

32. Accept and file the Quarterly Financial Update for the third quarter of Fiscal Year 2024-25 ()



County of Santa Cruz Board of Supervisors

Agenda Item Submittal

From: Auditor-Controller-Treasurer-Tax-Collector

Subject: Accept and file the Quarterly Financial Update for the third quarter of Fiscal Year (FY) 2024-25

Meeting Date: June 10, 2025

Formal Title: Accept and file the Quarterly Financial Update for the third quarter of Fiscal Year 2024-25

Recommended Actions

Accept and file the Quarterly Financial Update for the third quarter of Fiscal Year 2024-25.

Executive Summary

As of March 31, 2025, the County's General Fund expended 71.9%, or \$621,680,870 (including encumbrances which represent amounts obligated by the County to pay for Contracts and Purchase Orders), of the \$864,747,008 adjusted budget amount, and received 53.3%, or \$437,484,699, of the \$821,248,051 adjusted budget amount of revenues.

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 third quarter of Fiscal Year (FY) 2024-25 contains information on expenditures, revenues, and the County's long-term debt schedule for the period ended March 31, 2025, but is primarily focused on revenues of the County's General Fund.

County Wide Expenditures

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 schedule below summarizes all expenditures budgeted for all funds as adopted by the BOS for FY 2024-25. The remainder of this report will primarily focus on General Fund revenues and expenditures.

County of Santa Cruz - Expenditures - Q3 2024-25						
Fund Name	2024-25 Adopted Budget	2024-25 Adjusted Budget at March 31, 2025	Year to Date Actual at March 31, 2025	Year to Date Encumbrances at March 31, 2025	Year to Date Variance at March 31, 2025	% Spent/ Encumbered at March 31, 2025
GOVERNMENTAL FUNDS						
GENERAL FUND	\$ 864,693,549	\$ 864,747,008	\$ 493,215,824	\$ 128,465,046	\$ 243,066,138	71.9%
SPECIAL REVENUE FUNDS	157,143,581	165,033,320	43,235,791	22,731,656	99,065,873	40.0%
LESS THAN COUNTY WIDE FUNDS	19,757,102	19,765,750	9,081,751	6,803,659	3,880,340	80.4%
CAPITAL PROJECT FUNDS	82,302,578	84,880,675	13,968,450	13,413,182	57,499,043	32.3%
TOTAL GOVERNMENTAL FUNDS	\$ 1,123,896,810	\$ 1,134,426,753	\$ 559,501,816	\$ 171,413,543	\$ 403,511,394	64.4%
OTHER FUNDS						
INTERNAL SERVICE FUNDS	\$ 176,813,750	\$ 184,654,414	\$ 108,205,532	\$ 10,099,854	\$ 66,349,028	64.1%
ENTERPRISE FUNDS	41,832,192	42,047,446	27,976,564	6,708,973	7,361,909	82.5%
SPECIAL DISTRICTS AND OTHER AGENCIES	45,352,123	51,725,441	12,243,845	2,371,984	37,109,612	28.3%
TOTAL OTHER FUNDS	\$ 263,998,065	\$ 278,427,301	\$ 148,425,941	\$ 19,180,811	\$ 110,820,549	60.2%
TOTAL ALL FUNDS	\$ 1,387,894,875	\$ 1,412,854,054	\$ 707,927,757	\$ 190,594,354	\$ 514,331,943	63.6%

General Fund Expenditures

For the first nine 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) 71.9% of the total adjusted budgeted for expenditures, which was \$864,747,008 as of March 31, 2025. Salaries and Benefits were the county's largest expenditure, reflecting 47.9% of the adjusted budget. At the end of the first nine months in the prior 2023-24 fiscal year, 72.3% of the expenditure budget had been spent.

General Fund Revenues

As of March 31, 2025, the County's general fund received 53.3%, or \$437,484,699, of the \$821,248,051 adjusted budget amount.

