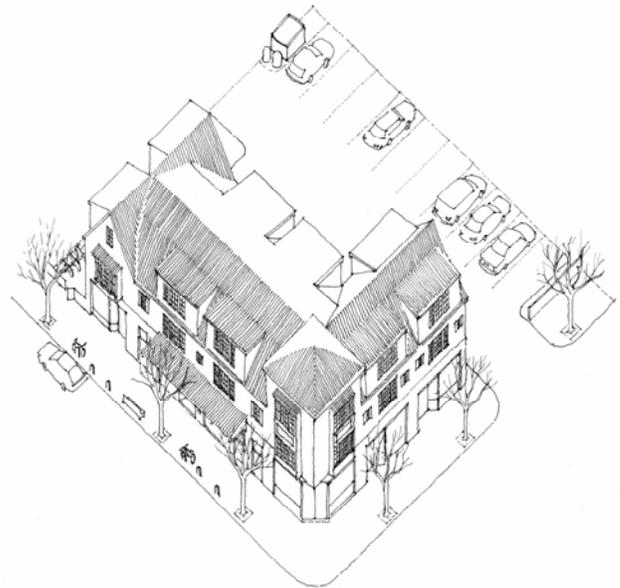


# Santa Barbara County Redevelopment Agency

State of California

## Annual Financial Report

Fiscal Year Ended June 30, 2006



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, 2006**

**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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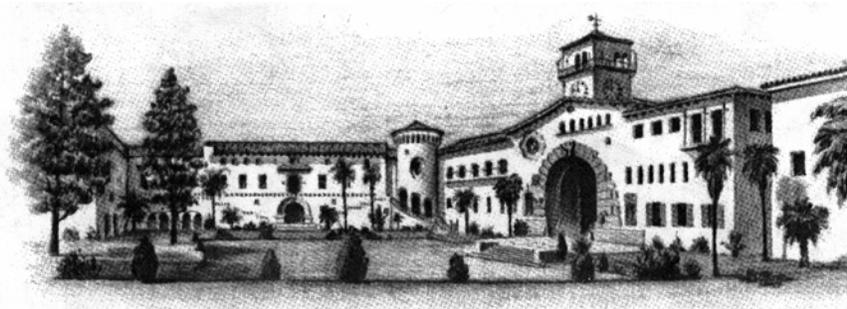
**INTRODUCTORY SECTION**  
**(Unaudited)**



# COUNTY OF SANTA BARBARA

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

THEO FALLATI, C.P.A.  
Assistant Auditor-  
Controller



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## OFFICE OF THE AUDITOR-CONTROLLER

August 10, 2006

To the Citizens of Santa Barbara County:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

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

KPMG LLP has issued an opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

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

## Profile of the Redevelopment Agency

### *Agency Officers:*

#### **Board of Directors**

Joe Centeno — Fifth District Supervisor

Joni Gray, Chair — Fourth District Supervisor

Brooks Firestone, Vice Chair — Third District Supervisor

Susan Rose — Second District Supervisor

Salud Carbajal — First District Supervisor

#### **Policy & Executive**

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

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

#### **Agency Staff**

Jamie Goldstein  
Agency Deputy Director

Jeff Lindgren  
Redevelopment Specialist

## Profile of the Redevelopment Agency – continued

### ***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.

## Profile of the Redevelopment Agency – continued

- 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.

### 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 within the same department to the County Executive Office.

## Factors Affecting Financial Condition

### ***Economy:***

Santa Barbara County and the IVPA showed sustainable growth in fiscal year (FY) 05-06. 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 4.0%.
- Over 3000 jobs were created in the County in 2005.
- The County's largest employer is UCSB with over 8,400 employees. The university borders the Isla Vista community, which houses a significant portion of the UCSB student population.

### ***Income:***

- The average annual salary for the County was \$38,055, an increase of 3.8%. 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 7.2% to \$6 billion. IVPA retail sales increased 16% to \$25 million.

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

- Santa Barbara home prices rose in all areas of the County in the past year.
- The County median home price of \$674,400 is up from \$557,000 in 2004.
- The County housing-affordability index fell dramatically from 11.7% to 7.6% due to rapid price appreciation and a stagnant distribution of household income.
- County non-residential valuations increased 37.5% to \$162 million.
- A student apartment facility in Isla Vista sold for \$42 million in FY 04-05 becoming the IVPA's largest taxpayer.

### ***Tourism:***

- South Coast hotel and motel occupancy rates were 72.9% in 2005, up slightly from 71.3% in 2004.
- South Coast average room rates have also increased to \$134.1 per room per night in 2005 from \$131.5 in 2004.
- 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.

## Factors Affecting Financial Condition – continued

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

The County is experiencing significant increases in property tax revenue. Last year the County estimated that its growth rate would peak at 10.4% in FY 05-06. The County almost duplicated the property tax growth rate for FY 06-07 with a growth rate of 10.1%. However, in June 2006 the County began experiencing a significant slowing of property sales that is indicative of an economic downturn. The County's other economic driven revenue accounts grew moderately.

