

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2009

NEW ISSUE - BOOK ENTRY ONLY

RATINGS:
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend on the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

\$ _____ *

COUNTY OF SANTA BARBARA, CALIFORNIA
2009-2010 TAX AND REVENUE ANTICIPATION NOTES
SERIES A
INTEREST RATE: _____%
YIELD: _____%
CUSIP NO. _____

Dated: Date of Delivery

Due: July 30, 2010

The 2009-2010 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Santa Barbara (the "County") are being issued to finance the seasonal cash flow requirements of the County during the fiscal year ending June 30, 2010. The Notes will be issued as fixed-rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of the Notes will be made only through DTC Participants under the book-entry system maintained by DTC in the denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Notes purchased.

The Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Notes will bear interest at a fixed rate per annum from their dated date. Principal of and interest on the Notes are payable at the maturity of the Notes. See "THE NOTES - General."

The Notes are obligations of the County payable out of the taxes, income, revenues, cash receipts and other moneys of the County attributable to Fiscal Year 2009-10 and are generally available for the payment of current expenses and other obligations of the County (the

* Preliminary, subject to change.

"Unrestricted Revenues"). The Notes are equally and ratably secured by a pledge of certain unrestricted taxes, income, revenues, cash receipts and other moneys. See "THE NOTES - General." Neither the payment of the interest on or principal of the Notes constitutes a debt, liability or obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Under certain circumstances described herein the County may issue an additional series of tax and revenue anticipation notes in Fiscal Year 2009-10 (the "Series B Notes" and, with the Notes, the "2009-2010 Notes") in an amount not to exceed \$35,000,000.

This cover page contains certain information for quick reference only and is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if issued by the County and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County. Certain other legal matters will be passed upon for the County by the Office of the County Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP. It is expected that the Notes will be available through the facilities of DTC in New York, New York for delivery on or about July 1, 2009*.

[DE LA ROSA LOGO]

Dated:

No dealer, broker, salesperson or other person has been authorized by the County of Santa Barbara or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under federal securities laws, as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no changes in the affairs of the County since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The County maintains a website at www.countyofsb.org. However, the information presented there 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.

COUNTY OF SANTA BARBARA, CALIFORNIA

BOARD OF SUPERVISORS

Joseph Centeno, *Chair, 5th District*
Janet Wolf, *Vice Chair, 2nd District*
Salud Carbajal, *1st District*
Doreen Farr, *3rd District*
Joni Gray, *4th District*

COUNTY OFFICIALS

Michael F. Brown, *County Chief Executive Officer*
Jason Stilwell, *Assistant Chief Executive Officer/Budget Director*
Bernice James, *Treasurer-Tax Collector*
Harry Hagen, *Assistant Treasurer Tax-Collector*
Stacey Matson, *Investment and Debt Officer*
Robert W. Geis, *Auditor-Controller*
Theo Fallati, *Assistant Auditor-Controller*
Julie Hagen, *Chief Deputy Controller*
Dennis A. Marshall, Esq., *County Counsel*
Anne Rierson, *Deputy County Counsel*

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Treasurer-Tax Collector of the County of Santa Barbara
Santa Barbara, California
Paying Agent

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
COUNTY INFORMATION.....	2
THE NOTES.....	2
General 2	
Authority for Issuance.....	2
Purpose of Issue.....	2
Security for the Notes.....	3
Investment of the Repayment Account.....	4
Available Sources of Payment.....	4
STATE OF CALIFORNIA FINANCES.....	5
State Budget Information.....	5
CASH FLOW PROJECTIONS.....	7
INTRAFUND BORROWING AND CASH FLOW.....	10
COUNTY OF SANTA BARBARA INVESTMENT PORTFOLIO.....	11
SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.....	11
Resolution to Constitute Contract.....	11
Representations and Covenants of the County.....	11
Paying Agent and Note Registrar.....	11
Exchange and Transfer of the Notes.....	12
Permitted Investments.....	12
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.....	13
Article XIII A of the State Constitution.....	13
Article XIII B of the State Constitution.....	14
Articles XIII C and XIII D of the State Constitution.....	14
Proposition 62.....	15
Proposition 1A.....	16
Future Initiatives and Change in Laws.....	16
TAX MATTERS.....	16
LEGAL MATTERS.....	18
LEGALITY FOR INVESTMENT IN CALIFORNIA.....	19
RATING.....	19
LITIGATION.....	19
UNDERWRITING.....	19
CONTINUING DISCLOSURE.....	19
ADDITIONAL INFORMATION.....	20
APPENDIX A-- COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION.....	A-1
APPENDIX B -- COUNTY'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2007-08.....	B-1
APPENDIX C -- PROPOSED FORM OF OPINION OF BOND COUNSEL.....	C-1
APPENDIX D -- FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	D-1
APPENDIX E -- BOOK ENTRY PROVISIONS.....	E-1

