

Attachment B

Financial Highlights for the fiscal year ended June 30, 2018



Montecito Debris Flow Candlelight Vigil

AUGUST 28, 2018

Financial Highlights

County of Santa Barbara



FISCAL YEAR ENDED JUNE 30, 2018

Economic Indicators

According to the California Fiscal Outlook, the forecast anticipates a continuing of the expansion in the U.S. economy, but with anticipated stock market weakness. In California, the economy in 2018 is expected to have slower job growth and a tight labor market with relatively low unemployment rates. At the local level, the 2018 University of California Economic Forecast Project reported that the most recent data show a significant decline in real gross domestic product, increased payrolls, climbing real per capita income, and moderate housing price increases in Santa Barbara County. Overall, economic indicators at the national, state and local levels show that the economy continued to improve slowly but steadily on most measurers in FY 17-18.

Board of Supervisors

1st District	Das Williams, Chair
2nd District	Janet Wolf
3rd District	Joan Hartmann
4th District	Peter Adam
5th District	Steve Lavagnino, Vice Chair

County Executive Officer

Mona Miyasato

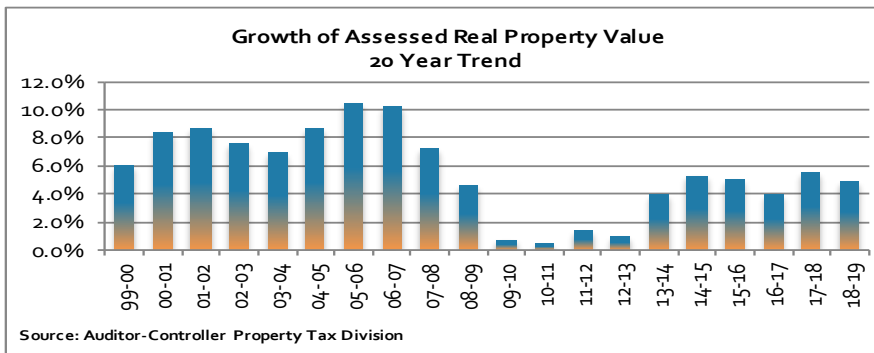
County Auditor-Controller

Theodore A. Fallati, CPA, CPFO

Contact Us

- ✓ Visit the County's web site at www.countyofsb.org
- ✓ View these Financial Highlights online at www.countyofsb.org/auditor
- ✓ Email us your comments at auditor@co.santa-barbara.ca.us

Financial Indicators



County unincorporated tax revenues experienced positive, but moderate growth in FY 17-18, due to stable economic growth. Property tax assessed values are projected to increase 4.8% for FY 18-19, following a 5.5% increase in FY 17-18. Local sales tax decreased 1.7% and transient occupancy tax decreased 17% for FY 17-18; these decreases are primarily the result of the Thomas Fire and Montecito Debris Flow. The Statewide ½ cent sales tax program that funds public safety and health/social services programs increased 4.8% for FY 17-18. The County experienced continued growth in program revenues related to the momentum of the State and local economy.

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This **Financial Highlights** publication is intended to provide the general public with an easy-to-read overview of Santa Barbara County's (County) financial condition. The information contained in this report is derived from the County's Comprehensive Annual Financial Report (CAFR). This report provides highlights of the significant financial and economic activity of the County for the fiscal year ended June 30, 2018. Copies of the CAFR can be obtained by contacting the Auditor-Controller's office, or can be found on the Auditor-Controller's web site at www.countyofsb.org/auditor.



A Message from the Auditor-Controller

To the Citizens of Santa Barbara County:

One County. One Future. Renewal and Resilience. We are an amazing, topographically diverse County with mountains, oceans, forests, and chaparral. But, it is the 450,000 people in our County that make us a resilient #805strong community. One of the tenets that I have abided by over the years is "mission first; people always." This past year has been one where the amazing topography challenged our community. We have not, in recent history, experienced such a devastating natural disaster. Yes, we were challenged financially, and our patience was challenged. But, never was our kindness towards each other challenged. We bonded together and shared in the recovery efforts that continue on today.

"Residents rebuild amid devastating mudslide in Santa Barbara County"

The Log January 27, 2018

These Highlights will, as normal, present summary financial information for the fiscal year. It is part of our mission – to be timely and transparent with the County's financial condition – yet, the reason we do it is always for the people.

The 2017-18 fiscal year started on July 1, 2017. On July 8, 2017, the Whittier Fire near Cachuma Lake erupted and more than 400 people were evacuated from Camp Whittier. On December 4, 2017, the Thomas Fire broke out in Ventura County and spread to Santa Barbara County by December 16; and on January 9, 2018, the debris flow in Montecito occurred. The financial impacts of the fire and debris flow are far-reaching and touch many of the County's major revenue sources – property taxes, sales taxes, and transient occupancy taxes. The majority of the cost to rebuild the County's infrastructure may be recovered through Federal and State emergency funding, but there is a local match. The reserves in the County Flood Control District and the General Fund Strategic Reserve played an important part in the temporary funding for disaster response and recovery processes. Personal property cost recovery will be through private insurance.

"More Economic Recovery Help to Be Offered to Santa Barbara Businesses"

Independent March 3, 2018

Throughout all these unanticipated events, major infrastructure projects such as the Northern Branch Jail and the Tajiguas Resource Recovery Project, which includes materials recovery and anaerobic digestion facilities, have been in the background but still moving forward. Some other projects have been delayed by the Montecito Debris Flow.

Finally, I will be retiring at the end of my term on January 7, 2019. I would like to thank the citizens and the entire County for supporting me during my tenure as Auditor-Controller and throughout my 26 years at the County. The Auditor-Controller torch is being passed on to Betsy Schaffer, the current Assistant Auditor-Controller, who was elected to the position in June 2018.

Sincerely,

Theodore A. Fallati

Theodore A. Fallati, CPA, CPFO

This report contains information from the County CAFR governmental funds financial statements, with the following exceptions: (1) The capital asset and outstanding debt information on page 10 is derived from the government-wide financial statements, and (2) The enterprise fund information on page 11 is derived from the proprietary fund financial statements. All statements in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP).

