



SANTA BARBARA COUNTY REDEVELOPMENT AGENCY ANNUAL FINANCIAL REPORT FISCAL YEAR 2009-2010



OFFICE OF SANTA BARBARA COUNTY AUDITOR-CONTROLLER
ROBERT W. GEIS, CPA, AUDITOR-CONTROLLER
THEO FALLATI, CPA, ASST. AUDITOR-CONTROLLER



Photo: South Coast Images

Cover Image: An illustration by Pacific Land Design for the El Embarcadero Sidewalk and Utility Undergrounding Project. The Redevelopment Agency and the Public Works Department partnered on this infrastructure improvement project to construct wider sidewalks, underground utilities, install street trees, and coordinate a solar lighting demonstration project. This project is part of an overall strategy to create a vibrant downtown envisioned in the Isla Vista Master Plan adopted by the Board of Supervisors in August 2007.

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

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

**ANNUAL
FINANCIAL REPORT**

**For the Fiscal Year Ended
June 30, 2010**

Prepared Under the Supervision of

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



Redevelopment Agency

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
TABLE OF CONTENTS
JUNE 30, 2010

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
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FINANCIAL SECTION

Independent Auditor's Report	9
Management's Discussion and Analysis (Unaudited)	11
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	21
Isla Vista Housing Fund	22
Debt Service Fund	23
Capital Projects Fund	24
Notes to the Financial Statements	25
Other Supplementary Information (Unaudited)	
Work Program for Fiscal Year 2009-10	39
Project Summaries	44
Isla Vista Redevelopment Plan Amendments Summary	60

STATISTICAL SECTION (UNAUDITED)

Statistical Section Table of Contents	61
Revenue Capacity:	
Tax Increment Collections	62
Principal Property Taxpayers and Transfers	64
Financial Trends:	
Governmental Funds Revenues by Source	65
Governmental Funds Expenditures by Function	66
Ending Total Fund Balance	67
Economic Information:	
Project Area Taxable Sales	68

GLOSSARY

Glossary for the Annual Financial Report	69
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REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
TABLE OF CONTENTS (CONTINUED)
JUNE 30, 2010

COMPLIANCE SECTION

Independent Auditor's 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	73
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INTRODUCTORY SECTION
(Unaudited)

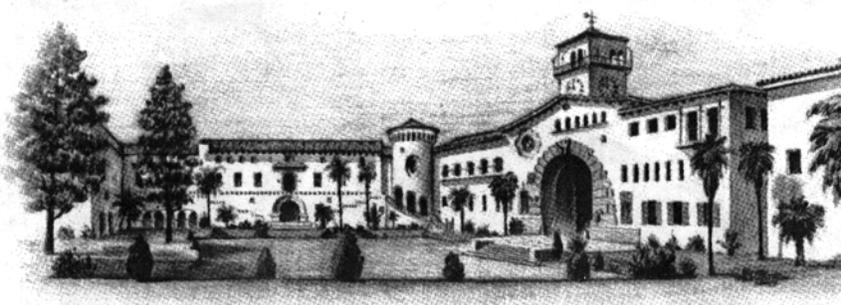


Redevelopment Agency

COUNTY OF SANTA BARBARA

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OFFICE OF THE AUDITOR-CONTROLLER

August 18, 2010

To the Citizens of Santa Barbara County:

State law requires that every redevelopment agency shall present an annual report to its legislative body within six months of the end of the agency's fiscal year. This report is published to fulfill that requirement for the fiscal year ended June 30, 2010.

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

Brown Armstrong CPAs has issued an unqualified ("clean") opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Agency Officers:

Board of Directors

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

Policy & Executive

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

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

Agency Staff

Jeff Lindgren - Redevelopment
Manager

David Matson
Housing and Community
Development Interim Director

Mark Paul
Public Works Deputy Director

Heather Allen & Jim Heaton -
Redevelopment Specialists

Note: Effective July 1, 2010 Agency management was transferred from Housing and Community Development to the Planning and Development Department.

Profile of the Redevelopment Agency

Basic Profile:

California's redevelopment agencies are generally governed by the Community Redevelopment Law starting at Health and Safety Code Section 33000. The Community Redevelopment Law was enacted by the California State Legislature with the objective of redeveloping those areas in many communities that, for a variety of reasons, suffer from unsafe, unfit, deteriorated, and economically dislocated buildings and properties. The California Constitution, Article XVI, Section 16, and the Health and Safety Code, beginning with Section 33000, provide funding from local property taxes to promote the redevelopment of blighted areas.

Isla Vista Redevelopment Project

In 1990 the Santa Barbara County Board of Supervisors (Board) established the Redevelopment Agency of the County of Santa Barbara (Agency) and established the Isla Vista Project Area (Project Area) by Ordinance No. 3894. The Redevelopment Plan's goals were to remedy, remove, and prevent physical blight and economic obsolescence in the project area; increase open space and protect environmentally sensitive areas; improve the supply of affordable housing; enhance the livability of the residential areas; provide for enhancement and renovation of businesses; address street improvements and promote public improvement facilities.

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

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

Redevelopment — An Overview

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

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

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

Profile of the Redevelopment Agency – continued

Community Redevelopment Law grants redevelopment agencies many of the powers typical for a local government, plus three that are unique to redevelopment agencies, specifically:

- Buy private property for resale to another private person or organization.
- Use eminent domain, through the exercise of condemnation, to take private property for resale to another private person or organization.
- Collect property tax “increment” to finance redevelopment; however, redevelopment agencies may not levy a tax or assessment of any kind.

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

Amendments to the Isla Vista Redevelopment Plan

The Isla Vista Redevelopment Plan has been amended on three occasions since adoption. Refer to the Isla Vista Redevelopment Plan Amendments Summary in the Other Supplementary Information on page 60 for more information.

Current Time Limits to the Isla Vista Redevelopment Plan

The Community Redevelopment Law requires redevelopment plans to contain time limits related to debt incurrence, plan effectiveness, receipt of tax increment revenue and debt repayment, and commencement of eminent domain actions. The Isla Vista Redevelopment Plan (Plan) removed its time limit on debt incurrence pursuant to SB 211 in FY 08/09. The Plan’s time limits on plan effectiveness and to repay indebtedness with the proceeds of property taxes are 2031 and 2041, respectively. The Plan’s time limit on the commencement of eminent domain actions expired in 2000.

Tax Increment — An Overview

Without redevelopment, a blighted area’s property value would likely remain depressed. As a redevelopment agency invests money in a project area, it generates new private investment leading to increased property values, which in turn result in increased property taxes. As property tax revenues rise, most of the increase — the tax increment — goes to the redevelopment agency to finance programs and repay debt. Ultimately this will benefit the other taxing agencies when the redevelopment project terminates.

Although tax increment is derived from property tax revenue, once that revenue is allocated to a redevelopment agency, it takes on specific restrictions and limitations inapplicable to property tax.

By California law, redevelopment agencies are allocated tax increment to pay the principal and interest on loans, advances and other indebtedness incurred by the agency to finance the project. In fact, redevelopment agencies must establish debt in order to receive tax increment. In addition, by law, redevelopment agencies must expend at least 20% of their tax increment funds on low to moderate income housing.

Component Unit Reporting:

Under reporting requirements prescribed by accounting principles generally accepted in the United States of America (GAAP) adopted by the Governmental Accounting Standards Board (GASB), the Agency’s results of operations are also reported in the County of Santa Barbara, California’s (County’s) comprehensive annual financial report (CAFR).

Profile of the Redevelopment Agency – continued

This treatment results from the requirement that municipal organizations include in one report all operations financially accountable to the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the County's CAFR as the Board also acts as the Agency's governing board. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made by the inclusion of the Agency's financial results in the County's CAFR. The Agency remains separate for all legal purposes. Accordingly, the Agency's financial statements are issued as a separate component unit of the County.

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

Budgeting:

The Agency is required by State law to adopt a final budget each year. This annual budget serves as the foundation for the Agency's financial planning and control. Budgets are adopted for all governmental funds and are prepared on the modified accrual basis of accounting. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations which are maintained at the line item level. Supplemental appropriations necessary and normally financed by unanticipated revenues during the year must also be approved by the Agency's Board. The Agency's Board has delegated the authority to approve amendments or transfers of appropriations between object levels to the County Executive Office.

