



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Auditor-Controller-Treasurer-Tax-Collector

Subject: Accept and file Quarterly Financial Update for Quarter 2 of Fiscal Year (FY) 2024-25

Meeting Date: March 11, 2025

Formal Title: Accept and file Quarterly Financial Update for Quarter 2 of Fiscal Year (FY) 2024-25

Recommended Actions

Accept and file the Quarterly Financial Update for the second quarter of FY 2024-25.

Executive Summary

As of December 31, 2024, the County's general fund expended 56.5%, or \$486,593,438 (including encumbrances which represent amounts obligated by the County to pay for Contracts and Purchase Orders), of the \$861,690,342 adjusted budget amount, and received 32.67%, or \$267,339,635, of the \$821,275,592 adjusted budget amount of revenues. This will be discussed in further detail in the following section of this report.

Discussion

The Santa Cruz County General Fund Budgeting Principles outline that the County should regularly monitor budget conformity. The Quarterly Financial Update provides key information on the status of the Budget and allows the Board of Supervisors (BOS) to take a broader look at the County's financial picture throughout the fiscal year. This update provides an analysis of revenue and expenditure trends since adoption of the 2024-25 Budget. The Quarterly Financial Update through the second quarter of FY 2024-25 contains information on expenditures, revenues, and the County's long-term debt schedule for the period ended December 31, 2024, but is primarily focused on revenues of the County's General Fund.

County Wide Expenditures

Reflected below is a schedule of all expenditures budgeted for all funds as adopted by the BOS for FY 2024-25. The total budget, or spending plan, for the fiscal year can best be presented in six parts: 1) the general government fund, 2) special revenue funds, 3) capital project funds, 4) internal service funds, 5) enterprise funds and 6) special district funds governed by the BOS. The table below summarizes these fund types. The remainder of this report will primarily focus on the General Fund revenues and expenditures.

| County of Santa Cruz - Expenditures - Q2 2024-25 | | | | | | |
|--|---------------------------|--|---|--|---|--|
| Fund Name | 2024-25 Adopted Budget | 2024-25 Adjusted Budget at December 31, 2024 | Year to Date Actual at December 31, 2024 | Year to Date Encumbrances at December 31, 2024 | Year to Date Variance at December 31, 2024 | % Spent/ Encumbered at December 31, 2024 |
| GOVERNMENTAL FUNDS | | | | | | |
| GENERAL FUND | \$ 864,693,549 | \$ 861,690,342 | \$ 316,849,258 | \$ 169,744,180 | \$ 375,096,904 | 56.5% |
| SPECIAL REVENUE FUNDS | 157,143,581 | 162,196,520 | 28,104,462 | 28,054,973 | 106,037,085 | 34.6% |
| LESS THAN COUNTY WIDE FUNDS | 19,757,102 | 19,765,750 | 4,740,340 | 8,872,416 | 6,152,994 | 68.9% |
| CAPITAL PROJECT FUNDS | 82,302,578 | 82,767,666 | 7,289,818 | 17,380,893 | 58,096,955 | 29.8% |
| TOTAL GOVERNMENTAL FUNDS | \$ 1,123,896,810 | \$ 1,126,420,278 | \$ 356,983,879 | \$ 224,052,461 | \$ 545,383,938 | 51.6% |
| OTHER FUNDS | | | | | | |
| INTERNAL SERVICE FUNDS | \$ 176,813,750 | \$ 183,438,039 | \$ 74,167,147 | \$ 11,429,609 | \$ 97,841,283 | 46.7% |
| ENTERPRISE FUNDS | 41,832,192 | 41,997,446 | 18,283,854 | 9,377,048 | 14,336,544 | 65.9% |
| SPECIAL DISTRICTS AND OTHER AGENCIES | 45,352,123 | 46,612,461 | 7,737,148 | 3,703,698 | 35,171,615 | 24.5% |
| TOTAL OTHER FUNDS | \$ 263,998,065 | \$ 272,047,946 | \$ 100,188,149 | \$ 24,510,355 | \$ 147,349,442 | 45.8% |
| TOTAL ALL FUNDS | \$ 1,387,894,875 | \$ 1,398,468,224 | \$ 457,172,028 | \$ 248,562,816 | \$ 692,733,380 | 50.5% |

General Fund Expenditures

For the first six months of the fiscal year, the County General Fund expended (including encumbrances which represent amounts obligated by the County to pay for Contracts and Purchase Orders) 56.5% of the total adjusted budgeted for expenditures, which was \$861,690,342 as of December 31, 2024. Salaries and Benefits were the county's largest expenditure, reflecting 48.03% of the adjusted budget. At the end of the first six months in the prior 2023-24 fiscal year, 57.3% of the expenditure budget had been spent.