For the second year in a row, the State of California's coffers appear to be full. As a result, in the upcoming fiscal year the State will not shift property taxes from the County and Agency. In the last several fiscal years a number of significant property transactions have occurred that will generate additional tax increment revenue. Major project area planning is still occurring within the Agency. It has been difficult to find good affordable housing projects to finance with Agency housing set aside funds. In the coming year there are no major infrastructure projects budgeted but several proposals are in progress. We believe that next-year revenues will again outpace expenses for the Agency unless a major project comes to fruition.

### ***Economic Indicators:***

The U.S. economy appears that it will continue to grow next year. In addition, California continues to show very strong economic growth. Santa Barbara's economy is performing at a level below the State's and will continue to grow relatively slowly. The real estate growth rate appears unsustainable and is expected to slow but remain positive.

### ***Major Initiatives:***

#### ***Downtown Infrastructure Projects***

One of the Agency's primary focuses is the redevelopment of downtown Isla Vista. As part of that effort the Agency is engaged in a series of projects to improve public infrastructure in the downtown area. A critical component of that effort is the Pardall Road Enhancement Project. The project involves physical improvements to establish the roadway as a community focal point and to help create a vibrant downtown.

In FY 05-06 the Agency completed a competitive bid process to select a design firm for the Pardall Road project. Later that same fiscal year, the Agency hosted a design workshop to solicit community and business leader input into the roadway design. It is expected that the roadway design concept will be completed in FY 06-07, at which time preparation of the project construction documents will begin.

The Agency is also actively engaged in the Anisq' Oyo' Park project, another downtown infrastructure project. As currently configured, the Park, which is owned by the Isla Vista Recreation and Park District, has been identified as an impediment to downtown revitalization.

During FY 05-06, the Agency obtained funding and completed an agreement with the Park District to compete design work. A design consultant was hired and an initial workshop to solicit public input was held in Spring 2006.

## Factors Affecting Financial Condition – continued

### 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 while adding housing units. The projects are intended to encourage further private sector investment into the area, expand the scope of retail services offered in the downtown, 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 will identify specific goals, policies, and development standards for Isla Vista that will update and complement the existing Countywide Comprehensive Plan and Goleta Community Plan. Additionally, the Master Plan will 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.

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

The environmental impact review (EIR) document for the Isla Vista Master Plan was publicly circulated in the summer of 2006. Planning Commission adoption hearings are scheduled to begin in fall of 2006. Final adoption of the Plan by the County Board of Supervisors is expected in 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. The Agency is currently working with County Public Works to implement another sidewalk improvement project on Sabado Tarde Road. The project will result 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 improvements.

## Factors Affecting Financial Condition – continued

Transit Improvements: The Agency is currently working with the Metropolitan Transit District to fund improvements to several heavily used bus stops in Isla Vista with shelters, benches, trash receptacles, and current route 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

- Seek out affordable housing project applications for new development.
- The Agency completed two property appraisals in the project area for potential agency acquisition for affordable housing. The Agency continues to seek willing sellers to facilitate the development of affordable housing units.
- Prioritize the rehabilitation, or acquisition with rehabilitation, of properties with significant rehabilitation needs, to eliminate blight, provide income restricted housing, and improve the overall quality of development.

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

The Agency's property tax increment grew 7% in FY 05-06 following a 21% increase in the prior year. The tax increment growth and the pay down of outstanding debt is 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 and strategic plan for the Isla Vista area. The Agency will be a tool to assist in executing the broader plan, but will not be the lead agency. This effort 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 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.

## Factors Affecting Financial Condition – continued

### ***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 and our independent auditors, KPMG LLP, for their assistance in the report preparation.

Respectfully submitted,



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



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

# **FINANCIAL SECTION**





**KPMG LLP**  
Suite 700  
600 Anton Boulevard  
Costa Mesa, CA 92626-7651

## **Independent Auditors' Report**

The Honorable Board of Directors of the  
Redevelopment Agency of the County of Santa Barbara, California:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the County of Santa Barbara, California (Agency), a component unit of the County of Santa Barbara, California, as of and for the year ended June 30, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 Redevelopment Agency of the County of Santa Barbara, California, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General and Isla Vista Housing Funds for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2006 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.

Management's discussion and analysis on pages 11 through 16 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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 – work program for fiscal year 2005-06, 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.

KPMG LLP

August 10, 2006

# 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, 2006. 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 \$2,593,963 (net assets):

- \$3,132,731 (Restricted net assets) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- (\$538,768) (Unrestricted net deficit) represents the amount that is needed to meet all the Agency's obligations to citizens and creditors. In prior years, the Agency borrowed money from the County which was then subsequently contributed to the County for the County's acquisition of open space property (land). The Agency pledged tax increment revenues to repay the advance payable to the County. The balance of this advance payable (\$1,598,449) with interest payable (\$39,126) less current assets of \$1,098,807 results in the unrestricted net deficit as of June 30, 2006.

