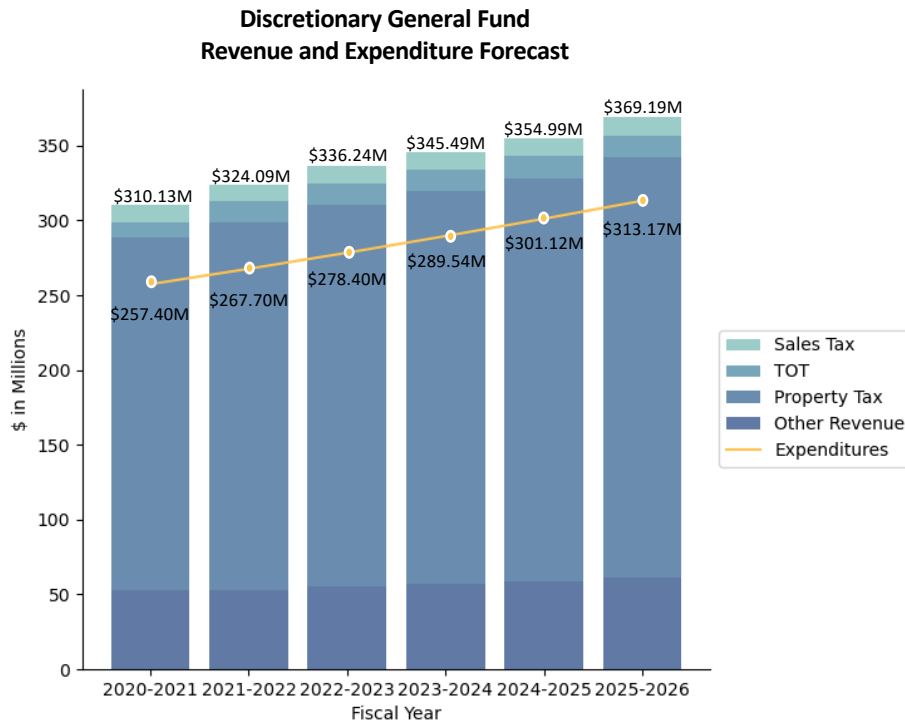
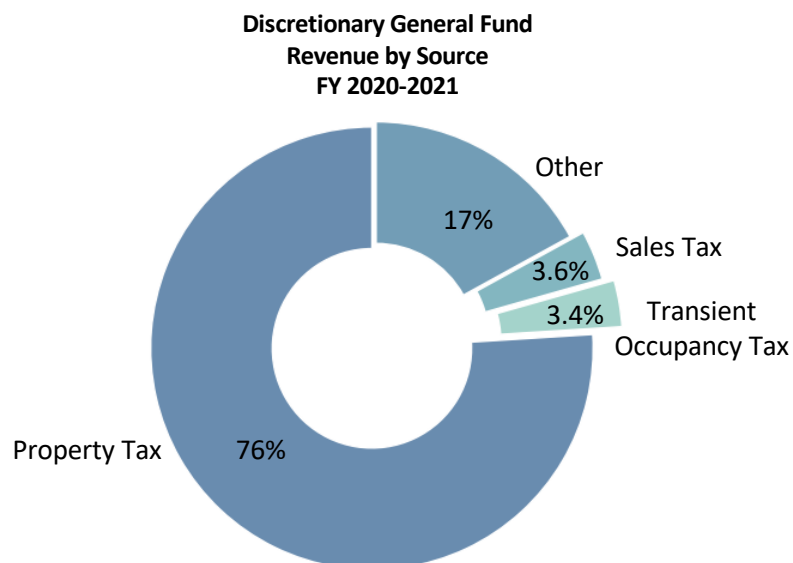


Santa Barbara County Discretionary General Fund Five-Year Forecast -Quickview

The financial position of the discretionary General Fund is strong, with growth projected in all of the top revenue sources and significant annual surpluses projected throughout the forecast period.



I. Revenue



Property Tax

Property tax, by far the largest source of discretionary revenue, is expected to experience moderate to strong growth throughout the forecast period. However, some volatility is expected.

Transient Occupancy Tax (TOT)

With a return to normal tourism activity as the state of the COVID-19 pandemic improves, Transient Occupancy Tax revenue is expected to rebound significantly. This rebound is expected in the first fiscal year of the forecast, with an estimated increase of around 30% in FY 2021-2022, followed by modest growth in the following years. This growth is expected to return TOT to its place as the second largest source of discretionary revenue by FY 2021-2022.

Sales Tax

Sales Tax revenue is expected to grow modestly and consistently throughout the forecast period.

Other Revenue Sources

Cumulatively, all other sources of discretionary revenue make up a significant portion of the total (17% of discretionary revenue in the current fiscal year).

