APPENDIX A

COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

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

FINANCIAL INFORMATION

County Management

Brief resumes of certain County officials are set forth below.

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

Harry E. Hagen, Treasurer-Tax-Collector-Public Administrator. Mr. Hagen was elected as Treasurer-Tax Collector-Public Administrator in June 2010 and took office in January 2011. He has over 16 years in County government experience including serving as the Assistant Treasurer-Tax Collector-Public Administrator for 8 years. Mr. Hagen earned a Bachelor's Degree in Business Economics from the University of California, Santa Barbara. He is a Certified Public Accountant licensed in California, a Certified Public Finance Officer and a Certified Public Funds Investment Manager. Mr. Hagen is also a trustee of the Santa Barbara County Employees' Retirement System and is a member and chair of the County's Debt Advisory Committee.

Robert W. Geis, Auditor-Controller. Mr. Geis was first elected Auditor-Controller in 1990 and took office in 1991. Mr. Geis is serving his sixth term of office. During his 32 years with the County he has also served as an internal auditor, a departmental business manager and the Assistant Treasurer-Tax Collector. Prior to joining the County, he gained business and management experience working for a large multinational corporation. Mr. Geis earned a bachelor's degree in business administration from The Ohio State University. He is a Certified Public Accountant licensed in California and a Certified Public Finance Officer. As a current member and past president of the State Association of County Auditors, he remains abreast of current fiscal and legislative issues throughout the State. He currently is a member of the Government Finance Officers Association and the County's Debt Advisory Committee.

Dennis A. Marshall, County Counsel. Mr. Marshall was appointed as County Counsel in July 2008 and has 39 years of local government experience. Prior to his appointment with the County, he served 36 years with Fresno County, including the final 4 years as County Counsel. Mr. Marshall holds a Juris Doctorate Degree from San Joaquin College of Law and a Bachelors Degree in Political Science from California State University, Fresno. He also attended Claremont Men's College, majoring in Government. Mr. Marshall was admitted to the California State Bar in 1984. He is also a member of the County's Debt Advisory Committee.

Budgetary Process and Budget

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

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

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

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

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

To better plan for future events, the County annually prepares a five-year forecast, which provides a snapshot of the anticipated revenue and cost growth in the near future. The five-year forecast of discretionary General Fund revenues and their uses is intended to provide a context that may be helpful in weighing the financial consequences of current year decisions. In keeping with prior forecasts, the revenue projections focus on discretionary General Fund revenues. Discretionary revenue is derived from local taxes, especially taxes on property and property transactions. On the expenditure side, the forecast projects the use of discretionary revenue for salaries and benefits, maintenance of effort requirements, and other specific uses directed by the Board of Supervisors.

Fiscal Year 2011-12 Final Budget

The County adopted its Fiscal Year 2011-12 Budget on June 17, 2011. The budget included total General Fund appropriations of approximately $201 million. Such appropriations are for primary County services including public protection, health and public assistance, and community resources and public facilities. Public safety expenditures are approximately 47% of the County's anticipated General Fund budget. To date, there have been no significant budget adjustments to General Fund revenue.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2011-12, approximately 19% of the County's General Fund revenue consists of payments from the State and 5% consists of payments from the Federal government. The County charges for services within the General Fund which account for 39% of financing sources on a cost reimbursement basis. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 51% of the County's General Fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of General Fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a ½ cent sales tax for public safety statewide and is recorded as State Revenue in the General Fund. Sales tax receipts for the County from this ½ cent levy peaked at $30.1 million in Fiscal Year 2006-07 and then declined to $30.0 million in Fiscal Year 2007-08, $27.6 million in Fiscal Year 2008-09, $25.2 million in Fiscal Year 2009-10 and $26.7 million in Fiscal Year 2010-11. Public safety sales tax receipts for the County are budgeted to slightly decrease to $26.5 million in Fiscal Year 2011-12.

In order to balance the proposed Fiscal Year 2011-12 budget, it was necessary to close an identified $72 million budget gap, which was due to a decline in revenues and the growing cost of providing services, rising salary and health insurance premiums and retirement contribution costs. To address the gap, staff recommended the budget include a combination of ongoing and one-time solutions across all departments. The Fiscal Year 2011-12 proposed budget contained a reduction of 186 full-time positions that relied on federal and state funding. Taxes were projected to increase $6 million, federal and state revenue were projected to increase $3 million, and charges for services were expected to remain about even. One-time funding sources of approximately $25 million were proposed to cover the budget gap, carried forward from Fiscal Year 2010-11. In addition, the County recommended various expenditure account reductions of $13 million in order to propose a balanced budget.

Fiscal Year 2012-13 Proposed Budget

The Fiscal Year 2012-13 proposed budget recommends expenditures totaling $800 million. Funding sources include $746 million from revenues and approximately $54 million net from fund balances. Staffing levels are proposed to increase by 87.7 FTEs from the Fiscal Year 2011-12 Adopted Budget to 3,801.4 FTEs, down 533.9 FTEs since Fiscal Year 2002-03. The increase in recommended FTEs is primarily in Public Safety department personnel related to AB109-State Criminal Justice Realignment and in the Health and Public Assistance departments based on available Federal and State funding. The proposed Fiscal Year 2012-13 budget includes:

- The use of $6.9 million of one-time sources to maintain levels of service for Fiscal Year 2012-13 which, with relatively flat revenue projections, continue the structural imbalance in future years.

- A General Fund base budget that is higher than is sustainable by annual revenues requiring reductions in the cost of providing services or reductions in services.

- A structural imbalance within the Fire Department as the growth of its primary revenue, a dedicated portion of the property tax, fails to match the growth of its expenditure demands.

- Continuing strong demands for mandated social services as a result of the recessionary economy.

- Diversion of General Fund Contribution (GFC) for the future operation of a new County jail, a strategy that incrementally increases GFC each year and significantly closes the budget gap that would otherwise be created in future years.

- Increased use of local discretionary revenue to meet the Public Health Department's Maintenance of Effort (MOE) requirements.

- Assumed annual overall cost increases for wages and benefits of 3.0% for Fiscal Years 2014-15 through 2016-17.

- Increases in the actuarial cost of funding existing retirement obligations of 21.8% and 21.2% in Fiscal Years 2010-11 and 2011-12, respectively, and a cumulative $95.7 million (353.1%) increase since Fiscal Year 2000-01.

- Flat revenues slowly rebounding as the economy improves with a negative adjustment related to the Goleta Revenue Neutrality Agreement, whereby the County's share of certain sales and transient occupancy taxes expire in Fiscal Year 2012-13. While there will be a positive revenue effect from the dissolution of the former redevelopment agencies, the impact is not yet determinable and is therefore not reflected in the projections.

The budget gap is ongoing and demonstrates that future costs exceed the available ongoing discretionary revenue by $12.1 million in Fiscal Year 2013-14 and by $18.3 million in Fiscal Year 2016-17 as the expenditures increase and as one-time sources cease to be available to support expenditure levels. Closing the gap will require services to shrink, employees to be compensated less, and/or new revenue sources to be created, from economic development, natural growth of the economy, fee increases, and/or voter approved tax increases.

The Board of Supervisors, Chief Executive Officer and County Departments are striving to eliminate the use of one-time funds as the economy emerges from the recession. In addition, the Board of Supervisors and Chief Executive Officer are currently engaging all bargaining units in seeking wage and benefit concessions.

Although sources of one-time funding were reduced in Fiscal Year 2011-12 to preserve service levels, the County anticipates a net reduction in the fund balance of the General Fund of approximately $11.5 million with a remaining fund balance of $88.6 million anticipated as of June 30, 2012. These fund balances are the result of aggressive fiscal management such as holding staffing vacancies and reducing or deferring spending on supplies and capital projects. Using these one-time funds in Fiscal Year 2012-13 will again create a funding shortfall in the following year which will need to be addressed though additional reductions in service, reallocation of funding, or cost reductions in Fiscal Year 2013-14. Throughout the Fiscal Year, departments will be asked for updates on how they are eliminating the need for the use of these one-time funds. Though the use of these funds is included in the proposed Fiscal Year 2012-13 budget, they will not necessarily need to be expended since actual service level demands will differ from budgeted projections. To the extent that one-time funds are not spent on maintaining service levels, the structural deficit carried over to the subsequent Fiscal Year will be reduced.

The County's proposed Fiscal Year 2012-13 budget was presented to the Board of Supervisors for initial review on May 15, 2012. The Board of Supervisors is currently scheduled to hold budget hearings the weeks of June 11, 2012 and June 18, 2012.

Potential State Budget Impacts

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the County's 2012-13 budget. Deferrals in State payments may jeopardize the County's ability to maintain discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services. The County's current policy is that it will not backfill funding for programs reduced or eliminated by the State from other County funds, although there may be certain continued costs associated with downsizing or eliminating such programs. See "STATE OF CALIFORNIA FINANCES" above.