The Agency's total net assets increased \$1,458,160 during the current fiscal year. The increase in unrestricted net assets represents revenues that exceeded expenses for the current year.

The Agency's total governmental funds fund balance at June 30, 2006 was \$4,231,538, an increase of 37%, or \$1,137,096 from the prior year, which is available for spending (unreserved fund balance). Unreserved fund balance for the General Fund at year-end was \$1,098,807, or 104%, of total General Fund expenditures and financing uses for the year.

The Agency does not have an investment in capital assets. As of June 30, 2006, the Agency had total long-term liabilities of \$1,598,449.

## 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

	Governmental Activities		Change	
	2005	2006	Dollars	Percent
Current and other assets	\$ 3,097,704	\$ 4,265,478	\$ 1,167,774	38%
<b>Total assets</b>	<u>3,097,704</u>	<u>4,265,478</u>	<u>1,167,774</u>	38%
Current and other liabilities	48,452	73,066	24,614	51%
Long-term liabilities	1,913,449	1,598,449	(315,000)	(16%)
<b>Total liabilities</b>	<u>1,961,901</u>	<u>1,671,515</u>	<u>(290,386)</u>	(15%)
<b>Net assets:</b>				
Restricted	2,314,995	3,132,731	817,736	35%
Unrestricted	(1,179,192)	(538,768)	640,424	54%
<b>Total net assets</b>	<u>\$ 1,135,803</u>	<u>\$ 2,593,963</u>	<u>\$ 1,458,160</u>	128%

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 \$2,593,963 (net assets) at the close of the current fiscal year, an increase of \$1,458,160 over the prior year.

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

- Restricted net assets, \$3,132,731, represents resources subject to external restrictions on their use and are comprised totally of net assets restricted for low-income housing. Total restricted net assets increased by \$817,736 from the prior year due to an increase in restricted net assets for low-income housing as revenues exceeded expenses in the housing program in the current fiscal year.
- Unrestricted net deficit of (\$538,768) represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. In prior years, the Agency borrowed money from the County which was then subsequently contributed to the County for the County's acquisition of open space property (land). The Agency pledged tax increment revenues to repay the advance payable to the County. The balance of this advance payable (\$1,598,449) with interest payable (\$39,126) less current assets of \$2,176,343 results in an unrestricted net deficit. The \$640,424 increase in the unrestricted net deficit is primarily due to a payment on long-term obligations in the current year and General Fund revenues exceeding expenditures.

### Governmental activities

The Agency's net assets increased by \$1,458,160 for the year ended June 30, 2006 as operating revenues exceeded operating expenses.

### Condensed Statement of Changes in Net Assets

Revenues	Governmental Activities		Change	
	2005	2006	Dollars	Percent
Program Revenue				
Operating grants and contributions	\$ 26,479	\$ 17,441	\$ (9,038)	(34%)
General revenues:				
Property tax increment	2,036,648	2,172,068	135,420	7%
Investment earnings	67,086	107,130	40,044	60%
<b>Total revenues</b>	<u>2,130,213</u>	<u>2,296,639</u>	<u>166,426</u>	8%
<b>Expenses</b>				
Project administration	433,237	447,042	13,805	3%
Isla Vista Project Area	953,877	303,067	(650,810)	(68%)
Interest on long-term obligations	94,968	88,370	(6,598)	(7%)
<b>Total expenses</b>	<u>1,482,082</u>	<u>838,479</u>	<u>(643,603)</u>	(43%)
Excess of revenues over expenses	648,131	1,458,160	810,029	125%
<b>Net Assets - beginning</b>	487,672	1,135,803	648,131	133%
<b>Net Assets - ending</b>	<u>\$ 1,135,803</u>	<u>\$ 2,593,963</u>	<u>\$ 1,458,160</u>	128%

### Revenues

Total revenues for the Agency were \$2,296,639, an increase of 8% 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 95% of the Agency's revenue in the current fiscal year. Property tax increment revenue increased \$135,420 or 7% over the prior year. This increase is due to reassessment from new construction (27%), the 2% yearly increase in assessed valuation (19%), and property sales (54%).

- Investment earnings increased by \$40,044 or 60%, to \$107,130. This increase was driven by both an increase in the County's annual investment pool earnings rate from 2.42% to 3.74%, and a higher Agency cash balance throughout the year.
- Operating grants and other revenues decreased by \$9,038 over the prior year to \$17,441.

