APPENDIX A

COUNTY OF SANTA BARBARA FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

TABLE OF CONTENTS

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

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 66.7% of the aggregate population in the County as of January 1, 2008.

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 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 Chief Executive Officer and the County Counsel are appointed and hired by the Board of Supervisors.

The County Chief 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 431,312 as of January 1, 2009, reflecting a 0.6% increase over January 1, 2008.

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

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

CITY	2004	2005	2006	2007	2008	2009
Buellton	4,452	4,524	4,526	4,663	4,700	4,740
Carpenteria	14,348	14,251	14,106	14,123	14,271	14,409
Goleta	30,691	30,471	30,136	30,169	30,400	30,476
Guadalupe	6,303	6,256	6,393	6,397	6,541	6,534
Lompoc	42,209	42,076	41,734	41,015	42,957	42,892
Santa Barbara	90,379	89,959	83,137	89,456	90,305	90,308
Santa Maria	85,238	88,247	89,787	90,383	91,110	92,542
Solvang	5,574	5,540	5,486	5,495	5,555	5,446
Incorporated	279,194	281,224	281,304	282,651	285,839	287,347
Unincorporated	135,892	136,207	138,685	141,774	142,816	143,965
County-Wide	415,086	417,431	419,989	424,425	428,655	431,312
California	29,473,000	33,871,648	37,172,015	37,559,440	38,049,462	38,292,687

Source: U.S. Census Bureau, except that 2006, 2007, 2008 and 2009 data is from the State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

Personal Income

The United State 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-2 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 2003 through 2007.

TABLE A-2
SANTA BARBARA COUNTY AND CALIFORNIA
PERSONAL INCOME
(Calendar Years 2003 Through 2007)

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
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.

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 for the 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-3
SANTA BARBARA-SANTA MARIA-GOLETA MSA
ANNUAL AVERAGE EMPLOYMENT[1]
(In Thousands)

INDUSTRY[2]	2003	2004	2005	2006	2007	2008
Agriculture	16,200	16,000	16,300	15,400	15,900	16,900
Natural Res. & Mining	800	800	900	1,100	1,200	1,100
Construction	8,600	9,700	10,100	10,500	10,500	9,700
Manufacturing	13,300	13,200	13,600	13,600	13,200	13,100
Trade, Trans. & Utilities	27,300	27,700	27,900	28,200	28,200	27,700
Information	4,100	4,000	4,100	4,000	3,900	3,800
Finance, Insur. & Real Estate	8,400	8,500	8,600	8,700	8,200	5,000
Prof. and Business Services	21,100	22,100	22,800	22,300	22,500	22,600
Educ. and Health Services	19,300	19,600	19,400	19,500	20,300	20,700
Leisure and Hospitality	21,700	21,900	22,400	22,700	22,700	23,000
Other Services	5,800	5,600	5,700	5,800	5,900	6,000
Government	35,600	35,900	36,400	36,100	37,000	37,400
TOTALS[3]	182,200	184,900	188,200	187,900	189,500	189,700

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

The following table sets forth the major employers located in the County as of 2008:

TABLE A-4
COUNTY OF SANTA BARBARA
CERTAIN MAJOR EMPLOYERS(1)
(as of April 2008)

Company or Organization	Jobs	Percent of Total County Employment
Univ. of California at Santa Barbara	9,723	5.63%
Vandenberg Air Force Base	4,374	2.53
County of Santa Barbara	4,269	2.47
Santa Barbara Cottage Hospital	2,762	1.6
Santa Barbara City College	2,157	1.25
Santa Barbara School District Admin.	1,618	0.94
Raytheon Electronic Systems	1,613	0.93
Santa Maria-Bonita School District	1,600	0.93
City of Santa Barbara	1,539	0.89
Lompoc Unified School District	1,452	0.84
Total ten largest	31,107	18.01%
Total all other	141,693	81.99%
Total	172,800	100.00%

Sources: State Employment Development Department, Labor Market Information Division and University of California, Santa Barbara Economic Forecast Project, 2008.

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

TABLE A-5
COUNTY OF SANTA BARBARA
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2003	2004	2005	2006	2007	2008
County(1)	5.1%	4.7%	4.4%	4.1%	4.4%	5.4%
California(1)	5.8	6.2	5.4	4.9	5.4	7.2
United States	6.0	5.5	5.1	4.6	4.6	5.8

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 2003 through 2007.

TABLE A-6
COUNTY OF SANTA BARBARA
TAXABLE SALES TRANSACTIONS
(In Thousands)

	2003	2004	2005	2006	2007
Apparel Stores	$150,146	$170,985	$187,526	$202,710	$220,552
General Merchandise	662,942	685,677	685,731	679,751	673,922
Food Stores	246,912	248,649	271,353	281,769	294,936
Eating & Drinking	553.905	585,928	624,365	656,189	676,367
Household	181,374	190,702	196,337	200,995	189,020
Building Materials	427,108	484,294	514,286	528,294	489,416
Automotive	1,001,282	1,055,079	1,087,060	1,106,880	670,504
Other Retail	678,876	728,714	776,525	778,540	728,823
SUBTOTAL	3,902,545	4,150,028	4,343,183	4,435,128	4,428,913
Business & Per. Services	244,237	243,100	246,049	252,534	267,850
All Other Outlets	1,098,418	1,148,409	1,217,703	1,445,608	1,370,460
TOTAL ALL OUTLETS	$5,093,418	$5,541,537	$5,806,935	$6,133,270	$6,067,223

Source: California State Board of Equalization, Research and Statistics Division.

Building and Real Estate Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was to approximately $389 million as of 2008. The following table provides an estimated building permit valuation summary for 2003 through 2008.

