

# SANTA BARBARA COUNTY REDEVELOPMENT AGENCY

State of California

## Annual Financial Report

Fiscal Year Ended June 30, 2007



Issued by the Office of Santa Barbara County Auditor-Controller

Robert W. Geis, CPA, Auditor-Controller  
Theo Fallati, CPA, Asst. Auditor-Controller



**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, 2007**

**Prepared Under the Supervision of**

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

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



*Redevelopment Agency*

# COUNTY OF SANTA BARBARA

**ROBERT W. GEIS, C.P.A.**  
Auditor-Controller

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Assistant Auditor-  
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## OFFICE OF THE AUDITOR-CONTROLLER

August 3, 2007

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, 2007.

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 opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

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

### ***Agency Officers:***

#### **Board of Directors**

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

#### **Policy & Executive**

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

Terri Maus-Nisich  
Assistant County Executive Officer

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

Mark Paul  
Chief - Specialty Accounting

#### **Agency Staff**

Jamie Goldstein  
Agency Deputy Director

Jeff Lindgren, Redevelopment Specialist;  
Abigail Nugent, Redevelopment  
Specialist

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

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

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

#### *Redevelopment — An Overview*

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

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

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

Redevelopment agencies have 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 condemnation to acquire private property for resale to another private person or organization.
- Collect property tax "increment" to finance redevelopment; however, RDAs may not levy a tax or assessment of any kind.

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

## Profile of the Redevelopment Agency – continued

### 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 a character of its own with 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, RDAs must expend at least 20% of their tax increment funds on low- to moderate-income housing.

**Component Unit Reporting:** Under reporting requirements prescribed by accounting principles generally accepted in the United States of America (GAAP) adopted by the Governmental Accounting Standards Board (GASB), the Agency's results of operations are also reported in the County of Santa Barbara, California's (County's) comprehensive annual financial report (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 comprehensive annual financial report as the Board also acts as the Agency's governing board. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made by the inclusion of the Agency's financial results in the County's 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.

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

## Factors Affecting Financial Condition – continued

### ***Economy:***

Santa Barbara County and the IVPA showed sustainable growth in fiscal year (FY) 06-07. 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 continues to be very low at 4.1%.
- The County's largest employer is UCSB with over 9,500 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 \$40,103, an increase of 3.7%. 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 retail sales increased 4.0% to \$6.2 billion. IVPA retail sales increased 12% to \$28 million.

### ***Real Estate:***

- The county-wide median home price increased 6.6% to \$719 thousand, compared to state average 6.4%.
- Santa Barbara County's residential real estate market slowed in 2006. 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.
- Non-residential valuations increased 11.7% to \$181.3 million.

### ***Tourism:***

- The South Coast's 2006 hotel and motel occupancy rate was estimated at 71.6%, a rate lower than the 10-year average of 74%. However, South Coast average room rates have been rising, from \$134 per room per night in 2005 to \$140 in 2006.
- 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 still appears to be good throughout the U.S., California and the County. While growth in the U.S. economy has slowed, the California economic growth rate was stronger than the U.S. Locally "given current markets and trends, we see little likelihood that Santa Barbara County's economy will see significant growth in the remainder of 2007 or in 2008". Therefore we expect a drop in the growth of our discretionary revenue accounts, such as property taxes. Residential real estate sales slowed considerably and price growth halted. Sales volume is expected to recover slowly beginning in 2008. However, in the Isla Vista project area, while sales have slowed there appears to be a significant demand for student residential housing.

## Factors Affecting Financial Condition – continued

### ***Financial Indicators:***

The Agency is experiencing significant increases in property tax revenues, which is the main revenues source which accounts for 82% of its total revenue. Last year the Agency estimated that the growth rate would peak at 9.9% in FY05-06. The Agency's property tax growth rate for FY06-07 was 14.7%. Although the Agency does not expect property tax growth rate to continue to increase at its current rates, the demand for student housing continues to outpace the housing supply.

### ***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. This 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. The preliminary roadway design concept is complete and the application process has started. After the Board of Architectural Review has reviewed the project and the roadway design concept has been finalized, project construction documents will be prepared. Construction is planned to start in summer of 2008.

The Agency is also involved in Anisq' Oyo' Park improvements. During FY 05-06, the Agency obtained funding and completed an agreement with the Isla Vista Recreation and Park District to compete design work. ROMA Design Group was also hired to design Anisq' Oyo' Park improvements, and workshops to solicit public input were held in Spring 2006.

#### *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 June 2000, Santa Barbara County adopted a Memorandum of Understanding (MOU) between UCSB, the Isla Vista Recreation and Park District, and the Agency that guides the preparation of a Master Plan for Isla Vista (Master Plan). The Master Plan is intended to identify specific goals, policies, and development standards for Isla Vista that will update and complement the existing Countywide Comprehensive Plan and Goleta Community Plan. Additionally, the Master Plan is intended to identify 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.

## Factors Affecting Financial Condition – continued

In Fall 2001 a Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) was formed to facilitate public participation and review potential amendments to the Redevelopment Plan. More than sixty PAC/GPAC meetings have been held since December 2002.

In 2006, the Environmental Impact Report (EIR) for the Draft Isla Vista Master Plan was released and publicly circulated for 66 days in the spring and summer to receive comments. In addition, two public meetings were held to receive comments. The Response to Comments and Final EIR was released in March of 2007 and a final Draft Isla Vista Master Plan was released in April of 2007. The Planning Commission adoption hearings were held in spring and summer of 2007, and at the May 23<sup>rd</sup> meeting, the Commission recommended the Board of Supervisors adopt the proposed Isla Vista Master Plan. Final adoption of the Master Plan by the Santa Barbara County Board of Supervisors is expected in summer or early fall of 2007.

### 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 Parks District, and the Metropolitan Transit District. Those projects include the following

**Sidewalks:** In 2004 the Agency and the County Public Works Department funded and implemented a downtown sidewalk and street tree project in Isla Vista. 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.

**Community Center:** The Agency has partnered with the Isla Vista Recreation and Parks 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. In FY 06-07, the Agency partnered with the Metropolitan Transit District to improve four bus stops with new shelters, benches, and current transit information.

**Bluff Top Parks:** In FY 04-05 the Agency contributed \$100,000 toward the acquisition of five parcels of undeveloped bluff top open space. Agency funds were matched with \$1.5 million in other funding sources and \$1.1 million from the sale of two isolated County-owned bluff top parcels. The County Parks Department is currently preparing a plan to develop a park on the recently acquired open space.

### Affordable Housing Activities

In FY 06-07, the Isla Vista Project Area Housing Fund was transferred to the County Executive Office and the Agency became responsible for Housing Fund management. 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 buildings will be renovated for occupation by low to moderate income families. The Agency plans to continue to participate in and implement other affordable housing projects and programs within the Project Area.

## Factors Affecting Financial Condition – continued

### ***Long-term financial planning:***

The Agency's property tax increment grew 36% in FY 06-07 following a 7% increase in the prior year. The tax increment growth and the reduction of outstanding debt are positioning the Agency to issue new debt for projects.

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. The Agency also prepared a long-term tax increment revenue schedule. Using the plan and schedule, the Agency will initiate a long-term project implementation plan scheduled for FY 07-08 that includes the potential use of Agency debt financing and Agency pay-as-you go financing to fund project implementation.

