Attachment D

Presentation

County of Santa Barbara, State of California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Montecito Debris Flow Candlelight Vigil

Theodore A. Fallati, CPA, CPFO
Auditor-Controller

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

Overview of the Comprehensive Annual Financial Report (CAFR):

- The CAFR includes the County's annual audited financial statements (*legally required*)
- The County received an unmodified ("clean") opinion from an independent CPA firm
- The County's CAFR was issued within 60 days of fiscal year end (*timely reporting*)
- The CAFR presents Management's Discussion & Analysis of the County's financials
- The CAFR provides *actual* results for the year (*historical actuals, not future/budget*)
- Full financial disclosure in accordance with Standards (*transparency* & *accountability*)
- The CAFR is prepared for and made available to all County constituents

County Board of Supervisors

County Management

Rating Agencies and Bond Holders

Citizens and the Public

Executive Summary

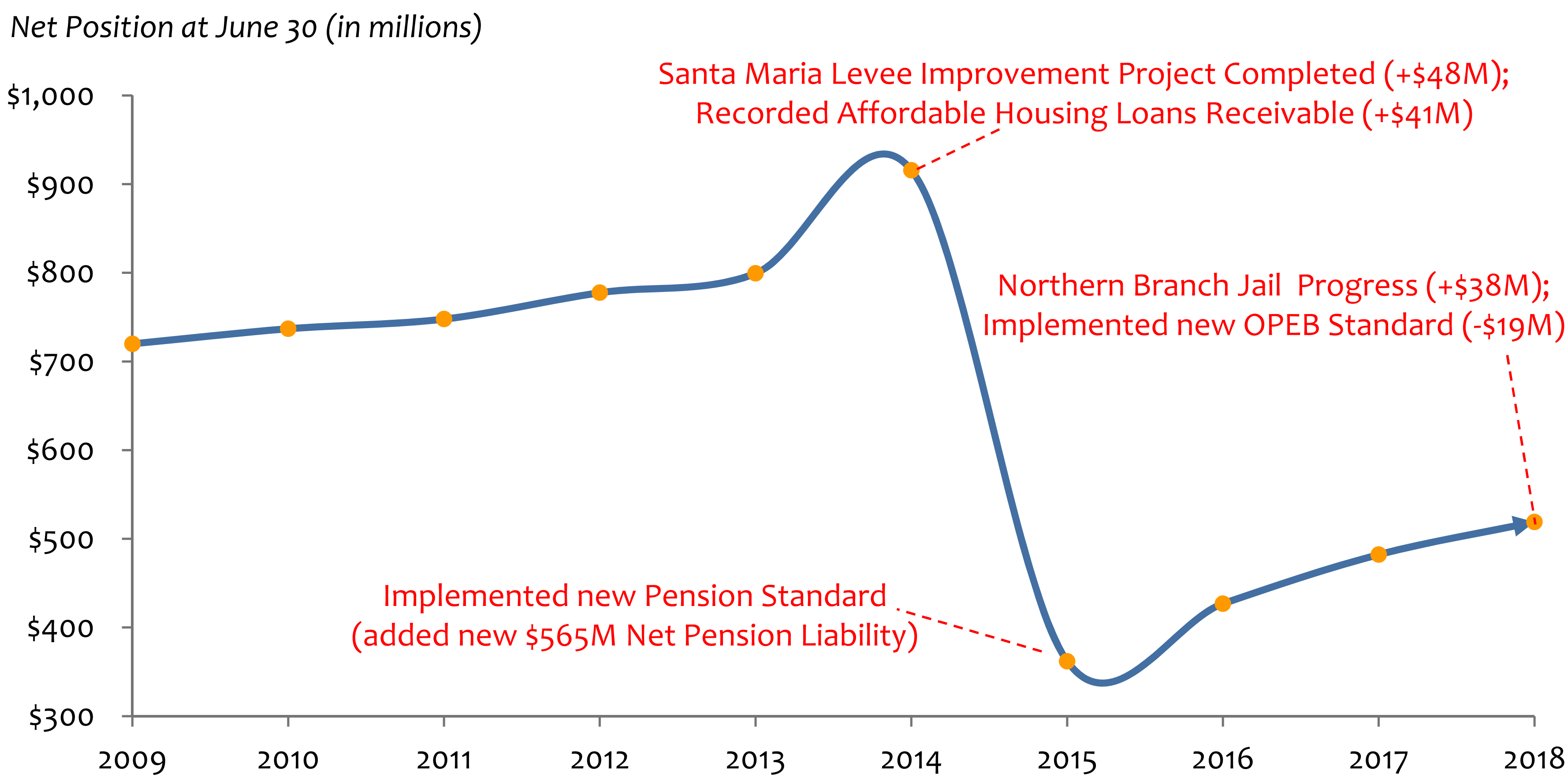
CAFR for the Fiscal Year Ended June 30, 2018