\$ _____ *

**COUNTY OF SANTA BARBARA, CALIFORNIA
2009-2010 TAX AND REVENUE ANTICIPATION NOTES
SERIES A**

INTRODUCTION

The purpose of this Official Statement, which includes the front cover through the attached Appendices, is to provide certain information concerning the sale and delivery of \$ _____* in the aggregate principal amount of 2009-2010 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Santa Barbara, California (the "County"). Issuance of the Notes will provide moneys to help meet current (Fiscal Year 2009-10) County general fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on June 2, 2009 (the "Resolution"). The Resolution authorizes the County to issue an additional series of tax and revenue anticipation notes on or before December 15, 2009 (the "Series B Notes" and, with the Notes, the "2009-2010 Notes") in an amount not to exceed \$35,000,000.

The Notes are issued subject to the terms and conditions of the Resolution. The Notes and the interest thereon are payable from certain unrestricted taxes, income, revenues, cash receipts and other moneys of the County attributable to Fiscal Year 2009-10 and which are lawfully available for the payment of current expenses and other obligations of the County as specified in the Resolution (the "Unrestricted Revenues"). See "THE NOTES - Security For The Notes."

The Notes are being issued to finance, in part, the County's general fund cash flow requirements during Fiscal Year 2009-10. The proceeds received from the sale of the Notes will allow the County to cover periods of deficits resulting from an uneven flow of revenues. County general fund expenditures tend to occur in relatively level amounts throughout the year, while receipts follow an uneven pattern. Cash receipts secured from property tax installment payments primarily occur in December and April, while payments from other government agencies occur at irregular intervals. As a result, the general fund's cash balance shows a deficit during parts of the fiscal year. The Notes are intended to finance such cashflow deficits.

Brief descriptions of the Notes, the security and sources of payment for the Notes, the County and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents, including the Resolution, are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the offices of the County.

* Preliminary, subject to change.

COUNTY INFORMATION

The County of Santa Barbara was established by an act of the Legislature of the State of California (the "State") on February 18, 1850 and encompasses approximately 2,774 square miles of which approximately one-third is located in the Los Padres National Forest. The County is a general law county and political subdivision of the State of California and its rights, powers, privileges, authority, functions and duties are established by the Constitution and laws of the State.

For a detailed discussion of the County and its demographic and financial performance, see "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION" and "APPENDIX C – THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

THE NOTES

General

The Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. See "APPENDIX E – DTC AND THE BOOK-ENTRY-ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated the date of issuance thereof and will pay interest at maturity on July 30, 2010. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in denominations of \$5,000 each and any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate per annum set forth on the cover page hereof. Interest on the Notes will be computed on the basis of twelve 30-day months and a 360-day year. Principal and interest payable at maturity will be payable in immediately available funds, upon presentation and surrender of the Notes at the office of the Treasurer-Tax Collector of the County of Santa Barbara, as initial paying agent (the "Paying Agent") with respect to the Notes. The Resolution authorizes the County to issue the Series B Notes in an amount not to exceed \$35,000,000. The Series B Notes, if issued, will be issued on or before December 15, 2009, and shall mature (without option of prior redemption) on a date within thirteen months after the date of original issuance of the Series B Notes and will be secured ratably with the Notes. See "Security for the Notes" below.

Authority for Issuance

The Notes are issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Act and the Resolution.