Who We Are

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

Policy & Executive



Das Williams
First District Supervisor
Chair



Janet Wolf
Second District Supervisor



Joan Hartmann
Third District Supervisor



Peter Adam
Fourth District Supervisor



Steve Lavagnino
Fifth District Supervisor
Vice Chair

Mona Miyasato
County Executive Officer (CEO)
General County Revenues & Programs

Michael Ghizzoni
County Counsel

Public Safety

Joyce Dudley
District Attorney

Tracy M. Macuga
Public Defender

Darrel E. Parker
Court Special Services

Eric Peterson
Fire

Tanja Heitman
Probation

William F. Brown
Sheriff-Coroner

Health & Human Services

Alice Gleghorn
Behavioral Wellness

Kelly McLaughlin (Interim)
Child Support Services

Van Do-Reynoso, MPH, PhD
Public Health Services

Daniel Nielson
Social Services

Community Resources & Public Facilities

Cathleen Fisher
Agriculture Commissioner /
Weights & Measures

George Chapjian
Community Services

Dianne Black
Planning & Development

Scott McGolpin
Public Works

General Government & Support Services

Theodore Fallati, CPA, CPFO
Auditor-Controller

Joseph E. Holland, CPFO
Clerk-Recorder-Assessor

Harry E. Hagen, CPA, CPFO
Treasurer-Tax Collector &
Public Administrator

Janette Pell
General Services

Lori Gentles
Human Resources

The County departments have dual roles in providing services to their residents. First of all, basic local government services are provided to residents in the unincorporated areas of the County. These services include fire protection and maintenance of County roads, as well as services in some cities by contract, such as Sheriff patrol. Secondly, countywide services are provided as a regional government, such as District Attorney prosecution and Sheriff jail operations or as agents for the State through public assistance programs. For details about such County services, peruse the County's Recommended Budget publication available online at www.countyofsb.org/ceo.

The Economy

The following highlights and graphs are evidence of the changing economy on a Countywide basis that includes both the unincorporated area and the eight incorporated cities. County specific revenue trends are presented on page 6.

During FY 2017-18, the County continued to see positive, but moderate, trends in certain economic segments despite the Thomas Fire and Montecito Debris Flow. This was led by consumer spending and the real estate housing market. Additionally, employment increases in the labor market continue to suggest a stable economy.

“Building the Future Today: Mission to Mars Gives Lompoc economic boost”

Lompoc Record May 20, 2018

Employment

- The County’s average unemployment rate during FY 17-18 decreased from 4.8% to 4.5%.
- The June 2018 County unemployment rate of 3.9% was below the State unemployment rate of 4.5% and the national unemployment rate of 4.2%.

Income

- Average annual wages increased to \$54,320 in the 2017 calendar year from \$53,090 in 2016.

Retail Sales

- Countywide estimated retail sales increased 1.2% to over \$7 billion for the FY 17-18.
- California retail sales increased 2.4% for the FY 16-17.

Real Estate

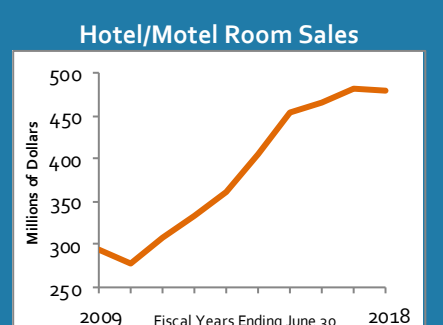
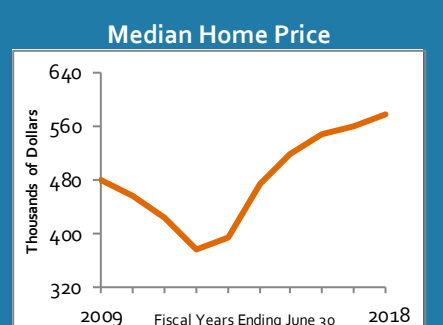
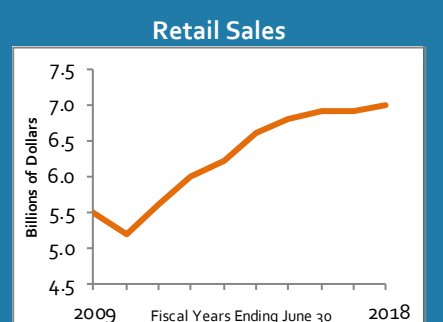
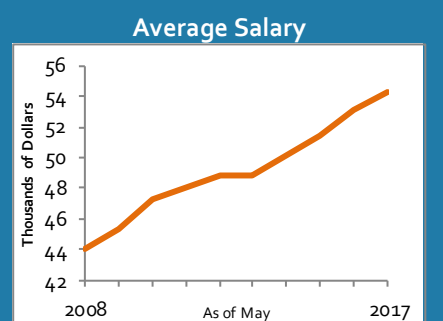
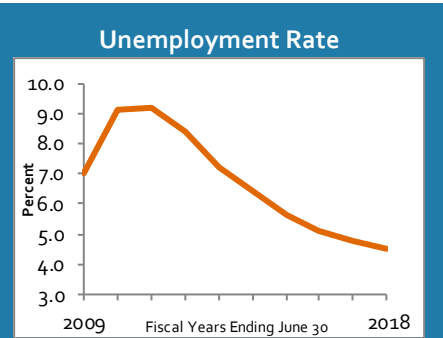
- The Countywide median home value increased 3.4% to \$579,850.
- The real estate market continued its upward trend with increased property sales, price appreciation, and new construction.

Tourism

- Overall Countywide estimated room sales fell slightly by 1%, primarily driven by a decrease in the unincorporated areas, to \$479.1 million. However, room sales increased in the incorporated areas.
- Conversely, Countywide estimated Transient Occupancy Tax (TOT) revenue increased by 1% mostly due to increased room sales in the incorporated areas.
- Hospitality continues to remain the fastest growing industry sector in the County.

“Major travel and tourism promotions planned after disasters in Santa Barbara”

KCOY February 2, 2018

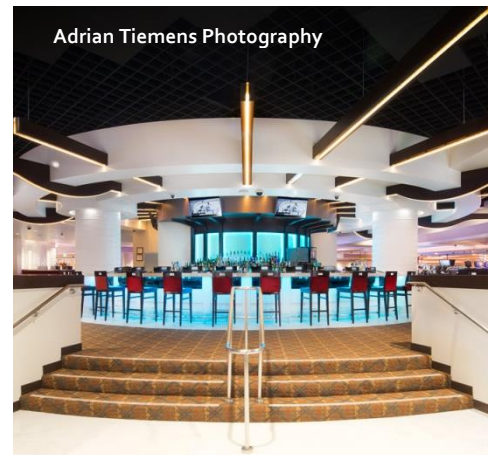


Most of the information about the local economy is derived from the California Employment Development Department and the Bureau of Labor Statistics.