The CAFR provides a snapshot of the County's financial condition:

(in thousands)	2016	2017	2018	2018 vs 2017 $ Change
Assets and deferred outflows of resources:				
Current and other assets	$ 548,606	$ 590,965	$ 634,453	$ 43,488
Capital assets, net of depreciation	787,132	819,193	859,794	40,601
Deferred outflows of resources	149,680	263,896	353,782	89,886
Total assets and deferred outflows	$ 1,485,418	$ 1,674,054	$ 1,848,029	**$ 173,975**
Liabilities and deferred inflows of resources:				
Current and other liabilities	$ 75,598	$ 92,837	$ 97,462	$ 4,625
Long-term liabilities	923,439	1,022,710	1,133,927	111,217
Deferred inflows of resources	59,419	76,258	97,594	21,336
Total liabilities and deferred inflows	$ 1,058,456	$ 1,191,805	$ 1,328,983	**$ 137,178**
Net position:				
Net investment in capital assets	690,736	729,272	776,313	47,041
Restricted	245,979	264,619	271,042	6,423
Unrestricted	(509,753)	(511,642)	(528,309)	(16,667)
Total net position	$ 426,962	$ 482,249	$ 519,046	**$ 36,797**

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018



- The County's financial condition continued to improve in FY 2017-18 to $519M
- Unrestricted net position remained negative (-$528M) due to long-term liabilities

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The CAFR also provides the County's overall revenues and expenses:

(in thousands)	2016	2017	2018	2018 vs 2017 $ Change
Revenues				
Operating grants and contributions	$ 351,015	$ 365,471	$ 387,878	$ 22,407
Property taxes	254,166	267,613	284,284	16,671
Charges for services	236,626	249,582	259,989	10,407
Sales taxes	16,332	18,172	18,118	(54)
Transient occupancy tax	9,072	10,068	8,364	(1,704)
All other	11,095	9,876	7,334	(2,542)
Total revenues	878,306	920,782	965,967	**45,185**
Expenses				
Health & public assistance	363,789	364,675	360,185	(4,490)
Public safety	275,809	314,026	361,703	47,677
Community resources & public facilities	94,254	94,387	110,529	16,142
General government & support services	37,131	37,716	39,023	1,307
Resource recovery	23,017	29,196	24,507	(4,689)
Policy & executive	13,056	14,315	18,938	4,623
Laguna sanitation	5,631	6,822	6,564	(258)
General county programs	2,807	2,206	2,514	308
Interest on long-term debt	2,275	2,152	2,024	(128)
Total expenses	817,769	865,495	925,987	**60,492**
Revenues in excess of expenses	60,537	55,287	39,980	**(15,307)**

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The 2017-18 CAFR has one significant change from prior years:

