

**REDEVELOPMENT AGENCY OF THE
COUNTY OF SANTA BARBARA**

(A Component Unit of the County of Santa Barbara, California)

**ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
June 30, 2005**

Prepared Under the Supervision of

**Robert W. Geis, CPA
Auditor-Controller**

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
ANNUAL FINANCIAL REPORT
JUNE 30, 2005

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INTRODUCTORY SECTION
(Unaudited)



COUNTY OF SANTA BARBARA

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Auditor-Controller

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OFFICE OF THE AUDITOR-CONTROLLER

March 10, 2006

To the Citizens of Santa Barbara County:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2005.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

KPMG LLP has issued an opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2005. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Redevelopment Agency

Agency Officers:

Board of Directors

Joe Centeno — Fifth District Supervisor
Joni Gray, Vice Chair — Fourth District Supervisor
Brooks Firestone — Third District Supervisor
Susan Rose, Chair — Second District Supervisor
Salud Carbajal — First District Supervisor

Policy & Executive

Michael F. Brown
County Executive Officer (CEO)
Agency Executive Director and Secretary

Robert W. Geis, C.P.A.
County Auditor-Controller
Agency Treasurer

Agency Staff

Jamie Goldstein
Agency Deputy Director

Profile of the Redevelopment Agency – continued

Basic Profile:

Isla Vista Redevelopment Project

In 1990 the Santa Barbara County Board of Supervisors (the Board) established the Redevelopment Agency of the County of Santa Barbara (Agency) and established an Isla Vista Project Area (IVPA). The redevelopment plan goals were to remedy, remove, and prevent physical blight and economic obsolescence in the project area; increase open space and protect environmentally sensitive areas; improve the supply of affordable housing; enhance the livability of the residential areas; provide for enhancement and renovation of businesses; address street improvements and promote public improvement facilities.

The Isla Vista Project Area is an unincorporated community surrounded by the University of California, Santa Barbara (UCSB), the City of Goleta, and the Pacific Ocean. Although densely populated and burdened with inadequate parking, older buildings, and urban design problems, the active 423-acre community enjoys a physical setting of great beauty overlooking the Pacific.

The project area is home to more than 21,000 residents. A significant portion of the residents are students at UCSB. However, the community also includes a number of long-term owner occupant and lower-income renter households. The project area includes a variety of single-family, multi-family, commercial and light-industrial uses.

Redevelopment — An Overview

Redevelopment is the primary means in California by which local governments revitalize deteriorating and blighted areas of their communities. The primary criterion that allows a city or county to initiate a redevelopment project is the presence of "blight". Blight's legal definition includes a list of specific conditions, such as:

- Buildings that are unsafe or unhealthy for occupancy due to code violations, dilapidation, defective design, faulty utilities, etc.
- Factors that prevent or hinder the economically viable use of buildings or lots, due to substandard design, inadequate size, lack of parking, etc.
- The lack of adequate public infrastructure.

The Board of Supervisors established the Isla Vista Project Area through a determination of blight. Specifically, it was determined that the area was characterized by properties suffering from economic dislocation, deterioration or disuse because of faulty planning, the laying out of lots in disregard to the contours and other topography of the ground, and the existence of inadequate public facilities and open spaces which could not be remedied by private or governmental action without redevelopment.

Redevelopment agencies (RDAs) have most of the powers typical for a local government, plus three that are unique to RDAs. Powers unique to an RDA include the ability to:

- Buy private property for *resale* to another *private* person or organization.
- Use eminent domain through condemnation to acquire private property for *resale* to another *private* person or organization.

Profile of the Redevelopment Agency – continued

- Collect property tax "*increment*" to finance redevelopment; however, but RDAs may not levy a tax (or assessment) of any kind.

It is this last power that provides redevelopment agencies with a stable, long-term funding source, unlike many state and federal programs.

Tax Increment — An Overview

Without redevelopment, a blighted area's property value will likely remain depressed. As a redevelopment agency invests money in a project area, it generates new private investment leading to increased property values, which in turn result in increased property taxes. As property tax revenues rise, most of the increase — the tax increment — goes to the redevelopment agency to finance programs and repay debt. Ultimately this will benefit the other taxing agencies when the redevelopment project terminates.

Although tax increment is derived from property tax revenue, once that revenue is allocated to a redevelopment agency as tax increment, it takes on a character of its own with specific restrictions and limitations that do not apply to property tax.

By California law, redevelopment agencies are allocated tax increment to pay the principal and interest on loans, advances and other indebtedness incurred by the agency to finance the project. In fact, redevelopment agencies *must* establish debt in order to receive tax increment. Also by law, RDAs must expend at least 20% of their tax increment funds on low- to moderate-income housing.

Component Unit Reporting: Under reporting requirements prescribed by accounting principles generally accepted in the United States of America (GAAP) adopted by the Governmental Accounting Standards Board (GASB), the Agency's results of operations are also reported in the County of Santa Barbara, California's (County's) comprehensive annual financial report. This treatment is due to the requirement that municipal organizations include in one report all operations financially accountable to the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the County's comprehensive annual financial report as the Board also acts as the Agency's governing board. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made by the inclusion of the Agency's financial results in the County's annual financial report. The Agency remains separate for all legal purposes. Accordingly, the Agency's financial statements are issued as a separate component unit of the County.

Budgeting: The Agency is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the Agency's financial planning and control. Budgets are adopted for all governmental funds and are prepared on the modified accrual basis of accounting. The legal level of budgetary control is maintained at the fund, department, and object level. The Board of Directors must approve amendments or transfers of appropriations as well as items relating to fixed assets or designations. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Board. The Board has delegated the authority to approve amendments or transfers of appropriations between object levels within the same department to the County Executive Office.

Factors Affecting Financial Condition

Economy:

Santa Barbara County and the IVPA showed sustainable growth in FY 04-05 and indicators show next year will continue to have a strong economic base. The following highlights are evidence of the changing economy.

Employment:

- The County's unemployment rate has decreased from 4.7% to 4.3%.
- Over the past 4 years, total jobs in the County have increased 3.1% or 5,566 net new jobs.
- The County's largest employer is UCSB with over 8,400 employees. The university borders the Isla Vista community, which houses a significant portion of the UCSB student population.

Income:

- The average annual salary for the County was \$36,098, an increase of 3.1%. However, the average annual salary is much lower in the Isla Vista community because of the student population.
- Santa Barbara per capita income in the Census 2000 was \$23,059 while Isla Vista per capita income was \$7,644.

Retail Sales:

- County retail sales increased 4.4% to \$5.6 billion. IVPA retail sales are \$1.9 million.

Real Estate:

- Santa Barbara County home prices rose in 2004 at the most rapid rate in history.
- The County median home price of \$557,000 is up from \$402,700 in 2003.
- The County housing-affordability index fell dramatically from 17.4% to 11.7% due to rapid price appreciation and a stagnant distribution of household income.
- County non-residential valuations decreased 9% to \$118 million.
- A student residential facility in Isla Vista sold for \$42 million in FY 04-05 becoming the IVPA's largest taxpayer.

Tourism:

- South Coast hotel and motel occupancy rates were 73.6% in 2004, up from 71.2% in 2003, which was a recent low.
- Both of the County's commercial airports continue to show passenger gains as tourism continues to recover.
- There is one small hotel presently located in the community of Isla Vista. However, the university draws many visitors for overnight stays in the surrounding cities and county.

Factors Affecting Financial Condition – continued

Financial Indicators:

In the County we are experiencing significant increases in property tax revenue. However, the County believes the growth rate will peak at 10.4% in FY 05-06. Our other economic driven revenue accounts grew moderately. Currently, the California coffers appear to be full, however it is not clear for how long and State budget reductions are still taking away resources from the County and the Agency through FY 05-06. The County is absorbing these cuts by approving only modest increases to salaries and benefits for a large part of the organization. We believe that next year revenues will again outpace expenses for the County and the Agency.

Economic Indicators:

The U.S. economy appears that it will continue to grow next year, but California's growth will not approach that of the U.S. and Santa Barbara's economy is performing at a level below the State's. However, the acceleration of the value of real estate has fueled local revenue growth at the Agency, County and State levels. This real estate growth rate appears unsustainable and we expect it to slow but remain positive.