### ***Relevant financial policies:***

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

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

The Agency relinquished the first two of these powers in the IVPA, which could affect its long-term effectiveness.

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

## Other Information

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

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

Respectfully submitted,



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

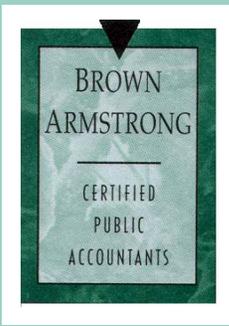


Robert W. Geis, CPA  
Agency Treasurer  
County Auditor-Controller

# **FINANCIAL SECTION**



*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, 2007, 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, 2007, 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 August 3, 2007, 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 22, 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.

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

A handwritten signature in black ink, appearing to read "G. A. Keeter", is written below the firm's name.

Bakersfield, California  
August 3, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The information in this section is unaudited, but is presented as required supplementary information for the benefit of the readers of the 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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the fiscal year by \$1,278,887 (net assets):

- \$888,993 (Restricted net assets) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- \$389,894 (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 \$1,315,076 during the current fiscal year. The decrease in unrestricted net assets represents expenses that exceeded revenues for the current year.

The Agency's total governmental funds fund balance at June 30, 2007 was \$2,579,958, a decrease of 39%, or \$1,651,580 from the prior year, which is available for spending (unreserved fund balance). Unreserved fund balance for the General Fund at year-end was \$1,690,965, or 88%, of total General Fund expenditures and financing uses for the year.

The Agency does not have any investment in capital assets. As of June 30, 2007, the Agency had total long-term liabilities of \$1,268,449.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets are a useful indicator of an improving or deteriorating Agency financial position. The *statement of activities* presents the most recent fiscal year changes for the Agency's net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow effects in future fiscal periods (e.g. accrued interest on long-term debt). Pages 17-18 of this report display the government-wide financial statements.

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

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

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

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

The Agency adopts an annual appropriated budget for all of its operating funds. The budgetary comparison statements provided for the General Fund and each major special revenue fund demonstrates performance against these budgets. Pages 19-22 of this report display the governmental funds financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Change</u>	
	<u>2006</u>	<u>2007</u>	<u>Dollars</u>	<u>Percent</u>
Current and other assets	\$ 4,265,478	\$ 7,690,094	\$ 3,424,616	80%
<b>Total assets</b>	<u>4,265,478</u>	<u>7,690,094</u>	<u>3,424,616</u>	<u>80%</u>
Current and other liabilities	73,066	5,142,758	5,069,692	6939%
Long-term liabilities	1,598,449	1,268,449	(330,000)	(21%)
<b>Total liabilities</b>	<u>1,671,515</u>	<u>6,411,207</u>	<u>4,739,692</u>	<u>284%</u>
<b>Net assets:</b>				
Restricted	3,132,731	888,993	(2,243,738)	(72%)
Unrestricted	(538,768)	389,894	928,662	172%
<b>Total net assets</b>	<u>\$ 2,593,963</u>	<u>\$ 1,278,887</u>	<u>\$ (1,315,076)</u>	<u>(51%)</u>

As noted earlier, net assets over time is a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$1,278,887 (net assets) at the close of the current fiscal year, a decrease of \$1,315,076 over the prior year.

Of the components of total net assets, restricted net assets decreased this year while unrestricted net assets increased:

- Restricted net assets, \$888,993, 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 decreased by \$2,243,738 from the prior year due to expenses exceeding revenues in the housing program in the current fiscal year as a result of the Agency's investment in a 20 unit affordable housing building.
- Unrestricted net assets of \$389,894 represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. The \$928,662 increase in unrestricted net assets is primarily due to the General Fund's revenues exceeding expenses.

### Governmental activities

The Agency's net assets decreased by \$1,315,076 for the year ended June 30, 2007 as operating expenses exceeded operating revenues.

### Condensed Statement of Changes in Net Assets

	Governmental Activities		Change	
	2006	2007	Dollars	Percent
<b>Revenues</b>				
Program Revenue				
Operating grants and contributions	\$ 17,441	\$ 383,941	\$ 366,500	2101%
General revenues:				
Property tax increment	2,172,068	2,955,390	783,322	36%
Investment earnings	107,130	286,543	179,413	167%
<b>Total revenues</b>	<u>2,296,639</u>	<u>3,625,874</u>	<u>1,329,235</u>	<u>58%</u>
<b>Expenses</b>				
Project administration	447,042	297,654	(149,388)	(33%)
Isla Vista Project Area	303,067	4,587,464	4,284,397	1414%
Interest on long-term obligations	88,370	55,832	(32,538)	(37%)
<b>Total expenses</b>	<u>838,479</u>	<u>4,940,950</u>	<u>4,102,471</u>	<u>489%</u>
Excess of revenues over expenses	1,458,160	(1,315,076)	(2,773,236)	(190%)
<b>Net Assets - beginning</b>	<u>1,135,803</u>	<u>2,593,963</u>	<u>1,458,160</u>	<u>128%</u>
<b>Net Assets - ending</b>	<u>\$ 2,593,963</u>	<u>\$ 1,278,887</u>	<u>\$ (1,315,076)</u>	<u>(51%)</u>

### Revenues

Total revenues for the Agency were \$3,625,874, an increase of 58% 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 82% of the Agency's revenue in the current fiscal year. Property tax increment revenue increased \$783,322 or 36% over the prior year. This increase is due to property valuation changes in the project area due to reassessment from new construction (25%), a 2% yearly Proposition 13 CPI increase in assessed valuation (27%), and reassessment due to property sales (48%).

- Investment earnings increased by \$179,413 or 167%, to \$286,543. This increase was driven by both an increase in the County's annual investment pool earnings rate from 3.74% to 4.97%, and a higher Agency cash balance throughout the year.
- Operating grants and contributions increased by \$366,500 over the prior year to \$383,941.

### **Expenses**

Total expenses for the Agency were \$4,940,950, an increase of 489% from the prior year, and primarily related to the following:

- Project administration expenses of \$297,654, which included \$60,603 in statutory property tax administration fees, \$115,796 in administrative staffing costs for executing projects, \$53,696 in central service department cost allocations, \$10,000 in financial statement audit fees and other administrative expenditures of \$57,559.
- Isla Vista Project Area costs of \$4,587,464 included IV Master Plan costs of \$175,826, a contribution to the Isla Vista Park and Recreation District for redesign of Anisq' Oyo' park and community center of \$2,898, streetscape project costs of \$303,639, El Colegio road project costs of \$9,446, facade improvement program costs of \$4,996, parking program project costs of \$70,754, design of Pardall Road enhancements of \$192,376, and private development agreement project costs of \$34,438. Also, \$3,793,091 of the Agency Low/Moderate Income Housing Set Aside funds were used for acquisition and rehabilitation of 20 affordable housing units. The increase of \$4,284,397 over the prior year was primarily due to the increase in the housing activity.
- Interest on long-term obligations of \$55,832 was paid on the note payable to the County.

### **FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS**

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

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

- At June 30, 2007, the Agency's governmental funds reported total fund balances of \$2,579,958, a 88% or \$1,651,580, decrease in comparison with the prior year fund balance of \$4,231,538.
- Unreserved fund balance constitutes all of the total fund balances that are available to meet the Agency's current and future needs. The Agency's General Fund fund balance increased \$592,158 to \$1,690,965, an increase of 54%. This increase was due to increased revenues outpacing increased expenditures in the current year.
- The Isla Vista Housing Fund fund balance is \$888,993, a decrease of \$2,243,738, or 72% over prior year. This decrease was due to the Agency's contribution for rehabilitation of a twenty unit affordable housing apartment complex.