For the current forecast, all other revenue is projected based on the assumption of Property Tax revenue continuing to constitute 76% of total discretionary revenue. This allows for an average annual growth rate of 3.1%. These projections, as well as those for total discretionary revenue and the financial position should be viewed as less precise estimates than [those presented above? the other projections?], as they are based on this assumption rather than more rigorous economic analysis. However, this uncertainty is only in the precise magnitude of these projections and does not impact the conclusions of this report.

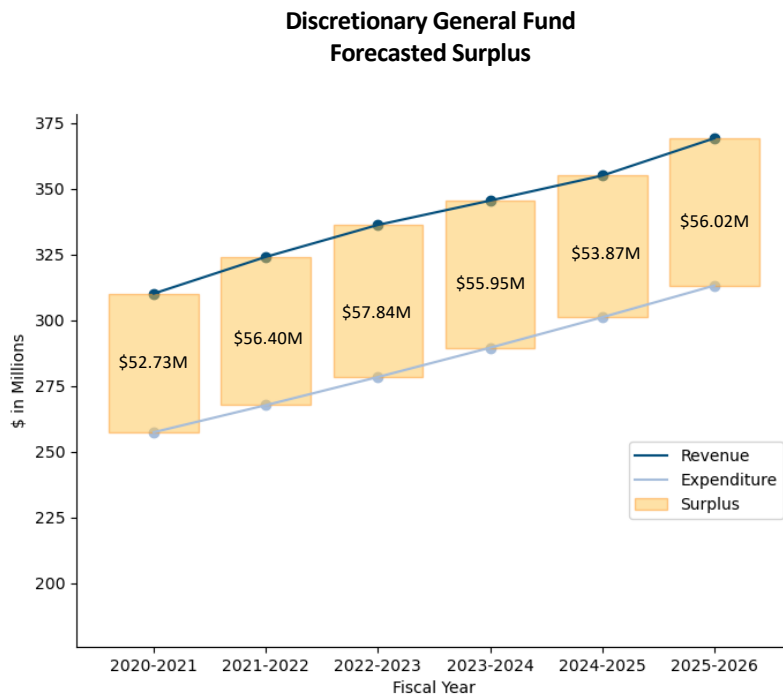
II. Expenditure

Total Expenditure, composed primarily of Salaries and Benefits, is projected to increase steadily and consistently throughout the forecast period.

III. Financial Position

The discretionary General Fund is in a state of surplus in the current fiscal year. A consistent and healthy annual surplus of between \$52 and \$58 million is projected throughout the forecast period. This surplus relies heavily on revenue other than that from the primary three sources of discretionary revenue.

Growth in Expenditures is expected to outpace growth in the three primary discretionary revenue sources by FY 2023-2024. Therefore, without the revenue from other sources, the General Fund would be projected to run an increasing annual deficit, from around \$900k in FY 2023-2024 to \$5.4m in FY 2025-2026.



IV. Key Takeaways

FY 2021-2022 is expected to be a year of strong revenue growth in Property Tax and TOT, bolstering current surpluses. This is projected to be preceded by a return to relatively stable and moderate growth.

As the discretionary General Fund relies heavily on property tax revenue (accounting for over three quarters of total discretionary revenue), it is vulnerable to any volatility in this revenue source. Impacts of relevant policy (such as Prop 19) should be closely monitored and interim estimates should be updated accordingly.

Revenue from sources other than Property Tax, Sales Tax and TOT make up a significant portion of discretionary revenue, thus the financial position of the General Fund is also somewhat vulnerable to volatility in these sources.

Stable and significant annual surpluses are projected to continue for the next five years. However, with high and stable growth in expenditures, these surpluses rely increasingly on revenue from sources other than Property Tax, Sales Tax and TOT.

Appendix

Table 1. Discretionary General Fund Revenue by Source (In Millions of Dollars)

Fiscal Year	Property Tax Revenue	Transient Occupancy Tax Revenue	Sales Tax Revenue	Other Revenue	Total Revenue
2020-2021	\$ 235.70	\$ 10.50	\$ 11.20	\$ 52.73	\$ 310.13
2021-2022	\$ 246.31	\$ 13.65	\$ 11.42	\$ 52.71	\$ 324.09
2022-2023	\$ 255.54	\$ 13.92	\$ 11.65	\$ 55.12	\$ 336.24
2023-2024	\$ 262.57	\$ 14.20	\$ 11.89	\$ 56.83	\$ 345.49
2024-2025	\$ 269.79	\$ 14.49	\$ 12.12	\$ 58.59	\$ 354.99
2025-2026	\$ 280.58	\$ 14.78	\$ 12.37	\$ 61.46	\$ 369.19