



FINANCIAL HIGHLIGHTS

COUNTY OF SANTA BARBARA, FISCAL YEAR ENDED JUNE 30, 2011

August 29, 2011

Board of Supervisors

Salud Carbajal, First District
 Janet Wolf, Second District
 Doreen Farr, Vice-Chair, Third District
 Joni Gray, Chair, Fourth District
 Steve Lavagnino, Fifth District

County Executive Officer

Chandra L. Wallar

County Auditor-Controller

Robert W. Geis, CPA, CPFO

Visit the County's web site at
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geis@co.santa-barbara.ca.us

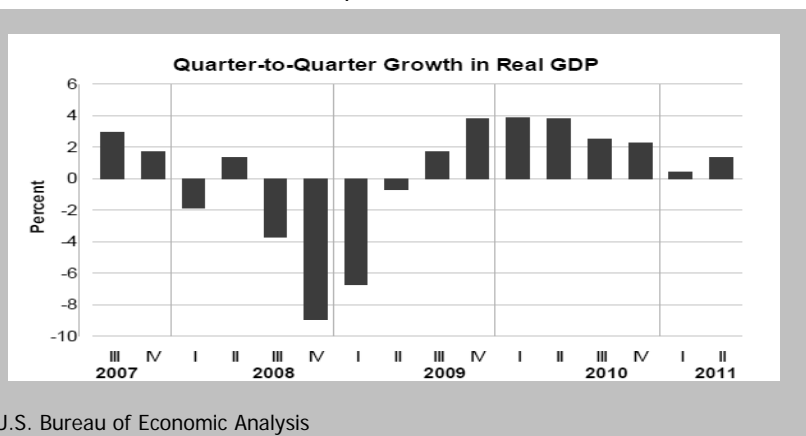


ECONOMIC INDICATORS

The County of Santa Barbara (County) seems to lag behind in economic recovery cycles. While there have been seven quarters of positive Gross Domestic Product (GDP) at the national level, the County is seeing signs of slow growth during fiscal year (FY) 10-11. Unemployment remains high and the real estate market is struggling in terms of home sales, home prices and new construction.

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FINANCIAL INDICATORS

Most County tax revenues increased slightly in FY 10-11 due to a slow economic recovery. However, the weak recovery and high unemployment continues to increase Health and Public Assistance program costs. These programs provide aid to families and individuals, are generally funded by intergovernmental (federal and state) revenues, and are among the County's largest programs.

A MESSAGE FROM THE AUDITOR-CONTROLLER



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

This FINANCIAL HIGHLIGHTS publication is intended to provide the general public with an easy-to-read overview of 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, 2011. 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/home.asp.

"Budget Hatchet Cleaves Into Basic Services"

Santa Barbara Independent June 16, 2011

The budget again dominated the County financial news as the County battled rising salary, health insurance, and retirement costs. To pay for these cost increases, the County has had to significantly reduce the number of positions in the County over the last three years. Retirement cost increases due to retirement fund investment losses in 2008 and 2009 are the largest

contributing factor. In FY 06-07, the County paid \$58 million for employer retirement contributions. Five years later, the FY 11-12 budget includes retirement payments of \$110 million representing a \$52 million increase. Health insurance costs budgeted at \$25 million in FY 10-11 increased \$10 million over the last five years, and salaries budgeted at \$306 million increased \$22 million over the last five years. Since salaries and benefits represent 58% of the County budget, the only way to balance is to raise revenues, cut costs, or cut positions. In FY 11-12, another 205 full-time equivalent (FTE) reductions were proposed as part of the budget. These position cuts are straining departmental workloads. To address financial constraints and assist in balancing the County's budget, the Board of Supervisors and bargaining groups are negotiating concessions for salaries, benefits, and the retirement program.

In FY 10-11 the County reduced its average FTE count by 88 to 4,062.

In FY 09-10 the County reduced its average FTE count by 58 to 4,150.

In FY 08-09 the County reduced its average FTE count by 129 to 4,207.

As displayed on the next few pages, we are seeing that the turn in the economy is slowly increasing our revenue base. However, unemployment continues to be a problem for the local economy especially in the north county. The slow housing market is holding back growth in our property taxes. The forecast by our local economists is for the continuation of a slow recovery, and we believe that pattern is holding true with the County's finances.

In November 2010, the County asked voters to approve a Local Crime and Gang Suppression, Fire Protection and Jail Construction/Operation Measure that would have imposed a ½ cent sales tax. While the Sheriff and the County pushed strongly for the measure, it was rejected by a 61% no vote. Then as part of budget cuts, the Sheriff was forced to reduce service levels at the aging and less efficient existing north county jail facility. The County continues to seek long-term solutions to the jail overcrowding problem in our public safety system.

"Voters Reject Sales Tax To Build North County Jail"

Santa Ynez Valley News November 4, 2010

A handwritten signature in black ink that reads "Robert W. Geis".

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

FY 2011-12 FORECAST

ECONOMIC INDICATORS

The County is continuing its trend of lagging behind national economic recovery cycles. Despite seven quarters of positive GDP at the national level, unemployment remains high and the real estate market is struggling in terms of home sales, home prices, and new construction.

We saw positive trends developing in the second half of FY 09-10, and the trends continued through FY 10-11. Consumer spending and tourism showed signs of recovery. The real estate housing market and labor market have not shown much of a rebound and are caught in a tepid recovery.

