Santa Barbara County Redevelopment Agency

Annual Financial Report
Fiscal Year 2008-2009

Office of Santa Barbara County Auditor-Controller
Robert W. Geis, CPA, Auditor-Controller
Theo Fallati, CPA, Asst. Auditor-Controller

Cover Image: An illustration by Peikert Group Architects for a rehabilitation and affordable housing project located at 6682 and 6688 Picasso Road in Isla Vista. The project was a partnership between the Santa Barbara County Redevelopment Agency and the Housing Authority of the County of Santa Barbara and included the purchase and rehabilitation of the two apartment buildings for 20 units of affordable housing. This project is part of an overall strategy to improve the quality of housing envisioned in the Isla Vista Master Plan adopted by the Board of Supervisors in August 2007.

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, 2009

Prepared Under the Supervision of

Robert W. Geis, CPA
Auditor-Controller

Redevelopment Agency

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

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

COUNTY OF SANTA BARBARA

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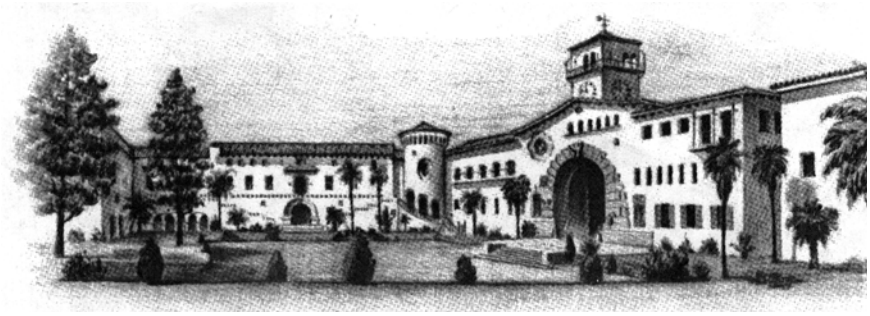

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OFFICE OF THE AUDITOR-CONTROLLER

September 2, 2009

To the Citizens of Santa Barbara County:

State law requires that every redevelopment agency shall present an annual report to its legislative body within six months of the end of the agency's fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2009.

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.

Brown Armstrong CPAs has issued an unqualified ("clean") opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2009. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's 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.

Agency Officers:

Board of Directors

Joe Centeno, Chair — Fifth District Supervisor
Joni Gray — Fourth District Supervisor
Doreen Farr — Third District Supervisor
Janet Wolf, Vice Chair — Second District Supervisor
Salud Carbajal — First District Supervisor

Policy & Executive

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

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

John McInnis
Assistant County Executive Officer

Mark Paul
Division Chief - Advanced Accounting

Agency Staff

Jeff Lindgren – Redevelopment Manager

Heather Allen & Jim Heaton,
Redevelopment Specialists

Profile of the Redevelopment Agency

Basic Profile:

Isla Vista Redevelopment Project

In 1990 the Santa Barbara County Board of Supervisors (Board) established the Redevelopment Agency of the County of Santa Barbara (Agency) and established the Isla Vista Project Area (Project Area). The Redevelopment Plan's 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, and faulty utilities.
- Factors that prevent or hinder the economically viable use of buildings or lots, due to substandard design, inadequate size, and lack of parking.
- 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 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.

California Redevelopment Law (California Health and Safety Code Sections 33000 et. seq.) grants redevelopment agencies many of the powers typical for a local government, plus three that are unique to redevelopment agencies, specifically:

- Buy private property for resale to another private person or organization.
- Use eminent domain, through the exercise of condemnation, to take private property for resale to another private person or organization.
- Collect property tax "increment" to finance redevelopment; however, redevelopment agencies 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.

Second Amendment to the Isla Vista Redevelopment Plan - Agency's Use of Eminent Domain

In the 07-08 fiscal year the Agency approved and adopted the Second Amendment to the Isla Vista Redevelopment Plan. The original Redevelopment Plan did provide the authority to exercise the power of eminent domain within the Project Area. However, that power expired in 2000. The Second Amendment reiterates and further clarifies that the Agency does not now have the authority to acquire property by eminent domain. However, the Second Amendment provides the Agency the flexibility to acquire land from voluntary sale for mixed-use, affordable housing and commercial projects as necessary.

Thirds Amendment to the Isla Vista Redevelopment Plan

In the 08-09 fiscal year the Agency adopted the Third Amendment to the Isla Vista Redevelopment Plan. The Third Amendment enacted Senate Bills (SB) 1045 and 211.

SB 1045 required all California redevelopment agencies in the 03-04 fiscal year to allocate additional property tax increment to the Educational Revenue Augmentation Fund (ERAF). To comply, in 2004 the Agency paid $130,847 to ERAF. To offset the loss of tax increment revenue diverted to ERAF, a provision in SB 1045 (codified in California Health and Safety (H&S) Code §33333.2(c)) allowed agencies to adopt by ordinance one year extensions of redevelopment plans and the date all debt must be repaid to receive tax increment. In adopting the Third Amendment the Agency extended the time limit on redevelopment plan effectiveness from 2030 to 2031 and the time limit on the use of tax increment to repay of indebtedness from 2040 to 2041.

In general, a redevelopment plan adopted prior to January 1, 1994 must incur debt within 20 years from the adoption of the plan. In the case of the Agency, which was established in 1990, the debt time limit was soon set to expire in 2010. However, SB 211, an amendment to H&S Code §33333.6(e)(2), permits an agency to remove its debt time limit. Once removed, the agency has the ability to incur new debt until the end of the active life of the project area. Deleting the debt time limit also compels an agency to initiate tax sharing pass-through payments to taxing entities that did not enter into tax sharing agreements at the time of the project area adoption.

Tax Increment — An Overview

Without redevelopment, a blighted area's property value would 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, it takes on specific restrictions and limitations inapplicable 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, redevelopment agencies 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 (CAFR).

This treatment results from 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 CAFR 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 CAFR. The Agency remains separate for all legal purposes. Accordingly, the Agency's financial statements are issued as a separate component unit of the County.

The Agency's operations are reported in the County CAFR as both major and nonmajor governmental funds. The County CAFR Redevelopment Agency (nonmajor) fund includes the Agency's General Fund, Isla Vista Housing Fund, and Capital Projects Fund. The County CAFR Redevelopment Agency debt service (major) fund is coterminous with the Agency's Debt Service Fund. However, GAAP requires that the County CAFR fund financial statements report a liability for long-term obligations between the County and Agency in the RDA debt service fund. This liability is eliminated in the Agency's fund financial statements, but is reported in the Agency's government-wide financial statements.

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 (i.e. the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations which are maintained at the line item level. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Agency's Board. The Agency's Board has delegated the authority to approve amendments or transfers of appropriations between object levels to the County Executive Office.

Factors Affecting Financial Condition

Economy:

Santa Barbara County and the Project Area showed sustainable growth in fiscal year (FY) 08-09. 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 increased from 4.4% to 5.4% through April 2009. This is slightly lower than the national unemployment rate of 5.8%.

- Job growth was basically nonexistent in Santa Barbara County, with an increase of 0% in 2008. Though certain industries like agriculture generated a few more jobs in the County, this small increase was offset by decreases throughout almost every other sector.
- By June 2009, the economic conditions worsened and unemployment nearly doubled to 8.2% in Santa Barbara County. Though this exemplifies the deteriorated state of the economy, Santa Barbara has managed to stay below a state unemployment rate of 11.6% and a national unemployment rate of 9.7%.
- The County's largest employer is UCSB with over 9,700 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 $42,201, an increase of .05% over the prior year. However, the average annual salary is much lower in the Isla Vista community because of the student population.
- According to the 2000 Census, Santa Barbara per capita income was $23,059 while Isla Vista per capita income was $7,644.

Retail Sales:

- County-wide taxable retail sales decreased 5.1% to $5.6 billion during the 2008 calendar year. However, Project Area taxable retail sales increased 2.9% to $28.7 million during this same period (see Statistical Section - Project Area Taxable Sales schedule).
- California retail sales tax dropped 13% and the County unincorporated area local retail sales tax dropped 11% for FY 08-09.

Real Estate:

- The county-wide median home price significantly decreased 52.1% to $388 thousand, compared to the state median home price of $360 thousand. This sudden drop in the median home price supported a sharp increase in the number of home sales, which saw a 20.4% increase from the prior year.
- Santa Barbara County's residential real estate market continued to slow in 2008. The slowdown was reflected in sales volume, price growth and in new housing production. Given this market, it is notable that the existing single-family median home prices held steady.
- The majority of the real estate in the Project Area is non-owner occupied student housing and rental demand remains strong.

Tourism:

- The South Coast's 2008 hotel and motel occupancy rate was estimated at 72.0%, a rate marginally lower than the ten year (1999 to 2008) average of 75.0%.
- There is one small hotel presently located in the Isla Vista community. However, the university draws many visitors for overnight stays in the surrounding cities and county.

Economic Indicators:

The economy is in a recession throughout most of the United States, California and Santa Barbara County. California has been hard hit by the real estate collapse, is losing jobs at a significant rate and is experiencing a decline in economic output. Home prices have been significantly affected, especially in northern Santa Barbara County. Retail sales have been declining for two years. In early 2009, tourism was negatively affected particularly at Santa Barbara's premier resort destinations. California has an acute budget crisis and government pension funds including Santa Barbara County's incurred significant

losses in the investment market. However, the energy crisis of the prior year has been stabilized with a drop in oil prices. The indicators for an upturn are elusive. Mixed signals exist about whether we expect to see the bottom of the downturn later this fall or next spring. The unknowns in the economy include rising unemployment, prime mortgage defaults, consumer spending, and tourism resulting in potential continued decreases in the County tax base. Therefore we expect the continuation of a drop in the growth of our property tax increment.

Financial Indicators:

The Agency is experiencing a slight decrease in property tax revenues, which is its main revenue source and accounts for 51% of total revenues. The Agency's property tax increment decreased by 4% in FY 08-09 mainly due to reduced supplemental property taxes.

Major Initiatives:

Downtown Infrastructure Projects

A primary Agency focus is the redevelopment of downtown Isla Vista. As part of this effort the Agency is engaged in a series of projects to improve public infrastructure in the downtown area, including sidewalk and streetscape improvement projects, a downtown parking lot, and the Pardall Road Enhancement Project.

The Pardall Road project involves physical improvements to establish the roadway as a community focal point and vibrant downtown. In FY 06-07 the Agency selected ROMA Design group to design the Pardall Road Enhancement Project. A number of community workshops were held to solicit community and business leader input into the roadway design. In FY 08-09 the majority of the construction was completed.

The Agency is also involved in Anisq' Oyo' Park improvements. The Agency has established a strategic partnership with the Isla Vista Recreation and Park District to help jointly plan for improvements to this key downtown public space.

The adopted FY 09-10 Agency Budget includes funding to begin design on a downtown storm drain system upgrade. Agency staff plans to begin the design process for this upgrade during the second half of 2009.

Downtown Development Projects

The Agency is currently in negotiations with several private developers and property owners to redevelop sites in downtown Isla Vista. The public-private partnership projects will result in new multi-story mixed use development that replaces existing underperforming retail sites with modern commercial space and housing units. These projects are intended to encourage further private sector investment into the area, expand the scope of downtown retail services, and help meet the regional need for housing near employment centers such as UCSB.

Isla Vista Master Plan

In August of 2007 the County Board of Supervisors adopted the Isla Vista Master Plan (Master Plan). The Master Plan identifies specific goals, policies, and development standards for Isla Vista that update and complement both the existing Countywide Comprehensive Plan and Goleta Community Plan. Additionally, the Master Plan identifies specific catalyst projects to improve the commercial core, housing, transportation, parking, and infrastructure. Redevelopment is an essential tool to implement these

catalyst projects and eliminate blight.

