

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



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.