TABLE A-7
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[2]	188	82,074	354	39,164	76,076	197,314	192,205	389,519

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.

(2) Preliminary.

Agriculture

The County is comprised of approximately 1,775,360 square acres, of which approximately 723,074 acres (representing 40.7%) were zoned and in production for agricultural uses in calendar year 2006. In 2007, the total gross value of agricultural products and crops was $1.103 billion, an increase of $86.6 million compared to 2006 due primarily to the increase in the value of strawberries which represented approximately 28.3% of the total value in 2007. The value of agricultural production in the County for 2003 through 2007 is presented in the following table.

TABLE A-8
COUNTY OF SANTA BARBARA
VALUE OF AGRICULTURAL PRODUCTION

	2004(1)	2005	2006(1)	2007(1)	2008
Strawberries	$186,066,115	$202,616,827	$231,391,853	$312,754,997	$309,277,708
Broccoli	113,153,407	112,690,506	128,873,188	131,070,223	159,817,530
Wine Grapes	83,427,478	160,365,223	107,377,849	99,918,573	86,148,108
Head Lettuce	51,062,252	59,191,137	66,950,045	87,845,590	83,006,442
Celery	31,007,372	27,453,638	41,691,008	39,686,202	41.188,528
Avocadoes	29,353,518	29,017,588	40,287,927	20,811,595	37,714,443
Cauliflower	35,790,197	39,288,326	37,415.108	46,107,384	47,377,348
Leaf Lettuce	17,953,657	23,976,443	26,851,912	25,705,118	29,465,427
Cattle	28,610,862	30,791,535	26,603,767	27,340,291	23,691,028
Gerbera Cut Flowers(3)	21,956,946	–(3)	–(3)	23,564,547	22,194,789
Lemons	–(4)	19,211,743	–(4)	–(4)	–(4)
Lily Cut Flowers	–(5)	–(5)	18,910,555	–(5)	–(5)
Subtotal Top Ten Crops	598,381,804	704,602,968	726,353,212	787,464,229	798,692,823
All Other Crops	307,005,691	292,997,610	290,381,932	288,517,513	338,692,295
TOTAL	$905,387,495	$997,600,578	$1,016,735,144	$1,075,981,742	$1,137,350,118
Percent Change	5.52%	10.18%	1.92%	5.83%	3.0%

Source: County of Santa Barbara Department of Agriculture/Weights and Measures.
(1) Revised.
(2) Preliminary.
(3) Gerbera Cut Flowers were not one of the top 10 agricultural products or crops in this calendar year.
(4) Lemons were not one of the top 10 agricultural products or crops in this calendar year.
(5) Lily Cut Flowers were not one of the top 10 agricultural products or crops 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 relation 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 Transist, 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 870 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 17 elementary school districts, three unified school districts, three high school districts and the County Office of Education. As of Fiscal Year 2007-08, 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 2006-07 numbered approximately 66,500 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, offer more than 200 majors, degrees and credentials through its five schools and the graduate division. Enrollment at UCSB for the 2007-08 academic year was approximately 20,000. 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 operate 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, the Santa Barbara Wine Festival,

FINANCIAL INFORMATION

Experience of County Management

A key element of the County's fiscal stability is the experience and continuity of its management team. The members of the Debt Advisory Committee represent many years of combined County experience. Brief resumes of certain County officials are set forth below.

Michael F. Brown, County Executive Officer. Mr. Brown was appointed as County Executive Officer in November 1996 and has 40 years of local government experience. Prior to his appointment with the County, he served as the City Manager of Tucson, Arizona, the City Manager of Berkeley, California, the Deputy City Manager and Budget Director of Hartford and he held the position of First Deputy Commissioner of Housing of the State of Connecticut. Mr. Brown holds a Bachelors Degree in Government from California State University at Northridge and a Masters Degree in Public Policy from the University of Texas at Austin. He received further post graduate education at the Yale School of Management, the New York University Real Estate Institute, and the University of California at Berkeley, Goldman School of Public Policy. Mr. Brown is a Credentialed Manager of the International City/County Management Association and Chairman of its Center for Performance Management, serves on the County's Treasury Oversight Committee and is a member of the County's Debt Advisory Committee.

Bernice James, Treasurer/Tax Collector/Public Administrator. Ms. James was first elected as Treasurer-Tax Collector on March 2, 2002, and was reelected in June 2006. She has served over 28 years in County government. Prior to her election, she served as Assistant Treasurer-Tax Collector-Public Administrator from 1995 to 2002. She also held management positions in the Auditor-Controller, County Executive, and General Services departments. She is a graduate in Business Administration from the University of Arizona. Ms. James is a trustee of the Santa Barbara County Employees' Retirement System and has been elected as its chair for the last three years. She is also a member of, and the 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 29 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 37 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.

In spring 2007, local economic indicators began to show signs of weakening and revenues began to show signs of softening. As a result, on September 25, 2007, the County Executive Officer presented a report to the Board of Supervisors identifying 16 certain and potential issues, that would have an effect on the development of the Fiscal Year 2008-09 budget. Among the issues identified were increases in retirement costs due to changes in the actuarial methodology and assumptions approved by the Retirement Board, increases in salary and benefit costs and structural deficits in the Sheriff and Alcohol, Drug and Mental Health Services departments. This report was updated and presented to the Board of Supervisors on October 28, 2008 to describe the issues that would have an effect on the development of the Fiscal Year 2009-10 budget.

On November 4, 2008, the Board of Supervisors adopted a set of Budget Principles to establish the priorities and processes to be followed by the County Executive Officer and his staff in developing the Fiscal Year 2009-10 budget and future budgets. These Budget Principles include: maintaining the Strategic Reserve and the General Fund Contingency, implementing full cost recovery for County services, unless otherwise prohibited, maintaining the annual $1 million contribution to the Strategic Reserve, if funds are available, implementation of Countywide expense and cost reductions, and maintaining designations for capital maintenance and repair, new capital projects and roads/concrete repair.