Partnership Projects

The Agency is actively engaged in a series of partnership projects with other government entities, specifically the County of Santa Barbara, the Isla Vista Recreation and Park District, and the Santa Barbara Metropolitan Transit District. These projects include the following:

Sidewalks: In 2004 the Agency and the County Public Works Department funded and implemented a downtown Isla Vista sidewalk and street tree project. The project resulted in the planting of more than thirty downtown trees and improvements to more than 3,000 square feet of sidewalk. In FY 06-07 the Agency partnered with County Public Works to implement a sidewalk improvement project on Sabado Tarde Road. The project resulted in the installation of 775 linear feet of new sidewalk and the planting of eighteen street trees. In FY 07-08 the Agency funded a design for improved sidewalks on El Embarcadero Road.

Community Center: The Agency has partnered with the Isla Vista Recreation and Park District to improve recreation opportunities at Estero Park and develop a community center. In 2005 the Agency entered into a contract with the Park District to complete a master plan for Estero Park and locate future recreation and community improvement opportunities.

Transit Improvements: The Agency is currently working with the Metropolitan Transit District to fund improvements to several heavily used bus stops in Isla Vista. Over the last two fiscal years, the Agency partnered with the Metropolitan Transit District to improve a total of eight bus stops with new shelters, benches, and current transit information.

Affordable Housing Activities

In spring of 2007, the Agency funded the Santa Barbara Housing Authority acquisition of two adjacent 10-unit apartment buildings at 6682 and 6688 Picasso Road in Isla Vista. In the 07/08 fiscal year the Agency funded the renovation of the apartments for occupation by low to moderate income families. Renovation was completed and the apartments were available for occupation in Fall of 2008. The Agency plans to continue to participate in and implement other affordable housing projects and programs within the Project Area.

Long-term financial planning:

The Agency's property tax increment decreased 4% in FY 08-09 following a 35% increase in the prior year. The current year's decrease was primarily due to a reduction in supplemental property taxes. The sustained historical tax increment growth as well as the receipt of the proceeds of the 2008 note payable from the County positioned the Agency to fund projects in coming years.

In January 2006, the County Executive Office Department led an effort to adopt a broader, long-term 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 involves the Agency, County departments such as Public Works, Sheriff and Fire, and other community organizations, notably UCSB. The goal is to outline the long-term needs and services of the Isla Vista area and develop the funding sources to provide these services.

The Agency has prepared, based on the requirements of State law, an update to the Agency's five-year implementation plan (for the period 2007-2011). The Agency also prepared a long-term tax increment

revenue schedule. Using the plan and schedule, the Agency has initiated a long-term project implementation plan that includes the use of Agency debt financing and Agency pay-as-you-go financing.

Relevant financial policies:

As noted earlier, California Redevelopment Law grants redevelopment agencies most of the powers typical for a local government, plus three that are unique to redevelopment agencies. Specific redevelopment agency powers include:

- Buy private property for resale to another private person or organization.
- Use eminent domain, through the exercise of condemnation, to take private property for resale to another private person or organization.
- Collect property tax "increment" to finance redevelopment activities.

The Agency has been prohibited from exercising the power of eminent domain within the Project Area as the Agency's authority expired in 2000.

As implementation of the Redevelopment Plan progresses, the Agency will continue to consider and evaluate 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 Agency staff. We would like to acknowledge the special efforts of the Advanced Accounting Division for their assistance in the report preparation.

Respectfully submitted,

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

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

FINANCIAL SECTION

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Santa Barbara County Redevelopment Agency (the Agency) as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2009, and the respective changes in financial position, and, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2009, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 11 through 16 and 21 through 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, other supplementary information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
September 2, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

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, 2009. 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 $3,660,554 (net assets):

- $4,106,593 (Restricted net assets) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- -$446,039 (Unrestricted net assets) represents the amount that is needed to meet all the Agency's obligations to citizens and creditors.

The Agency's total net assets decreased by $1,054,783 during the current fiscal year. The increase in restricted net assets represents revenues that exceeded expenses in the Isla Vista Housing fund for the current year.

The Agency's total governmental funds fund balance at June 30, 2009 was $20,935,157, a decrease of 6%, or $1,414,896 from the prior year. Of this amount approximately 64%, or $13,465,711, is available for spending (unreserved fund balance). Unreserved fund balance for the General Fund at year-end was $3,193,630, or 247%, of total General Fund expenditures for the year.

The Agency does not have any investment in capital assets. The Agency has Property Held for Resale in the amount of $6,038,966. As of June 30, 2009, the Agency had total long-term obligations of $17,533,449. Of total long-term obligations, $405,000 is due or payable within one year.

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 four individual governmental funds, all of which are classified as major funds: the General Fund, the Isla Vista Housing Fund, the Debt Service Fund, and the Capital Projects 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 19-24 of this report display the governmental funds financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Change	
	2008	2009	Dollars	Percent
Current and other assets	$ 26,914,651	$ 25,915,052	$ (999,599)	(4%)
Total assets	26,914,651	25,915,052	(999,599)	(4%)
Current and other liabilities	4,374,125	4,801,317	427,192	10%
Long-term liabilities	17,825,189	17,453,181	(372,008)	(2%)
Total liabilities	22,199,314	22,254,498	55,184	0%
Net assets:				
Restricted	3,158,884	4,106,593	947,709	30%
Unrestricted	1,556,453	(446,039)	(2,002,492)	(129%)
Total net assets	$ 4,715,337	$ 3,660,554	$ (1,054,783)	(22%)

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 $3,660,554 (net assets) at the close of the current fiscal year, a decrease of $1,054,783 over the prior year.

Of the components of total net assets, restricted increased and unrestricted net assets decreased:

- Restricted net assets, $4,106,593, 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 $947,709 from the prior year due to revenues exceeding expenses in the housing program in the current fiscal year.
- Unrestricted net assets of -$446,039 represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. The $2,002,492 decrease in unrestricted net assets is primarily due to Isla Vista Project Area capital project expenses.

Governmental activities

The Agency's net assets decreased by $1,054,783 for the year ended June 30, 2009 as operating expenses exceeded operating revenues.

Condensed Statement of Changes in Net Assets

	Governmental Activities		Change	
Revenues	**2008**	**2009**	**Dollars**	**Percent**
Program Revenue				
Isla Vista Housing	$ -	$ 3,047,239	$ 3,047,239	9999%
Operating grants and contributions	1,063,822	9,650	(1,054,172)	(99%)
General revenues:				
Property tax increment	3,989,057	3,836,418	(152,639)	(4%)
Investment earnings	170,423	569,443	399,020	234%
Total revenues	5,223,302	7,462,750	2,239,448	43%
Expenses				
Project administration	428,462	587,393	158,931	37%
Isla Vista Project Area	1,314,254	3,874,039	2,559,785	195%
Isla Vista Housing	-	3,298,796	3,298,796	9999%
Interest on long-term obligations	44,136	757,305	713,169	1616%
Total expenses	1,786,852	8,517,533	6,730,681	377%
Excess (deficiency) of revenues over (under) expenses	3,436,450	(1,054,783)	(4,491,233)	(131%)
Net Assets - beginning	1,278,887	4,715,337	3,436,450	269%
Net Assets - ending	$ 4,715,337	$ 3,660,554	$ (1,054,783)	(22%)

Revenues

Total revenues for the Agency were $7,462,750, an increase of 43% 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 51% of the Agency's revenue in the current fiscal year. Property tax increment revenue decreased $152,639 or 4% over the prior year. Secured property taxes increased by $192,305 due to property valuation changes in the project area due to reassessment from new construction, a 2% yearly Proposition 13 CPI increase in assessed valuation, and reassessment due to property sales. This increase was offset by a reduction of $344,944 in supplemental property taxes.

- Isla Vista Housing program revenues increased $3,047,239 over the prior year to $3,047,239. This increase resulted from the separate reporting of the Housing Fund program beginning in the current year. Housing Fund program revenues primarily represent the receipt of principal and interest payments on loans held by the Agency.
- Investment earnings increased by $399,020 or 234%, to $569,443. This increase was due to (i) the Agency's substantial cash balance throughout the fiscal year and (ii) the receipt of rental revenues beginning in the 08/09 fiscal year.
- Operating grants and contributions decreased by $1,054,172 over the prior year to $9,650. This decrease primarily resulted from the separate reporting of the Housing Fund program beginning in the current year.

Expenses

Total expenses for the Agency were $8,517,533, an increase of 377% from the prior year, and primarily related to the following:

- Project administration expenses of $587,393, which included $86,529 in statutory property tax administration fees, $238,173 in administrative staffing costs for executing projects, $208,039 in central service department cost allocations, $18,100 in financial statement audit fees and other administrative expenses of $36,552.
- Isla Vista Project Area costs totaled $3,874,039. Projects costs of $275,681 incurred by the General Fund included IV Master Plan costs of $31,202, streetscape project costs of $49,105, El Colegio road project costs of $12,614, facade improvement program costs of $13,353, parking programs costs of $10,208, assistance to development project of $52,909, general project costs of $70,769, and other miscellaneous project costs of $35,521. The Agency's Capital Projects Fund incurred $3,598,358 in project costs including $3,522,938 in expenses for the Pardall Road Enhancement project and $75,420 in minor project expenses.
- The Agency's Isla Vista Housing Fund incurred $3,298,796 in costs. These expenses were primarily related to the Agency's issuance of permanent financing totaling $3,263,323 to Parkview Isla Vista LP for the Parkview apartments.
- Interest on long-term obligations of $757,305 was expensed related to the 1991 and 2008 note payables 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. Reconciling items between the Statement of Net Assets and the Governmental Funds Balance Sheet include accrued interest on long-term obligations, long-term obligations, unamortized discount, and unamortized issuance cost. Reconciling items between the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance includes the issuance of long-term debt, note payable discount, cost of issuance, principal payments on long-term obligations, and the decrease in accrued interest on long-term obligations. 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, 2009, the Agency's governmental funds reported total fund balances of $20,935,157, a 6% or $1,414,896, decrease in comparison with the prior year fund balance of $22,350,053. This decrease is mainly due to significant capital project expenditures which were offset by revenues exceeding expenditures in both the general and housing funds.

- 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 unreserved fund balance increased $174,008 to $3,193,630, an increase of 06%. This increase was due to revenues exceeding expenditures in the current year. Reserved fund balance in the General Fund increased by $1,561,966 as a result of the acquisition of properties held for resale.
- The Isla Vista Housing Fund fund balance is $4,106,593, an increase of $947,709, or 30% over the prior year. This increase was due to minimal current year housing related project expenditures.
- The Debt Service Fund fund balance is $2,706,211, a decrease of $590,262 over the prior year. This decrease was due to interest payments made on the 2008 note payable.
- The Capital Projects Fund fund balance is $9,366,757, a decrease of $3,508,317 over the prior year. This decrease was primarily due to Pardall Road Improvement Project 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 $2,752,319 and $1,084,099 to the Agency's Isla Vista Housing Fund for low and moderate income housing.

Base Property Tax Increment	$ 5,728,294
Add: Supplemental Property Tax	216,843
Add: Bond Rate Increment subject to Set Aside or Pass-through	13,070
Less: Pre 2% Pass-through	(525,495)
Subtotal	5,432,712
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(1,084,099)
Less: Pass-throughs to other Government Agencies	(1,596,294)
Total Allocated to Redevelopment Agency General Fund	$ 2,752,319

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 were adjusted to $2,792,237 from the original budgeted amounts of $4,354,203, a $1,561,966 decrease. This decrease was a result of adjusting the adopted budget for the acquisition of the downtown parking lot, which was reported as property held for resale.

