



AUGUST 25, 2017

Financial Highlights

County of Santa Barbara

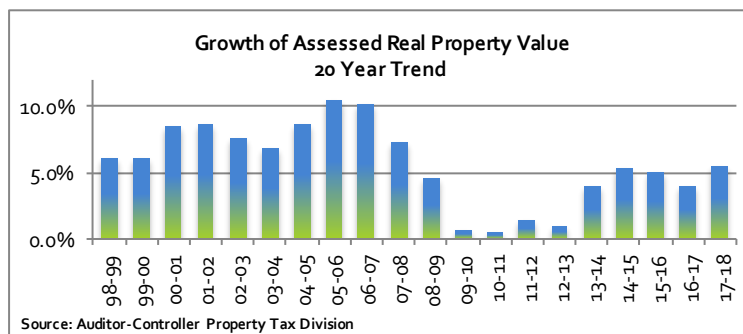


FISCAL YEAR ENDED JUNE 30, 2017

Economic Indicators

According to the California Economic Forecast Newsletter, the national economy has seen temperate growth, little inflation, low unemployment and modest wage pressures. In California, the economy in 2017 is expected to look much like it did in 2016 but with more job openings, more pressure to raise salaries and hourly rates of pay, and technology sectors that remain vibrant. At the local level, the 2017 University of California Economic Forecast Project reported that the most recent data show strong output growth, increased payrolls, and rising housing prices 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 fiscal year (FY) 16-17.

Financial Indicators



County tax revenues experienced temperate growth in FY 16-17 due to continued economic growth. Property tax assessed value will increase 5.5% for FY 17-18, following a 4% increase in FY 16-17. Local sales tax increased 19.9% and transient occupancy tax increased 11% for FY 16-17; a portion of both of these increases are due to changes in the tax rates. The Statewide ½ cent sales tax program that funds public safety and health/social services programs increased 3.3% for FY 16-17. The County also had some improvement in charges for services along with increases in operating and capital grants and contributions.

Board of Supervisors

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

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

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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, 2017. 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



Theo Fallati, Auditor-Controller

The 2016-17 budget theme of "challenges, changes, and choices ahead" was very relevant this fiscal year. It could be said that all years comprise these elements, but there have been some unprecedented challenges, historic changes, and unexpected choices that faced the County in 2016-17.

Building a new jail has been on the County's to-do list for several years, as has been moving forward with the Tajiguas Resource

Recovery Project. Each project is over \$100 million in construction investment costs. Both projects will include state-of-the-art technologies and should provide adequate capacity for the longer-term. These two large-scale capital projects, the largest that the County has ever undertaken, occurring simultaneously, is undoubtedly an unprecedented challenge for the County.

2016-17 also saw the changing of the guard with the transition of two new Board of Supervisors. The 1st District greeted Das Williams and the 3rd District greeted Joan Hartmann. The installation of two County supervisors at the same time last occurred 12 years ago in 2005.

In November 2016, the community voted to increase the transient occupancy tax in the unincorporated areas of the county from 10% to 12%. Additionally, recreational use of marijuana became legalized, and the Isla Vista Community Services District (IVCSD) was formed. An unexpected result of the IVCSD election is that although the district was formed, the utility user's tax (UUT) necessary to finance the district did not pass. It is anticipated that a future ballot measure to try and authorize the UUT will be forthcoming.

The upcoming 2017-18 budget theme is, "One County, One Future." It is a theme that reminds us all that no matter the challenge, change, or choice we are presented, a single decision impacts all of us. We do not work and live in isolation from each other. Pension costs have been a recurring issue for several years now and this year is no exception. The choices we have and will make to fund the County's pension contributions and other rising costs are those that impact our county, our future.

"Facing rising pension costs, Santa Barbara County pledges a more meticulous budget process"

Noozhawk December 25, 2016

"Spring storm brings rain to Santa Barbara County, more on the way"

Noozhawk March 21, 2017

To the Citizens of Santa Barbara County:

My first full fiscal year as the appointed Auditor-Controller has been a non-stop, but exciting, ride. I'd like to thank everyone in the office for their continued support as we've proceeded through some challenges this past year. Although many staff in the office have been around a few years, some are new to their positions and all have been stepping up to meet the departmental and countywide challenges along with me.

This year, with our team-based approach, we've continued to issue our audited financial statements within 60 days of June 30, we've continued to participate in the budget development process with the CEO's office, we've cut through a property tax backlog by assigning a special team to focus on the backlog, and we've maintained and enhanced critical Auditor-Controller operations.

Thank you once again for your continued support of this office and of the work that we accomplish. All-in-all, it's been productive, challenging, and I'll say it again – exciting.

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
Vice Chair



Janet Wolf
Second District Supervisor



Joan Hartmann
Third District Supervisor
Chair



Peter Adam
Fourth District Supervisor



Steve Lavagnino
Fifth District Supervisor

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

Michael Ghizzoni
County Counsel

Public Safety	Health & Human Services	Community Resources & Public Facilities	General Government & Support Services
<u>Joyce Dudley</u> District Attorney	<u>Eric Peterson</u> Fire	<u>Alice Gleghorn</u> Behavioral Wellness	<u>Theo Fallati, CPA, CPFO</u> Auditor-Controller
<u>Tracy M. Macuga</u> Public Defender	<u>Beverly Taylor (Interim)</u> Probation	<u>Joni Maiden, MPA (Interim)</u> Child Support Services	<u>Joseph E. Holland, CPFO</u> Clerk-Recorder-Assessor
<u>Darrel E. Parker</u> Court Special Services	<u>William F. Brown</u> Sheriff-Coroner	<u>Carrie Topliffe, CPA (Interim)</u> Public Health Services	<u>Harry E. Hagen, CPA, CPFO</u> Treasurer-Tax Collector & Public Administrator
	<u>Daniel Nielson</u> Social Services	<u>Scott McGolpin</u> Public Works	<u>Janette Pell</u> General Services
			<u>Lori Gentles</u> Human Resources

The County's 20 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 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.

