



# FINANCIAL HIGHLIGHTS

COUNTY OF SANTA BARBARA, FISCAL YEAR ENDED JUNE 30, 2008

September 22, 2008

This report provides highlights of the significant financial and economic activity of Santa Barbara County, California for the fiscal year (FY) ended June 30, 2008.

### Board of Supervisors

Salud Carbajal, Chair, First District  
Janet Wolf, Second District  
Brooks Firestone, Third District  
Joni Gray, Fourth District  
Joe Centeno, Vice Chair, Fifth District

### County Executive Officer

Michael F. Brown

### County Auditor-Controller

Robert W. Geis, CPA, CPFO

Visit the County's web site at  
[www.countyofsb.org](http://www.countyofsb.org)

View the Highlights on-line at  
[www.countyofsb.org/auditor](http://www.countyofsb.org/auditor)

E-mail us your comments at  
[geis@co.santa-barbara.ca.us](mailto:geis@co.santa-barbara.ca.us)



Point Sal State Beach,  
Santa Barbara County

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### ECONOMIC INDICATORS

The economy has entered into a significant downturn and has been hit particularly hard by the housing market collapse, problems in the mortgage security markets and the oil driven energy crisis. At the very least the housing sector is in a recession of its own throughout the U.S., California and the northern sector of Santa Barbara County. The California State budget deficit for FY 08-09 will also have a negative effect on the economy. We foresee an economic decline throughout 2008. Therefore we expect the continuation of a drop in the growth of our discretionary revenues, especially property taxes.

### FINANCIAL INDICATORS

In FY 07-08 the County General Fund had a few adverse impacts. At the beginning of the year, the Zaca fire burned 264,000 acres of Federal forest lands. We also had a decline in Prop 172 sales tax revenues that affected public safety funding. Late in the fiscal year, the General Fund transferred significant monies to support adult mental health programs which caused a draw on fund balance after years of building reserves in the General Fund. In addition, at year-end a major liability related to Medi-Cal cost settlements was identified and reported in the ADMHS Fund that may impair General Fund reserves. Most other programs remained financially sound but showed stress from various economic factors.

FY 08-09 began with the Gap fire in the Goleta foothills burning over 10,000 acres. Property tax growth rates dropped to 4.5%. The County budget decreased its funded employee position count by 5%, implemented an employee furlough program and is expecting cuts when the California State budget is enacted. Retirement pension and retiree medical costs rose 25%. The County is hoping for the voters to approve the renewal of a ½ cent sales tax for road funding in November. Though a jail facility is necessary, a decision on funding for a North County Jail will be difficult. It is evident that financial resources will be a significant issue for the foreseeable future.

# A MESSAGE FROM THE AUDITOR-CONTROLLER



Bob Geis has served the County of Santa Barbara as the elected Auditor-Controller since 1991.

This FINANCIAL HIGHLIGHTS publication is intended to provide the general public with an easy-to-read overview of the County government's financial condition. The information contained in this report is derived from the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are available at all public libraries and also at the Auditor-Controller's web site.

The picture on our cover is of Point Sal State Beach located in the northwestern part of Santa Barbara County. The County received a 143-acre property called Paradise Beach just North of Point Sal from the Land Conservancy of San Luis Obispo. This added to a plan to put approximately 800 acres of land into a conservation plan, in addition to providing for recreational opportunities. The County has also worked closely with Vandenberg Air Force base to secure access to the beaches. This beautiful Santa Barbara beach is only accessible through a walking trail so if you visit, plan accordingly for a good hike.

## "Zaca Fire Declared Over 240,207 Acres Burned"

Santa Ynez Valley News October 30, 2007

The County started FY 07-08 with a summer long disaster known as the Zaca fire, burning primarily in the Los Padres National Forest. Then we started FY 08-09 with the Gap fire in Goleta. Many homes were evacuated in both fires, but no lives were lost due to the great efforts of the fire fighting and law enforcement community. The emergency response was indeed expensive but most costs were covered through Federal and State sources.

Our local finances for FY 07-08 performed at an average level. However, a downturn is clear with the property tax growth diminishing. We are receiving recession type economic data in our analysis of the County financial condition. The State budget is also late and we expect subsequent adverse effects for local government financing.

This year we drew on General Fund reserves to provide for mental health funding deficiencies while the department tries to rebalance their budget. At year end, we were required to record and report a significant liability in the Mental Health Services Fund that may impair General Fund reserves. Countywide expenditures grew 6%, while revenues only grew at 3.5%. As a service delivery entity salaries and benefits are a large component of our costs. They increased 11% primarily driven by an increase in the full-time average employment count by 47 full time equivalents to 4,337, cost of living adjustments, a 25% increase in retirement rates and increases in health insurance.

Two significant long-term issues were of major focus and discussion. First, a significant initiative for a local transportation ½ cent sales tax will appear on the November ballot. I urge the voters to carefully consider this measure. Second, the Board of Supervisors and Sheriff are trying to put a plan in place for a much needed North County Jail.