Actual revenues were less than final budgeted estimates by $76,973 primarily due to a lower than expected property tax increment. Actual expenditures were less than budgetary appropriations by $1,499,130. 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 for public improvements and revitalization of blighted areas. As of June 30, 2009 the Agency reported Property Held For Resale in an amount of $6,038,966.

Long-term obligations

At June 30, 2009, the Agency had total long-term obligations outstanding of $17,533,449 consisting of two note payables from the County and a unamortized discount of $80,268. The Agency's total long-term obligations decreased by $380,000, or 2%, during the fiscal year due to a principal payment on the 1991 note balance. The proceeds of the 1991 note were contributed to the County for the County's purchase of bluff-top open space properties (land) in the early 90's. The proceeds of the 2008 note is being used to finance several improvements and redevelopment projects. 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	
	2008	2009	Dollars	Percent
Notes Payable to County	$ 17,913,449	$ 17,533,449	$ (380,000)	(2%)

See note 7 to the financial statements for additional information on long-term obligations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the Agency's FY 09-10 budget, the Agency has considered the FY 08-09 moderate growth in the real estate markets in the Isla Vista Project Area. However, this growth was offset by increased pre-2% pass through property tax payments which resulted in a 4% decrease in property tax increment to the Agency in the current year. Assessed property valuation in the Agency's project area drives the Agency's main revenue source, property tax increment, and the Agency has included an 11% decrease in this tax source in its FY 09-10 budget when compared to the FY 08-09 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

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

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, 2009

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 13,520,620
Other receivables	130,793
Loans receivable (Note 4)	4,579,320
Properties held for resale (Note 5)	6,038,966
Deferred charges	196,419
Restricted cash and investments (Note 3)	1,448,934
Total assets	25,915,052
LIABILITIES	
Accounts payable	204,156
Interest payable	17,841
Deferred revenue (Note 4)	4,579,320
Long-term obligations (Note 7):	
Portion due or payable in one year	
Notes payable to County	405,000
Portion due or payable after one year	
Notes payable to County	17,128,449
Unamortized discount on note payable	(80,268)
Total liabilities	22,254,498
NET ASSETS	
Restricted for low and moderate income housing (Note 9)	4,106,593
Unrestricted	(446,039)
Total net assets	$ 3,660,554

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, 2009

Programs	Expenses	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities:			
Project administration	$ 587,393	$ --	$ (587,393)
Isla Vista Project Area	3,874,039	9,650	(3,864,389)
Isla Vista Housing	3,298,796	3,047,239	(251,557)
Interest on long-term obligations	757,305	--	(757,305)
Total governmental activities	$ 8,517,533	$ 3,056,889	(5,460,644)
General Revenues:			
Property tax increment			3,836,418
Investment earnings			569,443
Total general revenues			4,405,861
Change in net assets			(1,054,783)
Net assets - beginning			4,715,337
Net assets - ending			$ 3,660,554

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, 2009

	General	Isla Vista Housing	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	$ 3,080,217	$ 4,091,745	$ 1,257,277	$ 5,091,381	$ 13,520,620
Use of money and property receivable	11,053	14,848	--	134	26,035
Other receivables	104,758	--	--	--	104,758
Loans receivable (Note 4)	--	4,579,320	--	--	4,579,320
Due from other funds (Note 8)	2,032	--	--	--	2,032
Properties held for resale (Note 5)	1,561,966	--	--	4,477,000	6,038,966
Restricted cash and investments (Note 3)	--	--	1,448,934	--	1,448,934
Total assets	$ 4,760,026	$ 8,685,913	$ 2,706,211	$ 9,568,515	$ 25,720,665
LIABILITIES & FUND BALANCE					
LIABILITIES					
Accounts payable	$ 4,430	$ -	$ -	$ 199,726	$ 204,156
Due to other funds (Note 8)	--	--	--	2,032	2,032
Deferred revenue (Note 4)	--	4,579,320	--	--	4,579,320
Total liabilities	4,430	4,579,320	-	201,758	4,785,508
FUND BALANCES					
Reserved for:					
Debt service	--	--	1,430,480	--	1,430,480
Properties held for resale	1,561,966	--	--	4,477,000	6,038,966
Unreserved:					
Designated, reported in:					
General fund	24,146	--	--	--	24,146
Special revenue fund	--	32,073	--	--	32,073
Debt service fund	--	--	1,275,731	--	1,275,731
Capital projects fund	--	--	--	4,942	4,942
Undesignated, reported in:					
General fund	3,169,484	--	--	--	3,169,484
Special revenue fund	--	4,074,520	--	--	4,074,520
Capital projects fund	--	--	--	4,884,815	4,884,815
Total fund balances	4,755,596	4,106,593	2,706,211	9,366,757	20,935,157
Total liabilities & fund balance	$ 4,760,026	$ 8,685,913	$ 2,706,211	$ 9,568,515	$ 25,720,665

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

Fund balances - total governmental funds	$ 20,935,157
Unamortized issuance cost on long-term obligation	196,419
Accrued interest on long term obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(17,841)
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,533,449)
Unamortized discount on long-term obligation	80,268
Net assets of governmental activities	$ 3,660,554

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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2009

	General	Isla Vista Housing	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property tax increment	$ 2,752,319	$ 1,084,099	$ --	$ --	$ 3,836,418
Use of money and property	273,762	115,167	90,473	90,041	569,443
Recycled affordable housing funds	--	3,047,239	--	--	3,047,239
Other revenues	3,000	--	6,650	--	9,650
Total revenues	3,029,081	4,246,505	97,123	90,041	7,462,750
EXPENDITURES					
Current:					
Project administration	587,393	--	--	--	587,393
Isla Vista Project Area	275,681	--	--	3,598,358	3,874,039
Isla Vista Housing	--	3,298,796	--	--	3,298,796
Debt service:					
Principal	380,000	--	--	--	380,000
Interest	50,033	--	687,385	--	737,418
Total expenditures	1,293,107	3,298,796	687,385	3,598,358	8,877,646
Net change in fund balances	1,735,974	947,709	(590,262)	(3,508,317)	(1,414,896)
Fund balances - beginning	3,019,622	3,158,884	3,296,473	12,875,074	22,350,053
Fund balances - ending	$ 4,755,596	$ 4,106,593	$ 2,706,211	$ 9,366,757	$ 20,935,157

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

Net change in fund balances - total governmental funds	$ (1,414,896)
Issuance cost associated with long-term obligations has no effect on current financial resources but are amortized in the statement of activities.	(19,558)
The long-term obligations discount has no effect on current financial resources but is amortized in the statement of activities.	(7,992)
Principal payments on long-term obligations use current financial resources but have no effect on net assets.	380,000
The decrease in accrued interest on long-term obligations does not increase current financial resources but is recorded as a decrease in expenses in the statement of activities.	7,663
Change in net assets (Statement of Activities, Governmental Activities)	$ (1,054,783)

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, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget -
REVENUES				
Property tax increment	$ 3,000,000	$ 3,000,000	$ 2,752,319	$ (247,681)
Use of money and property	85,000	106,054	273,762	167,708
Other Revenues	--	--	3,000	3,000
Total revenues	3,085,000	3,106,054	3,029,081	(76,973)
EXPENDITURES				
Current:				
Project administration	1,169,447	969,447	587,393	382,054
Isla Vista Project Area	2,751,000	1,389,034	275,681	1,113,353
Debt service:				
Principal	380,000	380,000	380,000	--
Interest	53,756	53,756	50,033	3,723
Total expenditures	4,354,203	2,792,237	1,293,107	1,499,130
Net change in fund balances	(1,269,203)	313,817	1,735,974	1,422,157
Fund balances - beginning	3,019,622	3,019,622	3,019,622	--
Fund balances - ending	$ 1,750,419	$ 3,333,439	$ 4,755,596	$ 1,422,157

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)
ISLA VISTA HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget -
REVENUES				
Property tax increment	$ 1,200,000	$ 1,200,000	$ 1,084,099	$ (115,901)
Use of money and property	45,000	73,764	115,167	41,403
Recycled affordable housing funds	2,800,000	2,800,000	3,047,239	247,239
Total revenues	4,045,000	4,073,764	4,246,505	172,741
EXPENDITURES				
Current:				
Isla Vista Housing	3,547,542	3,547,542	3,298,796	248,746
Total expenditures	3,547,542	3,547,542	3,298,796	248,746
Net change in fund balances	497,458	526,222	947,709	421,487
Fund balances - beginning	3,158,884	3,158,884	3,158,884	--
Fund balances - ending	$ 3,656,342	$ 3,685,106	$ 4,106,593	$ 421,487

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)
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget -
REVENUES				
Use of money and property	$ 201,500	$ 69,955	$ 90,473	$ 20,518
Other revenues	--	--	6,650	6,650
Total revenues	201,500	69,955	97,123	27,168
EXPENDITURES				
Debt service:				
Interest	2,253,000	753,000	687,385	65,615
Total expenditures	2,253,000	753,000	687,385	65,615
Net change in fund balances	(2,051,500)	(683,045)	(590,262)	92,783
Fund balances - beginning	3,296,473	3,296,473	3,296,473	--
Fund balances - ending	$ 1,244,973	$ 2,613,428	$ 2,706,211	$ 92,783

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)
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2009

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget -
REVENUES				
Use of money and property	$ 280,000	$ 284,942	$ 90,041	$ (194,901)
Total revenues	280,000	284,942	90,041	(194,901)
EXPENDITURES				
Current:				
Isla Vista Project Area	10,330,000	3,753,000	3,598,358	154,642
Total expenditures	10,330,000	3,753,000	3,598,358	154,642
Net change in fund balances	(10,050,000)	(3,468,058)	(3,508,317)	(40,259)
Fund balances - beginning	12,875,074	12,875,074	12,875,074	--
Fund balances - ending	$ 2,825,074	$ 9,407,016	$ 9,366,757	$ (40,259)

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the County of Santa Barbara (Agency) conform to accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the Agency's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

The Reporting Entity

The 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 GASB. As such, the results of its operations are also included in the County's Comprehensive Annual Financial Report (CAFR).

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, 2009, the Agency paid $601,476 to the County for such services.

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 inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated

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 Agency does not have any business-type activities as of June 30, 2009. 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 un-matured 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.

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.
- The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest incurred for the purchase of real property within the area of the Redevelopment Agency.
- The **Capital Projects Fund** accounts for financial resources used in the acquisition of land and for physical improvements of infrastructure in downtown Isla Vista.

Cash and Investments

The Statement of Assets includes the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. 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 General Fund.

Investments held by the County Treasurer are stated at fair value. The fair value of investments is established based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the pool is the same as the value of the pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. The total percentage share of the County's investment pool that relates to external involuntary participants is 56% as of June 30, 2009.

The Treasurer participates in the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board. The fair value of the County's position in the LAIF may be greater or less than the value of the shares as the State uses the amortized cost method to value investments. The difference between the fair value and the amortized cost was not material, and as such, no adjustment was made to the Statement of Assets.

State statutes and the Treasurer's Investment Policy provide the framework for investment. The objectives of the Government Code and the Treasurer's Investment Policy are safety of principal, providing sufficient liquidity to meet cash flow needs, and attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2009 to support the value of shares in the Treasurer's investment pool.

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. In addition, a loan receivable and offsetting deferred revenue liability is established.

Long-term Obligations

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, the Isla Vista Housing Fund, the Debt Service Fund, and the Capital Projects 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 (i.e. the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations which are maintained at the line item level.