Budget Comparison

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

TABLE A-1
COUNTY OF SANTA BARBARA
FINAL GENERAL FUND BUDGETS
(Fiscal Years 2007-08 through 2011-12)

	Fiscal Year 2007-08 Adjusted Budget	Fiscal Year 2008-09 Adjusted Budget	Fiscal Year 2009-10 Adjusted Budget	Fiscal Year 2010-11 Adjusted Budget	Fiscal Year 2011-12 Adjusted Budget[1]
Expenditure Appropriations:					
Policy & Executive	$13,913,000	$14,608,932	$13,894,449	$16,911,248	$15,755,899
Law & Justice	27,520,000	28,725,184	29,488,526	29,085,559	28,799,540
Public Safety	191,003,000	194,139,421	190,113,763	203,402,706	208,470,317
Health & Public Assistance	5,455,000	5,719,241	5,658,817	5,362,739	3,728,403
Community Resources & Public Facilities	42,044,000	38,327,617	36,646,821	35,885,291	36,375,766
Support Services	53,808,000	53,889,790	55,323,830	52,282,493	49,142,783
Transfers to Debt Service	23,566,000	4,940,531	4,976,274	1,060,974	526,153
Operating/Equity Transfers	71,461,000	76,561,117	75,888,205	54,672,801	44,666,166
Provisions for Nonspendables	445,000	336,049	528,842	370,156	222,781
Provisions for Fund Balance	26,211,000	22,236,871	29,742,282	33,693,369	26,900,736
General County Programs	8,705,000	6,981,790	8,300,758	6,337,624	4,285,624
TOTAL EXPENDITURE APPROPRIATIONS	$464,131,000	$446,466,542	$450,562,567	$439,064,960	$418,874,168
Available Funds:					
Fund Balance Available	$11,435,000	$ 5,264,739	$ 2,103,151	$ 643,469	$ 4,212,275
Taxes	176,410,000	183,518,625	181,430,000	180,279,233	184,922,000
Licenses, Permits and Franchises	14,939,000	13,854,916	12,822,337	12,943,793	12,250,675
Fines, Forfeitures, and Penalties	5,138,000	5,030,661	6,935,217	6,337,645	6,610,324
Use of Money and Property	3,427,000	3,242,755	3,668,696	2,138,356	2,063,540
Intergovernmental Revenue-State	45,549,000	42,553,662	38,073,829	40,939,320	52,562,089
Intergovernmental Revenue-Federal	13,313,000	12,552,920	13,984,916	12,478,159	9,635,736
Intergovernmental Revenue-Other	1,026,000	1,263,967	563,340	693,125	748,965
Charges for Services	75,403,000	76,029,912	79,345,635	76,591,985	71,911,457
Other Financing Sources	78,512,000	62,536,784	68,941,820	40,120,472	38,288,638
Miscellaneous Revenue	2,227,000	2,239,102	3,880,513	4,138,780	5,706,680
Changes to Nonspendable Fund Balance	20,000	20,045	35,575	1,575,450	20,000
Changes to Fund Balance	36,732,000	38,358,453	38,777,538	60,185,173	29,941,789
TOTAL AVAILABLE FUNDS	$464,131,000	$446,466,542	$450,562,567	$439,064,960	$418,874,168

Source: County Auditor-Controller.
As of April 16, 2012.

Santa Barbara County Pooled Investment Fund

Funds held by the County Investment Pool (the "County Pool") are invested in accordance with the Treasurer's Investment Policy Statement prepared by the County Treasurer-Tax Collector (the "Treasurer") as authorized by Section 53601 of the Government Code of California. The Investment Policy is updated and submitted to the Board of Supervisors at least annually and the most recent update was approved on February 7, 2012. A complete copy of the County's current Investment Policy is available upon request from the County Treasurer-Tax Collector, and on the website of the County Treasurer (http://www.countyofsb.org/ttcpapg/fnp/investmentpolicy.pdf). The information presented on such website is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

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

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

The portfolio structure of the County Pool as of March 31, 2012, was as follows:

Instrument	Par Amount	Percent
Cash	$ 31,528,137	3.13%
California Asset Management Program	45,000,000	4.47
Medium Term Corporate Notes	5,000,000	0.50
Treasury Bills	20,000,000	1.99
Farm Credit	172,755,000	17.16
FHLB	226,730,000	22.53
FNMA	272,250,000	27.05
FHLMC	183,180,000	18.20
LAIF	50,000,000	4.97
TOTALS	$1,006,443,137	100.00%

The weighted average days to maturity as of March 31, 2012 was 743 days.

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

For additional information concerning County investments, see "APPENDIX B - THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2010-11."

Goleta Incorporation

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

Ad Valorem Property Taxes

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

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

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

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

The California Community Redevelopment Law authorized redevelopment agencies to issue debt payable from the allocation of tax revenues resulting from increases in assessed valuations of properties within designated project areas. In effect, in such project areas, local taxing authorities such as the County, realized tax revenues only on the assessed valuations for the year the redevelopment agency was formed (approximately 26.8% to the County, 10.3% to cities, 6.6% to dependent special districts, 4.7% to independent special districts, 45.7% to schools and 5.9% to redevelopment agencies within the County). See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 22” herein for a discussion of recent changes to the California Community Redevelopment Law and the dissolution of redevelopment agencies in the State.

The County’s property tax system is approximately 36 years old, is running on an antiquated mainframe, and needs to be replaced. In addition, the outdated technology is difficult to support. Data extraction from the antiquated system to a new system could be challenging. It is possible that issues with the County’s current property tax system or issues with converting to an updated system could impact the County’s ability to collect property taxes for the County and other local government entities. The County is currently working with vendors to replace the old system.

In a case brought by 47 cities in Los Angeles County regarding the calculation of Property Tax Administration Fees (PTAF), on July 7, 2010, the State Court of Appeal issued a decision in favor of the cities. The legal issue is a dispute over whether counties can include property “flip” and “swap” revenues in the calculation of administrative costs that counties recover from cities. The Court of Appeal reversed the lower court’s conclusion that the County of Los Angeles’ calculation of the PTAF comported with the California's Revenue and Taxation Code, and remanded for further proceedings, holding that the County of Los Angeles’ method of calculating its fee was unlawful. The County of Los Angeles appealed the decision, and was granted review by the California Supreme Court. There are similar claims against the County. The potential financial impact to the County related to the outcome of this case totals approximately $3.1 million with respect to retroactive PTAFs, plus possible interest, plus an additional $600,000 for Fiscal year 2012-13. This remains a Statewide matter, and the County is not able to currently predict the outcome of this issue.

The assessed valuations within the County as of June 30 for the past thirteen (13) Fiscal Years are shown in the table below.

TABLE A-2
COUNTY OF SANTA BARBARA
ASSESSED VALUATIONS
(Fiscal Years 1999-00 through 2011-12)
($ in thousands)

Fiscal Year	Secured	Unsecured	Unitary	Exemptions	Net Assessed Valuation
1999-00	$28,767,002	$1,972,146	$711,158	$(1,016,269)	$30,434,037
2000-01	31,368,402	1,933,553	724,164	(1,021,757)	33,004,362
2001-02	34,127,745	2,070,319	774,256	(1,100,743)	35,871,577
2002-03	36,623,758	2,360,050	825,982	(1,208,338)	38,601,452
2003-04	39,518,502	2,320,621	726,740	(1,301,099)	41,264,764
2004-05	43,022,881	2,426,901	743,530	(1,372,516)	44,820,796
2005-06	47,838,453	2,458,096	737,982	(1,544,353)	49,490,178
2006-07	52,791,691	2,546,922	769,814	(1,587,094)	54,521,333
2007-08	56,836,827	2,571,179	833,438	(1,772,777)	58,468,667
2008-09	59,457,127	2,795,296	806,086	(1,928,671)	61,129,838
2009-10	60,136,238	2,874,141	718,678	(2,128,966)	61,600,090
2010-11	60,558,017	2,901,856	746,117	(2,322,086)	61,883,904
2011-12	61,739,881	2,923,496	807,247	(2,713,216)	62,757,409

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

A summary of tax levies and collections within the County as of June 30 for the past 13 Fiscal Years is shown in the table below.

TABLE A-3
COUNTY OF SANTA BARBARA
SUMMARY OF TAX LEVIES AND COLLECTIONS[1]
(Fiscal Years 1998-99 through 2011-12)
($ in thousands)

		Collections Within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year (June 30)	**Secured & Unitary Taxes Levied[2]**	**Amount**	**Percent**	**Collections in Subsequent Years**	**Amount**	**Percent**
1998-99	$263,453	$260,526	98.89%	$2,917	$263,443	100.00%
1999-00	282,449	278,432	98.58	4,006	282,438	100.00
2000-01	306,687	301,590	98.34	5,087	306,677	100.00
2001-02	333,424	329,327	98.77	4,086	333,413	100.00
2002-03	355,912	351,584	98.78	4,316	355,900	100.00
2003-04	385,715	381,537	98.92	4,151	385,688	99.99
2004-05	419,137	414,646	98.93	4,461	419,107	99.99
2005-06	466,142	460,163	98.72	5,780	465,943	99.96
2006-07	516,896	505,135	97.91	10,360	515,495	99.92
2007-08	554,778	541,456	97.60	12,674	554,130	99.88
2008-09	577,849	561,907	97.24	14,173	576,080	99.69
2009-10	580,532	566,808	97.64	10,486	577,294	99.44
2010-11	579,901	573,537	98.90	1,402	574,939	99.14
2011-12[3]	591,247	422,115	N/A	N/A	N/A	N/A

Source: County Auditor-Controller.
(1) Included are amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.
(2) Property taxes are due in two installments and become delinquent on December 10, with respect to the installment due on November 1, and on April 10, with respect to the installment due on February 1.
(3) The information shown for Fiscal Year 2011-12 reflects collections through March 31, 2012 only.