Purpose of Issue

The Notes are being issued to finance the County's general fund cash flow requirements during Fiscal Year 2009-10 (July 1, 2009 through June 30, 2010). County general fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax collections being

concentrated around installment dates in December and April. The proceeds received from the sale of the Notes will allow the County to cover periods of deficits resulting from such uneven flow of revenues. It is expected that the proceeds of the Notes will be invested in the County's investment portfolio (the "County Portfolio") until expended. See "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – COUNTY INVESTMENT POLICY."

Security for the Notes

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys that are received by the County for the general fund of the County during or attributable to Fiscal Year 2009-10 and that are generally available for the payment of current expenses and other obligations of the County (the "Unrestricted Revenues"). Pursuant to Resolution No. 2009-___, adopted June 2, 2009, the County has established six internal service set-aside reserve funds for certain insurance and operation purposes (the "Set-Aside Funds"). Amounts deposited in the Set-Aside Funds total approximately \$59.7 million, and may only be used for the purposes set forth in Resolution 2009-___ without further action by the Board of Supervisors. While amounts in the Set-aside Funds may be borrowed by the County for deposit in the General Fund, such amounts must be repaid by the end of the fiscal year in which such borrowing occurs.

As security for the payment of the principal of and interest on the Notes, the County pledges to deposit in trust in a restricted cash account within the general fund of the County designated as the "Tax and Revenue Anticipation Note Repayment Account" (the "Repayment Account"): (i) from the first Unrestricted Revenues received by the County during the period commencing on December 20, 2009, and ending on January 31, 2010 (a "Pledge Period") an amount equal to fifty percent (50%) of the principal amount of the Notes issued, and (ii) from the first Unrestricted Revenues received by the County during the period commencing on April 21, 2010, and ending on May 31, 2010, (also a "Pledge Period") an amount which, together with the amount on deposit in the Repayment Account (net of anticipated earnings on moneys therein), will be sufficient to pay the principal of and interest on the Notes when due. The amounts pledged by the County for deposit into the Repayment Account from the Unrestricted Revenues received during each indicated Pledge Period are herein called the "Pledged Revenues."

In the event that there have been insufficient Unrestricted Revenues received by the County by the third business day prior to the end of any such Pledge Period to permit the deposit into the Repayment Account of the full amount of the Pledged Revenues required to be deposited with respect to such Pledge Period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the County lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in the Act) (the "Other Pledged Moneys") on such date or thereafter on a daily basis, when and as such Pledged Revenues and Other Pledged Moneys are received by the County.

The Pledged Revenues with respect to the Pledge Period in which received shall be deposited by the Treasurer-Tax Collector of the County in the Repayment Account commencing the third business day of each respective Pledge Period, and thereafter at intervals of no more than every five business days, and applied as directed in the Resolution; and the Other Pledged Moneys, if any, shall be deposited by the Treasurer in the Repayment Account on the third business day prior to the end of such Pledge Period, and on each business day thereafter, until the full amount of the moneys required for repayment has been so deposited in the Repayment Account; provided that, if on the date that is six months from the date of issuance of the Notes,

all of the amounts deposited in the County general fund attributed to the sale of the Notes and, if issued, the Series B Notes have not been withdrawn previously as required by the requirements of the Resolution, the amounts to be deposited in the Repayment Account during the Pledge Period in which received shall re-deposited as soon as received. The principal of and interest on the Notes shall constitute a first lien and charge on, and shall be payable from, moneys in the Repayment Account.

The Treasurer shall use the moneys in the Repayment Account to pay the principal of and interest on the Notes when due. If on the maturity date of the Notes there are insufficient moneys in the Repayment Account to pay the principal of and interest on all the Notes, the moneys in the Repayment Account shall be allocated on a pro rata basis to the principal of and interest on the Notes and the Series B Notes, respectively. Any moneys remaining in the Repayment Account after such payment, or after provision for such payment has been made, shall be transferred to the general fund of the County.

The United States Court of Appeals for the Ninth Circuit has not decided whether a County that has filed for bankruptcy would be required to set aside revenues pledged under the note resolution following bankruptcy. Because the Treasurer is in possession of the taxes and other revenues that will be set aside to pay the Notes and may invest these funds in the pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the Pledged Revenues, the Other Pledged Money or amounts on deposit in the Repayment Account. In that case, unless the Note owners could "trace" the funds, the Note owners would be merely unsecured creditors of the County. There can be no assurance that the holders could successfully so "trace" the pledged taxes and other revenues.