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 $3,836,418 of property tax increment revenue for the year ended June 30, 2009.

Low and Moderate Income Housing

In accordance with State law, the Agency is required to set aside twenty percent of its property tax increment after pre 2% pass-through for low and moderate income housing programs. For the year ended June 30, 2009, $1,084,099 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Properties Held for Resale

Properties held for resale by the Agency are recorded in either the Agency's General Fund or Capital Projects Fund at the lower of cost or estimated net realizable value. Realizable value is either determined by an agreed-upon sale price with a developer or an appraisal. Prior to the establishment of such a development agreement or appraisal, the properties are maintained at cost. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributable to properties to be resold to developers.

Net Assets

Net assets represent the difference between assets and liabilities. In the government-wide financial statements, net assets are classified as the following:

- Restricted Net Assets – This category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Assets – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

2. CASH AND INVESTMENTS

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

The Agency's portion of the County Treasurer's cash and pooled investments was $13,520,620 at June 30, 2009. Investment income apportioned to the Agency by the County Treasurer's cash and pooled investments totaled $370,142 for the fiscal year ended June 30, 2009, which included unrealized gains of $50,608 in the fair value allocated to investments held by the Agency in the County Pool.

Deposits

Custodial Credit Risk
The custodial credit risk for deposits 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. This risk is mitigated in that the County's bank deposits are insured by Federal depository insurance (FDIC).

Effective November 2008, and as a result of the FDIC sponsored Temporary Liquidity Guarantee Program (TLGP), all funds in non-interest bearing transaction deposit accounts held in domestic offices of FDIC insured financial institutions will be fully guaranteed provided the financial institution holding the deposits did not opt out of the TLGP. The County's depository did not opt out of the TLGP. Because the County's deposits are fully collateralized under the TLGP, collateralization under Government Code Section 53652 is waived. When the TLGP program ends December 31, 2009, the County's depository will revert to collateralizing the balance under Government Code Section 53652

At June 30, 2009, the carrying amount of the County's deposits was $41,336,412 and the corresponding bank balance was $38,064,952. The difference of $3,271,460 was principally due to deposits in transit.

2. CASH AND INVESTMENTS - CONTINUED

Investments

Pursuant to Section 53646 of the State of California Government Code the County Treasurer prepares an *Investment Policy Statement* 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 Commission.

The policy provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide 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. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate bonds and notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

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 U.S. Government the issuer shall be rated AAA by at least two of the three major rating services of Fitch Ratings, Moody's and Standard & Poor's (S&P). Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate bonds and notes shall be rated AA by at least two of the three major rating services of Fitch, Moody's and S&P if maturity is greater than three years and AA- if maturity is three years or less.

2. CASH AND INVESTMENTS - CONTINUED

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2009.

	Credit Ratings	% of Portfolio
Treasurer's Pooled Investments:		
LAIF	Unrated	4.27%
Treasury Bills	Aaa, AAA	0.75%
Commercial Paper	P-1, A-1, F1	7.07%
Commercial Paper	P-1, A-1	2.57%
Corporate Notes: TLGP	Aaa, AAA	1.28%
Corporate Notes	A2, A, A+	0.62%
Corporate Notes	A3, A, A+	1.25%
Corporate Notes	Aa, AA	0.64%
Corporate Notes	Aa, AA, AA	5.36%
Corporate Notes	Aa1, AA+	1.95%
Corporate Notes	Aaa, AAA	3.92%
Negotiable Certificates of Deposit	P-1, A-1, F1	9.95%
Government Agency Bonds and Notes	Aaa, AAA	42.26%
Government Agency Bonds and Notes	Aaa, AAA, AAA	18.11%
Total Treasurer's Pooled Investments		**100.00%**
Directed Investments:		
Government Agency Bonds	Aaa, AAA	**100.00%**
Investments Held with Fiscal Agents:		
Money Market	Aaa, AAAm	27.48%
Treasury Bills	Aaa, AAA	10.57%
Government Agency Bonds and Notes	Aaa, AAA	61.95%
		100.00%

At the time of purchase, the Treasurer's Investment Policy dictates that no more than 5% of the Treasurer's pooled investments may be invested in the securities of any single issuer. Securities issued by the U.S. Government, its agencies, and sponsored enterprises, are not subject to this limitation.

2. CASH AND INVESTMENTS - CONTINUED

As of June 30, 2009, percentage holdings were as follows:

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Treasurer's Pooled Investments:			
US Bank	Corporation	$ 49,166,680	6.18%
Federal Home Loan Bank	Government Sponsored	$ 255,537,597	32.11%
Federal Home Loan Mortgage Corporation	Government Sponsored	$ 84,106,050	10.57%
Federal National Mortgage Association	Government Sponsored	$ 103,290,822	12.98%
Directed Investments:			
Federal National Mortgage Association	Government Sponsored	$ 427,503	100.00%
Investments Held with Fiscal Agents:			
Federal Home Loan Bank	Government Sponsored	$ 3,202,355	14.29%
Federal Home Loan Mortgage Corporation	Government Sponsored	$ 7,475,882	33.36%
Federal National Mortgage Association	Government Sponsored	$ 3,206,112	14.30%

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. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that non-short term investments, in the aggregate, shall not exceed 75% of the portfolio.

The following is a summary of the weighted average days to maturity by investment type at June 30, 2009.

	Weighted Average Days to Maturity
Treasurer's Pooled Investments:	
LAIF	On Demand
Treasury Bills	44
Commercial Paper	21
Corporate Notes: TLGP	724
Corporate Notes	420
Negotiable Certificates of Deposit	101
Government Agency Bonds and Notes	362
Investment Pool Average	297
Directed Investments:	
Government Agency Bonds	350
Investments Held with Fiscal Agents:	

2. CASH AND INVESTMENTS - CONTINUED

Money Market	On Demand
Treasury Bills	177
Government Agency Bonds and Notes	692

The weighted average days to maturity for the underlying securities held in the LAIF and money market pools presented above are 235 and 44, respectively.

A summary of interest rate and maturity ranges for the Treasurer's investments is as follows:

Treasurer's Pooled Investments:	**% of Portfolio**	**Interest Rate Range**	**Maturity Range**
LAIF	4.27%	1.51%	On Demand
Treasury Bills	0.75%	0.44%	8/09
Commercial Paper*	9.64%	0.24%-1.93%	7/09-8/09
Corporate Notes: TLGP	1.28%	1.61%-2.90%	1/11-12/11
Corporate Notes	13.74%	2.82%-7.16%	9/09-9/12
Negotiable Certificates of Deposit	9.95%	0.58%-3.18%	7/09-2/10
Government Agency Discount Notes*	18.39%	Discount	7/09-6/10
Government Agency Bonds and Notes	41.98%	0.56%-4.52%	8/09-6/14
Directed Investments:			
Government Agency Bonds	100%	6.70%	6/10
Investments Held with Fiscal Agents:			
Money Market	27.48%	0.02%	On Demand
Treasury Bills	10.57%	0.34%	12/09
Government Agency Discount Notes*	14.30%	Discount	11/09
Government Agency Bonds and Notes	47.65%	0.56%-4.75%	6/10-5/14

*Commercial paper and discount notes are purchased at a discount. The difference between maturity value and principal paid is earnings apportioned to the investment pool.

The fair value of investments generally changes with the fluctuations of interest rates. In a rising interest rate market, the fair value of investments could decline below original cost. Conversely, when interest rates decline, the fair value of investments increases. The Treasurer believes liquidity in the portfolio is sufficient to meet cash flow needs and to preclude the Treasurer from having to sell investments below original cost.

At June 30, 2009 the Treasurer held floating rate notes that comprised of 2.48% of the Treasurer's Pooled Investments. The notes are tied to the London Interbank Offered Rate (LIBOR) with quarterly coupon resets. The fair value of variable-rate securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no floating rate notes in the Directed Investments or Investments Held with Fiscal Agents.

Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participating funds based upon the fund's ending cash balance. Interest and net investment income consisted of the following for the fiscal year ended June 30, 2009:

2. CASH AND INVESTMENTS - CONTINUED

	Pool	Directed	Total
Interest Income	$ 16,067,133	$ 63,293	$ 16,130,426
Realized Gain	6,290,957	2,263	6,293,220
Administration & Audit Fees	(1,843,899)	(4,955)	(1,848,854)
Securities Lending	4,183	15	4,198
Miscellaneous Adjustments	(4,474)	-	(4,474)
Total Net Investment Income	**$ 20,513,900**	**$ 60,616**	**$ 20,574,516**

Investment Pending Settlement
The Treasurer entered into an agreement to purchase a government agency bond during the year. This investment transaction was pending settlement at June 30, 2009. Per GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are to be accounted for based on trade date rather than settlement date. The trade date is the date on which the transaction occurred and is the date the County is exposed to (or released from) the rights and obligations of the ownership of the instrument. At June 30, 2009, the investment and resulting liability amounted to $5,000,000.

Securities Lending
As authorized under state statute and the Treasurer's Investment Policy, the County of Santa Barbara participated in securities lending transactions during the fiscal year. The Treasurer suspended the County's securities lending program on October 30, 2008.

For all securities lending transactions that occurred during the fiscal year ended June 30, 2009, the Bank was contracted to lend securities only to eligible borrowers, as defined by the Treasurer. The term for each lending transaction was limited to a maximum of seven days. The Bank and its affiliates were not eligible borrowers. Cash collateral equaling 102% of the total value of the loaned securities was required. The Bank invested cash collateral on behalf of the County in permitted investments. Collateral was marked to market as is reasonable, and the Bank had the right to demand additional collateral as necessary. Such collateral received by the Bank was held separate and apart from the Bank's own funds and securities. Securities lending transactions were restricted to 20% of the base value of the portfolio.

The securities lent remained in the Treasurer's Statement of Assets as the County retained the risks and rewards of changes in the value of the underlying securities during the term of the loan, had a contractual right to the income distributions, and retained the right to sell the securities. The term to maturity of securities loans was matched with the maturity date of the term loan.

The collateral received by the Treasurer exceeded the amount on loan. Collateral was held in trust with a custodial bank different from the County's primary bank. Collateral was not held in broker accounts. Accordingly, the Treasurer was not exposed to custodial credit risk.

There were no provisions for agent indemnification of the securities lending transactions. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior period losses.

2. CASH AND INVESTMENTS - CONTINUED

Condensed Financial Statement

The following represents a condensed statement of assets and changes in assets for the Treasurer's investment pool as of June 30, 2009:

	6/30/2009	6/30/2008	Net Change
Assets Held for Pool	$ 837,220,704	$ 816,633,177	$ 20,587,527
Equity of Internal Pool Participants	$ 330,949,813	$ 331,319,010	$ (369,197)
Equity of External Pool Participants	506,253,583	485,184,335	21,069,248
Outstanding Purchase Interest	17,308	129,832	(112,524)
Total Equity	**$ 837,220,704**	**$ 816,633,177**	**$ 20,587,527**

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 that are restricted by legal or contractual requirements are comprised of the following:

Debt Service Fund

Funds set aside for repayment of 2008 note payable	$ 1,448,934

4. LOANS RECEIVABLE AND DEFERRED REVENUE

Loans receivable, totaling $4,579,320 at June 30, 2009, consists of loans provided for low and moderate income housing, with interest ranging from 0% to 5% and maturities up to 55 years. Due to the terms of the loans, offsetting deferred revenue in the amount of $4,579,320 has been established.

