

**SANTA BARBARA COUNTY
AGENDA BOARD LETTER**



Clerk of the Board of Supervisors
Room 407 105 E. Anapamu Street
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: April 17, 2006
Department: Auditor-Controller
Department Number: 061
Agenda Date: May 16, 2006
Placement: Administrative
Estimated Time: 5 minutes
Continued Item: No

TO: Redevelopment Agency Board of Directors

FROM: Robert W. Geis, CPA
Auditor-Controller

STAFF CONTACT: Mark Paul
Specialty Accounting Division Chief

SUBJECT: Annual Financial Report of the Redevelopment Agency of the County of Santa Barbara for the fiscal year ended June 30, 2005

RECOMMENDATIONS: C.A. Recommendation: _____

That the Board of Supervisors:

Receive and file the Annual Financial Report of the Redevelopment Agency for the fiscal year ending June 30, 2005.

ALIGNMENT WITH BOARD STRATEGIC PLAN:

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

EXECUTIVE SUMMARY & DISCUSSION:

Annual Financial Report of the Redevelopment Agency of the County of Santa Barbara

The Annual Financial Report for the fiscal year ending June 30, 2005 is herewith submitted in compliance with the State of California Health & Safety Code Section 33080. This report is important to the Agency since rating agencies, investors, financial institutions and the public rely upon it. Though complex, the report reveals the Agency's financial position, results of operations and detailed disclosures. It is prepared in accordance with government accounting standards for consistency among governmental units.

This publication is broken down into four sections: Introductory Section (pages 1-8), Financial Section (pages 9-33), Statistical Section (pages 34-41), and Compliance Section (pages 42-44).

Your Board contracts for the annual audit of this financial report. The independent auditing firm, KPMG, has issued an unqualified opinion on the Agency's financial statements

Redevelopment Agency Items of Interest:

Item of Interest	Reference
<p>1. Your Board contracts for the annual audit of this financial report. The independent auditing firm, KPMG, has issued an unqualified opinion on the Redevelopment Agency's financial statements.</p>	<p>Independent Auditor's Report Pages 9-10</p>
<p>2. The assets of the Agency exceeded its liabilities at the close of the fiscal year by \$1,135,803 (<i>net assets</i>):</p> <ul style="list-style-type: none"> • \$2,314,995 (<i>Restricted net assets</i>) represents amounts with external restrictions that must be used for low income housing efforts and projects. • (\$1,179,192) (<i>Unrestricted net deficit</i>) 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. 	<p>Management's Discussion & Analysis Page 11</p>
<p>3. 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.</p>	<p>Management's Discussion & Analysis Page 11</p>
<p>4. Total revenues for the Agency were \$2,130,213, an increase of 15% from the prior year and primarily related to the following:</p> <ul style="list-style-type: none"> • 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. 	<p>Management's Discussion & Analysis Page 13</p>

Item of Interest	Reference
<p>5. Total expenses for the Agency were \$1,482,082, an increase of 64% from the prior year,</p>	<p>Management's</p>

<p>and primarily related to the following:</p> <ul style="list-style-type: none"> • 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. 	<p>Discussion & Analysis Page 14</p>
<p>6. 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.</p>	<p>Note # 5 Pages 29</p>

FISCAL IMPACT:

The annual audit fee was budgeted at \$10,500 and is paid for from the Agency general fund. However, due to a restatement of prior year financial statements concerning the recording of land purchases in the early years of the RDA, additional audit fees of \$20,000 by the independent audit firm KPMG are expected for FY04-05. These additional fees will be paid during the current fiscal year.

CONCURRENCES: N/A