



FINANCIAL HIGHLIGHTS

COUNTY OF SANTA BARBARA, FISCAL YEAR ENDED JUNE 30, 2012

August 29, 2012

Board of Supervisors

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

County Executive Officer

Chandra L. Wallar

County Auditor-Controller

Robert W. Geis, CPA, CPFO

Visit the County's web site at
www.countyofsb.org

View the Highlights on-line at
www.countyofsb.org/auditor

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geis@co.santa-barbara.ca.us

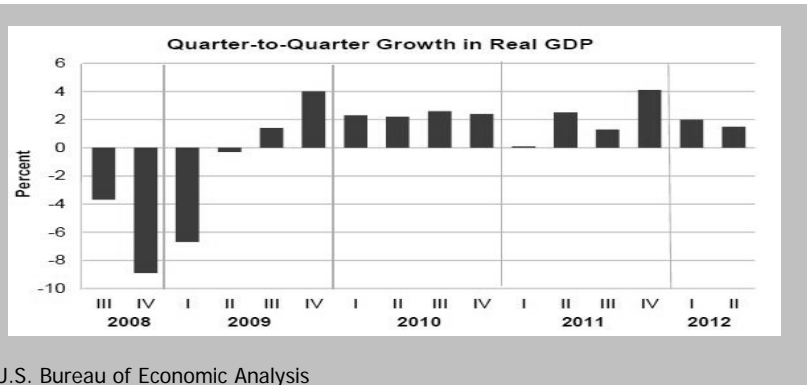


ECONOMIC INDICATORS

Following twelve quarters of positive Gross Domestic Product (GDP) at the national level, the County economy is starting to show evidence of emerging growth. Local unemployment remains high but notably decreased by 1% to 7.9%. The housing market experienced another bout of price depreciation but there is a slight upturn in building permits and new housing starts, while consumer spending and tourism improved for the second consecutive year.

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FINANCIAL INDICATORS

County tax revenues are also showing signs of emerging growth due to the economy. While growth in property tax revenue remains weak for the fourth consecutive year, positive signs include local sales tax growth of 5.7% last year and 5.8% this year. Proposition 172, the statewide Public Safety ½ cent sales tax, increased 6% last year and 9.5% this year. Local Transient Occupancy Tax increased 17% last year and 8.5% this year.

A MESSAGE FROM THE AUDITOR-CONTROLLER



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

This FINANCIAL HIGHLIGHTS publication is intended to provide the general public with an easy-to-read overview of Santa Barbara County's (County) financial condition. The information contained in this report is derived from the County's Comprehensive Annual Financial Report (CAFR). This report provides highlights of the significant financial and economic activity of the County for the fiscal year ended June 30, 2012. Copies of the CAFR can be obtained by contacting the Auditor-Controller's office, or can be found on the Auditor-Controller's web site at www.countyofsb.org/auditor/home.asp.

"Slow Growth, Low Inflation and Gradual Unemployment Decline"

UCSB Economic Forecast Project May 3, 2012

The economy is dominating the County financial picture, and growth in the overall finances of the County of Santa Barbara is being held back in two critical areas.

First, property tax growth for the past four years is averaging less than 1% per year after 30 years of growth averaging 7.9%

per year since the passage of Proposition 13 in 1978. Property taxes are the County's largest source of revenue. Real estate price declines this last year, especially on the South Coast, are holding back growth in this most important revenue source. I think we are at the bottom of a trough and should see emerging property tax revenue growth over the next five years. On the other hand, we have already seen two years of emerging growth in other economy driven revenue accounts that include both local and statewide sales taxes and transient occupancy taxes.

In FY 11-12 the County reduced its average FTE count by 214 to 3,848.

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

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

Second, is the rapidly rising pension cost due to the declines in the value of the Santa Barbara County Employees Retirement System (SBCERS) plan assets. The effects of pension fund investment market losses in 2008 and 2009 that are smoothed into the rates paid by the County over a five year period are proving difficult to overcome. The investments bounced back with strong returns in 2010 and 2011, but this year the fund earned 2% against an expected return rate of 7.75%. The County will face another significant rate increase in FY 13-14, and the public safety budgets will be hit especially hard with steep rate increases. While the County was able to achieve pension concessions from general members, it is my opinion that we should continue to explore the hybrid models of lower defined benefit plans combined with defined contribution (DC) plans for the future workforce. This would provide for sharing of investment risk, portability of the DC plan and improve the County's ability to fund the plans.

"County's Largest Employee Union Ratifies Concessions"

Santa Barbara Independent September 2, 2011

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

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

WHO WE ARE

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



New directors include Beverly Ann Taylor as the head of the Probation department, and Herman Parker as the director of the new Community Services Department that now combines County housing programs and County parks programs. The Human Resource Department was merged with the CEO's Department.