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

Pursuant to the State law, the County is required to establish a tax losses reserve fund to cover losses that may occur as a result of sales of tax-defaulted property. Once the tax losses reserve fund reaches a level of 1% of the total of all taxes and assessments levied on the secured roll for that year, any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund as provided in the State Revenue and Taxation Code. State law permits any county to draw down the tax losses reserve fund to a balance equal to 1% of the total of all taxes and assessments levied on the secured roll for that year, or 25% of the current year delinquent secured tax levy. As of June 30, 2011 the balance in the tax losses reserve fund was $6,565,877.

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

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. Each assessment appeal could result in a reduction of the taxable value of the real property or personal property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation. At any given point in time, thousands of appeals are pending in the County. If the assessed value of a property is reduced as a result of an assessment appeal, the reduction is borne by relevant taxing agencies, including the County.

Over the last three fiscal years the County has resolved an average of 900 appeals per year. The average value at risk has been approximately $850 million per year and the County has retained approximately 90% of this value. Over this time the overall average annual roll value reduction was approximately $190 million, which represents slightly more than approximately 3 tenths of one percent of the annual roll value of $65 billion.

A Proposition 8 reassessment can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (factored base year value). Proposition 8 allows property owners to apply for a temporary reduction in assessed value to match the current market value. As market values increase, the assessed property values will also increase up to the factored base year value. Any reduction in the assessment granted applies only to the year for which the reassessment is made. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) once the market value exceeds the factored base year value. The County Assessor has the responsibility to enroll the lesser of market or factored base year value in a given year and then to review the assessment annually until market value again exceeds factored base year value and the factored base value is once again enrolled; such a reduced assessment may and often does remain in effect beyond the year in which it is granted. From Fiscal Year 2008-09 through Fiscal Year 2010-11 the County Assessor reduced the value on approximately 20,000 parcels each year in the County, and for Fiscal Year 2010-11 the County Assessor reduced values on these properties from a factored base value of $14 billion to a market value of $10.5 billion; approximately a 25% reduction. In Fiscal Year 2011-12, the County Assessor anticipates a reduction on approximately 20,000 parcels through Proposition 8 reductions by approximately $4.5 billion. For Fiscal Year 2012-13, the County Assessor anticipates values on approximately 20,000 parcels will be reduced to bring them in line with market values. The potential impact of these reassessments is difficult to predict but is expected to approximate the Fiscal Year 2011-12 results.

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

Based on information provided by the Santa Barbara Recorder's office as of calendar year 2011, mortgage holders had sent 2,492 notices of default with respect to properties located within the County compared to 2,505 in calendar year 2010, 3,365 in calendar year 2009 and 3,031 for calendar year 2008, and 1,318 trustee deeds had been recorded in calendar year 2011 (indicating that the property has been lost to foreclosure), compared to 1,252 in calendar year 2010, 1,330 in calendar year 2009 and 1,858 during calendar year 2008. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In California, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, although the County has been impacted as well, particularly in the unincorporated areas of the northern part (Santa Maria, Lompoc and Orcutt) of the County.

Fire District Property Tax Transfer. Beginning in 2009, the County Executive Office's Fiscal Outlook report has identified and projected a funding gap for the Santa Barbara County Fire Protection District (the "Fire District") to maintain existing service levels. The size of the projected gap has increased over these years as updated information has become available regarding salary, benefit, and revenue increases. Over the past ten years, the Fire District budget has grown by approximately $20 million or 40%, largely a reflection of increased property tax and Prop 172 revenues to the Fire District. During Fiscal Year 2011-12, property taxes provide the Fire District with 52% of the allocated revenue, contracts for provision of fire services provide 17% of budgeted revenue and the County General Fund provides 9%. Since FY 2006-07, staff has been reduced by 6.5% while expenditures have increased 18% over the same period. Pension and benefit cost increases are the most significant of the increases. The existing Fire District revenue sources are not projected to increase fast enough to keep up with the rising cost of providing the current level of fire services.

To address this funding gap, the Board of Supervisors is considering approval of an ongoing property tax transfer from the General Fund to the Fire District. This would not change the amount of property taxes paid by property owners, but would internally reallocate the ratio of property tax designated to the County General Fund and the Fire District. Each 1.0% increase in the percentage of property tax designated to the Fire District would increase their revenue by approximately $2.4 million and decrease the General Fund by the same amount.

The Board of Supervisors has not acted on the proposed property tax transfer, and at this time there is no way to predict whether such transfer will be approved, or the ultimate impact on the General Fund.

Largest Taxpayers

The 10 largest taxpayers in the County by assessed value for all properties, for the

Fiscal Year 2011-12 are shown below. The 10 largest taxpayers accounted for approximately 2.92% of total assessed value in the County.

TABLE A-4
COUNTY OF SANTA BARBARA
TEN LARGEST TAXPAYERS BY ASSESSED VALUE
(Fiscal Year 2011-12)

Taxpayer	Business	Assessed Value
Exxon Corp.	Petroleum & Gas	$326,429,324
Breitburn Energy Holdings, LLC	Petroleum & Gas	267,228,223
United Launch Alliance, LLC	Aerospace	188,636,518
Southern California Gas Co.	Utility	178,619,138
Verizon California, Inc.	Utility	166,985,639
Southern California Edison Co.	Utility	157,110,234
Fairway BB Property, LLC	Residential Estate	150,510,711
1260 BB Property, LLC (Biltmore)	Hotel	145,000,000
Raytheon Co.	Light Manufacturing	123,042,796
Pacific Gas & Electric Co.	Utility	121,104,229
Ten largest taxpayers		$1,824,666,812

Source: County Auditor-Controller.

Financial Statements and Related Issues

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

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County and is responsible for controlling expenditures within budget expenditures. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 20 years. See "APPENDIX B - THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2010-11."

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

- *Nonspendable fund balance* – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- *Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

- *Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the County's highest level of decision-making authority (the Board of Supervisors) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period. The Board of Supervisors establishes, modifies or rescinds fund balance commitments by passage of an ordinance or resolution. This is typically done through the adoption and amendment of the budget.

- *Assigned fund balance* – amounts that are constrained by the County's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

- *Unassigned fund balance* – the residual classification for the County's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

Governmental Funds: Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements. To understand the long-term impact of the County's near-term financing decisions, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds: The County maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for resource recovery and waste management, and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County's internal service funds account for information technology services, vehicle operations and maintenance, risk management and insurance, communications services, utilities, and reprographics and digital imaging services. Since these services predominantly benefit governmental rather than business-type functions, they are consolidated within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Resource Recovery and Waste Management Fund (Resource Recovery), and the Laguna Sanitation Fund. Data for the six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements.

Fiduciary Funds: Fiduciary funds account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary fund accounting is similar to proprietary funds. Fiduciary funds report the external portions of the Treasurer's investment pool and agency funds.

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

Presented in Table A-5 are the County's Statement of Revenues, Expenditures and Changes in Fund Balances for Fiscal Years ended June 30, 2009 through 2011. Presented in Tables A-6-1 and A-6-2 are the County's General Fund Balance Sheets for Fiscal Years ended June 30, 2009 through 2011. In Fiscal Year 2010-11 the County implemented GASB 54, which changed the characterization of general fund reserves, so Fiscal Year 2010-11 is presented separately. More detailed information from the County's audited financial report for the Fiscal Year ending June 30, 2011 appears in APPENDIX B to this Official Statement. The County has not requested, and the auditor has not provided, any review of such financial report in connection with its inclusion in this Official Statement. For further information on other changes in significant accounting policies, see the Notes to Basic Financial Statements, June 30, 2011, which are included in "APPENDIX B - THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR 2010-11."

TABLE A-5
COUNTY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND
(Fiscal Years 2008-09 through 2010-11)
(In Thousands)

	FISCAL YEAR ENDED June 30, 2009	FISCAL YEAR ENDED June 30, 2010	FISCAL YEAR ENDED June 30, 2011
Revenues:			
Taxes	$181,997	$181,013	$183,578
Licenses, permits, and franchises	13,225	12,730	12,158
Fines, forfeitures, and penalties	6,826	8,103	7,838
Use of money and property	2,715	3,465	2,490
Intergovernmental	51,587	49,636	50,815
Charges for current services	76,134	74,585	76,246
Other	2,620	4,765	3,968
TOTAL REVENUES	$335,104	$334,297	$337,093
Expenditures:			
Current:			
Policy and executive	$13,971	$13,266	$15,661
Law and justice	28,324	29,302	28,174
Public safety	191,675	185,690	196,040
Health and public assistance	5,609	5,550	5,135
Community resources and facilities	36,861	34,775	34,427
General government and support services	49,446	48,536	46,478
General county programs	6,881	7,696	5,933
Debt Service:			
Principal	--	12	14
Interest	-	1,596	1,047
TOTAL EXPENDITURES	$332,767	$326,423	$332,909
Excess (deficiency) of Rev. Over (Under) Exp.	$2,337	$7,874	$4,184
Other Financing Sources (Uses):			
Transfers in	$61,779	$66,193	$36,068
Transfers (out)	(67,684)	(69,515)	(45,586)
Proceeds from sale of capital assets	17	15	19
TOTAL OTHER FINANCING SOURCES (USES)	$(5,888)	$(3,307)	$(9,499)
Net change in Fund Balances	(3,551)	4,567	(5,315)
Fund Balances - Beginning	$88,139	$84,588	$89,155
Fund Balances - Ending	$84,588	$89,155	$83,840

Source: County Auditor-Controller.