## "Measure A Tax Making Its Way Toward Ballot"

Lompoc Record April 13, 2008

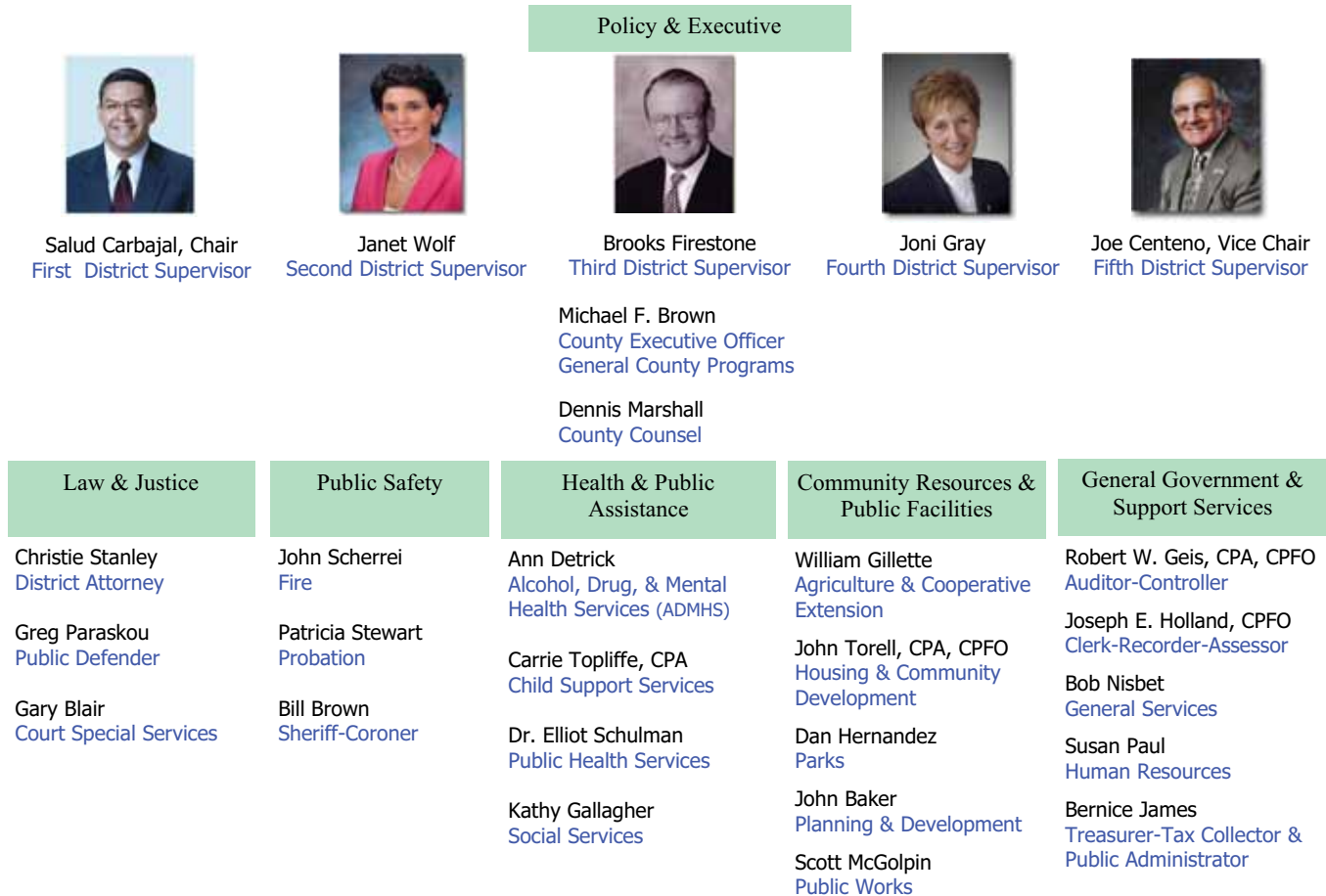
Our goal with this report is to provide a summary of County finances. However, government accounting standards that focus on budgetary spending, diverse tax formulas and our complex relationship with State programs make it difficult to keep things simple. In light of the issues highlighted above, the County expects to face significant challenges over the next few years. Please feel free to provide us with any comments for improvements.

A handwritten signature in black ink that reads "Robert W. Geis". The signature is written in a cursive, slightly slanted style.

Robert W. Geis, CPA, CPFO  
County Auditor-Controller

# WHO WE ARE

Policymaking and legislative authority is vested in the County Board of Supervisors, which consists of an elected supervisor from each of the five districts. The County has five elected department heads responsible for the offices of the Clerk-Recorder-Assessor, Auditor-Controller, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector-Public Administrator. The following organization chart reflects the various functional categories reported in the CAFR, along with the names of the principal officials.



On July 1, 2008, Dennis Marshall was appointed as County Counsel by the Board of Supervisors and on October 23, 2007, Ann Detrick was announced the Alcohol, Drug and Mental Health Director by CEO Mike Brown. Salud Carbajal is presently serving as Chair of the Board of Supervisors and Joe Centeno as Vice-Chair. On January 9, 2007, first-term elected officials were sworn-in, Janet Wolf as the Second District Supervisor, Bill Brown as the Sheriff-Coroner, and Christie Stanley as the District Attorney. Also in 2007, The Courts appointed Patricia Stewart as Chief Probation Officer, and the CEO appointed Dan Hernandez as the new Parks Director, John Torell as Housing Director, and Scott McGolpin as Public Works Director.

**“Marshall Welcomed As County Counsel”**  
Daily Sound May 28, 2008

The twenty-four County departments have a dual role in providing services to their residents. First, basic local government services are provided to residents in the unincorporated areas of the County, such as fire protection and maintenance of County roads, as well as services in some cities by contract, such as Sheriff patrol. Second, Countywide services are provided as a regional government such as District Attorney prosecution and Sheriff jail operations, or agents for the State through public assistance programs. For details of services provided by the County, visit the County’s website and peruse the County’s Operating Plan publication.

# ECONOMIC GROWTH...

The following highlights and graphs are evidence of Santa Barbara's changing economy.