"Herman Parker Named New Community Services Director"

Noozhawk October 12, 2011

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

THE ECONOMY

During FY 11-12, the County for the second consecutive year saw positive trends in some economic segments, led by consumer spending and tourism. However, the real estate housing market and labor market have not shown much of a rebound and are still awaiting recovery from the long recession.

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

Employment

- The County's average unemployment rate during FY 11-12 decreased from 9.2% to 8.4%.
- The June 2012 unemployment rate of 7.9% was below a state unemployment rate of 10.7%, and a national unemployment rate of 8.2%.

"Santa Barbara County's Unemployment Rate Drops"

Santa Barbara Independent June 20, 2012

Income

- Average annual wages had a slight increase to \$48,060 in 2011 from \$47,230 in 2010.

Retail Sales

- Countywide retail sales increased 9% to \$5.8 billion for the 2011 calendar year, slightly up from \$5.3 billion in 2010.
- Retail sales continued to rebound from the December 2010 low point.
- California retail sales followed a similar pattern and began increasing in January 2011.

"The Housing Sector is Undergoing a Rocky Recovery"

UCSB Economic Forecast Project May 3, 2012

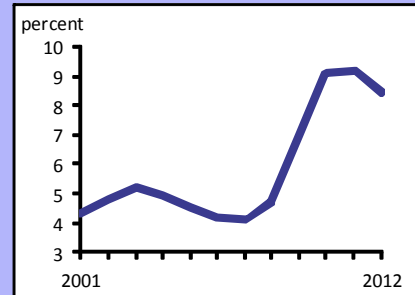
Real Estate

- The countywide median home prices declined 2.1% to \$441,200.
- The real estate market is struggling in terms of home sales, home prices, and new construction.

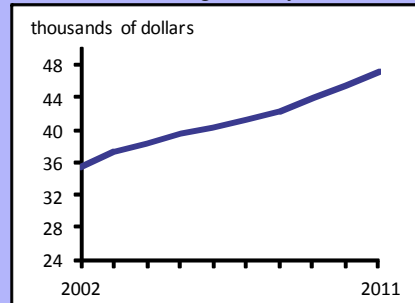
Tourism

- Transient occupancy tax increased 8.5% in FY 11-12, driven by an upturn in tourism and business conference travel.
- The County's major destination resort hotels experienced the largest increases.

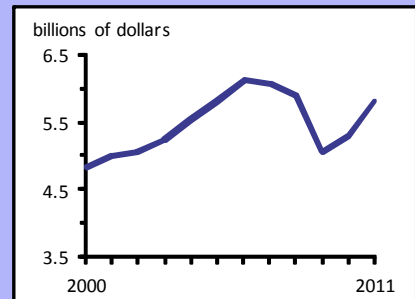
Unemployment Rate



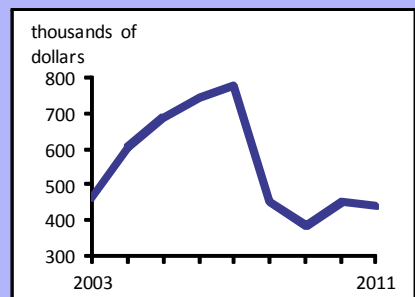
Average Salary



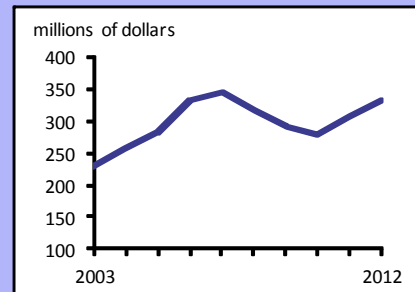
Retail Sales



Median Home Price

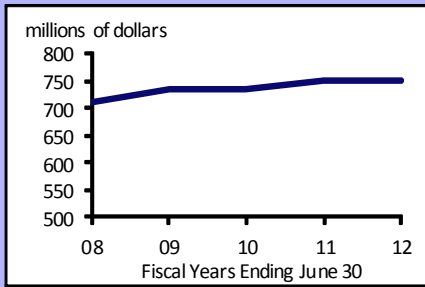


Hotel/Motel Room Sales



COUNTY REVENUES

Total Revenues



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

Total Revenues

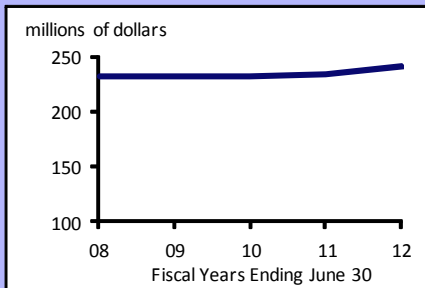
Revenues for the County government entity increased by 0.3% to \$752.1 million.