TABLE A-6-1
COUNTY OF SANTA BARBARA
GENERAL FUND BALANCE SHEETS
(Fiscal Years 2008-09 and 2009-10)
(In Thousands)

	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Assets:		
Cash and investments	$12,010	$11,020
Accounts Receivable:		
Taxes	32,602	30,043
Licenses, permits and franchises	746	734
Fines, forfeitures and penalties	18	15
Use of money and property	186	338
Intergovernmental	8,435	10,771
Charges for services	10,374	7,266
Other	--	213
Due from other funds	13,810	17,958
Prepaid items	50	50
Other receivables	2,496	2,507
Advances to other funds	18,759	18,759
Restricted cash and investments	12,719	12,950
TOTAL ASSETS	$112,205	$112,624
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	$1,978	$1,952
Salaries and benefits payable	11,432	11,985
Other payables	5,627	301
Unearned Revenue	59	--
Deferred revenue	2,176	2,657
Customer deposits	6,345	6,574
TOTAL LIABILITIES	$25,617	$23,469
Fund Balance:		
Reserved for:		
Receivables and prepaids	20,309	20,309
Impress cash	15	23
Lease maintenance requirement	--	418
Property tax loss reserve	6,373	6,441
Unreserved		
Designated reported in:		
General Fund	55,741	61,274
Undesignated		
General Fund	2,150	690
TOTAL FUND BALANCES	84,588	89,155
TOTAL LIABILITIES AND FUND BALANCES	$112,205	$112,624

Source: County Auditor-Controller.

TABLE A-6-2
COUNTY OF SANTA BARBARA
GENERAL FUND BALANCE SHEETS
(Fiscal Year 2010-11)
(In Thousands)

	Fiscal Year Ended June 30, 2011
Assets:	
Cash and investments	$26,517
Accounts Receivable:	
Taxes	25,271
Licenses, permits and franchises	523
Fines, forfeitures and penalties	14
Use of money and property	296
Intergovernmental	8,272
Charges for services	3,677
Other	47
Due from other funds	7,611
Prepaid items	50
Other receivables	5,386
Advances to other funds	18,759
Restricted cash and investments	13,034
TOTAL ASSETS	$109,457
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	$2,212
Salaries and benefits payable	13,700
Other payables	394
Unearned Revenue	168
Deferred revenue	2,608
Customer deposits	6,535
TOTAL LIABILITIES	$25,617
Fund Balance:	
Nonspendable	$25,570
Restricted	7,844
Committed	46,096
Assigned	--
Unassigned	4,330
TOTAL FUND BALANCES	83,840
TOTAL LIABILITIES AND FUND BALANCES	$109,457

Source: County Auditor-Controller.

Long-Term Obligations of County

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

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

Certificates of Participation. As of June 30, 2011, the County had outstanding certificates of participation (collectively, the "Outstanding COPs") in the aggregate amount of approximately $77.8 million which are payable from General Fund revenues. The proceeds of these Outstanding COPs have been used for the acquisition, construction and renovation of major capital facilities within the County and to advance refund previously issued debt.

Lease Obligations. In addition to the leases entered into in connection with the above certificates of participation, the County has outstanding capital leases payable from the General Fund in the amount of approximately $3.90 million as of June 30, 2011.

Direct and Overlapping Debt. The direct and overlapping debt of the County as of April 1, 2012, according to California Municipal Statistics, Inc., is shown in the table below. The County makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

COUNTY OF SANTA BARBARA
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(As of April 1, 2012)

SANTA BARBARA COUNTY

2011-12 Assessed Valuation: $62,757,408,906(includes unitary utility valuation)
Redevelopment Incremental Valuation: 3,636,695,718
Adjusted Assessed Valuation: $59,120,713,188

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/12
Allan Hancock Joint Community College District	99.691%	$ 91,616,029
Santa Barbara Community College District	100.	44,805,000
High School Districts	99.996-100.	137,547,073
Unified School Districts	100.	47,040,971
Goleta Union School District	100.	19,470,000
Orcutt School District	100.	14,195,000
Santa Barbara School District	100.	38,971,462
Other School Districts	100.	42,975,787
Lompoc Healthcare District	100.	73,985,000
Santa Ynez River Water Conservation District, I.D. No. 1	100.	690,000
Special District 1915 Act Bonds	62.105-100.	6,705,669
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$518,001,991

DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Santa Barbara County General Fund Obligations	**100. %**	**$ 73,830,000(1)**
Santa Maria Joint Union High School District Certificates of Participation	99.996	23,434,063
Santa Maria-Bonita School District Certificates of Participation	99.994	20,898,746
Santa Ynez Valley Union High School District Certificates of Participation	100.	3,320,000
Buellton School District Certificates of Participation	100.	2,070,000
College School District Certificates of Participation	100.	3,025,000
City of Carpinteria Certificates of Participation	100.	910,000
City of Santa Barbara Certificates of Participation	100.	50,045,000
City of Santa Maria General Fund Obligations	100.	9,215,000
Carpinteria Sanitary District General Fund Obligations	97.977	12,247,125
Santa Maria Cemetery District Certificates of Participation	100.	1,090,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$200,084,934
Less: City of Santa Barbara revenue bonds supported by airport revenues		47,270,000
Carpinteria Sanitary District revenue bonds supported by wastewater system revenues		12,247,125
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$140,567,809
GROSS COMBINED TOTAL DEBT		$718,086,925(2)
NET COMBINED TOTAL DEBT		$658,569,800

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

Ratios to 2011-12 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 0.83%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($73,830,000)...............0.12%
Gross Combined Total Debt................................. 1.21%
Net Combined Total Debt..................................... 1.11%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: $0

Source: California Municipal Statistics, Inc.

Employees

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

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

Fiscal Year	FTE Employees(1)
2003-04	4,209
2004-05	4,160
2005-06	4,233
2006-07	4,290
2007-08	4,337
2008-09	4,208
2009-10	4,150
2010-11	4,062
2011-12(2)	3,683

Source: County of Santa Barbara payroll records as of June 30, 2004 through June 30, 2011, and the adopted Fiscal Year 2011-12 Budget.
(1) Excludes temporary and per diem employees.
(2) Budgeted (includes reductions for salary savings).

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

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

Labor Organization	Number of Employees	Contract Expiration Date
Deputy Sheriff's Association	430	2/15/2015(1)
Sheriff's Managers Association	28	4/12/2015(1)
Deputy District Attorney's Association	40	12/08/2013
Probation Peace Officers Association	220	9/29/2013(1)
Firefighters Local 2046	183	3/02/2014(1)
SEIU Local 620	1,844	6/23/2013
SEIU Local 721	425	No Contract(2)
Engineers and Technicians Association	122	6/23/2013
Union of American Physicians and Dentists	42	11/24/2013
TOTAL	3,334	

Source: County of Santa Barbara, Human Resources.
(1) Concessions are currently being discussed.
(2) Contract currently being renegotiated and the County is seeking concessions.

In 2011, the County engaged in negotiations for successor Memoranda of Understanding (MOUs) with all non-safety employee organizations. Agreements were reached with four of these groups and included pension reform for the future workforce, among various other concessions. In addition, the Board imposed these reforms on the one employee group that did not reach agreement with the County, implemented for all unrepresented non-safety employees, and achieved agreement with one safety organization that represents a small number of non-safety employees. As a result, all new non-safety employees hired on or after June 25, 2012 will participate in a new retirement plan, which will provide a lower county cost per employee.

The Retirement system (defined below) has estimated potential cost savings of the new plan of approximately $219,000 in Fiscal Year 2012-13, increasing gradually to approximately $4,698,000 in Fiscal Year 2021-22. This analysis assumes that each current non-safety employee who separates from County service would be replaced by a new hire entering the new retirement plan. The true savings will depend on actual turnover and replacement ofemployees over time.

Retirement Program

General. The Santa Barbara County Employees' Retirement System (the "Retirement System") was organized under the provisions of the 1937 County Employees' Retirement Act (the "Retirement Act") and became effective on January 1, 1944. The Retirement System operates a cost-sharing multiple employer defined benefit plan. Members include all permanent full-time employees and those part-time employees working at least 40 hours per pay period, for the County, County Courts, Air Pollution Control District, Carpinteria Cemetery District, Carpinteria-Summerland Fire Protection District, Goleta Cemetery District, Oak Hill Cemetery District, Mosquito and Vector Management District of Santa Barbara County, Santa Barbara County Association of Governments, Santa Maria Cemetery District and Summerland Sanitary District. The County and these 10 other participating employers are collectively referred to as the "Employers." Employees of the County represent approximately 90.4% of the membership within the Retirement System. During Fiscal Year 2010-11, the County made 91.9% of the annual Employer contributions to the Retirement System.