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

The following table depicts the County's calculation of property tax increment allocated to the Agency's General Fund amounting to \$1,988,372 and \$967,018 to the Agency's Isla Vista Housing Fund for low and moderate-income housing.

Base Property Tax Increment	\$ 4,216,814
Add: Supplemental Property Tax Increase	619,289
Subtotal	<u>4,836,103</u>
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(967,018)
Less: Pass-throughs to other Government Agencies	<u>(1,889,913)</u>
Subtotal	1,979,172
Add: Bond Rate Increment not subject to Set Aside or Pass-through	9,200
Total Allocated to Redevelopment Agency General Fund	<u><u>\$ 1,988,372</u></u>

## General Fund Budgetary Highlights

The Agency's Board of Directors adopts a budget as part of the County budget process. The budget is proposed in early June and adopted before the start of the fiscal year. During the year, the Board can revise the budget at any scheduled board meeting. Final budgeted expenditures were adjusted to \$1,850,705 from the original budgeted amounts of \$1,852,641, a \$1,936 decrease. This decrease was due to \$35,000 in increased appropriations for contributions to other agencies offset by a \$36,936 decrease in appropriations for operating expenditures.

Actual revenues exceeded final budgeted estimates by \$708,521 mainly due to a higher than expected property tax increment. Actual expenditures were less than budgetary appropriations by \$366,342. The General Fund budget and actual statement can be found on page 21 of this report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital assets

Redevelopment agencies generally do not invest in capital assets unless they plan to hold assets on a temporary basis for redevelopment purposes. The goals are to keep assets in the private sector, encourage redevelopment and increase the property tax base to generate tax increment to be used for public improvements and revitalization of blighted areas. As of June 30, 2007 the Agency has no capital assets.

### Long-term obligations

At June 30, 2007, the Agency had total long-term obligations outstanding of \$1,268,449 consisting of a note from the County. The Agency's total long-term obligations decreased by \$330,000, or 21%, during the fiscal year due to a principal payment on the outstanding balance. The proceeds of this note were contributed to the County for the County's purchase of bluff-top open space properties (land) in the early 90's. To continue to receive tax increment for redevelopment purposes, the Agency must incur indebtedness through borrowings or contracts.

### Agency's Outstanding Obligations

	Governmental Activities		Change	
	2006	2007	Dollars	Percent
Note Payable to County	\$ 1,598,449	\$ 1,268,449	\$ (330,000)	(21%)

See note 4 to the financial statements for additional information on long-term obligations.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the Agency's FY07-08 budget, the Agency has considered the FY06-07 growth in the real estate markets in the Isla Vista Project Area that generated a 36% increase in property tax increment to the Agency. Assessed property valuation in the Agency's project areas drives the Agency's main revenue source, property tax increment, and the Agency has included a 22% increase in this tax source in its FY07-08 budget when compared to the FY06-07 budget.

## REQUESTS FOR INFORMATION

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

# **FINANCIAL STATEMENTS**



*Redevelopment Agency*

**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, 2007**

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	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 2,511,118
Investment income receivable	71,773
Loans receivable (Note 3)	<u>5,107,203</u>
Total assets	<u>7,690,094</u>
<b>LIABILITIES</b>	
Accounts payable	2,933
Interest payable	32,622
Deferred revenue (Note 3)	5,107,203
Long-term obligations (Note 4):	
Portion due or payable in one year:	
Note payable to County	355,000
Portion due or payable after one year:	
Note payable to County	<u>913,449</u>
Total liabilities	<u>6,411,207</u>
<b>NET ASSETS</b>	
Restricted for low and moderate income housing (Note 5)	888,993
Unrestricted	<u>389,894</u>
Total net assets	<u>\$ 1,278,887</u>

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

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

**FOR THE FISCAL YEAR ENDED June 30, 2007**

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Governmental Activities</u>
Governmental activities:			
Project administration	\$ 297,654	\$ --	\$ (297,654)
Isla Vista Project Area	4,587,464	383,941	(4,203,523)
Interest on long-term obligations	55,832	--	(55,832)
Total governmental activities	<u>4,940,950</u>	<u>383,941</u>	<u>(4,557,009)</u>
General Revenues:			
Property tax increment			2,955,390
Investment earnings			286,543
Total general revenues and transfers			<u>3,241,933</u>
Change in net assets			(1,315,076)
Net assets - beginning			<u>2,593,963</u>
Net assets - ending			<u>\$ 1,278,887</u>

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AS OF June 30, 2007**

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 1,667,621	\$ 843,497	\$ 2,511,118
Use of money and property receivable	26,277	45,496	71,773
Loans receivable (Note 3)	--	5,107,203	5,107,203
Total assets	<u>\$ 1,693,898</u>	<u>\$ 5,996,196</u>	<u>\$ 7,690,094</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,933	\$ -	\$ 2,933
Deferred revenue (Note 3)	-	5,107,203	5,107,203
Total liabilities	<u>2,933</u>	<u>5,107,203</u>	<u>5,110,136</u>
<b>FUND BALANCES</b>			
Unreserved Fund balances:			
Undesignated, reported in:			
General fund	1,690,965	--	1,690,965
Special revenue fund	--	888,993	888,993
Total fund balances	<u>1,690,965</u>	<u>888,993</u>	<u>2,579,958</u>
Total liabilities & fund balance	<u>\$ 1,693,898</u>	<u>\$ 5,996,196</u>	<u>\$ 7,690,094</u>

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

Fund balances - total governmental funds	\$ 2,579,958
Accrued interest on long term obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(32,622)
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,268,449)</u>
Net assets of governmental activities	<u>\$ 1,278,887</u>

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED June 30, 2007**

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax increment	\$ 1,988,372	\$ 967,018	\$ 2,955,390
Use of money and property	88,149	198,394	286,543
Other revenues	--	383,941	383,941
Total revenues	<u>2,076,521</u>	<u>1,549,353</u>	<u>3,625,874</u>
<b>EXPENDITURES</b>			
Current:			
Project administration	\$ 297,654	\$ --	\$ 297,654
Isla Vista Project Area	794,373	3,793,091	4,587,464
Debt service:			
Principal	330,000	--	330,000
Interest	62,336	--	62,336
Total expenditures	<u>1,484,363</u>	<u>3,793,091</u>	<u>5,277,454</u>
Net change in fund balances	592,158	(2,243,738)	(1,651,580)
Fund balances - beginning	<u>1,098,807</u>	<u>3,132,731</u>	<u>4,231,538</u>
Fund balances - ending	<u>\$ 1,690,965</u>	<u>\$ 888,993</u>	<u>\$ 2,579,958</u>

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

Net change in fund balances - total governmental funds	\$ (1,651,580)
Principal payments on long-term obligations use current financial resources and net assets	330,000
The decrease in accrued interest on long-term obligations does not increase resources but is recorded as an increase in expenses in the statement of activities	6,504
Change in net assets (Statement of Activities, Governmental Activities)	<u>\$ (1,315,076)</u>