In addition, the County identified expenditure reductions, revenue enhancements and the use of reserve and designations as an alternative means to balance the Fiscal Year 2008-09 budget and was able to assure the budget remained balanced by proactively reducing costs, implementing a mandatory furlough, 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.

See "STATE OF CALIFORNIA FINANCES" herein for a discussion of recent State budget actions which could have an adverse affect on the receipt of certain revenues by the County.

Fiscal Year 2008-09 Final Budget

The County adopted its Fiscal Year 2008-09 Final Budget on June 13, 2008. This budget approved total General Fund appropriations of $438 million. Such appropriations are for basic County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 89% of the County's total anticipated General Fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2008-09, approximately 10% of the County's General Fund revenue consisted of payments from the State and 3% consisted of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 45% 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. Sales tax receipts for the County from this ½ cent levy were $23.3 million in Fiscal Year 2003-04, $29.2 million in Fiscal Year 2004-05, $30.7 million in Fiscal Year 2005-06, $30.1 million in Fiscal Year 2006-07, $30.0 million in Fiscal Year 2007-08 and $27.6 million in Fiscal Year 2008-09. Public safety sales tax receipts for the County are budgeted at $26.2 million in Fiscal Year 2009-10.

As of June 30, 2008, fund balance for the General Fund was $88.1 million, or 20.1% of the total General Fund expenditures. This amount includes $26.0 million of reserved fund balance and $56.0 million of designated fund balance.

Fiscal Year 2009-10 Proposed Budget

The County currently anticipates adopting its Fiscal Year 2009-10 Final Budget on June 12, 2009. The proposed budget approves total General Fund appropriations of approximately $414 million. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 82.7% of the County's total anticipated General Fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2009-10, approximately 11.6% of the County's General Fund revenue consists of payments from the State and 3.0% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 53.0% 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 1/2 cent sales tax for public safety statewide. Public safety sales tax receipts for the County are budgeted at $26.2 million in Fiscal Year 2009-10.

As of June 30, 2009, fund balance for the General Fund was approximately $78.2 million, or 19.0% of the total General Fund expenditures. This amount includes approximately $26.7 million of reserved fund balance and $51.4 million of designated fund balance.

Budget Comparison

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

TABLE A-9
COUNTY OF SANTA BARBARA
FINAL GENERAL FUND BUDGETS[1]
FISCAL YEARS 2005-06 THROUGH 2009-10

	Fiscal Year 2005-06 Adjusted Budget	Fiscal Year 2006-07 Adjusted Budget	Fiscal Year 2007-08 Adjusted Budget	Fiscal Year 2008-09 Adopted Budget	Fiscal Year 2009-10 Proposed Budget
Expenditure Appropriations:					
Policy & Executive	$11,613,090	$12,507,372	$13,913,000	$14,571,000	$13,692,000
Law & Justice	23,613,365	25,294,265	27,520,000	28,948,000	26,697,000
Public Safety	160,441,814	175,673,446	191,003,000	193,471,000	186,964,000
Health & Public Assistance	2,251,052	5,153,142	5,455,000	5,665,000	5,230,000
Community Resources & Public Facilities	35,817,141	36,215,970	42,044,000	39,361,000	35,331,000
Support Services	47,477,061	52,174,752	53,808,000	52,208,000	52,222,000
Operating/Equity Transfers	57,424,545	63,871,215	71,461,000	77,304,000	65,638,000
Transfers to Debt Service	4,875,076	5,178,037	23,566,000	4,941,000	4,875,000
Provisions for Reserves	548,705	608,809	445,000	20,000	20,000
Provisions for Designations	25,510,605	38,563,725	26,211,000	14,662,000	13,453,000
General County Programs	8,501,323	7,451,653	8,705,000	6,810,000	7,052,000
TOTAL EXPENDITURE APPROPRIATIONS	$378,073,777	$422,692,386	$464,131,000	$437,961,000	$411,174,000
Available Funds:					
Fund Balance Available	$8,563,123	$16,206,264	11,435,000	5,265,000	0
Taxes	148,222,204	164,887,000	176,410,000	183,518,000	181,971,000
Licenses, Permits and Franchises	14,638,307	15,577,530	14,939,000	13,863,000	11,555,000
Fines, Forfeitures, and Penalties	4,630,445	4,851,809	5,138,000	4,686,000	6,747,000
Use of Money and Property	4,313,694	2,751,969	3,427,000	2,593,000	2,007,000
Intergovernmental Revenue-State	49,750,301	46,387,826	45,549,000	44,807,000	38,824,000
Intergovernmental Revenue-Federal	11,315,120	15,423,493	13,313,000	11,282,000	10,052,000
Intergovernmental Revenue-Other	198,301	518,650	1,026,000	1,264,000	563,000
Charges for Services	63,240,325	68,367,452	75,403,000	76,611,000	78,940,000
Other Financing Sources	51,471,951	56,935,428	78,512,000	63,868,000	59,209,000
Miscellaneous Revenue	3,195,003	3,168,886	2,227,000	1,966,000	2,129,000
Changes to Reserves	592,451	758,349	20,000	20,000	20,000
Changes to Designations	17,942,552	26,857,730	36,732,000	28,218,000	19,157,000
TOTAL AVAILABLE FUNDS	$378,073,777	$422,692,386	$464,131,000	$437,961,000	$411,174,000

Source: County Auditor-Controller.

Santa Barbara County Pooled Investment Fund

Funds held by the County in the Investment Pool (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 May 12, 2009. 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 currently located at http://www.countyofsb.org/ttcpapg/fnp/investmentpolicy.pdf.