During FY 2016-17, the County continued to see positive trends in certain economic segments led by consumer spending and tourism. Additionally, the real estate housing market and the labor market continued to show indicators of a steady economy.

Employment

- The County’s average unemployment rate during FY 16-17 decreased from 5% to 4.8%.
- The June 2017 County unemployment rate of 4.3% was below the State unemployment rate of 4.9% and the national unemployment rate of 4.5%.

“Housing, manufacturing and robotics will shape tri-county’s future”

Pacific Coast Business Times May 9, 2017

Income

- Average annual wages increased to \$53,090 in the 2016 calendar year from \$51,390 in 2015.

Retail Sales

- Countywide retail sales increased 2.3% to \$7 billion for the 2016 calendar year.
- Local retail sales continue to grow with the improved economy from the December 2010 low point.
- California retail sales are following a similar pattern.

Real Estate

- The Countywide median home prices increased 2.4% to \$560,600.
- The real estate market continued its upward trend with increased property sales, price appreciation, and new construction.

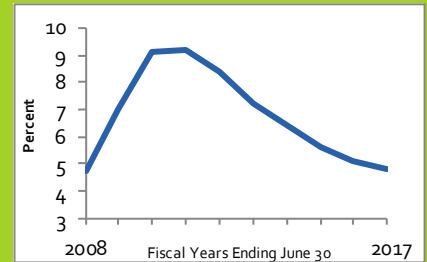
Tourism

- In the unincorporated area of the County, Transient Occupancy Tax (TOT) increased 11% in FY 16-17, driven by a 2% increase in the tax rate and a robust tourism industry.
- The County’s wide array of resorts, hotels, motels, and vacation rentals all contributed to the increase in this tax source. The leisure and hospitality sector is the fastest growing sector in recent years.

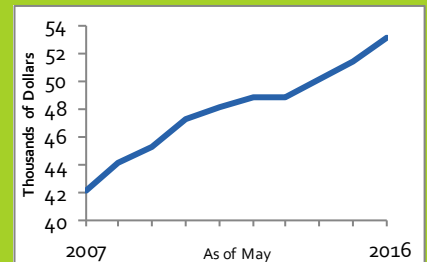
“Miramar resort project begins in Montecito”

KEYT October 10, 2016

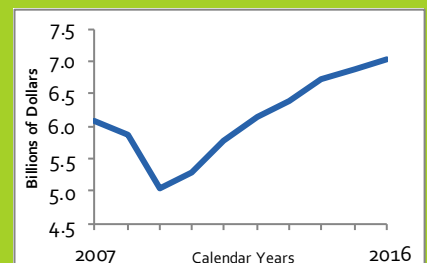
Unemployment Rate



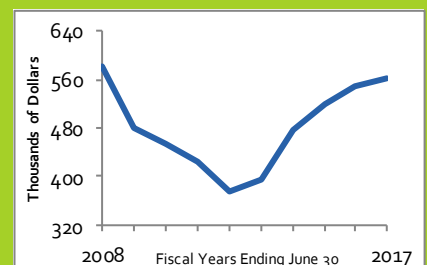
Average Salary



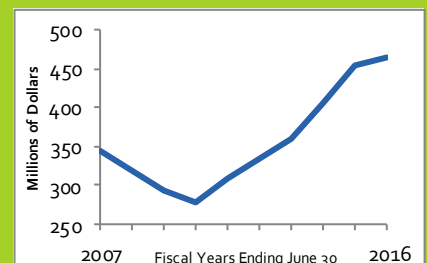
Retail Sales



Median Home Price



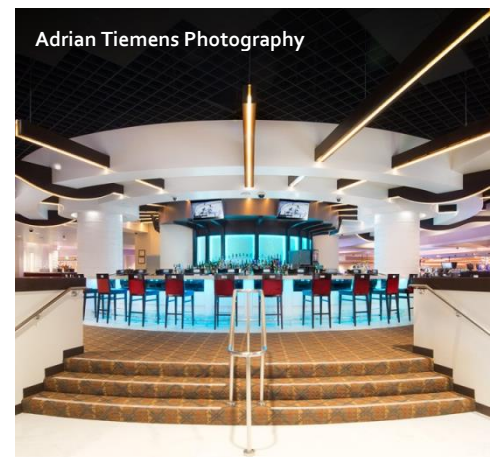
Hotel/Motel Room Sales



Top 10 Employers



Company or Organization	Type of Business	Jobs	Percent of Total County Employment
University of California, Santa Barbara	Education	10,726	5.16%
Vandenberg Air Force Base	Government	6,100	2.94%
County of Santa Barbara	Government	4,900	2.36%
Cottage Health Organization	Health	3,790	1.82%
Santa Barbara City College	Education	2,280	1.10%
Santa Barbara Unified School District	Education	2,185	1.05%
Marian Medical Center	Health	1,884	0.91%
City of Santa Barbara	Government	1,771	0.85%
Chumash Casino Resort	Hotel/Casino	1,716	0.83%
Santa Maria-Bonita School District	Education	1,696	0.82%
Total ten largest		37,048	17.83%