Top 10 Employers



Company or Organization	Type of Business	Jobs	Percent of Total County Employment
University of California, Santa Barbara	Education	4,325	2.10%
County of Santa Barbara	Government	4,213	2.05%
Cottage Health Organization	Health	3,606	1.75%
Vandenberg Air Force Base	Defense	2,500	1.22%
Santa Maria-Bonita School District	Education	2,120	1.03%
Chumash Casino Resort	Recreation/Hospitality	2,000	0.97%
Allan Hancock College	Education	1,480	0.72%
Santa Barbara Unified School District	Education	1,400	0.68%
Zodiac Aerospace	Manufacturer	1,200	0.59%
Santa Barbara City College	Education	1,193	0.58%
Total ten largest		24,037	11.69%



County Revenues

The momentum of the economy contributes to the County's significant revenue sources which are comprised primarily of taxes, payments from State and Federal governments, and charges for services.

Total Revenues

Revenues for the County governmental funds increased by 4.7% to \$930.9 million.

Taxes

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

- Property taxes (excluding RDA) increased 6.2% to \$263.5 million.
- Supplemental property tax decreased 10.6% to \$4.3 million.
- Property transfer tax increased 11% to \$4.4 million.
- RDA property tax trust fund proceeds increased 13.3% to \$9.3 million.
- The local retail sales tax decreased 1.7% to \$10.3 million.
- Other shared retail sales tax (transportation funding allocations) increased 1.6% to \$7.8 million.
- Transient occupancy tax decreased 17% to \$8.4 million.
- Total taxes increased 5.1% to \$310 million.

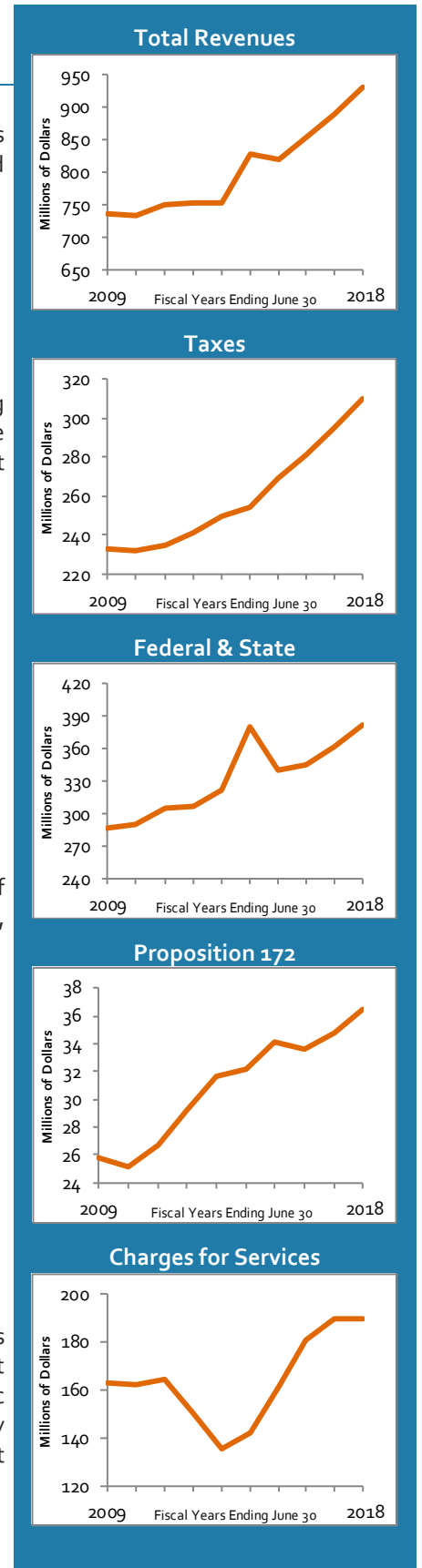
Federal and State (Intergovernmental) Revenues

As the County is an arm of State government, these multiple program resources are 41.1% of County funding at \$382.6 million and are tied to mandated services such as social services, public assistance, health, and mental health. A few significant accounts include:

- State Realignment 2011 AB 109 funding provided \$74.5 million, an increase of 7.5% in revenue for public safety service programs that return state prisoners to counties for local community supervision and re-entry into the community. It also replaced several funding streams for Health, Social Service and Mental Health programs.
- Proposition 172, a ½ cent sales tax revenue for public safety services, increased 4.8% to \$36.4 million. This revenue source is a statewide allocation of sales tax and is driven by consumer spending and prices of consumer goods.
- State Realignment 1991 revenue allocations for Health and Social Services increased 8.4% to \$34.3 million.

Charges for Services

Charges for services revenue decreased by 0.1% to \$189.6 million. The minimal change is primarily due to increases in State and Federal revenues and Fire contract and incident reimbursements, which were offset by decreased specialty drug reimbursements in Public Health. Overall this resulted in a stable funding source. For details about such County services, refer to the County's Recommended Budget publication available online at www.countyofsb.org/ceo.



Top 10 Taxpayers



Taxpayers	Type of Business	Total Secured Tax Levy (in thousands)	Percent of Total Secured Tax Levy
Southern California Edison Co.	Utility	\$ 3,619	0.48%
United Launch Alliance LLC	Aerospace	3,427	0.45%
1260 BB Property, LLC (Biltmore)	Hotel	2,874	0.38%
Southern California Gas Company	Utility	2,689	0.35%
BRS Investment Properties, LLC (Bacara)	Hotel	2,306	0.30%
Pacific Gas & Electric Co.	Utility	2,216	0.29%
Space Exploration Technologies Corp	Aerospace	1,955	0.26%
Windset Farms California, Inc.	Agriculture	1,932	0.25%
Fairway BB Property, LLC	Residential Estate	1,633	0.22%
Regency Tropicana, LLC	Residential Estate	1,668	0.22%
Total ten largest		\$ 24,319	3.20%



Financial Summary

ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES

Fiscal Years Ended June 30 (in thousands)	2014	2015	2016	2017	2018
Revenues (by source):					
Taxes	\$254,177	\$269,402	\$281,279	\$295,066	\$309,983
Licenses, Permits & Franchises	14,030	13,660	14,282	14,221	16,758
Fines, Forfeitures & Penalties	10,883	9,581	9,160	9,141	11,281
Use of Money & Property	4,995	4,902	4,809	3,332	4,324
Intergovernmental	380,150	340,492	345,428	361,392	382,633
Charges for Services	143,637	165,520	181,022	189,834	189,613
Other	20,803	19,083	16,149	16,177	16,255
Total Revenues	828,675	822,640	852,129	889,163	930,847
Expenditures (by function):					
Policy & Executive	15,408	15,562	16,484	16,585	21,242
Public Safety	270,605	282,909	288,174	303,151	329,173
Health & Public Assistance	318,480	347,466	351,911	361,796	353,241
Community Resources & Facilities	145,576	93,357	106,380	99,463	108,561
General Government & Support Services	44,194	47,284	50,104	52,597	53,563
General County Programs	8,199	3,190	2,679	2,167	1,590
Debt Service	7,810	17,834	5,875	5,876	5,840
Capital Outlay	7,079	6,793	6,229	24,983	39,755
Total Expenditures	817,351	814,395	827,836	866,618	912,965
Net Other Financing Sources (Uses)	(177)	9,299	(1,185)	(928)	(2,304)
Extraordinary Items-RDA transfer of assets	-	-	-	-	-
Net Change in Fund Balance	\$11,147	\$17,544	\$23,108	\$21,617	\$15,578

Revenues of \$930.9 million exceeded expenditures of \$913 million and other financing uses of \$2.3 million for a net positive change to the County Fund Balances of \$15.6 million.

