PRELIMINARY OFFICIAL STATEMENT DATED __________, 2011

NEW ISSUE - BOOK ENTRY ONLY **RATING: S&P--"_____"**
(See "RATING" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

$___________*

COUNTY OF SANTA BARBARA, CALIFORNIA
2011-2012 TAX AND REVENUE ANTICIPATION NOTES
SERIES A

Dated: Date of Delivery Due: _______, 2012, as set forth on inside cover

The 2011-2012 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Santa Barbara (the "County") are being issued to finance the seasonal cash flow requirements of the County during the fiscal year ending June 30, 2012. The Notes will be issued as fixed-rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of the Notes will be made only through DTC Participants under the book-entry system maintained by DTC in the denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Notes purchased.

The Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Notes will bear interest at a fixed rate per annum from their dated date, and principal of and interest on the Notes will be paid at maturity as set forth in the Maturity Schedule on the inside cover hereof. See "THE NOTES - General."

The Notes are obligations of the County payable out of the taxes, income, revenues, cash receipts and other moneys of the County attributable to Fiscal Year 2011-12 and are generally available for the payment of current expenses and other obligations of the County (the "Unrestricted Revenues"). The Notes are equally and ratably secured by a pledge of certain unrestricted taxes, income, revenues, cash receipts and other moneys. See "THE NOTES - General." Neither the payment of the interest on or principal of the Notes constitutes a debt,

* Preliminary, subject to change.

liability or obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Under certain circumstances described herein the County may issue an additional series of tax and revenue anticipation notes in Fiscal Year 2011-12 (the “Series B Notes” and, with the Notes, the “2011-2012 Notes”).

This cover page contains certain information for quick reference only and is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if issued by the County and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Certain other legal matters will be passed upon for the County by the Office of the County Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP. It is expected that the Notes will be available through the facilities of DTC in New York, New York for delivery on or about ______, 2011.

[DE LA ROSA LOGO]

Dated:

MATURITY SCHEDULE*

Maturity Date	Principal Amount	Interest Rate	Price or Yield	CUSIP®

* Preliminary, subject to change.
® A registered trademark of the American Bankers Association. CUSIP® data herein is provided by Standard & Poor's, CUSIP Services Bureau, a division of The McGraw-Hill Companies, Inc.

No dealer, broker, salesperson or other person has been authorized by the County of Santa Barbara or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no changes in the affairs of the County since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The County maintains a website at www.countyofsb.org. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

COUNTY OF SANTA BARBARA, CALIFORNIA

BOARD OF SUPERVISORS

Joni Gray, Chair, 4th District
Doreen Farr, Vice Chair, *3rd District*
Janet Wolf, *2nd District*
Salud Carbajal, *1st District*
Steve Lavagnino, *5th District*

COUNTY OFFICIALS

Chandra L. Wallar, *County Executive Officer*
Jason Stilwell, *Assistant County Executive Officer/Budget Director*
Harry Hagen, *Treasurer-Tax Collector*
Kimberly Tesoro, *Investment and Debt Officer*
Robert W. Geis, *Auditor-Controller*
Theo Fallati, *Assistant Auditor-Controller*
Julie Hagen, *Chief Deputy Controller*
Dennis A. Marshall, Esq., *County Counsel*
Anne Rierson, *Deputy County Counsel*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Treasurer-Tax Collector of the County of Santa Barbara
Santa Barbara, California
Paying Agent

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$____________*

COUNTY OF SANTA BARBARA, CALIFORNIA
2011-2012 TAX AND REVENUE ANTICIPATION NOTES
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INTRODUCTION

The purpose of this Official Statement, which includes the front cover through the attached Appendices, is to provide certain information concerning the sale and delivery of $_________* in the aggregate principal amount of 2011-2012 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Santa Barbara, California (the "County"). Issuance of the Notes will provide moneys to help meet current (Fiscal Year 2011-12) County general fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on ______, 2011 (the "Resolution"). The Resolution authorizes the County to issue an additional series of tax and revenue anticipation notes on or before December 15, 2011 (the "Series B Notes" and, with the Notes, the "2011-2012 Notes") (see "THE NOTES – General" below).

The Notes are issued subject to the terms and conditions of the Resolution. The Notes and the interest thereon are payable from certain unrestricted taxes, income, revenues, cash receipts and other moneys of the County attributable to Fiscal Year 2011-12 and which are lawfully available for the payment of current expenses and other obligations of the County as specified in the Resolution (the "Unrestricted Revenues"). See "THE NOTES - Security For The Notes."

The Notes are being issued to finance, in part, the County's general fund cash flow requirements during Fiscal Year 2011-12. The proceeds received from the sale of the Notes will allow the County to cover periods of deficits resulting from an uneven flow of revenues. County general fund expenditures tend to occur in relatively level amounts throughout the year, while receipts follow an uneven pattern. Cash receipts secured from property tax installment payments primarily occur in December and April, while payments from other government agencies occur at irregular intervals. As a result, the general fund's cash balance shows a deficit during parts of the fiscal year. The Notes are intended to finance such cashflow deficits.

Brief descriptions of the Notes, the security and sources of payment for the Notes, the County and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents, including the Resolution, are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the offices of the County.

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* Preliminary, subject to change.

COUNTY INFORMATION

The County of Santa Barbara was established by an act of the Legislature of the State of California (the "State") on February 18, 1850 and encompasses approximately 2,774 square miles of which approximately one-third is located in the Los Padres National Forest. The County is a general law county and political subdivision of the State of California and its rights, powers, privileges, authority, functions and duties are established by the Constitution and laws of the State.

The State of California (the "State") is experiencing significant financial and budgetary stress, and its financial condition and budget policies affect communities and local public agencies, including the County. It is anticipated that the State's Fiscal Year 2011-12 budget will contain a number of measures which will adversely impact the County's finances. There can be no assurances that, as a result of the current State financial stress, the State will not significantly reduce revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. In addition, there can be no assurances that State actions in response to the State's financial difficulties will not adversely affect the financial condition of the County. See "STATE OF CALIFORNIA FINANCES" below.

For a detailed discussion of the County and its demographic and financial performance, see "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX B – THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2010."

THE NOTES

General

The Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. See "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated the date of issuance thereof, and will mature on _________, 2012, and will pay interest at maturity, as set forth on the inside cover page hereof. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in denominations of $5,000 each and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate per annum set forth on the cover page hereof. Interest on the Notes will be computed on the basis of twelve 30-day months and a 360-day year. Principal and interest payable at maturity will be payable in immediately available funds, upon presentation and surrender of the Notes at the office of the Treasurer-Tax Collector of the County of Santa Barbara, as initial paying agent (the "Paying Agent") with respect to the Notes. The Resolution authorized the issuance of Notes, in one or two series, up to a maximum amount of $_________. The Series B Notes, if issued, will be issued on or before December 15, 2011, and shall mature (without option of prior redemption) on a date within thirteen months after the date of original issuance of the Series B Notes and will be secured ratably with the Notes. See "Security for the Notes" below.

Authority for Issuance

The Notes are issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Act and the Resolution.

Purpose of Issue

The Notes are being issued to finance the County's general fund cash flow requirements during Fiscal Year 2011-12 (July 1, 2011 through June 30, 2012). County general fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax collections being concentrated around installment dates in December and April. The proceeds received from the sale of the Notes will allow the County to cover periods of deficits resulting from such uneven flow of revenues. It is expected that the proceeds of the Notes will be invested in the County's investment portfolio (the "County Portfolio") until expended. See "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – COUNTY INVESTMENT POLICY."

Security for the Notes

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the County for the general fund of the County during or attributable to Fiscal Year 2011-12 and that are generally available for the payment of current expenses and other obligations of the County (the "Unrestricted Revenues").

As security for the payment of the principal of and interest on the Notes, the County pledges to deposit in trust in a restricted cash account within the general fund of the County designated as the "Tax and Revenue Anticipation Note Repayment Account" (the "Repayment Account"): (i) from the first Unrestricted Revenues received by the County during the period commencing on December 20, 2011, and ending on January 31, 2012 (a "Pledge Period") an amount an amount sufficient to pay the principal of and the interest on any Notes maturing before June 1, 2012 or, if all of the Notes mature on or after June 1, 2012, an amount equal to fifty percent (50%) of the principal amount of the Notes Outstanding during the Pledge Period; provided further that, in the event any Note matures on or before January 2, 2012, this Pledge Period shall commence on January 3, 2012, and (ii) from the first Unrestricted Revenues received by the County during the period commencing on April 21, 2012, and ending on May 31, 2012 (also a "Pledge Period") an amount which, together with the amount on deposit in the Repayment Account (net of anticipated earnings on moneys therein), will be sufficient to pay the principal of and interest on the Notes maturing on or after June 1, 2012. The amounts pledged by the County for deposit into the Repayment Account from the Unrestricted Revenues received during each indicated Pledge Period are herein called the "Pledged Revenues."

In the event that there have been insufficient Unrestricted Revenues received by the County by the third business day prior to the end of any such Pledge Period to permit the deposit into the Repayment Account of the full amount of the Pledged Revenues required to be deposited with respect to such Pledge Period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the County lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in the Act) (the "Other Pledged Moneys") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the County.

The Pledged Revenues with respect to the Pledge Period in which received shall be deposited by the Treasurer-Tax Collector of the County in the Repayment Account commencing the third business day of each respective Pledge Period, and thereafter at intervals of no more than every five business days, and applied as directed in the Resolution; and the Other Pledged Moneys, if any, shall be deposited by the Treasurer in the Repayment Account on the third business day prior to the end of such Pledge Period, and on each business day thereafter, until the full amount of the moneys required for repayment has been so deposited in the Repayment Account. The principal of and interest on the Notes shall constitute a first lien and charge on, and shall be payable from, moneys in the Repayment Account.

The Treasurer shall use the moneys in the Repayment Account to pay the principal of and interest on the Notes when due. Any moneys remaining in the Repayment Account after such payment, or after the final maturity of the Notes, shall be transferred to the general fund of the County.

The United States Court of Appeals for the Ninth Circuit has not decided whether a County that has filed for bankruptcy would be required to set aside revenues pledged under the note resolution following bankruptcy. Because the Treasurer is in possession of the taxes and other revenues that will be set aside to pay the Notes and may invest these funds in the pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the Pledged Revenues, the Other Pledged Money or amounts on deposit in the Repayment Account. In that case, unless the Note owners could "trace" the funds, the Note owners would be merely unsecured creditors of the County. There can be no assurance that the holders could successfully so "trace" the pledged taxes and other revenues.

The Resolution authorizes the Treasurer and Auditor-Controller to determine whether, when and in what amount to sell the Series B Notes. The sale of the Series B Notes shall in subject to the following conditions:

(i) Receipt of confirmation from Standard & Poor's that the issuance of the Series B Notes will not cause a reduction in the rating on the Series A Notes;

(ii) Receipt of an opinion of Bond Counsel to the effect that the interest on the Series B Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes; and

(iii) The Series B Notes shall mature after the latest maturity date of the Series A Notes.

Investment of the Repayment Account

Moneys in the Repayment Account will be invested in one or more instruments of the types included in Permitted Investments. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Permitted Investments." The proceeds of any such investments shall be retained in the Repayment Account until payment of principal of and interest on all of the Notes (or provision therefor) has been made, at which time any excess amount shall be transferred to the County for deposit in the general fund.

Available Sources of Payment

The Notes are obligations of the County payable out of the Unrestricted Revenues. See "THE NOTES - Security For The Notes." The Unrestricted Revenues will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

While the County's ability to levy *ad valorem* taxes has been limited, California counties are permitted by State law to impose certain fees to raise general revenue. The estimated amount needed to repay the Notes and the interest thereon is approximately $__________. Based on the proposed budget for Fiscal Year 2011-12, the County estimates moneys available for payment of the Notes during Fiscal Year 2011-12 to be in excess of $_____ million as indicated in the following table.

TABLE 1
COUNTY OF SANTA BARBARA
ESTIMATED REVENUE AVAILABLE
FOR PAYMENT OF NOTES

Estimated Unrestricted Available Revenues (Fiscal Year 2011-12)(1)	
Taxes	$184,922,000
Licenses, permits and franchises	12,245,000
Fines, forfeitures and penalties	5,387,000
Use of money and property	2,239,000
Intergovernmental Revenues	49,470,000
Charge for current services	77,256,000
Miscellaneous	7,455,000
Other Financing Sources	34,257,000
Total	$373,231,000

Source: County Auditor-Controller.

(1) See "APPENDIX A - Fiscal Year 2011-12 Adopted Budget" hereto for a discussion of the various estimated revenues, including the possibility that such receipts may be less than estimated.

Alternative Liquidity

Pursuant to a resolution adopted _______, 2011 (the "Set-Aside Resolution"), the County has established six internal service set-aside reserve funds for certain insurance and operation purposes (the "Set-Aside Funds"). Amounts to be deposited in the Set-Aside Funds total approximately $_____ million, and may only be used for the purposes set forth in the set-Aside Resolution without further action by the Board of Supervisors. Amounts in the Set-Aside Funds may be borrowed by the County for deposit in the General Fund, although there can be no guaranty that such Set-Aside Funds will continue to be maintained at the current levels, or will be available for lending to the General Fund. Any such amounts borrowed from the Set-Aside Funds are required to be repaid within three years.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds received from the sale of the Notes are to be applied as follows:

Sources of Funds:

Principal Amount of Notes
Net Original Issue Premium

TOTAL SOURCES

Uses of Funds:

Transfer to County Portfolio(1)
Costs of Issuance(2)

TOTAL USES

____

(1) See "THE NOTES – Purpose of Issue" above.
(2) Includes Underwriter's discount and other costs of issuing the Notes.

STATE OF CALIFORNIA FINANCES

The following information concerning the State of California's (the "State") budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the State budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of the information posted there, and such information is not incorporated herein by these references.

State Budget Information [TO BE UPDATED AFTER MAY REVISE]

The State is facing significant financial stress, which could result in future reductions or deferrals in amounts payable to the County. In the proposed State budget for Fiscal Year 2011/12, released by Governor Brown on January 10, 2011, the State projected a fiscal year budget shortfall for the current and next fiscal years of approximately over $25 billion. In the past fiscal year the State deferred certain payments owed to vendors and local governments, including the County. Although the State ultimately made the required payments to the County, the State continues to face financial stress, and there can be no assurances that such financial stress will not result in further deferrals of amounts owed to the County, or reductions in amounts that the County receives from the State. See "CONSTITUTION AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 1A" below for a discussion of actions the State took in the current fiscal year to shift certain property tax revenues from local governments (including the County).

The County derives a substantial portion of its annual revenues from the State. For Fiscal Year 2010-11, approximately 9% of the County's total general fund revenues will be provided by the State (including funds provided by the State for specific state and federal programs). There can be no assurances that, as a result of the current State financial stress, it will not significantly reduce or delay revenues to local governments (including the County) or shift financial responsibility for programs to local governments as part of its efforts to address the State financial difficulties. In Fiscal Years 2008-09 and 2009-10 the State either deferred payments or issued IOU's which could not immediately be cashed. No prediction can be made by the County as to what measures the State will adopt to respond to the current or potential future financial difficulties. The County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on the County's finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the County has no control. There can be no assurances that State actions to respond to State financial difficulties will not adversely affect the financial condition of the County.

The Governor's proposed Fiscal Year 2011-12 State budget includes a number of solutions to address growing revenue losses and expenditure increases experienced by the State. The proposed budget addresses the budget deficit through a combination of approximately $12 billion in spending reductions, alternative funding and funds shifts and extension of certain existing taxes scheduled to expire July 1, 2011.

