



COUNTY OF SANTA CRUZ

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Attachment A - 2017-2018 Mid-Year Finance Report

Reflected below is the summary of expenditure budget adopted by your Board for Fiscal Year 2017-18. These amounts are reflected on page 1, Schedule 1 of the County Adopted Budget Fiscal Year 2017-18. The total budget or spending plan for the 2017-18 fiscal year can best be presented in three parts: The general government fund, special revenue funds and special district funds governed by the Board of Supervisors. The table below summarizes these fund types.

General Fund	\$ 496,107,601
Special Revenue Funds	76,542,795
Less than Countywide Funds	<u>11,584,929</u>
Total Governmental Funds	584,235,325
Board Governed Special Districts and Other Agencies	47,515,108
Internal Service Funds	102,267,494
Enterprise Funds	<u>21,396,525</u>
Total All Funds	\$ 755,414,452

GENERAL FUND REVENUES

For the first seven months of the fiscal year, the County has received 35.99% of the total budgeted General Fund revenues of \$496,693,768. This reflects a reduction in receipts received compared to the same period of the prior year, when 42.28% of budgeted revenues had been received. The chart below reflects these revenue receipts.

**General Fund Revenues
Budget to Actual YTD 2017-18**

	ADJUSTED BUDGET	JULY-JAN YTD BUDGET	YTD BUDGET TO ACTUAL
Total Taxes	\$ 124,652,208	\$ 60,730,034	48.72%
Licenses, Permits, Franchises	14,819,294	6,303,227	42.53%
Fines, Forfeitures, Assessments	4,743,520	1,496,685	31.55%
Use of Money and Property	2,628,752	1,887,711	71.81%
Intergovernmental Aid	238,158,281	63,765,038	26.77%
Charges for Services	74,316,618	30,131,194	40.54%
Miscellaneous	11,991,427	1,574,874	13.13%
Operating Transfers In	<u>25,385,668</u>	<u>12,875,142</u>	<u>50.72%</u>
Total General Fund Revenues	\$ 496,695,768	\$ 178,763,906	35.99%

Intergovernmental Aid from the state and federal government is the largest revenue source for the General Fund. To date, 26.8% of budgeted intergovernmental revenues have been received which is a decrease from the prior year comparable period with 36.3% received. These revenues traditionally lag during the year because they are tied to expenditures and are paid on a reimbursement basis. These General Fund Intergovernmental Revenues consist of 17.16% Federal Funds, 82.03% State Funds, and .82% other.

The County's interest rate earned by the Treasury Pool has been increasing over the last 6 quarters. At the end of the first quarter of 2016-17 our interest apportionment rate was .770% while the rate at the end of the 2nd Quarter of 2017-18 was 1.081%, and the January 2018 rate was 1.257%. This provides for higher interest earnings for all treasury pool members including the General Fund.

Tax Revenues are the second largest revenue source for the General Fund and are budgeted at \$124,652,208. As of January 31, 2018, we have received 48.72% of the budgeted amount of total tax revenues which is a decrease from receipts at this time last year when 52.03% was received. This lower amount is due to the completion of the triple flip program and the Sales Tax line in the chart below now reflects the full 1% that the County receives. The \$1.4 million shown in the chart was a final one-time only payment to the County for prior years.