	Project	Outstanding July 1, 2008	Additions	Deletions	Outstanding June 30, 2009
A.	Storke Ranch Acquisition	$ 106,000	$ -	$ -	$ 106,000
B.	Conway Rehabilitation	9,582	-	720	8,862
C.	Isla Vista Apartments	907,063	-	-	907,063
D.	Villa del Sol Apartments	301,557	-	7,485	294,072
E.	Parkview Apartments	2,886,045	3,263,557	2,886,279	3,263,323
	TOTAL	$ 4,210,247	$ 3,263,557	$ 2,894,484	$ 4,579,320

A. *Storke Ranch Acquisition* - The Agency provided $106,000 for the construction of 36 affordable housing units in 1998. The term loan is payable at 0% interest in 2033. The outstanding amount as of June 30, 2009 is $106,000.

B. *Conway Rehabilitation* - This loan provided funding for the rehabilitation of an existing residence in 1999. The original amount of the loan was $15,000 amortized over twenty years at 3%. The outstanding amount as of June 30, 2009 is $8,862.

C. *Isla Vista Apartments* - During 1999 to 2001, the Agency loaned Peoples' Self-Help Housing a total of $907,063 for the rehabilitation of 56 low and very-low income units. This is residual receipt loan with an interest rate of 3% with a term of 30 years. The outstanding balance at June 30, 2009 is $907,063.

4. LOANS RECEIVABLE AND DEFERRED REVENUE - CONTINUED

D. *Villa del Sol Apartments* - The Agency in 2005 provided the Housing Authority of the County of Santa Barbara (HACSB) $325,000 for the acquisition and rehabilitation of a four unit property serving developmentally disabled adults. This loan was made at a 3% interest rate and is due in 30 years. The outstanding balance at June 30, 2009 is $294,072.

E. *Parkview Apartments* - In the 06/07 fiscal year the Agency provided bridge financing in the amount of $3,760,000 to the HACSB. Funding from this loan allowed the HACSB to purchase a 20-unit apartment complex in order to provide rehabilitation and maintenance of affordable units. This loan was payable within three years with a simple interest rate of 5%. In the 07/08 fiscal year the responsibility for repayment of the loan was reassigned from the HACSB to Parkview Isla Vista LP, a limited partnership established by the HACSB. Reassignment of this loan was necessary for the HACSB to secure Federal Low Income Housing Tax Credits. In the 08/09 fiscal year the Agency and Parkview Isla Vista LP executed a permanent financing loan agreement in the amount of $3,263,323. The permanent loan was made at a 3% simple interest rate and is due in fifty-five years.

Loans in default or not in compliance with their terms

As of June 30, 2009 there were no loans made by the Agency that are $50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Agency.

5. PROPERTIES HELD FOR RESALE

Properties Held for Resale

A summary of the changes in properties held for resale as of June 30, 2009 are as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
St. Athanasius Church	$ -	$ 1,877,000	$ -	$ 1,877,000
Parking Lot	--	1,561,966	--	1,561,966
Medical Center	2,600,000	--	--	2,600,000
	$ 2,600,000	$ 3,438,966	$ -	$ 6,038,966

As of June 30, 2009 the Agency owned three properties which were acquired during the 07/08 and 08/09 fiscal years. The Medical Center is located at 970 Embarcadero Del Mar and was acquired during fiscal year 07/08. The St. Athanasius Church and Parking Lot were acquired in the current fiscal year. They are respectively located at 976 Embarcadero Del Mar and 881 Embarcadero Del Mar.

6. LEASES

Operating Leases as Lessor

The Agency as lessor leases sections of a medical center in Isla Vista to the Santa Barbara Neighborhood Clinics (Clinics), an Internal Revenue Code (IRC) Section 501(c)(3) organization. The initial lease provided for base rent of $151,086 per year subject to an annual 3% increase. The term of this cancelable lease runs from June 2008 to either 90 days after receipt by the Agency of written notice of termination, with or without cause, by the Clinics or June of 2018. In the 08/09 fiscal year the Clinic exercised its option to vacate part of the leased space and reduced its rent to $76,879 effective the 09/10 fiscal year. The original cost of the medical center to the Agency was $2,600,000. As this building is being held as 'property held for resale' inventory it is recorded at its cost subject to a determination that its cost exceeds its net realizable value. For the year ended June 30, 2009, total rental income was $141,565.

6. LEASES - CONTINUED

The Agency as lessor leases sections of a church in Isla Vista to the Saint Athanasius Orthodox Church a California non-profit corporation. The lease provides for the base rent of $5,400 per month subject to an annual 3% increase. The term of this lease runs from July 2008 to July 2010. At the end of the lease term the lessee, if in good standing, has an option to extend the term for two additional terms of one year each. The original cost of the property to the Agency was $1,877,000. As this building is being held as 'property held for resale' inventory it is recorded at its cost subject to a determination that its cost exceeds its net realizable value. For the year ended June 30, 2009, total rental income was $57,737.

7. LONG-TERM OBLIGATIONS

Notes Payable to County

On March 5, 1991, the Agency borrowed and entered into an agreement to repay $3,609,000 to the County, using incremental property tax funds generated within the project area. The note bears an interest rate of approximately 4.4%. As of June 30, 2009, the outstanding principal balance was $533,449.

On June 3, 2008, the Agency borrowed and entered into an agreement to repay $17,000,000 to the County, using incremental property tax funds generated within the project area. The note bears an initial interest rate of 4.0% which then gradually increases to a 4.75% rate. As of June 30, 2009, the outstanding principal balance was $17,000,000.

A summary of the notes payable outstanding as of June 30, 2009 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of June 30, 2009
1991 Note Payable	4.4%	3/5/1991	1/1/2011	$ 3,609,000	$ 533,449
2008 Note Payable	4.0% - 4.75%	6/3/2008	12/1/2028	17,000,000	17,000,000
				$ 20,609,000	$ 17,533,449

The following is a schedule of total debt service requirements to maturity as of June 30, 2009 for notes payable:

Year Ending June 30,	Principal	Interest
2010	$ 405,000	$ 777,609
2011	128,449	759,383
2012	655,000	725,583
2013	680,000	698,883
2014	710,000	671,083
2015-2019	3,995,000	2,897,913
2020-2024	4,875,000	1,988,411
2025-2029	6,085,000	745,850
Sub-total	17,533,449	9,264,715
Unamortized discount	(80,268)	--
Total note payable debt	$ 17,453,181	$ 9,264,715

7. LONG-TERM OBLIGATIONS - CONTINUED

Changes in the Agency's long-term obligation for the year ended June 30, 2009 are as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year
Notes Payable to County	$ 17,913,449	$ -	$ (380,000)	$ 17,533,449	$ 405,000

8. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2009 are as follows:

Due from other funds	Due to other funds	Amount
General Fund	Capital Projects Fund	$ 2,032
Total due to/from		$ 2,032

9. 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, 2009, the Agency had $4,106,593 restricted for low income housing, which is restricted by enabling legislation.

10. SUBSEQUENT EVENT

On July 29, 2009 the State of California adopted a revised budget for the 09/10 fiscal year to close a budget gap approximated at $26 billion dollars. Under this budget, the Agency will shift approximately $1.6 million in the 09/10 budget year and $400 thousand in the subsequent budget year to a Supplemental Education Revenue Augmentation Fund (SERAF) for K-12 Schools. As a result, the Agency will be required to reduce the scope of current projects as well as delay other projects in order to shift the funds.

OTHER SUPPLEMENTARY INFORMATION (UNAUDITED)

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2008-09
(Unaudited)

This report for the fiscal year ended June 30, 2009 includes a narrative that describes the activities of the Redevelopment Agency of the County of Santa Barbara, California ("Agency").

SUMMARY OF PREVIOUS FUNDING, PROJECT & HOUSING EFFORTS PRIOR TO Fiscal Year (FY) 08-09

Highlights of Previous Agency General Project Efforts: Prior to FY 08-09

Fiscal Year(s)	FUNDS	PROJECT DESCRIPTION
90-91	$4,010,000	County issues $4,010,000 in Certificates of Participation and loans proceeds to Agency for the purchase of open space.
90-91 to 92-93	$2,634,140	County acquires 14 bluff-top, open-space parcels in Isla Vista using Agency funds.
94-95	$135,000	County Services Area 31 ("CSA 31") loans funds to Agency to pay debt service.
	$250,000	Coastal Resource Enhancement Fund ("CREF") loans funds to Agency to pay debt service.
01-02		Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) formed to guide preparation of Isla Vista Master Plan.
01-02	$385,000	Agency repays CSA 31 and CREF loans.
04-05	$65,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department improves over 3,000 square feet of sidewalk and installs over 30 trees in downtown Isla Vista.
	$100,000	County acquires five undeveloped bluff top open space parcels for Capps Park. $100,000 of Agency funds matched with $1.5 million in other funding sources, and $1.1 million from sale of two isolated County-owned bluff top parcels.
		Agency oversight transferred from County Planning and Development Department to the County Executive Office ("CEO").
06-07	$300,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department installs 775 linear feet of sidewalk and 18 trees on Sabado Tarde in Isla Vista.
	$30,000	Installed improvements to four bus stops in Isla Vista, including new bus stop shelters, benches, and up-to-date route information.
	$192,376	Agency contracts with ROMA Design Group to design Pardall Road Improvements.
07-08	$17,000,000	The County issues $17 million in Certificate of Participation and loaned the proceeds to the Agency to fund infrastructure improvement projects and land acquisitions.
	$2,600,000	Agency acquires the Isla Vista Medical Clinic site located at 970 Embarcadero Del Mar from the Santa Barbara Neighborhood Clinics.

Previous Very Low and Low Income Housing Efforts: Prior to FY 08-09

The Isla Vista Housing special revenue fund received 25% of the Agency's property tax increment revenue from FY 90-91 to FY 94-95. This percentage decreased to 20% beginning in FY 95-96 and remains at this ratio. Housing projects financed by these funds extend over multiple years.

Fiscal Year	AGENCY SET-ASIDE FUNDS	PROJECT DESCRIPTION
96-97	$0	$35,000 State Housing and Community Development Department grant used to develop the Isla Vista Housing Strategy Plan.
	$25,000	Agency funds matched with $500,000 Community Development Block Grant ("CDBG") to rehabilitate 34 residential units (6 units financed with Agency funds).
97-98	$15,000	Agency funds matched with $500,000 CDBG to rehabilitate 30 low to very low-income residential units ("Conway Rehabilitation" - 1 unit financed with Agency funds).
98-99	$106,000	Agency loan to People's Self-Help Housing Corporation (PSHH) to assist in construction of 36 low and very low-income units in the Storke Ranch apartment complex ("Storke Ranch Acquisition").
99-00	$350,000	Initial advance of Agency loan to PSHH for rehabilitation and financing of 56 low and very low-income units at 6660/6650 Abrego Road ("Isla Vista Apartments").[1]
00-01	$258,684	Second ($210,684) and third ($48,000) advance of Agency loan to PSHH for Isla Vista Apartments.[1]
	$366,500	Agency loan for land acquisition for the 16 unit El Encanto Apartment Project for low to very low-income family rentals.
01-02	$298,379	Final payment of Agency loan to PSHH for Isla Vista Apartments.[1]
02-03		Oversight of Isla Vista Housing fund activities transferred to County Housing and Community Development Department.
04-05	$325,000	Agency loan to the County Housing Authority for acquisition and rehabilitation at 6680 Sueno Road ("Villa Del Sol Apartments"), a 4 unit property serving developmentally disabled adults.
06-07	$3,760,000	Agency loan to Housing Authority of the Santa Barbara County to acquire two adjacent 10-unit apartment building in Isla Vista ("Parkview Apartments") for affordable housing located at 6682 & 6688 Picasso Road.
		Isla Vista Project Area Housing Fund was transferred to the CEO and the Agency became responsible for Housing Fund Management.