The proposed budget includes a number of State budget solutions which, if adopted by the legislature, could have a significant financial impact on counties State-wide, particularly with respect to costs associated with health and human services and public safety. These proposals include:

- transfer the funding of court security to the counties

- transfer of responsibility of short-term, lower-level offenders, and parole violators without any current or prior serious or violent or sex convictions to local jurisdictions

- transfer responsibility for adult parole for non-serious or non-violent crime, regardless of prior convictions, to the counties

- transfer responsibility for housing and treating youthful offenders to local jurisdictions

- transfer responsibility for inpatient and outpatient alcohol and drug treatment services to counties

- transfer primary program responsibility for child welfare services to the counties

Funding for the proposed realignment assumes two funding sources for implementation. First, it relies on voter approval of maintaining the current tax rates for five years, which would be dedicated to local government for the realignment of services, primarily in the public safety area, from the state to counties. Local government would also retain the growth in these revenues to augment the programs being transferred. When these taxes expire after five years, the State would provide counties an amount equal to what these two sources generate. The second portion of funding, for specified mental health programs, is the use of existing Mental Health Services Act (Proposition 63) funds, rather than the General Fund, for three existing mental health programs resulting in General Fund savings of $861 million. This requires that the current million maintenance-of-effort and non-supplantation requirements of Proposition 63 would be amended through a vote of the Legislature.

The Governor's proposed Fiscal Year 2011-12 Budget had anticipated that voters would approve the extension of certain tax increases that are set to expire at the end of Fiscal Year 2010-11 and revenue shifts, generating approximately $12 billion. Due to the failure of the Legislature and the Governor to reach an agreement, these provisions of the proposed budget will not be presented to the voters in June, and no assurance can be made that the proposed extensions will be presented to the voters at any time.

Further details concerning the Governor's revised budget are available at www.dof.ca.gov. The County cannot predict the exact impact any such budget reductions will have on its General Fund operating budget for the coming fiscal year.

The County continues to review the proposed 2011-12 State Budget and other State financial information and expects to develop its responses as additional information becomes available. As of the date hereof no legislation has been introduced to enact the Governor's proposed budget revisions. The County cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the County. The State budget will be affected by national and State economic conditions and other factors over which the County will have no control. Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the County's 2011-12 budget. Deferrals in State payments may jeopardize the County's ability to maintain discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. The County's current policy is that it will not backfill funding for programs reduced or eliminated by the State from other County funds, although there may be certain continued costs associated with downsizing or eliminating such programs.

CASH FLOW PROJECTIONS

The County has prepared the accompanying cash flow statements covering the past Fiscal Year 2010-11 and the projected Fiscal Year 2011-12. The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on the County's proposed budget for Fiscal Year 2011-12 and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved. Neither the County's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected Fiscal Year 2011-12 cash flows contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

The following tables show estimated general fund cash flows for Fiscal Year 2010-11, and projected general fund cash flows for Fiscal Year 2011-12. See “APPENDIX F - Fiscal Year 2011-12 Adopted Budget” hereto for a discussion of the various estimated revenues, including the possibility that such receipts may be less than estimated.

TABLE 2
COUNTY OF SANTA BARBARA
GENERAL FUND CASH FLOW
FISCAL YEAR 2010-11

TABLE 3
COUNTY OF SANTA BARBARA
GENERAL FUND CASH FLOW
FISCAL YEAR 2011-12

INTRAFUND BORROWING AND CASH FLOW

County general fund expenditures tend to occur in relatively level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays and uneven payments from other government agencies, the two largest sources of County revenues.

In addition to issuing short-term notes, the County has occasionally used, when necessary, legally permitted "intrafund" borrowing (borrowing against certain of the County's own funds) to cover temporary cash needs, including borrowing from the Set-Aside Funds. In Fiscal Year 2010-11, the County used such intrafund borrowing to fund the financing of an estimated $18.2 million of net property tax advances made by the County to local agencies pursuant to the Teeter Plan.

In Fiscal Year 2011-12, the County expects it will again use intrafund borrowing and the Notes to comprise a funding cycle for the financing of an estimated $18.1 million of net property tax advances made by the County to local agencies pursuant to the Teeter Plan. Initially, the County will use proceeds of the Notes and intrafund borrowing to finance the estimated $29.9 million of net Teeter Plan advances relating to Fiscal Year 1997-98 through 2011-12 delinquencies, while subsequently the County will use intrafund borrowing to cover any temporary cash shortfalls subsequent to when repayment accounts for the Notes are set aside in April 2012. The County expects to repeat the use of intrafund borrowing cycle in subsequent Fiscal Years until sufficient tax delinquencies and fines have been collected to finance future Teeter Plan advances or until an alternative funding mechanism is implemented.

The Auditor-Controller has prepared the accompanying General Fund Cash Flow Analysis for the Fiscal Year 2010-11 and a projected cash flow for Fiscal Year 2011-12. The projected cash flow for Fiscal Year 2011-12 was prepared based on the current information available. In the cash flows, in order to reflect the County's participation in the Teeter Plan, the Auditor-Controller has listed the proceeds and distributions pertaining to the Teeter Plan as line items under the Apportioned Tax Resources Fund (the "ATRF") subheading in the respective "Receipts" and "Disbursements" headings. In June of each Fiscal Year, the County advances funds to complete the 100% distribution of that Fiscal Year's tax levy. Subsequently, the County collects the delinquent taxes and their attributable penalties and interest over a period of several Fiscal Years. As the County collects these payments, it makes payments on the associated borrowed funds. Although ATRF proceeds are detailed in these cash flows, the pledged funds for the repayment of the Notes will come solely from unrestricted monies of the general fund.

Additionally, in the General Fund Cash Flow Analysis, in order to reflect the General Fund loans to the Alcohol, Drug and Mental Health Services Fund (ADMHS), the Auditor-Controller has listed the loans to the fund under "Disbursements" as "Loans ADMHS" and the loan repayments under "Receipts" as "Loan Collections ADMHS". Loan collections in the cash flows represent a six month lag from the month of service delivery while loan disbursements represent the current monthly cash deficit for services provided. The County has experienced these cash flow shortages due to delayed billings to and delayed reimbursements from the State and Federal Government.

COUNTY OF SANTA BARBARA INVESTMENT PORTFOLIO

For a detailed discussion of the County's investment policy, see "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – County Investment Policy."

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

Resolution to Constitute Contract

The provisions of the Notes and of the Resolution constitute a contract between the County and the registered owners of the Notes, and such provisions may be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction.

Representations and Covenants of the County

The County determined pursuant to the Resolution that with respect to the 2011-12 Fiscal Year, the amount of $___________ (the maximum authorized principal amount of the Notes) when added to the interest estimated to be payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenues, cash receipts, and other moneys of the County for the general fund of the County attributable to Fiscal Year 2011-12 which will be available for the payment of the Notes and the interest thereon.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes and the County agrees to comply with the requirements of the Tax Certificate of the County as such Tax Certificate may be amended from time to time. The County further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury from revenues attributable to Fiscal Year 2011-12 or from any other lawfully available moneys. See "TAX MATTERS."

Notwithstanding any other provision of the Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing tax covenants, no one other than the owners or former owners of the Notes will be entitled to exercise any right or remedy with respect to such covenants under the Resolution.

Paying Agent and Note Registrar

The Treasurer-Tax Collector of the County of Santa Barbara will initially act as Paying Agent and as registrar for the Notes (the "Note Registrar"). Any successor Paying Agent will be or have co-paying agent relationships with one or more banks or trust companies in New York, New York.

Exchange and Transfer of the Notes

The registered owners of the Notes which are evidenced by registered certificates may transfer such Notes upon the books maintained by the Note Registrar, in accordance with the Resolution.

The County and any Paying Agent may deem and treat the registered owner of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such registered owner upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the registered owner of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See "APPENDIX E – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys in the Repayment Account will be invested in Permitted Investments as defined below, except that no such investments will have a maturity date later than the maturity date of the Notes expected to be paid with proceeds of such investments. The proceeds of any such investments will be retained in the Repayment Account until payment of principal of and interest on the Notes (or provision therefore) has been made, at which time any excess amount shall be transferred to the County for deposit in the general fund.

Permitted Investments include, without limitation, (i) any investment permitted by applicable California law, provided that no such moneys shall be invested in "reverse repurchase agreements" permitted by subsection (i) of applicable California law, and no such investments shall have a maturity later than the date that it is anticipated that such amounts will be required to be expended, or (ii) investment agreements with or the obligations of which are guaranteed by (a) a domestic bank, financial institution or insurance company the financial capacity to honor its senior obligations of which is rated at least "AA" by Standard & Poor's; or (b) a foreign bank the long-term debt of which is rated at least "AA" by Standard & Poor's (a "Qualified Provider"); provided, that the investment agreement shall provide that if during its term the provider's (or, if guaranteed, the guarantor's) rating by Standard & Poor's falls below "AA-", the provider must within 10 days assign the investment agreement to a Qualified Provider reasonably acceptable to the County or collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the County or a third party acting solely as agent therefor, United States Treasury Obligations which are free and clear of any third-party liens or claims, at sufficient collateral levels to maintain the highest short-term rating on the Notes. No such investments shall have a maturity date later than the maturity date of the Notes. The investment earnings on any such investment shall be retained by the County or the Paying Agent in such fund or account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the general fund of the County.

The County shall deposit the proceeds of the sale of the Notes in the County treasury. Such amounts shall be invested as permitted by applicable California law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum *ad valorem* tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property.

At any given point in time, thousands of appeals are pending in the County. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the County. The County is currently estimating a tax increase in the range of approximately 1%-1.5% for Fiscal Year 2011-12.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

For Fiscal Year 2009-10 the County's appropriations limit was approximately $613 million, and its actual appropriations in Fiscal Year 2009-10 subject to this limit were approximately $156 million. For Fiscal Year 2010-11 the County's appropriations limit is approximately $1.092 billion, and its budgeted expenditures subject to this limit are approximately $155 million. The County is subject to and is operating in conformity with Article XIIIB.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, California voters approved Proposition 218, which added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The voter approval requirements of Proposition 218 reduce the County Board of Supervisors' flexibility to deal with fiscal problems by raising revenue, and no assurances can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements. County management is not aware of any challenge or claim that any current fee, tax or assessment is not in compliance with Proposition 218.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges.

The assessments subject to the provisions of Proposition 218 include maintenance assessments imposed in County service areas and special districts. The annual amount of revenues that are received by the County and deposited into the County's General Fund which may be considered to be property related fees and charges under Article XIIID is not material to the ability to repay the Notes.

The County is unable to predict whether and to what extent Proposition 218 may be further interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Proposition 62

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Proposition 1A

In connection with the shift of $2.6 billion of local agency revenues to school funding, the Legislature and the Governor agreed to place Proposition 1A, entitled "Protection of Local Government Revenues," on the ballot ("Proposition 1A"). The initiative was approved by the voters on November 2, 2004. Proposition 1A amended the California Constitution to (i) prohibit the shift of property tax revenues from cities, counties and special districts, except to address a "severe state financial hardship" (approved by a two-thirds vote of both houses of the Legislature), and only then if (a) such amounts were agreed to be repaid with interest within three years, (b) the State had repaid any other borrowed amounts, including the current amount owed to repay the vehicle license fee shift, and (c) such borrowing could not occur more often than twice in ten years; (ii) protect the property tax backfill of sales tax revenues diverted to pay the economic recovery bonds, and the reinstatement of the sales tax revenues once such bonds are repaid; and (iii) protect local agency vehicle license fee revenue (or a comparable amount of backfill payments from the State).

Through the adoption of the Fiscal Year 2010-2011 State budget, the State Legislature determined to exercise its rights under Proposition 1A and the County had approximately 8% of its real property tax revenues received in 2009-10, shifted to schools and other services. The County elected to receive the monies being borrowed by the State upfront through a securitization financing. Until the State repays the bonds issued through this financing (currently scheduled to occur in Fiscal Year 2012-13) it will not be able borrow additional property tax revenues from the County..

Proposition 22

Proposition 22, an initiative approved by the voters on November 2, 2010, amended the California Constitution to prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. The County currently is unable to predict how Proposition 22 will be interpreted, or to what extent this measure will affect the revenues in the County's General Fund, although it could provide greater stability in County revenues.

Proposition 26

Proposition 26, an initiative approved by the voters on November 2, 2010, amended the California Constitution to expand the definition of a tax so that certain fees and charges currently imposed by government, generally associated with regulatory and environmental matters, will be subject to approval by two thirds of each house of the State Legislature or approval by local voters. This proposition will most likely be subject to numerous court challenges, and the County is currently unable to predict how Proposition 26 will be interpreted, or to what extent this measure will affect the revenues in the County's General Fund.

Future Initiatives and Change in Laws

Article XIII A, Article XIII B and Propositions 62, 218, 1A, 22 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues. In addition, the State legislature could amend or enact laws resulting in a reduction of moneys available to the County, or enact legislation with the approval of the electorate amending the State Constitution, which could result in a reduction of moneys available to the County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "Service") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). The Notes may be executed as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes.

However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if the Notes are executed as short-term debt obligations and if the taxpayer elects original issue discount treatment.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the principal amount on the Notes payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of the Notes, or the tax status of interest on the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the County is to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Notes within six months after initial delivery, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if they fail to do so, to make any required rebate payment from moneys received or accrued during the 2011-12 fiscal year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculations of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, were incorrect.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner, or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Service. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the Service. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service's positions with which the County legitimately disagrees may not be practicable. Any action of the Service, including but not limited to selection of the Notes for audit, or the course of result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Notes are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. See "APPENDIX C – PROPOSED FORM OF OPINION OF BOND COUNSEL." Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the Office of the County Counsel ("County Counsel") and for the Underwriter by Nossaman LLP.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the investor bank, are prudent for the investment of funds of its depositors and, under provisions of the California Government Code, are eligible to secure deposits of public moneys in the State.

RATING

The County has obtained a rating of "_____" on the Notes from Standard & Poor's Ratings Group, a division of The McGraw Hill Companies ("S&P"). Certain information was supplied by the County to S&P to be considered in evaluating the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of and the ability to trade the Notes.

LITIGATION

No litigation is pending or threatened against the County concerning the validity of the Notes, and a certificate of the County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The County is not aware of any litigation pending or threatened against the County questioning the political existence of the County or contesting the County's ability to levy and collect *ad valorem* taxes or contesting the County's ability to issue and repay the Notes. Other than as otherwise addressed in this Official Statement, the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the County Executive Officer, impair the County's ability to repay the Notes.

UNDERWRITING

The Notes are being purchased for public offering by E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Notes from the County at a price of $_____________, being the principal amount of the Notes, plus net original issue premium of $__________, and less an Underwriter's discount of $_________ (which discount includes costs of issuance in the amount of $_________ to be paid by the Underwriter at the direction of the County). The Underwriter will be obligated to purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the County. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Notes, the Underwriter will share a portion of its underwriting compensation with respect to the Notes, with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC or City National Securities, Inc.

CONTINUING DISCLOSURE

The County will agree to provide notices, during the time the Notes are outstanding, of the occurrence of certain enumerated events, if material, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of material events and certain other terms of the continuing disclosure obligation are described in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." As of the date hereof, the County has been in compliance with its continuing disclosure undertakings for the past 5 years.