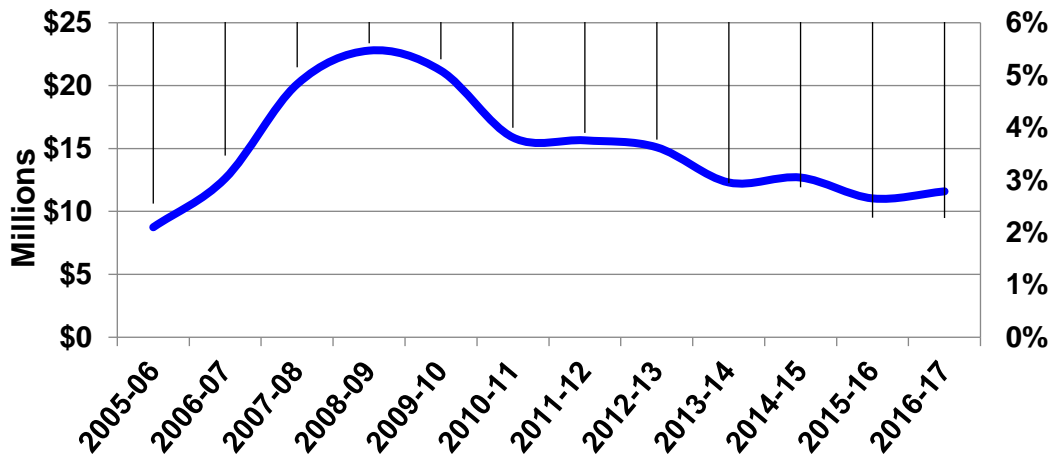
The County did receive an increase in property tax receipts during the months of Oct-Dec this year compared to last year. This was due in large part to the changes in the IRS tax laws related to deducting Property Taxes on personal income tax returns. Many property owners paid the second installment of their property taxes early in December 2017 instead of waiting until the April 2018 due date. Detailed receipts of Tax Revenues are provided in the table below.

**General Fund Taxes
CYR Actual 2017-18 to Prior Year Actual 2016-17**

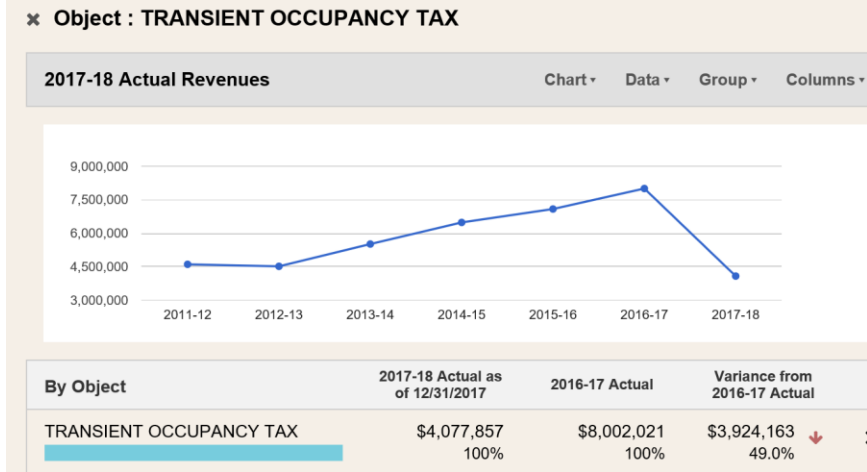
	2017-18 July-January <u>YTD Actual</u>	2016-17 July-January <u>YTD Actual</u>
Property Taxes	\$ 32,019,589	\$ 29,814,290
Vehicle License Fee In-Lieu	15,839,437	14,979,501
Sales Tax In-Lieu	-	1,389,242
Sales Tax	4,984,201	4,384,090
Deed Transfer Tax	1,355,089	982,737
Transient Occupancy Tax	4,841,352	4,757,010
Cannabis Business Tax	1,688,529	1,391,711
Other Taxes	<u>1,837</u>	<u>4,259</u>
	\$ 60,730,034	\$ 57,702,840

The County's property tax delinquency rate is a key element to highlight when reviewing property tax revenues. For fiscal year 2016-17, the rate was 2.274%. The delinquency rate had been on the decline for several years, however, the rate for 2016-17 was essentially the same as the 2015-16 rate of 2.279%. Higher delinquency rates create a cash flow issue for the County, even though, the County eventually receives the taxes, penalties and interest when the property is sold or brought current. Santa Cruz County is on the Teeter Plan for apportionment of property taxes. The chart below reflects the County's rates since 2005-06 to provide an overview of the rates prior to and after the Great Recession.