Factors Affecting Financial Condition

Economy:

Santa Barbara County and the Project Area showed sustainable growth in fiscal year (FY) 09-10. 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 average unemployment rate for FY 2009-10 increased from 7.2% to 8.7%.
- The June unemployment rate of 8.8% is still below a State unemployment rate of 12.3% and a national unemployment rate of 9.5%.
- Job growth has been nonexistent as evidenced by the increasing unemployment rates.
- The County's largest employer is UCSB with over 9,700 employees. The university borders the Isla

Factors Affecting Financial Condition – continued

Vista community, which houses a significant portion of the UCSB student population.

Income:

- The average annual wages in the County had a slight decrease to \$40,035 in 2009 from \$42,201 in 2008. 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 County per capita income was \$23,059 while Isla Vista per capita income was \$7,644.

Retail Sales:

- County-wide retail taxable sales decreased 14% to \$5.0 billion for the 2009 calendar year down from \$5.9 billion in 2008. However, Project Area taxable retail sales increased 2.3% to \$29.3 million during this same period (see Statistical Section - Project Area Taxable Sales schedule).
- Retail sales rebounded during the first two quarters of 2009 compared to the first two quarters of the prior year.
- California retail sales followed a similar pattern dropping in the first six months of the fiscal year, followed by an increase in the second six months of the year.

Real Estate:

- The county-wide median home price significantly decreased 28% to \$300 thousand after a 52% decline in the prior year.
- It appears that a rebound in home prices started in January 2010.
- The majority of the real estate in the Project Area is non-owner occupied student housing and rental demand remains strong.

Tourism:

- In February 2010 the County experienced an upturn in transient occupancy taxes.
- January 2009 through January 2010 resulted in a slowing of visitors to the County, a decline in room rentals and a decrease in transient occupancy tax
- There is one small hotel presently located in the Isla Vista community. However, the university draws many visitors for overnight stays in the surrounding cities and county.

Economic Indicators:

Economic stress as a result of the recent recession is projected to continue through fiscal year 2010-11 in some economic driven segments of the County while a 2010 economic rebound has started in other segments. With three consecutive quarters of positive GDP growth it would appear the recession has officially ended at the national level, while recovery in California and Santa Barbara County lag the national trend. We see positive trends developing in the second half of fiscal year 2009-10 indicating an economic rebound in California and Santa Barbara County that started in January 2010. Consumer spending, property turnover and tourism for the January to June 2010 period increased from the dismal comparative market period of last year. The real estate housing and labor markets have not shown much of a rebound yet, but appear to be nearing the bottom of the downturn.

Factors Affecting Financial Condition – continued

Financial Indicators:

The Agency is experiencing a slight increase in property tax revenues, which is its main revenue source and accounts for 93% of total revenues. The Agency's property tax increment increased by 3% in FY 09-10.

Major Initiatives:

Downtown Infrastructure Projects

A primary Agency focus is the redevelopment of downtown Isla Vista. As part of this effort, the Agency is engaged in a series of projects to improve public infrastructure in the downtown area, including sidewalk and streetscape improvement projects such as the El Embarcadero Project and the El Colegio Road Improvements Project.

The Agency is involved in renovating the streetscape of El Embarcadero Road from Trigo Road to Del Playa Drive. Construction will occur in two phases. Phase I is tentatively scheduled to begin in the Fall of 2010 and for completion in the Summer of 2011. Phase I includes replacing storm drains, replacing sidewalk, planting of new street trees on the west-side, and installing underground power lines. Solar street lights will be placed on El Embarcadero while utilities are being undergrounded. Construction of Phase II is scheduled to take place the following year. Phase II will consist of improvements to the east-side of El Embarcadero.

The Agency is involved in cooperation with UCSB in the El Colegio Road Improvements Project. The improvements are designed to create a landscaped boulevard as a main entrance to Isla Vista and UCSB. Phase I which extends from the UCSB Campus West Gate to Camino Del Sur was completed in June of 2009. Phase II, which extends the project from Camino Del Sur to the existing four-lane section near Camino Corto, began in June of 2010. Phase II is scheduled for completion in September of 2010.

Downtown Public-Private Partnership Development Projects

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

Other Public-Private Partnerships

The Agency initiated three public-private partnership projects in the current fiscal year. First, the Façade Improvement Project provides grants to eligible downtown businesses to revitalize their exteriors. Second, the Outdoor Dining Program permits restaurants to use outdoor dining areas that extend into the public right-of-way. Finally, the Agency in conjunction with ZipCar implemented the Isla Vista Car Share Program. This program provides area residents alternative transportation options and alleviates parking problems.

Agency-Other Government Entities Partnership Projects

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

Sidewalks: In the current fiscal year, the Agency and the Santa Barbara County Public Works Department planned sidewalk infill projects on Madrid, Picasso, Cordoba, and Sabado Tarde.

Transit Improvements: The Agency is currently working with the Santa Barbara Metropolitan Transit

Factors Affecting Financial Condition – continued

District to fund improvements to several heavily used bus stops in Isla Vista. In recent fiscal years, the Agency partnered with the Santa Barbara Metropolitan Transit District to improve a total of eight bus stops with new shelters, benches, and current transit information.

Isla Vista Master Plan

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

Affordable Housing Activities

The Agency continues to participate in public/private partnerships and implement affordable inclusionary and stand-alone housing projects and programs within the Project Area.

Reorganization of the Redevelopment Agency

In late May of 2010, the Agency's Board of Directors transferred oversight of the Agency. The Agency was transferred, effective as of July 1, 2010, from the County Executive Office and placed under the auspices of the Planning and Development Department. The County Executive Officer, the Auditor-Controller, the Housing and Community Development Department, Public Works as well as the Third District Supervisor will continue their active involvement in the Agency's management and activities.

Long-term financial planning:

The Agency's property tax increment increased by 3% in FY 09-10 following a 4% decrease in the prior year. The sustained historical tax increment growth as well as the receipt of the proceeds of the 2008 note payable from the County positioned the Agency to fund projects in coming years.

The Agency has prepared, based on the requirements of State law, an update to the Agency's five-year implementation plan (for the period 2007-2011). The Agency also prepared a long-term tax increment revenue schedule. Using the plan and schedule, the Agency has initiated a long-term project implementation plan that includes the use of Agency debt financing and Agency pay-as-you-go financing.

Relevant financial policies:

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

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

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

Factors Affecting Financial Condition – continued

As implementation of the Redevelopment Plan progresses, the Agency will continue to consider and evaluate financial policies related to multi-year financial forecasting, pay-as-you-go capital funding, debt affordability, quarterly financial monitoring and a long-term capital spending plan.

Other Information

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

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

Respectfully submitted,



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



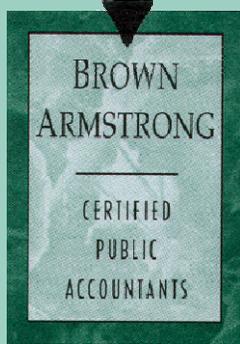
Robert W. Geis, C.P.A.
Agency Treasurer
County Auditor-Controller

FINANCIAL SECTION



Redevelopment Agency

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Santa Barbara County Redevelopment Agency (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

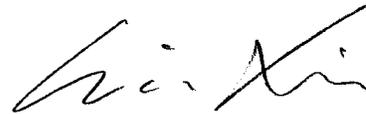
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11 through 16 and 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
August 18, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

As management of the Redevelopment Agency of the County of Santa Barbara, California (Agency), we offer readers of the Agency's financial statements this narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Agency's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The assets of the Agency exceeded its liabilities at the close of the fiscal year by \$3,287,292 (net assets):

- \$5,212,684 (Restricted net assets) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- -\$1,925,392 (Unrestricted net assets) represents the amount that is needed to meet all the Agency's obligations to citizens and creditors. The negative unrestricted net assets will be paid off with future tax increment.

The Agency's total net assets decreased by \$373,262 during the current fiscal year. The increase in restricted net assets represents revenues that exceeded expenses in the Isla Vista Housing Fund for the current year.

The Agency's total governmental funds fund balance at June 30, 2010 was \$20,038,157, a decrease of 4%, or \$897,000 from the prior year. Of this amount approximately 59%, or \$11,792,614, is available for spending (unreserved fund balance). Unreserved fund balance for the General Fund at year-end was \$2,161,422, or 67%, of total General Fund expenditures for the year.