### ***Expenses***

Total expenses for the Agency were \$838,479, a decrease of 43% from the prior year, and primarily related to the following:

- Project administration expenses of \$447,042, which included a \$200,381 contribution to the State required by State budget reductions imposed on redevelopment agencies, \$52,035 in statutory property tax administration fees, \$49,620 in administrative staffing costs for executing projects, \$33,090 in central service department cost allocations, \$39,409 in financial statement audit fees and other administrative expenditures of \$72,507.
- Isla Vista Project Area costs of \$303,067, which included IV Master Plan costs of \$138,341, contribution to the Isla Vista Park and Recreation District for redesign of Anisq' Oyo' park and community center of \$40,937, streetscape project costs of \$7,544, El Colegio road project costs of \$7,129, parking program project costs of \$24,555, design of Pardall Road enhancements of \$46,084, and private development agreement project costs of \$24,883. Also, \$13,594 of the Agency Low/Moderate Income Housing Set Aside funds were used for acquisition and rehabilitation. The decrease of \$650,810 over the prior year was due to no major projects being funded in the current year.
- Interest on long-term obligations of \$88,370 was paid on the advance payable to the County.

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

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

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

- At June 30, 2006, the Agency's governmental funds reported total fund balances of \$4,231,538, a 37% or \$1,137,096, increase in comparison with the prior year fund balance of \$3,094,442.
- 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 \$319,360 to \$1,098,807, an increase of 41%. This increase was due to decreased project expenditures in the current year.
- The Isla Vista Housing Fund fund balance is \$3,132,731, an increase of \$817,736, or 35% over prior year. This increase was due to no projects being funded in the current year.

**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 \$1,434,945 and \$737,123 to the Agency's Isla Vista Housing Fund for low and moderate-income housing.

Base Property Tax Increment	\$ 3,394,859
Add: Supplemental Property Tax Increase	290,784
Subtotal	<u>3,685,643</u>
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(737,123)
Less: Pass-throughs to other Government Agencies	<u>(1,519,275)</u>
Subtotal	1,429,245
Add: Bond Rate Increment not subject to Set Aside or Pass-through	5,700
Total Allocated to Redevelopment Agency General Fund	<u><u>\$ 1,434,945</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 \$1,591,117 from the original budgeted amounts of \$876,117, a \$715,000 increase. This increase was due to \$120,000 in increased appropriations for administrative expenses, \$590,000 in increased appropriations to fund seven projects, and \$5,000 in increased appropriations to fund infrastructure replacement.

Actual revenues exceeded final budgeted estimates by \$165,568 mainly due to a higher than expected property tax increment. Actual expenditures were less than budgetary appropriations by \$445,168. 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, 2006 the Agency has no capital assets.

### Long-term obligations

At June 30, 2006, the Agency had total long-term obligations outstanding of \$1,598,449 consisting of an advance from the County. The Agency's total long-term obligations decreased by \$315,000, or 16%, during the fiscal year due to a principal payment on the outstanding balance. The proceeds of this advance were contributed to the County for the County's purchase of bluff-top open space properties (land) in the early 90's. To continue to receive tax increment for redevelopment purposes, the Agency must incur indebtedness through borrowings or contracts.

### Agency's Outstanding Obligations

	Governmental Activities		Change	
	2005	2006	Dollars	Percent
Advance Payable to County	\$ 1,913,449	\$ 1,598,449	\$ (315,000.00)	(16%)

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the Agency's FY06-07 budget, the Agency has considered the FY05-06 growth in the real estate markets in the Isla Vista Project Area that generated a 7% 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 9% increase in this tax source in its 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 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, 2006**

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	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 4,225,093
Investment income receivable	40,385
Total assets	<u>4,265,478</u>
<b>LIABILITIES</b>	
Accounts payable	33,940
Interest payable	39,126
Long-term obligations (Note 3):	
Portion due or payable in one year:	
Advance payable to County	330,000
Portion due or payable after one year:	
Advance payable to County	1,268,449
Total liabilities	<u>1,671,515</u>
<b>NET ASSETS</b>	
Restricted for low and moderate income housing (Note 4)	3,132,731
Unrestricted	<u>(538,768)</u>
Total net assets	<u><u>\$ 2,593,963</u></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, 2006**

<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	\$ 447,042	\$ --	\$ (447,042)
Isla Vista Project Area	303,067	17,441	(285,626)
Interest on long-term obligations	88,370	--	(88,370)
Total governmental activities	<u>838,479</u>	<u>17,441</u>	<u>(821,038)</u>
General Revenues:			
Property tax increment			2,172,068
Investment earnings			107,130
Total general revenues and transfers			<u>2,279,198</u>
Change in net assets			1,458,160
Net assets - beginning			<u>1,135,803</u>
Net assets - ending			<u>\$ 2,593,963</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, 2006**