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

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

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

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property tax increment	\$ 1,355,000	\$ 1,355,000	\$ 1,988,372	\$ 633,372
Use of money and property	13,000	13,000	88,149	75,149
Total revenues	<u>1,368,000</u>	<u>1,368,000</u>	<u>2,076,521</u>	<u>708,521</u>
<b>EXPENDITURES</b>				
Current:				
Project administration	1,194,331	1,393,617	297,654	1,095,963
Isla Vista Project Area	245,000	43,602	794,373	(750,771)
Debt service:				
Principal	330,000	330,000	330,000	--
Interest	83,310	83,486	62,336	21,150
Total expenditures	<u>1,852,641</u>	<u>1,850,705</u>	<u>1,484,363</u>	<u>366,342</u>
Net change in fund balances	(484,641)	(482,705)	592,158	1,074,863
Fund balances - beginning	<u>1,098,807</u>	<u>1,098,807</u>	<u>1,098,807</u>	<u>--</u>
Fund balances - ending	<u>\$ 614,166</u>	<u>\$ 616,102</u>	<u>\$ 1,690,965</u>	<u>\$ 1,074,863</u>

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**ISLA VISTA HOUSING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property tax increment	\$ 734,480	\$ 734,480	\$ 967,018	\$ 232,538
Use of money and property	30,000	30,000	198,394	168,394
Other revenues	17,441	17,441	383,941	366,500
Total revenues	<u>781,921</u>	<u>781,921</u>	<u>1,549,353</u>	<u>767,432</u>
<b>EXPENDITURES</b>				
Current:				
Isla Vista Project Area	<u>1,572,778</u>	<u>3,832,778</u>	<u>3,793,091</u>	<u>39,687</u>
Total expenditures	<u>1,572,778</u>	<u>3,832,778</u>	<u>3,793,091</u>	<u>39,687</u>
Net change in fund balances	(790,857)	(3,050,857)	(2,243,738)	807,119
Fund balances - beginning	3,132,731	3,132,731	3,132,731	--
Fund balances - ending	<u>\$ 2,341,874</u>	<u>\$ 81,874</u>	<u>\$ 888,993</u>	<u>\$ 807,119</u>

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

**NOTES TO THE  
FINANCIAL STATEMENTS**



*Redevelopment Agency*

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Reporting Entity

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

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

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

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

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

The Agency does not have any employees. The County provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement with the County. For the year ended June 30, 2007, the Agency paid \$350,739 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.

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, 2007. The governmental activities of the Agency include Project Administration and the Isla Vista Project Area.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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.

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.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Investments

The Agency participates in the County Treasurer's cash and pooled investments (the "pool"). Earnings on the pool are allocated to the funds based on average daily balance. The County's pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the County Treasurer must follow. State statutes and the County's investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements and the State Treasurer's Local Agency Investment Fund (LAIF).

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

Affordable Housing Loans

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

Long-term Obligation

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

Fund Equity

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

Budget Controls

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

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

Property tax increment revenues represent property taxes collected from the excess of taxes levied and collected by the County each year on all property within the redevelopment area over that amount which would have been levied and collected by the County on the base year property tax assessment. The Agency recognized \$2,955,390 of property tax increment revenue for the year ended June 30, 2007.

Low and Moderate Income Housing

In accordance with State law, the Agency is required to set aside twenty percent (20%) of the property taxes before bond increment and pass-through to other governmental agencies for low and moderate-income housing programs. For the year ended June 30, 2007, \$967,018 in incremental property taxes allocated to the Agency were set aside for low and moderate-income housing projects, which is recorded as property tax increment revenue in the Isla Vista Housing Fund.

Use of Estimates

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

**2. CASH AND INVESTMENTS**

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

The Agency's portion of the County Treasurer's cash and pooled investments was \$2,511,118 at June 30, 2007. Investment income apportioned to the Agency by the County Treasurer's cash and pooled investments totaled \$286,543 for the fiscal year ended June 30, 2007, which included unrealized gains of \$45,485 in the fair value allocated to investments held by the Agency in the County Pool.

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

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2007 to support the value of shares in the County Treasurer's pooled investments.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2007**

**2. CASH AND INVESTMENTS - CONTINUED**

Custodial Credit Risk Related to Deposits

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 of the total bank balance, \$100,000 was insured by Federal depository insurance and \$23,178,000 should be collateralized in accordance with Section 53652 of the California Government Code with securities held by the pledging financial institution in the County's name, which have a market value of at least 110% of the County's deposits.

At June 30, 2007, the carrying amount of the County's deposits was \$23,278,000 and the corresponding bank balance was \$20,576,000. The difference of \$2,702,000 was principally due to deposits in transit.

Investments

Pursuant to Section 53646 of the State of California Government Code the County Treasurer prepares an *Investment Policy Statement* 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 for the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the California Government Code and, in general, the Treasurer's policy is more restrictive than State law.

*Credit Risk and Concentration of Credit Risk*

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

County investment policy dictates that no more than 5% of the total portfolio be invested in securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises. At June 30, 2007, single issuers comprising more than 5% of the County's investments were as follows:

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
Federal Home Loan Bank	Government Sponsored	\$144,912,000	17.75%
Federal Home Loan Mortgage Corp.	Government Sponsored	114,011,000	13.97%
Federal National Mortgage Assoc.	Government Sponsored	220,945,000	27.06%

Directed investments are entirely comprised of securities issued by the Federal National Mortgage Association, a government sponsored enterprise, at June 30, 2007. Fair value holdings at year end amounted to \$2,572,000.

*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 held by the trustee in the name of the County and are not held in broker accounts.

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**2. CASH AND INVESTMENTS - CONTINUED**

*Interest Rate Risk*

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

The unrealized loss on investments held in the County Treasurer's pool at June 30, 2007 for both internal and external pool participants was \$1,951,000. At June 30, 2007 the unrealized loss has been included as a component of designated fund balance in the government funds, unrestricted net assets in the proprietary funds, and net assets in the investment trust fund.

The Treasurer purchases securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement 31 such discount, when realized, is considered gain rather than interest. Interest earnings for the current year amount to \$28,555,000 for the County Treasurer's Investment Pool and \$128,000 for directed investments. The net realized gain on investments sold or matured during the year was \$9,846,000 for the Investment Pool and \$1,000 for directed investments. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s).

A summary of the investments held by the County Treasurer's pool as of June 30, 2007 is as follows (in thousands):

Investment	Cost	Fair Value	Interest Rate Range	Maturity Date/Range	Weighted Average Maturity	Credit Rating
Treasurer's Pooled Investments:						
Commercial Paper	\$ 171,060	\$ 171,640	5.24-5.44	7/07-9/07	16.53 Days	P-1, P-2, A-1, A-2
Negotiable CDs	30,036	30,036	5.30-5.40	7/07-1/08	73 Days	A-1, P-1
Corporate Bonds	75,947	75,529	3.12-7.38	7/07-9/11	1.74 Years	AA, AAA, Aa, Aaa
Government Agency Bonds	501,815	499,746	2.63-5.80	7/07-6/12	1.65 Years	AAA
Local Agency Investment Fund	40,000	40,000	4.93-5.23	n/a	n/a	n/a
Directed Investments:						
Government Agency Bonds	<u>2,616</u>	<u>2,572</u>	4.13-7.13	6/10-5/12	4.11 Years	AAA
Total Treasurer's Pooled Investments	<u>\$ 821,474</u>	<u>\$ 819,523</u>				

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**3. LOANS RECEIVABLE**

Loans receivable, totaling \$5,107,203 at June 30, 2007, consists of loans provided for low- and moderate-income housing, with interest ranging from 0% to 5% and maturities up to 26 years. Due to the terms of the loans, deferred revenue in the amount of \$5,107,203 has been established.