FINANCIAL INDICATORS

Most County tax revenues increased slightly in FY 10-11. Property taxes are the County's biggest source of revenue and largest discretionary revenue source. County property taxes grew 0.6% in FY 10-11, the lowest growth rate in the last 30 years. However, many other California counties saw negative growth rates. The current estimate for FY 11-12 is a 1.5% property tax growth rate, but this is well below the average 8% growth rate for the last 30 years. Taxes related to the real estate housing market that we consider leading indicators to property tax growth rates are property transfer taxes and supplemental property taxes. These indicators provide a mixed message since a decline in property transfer taxes of 5.8% reflects a decline in home sales and home prices. Conversely supplemental property tax grew by 34% over the prior year, but this includes a significant transaction by a top ten taxpayer that is now under assessment appeal. Growth in property taxes is still waiting for a housing market recovery.

Local sales tax grew 5.7% after a three year decline, and Proposition 172, the statewide Public Safety ½ cent sales tax, increased 6% after a four year decline. These are good signs of economic upturn in the County and throughout California. Transient occupancy tax increased 17% after three years of decline, fueled by improved occupancy and revenues at the County's major destination resorts.

On the expenditure side, pension rates and related pension costs for the County are rising rapidly due to declines in the value of the Santa Barbara County Employees Retirement System (SBCERS) plan assets. Calendar year pension investment market losses in 2008 and 2009 were smoothed into the rates paid by the County over a five year period. The rates have risen to 34.5% of payroll creating large year over year increases in pension cost. More recently, the market value of pension assets has bounced back with investment gains in FY 09-10 and FY 10-11 that should slow the rate of future increases.

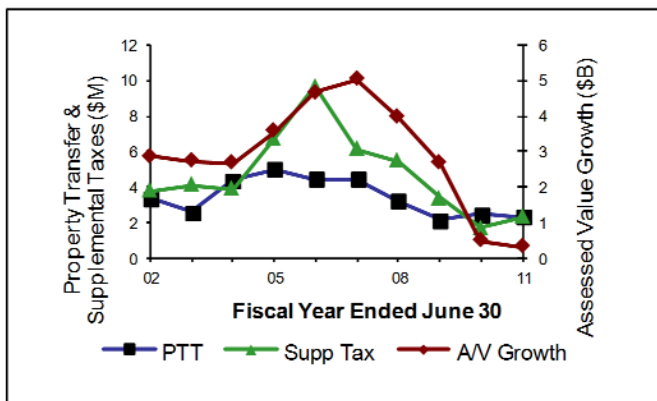
SUMMARY HIGHLIGHTS

| | |
|----------|--------------------|
| FY 11-12 | Tepid growth |
| FY 10-11 | Mild recovery |
| FY 09-10 | Recession |
| FY 08-09 | Economic stress |
| FY 07-08 | Slowdown |
| FY 06-07 | Moderate growth |
| FY 05-06 | Strong and stable |
| FY 04-05 | Sustainable growth |
| FY 03-04 | Recovery |

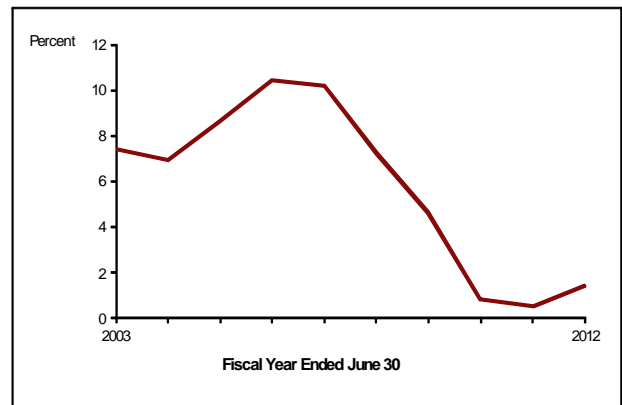
Historical Assessed Value of Property in the County (in billions)

| Fiscal Year | Assessed Valuation | Percent Increase |
|-------------|--------------------|------------------|
| 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% |
| 98-99 | 28.7 | 6.0% |
| 97-98 | 27.1 | 3.9% |
| 96-97 | 26.0 | 2.8% |
| 95-96 | 25.3 | 2.1% |
| 94-95 | 24.8 | 1.2% |
| 93-94 | 24.5 | 4.1% |
| 92-93 | 23.5 | 4.1% |
| 91-92 | 22.6 | 6.4% |

Assessed Value Growth vs. Property Transfer Tax (PTT) & Supplemental Property Tax



Annual Percent Change in Assessed Value Growth Rate



THE ECONOMY

During FY 10-11, the County saw positive trends in some economic segments, led by consumer spending and tourism. However, the real estate housing market and labor market have not shown much of a rebound and are caught in a tepid recovery.

The following highlights and graphs are evidence of the changing economy.

Employment

- The County's average unemployment rate during FY 10-11 increased from 9.1% to 9.2%.
- The June 2011 unemployment rate of 8.9% was still below a state unemployment rate of 11.8%, and a national unemployment rate of 9.2%.

"North County Jobless Rates Remain High"

Santa Barbara News-Press May 7, 2011

Income

- Average annual wages had a slight increase to \$47,230 in 2010 from \$45,310 in 2009.

Retail Sales

- Local retail sales increased 6% to \$5.3 billion for the 2010 calendar year, slightly up from \$5.0 billion in 2009.
- Retail sales continued to rebound from the December 2010 low point.
- California retail sales followed a similar pattern and began increasing in January 2011.