The County has agreed to post on its website, not later than 40 days after the end of the fiscal quarters ending September 30, 2011, December 31, 2011 and March 31, 2012, a report which shall contain or include by reference information regarding the County's cash flow in the fiscal quarter most recently ended, including comparative information to the projected cash flow included in the Official Statement. The County's website is located at www.countyofsb.org. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the Notes. Summaries and explanations of the Notes, the Resolution, and statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for a full and complete statement of their provisions. This Official Statement is not to be construed as a contract between the County and any purchasers or owners of the Notes.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the County by writing to County of Santa Barbara, Auditor/Controller, 105 East Anapamu Street, Room 303, Santa Barbara, California 93101. The County maintains a website at www.countyofsb.org. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

All data contained herein have been taken or constructed from County records and other sources. Appropriate County officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. An appropriate County official will execute a certificate to this effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

COUNTY OF SANTA BARBARA

By: ______________________________
Treasurer-Tax Collector

APPENDIX A

COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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Set forth below is certain information with respect to the County. Such information was provided by the County except as otherwise indicated.

FINANCIAL INFORMATION

County Management

Brief resumes of certain County officials are set forth below.

Chandra L. Wallar, County Executive Officer. Chandra L. Wallar was appointed County Executive Officer by the Santa Barbara County Board of Supervisors in October, 2010. She is responsible to the Board for the sound and efficient management of the County government, pursuant to Board policy and the adopted budget. She is also a member of the County's Debt Advisory Committee. Ms. Wallar has over 29 years of experience in managing programs in local government. She has held Director of Public Works positions in cities such as Decatur, IL; Jefferson City, MO; and Little Rock, AR. Ms. Wallar worked for the County of San Diego as Deputy Chief Administrative Officer until 2010. Ms. Wallar earned a Bachelor's degree in civil engineering at the University of Illinois.

Harry E. Hagen, Treasurer-Tax-Collector-Public Administrator. Mr. Hagen was elected as Treasurer-Tax Collector-Public Administrator in June 2010 and took office in January 2011. He has over 15 years in County government experience including serving as the Assistant Treasurer-Tax Collector-Public Administrator for the previous 8 years. Mr. Hagen earned a Bachelor's Degree in Business Economics from the University of California, Santa Barbara. He is a Certified Public Accountant licensed in California, a Certified Public Finance Officer and a Certified Public Funds Investment Manager. Mr. Hagen is also a trustee of the Santa Barbara County Employees' Retirement System and is a member and chair of the County's Debt Advisory Committee.

Robert W. Geis, Auditor-Controller. Mr. Geis was first elected Auditor-Controller in 1990 and took office in 1991. Mr. Geis is serving his fifth term of office. During his 31 years with the County he has also served as an internal auditor, a departmental business manager and the Assistant Treasurer-Tax Collector. Prior to joining the County, he gained business and management experience working for a large multinational corporation. Mr. Geis earned a bachelor's degree in business administration from The Ohio State University. He is a Certified Public Accountant (CPA) licensed in California and a Certified Public Finance Officer (CPFO). As a current member and past president of the State Association of County Auditors, he remains abreast of current fiscal and legislative issues throughout the State. He currently is a member of the Government Finance Officers Association and the County's Debt Advisory Committee.

Dennis A. Marshall, County Counsel. Mr. Marshall was appointed as County Counsel in July 2008 and has 39 years of local government experience. Prior to his appointment with the County, he served 37 years with Fresno County, including the final 4 years as County Counsel. Mr. Marshall holds a Juris Doctorate Degree from San Joaquin College of Law and a Bachelors Degree in Political Science from California State University, Fresno. He also attended Claremont Men's College, majoring in Government. Mr. Marshall was admitted to the California State Bar in 1984. He is also a member of the County's Debt Advisory Committee.

Budgetary Process and Budget

The County is required by State law to adopt on or before August 30 each year a fiscal line item budget setting forth estimated expenditures, revenues, and fund balances available so that appropriations during the next fiscal year will not exceed available financing. However, the County has, by resolution, extended on a permanent basis or for a limited period, this date from August 31 to October 2. Set forth below is a summary of the County budget process.

First, after release of the Governor's Proposed Budget in January, the County Executive Officer prepares a preliminary forecast of the County's budget based on current year expenditures, the assumptions and projections contained in the Governor's Proposed Budget and other projected revenue trends.

Second, the County Executive Officer presents the County's Proposed Budget to the Board for adoption. Absent the adoption of a final County budget by June 30, the current existing budget is continued into the new fiscal year until a final budget is adopted.

Third, between January and the time the State adopts its own budget, representatives of the County Executive Officer monitor, review and analyze the State budget and all adjustments made by the State legislature. The County makes adjustments to its Adopted Budget throughout the year based on the State's Budget and other factors.

In order to ensure that the budget remains in balance throughout the fiscal year, the County Executive Officer monitors actual expenditures and revenue receipts each month. In the event of a projected year-end deficit, steps are taken, in accordance with the State Constitution, to reduce expenditures. On a quarterly basis, the Auditor-Controller's and County Executive Officer's staff prepares a report that details the activity within each budget category and provides summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the fiscal year are recommended in the quarterly budget status reports. Other items which have major fiscal impacts are also reviewed quarterly. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the costs of regulation or provisions of services. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

Fiscal Year 2010-11 Proposed Budget

For Fiscal Year 2010-11 in the proposed budget, the County identified expenditure reductions, revenue enhancements and the use of reserves and designations as an alternative means to balance the Fiscal Year 2010-11 budget and was able to assure the budget remained balanced by proactively reducing costs including the proposed reduction of 158 FTEs and entering into agreements with labor unions to obtain compensation concessions. The County continues to explore its options for the development of a balanced budget in the future while maintaining essential core services and policies adopted by the Board of Supervisors.

Fiscal Year 2010-11 Final Budget

The County adopted its Fiscal Year 2010-11 Budget on June 11, 2010. The budget included total General Fund appropriations of approximately $417 million. Such appropriations are for primary County services including public protection, health and public assistance, and community resources and public facilities. Public safety expenditures are approximately 46% of the County's anticipated General Fund budget. To date, there have been no significant budget adjustments to General Fund revenue.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2010-11, approximately 10% of the County's General Fund revenue consists of payments from the State and 3% consists of payments from the Federal government. The County charges for services within the General Fund which account for 36% of financing sources on a cost reimbursement basis. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 51% of the County's General Fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of General Fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a ½ cent sales tax for public safety statewide and is recorded as State Revenue in the General Fund. Sales tax receipts for the County from this ½ cent levy peaked at $30.1 million in Fiscal Year 2006-07 and then declined to $30.0 million in Fiscal Year 2007-08, $27.6 million in Fiscal Year 2008-09 and $25.2 million in Fiscal Year 2009-10. Public safety sales tax receipts for the County are budgeted to increase to $26 million in Fiscal Year 2010-11.

As of June 30, 2010, fund balance for the General Fund was approximately $89.2 million, or 27% of the total General Fund expenditures. This amount includes approximately $27.2 million of reserved fund balance, $61.3 million of designated fund balance, and $0.6 million of unreserved and undesignated fund balance.

The budget amendments required in Fiscal Year 2010-11 as a result of the State fiscal crisis have not had a material impact on the budget. In order to address the ongoing economic concerns, the County has implemented a two- year retirement incentive program, with estimated $6.0 million in savings for Fiscal Year 2010-11. In addition, through managed attrition the County has reduced its workforce from 4,046 budgeted FTEs to 3,888 FTEs or 158 FTEs.

In order to balance the proposed Fiscal Year 2010-11 budget, it was necessary to close an identified $41.5 million budget gap. To address the gap, staff recommended the budget include $14.8 million in staffing reductions and the use of $29.5 million in one-time funds. The recommended budget also included use of $2.9 million of one-time funds, consisting of dozens of increases and decreases to be used for anticipated needs (for example mandated elections) and departmental revenue degradation (for example in the Probation Department) bringing the total recommended use of one-time to $29.5 million. These and other directed reductions were included in the County's Fiscal Year 2010-11 budget.

Fiscal Year 2011-12 Proposed Budget

In order to balance the proposed FY 2011-12 budget, it was necessary to close a projected $72 million budget gap forecasted by the CEO budget staff . That gap was comprised of increased costs of employee salaries and benefits totaling $36 million, forecasted expense increases other than salaries and benefits across all funds of $16 million and the use of one-time funds to balance the previous budget of $21 million. The most significant cost increases were due to increased retirement costs projected at $21 million and salaries projected at $11 million. The gap for the general fund was projected at $45 million and the gap for all other funds projected at $27 million. To close this gap reductions are proposed across all departments.

During FY 2010-11, the Board imposed a hiring freeze, proposed changes to retirement benefits, and curtailed significant proposed programs like the PACE municipal energy initiative. The Board of Supervisors has engaged all bargaining units in seeking wage and benefit concessions. Many departments were able to avoid the use of one-time funds in FY 2010-11 and propose to carry forward these funds to assist in balancing the FY 2011-12 budget. The Board of Supervisors, CEO and Departments are striving to eliminate the use of one-time funds as we emerge from the recession. In the latter part of FY 2010-11 the County is showing slight increases in our economic driven revenue accounts.

The FY 2011-12 proposed budget contains a reduction of 205 FTE positions, 189 in general fund departments and 16 in departments that rely on federal and state funding. This will reduce the County workforce from 3,888 FTE's to 3,683 FTE's from a peak of 4,350 FTE's in FY 07-08. These FTE Reductions are estimated to reduce salary and benefit costs by $25 million. The proposed budget includes increases in revenues of approximately $9 million. Taxes will increase 2.6% or $6 million to $236 million, federal and state revenue will increase 1% or $3 million to $302 million, and charges for services will stay about even at $219 million. One-time funding sources of approximately $25 million are proposed to cover the budget gap, in addition to various expenditure account reductions of $13 million in order to propose a balanced budget.

Potential State Budget Impacts

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the County's 2011-12 budget. Deferrals in State payments may jeopardize the County's ability to maintain discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. The County's current policy is that it will not backfill funding for programs reduced or eliminated by the State from other County funds, although there may be certain continued costs associated with downsizing or eliminating such programs.

Budget Comparison

The following table compares the County's final General Fund budgets for the current and last four fiscal years. During the course of each fiscal year, the final budget is amended by the Board of Supervisors to reflect actual receipts and expenditures.

TABLE A-1
COUNTY OF SANTA BARBARA
FINAL GENERAL FUND BUDGETS
FISCAL YEARS 2006-07 THROUGH 2010-11

	Fiscal Year 2006-07 Adjusted Budget	Fiscal Year 2007-08 Adjusted Budget	Fiscal Year 2008-09 Adjusted Budget	Fiscal Year 2009-10 Adjusted Budget	Fiscal Year 2010-11 Adjusted Budget
Expenditure Appropriations:					
Policy & Executive	$12,507,372	$13,913,000	$14,608,932	$13,894,449	$16,946,031
Law & Justice	25,294,265	27,520,000	28,725,184	29,488,526	29,200,284
Public Safety	175,673,446	191,003,000	194,139,421	190,113,763	202,307,854
Health & Public Assistance	5,153,142	5,455,000	5,719,241	5,658,817	5,399,739
Community Resources & Public Facilities	36,215,970	42,044,000	38,327,617	36,646,821	35,420,870
Support Services	52,174,752	53,808,000	53,889,790	55,323,830	53,342,222
Operating/Equity Transfers	63,871,215	71,461,000	76,561,117	75,888,205	73,727,193
Transfers to Debt Service	5,178,037	23,566,000	4,940,531	4,976,274	3,884,790
Provisions for Reserves	608,809	445,000	336,049	528,842	174,923
Provisions for Designations	38,563,725	26,211,000	22,236,871	29,742,282	28,758,349
General County Programs	7,451,653	8,705,000	6,981,790	8,300,758	4,829,631
TOTAL EXPENDITURE APPROPRIATIONS	$422,692,386	$464,131,000	$446,466,542	$450,562,567	$453,991,886
Available Funds:					
Fund Balance Available	$16,206,264	$11,435,000	$ 5,264,739	$ 2,103,151	$ 643,469
Taxes	164,887,000	176,410,000	183,518,625	181,430,000	179,413,000
Licenses, Permits and Franchises	15,577,530	14,939,000	13,854,916	12,822,337	12,884,093
Fines, Forfeitures, and Penalties	4,851,809	5,138,000	5,030,661	6,935,217	6,309,627
Use of Money and Property	2,751,969	3,427,000	3,242,755	3,668,696	1,923,696
Intergovernmental Revenue-State	46,387,826	45,549,000	42,553,662	38,073,829	40,835,823
Intergovernmental Revenue-Federal	15,423,493	13,313,000	12,552,920	13,984,916	12,409,626
Intergovernmental Revenue-Other	518,650	1,026,000	1,263,967	563,340	683,375
Charges for Services	68,367,452	75,403,000	76,029,912	79,345,635	77,084,888
Other Financing Sources	56,935,428	78,512,000	62,536,784	68,941,820	66,656,790
Miscellaneous Revenue	3,168,886	2,227,000	2,239,102	3,880,513	3,200,237
Changes to Reserves	758,349	20,000	20,045	35,575	50,350
Changes to Designations	26,857,730	36,732,000	38,358,453	38,777,538	51,896,912
TOTAL AVAILABLE FUNDS	$422,692,386	$464,131,000	$446,466,542	$450,562,567	$453,991,886

Source: County Auditor-Controller.

Santa Barbara County Pooled Investment Fund

The County Investment Pool (the “County Pool”) is rated “AAA” and “S1” by Standard & Poor’s Rating Service (S&P). These ratings were assigned in October 2009 when the Treasurer sought the County Pool’s first rating. Monthly updates are provided to S&P allowing the rating agency to monitor and assess the credit quality and sensitivity to changes in market conditions of the securities purchased and held.

Funds held by the County Pool are invested in accordance with the Treasurer’s Investment Policy Statement prepared by the County Treasurer-Tax Collector (the “Treasurer”) as authorized by Section 53601 of the Government Code of California. The Investment Policy is updated and submitted to the Board of Supervisors at least annually and the most recent update was approved on February 15, 2011. A complete copy of the County’s current Investment Policy is available upon request from the County Treasurer-Tax Collector, and on the website of the County Treasurer.

The County Pool represents moneys entrusted to the Treasurer by the County, school and community college districts, and special districts within the County. State law requires that all moneys of the County, school and community college districts, and certain special districts be held by the Treasurer. The Treasurer accepts funds only from agencies located within the County. Moneys deposited in the County Pool by the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. Income is distributed to the pool participants quarterly based on their average daily cash balance.

The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition and value of investments of the portfolio will change over time depending on cash flow demands, as investments mature or are sold, as new investments are purchased, and with fluctuations in interest rates generally. Funds on deposit with the Treasurer are managed in accordance with the following objectives; first, preservation of principal of each participant through the purchase of high quality investments; second, meeting the liquidity demands of pool participants; and third, achieving a market value of return.

The portfolio structure of the County Pool as of March 31, 2011, was as follows:

Instrument	Par Amount	Percent
Cash	$98,022,864	9.86%
California Asset Management Program	40,000,000	4.03
Negotiable CDs	16,000,000	1.61
Medium Term Corporate Notes	25,004,000	2.52
Medium Term Corporate Notes-FDIC Insured (TLGP)	5,000,000	0.50
Municipal Bonds	10,000,000	1.01
Treasury Bills	120,000,000	12.08
Farm Credit	208,605,000	20.99
FHLB	195,750,000	19.70
FNMA	155,306,000	15.63
FHLMC	70,000,000	7.04
LAIF	50,000,000	5.03
TOTALS	$993,687,864	100.00%

The weighted average days to maturity as of March 31, 2011 was 566 days.

The County believes that the County Pool is prudently invested and that the investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the County's expenditures and other scheduled withdrawals.

For additional information concerning County investments, see "APPENDIX B - COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2009-10."