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 1,120,481	\$ 3,104,612	\$ 4,225,093
Investment income receivable	12,266	28,119	40,385
Total assets	<u>\$ 1,132,747</u>	<u>\$ 3,132,731</u>	<u>\$ 4,265,478</u>
<b>LIABILITIES &amp; FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 33,940	\$ -	\$ 33,940
Total liabilities	<u>33,940</u>	<u>-</u>	<u>33,940</u>
<b>FUND BALANCES</b>			
Unreserved Fund balances:			
Undesignated, reported in:			
General fund	1,098,807	--	1,098,807
Special revenue fund	--	3,132,731	3,132,731
Total fund balances	<u>1,098,807</u>	<u>3,132,731</u>	<u>4,231,538</u>
Total liabilities & fund balance	<u>\$ 1,132,747</u>	<u>\$ 3,132,731</u>	<u>\$ 4,265,478</u>

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

Fund balances - total governmental funds	\$ 4,231,538
Accrued interest on long term obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(39,126)
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,598,449)</u>
Net assets of governmental activities	<u>\$ 2,593,963</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, 2006**

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax increment	\$ 1,434,945	\$ 737,123	\$ 2,172,068
Investment income	30,364	76,766	107,130
Other revenues	--	17,441	17,441
Total revenues	<u>1,465,309</u>	<u>831,330</u>	<u>2,296,639</u>
<b>EXPENDITURES</b>			
Current:			
Project administration	\$ 447,042	\$ --	447,042
Isla Vista Project Area	289,473	13,594	303,067
Transfers to County for debt service:			
Principal	315,000	--	315,000
Interest	94,434	--	94,434
Total expenditures	<u>1,145,949</u>	<u>13,594</u>	<u>1,159,543</u>
Net change in fund balances	319,360	817,736	1,137,096
Fund balances - beginning	<u>779,447</u>	<u>2,314,995</u>	<u>3,094,442</u>
Fund balances - ending	<u>\$ 1,098,807</u>	<u>\$ 3,132,731</u>	<u>\$ 4,231,538</u>

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

Net change in fund balances - total governmental funds	\$ 1,137,096
Principal payments on long-term obligations use current financial resources and net assets	315,000
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	6,064
Change in net assets (Statement of Activities, Governmental Activities)	<u>\$ 1,458,160</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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget - Positive (Negative)</u>
<b>REVENUES</b>				
Property tax increment	\$ 1,287,741	\$ 1,287,741	\$ 1,434,945	\$ 147,204
Investment income	12,000	12,000	30,364	18,364
Total revenues	<u>1,299,741</u>	<u>1,299,741</u>	<u>1,465,309</u>	<u>165,568</u>
<b>EXPENDITURES</b>				
Current:				
Project administration	462,517	552,517	447,042	105,475
Isla Vista Project Area	--	625,000	289,473	335,527
Transfers to County for debt service:				
Principal	315,000	315,000	315,000	--
Interest	98,600	98,600	94,434	4,166
Total expenditures	<u>876,117</u>	<u>1,591,117</u>	<u>1,145,949</u>	<u>445,168</u>
Net change in fund balances	423,624	(291,376)	319,360	610,736
Fund balances - beginning	779,447	779,447	779,447	--
Fund balances - ending	<u>\$ 1,203,071</u>	<u>\$ 488,071</u>	<u>\$ 1,098,807</u>	<u>\$ 610,736</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, 2006**

	<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	\$ 628,832	\$ 628,832	\$ 737,123	\$ 108,291
Investment income	30,000	30,000	76,766	46,766
Other revenues	--	--	17,441	17,441
Total revenues	<u>658,832</u>	<u>658,832</u>	<u>831,330</u>	<u>172,498</u>
<b>EXPENDITURES</b>				
Current:				
Isla Vista Project Area	<u>330,050</u>	<u>330,050</u>	<u>13,594</u>	<u>316,456</u>
Total expenditures	<u>330,050</u>	<u>330,050</u>	<u>13,594</u>	<u>316,456</u>
Net change in fund balances	328,782	328,782	817,736	488,954
Fund balances - beginning	2,314,995	2,314,995	2,314,995	--
Fund balances - ending	<u>\$ 2,643,777</u>	<u>\$ 2,643,777</u>	<u>\$ 3,132,731</u>	<u>\$ 488,954</u>

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

**NOTES TO THE  
FINANCIAL STATEMENTS**



**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**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, 2006, the Agency paid \$156,977 to the County for such services. These services are recorded as project administration function expenses in the Agency's General Fund.

Financial Statements

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

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

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

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, 2006. 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, 2006**

**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 unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

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

The Agency reports the following major governmental funds:

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

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, 2006**

**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.

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 on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10,

**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, 2006**

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

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 \$2,172,068 of property tax increment revenue for the year ended June 30, 2006.

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, 2006, \$737,123 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 \$4,225,093 at June 30, 2006. Investment income apportioned to the Agency by the County Treasurer's cash and pooled investments totaled \$107,130 for the fiscal year ended June 30, 2006, which included unrealized losses of \$12,743 in the fair value allocated to investments held by the Agency in the County Pool.