Major Initiatives:

Reorganization of the Redevelopment Agency

The Agency's oversight was transferred from the Planning and Development Department and placed under the auspices of the County Executive Office in April 2005. A proposed \$1.2 million budget for FY 05-06 includes an Agency deputy director position to manage the Agency, a Redevelopment coordinator position, a contract for a consultant to act as a senior advisor for the agency, a consulting firm to finish the Master Plan adoption process and funding to design and engineer various IVPA projects like a Pardall Road improvement project and the Anisq' Oyo Park project. The CEO, a deputy CEO, the Auditor-Controller, a Financial Systems Analyst and the Third District Supervisor and staff will also be active in the Agency's management and activities.

Isla Vista Master Plan

In June 2000, Santa Barbara County adopted a Memorandum of Understanding (MOU) between UCSB, the Isla Vista Recreation and Park District, and the Agency that guides the preparation of a Master Plan for Isla Vista. The Master Plan will accomplish two goals. First, it will identify specific goals, policies, and development standards for Isla Vista that will update and complement the existing Countywide Comprehensive Plan and Goleta Community Plan. Second, the Master Plan will identify specific catalyst projects. These catalyst projects will be designed to improve the commercial core, housing, transportation, parking, and infrastructure. Redevelopment is an essential tool that will be used to implement these catalyst projects and eliminate blight.

In Fall 2001, a Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) was formed to help facilitate civic participation and review potential amendments to the Redevelopment Plan. More than 50 PAC/GPAC meetings have been held in the community since December 2002 and an initial working draft of the Master Plan was released in March 2003.

Factors Affecting Financial Condition – continued

Currently, staff is preparing the environmental impact review (EIR) document for the Isla Vista Master Plan. It is anticipated that the EIR will be available for public review in Spring 2006, and Planning Commission adoption hearings will begin in Summer 2006. Final adoption of the Plan by the County Board of Supervisors is expected in late 2006.

One of the catalyst projects being processed in advance of the Master Plan is a parking program that will prioritize spaces for residents and downtown businesses. The proposed parking program is a community-driven program that was created to enable Isla Vista residents to park on the streets in their neighborhood. The purpose of the program is to:

- Resolve long-standing parking issues in Isla Vista.
- Improve access to local businesses.
- Provide coastal access parking.
- Return parking on Isla Vista streets to Isla Vista residents.

Sidewalk Improvements and Street Trees

Taking an “action while planning” approach, in 2004 the Agency, in partnership with the County Public Works Department, helped to fund and implement a downtown street tree project in Isla Vista. The project resulted in the installation of more than 30 downtown street trees and improvements to more than 3,000 square feet of sidewalk.

Bluff top land acquisition

\$100,000 in Agency funds was contributed to the County and matched with \$1.5 million in County grants and other funding sources and \$1.1 million from the sale of two County-owned bluff top parcels to acquire five parcels to be added to an existing undeveloped county park.

Villa Del Sol housing Project

\$357,544 of the Agency’s Low/Moderate Income Housing Set Aside funds was used for the acquisition and substantial rehabilitation of four housing units for eight developmentally disabled adults.

Project Work Program for FY 05-06

- Develop new high quality mixed-use development in downtown Isla Vista by working with private property owners and forging development agreements.
- Acquire and develop a site for a surface parking lot in the downtown area of Isla Vista.
- Improve the Pardall Road streetscape with improved sidewalks and landscaping.
- Resolve existing deficiencies and commence the redesign of the downtown Anisq’ Oyo’ park.
- Work with Public Works and UCSB to improve transportation levels of service on El Colegio road which is the gateway to Isla Vista and a main artery to the University.

Factors Affecting Financial Condition – continued

- Increase on-street parking on Camino Corto road and improve pedestrian and bike access.
- Work on a site plan for Estero Park to improve recreation opportunities in Isla Vista.

Other Projects in the Isla Vista Area not managed by the Agency

- Continuation of street tree planting program.
- Continue work on a long-term comprehensive parking plan while also providing short-term parking solutions in the commercial area.
- Work with the Metropolitan Transit District to fund new bus shelters throughout Isla Vista.
- Add new sidewalks in areas of heavy foot traffic.

Long-term financial planning:

The Agency's property tax increment grew 21% in FY 04-05 primarily from the sale of three properties. In addition, a major privately held student housing complex was purchased for \$42 million in FY 04-05 and will become the largest taxpayer for the project area next year. This sale will directly increase tax increment again in FY 05-06.

In January 2006, the CEO department will lead an effort to adopt a broader, long-term and strategic plan for the Isla Vista area. The Agency will be a tool to assist in executing the broader plan, but will not be the lead agency. This effort will not only involve the Agency but other County departments such as Public Works, Sheriff and Fire in addition to other Community organizations, especially UCSB. The goal is to outline the long-term needs and services of the Isla Vista area and develop the funding sources needed to provide the services.

The Agency will prepare, based on the requirements of State law, an update to the Agency's five-year implementation plan. The Agency also plans to prepare a long-term tax increment revenue schedule over the life of the Agency. Using these revenues, the Agency will also prepare a long-term project implementation plan that includes the potential use of Agency debt financing and Agency pay-as-you go financing to fund project implementation.

Relevant financial policies:

As noted earlier, redevelopment agencies have most of the powers typical for a local government, plus three that are unique to RDAs. RDA specific powers include:

- Buy private property for *resale* to another *private* person or organization.
- Use eminent domain (condemnation) to acquire private property for *resale* to another *private* person or organization.
- Collect property tax "*increment*" to finance the redevelopment; however, RDAs may not levy a tax (or assessment) of any kind.

The Agency gave up the first two of these unique powers in the IVPA, which could affect its long-term ability to be effective.

As the IV Master Plan moves toward project implementation, the Agency will need to consider and adopt financial policies related to multi-year financial forecasting, pay-as-you go capital funding, debt affordability, quarterly financial monitoring and a long-term capital spending plan.

Other Information

Independent Audit: Every redevelopment agency in the State of California per Health and Safety Code Section 33080.1 shall have prepared an independent financial audit for the financial statements of the agency. The audit shall be conducted by a certified public accountant, licensed by the State of California and completed within six months of the end of the agency's fiscal year. The report is required to be submitted to its legislative body within 30 days of receipt of the audit report.

Acknowledgments: The preparation of the Annual Financial Report and its timely issuance is the result of a concentrated, dedicated, and coordinated effort by Auditor-Controller and Redevelopment Agency staff. We would like to acknowledge the special efforts of the Financial Reporting Division and our independent auditors, KPMG LLP, for their assistance in the report preparation.

Respectfully submitted,

Michael F. Brown
Agency Executive Director and Secretary
County Executive Officer

Robert W. Geis, CPA
Agency Treasurer
County Auditor-Controller

FINANCIAL SECTION



MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is unaudited, but is presented as required supplementary information for the benefit of the readers of the comprehensive annual financial report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the Redevelopment Agency of the County of Santa Barbara, California (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the fiscal year by \$1,135,803 (*net assets*):

- \$2,314,995 (*Restricted net assets*) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- (\$1,179,192) (*Unrestricted net deficit*) represents the amount that is needed to meet all the Agency's obligations to citizens and creditors. In prior years, the Agency borrowed money from the County which was then subsequently contributed to the County for the County's acquisition of open space property (land). The Agency pledged tax increment revenues to repay the advance payable to the County. The balance of this advance payable (\$1,913,449) with interest payable (\$45,190) less current assets of \$779,447 results in the unrestricted net deficit as of June 30, 2005.

The Agency's total net assets increased \$648,131 during the current fiscal year. The increase in unrestricted net assets represents revenues that exceeded expenses for the current year.

The Agency's total governmental funds fund balance at June 30, 2005 was \$3,094,442, an increase of 11%, or \$352,648 from the prior year, which is *available for spending (unreserved fund balance)*. Unreserved fund balance for the General Fund at year-end was \$779,447, or 55%, of total General Fund expenditures and financing uses for the year.