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 are governmental funds increased by 4.3% to \$889.2 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 4.5% to \$248.1 million.
- Supplemental property tax increased 38.1% to \$4.8 million.
- Property transfer tax increased 0.1% to \$3.9 million.
- RDA property tax trust fund proceeds increased 18.6% to \$8.2 million.
- The local retail sales tax increased 19.9% to \$10.4 million.
- Other shared retail sales tax (transportation funding allocations) increased 1.1% to \$7.7 million.
- Transient occupancy tax increased 11% to \$10.1 million.
- Total taxes increased 4.9% to \$295.1 million.

Federal and State (Intergovernmental) Revenues

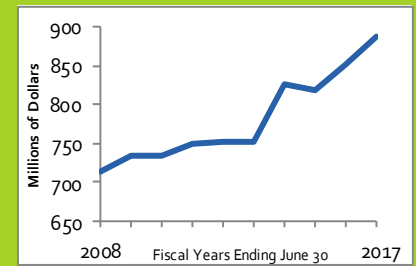
As the County is an arm of State government, these multiple program resources are 40.6% of County funding at \$361.4 million and are tied to mandated services such as social services, public assistance, health, and mental health. A few significant accounts include:

- State Realignment 2011 AB 109 funding provided \$69.2 million, a decrease of 2.8% 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 3.3% to \$34.8 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 decreased 2.7% to 31.6 million.

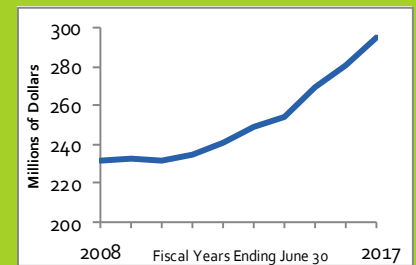
Charges for Services

Charges for services revenue increased by 4.9% to \$189.8 million. The increase is primarily due to increases in health care fees, State and Federal revenue and large reimbursements from other government agencies, such as the State for Fire protection services and several Fire incident reimbursements. For details about such County services, refer to the County’s Operating Plan publication available online at www.countyofsb.org/ceo.

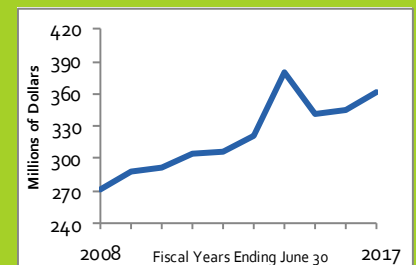
Total Revenues



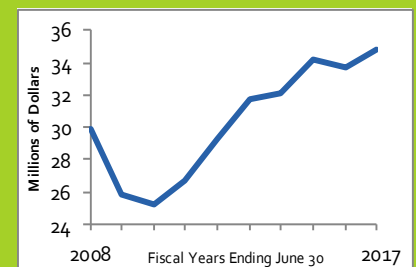
Taxes



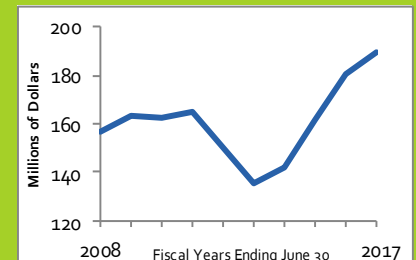
Federal & State



Proposition 172



Charges for Services



Top 10 Taxpayers



Taxpayers	Type of Business	Total Secured Tax Levy	Percent of Total Secured Tax Levy
United Launch Alliance LLC	Aerospace	\$4,039	0.56%
Southern California Edison Co.	Utility	3,967	0.55%
Southern California Gas Company	Utility	3,019	0.42%
1260 BB Property, LLC (Biltmore)	Hotel	2,781	0.39%
Exxon Corporation	Petroleum & Gas	2,088	0.29%
BRS Investment Properties, LLC (Bacara)	Hotel	2,222	0.31%
Windset Farms California, Inc.	Agriculture	1,887	0.26%
Regency Tropicana, LLC	Residential Estate	1,790	0.25%
Pacific Gas & Electric Co.	Utility	1,989	0.28%
Fairway BB Property, LLC	Residential Estate	1,581	0.22%
Total ten largest		\$25,363	3.53%



Financial Summary

ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES

Fiscal Years Ended June 30 (in thousands)	2013	2014	2015	2016	2017
Revenues (by source):					
Taxes	\$249,414	\$254,177	\$269,402	\$281,279	\$295,066
Licenses, Permits & Franchises	14,011	14,030	13,660	14,282	14,221
Fines, Forfeitures & Penalties	9,582	10,883	9,581	9,160	9,141
Use of Money & Property	2,321	4,995	4,902	4,809	3,332
Intergovernmental	321,765	380,150	340,492	345,428	361,392
Charges for Services	135,626	143,637	165,520	181,022	189,834
Other	19,582	20,803	19,083	16,149	16,177
Total Revenues	752,301	828,675	822,640	852,129	889,163
Expenditures (by function):					
Policy & Executive	15,349	15,408	15,562	16,484	16,585
Public Safety	259,968	270,605	282,909	288,174	303,151
Health & Public Assistance	304,982	318,480	347,466	351,911	361,796
Community Resources & Facilities	100,838	145,576	93,357	106,380	99,463
General Government & Support Services	43,691	44,194	47,284	50,104	52,597
General County Programs	5,091	8,199	3,190	2,679	2,167
Debt Service	7,651	7,810	17,834	5,875	5,876
Capital Outlay	7,290	7,079	6,793	6,229	24,983
Total Expenditures	744,860	817,351	814,395	827,836	866,618
Net Other Financing Sources (Uses)	556	(177)	9,299	(1,185)	(928)
Extraordinary Items-RDA transfer of assets	-	-	-	-	-
Net Change in Fund Balance	\$7,997	\$11,147	\$17,544	\$23,108	\$21,617