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

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2006 to support the value of shares in the County Treasurer's pooled investments.

Custodial Credit Risk Related to Deposits

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

This risk is mitigated in that of the County's total bank balance of \$18,136,000 at June 30, 2006, \$100,000 was insured by Federal depository insurance and \$18,036,000 was collateralized in accordance with Section 53652 of the California Government Code with securities held by the pledging financial institution in the County's name, which have a market value of at least 110% of the County's deposits. At June 30, 2006, the carrying amount of the County's deposits was \$18,136,000 and the corresponding bank balance was \$17,460,000. The difference of \$676,000 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* (policy) annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Agency.

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

*Credit Risk and Concentration of Credit Risk*

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

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. As of June 30, 2006 more than 5% of the County's investments are invested in the following issuers:

Issuer	Issuer Type	Fair Value Holdings	Percentage Holdings
Federal Home Loan Bank	Government Sponsored	\$167,803	21.08%
Federal Home Loan Mortgage Corp.	Government Sponsored	113,591	14.27%
Federal National Mortgage Association	Government Sponsored	269,902	33.90%
Morrigan TRR Funding LLC	Non-Government Sponsored	42,137	5.29%

*Custodial Credit Risk*

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

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. Maturity of investments purchased is governed by demand

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

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 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 \$22,150,000. The net realized gain on investments sold or matured during the year was \$7,371,000. 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, 2006 is as follows (in thousands):

Investment	Cost	Fair Value 6/30/2006	Interest Rate Range	Maturity Date/Range	Weighted Average Maturity	Credit Rating
Treasurer's Pooled Investments:						
Commercial Paper	\$ 131,866	\$ 132,152	5.06-5.36%	7/06	10.75 days	P-1, A-1
Commercial Paper	10,069	10,094	5.21	7/06	7 days	P-1, A-1
Corporate Bonds	25,125	24,585	3.13-6.75	10/06-4/09	1.23 years	AA, AAA
Government Agency Bonds	597,388	589,351	2.13-5.50	4/06-2/09	0.97 years	AAA
Local Agency Investment Fund	40,000	40,000	3.18-4.53	n/a	n/a	n/a
Directed Investments:						
Government Agency Bonds	<u>2,616</u>	<u>2,537</u>	4.13-7.13	6/10-5/12	5.11 years	AAA
Total Treasurer's Pooled Investments	<u>\$ 807,064</u>	<u>\$ 798,719</u>				

### 3. LONG-TERM OBLIGATIONS

#### Advance 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 advance bears an interest rate of approximately 4.4%. As of June 30, 2006, the outstanding principal balance was \$1,598,449. The following is a schedule of principal and interest payments to maturity as of June 30, 2006, for the advance payable:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2007	330,000	85,366
2008	355,000	71,176
2009	380,000	55,646
2010	405,000	38,926
2011	128,449	20,700
Total	<u>\$ 1,598,449</u>	<u>\$ 271,814</u>

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
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Changes in the Agency's long-term obligation for the year ended June 30, 2006 are as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>July 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2006</b>	<b>One Year</b>
Advance Payable to County	<u>\$ 1,913,449</u>	<u>\$ -</u>	<u>\$ (315,000)</u>	<u>\$ 1,598,449</u>	<u>\$ 330,000</u>

**4. RESTRICTED NET ASSETS**

Restricted net assets are net assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. At June 30, 2006, the Agency had \$3,132,731 restricted for low-income housing, which is restricted by enabling legislation.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2006**

**OTHER SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**WORK PROGRAM FOR FISCAL YEAR 2005-06**  
**(Unaudited)**

This report for the fiscal year ended June 30, 2006 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 2005-06***

**Previous Agency Efforts: Prior to FY 05-06**

In March 1991, the County of Santa Barbara (“County”) issued \$4.10 million in Certificates of Participation. \$2,634,140 of those funds were used to acquire fourteen bluff-top, open-space parcels in Isla Vista. . The Agency pledged its tax increment revenue to repay this issuance.

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

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

In 2004 the Agency implemented a downtown sidewalk and street trees program, in partnership with the County Public Works Department. The project resulted in the installation of more than 30 downtown street trees and improvements to more than 3,000 square feet of sidewalk. The Agency will continue to partner with the Public Works Department to build new sidewalks the future.

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 site.

In April 2005, the Agency’s oversight was transferred from the County’s Planning and Development Department and placed under the auspices of the County Executive Office (CEO).

**Previous Very Low and Low Income Housing Efforts: Prior to FY 2005-06**

The Isla Vista Housing special revenue fund received 25% of the Agency’s property tax increment revenue from fiscal years 90-91 to 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.