The Agency does not have any investment in capital assets. The Agency has properties held for resale in the amount of \$6,815,063. As of June 30, 2010, the Agency had total long-term obligations of \$17,000,000. Of total long-term obligations, \$0 is due or payable within one year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

The Agency maintains four individual governmental funds, all of which are classified as major funds: the General Fund, the Isla Vista Housing Fund, the Debt Service Fund, and the Capital Projects Fund.

The Agency adopts an annual appropriated budget for all of its operating funds. The budgetary comparison statements provided for the General Fund and each major special revenue fund demonstrates performance against these budgets. Pages 19-24 of this report display the governmental funds financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Change	
	2009	2010	Dollars	Percent
Current and other assets	\$ 25,915,052	\$ 24,895,038	\$ (1,020,014)	(4%)
Total assets	25,915,052	24,895,038	(1,020,014)	(4%)
Current and other liabilities	4,801,317	4,680,021	(121,296)	(3%)
Long-term liabilities	17,453,181	16,927,725	(525,456)	(3%)
Total liabilities	22,254,498	21,607,746	(646,752)	(3%)
Net assets:				
Restricted	4,106,593	5,212,684	1,106,091	27%
Unrestricted	(446,039)	(1,925,392)	(1,479,353)	(332%)
Total net assets	\$ 3,660,554	\$ 3,287,292	\$ (373,262)	(10%)

As noted earlier, net assets over time is a useful indicator of a government’s financial position. In the case of the Agency, assets exceeded liabilities by \$3,287,292 (net assets) at the close of the current fiscal year, a decrease of \$373,262 over the prior year.

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

- Restricted net assets, \$5,212,684, 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 \$1,106,091 from the prior year due to revenues exceeding expenses in the housing program in the current fiscal year.
- Unrestricted net assets of -\$1,925,392 represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. The negative unrestricted net assets will be paid off with future tax increment. The \$1,479,353 decrease in unrestricted net assets is primarily due to Isla Vista Project Area capital project expenses.

Governmental activities

The Agency's net assets decreased by \$373,262 for the year ended June 30, 2010 as operating expenses exceeded operating revenues.

Condensed Statement of Changes in Net Assets

Revenues	Governmental Activities		Change	
	2009	2010	Dollars	Percent
Program Revenue				
Isla Vista Housing	\$ 3,047,239	\$ 17,441	\$ (3,029,798)	(99%)
Operating grants and contributions	9,650	2,157	(7,493)	(78%)
Project administration	-	10,984	10,984	9999%
General revenues:				
Property tax increment	3,836,418	3,940,393	103,975	3%
Investment earnings	569,443	284,955	(284,488)	(50%)
Total revenues	7,462,750	4,255,930	(3,206,820)	(43%)
Expenses				
Project administration	587,393	480,925	(106,468)	(18%)
Isla Vista Project Area	3,874,039	1,714,014	(2,160,025)	(56%)
Isla Vista Housing	3,298,796	128,208	(3,170,588)	(96%)
Contribution to Other Governments	-	1,537,441	1,537,441	9999%
Interest on long-term obligations	757,305	768,604	11,299	1%
Total expenses	8,517,533	4,629,192	(3,888,341)	(46%)
(Deficiency) of revenues (under) expenses	(1,054,783)	(373,262)	681,521	(65%)
Net Assets - beginning	4,715,337	3,660,554	(1,054,783)	(22%)
Net Assets - ending	\$ 3,660,554	\$ 3,287,292	\$ (373,262)	(10%)

Revenues

Total revenues for the Agency were \$4,255,930, a decrease of 43% from the prior year and primarily related to the following:

- Isla Vista Housing program revenues decreased -\$3,029,798 over the prior year to \$17,441. This decrease resulted from the Parkview Apartments bridge financing loan repayment of \$2,886,279 in the prior fiscal year. Housing Fund program revenues primarily represent the receipt of principal and interest payments on loans held by the Agency.

- Property tax increment is the main source of revenue for the Agency and is derived from local property tax revenue. This source accounted for 93% of the Agency's revenue in the current fiscal year. Property tax increment revenue increased \$103,975 or 3% over the prior year. Secured property taxes increased by \$184,061 due to property valuation changes in the project area due to reassessment from new construction, a 2% yearly Proposition 13 CPI increase in assessed valuation, and reassessment due to property sales. This increase was offset by a reduction of \$80,192 in supplemental property taxes.
- Investment earnings decreased by \$284,488 or 50%, to \$284,955. This decrease was driven by a decline in the County's average annual investment pool earnings rate from 2.5% to 1.2%.

Expenses

Total expenses for the Agency were \$4,629,192, a decrease of 46% from the prior year, and primarily related to the following:

- Project administration expenses of \$480,925, which included \$98,824 in statutory property tax administration fees, \$307,867 in administrative staffing costs for executing projects, \$19,889 in central service department cost allocations, \$18,100 in financial statement audit fees and other administrative expenses of \$36,245.
- Isla Vista Project Area costs totaled \$1,714,014. Projects costs of \$642,556 incurred by the General Fund included Downtown parking lot costs of \$85,213, El Colegio road project costs of \$54,143, facade improvement program costs of \$75,715, alternative transportation costs of \$55,196, assistance to development project of \$51,468, general project costs of \$136,063, and other miscellaneous project costs of \$184,758. The Agency's Capital Projects Fund incurred \$1,071,458 in project costs including \$190,999 in expenses for the Pardall Road Enhancement project, \$561,657 for El Colegio improvements, and \$318,802 for the El Embarcadero project.
- The Agency's Isla Vista Housing Fund incurred \$128,208 in costs. These expenses were primarily related to the Agency's initial payment to Paradise Ivy, LLC in relation to the parties owner participation agreement to develop 909 Embarcadero Del Mar.
- The Agency was required by Assembly Bill 26 to pay \$1,537,441 to the State of California's Supplemental Education Revenue Augmentation Fund (SERAF) to help balance the State budget.
- Interest on long-term obligations of \$768,604 was expensed related to the 1991 and 2008 note payables to the County.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

Governmental funds. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. The Agency's governmental funds statements are very similar to the government-wide statements. Reconciling items between the Statement of Net Assets and the Governmental Funds Balance Sheet include accrued interest on long-term obligations, long-term obligations, unamortized discount, and unamortized issuance cost. Reconciling items between the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances includes the issuance of long-term debt, note payable discount, cost of issuance, principal payments on long-term obligations, and the decrease in accrued interest on long-term obligations. However, *unreserved fund balance* is a useful measure of a government's resources available for spending at the end of the fiscal year.

- At June 30, 2010, the Agency's governmental funds reported total fund balances of \$20,038,157, a 4% or \$897,000, decrease in comparison with the prior year fund balance of \$20,935,157. This decrease is mainly due to both capital project expenditures and the state SERAF payment which were offset by revenues exceeding expenditures in the housing fund.
- Unreserved fund balance constitutes all of the total fund balances that are available to meet the Agency's current and future needs. The Agency's General Fund unreserved fund balance decreased - \$1,032,208 to \$2,161,422, a decrease of 32%. This decrease was due to expenditures exceeding revenues in the current year. Reserved fund balance in the General Fund increased by \$776,097 as a result of the capitalization of an improvement to properties held for resale.
- The Isla Vista Housing Fund fund balance is \$5,212,684, an increase of \$1,106,091, or 21% over the prior year. This increase was due to minimal current year housing related project expenditures.
- The Debt Service Fund fund balance is \$1,992,813, a decrease of \$713,398 over the prior year. This decrease was due to interest payments made on the 2008 note payable.
- The Capital Projects Fund fund balance is \$8,333,175, a decrease of \$1,033,582 over the prior year. This decrease was primarily due to El Collegio, El Embarcadero and Pardall Road project related expenditures.

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

The following table depicts the County's calculation of property tax increment allocated to the Agency's General Fund amounting to \$2,772,929 and \$1,167,464 to the Agency's Isla Vista Housing Fund for low and moderate income housing.

Base Property Tax Increment	\$ 6,031,320
Add: Supplemental Property Tax	106,213
Add: Bond Rate Increment subject to Set Aside or Pass-through	11,559
Less: Pre 2% Pass-through	(311,708)
Subtotal	<u>5,837,384</u>
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(1,167,464)
Less: Pass-throughs to other Government Agencies	(1,896,991)
Total Allocated to Redevelopment Agency General Fund	<u><u>\$ 2,772,929</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 \$3,538,108 from the original budgeted amounts of \$2,579,494, a \$958,614 increase. This increase was primarily the result of adjusting the adopted budget for the State SERAF payment.