Revenues of \$889.2 million exceeded expenditures of \$866.6 million and other financing uses of \$0.9 million for a net positive change to the County Fund Balances of \$21.6 million.

Total **EXPENDITURES** increased 4.7% or \$38.8 million.

Total **REVENUES** increased 4.3% or \$37 million.

- **Taxes** increased 4.9%, or \$13.8 million, due primarily to an approximately 4.5% or \$10.7 million increase in property taxes, 19.9% or \$1.7 million increase in sales tax and 11% or \$1 million increase in transient occupancy tax.
- **Licenses, Permits and Franchise** decreased 0.4% or \$61,000 primarily due to a decrease in franchise fees and energy permit revenue.
- **Fines, Forfeitures and Penalties** decreased 0.2%, or \$19,000, generally due to a decrease in Court fees and fines.
- **Intergovernmental** increased 4.6%, or \$16 million to \$361.4 million primarily due to State grant reimbursements for the Northern Branch Jail.
- **Charges for services** increased 4.9%, or \$8.8 million were mainly attributed to a reimbursement for services from the Federal and State Medi-Cal Programs and Fire incident reimbursements.
- **Salaries and benefits**, which is the largest category of expenditures for this service delivery organization, increased 3.4% or \$17.3 million to \$532.7 million, mainly attributable to an increase of \$6.7 million or 2.2% in salaries due to an increase of 36 FTE, in the Public Health, Sheriff, Behavioral Wellness, Fire, and Clerk-Recorder Assessor departments. The remainder represents employee salary increases, retirement costs, workers' compensation insurance, and reimbursable overtime.
- **Other operational expenditures** increased \$6.7 million to \$283 million. There was a \$6.2 million increase in Services and Supplies and Other Charges increased \$0.5 million. Significant expenditures in this area include \$58 million in various professional and contractual services across all departments, \$48 million in Social Service Cash Assistance payments, \$37 million in Behavioral Wellness community based organization service contracts, \$28 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 \$25 million, due to \$24.4 million of structures and \$0.5 million of information technology hardware and software.

General Fund

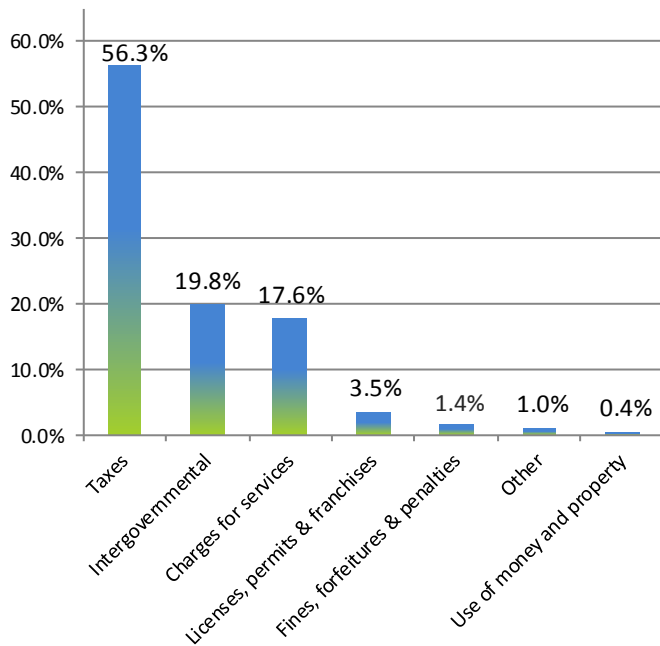
Where the Money Comes From



Where the Money Goes

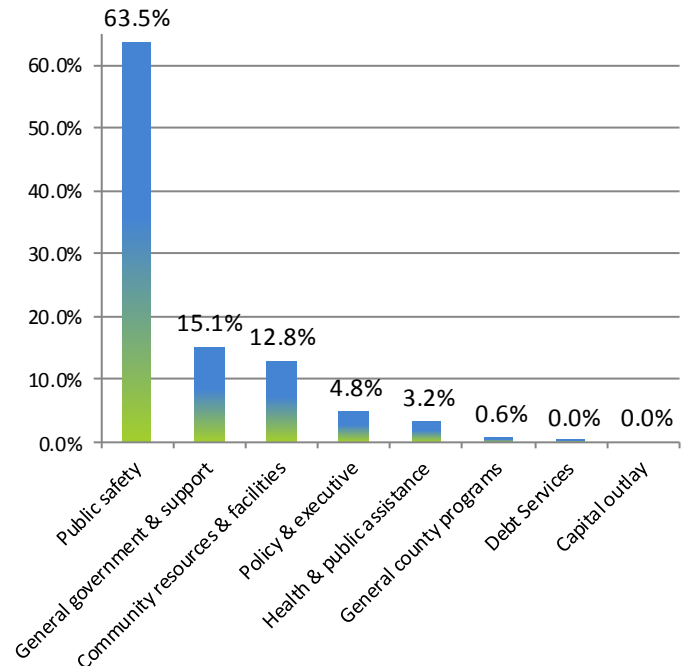


General Fund Revenue



Total General Fund revenues for the FY 16-17 were \$395.7 million. Taxes comprised the majority of these revenues at 56.3%, followed by intergovernmental revenues at 19.8% and charges for services at 17.6%. Various other revenue sources combined provided the remaining 6.3% of total General Fund revenues.