Total **REVENUES** increased 4.7% or \$41.7 million.

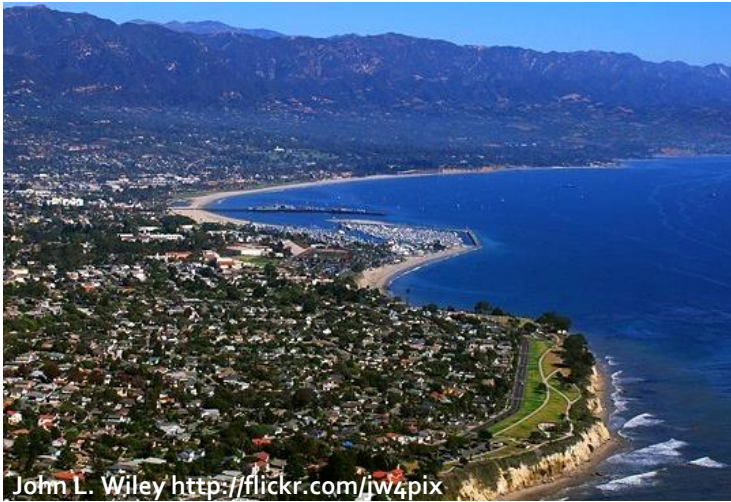
- **Taxes** increased 5.1%, or \$14.9 million, due primarily to a 6.2%, or \$15.4 million, increase in property taxes. These were offset by a 1.7%, or \$.2 million, decrease in sales tax and a 17%, or \$1.7 million, decrease in transient occupancy tax.
- **Licenses, Permits and Franchise** increased 17.8%, or \$2.5 million, primarily due increased building, excavation, and land use permits.
- **Fines, Forfeitures and Penalties** increased 23.4%, or \$2.1 million, primarily due to property tax penalties and code violations.
- **Intergovernmental** increased 5.9%, or \$21 million, primarily due to State grant reimbursements for the Northern Branch Jail.
- **Charges for services** decreased 0.1%, or \$0.2 million, primarily due to consistent State and Federal funding and Fire contract and incident reimbursements, which were offset by decreases in specialty pharmacy drug reimbursements in the Public Health Department.

Total **EXPENDITURES** increased 5.4% or \$46.3 million.

- **Salaries and benefits**, which is the largest category of expenditures for this service delivery organization, increased 3.7%, or \$19.7 million, to \$552.4 million, mainly attributable to an increase of \$19.7 million, or 3.7%, in salaries due to increases for retirement contributions of \$8.2 million and overtime costs of \$6.1 million primarily attributable to the Thomas Fire and Montecito Debris Flow.
- **Other operational expenditures** increased 5%, or \$14.4 million, to \$300 million. There was a \$16 million increase in Services and Supplies and Other Charges decreased \$1.6 million. Significant expenditures in this area include \$84 million in various professional and contractual services across all departments, \$46 million in Social Service Cash Assistance payments, \$39 million in Behavioral Wellness community based organization service contracts, \$31 million in departmental payments to the County Internal Service Funds, \$10 million in contributions to the State for the Trial court funding, and additional services and supplies cost.
- **Capital Outlay expenditures** were \$39.8 million, due to \$39 million of structures, \$0.5 million of information technology hardware and software, \$0.2 million of equipment, and \$0.1 million of land improvements.

General Fund

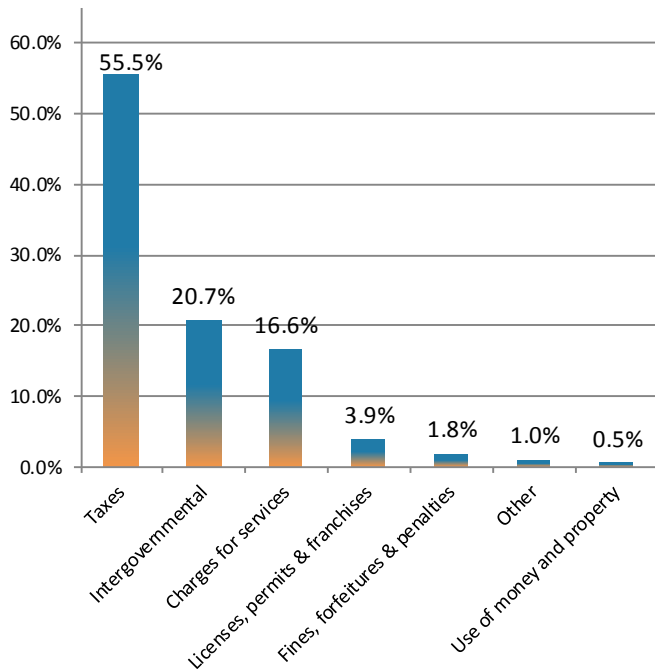
Where the Money Comes From



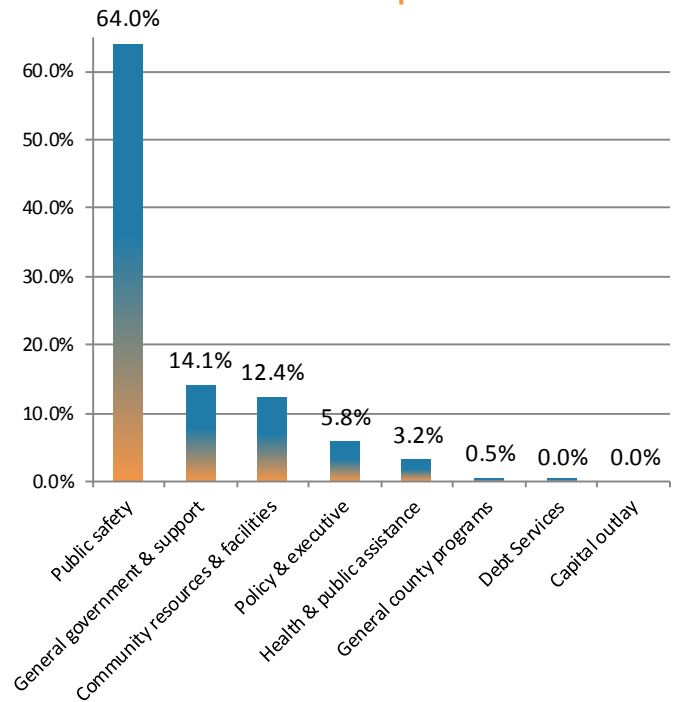
Where the Money Goes



General Fund Revenue



General Fund Expenditures



Total General Fund revenues for the FY 17-18 were \$417.7 million. Taxes comprised the majority of these revenues at 55.5%, followed by intergovernmental revenues at 20.7% and charges for services at 16.6%. Various other revenue sources combined provided the remaining 7.2% of total General Fund revenues.