"Economy 'Weak-Covery' Described At Summit"

Santa Barbara News-Press May 6, 2011

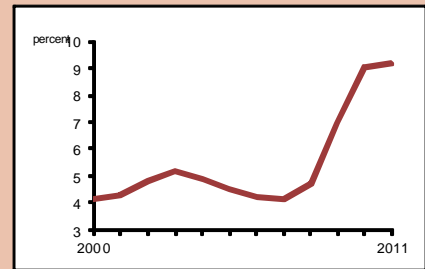
Real Estate

- The countywide median home prices dropped 2.4% to \$325,000 after a 11% increase in the prior year.
- The real estate market is struggling in terms of home sales, home prices, and new construction.

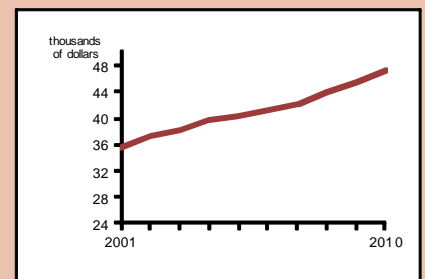
Tourism

- Transient occupancy tax increased 17% in FY 10-11, driven by an upturn in tourism and business conference travel.
- The County's major destination resort hotels experienced the largest increases.

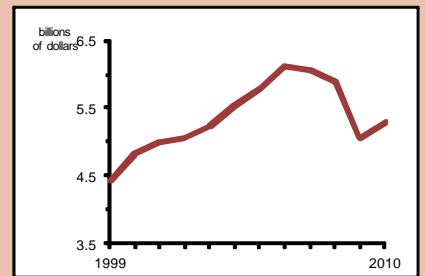
Unemployment Rate



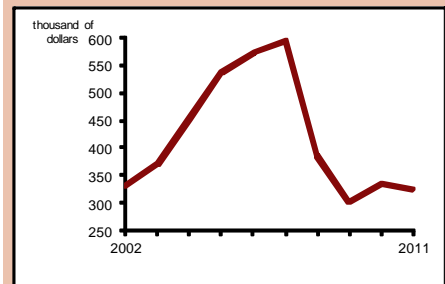
Average Salary



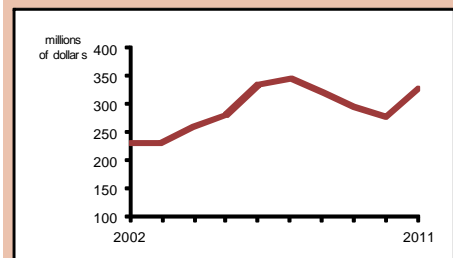
Retail Sales



Median Home Price

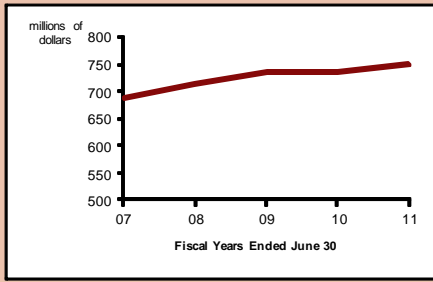


Hotel/Motel Room Sales



DRIVES COUNTY REVENUES

Total Revenues



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

Total Revenues

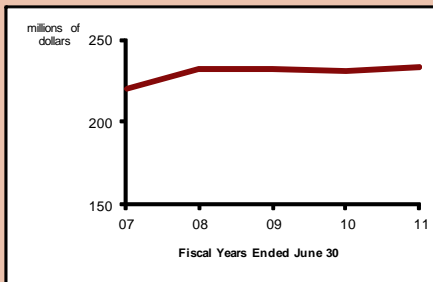
- Revenues for the County government entity increased by 2.2% to \$750.2 million.

"Slow Growth Expected for County"

Santa Maria Times

May 7, 2011

Taxes

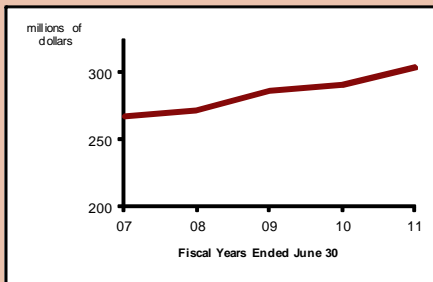


Taxes

Taxes are generated locally and provide the County with most of its discretionary spending ability. Since formation of 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 increased 1.2% to \$168.5 million.
- Property tax in-lieu of motor vehicle tax increased 0.4% to \$42.2 million.
- 1% share of retail sales tax increased 5.7% to \$7.5 million.
- Property tax in-lieu of 1% sales tax increased 17.4% to \$2.4 million.
- Other shared retail sales tax (Measure A allocations) decreased by 6.2% to \$6.0 million.
- Transient occupancy tax increased 17% to \$7 million, driven by an upturn in tourism and business conference travel.
- Total taxes increased by 1.2% to \$234.4 million.

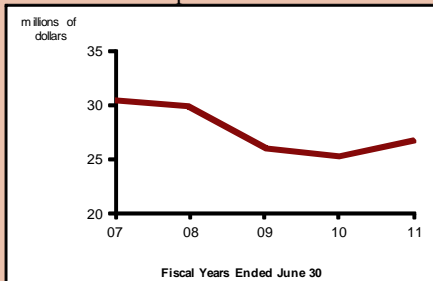
Federal & State



Federal and State (Intergovernmental) Revenues

- As an arm of state government, these multiple program resources are 40% of County funding, and are tied to mandated services such as social services, public assistance, health and mental health.
- \$9.0 million in federal stimulus funds were received for road fund projects, social service employment programs, health and human service programs, and various grants.
- Total intergovernmental resources driven by reimbursements for mandated programs increased 4.7% to \$304.2 million.