Actual revenues exceeded final budgeted estimates by \$47,877 primarily due to a higher than expected property tax increment. Actual expenditures were less than budgetary appropriations by \$323,526. The General Fund Budget and Actual statement can be found on page 21 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Redevelopment agencies generally do not invest in capital assets unless they plan to hold assets on a temporary basis for redevelopment purposes. The goals are to keep assets in the private sector, encourage redevelopment and increase the property tax base to generate tax increment for public improvements and revitalization of blighted areas. As of June 30, 2010 the Agency reported properties held for resale in an amount of \$6,815,063.

Long-term obligations

At June 30, 2010, the Agency had total long-term obligations outstanding of \$17,000,000 consisting of a note payable from the County and a unamortized discount of \$72,275. The Agency’s total long-term obligations decreased by \$533,449, or 3%, during the fiscal year due to principal payment for the current and subsequent fiscal year on the 1991 note balance. The proceeds of the 1991 note were contributed to the County for the County’s purchase of bluff-top open space properties (land) in the early 90’s. The proceeds of the 2008 note is being used to finance several improvements and redevelopment projects. To continue to receive tax increment for redevelopment purposes, the Agency must incur indebtedness through borrowings or contracts.

Agency's Outstanding Obligations

	Governmental Activities		Change	
	2009	2010	Dollars	Percent
Notes Payable to County	\$ 17,533,449	\$ 17,000,000	\$ (533,449)	(3%)

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

In preparing the Agency’s FY 10-11 budget, the Agency has considered the FY 09-10 moderate growth in the real estate markets in the Isla Vista Project Area. Assessed property valuation in the Agency’s project area drives the Agency’s main revenue source, property tax increment, and the Agency has included a 1% growth in this tax source in its FY 10-11 budget when compared to the FY 09-10 budget.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS



Redevelopment Agency

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

AS OF June 30, 2010

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	\$ 11,705,063
Other receivables	98,313
Loans receivable (Note 4)	4,671,018
Properties held for resale (Note 5)	6,815,063
Deferred charges	176,860
Restricted cash and investments (Note 3)	1,428,721
Total assets	<u>24,895,038</u>
LIABILITIES	
Accounts payable	9,003
Unearned revenue (Note 4)	4,671,018
Long-term obligations (Note 7):	
Portion due or payable in one year	
Notes payable to County	--
Portion due or payable after one year	
Notes payable to County	17,000,000
Unamortized discount on note payable	(72,275)
Total liabilities	<u>21,607,746</u>
NET ASSETS	
Restricted for low and moderate income housing (Note 9)	5,212,684
Unrestricted	(1,925,392)
Total net assets	<u>\$ 3,287,292</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, 2010

<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	\$ 480,925	\$ 10,984	\$ (469,941)
Isla Vista Project Area	1,714,014	2,157	(1,711,857)
Isla Vista Housing	128,208	17,441	(110,767)
Contribution to Other Governments	1,537,441	--	(1,537,441)
Interest on long-term obligations	768,604	--	(768,604)
Total governmental activities	<u>\$ 4,629,192</u>	<u>\$ 30,582</u>	<u>(4,598,610)</u>
 General Revenues:			
Property tax increment			3,940,393
Investment earnings			<u>284,955</u>
Total general revenues			<u>4,225,348</u>
Change in net assets			(373,262)
Net assets - beginning			<u>3,660,554</u>
Net assets - ending			<u>\$ 3,287,292</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, 2010

	General Fund	Isla Vista Housing Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$ 1,328,542	\$ 5,200,998	\$ 564,092	\$ 4,611,431	\$ 11,705,063
Use of money and property receivable	86,439	11,874	--	--	98,313
Loans receivable (Note 4)	--	4,671,018	--	--	4,671,018
Due from other funds (Note 8)	755,256	--	--	--	755,256
Properties held for resale (Note 5)	2,338,063	--	--	4,477,000	6,815,063
Restricted cash and investments (Note 3)	--	--	1,428,721	--	1,428,721
Total assets	<u>\$ 4,508,300</u>	<u>\$ 9,883,890</u>	<u>\$ 1,992,813</u>	<u>\$ 9,088,431</u>	<u>\$ 25,473,434</u>
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,815	\$ 188	\$ -	\$ -	\$ 9,003
Due to other funds (Note 8)	--	--	--	755,256	755,256
Unearned revenue (Note 4)	--	4,671,018	--	--	4,671,018
Total liabilities	<u>8,815</u>	<u>4,671,206</u>	<u>-</u>	<u>755,256</u>	<u>5,435,277</u>
FUND BALANCES					
Reserved for:					
Debt service	--	--	1,430,480	--	1,430,480
Properties held for resale	2,338,063	--	--	4,477,000	6,815,063
Unreserved:					
Designated, reported in:					
General fund	7,952	--	--	--	7,952
Isla Vista Housing Fund	--	29,846	--	--	29,846
Debt service fund	--	--	521,733	--	521,733
Capital projects fund	--	--	--	5,730	5,730
Undesignated, reported in:					
General fund	2,153,470	--	--	--	2,153,470
Isla Vista Housing Fund	--	5,182,838	--	--	5,182,838
Debt service fund	--	--	40,600	--	40,600
Capital projects fund	--	--	--	3,850,445	3,850,445
Total fund balances	<u>4,499,485</u>	<u>5,212,684</u>	<u>1,992,813</u>	<u>8,333,175</u>	<u>20,038,157</u>
Total liabilities & fund balances	<u>\$ 4,508,300</u>	<u>\$ 9,883,890</u>	<u>\$ 1,992,813</u>	<u>\$ 9,088,431</u>	<u>\$ 25,473,434</u>

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

Fund balances - total governmental funds	\$ 20,038,157
Unamortized issuance cost on long-term obligation	176,860
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,000,000)
Unamortized discount on long-term obligation	72,275
Net assets of governmental activities	<u>\$ 3,287,292</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, 2010

	General Fund	Isla Vista Housing Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES					
Property tax increment	\$ 2,772,929	\$ 1,167,464	\$ --	\$ --	\$ 3,940,393
Use of money and property	183,385	49,394	25,284	26,892	284,955
Recycled affordable housing funds	--	17,441	--	--	17,441
Other revenues	2,157	--	--	10,984	13,141
Total revenues	<u>2,958,471</u>	<u>1,234,299</u>	<u>25,284</u>	<u>37,876</u>	<u>4,255,930</u>
EXPENDITURES					
Current:					
Project administration	480,925	--	--	--	480,925
Isla Vista Project Area	642,556	--	--	1,071,458	1,714,014
Contribution to Other Governments	1,537,441	--	--	--	1,537,441
Isla Vista Housing	--	128,208	--	--	128,208
Debt service:					
Principal	533,449	--	--	--	533,449
Interest	20,211	--	738,682	--	758,893
Total expenditures	<u>3,214,582</u>	<u>128,208</u>	<u>738,682</u>	<u>1,071,458</u>	<u>5,152,930</u>
Net change in fund balances	(256,111)	1,106,091	(713,398)	(1,033,582)	(897,000)
Fund balances - beginning	4,755,596	4,106,593	2,706,211	9,366,757	20,935,157
Fund balances - ending	<u>\$ 4,499,485</u>	<u>\$ 5,212,684</u>	<u>\$ 1,992,813</u>	<u>\$ 8,333,175</u>	<u>\$ 20,038,157</u>