Total General Fund expenditures for the FY 17-18 were \$363.4 million. The majority of these expenditures were allocated to Public Safety at 64.0%, followed by General Government & Support Services at 14.1% and Community Resources & Public Facilities at 12.4%. The remaining expenditures comprising 9.5% of total General Fund expenditures were allocated to various other functions.

Financial Trends

Fund Balance

- Total governmental funds increased \$15.6 million, or 4.9%, to \$336.6 million. Page 12 provides information on changes in fund balance for the County’s major funds and other governmental funds.
- The portion of the General Fund balance available for appropriation increased \$18.4 million, or 18.6%, to \$117.9 million.
- The total General Fund balance is 35.7% of its annual operating expenditures, and the spendable General Fund balance is 32.4% of General Fund annual operating expenditures.
- The County’s General Fund Strategic Reserve decreased \$7.2 million for expenditures related to the Montecito Debris Flow and ended the year at \$23.7 million. The County is committed to building and maintaining a strategic reserve equal to 8% of annual General Fund revenues, or approximately 30 days working capital. An additional \$7.6 million resulting from operations in FY 17-18 is recorded as unassigned fund balance.

Revenues and Expenditures

- In FY 17-18, total governmental fund revenues/sources exceeded expenditures/uses by 2%, or \$15.6 million. Since balanced budgets are prescribed by California law, actual revenues and expenditures generally come close to being equal. In some years there are additional sources, like from a bond financing, that are then spent on capital projects in future cycles. In addition, during economic upturns the County may build a fund balance and in downturns draw on fund balance.

Employees

- The County decreased its average full time equivalent (FTE) count by a net 157 FTE to 4,061 FTE. This was mainly attributed to the Health & Public Assistance function and the General Government & Support Services function.
- As a service delivery entity, salaries and benefit costs are the largest cost component at \$552.4 million, or approximately 60.5% of actual expenditures.

Capital Assets

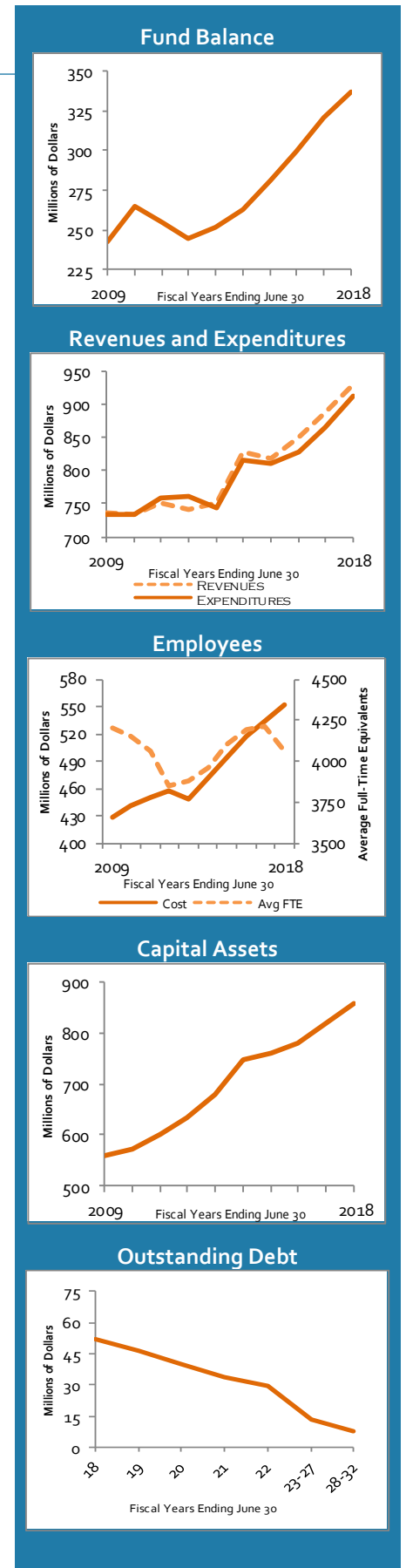
- The County’s investment in capital assets, net of accumulated depreciation, increased by \$38.1 million, or 4.6%, to \$859.8 million. \$17.8 million of this total was due to the completion of, or improvements to the County Buildings, Property Tax System, Electronic Health Record System, Sandspit Road Bridge, Faraday Storm Drain, Orcutt Airport Ditch, and San Jose Creek Bike Path.

“Highway 101 Widening Gets a Great Big Check”

Independent May 17, 2018

Outstanding Debt

- Total outstanding long-term indebtedness amounted to \$52.1 million, a decrease of \$5.9 million, or 10.1%, from the prior year.
- The County has \$50.5 million in outstanding certificates of participation (COP), bonds, and notes payable and has a rapid debt repayment plan that will reduce the debt by 69.2% over the next ten years.



Services and Expenditures by Function

Policy & Executive

This functional area is responsible for: setting policy, managing human resources, risk management programs and emergency operations, recommending the budget and providing legal services. This functional area remained at 93 FTE employees and had expenditures of \$21.2 million.

“Santa Barbara County Launches Website to Assist with Cannabis Regulation, Licensing, Questions”

Noozhawk June 10, 2018

Public Safety

Public Safety protects the community, including people and their property via law enforcement, fire protection, custody of adult and juvenile criminals, and probation monitoring of offenders. This function also protects the rights and the safety of citizens through criminal/civil prosecution and defense of the accused. This functional area increased 4 FTE to 1,452 and had expenditures of \$329.2 million.

“Funding Sought for Expanded Mental Health Training”

Independent April 5, 2018

Health & Public Assistance

This functional area strives to improve the health of the community through preventive health services, aiding individuals and families to become emotionally, socially and fiscally self-sufficient, serving children and families by enforcing child support orders, and providing a comprehensive array of alcohol, drug, and mental health services. There was a net decrease of 145 FTE to 1,697 employees and expenditures of \$353.2 million. This was due to reductions in State and Federal funding.