## Employment

- Santa Barbara County's unemployment rate increased to 4.4% in 2007 from 4.1% in 2006. However, it remains comparatively low to both state and national unemployment rates.
- Job growth increased to 0.9% in 2007 from 0.1% growth in 2006.
- The County's largest employer is the University of California, Santa Barbara with 9,723 employees.

**"Economic Outlook Not Good, But Not Bad"**

Daily Sound April 18, 2008

## Income

- The average annual salary increased 2.2% to \$41,242 in 2007 from \$40,350 in 2006.

## Retail Sales

- Retail Sales decreased 4.9% to \$5.9 billion for the 2007 calendar year.

## Real Estate

- The Countywide nominal median home price increased 5.3% to \$771 thousand, compared to state median home price of \$555 thousand.
- Santa Barbara County's residential real estate market was not as affected as other California markets. The 12.5% decline in sales was actually an improvement from the 22.7% decline in 2006. The real median home price in South County declined at 4.1%, while the North County real median home price declined at a rate nearly four times that. Given this market, it is notable that the existing countywide single-family median home prices held relatively steady.
- Non-residential valuations increased 15% to \$208.9 million.

**"North County Economy in 3-Year Recession"**

Santa Maria Times May 9, 2008

## Tourism

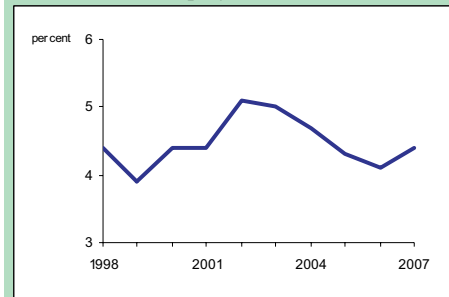
- The South Coast's 2007 hotel and motel occupancy rate was estimated at 73%, a rate slightly lower than the 10-year average of 74%.

**"Slow Rise In Hotel Business Predicted"**

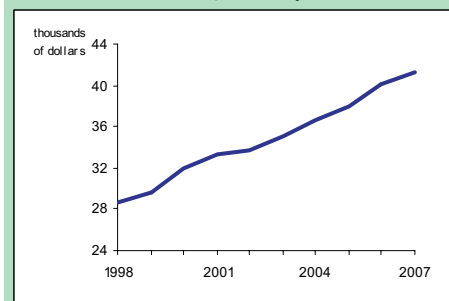
Lompoc Record November 09, 2007

Most of the information about the Local Economy is derived from the 2008 Santa Barbara County *Economic Outlook* printed April 2008 and based on the 2007 calendar year (with permission from the UCSB Economic Forecast Project).

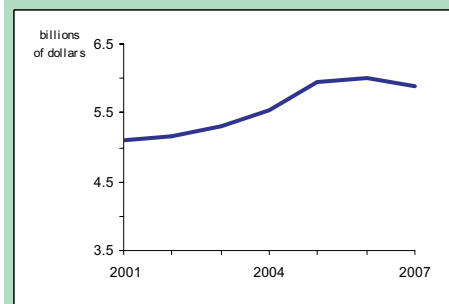
Unemployment Rate



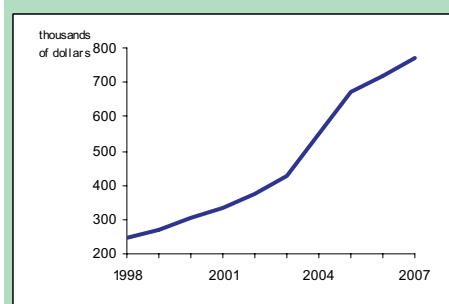
Average Salary



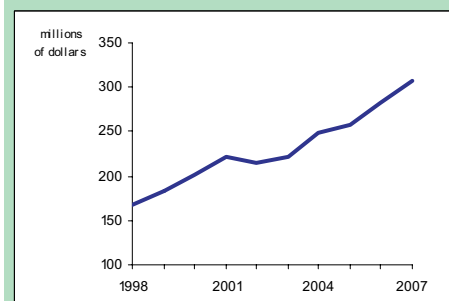
Retail Sales



Median Home Price

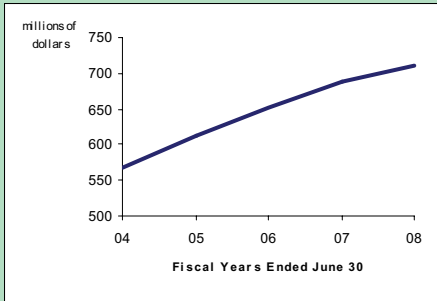


Hotel/Motel Room Sales



# ...DRIVES COUNTY REVENUES

## Total Revenues



The momentum of the economy fuels the County's significant revenue sources which are comprised primarily of taxes, payments from state and federal governments and charges for services.

### Total Revenues

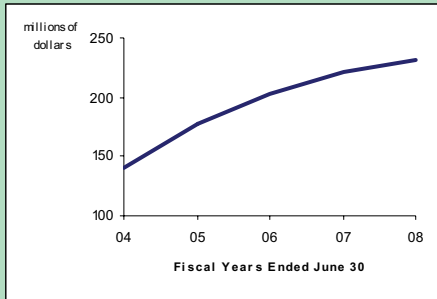
- Revenues for the County government entity increased by 3.5% to \$712 million from the prior year's revenues.