General Fund Revenues

As of December 31, 2024, the County's general fund received 32.67%, or \$267,339,635, of the \$821,275,592 adjusted budget amount.

| County of Santa Cruz - General Fund Revenues - Q2 2024-25 | | | | |
|---|--|--|--|---------------------------------------|
| Revenues | 2024-25 Adjusted Budget at December 31, 2024 | Year-To-Date Actual at December 31, 2024 | Year-To-Date Variance at December 31, 2024 | % Received as of December 31, 2024 |
| TAXES | \$ 190,914,830 | \$ 90,937,113 | \$ 99,868,841 | 47.66% |
| LICENSES, PERMITS AND FRANCHIS | 18,024,988 | 6,697,193 | 11,327,796 | 37.16% |
| FINES, FORFEITURES & ASSMNTS | 6,405,016 | 1,296,161 | 5,108,855 | 20.24% |
| REV FROM USE OF MONEY & PROP | 11,787,922 | 6,654,272 | 5,133,650 | 56.45% |
| INTERGOVERNMENTAL REVENUES | 478,640,339 | 124,543,622 | 349,829,814 | 26.25% |
| CHARGES FOR SERVICES | 106,165,421 | 34,719,543 | 71,832,650 | 32.58% |
| MISC. REVENUES | 6,052,059 | 1,168,145 | 5,617,414 | 17.22% |
| OTHER FINANCING SOURCES | 3,285,017 | 1,323,585 | 2,182,732 | 37.75% |
| TOTAL | \$ 821,275,592 | \$ 267,339,635 | \$ 550,901,750 | 32.67% |

Intergovernmental Revenues

Intergovernmental revenue from the state and federal governments is the largest source of revenue for the General Fund. As of December 31, 2024, 26.25% of budgeted Intergovernmental Revenues had been received, which is lower than the 34.57% that was received by the same time in the prior fiscal year. Intergovernmental revenues may lag during the fiscal year as receipts are often tied to expenditures and are not recognized as revenue when received, but only after qualified expenditures have been reported. Of the \$124,543,622 intergovernmental revenue received during the first six months of FY 2024-25, 20.69% was from federal sources, 78.74% was from the state, and 0.56% was from other governmental agencies.

| County of Santa Cruz - General Fund Intergovernmental Revenues - Q2 2024-25 | | | | |
|---|--|--|--|---------------------------------------|
| Intergovernmental Revenues | 2024-25 Adjusted Budget at December 31, 2024 | Year-To-Date Actual at December 31, 2024 | Year-To-Date Variance at December 31, 2024 | % Received as of December 31, 2024 |
| Federal | \$ 110,221,604 | \$ 25,771,299 | \$ 84,450,305 | 23.38% |
| State | 357,098,595 | 98,070,612 | 259,027,983 | 27.46% |
| Other | 7,053,237 | 701,711 | 6,351,526 | 9.95% |
| | <u>\$ 474,373,436</u> | <u>\$ 124,543,622</u> | <u>\$ 349,829,814</u> | <u>26.25%</u> |

Tax Revenues

Tax Revenues are the second largest revenue source for the General Fund and are budgeted (adjusted) at \$190,805,954. As of December 31, 2024, the County received 47.66% of budgeted tax revenues, which was slightly more than revenue received by the same time in the prior fiscal year of 47.35%. The table below provides a summary of Total Tax Revenue.

| County of Santa Cruz - General Fund Tax Revenues - Q2 - 2024-25 | | |
|---|---|---|
| Tax Revenues | Year-To-Date Actual as of December 31, 2024 | Year-To-Date Actual as of December 31, 2023 |
| PROPERTY TAX | \$ 68,389,731 | \$ 65,609,969 |
| SALES TAX | 13,580,206.00 | 10,685,500.00 |
| AIRCRAFT TAX | 51,965.00 | 52,375.00 |
| DEED/DOCUMENTARY TRANSFER TAX | 1,271,827.00 | 1,074,787.00 |
| TRANSIENT OCCUPANCY TAX | 6,230,604.00 | 6,151,755.00 |
| COUNTY CANNABIS BUSINESS TAX | 1,226,409.00 | 1,503,248.00 |
| SINGLE USE CUP TAX | 186,371.00 | 189,287.00 |
| TOTAL | <u>\$ 90,937,113</u> | <u>\$ 85,266,921</u> |

Transient Occupancy Tax (TOT). TOT is a significant source of tax revenue for the County and is an indicator of our local economy and the health of our tourism industry. In accordance with County Code Section 4.24.080, beginning on July 1, 2023, the County began accepting TOT reporting and payments on a quarterly basis rather than requiring monthly payments. The second quarterly payment was due January 31, 2025.

As of January 31, 2025, the County had 25 active Transient Occupancy Tax (TOT) Certificates with hotel and motel owners, and 1,693 with vacation rental owners. The County contracts with a vendor to identify owners of short-term rentals within the County who are not in compliance with TOT requirements, such as not having obtained a TOT Certificate or who appear to be under-reporting.

| County of Santa Cruz - Transient Occupancy Tax Revenue - Q2 - 2024-25 | | | | |
|---|--|--|--|--|
| | Year-To-Date Actual as of January 31, 2022 | Year-To-Date Actual as of January 31, 2023 | Year-To-Date Actual as of January 31, 2024 | Year-To-Date Actual as of January 31, 2025 |
| TRANSIENT OCCUPANCY TAX | \$ 7,183,596 | \$ 5,972,807 | \$ 8,061,557 | \$ 7,575,681 |

Single-use Cup Tax. Effective July 1, 2022, any person or entity that sells or provides beverages in a single-use, disposable cup must charge twenty-five cents for the cup in addition to the price of the beverage. Beginning January 1, 2023, twelve and a half cents (\$0.125) of each twenty-five cent (\$0.25) mandatory cup tax shall be collected and distributed by the seller to the County of Santa Cruz. Payment is due to the County 30

days after the end of each quarter. Taxes collected by account holders during the second quarter of fiscal year 2025 (October through December 2024) were due to the County by January 30th. Past due notices are issued to vendors whose payments are not received on time.

