3	0.0	0.0	3.3
2014-15	3.3	1.3	4.6	0.0	0.0	7.9
2015-16	4.6	1.5	6.1	0.0	(0.2)	13.8
2016-17	6.1	1.5	7.6	(12.3)	(1.3)	7.8
2017-18	7.6	1.5	9.1	0.0	(3.8)	13.1
2018-19	9.1	1.8	10.9	(0.5)	(7.2)	16.3
2019-20	10.9	1.8	12.7	(6.5)	(10.0)	12.5
2020-21	12.7	2.2	14.9	0.0	(15.4)	12.0
2021-22	14.9	2.2	17.1	0.0	(21.5)	7.6
2022-23	$17.1	$2.2	$19.3	$0.0	($22.1)	$4.7

EXECUTIVE SUMMARY

Capital Expenditures

Capital expenditures total $109.2 million in FY 2021-22, an increase of $3.2 million or 3.0% over the FY 2020-21 Adopted Budget. These expenditures are used to acquire, or add to, the County's fixed assets such as equipment, infrastructure, land, and improvements to land.

The County has a large list of capital items, both funded and unfunded, including new capital improvements and capital replacement of systems to address significant deferred maintenance. A complete summary of projects and recommended appropriations for capital expenditures can be found in Section E of the recommended budget. The Board of Supervisors approved a list of priority capital projects for which to pursue debt financing through issuance of Certificates of Participation (COP) in FY 2019-20. The project costs and COP revenue are not included in the recommended budget, but the budget does include anticipated debt service obligations.

Operating Expenditures by Functional Group

Changes in department operating budgets are presented in the table below, grouped by functional area. Increases or decreases of more than $1.0 million are explained by department below the table, and all significant department changes are explained more fully in the department detail pages in Section D of this book.

Operating Expenditures by Functional Group and Department

	2020-21 Adopted	2021-22 Recommended	Changed from Adopted
Policy & Executive			
Board of Supervisors	$3,502,200	$3,741,100	$238,900
County Executive Office	43,831,500	96,537,800	52,706,300
County Counsel	9,935,300	10,890,500	955,200
Policy & Executive	**$57,269,000**	**$111,169,400**	**$53,900,400**
Public Safety			
Court Special Services	$14,817,600	$15,151,820	$334,220
District Attorney	28,580,800	30,612,400	2,031,600
Fire	89,226,800	93,614,400	4,387,600
Probation	61,950,700	63,468,700	1,518,000
Public Defender	14,910,000	17,008,700	2,098,700
Sheriff	165,297,700	176,815,400	11,517,700
Public Safety	**$374,783,600**	**$396,671,420**	**$21,887,820**
Health & Human Services			
Behavioral Wellness	$134,699,600	$148,491,100	$13,791,500
Child Support Services	9,483,200	9,074,600	-408,600
First 5, Children & Families	3,724,600	3,791,600	67,000
Public Health	96,178,400	100,790,700	4,612,300
Social Services	178,899,700	190,976,000	12,076,300
Health & Human Services	**$422,985,500**	**$453,124,000**	**$30,138,500**

Operating Expenditures by Functional Group and Department *(continued)*

	2020-21 Adopted	2021-22 Recommended	Changed from Adopted
Community Resources & Public Facilities			
Agricultural Commissioner/W&M	$6,711,200	$6,784,200	$73,000
Community Services	42,482,200	60,572,700	18,090,500
Planning & Development	25,870,200	28,169,000	2,298,800
Public Works	145,961,100	147,980,200	2,019,100
Community Resources & Public Facilities	**$221,024,700**	**$243,506,100**	**$22,481,400**
General Government & Support Services			
Auditor-Controller	$10,353,300	$9,474,400	-$878,900
Clerk-Recorder-Assessor	19,196,400	22,441,400	3,245,000
Debt Service	1,596,000	1,469,000	-127,000
General Services	57,782,400	64,891,600	7,109,200
Human Resources	8,599,700	8,875,400	275,700
North County Jail	6,044,000	1,773,500	-4,270,500
Treasurer-Tax Collector-Public	8,070,700	8,682,300	611,600
General Government & Support Services	**$111,642,500**	**$117,607,600**	**$5,965,100**
General County Programs			
General County Programs	$2,226,600	$4,724,900	$2,498,300
General County Programs	**$2,226,600**	**$4,724,900**	**$2,498,300**
Total Operating Expenditures	**$1,189,931,900**	**$1,326,803,420**	**$136,871,520**

Significant Changes by Functional Group and Department

Policy & Executive

- **County Executive Office:** The FY 2021-22 Recommended Budget increases by $52.7 million from the FY 2020-21 Adopted Budget, primarily due to receipt of American Recovery Plan Act funding, as well as increased general liability and workers' compensation insurance premiums.