### Taxes

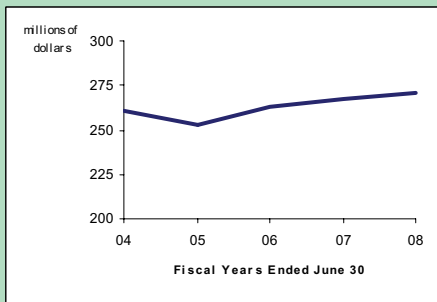
Taxes are generated locally and provide the Board with most of its discretionary spending ability. Since formation of County government in the 1850's, these resources have generally been consumed by basic public safety services such as Sheriff, Fire and District Attorney.

- Property taxes increased 5% to \$164 million.
- Property tax in-lieu of motor vehicle tax increased 7% to \$40 million.
- 1% share of retail sales tax decreased 12% to \$7.8 million.
- Property tax in-lieu of 1% sales tax increased 39% to \$3.7 million.
- Other shared retail sales tax increased 1% to \$8.7 million.
- Transient occupancy tax increased 8.8% to \$7.1 million.
- Total taxes increased by 5% to 232 million.

## Taxes



## Federal & State



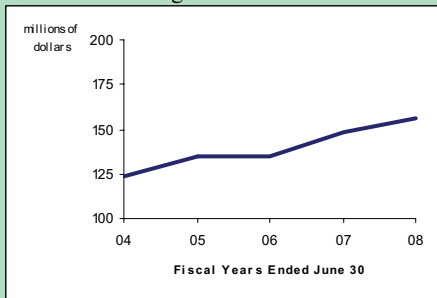
## "Reassessments May Hit Mid 90's Record"

Santa Barbara News Press June 14, 2008

### Federal and State (Intergovernmental) Revenues

- As an arm of State government, these multiple program resources are 38% of County funding and are tied to mandated services such as social services, public assistance, health and mental health.
- Total intergovernmental resources driven by reimbursements for mandated programs increased 1.6% to \$271 million.

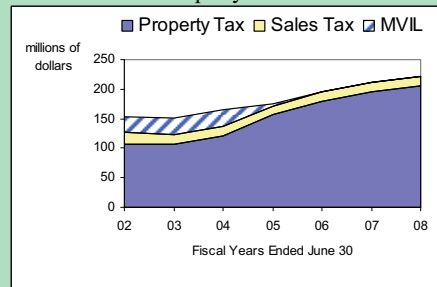
## Charges for Services



### Charges for Services

- Charges for services revenue increased 6% to \$157 million. These revenues are driven by program cost reimbursements via federal and state programs such as Medi-Cal and State Federally Qualified Health Center, and reimbursements from other government agencies such as city contracts for Sheriff services.

## Property Tax



### Property Tax In-Lieu of MVIL and 1% Sales Tax

- The State cut the motor vehicle in-lieu (MVIL) car tax for the benefit of State taxpayers in 2005. This tax had previously been distributed to the County. To compensate, the State "swapped" \$39.8 million of property tax revenue back to the County.
- Also, in order to issue and repay long-term recovery bonds for the State deficit, the State "flipped" a portion of the County's sales tax for property taxes in the amount of \$3.7 million.

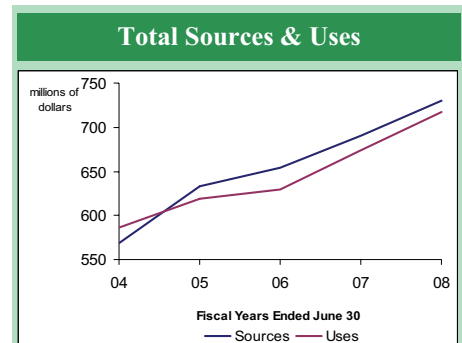
This report contains information from the CAFR's governmental funds financial statements with the following exceptions: 1. The capital asset and outstanding debt information on page 7 is derived from the government-wide financial statements and 2. The enterprise fund information on page 8 is derived from the proprietary fund financial statements. All statements in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP).



# FINANCIAL SUMMARY

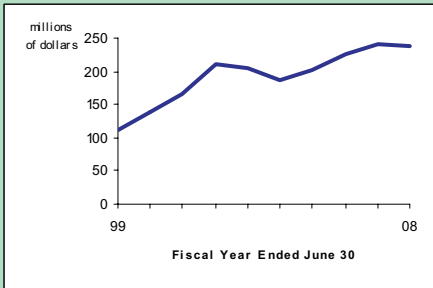
SANTA BARBARA COUNTY ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES					
Fiscal Years Ending June 30 (in thousands)	2004	2005	2006	2007	2008
<b>Revenues (by source):</b>					
Taxes	\$140,594	\$176,747	\$202,078	\$220,583	\$231,955
Licenses, Permits, and Franchises	14,407	13,712	14,094	14,336	14,294
Fines, Forfeitures, and Penalties	9,554	9,675	12,020	11,020	12,333
Use of Money and Property	5,532	9,489	10,783	13,025	12,173
Intergovernmental	260,609	253,104	263,025	266,953	271,211
Charges for Service	123,739	134,276	134,664	148,311	156,648
Other	13,058	15,751	15,255	13,414	13,637
<b>Total Revenues</b>	<b>567,493</b>	<b>612,754</b>	<b>651,919</b>	<b>687,642</b>	<b>712,251</b>
<b>Expenditures (by function):</b>					
Policy and Executive	10,024	10,229	10,824	11,846	13,290
Law and Justice	36,802	37,361	38,083	39,247	41,875
Public Safety	140,458	148,978	160,249	175,500	189,364
Health and Public Assistance	232,782	241,023	260,562	273,314	287,957
Community Resources and Facilities	67,161	85,219	78,085	90,994	89,859
General Government and Support Services	39,828	40,007	46,686	47,380	48,356
General County Programs	13,918	9,731	12,574	14,552	18,452
Debt Service	9,566	10,016	11,323	10,806	9,237
Capital Outlay	35,862	36,155	11,029	10,620	20,055
<b>Total Expenditures</b>	<b>586,401</b>	<b>618,719</b>	<b>629,415</b>	<b>674,259</b>	<b>718,445</b>
Net Other Financing Sources (Uses)	1,174	20,385	2,631	3,035	17,758
Prior Period Adjustment for Mental Health Programs	\$ -	\$ -	\$ -	\$ -	\$ (14,203)
<b>Net Change in Fund Balance</b>	<b>(\$17,734)</b>	<b>\$14,420</b>	<b>\$25,135</b>	<b>\$16,418</b>	<b>(\$2,639)</b>