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

Net change in fund balances - total governmental funds	\$ (897,000)
Issuance cost associated with long-term obligations has no effect on current financial resources but are amortized in the Statement of Activities.	(19,558)
The long-term obligations discount has no effect on current financial resources but is amortized in the Statement of Activities.	(7,993)
Principal payments on long-term obligations use current financial resources but have no effect on net assets.	533,449
The decrease in accrued interest on long-term obligations does not increase current financial resources but is recorded as a decrease in expenses in the Statement of Activities.	17,840
Change in net assets (Statement of Activities, Governmental Activities)	<u>\$ (373,262)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property tax increment	\$ 2,714,360	\$ 2,714,360	\$ 2,772,929	\$ 58,569
Use of money and property	212,500	196,234	183,385	(12,849)
Other revenues	--	--	2,157	2,157
Total revenues	<u>2,926,860</u>	<u>2,910,594</u>	<u>2,958,471</u>	<u>47,877</u>
EXPENDITURES				
Current:				
Project administration	686,886	621,886	480,925	140,961
Isla Vista Project Area	931,000	659,903	642,556	17,347
Contribution to Other Governments	516,235	1,700,999	1,537,441	163,558
Debt service:				
Principal	405,000	533,449	533,449	--
Interest	<u>40,373</u>	<u>21,871</u>	<u>20,211</u>	<u>1,660</u>
Total expenditures	<u>2,579,494</u>	<u>3,538,108</u>	<u>3,214,582</u>	<u>323,526</u>
Net change in fund balances	347,366	(627,514)	(256,111)	371,403
Fund balances - beginning	<u>4,755,596</u>	<u>4,755,596</u>	<u>4,755,596</u>	<u>--</u>
Fund balances - ending	<u>\$ 5,102,962</u>	<u>\$ 4,128,082</u>	<u>\$ 4,499,485</u>	<u>\$ 371,403</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property tax increment	\$ 1,071,545	\$ 1,071,545	\$ 1,167,464	\$ 95,919
Use of money and property	12,000	9,773	49,394	39,621
Recycled affordable housing funds	12,000	12,000	17,441	5,441
Total revenues	<u>1,095,545</u>	<u>1,093,318</u>	<u>1,234,299</u>	<u>140,981</u>
EXPENDITURES				
Current:				
Isla Vista Housing	<u>1,296,000</u>	<u>1,296,000</u>	<u>128,208</u>	<u>1,167,792</u>
Total expenditures	<u>1,296,000</u>	<u>1,296,000</u>	<u>128,208</u>	<u>1,167,792</u>
Net change in fund balances	(200,455)	(202,682)	1,106,091	1,308,773
Fund balances - beginning	<u>4,106,593</u>	<u>4,106,593</u>	<u>4,106,593</u>	--
Fund balances - ending	<u>\$ 3,906,138</u>	<u>\$ 3,903,911</u>	<u>\$ 5,212,684</u>	<u>\$ 1,308,773</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)
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 23,000	\$ 4,545	\$ 25,284	\$ 20,739
Total revenues	<u>23,000</u>	<u>4,545</u>	<u>25,284</u>	<u>20,739</u>
EXPENDITURES				
Debt service:				
Interest	<u>738,684</u>	<u>738,684</u>	<u>738,682</u>	<u>2</u>
Total expenditures	<u>738,684</u>	<u>738,684</u>	<u>738,682</u>	<u>2</u>
Net change in fund balances	(715,684)	(734,139)	(713,398)	20,741
Fund balances - beginning	<u>2,706,211</u>	<u>2,706,211</u>	<u>2,706,211</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,990,527</u>	<u>\$ 1,972,072</u>	<u>\$ 1,992,813</u>	<u>\$ 20,741</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)
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ 37,000	\$ 37,788	\$ 26,892	\$ (10,896)
Other revenues	--	--	10,984	10,984
Total revenues	<u>37,000</u>	<u>37,788</u>	<u>37,876</u>	<u>88</u>
EXPENDITURES				
Current:				
Isla Vista Project Area	<u>5,200,000</u>	<u>5,500,000</u>	<u>1,071,458</u>	<u>4,428,542</u>
Total expenditures	<u>5,200,000</u>	<u>5,500,000</u>	<u>1,071,458</u>	<u>4,428,542</u>
Net change in fund balances	(5,163,000)	(5,462,212)	(1,033,582)	4,428,630
Fund balances - beginning	9,366,757	9,366,757	9,366,757	--
Fund balances - ending	<u>\$ 4,203,757</u>	<u>\$ 3,904,545</u>	<u>\$ 8,333,175</u>	<u>\$ 4,428,630</u>

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

**NOTES TO THE
FINANCIAL STATEMENTS**



Redevelopment Agency

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Reporting Entity

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

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

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

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

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

The Agency does not have any employees. The County provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement with the County. For the year ended June 30, 2010, the Agency paid \$695,466 to the County for such services.

Financial Statements

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

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

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

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide financial statements distinguish programs of the Agency that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other programs that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Agency does not have any business-type activities as of June 30, 2010. The governmental activities of the Agency include Project Administration and the Isla Vista Project Area.

The statement of activities demonstrates the degree to which the direct expenses of a given program or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Agency in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the Agency considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

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

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

The Agency reports the following major governmental funds:

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

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- The **Isla Vista Housing Fund** is used to account for incremental property tax revenue for the purpose of providing low and moderate income housing in the Isla Vista Project Area.
- The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest incurred for the purchase of real property within the area of the Agency.
- The **Capital Projects Fund** accounts for financial resources used in the acquisition of land and for physical improvements of infrastructure in downtown Isla Vista.

Cash and Investments

The Statement of Assets includes the cash balances of substantially all funds, which are pooled and invested by the County Treasurer. The pool is not registered as an investment company with the Securities and Exchange Commission (SEC) nor is it an SEC Rule 2a7-like pool. Interest earned on pooled investments is apportioned quarterly to certain participating funds based upon each fund's average daily deposit balance with all remaining interest deposited in the General Fund.

Investments held by the County Treasurer are stated at fair value. The fair value of investments is established based on quoted market prices received from the securities custodian. Fair value of investments held fluctuates with interest rates. The fair value of participants' position in the pool is the same as the value of the pool shares. The value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. The total percentage share of the County's investment pool that relates to external involuntary participants is 56% as of June 30, 2010.

The Treasurer participates in the State of California Local Agency Investment Fund (LAIF). Investments in the LAIF are governed by State statutes and overseen by a five member Local Investment Advisory Board.

The County's investment pool holds an AAAsf/S1 credit rating by Standard and Poor's. State statutes and the Treasurer's Investment Policy provide the framework for investment. The objectives of the State of California Government Code and the Treasurer's Investment Policy is primarily to safeguard investment principal by mitigating exposure to risk factors, secondarily to maintain sufficient liquidity to meet cash flow needs, and lastly to attain a return on the funds. On this last objective the Treasurer's Investment Policy specifies the attainment of a "market average rate of return" consistent with the primary objectives of safety and liquidity.

The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2010 to support the value of shares in the Treasurer's investment pool.

Affordable Housing Loans

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

Long-term Obligations

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

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity

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

Budget Controls

The Agency is legally required to adopt an annual budget by the provisions of the California Health and Safety Code (Sections 33611 and 33612). Budgets are adopted for the General Fund, the Isla Vista Housing Fund, the Debt Service Fund, and the Capital Projects Fund. Budgets are prepared on the modified accrual basis of accounting consistent with GAAP. Annually, the Board conducts a public hearing for the discussion of a Proposed Budget. At the conclusion of the hearings, and generally no later than September 30, the Board adopts the final budget including revisions by resolution. The Board also adopts subsequent revisions, which may occur during the year.

The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is maintained at the fund, department, and object level with more stringent control over fixed assets, and reserves and designations which are maintained at the line item level.

Incremental Property Tax

The County levies, collects, and apportions property taxes for all taxing jurisdictions, including schools, cities and special districts within the County. Secured property taxes are levied in September of each year based on the assessed valuation as of the previous January 1 (lien date). They are payable in two equal installments due on November 1 and February 1 and are considered delinquent with penalties after December 10 and April 10, respectively. Unsecured property taxes are due on the January 1 lien date and become delinquent with penalties after August 31.

Property tax increment revenues represent property taxes collected from the excess of taxes levied and collected by the County each year on all property within the redevelopment area over that amount which would have been levied and collected by the County on the base year property tax assessment. The Agency recognized \$3,940,393 of property tax increment revenue for the year ended June 30, 2010.

Low and Moderate Income Housing

In accordance with State law, the Agency is required to set aside twenty percent of its property tax increment after pre 2% pass-through for low and moderate income housing programs. For the year ended June 30, 2010, \$1,167,464 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.

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Properties Held for Resale

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

Net Assets

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

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

2. CASH AND INVESTMENTS

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

The Agency's portion of the County Treasurer's cash and pooled investments was \$11,705,063 at June 30, 2010. Investment income apportioned to the Agency by the County Treasurer's cash and pooled investments totaled \$117,838 for the fiscal year ended June 30, 2010, which included unrealized losses of \$37,918 in the fair value allocated to investments held by the Agency in the County Pool.