Investment of the Repayment Account

Moneys in the Repayment Account will be invested in one or more instruments of the types included in Permitted Investments. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Permitted Investments." The proceeds of any such investments shall be retained in the Repayment Account until payment of principal of and interest on the Notes (or provision therefor) has been made, at which time any excess amount shall be transferred to the County for deposit in the general fund.

Available Sources of Payment

The Notes are obligations of the County payable out of the Unrestricted Revenues. See "THE NOTES - Security For The Notes." The Unrestricted Revenues will be expended during the course of the fiscal year, and no assurance can be given that any moneys, other than the Pledged Revenues, will be available to pay the Notes and the interest thereon.

While the County's ability to levy *ad valorem* taxes has been limited, California counties are permitted by State law to impose certain fees to raise general revenue. The estimated amount needed to repay the Notes and the interest thereon is approximately \$_____ million. The County estimates that the moneys available for payment of the Notes during Fiscal Year 2009-10 will be in excess of \$394 million as indicated in the following table.

**TABLE 1
COUNTY OF SANTA BARBARA
ESTIMATED REVENUE AVAILABLE
FOR PAYMENT OF NOTES**

Estimated Unrestricted Available Revenues (Fiscal Year 2009-10)	
Taxes	\$181,971,000
Licenses, permits and franchises	11,555,000
Fines, forfeitures and penalties	6,747,000
Use of money and property	2,007,000
Intergovernmental Revenues	49,439,000
Charge for current services	81,829,000
Miscellaneous	2,129,000
Other Financing Sources	<u>59,209,000</u>
Total	\$394,886,000

Source: County Auditor-Controller.

STATE OF CALIFORNIA FINANCES

The following information concerning the State of California's (the "State") budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the State budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of the information posted there, and such information is not incorporated herein by these references.

State Budget Information

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2008-09, approximately 10% of the County's General Fund budget consisted of payments from the State and 3% consisted of payments from the Federal government. For Fiscal Year 2009-10 the County has budgeted these amounts at approximately 11.6% and 3.0%, respectively, from the State and Federal government.

The Fiscal Year 2004-05 State budget was passed by the Legislature on July 29, 2004, and was signed into law by the Governor on July 31, 2004. The 2004-05 budget authorized general fund spending of \$78.7 billion, and, among other things, shifted \$1.3 billion in revenues from local government to schools in both Fiscal Year 2004-05 and 2005-06. Two measures intended to address the then existing cumulative budget deficit and to implement structural reform were both approved at the March 2, 2004 statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorized the issuance of up to \$15 billion of

economic recovery bonds (of which approximately \$11.3 billion have been issued) to finance the State general fund deficit and other general fund obligations undertaken prior to June 30, 2004. The economic recovery bonds are general obligations of the State and are secured by a pledge of revenues from an increase in the State's share of the sales and use tax of one-quarter cent, starting July 1, 2004. Such tax proceeds will revert to their prior allocation when the bonds are repaid. The portion of sales and use tax that otherwise would have been allocated to local governments, including the County, would be decreased by a commensurate amount. Commencing in Fiscal Year 2004-05, local government's share of local property tax revenues were restored by an amount equal to the one-quarter cent reduction in the local sales and use tax, creating a revenue neutral effect on local agencies for the 2004-05 Fiscal Year. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing.

The State budgets for Fiscal Years 2005-06, 2006-07 and 2007-08 were adopted without any further reallocation of funds. The State budget for Fiscal Year 2008-09 was adopted by the Legislature on September 16, 2008 and signed by the Governor on September 23, 2008, reflecting a reduction of \$850 million from the amounts in the proposed budget bill adopted by the Legislature due to the line item veto by the Governor of \$510 million in State General Fund appropriations and \$340 million in State General Fund savings due to the delay in enacting the budget and the effect of Executive Order S-09-08 (which terminated the services of temporary employees and reduced overtime).