<u>Project</u>	<u>Outstanding 7/1/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/2007</u>
A. Storke Ranch Acquisition	\$ 106,000	\$ -	\$ -	\$ 106,000
B. Conway Rehabilitation	10,977	-	684	10,293
C. El Encanto Project	366,500	-	366,500	-
D. Isla Vista Apartments	907,063	-	-	907,063
E. Villa del Sol Apartments	315,909	-	7,062	308,847
F. Parkview Apartments	-	3,775,000	-	3,775,000
<b>TOTAL</b>	<u>\$ 1,706,449</u>	<u>\$ 3,775,000</u>	<u>\$ 374,246</u>	<u>\$ 5,107,203</u>

A. *Storke Ranch Acquisition*

The Agency provided \$106,000 for the construction of 36 affordable housing in 1998. The term loan is payable at 0% interest in 2033. The outstanding amount 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 is \$10,293.

C. *El Encanto Project*

The Agency provided a residual receipt loan to purchase land for 16 affordable housing units in 2001 in the amount of \$366,500 at 3% for thirty years. During the approval process, the project became no longer feasible. The land was resold and the loan fully repaid in the current year.

D. *Isla Vista Apartments*

In 2001, the Agency loaned People Self-Help Housing \$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, 2007 is \$907,063.

E. *Villa del Sol Apartments*

The Agency provided the County Housing Authority \$325,000 for acquisition and rehabilitation of a 4-unit property serving developmentally disabled adults. The terms of the loan is 3% amortized over a 30-year period. The outstanding balance at June 30, 2007 is \$308,847.

F. *Parkview Apartments*

In the current year the Agency provided bridge financing in the amount of \$3,775,000 to purchase a 20-unit apartment complex in order to provide rehabilitation and maintenance of affordable units. The loan is payable within three years with simple interest of 5%. It is anticipated that this project will use tax credit for permanent financing with assistance from the Agency. The outstanding amount is \$3,775,00.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**4. LONG-TERM OBLIGATIONS**

Note 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, 2007, the outstanding principal balance was \$1,268,449. The following is a schedule of principal and interest payments to maturity as of June 30, 2007, for the note payable:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	355,000	71,176
2009	380,000	55,646
2010	405,000	38,926
2011	128,449	20,700
Total	<u>\$ 1,268,449</u>	<u>\$ 186,448</u>

Changes in the Agency's long-term obligation for the year ended June 30, 2007 are as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Due Within One Year</u>
Note Payable to County	<u>\$ 1,598,449</u>	<u>\$ -</u>	<u>\$ (330,000)</u>	<u>\$ 1,268,449</u>	<u>\$ 355,000</u>

**5. 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, 2007, the Agency had \$888,993 restricted for low-income housing, which is restricted by enabling legislation.

**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



*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 2006-07**  
**(Unaudited)**

This report for the fiscal year ended June 30, 2007 includes a narrative that describes the activities of the Redevelopment Agency of the County of Santa Barbara, California (“Agency”).

**SUMMARY OF PREVIOUS FUNDING, PROJECT AND HOUSING EFFORTS:**  
**PRIOR TO FY 06-07**

*Previous Agency General Project Efforts: Prior to FY 06-07*

<b>DATE</b>	<b>FUNDS</b>	<b>PROJECT DESCRIPTION</b>
1991	\$4,010,000	County issues \$4,010,000 in Certificates of Participation, and loans proceeds to Agency for the purchase of open space.
FY 90-93	\$2,634,140	County acquires 14 bluff-top, open-space parcels in Isla Vista using Agency funds.
FY 95-96	\$135,000	County Services Area 31 (“CSA 31”) loans funds to Agency to pay debt service.
FY 95-96	\$150,000	Coastal Resource Enhancement Fund (“CREF”) loans funds to Agency to pay debt service.
FY 01-02		Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) formed to guide preparation of Isla Vista Master Plan.
FY 01-02	\$385,000	Agency repays CSA 31 and CREF loans.
FY 04-05	\$65,000	<i>Downtown Sidewalk and Street Trees Program:</i> In partnership with the Agency, County Public Works Department improves over 3,000 square feet of sidewalk and installs over 30 trees.
FY 04-05	\$100,000	County acquires five undeveloped bluff top open space parcels. \$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. The County Parks Department is currently preparing a plan to develop a park on the site.
FY 04-05		Agency oversight transferred from County Planning and Development Department to the County Executive Office (“CEO”).

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**WORK PROGRAM FOR FISCAL YEAR 2006-07**  
**(Unaudited)**

*Previous Very Low and Low Income Housing Efforts: Prior to FY 06-07*

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.

DATE	AGENCY SET-ASIDE FUNDS	PROJECT DESCRIPTION
FY 96-97	\$0	\$35,000 State Housing and Community Development Department grant used to develop the Isla Vista Housing Strategy Plan.
FY 96-97	\$25,000	Agency funds matched with \$500,000 Community Development Block Grant ("CDBG") to rehabilitate 34 residential units (6 units financed with Agency funds).
FY 97-98	\$15,000	Agency funds matched with \$500,000 CDBG to rehabilitated 30 low to very low-income residential units (1 unit financed with Agency funds).
FY 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.
FY 99-00	\$368,136	Agency loan to PSHH for rehabilitation and financing of 56 low and very low-income units at 6660/6650 Abrego Road ("Abrego Road Project"). <sup>1</sup>
FY 00-01	\$258,684	Agency loan to PSHH for Abrego Road Project. <sup>1</sup>
FY 00-01	\$366,500	Agency loan for land acquisition for the 16 unit El Encanto Apartment Project for low to very low-income family rental.
FY 01-02	\$298,370	Agency loan to PSHH for Abrego Road Project. <sup>1</sup>
FY 02-03		Oversight of Isla Vista Housing fund activities transferred to County Housing and Community Development Department.
FY 04-05	\$325,000	Agency loan to the County Housing Authority for acquisition and rehabilitation of Villa Del Sol at 6680 Sueno Rd, a 4 unit property serving developmentally disabled adults.

<sup>1</sup>Total 3 year loan amount originally \$1,005,179, however, total loan amount was reduced because reserve funding for relocation expenses was not used.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**WORK PROGRAM FOR FISCAL YEAR 2006-07**  
**(Unaudited)**

**SUMMARY OF PROJECTS AND HOUSING EFFORTS:**  
**FY 06-07**

***FY 06-07 General Projects***

The Agency focuses 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.

The FY 06-07 main Agency projects were as follows:

- Affordable Housing
- Agency Management
- Alternative Transportation
- Development Agreements
- Downtown Parking Lot
- Façade Improvement Program
- Isla Vista Master Plan Adoption
- Pardall Road Improvements
- Sidewalk Improvements

The Project Description Section on page 36 gives a summary of each of these projects, including accomplishments, goals, and budget allocations.

***FY 06-07 Very Low, Low and Moderate Income Housing***

In FY 06-07, the Housing Fund was transferred to the County Executive Office and the Agency became responsible for Housing Fund management. 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 buildings will be renovated for occupation by low to moderate income families.