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

The Retirement System has six retirement plans, four of which are currently available to new County employees. Prior to June 25, 2012, all General member County employees are enrolled in the contributory General Plan 5 while those hired on or after this date will be enrolled in the new General Plan 7. Other employers are currently considering the option to adopt General Plan 7. All new Safety members are enrolled in the contributory Safety Plan 4 or Safety Plan 6. Non-contributory General Plan 2 is closed for new membership. There is an additional General plan open only to employees of the Air Pollution Control District. All plans provide benefits as defined by the Retirement Act upon retirement, death or disability of members based on age, years of service, final average salary and the benefit options selected. Cost-of-living adjustments after retirement are provided in all plans except General Plan 2, based upon the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the Los Angeles/Riverside/Orange County area, subject to a 3% maximum increase. In addition to the basic cost-of-living increases, Supplemental Cost-of Living adjustments ("Supplemental

COLAs") may be provided by the Retirement Board to restore the purchasing power of retiree and beneficiary allowances to no more than 80% of the original benefit. However, under Retirement Board policy, Supplemental COLAs are only granted once the system is fully funded.

In 2010, the Board of Supervisors created an Advisory Commission on retirement Plan Alternatives to explore ways to better manage the County's rising cost of retirement programs. In February 2011, the Commission presented its alternatives to the Board of Supervisors, who have directed staff to initiate the recommendations. From the recommendations, General Plan 7 was developed. There can be no assurance at this time if any of the recommendations will be implemented, or what the cost savings will be.

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

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

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

	2007	2008	2009	2010	2011
Retirees and Beneficiaries[1]	2,812	2,972	3,117	3,318	3,387
Terminated Employees[2]	1,137	1,188	1,154	1,181	1,166
Active Plan Participants	4,625	4,606	4,467	4,228	4,148
Vested[3]	3,121	3,097	3,078	2,968	3,126
Non Vested	1,504	1,509	1,389	1,260	1,022

Sources: Santa Barbara County Public Employees' Retirement System Financial Statements, for the Fiscal Years ended June 30, 2007 through 2011.
(1) Currently receiving benefits.
(2) Includes terminated employees entitled to benefit but not yet receiving them.
(3) Entitled to benefits but not yet receiving them.

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

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

Employers' appropriations as necessary. Once the Retirement Board recommends any such changes, the Retirement Act requires the Employers to implement such changes.

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

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

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

Effective:	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Plan:					
General					
Plan 2	11.57%	11.74%	15.70%	18.93%	19.42%
Plan 5A	20.54	21.06	24.93	29.48	29.75
Plan 5B	20.05	21.00	24.90	29.27	29.41
Plan 5C	21.10	21.94	25.82	30.54	30.78
Plan 7	N/A	N/A	N/A	N/A	27.81
Safety					
Plan 4A	27.79	26.75	38.63	46.76	49.75
Plan 4B	22.63	20.39	32.35	41.93	44.91
Plan 4C	27.24	26.31	37.93	45.68	48.45
Plan 6A	32.17	30.83	39.51	48.39	54.10
Plan 6B	32.36	31.44	40.09	48.84	54.44

Sources: Actuarial Valuation Reports of the Santa Barbara County Employees' Retirement System for the Fiscal Years ended June 30, 2007 through 2011 and the Santa Barbara County Employees' Retirement System.

When measuring assets for determining the UAAL, the Retirement System has elected to "smooth" gains and losses to reduce volatility. If in any year, the actual investment return on the Retirement System's assets is lower or higher than the actuarial assumed rate of return (which is 7.75%), then the shortfall or excess is smoothed or spread over a 5-year period. The impact of this will result in "smoothed" assets which are lower or higher than the market value of assets depending upon whether the remaining amount to be smoothed is either a net gain or a net loss. As a result of the smoothing practice, as of June 30, 2011, there were approximately $36.0 million of deferred losses to be recognized over the next five years.

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

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

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

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

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

Asset Allocation and Target Mix. The Retirement Board adopted an evolving long-term strategic asset allocation policy on February 23, 2011. Based on this framework, the current asset allocation guidelines are as follows:

Type of Investment	Minimum	Maximum	Target
Domestic Investments:			
Equities (Russell 3000 Mandate)			
Russell 1000 Index			
Core	9.5	14.3	11.9
Enhanced	3.0	4.4	3.7
Large Growth	6.2	9.4	7.8
Large Value	6.2	9.4	7.8
Small Growth	1.4	2.4	1.9
Small Value	1.4	2.4	1.9
Covered Calls	1.0	3.0	2.0
TOTAL DOMESTIC EQUITY	28.7	45.3	37.0
Fixed Income (BC Universal Mandate)			
Active Core – Plus	16.2	19.8	18.0
Intermediate Government Bonds	2.7	3.3	3.0
Active Core	8.1	9.9	9.0
TOTAL DOMESTIC FIXED	27.0	33.0	30.0
International Investments			
Equities (ACWI ex US Mandate)			
Active EAFE	8.8	16.3	12.5
Passive Developed Markets	2.5	4.6	3.5
Emerging Markets	1.0	3.0	2.0
TOTAL INTERNATIONAL EQUITIES	12.3	23.9	18.0
Real Estate	2.0	6.0	4.0
Real Return	2.0	6.0	4.0
Alternatives	2.5	7.5	5.0
Cash	0.0	4.0	2.0
TOTAL PORTFOLIO			100.0%

Source: Santa Barbara County Employees' Retirement System.

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

The net investment return on the market value of the Retirement System's assets for the year ended June 30, 2011 was 21.8% , 4.1% for the three years then ended and 4.1% for the five years then ended. This compares to the 7.75% actuarial assumed rate of return that the Retirement System's actuary uses to calculate the normal Employer and employee contribution rates and the UAAL on a year-to-year basis (which is done by projecting into the future a variety of estimates, including how much is expected to be earned on the assets of the Retirement System in future years). If a lower investment return rate assumption were used, then the UAAL would be greater, as would the Employers' and employees' annual contributions for normal costs. The Employers are responsible for making contributions relating to UAAL. Conversely, the use of a higher investment return rate assumption would result in a smaller UAAL and smaller Employer and employee annual contributions. Actual investment results that are higher or lower than the assumed rate of return will also affect the UAAL and the Employers' annual contributions.

Summary of Current Investments. The following table shows the type of investments held in the Retirement Systems portfolio as of June 30, 2011.

TABLE A-11
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SUMMARY OF CURRENT INVESTMENTS
(As of June 30, 2011)

Investment	Percent	Market Value
Cash	1.21%	$ 24,599,333
Short-Term Investments	6.39	130,307,075
Domestic Bonds	23.52	480,205,204
International Bonds	6.73	137,331,656
Alternatives	4.19	85,329,652
Domestic Equity	32.47	662,734,075
International Equity	18.53	378,086,499
Real Estate	1.25	25,409,082
Real Return	5.71	116,798,942
TOTAL INVESTMENT	100.00%	$2,040,801,518

Source: SBCERS' June 30, 2011 CAFR, differences due to rounding.

Funding Status. As of June 30, 2011, the date of the valuation, valuation assets of the Retirement System were approximately $2.0 billion, the actuarial accrued liability was approximately $2.8 billion and the funded ratio was approximately 73.0%. The actuarial value of assets may increase or decrease as a result of investment results of the Retirement System increasing or decreasing below the actuarially assumed rate of 7.75% per annum as a consequence of increases or decreases in the capital markets. No assurance can be given that the actuarial value of assets of the Retirement System will not materially decrease.

The Retirement System has experienced investment gains since its last valuation on June 30, 2011. The market value of plan assets was $2.0 billion as of March 31, 2012. This represents an increase of approximately $68 million, or 3.0% over the June 30, 2011 market value.

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

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

Actuarial Valuation Date	Valuation Assets (a)	Valuation Actuarial Accrued Liabilities (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b–a)	Annual Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2003	$1,211,348	$1,319,547	91.8%	$108,199	$257,237	42.1%
6/30/2004	1,241,557	1,441,156	86.2	199,599	266,960	74.8
6/30/2005	1,305,995	1,549,803	84.3	243,808	267,785	91.0
6/30/2006	1,414,951	1,671,831	84.6	256,880	287,382	89.4
6/30/2007	1,704,469	1,956,834	87.1	252,365	294,163	85.8
6/30/2008	1,891,456	2,135,955	88.6	244,499	307,264	79.6
6/30/2009	1,705,733	2,263,862	75.3	558,129	306,524	182.1
6/30/2010	1,927,229	2,616,147	73.7	688,918	306,963	224.4
6/30/2011	2,007,859	2,749,813	73.0	741,954	305,758	242.7

Source: Actuarial Valuation Report as of June 30, 2011 prepared by Milliman.
(1) Actuarial Accrued Liability.
(2) Unfunded Actuarial Accrued Liability.