Public Safety

- **District Attorney:** The FY 2021-22 Recommended Budget increases by $2.0 million, primarily due to higher Information Technology and general liability insurance costs. Also, the addition of new staff to process the large MS-13 trial case and serve as coordinator for the Electronic Child Abuse Reporting System (eSCARS) project increased salary and benefit costs.

- **Fire:** The FY 2021-22 Recommended Budget increases by $4.4 million, primarily due to higher internal service fund, workers' compensation, and cost allocation charges.

- **Probation:** The FY 2021-22 Recommended Budget increases by $1.5 million, primarily due to higher salary and benefit costs, grant contracts, and other charges. Specific increases are due to enhancements in the pretrial supervision and pretrial assessment programs, as well as the State Division of Juvenile Justice (DJJ) Realignment where counties will now house and provide programs for youth and young adults previously sentenced to DJJ.

- **Public Defender:** The FY 2021-22 Recommended Budget increases by $2.1 million, primarily due to higher salary and benefit costs, grant funding, and other charges. The salary and benefit cost increases are driven in part by the addition of arraignment attorneys for remote arraignment, fiscal and information technology positions to improve organizational efficiency and address growing technological needs, and conversion of various extra-help support staff to regular, full-time positions.

- **Sheriff:** The FY 2021-22 Recommended Budget increases by $11.5 million, primarily due to higher annual salary and benefit costs, Northern Branch Jail costs, grant-funded equipment purchases, increases in other charges, and the State-funded jail-based competency program, which began in FY 2020-21. Through the increase in revenue sources, the department has enhanced data unit and narcotics staffing through the addition of 5.0 FTE.

Health & Human Services

- **Behavioral Wellness:** The FY 2021-22 Recommended Budget increases by $13.8 million, primarily due to new grants for targeted service expansion such as homeless services and youth services, and costs associated with the expansion of forensic Mental Health Rehabilitation Center beds.

- **Public Health:** The FY 2021-22 Recommended Budget increases by $4.7 million, primarily due to COVID-19 response costs, including costs for ongoing vaccination efforts, offset by anticipated federal grants and the Federal Emergency Management Agency (FEMA).

- **Social Services:** The FY 2021-22 Recommended Budget increases by $12.0 million, primarily due to higher Cash Assistance Payments resulting from increased CalWORKs grants and projected increases in foster care maintenance and adoption assistance payments; In-Home Supportive Services Maintenance of Effort, due to 4% annual inflation factor and projected County cost-share of assumed provider wage increase; and cost allocation and IT charges.

Community Resources & Public Facilities

- **Community Services:** The FY 2021-22 Recommended Budget increases by $18.0 million, primarily due to increases in federal and State revenues from the Emergency Rental Assistance Program and the Emergency Solutions Grant CV-2, the second round of coronavirus allocation.

- **Planning & Development:** The FY 2021-22 Recommended Budget increases by $2.3 million, primarily due to contractual services for project work, added staff positions related to cannabis permitting, and higher liability insurance costs.

- **Public Works:** The FY 2021-22 Recommended Budget increases by $2.0 million, primarily due to salaries and benefit increases, higher costs for utilities and liability insurance, and Floradale Bridge local match expenditures, offset by a reduction in Services and Supplies.

General Government & Support Services

- **Clerk-Recorder-Assessor:** The FY 2021-22 Recommended Budget increases by $3.2 million, primarily due to costs related to the anticipated implementation of AB 37 and a shift towards the Voter's Choice Act model and costs for redistricting mapping consultant services. The increase is also driven by the addition of one FTE to assist with the Election Division's change to either a Voter's Choice Act elections model or larger vote-by-mail structure as proposed under AB 37.

- **General Services:** The FY 2021-22 Recommended Budget increases by $7.1 million, primarily due to the addition of 9.0 FTEs in a variety of programs, such as Purchasing and Internal Service Funds, and increased spending on deferred maintenance and other projects, offset by higher charges for services for work performed on projects. Added depreciation and increases in liability insurance also contribute to cost increases.