Taxes

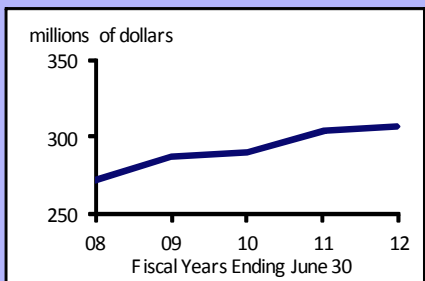
Taxes are generated locally and provide the County with most of its discretionary spending ability. Since formation of county government in the 1850s, these resources have generally been consumed by basic public safety services such as Sheriff, Fire, and District Attorney. As compared to the prior year:

- Property taxes decreased 0.5% to \$167.6 million due to a significant decline in supplemental property tax.
- Property tax in-lieu of motor vehicle tax remained constant at \$42 million.
- The 1% share of retail sales tax increased 5.8% to \$7.9 million.
- Property tax in-lieu of 1% sales tax increased 13.7% to \$2.7 million.
- Other shared retail sales tax (transportation funding allocations) increased by 12.8% to \$6.8 million.
- Transient occupancy tax increased 8.5% to \$7.5 million, driven by an upturn in tourism and business conference travel.
- Total taxes increased by 2.9% to \$241.1 million.

Taxes



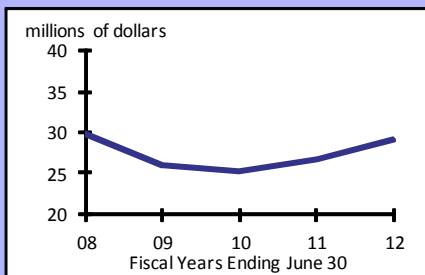
Federal & State



Federal and State (Intergovernmental) Revenues

- As an arm of state government, these multiple program resources are 40% of County funding, and are tied to mandated services such as social services, public assistance, health and mental health.
- State Realignment 2011 AB 109 funding provided \$19 million in revenues for public safety services returning state prisoners to counties for local community supervision and re-entry into the community. It also replaced other funding streams for Health, Social Service and Mental Health programs.
- Total intergovernmental resources driven by reimbursements for mandated programs increased 0.8% to \$306.6 million.

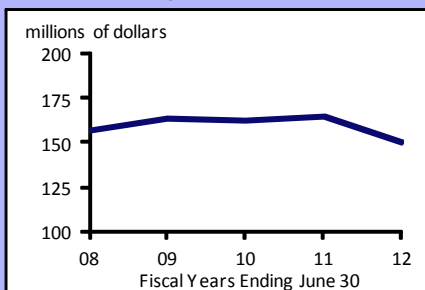
Proposition 172



Prop 172 Public Safety Sales Tax Revenues

- Proposition 172 sales tax revenues increased \$2.5 million, or 9.4%, from the prior year to \$29.2 million.
- This revenue source is a statewide sales tax allocation for public safety programs, and is driven by consumer spending and prices of consumer goods.

Charges for Services



Charges for Services

Charges for services revenue decreased by 8.9% to \$150.1 million. These revenues are driven by program cost reimbursements via federal and state programs, such as Medi-Cal and state Federally Qualified Health Center revenues, and reimbursements from other government agencies, such as city contracts for Sheriff services. The decreases were in the reimbursements for Court Security charges and Medi-Cal related reimbursements.

This report contains information from the County CAFR governmental funds financial statements, with the following exceptions: (1) The capital asset and outstanding debt information on page 7 is derived from the government-wide financial statements, and (2) The enterprise fund information on page 9 is derived from the proprietary fund financial statements. All statements in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP).

FINANCIAL SUMMARY

SANTA BARBARA COUNTY ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES					
Fiscal Years Ended June 30 (in thousands)	2008	2009	2010	2011	2012
Revenues (by source):					
Taxes	\$231,955	\$232,781	\$231,648	\$234,354	\$241,142
Licenses, Permits & Franchises	14,294	13,643	13,223	12,639	12,966
Fines, Forfeitures & Penalties	12,333	13,218	13,527	13,299	10,990
Use of Money & Property	12,173	8,739	6,121	4,582	4,307
Intergovernmental	271,211	286,846	290,440	304,347	306,635
Charges for Services	156,648	163,332	162,525	164,630	150,065
Other	13,637	16,614	17,046	16,372	25,970
Total Revenues	712,251	735,173	734,530	750,223	752,075
Expenditures (by function):					
Policy & Executive	13,290	13,971	13,266	15,661	15,172
Law & Justice	41,875	43,869	44,495	44,256	43,462
Public Safety	189,364	193,291	188,661	197,603	206,682
Health & Public Assistance	287,957	287,110	298,239	307,900	306,842
Community Resources & Facilities	89,859	106,471	100,047	97,672	101,357
General Government & Support Services	48,356	50,736	48,818	47,073	42,791
General County Programs	18,452	22,822	18,449	18,957	12,287
Debt Service	9,237	9,554	12,143	10,539	27,932
Capital Outlay	20,055	7,017	8,639	18,094	15,568
Total Expenditures	718,445	734,841	732,757	757,755	772,093
Net Other Financing Sources (Uses)	17,758	446	19,757	(2,444)	17,604
Prior Period Adjustments for Mental Health Program	(14,203)	2,881	-	-	-
Extraordinary Items	-	-	-	-	(13,092)
Net Change in Fund Balance	(\$2,639)	\$3,659	\$21,530	(\$9,976)	(\$15,506)