[1] The initial loan between the Agency and PSHH originally amounted to $1,005,179. However, the total loan amount was reduced to $907,063 as a result of reserve funding for relocation expenses not being used.

Note: 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 disbursement and records repayments as project income when received. In addition, a loan receivable and offsetting deferred revenue liability is established.

SUMMARY OF PROJECTS AND HOUSING EFFORTS IN FY 08-09

FY 08-09 General Projects

The Agency currently is focusing on three general project types intended to achieve the goals of the Project Area:

- Infrastructure – Projects include a downtown parking lot, streetscape improvements, and sidewalk projects.
- Public-Private Partnerships – The Agency is actively working with local property owners and regional developers to construct housing and commercial projects in Isla Vista.
- Policy and Regulation Revisions – The Agency is currently in the process of revising County regulations and policies to incentivize private sector reinvestment in the community.

During FY 08/09 the Agency completed a number of important projects within these general project types. Highlights of those achievements include:

- Acquired the St. Athanasius Church located at 976 Embarcadero Del Mar
- Acquired a parking lot located at 881 Embarcadero Del Mar
- Completed the Pardall Road streetscape construction
- Complete the Isla Vista Master Plan certification with the Coastal Commission
- Isla Vista Master Plan response to Coastal Commission comments submitted
- Completed special Noise Study for downtown Isla Vista projects
- Planning permits obtained for the Loop at Trigo Road private project
- Provided permanent financing for 20 affordable housing units at Parkview Apartments (6682 & 6688 Picasso Road) purchased and rehabilitated with tax credits and Agency funds and obtained in partnership with the County Housing Authority
- Planning permits obtained for phase 1 El Colegio Road Improvements
- Obtained planning permits for downtown parking lot project

The Project Description Section, which begins on page 44, gives a complete summary of all Agency projects and includes accomplishments and goals for each project.

FY 08-09 Very Low, Low and Moderate Income Housing

The Agency is currently aggressively pursuing increasing and improving housing opportunities for very low, low and moderate income families in the Project Area. In spring of 2007, the Agency funded the Santa Barbara Housing Authority acquisition of two adjacent 10-unit apartment buildings at 6688 and 6682 Picasso Road in Isla Vista. In FY 07-08, the Agency funded the renovation of the apartments for occupation by low to moderate income families. Renovation was completed for occupation in the Fall of 2008.

The Agency continues to proceed in their policy to accept affordable housing project proposals at any time during the year. The Agency is currently seeking willing sellers in the project area in order to facilitate the development of affordable units as well as focusing on properties that have the potential for rehabilitation.

SUMMARY OF PROJECTS AND HOUSING EFFORTS PROJECTED FOR FY 09-10

Projected FY 09-10 Funding

The Agency's General Fund is budgeted in FY 09-10 to receive $2,714,360 in property tax increment revenue. In addition, the Agency's General Fund's unreserved fund balance of $3,193,630 is carried over from FY 08-09 and is available for FY 09-10 projects and activities. The Agency's FY 09-10 budget provides for $2,579,494 for administration, debt payments, and projects.

Organization of the Redevelopment Agency
An adopted $2.6 million budget for FY 09-10 includes funding for an Agency Deputy Director and Redevelopment Manager to manage Agency initiatives, Redevelopment Specialists, and funding to design and engineer various projects such as El Embarcadero Road improvements and the downtown Parking Lot. Infrastructure projects include funding for alternative transportation improvements, sidewalk construction, downtown parking lot, and other minor projects. 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 FY 09-10 Projects/Activity

Project	Goals for FY 09-10
Downtown Private Projects - Development Agreements	• Bring entitlement request for the Icon Project to decision makers • Develop other public/private partnerships for new high quality mixed use projects in downtown Isla Vista
Downtown Parking Lot	• Complete construction of sustainable parking lot designed using innovative design and alternative energy concepts
Façade Program	• Complete two additional façade improvement projects
Pardall Road Enhancements	• Complete construction of Pardall Road • Establish funding mechanism for long term project maintenance
Downtown Storm Water Project	• Design and engineering for downtown storm drain project utilizing Filtera bio-filtration systems • Complete bid process for construction
El Embarcadero Sidewalk/Underground Utilities	• Complete design and engineering for completion of the sidewalk network along El Embarcadero including undergrounding of utilities, street lighting and street trees
CarShare Program	• Initiate short-term car rental program for Isla Vista in Fall 2009
Outdoor Dining Program	• Complete design guidelines, ordinance and resolution for outdoor dining lease program
Isla Vista Park Redesign Projects	• Assist IVRPD in developing park improvement project
El Colegio Road Implementation	• Provide support construction of Phase I • Provide staff assistance for permitting, design and bid package for Phase II
Agency and Project Area Committee management	• Adopt the FY 08-09 Agency Budget • Continue to provide staff support for PAC/GPAC meetings

	• Comply with California State law • Submit FY 08-09 annual report to state on time
IVMP certification with Coastal Commission	• Support Coastal Commission staff review of IVMP
Sidewalk Improvement Program	• Continue to improve sidewalk network in Isla Vista • Establish long-term sidewalk improvement contract with Public Works
Downtown Parking Meters	• Obtain entitlement permits • Complete bid process for construction
Alternative Transportation Improvement Program	• Continue implementing improvements to alternative transportation in Isla Vista • Complete installation of two new bus stop benches and shelters
Town Architect	• Provide design support for development projects and public improvements
Acquire property from willing sellers	• Acquire property from willing sellers to facilitate the development of affordable housing units
American Reinvestment and Recovery Act Grants	• Coordinate with County departments and outside partners to complete competitive grant applications for stimulus package funding

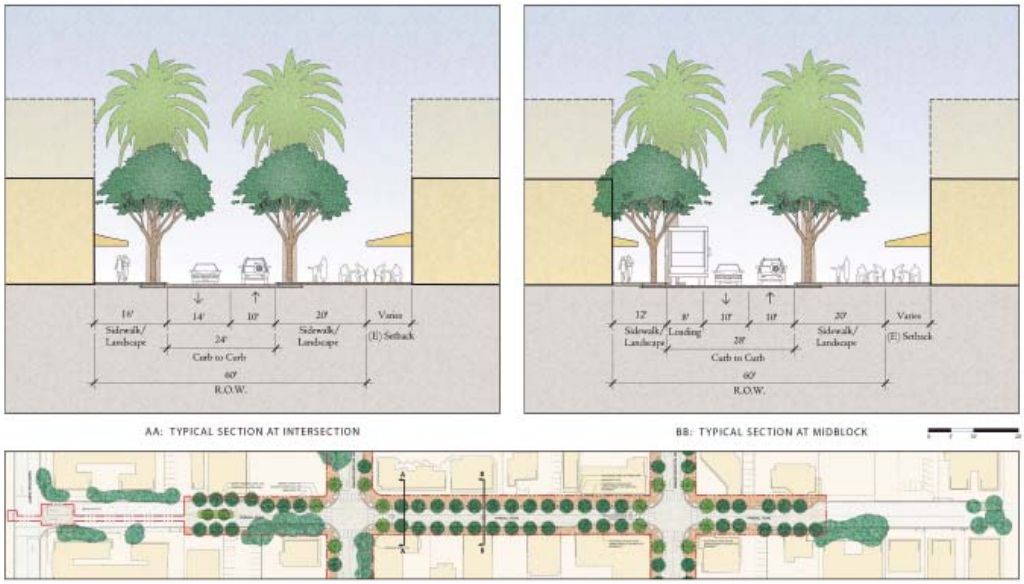
Projected FY 09-10 Very Low, Low, and Moderate Income Housing

For FY 09-10 the property tax increment for housing set-aside funds is estimated at $1,071,545. Combined with a housing set-aside unreserved fund balance of $4,106,593 from FY 08-09, total housing funds available for FY 09-10 is estimated at $5,178,138.

Project	**Goals for FY 09-10**
Affordable housing projects and programs	• Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area.

Pardall Road Streetscape Improvements

Goal: *To implement improvements to Pardall Road in downtown Isla Vista that stimulate private sector reinvestment in the community.*



PARDALL ROAD SECTIONS
ROMA DESIGN GROUP

The Pardall Road Streetscape project is the first public improvement project to be built after the adoption of the Isla Vista Master Plan. The design is the result of community and local business owner input and ideas. The goal of the project is to strengthen the identity of downtown Isla Vista as a center for community and social activities while helping local businesses prosper. The project includes:

- Widened sidewalks
- More space for sidewalk cafes
- Increased street lighting
- Over 70 new street trees
- New recycling and garbage bins
- Convenient and secure bicycle parking
- Upgraded water and sewer utilities
- Improved drainage to reduce flooding
- Improved safety for pedestrians and bicyclists

Recent Accomplishments	Goals
• Completed construction of streetscape improvements	• Continue improvements to Downtown IV • Establish funding mechanism for long term project maintenance

Downtown Parking Lot

Goal: *To develop a public parking lot in downtown Isla Vista that facilitates private development by providing short term parking for commercial users and off-site parking for nearby residential housing units.*

A key restriction to redevelopment in Isla Vista is the on-site parking requirements. Because of this, one mechanism to stimulate downtown revitalization is to provide a centralized public parking lot. The Redevelopment Agency has acquired a site in downtown Isla Vista and is in the process of finalizing plans for a surface parking at the site. The Parking Lot includes a small corner park at the main commercial interface at Pardall and Embarcadero el Mar. The Parking Lot is sustainably designed with drought resistant plants and solar panels which will provide energy for the night lighting of both the lot and Pardall Road.

Recent Accomplishments	Goals
• Complete construction of parking lot	• Continue efforts to provide parking opportunities for commercial and residential uses • Initiate paid parking program for use of parking lot

Affordable Housing

Goal: *To increase, improve, and preserve the supply of low- and moderate-income housing opportunities in Isla Vista.*

Twenty percent of the Redevelopment Agency's Tax Increment funding is allocated to a Housing Fund, which is used for low to moderate income housing. These moneys are used to increase and improve housing opportunities for low to moderate income families, through activities such as the acquisition, construction, and/or renovation of buildings to be used for affordable housing.

Recent Accomplishments	Goals
• Provided permanent financing for the Housing Authority of the County of Santa Barbara acquisition of two 10 unit apartment buildings at 6688 and 6682 Picasso Road in Isla Vista • Worked with private developers to draft plans for mixed use projects with affordable units	• Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area

Facade Improvement Program

Goal: *To facilitate commercial revitalization, stimulate private investment, implement the vision of the Isla Vista Master Plan, and improve the overall physical image of Isla Vista.*

The Facade Improvement Program is the first step in the public / private partnership activities needed to implement the goals of the Isla Vista Master Plan and initiate the revitalization of downtown Isla Vista. This matching grant program is eligible to properties within Isla Vista's commercial district for exterior building enhancements and visible site improvements.

Recent Accomplishments	Goals
• Established Facade Improvement Program • Completed application process and drafted plans for 4 Isla Vista businesses	• Complete 2 facade improvements projects • Increase number of program participants in downtown Isla Vista

Public/Private Partnership Development Agreement

Goal: *To stimulate private sector investment in urban infill development projects in Isla Vista.*

The Isla Vista Master Plan proposes improvements, policy changes and programs intended to stimulate private sector investment in Isla Vista. Private sector investment is critical to the redevelopment and revitalization of Isla Vista, as public funds alone are not sufficient to implement all the changes and improvements called for in the Master Plan. The Redevelopment Agency is currently working with a number of private developers to initiate infill projects in Isla Vista.