As of January 31, 2025, the County had 220 active Cup Tax accounts. Cup Tax accounts are considered active when at least one cup tax payment has been remitted by the person or entity in the last four quarters. Of the 220 active accounts, 83 submitted payments for the second quarter of fiscal year 2024-25 (October through December 2024). Account holders reported a total of 564,927 cups sold or provided, and remitted total payments of \$71,184 including cup tax, interest and penalties on late payments for the second quarter.

| County of Santa Cruz - Single Use Cup Tax Revenue - Q2 - 2024-25 | | |
|--|--|--|
| | Year-To-Date Actual as of January 31, 2024 | Year-To-Date Actual as of January 31, 2025 |
| SINGLE USE CUP TAX | \$ 263,053 | \$ 248,758 |

Long-term Bond Debt

The County's outstanding long-term bond debt as of December 31, 2024, was \$370.5 million, as shown in the table below. The amount of the County's long-term bond debt due within one-year totals \$19.2 million, with \$351.3 million due after one year.

County of Santa Cruz Long-term Bond Summary December 31, 2024

| Issue | Bonds Issued | Principal Paid | Interest Paid | Principal Ending Balance | Interest to Pay | Principal and Interest to Pay |
|---------------------------------|----------------|----------------|---------------|-----------------------------|-----------------|----------------------------------|
| 1996 COP (SANC8119573) | \$ 24,855,000 | \$ 21,730,000 | \$ 26,089,501 | \$ 3,125,000 | \$ 267,245 | \$ 3,392,245 |
| 2014 COP REF (STACRUZ2014C) | 6,285,000 | 3,260,000 | 2,157,140 | 3,025,000 | 518,975 | 3,543,975 |
| 2015A REF (SANTACRUZ15A) | 13,770,000 | 13,585,000 | 2,218,158 | 185,000 | 3,675 | 188,675 |
| 2015B (SANTACRUZ15B) | 9,945,000 | 2,285,000 | 3,088,138 | 7,660,000 | 3,210,903 | 10,870,903 |
| 2016 COP REF (SCRUZPFA16) | 10,500,000 | 4,880,000 | 2,181,928 | 5,620,000 | 1,374,950 | 6,994,950 |
| 2017A CREBS (SCRUZCREBS17) | 7,940,000 | 2,720,000 | 1,478,701 | 5,220,000 | 1,014,137 | 6,234,137 |
| 2020A LSE REV (SCRUZCFA20A) | 9,490,000 | 665,000 | 1,575,454 | 8,825,000 | 4,458,550 | 13,283,550 |
| 2020B LSE REV REF (SCRUZCFA20E) | 4,495,000 | 1,000,000 | 477,807 | 3,495,000 | 642,477 | 4,137,477 |
| 2021 TAXABLE PENSION OBLIG BONI | 124,195,000 | 15,885,000 | 7,808,982 | 108,310,000 | 27,274,604 | 135,584,604 |
| 2021A LSE REV | 22,555,000 | 455,000 | 2,558,812 | 22,100,000 | 11,758,963 | 33,858,963 |
| 2021B LSE REV | 3,730,000 | 100,000 | 303,391 | 3,630,000 | 1,587,322 | 5,217,322 |
| 2023A LSE REV | 17,300,000 | - | 1,231,795 | 17,300,000 | 11,744,700 | 29,044,700 |
| 2024A-1 LSE REV | 35,000,000 | - | 636,067 | 35,000,000 | 14,134,681 | 49,134,681 |
| 2024A-2 LSE REV | 7,207,568 | - | 161,169 | 7,207,568 | 2,685,750 | 9,893,318 |
| 2024B LSE REV | 9,080,000 | - | 207,525 | 9,080,000 | 3,659,975 | 12,739,975 |
| 2024C LSE REV | 27,175,000 | - | 584,505 | 27,175,000 | 19,221,091 | 46,396,091 |
| | \$ 333,522,568 | \$ 66,565,000 | \$ 52,759,073 | \$ 266,957,568 | \$ 103,557,998 | \$ 370,515,566 |

Financial Impact

There is no financial impact.

Strategic Initiatives

Operational Plan - Operational Excellence

Submitted By:

Edith Driscoll, Auditor-Controller-Treasurer-Tax Collector

Recommended By:

Carlos J. Palacios, County Administrative Officer

Artificial Intelligence Acknowledgment:

Artificial Intelligence (AI) did not significantly contribute to the development of this agenda item.