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

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

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

TABLE A-13
SANTA BARBARA COUNTY PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF REVENUES NET ASSETS AND RETURN ON MARKET VALUE
(Fiscal Years 2002-03 through 2010-11)

	Source of Revenues				
Fiscal Year (June 30)	Employee Contributions	Employer Contributions	Gross Investment Income/ (Loss)	Net Assets At Market Value End of Year[(1)]	Net Return at Market Value
2003	$12,796,575	$33,799,166	$57,301,619	$1,169,417,097	5.0%
2004	13,633,762	39,334,678	190,516,409	1,346,619,352	16.1
2005	14,827,847	46,720,797	143,795,225	1,476,158,019	9.9
2006	15,057,589	53,976,749	170,316,018	1,628,958,290	10.8
2007	15,853,139	63,395,296	285,497,505	1,891,061,294	17.2
2008	15,479,269	69,460,616	(122,988,456)	1,760,420,004	(7.4)
2009	11,083,461	75,902,140	(328,466,193)	1,421,519,182	(19.2)
2010	11,648,995	84,647,133	199,034,468	1,609,448,698	13.2
2011	10,843,091	94,436,686	350,841,547	1,971,902,920	22.5

Sources: Santa Barbara County Employees' Retirement System Comprehensive Annual Financial Report for the Years ended June 30, 2003 through June 30, 2011.
(1) Net of benefits paid, administrative costs, refund of contributions and other deductions.

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

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

Participation is limited solely to retired members whose benefits payable by the Retirement System are limited by Section 415(b). No assets directly or indirectly relating to this plan are held in trust or otherwise held or set aside for the exclusive benefit of participants and their beneficiaries.

Deferred Compensation Plans

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

Santa Barbara County Supplemental Retirement Plan. The Santa Barbara County Supplemental Retirement Plan is an employer discretionary, defined contribution plan established and governed under Internal Revenue Code Section 401(a). Employer only annual contributions are calculated based upon agreements with employee bargaining groups and the County or by appropriate action taken by the County. This plan is administered through a third-party administrator. While the County selects the investment options available, it does not perform the investing function. The County's actual contributions to the Santa Barbara County Supplemental Retirement Plan for the last eight Fiscal Years are set forth below:

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

Fiscal Year Ending June 30	Contribution
2003	$136,000
2004	141,000
2005	143,000
2006	149,000
2007	158,000
2008	194,000
2009	193,985
2010	166,000
2011	162,000

Source: County of Santa Barbara.

County of Santa Barbara Employee Contribution Deferred Compensation Plan. The County offers to its employees an optional deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. This plan is available to substantially all employees eligible to participate in the Retirement System. This plan allows participants to defer a portion of their current income until future years (currently up to a maximum of $17,000) and to defer such funds and earnings from state and federal taxation until withdrawal. Employees age 50 and over can defer an extra $5,500 for a total annual deferral of $22,000. The age 50+ catch-up provision is not available in any year the pre-retirement catch-up is utilized. The pre-retirement catch-up is available to employees for one or more of the last three calendar years before attaining normal retirement date. The pre-retirement catch-up is limited to the lesser of (i) the regular dollar limit (currently $17,000) or (ii) compensation eligible for deferral that was not deferred in any prior tax year. The deferred compensation is not available to participants until termination, retirement, death, unforeseeable emergency or by a qualified loan. This plan is administered through a third-party administrator. While the County selects the investment options available, it does not perform the investing function for this plan.

County of Santa Barbara Social Security Compliance Deferred Compensation Plan. The County of Santa Barbara Social Security Compliance Deferred Compensation Plan is a supplemental retirement program utilized by the County in lieu of payments to Social Security ("FICA"), governed under Internal Revenue Code Sections 3121 and 457. Enrollment in this plan is mandatory for contract, extra-help, seasonal and temporary employees. Employees enrolled in the regular retirement system are not eligible for this plan. Based upon the employee's gross compensation, the employee's deferral, on a before-tax basis, equals 6.0% and the County's contribution equals 1.5% for a combined total of 7.5%. This plan is administered through a third-party administrator and is available to all employee groups. While the County selects the investment options available, it does not perform the investing function for this plan.

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

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

Fiscal Year Ending June 30	Contribution
2003	$100,000
2004	97,000
2005	88,000
2006	108,000
2007	100,000
2008	108,000
2009	97,000
2010	124,000
2011	130,000

Source: County of Santa Barbara Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2011.

Other Post-Employment Benefits

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

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

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

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

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

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

Annual OPEB Plan Cost. The Fiscal Year 2010-11 OPEB ARC was $20,811,000 (7.43% of the County's annual covered payroll). The ARC includes (a) the normal cost for the year for current active employees of $5,052,000 and (b) a component for amortization of the total unfunded actuarial accrued liabilities (UAAL) of the OPEB Plan consisting of current retirees, current vested terminated, and current active employees of $15,759,000. The County's contribution to the OPEB Plan was $8,416,000 in Fiscal Year 2010-11.

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

Annual Required Contribution	$20,811,000
Interest on Net OPEB Obligation	1,159,000
Adjustment to ARC	(2,551,000)
Annual OPEB Cost	$19,419,000
Estimated Employer Contributions	(8,416,000)
Change in Net OPEB Obligation	$11,003,000
Net OPEB Obligation, Beginning of Year	$28,748,000
Estimated Net OPEB Obligation, End of Year	$39,751,000

Source: County Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2011.

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

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

Fiscal Year (Ended June 30)	Annual OPEB Plan Cost	Percentage of Annual OPEB Plan Cost Contributed	Net OPEB Plan Obligation
2008	$12,434	0%	$12,434
2009	13,183	50	19,087
2010	18,123	47	28,748
2011	19,419	43	39,751

Source: County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2011.

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

Funded Status and Funding Progress. The funded status of the OPEB Plan as of June 30, 2011 (using the most recent data available from 2010), was as follows:

TABLE A-18
COUNTY OF SANTA BARBARA
OTHER POST EMPLOMENT BENEFIT PLAN FUNDING STATUS
(As of June 30)
(In Thousands)

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

Source: County Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2011.

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

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

The investment return assumption (discount rate) was changed from 4.50% in 2009 to 4.00% in 2010. Based on an inflation assumption of 3.25% and the asset allocation of the Treasurer's Pool as of June 30, 2011, the County believes that a long-term assumption of 4.00% is appropriate for the 2011 OPEB valuation. The investment return assumption (discount rate) is based on the expected rate for the 401(h) account, which is invested in the Treasurer's Pool. The investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of OPEB benefits.

For the County, a closed amortization period of 15 years was established as of January 1, 2007. As of June 30, 2011 this period is now 10.5 years. Other employers use an open/rolling period of 30 years. This is the longest amortization period available and will result in the lowest level of ARC and net OPEB obligation status for the employers' accounting statements. This is common practice if little or no prefunding is expected.

Retirement System's Annual Financial Report. The Retirement System issues a publicly available annual financial report. The Retirement System's CAFR for the Fiscal Year ended June 30, 2011 is available online on the County's website. It includes financial statements, note disclosures and required supplementary information for the OPEB Plan. The Retirement System's annual financial reports may be obtained online at www.sbcers.org or by writing to the Santa Barbara County Employees' Retirement System at 3916 State St. Suite 210 Santa Barbara, CA 93105.

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

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

Cumulatively, the County contributed approximately $121,000,000 in excess of the otherwise required ARC for pension benefits compared to approximately $65,000,000 in retiree healthcare premium payments.

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

Alcohol, Drug and Mental Health (ADMHS) Services

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

Mental Health Medi-Cal claiming is a reimbursement system in which counties are provided an interim cash flow of State and Federal funding pending settlement and audits. Funding is made available through the Federal Medicaid entitlement program and California provides matching State and County funds. Claims are reimbursed based upon the appropriate Federal Medical Assistance Percentage (FMAP). This percentage represents the percentage of a claim for which the Federal government will pay Federal Financial Participation (FFP). Any amounts not provided by FFP must be matched by State or County funds.

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

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

The County had previously identified and reported to the State potential issues regarding cost reporting, claiming and accounting methods used by ADMHS and its third party providers (CBO’s) for Fiscal Year 2002-03 through the first half of Fiscal Year 08-09 that could result in claim and audit adjustments. As reported in the Fiscal Year 2007-08 financial statements, the County’s accrued liability related to potential settlements and audit findings was estimated at

$17,084,000 as of June 30, 2008. $2,881,000 of this amount was accrued in Fiscal Year 2007-08 and $14,203,000 was recorded as a prior period adjustment.