County of Santa Cruz - General Fund Revenues - Q3 2024-25				
Revenues	2024-25 Adjusted Budget at March 31, 2025	Year-To-Date Actual at March 31, 2025	Year-To-Date Variance at March 31, 2025	% Received as of March 31, 2025
TAXES	\$ 190,805,954	\$ 103,809,247	\$ 86,996,707	54.4%
LICENSES, PERMITS AND FRANCHIS	18,024,988	12,197,980	5,827,008	67.7%
FINES, FORFEITURES & ASSMNTS	6,405,016	2,603,562	3,801,454	40.6%
REV FROM USE OF MONEY & PROP	11,787,922	9,777,960	2,009,962	82.9%
INTERGOVERNMENTAL REVENUES	477,095,102	248,883,129	228,211,973	52.2%
CHARGES FOR SERVICES	106,552,193	54,921,232	51,630,961	51.5%
MISC. REVENUES	6,835,559	3,278,377	3,557,182	48.0%
OTHER FINANCING SOURCES	3,741,317	2,013,212	1,728,105	53.8%
TOTAL	\$ 821,248,051	\$ 437,484,699	\$ 383,763,352	53.3%

Intergovernmental Revenues

Intergovernmental revenue from the state and federal governments is the largest source of revenue for the General Fund. As of March 31, 2025, 52.2% of budgeted Intergovernmental Revenues had been received, which is lower than the 58.1% 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 \$248,883,129 intergovernmental revenue received during the first nine months of FY 2024-25, 21.5% was from federal sources, 78.0% was from the state, and 0.5% was from other governmental agencies.

County of Santa Cruz - General Fund Intergovernmental Revenues - Q3 2024-25				
Intergovernmental Revenues	2024-25 Adjusted Budget at March 31, 2025	Year-To-Date Actual at March 31, 2025	Year-To-Date Variance at March 31, 2025	% Received as of March 31, 2025
Federal	\$ 111,894,188	\$ 53,467,894	\$ 58,426,294	47.8%
State	358,126,556	194,156,939	163,969,617	54.2%
Other	7,074,358	1,258,296	5,816,062	17.8%
	\$ 477,095,102	\$ 248,883,129	\$ 228,211,973	52.2%

Tax Revenues

Tax Revenues are the second largest revenue source for the General Fund and are budgeted (adjusted) at \$190,805,954. As of March 31, 2025, the County received 54.4% of budgeted tax revenues, which was slightly more than revenue received by the same time in the prior fiscal year of 53.2%. A summary of Total Tax Revenues is provided in the table below.

County of Santa Cruz - General Fund Tax Revenues - Q3 - 2024-25		
Tax Revenues	Year-To-Date Actual as of March 31, 2024	Year-To-Date Actual as of March 31, 2025
PROPERTY TAX	\$ 65,825,740	\$ 68,746,063
SALES TAX	16,784,374	22,117,528
AIRCRAFT TAX	52,375	51,965
DEED/DOCUMENTARY TRANSFER TAX	1,533,240	1,736,671
TRANSIENT OCCUPANCY TAX	9,086,105	9,142,533
COUNTY CANNABIS BUSINESS TAX	2,179,619	1,754,493
SINGLE USE CUP TAX	317,384	259,994
TOTAL	<u>\$ 95,778,837</u>	<u>\$ 103,809,247</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 third quarterly payment was due April 30, 2025.

As of April 30, 2025, the County had 22 active Transient Occupancy Tax (TOT) Certificates with hotel and motel owners, and 1,695 with vacation rental owners. The County contracts with a vendor to identify short-term rentals within the County who are not in compliance with the 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 - Q3 - 2024-25				
	Year-To-Date Actual as of April 30, 2022	Year-To-Date Actual as of April 30, 2023	Year-To-Date Actual as of April 30, 2024	Year-To-Date Actual as of April 30, 2025
TRANSIENT OCCUPANCY TAX	\$ 9,704,752	\$ 8,069,323	\$ 10,594,246	\$ 10,537,407

Single-use Cup Tax. Effective July 1, 2022, any person or entity which 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 charge shall be collected and distributed by the seller to the County of Santa Cruz as a business tax. Payment is due to the County 30 days after the end of each fiscal quarter. Taxes collected by account holders during the third quarter of fiscal year 2025 (January–March 2025) were due to the County by April 30th. Past due notices are issued to sellers whose payments are not received on time.