**Property Tax Delinquency Rate – Santa Cruz County
Actual FYR 2005-03 to 2016-17**

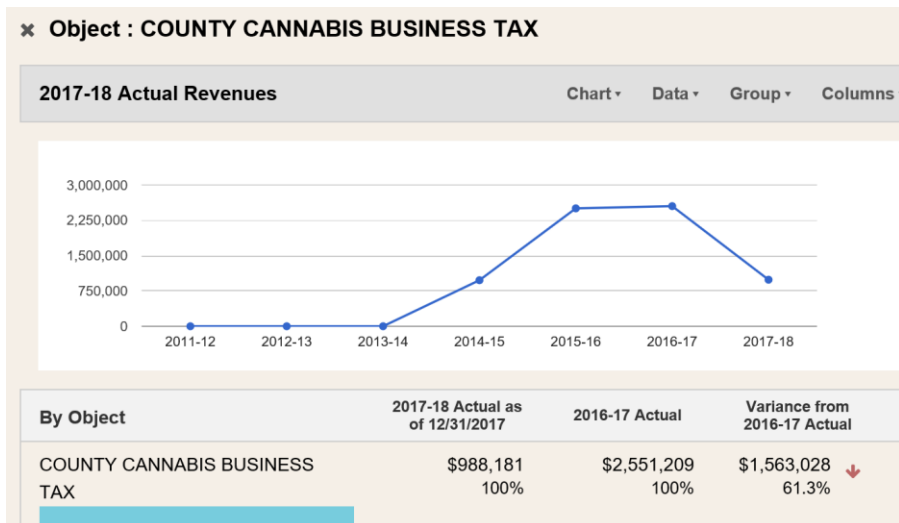


One indicator of our local economy is the County's Transient Occupancy Tax collections. This information is frequently requested by the public and is now available on the Treasurer-Tax Collector's website along with the Cannabis Business Tax information. The online data is updated quarterly and includes a variety of charts. The chart below reflects the annual budget and revenues collected to date. For this seven month period, the County collections are slightly ahead of this time last year. A total of \$4,841,352 was collected through January 2018 and \$4,757,010 was collected at this time in 2017.



A relatively new revenue source for the County is Cannabis Business Tax (CBT). The County tracks this revenue via two different categories. This information is also available on the County Treasurer-Tax Collector website as shown below. The first chart reflects CBT collected from cannabis dispensaries. The second chart the CBT2 collected from cannabis businesses other than dispensaries, such as cultivators and manufacturers.

In 2016-17 \$2,551,209 was received from this revenue category. In 2017-18 the revenue budget is \$2,558,893, and as of January 31, 2018, \$1,303,831 (51%) has been received. This revenue reflects sales through December 31, 2017 and due to the County by January 31, 2018.

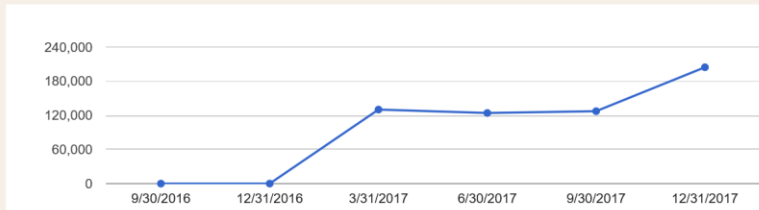


In 2016-17, the second Cannabis revenue category received a total of \$255,144. In 2017-18 the revenue budget is \$1,186,160, and as of January 31, 2018, \$753,693 (63.54%) has been received. This revenue reflects sales through December 31, 2017 and due to the County by January 31, 2018.

Object : COUNTY CANNABIS BUSINESS TAX 2

2017-18 Actual Revenues

Chart ▾ Data ▾ Group ▾ Columns ▾



By Object	2017-18 Actual as of 12/31/2017	2016-17 Actual	Variance from 2016-17 Actual
COUNTY CANNABIS BUSINESS TAX 2	\$331,694 100%	\$254,177 100%	\$77,517 30.5%

GENERAL FUND EXPENDITURES

The table below shows the expenditures for the first seven months of the year compared to budget. Currently, 56.8% of Salaries and benefits (budgeted at \$273,992,030) have been expended which is reasonable at this point in the fiscal year.