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 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, and 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 April 30, 2009, was as follows:

Instrument	Par Amount	Percent
Commercial Paper	$143,854,000	15.4%
Negotiable CDs	98,000,000	10.5
Medium Term Corporate Notes-TLGP	107,942,000	11.6
Treasury Bills	10,000,000	1.1
Farm Credit	6,000,000	0.6
FHLB	42,000,000	4.5
FNMA	296,150,000	31.7
FHLMC	91,300,000	9.8
LAIF	40,000,000	4.3
TOTALS	$933,646,000	100.0%

The weighted average days to maturity as of April 30, 2009 was 297 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 2007-08."

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, 11.1% to cities, 6.4% to dependent special districts, 4.6% to independent special districts, 45.6% to schools and 5.6% to redevelopment agencies within the County.

The assessed valuations within the County as of June 30 for the past 10 Fiscal Years are shown in the table below.

TABLE A-10
COUNTY OF SANTA BARBARA
ASSESSED VALUATIONS
FISCAL YEARS 1999-00 THROUGH 2008-09
($ 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	59,509,866	2,795,296	753,347	(1,928,671)	61,129,838

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 11 Fiscal Years is shown in the table below.

TABLE A-11
COUNTY OF SANTA BARBARA
SUMMARY OF TAX LEVIES AND COLLECTIONS[2]
(Fiscal Years 1998-99 through 2008-09)
($ in thousands)

		Collections Within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year (June 30)	Secured & Unitary Taxes Levied	Amount	Percent	Collections in Subsequent Years	Amount	Percent
1998-99	$263,453	$260,526	98.89%	$2,916	$263,442	100.00%
1999-00	282,449	278,432	98.58	3,997	282,429	99.99
2000-01	306,687	301,590	98.34	5,075	306,665	99.99
2001-02	333,424	329,327	98.77	4,074	333,401	99.99
2002-03	355,912	351,584	98.78	4,280	355,864	99.99
2003-04	385,715	381,887	99.01	3,736	385,623	99.98
2004-05	419,530	415,040	98.93	4,320	419,360	99.96
2005-06	466,497	460,518	98.72	5,158	465,676	99.82
2006-07	516,452	505,691	97.92	8,752	514,443	98.61
2007-08	554,778	541,456	97.60	7,396	548,852	98.93
2008-09[1]	578,196	554,951	95.98	--	554,951	95.98

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 2008-09 reflects collections through May 11, 2009 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 one percent 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, 2008 the balance in the tax losses reserve fund was $6,057,000.

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, personal property or possessory interest of the 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 2008-09 there have been 231 assessment appeals resolved affecting the assessment roll values for Fiscal Year 2008-09. These appeals affected the assessments for 231 parcels which had an aggregate original assessed value of $597,770,411. The aggregate assessed value for these parcels was reduced by $5,720,784 representing an approximate 1.0% decline in the total assessed valuation within the County.

In addition, in Fiscal Year 2008-09 the County Assessor reduced the value on approximately 15,000 parcels in the County by approximately $1.27 billion, from the original value of approximately $7.30 billion, or approximately 17.4%. The County Assessor's Office estimates that an additional 18,000 parcels may be reduced in Fiscal Year 2009-10.

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 2008, mortgage holders had sent 3,018 notices of default with respect to properties located within the County compared to 2,111 for calendar year 2007, and 1,853 trustee deeds had been recorded in calendar year 2008 (indicating that the property has been lost to foreclosure), compared to 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 2008-09 are shown below.

TABLE A-12
COUNTY OF SANTA BARBARA
TEN LARGEST TAXPAYERS BY ASSESSED VALUE
(Fiscal Year 2008-09)

Taxpayer	Business	Secured Value
Exxon Corporation	Petroleum & Gas	$351,665,820
Verizon California, Inc.	Utility	211,927,803
1260 BB Property, LLC (Biltmore)	Hotel	185,335,978
United Launch Alliance	Aerospace	182,803,803
Southern California Gas Company	Utility	169,424,194
Fairway BB Property, LLC	Residential Estate	146,892,875
Raytheon Company	Light Manufacturing	133,249,889
Southern California Edison Co.	Utility	132,537,627
HT-Santa Barbara Inc (Bacara)	Hotel	127,000,000
Pacific Offshore Pipeline Co	Petroleum & Gas	116,709,075
Ten largest taxpayers		$1,405,881,244

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 unmatured 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 2007-08."

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.

Periodically, the County adopts new accounting and financial standards to conform with releases by the Governmental Accounting Standards Board (GASB), including GASB Statement

No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits other than Pensions (OPEB). For a discussion of GASB 45, see "– Postemployment Benefits."

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 of 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-13 is the County's Statement of Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2006 through 2008. Presented in Table A-14 are the County's General Fund Balance Sheets for Fiscal Years ended June 30, 2006 through 2008. More detailed information from the County's audited financial report for the Fiscal Year ending June 30, 2008 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 GASB Statement No. 34 and other changes in significant accounting policies, see the Notes to Basic Financial Statements, June 30, 2008, which are included in "APPENDIX B - COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2007-08."