General Fund Expenditures



Total General Fund expenditures for the FY 16-17 were \$344 million. The majority of these expenditures were allocated to Public Safety at 63.5%, followed by General Government & Support Services at 15.1% and Community Resources & Public Facilities at 12.8%. The remaining expenditures comprising 8.6% of total General Fund expenditures were allocated to various other functions.

Financial Trends

Fund Balance

- Total governmental funds increased \$21.6 million, or 7.2%, to \$321 million. The increase is mostly related to property tax growth, Fire incident reimbursements, and Medi-Cal revenue.
- The portion of the General Fund balance available for appropriation decreased \$3.5 million, or 3.3%, to \$99.5 million.
- The total General Fund balance is 32.9% of its annual operating expenditures, and the spendable General Fund balance is 28.9% of General Fund annual operating expenditures.
- The County's General Fund Strategic Reserve, which is earmarked for severe economic downturns and emergencies, ended the year at \$30.9 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 million resulting from operations in FY 16-17 is recorded as unassigned fund balance.

Revenues and Expenditures

- In FY 16-17, Countywide revenues/sources exceeded expenditures/uses by \$21.6 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 increased its average full time equivalent (FTE) count by a net 36 FTE to 4,218 FTE. This was mainly attributed to the Public Safety function adding 15 FTE and the Community Resources & Public Facilities function adding 13 FTE.
- As a service delivery entity, salaries and benefit costs are the largest cost component at \$532.7 million, approximately 61.5% of actual expenditures.

Capital Assets

- The County's net investment in capital assets increased by \$32.1 million, or 5% to \$819.2 million, of which \$18 million was due to the completion of, or improvements to the Las Vegas Creek culvert, the Jalama Road Bridge, the Pasado Road Storm Drain, the Live Oak Camp, the Orange Grove Road tunnel, the Lake Cachuma Marina Café, the Arroyo Burro Beach Boardwalk, and the Department of Social Services upgraded record management system.

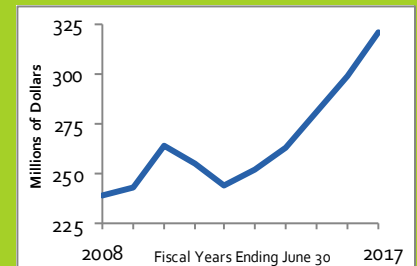
“Santa Barbara Sheriff’s Office Introduces New K-9, Odin

Noozhawk April 3, 2017

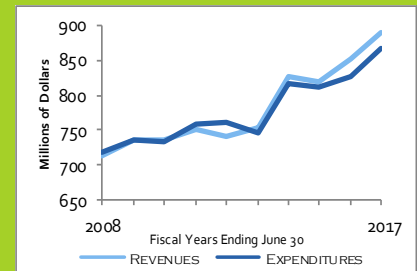
Outstanding Debt

- Total long-term outstanding indebtedness amounted to \$58 million, a decrease of \$5.8 million, or 9%, from the prior year.
- The County has \$56 million in outstanding certificates of participation (COP), bonds and notes payable and has a rapid debt repayment plan that will reduce the debt by 63.2% over the next ten years.

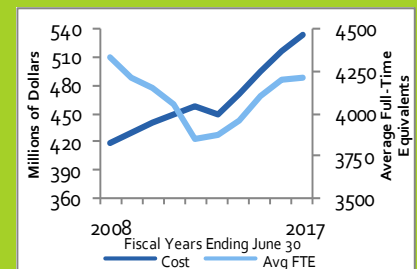
Fund Balance



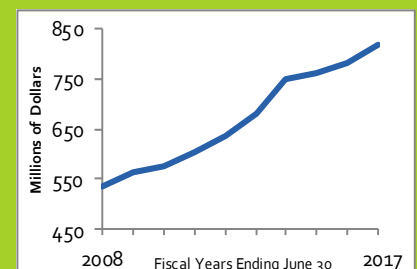
Revenues and Expenditures



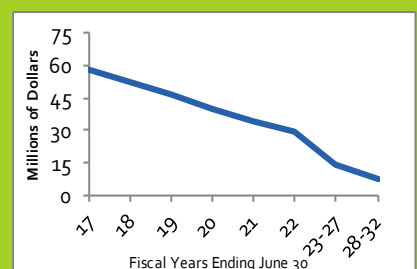
Employees



Capital Assets



Outstanding Debt



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 decreased by 1 FTE to 93 employees and had expenditures of \$16.6 million.

“New county supervisors assume posts”

Santa Barbara News Press January 4, 2017

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 15 FTE to 1,448 and had expenditures of \$303.2 million.