Expenditures of \$772.1 million exceeded revenues of \$752.1 million and other financing sources of \$17.6 million by \$2.4 million. An extraordinary item of \$13.1 million is related to the transfer of assets from the RDA to the Successor Agency.

Total revenues increased by 0.3% or \$1.9 million.

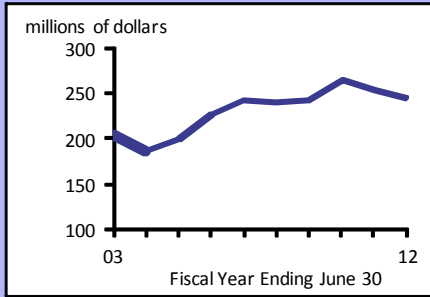
- Taxes increased by 2.9%, or \$6.8 million, due to \$5.0 million in unanticipated revenue returned to the County upon the dissolution of seven RDA's.
- Fines, Forfeitures and Penalties decreased by 17%, or \$2.3 million, generally due to a decrease in delinquent property tax penalty revenue of \$1.4 million.
- Intergovernmental increased by \$2.3 million, or 0.8%, to \$306.6 million. There were significant changes including state realignment 2011 funding for Public Safety of \$19 million and replacement revenue for temporary ARRA funding in previous years, offset by one-time funds received for MHSA and flood control in the prior year.
- Charges for services decreased 9%, or \$14.5 million due to a shift of court funding to 2011 realignment funding and decreases in health care service, Medi-Cal and fire incident reimbursements.
- Other Revenue increased 59%, or \$9.6 million, due to a settlement with the State related to disallowed MISC program costs of \$4.8 million, an increase of \$2.4 million in the value of donations of land and equipment and a \$1.2 million increase related to a hotel project mitigation payment.

Total expenditures increased by 1.9%, or \$14.3 million.

- Debt service expenditures increased by \$17.3 million due to the refinancing and payoff of a 2001 debt instrument. This is offset by a new debt instrument and the proceeds are recorded in other financing sources of \$16.9 million. Without these transactions expenditures exceeded revenues by \$2.4 million over prior year revenues.
- County salaries and benefits, which are the largest category of expenditures for this service delivery organization, increased \$11.9 million, or 2.3%. Regular salary costs were reduced 1.4% by employee concessions. However, pension costs increased 13.2% and health insurance costs increased 5.7%.
- Services, Supplies and Other Charges decreased \$11 million due to a decrease in RDA project cost of the prior year of \$6.0 million, a decrease in Social Services cash assistance and support service payments of \$4.6 million.
- Capital Expenditures decreased by 14%, or \$2.5 to \$15.5 million.
- The extraordinary item of \$13,092 resulted from the transfer of assets from the dissolved County RDA to its Successor Agency.

FINANCIAL TRENDS

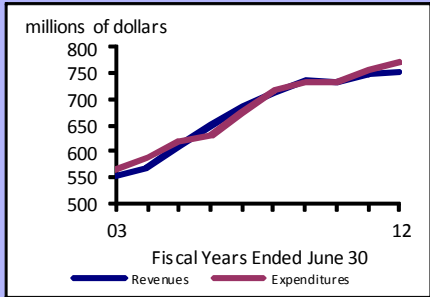
Fund Balance



Fund Balance

- Total governmental funds decreased \$15.5 million, or 5.9%, to \$244.1 million. \$13 million of this decrease was the result of the transfer of assets from the RDA to its successor agency.
- The balance of the General Fund available for appropriation, increased \$18.9 million, or 32%, to \$77.1 million.
- The total General Fund balance is 26% of its annual expenditures, and the spendable General Fund balance is 23% of General Fund annual expenditures.
- The County's General Fund Strategic Reserve, which is earmarked for severe economic downturns and emergencies, ended the year at \$21.8 million.

Revenues and Expenditures



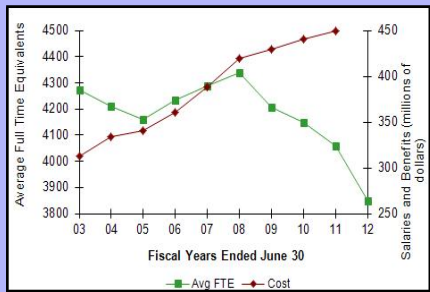
Revenues and Expenditures

- Similar to prior fiscal years, in FY 11-12 total countywide expenditures came in very close to the combined county-wide total revenues and other financing sources, after taking into account the extraordinary item related to the transfer of RDA assets to its Successor Agency.