TABLE A-13
COUNTY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2005-06 THROUGH 2007-08
(In Thousands)

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008
Revenues:			
Taxes	$158,556	$172,676	181,048
Licenses, permits, and franchises	13,513	13,782	13,886
Fines, forfeitures, and penalties	5,380	4,955	5,755
Use of money and property	5,664	4,446	4,209
Intergovernmental	60,660	58,418	53,058
Charges for current services	61,079	69,611	75,604
Other	3,682	3,292	2,223
TOTAL REVENUES	308,534	327,180	335,783
Expenditures:			
Current:			
Policy and executive	10,824	11,846	13,290
Law and justice	23,064	24,824	27,137
Public safety	158,988	174,218	188,009
Health and public assistance	2,240	5,088	5,442
Community resources and facilities	32,356	32,985	36,807
General government and support services	44,645	46,607	47,122
General county programs	5,562	6,467	8,843
Debt Service:			
Principal	294	220	11
Interest	1,993	133	–
TOTAL EXPENDITURES	279,966	302,388	326,661
Excess (deficiency) of Revenues Over(Under) Expenditures	28,568	24,792	9,122
Other Financing Sources (Uses):			
Transfers in	50,411	53,335	55,838
Transfers (out)	(61,509)	(68,139)	(72,966)
Proceeds from sale of capital assets	72	100	217
Long-term debt issued	–	–	17,000
TOTAL OTHER FINANCING SOURCES (USES)	(11,026)	(14,704)	89
Net change in Fund Balances	17,542	10,088	9,211
Fund Balances - Beginning	51,298	68,840	78,928
Fund Balances - Ending	$68,840	$78,928	$88,139

Source: County Auditor-Controller.

TABLE A-14
COUNTY OF SANTA BARBARA
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2006 THROUGH JUNE 30, 2008
(In Thousands)

	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2008
Assets:			
Cash and investments	$32,274	$39,558	$19,142
Accounts Receivable:			
Taxes	18,621	24,406	29,188
Licenses, permits and franchises	700	1,066	888
Fines, forfeitures and penalties	22	20	18
Use of money and property	1,171	1,094	635
Intergovernmental	7,587	7,539	7,507
Charges for services	2,595	3,119	11,138
Other	252	18	--
Due from other funds	6,871	4,386	8,682
Prepaid items	181	50	50
Impounds Receivable	290	--	--
Other receivables	1,916	1,754	1,506
Security lending collateral	--	--	2,981
Advances to other funds	1,759	1,759	18,759
Restricted cash and investments	58,072	12,121	12,766
TOTAL ASSETS	$132,311	$96,890	$113,260
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$2,430	$2,567	2,172
Salaries and benefits payable	7,695	8,581	10,716
Other payables	78	69	625
Obligations under securities lending			2,981
Notes Payable	47,000	--	--
Interest Payable	131	--	--
Deposits Payable	5,797	6,508	--
Unearned Revenue	--	--	59
Deferred revenue	340	237	1,683
Customer deposits	--	--	6,704
Due to other funds	--	--	1
TOTAL LIABILITIES	**63,471**	**17,962**	**25,121**
Fund Balance:			
Reserved for:			
Receivables and prepaids	4,094	3,309	20,609
Imprest cash	15	15	15
Debt Service	--	--	--
Property tax loss reserve	5,044	5,632	6,057
Unreserved			
Designated reported in:			
General Fund	43,481	58,488	56,447
Undesignated	--	--	--
General Fund	16,206	11,484	5,311
TOTAL FUND BALANCES	68,840	78,928	88,139
TOTAL LIABILITIES AND FUND BALANCES	$132,311	$96,890	$113,260

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, 2008, the County had outstanding certificates of participation (collectively, the "Outstanding COPs") in the aggregate amount of $70,209,000 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 $5,947,000 as of June 30, 2008.

Direct and Overlapping Debt. The direct and overlapping debt of the County as of April 16, 2009, 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 April 16, 2009)

2008-09 Assessed Valuation: $61,129,837,574 (includes unitary utility valuation)
Redevelopment Incremental Valuation: 3,415,244,886
Adjusted Assessed Valuation: $57,714,592,688

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/09
Allan Hancock Joint Community College District	99.772%	$ 65,305,763
Santa Barbara Community College District	100.	47,000,000
High School Districts	99.998-100.	121,929,401
Unified School Districts	100.	51,890,971
Goleta Union School District	100.	21,505,000
Orcutt School District	100.	13,575,000
Santa Barbara School District	100.	26,825,674
Other School Districts	100.	38,076,021
Lompoc Healthcare District	100.	74,500,000
Santa Ynez River Water Conservation District, I.D. No. 1	100.	860,000
Solvang Assessment District No. 90-1	100.	95,000
Special District 1915 Act Bonds	100.	8,960,112
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$470,522,942

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County General Fund Obligations	**100. %**	**$ 73,315,000(1)**
Allan Hancock Joint Community College District Certificates of Participation	99.772	6,779,507
Santa Maria Joint Union High School District Certificates of Participation	99.998	25,369,493
Santa Maria-Bonita School District Certificates of Participation	99.996	22,814,087
Santa Ynez Valley Union High School District Certificates of Participation	100.	3,780,000
Buellton School District Certificates of Participation	100.	2,325,000
College School District Certificates of Participation	100.	7,295,000
Solvang School District Certificates of Participation	100.	1,305,000
City of Carpinteria Certificates of Participation	100.	1,270,000
City of Santa Barbara Certificates of Participation	100.	3,935,000
City of Santa Maria General Fund Obligations	100.	15,255,000
Carpinteria Sanitary District General Fund Obligations	100.	14,405,000
Santa Maria Cemetery District Certificates of Participation	100.	1,320,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$179,168,087
Less: Carpinteria Sanitary District (100% self-supporting)		14,405,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$164,763,087
GROSS COMBINED TOTAL DEBT		$649,691,029(2)
NET COMBINED TOTAL DEBT		$635,286,029

(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 2008-09 Assessed Valuation:
Total Overlapping Tax and Assessment Debt...0.77%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($73,315,000) 0.13%
Gross Combined Total Debt 1.13%
Net Combined Total Debt 1.10%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $7,567

Source: California Municipal Statistics, Inc.