Community Resources

The departments in this functional area are devoted to enhancing the quality of life in the County. They look to preserve and protect natural resources, foster safe long-term land use, develop affordable housing, support the use of parks, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible. This functional area remained at 402 FTE employees and had expenditures of \$108.6 million.

“Arts and Culture Events Generate Nearly \$200 Million in Santa Barbara”

Independent July 1, 2017

General Government & Support Services

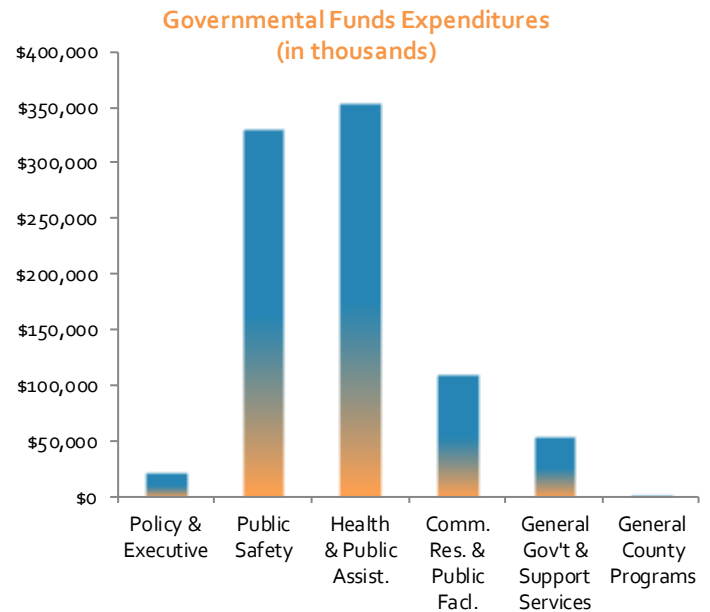
This functional area provides important general government services to the citizens such as elections, property tax administration, treasury operations, and also provides support services to County operations such as information technology, communications, payroll, and capital projects. These departments provide financial integrity for the County, as well as management of the County’s assets. This functional area decreased 15 FTE to 325 employees and had expenditures of \$53.6 million.

“Governor Brown Announces Property-Tax Backfill for Counties Impacted by Disaster”

Independent May 17, 2018

General County Programs

This area performs functions that are not directly associated with a specific department, such as organizational development. Transfers to other government entities, such as the Human Services Commission, and the Local Agency Formation Commission, are also accounted for in this unit. General County Programs currently has 1 FTE and had expenditures of \$1.6 million.



Enterprise Funds

The County has two enterprise funds: the Resource Recovery and Waste Management fund and the Laguna County Sanitation District fund. A fee for service revenue structure covers the costs of 91 employees. There was a decrease of 1 FTE from the prior year and operating expenses of \$30.4 million.

Transition to Next Year's Budget

Governmental Funds (in thousands)

	General	Roads	Public Health	Social Services	Behavioral Wellness
Revenues	\$ 417,747	\$ 26,379	\$ 69,183	\$ 144,498	\$ 92,717
Expenditures	(363,424)	(33,932)	(76,212)	(149,499)	(97,836)
Other fin. sources (uses)	(37,518)	7,145	1,830	6,298	7,279
Change in fund balance	\$ 16,805	\$ (408)	\$ (5,199)	\$ 1,297	\$ 2,160
	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Gov Funds
Revenues	\$ 16,972	\$ 4,434	\$ 84,632	\$ 36,282	\$ 38,003
Expenditures	(20,594)	(3,373)	(80,538)	(39,756)	(47,801)
Other fin. sources (uses)	54	(404)	(2,765)	3,109	12,668
Change in fund balance	\$ (3,568)	\$ 657	\$ 1,329	\$ (365)	\$ 2,870

This table presents the County's General Fund and eight other distinct major funds. "Other Governmental Funds" aggregate the nineteen other special revenue funds and debt service funds.

Total	
\$ 930,847	Revenues
(912,965)	Expenditures
(2,304)	Other fin. sources (uses)
\$ 15,578	Change in fund balance

The County General Fund increased total fund balance by \$16.8 million. Spendable fund balance increased by \$18.4 million and non-spendable fund balance decreased by \$1.6 million. All other governmental funds decreased by a net \$1.2 million. Some funds added to their respective fund balances while others drew on their fund balances.

Financial Status Summary General Fund (in thousands)

	FY 17-18		
	Adjusted Budget	Actual	Variance
	Revenues	\$ 416,105	\$ 417,747
Expenditures	(383,010)	(363,424)	19,586
Net other financing uses	(40,863)	(37,518)	3,345
Net financial impact	\$ (7,768)	\$ 16,805	\$ 24,573

General Fund Balance (in thousands)

	Beginning Balance 7/1/2017	Ending Balance 6/30/2018
Nonspendable	\$ 13,619	\$ 11,977
Restricted	31,529	38,002
Committed	60,161	69,305
Unassigned	7,761	10,591
Total Fund Balance	\$ 113,070	\$ 129,875

The General Fund's fund balance ended the year at \$129.9 million with \$12 million representing non-spendable fund balance. The spendable (restricted, committed, and unassigned) portion increased to \$117.9 million or 32.4 % of FY 17-18 expenditures.

Fiscal Year 2018-19 Budget

FY 18-19 Adopted Budget (in thousands)


Use of Funds Summary

Countywide Functions:


	Operating Budget	Percent of Total
Policy & Executive	\$ 51,121	4.4%
Public Safety	335,721	28.7%
Health & Public Assistance	400,187	34.2%
Community Resources & Public Fac.	183,414	15.7%
General Government & Support Services	131,728	11.3%
General County Programs	10,469	0.9%
Expenditure total	1,112,640	95.2%
Capital	55,889	4.8%
Total Use of Funds	\$ 1,168,529	100.0%

The County's FY 18-19 Adopted Budget included operating appropriations set at \$1,113 million and capital outlay appropriations of \$55.9 million that includes capital expenditures and for infrastructure/capital maintenance.

SANTA BARBARA COUNTY
FISCAL YEAR 2018-19
ADOPTED BUDGET SCHEDULES



Renewal and Resilience
ONE COUNTY. ONE FUTURE.



The State once again adopted an on-time budget and its financial condition continues to modestly improve as it preserves core programs and increases reserves in anticipation of a mild recession in 2019.