Additionally, the Agency instituted a 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.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**WORK PROGRAM FOR FISCAL YEAR 2006-07**  
**(Unaudited)**

**SUMMARY OF PROJECTS AND HOUSING EFFORTS:**  
**PROJECTED FY 07-08**

***Projected FY 07-08 Funding***

Property tax increment revenue for FY 07-08 is estimated at approximately \$1,694,550. In addition, the Agency's General Fund balance of \$1,690,965 carried over from FY 06-07 is available for FY 07-08 projects and activities. The Agency's budget provides for \$1,926,760 for administration and projects.

***Organization of the Redevelopment Agency***

An adopted \$1.9 million budget for FY 07-08 includes funding for an Agency deputy director to manage Agency initiatives, two redevelopment specialists, a contract for a consultant to act as a senior advisor for the Agency, a consulting firm to finish the Master Plan adoption process and funding to design and engineer various projects such as Pardall Road improvement and the Anisq' Oyo Park. Infrastructure projects include funding for alternative transportation improvements, sidewalk construction, downtown parking lot, Pardall Road improvements, 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 07-08 Projects/Activity***

<b>Project</b>	<b>Goals for FY 07-08</b>
Downtown Private Projects - Development Agreements	<ul style="list-style-type: none"> <li>• Bring development agreements for 909 Embarcadero Del Mar to decision makers</li> <li>• Bring 879 Embarcadero Del Mar project to the BAR for conceptual review</li> <li>• Develop other new high quality mixed use projects in downtown Isla Vista</li> </ul>
Downtown Parking Lot	<ul style="list-style-type: none"> <li>• Bring acquisition agreement to BOS for review</li> <li>• Complete CEQA and obtain permits for parking lot improvements</li> <li>• Bring bid package to BOS for authority to bid</li> </ul>
Façade Program	<ul style="list-style-type: none"> <li>• Construct façade improvements at 6554 Pardall Road and 6551 Trigo Road</li> <li>• Increase number of program participants in downtown Isla Vista</li> <li>• Complete two additional façade improvement projects</li> </ul>
Pardall Road Design / Engineering	<ul style="list-style-type: none"> <li>• Establish contract for bid documents</li> <li>• Complete CEQA and obtain permits for Pardall Road improvements</li> <li>• Bring bid package to BOS for authority to bid</li> </ul>
Anisq' Oyo' Park Redesign Project	Assist IVRPD in developing park improvement project
El Colegio Road	Assist in permitting process for El Colegio

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**WORK PROGRAM FOR FISCAL YEAR 2006-07**  
**(Unaudited)**

<b>Project</b>	<b>Goals for FY 07-08</b>
Implementation	
Agency and Project Area Committee management	<ul style="list-style-type: none"> <li>• Adopt the FY 07-08 Agency Budget</li> <li>• Continue to provide staff support for PAC/GPAC meetings</li> <li>• Comply with California State law</li> <li>• Submit FY 07-08 annual report to state on time</li> </ul>
Oversee IVMP adoption contract and existing EIR contracts	<ul style="list-style-type: none"> <li>• Bring Isla Vista Master Plan to the Board of Supervisors for consideration</li> <li>• Submit Isla Vista Master Plan to the California Coastal Commission for consideration</li> </ul>
RDA Plan Amendment	Bring Plan Amendment to BOS for consideration
Establish in lieu parking fee program	Bring in lieu parking fee program to BOS for consideration
Sidewalk Improvement Program	<ul style="list-style-type: none"> <li>• Continue to improve sidewalk network in Isla Vista</li> <li>• Establish long-term sidewalk improvement contract with Public Works</li> </ul>
Alternative Transportation Improvement Program	Continue implementing improvements to alternative transportation in Isla Vista
Town Architect	Complete RFP and establish contract for town architect
Acquire property from willing sellers	Acquire property from willing sellers to facilitate the development of affordable housing units

***Projected FY 07-08 Very Low, Low, and Moderate Income Housing***

For FY 07-08 the property tax increment for housing set-aside funds is estimated at \$850,000. Combined with a housing set-aside fund balance of \$888,993 from FY 06-07, total housing funds available for FY 07-08 is estimated at \$1,738,993.

<b>Project</b>	<b>Goals for FY 07-08</b>
Rehabilitation of 6688 and 6682 Picasso Road	Complete rehabilitation of 6688 and 6682 Picasso Road, 20 units of affordable housing for occupation by very low to moderate income families.
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.



# Affordable Housing Projects

*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.



## **FY 06-07 Accomplishments:**

- Funded Santa Barbara Housing Authority acquisition of two adjacent 10-unit apartment buildings in Isla Vista for affordable housing; 6688 Picasso Rd and 6682 Picasso Rd
- Transferred responsibility for managing Housing Fund to County Executive Office

## **Goals for FY 07-08:**

- Renovate 6688 Picasso Rd and 6682 Picasso Rd apartment buildings for occupation by low to moderate income families
- 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



# Agency Management

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*Goal: To run an efficient customer service-oriented Redevelopment Agency that implements the priority projects and programs of the elected Board of Directors through a strategic management system and compiling with the laws of the state.*

In 1990, the Santa Barbara County Board of Supervisors formed the Santa Barbara County Redevelopment Agency and established the Isla Vista Redevelopment Project Area. Among other requirements, state law requires Redevelopment Agencies to adopt a 5 year implementation plan, an annual budget, and file an annual financial report with the state. These documents serve as the foundation



for the Agency's financial planning and control. In addition, the Agency is required to provide staff services to the Isla Vista Project Area Committee (PAC).

## **FY 06-07 Accomplishments:**

- Completed 2007-2011 Implementation Plan on time
- Adopted the '06-'07 Fiscal Year Agency Budget on time
- Held PAC/GPAC and special community meetings

## **Goals for FY 07-08:**

- Adopt the '07-'08 Fiscal Year Agency Budget that effectively allocates resources to bring positive change to Isla Vista.
- Continue to provide staff support for PAC/GPAC meetings
- Comply with California State law
- Submit '07-'08 Fiscal Year annual report to state on time



# Isla Vista Master Plan Adoption

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

Since 2000 staff has worked with the Isla Vista community, the University of California Santa Barbara, and Isla Vista Recreation and Parks District to develop the Isla Vista Master Plan. EDAW



Consulting Company has been contracted to assist in the adoption of the Isla Vista Master Plan. The IVMP proposes changes to the Comprehensive Plan and identifies individual projects to support revitalization of Isla Vista. Those changes include:

- Updating zoning to allow 3-story mixed use development in downtown Isla Vista and 3-story multi-residential development in northern and central areas of the community,
- Urban design standards to improve the quality of new development, and
- Revising County transportation policies to allow infill projects.

## **FY 06-07 Accomplishments:**

- Draft Environmental Impact Report (EIR) completed and released for Public Comment
- Response to Comments and Final EIR prepared
- Three Planning Commission hearings held through May 15<sup>th</sup>

## **Goals for FY 07-08:**

- Bring Isla Vista Master Plan to the Board of Supervisors for consideration
- Submit Isla Vista Master Plan to the California Coastal Commission for consideration



# Alternative Transportation Improvement Program

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

More so than any other area of unincorporated Santa Barbara County, alternative transportation plays a significant role in meeting Isla Vista's transportation needs. The Santa Barbara Metropolitan Transportation District (MTD) estimates 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 currently lack basic amenities, such as benches, shelters, and up-to-date route information.