In FY 96-97, a \$35,000 State Housing and Community Development Department grant was used to prepare an Isla Vista Housing Strategy Plan. This document included recommendations for utilizing the Agency’s funds. Later than year, \$25,000 of Agency set-aside funds were matched with \$500,000 of Community Development Block Grant (CDBG) funds to finance the rehabilitation of thirty-four residential units. Six of these units were financed with Agency funds.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**WORK PROGRAM FOR FISCAL YEAR 2005-06**  
**(Unaudited)**

In FY 97-98, \$15,000 of Agency set-aside funds were matched with CDBG funds to finance the rehabilitation of 30 low to very low-income residential units. One of the units was rehabilitated specifically with Agency funds.

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

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

In FY 00-01, the Agency loaned \$366,500 for land acquisition for the El Encanto Apartment Project. This project envisioned the new construction of sixteen low and very low-income family rental units. However, the project did not move forward. A repayment agreement was negotiated with the not-for-profit owner of the land for repayment of the Agency loan. In addition, the Agency continued financing the Abrego Road project in the amount of \$258,684.

In FY 01-02, the People's Self-Help Housing Corporation received \$298,379 as the final payment of the \$1,005,179 Agency loan to acquire and Abrego Road apartments. However, reserve funding for relocation expenses was not used. As a result, loan documents were amended to reduce the loan amount.

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

In FY 04-05 the Agency provided \$325,000 to the County of Santa Barbara Housing Authority to fund the acquisition and substantial rehabilitation of Villa Del Sol, located at 6680 Sueno Rd. in Isla Vista. Villa Del Sol is a 4-unit rental property that serves developmentally disabled adults. The property is composed of two studio apartments and two three-bedroom units. The total tenant population is eight low-income individuals.

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

**FY 05-06 Projects/Activity**

During the previous fiscal year, the Agency was relocated to the County Executive Office (CEO) to expedite implementation of critical initiatives. From the CEO's Office, Agency staff has initiated or progressed several key projects necessary for Isla Vista redevelopment as listed below.

The Isla Vista Master Plan environmental impact report (EIR), a comprehensive rezone for the project area, was released for public review in May of 2006. Planning Commission adoption hearings for the Plan will begin in Fall of 2006. Final adoption by the County Board of Supervisors is expected in 2007.

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**WORK PROGRAM FOR FISCAL YEAR 2005-06**  
**(Unaudited)**

Other Agency projects from FY 05-06 include:

- Downtown private projects/development agreements
- Pardall Road design/engineering
- Downtown parking lot acquisition
- Commence Anisq' Oyo' park redesign
- Community Center/Estero Park
- El Colegio Road implementation
- Agency & PAC management
- Parking program appeal w/Coastal Comm.
- Land acquisition and rehabilitation
- RDA plan amendment
- Outdoor dining ROW lease program
- In lieu parking fee program

In May 2006, the Agency prepared and the Board approved an update to the State-required five-year Implementation Plan. This plan presents the Agency's goals and objectives, anticipated projects and programs, and estimated expenditures for the five year planning period from fiscal year 2006-07 through 2010-11.

**FY 05-06 Very Low, Low and Moderate Income Housing**

Good affordable housing projects are continually difficult to find to finance with Agency set aside funds. The Agency instituted a policy to accept project proposals at any time during the year. In addition, the Agency is seeking willing sellers in the project area in order to facilitate the development of affordable units. Over the last fiscal year, the Agency completed appraisals for two potential site acquisitions. The Agency is also focusing on properties that have the potential for rehabilitation, in order to eliminate blight and provide income restricted housing.

**Projected FY 06-07 Funding**

Property tax increment revenue for FY 06-07 is estimated at approximately \$1,355,000. In addition, the Agency's General Fund fund balance of \$1,098,807 carried over from FY 05-06 is available for FY 06-07 projects and activities. The Agency's budget provides for \$1,852,737 for administration and projects.

**Projected FY 06-07 Projects/Activity**

**Organization of the Redevelopment Agency**

An adopted \$1.9 million budget for FY 06-07 includes funding for an Agency deputy director to manage Agency initiatives, a redevelopment specialist, 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, community center 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 Project Work Program**

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

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**WORK PROGRAM FOR FISCAL YEAR 2005-06**  
**(Unaudited)**

- Work on a site plan for Estero Park to improve recreation opportunities in Isla Vista.

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

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

*Projected FY 2006-07 Very Low, Low, and Moderate Income Housing*

For FY 06-07 the property tax increment for housing set-aside funds is estimated at \$677,000. Combined with a housing set-aside fund balance of \$3,132,731 from FY 05-06, total housing funds available for FY 06-07 is estimated at \$3,809,730.