As of April 30, 2025, the County had 115 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 115 active accounts, 66 submitted payments for the third quarter of fiscal year 2024-25 (January–March 2025). Account holders reported a total of 304,235 cups sold or provided, and remitted total payments of \$42,130 including cup tax, interest, and penalties on late payments for the third quarter. Receipts represent a decrease of 42.8% over the prior quarter, primarily due to late payments, many of which were received at the beginning of May 2025. Past due notices will be issued to non-reporting entities.

County of Santa Cruz - Single Use Cup Tax Revenue - Q3 - 2024-25		
	Year-To-Date Actual as of April 30, 2024	Year-To-Date Actual as of April 30, 2025
Single-use Cup Tax	\$ 370,097	\$ 302,124

Long-term Debt

The County's outstanding long-term bond debt was \$370.3 million as of March 31, 2025, as shown in the table below. The County's long-term bond debt due within one year is \$19.2 million, and \$351.1 million is due after one year.

County of Santa Cruz Long term Bond Summary March 31, 2025

Issue	Bonds Issued	Principal Paid	Interest Paid	Principal Ending Balance	Interest to Pay	Principal and Interest to Pay
1996 COP (SANC8119573)	\$ 24,855,000.00	\$ 21,730,000.00	\$ 26,177,782.08	\$ 3,125,000.00	178,963.75	3,303,963.75
2014 COP REF (STACRUZ2014C)	6,285,000.00	3,260,000.00	2,220,437.13	\$ 3,025,000.00	455,678.18	3,480,678.18
2015A REF (SANTACRUZ15A)	13,770,000.00	13,585,000.00	2,218,157.59	\$ 185,000.00	3,675.03	188,675.03
2015B (SANTACRUZ15B)	9,945,000.00	2,285,000.00	3,088,138.00	\$ 7,660,000.00	3,210,903.17	10,870,903.17
2016 COP REF (SCRUZPFA16)	10,500,000.00	4,880,000.00	2,284,253.34	\$ 5,620,000.00	1,272,625.00	6,892,625.00
2017A CREBS (SCRUZCREBS17)	7,940,000.00	2,720,000.00	1,478,701.33	\$ 5,220,000.00	1,014,137.17	6,234,137.17
2020A LSE REV (SCRUZCFA20A)	9,490,000.00	665,000.00	1,575,454.17	\$ 8,825,000.00	4,458,550.00	13,283,550.00
2020B LSE REV REF (SCRUZCFA20B)	4,495,000.00	1,000,000.00	477,806.96	\$ 3,495,000.00	642,477.26	4,137,477.26
2021 TAXABLE PENSION OBLIG BOND	124,195,000.00	15,885,000.00	7,808,981.95	\$ 108,310,000.00	27,274,603.83	135,584,603.83
2021A LSE REV	22,555,000.00	455,000.00	2,558,812.23	\$ 22,100,000.00	11,758,962.50	33,858,962.50
2021B LSE REV	3,730,000.00	100,000.00	303,391.40	\$ 3,630,000.00	1,587,322.31	5,217,322.31
2023A LSE REV	17,300,000.00		1,231,795.00	\$ 17,300,000.00	11,744,700.00	29,044,700.00
2024A-1 LSE REV	35,000,000.00		636,067.39	\$ 35,000,000.00	14,134,681.27	49,134,681.27
2024A-2 LSE REV	7,207,568.00		161,169.22	\$ 7,207,568.00	2,685,750.00	9,893,318.00
2024B LSE REV	9,080,000.00		207,525.41	\$ 9,080,000.00	3,659,975.00	12,739,975.00
2024C LSE REV	27,175,000.00		584,505.48	\$ 27,175,000.00	19,221,090.90	46,396,090.90
	\$333,522,568.00	\$ 66,565,000.00	\$ 53,012,978.68	\$ 266,957,568.00	\$ 103,304,095.37	\$ 370,261,663.37

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 Executive Officer

Artificial Intelligence Acknowledgment:

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