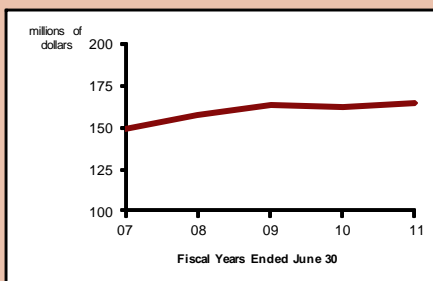
Proposition 172



Prop 172 Sales Tax Revenues

- Proposition 172 sales tax revenues increased \$1.5 million, or 6.1% from the prior year to \$26.7 million.
- This revenue source is a statewide sales tax allocation, and is driven by consumer spending and prices of consumer goods.

Charges for Services



Charges for Services

- Charges for services revenue increased by 1.3% to \$164.6 million. These revenues are driven by program cost reimbursements via federal and state programs, such as Medi-Cal and state Federally Qualified Health Center revenues, and reimbursements from other government agencies, such as city contracts for Sheriff services. The County received \$3.8 million in stimulus funds for Alcohol, Drug, and Mental Health Services (ADMHS) Medi-Cal reimbursement, similar to the prior year.

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 7 is derived from the government-wide financial statements, and (2) The enterprise fund information on page 9 is derived from the proprietary fund financial statements. All statements in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP).

FINANCIAL SUMMARY

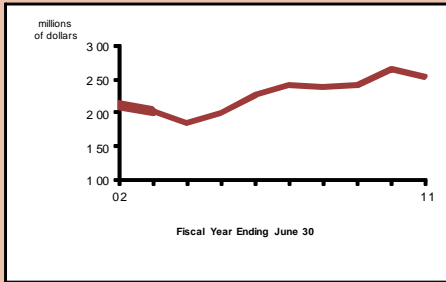
| SANTA BARBARA COUNTY | | | | | |
|---|-----------------|------------------|----------------|-----------------|------------------|
| ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES | | | | | |
| Fiscal Years Ended June 30 (in thousands) | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues (by source): | | | | | |
| Taxes | \$220,583 | \$231,955 | \$232,781 | \$231,648 | \$234,354 |
| Licenses, Permits & Franchises | 14,336 | 14,294 | 13,643 | 13,223 | 12,639 |
| Fines, Forfeitures & Penalties | 11,020 | 12,333 | 13,218 | 13,527 | 13,299 |
| Use of Money & Property | 13,025 | 12,173 | 8,739 | 6,121 | 4,582 |
| Intergovernmental | 266,953 | 271,211 | 286,846 | 290,440 | 304,347 |
| Charges for Services | 148,311 | 156,648 | 163,332 | 162,525 | 164,630 |
| Other | 13,414 | 13,637 | 16,614 | 17,046 | 16,372 |
| Total Revenues | 687,642 | 712,251 | 735,173 | 734,530 | 750,223 |
| Expenditures (by function): | | | | | |
| Policy & Executive | 11,846 | 13,290 | 13,971 | 13,266 | 15,661 |
| Law & Justice | 39,247 | 41,875 | 43,869 | 44,495 | 44,256 |
| Public Safety | 175,500 | 189,364 | 193,291 | 188,661 | 197,603 |
| Health & Public Assistance | 273,314 | 287,957 | 287,110 | 298,239 | 307,900 |
| Community Resources & Facilities | 90,994 | 89,859 | 106,471 | 100,047 | 97,672 |
| General Government & Support Services | 47,380 | 48,356 | 50,736 | 48,818 | 47,073 |
| General County Programs | 14,552 | 18,452 | 22,822 | 18,449 | 18,957 |
| Debt Service | 10,806 | 9,237 | 9,554 | 12,143 | 10,539 |
| Capital Outlay | 10,620 | 20,055 | 7,017 | 8,639 | 18,094 |
| Total Expenditures | 674,259 | 718,445 | 734,841 | 732,757 | 757,755 |
| Net Other Financing Sources (Uses) | 3,035 | 17,758 | 446 | 19,757 | (2,444) |
| Prior Period Adjustments for Mental Health Programs | - | (14,203) | 2,881 | - | - |
| Net Change in Fund Balance | \$16,418 | (\$2,639) | \$3,659 | \$21,530 | (\$9,976) |

County expenditures of \$757.8 million, and other net financing uses of \$2.4 million exceeded revenues of \$750.2 million. The governmental funds drew on the County's total fund balance by \$10.0 million.

- Total revenues increased by 2.1%, or \$15.7 million. This is compared to a decrease in FY 09-10 of 0.1%, or \$0.6 million, and an increase in FY 08-09 of 3.0%, or \$23 million.
- Taxes increased slightly by 1.2%, or \$2.7 million. Intergovernmental (federal and state) revenues and reimbursements increased 4.8%, or \$13.8 million. Charges for service reimbursements increased 1.3%, or \$2.1 million.
- Total expenditures increased by 3.4%, or \$24.9 million. This is compared to a decrease in FY 09-10 of 0.3%, or \$2.1 million, and an increase in FY 08-09 of 2.3%, or \$16.4 million.
- The functional areas of Health and Public Assistance and Public Safety account for 67% of total expenditures. The increase in these two functional areas, and expenditures on Capital Outlay account for most of the increase in expenditures.
- Health and Public Assistance increased by 3.2%, or \$9.6 million. Increases in Social Services costs of 5.3%, or \$7.1 million, and ADMHS service costs of 3.7%, or \$2.6 million are driven by rising caseloads related to the weak economy.
- Public Safety increased by 4.7%, or \$8.9 million. Increases in the Sheriff costs of 7%, or \$10.8 million are due to retirement cost increases of \$3.9 million, and \$1.5 million in additional cost of day reporting centers for inmates released from jail. Fire department costs increased 3.7%, or \$1.7 million mostly due to retirement costs increases of \$2.6 million.
- Capital expenditures of \$18.1 million include \$1.8 million related to land purchase for a north county jail site, \$4.4 million on the Emergency Operations Center project, \$2.7 million on the Courthouse Renovation project, \$2.0 million on the Santa Maria Court Clerks project, \$4.6 million on other General Services capital assets, and \$2.7 million in Parks capital improvements.
- A significant portion of capital expenditures was financed from bond proceeds received in prior years, and is the major reason why expenditures exceeded revenues, and the cause of the draw on fund balance.