Goleta Incorporation

When the City of Goleta incorporated in February 2002, a revenue neutrality agreement went into effect to protect the County from arbitrary funding reductions to countywide services. Beginning in Fiscal Year 2012-13, when the Mitigation Period of the agreement expires, the County's revenue loss is estimated to be approximately $1.1 million in lost sales tax revenue and $1.3 million in lost transient occupancy tax revenue, for a total of $2.4 million. The County's Fiscal Year 2012-13 budget will be required to balance to these reduced revenues, and this estimate is included in the County's five-year financial plan.

Ad Valorem Property Taxes

General. Taxes are levied for each Fiscal Year on taxable real and personal property which is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer-Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) filing a civil action against the taxpayer; (ii) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for recording in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law allows exemptions from ad valorem property taxation of $7,000 of full value of owner occupied dwellings. However, the State reimburses all local taxing authorities for the loss of revenues imputed on these exemptions. The State Constitution and various statutes provide exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals, and charitable institutions.

The California Community Redevelopment Law authorizes redevelopment agencies to issue debt payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, in such project areas, local taxing authorities, such as the County, realize tax revenues only on the assessed valuations for the year the Redevelopment Agency was formed.

Under California law currently in effect, these tax collections are allocated approximately 26.7% to the County, 10.5% to cities, 6.5% to dependent special districts, 4.7% to independent special districts, 45.7% to schools and 5.9% to redevelopment agencies within the County.

The County's property tax system is approximately 33 years old, is running on an antiquated mainframe, and needs to be replaced. In addition, the outdated technology is difficult to support. Data extraction from the antiquated system to a new system could be challenging. It is possible that issues with the County's current property tax system or issues with converting to an updated system could impact the County's ability to collect property taxes for the County and other local government entities. The County is currently working with vendors to replace the old system.

The assessed valuations within the County as of June 30 for the past twelve (12) Fiscal Years are shown in the table below.

TABLE A-2
COUNTY OF SANTA BARBARA
ASSESSED VALUATIONS
FISCAL YEARS 1999-00 THROUGH 2010-11
($ in thousands)

Fiscal Year	Secured	Unsecured	Unitary	Exemptions	Net Assessed Valuation
1999-00	$28,767,002	$1,972,146	$711,158	$(1,016,269)	$30,434,037
2000-01	31,368,402	1,933,553	724,164	(1,021,757)	33,004,362
2001-02	34,127,745	2,070,319	774,256	(1,100,743)	35,871,577
2002-03	36,623,758	2,360,050	825,982	(1,208,338)	38,601,452
2003-04	39,518,502	2,320,621	726,740	(1,301,099)	41,264,764
2004-05	43,022,881	2,426,901	743,530	(1,372,516)	44,820,796
2005-06	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178
2006-07	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333
2007-08	56,836,827	2,571,179	833,438	(1,772,777)	58,468,667
2008-09	59,457,127	2,795,296	806,086	(1,928,671)	61,129,838
2009-10	60,136,238	2,874,141	718,678	(2,128,966)	61,600,090
2010-11	60,558,017	2,901,856	746,117	(2,322,086)	61,883,904

Source: County of Santa Barbara Auditor-Controller's Office, Property Tax Division.

A summary of tax levies and collections within the County as of June 30 for the past 12 Fiscal Years is shown in the table below.

TABLE A-3
COUNTY OF SANTA BARBARA
SUMMARY OF TAX LEVIES AND COLLECTIONS[(2)]
(Fiscal Years 1998-99 through 2009-10)
($ in thousands)

Fiscal Year (June 30)	Secured & Unitary Taxes Levied	Collections Within the Fiscal Year of the Levy: Amount	Collections Within the Fiscal Year of the Levy: Percent	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percent
1998-99	$263,453	$260,526	98.89%	$2,916	$263,442	100.00%
1999-00	282,449	278,432	98.58	4,003	282,435	100.00
2000-01	306,687	301,590	98.34	5,082	306,672	100.00
2001-02	333,424	329,327	98.77	4,080	333,407	99.99
2002-03	355,912	351,584	98.78	4,310	355,894	99.99
2003-04	385,715	381,887	99.01	3,781	385,668	99.99
2004-05	419,530	415,040	98.93	4,397	419,437	99.98
2005-06	466,497	460,518	98.72	5,618	466,136	99.92
2006-07	516,452	505,691	97.92	10,164	515,855	99.88
2007-08	555,687	542,365	97.60	12,170	554,535	99.79
2008-09	577,815	561,873	97.24	13,041	574,914	99.50
2009-10	580,497	566,774	97.64	8,095	574,869	99.03
2010-11[(1)]	583,859	563,649	96.54	--	563,649	96.54

Source: County Auditor-Controller.

(1) Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1, and on April 10, with respect to the installment due on February 1. The information shown for Fiscal Year 2010-11 reflects collections through March 31, 2011 only.

(2) Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

The Teeter Plan. In Fiscal Year 1993-94, the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive 100% of the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the County receives and retains delinquent payments, penalties and interest, as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

Pursuant to the State law, the County is required to establish a tax losses reserve fund to cover losses that may occur as a result of sales of tax-defaulted property. Once the tax losses reserve fund reaches a level of 1% of the total of all taxes and assessments levied on the secured roll for that year, any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund as provided in the State Revenue and Taxation Code. State law permits any county to draw down the tax losses reserve fund to a balance equal to 1% of the total of all taxes and assessments levied on the secured roll for that year, or 25% of the current year delinquent secured tax levy. As of June 30, 2010 the balance in the tax losses reserve fund was $6,441,000.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent Fiscal Year the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent Fiscal Year after a public hearing, discontinue the Teeter Plan as to any tax levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. Each assessment appeal could result in a reduction of the taxable value of the real property or personal property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

In Fiscal Year 2010-11 there have been approximately 500 assessment appeals resolved affecting the assessment roll values for Fiscal Year 2010-11. These appeals affected assessments which had an aggregate original assessed value of approximately $1.45 billion. The aggregate assessed value for these parcels was reduced by approximately $0.1 billion, representing a relatively insignificant (approximately 0.46%) decline in the total assessed valuation within the County.

From Fiscal Year 2008-09 through Fiscal Year 2010-11 the County Assessor has reduced the value on approximately 20,000 parcels in the County by approximately $2 billion, from the original value of approximately $10 billion, or approximately 20%. For Fiscal Year 2011-12, the County Assessor estimates that values on an additional 2,000 parcels will be reduced to bring them in line with market values.

Effect of Foreclosures on Property Tax Collections. As described above, once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest is required to be paid before the property can be transferred to a new owner. In addition, as required under the Teeter Plan, the County maintains a tax losses reserve fund, to cover potential losses that may result if tax-defaulted property is sold by the County for less than the amount of the taxes owed. The County has not conducted any sales of tax-defaulted property in the last five Fiscal Years.

Based on information provided by the Santa Barbara Recorder's office as of calendar year 2009, mortgage holders had sent 3,356 notices of default with respect to properties located within the County compared to 3,018 in calendar year 2008 and 2,111 for calendar year 2007, and 1,330 trustee deeds had been recorded in calendar year 2009 (indicating that the property has been lost to foreclosure), compared to 1,853 in calendar year 2008 and 747 during calendar year 2007. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, although the County has been impacted as well, particularly in the unincorporated areas of the northern part (Santa Maria, Lompoc and Orcutt) of the County.

Largest Taxpayers

The 10 largest taxpayers in the County by assessed value for all properties, for the Fiscal Year 2010-11 are shown below. The 10 largest taxpayers accounted for approximately 2.90% of total assessed value in the County.

TABLE A-4
COUNTY OF SANTA BARBARA
TEN LARGEST TAXPAYERS BY ASSESSED VALUE
(Fiscal Year 2010-11)

Taxpayer	Business	Assessed Value
Exxon Corp.	Petroleum & Gas	$329,264,974
Breitburn energy Holdings, LLC	Petroleum & Gas	265,231,133
United Launch Alliance, LLC	Aerospace	212,971,554
Southern California Gas Co.	Utility	176,685,053
Fairway BB Property, LLC	Residential Estate	149,385,839
Southern California Edison Co.	Utility	142,150,074
Verizon California, Inc.	Utility	139,584,885
1260 BB Property, LLC (Biltmore)	Hotel	135,000,000
HT-Santa Barbara, Inc. (Bacara)	Hotel	118,000,000
Pacific Gas & Electric Co.	Utility	117,234,089
Ten largest taxpayers		$1,785,507,601

Source: County Auditor-Controller.

Financial Statements and Related Issues

The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures, with the exception of un-matured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County and is responsible for controlling expenditures within budget expenditures. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 20 years. See "APPENDIX B - COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2009-10."

The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are divided into three categories: (i) governmental funds; (ii) proprietary funds; and (iii) fiduciary funds.

The County recently adopted new accounting and financial standards to conform with releases by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The County implemented the requirements of GASB 54 effective for periods beginning after June 15, 2010. As a result, the presentation of audited financial statements beginning with Fiscal Year 2010-11 will reflect fund balance based on the five new categories of fund balance. GASB 54 is designed to improve financial reporting by establishing new fund balance classifications that are easier to understand and apply. In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Board of Supervisors establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution. This is typically done through the adoption and amendment of the budget.
- *Assigned fund balance* – amounts that are constrained by the County's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.
- *Unassigned fund balance* – the residual classification for the County's General fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Governmental Funds: account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the Fiscal Year. The County maintains 60 individual governmental funds (e.g. General Fund, special revenue funds, debt service funds and capital projects) combined into 29 for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Public Health, Social Services, Alcohol Drug and Mental Health Services, Flood Control District and Capital Projects Funds which are considered major funds. Information for the remaining 22 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds: account for information of the same type as the government-wide financial statements, only in more detail. There are two different types: (i) Enterprise Funds (to report the same functions presented as business-type activities in the government-wide financial statements and account for solid waste operations, sanitation services and transit operations) and (ii) Internal Service Funds (an accounting device used to accumulate and allocate costs internally among the County's various functions and account for information technology services, vehicle operations and maintenance, risk management and insurance and communications functions).

Fiduciary Funds: account for resources held for the benefit of parties outside the County. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The County derives its revenues from a variety of sources including taxes (property and sales), licenses, permits and franchises issued by the County, fines, forfeitures and penalties collected by the County, use of County property and money, intergovernmental revenues, charges for services provided by the County and other miscellaneous revenues.

Presented in Table A-5 is the County's Statement of Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2008 through 2010. Presented in Table A-6 are the County's General Fund Balance Sheets for Fiscal Years ended June 30, 2008 through 2010. More detailed information from the County's audited financial report for the Fiscal Year ending June 30, 2010 appears in APPENDIX B to this Official Statement. The County has not requested, and the auditor has not provided, any review of such financial report in connection with its inclusion in this Official Statement.

For further information on other changes in significant accounting policies, see the Notes to Basic Financial Statements, June 30, 2010, which are included in "APPENDIX B - COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2009-10."

TABLE A-5
COUNTY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
FISCAL YEARS 2007-08 THROUGH 2009-10
(In Thousands)

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Revenues:			
Taxes	$181,048	$181,997	$181,013
Licenses, permits, and franchises	13,886	13,225	12,730
Fines, forfeitures, and penalties	5,755	6,826	8,103
Use of money and property	4,209	2,715	3,465
Intergovernmental	53,058	51,587	49,636
Charges for current services	75,604	76,134	74,585
Other	2,223	2,620	4,765
Total Revenues	**$335,783**	**$335,104**	**$334,297**
Expenditures:			
Current:			
Policy and executive	$13,290	$13,971	$13,266
Law and justice	27,137	28,324	29,302
Public safety	188,009	191,675	185,690
Health and public assistance	5,442	5,609	5,550
Community resources and facilities	36,807	36,861	34,775
General government and support services	47,122	49,446	48,536
General county programs	8,843	6,881	7,696
Debt Service:			
Principal	11	--	12
Interest	--	-	1,596
Total Expenditures	**$326,661**	**$332,767**	**$326,423**
Excess (deficiency) of Rev. Over (Under) Exp.	9,122	2,337	7,874
Other Financing Sources (Uses):			
Transfers in	$55,838	$61,779	$66,193
Transfers (out)	(72,966)	(67,684)	(69,515)
Proceeds from sale of capital assets	217	17	15
Long-term debt issued	17,000	--	--
Total other financing sources (uses)	**$ 89**	**$(5,888)**	**$(3,307)**
Net change in Fund Balances	9,211	(3,551)	4,567
Fund Balances - Beginning	$78,928	$88,139	$84,588
Fund Balances - Ending	**$88,139**	**$84,588**	**$89,155**

Source: County Auditor-Controller.

TABLE A-6
COUNTY OF SANTA BARBARA
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2008 THROUGH JUNE 30, 2010
(In Thousands)

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Assets:			
Cash and investments	$19,142	$12,010	$11,020
Accounts Receivable:			
Taxes	29,188	32,602	30,043
Licenses, permits and franchises	888	746	734
Fines, forfeitures and penalties	18	18	15
Use of money and property	635	186	338
Intergovernmental	7,507	8,435	10,771
Charges for services	11,138	10,374	7,266
Other	--	--	213
Due from other funds	8,682	13,810	17,958
Prepaid items	50	50	50
Other receivables	1,506	2,496	2,507
Security lending collateral	2,981	--	--
Advances to other funds	18,759	18,759	18,759
Restricted cash and investments	12,766	12,719	12,950
TOTAL ASSETS	**$113,260**	**$112,205**	**$112,624**
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$2,172	$1,978	$1,952
Salaries and benefits payable	10,716	11,432	11,985
Other payables	625	5,627	301
Obligations under securities lending	2,981	--	--
Deposits Payable	--	--	--
Unearned Revenue	59	59	--
Deferred revenue	1,683	2,176	2,657
Customer deposits	6,704	6,345	6,574
Due to other funds	1	--	--
TOTAL LIABILITIES	**25,121**	**25,617**	**23,469**
Fund Balance:			
Reserved for:			
Receivables and prepaids	20,609	20,309	20,309
Imprest cash	15	15	23
Lease maintenance requirement	--	--	418
Property tax loss reserve	6,057	6,373	6,441
Unreserved			
Designated reported in:			
General Fund	56,447	55,741	61,274
Undesignated			
General Fund	5,311	2,150	690
TOTAL FUND BALANCES	**88,139**	**84,588**	**89,155**
TOTAL LIABILITIES AND FUND BALANCES	**$113,260**	**$112,205**	**$112,624**

Source: County Auditor-Controller.

Long-Term Obligations of County

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's General Fund supported obligations and direct and overlapping debt.

General Obligation Debt. The County has no outstanding general obligation debt.

Certificates of Participation. As of June 30, 2010, the County had outstanding certificates of participation (collectively, the "Outstanding COPs") in the aggregate amount of approximately $83.1 million which are payable from General Fund revenues. The proceeds of these Outstanding COPs have been used for the acquisition, construction and renovation of major capital facilities within the County and to advance refund previously issued debt.

Lease Obligations. In addition, leases entered into in connection with the above certificates of participation, the County has outstanding capital leases payable from the General Fund in the amount of approximately $4.79 million as of June 30, 2010.