The Agency does not have an investment in capital assets. As of June 30, 2005, the Agency had total long-term liabilities of \$1,913,449.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Agency's financial statements. The Agency's financial statements include three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

Government-wide financial statements. The *government-wide financial statements* provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets are a useful indicator of an improving or deteriorating Agency financial position. The *statement of activities* presents the most recent fiscal year changes for the Agency's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow effects in future fiscal periods (e.g. accrued interest on long-term debt).

Pages 17-18 of this report display the government-wide financial statements.

Fund financial statements. A *fund* groups related accounts used to maintain control over resources segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the Agency's near-term financing requirements.

The focus of governmental funds is narrower than that of the government-wide financial statements. To understand the long-term impact of the Agency's near-term financing decisions, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. The reconciliations of the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide financial statements facilitate the comparison between *governmental funds* and *governmental activities*.

The Agency maintains two individual governmental funds, all of which are major funds: the General Fund and the Isla Vista Housing Fund.

The Agency adopts an annual appropriated budget for all of its operating funds. The budgetary comparison statements provided for the General Fund and each major special revenue fund demonstrates performance against these budgets.

Pages 19-22 of this report display the governmental funds financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Change	
	Restated* 2004	2005	Dollars	Percent
Current and other assets	\$ 2,766,229	\$ 3,097,704	\$ 331,475	12%
Total assets	<u>2,766,229</u>	<u>3,097,704</u>	<u>331,475</u>	12%
Current and other liabilities	75,108	48,452	(26,656)	(35%)
Long-term liabilities	2,203,449	1,913,449	(290,000)	(13%)
Total liabilities	<u>2,278,557</u>	<u>1,961,901</u>	<u>(316,656)</u>	(14%)
Net assets:				
Restricted	1,965,944	2,314,995	349,051	18%
Unrestricted	(1,478,272)	(1,179,192)	299,080	20%
Total net assets	<u>\$ 487,672</u>	<u>\$ 1,135,803</u>	<u>\$ 648,131</u>	133%

* See note 5 of the notes to the financial statements on page 29 for restatement.

As noted earlier, net assets over time is a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1,135,803 (net assets) at the close of the current fiscal year, an increase of \$648,131 over the prior year.

Both the components of total net assets increased this year as follows:

- Restricted net assets, \$2,314,995, represents resources subject to external restrictions on their use and are comprised totally of net assets restricted for low-income housing. Total restricted net assets increased by \$349,051 from the prior year due to an increase in restricted net assets for low-income housing as revenues exceeded expenses in the housing program in the current fiscal year.
- Unrestricted net deficit of (\$1,179,192) represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. In prior years, the Agency borrowed money from the County which was then subsequently contributed to the County for the County's acquisition of open space property (land). The Agency pledged tax increment revenues to repay the advance payable to the County. The balance of this advance payable (\$1,913,449) with interest payable (\$45,190) less current assets of \$779,447 results in an unrestricted net deficit. The \$299,080 increase in the unrestricted net deficit is primarily due to a payment on long-term obligations in the current year.

Governmental activities. The Agency's net assets increased by \$648,131 for the year ended June 30, 2005 as operating revenues exceeded operating expenses.

Condensed Statement of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Change</u>	
	<u>Restated*</u>			
Revenues	<u>2004</u>	<u>2005</u>	<u>Dollars</u>	<u>Percent</u>
Program Revenue				
Operating grants and contributions	\$ 152,883	\$ 26,479	\$ (126,404)	(83%)
General revenues:				
Property tax increment	1,682,210	2,036,648	354,438	21%
Investment earnings	15,429	67,086	51,657	335%
Total revenues	<u>1,850,522</u>	<u>2,130,213</u>	<u>279,691</u>	15%
Expenses				
Project administration	515,447	433,237	(82,210)	(16%)
Isla Vista Project Area	255,877	953,877	698,000	273%
Interest on long-term obligations	130,102	94,968	(35,134)	(27%)
Total expenses	<u>901,426</u>	<u>1,482,082</u>	<u>580,656</u>	64%
Increase in net assets	949,096	648,131	(300,965)	(32%)
Net Assets (deficit) - beginning, as restated	<u>(461,424)</u>	<u>487,672</u>	<u>949,096</u>	(206%)
Net Assets - ending	<u>\$ 487,672</u>	<u>\$ 1,135,803</u>	<u>\$ 648,131</u>	133%

* See note 5 of the notes to the financial statements on page 29 for restatement.

Revenues. Total revenues for the Agency were \$2,130,213, an increase of 15% from the prior year and primarily related to the following:

- Property tax increment is the main source of revenue for the Agency and is derived from local property tax revenue. This source accounted for 96% of the Agency's revenue in the current fiscal year. Property

tax increment revenue increased \$354,348 or 21% over the prior year primarily due to three major property sales in the project area.

- Investment earnings increased by \$51,657 or 335%, to \$67,086. This increase was driven by both an increase in the County's annual investment pool earnings rate from 2.28% to 2.42%, and a higher Agency cash balance throughout the year.
- Operating grants and other revenues decreased by \$126,404 over the prior year to \$26,479. The Agency received a one-time multi-modal transportation grant in the prior year.

Expenses. Total expenses for the Agency were \$1,482,082, an increase of 64% from the prior year, and primarily related to the following:

- Project administration expenses of \$433,237, which included a \$217,956 contribution to the State required by State budget reductions imposed on redevelopment agencies, \$55,063 in statutory property tax administration fees, \$100,175 in Planning and Development costs for executing projects, \$43,724 in central service department cost allocations, \$10,000 in financial statement audit fees and other administrative expenditures of \$6,319.
- Isla Vista Project Area costs of \$953,877, which included IV Master Plan costs of \$421,540, contribution to the County for bluff-top land purchases of \$100,000, streetscape project costs of \$20,000, El Colegio road project costs of \$22,450, parking program project costs of \$9,288, and private development agreement project costs of \$23,055. Also, \$357,544 of the Agency Low/Moderate Income Housing Set Aside funds were used for the Villa Del Sol Housing Project for the acquisition and substantial rehabilitation of four housing units for eight developmentally disabled adults in Isla Vista. The increase of \$698,000 over the prior year was due to this housing project and the contribution to the County for bluff-top land purchases.
- Interest on long-term obligations of \$94,968 was paid on the advance payable to the County.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Agency uses fund accounting to demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. The Agency's governmental funds statements are very similar to the government-wide statements with only long-term obligations principal payments and accrued interest as reconciling items between the two sets of statements. However, *unreserved fund balance* is a useful measure of a government's resources available for spending at the end of the fiscal year.

- At June 30, 2005, the Agency's governmental funds reported total fund balances of \$3,094,442, a 13%, or \$352,648, increase in comparison with the prior year.
- *Unreserved fund balance* constitutes all of the total fund balances that are available to meet the Agency's current and future needs. The Agency's General Fund fund balance increased \$3,597 to \$779,447, less than 1%.
- The Isla Vista Housing Fund fund balance is \$2,314,995, an increase of \$349,051, or 18% over prior year, due to increased tax increment revenues without a correlating increase in expenditures.

Property Tax Increment Revenue. The County levies, collects, and apportions property taxes for all taxing jurisdictions, including schools, cities, and special districts within the County. The Agency receives all property tax revenues over the base year as property tax increment and is subject to legislative and contractual reductions. Of the base property tax increment, 20% is required to be set aside for low and moderate income housing needs to offset the negative fiscal impacts of redevelopment. In addition, the Agency is required to make pass-throughs to other governmental agencies, which would have received the property tax, if not for the Agency.

The following table depicts the County's calculation of property tax increment allocated to the Agency's General Fund amounting to \$1,383,914 and \$652,734 to the Agency's Isla Vista Housing Fund for low and moderate-income housing.