Deposits

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the County's total bank balance, \$250,000 is insured by the Federal Depository Insurance Corporation (FDIC). The remaining \$105,532,049 on deposit is collateralized with securities held by the pledging financial institution but not in the County's name. Per Government Code section 53652, the depository is required to maintain a market value of at least 110% of the pledged collateral. At June 30, 2010 the value of pledged collateral was 129%.

At June 30, 2010, the carrying amount of the County's deposits was \$105,782,049 and the corresponding bank balance was \$96,402,237. The difference of \$9,379,812 was principally due to deposits in transit.

Investments

Pursuant to Section 53646 of the Government Code the County Treasurer prepares an *Investment Policy Statement* annually, presents it to the Treasury Oversight Committee for review and to the Board of Supervisors for approval. After approval, the policy is forwarded to the California Debt and Investment Advisory Commission.

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, 2010

2. CASH AND INVESTMENTS - CONTINUED

The Investment Policy Statement provides the basis for the management of a prudent, conservative investment program. Public funds are invested to provide the maximum security of principal with secondary emphasis on achieving the highest return, while meeting daily cash flow needs. All investments are made in accordance with the Government Code and, in general, the Treasurer's Investment Policy is more restrictive than state law. Types of securities in which the Treasurer may invest include U.S. Treasury and U.S. Government agency securities; state and/or local agency bonds, notes, warrants or certificates of indebtedness; bankers' acceptances; commercial paper; corporate notes; negotiable certificates of deposit; repurchase agreements; reverse repurchase agreements; securities lending; bank deposits; money market mutual funds; the State of California Local Agency Investment Fund (LAIF); and the Investment Trust of California (CalTRUST).

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments.

The Treasurer's Investment Policy sets specific parameters on the credit quality of investment purchases. Securities issued and fully guaranteed as to payment by an agency or government sponsored enterprise of the U.S. Government be rated AAA by at least two of the three major rating services, i.e. Fitch, Moody's and Standard & Poor's (S&P). Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services at a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate notes, with a maturity greater than three years, shall be rated AA by at least two of the three major rating services. Corporate notes, with a maturity of three years or less, shall be rated AA- by at least two of the three major ratings services. Corporate Temporary Liquidity Guarantee Program (TLGP) notes shall be rated AAA by one of three major ratings services.

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, 2010

2. CASH AND INVESTMENTS - CONTINUED

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2010 (NR means Not Rated):

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>% of Portfolio</u>
Treasurer's Pooled Investments:				
LAIF	NR	NR	NR	6.45%
U.S. Treasury Bills	Aaa	AAA	AAA	6.19%
Commercial Paper	P-1	A-1+	F1	4.51%
Commercial Paper	P-1	A-1+	NR	1.93%
Commercial Paper	P-1	A-1	F1+	2.32%
Commercial Paper	P-2	A-1+	F1	3.35%
Negotiable Certificates of Deposit	P-1	A-1	F1	6.89%
Corporate Notes: TLGP	Aaa	AAA	AAA	0.67%
Corporate Notes: TLGP	Aaa	AAA	NR	0.65%
Corporate Notes	Aa2	AA+	NR	0.64%
Corporate Notes	Aa3	A+	AA-	0.65%
Corporate Notes	A1	AA-	AA-	2.68%
Corporate Notes	A2	A+	AA-	0.68%
Corporate Notes	A2	A	A+	0.65%
Corporate Notes	A3	A	A+	0.66%
Government Agency Bonds and Notes	Aaa	AAA	AAA	49.74%
Government Agency Bonds and Notes	Aaa	AAA	NR	11.34%
Total Treasurer's Pooled Investments				<u>100.00%</u>
Investments Held with Fiscal Agents:				
LAIF	NR	NR	NR	2.58%
Money Market	P-1	A-1+	F1+	42.00%
Commercial Paper	P-1	A-1+	F1+	26.33%
Government Agency Bonds and Notes	Aaa	AAA	AAA	22.73%
Government Agency Bonds and Notes	Aaa	AAA	NR	6.36%
Total Investments Held with Fiscal Agents				<u>100.00%</u>

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, 2010

2. CASH AND INVESTMENTS - CONTINUED

Instruments in any one issuer that represent 5% or more of the County's investments as of June 30, 2010 are as follows: (excludes external investment pools and debt explicitly guaranteed by the U.S. government)

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
Treasurer's Pooled Investments:			
Union Bank	Corporation	\$ 48,469,825	6.25%
U.S. Bank	Corporation	\$ 39,932,350	5.15%
Federal Farm Credit Bank	Government Sponsored	\$ 69,819,990	9.00%
Federal Home Loan Bank	Government Sponsored	\$ 87,928,650	11.34%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$ 79,187,250	10.21%
Federal National Mortgage Association	Government Sponsored	\$ 236,727,438	30.53%
Investments Held with Fiscal Agents:			
U.S. Bank Commercial Paper	Corporation	\$ 10,290,687	26.33%
Federal Home Loan Bank	Government Sponsored	\$ 2,488,425	6.37%
Federal Home Loan Mortgage Corporation	Government Sponsored	\$ 2,275,154	5.82%
Federal National Mortgage Association	Government Sponsored	\$ 6,610,444	16.91%

Custodial Credit Risk

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County mitigates this risk by making longer-term investments only with funds that are not needed for current cash flow purposes and holding these securities to maturity. The maturity of investments purchased is governed by a demand for funds analysis of prior periods' revenues and expenditures, and is also determined by current cash flow demands assessed on an ongoing basis. The Treasurer's Investment Policy also dictates that the final maturity date of any individual security shall not exceed five years and that non-short term investments (greater than one year), in the aggregate, shall not exceed 75% of the portfolio.

The following is a summary of the weighted average days to maturity by investment type at June 30, 2010.

<u>Treasurer's Pooled Investments:</u>	<u>Weighted Average Days to Maturity</u>
LAIF	On Demand
U.S. Treasury Bills	119
Commercial Paper	42
Negotiable Certificates of Deposit	189
Corporate Notes: TLGP	359
Corporate Notes	399
Government Agency Bonds and Notes	641
Investment Pool Average	445

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, 2010

2. CASH AND INVESTMENTS - CONTINUED

Investments Held with Fiscal Agents:

LAIF	On Demand
Money Market	On Demand
Commercial Paper	96
Government Agency Bonds and Notes	859
Investments Held with Fiscal Agents Average	273

The weighted average days to maturity for the underlying securities held in the LAIF pool presented above is 203. For purposes of the weighted average maturity calculation, the County assumes that all of its investments will be held to maturity.

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

Treasurer's Pooled Investments:	<u>Principal</u>	<u>Interest Rate Range</u>	<u>Maturity Range</u>	<u>Fair Value % of Portfolio</u>
LAIF	\$ 50,000,000	0.56%	On Demand	6.45%
U.S. Treasury Bills*	\$ 48,000,000	Discount	7/10-3/11	6.19%
Commercial Paper*	\$ 89,000,000	Discount	7/10-11/10	11.47%
Commercial Paper-Non-Discount	\$ 5,000,000	0.25%	7/10	0.64%
Negotiable Certificates of Deposit	\$ 53,500,000	0.08%-0.85%	8/10-5/11	6.89%
Corporate Notes: TLGP	\$ 10,000,000	1.63%-3.00%	1/11-12/11	1.32%
Corporate Notes	\$ 45,004,000	4.50%-5.68%	8/10-9/12	5.96%
Government Agency Discount Notes*	\$ 183,810,000	Discount	7/10-6/11	23.68%
Government Agency Bonds and Notes	\$ 286,900,000	0.45%-4.82%	7/10-6/15	37.40%
Investments Held with Fiscal Agents:				
LAIF	\$ 1,007,707	0.56%	On Demand	2.58%
Money Market	\$ 16,418,505	0.18%-0.35%	On Demand	42.00%
U.S. Bank Commercial Paper	\$ 10,290,687	0.39%-0.56%	9/10-12/10	26.33%
Government Agency Discount Notes*	\$ 3,208,000	Discount	11/10	8.20%
Government Agency Bonds and Notes	\$ 8,051,000	0.85%-4.75%	12/10-03/15	20.89%

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

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

At June 30, 2010, \$9,955,850 or 1.28% of the Treasurer's Pooled Investments was held in floating rate notes. The notes are tied to the London Interbank Offered Rate (LIBOR) with quarterly coupon resets. Debt investments with a variable-rate coupon reset on certain periodic dates based on that day's market rate.