The Governor convened an emergency Special Session of the Legislature on November 6, 2008 (the "First Special Session") to address projected reductions in State revenues in Fiscal Year 2008-09. In calling the First Special Session, the administration reported that it expected revenues to be \$10.7 billion less than projected in the Fiscal Year 2008-09 and \$13 billion less than projected for Fiscal Year 2009-10. The First Special Session concluded at the end of November, 2008 with no action having been taken by the Legislature. On December 1, 2008, the Governor declared a fiscal emergency for the State and convened two more special sessions of the Legislature to address this emergency. On February 19, 2009, the Legislature passed a series of budget bills to address the budget shortfall in the current fiscal year and projected for Fiscal Year 2009-10 that had been estimated at \$41.6 billion, and the Governor signed the bills the following day (the "2009 Budget Act"). The final actions approved expenditure reductions of approximately \$15.7 billion, temporary tax and revenue increases projected at \$12.5 billion and State borrowings of \$11.4 billion. Approximately \$6 billion of these solutions will be subject to voter approval at a May 19, 2009 state election. The 2009 Budget Act also projects the receipt of approximately \$8.5 billion in stimulus funds from the federal government as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), signed into law by the President of the United States on February 17, 2009.

The 2009 Budget Act is a valid budget for Fiscal Year 2009-10, adopted nearly five months ahead of the State constitutional budgetary deadline. The 2009 Budget Act, however, contains provisions that are designed to achieve solutions in both Fiscal Years 2008-09 and 2009-10. For Fiscal Year 2008-09, the 2009 Budget Act assumes year-end revenues of approximately \$91.7 billion and expenditures of approximately \$94.1 billion. The 2009 Budget Act also eliminates the \$1.7 billion reserve projected by the 2008-09 Budget, projecting that the State will end Fiscal Year 2008-09 with a \$3.4 billion deficit. For Fiscal Year 2009-10, the 2009 Budget Act projects total revenues of \$97.7 billion and authorizes expenditures of \$92.2 billion, allowing the State to build up a \$2.1 billion reserve.

The County cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. Even with adoption of the 2009 Budget Act, the LAO is currently projecting a deficit for Fiscal Year 2008-09 of approximately \$8 billion. The State budget will be affected by national and State economic conditions and other factors over which the County will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, including the failure to secure voter approval of some or all of the propositions designated for the May 19, 2009 state election, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the County.

CASH FLOW PROJECTIONS

The County has prepared the accompanying cash flow statements covering the past Fiscal Year 2008-09 and the projected Fiscal Year 2009-10. The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

The following tables show estimated general fund cash flows for Fiscal Year 2008-09, and projected general fund cash flows for Fiscal Year 2009-10.

**TABLE 2
COUNTY OF SANTA BARBARA
GENERAL FUND CASH FLOW
FISCAL YEAR 2008-09**

**TABLE 3
COUNTY OF SANTA BARBARA
GENERAL FUND CASH FLOW
FISCAL YEAR 2009-10**

INTRAFUND BORROWING AND CASH FLOW

County general fund expenditures tend to occur in relatively level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment payment dates in December and April and as a result of delays and uneven payments from other government agencies, the two largest sources of County revenues.

In addition to issuing short-term notes, the County has occasionally used, when necessary, legally permitted "intrafund" borrowing (borrowing against certain of the County's own funds) to cover temporary cash needs, including borrowing from the Set-Aside Funds. In Fiscal Year 2008-09, the County used such intrafund borrowing to fund the financing of an estimated \$18.7 million of net property tax advances made by the County to local agencies pursuant to the Teeter Plan.

In Fiscal Year 2009-10, the County expects it will again use intrafund borrowing and the Notes to comprise a funding cycle for the financing of an estimated \$20.9 million of net property tax advances made by the County to local agencies pursuant to the Teeter Plan. Initially, the County will use proceeds of the Notes and intrafund borrowing to finance the estimated \$32.5 million of net Teeter Plan advances relating to Fiscal Year 1996-97 through 2009-10 delinquencies, while subsequently the County will use intrafund borrowing to cover any temporary cash shortfalls subsequent to when repayment accounts for the Notes are set aside in April 2010. The County expects to repeat the use of intrafund borrowing cycle in subsequent Fiscal Years until sufficient tax delinquencies and fines have been collected to finance future Teeter Plan advances or until an alternative funding mechanism is implemented.