Base Property Tax Increment	\$ 2,881,931
Add: Supplemental Property Tax Increase	381,762
Subtotal	<u>3,263,693</u>
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(652,734)
Less: Pass-throughs to other Government Agencies	<u>(1,232,774)</u>
Subtotal	1,378,185
Add: Bond Rate Increment not subject to Set Aside or Pass-through	5,729
Total Allocated to Redevelopment Agency General Fund	<u><u>\$ 1,383,914</u></u>

General Fund Budgetary Highlights

The Agency's Board of Directors adopts a budget as part of the County budget process. The budget is proposed in early June and adopted before the start of the fiscal year. During the year, the Board can revise the budget at any scheduled board meeting. Final budgeted expenditures (including transfers out) were adjusted to \$1,499,290 from the original budgeted amounts of \$1,208,180, a \$291,110 increase. The increase was primarily due to \$184,000 in unanticipated additional Master Plan expenditures, \$100,000 contributed to the County for the purchase of open space, and an \$87,110 unanticipated additional contribution to the Educational Revenue Augmentation Fund required by State imposed revenue shifts.

Actual revenues exceeded final budgeted estimates by \$132,090 mainly due to a higher than expected property tax increment. Actual expenditures were less than budgetary appropriations by \$79,269. The General Fund budget and actual statement can be found on page 21 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. Redevelopment agencies generally do not invest in capital assets unless they plan to hold assets on a temporary basis for redevelopment purposes. The goals are to keep assets in the private sector, encourage redevelopment and increase the property tax base to generate tax increment to be used for public improvements and revitalization of blighted areas. As of June 30, 2005, the Agency has no capital assets.

Long-term obligations. At June 30, 2005, the Agency had total long-term obligations outstanding of \$1,913,449 consisting of an advance from the County. The Agency's total long-term obligations decreased by \$290,000, or 13%, during the fiscal year due to a principal payment on the outstanding balance. The proceeds of this advance were contributed to the County for the County's purchase of bluff-top open space properties (land) in the early 90's. To continue to receive tax increment for redevelopment purposes, the Agency must incur indebtedness through borrowings or contracts.

Agency's Outstanding Obligations

	Governmental Activities		Change	
	Restated*		Dollars	Percent
	2004	2005		
Advance Payable to County	\$ 2,203,449	\$ 1,913,449	(290,000)	(13%)

* See note 5 of the notes to the financial statements on page 29 for restatement.

See note 3 to the financial statements for additional information on long-term obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the Agency's FY05-06 budget, the Agency has considered the FY04-05 growth in the real estate markets in the Isla Vista Project Area that generated a 21% increase in property tax increment to the Agency. Assessed property valuation in the Agency's project areas drives the Agency's main revenue source, property tax increment, and the Agency has included an 11% increase in this tax source in its FY05-06 budget.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Agency's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Santa Barbara County Auditor-Controller, PO Box 39, Santa Barbara, CA 93102-0039.



FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
STATEMENT OF NET ASSETS
AS OF June 30, 2005

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 3,076,012
Investment income receivable	21,692
Total assets	<u>3,097,704</u>
LIABILITIES	
Accounts payable	3,262
Interest payable	45,190
Long-term obligations (Note 3):	
Portion due or payable in one year:	
Advance payable to County	315,000
Portion due or payable after one year:	
Advance payable to County	<u>1,598,449</u>
Total liabilities	<u>1,961,901</u>
NET ASSETS	
Restricted for low and moderate income housing (Note 4)	2,314,995
Unrestricted	<u>(1,179,192)</u>
Total net assets	<u>\$ 1,135,803</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED June 30, 2005

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Governmental Activities</u>
Governmental activities:			
Project administration	\$ 433,237	\$ --	\$ (433,237)
Isla Vista Project Area	953,877	26,479	(927,398)
Interest on long-term obligations	94,968	--	(94,968)
Total governmental activities	<u>1,482,082</u>	<u>26,479</u>	<u>(1,455,603)</u>
	General Revenues:		
	Property tax increment		2,036,648
	Investment earnings		67,086
	Total general revenues		<u>2,103,734</u>
	Change in net assets		648,131
	Net assets - beginning, as restated (note 5)		487,672
	Net assets - ending		<u>\$ 1,135,803</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF June 30, 2005

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments (Note 2)	\$ 775,864	\$ 2,300,148	\$ 3,076,012
Investment income receivable	<u>6,845</u>	<u>14,847</u>	<u>21,692</u>
Total assets	<u>\$ 782,709</u>	<u>\$ 2,314,995</u>	<u>\$ 3,097,704</u>
LIABILITIES & FUND BALANCE			
LIABILITIES			
Accounts payable	<u>\$ 3,262</u>	<u>\$ --</u>	<u>\$ 3,262</u>
FUND BALANCES			
Unreserved Fund balances:			
Undesignated, reported in:			
General fund	779,447	--	779,447
Special revenue fund	<u>--</u>	<u>2,314,995</u>	<u>2,314,995</u>
Total fund balances	<u>779,447</u>	<u>2,314,995</u>	<u>3,094,442</u>
Total liabilities & fund balance	<u>\$ 782,709</u>	<u>\$ 2,314,995</u>	<u>\$ 3,097,704</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund balances - total governmental funds	\$ 3,094,442
Accrued interest on long term obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(45,190)
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,913,449)</u>
Net assets of governmental activities	<u>\$ 1,135,803</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED June 30, 2005

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax increment	\$ 1,383,914	\$ 652,734	\$ 2,036,648
Investment income	19,704	47,382	67,086
Intergovernmental revenues	20,000	--	20,000
Charges for services	--	--	--
Other revenues	--	6,479	6,479
Total revenues	<u>1,423,618</u>	<u>706,595</u>	<u>2,130,213</u>
EXPENDITURES			
Current:			
Project administration	\$ 433,237	--	433,237
Isla Vista Project Area	596,333	357,544	953,877
Transfers to County for debt service:			
Principal	290,000	--	290,000
Interest	100,451	--	100,451
Total expenditures	<u>1,420,021</u>	<u>357,544</u>	<u>1,777,565</u>
Net change in fund balances	<u>3,597</u>	<u>349,051</u>	<u>352,648</u>
Fund balances - beginning, as restated (note 5)	<u>775,850</u>	<u>1,965,944</u>	<u>2,741,794</u>
Fund balances - ending	<u>\$ 779,447</u>	<u>\$ 2,314,995</u>	<u>\$ 3,094,442</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ 352,648
Principal payments on long-term obligations use current financial resources and net assets.	290,000
The decrease in accrued interest on long-term obligations does not increase current resources but is recorded as an increase in expenses in the statement of activities.	5,483
Change in net assets (Statement of Activities, Governmental Activities)	<u>\$ 648,131</u>

The notes to the financial statements are an integral part of this statement.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax increment	\$ 1,157,528	\$ 1,261,528	\$ 1,383,914	\$ 122,386
Investment income	10,000	10,000	19,704	9,704
Intergovernmental revenues	20,000	20,000	20,000	--
Total revenues	<u>1,187,528</u>	<u>1,291,528</u>	<u>1,423,618</u>	<u>132,090</u>
EXPENDITURES				
Current:				
Project administration	427,177	464,287	433,237	31,050
Isla Vista Project Area	384,823	638,823	596,333	42,490
Transfers to County for debt service:				
Principal	290,000	290,000	290,000	--
Interest	106,180	106,180	100,451	5,729
Total expenditures	<u>1,208,180</u>	<u>1,499,290</u>	<u>1,420,021</u>	<u>79,269</u>
Net change in fund balances	(20,652)	(207,762)	3,597	211,359
Fund balances - beginning	775,850	775,850	775,850	--
Fund balances - ending	<u>\$ 755,198</u>	<u>\$ 568,088</u>	<u>\$ 779,447</u>	<u>\$ 211,359</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
ISLA VISTA HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property tax increment	\$ 574,236	\$ 574,236	\$ 652,734	\$ 78,498
Investment income	30,000	30,000	47,382	17,382
Other revenues	--	--	6,479	6,479
Total revenues	<u>604,236</u>	<u>604,236</u>	<u>706,595</u>	<u>102,359</u>
EXPENDITURES				
Current:				
Isla Vista Project Area	<u>600,045</u>	<u>600,045</u>	<u>357,544</u>	<u>242,501</u>
Total expenditures	<u>600,045</u>	<u>600,045</u>	<u>357,544</u>	<u>242,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,191</u>	<u>4,191</u>	<u>349,051</u>	<u>344,860</u>
OTHER FINANCING SOURCES (USES)				
Transfers to County	<u>(60,000)</u>	<u>(60,000)</u>	<u>--</u>	<u>60,000</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>--</u>	<u>60,000</u>
Net change in fund balances	(55,809)	(55,809)	349,051	404,860
Fund balances - beginning	<u>1,965,944</u>	<u>1,965,944</u>	<u>1,965,944</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,910,135</u>	<u>\$ 1,910,135</u>	<u>\$ 2,314,995</u>	<u>\$ 404,860</u>

The notes to the financial statements are an integral part of this statement.