- The overall results of the County finances leave the organization in a tenuous financial position exacerbated by the downturn in the growth of property tax revenue and anticipated State budget reductions.
- The County experienced an overall increase in revenue of \$24.6 million or 3.6% to \$712 million. Property tax and charges for service, respectively, showed the strongest revenue growth.
- Expenditures increased \$44.2 million or 6.5% to \$718 million. The County's single largest expenditure component, salaries and benefits, are approximately 52% of all County expenditures. They grew across all functions by 11% or \$43.6 million due to cost of living increases, an increase in retirement contribution, an increase in employer health insurance, and the cost of additional full-time employees.
- This fiscal year, expenditures exceeded revenues by approximately \$6 million dollars. In addition, a substantial prior period expenditure adjustment of \$14 million was booked in the Mental Health Fund. This draw on resources was offset by debt proceeds of \$17 million in the Redevelopment Agency. The net reduction to fund balance of \$2.6 million would have been much greater without this debt issuance that will be spent on projects over the next two years..
- Health and Public Assistance consumes 40% of all County expenditures.
- Public Safety (i.e. Sheriff, Fire, and Probation) receives the largest share of the County's local taxes and accounts for 26% of the County's expenditures.
- Key factors in the net change to fund balance:
  - Slight property tax growth which exceeded budget estimates in the General and Special Revenue funds
  - Debt Issuance for Redevelopment Agency
  - ADMHS liabilities necessitated a prior period adjustment to decrease fund balance.



# FINANCIAL TRENDS

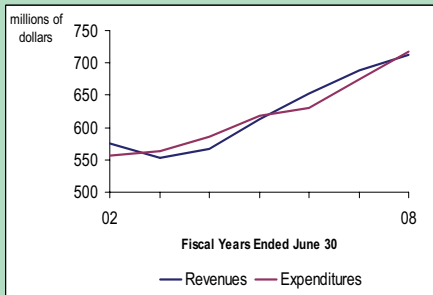
## Fund Balance



## Fund Balance

- Total governmental funds decreased \$2.6 million to \$239 million.
- General Fund unreserved balance decreased \$8 million, or 11% to \$62 million.
- The General Fund balance is 27% of its expenditures and the General Fund unreserved fund balance is 19% of the total General Fund expenditures.
- The Strategic Reserve designation, which is earmarked for severe economic downturns and emergencies, ended the year at \$24.2 million and is budgeted to increase to \$25.3 million in FY 08-09.

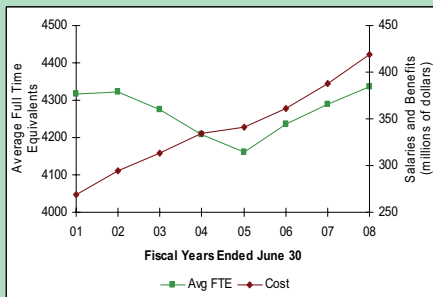
## Revenues and Expenditures



## Revenues and Expenditures

- Expenditures exceeded revenues for total governmental funds by \$6 million while other financing sources exceeded uses by \$17.8 million.
- This is the first time since 2005 that the County had expenditures in excess of revenues. This is largely due to a slowdown in property tax revenue growth and increased public safety costs along with increases in health and public assistance expenses.

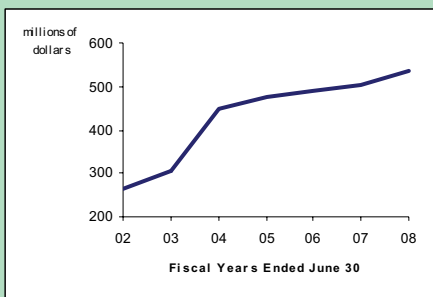
## Employees



## Employees

- The County increased its average full-time equivalent count by 47 to 4,337.
- The Public Safety departments added 29 employees for a total of 1,394.
- As a service delivery entity, the cost of employee salaries and benefits were approximately 52% of actual expenditures.

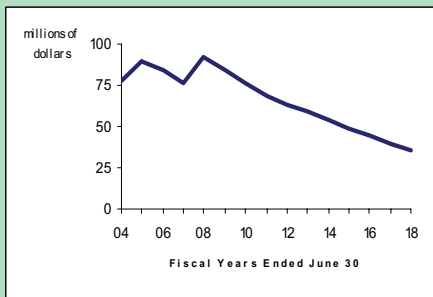
## Capital Assets



## Capital Assets

- The County's investment in capital assets increased by \$30.5 million, or 6%, to \$535 million.
- \$24.5 million in major construction projects were completed.
- Major projects include the remodel of ADMHS Carmen Lane Building for \$1.9 million, Cottage Hospital Flood Control box culvert for \$6.4 million, Jonata Park Road Bridge for \$2.5 million and the Cachuma Boat Launch Ramp at \$2.6 million.