FINANCIAL TRENDS

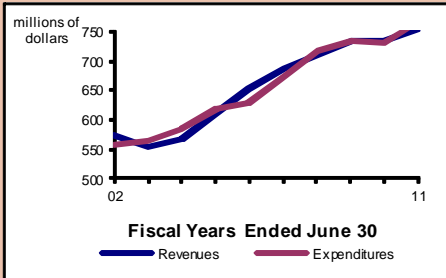
Fund Balance



Fund Balance

- Total governmental funds decreased \$9.9 million, or 3.8%, to \$254.5 million. \$11 million of this decrease was the result of the expenditure of debt proceeds for capital projects in FY 10-11.
- The General Fund's fund balance available for appropriation, decreased \$4.2 million, or 7%, to \$58.3 million.
- The fund balance for the General Fund is 25% of its annual expenditures, and the General Fund's available fund balance is 17% of the total General Fund's annual expenditures.
- The County's Strategic Reserve, which is earmarked for severe economic downturns and emergencies, ended the year at \$19.4 million.

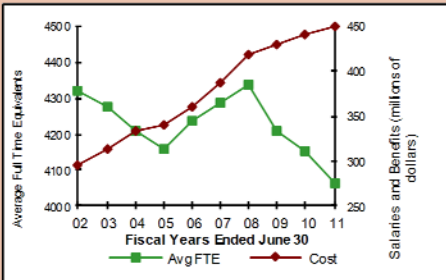
Revenues and Expenditures



Revenues and Expenditures

- Similar to the prior fiscal year, in FY 10-11, total countywide revenues came in very close to total countywide expenditures, taking into account \$11 million of debt borrowings spent on capital projects. County financing includes both annual operating revenue/expenditures, and multi-year project revenues/expenditures in many of its various funds.

Employees



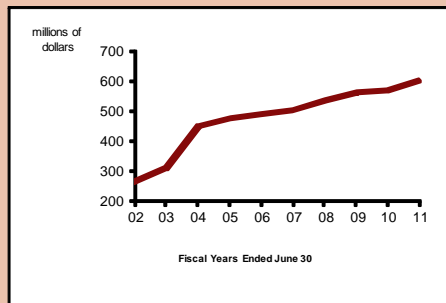
"SB County Looks to Stem Rising Pension Costs"

Santa Maria Times February 13, 2011

Employees

- The County reduced its average FTE count by a net of 88 to 4,062. This reduction in staffing helped to offset a \$15 million increase in retirement costs. Almost all departments reduced their average FTE count for a third straight year.
- As a service delivery entity, the cost of employee salaries and benefits of \$450 million was approximately 59% of actual expenditures.

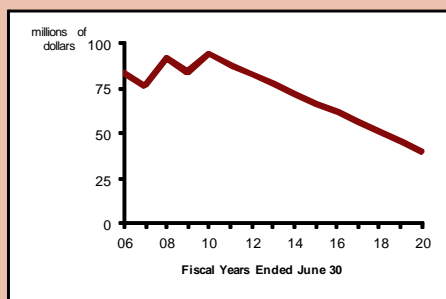
Capital Assets



Capital Assets

- The County's investment in capital assets increased by \$29.8 million, or 5.2%, to \$602.9 million.
- \$22.2 million in major construction projects were completed including the El Colegio Road widening, Tepusquet low water bridge, Orcutt intersection improvements, north county jail land purchase, and Elections division remodel of the former Veterans Administration Clinic building.

