

23. Approve the Proposed 2025-26 Budget for General County Revenues, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: County Executive Office

Subject: Proposed 2025-26 Budget for General County Revenues

Meeting Date: June 3, 2025

Formal Title: Approve the Proposed 2025-26 Budget for General County Revenues, including any supplemental materials, and take related actions, as outlined in the referenced budget documents, and as recommended by the County Executive Officer

Recommended Action

Approve the Proposed 2025-26 Budget for General County Revenues, including any supplemental materials, as provided in the referenced budget documents:

- [Proposed Budget](#)

Executive Summary

The Proposed 2025-26 Budget for General County Revenues is the source for General Fund and District Sales Tax contributions to departments and includes revenues and certain expenditures that are not related to the activities of any single County department. There are no divisions or funded staffing.

Discussion

The General County Revenues Proposed Budget provides for a total General Fund contribution of \$245,061,216 to support expenditures in the General County Revenues budget and other General Fund departments. The total contribution includes \$21,425,000 of District Sales Tax contribution from locally approved sales tax ballot measures that is allocated to departments for general purposes within and benefiting the unincorporated areas of the County. The department Proposed 2025-26 Budget document is available online at: www.SCCVision.us

The total General Fund contribution is funded largely from tax revenues, including \$95.5 million in property taxes, \$46.7 million in vehicle license fee payments allocated to the County, \$35.4 million in sales tax, including \$21.4 million from voter approved ballot Measures G and K, \$14.6 million in transient occupancy tax, \$3.1 million in deed transfer tax, \$2.4 million in cannabis business tax and \$288,000 in single use cup tax. General County Revenues also include but are not limited to \$7.2 million in franchise fees, \$7.2 million in general investment pool interest earnings, \$5.6 million in penalties from delinquent taxes, and \$2.5 million in restricted interest earnings related to the County's annual borrowing through the issuance of Tax Revenue Anticipation Note (TRAN).

These revenues finance the State's mandated costs for health and welfare programs, the justice system including detention facilities, and the operation of County departments not covered by other revenue.

Expenditures in this budget generally include costs and transfers to other funds not attributed to a department, including but not limited to \$5.0 million in transfers out with \$4.0 million for road and drainage infrastructure and \$1.0 million for facility infrastructure, \$4.7 million in insurance and claims costs largely attributed but not historically assigned to public safety departments, a credit of \$1.8 million from the

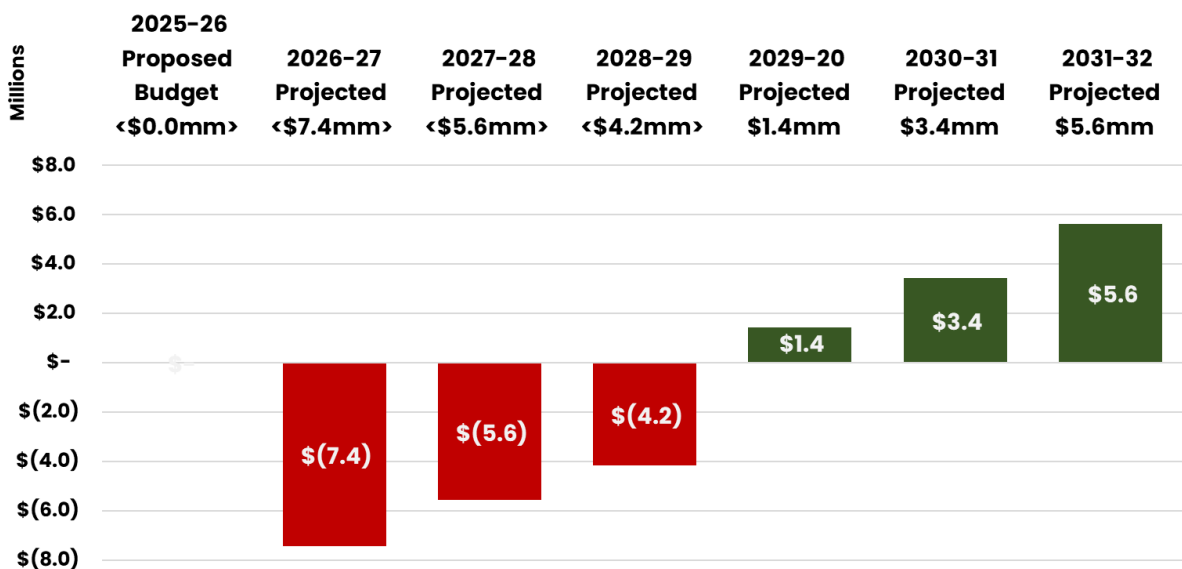
annual Cost Allocation Plan offsets, and \$230,000 for professional services related to sales tax, residential vacation rental and cannabis business tax audit and collection services, and broadcasting services of the board of supervisor's meetings. The budget also includes contributions of \$50,000 to the Santa Cruz Port District and \$ 41,289 to the Santa Cruz Resources Conservation District, which previously received an allocation from the Special District Augmentation Fund or the Supplemental Allocation Fund.