**NOTES TO THE
FINANCIAL STATEMENTS**

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Redevelopment Agency of the County of Santa Barbara (Agency) was formed and the County of Santa Barbara (County) Board of Supervisors was declared to be the Board of Directors of the Agency by Ordinance No. 3779 on September 12, 1989. On November 27, 1990, the first redevelopment plan (the Isla Vista Redevelopment Project Area) was approved by Ordinance No. 3894.

The Agency was established pursuant to Section 33200 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the County, even though the County Board of Supervisors (Board) serves as the Agency's governing board.

The actions of the Agency are binding. Its appointed representatives transact all business, including the incurrence of long-term debt, in the Agency's name. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the project area through acquisition and development of property in those areas of the project area determined to be in a declining condition.

With a significant amount of public involvement, mainly through the Project Area Committee (PAC), objectives of the Redevelopment Plan were defined.

The Agency has been determined to be a blended component unit of the County under accounting principles generally accepted in the United States of America (GAAP) adopted by the Governmental Accounting Standards Board (GASB). As such, the results of its operations are also included in the County's Comprehensive Annual Financial Report.

The Agency does not have any employees. The County provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement with the County. For the year ended June 30, 2005, the Agency paid \$143,899 to the County for such services. These services are recorded as project administration function expenses in the Agency's General Fund.

New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 46

For fiscal year ended June 30, 2005, the Agency early implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34". This Statement is effective for fiscal periods beginning after June 15, 2005. This Statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the county – such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact on the Agency's financial statements for the year ended June 30, 2005, but required additional disclosure related to restricted net assets (see Note 4).

Financial Statements

In accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34), the financial statements consist of:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The government-wide financial statements distinguish programs of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other programs that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Agency include Project Administration and the Isla Vista Project Area.

The statement of activities demonstrates the degree to which the direct expenses of a given program or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the Agency considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the Agency considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, interest income is considered to be susceptible to accrual and has been recognized as revenue in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the Agency are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Agency reports the following major governmental funds:

The **General Fund** is the Agency's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in other specialized funds.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The **Isla Vista Housing Fund** is used to account for incremental property tax revenue for the purpose of providing low and moderate-income housing in the Isla Vista Project Area.

Cash and Investments

The Agency participates in the County Treasurer's cash and pooled investments (the "pool"). Earnings on the pool are allocated to the funds based on average daily balance.

The County's pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow.

State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements and the State Treasurer's Local Agency Investment Fund (LAIF).

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the Agency with the County Treasurer are stated at fair value.

Affordable Housing Loans

The Agency provides loans for affordable housing projects. These loans provide for residual receipt payments and/or forgiveness clauses. Since the forgiveness is contingent on meeting certain requirements and the Agency expects the requirements to be met, the Agency expenses these loans at the time of disbursements and records repayments as project income if and when received.

Long-term Obligation

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Proceeds from long-term obligations are reported as financial resources.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budget Controls

The Agency is legally required to adopt an annual budget by the provisions of the California Health and Safety Code (Sections 33611 and 33612). Budgets are adopted for the General Fund and the Isla Vista Housing Fund. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. Annually, the Board of Supervisors conducts a public hearing for the discussion of a Proposed Budget. At the conclusion of the hearings, and generally no later than September 30, the Board adopts the final budget including revisions by resolution. The Board also adopts subsequent revisions, which may occur during the year. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is at the fund, department and object level.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Incremental Property Tax

The County levies, collects, and apportions property taxes for all taxing jurisdictions, including schools, cities and special districts within the County.

Secured property taxes are levied in September of each year based on the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

Property tax increment revenues represent property taxes collected from the excess of taxes levied and collected by the County each year on all property within the redevelopment area over that amount which would have been levied and collected by the County on the base year property tax assessment. The Agency recognized \$2,036,648 of property tax increment revenue for the year ended June 30, 2005.

Low and Moderate Income Housing

In accordance with State law, the Agency is required to set aside twenty percent (20%) of the property taxes before bond increment and pass-through to other governmental agencies for low and moderate-income housing programs. For the year ended June 30, 2005, \$652,734 in incremental property taxes allocated to the Agency were set aside for low and moderate-income housing projects, which is recorded as property tax increment revenue in the Isla Vista Housing Fund.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Agency's policy is to participate in the County Treasurer's cash and pooled investments and place all of their funds in this pool.

The Agency's portion of the County Treasurer's cash and pooled investments was \$3,076,012 at June 30, 2005. Interest earnings apportioned to the Agency by the County Treasurer's cash and pooled investments totaled \$67,086 for the fiscal year ended June 30, 2005, which included unrealized gains of \$12,297 in the fair value allocated to investments held by the Agency in the County Pool.

Information regarding the County Treasurer's cash and pooled investments follows:

The County pools the cash balances of substantially all funds, which are invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the County's General Fund.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2005 to support the value of shares in the County Treasurer's pooled investments.

Custodial Credit Risk Related to Deposits

The custodial credit risk for deposits with the County Treasurer is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

2. CASH AND INVESTMENTS - CONTINUED

This risk is mitigated in that of the County's total bank balance of \$37,376,000 at June 30, 2005, \$100,000 was insured by Federal depository insurance and \$27,276,000 was collateralized in accordance with Section 53652 of the California Government Code with securities held by the pledging financial institution in the County's name, which have a market value of at least 110% of the County's deposits. At June 30, 2005, the carrying amount of the County's deposits was \$27,376,000 and the corresponding bank balance was \$23,461,000. The difference was principally due to deposits in transit.

Investments

Pursuant to Section 53646 of the State of California Government Code the County Treasurer prepares an *Investment Policy Statement* (policy) annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Agency.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested for the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment. For securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government, the issuer shall be rated AAA by at least two of the three major rating services of Fitch, Moody's, and Standard & Poor's (S&P). Commercial Paper obligations shall be rated by at least two of the three major rating services a minimum of F1 by Fitch, P1 by Moody's, and A1 by S&P. Corporate Bonds shall be rated AA by at least two of the three major rating services of Fitch, Moody's, and S&P. In addition, no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies, and sponsored enterprises.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the County will not be able to recover the value of investment securities that are in the possession of an outside party. All securities owned by the County are deposited in trust for safekeeping with a custodial bank different from the County's primary bank. Securities are not held in broker accounts.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. Maturity of investments purchased is governed by demand for funds analysis of prior periods' revenues and expenditures. Except for certain directed investments, the final maturity date of any individual security shall not exceed five (5) years, and in the aggregate non-short term investments shall not exceed 75% of the portfolio.