The Auditor-Controller has prepared the accompanying General Fund Cash Flow Analysis for the Fiscal Year 2008-2009 and a projected cash flow for Fiscal Year 2009-10. The projected cash flow for Fiscal Year 2009-10 was prepared based on the current information available. In the cash flows, in order to reflect the County's participation in the Teeter Plan, the Auditor-Controller has listed the proceeds and distributions pertaining to the Teeter Plan as line items under the Apportioned Tax Resources Fund (the "ATRF") subheading in the respective "Receipts" and "Disbursements" headings. In June of each Fiscal Year, the County advances funds to complete the 100% distribution of that Fiscal Year's tax levy. Subsequently, the County collects the delinquent taxes and their attributable penalties and interest over a period of several Fiscal Years. As the County collects these payments, it makes payments on the associated borrowed funds. Although ATRF proceeds are detailed in these cash flows, the pledged funds for the repayment of the Notes will come solely from unrestricted monies of the general fund.

Additionally, in the General Fund Cash Flow Analysis, in order to reflect the General Fund loans to the Alcohol, Drug and Mental Health Services Fund (ADMHS), the Auditor-Controller has listed the loans to the fund under "Disbursements" as "Loans ADMHS" and the loan repayments under "Receipts" as "Loan Collections ADMHS". Loan collections in the cash flows represent a six month lag from the month of service delivery while loan disbursements represent the current monthly cash deficit for services provided. The County has experienced these cash flow shortages due to delayed billings to and delayed reimbursements from the State and Federal Government.

COUNTY OF SANTA BARBARA INVESTMENT PORTFOLIO

For a detailed discussion of the County's investment policy, see "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – County Investment Policy."

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

Resolution to Constitute Contract

The provisions of the Notes and of the Resolution constitute a contract between the County and the registered owners of the Notes, and such provisions may be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction.

Representations and Covenants of the County

The County determines pursuant to the Resolution that with respect to the 2009-10 Fiscal Year, the amount of \$105,000,000 (the maximum authorized principal amount of the Notes) when added to the interest estimated to be payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenues, cash receipts, and other moneys of the County for the general fund of the County attributable to Fiscal Year 2009-10 which will be available for the payment of the Notes and the interest thereon.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes and the County agrees to comply with the requirements of the Tax Certificate of the County as such Tax Certificate may be amended from time to time. The County further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury from revenues attributable to Fiscal Year 2009-10 or from any other lawfully available moneys. See "TAX MATTERS."

Notwithstanding any other provision of the Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing tax covenants, no one other than the owners or former owners of the Notes will be entitled to exercise any right or remedy with respect to such covenants under the Resolution.

Paying Agent and Note Registrar

The Treasurer-Tax Collector of the County of Santa Barbara will initially act as Paying Agent and as Registrar for the Notes. Any successor Paying Agent will be or have co-paying

agent relationships with one or more banks or trust companies in New York, New York.

Exchange and Transfer of the Notes

The registered owners of the Notes which are evidenced by registered certificates may transfer such Notes upon the books maintained by the Note Registrar, in accordance with the Resolution.

The County and any Paying Agent may deem and treat the registered owner of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such registered owner upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the registered owner of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See "APPENDIX E – DTC AND THE BOOK-ENTRY-ONLY-SYSTEM."

Permitted Investments

Moneys in the Repayment Account will be invested in Permitted Investments as defined below, except that no such investments will have a maturity date later than the maturity date of the Notes expected to be paid with proceeds of such investments. The proceeds of any such investments will be retained in the Repayment Account until payment of principal of and interest on the Notes (or provision therefore) has been made, at which time any excess amount shall be transferred to the County for deposit in the general fund.