Recent Accomplishments	Goals
• Obtained entitlement permits for The Loop • Obtained conceptual approval from Board of Architectural Review for The ICON Project at 6547 Trigo Road	• Develop other public/private partnerships for new high quality mixed use projects in downtown • Bring entitlement request for The ICON Project to decision makers

Sidewalk Improvements

Goal: *To construct new sidewalks and improve the overall streetscape in Isla Vista to improve pedestrian access and safety.*

The construction of sidewalks is identified as a high priority in the Isla Vista Master Plan. New sidewalks and streetscape amenities are intended to improve the quality of life and emphasize the pedestrian environment in Isla Vista. In general, sidewalks have been prioritized on north/south streets, transit routes, and streets that support higher traffic volumes. Completion of the sidewalk network in these streets will significantly improve pedestrian conditions. Construction of the new sidewalks would be completed concurrently with installation of streets trees and landscaping.

Recent Accomplishments	Goals
• 775 feet of sidewalks and 18 street trees installed on Sabado Tarde • Sidewalk gap completed on Trigo Road.	• Continue to improve sidewalk network in Isla Vista • Establish long-term sidewalk improvement contract with Public Works

El Colegio Roadway Improvements

Goal: *To coordinate with UCSB to improve access and safety for cyclists, pedestrians, transit, and motorists on El Colegio Road.*

The El Colegio Road Improvements Project is a key catalyst project identified in the Isla Vista Master Plan. This cooperative project between Santa Barbara County and UCSB is based on a negotiated agreement to mitigate the San Clemente Graduate Student Housing Project. The improvements are designed to create a landscaped boulevard as a main entrance to Isla Vista and UCSB and improve access and safety for bicyclist, pedestrians, buses, and motorists. The Project includes on-street bike lanes, improved sidewalks, new bus stops, a landscaped center median, left turn lanes, and traffic lights.

Construction will occur in two phases. Phase 1 extends from UCSB Campus West Gate to Camino Del Sur and includes work along Los Carneros Road. Phase 2 extends the project from Camino Del Sur west to the existing four-lane section near Camino Corto.

Recent Accomplishments	Goals
• Finalized agreement between UCSB and the County after 4 years of negotiation • Completed environmental documentation • Obtained County permits for Phase I	• Support construction of Phase 1 • Provide staff assistance for permitting design and bid package for Phase 2 • Obtain approval of Phase 2 bid package from Board of Supervisors

Downtown Storm Drain System

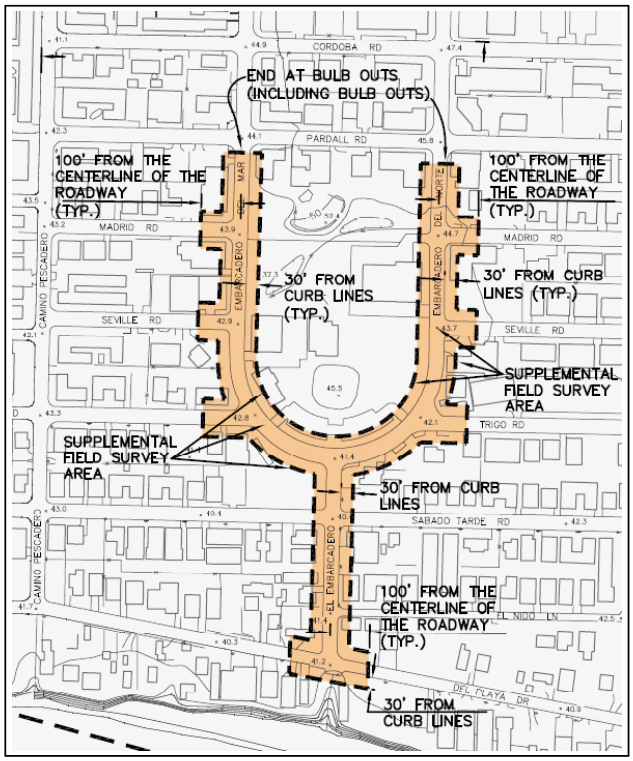
Goal: *To construct and implement a storm water management system to service downtown Isla Vista.*

Isla Vista's storm water management system is currently inadequate to handle the water management needs of the downtown during a storm event. Pardall Road improvements includes a portion of the infrastructure for a downtown storm water management system. However, infrastructure for the remainder of the downtown area has not yet been designed or installed. The 08-09 Fiscal Year Redevelopment Agency Budget includes funding for design of a complete storm water management system for downtown Isla Vista.

Recent Accomplishments	Goals
• Included storm drains in Pardall Road design • Initiate redesign for storm drain around Embarcadero Loop.	• Complete RFP for design and engineering of a storm water management system for downtown Isla Vista • Complete bid process for construction

Embarcadero Loop Improvements

Goal: *The project will result in physical improvements to the Embarcadero Loop in Isla Vista that will stimulate private sector reinvestment in the community.*



Improvements to the Embarcadero Loop and El Embarcadero to enhance the loop area as a community focal point. The project is intended to help create a vibrant downtown by:

- Provide safe and convenient access to the area for bicycles, pedestrians and motorists
- Widen sidewalks and improve pedestrian spaces
- Improve downtown lighting and landscaping
- Increase business viability and accessibility, and
- Install a storm water management system using bio-filtration and connecting existing

Recent Accomplishments	Goals
• Contracted with an engineering firm to design a storm drain and road improvements for the Embarcadero Loop	• Design an integrated storm drain system that connects from Pardall along Embarcadero del Mar and Embarcadero del Norte to El Embarcadero • Design sidewalk, lighting, and streetscape improvements for the downtown Embarcadero Loop area.

Alternative Transportation Improvements

Goal: *To improve transportation conditions in Isla Vista through physical improvements to the community alternative transportation infrastructure.*

Alternative transportation plays a significant role in meeting Isla Vista's transportation needs. The Santa Barbara Metropolitan Transportation District (MTD) estimated that during 2006, five transit routes carried over one million transit riders into Isla Vista and out to surrounding communities and nearby shopping and employment centers. Despite the high usage of Isla Vista's alternative transportation system, many improvements to the system are needed. For example, many bus stops in Isla Vista lack basic amenities, such as benches, shelters, and up to date route information.

Recent Accomplishments	Goals
• Installed improvements at four Isla Vista bus stops, including bus stop shelters, benches, and up-to-date route information • Complete parking for three new shelters and benches at new stops along El Colegio	• Continue annual program of implementing improvements to alternative transportation in Isla Vista • Install improvements to three new bus stops in the next fiscal year

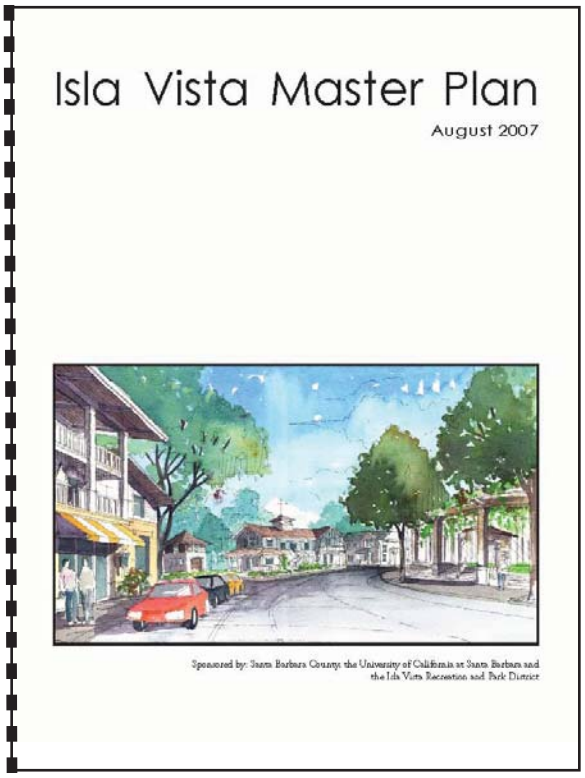
Isla Vista Master Plan Adoption

Goal: *To complete the adoption of the Isla Vista Master Plan.*

After 7 years of extensive community participation, the Master Plan was completed and approved by the Board of Supervisors in August 2007. The Plan, which was prepared in cooperation with the Isla Vista Community, the University of California Santa Barbara, and Isla Vista Recreation and Parks District, updates the policies, land use and zoning designations, and development standards for Isla Vista. The Plan is intended to:

- Address public infrastructure problems
- Reduce automobile dependency
- Revitalize the Isla Vista downtown
- Develop and up-grade the housing stock for all income levels

Following Board approval, the Plan was submitted to the California Coastal Commission for approval. After their initial consideration, Commission staff has requested additional items and clarification before approval. Staff is currently preparing the additional items for approval.



Recent Accomplishments	Goals
• Approval of the Isla Vista Master Plan by the Board of Supervisors • Submitted Isla Vista Master Plan to the California Coastal Commission for consideration	• Prepare response to Coastal Commission for Isla Vista Master Plan approval • Receive Coastal Commission approval of the Master Plan

Carshare Program

Goal: *Develop an effective, efficient multi-modal transportation system for the Isla Vista Community.*

A carshare program is an implementation item of the approved Isla Vista Master Plan. An overall objective of the Master Plan is to develop an effective, efficient multi-modal transportation system for the Isla Vista community. Components of this plan include improving the street network, managing the quantity and location of parking, providing convenient and affordable transit services, offering carsharing opportunities and improving the pedestrian and bicyclist environment. Policies included in the Master Plan seek to reduce automobile impacts by minimizing automobile dependence and ownership, implementing sidewalk improvements, reducing automobile travel speeds, and by providing alternative transportation options. Carsharing is viewed as one of several proposals to improve transportation options and alleviate parking problems in Isla Vista.

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Recent Accomplishments	Goals
• Chose qualified firm to implement a carshare program for the Isla Vista Redevelopment Project Area	• Implement a carshare program

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

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 **58**

These schedules contain trend information to help the reader assess the Agency's most significant local revenue source, the property tax.

FINANCIAL TRENDS **61**

These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.

ECONOMIC INFORMATION **64**

This schedule offers an economic indicator to help the reader understand the environment within which the Agency's financial activities take place.

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

Fiscal Year	Assessed Value	Percent Change	Tax Increment	Supplemental Tax Increment	PLUS: Bond Increment	LESS: Pre 2% Pass-Through	Gross Tax Revenues: Total Tax Increment	Gross Tax Revenues: Percent Change
1990-91	$ 253,992,105	N/A	$ --	$ --	$ --	$ --	$ --	N/A
1991-92	275,614,194	8.51%	216,221	41,475	980	--	258,676	N/A
1992-93	282,232,439	2.40%	282,403	13,320	9,390	--	305,113	17.95%
1993-94	293,371,583	3.95%	393,795	69,812	809	--	464,416	52.21%
1994-95	301,119,893	2.64%	471,278	16,752	23,599	--	511,629	10.17%
1995-96	304,061,998	0.98%	500,699	(8,015)	19,107	--	511,791	0.03%
1996-97	313,637,461	3.15%	596,453	36,803	31,349	--	664,605	29.86%
1997-98	321,193,673	2.41%	665,887	45,810	39,883	--	751,580	13.09%
1998-99	324,429,441	1.01%	704,373	53,374	6,072	--	763,819	1.63%
1999-00	370,018,906	14.05%	1,160,268	237,292	1,185	--	1,398,745	83.13%
2000-01	426,272,457	15.20%	1,731,872	325,068	1,056	--	2,057,996	47.13%
2001-02	493,820,920	15.85%	2,398,303	401,418	5,766	--	2,805,487	36.32%
2002-03	511,878,200	3.66%	2,578,887	188,352	6,600	--	2,773,839	-1.13%
2003-04	490,187,401	-4.24%	2,708,685	126,002	5,719	--	2,840,406	2.40%
2004-05	508,439,293	3.72%	2,881,931	381,762	5,729	--	3,269,422	15.10%
2005-06	558,807,750	9.91%	3,394,859	290,784	5,700	--	3,691,343	12.91%
2006-07	640,901,630	14.69%	4,216,814	619,289	9,200	--	4,845,303	31.26%
2007-08	746,174,506	16.43%	5,268,829	720,648	13,460	197,579	5,805,358	19.81%
2008-09	792,151,018	6.16%	5,728,294	216,843	13,070	525,495	5,432,712	-6.42%
			$ 35,899,851	$ 3,776,789	$ 198,674	$ 723,074	$ 39,152,240	

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,
2003-04	219,321,592	which became permanently non-taxable beginning in FY 2003-04.