Employees

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

TABLE A-15
COUNTY OF SANTA BARBARA
REGULAR EMPLOYEES
(Fiscal Year 2003-04 through 2008-09)

Fiscal Year	FTE Employees[1]
2003-04	4,209
2004-05	4,160
2005-06	4,233
2006-07	4,290
2007-08	4,341
2008-09[2]	4,134

Source: County of Santa Barbara payroll records as of June 30, 2004 through June 30, 2007, and the Adopted Fiscal Year 2008-09 Budget.
(1) Excludes temporary and per diem employees.
(2) Budgeted.

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-16
COUNTY OF SANTA BARBARA
LABOR ORGANIZATION UNIT CONTRACT EXPIRATION DATES

Labor Organization	Number of Employees	Contract Expiration Date
Deputy Sheriff's Association	488	2/19/2012
Sheriff's Managers Association	31	4/15/2012
Deputy District Attorney's Association	44	10/04/2009
Probation Peace Officers Association	228	10/04/2009
Firefighters Local 2046	198	3/03/2013
SEIU Local 630	2036	6/26/2011
SEIU Local 535	414	10/03/2010
Engineers and Technicians Association	138	6/26/2011
Union of American Physicians and Dentists	34	10/02/2011
TOTAL	3,611	

Source: County of Santa Barbara, Human Resources.

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 92.0% of the membership within the Retirement System. During Fiscal Year 2008-09, the County made 92.1% 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 allowance to no more than 80% of the original benefit.

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

TABLE A-17
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
MEMBER POPULATION
(AS OF JUNE 30)

	2004	2005	2006	2007	2008
Retirees and Beneficiaries(1)	2,440	2,561	2,679	2,812	2,972
Terminated Employees(2)	717	757	778	1,137	1,188
Active Plan Participants(3)	4,503	4,505	4,640	4,625	4,606
Vested	2,911	3,117	3,181	3,121	3,097
Non Vested	1,592	1,388	1,459	1,504	1,509

Sources: Santa Barbara County Public Employees' Retirement System Financial Statements, for the Fiscal Years ended June 30, 2004 through 2008.

(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 t 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 is amortized over 15 years from the date each new liability is first recognized.

Employee contribution 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-18
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTION RATES

	2004-05	2005-06	2006-07	2007-08	2008-09
Plan:					
General					
Plan 2	5.27%	7.69%	8.99%	10.81%	11.57%
Plan 5A	12.13	14.36	15.51	17.26	20.54
Plan 5B	12.04	14.38	15.63	17.26	20.05
Plan 5C	–	–	–	17.26	21.10
Safety					
Plan 4A	26.10	30.82	33.73	34.04	27.79
Plan 4B	22.90	27.68	30.53	28.83	22.63
Plan 4C	–	–	30.57	31.86	27.24
Plan 4D	–	–	–	31.60	
Plan 6A	–	–	–	34.04	32.17
Plan 6B	–	–	–	31.60	32.36

Sources: Actuarial Valuation Reports of the Santa Barbara County Employees' Retirement System for the Fiscal Years ended June 30, 2005 through 2008 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 8.16%), 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, 2008, there were approximately $131.0 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 in January 2006. 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	19.0%	23.0%	21.0%
Core			16.0
Enhanced			5.0
Broad Growth	7.0	9.0	8.0
Large Value	12.0	14.0	13.0
Small Growth	2.0	3.0	2.5
Small Value	2.0	3.0	2.5
TOTAL DOMESTIC EQUITY			**47.0**
Fixed Income (Lehman Universal Mandate)			
Core Index	8.0	10.0	9.0
Active Core	14.0	17.0	16.0
TOTAL DOMESTIC FIXED			**25.0**
International Investments			
Equities (MSCI ACWI ex US Mandate)			
Passive EAFE	2.5	4.5	3.5
Active Non-US	10.5	14.5	12.5
Emerging Markets	1.0	3.0	2.0
TOTAL INTERNATIONAL EQUITIES			**18.0**
Real Estate/Real Return:	3.5	6.5	5.0
Alternatives	2.5	5.5	4.0
Cash	0.0	2.0	1.0
TOTAL PORTFOLIO			**100.0%**

Based on the investment policies of the Retirement Board, the Retirement Board has adopted, upon the recommendations of the actuary, an actuarial assumed rate of return of 8.16%.

The net investment return on the market value of the Retirement System's assets was minus (7.4%) for the year ended June 30, 2008, 6.3% for the three years then ended and 9.0%

for the five years then ended. This compares to the 8.16% 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 Employers' and employees' 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, 2008.

TABLE A-19
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF CURRENT INVESTMENTS
AS OF JUNE 30, 2008
(In 000's)

Investment	Percent	Market Value
Cash	0.6%	$ 11,719
Short-Term Investments	5.5	102,221
Domestic Bonds	24.4	455,279
International Bonds	3.1	57,508
Alternatives	1.5	27,209
Domestic Equity	40.0	746,307
International Equity	20.3	378,029
Real Estate/Real Return	4.6	85,394
TOTAL INVESTMENT	100.0%	$1,863,666

Source: SBCERS' June 30, 2008 CAFR (unaudited), differences due to rounding.

Funding Status. As of June 30, 2008, the date of the Valuation, valuation assets of the Retirement System were approximately $1.891 billion, the actuarial accrued liability was approximately $2.136 billion and the funded ratio was approximately 88.6%. 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 8.16% per annum as a consequence of increases or decreases in the securities market. No assurance can be given that the actuarial value of assets of the Retirement System will not materially decrease.