Outstanding Debt

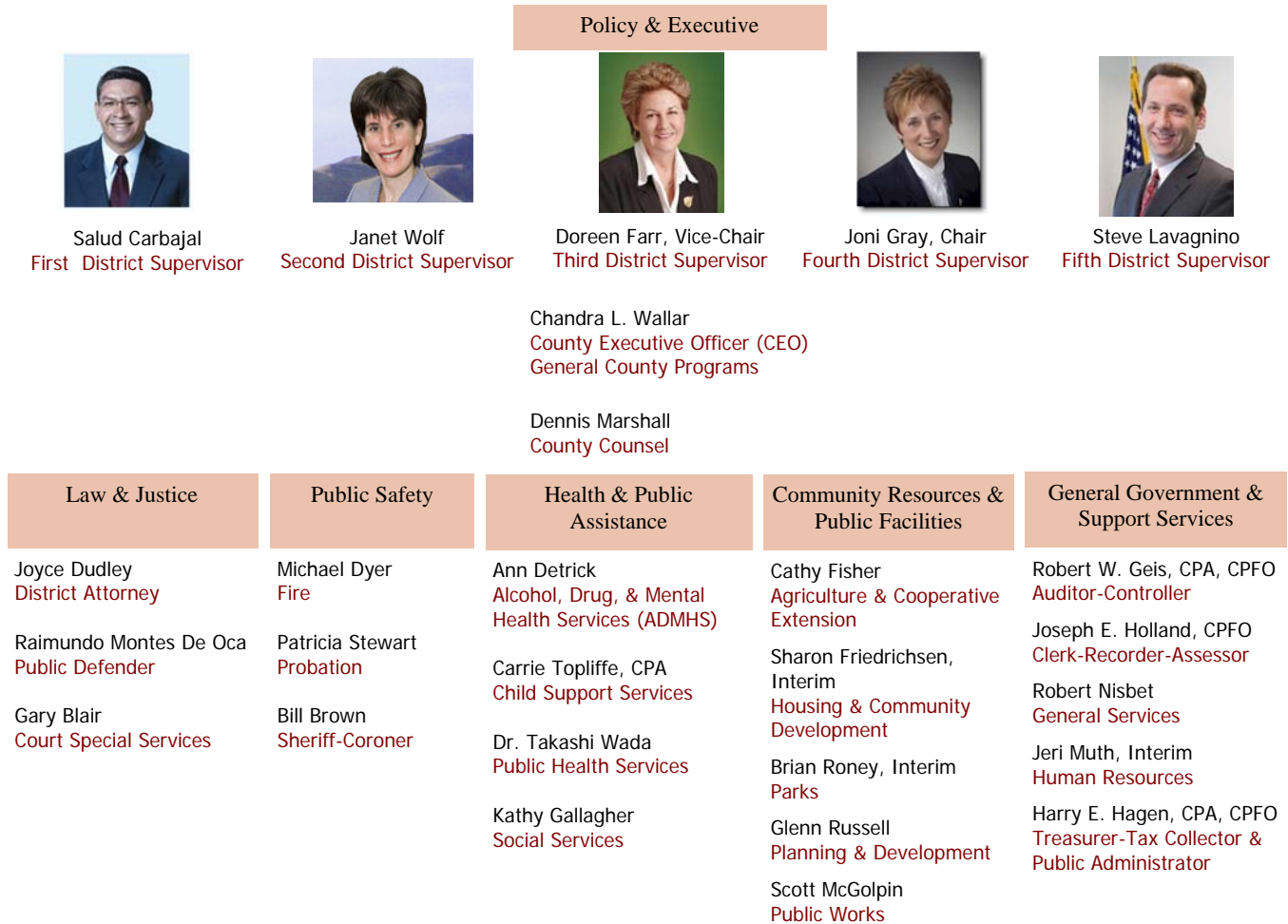


Outstanding Debt

- Total long-term outstanding bonded indebtedness amounted to \$92.1 million, a decrease of 2.5% from the prior year.
- The County has \$77.8 million in outstanding certificates of participation (COP) and has a rapid debt repayment plan that will reduce the debt by 59% over the next ten years.
- Tax and Revenue Anticipation Notes (TRAN) of \$60 million were issued in July 2011. Proceeds from the notes will be used to meet FY 11-12 cash flow requirements.

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 Clerk-Recorder-Assessor, Auditor-Controller, District Attorney, Sheriff-Coroner, and Treasurer-Tax Collector-Public Administrator. The following organization chart reflects the various functional categories reported in the CAFR, along with the names of the principal officials.



The County continues to have a significant transition of management, and this year it started at the top with the Board of Supervisor appointment of a Chandra L. Wallar as the County Executive Officer. Harry E. Hagen, CPA began his first term as the elected Treasurer-Tax Collector and Public Administrator. New hires included Raimundo Montes De Oca as Public Defender, and Cathy Fisher to lead the Agriculture and Cooperative Extension department. New interim department leaders included Sharon Friedrichsen as Interim Director of Housing and Community Development, Brian Roney as Interim Parks Director, and Jeri Muth as Interim Human Resources Director. The Board decided to combine the Parks and Housing and Community Development departments into a new Department of Community Services, and is actively recruiting for a new director.

“Enter Wallar” “County Names New CEO ”

 Santa Barbara Independent September 30, 2010

The County’s twenty-three 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 Operating Plan publication available on-line at www.countyofsb.org/ceo/index.asp.

SERVICES & EXPENDITURES BY FUNCTION

POLICY & EXECUTIVE

Setting policy, adopting the budget and providing legal services are the workload drivers. This functional area increased 7 FTE to 86 employees (due to a transfer of Office of Emergency Services staff to the CEO), and had expenditures of \$15.7 million.

“Supes Pass Poor Man’s Budget”

Santa Barbara Independent June 23, 2011

LAW & JUSTICE

The District Attorney, Public Defender, and Courts Special Services are charged with protecting the rights and ensuring the safety of the citizens. This functional area decreased 1 FTE to 192 employees, and had expenditures of \$44.3 million.

PUBLIC SAFETY

Protection of the community, including people and their property, through law enforcement, fire protection, custody of adult and juvenile criminals, and probation monitoring of offenders are the workload drivers. This functional area decreased 41 FTE to 1,265 employees, and had expenditures of \$197.6 million.

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. With a net increase of 3 FTE to 1,636 employees, and expenditures of \$307.9 million, these federal and state funded programs serve the less advantaged County residents.

COMMUNITY RESOURCES & PUBLIC FACILITIES

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, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible. This functional area has 404 employees, and had expenditures of \$97.7 million.