"County Budget Cutting Away Some Bone"

Santa Barbara Independent June 12, 2012

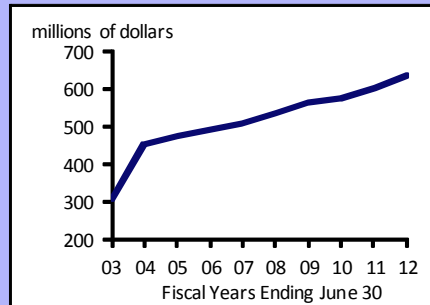
Employees



Employees

- The County reduced its average FTE count by a net 214 to 3,848. Eighty nine (89) of the decrease were related to 840 temporary and part-time community service positions funded by Federal ARRA monies. The remaining decrease of 125 was the result of position cuts in almost every department.
- As a service delivery entity, the cost of employee salaries and benefits of \$441 million was approximately 57% of actual expenditures.

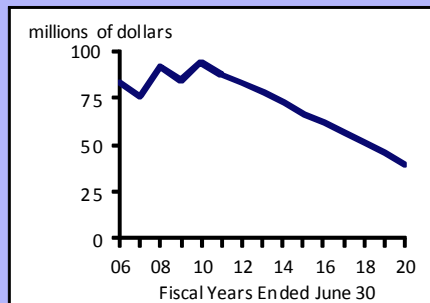
Capital Assets



Capital Assets

- The County's investment in capital assets increased by \$32.7 million, or 5%, to \$635.6 million.
- \$36 million of major project completions included an Emergency Operations Center, Historic Courthouse Public Defender office remodel, Sheriff and Fire Burton Mesa public safety center, photovoltaic solar generation project for the County's Calle Real campus, Tajiguas Landfill liner project, El Colegio Road improvements and Santa Ynez bike lanes.

Outstanding Debt



Outstanding Debt

- Total long-term outstanding indebtedness amounted to \$88.6 million, a decrease of \$3.5 million, or 4%, from the prior year.
- The County has \$84.8 million in outstanding certificates of participation (COP), bonds and notes payable and has a rapid debt repayment plan that will reduce the debt by 60% over the next ten years.
- Tax and Revenue Anticipation Notes (TRAN) of \$40 million were issued in July 2012, a decrease of \$20 million from the previous year. Proceeds from the notes will be used to meet FY 12-13 cash flow requirements.

SERVICES & EXPENDITURES BY FUNCTION

POLICY & EXECUTIVE

Setting policy, adopting the budget and providing legal services are the workload drivers. This functional area decreased 2 FTE to 85 employees, and had expenditures of \$15.2 million.

"Supes Approve Final Redistricting Maps"

Santa Barbara Independent August 3, 2011

LAW & JUSTICE

The District Attorney, Public Defender, and Courts Special Services are charged with protecting the rights and ensuring the safety of the citizens. This functional area decreased 5 FTE to 187 employees, and had expenditures of \$44.4 million.

PUBLIC SAFETY

Protection of the community, including people and their property, through law enforcement, fire protection, custody of adult and juvenile criminals, and probation monitoring of offenders are the workload drivers. This functional area decreased 62 FTE to 1,203 employees, and had expenditures of \$215.7 million.

HEALTH & PUBLIC ASSISTANCE

This functional area strives to improve the health of the community through preventive health services, aiding individuals and families to become emotionally, socially and fiscally self sufficient, serving children and families by enforcing child support orders, and providing a comprehensive array of alcohol, drug and mental health services. With a net decrease of 88 FTE to 1,548 employees, and expenditures of \$296.4 million, these federal and state funded programs serve the less advantaged County residents.

"Supervisors Discuss Drug, Alcohol and Mental Health Services Report"

Key News May 11, 2012

COMMUNITY RESOURCES & PUBLIC FACILITIES

The departments in this functional area are devoted to enhancing the quality of life in the County. They look to preserve and protect natural resources, foster safe long-term land use, develop affordable housing, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible. This functional area decreased 13 FTE to 391 employees, and had expenditures of \$84.1 million.

GENERAL GOVERNMENT & SUPPORT SERVICES

This functional area provides important general government services to the citizens such as elections, and also provides support services to County operations such as payroll and human resources. These departments provide financial integrity for the County, quality services for our largest asset, which is our employees, as well as management of the County's financial assets. This functional area decreased 42 FTE to 328 employees, and had expenditures of \$45.1 million.