Direct and Overlapping Debt. The direct and overlapping debt of the County as of March 1, 2011, according to California Municipal Statistics, Inc., is shown in the table below. The County makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

COUNTY OF SANTA BARBARA
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(as of March 1, 2011)

SANTA BARBARA COUNTY

2010-11 Assessed Valuation: $61,883,903,866 (includes unitary utility valuation)
Redevelopment Incremental Valuation: 3,584,119,058
Adjusted Assessed Valuation: $58,299,784,808

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/11
Allan Hancock Joint Community College District	99.693%	$ 92,264,538
Santa Barbara Community College District	100.	44,905,000
High School Districts	99.996-100.	115,674,561
Unified School Districts	100.	48,860,971
Goleta Union School District	100.	20,180,000
Orcutt School District	100.	12,755,000
Santa Barbara School District	100.	24,989,570
Other School Districts	100.	43,509,023
Lompoc Healthcare District	100.	74,270,000
Santa Ynez River Water Conservation District, I.D. No. 1	100.	750,000
Special District 1915 Act Bonds	62.105-100.	6,941,564
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$485,100,227
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County General Fund Obligations	**100. % (1)**	**$ 77,830,000**
Santa Maria Joint Union High School District Certificates of Participation	99.996	24,104,036
Santa Maria-Bonita School District Certificates of Participation	99.994	21,563,706
Santa Ynez Valley Union High School District Certificates of Participation	100.	3,480,000
Buellton School District Certificates of Participation	100.	2,160,000
College School District Certificates of Participation	100.	3,190,000
Solvang School District Certificates of Participation	100.	720,000
City of Carpinteria Certificates of Participation	100.	1,035,000
City of Santa Barbara Certificates of Participation	100.	50,445,000
City of Santa Maria General Fund Obligations	100.	11,325,000
Carpinteria Sanitary District General Fund Obligations	100.	13,155,000
Santa Maria Cemetery District Certificates of Participation	100.	1,170,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$210,177,742
Less: City of Santa Barbara revenue bonds supported by airport revenues 47,270,000		
Carpinteria Sanitary District revenue bonds supported by wastewater system revenues 13,155,000		
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$149,752,742
GROSS COMBINED TOTAL DEBT		$695,277,969(2)
NET COMBINED TOTAL DEBT		$634,852,969

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations and state contractual obligations within the Department of Water Resources.

Ratios to 2010-11 Assessed Valuation:
Total Overlapping Tax and Assessment Debt...0.78%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($77,830,000)..............0.13%
Gross Combined Total Debt.............................1.19%
Net Combined Total Debt.................................1.09%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: $0

Source: California Municipal Statistics, Inc.

Employees

Maria A summary of County full-time equivalent ("FTEs") employees follows. Some employees are hired under various federally funded programs.

TABLE A-7
COUNTY OF SANTA BARBARA
REGULAR EMPLOYEES
(Fiscal Year 2003-04 through 2011-12)

Fiscal Year	FTE Employees(1)
2003-04	4,209
2004-05	4,160
2005-06	4,233
2006-07	4,290
2007-08	4,337
2008-09	4,208
2009-10	4,150
2010-11(2)	3,888
2011-12(2)	3,683

Source: County of Santa Barbara payroll records as of June 30, 2004 through June 30, 2010, and the adopted Fiscal Year 2010-11 Budget.
(1) Excludes temporary and per diem employees.
(2) Budgeted (includes reductions for salary savings).

Labor Relations. County employees are represented by the nine bargaining units listed below. The County has never experienced any major employee strikes or work stoppages.

TABLE A-8
COUNTY OF SANTA BARBARA
LABOR ORGANIZATION UNIT CONTRACT EXPIRATION DATES

Labor Organization	Number of Employees	Contract Expiration Date
Deputy Sheriff's Association	462	2/17/2013
Sheriff's Managers Association	30	4/14/2013
Deputy District Attorney's Association	41	10/02/2011(1)
Probation Peace Officers Association	215	9/29/2013
Firefighters Local 2046	194	3/03/2013
SEIU Local 620	1,952	6/26/2011(1)
SEIU Local 721	407	6/26/2011(1)
Engineers and Technicians Association	129	6/26/2011(1)
Union of American Physicians and Dentists	38	10/02/2011(1)
TOTAL	3,468	

Source: County of Santa Barbara, Human Resources.
(1) Contract currently being renegotiated.

Retirement Program

General. The Santa Barbara County Employees' Retirement System (the "Retirement System") was organized under the provisions of the 1937 County Employees' Retirement Act (the "Retirement Act") and became effective on January 1, 1944. The Retirement System operates a cost-sharing multiple employer defined benefit plan. Members include all permanent full-time employees and those part-time employees working at least 40 hours per pay period, for the County, County Courts, Air Pollution Control District, Carpinteria Cemetery District, Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Oak Hill Cemetery District, Mosquito and Vector Management District of Santa Barbara County, Santa Barbara County Association of Governments, Santa Maria Cemetery District and Summerland Sanitary District. The County and these 10 other participating employers are collectively referred to as the "Employers." Employees of the County represent approximately 90.7% of the membership within the Retirement System. During Fiscal Year 2009-10, the County made 92.5% of the annual Employer contributions to the Retirement System.

The Retirement System is administered by a board (the "Retirement Board") consisting of nine members and two alternates. The Board of Supervisors appoints four Retirement Board members and the members of the Retirement System elect six members (including the two alternates). The County Treasurer is an *ex-officio* member of the Retirement Board.

The Retirement System has five retirement plans, three of which are currently available to new County employees. All new General member employees are enrolled in the contributory General Plan 5 and all new Safety members are enrolled in the contributory Safety Plan 4 or Safety Plan 6. Non-contributory General Plan 2 is closed for new membership. There is an additional General plan open only to employees of the Air Pollution Control District. All plans provide benefits as defined by the Retirement Act upon retirement, death or disability of members based on age, years of service, final average salary and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2, based upon the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the Los Angeles/Riverside/Orange County area, subject to a 3% maximum increase. In addition to the basic cost-of-living increases, Supplemental Cost-of Living adjustments ("Supplemental COLAs") may be provided by the Retirement Board to restore the purchasing power of retiree and beneficiary allowances to no more than 80% of the original benefit. However, under Retirement Board policy, Supplemental COLAs are only granted once the system is fully funded.

See table A-13 below for a summary of the County's contribution to the Retirement System for the past eight fiscal years (which amounts include certain non-General Fund contributions as well).

The following table shows membership in the Retirement System for the last five calendar years.

TABLE A-9
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MEMBER POPULATION
(As of June 30)

	2006	2007	2008	2009	2010
Retirees and Beneficiaries[1]	2,679	2,812	2,972	3,117	3,318
Terminated Employees[2]	778	1,137	1,188	1,154	1,181
Active Plan Participants[3]	4,640	4,625	4,606	4,467	4,228
Vested	3,181	3,121	3,097	3,078	2,968
Non Vested	1,459	1,504	1,509	1,389	1,260

Sources: Santa Barbara County Public Employees' Retirement System Financial Statements, for the Fiscal Years ended June 30, 2006 through 2010.
(1) Currently receiving benefits.
(2) Includes terminated employees entitled to benefit but not yet receiving them.
(3) Entitled to benefits but not yet receiving them.

Funding Policy. Contributions to the Retirement System are made by members and Employers at rates recommended by an independent actuary, approved by the Retirement Board, which rates are then adopted by the Board of Supervisors. For certain bargaining units, a portion of the members' contribution is paid for by the County. Employee contributions are based upon each individual member's age of entry into the Retirement System. Member and employer contributions are allocated to various legally required reserve accounts.

An actuarial valuation is required under the Retirement Act at least every three years. The valuation must be completed by an Enrolled Actuary, covering the mortality, service, and compensation experience of the members and beneficiaries, and must evaluate the valuation assets and actuarially determined liabilities of the Retirement System. The Retirement Act requires the Retirement Board to recommend to the Board of Supervisors and the other Employers such changes in rates of interest, in the rate of contribution of members, and in the Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Act requires the Employers to implement such changes.

Employer contributions are determined under the Entry Age Normal Actuarial Cost Method, permitted by California Government Code Section 31453.5. The Entry Age Normal method defines the Normal Cost as the level percentage of salary necessary to fund the projected future benefit over the period from the date of entry to the date of separation from active service. The Actuarial Accrued Liability is that portion of the Actuarial Present Value of pension plan benefits and expenses that is not provided for by future Normal Costs. The difference between the Actuarial Accrued Liability and the Actuarial Value of Assets is called the "Unfunded Actuarial Accrued Liability" or "UAAL" and, until June 30, 2009, was amortized over 15 years from the date each new liability was first recognized. Under a new funding policy adopted as of June 30, 2009, the entire UAAL is amortized over a constant 17-year period.

Employee contributions cannot be withdrawn until separation from employment. Set forth below is the schedule of the County of Santa Barbara contribution rates for the Retirement System.

TABLE A-10
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Effective:	2007-08	2008-09	2009-10	2010-11	2011-12
Plan:					
General					
Plan 2	8.99%	10.81%	11.57%	11.74%	15.70%
Plan 5A	15.51	17.26	20.54	21.06	24.93
Plan 5B	15.63	17.26	20.05	21.00	24.90
Plan 5C	–	17.26	21.10	21.94	25.82
Safety					
Plan 4A	33.73	34.04	27.79	26.75	38.63
Plan 4B	30.53	28.83	22.63	20.39	32.35
Plan 4C	30.57	31.86	27.24	26.31	37.93
Plan 4D	–	31.60			
Plan 6A	–	34.04	32.17	30.83	39.51
Plan 6B	–	31.60	32.36	31.44	40.09

Sources: Actuarial Valuation Reports of the Santa Barbara County Employees' Retirement System for the Fiscal Years ended June 30, 2006 through 2010 and the Santa Barbara County Employees' Retirement System.

When measuring assets for determining the UAAL, the Retirement System has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement System's assets is lower or higher than the actuarial assumed rate of return (which is 7.75%), then the shortfall or excess is smoothed or spread over a 5-year period. The impact of this will result in "smoothed" assets which are lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As a result of the smoothing practice, as of June 30, 2010, there were approximately $317.8 million of deferred losses to be recognized over the next five years.

Investment Policy, Historical Investment Return. The Retirement Board adopted an investment policy statement and related policies (the "Investment Policy") to ensure that the Retirement System is managed prudently and in compliance with the Retirement Act. These policies set investment return and risk objectives and provide for extensive diversification of assets, securities, lending, commission recapture, value-added strategies, proxy voting, and corporate governance issues.

Objectives. The overall goal of the Retirement System is to provide timely and sufficient benefits to its participants and their beneficiaries, as required under the plan, through a carefully planned and executed investment program. The Retirement System seeks to produce a return on investment that is based on levels of liquidity and investment risk that are prudent and reasonable, given prevailing capital market conditions. While the Retirement Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns.

The Investment Policy of the Retirement System is required at all times to comply with existing and future applicable State and federal regulations including but not limited to the State Constitution as amended by Proposition 21 (Public Pension Fund Investments).

Responsibility of Retirement Board. The Retirement Board is responsible for determining the specific allocation of the investments among the various asset classes considered prudent given the liability structure of the Retirement System. The long-term allocation guidelines are expressed in terms of ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur. The asset allocation, which is the System's investment structure, is required to be sufficiently diversified to maintain risk at a reasonable level as determined by the Retirement Board without imprudently sacrificing return. The Retirement Board is required to determine performance benchmarks against which the asset allocation plan is reviewed to ensure that the asset mix remains appropriate to meet the long-term goals of the retirement program. The Retirement Board annually reviews its Investment Policy.

In accordance with the asset allocation guidelines the Retirement Board selects external investment managers with demonstrated experience and expertise whose investment styles collectively will implement the Investment Policy. The Retirement Board sets guidelines for these managers and regularly reviews their investment performance against stated objectives.

Asset Allocation and Target Mix. The Retirement Board adopted an evolving long-term strategic asset allocation policy on June 23, 2010. Based on this framework, the current asset allocation guidelines are as follows:

Type of Investment	Minimum	Maximum	Target
Domestic Investments:			
Equities (Russell 3000 Mandate)			
Russell 1000 Index			
Core	9.52	14.28	11.90
Enhanced	2.96	4.44	3.70
Large Growth	6.24	9.36	7.80
Large Value	6.24	9.36	7.80
Small Growth	1.43	2.38	1.90
Small Value	1.43	2.38	1.90
Covered Calls	1.00	3.00	2.00
TOTAL DOMESTIC EQUITY	28.82	45.20	37.00
Fixed Income (BC Universal Mandate)			
Active Core – Plus	16.20	19.80	18.00
Intermediate Government Bonds	2.70	3.30	3.00
Active Core	8.10	9.90	9.00
TOTAL DOMESTIC FIXED	27.00	33.00	30.00
International Investments			
Equities (ACWI ex US Mandate)			
Active EAFE	8.75	16.25	12.50
Passive Developed Markets	2.45	4.55	3.50
Emerging Markets	1.00	3.00	2.00
TOTAL INTERNATIONAL EQUITIES	12.20	23.80	18.00
Real Estate	2.00	6.00	4.00
Real Return	2.00	6.00	4.00
Alternatives	2.50	7.50	5.00
Cash	0.00	4.00	2.00
TOTAL PORTFOLIO			100.0%

Source: Santa Barbara County Employees' Retirement System.

Based on the investment policies of the Retirement Board, the Retirement Board has adopted, with the concurrence of the actuary, an actuarial assumed rate of return of 7.75%.

The net investment return on the market value of the Retirement System's assets for the year ended June 30, 2010 was 14.4% , -4.9% for the three years then ended and 2.1% for the five years then ended. This compares to the 7.75% actuarial assumed rate of return that the Retirement System's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much is expected to be earned on the assets of the Retirement System in future years). If a lower investment return rate assumption were used, then the UAAL would be greater, as would the Employers' and employees' annual contributions for normal costs. The Employers are responsible for making contributions relating to UAAL. Conversely, the use of a higher investment return rate assumption would result in a smaller UAAL and smaller Employer and employee annual contributions. Actual investment results that are higher or lower than the assumed rate of return will also affect the UAAL and the Employers' annual contributions.

Summary of Current Investments. The following table shows the type of investments held in the Retirement Systems portfolio as of June 30, 2010.

TABLE A-11
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF CURRENT INVESTMENTS
AS OF JUNE 30, 2010

Investment	Percent	Market Value
Cash	1.34%	$ 21,483,873
Short-Term Investments	3.18	51,142,189
Domestic Bonds	25.83	415,198,303
International Bonds	6.61	106,185,345
Alternatives	3.44	55,168,188
Domestic Equity	36.40	585,091,702
International Equity	19.02	305,747,082
Real Estate/Real Return	4.18	67,295,389
TOTAL INVESTMENT	100.00	$1,607,312,071

Source: SBCERS' June 30, 2010 CAFR, differences due to rounding.

Funding Status. As of June 30, 2010, the date of the Valuation, valuation assets of the Retirement System were approximately $1.972 billion, the actuarial accrued liability was approximately $2.616 billion and the funded ratio was approximately 73.7%. The actuarial value of assets may increase or decrease as a result of investment results of the Retirement System increasing or decreasing below the actuarially assumed rate of 7.75% per annum as a consequence of increases or decreases in the capital markets. No assurance can be given that the actuarial value of assets of the Retirement System will not materially decrease.

The Retirement System has experienced investment gains since its last valuation on June 30, 2010. The market value of plan assets was $1.935 billion as of March 31, 2011. This represents an increase of approximately $325 million, or 21% over the June 30, 2010 market value.

Set forth below is eight-year historical trend information about the Retirement System. The values reported below represent actuarial values; note that these values differ from the market values:

TABLE A-12
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(In 000's)

Actuarial Valuation Date	Valuation Assets (a)	Valuation Actuarial Accrued Liabilities (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b–a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	$1,211,348	$1,319,547	91.8%	$108,199	$257,237	42.1%
6/30/2004	1,241,557	1,441,156	86.2%	199,599	266,960	74.8
6/30/2005	1,305,995	1,549,803	84.3%	243,808	267,785	91.0
6/30/2006	1,414,951	1,671,831	84.6%	256,880	287,382	89.4
6/30/2007	1,704,469	1,956,834	87.1%	252,365	294,163	85.8
6/30/2008	1,891,456	2,135,955	88.6%	244,499	307,264	79.6
6/30/2009	1,705,733	2,263,862	75.3%	558,129	306,524	182.1
6/30/2010	1,927,229	2,616,147	73.7%	688,918	306,963	224.4

Source: Actuarial Valuation Report as of June 30, 2010 prepared by Milliman.
(1) Actuarial Accrued Liability.
(2) Unfunded Actuarial Accrued Liability.