## Outstanding Debt



## Long-Term Debt

- Total long-term debt outstanding related to general obligation and revenue bonds amounted to \$92 million, an increase of 21% from the prior year.
- The County has \$80.1 million in outstanding certificates of participation and has a rapid debt repayment plan that will reduce the debt by 60% over the next ten years.
- Tax and Revenue Anticipation Notes (TRAN) were not issued in FY 2007-08.

**"Santa Barbara County Conditionally Awarded \$56.3 Million to Build New Jail"**

Vandenberg Times May 15, 2008

# SERVICES & EXPENDITURES BY FUNCTION

## POLICY AND EXECUTIVE

This functional area has 90 employees and expenditures of \$13 million. Setting policy, adopting the budget and providing legal services are its workload drivers.

## LAW AND JUSTICE

This functional area has 216 employees and expenditures of \$42 million. The District Attorney, Public Defender and Courts Special Services are charged with protecting the rights and ensuring the safety of the citizens.

## PUBLIC SAFETY

This functional area has 1,394 employees and expenditures of \$189 million. Protection of the community, including people and their property, through law enforcement, fire protection, custody of adult and juvenile criminals and probation monitoring of offenders are the workload drivers.

**"Fire Officials Advise Thorough Preparation for Hot, Dry Season"**

Santa Barbara News-Press May 12, 2008

## HEALTH & PUBLIC ASSISTANCE

With 1,615 employees and expenditures of \$288 million these federal and state funded programs serve the less advantaged County residents. They strive to improve the health of the community through preventive health services, aiding individuals and families to become emotionally, socially and fiscally self sufficient, serving children and families by enforcing child support orders and providing a comprehensive array of alcohol, drug and mental health services.

**"Dark Cloud Over Mental Health"**

The Independent April 24, 2008

## COMMUNITY RESOURCES AND PUBLIC FACILITIES

This functional area has 473 employees and expenditures of \$90 million. The departments in this functional area are devoted to enhancing the quality of life in Santa Barbara County. They look to preserve and protect natural resources, foster safe long-term land use, develop affordable housing, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible.

## GENERAL GOVERNMENT AND SUPPORT SERVICES

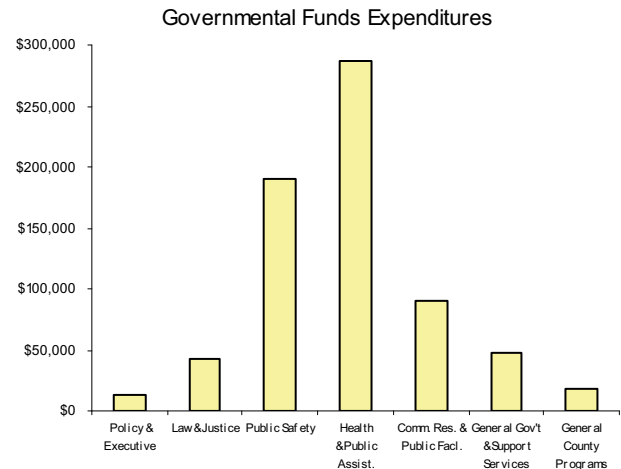
With 414 employees and expenditures of \$48 million, this functional area provides general government services to the citizens for important issues such as elections, and also provides support services to County operations such as payroll and human resources. The departments provide financial integrity for the County, quality services for our largest asset, which is our employees, as well as management of the County's financial assets.

**"280 Foreclosures So Far This Year Keep County Office Busy"**

Santa Maria Times June 13, 2008

## GENERAL COUNTY PROGRAMS

34 employees with expenditures of \$18 million service a variety of general county programs. Included are Debt Service, Developing Strategies and the Redevelopment Agency which are generally managed by the policy and executive group. The First 5 Children and Families Commission has its own governing body, but remains a part of the County financial entity. Transfers to other government entities, such as libraries and the Local Agency Formation Commission, are also accounted for in this unit.



## ENTERPRISE FUNDS

There are three enterprise funds in the County: Resource Recovery, Transit Operations and Laguna Sanitation. A fee for service revenue structure covers the costs of 101 employees and expenses of \$28 million.



# TRANSITION TO NEXT YEAR'S BUDGET

## Statement of Revenues, Expenditures, and Changes in Fund Balance (FY 07-08)

Governmental Funds (in thousands)

	General	Road	Public Health	Social Services	ADMHS	Flood Control District	Capital Projects	RDA Debt Service	Other Gov Funds	Total
Revenues	\$ 335,783	\$ 32,178	\$ 68,718	\$ 111,683	\$ 67,112	\$ 17,764	\$ 6,650	\$ 1	\$ 72,362	\$ 712,251
Expenditures	(326,661)	(29,940)	(75,811)	(121,135)	(76,003)	(12,652)	(21,363)	(217)	(54,663)	(718,445)
Other fin. sources (use)	89	1,292	6,519	11,447	6,178	32	6,421	(13,488)	(732)	17,758
Prior Per. Adj. ADMHS	-	-	-	-	(14,203)	-	-	-	-	(14,203)
Change in fund balance	\$ 9,211	\$ 3,530	\$ (574)	\$ 1,995	\$ (16,916)	\$ 5,144	\$ (8,292)	\$ (13,704)	\$ 16,967	\$ (2,639)

The above table presents the County's General fund and seven other major funds. Other governmental funds aggregate the 21 other special revenue funds and debt service funds. A few highlights follow:

- The General Fund increased total fund balance by \$9 million; reserved fund balance increased \$17 million while unreserved decreased \$8 million.
- The Road Fund increased fund balance by \$3.5 million due to the deferral of road maintenance projects.
- The Public Health Fund balance decreased minimally.
- Social Services Fund had a slight increase to their fund balance.
- Flood Control increased their fund balance by approximately \$5 million due to intergovernmental revenues to be used for flood prevention projects.