Permitted Investments include, without limitation, (i) any investment permitted by Government Code Sections 53601, provided that no such moneys shall be invested in "reverse repurchase agreements" permitted by subsection (i) of said Section 53601, and no such investments shall have a maturity later than the date that it is anticipated that such amounts will be required to be expended, or (ii) investment agreements with or the obligations of which are guaranteed by (a) a domestic bank, financial institution or insurance company the financial capacity to honor its senior obligations of which is rated at least "AA" by Standard & Poor's; or (b) a foreign bank the long-term debt of which is rated at least "AA" by Standard & Poor's (a "Qualified Provider"); provided, that the investment agreement shall provide that if during its term the provider's (or, if guaranteed, the guarantor's) rating by Standard & Poor's falls below "AA-", the provider must within 10 days assign the investment agreement to a Qualified Provider reasonably acceptable to the County or collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the County or a third party acting solely as agent therefor, United States Treasury Obligations which are free and clear of any third-party liens or claims, at sufficient collateral levels to maintain the highest short-term rating on the Notes. No such investments shall have a maturity date later than the maturity date of the Notes. The investment earnings on any such investment shall be retained by the County or the Paying Agent in such fund or account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the general fund of the County.

The County shall deposit the proceeds of the sale of the Notes in the County treasury. Such amounts shall be invested as permitted by applicable California law.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition, or (3) any bonded indebtedness incurred by a school district, community college district or county office of education for the construction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities approved after November 8, 2000 by 55% of the voters of the district or county, as appropriate, voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Taxpayers in the County may appeal the determination of the County Assessor of the Full Cash Value of their property. At any given point in time, thousands of appeals are pending in the County. However, in connection with the downturn in the real estate market in the County as well as other factors, the number of assessment appeals during 2008 increased significantly over the same period in 2007. 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. The County is currently estimating a tax reduction in the range of approximately 0%-1% as compared with the same period in 2008.

Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approved an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing

earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster.

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in the State are each subject to annual "appropriations limits" imposed by Article XIII B of the State Constitution ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive fiscal years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

For Fiscal Year 2007-08 the County's appropriations limit was approximately \$568 million, and its actual appropriations in Fiscal Year 2007-08 subject to this limit were approximately \$159 million. For Fiscal Year 2008-09 the County's appropriations limit is approximately \$601 million, and its budgeted expenditures subject to this limit are approximately \$159 million. The County is subject to and is operating in conformity with Article XIII B.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, California voters approved Proposition 218, which added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The voter approval requirements of Proposition 218 reduce the County Board of Supervisors' flexibility to deal with fiscal problems by raising revenue, and no assurances can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements. County management is not aware of any challenge or claim that any current fee,

tax or assessment is not in compliance with Proposition 218.

Proposition 218 also extends the initiative power to reducing or repealing any local taxes, assessments, fees and charges. This extension of the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees or charges.

The assessments subject to the provisions of Proposition 218 include maintenance assessments imposed in County service areas and special districts. The annual amount of revenues that are received by the County and deposited into the County's General Fund which may be considered to be property related fees and charges under Article XIID is not material to the ability to repay the Notes.

The County is unable to predict whether and to what extent Proposition 218 may be further interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. No assurance can be given that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Proposition 62

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

There is a possibility that certain taxes increased after the effective date of Proposition 62 without voter approval might be challenged and invalidated. The County estimates that it will have received approximately \$3.9 million in revenue from such increase in taxes from Fiscal Years 2006-07 through 2008-09. The Fiscal Year 2009-10 proposed budget assumes the receipt of approximately \$1.3 million in revenue from such increase in taxes. To date, no challenge has been filed.

Proposition 1A

In connection with the shift of \$2.6 billion of local agency revenues to school funding, the Legislature and the Governor agreed to place Proposition 1A, entitled "Protection of Local Government Revenues," on the ballot ("Proposition 1A"). The initiative was approved by the voters on November 2, 2004. Proposition 1A amended the California Constitution to (i) prohibit the shift of property tax revenues from cities, counties and special districts, except to address a "severe state financial hardship" (approved by a two-thirds vote of both houses of the Legislature), and only then if (a) such amounts were agreed to be repaid with interest within three years, (b) the State had repaid any other borrowed amounts, including the current amount owed to repay the vehicle license fee shift, and (c) such borrowing could not occur more often than twice in ten years; (ii) protect the property tax backfill of sales tax revenues diverted to pay the economic recovery bonds, and the reinstatement of the sales tax revenues once such bonds are repaid; and (iii) protect local agency vehicle license fee revenue (or a comparable amount of backfill payments from the State).