Analysis of the dollar amounts of assets available for benefits, accrued liability and unfunded accrued liability in isolation can be misleading. Expressing net assets available for benefits as a percentage of the pension plan provides one indication of the funding status of the Retirement System. Analysis of this percentage over time indicates whether the Retirement System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system. Trends in unfunded accrued liability and annual covered payroll are both affected by inflation. Expressing the prefunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Retirement System's progress made in accumulating sufficient assets to pay benefits when due.

An unfunded actuarial accrued liability is the present value of accrued plan benefits determined under the actuarial funding method used by the Retirement System to determine contributions. An unfunded actuarial accrued liability takes into account a member's service rendered to the calculation date and it includes the effect of projected salary increases. An unfunded actuarial accrued liability is the difference between the actuarial accrued liability and assets available to pay for the liability. The actuarial accrued liability has been calculated on a basis consistent with the funding method used by the Retirement System to calculate Employer contributions.

Significant assumptions used in the actuarial valuation of the Retirement System include (a) rate of return on the investment of present and future assets of 7.75% per year compounded annually, (b) projected salary increases of 3.75% per year attributable to inflation and varying percentages (based on years of service and other factors) attributable to merit and longevity increases, each compounded annually and (c) pre-retirement demographic assumptions based on experience analysis. Another important assumption is post-retirement mortality.

TABLE A-13
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF REVENUES NET ASSETS AND RETURN ON MARKET VALUE
(Fiscal Years 2002-03 through 2009-10)

	Source of Revenues				
Fiscal Year (June 30)	Employee Contributions	Employer Contributions	Gross Investment Income/ (Loss)	Net Assets At Market Value End of Year[(1)]	Net Return at Market Value
2003	$12,796,575	$33,799,166	$57,301,619	$1,169,417,097	5.0%
2004	13,633,762	39,334,678	190,516,409	1,346,619,352	16.1
2005	14,827,847	46,720,797	143,795,225	1,476,158,019	9.9
2006	15,057,589	53,976,749	170,316,018	1,628,958,290	10.8
2007	15,853,139	63,395,296	285,497,505	1,891,061,294	17.2
2008	15,479,269	69,460,616	(122,988,456)	1,760,420,004	(7.4)
2009	11,083,461	75,902,140	(328,466,193)	1,421,519,182	(19.2)
2010	11,648,995	84,647,133	199,034,468	1,609,448,698	13.2

Sources: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report for the Years ended June 30, 2003 through June 30, 2010.
(1) Net of benefits paid, administrative costs, refund of contributions and other deductions.

The Retirement System issues publicly available financial reports that include financial statements and required supplementary information. Copies of the reports may be obtained by writing the Santa Barbara County Employees' Retirement System, 3916 State Street, Suite 210, Santa Barbara, California 93105.

Santa Barbara County Replacement Benefit Plan. Internal Revenue Code (IRC) Section 415(b) limits the maximum annual amount that a defined benefit plan such as Retirement System can pay to any individual. The Santa Barbara County Replacement Benefit Plan, a qualified IRC 415(m) plan, provides annual retirement benefits otherwise earned by and payable to Retirement System members but which are limited by Section 415(b).

Participation is limited solely to retired members whose benefits payable by the Retirement System are limited by Section 415(b). No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants and their beneficiaries. For the fiscal year ending June 30, 2010, there was one retired member participating in this plan and the benefits paid by the County were $13,424.

Deferred Compensation Plans

The County offers three deferred compensation plans: the Santa Barbara County Supplemental Retirement Plan; the County of Santa Barbara Employee Contribution Deferred Compensation Plan and the County of Santa Barbara Social Security Compliance Deferred Compensation Plan.

Santa Barbara County Supplemental Retirement Plan. The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer only annual contributions are calculated based upon agreements with employee bargaining groups and the County or by appropriate action taken by the County. This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for this plan. The County's actual contributions to the Santa Barbara County Supplemental Retirement Plan for the last seven Fiscal Years are set forth below:

TABLE A-14
SANTA BARBARA COUNTY SUPPLEMENTAL RETIREMENT PLAN
COUNTY CONTRIBUTIONS

Fiscal Year Ending (June 30)	Contribution
2003	$136,000
2004	141,000
2005	143,000
2006	149,000
2007	158,000
2008	194,000
2009	193,985
2010	166,000

Source: County of Santa Barbara.

County of Santa Barbara Employee Contribution Deferred Compensation Plan. The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees eligible to participate in the Retirement System. This plan allows participants to defer a portion of their current income until future years (currently up to a maximum of $16,500) and to defer such funds and earnings from state and federal taxation until withdrawal. Employees age 50 and over can defer an extra $5,500 for a total annual deferral of $22,000. The age 50+ catch-up provision is not available in any year the pre-retirement catch-up is utilized. The pre-retirement catch-up is available to employees for one or more of the last three calendar years before attaining normal retirement date. The pre-retirement catch-up is limited to the lesser of (i) the regular dollar limit (currently $16,500) or (ii) compensation eligible for deferral that was not deferred in any prior tax year. The deferred compensation is not available to participants until termination, retirement, death, unforeseeable emergency or by a qualified loan. This plan is administered through a third-party administrator. The County does not perform the investing function and has no fiduciary accountability for this plan.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan. The County of Santa Barbara Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security ("FICA"), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular retirement system are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals

6.0% and the County's contribution equals 1.5% for a combined total of 7.5%. This plan is administered through a third-party administrator and is available to all employee groups. The County does not perform the investing function and has no fiduciary accountability for this plan.

The County's actual contributions to the County of Santa Barbara Social Security Compliance Deferred Compensation Plan for the last seven Fiscal Years are set forth below:

TABLE A-15
COUNTY OF SANTA BARBARA
SOCIAL SECURITY COMPLIANCE DEFERRED COMPENSATION PLAN
COUNTY CONTRIBUTIONS

Fiscal Year Ending (June 30)	Contribution
2003	$100,000
2004	97,000
2005	88,000
2006	108,000
2007	100,000
2008	108,000
2009	97,000
2010	124,000

Source: County of Santa Barbara Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2010.

Other Post-Employment Benefits

Plan Description. The County's defined benefit postemployment healthcare plan ("OPEB Plan") provides medical benefits to eligible retired County employees and their beneficiaries pursuant to California Government Code Section 31694 *et. seq.* The County's OPEB Plan is administered by the Santa Barbara County Employee Retirement System. Members of the OPEB Plan include retirees of the County and other employer plan sponsors as well as their eligible dependents. The OPEB plan is considered an agent plan. Unlike the SBCERS pension plan where the experience is pooled among different employers, an agent plan tracks income, disbursements, and liability experience separately for each individual employer sponsor. Other employer plan sponsors include the Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Santa Maria Cemetery District, Carpinteria Cemetery District, Summerland Sanitary District, Air Pollution Control District (APCD), the Santa Barbara County Association of Governments (SBCAG), and the Santa Barbara County Superior Court.

Plan Benefits. The County negotiates health care contracts with providers for both its active employees as well as participating retired members of the Retirement System. Retirees are offered the same health plans as active County employees as well as enhanced senior plans for retirees on Medicare. Retiree premiums are rated separately from active County employees. As such the County does not have a retiree premium implicit rate subsidy.

Pursuant to the OPEB Plan, the Board of Supervisors has determined to provide a monthly insurance premium subsidy from the 401(h) account for Eligible Retired Participants participating in a County sponsored health insurance plan in the amount of $15 per year of credited service. The monthly insurance premium subsidy shall be applied directly by the Retirement System to pay the premium and shall not be paid to the retiree or other party. The maximum amount paid in any month shall not exceed the premium, any amount in excess of the premium shall be forfeited. If an Eligible Retired Participant does not participate in the County-sponsored health insurance plan, then the Retirement System shall reimburse the Eligible Retired Participant for other Medical Care expenses. The maximum monthly amount paid shall be $4 per year of credited service by the retiree.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 per month or a subsidy of $15 per month per year of service, which ever is greater.

Survivors of Eligible Retired Participants' (Spouses and Dependents) continue to receive a subsidy proportionate to their percentage of the retiree's pension benefit (if any).

Funding Policy. The County and other participating employer plan sponsors individually determine their separate contributions to the Retirement System to fund the OPEB Plan. The Annual Required Contribution (ARC) is the amount that the employer is required to report as an expense under GASB 45. The ARC is equal to the Normal Cost plus an amount to amortize the unfunded AAL. Note that the ARC represents an accounting expense, but the employer is not required to contribute the ARC to a trust. If the employer does not set aside funds equal to the ARC each year, then a net OPEB obligation is disclosed. The County has adopted a 3% employer contribution rate of covered retiree payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years. The Fiscal Year 2010-11 OPEB ARC is $20,810,711 (7.4%) of the County's annual covered payroll of $280,040,166.

Annual OPEB Plan Cost. For Fiscal Year 2010-11, the County's ARC is $20,810,711 for the OPEB Plan. The ARC includes (a) the normal cost for the year for current active employees of $5,052,357 and (b) a component for amortization of the total unfunded actuarial accrued liabilities (UAAL) of the OPEB Plan consisting of current retirees, current vested terminated, and current active employees of $15,758,354. The County is estimated to contribute $8,401,205 to the OPEB Plan in Fiscal Year 2010-11.

TABLE A-16
COUNTY OF SANTA BARBARA
DEVELOPMENT OF NET OPEB OBLIGATION
(As of June 30, 2011)

1.	End of Year Normal Cost	$5,052,357
2.	**Amortization of UAAL**	**15,758,354**
3.	Annual Required Contribution (1.+ 2.)	$20,810,711
4.	**Interest on Net OPEB Obligation (4.0% x 9)**	**1,158,779**
5.	**Adjustment to ARC (9./amortization factor)**	**2,551,037**
6.	**Annual OPEB Cost (3.+ 4.-5.)**	**$19,418,453**
7.	Estimated Employer Contributions (3% of payroll)	8,401,205
8.	Change in Net OPEB Obligation (6.- 7.)	$11,017,248
9.	Net OPEB Obligation, Beginning of Year	$28,969,487
10.	Estimated Net OPEB Obligation, End of Year (8.+ 9.)	$39,986,735

Source: Milliman Actuarial Valuation of Post Employment Benefits Other Than Pensions, As of June 30, 2010.

The investment return assumption (discount rate) was changed from 8.16% in 2007 to 4.50% in 2009 and to 4.00% in 2010. This has had a significant impact on the increase in the estimated net OPEB plan obligation for the Fiscal Years ended June 30, 2010 and June 30, 2011.

TABLE A-17
COUNTY OF SANTA BARBARA
OTHER POST EMPLOMENT BENEFIT PLAN COST
(In Thousands)

Fiscal Year (Ended June 30)	Annual OPEB Plan Cost	Percentage of Annual OPEB Plan Cost Contributed	Net OPEB Plan Obligation
2008	$12,434	0%	$12,434
2009	13,183	50	19,087
2010	18,123	47	28,748

Source: County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2010.

The quantification of costs set forth above should not be interpreted in any way as vesting such benefits; rather the disclosures are made solely to comply with the County's reporting obligations under GASB 45, as the County understands these obligations.

Funded Status and Funding Progress. The funded status of the OPEB Plan as of June 30, 2010, was as follows:

TABLE A-18
COUNTY OF SANTA BARBARA
OTHER POST EMPLOMENT BENEFIT PLAN FUNDING STATUS
(AS OF JUNE 30, 2009 AND 2010)
(In Thousands)

	2009	2010
Actuarial accrued liability (AAL)	$161,999	$173,944
Actuarial value of plan assets	(1,041)	(1,875)
Unfunded actuarial accrued liability (UAAL)	$160,958	$172,069
Funded ratio (actuarial value of plan assets/AAL)	0.64%	1.1%
Covered payroll (active plan members)	$279,494	$280,040
UAAL as percentage of covered payroll	57.6%	61.4%

Source: Milliman Actuarial Valuation of Post Employment Benefits Other Than Pensions, as of June 30, 2010.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation as well as the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets (if any), consistent with the long-term perspective of the calculations.

The investment return assumption (discount rate) was changed from 4.50% in 2009 to 4.00% in 2010. Based on an inflation assumption of 3.25% and the asset allocation of the Treasurer's Pool as of June 30, 2010, the County believes that a long-term assumption of 4.00% is appropriate for the 2010 OPEB valuation. The investment return assumption (discount rate) is based on the expected rate for the 401(h) account, which is invested in the Treasurer's Pool. The investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of OPEB benefits.

For the County, a closed amortization period of 15 years was established as of January 1, 2007. As of June 30, 2010 this period is now 11.5 years. Other employers use an open/rolling period of 30 years is used. This is the longest amortization period available and will result in the lowest level of ARC and net OPEB obligation status for the employers' accounting statements. This is common practice if little or no prefunding is expected.

Retirement System's Annual Financial Report. The Retirement System issues a publicly available annual financial report. The Retirement System's CAFR for the fiscal year ended June 30, 2010 will be available soon. It includes financial statements, note disclosures and required supplementary information for the OPEB Plan. The Retirement System's annual financial reports may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210 Santa Barbara, CA 93105.

Request for Internal Revenue Service Determination on the Continued Qualified Status of Plan and Submission to the Voluntary Correction Program.

In July 2008 the County requested a determination from the Internal Revenue Service (IRS) on the continued qualified status of the Santa Barbara County Employees' Retirement System Plan (Plan) in its entirety under Section 401(a) of the Internal Revenue Code of 1986. In conjunction with this determination the Plan was submitted for a correction through the IRS's Voluntary Compliance Program (VCP). The purpose of the submission was to correct both Plan document and operational compliance issues stemming from practices related to the funding of retiree health benefits. The submission identified the problem area, the cause of the problem, and proposed solution(s) for IRS approval; the County's proposed solution included a 401(h) plan. In September 2008 the County and Retirement System adopted a 401(h) plan to provide retiree health benefits.

In May 2010 the County submitted a supplement to the July 2008 VCP filing to the IRS. This filing was primarily based on a report produced by the actuarial firm Mercer entitled "Contributions in Excess of the Annual Required Contribution." In this report, Mercer reviewed the historical contributions the County made to the Plan and compared them to what the Annual Required Contribution (ARC) would have been if the reserve earmarked for retiree health benefits had not been established, and those assets were included as pension valuation assets. In each fiscal year, the County's pension contribution in excess of the otherwise required ARC also exceeded the amount paid out by the Plan in retiree healthcare benefits for that year. Cumulatively, the County contributed approximately $122,000 in excess of the otherwise required ARC for pension benefits compared to approximately $66,000 in retiree healthcare premium payments.

At this time, the County is unable to predict the exact timing of any guidance that may be obtained from the IRS or the results or impact of such guidance. In order for the County and the Retirement System to maintain the qualified status of the Retirement System, the IRS may request that the County restore any pension funds used to pay retiree health benefits (plus interest), pay fees, pay interest, and/or request that the Retirement System reallocate assets between pension liabilities and retiree health liabilities. Based on the above mentioned Mercer report, the County does not expect an adverse determination or any corrective action, but must await final notification; therefore the amount of any additional fees, interest, reallocation, and contributions is unknown at this time.

Alcohol, Drug and Mental Health (ADMHS) Services

Counties provide mental health services to Medi-Cal beneficiaries through a publicly or privately operated mental health managed care plan contracted with the State Department of Mental Health (DMH) and share in the financial risk. Each California County operates its own mental health plan for Medi-Cal beneficiaries. The County, through the mental health plan, provides mental health services to adults and children directly and through Community Based Organizations (CBO).