At June 30, 2010, \$16,019,430 or 2.07% of the Treasurer's Pooled Investments was held in a U.S agency step-up note. Step-up securities grant the issuer the option to call the note on a certain specified date(s). On a certain date, or dates, the coupon rate of the note increases (steps up) by an amount specified at the inception of the note.

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, 2010

2. CASH AND INVESTMENTS - CONTINUED

Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily cash balance. Unrealized gains and losses are also apportioned quarterly to participating funds based upon the fund's ending cash balance. Interest and net investment income consisted of the following for the fiscal year ended June 30, 2010:

	<u>Pool</u>	<u>Directed</u>	<u>Total</u>
Interest Income	\$ 11,382,123	\$ 27,370	\$ 11,409,493
Realized Gain	1,865,462	230	1,865,692
Administration & Audit Fees	(1,972,983)	(4,116)	(1,977,099)
Miscellaneous Adjustments	11,117	-	11,117
Total Net Investment Income	\$ 11,285,719	\$ 23,484	\$ 11,309,203

The Treasurer may purchase securities at a discount from face value to earn higher than nominal rates of return. Under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, such discount, when realized, is considered gain rather than interest. Interest earnings for the year amounted to \$11,409,493. The net realized gain on investments sold or matured during the year was \$1,865,692. 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).

Restricted Cash

Cash and investments that are restricted by legal or contractual requirements amounted to \$40,158,180 as of June 30, 2010.

Condensed Financial Statement

The following represents a condensed statement of assets and changes in assets for the Treasurer's investment pool as of June 30, 2010:

	<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Net Change</u>
Assets Held for Pool	\$ 881,263,642	\$ 837,220,704	\$ 44,042,938
Equity of Internal Pool Participants	\$ 345,174,599	\$ 330,949,813	\$ 14,224,786
Equity of External Pool Participants	536,042,296	506,253,583	29,788,713
Outstanding Purchase Interest	46,747	17,308	29,439
Total Equity	\$ 881,263,642	\$ 837,220,704	\$ 44,042,938

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 that are restricted by legal or contractual requirements are comprised of the following:

Debt Service Fund

Funds set aside for repayment of 2008 note payable	<u>\$ 1,428,721</u>
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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, 2010

4. LOANS RECEIVABLE AND UNEARNED REVENUE

Loans receivable, totaling \$4,671,018 at June 30, 2010, consists of loans provided for low and moderate income housing, with interest rates ranging from 0% to 5% and maturities up to 55 years. Due to the terms of the loans, offsetting unearned revenue in the amount of \$4,671,018 has been established.

<u>Project</u>	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2010</u>
A. Storke Ranch Acquisition	\$ 106,000	\$ -	\$ -	\$ 106,000
B. Conway Rehabilitation	8,862	-	742	8,120
C. Isla Vista Apartments	907,063	-	-	907,063
D. Villa del Sol Apartments	294,072	-	7,560	286,512
E. Parkview Apartments	3,263,323	-	-	3,263,323
F. Paradise Ivy	-	100,000	-	100,000
TOTAL	<u>\$ 4,579,320</u>	<u>\$ 100,000</u>	<u>\$ 8,302</u>	<u>\$ 4,671,018</u>

- A. *Storke Ranch Acquisition* - The Agency provided \$106,000 for the construction of 36 affordable housing units in 1998. The term loan is payable at 0% interest in 2033. The outstanding amount as of June 30, 2010 is \$106,000.
- B. *Conway Rehabilitation* - This loan provided funding for the rehabilitation of an existing residence in 1999. The original amount of the loan was \$15,000 amortized over twenty years at 3%. The outstanding amount as of June 30, 2010 is \$8,120.
- C. *Isla Vista Apartments* - During 1999 to 2001, the Agency loaned Peoples' Self-Help Housing a total of \$907,063 for the rehabilitation of 56 low and very-low income units. This is residual receipt loan with an interest rate of 3% with a term of 30 years. The outstanding balance at June 30, 2010 is \$907,063.
- D. *Villa del Sol Apartments* - The Agency in 2005 provided the Housing Authority of the County of Santa Barbara (HACSB) \$325,000 for the acquisition and rehabilitation of a four unit property serving developmentally disabled adults. This loan was made at a 3% interest rate and is due in 30 years. The outstanding balance at June 30, 2010 is \$286,512.
- E. *Parkview Apartments* - In the 06/07 fiscal year the Agency provided bridge financing in the amount of \$3,760,000 to the HACSB. Funding from this loan allowed the HACSB to purchase a 20-unit apartment complex in order to provide rehabilitation and maintenance of affordable units. This loan was payable within three years with a simple interest rate of 5%. In the 07/08 fiscal year the responsibility for repayment of the loan was reassigned from the HACSB to Parkview Isla Vista LP, a limited partnership established by the HACSB. Reassignment of this loan was necessary for the HACSB to secure Federal Low Income Housing Tax Credits. In the 08/09 fiscal year the Agency and Parkview Isla Vista LP executed a permanent financing loan agreement in the amount of \$3,263,323. The permanent loan was made at a 3% simple interest rate and is due in 55 years. The outstanding balance at June 30, 2010 is \$3,263,323.
- F. *Paradise Ivy* - In the 09/10 fiscal year the Agency entered into an owner participation agreement with Paradise Ivy, LLC for 909 Embarcadero Del Mar. The Agency agreed to loan the developer a total of \$717,000 and disbursed \$100,000 in the current fiscal year. Future disbursements may be made when developer milestones are accomplished. The purpose of this loan was to narrow the affordability gap of the developer's proposed project in order to provide six on-site affordable units. This loan was made at a 3% simple interest rate and is due in 55 years. The outstanding balance at June 30, 2010 is \$100,000.

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, 2010

4. LOANS RECEIVABLE AND UNEARNED REVENUE - CONTINUED

Loans in Default or Not in Compliance with Their Terms

As of June 30, 2010 there were no loans made by the Agency that are \$50,000 or more, that in the previous fiscal year were in default, or not in compliance with the terms of the loan approved by the Agency.

5. PROPERTIES HELD FOR RESALE

Properties Held for Resale

A summary of the changes in properties held for resale as of June 30, 2010 are as follows:

	Balance	Additions	Deletions	Balance
	July 1, 2009			June 30, 2010
St. Athanasius Church	\$ 1,877,000	\$ -	\$ -	\$ 1,877,000
Parking Lot	1,561,966	776,097	--	2,338,063
Medical Center	2,600,000	--	--	2,600,000
	\$ 6,038,966	\$ 776,097	\$ -	\$ 6,815,063

As of June 30, 2010 the Agency owned three properties which were acquired during the 07/08 and 08/09 fiscal years. The Medical Center is located at 970 Embarcadero Del Mar and was acquired during fiscal year 07/08. The St. Athanasius Church and land to develop a Parking Lot were acquired in the 08/09 fiscal year. They are respectively located at 976 and 881 Embarcadero Del Mar. In the current year the Parking Lot was developed and opened.

6. LEASES

Operating Leases as Lessor

The Agency as lessor leases sections of a medical center in Isla Vista to the Santa Barbara Neighborhood Clinics (Clinics), an Internal Revenue Code (IRC) Section 501(c)(3) organization. The initial lease provided for base rent of \$151,086 per year subject to an annual 3% increase. The term of this cancelable lease runs from June 2008 to either 90 days after receipt by the Agency of written notice of termination, with or without cause, by the Clinics or June of 2018. In the 08/09 fiscal year the Clinic exercised its option to vacate part of the leased space and reduced its rent to \$76,879 effective the 09/10 fiscal year. The original cost of the medical center to the Agency was \$2,600,000. As this building is being held as 'property held for resale' inventory it is recorded at its cost subject to a determination that its cost exceeds its net realizable value. For the year ended June 30, 2010, total rental income was \$95,430.

The Agency as lessor leases sections of a church in Isla Vista to the Saint Athanasius Orthodox Church a California non-profit corporation. The lease provides for the base rent of \$5,400 per month subject to an annual 3% increase. The term of this lease runs from July 2008 to July 2010. At the end of the lease term the lessee, if in good standing, has an option to extend the term for two additional terms of one year each. The original cost of the property to the Agency was \$1,877,000. As this building is being held as 'property held for resale' inventory it is recorded at its cost subject to a determination that its cost exceeds its net realizable value. For the year ended June 30, 2010, total rental income was \$69,742.