“Supervisors Consolidate Departments”

Santa Ynez Valley Journal April 14, 2011

GENERAL GOVERNMENT & SUPPORT SERVICES

This functional area provides important general government services to the citizens such as elections, and also provides support services to County operations such as payroll and human resources. These departments provide financial integrity for the County, quality services for our largest asset, which is our employees, as well as management of the County’s financial assets. This functional area decreased 23 FTE to 369 employees, and had expenditures of \$47.1 million.

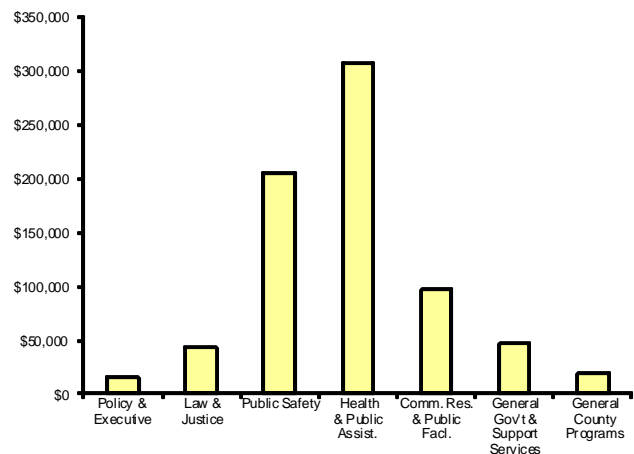
“Amid Budget Problems County Oks Hiring Freeze”

Daily Sound December 15, 2010

GENERAL COUNTY PROGRAMS

This area performs functions that are not directly associated with a specific department, such as organizational development. The First 5 Children and Families Commission has its own governing body, but remains a part of the County financial entity in this functional area. Transfers to other government entities, such as libraries, and the Local Agency Formation Commission, are also accounted for in this unit. General County Programs decreased 15 FTE to 14 employees, and had expenditures of \$19.0 million

Governmental Funds Expenditures



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 94 employees, a decrease of 3 FTE from the prior year, and expenses of \$27.2 million.

TRANSITION TO NEXT YEAR'S BUDGET

Governmental Funds (in thousands)

| | General | Roads | Public Health | Social Services | ADMHS | Flood Control District | Capital Projects | RDA Debt Service | Other Gov Funds | Total |
|---------------------------|------------|-----------|---------------|-----------------|-----------|------------------------|------------------|------------------|-----------------|------------|
| Revenues | \$ 337,093 | \$ 39,640 | \$ 71,138 | \$ 121,616 | \$ 77,580 | \$ 15,962 | \$ 6,782 | \$ 32 | \$ 80,380 | \$ 750,223 |
| Expenditures | (332,909) | (36,267) | (77,665) | (133,932) | (74,744) | (12,778) | (19,298) | - | (70,162) | (757,755) |
| Other fin. sources (uses) | (9,499) | 1,998 | 5,336 | 11,794 | 8,112 | (15) | (1,697) | (587) | (17,886) | (2,444) |
| Change in fund balance | \$ (5,315) | \$ 5,371 | \$ (1,191) | \$ (522) | \$ 10,948 | \$ 3,169 | \$ (14,213) | \$ (555) | \$ (7,668) | \$ (9,976) |

The above table presents the County's General Fund and seven other major funds. Other Governmental Funds aggregate the 22 other special revenue funds and debt service funds. A few highlights follow:

- The Roads Fund increased fund balance by \$5.4 million with project funding sources that will be expended on projects that are underway.
- Flood Control increased their fund balance by approximately \$3.2 million due to carry-over funding for capital and maintenance projects.
- Total fund balance decreased by \$10 million due to \$11 million in prior year debt proceeds being spent on capital projects in FY 10-11.

Financial Status Summary General Fund (in thousands)

| | FY 10-11 | | |
|--------------------------|-----------------|------------|----------------|
| | Adjusted Budget | Actual | Budget Savings |
| Revenues | \$ 336,644 | \$ 337,093 | \$ 449 |
| Expenditures | (350,328) | (332,909) | 17,419 |
| Net other financing uses | (14,553) | (9,499) | 5,054 |
| Net financial impact | \$ (28,237) | \$ (5,315) | \$22,922 |

General Fund Balance (in thousands)

| | Beginning Balance 7/1/2010 | Ending Balance 6/30/2011 |
|---------------------------|-------------------------------|-----------------------------|
| Nonspendable | \$ 26,704 | \$ 25,570 |
| Restricted | 8,271 | 7,844 |
| Committed | 53,444 | 46,096 |
| Unassigned | 736 | 4,330 |
| Total Fund Balance | \$ 89,155 | \$ 83,840 |

- The General Fund actual expenditures and net other financing uses exceeded revenues by \$5.3 million. This change is primarily due to the release of \$8.5 million for ADMHS audit settlements of \$4.6 million and Multi Integrated System of Care (MISC) program audit settlements for \$3.9 million, offset by revenues exceeding expenditures by \$4.1 million.
- The General Fund's fund balance was \$83.8 million, with \$25.6 million representing nonspendable fund balance. The spendable (*restricted, committed, and unassigned*) portion decreased to \$58.3 million, or 18%, of FY 10-11 expenditures.