“County Board of Supervisors Appoints Public Defender”

Independent November 2016

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 1 FTE to 1,842 employees and expenditures of \$361.8 million, these Federal and State funded programs serve the less advantaged County residents.

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 increased 13 FTE to 402 employees and had expenditures of \$99.5 million.

“Cannabis Operations Registry Launched by County of Santa Barbara”

Independent April 2017

General Government & Support Services

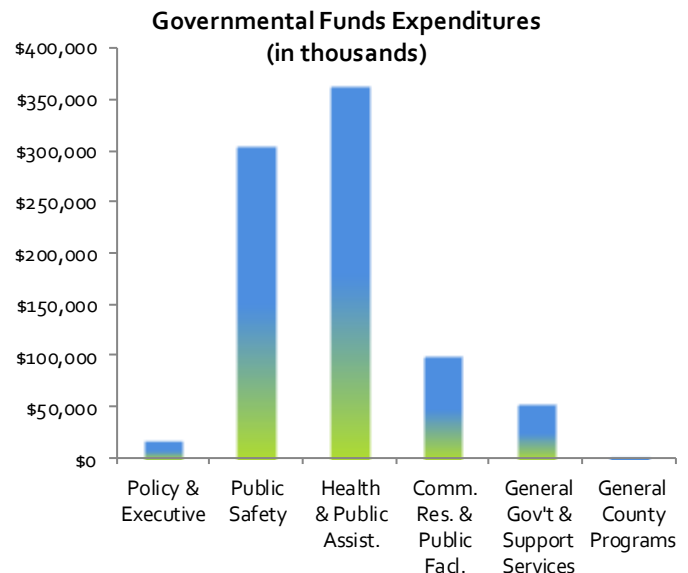
This functional area provides important general government services to the citizens such as elections, property tax administration, treasury operations, and also provides support services to County operations such as information technology, communications, payroll, and capital projects. These departments provide financial integrity for the County, as well as management of the County’s assets. This functional area increased 4 FTE to 339 employees and had expenditures of \$52.6 million.

“Solar Hillside Powers Sunny Santa Barbara County Campus”

Independent May 3, 2017

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 libraries, and the Local Agency Formation Commission, are also accounted for in this unit. General County Programs currently has 1 FTE and had expenditures of \$2.2 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 93 employees, an increase of 3 FTE from the prior year, and expenses of \$35.5 million.

Transition to Next Year's Budget

Governmental Funds (in thousands)

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.

	General	Roads	Public Health	Social Services	Behavioral Wellness
Revenues	\$ 395,692	\$ 26,747	\$ 72,748	\$ 149,128	\$ 88,704
Expenditures	(343,983)	(31,377)	(77,764)	(157,865)	(97,661)
Other fin. sources (uses)	(53,683)	5,379	5,398	8,390	10,108
Change in fund balance	\$ (1,974)	\$ 749	\$ 382	\$ (347)	\$ 1,151

	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Gov Funds
Revenues	\$ 15,727	\$ 5,520	\$ 77,874	\$ 22,396	\$ 34,627
Expenditures	(13,568)	(3,966)	(68,385)	(25,568)	(46,481)
Other fin. sources (uses)	(56)	(1,053)	(2,094)	14,307	12,376
Change in fund balance	\$ 2,103	\$ 501	\$ 7,395	\$ 11,135	\$ 522

Total	
\$ 889,163	Revenues
(866,618)	Expenditures
(928)	Other fin. sources (uses)
\$ 21,617	Change in fund balance

The County General Fund decreased total fund balance by \$2 million. Spendable fund balance decreased by \$3.5 million and non-spendable fund balance increased by \$1.5 million. All other governmental funds increased by a net \$23.6 million. Some funds added to their respective fund balances while others drew on their fund balances.

Financial Status Summary General Fund (in thousands)

General Fund Balance (in thousands)

	FY 16-17		
	Adjusted Budget	Actual	Variances
	Revenues	\$ 394,676	\$ 395,692
Expenditures	(356,713)	(343,983)	12,730
Net other financing uses	(53,590)	(53,683)	(93)
Net financial impact	\$ (15,627)	\$ (1,974)	\$ 13,653

	Beginning Balance 7/1/2016	Ending Balance 6/30/2017
Nonspendable	\$ 12,130	\$ 13,619
Restricted	27,527	31,529
Committed	67,703	60,161
Unassigned	7,684	7,761
Total Fund Balance	\$ 115,044	\$ 113,070

The General Fund's fund balance ended the year at \$113.1 million with \$13.6 million representing non-spendable fund balance. The spendable (restricted, committed, and unassigned) portion decreased to \$99.5 million or 28.9% of FY 16-17 expenditures.

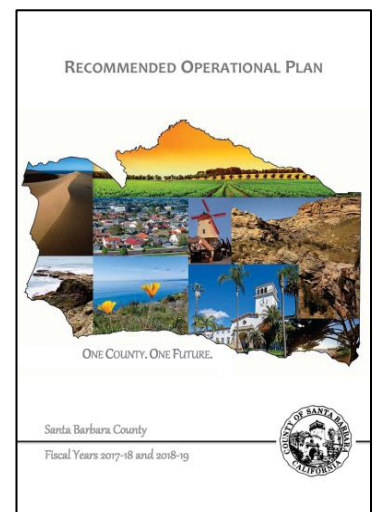
Fiscal Year 2017-18 Budget

Use of Funds Summary

Countywide Functions:

	Operating Budget	Percent of Total
Policy & Executive	\$ 47,830,710	4.3%
Public Safety	315,473,218	28.1%
Health & Public Assistance	382,709,020	34.1%
Community Resources & Public Fac.	159,607,550	14.2%
General Government & Support Services	166,105,809	14.8%
General County Programs	1,998,595	0.2%
Expenditure total	1,073,724,902	95.6%
Capital	49,875,429	4.4%
Total Use of Funds	\$ 1,123,600,331	100.0%

The County's Recommended FY 17-18 Budget included operating appropriations set at \$1,073.7 million and capital outlay appropriations of \$49.9 million that includes capital expenditures and for infrastructure/capital maintenance.