Fiscal Year 2018-19 Forecast

Summary Trend Highlights

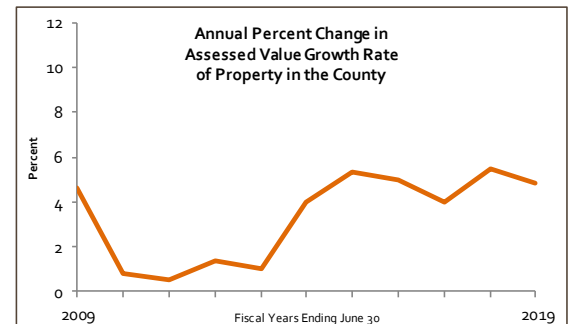
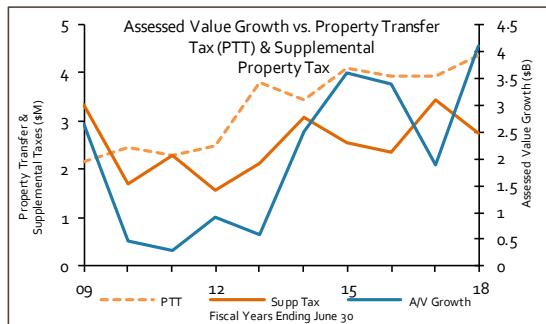
FY 18-19	Continued Growth
FY 17-18	Temperate Growth
FY 16-17	Steady Improvement
FY 15-16	Continued Moderate Growth
FY 14-15	Sustained Moderate Growth
FY 13-14	Slow, Steady Growth
FY 12-13	Emerging Growth
FY 11-12	Tepid Growth
FY 10-11	Mild Recovery
FY 09-10	Recession
FY 08-09	Economic Stress

Historical Assessed Value of Property in the County (in billions)

Fiscal Year	Assessed Value	Percent Increase
18-19	\$82.7	4.8%
17-18	\$78.9	5.5%
16-17	\$75.8	4.0%
15-16	\$72.9	5.0%
14-15	\$69.5	5.3%
13-14	\$65.9	4.0%
12-13	\$63.4	1.0%
11-12	\$62.7	1.4%
10-11	\$61.9	0.5%
09-10	\$61.6	0.8%
08-09	\$61.1	4.6%
07-08	\$58.5	7.2%
06-07	\$54.5	10.2%
05-06	\$49.5	10.4%
04-05	\$44.8	8.6%
03-04	\$41.3	6.9%
02-03	\$38.6	7.6%
01-02	\$35.9	8.7%
00-01	\$33.0	8.4%
99-00	\$30.4	6.0%

Financial Indicators

County tax revenues experienced continued growth due to increased property sales, price appreciation, and new development. Property tax is the County's largest source of discretionary revenue. Certain leading indicators of future property tax growth are property transfer tax and supplemental property tax. Property transfer tax increased in FY 17-18 by 11%, suggesting continued property tax growth in future years. Supplemental property tax decreased \$509 or 10.6% in FY 17-18; however, most of the decrease was due to the clearing of backlogged property tax transactions in the prior year and thus may not be a good indicator this year. The secured property tax growth rate for FY 17-18 was 4.2% and for FY 18-19 is estimated at 5%. With property taxes overall showing positive growth, the County general discretionary revenues are estimated to grow in the 3% to 5% range.



Countywide estimated total Transient Occupancy Tax (TOT) revenues increased by 1% mostly due to increased sales in the incorporated area and due to the TOT rate change from 10% to 12% in the unincorporated areas in FY 16-17. However, TOT decreased 17% in the unincorporated area of the County due to the impacts from the Thomas Fire and Montecito Debris Flow, while incorporated areas increased by 1% due in part to the displacement of residents to hotels in incorporated areas. Countywide estimated retail sales increased modestly by 1.2%, while retail sales decreased by 2.6% in the city of Santa Barbara. This decrease was offset by an increase of 4.4% in Santa Maria. Statewide sales tax for Proposition 172 public safety, a 1/2 cent tax, increased 4.8% to \$36.4 million. The County also had improvements in program revenues with increases in charges for services of 2.5%, operating grants and contributions of 6.2%, and general revenues of 5% despite the Thomas Fire and Montecito Debris Flow.

On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, which increased by \$48 million, or 8.9%, to \$588.3 million. This represents 63.5% of total County governmental fund expenditures. The majority of the increase is due to increased regular salaries and increased overtime costs related to the Thomas Fire and Montecito Debris Flow.

Service and Supplies expenditures increased by \$17.2 million, or 10.2%, to \$186 million. The majority of this increase is due to increased maintenance and cleanout of debris basins and spillways, creek and channel clearing services, and mutual aid claims from assisting agencies. These expenditures were mostly due to the Thomas Fire and Montecito Debris Flow. Total service and supply expenditures related to the Thomas Fire and Montecito Debris Flow totaled \$17.5 million in FY 17-18.

Northern Branch Jail Project

In FY 16-17, the County of Santa Barbara began construction of a new jail facility located near the city of Santa Maria, California. The Northern Branch Jail Project will be a 376 bed jail facility, of which 32 beds are for medical and mental health beds in a specialized housing unit. The facility is being constructed on a portion of the 50 acre property previously acquired by the County, located at Black and Betteravia Roads. The project is funded primarily by a Conditional Award of \$80 million from the California Board of State and Community Corrections (BSCC). Projection completion is anticipated in Summer 2019. Some transition staff were hired in FY 17-18.



“Northern Branch Jail taking shape west of Santa Maria”
Santa Maria Times June 10, 2018

“Inmate dog training and cat socialization program will utilize Northern Branch Jail inmates”
Santa Maria Times June 1, 2018