**General Fund Expenditures
Budget to Actual YTD 2017-18**

	FYR 2017-18 Adjust Budget	FYR 2017-18 Actual July - Jan	
SALARIES AND EMPLOYEE BENEF	273,992,030.00	155,744,145.99	56.8%
SERVICES AND SUPPLIES	148,433,332.00	62,048,757.00	41.8%
OTHER CHARGES	85,386,890.00	38,232,578.84	44.8%
FIXED ASSETS	1,407,840.00	473,146.19	33.6%
OTHER FINANCING USES	21,324,359.00	12,356,867.74	57.9%
INTRAFUND TRANSFERS	(33,738,411.00)	(7,745,047.69)	23.0%
APPROP FOR CONTINGENCIES	6,234,486.00	-	0.0%
	<u>503,040,526.00</u>	<u>261,110,448.07</u>	51.9%

FUND BALANCE RESERVE

The County's Annual Financial Report (CAFR) of June 30, 2017, reported the following fund balance reserves. The fund balance in the County's General Fund that was used to calculate the Fund Balance Reserve Goal was \$48,848,495.

**General Fund Reserves
FYR 2015-16 through Adopted Budget 2017-18**

	CAFR 2015-16	CAFR 2016-17	Budgeted 2017-18
Committed - Natural Disasters	\$ 1,251,089	\$ 2,000,000	\$ 2,000,000
Committed - Working Capital	6,000,000	6,000,000	6,000,000
Committed - Economic Uncertainty	8,290,001	10,000,000	10,000,000
Assigned - Health Services	14,229,750	14,229,750	14,229,750
Assigned - Monterey Bay Community Power		272,727	272,727
Assigned - Structural Deficit	6,632,662	6,310,843	6,310,843
Assigned - Liabilities	1,500,000	2,000,000	2,000,000
Assigned - Human Services	460,000	1,969,278	1,969,278
Assigned - Salary Savings		6,065,597	6,065,597
Total Committed & Assigned Fund Balance	\$ 42,868,460	\$ 48,848,195	\$ 48,848,195
10% Goal Committed & Assigned Fund Balance:	\$ 47,141,172	\$ 47,308,713	\$ 48,979,676
% of Fund Balance Reserves Achieved:	9.09%	10.33%	9.97%

In June 2011, your Board adopted a Fund Balance Reserve Policy in compliance with Government Accounting Standards Board (GASB) Statement No. 54. A minimum balance in the committed and assigned categories for the County General Fund was established at 7% of the upcoming budget year's estimated revenues. The policy was revised in November 2014 to increase the minimum fund balance of the General Fund from 7% to 10% over the next seven years.

This policy has helped the County maintain a stronger fiscal position to weather negative economic trends, while still preserving flexibility. The committed and assigned fund balance designations of the County's General Fund of June 30, 2017 were at 10.33% and are budgeted at 9.97% for Fiscal Year 2017-18.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks such as revenue shortfalls and unanticipated expenditures. Fund balance levels are also crucial considerations in long-term financial planning. It is critical to the fiscal health of the County that fund balances continue to meet the expectations as outlined in the County's fund balance policy.

FINANCIAL REPORTS AND EZGov FINANCIAL SEARCH

The Auditor-Controller's office continues to focus on transparency and has made EZGov available for the public's use to review financial information. EZGov is an online financial search tool located on the Auditor-Controller's website that allows for easy access to information on Santa Cruz County funds and how they are budgeted and spent. The current financial data is updated at the close of each fiscal quarter. Data is presented from fiscal year 2012-13 through current.

In addition, the County's Annual Financial Reports and Budget documents are available online on the Auditor-Controller's website.

Summary

General Fund revenues are at 35.99% of budget and expenditures are at 51.9% of budget. Current year expenditures are as expected at this point in the fiscal year, although revenues lag behind. Both revenues and expenditures are similar to last year at this seven-month point. Property tax delinquencies remain stable and interest rate earnings are on the increase.