Future Initiatives and Change in Laws

Article XIII A, Article XIII B and Propositions 62, 218 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, which may place further limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expend its revenues. In addition, the State legislature could amend or enact laws resulting in a reduction of moneys available to the County, or enact legislation with the approval of the electorate amending the State Constitution, which could result in a reduction of moneys available to the County.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, nor is it included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "Service") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal tax purposes is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity of the short-term debt obligations (the "original issue discount"). The Notes may be executed as short-term debt obligations. For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond

houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes.

However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if the Notes are executed as short-term debt obligations and if the taxpayer elects original issue discount treatment.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the principal amount on the Notes payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of the Notes, or the tax status of interest on the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the County is to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Notes within six months after initial delivery, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if they fail to do so, to make any required rebate payment from moneys received or accrued during the 2009-10 fiscal year. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculations of expenditures of Notes proceeds or of rebatable arbitrage profits, if any, were

incorrect.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner, or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Service. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the Service. Under current procedures, parties other than the County and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Service's positions with which the County legitimately disagrees may not be practicable. Any action of the Service, including but not limited to selection of the Notes for audit, or the course of result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Certain legal matters incident to the issuance of the Notes are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. See "APPENDIX B – PROPOSED FORM OF BOND COUNSEL OPINION." Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the Office of the County Counsel ("County Counsel") and for the Underwriter by Nossaman LLP.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the investor bank, are prudent for the investment of funds of its depositors and, under provisions of the California Government Code, are eligible to secure deposits of public moneys in the State.

RATING

The County has obtained a rating of "_____" on the Notes from Standard & Poor's Ratings Group, a division of The McGraw Hill Companies ("S&P"). Certain information was supplied by the County to S&P to be considered in evaluating the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of and the ability to trade the Notes.

LITIGATION

No litigation is pending or threatened against the County concerning the validity of the Notes, and a certificate of the County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The County is not aware of any litigation pending or threatened against the County questioning the political existence of the County or contesting the County's ability to levy and collect ad valorem taxes or contesting the County's ability to issue and repay the Notes. Other than as otherwise addressed in this Official Statement, the aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the County Executive Officer, impair the County's ability to repay the Notes. See "APPENDIX A – COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION – Land Use Litigation" attached hereto.

UNDERWRITING

The Notes are being purchased for public offering by E. J. De La Rosa & Co., Inc. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Notes from the County at a price of \$_____ (representing the principal amount of the Notes, plus original issue premium of \$_____, less an Underwriter's discount of \$_____). The Underwriter will be obligated to purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions to be satisfied by the County. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The County will agree to provide notices, during the time the Notes are outstanding, of

the occurrence of certain enumerated events, if material, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of material events and certain other terms of the continuing disclosure obligation are described in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." As of the date hereof, the County is in compliance with its continuing disclosure undertakings.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the Notes. Summaries and explanations of the Notes, the Resolution, and statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for a full and complete statement of their provisions. This Official Statement is not to be construed as a contract between the County and any purchasers or owners of the Notes.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the County by writing to County of Santa Barbara, Auditor/Controller, 105 East Anapamu Street, Room 303, Santa Barbara, California 93101. The County maintains a website at www.countyofsb.org. However, the information presented there 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.

All data contained herein have been taken or constructed from County records and other sources. Appropriate County officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. An appropriate County official will execute a certificate to this effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

COUNTY OF SANTA BARBARA

By: _____
Treasurer-Tax Collector

APPENDIX A

COUNTY FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX C

**THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, redemption premium, if any, and interest with respect to the Notes to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County understands that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be executed and delivered as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be executed and delivered for each maturity date of the Notes, each in the aggregate principal amount due on such maturity date, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Notes called for redemption or of any other action premised on such notice. Redemption of portions of the Notes by the County will reduce the outstanding principal amount of Notes held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Notes held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Notes for the Beneficial Owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the County.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Disclaimers

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, THE PAYING AGENT WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE NOTES CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE COUNTY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE NOTES.

THE COUNTY CANNOT GIVE AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE NOTES RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER THEREOF OR ANY REDEMPTION NOTICES OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.