The above mentioned liabilities occurred prior to FY 2011-12, and the County has been taking necessary steps to resolve these liabilities. The original Fiscal Year 2007-08 financial statement liability of $17,084,000 was reduced and/or increased by the following:

(i) The $2,881,000 originally accrued for Fiscal Year 2007-08 was reversed based on the submitted Fiscal Year 2007-08 Cost Report and reinstated on May 5, 2011 based on a reconciliation of the eligible units of service in the amount of $3,703,000. This amount has not yet been paid by the County;

(ii) Fiscal Year 2002-03 audit settlement and Fiscal Year 2005-06 cost report settlements netting to $1,554,000 were remitted to the DMH;

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

(iv) Fiscal Year 2006-07 Cost Report Settlement in the amount of $3,000,00 was paid to DMH during Fiscal Year 2010-11;

(v) Fiscal Year 2004-05 Cost Report Audit was completed in March 2011 and the County paid $956,000 to DMH against the booked self-disclosure liability. In August of 2011, the County paid a settlement to CASA Pacifica in the amount of $210,000 and DMH intercepted $654,000 for additional settlements related to Fiscal Year 2002-03 Audit reducing the booked liability; and

(vi) The County plans to remit payments in the amount of $3,217,000 to the DMH for DMH Special Audit ($1,222,000), 05/06 Cost Report Audit ($539,000) and the 06/07 Cost Report ($1,455,000). The County has identified General Fund Committed fund balance that could be used for settlement of these liabilities.

The remaining balance of $4,493,000 from the original liability booked in Fiscal Year 2007-08 will be reversed and will be available for appropriation by the Board of Supervisors. Any new liabilities are still subject to State cost settlement and audit procedures, an appeal process, negotiation and settlement between the County, State and third party providers.

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

The contingent liability of $14,400,000 was reduced/increased by the following:

(i) In March, 2009 the County received an adverse determination on this issue and was billed $2,208,000 for Fiscal Year 2002-03. This amount was withheld by DMH from Fiscal Year 2008-09 revenues. The County filed a formal appeal. These amounts had been paid by the State to ADMHS in prior years and passed through to the other County departments. The Probation and ADMHS Departments funded this repayment with releases from the General Fund Strategic Reserve of $1,297,000 and $413,000 respectively. The Social Services and Public Health Departments funded the remaining amount within their departmental special revenue funds in the amounts of $363,000 and $135,000 respectively.

(ii) During Fiscal Year 2008-09, ADMHS identified additional amounts received from DMH for the MISC/CEC services provided, that ADMHS had failed to forward to the participating departments providing the services. That amount of $1,933,000 was added to the original contingent liability due to this identification.

(iii) In April 2010, DMH concluded an audit of Fiscal Year 2003-04 and the County received an adverse determination in the amount of $2,632,000. Of this amount, $1,923,000 was paid from Strategic Reserve with the remainder coming from the Social Services and Public Health Departments special revenue funds. While the County disputed the findings, the audit report indicated a 100% disallowance of MISC/CEC services. The County disagreed with this disallowance and filed a formal appeal. It should be noted that the State previously contracted an independent firm to review all children's services, including these MISC/CEC services. This previous chart review concluded that approximately 94.5% of such services were allowable.

(iv) Fiscal Year 2004-05 Audit was completed in May 2011 with the CEC/MISC portion of the liability totaling $2,153,000. This amount was paid in Fiscal Year 2010-11.

(v) In January 2011, ADMHS remitted a payment of $1,777,000 for Fiscal Year 2005-06 from DMH at the conclusion of their audit. Their audit findings disallowed the MISC/CEC services as in the two previous year's audits. The County disagreed with the findings and filed a formal appeal..

The remaining amount from the original contingent liability of $14,400,000 has been reduced by the liability for Fiscal Year 2000-01 and Fiscal Year 2001-02 which are closed to audit. The remaining amount expected to be due are the estimates for the Fiscal Year 2006-07 of $1,928,000 and for Fiscal Year 2007-08 of $2,069,000.

In Fiscal Year 2011-12, the County reached a settlement with DMH which included the CEC/MISC audit findings. The County will be refunded 43% of the total amounts that DMH disallowed, including MISC/CEC. This amounts to a refund of $4,793,000. This refund will be available for appropriation by the Board of Supervisors.

Subsequent to the booking of liabilities in Fiscal Year 2007-08, the estimated contingent liabilities total $9.4 million and include:

- Fiscal Year 2005-06 Cost Report Audit: $734,867
- Fiscal Year 2007-08 Reconciled Cost Report: $3,703,272
- Telecare Corporation (5-Year Look-back Settlement): $46,811
- Santa Maria Youth & Family Foundation (5-Year Look-back Settlement): $187,977

- Fiscal Year 2006-07 CEC/MISC: $1,928,206
- Fiscal Year 2007-08 CEC/MISC: $2,068,903
- Fiscal Year 2008-09 CEC/MISC: $760,000

The County continues to disagree with the CEC/MISC audit findings and anticipates a similar settlement of approximately 40% of the CEC/MISC amounts due.

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

Risk Management

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

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

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

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

The County purchases property insurance from commercial companies through a pool comprised of a majority of counties within the State. The shared policy limits for the County's "All Risk" coverage is $600 million with variable deductibles depending on the type of loss. All property damage risks are covered on a per occurrence basis and insured at full replacement values up to the policy limits. The County also maintains earthquake coverage with shared policy limits of $330 million.

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

Fiscal Year 2009-10 - Jesusita Fire. In May of 2009, the County experienced the "Jesusita Fire." The damage was significant, as many homes in the mountains above Santa Barbara were destroyed or damaged. The County's portion of the costs incurred to fight this fire are estimated to be approximately $4.7 million. A Fire Mitigation Assistance Grant is expected to fund $3.4 million, the California Emergency Management Agency (CalEMA) is expected to fund $1.1 million and the United States Department of Agriculture is expected to fund $2.9 million.

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

Fiscal Year 2010-11 – December Rains. In December of 2010, the County experienced significant flooding that is estimated to total $1.4 million in costs related to damages to public roads, damages to County owned buildings, debris basin clearing/cleaning, and Fire and Sheriff response teams. FEMA is expected to fund approximately 75% and CalEMA is expected to fund approximately 18.75% of the estimated costs.

Fiscal Year 2010-11 – March Rains. In March of 2011, the County experienced significant flooding that is estimated to total $8.4 million in costs related to damage to public roads, damage to County owned buildings, debris basin clearing/cleaning, and Fire and Sheriff response teams. Of the $8.4 million, approximately $6.2 million is related to the Guadalupe Dunes road which experienced significant damage. The County had received a State disaster declaration and was awaiting FEMA's response to the Governor's request for a Federal disaster declaration. However, due to State budget issues, the disaster declaration was revoked. As a result, the County will not receive State or Federal assistance and is responsible for all costs related to the March 2011 rains. However, it should be noted that alternate forms of funding may be available to help offset costs.

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

Treasury Oversight Committee

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

Failed Petitions to Split the County and Form a New County

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

Future Financings

The County may undertake the construction of a new jail in the northern part of the County during the next three Fiscal Years. The construction cost of this project is estimated to be approximately $95 million, of which approximately $5 million has already been spent and approximately $90 million is expected to be paid for with State bond funds, with the remainder to be paid for by the County. This project is still pending final approval, with a projected start date of mid- to late-2015, and is dependent on future budget availability.

DEMOGRAPHIC AND ECONOMIC INFORMATION

General

The County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Santa Barbara as the County seat. The County covers approximately 2,274 square miles, of which approximately one-third is located in the Los Padres National Forest, and is located on the California coast approximately 100 miles north of Los Angeles and approximately 300 miles south of San Francisco. The County is bordered by San Luis Obispo County to the north, Kern County on the east, Ventura County to the south and the Pacific Ocean on the west. The County contains eight incorporated cities, which represented approximately 68.4% of the aggregate population in the County as of January 1, 2012.

County Government

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

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

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

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 427,267 as of January 1, 2012, reflecting a less than 1% increase over January 1, 2011.

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

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

CITY	2008	2009	2010	2011	2012
Buellton	4,700	4,740	4,846	4,878	4,858
Carpenteria	14,271	14,409	13,087	13,104	13,076
Goleta	30,400	30,476	30,001	30,032	29,930
Guadalupe	6,541	6,534	7,145	7,115	7,097
Lompoc	42,957	42,892	42,605	42,262	42,854
Santa Barbara	90,305	90,308	88,741	89,253	89,082
Santa Maria	91,110	92,542	99,916	100,062	100,199
Solvang	5,555	5,446	5,262	5,289	5,281
Incorporated	285,839	287,347	291,603	291,995	292,377
Unincorporated	142,816	143,965	132,137	134,194	134,890
County-Wide	428,655	431,312	423,740	426,189	427,267
California	38,049,462	38,292,687	37,223,900	37,510,766	37,678,563

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

Personal Income

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

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

Table A-20 below presents the latest available personal income for the County, the State and the United States for the calendar years 2003 through 2011.

TABLE A-20
COUNTY OF SANTA BARBARA AND CALIFORNIA
PERSONAL INCOME
(Calendar Years 2003 Through 2011)

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2011		
County	$ 19,300[1]	$44,600[1]
State	1,676,565	44,481
United States	12,981,741	41,663
2010		
County	19,262	44,500
State	1,587,404	42,514
United States	12,353,577	39,937
2009		
County	18,954	46,565
State	1,566,999	42,395
United States	12,168,161	39,635
2008		
County	19,365	47,974
State	1,595,575	42,696
United States	12,035,388	39,751
2007		
County	19,020	47,302
State	1,520,755	41,805
United States	11,634,322	38,615
2006		
County	17,490	43,510
State	1,436,446	39,626
United States	10,968,393	36,714
2005		
County	16,500	40,968
State	1,348,255	37,462
United States	10,284,356	34,757
2004		
County	15,382	38,313
State	1,265,970	35,440
United States	9,711,363	33,123
2003		
County	13,677	33,942
State	1,187,040	33,554
United States	9,150,320	31,504

Source: U.S. Department of Commerce, Bureau of Economic Analysis.
(1) Estimated.