Note:

Prior to the 2007-08 fiscal year Bond Increment and Pre 2% Pass-throughs were not subject to the Housing Set Aside.

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

Fiscal Year	Total Tax Increment	LESS: Pass-Through	Total to RDA	RDA General Fund	RDA Housing Set-aside
1990-91	$ --	$ --	$ --	$ --	$ --
1991-92	258,676	76,483	182,193	125,769	56,424
1992-93	305,113	108,316	196,797	126,196	70,601
1993-94	464,416	172,588	291,828	164,967	126,861
1994-95	511,629	190,569	321,060	196,406	124,654
1995-96	511,791	201,208	310,583	212,046	98,537
1996-97	664,605	251,658	412,947	286,295	126,652
1997-98	751,580	287,364	464,216	320,651	143,565
1998-99	763,819	313,267	450,552	299,003	151,549
1999-00	1,398,745	533,484	865,261	585,843	279,418
2000-01	2,057,996	728,677	1,329,319	917,788	411,531
2001-02	2,805,487	1,101,361	1,704,126	1,144,182	559,944
2002-03	2,773,839	1,095,171	1,678,668	1,125,224	553,444
2003-04	2,840,406	1,158,196	1,682,210	1,115,278	566,932
2004-05	3,269,422	1,232,774	2,036,648	1,383,914	652,734
2005-06	3,691,343	1,519,275	2,172,068	1,434,945	737,123
2006-07	4,845,303	1,889,913	2,955,390	1,988,372	967,018
2007-08	5,805,358	1,816,301	3,989,057	2,827,985	1,161,072
2008-09	5,432,712	1,596,294	3,836,418	2,752,319	1,084,099
	$ 39,152,240	$ 14,272,899	$ 24,879,341	$ 17,007,183	$ 7,872,158

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Principal Property Taxpayers and Transfers (Unaudited)

June 30, 2009

Top Ten Secured Role Parcels	Net Assessed Value (AV)	Percent of Total Net AV	Total 1% Tax
ESSEX PORTFOLIO, LP	$ 59,402,052	7.56%	$ 594,021
APF EDR, LP	43,336,810	5.52%	433,368
TROPICANA GARDENS AG BORROWER LLC	42,932,600	5.47%	429,326
GELB, JAMES	32,367,872	4.12%	323,679
STGEORGE, EDWARD REVOCABLE TRUST	25,849,375	3.29%	258,494
YELLOW SUBMARINE, LLC	18,764,103	2.39%	187,641
MANAKARA LLC	12,400,000	1.58%	124,000
HI DESERT MOBILE HOME PARK LP	11,100,000	1.41%	111,000
WARKENTIN, JOHN & MARJOLEIN FAMILY TRUST	8,064,948	1.03%	80,649
HARWIN FAMILY TRUST 6/28/91	6,433,154	0.82%	64,332
Sub-total top ten payers	$ 260,650,914	33.19%	$ 2,606,510
All other	524,719,184	66.81%	
Total Net Taxable Value	$ 785,370,098	100.00%	

Top Ten Current Year Buyers	Net Assessed Value (AV)
MANAKARA LLC	$ 12,400,000
HI DESERT MOBILE HOME PARK LP	11,100,000
GELB, JAMES	4,851,970
LONGHORN RANCH LLC	2,760,070
MANNING HOLDINGS, LLC	1,955,900
HERMAN, SHEILA JENNIFER	1,619,250
FRANCINE, HEATHER M	1,479,000
LITTLE, MICHAEL J	1,450,000
ST GEORGE, EDWARD REVOCABLE TRUST	1,350,000
HAMER, MICHAEL STANFORD	1,140,000
Subtotal top transfers	$ 40,106,190
All others	7,874,311
Total Net Taxable Value	$ 47,980,501

Notes:

(1) Total Net Taxable Value amounts include secured and unitary assessed value less homeowners exemptions ($1,460,200) and unsecured assessed value ($5,320,720).

(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 Ending	Property Tax Increment	Investment Income	Inter-Governmental	Other Revenue	Long-term Obligations	Total 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
2006	2,172,068	107,130	--	17,441	--	2,296,639
2007	2,955,390	286,543	--	383,941	--	3,625,874
2008	3,989,057	170,423	--	1,063,822	16,911,740	22,135,042
2009	3,836,418	569,443	--	3,056,889	--	7,462,750
Total Since Inception	$ 24,879,038	$ 1,911,989	$ 535,633	$ 4,743,885	$ 20,646,740	$ 52,717,285

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

		Isla Vista Projects				Long-term Obligations		
Fiscal Year Ending	Project Administration	Master Plan	Projects	Contribution to Other Governments	Housing Activities	Principal	Interest	Total Expenditures
1991	$ 165,343	$ --	$ --	$ 1,943,789	$ --	$ --	$ --	$ 2,109,132
1992	63,195	--	--	764,390	--	--	95,438	923,023
1993	112,085	--	--	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	125,000	216,045	369,836
1999	29,282	--	--	--	181,710	180,000	145,493	536,485
2000	70,570	93,650	--	--	468,090	200,000	135,092	967,402
2001	203,013	179,931	4,800	--	668,270	180,000	78,921	1,314,935
2002	395,574	262,291	4,500	--	298,379	615,000	130,388	1,706,132
2003	229,322	605,068	56,597	--	--	250,000	133,438	1,274,425
2004	334,283	393,454	43,586	--	--	270,000	109,068	1,150,391
2005	433,237	421,540	74,793	100,000	357,544	290,000	100,451	1,777,565
2006	447,042	138,341	151,132	--	13,594	315,000	94,434	1,159,543
2007	486,625	175,826	429,576	--	3,793,091	330,000	62,336	5,277,454
2008	428,462	68,921	1,444,218	--	17,092	355,000	51,254	2,364,947
2009	587,393	31,202	3,842,837	--	3,298,796	380,000	737,418	8,877,646
Total Since Inception	$ 4,239,290	$ 2,370,224	$ 6,052,039	$ 2,943,263	$ 9,104,856	$ 3,860,000	$ 3,212,456	$ 31,782,128

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 Ending	General Fund	Isla Vista Housing Fund	Debt Service Fund	Capital Projects Fund	Ending Total Fund Balance
1991	$ 193,654	$ --	$ 527,623	$ 1,091,008	$ 1,812,285
1992	203,171	56,676	412,896	352,027	1,024,770
1993	37,749	130,814	407,527	429,686	1,005,776
1994	180,212	264,924	410,063	24,867	880,066
1995	76,991	403,827	404,456	--	885,274
1996	356,314	528,472	405,249	--	1,290,035
1997	322,942	688,847	391,727	--	1,403,516
1998	298,027	870,028	387,495	--	1,555,550
1999	253,847	879,088	385,401	--	1,518,336
2000	355,351	722,703	377,032	--	1,455,086
2001	683,276	513,434	340,245	--	1,536,955
2002	542,367	802,453	365,729	--	1,710,549
2003	653,421	1,388,242	351,086	--	2,392,749
2004	775,850	1,965,944	352,731 (1)	--	3,094,525
2005	779,447	2,314,995	--	--	3,094,442
2006	1,098,807	3,132,731	--	--	4,231,538
2007	1,690,965	888,993	--	--	2,579,958
2008	3,019,622	3,158,884	3,296,473	12,875,074	22,350,053
2009	4,755,596	4,106,593	2,706,211	9,366,757	20,935,157

Note:

(1) The Debt Service Fund originally associated with the 1991 note payable was removed from the Agency's governmental funds in the Agency's FY 2004/05 Annual Financial Report via a restatement.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Project Area Taxable Sales (Unaudited)

Since 1997

Tax Year	Restaurants & Hotels	Food & Drug	General Consumer	Business & Industries	Other	Total	Percent Change
1997	$ 5,103,262	$ 3,154,023	$ 4,292,731	$ 853,808	$ 376,780	$ 13,780,604	N/A
1998	5,040,221	3,666,121	4,329,362	814,594	604,647	14,454,945	4.9%
1999	13,664,013	3,404,605	4,123,944	860,729	1,112,436	23,165,727	60.3%
2000	12,966,053	4,069,521	3,709,611	968,188	1,146,990	22,860,363	-1.3%
2001	15,174,512	4,363,883	4,383,668	987,254	1,726,928	26,636,245	16.5%
2002	14,146,736	5,017,164	720,514	3,658,379	962,392	24,505,185	-8.0%
2003	14,250,477	4,182,169	3,222,430	2,179,008	263,232	24,097,316	-1.7%
2004	11,820,999	4,006,000	3,150,240	2,433,961	150,449	21,561,649	-10.5%
2005	15,413,684	4,392,979	3,568,562	2,698,360	318,322	26,391,907	22.4%
2006	16,011,929	4,744,636	4,036,274	3,601,023	480,388	28,874,250	9.4%
2007	16,037,083	5,173,434	3,609,177	2,601,853	429,395	27,850,942	-3.5%
2008	17,066,989	5,403,510	3,581,709	2,473,706	140,868	28,666,782	2.9%
TOTAL	$156,695,958	$ 51,578,045	$ 42,728,222	$ 24,130,863	$ 7,712,827	$ 282,845,915	

Absentee Owner: Property owner who does not personally manage or reside at the property owned.

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 the redevelopment project is approved.

Base Year: The year 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.).

Condemnation: Process of taking private property for public use through the power of eminent domain.

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

Disposition and Development Agreement (DDA): used to convey agency-owned land to a developer. The DDA provides all of the terms and conditions relating to the development of the property.

Eminent Domain: the power to take private property fro public use by the state, municipalities, and private persons or corporations authorized to exercise functions of public character.

Infrastructure: Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, gas-lines, 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: Area 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 Held for Resale: property purchased by a redevelopment agency with the intent to rehabilitate and/or resell the property at a later date.

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 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.

Time Limit on Effectiveness of the Redevelopment Plan: time after which the agency has no authority to act pursuant to the redevelopment plan except to pay previously incurred indebtedness and to enforce existing covenants or contracts, unless the agency has not completed its housing obligations.

Time Limit on Repay Indebtedness with the Proceeds of Property Taxes: time after which the agency has no authority to receive property taxes to repay indebtedness, unless the agency has not completed its housing obligations.

COMPLIANCE SECTION

COUNTY OF SANTA BARBARA
CALIFORNIA

Redevelopment Agency

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Supervisors
County of Santa Barbara, California

We have audited the financial statements of the governmental activities and each major fund of the Santa Barbara County Redevelopment Agency (the Agency) as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 33080(a) of the Health and Safety Code of the State of California; and the procedures contained in the Controller of the State of California *Guideline for Compliance Audits of California Redevelopment Agencies.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controllers' Office, Division of Accounting and Reporting. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
September 2, 2009