The County Treasurer purchases securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement No. 31, such discount, when realized, is considered gain rather than interest.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

2. CASH AND INVESTMENTS - CONTINUED

A summary of the investments held by the County Treasurer's pool as of June 30, 2005 is as follows (in thousands):

Investment	Cost	Fair Value 6/30/2005	Interest Rate Range	Maturity Date/Range	Average Maturity	Credit Rating
Treasurer's Pooled Investments:						
Commercial Paper	\$ 203,523	\$ 204,089	3.08-3.48	7/05-8/05	12.62 days	A-1, P-1
Commercial Paper	14,990	14,994	3.33	7/05	5 days	A-1, P-2
Corporate Bonds	6,989	6,753	3.13	4/09	3.76 years	AAA
Government Agency Bonds	560,592	554,203	1.25-4.10	11/05-2/09	1.58 years	AAA
Local Agency Investment Fund	2,500	2,500	2.85	n/a	n/a	n/a
Directed Investments:						
Government Agency Bonds	2,616	2,667	4.13-7.13	6/10-5/12	6.11 years	AAA
Total Treasurer's Pooled Investments	<u>\$ 791,210</u>	<u>\$ 785,206</u>				

3. LONG-TERM OBLIGATIONS

Advance Payable to County

On March 5, 1991, the Agency entered into an agreement to repay to the County, using incremental property tax funds generated within the project area, a total of \$3,609,000. The advance bears an interest rate of approximately 4.4%. As of June 30, 2005, the outstanding principal balance was \$1,913,449. The following is a schedule of principal and interest payments to maturity as of June 30, 2005, for the advance payable to County:

Year Ending June 30,	Principal	Interest
2006	315,000	98,596
2007	330,000	85,366
2008	355,000	71,176
2009	380,000	55,646
2010	405,000	38,926
2011	128,449	20,700
Total	<u>\$ 1,913,449</u>	<u>\$370,410</u>

Changes in the Agency's long-term obligation for the year ended June 30, 2005 are as follows:

	Balance July 1, 2004 (As Restated)	Additions	Deletions	Balance June 30, 2005	Due Within One Year
Advance Payable to County	<u>\$ 2,203,449</u>	<u>\$ -</u>	<u>\$ (290,000)</u>	<u>1,913,449</u>	<u>\$ 315,000</u>

4. RESTRICTED NET ASSETS

Restricted net assets are net assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. At June 30, 2005, the Agency had \$2,314,995 restricted for low-income housing, which is restricted by enabling legislation.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

5. RESTATEMENT

The County purchased bluff-top open space property (land) with certificates of participation issued by the County for open space in the Isla Vista Project Area in 1991 and 1992. A portion of the proceeds from the certificates of participation were loaned to the Agency. The proceeds from the advance payable were then subsequently contributed to the County for the County's purchase of the land. The Agency pledged future property tax increment revenue to repay the advance to the County. The Agency incorrectly recorded the land as capital assets in previous years as well as the certificates of participation and the related Debt Service Fund as though the Agency was the issuer of the debt. Additionally, the Agency did not record the advance payable to the County.

The Agency has restated net assets of the governmental activities and fund balance of the debt service fund and total governmental funds as of June 30, 2004 as follows:

	<u>Governmental Activities</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
June 30, 2004 net assets/fund balance, as previously reported	\$ 3,152,992	\$ 352,731	\$ 3,094,525
Restatement adjustments:			
1. Removal of land	\$ (2,634,140)	\$ --	\$ --
2. Removal of certificates of participation	2,525,000	--	--
3. Recognition of advance payable to County	(2,203,449)	--	--
4a. Reduction in cash	(25,754)	(25,754)	(25,754)
4b. Reduction in restricted cash	(321,551)	(321,551)	(321,551)
4c. Reduction in investment income receivable	<u>(5,426)</u>	<u>(5,426)</u>	<u>(5,426)</u>
June 30, 2004 net assets/fund balance, as restated	<u>\$ 487,672</u>	<u>\$ -</u>	<u>\$ 2,741,794</u>

A summary of the restatement adjustments is as follows:

1. The land in the amount of \$2,634,140 was removed as the land belongs to the County, not the Agency.
2. Certificates of participation with a remaining balance of \$2,525,000 were removed as the debt is an obligation of the County, not the Agency.
3. The advance payable to the County was recorded in the amount of \$2,203,449.
4. The removal of the June 30, 2004 fund balance of the Debt Service Fund from the Agency's governmental funds caused reductions of a.) \$25,754 in cash and investments, b.) \$321,551 in restricted cash and investments for certificates of participation reserves, and c.) \$5,426 in investment income receivable.

**OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)**



REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2004-05
(Unaudited)

This report for the fiscal year ended June 30, 2005 includes a narrative that describes the activities of the Redevelopment Agency of the County of Santa Barbara, California (“Agency”).

Summary of Previous Funding, Project and Housing Efforts: Prior to FY 2004-05

Previous Agency Efforts: Prior to FY 04-05

In March 1991, the County of Santa Barbara (“County”) issued \$4.01 million in Certificates of Participation. Those funds were used to acquire fourteen bluff top open space parcels in Isla Vista for a total of \$2,634,140. The Agency pledged its tax increment for the repayment of that issuance.

In June 2000, the County adopted a Memorandum of Understanding (MOU) between the University of California – Santa Barbara, the Isla Vista Recreation and Park District, and the Agency that guides the preparation of a Master Plan for Isla Vista. The Master Plan will accomplish two goals. First, it will identify specific goals, policies, and development standards for Isla Vista that will update and complement the existing Countywide Comprehensive Plan and Goleta Community Plan. Second, the Master Plan will identify specific catalyst projects. These catalyst projects will be designed to improve the commercial core, housing, transportation, parking, and infrastructure. Redevelopment is an essential tool that will be used to implement these catalyst projects and eliminate blight.

In Fall 2001, Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) was formed to help facilitate civic participation and review potential amendments to the Redevelopment Plan, more than 50 PAC/GPAC meetings have been held in the community since December 2002; and an initial working draft of the Master Plan was released in March 2003.

Previous Very Low and Low Income Housing Efforts: Prior to FY 2004-05

The Special Revenue Fund has received 25% of property tax increment revenue for four years and tax increment of 20% beginning in FY 95-96. The housing projects extend into multiple years and a brief summary follows.

In FY 96-97, a \$35,000 grant was used from the State Housing and Community Development Department to prepare an Isla Vista Housing Strategy Plan. This document included recommendations for utilizing the Redevelopment Agency’s Special Revenue funds.

Also during FY 96-97, a \$25,000 match of redevelopment funds combined with \$500,000 Community Development Block Grant (CDBG) funds resulted in financing the rehabilitation of 34 residential units. Six of the thirty-four total units rehabilitated were financed with Agency funds.

In FY 97-98, a \$15,000 match of redevelopment funds combined with CDBG funds resulted in the rehabilitation of 30 residential units housing for low to very low-income households, of which one unit was rehabilitated specifically with Agency funds.

In FY 98-99, the Agency loaned \$106,000 of redevelopment affordable housing funds to People’s Self-Help Housing Corporation to assist in the construction of 36 low and very-low income in the Storke Ranch apartment units.

In FY 99-00, the Agency expended \$368,136 to provide construction and permanent financing of 56 low and very low-income units at 6660/6650 Abrego Road in Isla Vista. Of which \$350,000 was expended as part of a \$1,005,179 Agency loan to People’s Self-Help Housing Corporation to acquire and finance the 56 unit Abrego Road apartments.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2004-05
(Unaudited)

Summary of Previous Funding, Project and Housing Efforts: Prior to FY 2004-05 (Continued)

In FY 00-01, the Agency loaned \$366,500 for land acquisition for the El Encanto Apartment Project. This project includes the new construction of sixteen low and very low-income family rental units. The project did not move forward. A repayment agreement has been negotiated with the not – for – profit owner of the land for repayment of the Agency loan. The Agency continued to provide construction and permanent financing of 56 low and very low-income units at 6660/6650 Abrego Road in Isla Vista in the amount of \$258,684.

In FY 01-02, People’s Self-Help Housing Corporation received \$298,379 as the final payment of a \$1,005,179 Agency loan to acquire and finance the 56 unit Abrego Road Apartments. The reserve funding for relocation expenses was not used. The loan documents were amended to reduce the loan amount. The loan was expended over a three-year period.

In FY 02-03, Oversight of the Isla Vista Housing Fund activities were incorporated into the County Housing and Community Development Department. Activities during the fiscal year focused on the reorganization and restructuring of the Housing and Community Development Department and its responsibilities to the Agency. Development activities were limited due to the possibility of land use changes that could be proposed during the Master Plan planning process.

In FY 03-04, the Korean United Methodist Church requested \$275,000 to develop up to 48 units of two, three and four bedroom units, 14 of which would be affordable to households at 80% of Area Median Income.

The loans for affordable projects provide for residual receipt and/or forgiveness clauses. Since the repayment schedule is undeterminable, the Agency expenses these loans at the time of disbursements and records repayments as project income when received.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2004-05
(Unaudited)

Summary of FY 04-05 Funding, Project and Housing Accomplishments

FY 04-05 Projects/Activity

The Agency's oversight was transferred from the Planning and Development department and placed under the auspices of the County Executive Office in April 2005.