FY 11-12 BUDGET

The County adopted the FY 11-12 County Budget Plan with operating appropriations set at \$773.4 million and capital outlay appropriations of \$44.2 million that includes capital expenditures and infrastructure/capital maintenance.



| Use of Funds Summary | Operating Budget | Percent of Total |
|-------------------------------------|-----------------------|------------------|
| <i>Countywide Functions:</i> | | |
| Policy & Executive | \$ 9,876,336 | 1.2% |
| Law & Justice | 43,785,941 | 5.4% |
| Public Safety | 202,558,856 | 24.8% |
| Health & Public Assistance | 305,426,254 | 37.4% |
| Community Resources & Public Facil. | 136,679,514 | 16.7% |
| Support Services | 66,098,844 | 8.1% |
| General County Programs | 9,022,761 | 1.1% |
| Expenditure total | 773,448,506 | 94.6% |
| Capital | 44,222,540 | 5.4% |
| Total Use of Funds | \$ 817,671,046 | 100.0% |

STATE BUDGET

Potential cuts in funding and realignment of programs by the State of California were not included in the County's budget for FY 11-12. As of the date of this report, the state budget has been adopted and adjustments to the FY 11-12 County budget are underway.

FEDERAL STIMULUS FUNDING FOR THE COUNTY

The County received Federal Stimulus funds as displayed in the following table. Some of this Federal Stimulus money replaced reductions in state resources, and some of these dollars were for one-time projects. As the stimulus dollars sunset it is expected that the state funding dedicated to these programs will be restored, and the one-time projects completed.

Programs such as transportation and back-to-work programs, received one-time funding that enhanced services. Transportation funding facilitated countywide street and bridge repairs, the Old Town Orcutt Streetscape project, Santa Ynez shoulder widening and bike paths, and Summerland circulation improvements. Parks received money for rental cabins that were placed in County regional Parks, and the Department of Energy funded our Municipal Energy Finance program.

In addition to the awards received by the County, the Santa Maria Levee was awarded approximately \$40 million; this project is managed by the U.S. Army Corps of Engineers. The project will provide for strengthening of 6.5 miles of the existing south levee and reduce flood risk.

| Activities Funded | 6/30/2010 Actual | 6/30/2011 Actual |
|--------------------------------------|-----------------------------|-----------------------------|
| Public Safety | \$631,534 | \$974,559 |
| Roads and Infrastructure | 4,905,475 | 1,240,175 |
| Capital Projects Fund - Parks | - | 358,944 |
| Health Care | 470,340 | 346,679 |
| Medicaid for Mental Health Services | 4,189,897 | 3,751,382 |
| Social Services Entitlement Programs | 3,181,796 | 1,594,823 |
| SB IHSS Public Authority | - | 157,296 |
| Child Support Services | 1,014,900 | 232,482 |
| WIA Back to Work Programs | 1,054,159 | 3,107,601 |
| Development | 216,321 | 754,681 |
| Municipal Energy Finance | - | 246,619 |
| Net Financial Impact | <u>\$15,664,422</u> | <u>\$12,765,241</u> |

DEBT RATINGS

The County maintains a Standard & Poor's 'SP-1+' rating for short-term notes, and both a Standard & Poor's 'AA+' and a Moody's 'A1' for long-term certificates of participation.

Standard & Poor's in its October 7, 2008 credit profile assigned an 'AA+' rating to the County's appropriation debt.

The credit profile made several observations about the County's "excellent set of profile characteristics:"

- The County has high wealth and incomes and is situated in an area with dynamic job markets that are central to the industries it serves;
- The County has fine-tuned operations, i.e., it provides adequate service levels, such as health care, that are affordable and sustainable; and
- Financial restraint is the norm for the County, evidenced by high reserve levels and structural balance between revenues and expenditures.

The 'AA+' is based on the County's:

- Very strong reserves;
- Stable and broad local economic base anchored by the University of California, Santa Barbara and Vandenberg Air Force Base, as well as access to diverse employment opportunities in nearby Los Angeles and Ventura counties;
- Strong wealth and income indicators; and
- Low debt levels.

Standard and Poor's, in its May 20, 2011 rating of the County's FY 11-12 \$60,000 Tax and Revenue Anticipation Notes (TRAN), states that the 'SP-1+' rating "reflects the County's very strong and underlying general credit characteristics," as well as "adequate county-projected debt coverage of 1.32x at maturity."

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Auditor-Controller's Office

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www.countyofsb.org/auditor/home.asp.

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Comprehensive Annual Financial Report

Single Audit Report

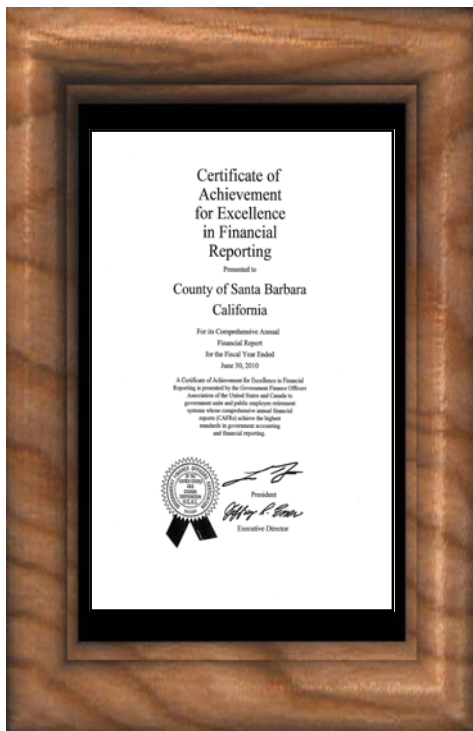
Financial Highlights

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, 2010. This was the fourteenth consecutive year that the County has received this award. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we will be submitting it to the GFOA.

Robert W. Geis, CPA, CPFO
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