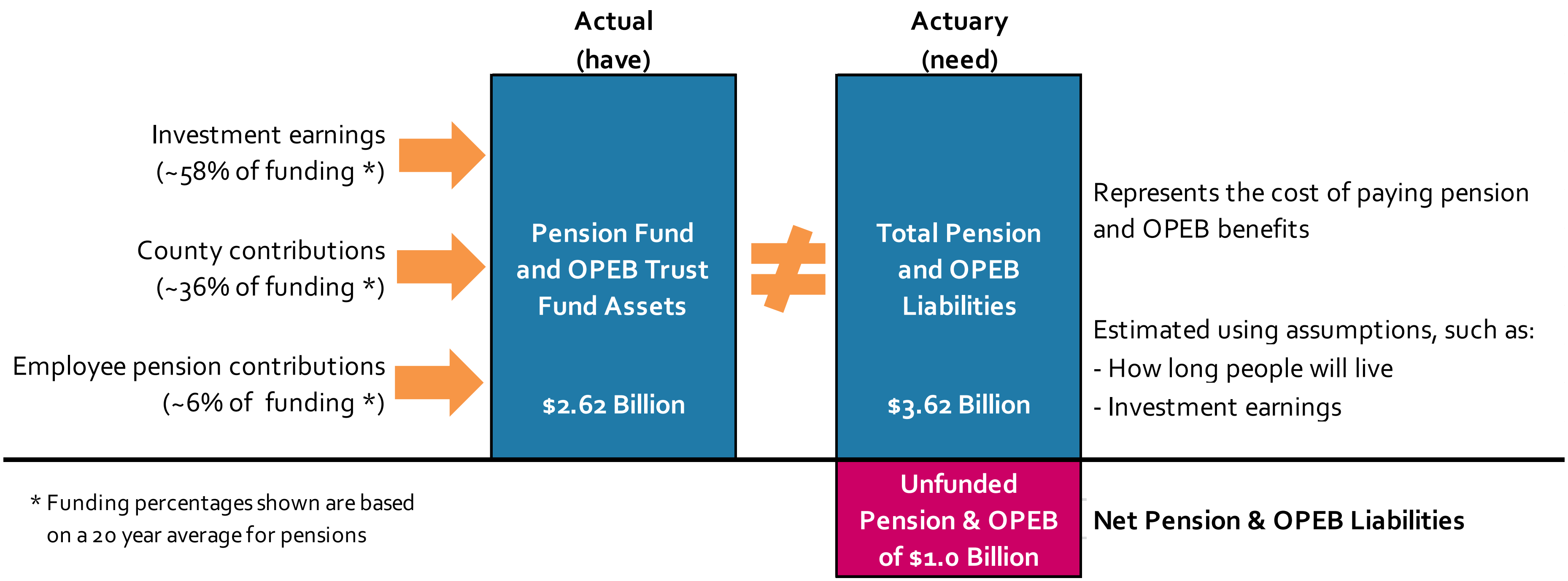
- A new Governmental Accounting Standard required the County to record a new Net OPEB (other postemployment benefits) Liability in FY 17-18
- The new Net OPEB Liability ($122M at 6/30/18) replaced the County's OPEB Obligation recorded in prior year ($103M at 6/30/17)
- Additional information and disclosures were added to the footnotes (Note 23)
- The new Standard aligns the accounting and reporting requirements for OPEB with the accounting and reporting requirements for Pensions

- The County has accumulated over $11M in assets to pay future OPEB benefits
- Continuation of the County OPEB funding policy will reduce this liability over time

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

Pension and OPEB benefits payable in the future are not fully funded:



* Funding percentages shown are based on a 20 year average for pensions

- The Pension Fund was 75% funded while the OPEB Trust Fund was 8% funded
- The combined unfunded liabilities of $1B are projected to decline gradually over time

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

A significant change is on the horizon for future CAFRs:

Fiscal Year 2020-21

Implement New Governmental Accounting Standard for "Leases"

- The County leases various facilities from third-parties. No liability is recorded for the future rental payments required to be made by the County.
- The County also leases County owned facilities to third-parties. No receivable is recorded for the future rental payments required to be paid to the County.
- The new Standard establishes a new model for accounting for leases
- Lease arrangement will be treated as financings with a right-to-use leased asset
- Will result in many new assets and liabilities and more complex accounting

- The Governmental Accounting Standards Board issues new Standards
- Implementation is required for following Generally Accepted Accounting Principles