### Financial Status Summary

General Fund (in thousands)

FY 07-08

	Adjusted Budget	Actual	Budget Savings
Revenues	\$ 337,432	\$ 335,783	\$ (1,649)
Expenditures	(342,470)	(326,661)	15,809
Net other financing uses	507	89	(418)
Net financial impact	\$ (4,531)	\$ 9,211	\$ 13,742

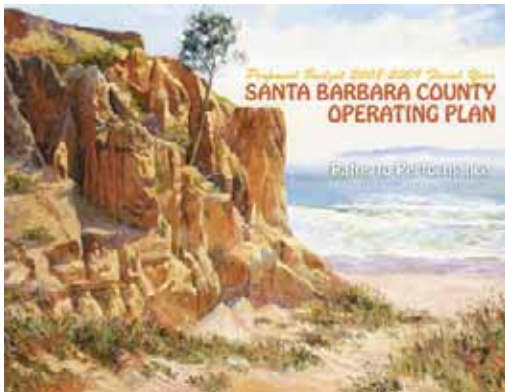
### General Fund Balance (in thousands)

	Beginning Balance 7/1/2007	Ending Balance 6/30/2008
Reserved	\$ 8,956	\$ 26,381
Unreserved Designated	58,488	56,447
Unreserved Undesignated	11,484	5,311
<b>Total Fund Balance</b>	<b>\$ 78,928</b>	<b>\$ 88,139</b>

As of June 30, 2008, total General Fund balance was \$88.1 million, with \$26.4 million representing reserved fund balance. The unreserved General Fund balance decreased to \$62 million, or 19%, of FY 07-08 expenditures. General Fund revenue growth increased \$8.6 million, or 2.6%, while expenditures grew by \$24.3 million, or 8%, over the prior year.

## FY 08-09 BUDGET

The County adopted the FY 08-09 County Budget Plan with operating appropriations set at \$710 million and capital outlay appropriations of \$49.1 million.



### Use of Funds Summary

Countywide Functions:

Policy & executive	\$ 9,035,983	1.2%
Law & justice	41,903,080	5.5%
Public safety	192,576,509	25.4%
Health & public assistance	287,735,208	37.9%
Community resources & public facil.	105,470,778	13.9%
Support services	47,628,226	6.3%
General county programs	25,903,781	3.4%
<b>Expenditure total</b>	<b>710,253,565</b>	<b>93.5%</b>
Capital	49,053,408	6.5%
<b>Total use of funds</b>	<b>\$ 759,306,973</b>	<b>100.0%</b>

## STATE BUDGET

The State missed its June 30, 2008 deadline for adopting a budget. Though a number of legislative trailer bills are being processed to enact various components of the budget, the stalemate continues. The tardiness of the State budget is not a sign of fiscal health and will undoubtedly effect local government financing. The County expects cuts to various programs as the details of the budget emerge.

# FY 2008-09 FORECAST

In FY 07-08, we have been seeing signs of a significant and prolonged economic downturn. The rate of property tax growth is declining and other economy driven revenues, like sales tax, are decreasing. The County budget will be stretched by salary pressures along with pension, employee health insurance and retiree medical cost increases. The State budget has a structural problem that will worsen with California's economic downturn. Also, the County pension fund assets are on a decline while pension liabilities are increasing. Resources such as the Road Fund ½ cent sales tax are expected to expire and long-term funding is needed for important projects like the North County Jail.

Historical Assessed Value of Property in the County (in billions)		
Fiscal Year	Assessed Valuation	Percent Increase
84-85	12.4	12.5%
85-86	13.7	10.4%
86-87	14.9	8.4%
87-88	16.2	9.0%
88-89	17.6	8.5%
89-90	19.2	9.2%
90-91	21.2	10.5%
91-92	22.6	6.4%
92-93	23.5	4.1%
93-94	24.5	4.1%
94-95	24.8	1.2%
95-96	25.3	2.1%
96-97	26.0	2.8%
97-98	27.1	3.9%
98-99	28.7	6.0%
99-00	30.4	6.0%
00-01	33.0	8.4%
01-02	35.9	8.7%
02-03	38.6	7.6%
03-04	41.3	6.9%
04-05	44.8	8.6%
05-06	49.5	10.4%
06-07	54.5	10.2%
07-08	58.5	7.24%
08-09	61.1	4.55%

## Standard & Poor's Ratings

Due to the County's elevated cash balances the County did not issue a Tax and Revenue Anticipation Note (TRAN) for FY 07-08. The most recent ratings follow:

April 14, 2008

The 'AA' rating on Santa Barbara County, Calif.'s \$25.5 million certificates of participation reflects the following credit strengths:

- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong general fund reserves;
- An experienced management team with strong financial policies;
- Low overall debt levels.