The Retirement System has sustained substantial investment losses since its last valuation on June 30, 2008. The market value of plan assets was $1,302,341,170 as of April 30, 2009. This represents a reduction of $561,325,000, or 30% of June 30, 2008 market value. Market value losses will increase the employer's unfunded actuarial accrued liability (UAAL) in future years. The exact method of how losses will be incorporated into the June 30, 2009 Actuarial Valuation will depend on the Board of Retirement's determination on amending significant assumptions, on the advice of their actuary firm. These assumption changes could result in a longer amortization period for the UAAL, and/or extending the "smoothing" period for gains and losses to a longer period of time.

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

TABLE A-20
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

Source: Actuarial Valuation Report as of June 30, 2008 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 (prefunded) 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 8.16% per year compounded annually, (b) projected salary increases of 4.0% 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-21
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF REVENUES NET ASSETS AND RETURN ON MARKET VALUE
(Fiscal Years 2002-03 through 2007-08)

	Source of Revenues			Net Assets	
Fiscal Year (June 30)	Employee Contributions	Employer Contributions	Gross Investment Income/ (Loss)	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)

Sources: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report for the Years ended June 30, 2003 through June 30, 2008.
(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 Public Employees' Retirement System, 3916 State Street, Suite 210, Santa Barbara, California 93105.

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 six Fiscal Years are set forth below:

TABLE A-22
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

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 six Fiscal Years are set forth below:

TABLE A-23
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	104,000

Source: County of Santa Barbara.

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. 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.

The County and the Retirement System in September of 2008 adopted an Internal Revenue Code (IRC) Section 401(h) account that provides for these benefits. Under the new accounting rules, GASB Statements 43 *("Reporting for Post Employment Benefit Plans Other Than Pension Plans")* and 45 *("Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions")* require that the liability related to the plan be determined for the Retirement System and the employers, respectively. GASB Statements 43 and 45 are not limited to the reporting of vested benefits.

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 for Eligible Retired Participants participating in a County sponsored health insurance plan from the 401(h) Account in the amount of $15 x years of credited service. The monthly insurance premium subsidy shall be applied directly by the 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 (whole dollars) per month or a subsidy of $15 per month per year of service, which ever is greater. This subsidy is also treated as a nontaxable amount to the disabled recipient.

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).

Retirement System's Annual Financial Report. The Retirement System issues a publicly available annual financial report. The Retirement System's CAFR for the Fiscal Years Ended June 30, 2007 and 2006, which implemented GASB 43, 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.

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 County has adopted an initial 3% employer contribution rate of covered retiree payroll. The County is required to calculate and record the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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 current OPEB ARC is 5.27% percent of the County's annual covered payroll.

Annual OPEB Plan Cost. For Fiscal Year 2008-09, the County's ARC is $13,183,000 for the OPEB Plan. The ARC includes (a) the normal cost for the year for current active employees of $3,102,000 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 $10,081,000. The County is estimated to contribute $5,628,000 to the OPEB Plan in Fiscal Year 2008-09.

The net OPEB Plan obligation was comprised of the following components: the ARC of $13,183,000, interest expense on the beginning balance of the net OPEB Plan obligation of $1,104,000, less an adjustment to the ARC to offset, approximately, the amount included in the ARC for amortization of past contribution deficiencies of $395. The net OPEB Plan obligation increased $9,054,000 resulting in an ending net OPEB Plan obligation balance of $21,488,000. The County's annual OPEB Plan cost, the percentage of annual OPEB Plan cost contributed to the OPEB Plan, and the net OPEB Plan obligation for Fiscal Years 2007-08 and 2008-09 were as follows:

TABLE A-24
COUNTY OF SANTA BARBARA
OTHER POST EMPLOMENT BENEFIT PLAN COST
(Fiscal Years 2007-08 and 2008-09)
(In Thousands)

Fiscal Year Ended	Annual OPEB Plan Cost	Percentage of Annual OPEB Plan Cost Contributed	Net OPEB Plan Obligation
6/30/2008	$12,434	0%	$12,434
6/30/2009	13,183	43	21,488

Source: County Financial Statements for the Fiscal Year ended June 30, 2008.

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, 2009, was as follows:

TABLE A-25
COUNTY OF SANTA BARBARA
OTHER POST EMPLOMENT BENEFIT PLAN FUNDING STATUS
(Fiscal Year 2007-08)
(In Thousands)

Actuarial accrued liability (AAL)	$13,2082
Actuarial value of plan assets	0
Unfunded actuarial accrued liability (UAAL)	$132,082
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$235,810
UAAL as percentage of covered payroll	56.01%

Source: County Financial Statements for the Fiscal Year ended June 30, 2008.

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. The Schedule of Funding Progress for the

County's Other Post Employment Benefits is presented as required supplementary information (RSI) following the notes to the County's financial statements.

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.

In the County's December 31, 2006 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of investment expenses) and separate annual healthcare cost trend rates for medical/prescription drug, dental and vision. The medical/prescription drug cost trend rate starts at 11% and declines to 5% over nine years. The dental cost trend rate starts at 6.5% and declines to 5% over four years. T he vision cost trend rate is flat at 5%. These rates include an inflation assumption of 4%. The OPEB Plan's unfunded AAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2006 was fifteen years.

Request for Internal Revenue Service Determination on the Continued Qualified Status of Plan and Submission to the Voluntary Correction Program. On July 2, 2008 the County requested from the Internal Revenue Service (IRS) a determination 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 has been submitted for a correction through the IRS's Voluntary Compliance Program. 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. 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. 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. 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 fiscal year of the County Mental Health and CBO services. The County is required to submit a cost report to DMH by December 31 of each year. 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 settlement is certified. 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 for Fiscal Years 2002-03 through 2007-08 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.