Currently, staff is preparing the environmental review under the California Environmental Quality Act (CEQA) document for the Isla Vista Master Plan. It is anticipated that the EIR will be available for public review in fall 2006, and Planning Commission adoption hearings will begin in summer 2006. Final adoption of the Plan by the County Board of Supervisors is expected in late 2006.

One of the catalyst projects being processed in advance of the Master Plan is a parking program that would prioritize spaces for residents and downtown businesses. The proposed parking program is a community-driven program that was created to enable Isla Vista residents to park on the streets in their neighborhood. The purpose of the program is to:

- Resolve long-standing parking issues in Isla Vista.
- Improve access to local businesses.
- Provide coastal access parking.
- Return parking on Isla Vista streets to Isla Vista residents.

Sidewalk Improvements and Street Trees

Taking an "action while planning" approach, in 2004 the Agency, in partnership with the County Public Works Department, helped to fund and implement a downtown street tree project in Isla Vista. The project resulted in the installation of more than 30 downtown street trees and improvements to more than 3,000 square feet of sidewalk.

Bluff top land acquisition

\$100,000 in Agency funds was contributed to the County and matched with \$1.5 million in County grants and other County funding sources and \$1.1 million from the County's sale of two other bluff top parcels to acquire five parcels to be added to an existing undeveloped county park.

FY 04-05 Very Low, Low and Moderate Income Housing

The Housing Authority of the County of Santa Barbara has received \$325,000 to fund the acquisition and substantial rehabilitation of Villa Del Sol, located at 6680 Sueno Rd. in Isla Vista. Villa Del Sol is an existing 4-unit rental property that serves developmentally disabled adults in Isla Vista. The property is composed of two studio apartments and two three-bedroom units. The total tenant population is eight very low-income individuals with developmental disabilities. Development activities will continue to be limited due to the possibility of land use changes that could be proposed during the Master Plan planning process.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2004-05
(Unaudited)

Summary of Projected FY 2005-06 Funding, Project and Housing Goals

Projected FY 05-06 Funding

Property tax increment for FY 05-06 is estimated at approximately \$1,287,781. In addition, the fund balance of \$779,447 from FY 04-05 is available for FY 05-06 projects and activities in the Agency's General Fund. The Agency's budget provides for \$1,293,520 for administration and projects, \$75,000 for prior year contracts, and \$217,597 for Education Revenues Augmentation Fund (ERAF) shift.

Projected FY 05-06 Projects/Activity

Organization of the Redevelopment Agency

A proposed \$1.2 million budget for FY 05-06 includes an Agency deputy director position to manage the IVPA, a Redevelopment coordinator position, a contract for a consultant to act as a senior advisor for the agency, a consulting firm to finish the Master Plan adoption process and funding to design and engineer various IVPA projects like a Pardall Road improvement project and the Anisq' Oyo Park project. The CEO, a deputy CEO, the Auditor-Controller, a Financial Systems Analyst and the third district Supervisor and staff will also be active in the management and activities of the agency.

Projected Project Work Program

- Develop new high quality mixed-use development in downtown Isla Vista by working with private property owners and forging development agreements.
- Complete Master Plan and continue with the adoption process. Adoption hearings will be scheduled with the Planning Commission, Board of Supervisors, and Coastal Commission.
- Acquire and develop a site for a surface parking lot in the downtown area of Isla Vista.
- Improve the Pardall Road streetscape with improved sidewalks and landscaping to improve the downtown area.
- Resolve existing deficiencies and commence the redesign of the downtown Anisq' Oyo Park.
- Work with Public Works and UCSB to improve transportation levels of service on El Colegio Road which is the gateway to Isla Vista and a main artery to the University
- Increase on-street parking on Camino Corto Road and improve pedestrian and bike access.
- Work on a site plan for Estero Park to improve recreation opportunities in Isla Vista

Other Projects in the Isla Vista Area not managed by the RDA

- Continuation of street tree planting program
- Continue work on a long-term comprehensive parking plan for Isla Vista while also providing short-term parking solutions in the commercial area.
- Work with the Metropolitan Transit district to fund new bus shelters throughout Isla Vista.
- Add new sidewalks in areas of heavy foot traffic.

Projected FY 2005-06 Very Low, Low, and Moderate Income Housing

For FY 05-06 the property tax increment for housing set-aside funds is estimated at \$628,832. Combined with a housing set-aside fund balance of \$2,314,995 from FY 04-05, total housing funds available for FY 05-06 is estimated at \$2,943,827.

The Agency is currently pursuing various affordable housing projects within the Isla Vista project area.

STATISTICAL SECTION

(UNAUDITED)

The information in this section is unaudited, but is presented as supplemental data for the benefit of the readers of the comprehensive annual financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

CONTENTS	PAGE
REVENUE CAPACITY These schedules contain trend information to help the reader assess the Agency's most significant local revenue source, the property tax.	34
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	37

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)

Tax Increment Collections (Unaudited)

Since Inception

	Assessed Value	Percent Change	Tax Increment	Supplemental Tax Increment	Gross Tax Revenues	
					Total Tax Increment	Percent Change
1990-91	\$ 253,992,105	0.0%	\$ --	\$ --	\$ --	N/A
1991-92	275,614,194	8.5%	216,221	41,475	257,696	(48.3%)
1992-93	282,232,439	11.1%	282,403	13,320	295,723	(40.7%)
1993-94	293,371,583	15.5%	393,795	69,812	463,607	(7.0%)
1994-95	301,119,893	18.6%	471,278	16,752	488,030	(2.1%)
1995-96	304,061,998	19.7%	500,699	(8,015)	492,684	(1.2%)
1996-97	313,637,461	3.1%	596,453	36,803	633,256	28.5%
1997-98	321,193,673	2.4%	665,887	45,810	711,697	12.4%
1998-99	324,429,441	1.0%	704,373	53,374	757,747	6.5%
1999-00	370,018,906	14.1%	1,160,268	237,292	1,397,560	84.4%
2000-01	426,272,457	15.2%	1,731,872	325,068	2,056,940	47.2%
2001-02	493,820,920	15.8%	2,398,303	401,418	2,799,721	36.1%
2002-03	511,878,200	3.7%	2,578,887	188,352	2,767,239	(1.2%)
2003-04	490,187,401	(4.2%)	2,708,685	126,002	2,834,687	2.4%
2004-05	508,439,293	3.7%	2,881,931	381,762	3,263,693	15.1%

Base Year and Adjusted Base Year

	Assessed Value	Comment
1990-91	\$ 253,992,105	The base year value was lowered by \$34,670,513 to exclude Francisco Torres, which became permanently non-taxable beginning in FY 2003-04.
2003-04	219,321,592	

(continued)

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Tax Increment Collections (Unaudited)
Since Inception (continued)

Tax Increment to RDA

	Total Tax Increment	PLUS: Bond Increment	LESS: Pass- Through	Total to RDA	RDA General Fund	RDA Housing Set-aside
1990-91	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
1991-92	257,696	980	76,483	182,193	125,769	56,424
1992-93	295,723	9,390	108,316	196,797	126,196	70,601
1993-94	463,607	809	172,588	291,828	164,967	126,861
1994-95	488,030	23,599	190,569	321,060	196,406	124,654
1995-96	492,684	19,107	201,208	310,583	212,046	98,537
1996-97	633,256	31,349	251,658	412,947	286,295	126,652
1997-98	711,697	39,883	287,364	464,216	320,651	143,565
1998-99	757,747	6,072	313,267	450,552	299,003	151,549
1999-00	1,397,560	1,185	533,484	865,261	585,843	279,418
2000-01	2,056,940	1,056	728,677	1,329,319	917,788	411,531
2001-02	2,799,721	5,766	1,101,361	1,704,126	1,144,182	559,944
2002-03	2,767,239	6,600	1,095,171	1,678,668	1,125,224	553,444
2003-04	2,834,687	5,719	1,158,196	1,682,210	1,115,278	566,932
2004-05	3,263,693	5,729	1,232,774	2,036,648	1,383,914	652,734
	\$ 19,220,280	\$ 157,244	\$ 7,451,116	\$ 11,926,408	\$ 8,003,562	\$ 3,922,846