Industry and Employment

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

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

INDUSTRY(2)	2006	2007	2008	2009	2010	2011
Agriculture	15,400	15,900	17,100	18,300	18,700	18,500
Natural Res. & Mining	1,100	1,200	1,100	900	1,000	1,100
Construction	10,500	10,500	9,700	7,700	7,000	6,700
Manufacturing	13,600	13,200	13,000	11,900	11,200	11,700
Trade, Trans. & Utilities	28,200	28,200	27,700	26,000	24,600	24,200
Information	4,000	3,900	3,700	3,500	3,400	3,600
Finance, Insur. & Real Estate	8,700	8,200	7,800	6,900	6,300	6,600
Prof. and Business Services	22,300	22,500	22,400	21,400	21,700	24,100
Educ. and Health Services	19,500	20,300	20,600	20,600	20,900	21,700
Leisure and Hospitality	22,700	22,700	23,100	22,100	22,000	22,000
Other Services	5,800	5,900	6,000	5,500	5,400	5,200
Government	36,100	37,000	37,300	37,700	38,100	37,800
TOTALS(3)	187,900	189,500	189,400	182,300	180,300	183,000

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

The following table sets forth the major employers located in the County as of June 2011.

TABLE A-22
COUNTY OF SANTA BARBARA
CERTAIN MAJOR EMPLOYERS
(as of June 2011)

Company or Organization	Jobs	Percent of Total County Employment
Vandenberg Air Force Base	6,330	3.17%
University of California, Santa Barbara	4,334	2.17
County of Santa Barbara	4,025	2.01
Cottage Health System	3,440	1.72
Santa Barbara Schools Districts	2,500	1.25
Santa Barbara City College	2,252	1.13
Santa Maria-Bonita School District	1,886	0.94
City of Santa Barbara	1,687	0.84
Raytheon	1,450	0.73
Total ten largest	29,340	14.68
Total all other	170,460	85.32
Total	199,800	100.00%

Sources: County of Santa Barbara Comprehensive Annual Financial Report for the year ending June 30, 2011.

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

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

	2006	2007	2008	2009	2010	2011
County(1)	4.1%	4.4%	5.4%	8.4%	10.1%	8.8%
California(1)	4.9	5.4	7.2	11.4	12.7	11.7
United States	4.6	4.6	5.8	9.3	9.6	8.9

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

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

Commercial Activity

The following table sets forth taxable transactions in the County for the years 2006 through 2010. Data for 2011 is not yet available.

TABLE A-24
COUNTY OF SANTA BARBARA
TAXABLE SALES TRANSACTIONS
(In Thousands)

	2006	2007	2008	2009	2010
Apparel Stores	$202,710	$220,552	$234,619	$266,915	$278,860
General Merchandise	679,751	673,922	516,212	455,685	450,339
Food Stores	281,769	294,936	301,761	345,827	350,690
Eating & Drinking	656,189	676,367	676,706	650,220	661,542
Household	200,995	189,020	175,046	80,215	76,069
Building Materials	528,294	489,416	385,337	371,485	364,825
Automotive	1,106,880	670,504	536,158	441,923	462,865
Service Stations(1)	--	--	544,761	425,939	490,251
Other Retail	778,540	728,823	629,398	474,914	.479,261
SUBTOTAL	4,435,128	4,428,913	4,097,313	3,513,123	.3,614,702
Business & Per. Services	252,534	267,850	275,728	120,957	122,829
All Other Outlets	1,445,608	1,370,460	1,510,897	1,470,105	1,572,237
TOTAL ALL OUTLETS	$6,133,270	$6,067,223	$5,883,938	$5,104,185	$5,309,768

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

Building and Real Estate Activity

The total valuation of building permits issued in the County as estimated by the Construction Industry Research Board was approximately $373 million as of 2011. The following table provides an estimated building permit valuation summary for 2003 through 2011.

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

	Single Family		Residential Multifamily					
Year	Units	Valuation	Units	Valuation	Value of Alt. & Add.	Total Res. Valuation	Nonresidential Valuation	Total[(1)]
2003	1,240	$289,781	377	$45,067	$91,383	$426,231	$146,706	$572,937
2004	961	222,090	556	53,442	87,501	363,033	118,650	481,683
2005	688	192,867	272	47,600	99,841	340,307	166,102	506,409
2006	642	195,122	255	45,205	82,829	321,156	181,978	503,134
2007	478	159,140	245	38,865	75,645	273,650	214,258	478,909
2008	189	82,246	354	39,164	76,076	197,486	192,205	389,691
2009	185	99,701	28	6,780	54,060	160,541	130,218	290,759
2010	250	139,458	210	26,304	56,257	222,019	126,801	348,820
2011	164	81,475	183	33,463	72,444	187,382	186,159	373,541

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

Agriculture

The County is comprised of approximately 1,775,360 square acres, of which approximately 710,142 acres (representing 40.0%) were zoned and in production for agricultural uses in calendar year 2010. In 2010, the total gross value of agricultural products and crops was $1.22 billion, a decrease of approximately $21.4 million compared to 2009. The value of agricultural production in the County for 2006 through 2010 is presented in the following table. Data for 2011 will not be available until July 2012.

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

	2006	2007	2008	2009	2010
Strawberries	$231,391,853	$312,754,997	$309,277,708	$344,614,465	$392,302,468
Broccoli	128,873,188	131,070,223	159,817,530	149,895,078	122,535,639
Wine Grapes	107,377,849	99,918,573	86,148,108	137,426,625	97,374,658
Head Lettuce	66,950,045	87,845,590	83,006,442	62,049,817	76,495,209
Celery	41,691,008	39,686,202	41,188,528	40,860,729	40,795,009
Avocadoes	40,287,927	20,811,595	37,714,443	47,129,342	52,062,811
Cauliflower	37,415,108	46,107,384	47,377,348	63,216,615	47,699,415
Leaf Lettuce	26,851,912	25,705,118	29,465,427	40,860,729	24,851,187
Cattle	26,603,767	27,340,291	23,691,028	(4)	(4)
Gerbera Cut Flowers(2)	–(1)	23,564,547	22,194,789	25,911,900	26,671,770
Lemons	–(2)	–(2)	–(2)	(2)	(2)
Lily Cut Flowers	18,910,555	–(3)	–(3)	22,493,289	25,117,254
Subtotal Top Ten Crops	726,353,212	787,464,229	798,692,823	922,285,607	905,905,420
All Other Crops	290,381,932	288,517,513	338,692,295	319,114,894	314,089,985
Total	$1,016,735,144	$1,075,981,742	$1,137,350,118	$1,241,400,501	$1,219,995,405
Percent Change	1.92%	5.83%	3.0%	9.1%	(1.72)%

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

Transportation

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

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

Airports. The Santa Barbara Airport (the "Airport"), owned and operated by the City of Santa Barbara, is located approximately 10 miles southeast of downtown area of the City of Santa Barbara on approximately 952 acres. The Airport, which includes an approximately 45,300 square foot terminal building, is the regional airport for the San Luis-Santa Barbara-Ventura tri-county area. The Airport is served by five major airlines that provide non-stop service to 10 destinations in the United States. The Airport operates twenty-four general aviation hangars and facilities. Additional hangar facilities are also available from the two fixed base operators operating at the Airport. The Airport has recently completed construction of a new two-story, 72,000 square foot terminal building and additional parking facilities. The new terminal project, which included relocation of the existing approximately historic terminal building, accommodates aircraft up to the size of a Boeing 737 and was completed in 2011.

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

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

Health Services

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

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

Education and Community Services

Public school education in the County is available through 14 elementary school districts, 4 unified school districts, 2 high school districts and the County Office of Education. As of Fiscal Year 2011-12, these districts offered instruction at 2 kindergarten through grade 12 schools, 71 elementary schools, 7 charter elementary schools, 3 middle schools, 1 charter middle school, 12 junior high schools, 13 high schools, 1 charter high school, 1 alternative school, 3 special education school, 4 continuation schools, 3 community day schools and 2 schools operated by the juvenile court system. School enrollment in Fiscal Year 2010-11 numbered approximately 66,417 in public schools. There are 40 regular graded private schools within the County.

There is one state university, the University of California, Santa Barbara ("UCSB") and two community college districts located within the County. UCSB located in the City of Santa Barbara, offers more than 200 majors, degrees and credentials through its five schools and the graduate division. Enrollment at UCSB for the 2010-11 academic year was approximately 22,218. Santa Barbara City College and the four campus Allan Hancock Joint Community College District offer associate degree and certificate programs as well providing the first two years of study towards baccalaureate degrees.

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

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

Recreation and Tourism

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

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