Mental Health Medi-Cal claiming is a reimbursement system in which counties are provided an interim cash flow of State and Federal funding pending settlement and audits.

Funding is made available through the Federal Medicaid entitlement program and California provides matching State and County funds. Claims are reimbursed based upon the appropriate Federal Medical Assistance Percentage (FMAP). This percentage represents the percentage of a claim for which the Federal government will pay Federal Financial Participation (FFP). Any amounts not provided by FFP must be matched by State or County funds.

Children's eligible mental health services are generally reimbursed with a 50% FMAP and 45% State General Fund match; the remaining 5% must be matched through County funds, including realignment funds. Eligible adult mental health services are generally reimbursed with a 50% FMAP and a 50% County fund match.

The year-end reporting process is the culmination of the mental health financial and statistical data accumulation for the services provided within the relevant fiscal year. The County is required to submit a cost report to DMH by December 31 for all services provided by County and CBO staff. The cost report serves as a basis for computing the year-end settlement and payment between the DMH and the County and is also the basic standardized record subject to audit. All year-end settlements are considered interim settlements and are subject to audit by DMH. The DMH audit is required to be completed three years after the year-end cost report is submitted. Generally the cycle, from filing to audit, is not complete until five years after the initial cost-report is filed by the County.

The County has identified and reported to the State potential issues regarding cost reporting, claiming and accounting methods used by ADMHS and its third party providers (CBO's) for Fiscal Year 2002-03 through the first half of Fiscal Year 08-09 that could result in claim and audit adjustments. As reported in the Fiscal Year 2007-08 financial statements, the County's accrued liability related to potential settlements and audit findings was estimated at $17,084,000 as of June 30, 2008. $2,881,000 of this amount was accrued in Fiscal Year 2007-08 and $14,203,000 was recorded as a prior period adjustment.

The County's accrued liability as of April 30, 2011 is $9,529,000. The original Fiscal Year 2007-08 financial statement liability of $17,084,000 was reduced by the following:

(i) The $2,881,000 accrued for Fiscal Year 2007-08 was reversed based on the submitted Fiscal Year 2007-08 Cost Report;

(ii) Fiscal Year 2002-03 audit settlement and Fiscal Year 2005-06 cost report settlements netting to $1,553,834 were remitted to the State;

(iii) Fiscal Year 2003-04 audit settlements totaling $119,000 were paid;

(iv) Fiscal Year 2006-07 Cost Report Settlement in the amount of $3,000,302 was paid during Fiscal Year 2010-11; and

(v) ADMHS has recently received an audit report from DMH for Fiscal Year 2004-05 with a potential $955,000 of the original liability due and an additional amount owed of $735,000 due to the lack of a published charge that led to the disallowance a specific providers' charges. Since this audit report has recently been received it is still in the analysis stages.

The County has identified General Fund designations that could be used for settlement of the remaining liabilities. The remaining liabilities are still subject to State cost settlement and audit procedures, an appeal process, negotiation and settlement between the County, State and third party providers.

Also as reported in the Fiscal Year 2007-08 financial statements, as a contingent liability, a DMH audit for Fiscal Year 2002-03 proposed a finding that a portion of costs billed under the Medi-Cal program were not Medi-Cal eligible. The DMH disallowed under audit the Multi-Agency Integrated System of Care (MISC) and the Counseling and Education Center (CEC) billings for these services provided to ADMHS in Fiscal Year 2002-03 by the Social Services, Public Health, and Probation Departments. These costs extrapolated over the period of Fiscal Year 2002-03 through Fiscal Year 2007-08 were estimated at $14,400,000. The County believes the disallowed costs billed under the Medi-Cal program are Medi-Cal eligible/reimbursable.

The County's contingent liability as of April 30, 2011 is $ $9,700,000. The original Fiscal Year 2007-08 liability of $14,400,000 was reduced/increased by the following:

(i) In March, 2009 the County received an adverse determination on this issue and was billed $2,200,000 for Fiscal Year 2002-03. This amount was withheld by DMH from Fiscal Year 2008-09 revenues. The County still believes the disallowed costs billed under the Medi-Cal program are Medi-Cal eligible/reimbursable and has filed a formal appeal. These amounts had been paid by the State to ADMHS in prior years and passed through to the other County departments. The Probation and ADMHS Departments funded this repayment with releases from the General Fund Strategic Reserve of $1,296,000 and $413,000 respectively. The Social Services and Public Health Departments funded the remaining amount within their departmental special revenue funds in the amounts of $363,000 and $135,000 respectively.

(ii) During Fiscal Year 08-09, ADMHS identified additional amounts received from DMH for the MISC/CEC services provided, that they had failed to forward to the participating departments providing the services. That amount of $1,900,000 was added to the original contingent liability due to this identification.

(iii) In April 2010, DMH concluded an audit of Fiscal Year 2003-04 and the County received an adverse determination in the amount of $2,600,000. Of this amount, $1,923,000 was paid from Strategic Reserve with the remainder coming from the Social Services and Public Health Departments special revenue funds. While the County disputes the findings, the audit report indicates a 100% disallowance of MISC/CEC services. The County continues to disagree with this disallowance. It should be noted that the State previously contracted an independent firm to review all children's services, including these MISC/CEC services. This previous chart review concluded that approximately 94.5% of such services were allowable.

(iv) In December 2010, ADMHS received an invoice in the amount of $1,800,000 for Fiscal Year 2005-06 from DMH at the conclusion of their audit. Their audit findings disallowed the MISC/CEC services as in the two previous year's audits. The County continues to disagree with the findings.

(v) ADMHS has recently received an audit report from DMH for Fiscal Year 04-05 with a potential MISC/CEC amount due of $2,153,000. Since this audit report has recently been received this report is still in the analysis stages.

Due to the extended nature of the audit and settlement process, these expenditures, if materialized, are anticipated to take place over a number of years. Successful appeal could result in reductions of audit settlements. The County does not anticipate that any of these issues will affect its ability to repay the Notes.

Risk Management

Insurance. The County has established risk financing internal service funds where assets are set aside for the settlement of claims and the purchasing of insurance. . These funds have been established for losses related to General, Professional and Medical liability claims, Workers' Compensation claims and first party Property claims. During the last 10 Fiscal Years, there were no claim settlements that exceeded insurance coverage.

Excess coverage is provided through the California State Association of Counties Excess Insurance Authority. CSAC Excess Insurance Authority ("CSAC-EIA") is a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The joint powers agreement provides for additional assessments to members if the pool was to become under funded. The CSAC-EIA is solvent and does not foresee additional assessment. Self-insurance and Authority limits are as follows:

Type of Coverage	Self-Insurance	CSAC Excess Insurance
General Liability	$500,000 per occurrence	$25,000,000
Medical Malpractice	$500,000 per occurrence	10,000,000
Workers' Compensation*	$500,000 per occurrence	Statutory limits

* Effective July 1, 2010, the County obtained first dollar Workers' Compensation coverage through CSAC-EIA's Primary Workers' Compensation program. Claims for injuries prior to that date are covered under the CSAC-EIA Excess Insurance program.

The County purchases property insurance from commercial companies through a pool comprised of a majority of Counties within the State. The shared policy limits for the County's "All Risk" coverage is $602.5 million with variable deductibles depending on the type of loss. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. The County also maintains earthquake coverage with shared policy limits of $330 million.

Wildfires. The County is exposed to a variety of wildfire hazard conditions ranging from very low levels of risk along the coastal portions of the County, to extreme hazards in the inland and chaparral covered hillsides of the Santa Ynez Mountains and the Los Padres National Forest. Currently, fire hazard severity is a function of fuel conditions, historic climate, wind conditions, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated as having a "Very High Severity Hazard," "High Hazard," or "Moderate Hazard." In the County, most of the area that has been designated as having a "Very High Severity Hazard" are located in the Santa Ynez Mountains and the Los Padres National Forest. These areas exhibit the combination of vegetative fuel, topography, and human proximity that contribute to an extreme fire hazard potential. The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is less.

Fiscal Year 2007-08 - Zaca Fire. In August of 2007, the County experienced the second largest (at the time) fire disaster in the recorded history of the State. Because the damage was mostly contained to the Los Padres National Forest, damage to public property was estimated at only approximately $2.2 million. The California Emergency Management Agency (formerly the Office of Emergency Services) is expected to fund approximately 75% of the estimated costs.

Fiscal Year 2008-09 - GAP Fire. During July of 2008, the County experienced a fire disaster. The damage was again mostly contained to the Los Padres National Forest. Damage to public property was estimated at approximately $2.6 million. The Federal Emergency Management Association (FEMA) is expected to fund approximately 25% and the California Emergency Management Agency (CalEMA) is expected to fund approximately 61% of the estimated costs (FEMA is not providing funding to all of the CalEMA approved projects).

Fiscal Year 2008-09 - TEA Fire. During November of 2008, the County experienced another terrible fire. The damage was mostly to homes in the Montecito area which were burned or damaged. The actual costs incurred by the County are approximately $1.3 million. FEMA is expected to fund 75% of the estimated costs and the California Emergency Management Agency is expected to fund 18.75% of the estimated costs.

Fiscal Year 2009-10 - Jesusita Fire. In May of 2009, the County experienced another severe fire. The damage was significant, as many homes in the mountains above Santa Barbara were destroyed or damaged. However, the actual costs incurred by the County are estimated to be approximately $4.7 million. The Fire Mitigation Assistance Grant is expected to fund $3.4 million of the estimated costs, and CalEMA is expected to fund $0.8 million and the United States Department of Agriculture is expected to fund $2.9 million of the estimated costs.

Flooding. Flood zones are identified by FEMA. FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year as being within a Non-Special Flood Hazard Area (a "NSFHA").

Fiscal Year 2010-11 – December Rains. In December of 2010, the County experienced significant flooding that is estimated to total $2.6 million in costs related to damages to public roads, damages to County owned buildings, debris basins clearing/cleaning, and Fire and Sheriff response teams. FEMA is expected to fund approximately 75% and CalEMA is expected to fund approximately 18.75% of the estimated costs (FEMA is not providing funding to all of the CalEMA approved projects).

Fiscal Year 2010-11 – March Rains. In March of 2011, the County experienced significant flooding that is estimated to total $8.4 million in costs related to damages to public roads, damages to County owned buildings, debris basins clearing/cleaning, and Fire and Sheriff response teams. Of the $8.4 million, approximately $6.2 million is related to the Guadalupe Dunes road which experienced significant damage. The County has received a State Declaration and is awaiting FEMA's response to the Governor's request for a Federal declaration. If the County receives a Federal declaration, FEMA is expected to fund approximately 75% and CalEMA is expected to fund approximately 18.75% of the estimated costs. In the event that the County does not receive a Federal declaration, CalEMA is expected to fund approximately 75% of the estimated costs.

Seismic Factors. Generally, seismic activity occurs on a regular basis in the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. Both the City of Santa Barbara and the County have a program requiring the retrofitting of certain property to meet higher standards of earthquake safety. Implementation of this program is ongoing and will continue for some years. There has been no major earthquake with an epicenter located in the County since August 1978; however, a number of faults located both within and outside of the County could become the site of quake activity impacting the County. The 1994 earthquake in Los Angeles County, which was centered in Northridge and was felt in the County, did not result in any deaths, injuries or property damage in the County according to the County Office of Emergency Services. In December 2003, an earthquake registering 6.5 on the Richter scale occurred with an epicenter 11 miles northeast of San Simeon. This earthquake resulted in some property damage in the County including but not limited to the Cities of Guadalupe and Santa Maria. The County is in the process of retrofitting the Santa Barbara and Santa Maria Courthouses. Approximately 75% of this cost is expected to be paid with funds received from the Federal Hazard Mitigation Grant Program. The remaining costs are expected to be paid by the County from available funds.

Treasury Oversight Committee

Pursuant to California Government Code Section 27131 the Treasurer nominates members to serve on a Treasury Oversight Committee (TOC). The Board of Supervisors adopts a resolution confirming the nominated members. The TOC consists of between 3 and 11 members (and currently is composed of 5) and convenes quarterly. The TOC reviews the Treasurer's Investment Policy and the Treasurer's quarterly Investment pool Report. The County Auditor-Controller's Office performs quarterly reviews and an annual Cash & Investment Audit, and the results of the quarterly reviews and the annual audit are presented promptly to the Board of Supervisors.

Failed Petitions to Split the County and Form a New County

In 1997 and in 2006, petitions were submitted to the voters proposing to divide the County. Both of those ballot measures failed to receive sufficient voter support. The County is unable to predict if future petitions to divide the County will be submitted to the voters for approval and the effect such a proposal, if approved, would have on the County and its finances.

Future Financings

The County may undertake the construction of a new jail in the northern part of the County during the next three Fiscal Years. The construction cost of this project is estimated to be approximately $80 million, of which approximately 70% is expected to be paid for with State bond funds with the remainder to be paid for by the County. The County is also in the process of applying for an allocation of qualified zone energy bonds in connection with a proposed solar energy project. Construction costs for these projects are estimated to range from $5 to $50 million which could be funded by the County General Fund, certain special revenue funds, certificates of participation or other lease financings. These projects are in the discussion stage, with no fixed time frame, and are dependent on future budget availability.

DEMOGRAPHIC AND ECONOMIC INFORMATION

General

The County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Santa Barbara as the County seat. The County covers approximately 2,274 square miles, of which approximately one-third is located in the Los Padres National Forest, and is located on the California coast approximately 100 miles north of Los Angeles and approximately 300 miles south of San Francisco. The County is bordered by San Luis Obispo County to the north, Kern County on the east, Ventura County to the south and the Pacific Ocean on the west. The County contains eight incorporated cities, which represented approximately 66.68% of the aggregate population in the County as of January 1, 2010.

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected by district to a four-year term, serves as the County's legislative body. Elections are held every two years on a staggered basis. A Chair is elected annually by and from the Members of the Board of Supervisors. Also elected are the Assessor/County Clerk-Recorder, the Auditor-Controller, the District Attorney, the Superintendent of Schools and the Sheriff and Treasurer/Tax Collector/Public Administrator. A County Executive Officer and the County Counsel are appointed and hired by the Board of Supervisors.

In November of 2008 an election was held for the County's Third District Supervisorial seat. Subsequently, a lawsuit was filed against the certified winner of the election contesting the election result. The certified election result for this office was confirmed by the Santa Barbara Superior Court following a trial on the matter. An appeal was filed, contesting the trial court's ruling. The appeal is pending in the state appellate court. Until a court issues a contrary judgment, the certified winner of the election continues to lawfully hold the office of Third District Supervisor with all lawful authority to act in such capacity.

The County Executive Officer manages the day-to-day business and activities of the County's departments pursuant to policies established by the Board of Supervisors, and the County Counsel provides legal counsel to the Board of Supervisors.

The County provides a wide range of services to its residents, including police protection, medical and health services, library services, judicial institutions including support programs, road maintenance, airport service, parks and a variety of public assistance programs. Other services provided by special districts, which are governed by the Board of Supervisors, include fire protection, lighting, sanitation and flood control.

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 426,189 as of January 1, 2011, reflecting a 0.6% increase over January 1, 2010.