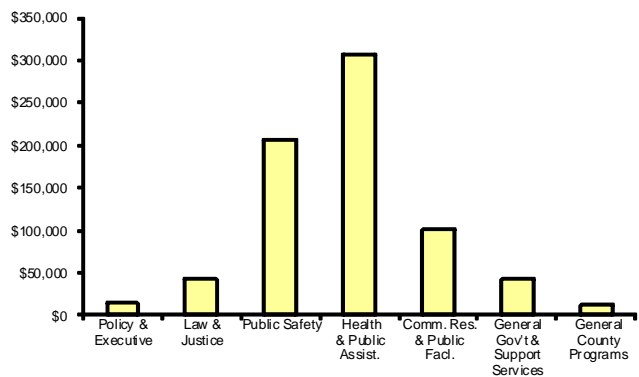
"Bye Bye, Redevelopment Agency"

Santa Barbara Independent February 9, 2012

GENERAL COUNTY PROGRAMS

This area performs functions that are not directly associated with a specific department, such as organizational development. The First 5 Children and Families Commission has its own governing body, but remains a part of the County financial entity in this functional area. Transfers to other government entities, such as libraries, and the Local Agency Formation Commission, are also accounted for in this unit. General County Programs decreased 1 FTE to 13 employees, and had expenditures of \$19.5 million

Governmental Funds Expenditures



ENTERPRISE FUNDS

The County has two enterprise funds: the Resource Recovery and Waste Management fund, and the Laguna County Sanitation District fund. A fee for service revenue structure covers the costs of 92 employees, a decrease of 1 FTE from the prior year, and expenses of \$25.9 million.

TRANSITION TO NEXT YEAR'S BUDGET

	Governmental Funds (in thousands)							
	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Other Gov Funds	Total
Revenues	\$ 356,350	\$ 37,171	\$ 68,265	\$ 119,136	\$ 67,767	\$ 13,337	\$ 90,049	\$ 752,075
Expenditures	(333,836)	(37,171)	(77,551)	(127,525)	(80,242)	(12,903)	(102,865)	(772,093)
Other fin. sources (uses)	(4,100)	2,124	5,213	10,077	6,707	(2,228)	(189)	17,604
Extraordinary Items	(16,345)	-	-	-	-	-	3,253	(13,092)
Change in fund balance	\$ 2,069	\$ 2,124	\$ (4,073)	\$ 1,688	\$ (5,768)	\$ (1,794)	\$ (9,752)	\$ (15,506)

The above table presents the County's General Fund and 5 other distinct major funds. Other Governmental Funds aggregate the 24 other special revenue funds and debt service funds. A few highlights follow:

The County General Fund increased total fund balance by \$2.1 million. Spendable fund balance increased by \$18.9 million due to positive operating results, and nonspendable fund balance decreased by \$16.4 million due to the dissolution of the RDA. The Public Health Fund, with expenditures of \$78 million, decreased fund balance by \$4.1 million, and Mental Health Services, with expenditures of \$80 million, decreased fund balance by \$5.8 million.

Financial Status Summary General Fund (in thousands)

	FY 11-12		
	Adjusted Budget	Actual	Budget Savings
Revenues	\$ 357,656	\$ 356,350	\$(1,306)
Expenditures	(347,042)	(333,836)	13,206
Net other financing uses	(5,728)	(4,100)	1,628
Extraordinary Items	-	(16,345)	(16,345)
Net financial impact	\$ 4,886	\$ 2,069	\$(2,817)

General Fund Balance (in thousands)

	Beginning Balance 7/1/2011	Ending Balance 6/30/2012
Nonspendable	\$ 25,570	\$ 8,780
Restricted	7,844	17,536
Committed	46,096	52,002
Unassigned	4,330	7,591
Total Fund Balance	\$ 83,840	\$ 85,909

- The RDA extraordinary item resulted in a transfer of \$4.0 million of cash, \$1.6 million of restricted cash and \$6.8 million of property to its Successor Agency for distribution to taxing agencies. The RDA also transferred \$2.4 million of cash, \$6.8 million of receivables and \$2.7 million of property to a County Successor Agency Housing Fund.
- The General Fund's fund balance ended the year at \$85.9 million, \$8.8 million representing nonspendable fund balance. The spendable (*restricted, committed, and unassigned*) portion increased to \$77.1 million, or 23%, of FY 11-12 expenditures.

FY 12-13 BUDGET

The County adopted the FY 12-13 County Budget Plan with operating appropriations set at \$800.1 million and capital outlay appropriations of \$37.2 million that includes capital expenditures and infrastructure/capital maintenance.