At this point, there are no anticipated reductions in state or federal funding as the General Fund's share of federal disaster reimbursements are expected to be fully collected or denied in 2024-25. There is the possibility of a continuation of the annual tobacco settlement funding from the Master Settlement Agreement that otherwise ended and could add \$1.1 million in revenue for the Adopted Budget actions on September 30, 2025 if not sooner.

Over the next fiscal year, staff will continue to monitor the economic impact on tax and interest earning revenues stemming from the current economic instability and the impacts on our current General Fund forecast, as shown in Chart 1.

Chart 1

General Fund Forecast Deficits persist through 2028-29



While the County was able to balance the Proposed 2025-26 Budget, including any Supplemental changes, we maintain a projected deficit of \$7.4 million for 2026-27, before any new federal reductions or impacts from policy or funding changes. Table 1 identifies the major tax revenue changes for 2025-26 and through the remainder of our forecast.

Table 1
General Fund Forecast Primary Assumptions for 2025-26 through 2031-32

Factor	2025-26 Proposed	Out-years Assumptions	Factor	2025-26 Proposed	Assumption
Property Tax & Vehicle License Fees ⁽¹⁾	3.4%	Growth from 3.6% to 5.2%	Operating costs ⁽³⁾	<8.2%>	4.8% to 6.1%
Sales Tax ⁽²⁾	5.6%	Growth from 3.2% to 4.4%	Infrastructure and facility capital maintenance and investments	\$5.0 million	\$9.1 to \$15.6 million
Transient Occupancy Tax	3.2%	Growth from 5.8% to 7.8%	Recent mandated increases	\$265k	\$2.7 to \$3.6 million
Revenue loss from Federal Policy or Funding Changes	\$0	\$5.0 to \$17.5 million	State's CalPERS Investment Portfolio Rate of Return	Meet CalPERS 6.8% target	Meet CalPERS 6.8% target

(1) Vehicle License Fees are received through State Property Tax payments from the State of California's 2004 "Triple Flip" tax swap