The following table sets forth annual population figures as of January 1 of each calendar year for cities located within the County for each of the years listed:

TABLE A-19
COUNTY OF SANTA BARBARA
POPULATION OF CITIES WITHIN THE COUNTY
(As of January 1)

CITY	2007	2008	2009	2010	2011
Buellton	4,663	4,700	4,740	4,846	4,878
Carpenteria	14,123	14,271	14,409	13,087	13,104
Goleta	30,169	30,400	30,476	30,001	30,032
Guadalupe	6,397	6,541	6,534	7,145	7,115
Lompoc	41,015	42,957	42,892	42,605	42,262
Santa Barbara	89,456	90,305	90,308	88,741	89,253
Santa Maria	90,383	91,110	92,542	99,916	100,062
Solvang	5,495	5,555	5,446	5,262	5,289
Incorporated	282,651	285,839	287,347	291,603	291,995
Unincorporated	141,774	142,816	143,965	132,137	134,194
County-Wide	424,425	428,655	431,312	423,740	426,189
California	37,559,440	38,049,462	38,292,687	37,223,900	37,510,766

Source: State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

Personal Income

The United States Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-20 below presents the latest available personal income for the County, the State and the United States for the calendar years 2003 through 2010.

TABLE A-20
COUNTY OF SANTA BARBARA AND CALIFORNIA
PERSONAL INCOME
(Calendar Years 2003 Through 2010)

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)[1]
2010		
County	$ 19,000[2]	$ 43,800[2]
State	1,605,790	N/A
United States	12,530,101	N/A
2009		
County	18,954	46,565
State	1,566,999	42,395
United States	12,168,161	39,635
2008		
County	19,365	47,974
State	1,595,575	42,696
United States	12,035,388	39,751
2007		
County	19,020	47,302
State	1,520,755	41,805
United States	11,634,322	38,615
2006		
County	17,490	43,510
State	1,436,446	39,626
United States	10,968,393	36,714
2005		
County	16,500	40,968
State	1,348,255	37,462
United States	10,284,356	34,757
2004		
County	15,382	38,313
State	1,265,970	35,440
United States	9,711,363	33,123
2003		
County	13,677	33,942
State	1,187,040	33,554
United States	9,150,320	31,504

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
(1) U.S. and California per capita personal income data for 2010 not available at this time.

Industry and Employment

The largest industries in the County (Santa Barbara-Santa Maria-Goleta Metropolitan Statistical Area (an "MSA"), in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as set forth below. An MSA is a geographic entity defined by the U.S. Office of Management and Budget for use by federal statistical agencies in collecting, tabulating, and publishing federal statistics. A metropolitan area contains a core urban area of 50,000 or more population. Each metropolitan area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

TABLE A-21
SANTA BARBARA-SANTA MARIA-GOLETA MSA
ANNUAL AVERAGE EMPLOYMENT(1)
(In Thousands) (As of January 1)

INDUSTRY(2)	2005	2006	2007	2008	2009	2010
Agriculture	16,300	15,400	15,900	17,100	18,300	18,700
Natural Res. & Mining	900	1,100	1,200	1,100	900	1,000
Construction	10,100	10,500	10,500	9,700	7,700	7,000
Manufacturing	13,600	13,600	13,200	13,000	11,900	11,200
Trade, Trans. & Utilities	27,900	28,200	28,200	27,700	26,000	24,600
Information	4,100	4,000	3,900	3,700	3,500	3,400
Finance, Insur. & Real Estate	8,600	8,700	8,200	7,800	6,900	6,300
Prof. and Business Services	22,800	22,300	22,500	22,400	21,400	21,700
Educ. and Health Services	19,400	19,500	20,300	20,600	20,600	20,900
Leisure and Hospitality	22,400	22,700	22,700	23,100	22,100	22,000
Other Services	5,700	5,800	5,900	6,000	5,500	5,400
Government	36,400	36,100	37,000	37,300	37,700	38,100
TOTALS(3)	188,200	187,900	189,500	189,400	182,300	180,300

Source: State Employment Development Department, Labor Market Information Division.
(1) Based on place of work.
(2) Based on the North American Industry Classification System or NAICS.
(3) "Totals" may not be precise due to independent rounding.

The following table sets forth the major employers located in the County as of May 2010.

TABLE A-22
COUNTY OF SANTA BARBARA
CERTAIN MAJOR EMPLOYERS
(as of May 2010)

Company or Organization	Jobs	Percent of Total County Employment
Vandenberg Air Force Base	6,330	3.12%
Univ. of California at Santa Barbara	6,230	3.07
County of Santa Barbara	4,025	1.99
Santa Barbara Elem. and High School	2,500	1.23
Cottage Health System	2,468	1.22
Santa Barbara City College	2,281	1.13
Santa Maria-Bonita School District	1,886	0.93
U.S. Postal Service	1,881	0.93
Chumash Casino Resort	1,627	0.80
Total ten largest	30,728	15.16%
Total all other	171,972	84.84%
Total	202,700	100.00%

Sources: State Employment Development Department, Labor Market Information Division and Pacific Coast Business Times.

Unemployment statistics for the County, the State and the United States are set forth in the following table.

TABLE A-23
COUNTY OF SANTA BARBARA
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2005	2006	2007	2008	2009	2010
County(1)	4.4%	4.1%	4.4%	5.4%	8.4%	10.1%
California(1)	5.4	4.9	5.4	7.2	11.4	12.7
United States	5.1	4.6	4.6	5.8	9.3	9.6

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics.

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

Commercial Activity

The following table sets forth taxable transactions in the County for the years 2005 through 2009.

COUNTY OF SANTA BARBARA
TAXABLE SALES TRANSACTIONS
(In Thousands)

	2005	2006	2007	2008	2009
Apparel Stores	$187,526	$202,710	$220,552	$234,619	$266,915
General Merchandise	685,731	679,751	673,922	516,212	455,685
Food Stores	271,353	281,769	294,936	301,761	345,827
Eating & Drinking	624,365	656,189	676,367	676,706	650,220
Household	196,337	200,995	189,020	175,046	80,215
Building Materials	514,286	528,294	489,416	385,337	371,485
Automotive	1,087,060	1,106,880	670,504	536,158	441,923
Service Stations(1)	--	--	--	544,761	425,939
Other Retail	776,525	778,540	728,823	629,398	474,914
SUBTOTAL	4,343,183	4,435,128	4,428,913	4,097,313	3,513,123
Business & Per. Services	246,049	252,534	267,850	275,728	120,957
All Other Outlets	1,217,703	1,445,608	1,370,460	1,510,897	1,470,105
TOTAL ALL OUTLETS	$5,806,935	$6,133,270	$6,067,223	$5,883,938	$5,104,185

Source: California State Board of Equalization, Research and Statistics Division.
(1) As of 2007, Service Station data is no longer part of the Automotive Group.

Building and Real Estate Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was approximately $348 million as of 2010. The following table provides an estimated building permit valuation summary for 2003 through 2010.

TABLE A-25
COUNTY OF SANTA BARBARA
BUILDING PERMIT VALUATIONS
(In Thousands)

	Single Family		Residential Multifamily					
Year	Units	Valuation	Units	Valuation	Value of Alt. & Add.	Total Res. Valuation	Nonresidential Valuation	Total(1)
2003	1,240	$289,781	377	$45,067	$91,383	$426,231	$146,706	$572,937
2004	961	222,090	556	53,442	87,501	363,033	118,650	481,683
2005	688	192,867	272	47,600	99,841	340,307	166,102	506,409
2006	642	195,122	255	45,205	82,829	321,156	181,978	503,134
2007	478	159,140	245	38,865	75,645	273,650	214,258	478,909
2008	189	82,246	354	39,164	76,076	197,486	192,205	389,691
2009	185	99,701	28	6,780	54,060	160,541	130,218	290,759
2010	250	139,458	210	26,304	56,257	222,019	126,801	348,820

Source: Construction Industry Research Board.
(1) Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

Agriculture

The County is comprised of approximately 1,775,360 square acres, of which approximately 710,820 acres (representing 40.03%) were zoned and in production for agricultural uses in calendar year 2009. In 2009, the total gross value of agricultural products and crops was $1.24 billion, an increase of approximately $104 million compared to 2008, due primarily to the increase in the value of strawberries, which represented approximately 27.7% of the total value in 2009, and wine grapes, which represented approximately 11.07% of the total value in 2009, for a combined total of 38.83% of the total value in 2009. The value of agricultural production in the County for 2005 through 2009 is presented in the following table. Data for 2010 will not be available until July 2011.

TABLE A-26
COUNTY OF SANTA BARBARA
VALUE OF AGRICULTURAL PRODUCTION

	2005	2006	2007	2008	2009
Strawberries	$202,616,827	$231,391,853	$312,754,997	$309,277,708	$344,614,465
Broccoli	112,690,506	128,873,188	131,070,223	159,817,530	149,895,078
Wine Grapes	160,365,223	107,377,849	99,918,573	86,148,108	137,426,625
Head Lettuce	59,191,137	66,950,045	87,845,590	83,006,442	62,049,817
Celery	27,453,638	41,691,008	39,686,202	41.188,528	40,860,729
Avocadoes	29,017,588	40,287,927	20,811,595	37,714,443	47,129,342
Cauliflower	39,288,326	37,415.108	46,107,384	47,377,348	63,216,615
Leaf Lettuce	23,976,443	26,851,912	25,705,118	29,465,427	40,860,729
Cattle	30,791,535	26,603,767	27,340,291	23,691,028	(4)
Gerbera Cut Flowers(2)	–(1)	–(1)	23,564,547	22,194,789	25,911,900
Lemons	19,211,743	–(2)	–(2)	–(2)	(2)
Lily Cut Flowers	–(3)	18,910,555	–(3)	–(3)	22,493,289
Subtotal Top Ten Crops	704,602,968	726,353,212	787,464,229	798,692,823	922,285,607
All Other Crops	292,997,610	290,381,932	288,517,513	338,692,295	319,114,894
TOTAL	$997,600,578	$1,016,735,144	$1,075,981,742	$1,137,350,118	$1,241,400,501
Percent Change	10.18%	1.92%	5.83%	3.0%	9.1%

Source: County of Santa Barbara Department of Agriculture/Weights and Measures.
(1) Gerbera Cut Flowers were not one of the top 10 agricultural products or crops in this calendar year.
(2) Lemons were not one of the top 10 agricultural products or crops in this calendar year.
(3) Lily Cut Flowers were not one of the top 10 agricultural products or crops in this calendar year.
(4) Cattle was not one of the top 10 agricultural products in this calendar year.

Transportation

Highways. The County is served by a well-developed transportation network which includes road, rail, and bus services. US Highway 101 and numerous State Highways such as 1, 33, 135, 166, 154, 217 and 246 provide convenient access throughout the County and its municipalities.

Railroads. Amtrak railroad crosses the through County with its main line generally following the coastline, with stations in Carpinteria, Santa Barbara and Goleta. Freight transportation is also provided by several intra-state and transcontinental trucking firms.

Airports. The Santa Barbara Airport (the "Airport"), owned and operated by the City of Santa Barbara, is located approximately 10 miles southeast of downtown area of the City of Santa Barbara on approximately 952 acres. The Airport, which includes an approximately

45,300 square foot terminal building, is the regional airport for the San Luis-Santa Barbara-Ventura tri-county area. The Airport is served by five major airlines that provide non-stop service to 10 destinations in the United States. The Airport operates twenty-four general aviation hangars and facilities. Additional hangar facilities are also available from the two fixed base operators operating at the Airport. The Airport is in the process of constructing a new two-story, 60,000 square foot terminal building and additional parking facilities. The new terminal project, which includes relocation of the existing approximately 7,000 square foot historic terminal building, will accommodate aircraft up to the size of a Boeing 737 and is expected to be completed in 2011.

The Santa Maria Public Airport, providing full-service general aviation, corporate and air carrier facilities; the Lompoc Airport and the Santa Ynez Airport, providing general aviation facilities, are also located within the County.

Bus Service. The Santa Barbara Metropolitan Transit District ("MTD") operates a municipal bus system serving the cities of Goleta, Santa Barbara and Carpinteria, and the unincorporated areas of Ellwood, Isla Vista, Montecito and Summerland. Limited commuter service linking Solvang and Buellton with Goleta, Santa Barbara and the University of California, Santa Barbara is also available through the MTD. Bus services is also provided by the Clean Air Express, providing roundtrip weekday service from Santa Maria and Lompoc to Santa Barbara and Goleta; City of Lompoc Transit, providing fixed route service in Lompoc, Vandenberg Village and Mission Hills; and Santa Ynez Valley Transit, linking the cities of Buelton, Los Olivos, Santa Ynez and Solvang.

Health Services

There are five privately operated not for profit acute care hospitals with a combined total of approximately 934 beds, seven County-operated federally qualified health care centers and 17 licensed community not-for-profit operated clinics located within the County.

The County operates federally qualified health center clinics that provide services to all residents of the County regardless of their ability to pay. Primary care and specialty clinics provide diagnostic and treatment services for patients with acute and chronic medical conditions. In addition, the County operates three pharmacies and provides ancillary services such as laboratory and radiology. A wide range of women's health including family planning, gynecology and obstetrical care is offered as well as assessment and treatment for a variety of communicable diseases.

Education and Community Services

Public school education in the County is available through 16 elementary school districts, three unified school districts, three high school districts and the County Office of Education. As of Fiscal Year 2009-2010, these districts offered instruction at two kindergarten through grade 12 schools, 76 elementary schools, 14 middle schools, two junior high schools, 11 high schools, one alternative school, one special education school, nine continuation schools, two community day schools, one school operative by the juvenile court system and one County operated community school. School enrollment in Fiscal Year 2009-2010 numbered approximately 66,040 in public schools. There are 42 regular graded private schools within the County.

There is one state university, the University of California, Santa Barbara ("UCSB") and two community college districts located within the County. UCSB located in the City of Santa Barbara, offers more than 200 majors, degrees and credentials through its five schools and the graduate division. Enrollment at UCSB for the 2009-2010 academic year was approximately 22,850. Santa Barbara City College and the four campus Allan Hancock Joint Community College District offer associate degree and certificate programs as well providing the first two years of study towards baccalaureate degrees.

The County operates a six branch library system. There are also library systems operated by the City of Lompoc, the City of Santa Barbara and Santa Maria.

Media services are provided by local newspapers such as the *Lompoc Record*, the *Santa Barbara Independent*, the *Santa Barbara News Press*, the *Santa Maria Times* and the *Santa Maria Sun*.

Recreation and Tourism

The County of Santa Barbara offers numerous opportunities for recreation. Some popular activities are swimming, climbing, picnicking, boating, surfing, fishing, sailing, whale watching and water skiing at the beaches, lakes and the more than 2,243 acres of public parks within the County, camping and wine tasting. The Santa Barbara Harbor and Stearns Wharf, the oldest working wharf in the State dating back to 1872, the Santa Barbara Museum of Natural History Ty Warner Sea Center, Mission Santa Barbara and the Santa Barbara Maritime Museum are each located in the City of Santa Barbara, the Natural History Museum and the Motorcycle Museum in Santa Maria, and the Return to Freedom, 300 acre wild horse sanctuary in Lompoc; are popular tourist attractions within the County.

The County is also home of the Guadalupe Beach Festival, the Santa Barbara International Film Festival, the Santa Barbara Harbor and Seafood Festival, the Santa Barbara County Vintners Festival and the Santa Barbara Wine Festival.

APPENDIX B

THE AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2010

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, redemption premium, if any, and interest with respect to the Notes to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County understands that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be executed and delivered as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be executed and delivered for each maturity date of the Notes, each in the aggregate principal amount due on such maturity date, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Notes called for redemption or of any other action premised on such notice. Redemption of portions of the Notes by the County will reduce the outstanding principal amount of Notes held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Notes held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Notes for the Beneficial Owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the County.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Disclaimers

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, THE PAYING AGENT WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE NOTES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE COUNTY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE NOTES.

THE COUNTY CANNOT GIVE AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE NOTES RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER THEREOF OR ANY REDEMPTION NOTICES OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.