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 mid-2018.

Fiscal Year 2017-18 Forecast

Economic Indicators

According to the California Economic Forecast Newsletter, the national economy has seen temperate growth, little inflation, low unemployment and modest wage pressures. In California, the economy in 2017 is expected to look much like it did in 2016 but with more job openings, more pressure to raise salaries and hourly rates of pay, and technology sectors that remain vibrant. At the local level, the 2017 University of California Economic Forecast Project reported that the most recent data show strong output growth, increased payrolls, and rising housing prices 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 16-17.

Financial Indicators

County tax revenues experienced temperate growth due to increases in real property values, tourism and consumer spending. 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 remained flat in FY 16-17, suggesting consistent property tax growth in future years. Supplemental property tax increased \$1.4 million or 38% in FY 16-17, however much of the increase was due to the clearing of backlogged property tax transactions and thus may not be a good indicator this year. The secured property tax growth rate for FY 16-17 was 4.4% and for FY 17-18 is estimated at 5.5%. With property taxes overall showing positive growth, the County general discretionary revenues are expected to continue to grow annually in the 4% to 5.5% range for the foreseeable future.

Growth in transient occupancy tax (TOT) and local retail sales tax was strong at 11% and 19.9%, respectively. Part of the increase in TOT was due to the mid-year increase in the tax rate from 10% to 12%, resulting in a higher tax rate in effect for the second half of the fiscal year. The tax rate increase represents approximately 80% of the annual 11% increase. Similarly, part of the increase in local retail sales tax was due to the restoration of the Bradley Burns Local Sales tax from 0.75% to 1% beginning January 1, 2016, resulting in a full year at the restored rate in FY 16-17 compared to a half year in FY 15-16. The restored rate for the full year represents approximately 74% of the annual 19.9% increase. Statewide sales tax for Proposition 172 public safety, a 1/2 cent tax, increased 3.3% to \$34.8 million. The County also had some improvement in charges for services along with increases in operating and capital grants and contributions.

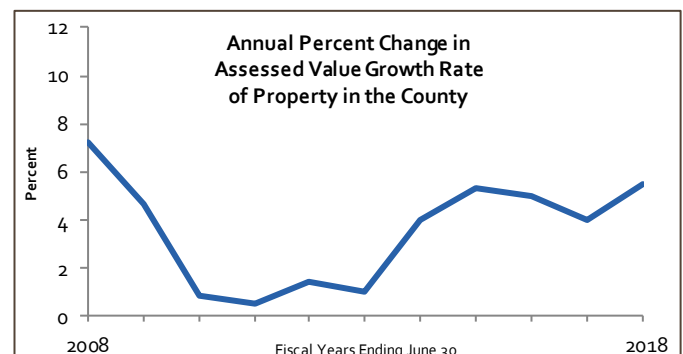
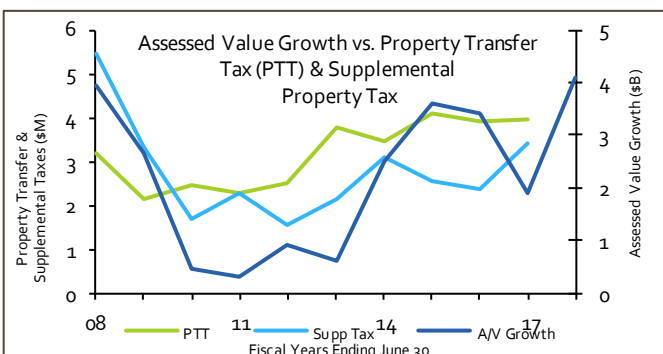
On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, which increased by \$17.3 million or 3.4% to \$532.7 million. This represents 61.5% of total County governmental fund expenditures. The majority of the increase is due increased regular salaries, contractors on payroll and extra help. The remainder is due mainly to increases in overtime and health insurance.

Summary Trend Highlights

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
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%
98-99	\$28.7	6.0%



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 Spring 2019.



“Santa Barbara County Awards Northern County Jail Construction Contracts”
Noozhawk July 6, 2016

“Santa Barbara County Northern Branch Jail breaks ground”
Santa Maria Sun October 2016