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

# STATISTICAL SECTION

## (UNAUDITED)

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

<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>35</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>38</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%

**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**

	<b>Total Tax Increment</b>	<b>PLUS: Bond Increment</b>	<b>LESS: Pass- Through</b>	<b>Total to RDA</b>	<b>RDA General Fund</b>	<b>RDA Housing Set-aside</b>
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
	<u>\$ 22,905,923</u>	<u>\$ 162,944</u>	<u>\$ 8,970,391</u>	<u>\$ 14,098,476</u>	<u>\$ 9,438,507</u>	<u>\$ 4,659,969</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, 2006

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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>
ALL YOU NEED IS LOVE, LLC	\$ 27,825,652	5.0%	\$ 278,257
I V INVESTMENTS II, L P	17,690,590	3.2%	176,906
ROSENTHAL CATHERINE E HEUSQUIN	16,677,320	3.0%	166,773
ISLAY INVESTMENTS	14,601,850	2.6%	146,019
G&H FRENCH QUARTER APTS, L P	6,539,291	1.2%	65,393
GAMMON PARTNERS	5,408,196	1.0%	54,082
ECKERT FAMILY LLC	4,890,086	0.9%	48,901
6621 ABREGO LLC	5,975,946	1.1%	59,759
JOHN & MARJOLEIN WARKENTIN FAMILY TRUST 3/14/01	6,358,031	1.2%	63,580
MARSCH PARTNERS	<u>5,336,148</u>	<u>1.0%</u>	<u>53,361</u>
Sub-total top ten payers	111,303,110	20.2%	<u>\$ 1,113,031</u>
All other	<u>440,896,666</u>	<u>79.8%</u>	
Total Net Assessed Value	<u>\$ 552,199,776</u>	<u>100%</u>	

**Top Ten Current Year Property Transfers**

	<u>Net Assessed Value (AV)</u>
TROPICANA GARDENS AG BORROWER LLC	\$ 41,121,300
GELB, JAMES M	6,591,000
GILSON, MICHAEL WARREN	2,575,000
OCOTILLO APARTMENTS HOLDING COMPANY I, LLC	2,040,000
CALVARY CHAPEL OF SANTA BARBARA	1,938,000
ALEKSANDER FAMILY TRUST 5/30/03	1,479,000
STGEORGE, EDWARD REVOCABLE TRUST 5/16/02	1,275,000
FOULADI, FARZIN	1,225,000
MCQUEEN, BRENT A	1,224,000
LESLIE, TOBIN BRYANT	<u>1,179,400</u>
Sub-total top transfers	60,647,700
All other	<u>30,585,885</u>
Total Net Assessed Value	<u>\$ 91,233,585</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
<b>Total Since Inception</b>	<b>\$ 14,098,173</b>	<b>\$ 885,580</b>	<b>\$ 535,633</b>	<b>\$ 239,233</b>	<b>\$ 3,735,000</b>	<b>\$ 19,493,619</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	Isla Vista Projects				Long-term Obligations			Total Expenditures
	Project Adminstration	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
<b>Total Since Inception</b>	<b>\$ 2,736,810</b>	<b>\$ 2,094,275</b>	<b>\$ 335,408</b>	<b>\$ 2,943,263</b>	<b>\$ 1,995,877</b>	<b>\$ 2,795,000</b>	<b>\$ 2,361,448</b>	<b>\$ 15,262,081</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>Capital Projects</b>	<b>Isla Vista Housing</b>	<b>General</b>	<b>Ending Total Fund Balance</b>
<b>Ending</b>				
1991	\$ 1,091,008	\$ -	\$ 193,654	\$ 1,284,662
1992	352,027	56,676	203,171	611,874
1993	429,686	130,814	37,749	598,249
1994	24,867	264,924	180,212	470,003
1995	-	403,827	76,991	480,817
1996	-	528,472	356,314	884,786
1997	-	688,847	322,943	1,011,789
1998	-	870,028	298,027	1,168,055
1999	-	879,089	253,847	1,132,936
2000	-	722,703	355,351	1,078,054
2001	-	513,434	683,276	1,196,710
2002	-	802,453	542,367	1,344,820
2003	-	1,388,242	653,421	2,041,663
2004	-	1,965,944	775,850	2,741,794
2005	-	2,314,995	779,447	3,094,442
2006	-	3,132,731	1,098,807	4,231,538

**REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**RDA Glossary**  
June 30, 2006

**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 OF THE COUNTY OF SANTA BARBARA, CALIFORNIA**  
**(A Component Unit of the County of Santa Barbara, California)**  
**RDA Glossary**  
[June 30, 2006](#)

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

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

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

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

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

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

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

# **COMPLIANCE SECTION**





KPMG LLP  
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600 Anton Boulevard  
Costa Mesa, CA 92626-7651

**Independent Auditors' 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***

The Honorable Board of Directors of the  
Redevelopment Agency of the County of Santa Barbara, California:

We have audited the financial statements of the governmental activities and each major fund of the Redevelopment Agency of the County of Santa Barbara, California (Agency), a component unit of the County of Santa Barbara, California, as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements, and have issued our report thereon, dated September 12, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. 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 the Board of Directors and management of the Agency and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

August 10, 2006