## **FY 06-07 Accomplishments:**

- Four bus stops in Isla Vista were improved with new bus stop shelters, benches, and up-to-date route information

## **Goals for FY 07-08:**

- Continue implementing improvements to alternative transportation in Isla Vista
- Continue implementing improvements to alternative transportation in Isla Vista



# Public/Private Partnership – Development Agreements

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*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 Plan.

## **FY 06-07 Accomplishments:**

- *909 Embarcadero Del Mar:*
  - Entitlement permits submitted to Planning and Development
  - Draft development agreement prepared
  - Underground parking study completed
- *879 Embarcadero Del Norte:*
  - Conceptual site plans prepared
  - Draft pro forma developed

## **Goals for FY 07-08:**

- Bring development agreements for 909 Embarcadero Del Mar to decision makers
- Bring 879 Embarcadero Del Mar project to BAR for conceptual review
- Develop other new high quality mixed use projects in downtown Isla Vista



# Downtown Parking Lot

*Goal: Develop a public parking lot in downtown Isla Vista that facilitates private development by providing off-site parking.*

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.

## **FY 06-07**

### **Accomplishments:**

- Appraisal completed
- Offer letter sent
- Negotiations initiated
- Design Contract established

### **Goals for FY 07-08:**

- Bring acquisition agreement to BOS for review
- Complete CEQA and obtain permits for parking lot improvements
- Bring bid package to BOS for authority to bid



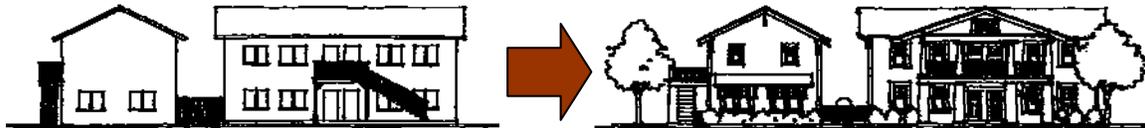


# Façade Improvement Program

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*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 Façade 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.



## **FY 06-07 Accomplishments:**

- Façade Improvement Program established
- 5 business applications submitted during first month of initiation
- *6554 Pardall Road and 6551 Trigo*
  - Façade grant application submitted
  - Façade renovation plans prepared

## **Goals for FY 07-08:**

- Construct façade improvements at 6554 Pardall Road and 6551 Trigo Road
- Increase number of program participants in downtown Isla Vista
- Complete two additional façade improvement projects



# Pardall Road Improvements

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

This project is one of the critical first-phase public space improvements necessary to stimulate change in the community. The project includes widening sidewalks, adding landscaping, and improving intersections to enhance the public space in downtown Isla Vista.

**PARDALL ROAD AND ANISQ'OYO PARK PROJECT UPDATE**

**PUBLIC WORKSHOP NOTES: JUNE 6, 2006**

**Incorporate public parking on old gas station site (surface lot in early years, integrated garage as part of redevelopment).**

**Limit or remove traffic from central block. Create service lane along north edge of properties.**

**Envision Pardall Road as a linear park/promenade and bikeway. Wider sidewalk and promenade on sunny side of street.**

**Explore early term project that achieves Rec & Park District and property owner objectives.**

**Strengthen connection between Pardall Road and park with public paseo, outdoor seating and cafes.**

**Enhance/enlarge amphitheater and/or consider additional venue for large events.**

**Ensure that new development creates positive relationships with park and Pardall Road.**

**Enhance pond as environmental/visual/recreational asset.**

**Improve prominence of Peace Memorial.**

**Improve network of pedestrian and bicycle linkages through park.**

**Highlight Isla Vista and park history, particularly formative 1960s with interpretive elements.**

**Encourage consolidation and/or relocation of buildings and parking lots to expand open space.**

**Encourage commercial and mixed-use development along the perimeter of the park.**

**Improve park usability, accessibility and visibility, while maintaining areas for quiet contemplation.**

**NEXT DESIGN SESSION WILL BE HELD THIS FALL**  
CHECK WEBSITE FOR MORE DETAILS: [WWW.IVRDA.ORG](http://WWW.IVRDA.ORG)

## **FY 06-07 Accomplishments:**

- Community workshops held
- Three design alternatives developed
- Conceptual plan selected

## **Goals for FY 07-08**

- Establish contract for bid documents
- Complete CEQA and obtain permits for Pardall Road improvements
- Bring bid package to BOS for authority to bid



# Sidewalk Improvement Program

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*Goal: Construct new sidewalks and improve the overall streetscape in Isla Vista.*

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



*Recently completed Sabado Tarde Sidewalks*

north/south streets, transit routes, and streets that support higher traffic volumes. Completion of the sidewalk network on these streets will significantly improve pedestrian conditions. Construction of the new sidewalks should be completed concurrently with installation of street trees and landscaping.

## **FY 06-07 Accomplishments:**

- 775 feet of sidewalks and 18 street trees installed on Sabado Tarde

## **Goals for FY 07-08:**

- Continue to improve sidewalk network in Isla Vista
- Establish long-term sidewalk improvement contract with Public Works

# 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.

<b>CONTENTS</b>	<b>PAGE</b>
<b>REVENUE CAPACITY</b> These schedules contain trend information to help the reader assess the Agency's most significant local revenue source, the property tax.	<b>46</b>
<b>FINANCIAL TRENDS</b> These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	<b>49</b>

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

**Tax Increment Collections (Unaudited)**

Since Inception

	Assessed Value	Percent Change	Tax Increment	Supplemental Tax Increment	Gross Tax Revenues	
					Total Tax Increment	Percent Change
1990-91	\$ 253,992,105	0.0%	\$ --	\$ --	\$ --	N/A
1991-92	275,614,194	8.5%	216,221	41,475	257,696	(48.3%)
1992-93	282,232,439	11.1%	282,403	13,320	295,723	(40.7%)
1993-94	293,371,583	15.5%	393,795	69,812	463,607	(7.0%)
1994-95	301,119,893	18.6%	471,278	16,752	488,030	(2.1%)
1995-96	304,061,998	19.7%	500,699	(8,015)	492,684	(1.2%)
1996-97	313,637,461	3.1%	596,453	36,803	633,256	28.5%
1997-98	321,193,673	2.4%	665,887	45,810	711,697	12.4%
1998-99	324,429,441	1.0%	704,373	53,374	757,747	6.5%
1999-00	370,018,906	14.1%	1,160,268	237,292	1,397,560	84.4%
2000-01	426,272,457	15.2%	1,731,872	325,068	2,056,940	47.2%
2001-02	493,820,920	15.8%	2,398,303	401,418	2,799,721	36.1%
2002-03	511,878,200	3.7%	2,578,887	188,352	2,767,239	(1.2%)
2003-04	490,187,401	(4.2%)	2,708,685	126,002	2,834,687	2.4%
2004-05	508,439,293	3.7%	2,881,931	381,762	3,263,693	15.1%
2005-06	558,807,750	9.9%	3,394,859	290,784	3,685,643	12.9%
2006-07	640,901,630	14.7%	4,216,814	619,289	4,836,103	31.2%

**Base Year and Adjusted Base Year**

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

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

**Tax Increment Collections (Unaudited)**

Since Inception (continued)