June 13, 2005

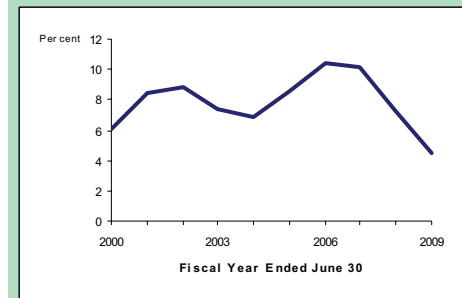
The 'SP-1+' rating on Santa Barbara County, Calif.'s TRANs reflects:

- The county's favorable general credit characteristics, and
- ...the County's cash balances provide strong projected coverage for the notes.

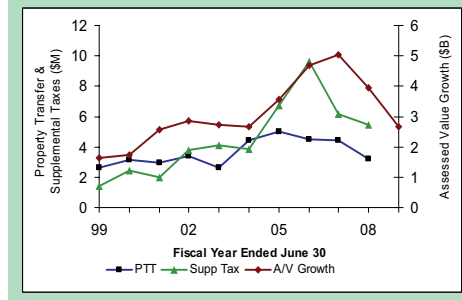
## SUMMARY HIGHLIGHTS

- FY 08-09 Economic Stress
- FY 07-08 Slowdown
- FY 06-07 Growth moderating
- FY 05-06 Strong and stable
- FY 04-05 Sustainable growth
- FY 03-04 Recovery
- FY 02-03 Slow paced growth
- FY 01-02 Growth moderating
- FY 00-01 Tremendous momentum carries over

Annual Change in Assessed Value of Property in the County



Assessed Value Growth vs Property Transfer Tax & Supplemental



## ECONOMIC INDICATORS

The economy has entered into a significant downturn and has been hit particularly hard by the housing market collapse, problems in the mortgage security markets and the oil driven energy crisis. At the very least the housing sector is in a recession of its own throughout the U.S., California and the northern sector of Santa Barbara County. The California State budget deficit for FY 08-09 will also have a negative effect on the economy. We foresee an economic decline throughout 2008. Therefore we expect the continuation of a drop in the growth of our discretionary revenues, especially property taxes.

## FINANCIAL INDICATORS

In FY 07-08 the County General Fund had a few adverse impacts. At the beginning of the year, the Zaca fire burned 264,000 acres of Federal forest lands. We also had a decline in Prop 172 sales tax revenues that affected public safety funding. Late in the fiscal year, the General Fund transferred significant monies to support adult mental health programs which caused a draw on fund balance after years of building reserves in the General Fund. In addition, at year-end a major liability related to Medi-Cal cost settlements was identified and reported in the ADMHS Fund that may impair General Fund reserves. Most other programs remained financially sound but showed stress from various economic factors.

FY 08-09 began with the Gap fire in the Goleta foothills burning over 10,000 acres. Property tax growth rates, shown in the Historical Assessed Value chart, dropped to 4.5%. Other leading property tax indicators of supplemental and transfer tax have also turned downward as shown in the graph above. The County budget decreased its funded employee position count by 5%, implemented an employee furlough program and is expecting cuts when the California State budget is enacted. Retirement pension and retiree medical costs rose 25%. The County is hoping for the voters to approve the renewal of a ½ cent sales tax for road funding in November. Though a jail facility is necessary, a decision on funding for a North County Jail will be difficult. It is evident that financial resources will be a significant issue for the foreseeable future.

# AWARD FOR OUTSTANDING ACHIEVEMENT

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The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Santa Barbara County for its Popular Annual Financial Report for the fiscal year ended June 30, 2007. This was the eleventh consecutive year that the County has received this award. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Robert W. Geis, CPA, CPFO  
Auditor-Controller  
105 East Anapamu Street, Room 303  
Santa Barbara, CA 93101

## KEY TERMS

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**GOVERNMENTAL FUNDS** - Funds generally used to account for tax-supported activities. The five different types of governmental funds are as follows: the general fund, special revenue funds, debt service funds, capital projects funds and permanent funds.

**FUNCTION** - Group of related activities aimed at accomplishing a major service or regulatory program for which government is responsible

**GENERAL FUND** - The general fund is one of five governmental fund types and typically serves as the chief operating fund of the government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

**FUND BALANCE** - The difference between fund assets and fund liabilities of governmental and similar trust funds.

**RESERVED FUND BALANCE** - The portion of a governmental fund's net assets that is not available for appropriation.

**UNRESERVED FUND BALANCE** - That portion of a fund balance available for spending or appropriation in the future.

**BUDGET** - A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating governing body for adoption, and sometimes, the plan finally approved by that body.

**APPROPRIATION** - A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

**CAPITAL ASSETS** - Long-lived tangible assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment, improvements other than buildings, land and infrastructure. In the private sector, these assets are referred to most often as property, plant and equipment.

**DEBT** - An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of governments include bonds, time warrants and notes.



## ON THE WEB



# County of Santa Barbara

WWW.COUNTYOF SB.ORG

NEIGHBORHOODS & HOUSING

HEALTH & ENVIRONMENT

PUBLIC SAFETY & JUSTICE

TRAFFIC & TRANSPORTATION

RECREATION

COUNTY GOVERNMENT

## Learn more about the Auditor-Controller's Office

and view the County's financial reports at [www.countyofsb.org/auditor/home.asp](http://www.countyofsb.org/auditor/home.asp).

Comprehensive Annual Financial Report  
Single Audit Report  
Financial Highlights  
Property Tax Highlights  
Retail Sales & Use Tax Highlights

## Pay your property taxes ONLINE

and see the breakdown of your secured property tax bill at [taxes.co.santa-barbara.ca.us](http://taxes.co.santa-barbara.ca.us)

Front Page:  
Point Sal State Beach, California  
Photograph by Joel Boyer