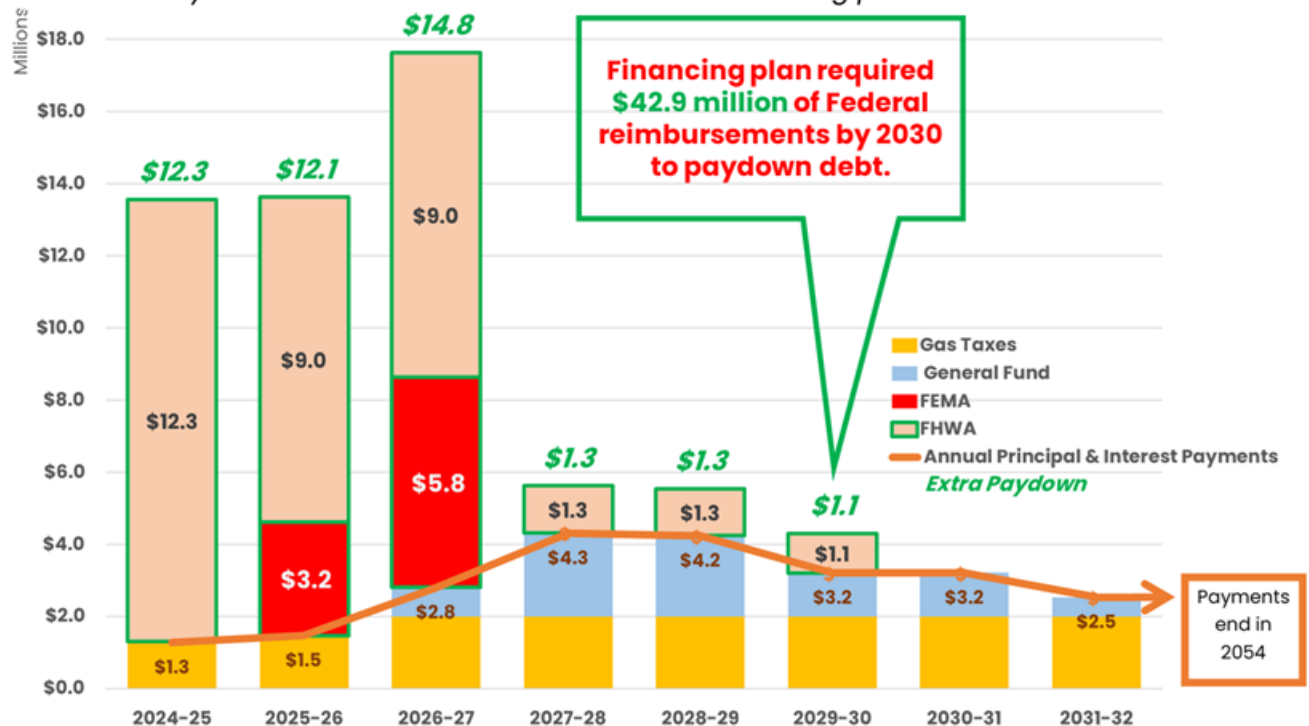
(2) Includes the County base and voter approved District Sales Tax (Measure G & K) that adds \$3.2 million for the full year of Measure K. Otherwise, total sales tax would have been projected to decline by 3.9% or \$1.3 million.

(3) Operating costs include major capital investments and maintenance

The County anticipates continued delays and risks to federal disaster reimbursements. In May 2024, the County issued debt to finance \$80.3 million in costs paid up front by the County for recovery from the 2020 CZU Fires and 2023 Storms that remained unreimbursed. As illustrated in Chart 2, the 2024 financing was structured with a conservative estimate of the timing for federal reimbursements that included receiving \$12.1 million in 2025-26 and a total of \$42.9 million by 2029-30. Any delays or reductions in expected reimbursements threatens the County's financial plan, and could, starting in 2026-27, add an average annual increase of \$4.2 million in new debt service costs for the County's Road Fund operations and General Fund.

Chart 2
2023 Storms Debt Service and Funding Sources

Federal delays will increase costs and alter the 2024 financing plan



Financial Impact

The General County Revenues Proposed Budget includes \$11,087,357 in expenditures offset by an allowance of \$32,900,000 in credits against all General Fund expenditures, \$223,248,573 in revenues, and \$4,702,000 in District Sales Tax contribution. This reflects a total expenditure decrease of \$55,095,470 from the Fiscal Year 2024-25 Adopted Budget due to the elimination of \$30,176,728 in one-time transfer expenditures included in the Adopted Budget and the addition in 2025-26 for allowance for savings of \$25,100,000 from unused contract appropriations and \$7,800,000 in unused salary appropriations.

Strategic Initiatives

Operational Plan - Comprehensive Health & Safety, Attainable Housing, Reliable Transportation, Sustainable Environment, Dynamic Economy, Operational Excellence

Submitted By:

Carlos J. Palacios, County Executive Officer

Recommended By:

Carlos J. Palacios, County Executive Officer

Artificial Intelligence Acknowledgment:

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