Currently, the County's accrued liability as of April 30, 2009 is $11,998,000. The original Fiscal Year 2007/08 liability 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) One Fiscal Year 2002/03 settlement and three Fiscal Year 2005/06 settlements netting to $1,672,000 were remitted to the State; and

(iii) Two Fiscal Year 2005/06 settlements with CBO providers totaling $533,000 were paid.

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

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 it has the appropriate supporting documentation to meet the Medi-Cal eligibility requirements and participated in an informal administrative hearing in October, 2008 with the State Department of Health Care Services.

In March, 2009 the County received an adverse determination on this issue and was billed $2,200,000 for Fiscal Year 2002-03 and this amount has been withheld by DMH from current year revenues. The County still believes it has the appropriate supporting documentation to meet the Medi-Cal eligibility requirements 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. It has been proposed that the Probation and ADMHS Departments will fund 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 will fund the remaining amount within their departmental special revenue funds in the amounts of $363,000 and $135,000 respectively.

In late April 2009, the County received the results of a DMH audit of Fiscal Year 2003-04. The DMH auditors disallowed $11,838,000 of FFP and Early Periodic Screening, Diagnosis and Treatment (EPSDT) reimbursements. DMH summarily disallowed 100% of the units of service provided in all of the children's clinics. ADMHS has been informed that the intent of the disallowance was based on the appealed Fiscal Year 2002-03 audit finding described above related to MISC and CEC services. ADMHS estimates that the MISC and CEC service units in Fiscal Year 2003-04 totaled approximately $2,500,000. However, in the April 2009 report, DMH was not able to segregate MISC and CEC units of service from the total children's units of service, and the April 2009 DMH report did not include a request to ADMHS to provide this information. Subsequent to receipt of the audit report, ADMHS has worked aggressively to supply the segregated MISC/CEC information to DMH. DMH audit staff has now informed the County that this data is being used to create a revised audit report for Fiscal Year 2003-04. The County believes that DMH will significantly reduce the disallowed amounts for Fiscal Year 2003-04 to amounts more consistent with the Fiscal Year 2002-03 amounts listed above.

The County is expecting DMH to begin a Fiscal Year 2004-05 audit in the near term.

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 claim settlements associated with such risks of loss up to certain limits. These funds have been established for losses related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, natural disasters, medical malpractice, unemployment and providing health benefits to employees, retirees and their dependents. During the last 10 Fiscal Years, there were no claims 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	21,500,000
Workers' Compensation	$500,000 per occurrence	Statutory limits

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 $600 million with a $10,000 deductible. 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 $285 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 $2.4 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 Fiscal Year 2008-09, 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 $2.3 million. The Federal Emergency Management Association (FEMA) is expected to fund $673,000 and California Emergency Management Agency expected to fund approximately $1.1 million of the estimated costs.

Fiscal Year 2008-09 - TEA Fire. During November of Fiscal Year 2008-09, 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, the County experienced another severe fire. The damage was significant, as several homes in the mountains above Santa Barbara were destroyed or damaged. However, the actual costs incurred by the County are estimated to be approximately $2 million. The Fire Mitigation Assistance Grant is expected to fund $800,000 of the estimated costs and the California Emergency Management Agency is expected to fund $1.1 million of the estimated costs.

Flooding. Flood zones are identified by the Federal Emergency Management Agency ("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"). The County most recently experienced flooding in Fiscal Year 2000-01 and Fiscal Year 2004-05. In Fiscal Year 2000-01 the County experienced a series of powerful winter storms that produced heavy rains, high winds and heavy surf in both the incorporated and unincorporated areas of the County. Damage to public property, including infrastructure, was estimated at approximately $3.5 million. Heavy rains in early 2005 resulted in damage to roads throughout the County. The County Public Works Division estimated construction costs of approximately $14 million for repairs including emergency repairs, debris removal and permanent restoration projects. Approximately 75% of the cost of such projects were paid for by FEMA and OES and were spread over a three year period. During Fiscal Year 2004-05, approximately 74% of the cost was paid by FEMA and approximately 25% was paid for by OES. The remaining $900,000 was funded from County resources.

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 6 members 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.

Land Use Litigation

The County recently received a decision from the California Court of Appeals in *Adam Brothers vs. County of Santa Barbara*. In its fourth amended complaint, the plaintiffs alleged that the County violated the equal protection and substantive due process rights of the plaintiffs when the County and its employees and consultants fraudulently delineated wetlands on property acquired by Adam Brothers. The jury found for the plaintiffs and awarded $5.2 million in damages against the County. On March 4, 2008, the California Court of Appeals: (i) reversed the Superior Court's 2004 judgment for the plaintiffs with respect to their constitutional claims, which removed the $5.2 million awards of damages that were based on those claims; (ii) affirmed the Superior Court's invalidation of County's wetland delineation; (iii) affirmed the Superior Court's denial of plaintiff's request for declaratory relief and injunctive relief regarding County's designation of their land as "open space;" and (iv) directed that County and the individual County appellants shall recover their costs.

The California Supreme Court denied Plaintiffs' petition for review on June 11, 2008. Thereafter the plaintiffs filed a temporary federal taking lawsuit in U.S. District Court. The U. S. District Court granted the County's motion to dismiss that suit. Plaintiffs then filed a Notice of Appeal to the Ninth Circuit Court of Appeals on March 2, 2009. The Ninth Circuit has set a briefing schedule throughout Spring 2009, but has not yet set the matter for oral argument.

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 has also discussed the construction of a new primary emergency operations center, a North County Board of Supervisors Hearing Room and offices (including a secondary emergency operations center), a remodel of the Public Defender Offices in the County courthouse, future Isla Vista Redevelopment Agency projects and improvements to the Sheriff's Operations Center. 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 or a "Build America Bond" financing. These projects are in the discussion stage, with no fixed time frame, and are dependent on future budget availability.