SANTA BARBARA COUNTY
Recommended Operational Plan | Fiscal Years 2012-13 & 2013-14

Preparing for Future Challenges

Use of Funds Summary	Operating Budget	Percent of Total
<i>Countywide Functions:</i>		
Policy & Executive	\$ 16,625,217	2.1%
Law & Justice	43,769,488	5.5%
Public Safety	211,749,142	26.5%
Health & Public Assistance	305,193,652	38.1%
Community Resources & Public Facil.	122,508,667	15.3%
Support Services	58,928,684	7.4%
General County Programs	4,204,295	0.5%
Expenditure total	762,979,145	95.4%
Capital	37,168,294	4.6%
Total Use of Funds	\$ 800,147,439	100.0%

STATE BUDGET

The State adopted a budget on time relying on a significant tax increase being proposed to the citizens in the November 2012 Statewide election. The State also implemented Realignment 2011 that significantly changed the delivery and funding of local public safety services.

FY 2011-12 FORECAST

ECONOMIC INDICATORS

The County economy is starting to show evidence of emerging growth as consumer spending and tourism improved for the second consecutive year. Local unemployment remains high but notably decreased by 1% to 7.9%. The housing market experienced another bout of price depreciation but there is a slight upturn in building permits and new housing starts.

FINANCIAL INDICATORS

County tax revenues are also showing signs of emerging growth due to the economy. Property Tax is the County's biggest source of revenue and largest discretionary revenue source. Its rate of growth is weak and was affected once again by real property price depreciation. Supplemental Property Tax, a leading indicator of secured property tax growth, dropped by \$1.0 million, or 32%, due to downward adjustments in real property assessed values caused by price depreciation along the South Coast of the County. This is the fourth year with an average growth rate of less than 1% over the last four years. It seems like this is the bottom of the trough. Property transfer tax, which can be an early indicator of future growth in supplemental and secured taxes, increased 8.1%.

Other positive signs of emerging growth include local sales tax increases of 5.7% last year and 5.8% this year. Proposition 172, the statewide Public Safety ½ cent sales tax, increased 6% last year and 9.5% this year. Realignment 1991 ½ cent sales tax funding for Health, Social Services and Mental Health programs is growing at the same rate as the Proposition 172 sales tax. Local Transient Occupancy Tax increased 17% last year and 8.5% this year, driven by improved occupancy and revenues at the local hotels in the unincorporated county.

On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, increased 2.3%. Regular salary costs were reduced 1.4% by employee salary concessions, however, pension costs increased 13.2% and health insurance costs increased 5.7%. Pension rates and pension costs continue to rise significantly because of prior market losses on pension plan assets. Specifically significant losses in calendar years 2008 and 2009 are being absorbed into plan sponsor rates over a smoothed five year period. The value of pension assets bounced back with investment gains in FY 09-10 and FY 10-11, but the returns were only 2% for FY 11-12 against an expected return of 7.75%. The county employer rates will rise moderately from 34.5% to 35.9% of covered payroll for the FY 12-13 budget, but will most likely increase more significantly for the FY 13-14 budget with a rate currently estimated by the SBCERS systems actuary at 38.4%.

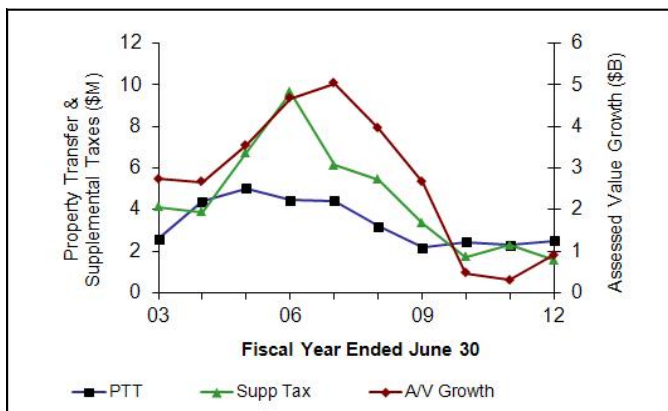
SUMMARY HIGHLIGHTS

FY 12-13	Emerging growth
FY 11-12	Tepid growth
FY 10-11	Mild recovery
FY 09-10	Recession
FY 08-09	Economic stress
FY 07-08	Slowdown
FY 06-07	Moderate growth
FY 05-06	Strong and stable
FY 04-05	Sustainable growth

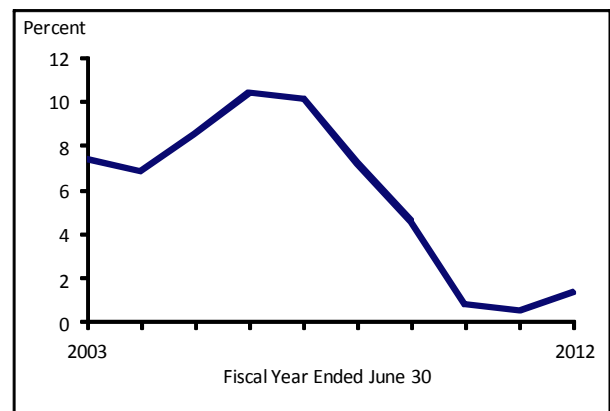
Historical Assessed Value of Property in the County (in billions)