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

Financial Condition Indicators

- The CAFR contains a wealth of information about the County's financial condition
- ***Financial Condition Indicators*** help summarize that information in a few key metrics
- Metrics should be compared over time and to similar organizations for context
- The following slides show six key metrics compared to 4 of our peer coastal counties

Short-Run Financial Position	**Financial Performance**
Solvency	**Debt Burden**
Funded Ratio for Pensions	**Timeliness of Audit Completion**

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Short-Run Financial Position Ratio:

Short-Run Financial Position = unrestricted general fund balance as a percentage of total revenues

Higher ratio suggests larger reserves for dealing with unexpected resource needs in the long tern

Better ⟷ Worse

2016-17				
San Luis Obispo	Monterey	Ventura	Santa Barbara	Santa Cruz
63%	26%	22%	17%	12%

Improved

2017-18
Santa Barbara
19%

- The County's 16-17 ratio was low but generally in line with 3 of the 4 peer counties
- The County's ratio improved slightly in 17-18

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Financial Performance Ratio:

Financial Performance = change in net position as a percentage of total net position

A high ratio suggests annual costs are being adequately financed and financial condition is improving

Better Worse

2016-17				
Santa Barbara	Santa Cruz	Monterey	Ventura	San Luis Obispo
14%	7%	6%	6%	-2%

Declined

2017-18
Santa Barbara
6%

- The County's 16-17 ratio was significantly higher than all 4 peer counties
- The County's ratio declined in 17-18 but remained inline with the peer counties

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Solvency Ratio:

Solvency = total liabilities as a percentage of total revenues

A low ratio suggests outstanding obligations can be more easily met with annual revenues

Better ⟷ Worse

2016-17				
Monterey	Ventura	Santa Barbara	Santa Cruz	San Luis Obispo
103%	104%	121%	154%	216%

Declined

2017-18
Santa Barbara
127%

- The County's 16-17 ratio was slightly better than the average for the 4 peer counties
- The County's ratio did not improve in 17-18 but remains inline with the peer counties

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Debt Burden:

Debt Burden = total outstanding debt per person

A low ratio suggests less burden on taxpayers and greater capacity for additional borrowing

Better ⟷ Worse

2016-17				
Santa Barbara	Santa Cruz	Ventura	Monterey	San Luis Obispo
$129 per person	$256 per person	$495 per person	$604 per person	$1,910 per person

Improved

2017-18
Santa Barbara
$111 per person

- The County's 16-17 debt burden was significantly lower than all 4 peer counties
- The County's ratio improved further in 17-18

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Funded Ratio for Pensions:

Funded Ratio = plan fiduciary net position as a percentage of the total pension liability

A high funded ratio moving towards 100% indicates sufficient pension funding over time

Better ⟷ Worse

2016-17				
Ventura	Santa Barbara	Monterey	Santa Cruz	San Luis Obispo
80%	75%	75%	71%	65%

Consistent

2017-18
Santa Barbara
75%

- The County's 16-17 funded status was higher than 3 of the 4 peer counties
- The County's funded status remained consistent in 17-18

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

The County's Timeliness of Completing Annual Audit:

Timeliness = Number of days after fiscal year end that the independent audit opinion letter is dated

A timely audit is efficient and increases the relevance of the financial statements

Better ⟷ Worse

2016-17				
Santa Barbara	San Luis Obispo	Ventura	Santa Cruz	Monterey
56 days	172 days	180 days	181 days	200 days

Consistent

2017-18
Santa Barbara
59 days

- The County's 16-17 audit was completed much sooner than all 4 peer counties
- The time to complete the County's 17-18 was consistent with prior years

Executive Summary

CAFR for the Fiscal Year Ended June 30, 2018

Conclusions:

- The County experienced an increase in net position (revenues > expenses)
- Relatively good financial ratios in comparison to select peer counties
- Absorbed new Net OPEB Liability
- Clean audit opinion with timely completion
- Reader-friendly Financial Highlights publication is also available
  (electronically online or by request for printed copies to the Auditor-Controller)