Sheriff Bill Brown Breaks Ground on October 11, 2016

Progress Picture as of April 3, 2017

Progress Picture as of June 30, 2017

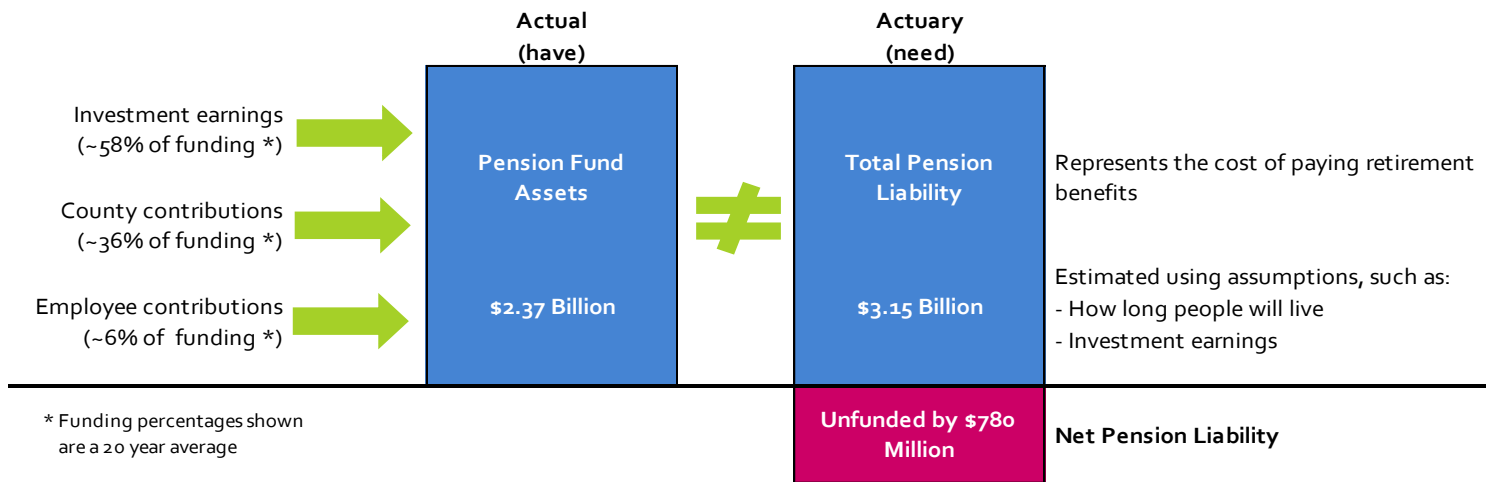
Debt Rating

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.

Pension Liability and Contributions

Net Pension Liability

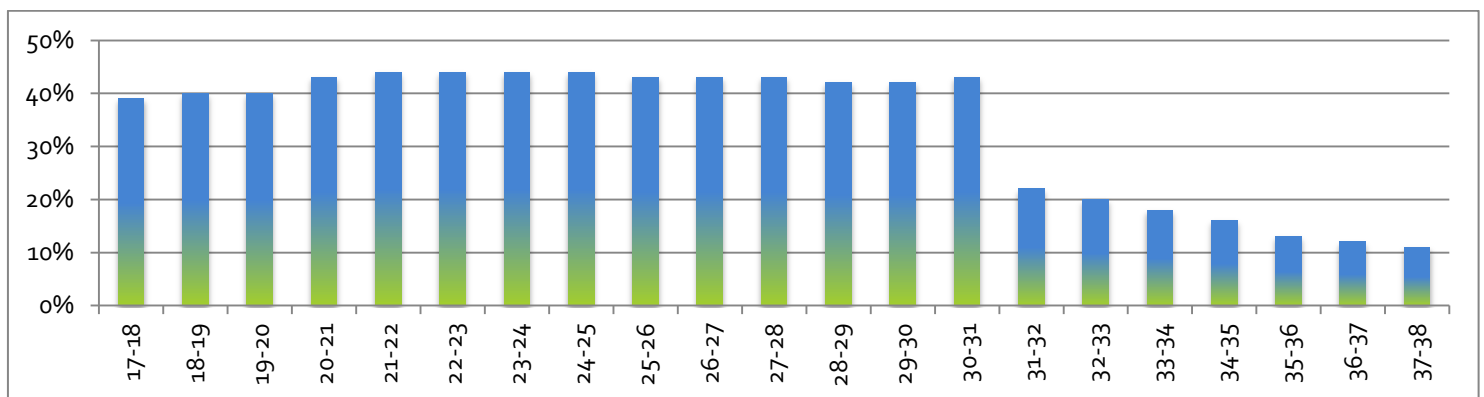
The County provides pension benefits to eligible employees through defined benefit pension plans administered by the Santa Barbara County Employees' Retirement System (SBCERS). These pension benefits are funded by County contributions, employee contributions, and investment earnings, all of which are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



At June 30, 2016, the pension fund was 75% funded with \$2.37 billion in assets compared to \$3.15 billion needed to pay future pension benefits. The difference of \$780 million represents the net pension liability recorded in the County's FY 16-17 financial statements.

Potential Future Pension Contributions

The County's pension contributions are calculated by an actuary using assumptions adopted by the SBCERS Board of Retirement (BOR). During FY 16-17, the BOR received an experience study for the three-years ending June 30, 2016, which was used by the BOR to select assumptions for the actuary to use to determine contribution rates for FY 17-18. Most notably, the assumed investment rate of return was reduced from 7.50% to 7.00%. The following chart shows the potential employer contribution rates as projected by the actuary based on achieving the 7.00% assumption each year for the next 20 years. However, even if the actual investment return averages 7.00% over this time period, the returns in each year will certainly vary, resulting in rates that differ from this projection.



As shown, employer contributions are projected to increase gradually from 39% in FY 17-18 to 44% 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 significant portion of the County's unfunded liability is projected to be fully paid.

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, 2016. 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
Auditor-Controller
105 East Anapamu Street, Room 303
Santa Barbara, CA 93101