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)

Principal Property Taxpayers (Unaudited)

June 30, 2005

	<u>Net Assessed Value (AV)</u>	<u>Percent of Total Net AV</u>	<u>Total Tax</u>
Rosenthal Catherine E Heusquin	\$ 13,844,375	2.8%	\$ 184,322
I.V. Investments II, LP	13,445,939	2.7%	172,932
St George, Edward Revocable Trust 5/16/02	10,588,488	2.1%	130,495
Bushnell, Kathy 2000 Revocable Trust	10,264,012	2.1%	156,988
Warkentin, John & Marjolein Family Trust	7,039,007	1.4%	108,597
Islay Investments	6,409,972	1.3%	125,828
G&H French Quarter Apts, LP	5,908,084	1.2%	74,738
Eckert Family LLC	5,858,937	1.2%	90,052
Abrego Enterprises	5,303,592	1.1%	99,900
Gammon Partners	<u>4,795,772</u>	<u>1.0%</u>	<u>95,091</u>
Sub-total top ten payers	\$ 83,458,178	16.7%	<u>\$ 1,238,943</u>
All other	<u>416,932,272</u>	<u>83.3%</u>	
Total Net Assessed Value	<u>\$ 500,390,450</u>	<u>100%</u>	

Notes:

(1) Net Assessed Value amounts include secured and unitary less exemptions.

(2) Total Tax amounts are the total taxes paid by the payer, not taxes that were distributed by the RDA.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Governmental Funds Revenues By Source (Unaudited)

Since Inception

Fiscal Year	Property Tax	Investment Income	Inter-	Other	Long-term	Total
Ending	Increment		Governmental	Revenue	Obligations	Revenues
1991	\$ -	\$ 43,794	\$ -	-	\$ 3,350,000	\$ 3,393,794
1992	182,193	68,042	-	-	-	250,235
1993	196,797	66,922	-	215,313	-	479,032
1994	291,728	39,365	-	-	-	331,093
1995	321,060	37,942	500	-	-	359,502
1996	310,583	56,024	-	-	385,000	751,607
1997	412,947	38,946	-	-	-	451,893
1998	464,216	61,886	-	-	-	526,102
1999	450,552	50,814	-	-	-	501,366
2000	865,061	47,459	-	-	-	912,520
2001	1,329,319	86,945	17,327	-	-	1,433,591
2002	1,704,124	37,311	112,807	-	-	1,854,242
2003	1,678,667	60,485	232,116	-	-	1,971,268
2004	1,682,210	15,429	152,883	-	-	1,850,522
2005	2,036,648	67,086	20,000	6,479	-	2,130,213
Total Since						
Inception	\$ 11,926,105	\$ 778,450	\$ 535,633	\$ 221,792	\$ 3,735,000	\$ 17,196,980

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)

Governmental Funds Expenditures By Function (Unaudited)

Since Inception

Fiscal Year Ending	Isla Vista Project Area						Long-term Obligations		Total Expenditures
	Project Adminstration	Contribution to				Total Isla Vista Project Area	Principal	Interest	
		Master Plan	Projects	Other Governments	Housing Activities				
1991	\$ 165,343	\$ -	\$ -	\$ 1,943,789	\$ -	\$ 1,943,789	\$ -	\$ -	\$ 2,109,132
1992	63,195	-	-	764,390	-	764,390	-	95,438	923,023
1993	112,085	-	-	135,084	-	135,084	-	245,489	492,658
1994	141,794	-	-	-	-	-	75,000	242,544	459,338
1995	30,328	-	-	-	-	-	85,000	233,360	348,688
1996	32,969	-	-	-	-	-	100,000	214,669	347,638
1997	28,272	-	-	-	-	-	110,000	186,618	324,890
1998	20,501	-	-	-	8,290	8,290	125,000	216,045	369,836
1999	29,282	-	-	-	181,710	181,710	180,000	145,493	536,485
2000	70,570	93,650	-	-	468,090	561,740	200,000	135,092	967,402
2001	203,013	179,931	4,800	-	668,270	853,001	180,000	78,921	1,314,935
2002	395,574	262,291	4,500	-	298,379	565,170	615,000	130,388	1,706,132
2003	229,322	605,068	56,597	-	-	661,665	250,000	133,438	1,274,425
2004	334,283	393,454	43,586	-	-	437,040	270,000	109,068	1,150,391
2005	433,237	421,540	74,793	100,000	357,544	953,877	290,000	100,451	1,777,565
Total Since Inception	\$ 2,289,768	\$1,955,934	\$ 184,276	\$ 2,943,263	\$ 1,982,283	\$ 7,065,756	\$ 2,480,000	\$ 2,267,014	\$ 14,102,538

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)**

Ending Total Fund Balance (Unaudited)

Since Inception

Fiscal Year	Capital Projects	Isla Vista Housing	General	Ending Total Fund Balance
Ending				
1991	\$ 1,091,008	\$ -	\$ 193,654	\$ 1,284,662
1992	352,027	56,676	203,171	611,874
1993	429,685	130,814	37,749	598,248
1994	24,867	264,924	180,212	470,003
1995	-	403,827	76,991	480,817
1996	-	528,472	356,314	884,786
1997	-	688,847	322,943	1,011,789
1998	-	870,028	298,027	1,168,055
1999	-	879,089	253,847	1,132,936
2000	-	722,703	355,351	1,078,054
2001	-	513,434	683,276	1,196,710
2002	-	802,453	542,367	1,344,820
2003	-	1,388,242	653,421	2,041,663
2004	-	1,965,944	775,850	2,741,794
2005	-	2,314,995	779,447	3,094,442

RDA Glossary

Absentee Owner:

Property owner who owns property at one location but lives or operates a business at another location.

Assessed Value (AV):

The amount used by the county tax assessor to value real property for tax purposes. Assessed value is generally the market value of property. Assessed value multiplied by the tax rate determines property tax.

Base Value:

The total assessed value of property within a project area in the year in which the redevelopment project is approved.

Base Year:

The year in which the redevelopment plan is adopted.

Blighted Areas:

Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of the health, safety, and general welfare of the people of the community and the state.

California Community Redevelopment Law:

Redevelopment law of the state contained in California Health and Safety Code as contained in Division 24, Part 1 (Section 33000 et seq.).

Demolition:

Clearance or removal of a structure in order to carry out the redevelopment plan.

Eminent Domain:

Authority of a government agency to acquire property for public purposes (not to be confused with meaning public buildings and improvements only). Also known as condemnation.

Infrastructure:

Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, gaslines, telephone lines, etc.

Market Value:

What a willing seller could reasonably expect to receive if he/she were to sell the property on the open market to a willing buyer.

Negotiated Sale:

When the price to be paid for land and improvements is mutually agreed upon by the buyer and seller.

Project Area:

The area, which is designated in the redevelopment plan for redevelopment and revitalization.

Project Area Committee (PAC):

Elected committee composed of project area residents, businesspersons, and representatives of organizations to consult with and advise the agency.

Property Tax:

The amount of tax, which a property owner pays on the value of his/her property. The tax is calculated by multiplying the assessed value of the property by the tax rate, which is one percent plus any voter approved increase.

Redevelopment:

Planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation of all or part of a project area.

Redevelopment Agency:

The governing body created to designate redevelopment project areas, supervise and coordinate planning for a project area, and implement the revitalization program.

Redevelopment Plan:

Plan for revitalization and redevelopment of land within the project area in order to eliminate blight and remedy the conditions, which caused it.

Rehabilitation:

To improve, alter, modernize or modify an existing structure to make it safe, sanitary, and decent and/or bring it up to building code standards.

Relocation:

The effort to assist and facilitate re-housing of families and single persons, businesses or organizations who are displaced due to redevelopment activities.

Relocation Assistance:

Relocation payments help to assist families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain other costs.

Tax Allocation Bond:

A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increments flowing to the agency as a result of the agency's revitalization of the project area

Tax Increment:

The increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value.



COMPLIANCE SECTION