Sheriff Bill Brown Breaks Ground on October 11, 2016



Progress Picture as of June 30, 2017



Progress Picture as of June 30, 2018

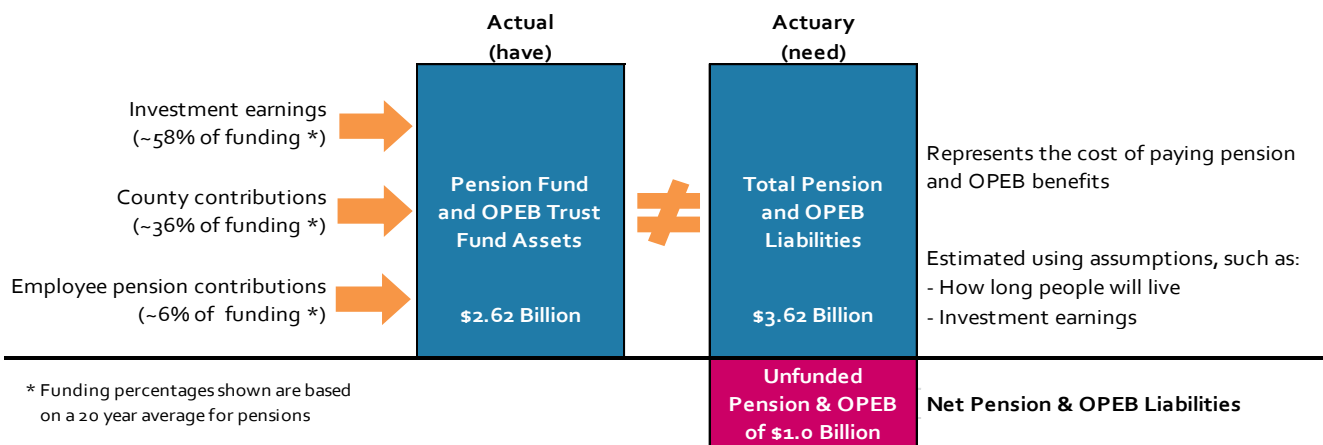
Debt Rating

The County maintains a Standard & Poor’s ‘SP-1+’ rating for short-term notes and a Standard & Poor’s ‘AA+’ for long-term certificates of participation. In addition, in October 2016, Moody’s upgraded the County’s series 2008 Certificates of Participation from Aa3 to Aa2.

Postemployment Liabilities

Net Pension and OPEB Liabilities

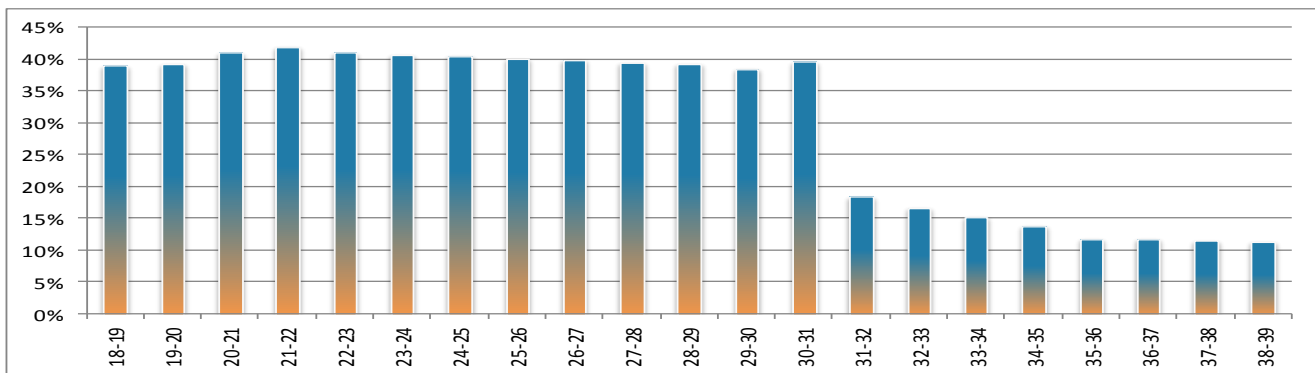
The County provides pension benefits to eligible employees through defined benefit pension plans administered by the Santa Barbara County Employees' Retirement System (SBCERS). These pension benefits are funded by County contributions, employee contributions, and investment earnings, all of which are invested in the pension fund. The County also provides other postemployment benefits (OPEB) to certain eligible employees through an OPEB plan administered by SBCERS. The OPEB benefits are funded by County contributions and investment earnings which are invested in the OPEB trust fund. Each year, an actuary estimates how much is needed by the pension fund and the OPEB trust fund to pay future pension and OPEB benefits. The shortfalls between the assets held in the pension fund and the OPEB trust fund and how much is needed to pay future pension and OPEB benefits are recorded as a net pension liability and a net OPEB liability in the County's financial statements.



At June 30, 2017, the pension fund and the OPEB trust fund were 75% and 9% funded, respectively, with a combined \$2.62 billion in assets compared to \$3.62 billion needed to pay future pension and OPEB benefits. The difference of \$1.0 billion represents the combined net pension and OPEB liabilities recorded in the County's FY 17-18 financial statements.

Potential Future Pension and OPEB Contributions

The County's pension contributions are calculated by an actuary using assumptions adopted by the SBCERS Board of Retirement. The following chart shows the potential employer contribution rates as projected by the actuary based on meeting certain assumptions each year for the next 20 years. Actual rates will differ from these projections based on actual future experience.



As shown, employer contributions are projected to increase gradually from 39% in FY 18-19 to 42% in FY 21-22, and then remain around that level for the next nine years if all actuarial assumptions are met. After FY 30-31, the employer contribution rate is expected to drop significantly as that is when a major portion of the County's unfunded liability is projected to be fully paid. Additionally, beginning in FY 18-19, employees of certain bargaining groups will pay a portion of the employer contributions to help reduce the cost to the County. These employee pick-ups will be reflected in future pension contribution rate projections. For OPEB, the County's policy is to contribute 4% of covered retiree payroll to the OPEB trust fund. Employees do not contribute for OPEB.

On the Web

Learn more about the Auditor-Controller's Office and view the County's financial reports at

www.countyofsb.org/auditor/home.c

Comprehensive Annual Financial Report

Single Audit Report

Financial Highlights

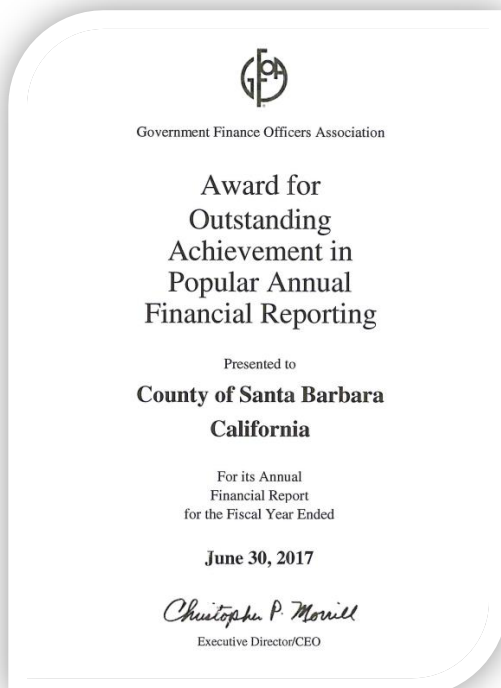
Property Tax Highlights

Retail Sales & Use Tax Highlights

Transient Occupancy Tax Highlights

Award for Outstanding Achievement

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Santa Barbara County for its Popular Annual Financial Report for the fiscal year ended June 30, 2017. This award has been achieved annually since 1995. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of State and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we will be submitting it to the GFOA.



Theodore A. Fallati, CPA, CPFO
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