Fiscal Year	Assessed Valuation	Percent Increase
12-13	63.4	1.0%
11-12	62.7	1.4%
10-11	61.9	0.5%
09-10	61.6	0.8%
08-09	61.1	4.6%
07-08	58.5	7.2%
06-07	54.5	10.2%
05-06	49.5	10.4%
04-05	44.8	8.6%
03-04	41.3	6.9%
02-03	38.6	7.6%
01-02	35.9	8.7%
00-01	33.0	8.4%
99-00	30.4	6.0%
98-99	28.7	6.0%
97-98	27.1	3.9%
96-97	26.0	2.8%
95-96	25.3	2.1%
94-95	24.8	1.2%
93-94	24.5	4.1%
92-93	23.5	4.1%

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



Annual Percent Change in Assessed Value Growth Rate



FEDERAL STIMULUS FUNDING FOR THE COUNTY

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

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

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

In the FY 11-12 as the stimulus funds were curtailed, state realignment 2011 replaced some key funding for Health, Mental Health and Social Service programs.

Activities Funded	6/30/2010 Actual	6/30/2011 Actual	6/30/2012 Actual
Public Safety	\$631,534	\$974,559	\$738,967
Roads and Infrastructure	4,905,475	1,240,175	88,054
Capital Projects Fund - Parks	-	358,944	974,209
Health Care	470,340	346,679	-1,186
Medicaid for Mental Health Services Programs	4,189,897	3,751,382	-731,796
SB IHSS Public Authority	-	157,296	-
Child Support Services	1,014,900	232,482	-
WIA Back to Work Programs	1,054,159	3,107,601	-
Development	216,321	754,681	340,225
Municipal Energy Finance	-	246,619	869,223
Net Financial Impact	\$15,664,422	\$12,765,241	\$2,276,007

DEBT RATINGS

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

Standard & Poor's in its May 31, 2010 credit profile assigned an 'AA+' rating to the County's appropriation debt.

The rationale behind the rating reflects the rating agency's view of:

- The long-term general creditworthiness of the County;
- The County's covenants to budget and appropriate debt payments, and
- Rental interruption insurance that covers sublease payments to offset risk to the bondholders.

The 'AA+' rating is based on the following long-term strengths of the County:

- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong unreserved General Fund balances despite limited financial flexibility due to state mandates;
- An experienced management team that has implemented strong financial policies and prudent expenditure controls; and
- Low overall debt levels.

Standard & Poor's, in its May 21, 2012 rating of the County's FY 12-13 \$40,000 Tax and Revenue Anticipation Notes (TRAN), states that the 'SP-1+' rating "reflects the County's very strong underlying general credit characteristics," as well as "strong county-projected debt coverage of 1.69x at maturity."

Learn more about the
Auditor-Controller's Office

and view the County's
financial reports at
www.countyofsb.org/auditor/home.asp.

Comprehensive Annual Financial Report

Single Audit Report

Financial Highlights

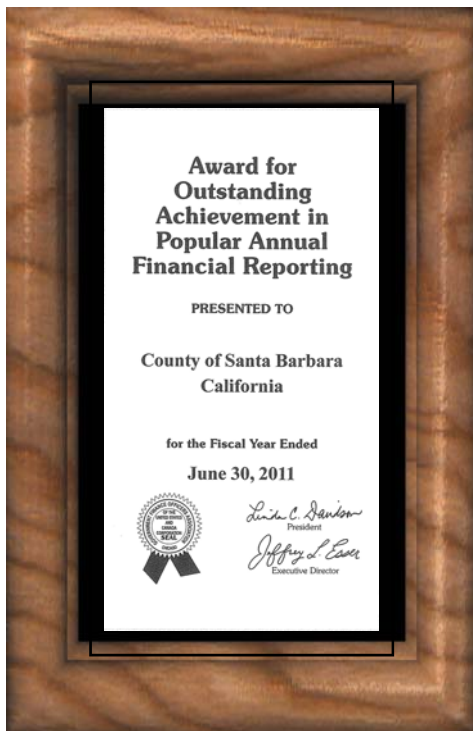
Property Tax Highlights

Retail Sales & Use Tax Highlights

Transient Occupancy Tax Highlights

See the breakdown of your
secured property tax bill at
taxes.co.santa-barbara.ca.us

AWARD FOR OUTSTANDING ACHIEVEMENT



The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Santa Barbara County for its Popular Annual Financial Report for the fiscal year ended June 30, 2011. This was the fifteenth consecutive year that the County has received this award. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we will be submitting it to the GFOA.

Robert W. Geis, CPA, CPFO
Auditor-Controller
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Santa Barbara, CA 93101