**Tax Increment to RDA**

	Total Tax Increment	PLUS: Bond Increment	LESS: Pass- Through	Total to RDA	RDA General Fund	RDA Housing Set-aside
1990-91	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
1991-92	257,696	980	76,483	182,193	125,769	56,424
1992-93	295,723	9,390	108,316	196,797	126,196	70,601
1993-94	463,607	809	172,588	291,828	164,967	126,861
1994-95	488,030	23,599	190,569	321,060	196,406	124,654
1995-96	492,684	19,107	201,208	310,583	212,046	98,537
1996-97	633,256	31,349	251,658	412,947	286,295	126,652
1997-98	711,697	39,883	287,364	464,216	320,651	143,565
1998-99	757,747	6,072	313,267	450,552	299,003	151,549
1999-00	1,397,560	1,185	533,484	865,261	585,843	279,418
2000-01	2,056,940	1,056	728,677	1,329,319	917,788	411,531
2001-02	2,799,721	5,766	1,101,361	1,704,126	1,144,182	559,944
2002-03	2,767,239	6,600	1,095,171	1,678,668	1,125,224	553,444
2003-04	2,834,687	5,719	1,158,196	1,682,210	1,115,278	566,932
2004-05	3,263,693	5,729	1,232,774	2,036,648	1,383,914	652,734
2005-06	3,685,643	5,700	1,519,275	2,172,068	1,434,945	737,123
2006-07	4,836,103	9,200	1,889,913	2,955,390	1,988,372	967,018
	<u>\$ 27,742,026</u>	<u>\$ 172,144</u>	<u>\$ 10,860,304</u>	<u>\$ 17,053,866</u>	<u>\$ 11,426,879</u>	<u>\$ 5,626,987</u>

**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, 2007

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**Top Ten Secured Role Parcels**

	<u>Net Assessed Value (AV)</u>	<u>Percent of Total Net AV</u>	<u>Total Tax</u>
TROPICANA GARDENS AG BORROWER LLC	41,271,300	6.50%	\$ 412,713
ESSEX PORTFOLIO, LP	28,371,861	4.47%	283,719
GELB, JAMES	19,752,477	3.11%	197,525
YELLOW SUBMARINE, LLC	18,003,244	2.84%	180,032
STGEORGE, EDWARD REVOCABLE TRUST 5/16/02	14,423,665	2.27%	144,237
ISLAY INVESTMENTS	6,684,690	1.05%	66,847
STGEORGE, EDWARD REVOCABLE TRUST	6,483,227	1.02%	64,832
G&H FRENCH QUARTER APTS, L P	6,146,332	0.97%	61,463
ECKERT FAMILY LLC	6,095,295	0.96%	60,953
ABREGO ENTERPRISES	<u>5,514,893</u>	<u>0.87%</u>	<u>55,149</u>
Sub-total top ten payers	\$ 152,746,984	24.07%	<u>\$ 1,527,470</u>
All other	<u>481,934,049</u>	<u>75.93%</u>	
Total Net Assessed Value	<u>\$ 634,681,033</u>	<u>100.00%</u>	

**Top Ten Current Year Buyers**

	<u>Net Assessed Value (AV)</u>
STGEORGE, EDWARD REVOCABLE TRUST 5/16/02	\$ 5,705,000
GELB, JAMES	3,600,000
SULLIVAN, DARIN Q	2,649,960
SS PROPERTY, LLC	2,200,000
KNOWLES, LISA ANN TRUST 12/1/95	1,810,500
366 LLC	1,350,000
ALEKSANDER FAMILY TRUST	1,300,000
ALLEN, MARTIN A	1,275,000
STEIDL, JAMISON H	1,235,500
RIDENOUR, TODD	<u>1,200,000</u>
Sub-total top transfers	\$ 22,325,960
All other	<u>4,642,307</u>
Total Net Assessed Value	<u>\$ 26,968,267</u>

Notes:

- (1) Net Assessed Value amounts include secured and unitary less exemptions.
- (2) Total Tax amounts are the total taxes paid by the payer, not taxes that were distributed by the RDA.

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

Since Inception

<u>Fiscal Year</u> <u>Ending</u>	<u>Property Tax</u> <u>Increment</u>	<u>Investment</u> <u>Income</u>	<u>Inter-</u> <u>Governmental</u>	<u>Other Revenue</u>	<u>Long-term</u> <u>Obligations</u>	<u>Total</u> <u>Revenues</u>
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
<b>Total Since Inception</b>	<b>\$ 17,053,563</b>	<b>\$ 1,172,123</b>	<b>\$ 535,633</b>	<b>\$ 623,174</b>	<b>\$ 3,735,000</b>	<b>\$ 23,119,493</b>

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

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

**Governmental Funds Expenditures By Function (Unaudited)**

Since Inception

Fiscal Year Ending	Project Adminstration	Isla Vista Projects				Long-term Obligations		Total Expenditures
		Master Plan	Projects	Contribution to Other Governments	Housing Activities	Principal	Interest	
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	297,654	175,826	618,547	-	3,793,091	330,000	62,336	5,277,454
<b>Total Since Inception</b>	<b>\$ 3,034,464</b>	<b>\$ 2,270,101</b>	<b>\$ 953,955</b>	<b>\$ 2,943,263</b>	<b>\$ 5,788,968</b>	<b>\$ 3,125,000</b>	<b>\$ 2,423,784</b>	<b>\$ 20,539,535</b>

**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**

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<b>Fiscal Year</b>					<b>Ending Total</b>
<b>Ending</b>	<b>General</b>	<b>Isla Vista Housing</b>	<b>Capital Projects</b>		<b>Fund Balance</b>
1991	\$ 193,654	\$ -	\$ 1,091,008	\$	1,284,662
1992	203,171	56,676	352,027		611,874
1993	37,749	130,814	429,686		598,249
1994	180,212	264,924	24,867		470,003
1995	76,991	403,827	-		480,817
1996	356,314	528,472	-		884,786
1997	322,943	688,847	-		1,011,789
1998	298,027	870,028	-		1,168,055
1999	253,847	879,089	-		1,132,936
2000	355,351	722,703	-		1,078,054
2001	683,276	513,434	-		1,196,710
2002	542,367	802,453	-		1,344,820
2003	653,421	1,388,242	-		2,041,663
2004	775,850	1,965,944	-		2,741,794
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



*Redevelopment Agency*

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**RDA Glossary**  
June 30, 2007

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

**Assessed Value (AV):** The amount used by the county tax assessor to value real property for tax purposes. Assessed value is generally the market value of property. Assessed value multiplied by the tax rate determines property tax.

**Base Value:** The total assessed value of property within a project area in the year 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.).

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

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

**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 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.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**RDA Glossary**  
June 30, 2007

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

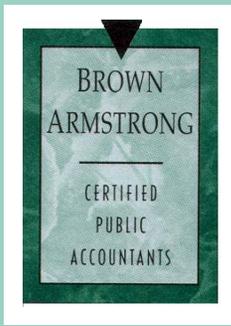
**Relocation Assistance:** Relocation payments help to assist families, individuals, businesses, and non-profit organizations which are displaced as a result of redevelopment activities. This includes aid in finding a new location, payments to help cover moving costs, and additional payments for certain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

# **COMPLIANCE SECTION**





**BROWN ARMSTRONG PAULDEN**  
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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**

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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, 2007, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 3, 2007. 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.

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 the Agency'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 Agency'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.

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. 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

A handwritten signature in black ink, appearing to read "G. A. Paulden", is written over the printed name of the firm.

Bakersfield, California  
August 3, 2007