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, 2010

7. LONG-TERM OBLIGATIONS

Notes Payable to County

On March 5, 1991, the Agency borrowed and entered into an agreement to repay \$3,609,000 to the County, using incremental property tax funds generated within the project area. The note bears an interest rate of approximately 4.4%. As of June 30, 2010, the outstanding principal balance was \$0.

On June 3, 2008, the Agency borrowed and entered into an agreement to repay \$17,000,000 to the County, using incremental property tax funds generated within the project area. The note bears an initial interest rate of 4.0% which then gradually increases to a 4.75% rate. As of June 30, 2010, the outstanding principal balance was \$17,000,000.

A summary of the notes payable outstanding as of June 30, 2010 is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding as of June 30, 2010
1991 Note Payable	4.4%	3/5/1991	1/1/2011	\$ 3,609,000	\$ -
2008 Note Payable	4.0% - 4.75%	6/3/2008	12/1/2028	17,000,000	17,000,000
				<u>\$ 20,609,000</u>	<u>\$ 17,000,000</u>

The following is a schedule of total debt service requirements to maturity as of June 30, 2010 for notes payable:

Year Ending June 30,	Principal	Interest
2011	\$ -	\$ 738,683
2012	655,000	725,583
2013	680,000	698,883
2014	710,000	671,083
2015	735,000	642,183
2016-2020	4,155,000	2,734,913
2021-2025	5,090,000	1,769,760
2026-2029	4,975,000	485,319
Sub-total	<u>17,000,000</u>	<u>8,466,407</u>
Unamortized discount	(72,275)	--
Total note payable debt	<u>\$ 16,927,725</u>	<u>\$ 8,466,407</u>

Changes in the Agency's long-term obligation for the year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Notes Payable to County	\$ 17,533,449	\$ -	\$ (533,449)	\$ 17,000,000	\$ -

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, 2010

8. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2010 are as follows:

Due from other funds	Due to other funds	Amount
General Fund	Capital Projects Fund	\$ 755,256
Total due to/from		\$ 755,256

9. RESTRICTED NET ASSETS

Restricted net assets are net assets whose use is subject to constraints that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. At June 30, 2010, the Agency had \$5,212,684 restricted for low income housing, which is restricted by enabling legislation.

**OTHER SUPPLEMENTARY INFORMATION
(UNAUDITED)**



Redevelopment Agency

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2009-10
(Unaudited)

This report for the fiscal year ended June 30, 2010 includes a narrative that describes the activities of the Redevelopment Agency of the County of Santa Barbara, California (“Agency”).

SUMMARY OF PREVIOUS FUNDING, PROJECT & HOUSING EFFORTS PRIOR TO Fiscal Year (FY) 09-10

Highlights of Previous Agency General Project Efforts: Prior to FY 09-10

Fiscal Years	FUNDS	PROJECT DESCRIPTION
90-91	\$4,010,000	County issues \$4,010,000 in Certificates of Participation and loans proceeds to Agency for the purchase of open space.
90-91 to 92-93	\$2,634,140	County acquires 14 bluff-top, open-space parcels in Isla Vista using Agency funds.
94-95	\$135,000	County Services Area 31 (CSA 31) loans funds to Agency to pay debt service.
	\$250,000	Coastal Resource Enhancement Fund (CREF) loans funds to Agency to pay debt service.
01-02		Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) formed to guide preparation of Isla Vista Master Plan.
01-02	\$385,000	Agency repays CSA 31 and CREF loans.
04-05	\$65,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department improves over 3,000 square feet of sidewalk and installs over 30 trees in downtown Isla Vista.
	\$100,000	County acquires five undeveloped bluff top open space parcels for Capps Park. \$100,000 of Agency funds matched with \$1.5 million in other funding sources, and \$1.1 million from sale of two isolated County-owned bluff top parcels.
		Agency oversight transferred from County Planning and Development Department to the County Executive Office (CEO).
06-07	\$300,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department installs 775 linear feet of sidewalk and 18 trees on Sabado Tarde in Isla Vista.
	\$30,000	Installs improvements to four bus stops in Isla Vista, including new bus stop shelters, benches, and up-to-date route information.
	\$192,376	Agency contracts with ROMA Design Group to design Pardall Road Improvements.
07-08	\$17,000,000	The County issues \$17 million in Certificates of Participation and loans the proceeds to the Agency to fund infrastructure improvement projects and land acquisitions.
	\$2,600,000	Agency acquires the Isla Vista Medical Clinic site located at 970 Embarcadero Del Mar from the Santa Barbara Neighborhood Clinics.
08-09	\$1,877,000	Agency acquires the St. Athanasius Church located at 976 Embarcadero Del Mar.
	\$1,516,966	Agency acquires a parking lot located at 881 Embarcadero Del Mar.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2009-10
(Unaudited)

Previous Very Low and Low Income Housing Efforts: Prior to FY 09-10

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

Fiscal Years	FUNDS	PROJECT DESCRIPTION
96-97	\$0	\$35,000 State Housing and Community Development Department grant used to develop the Isla Vista Housing Strategy Plan.
	\$25,000	Agency funds matched with \$500,000 Community Development Block Grant (CDBG) to rehabilitate 34 residential units (6 units financed with Agency funds).
97-98	\$15,000	Agency funds matched with \$500,000 CDBG to rehabilitate 30 low to very low-income residential units (Conway Rehabilitation - 1 unit financed with Agency funds).
98-99	\$106,000	Agency loan to Peoples’ Self-Help Housing Corporation (PSHH) to assist in construction of 36 low and very low-income units in the Storke Ranch apartment complex (Storke Ranch Acquisition).
99-00	\$350,000	Initial advance of Agency loan to PSHH for rehabilitation and financing of 56 low and very low-income units at 6660/6650 Abrego Road (Isla Vista Apartments). ¹
00-01	\$258,684	Second (\$210,684) and third (\$48,000) advance of Agency loan to PSHH for Isla Vista Apartments.
	\$366,500	Agency loan for land acquisition for the 16 unit El Encanto Apartment Project for low to very low-income family rentals.
01-02	\$298,379	Final payment of Agency loan to PSHH for Isla Vista Apartments. ¹
02-03		Oversight of Isla Vista Housing Fund activities transferred to County Housing and Community Development Department.
04-05	\$325,000	Agency loan to the County Housing Authority for acquisition and rehabilitation at 6680 Sueno Road (Villa Del Sol Apartments), a 4 unit property serving developmentally disabled adults.
06-07	\$3,760,000	Agency “bridge financing” three year loan to the Housing Authority of the Santa Barbara County to acquire two adjacent 10-unit apartment buildings (Parkview Apartments) located at 6682 & 6688 Picasso Road for affordable housing.
		Isla Vista Housing Fund was transferred to the CEO and the Agency became responsible for Housing Fund Management.
08-09	\$3,263,323	Agency provided permanent financing for Parkview Apartments. This project, obtained in partnership with the County Housing Authority, was purchased and rehabilitated with tax credits and Agency funds.

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

Note: The loans for affordable projects provide for residual receipt and/or forgiveness clauses. Since the repayment schedule is undeterminable, the Agency expenses these loans at the time of disbursement and records repayments as project income when received. In addition, a loan receivable and offsetting deferred revenue liability is established.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2009-10
(Unaudited)

SUMMARY OF PROJECTS AND HOUSING EFFORTS IN FY 09-10

FY 09-10 General Projects

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

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

During FY 09/10 the Agency completed a number of important projects within these general project types. Highlights of those achievements include:

- Isla Vista Master Plan third response to Coastal Commission comments submitted
- Completed downtown parking lot project, a “green” demonstration project with the inclusion of a solar trellis system
- Completed underground parking facility feasibility analysis
- Planning permits obtained for the Loop at Trigo Road private project, the Icon private project, and Camino Del Sur apartments
- Completed two façade improvements in partnership with local businesses
- Completed regulatory and development agreements for six affordable units in Paradise Ivy private project
- Completed adoption of Ordinance and Resolution for Outdoor Dining Program
- Completed Ordinance amendment, resolution for Isla Vista Car Share Program
- Obtained Phase II planning permits for El Colegio Road improvements

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

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

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

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

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2009-10
(Unaudited)

SUMMARY OF PROJECTS AND HOUSING EFFORTS PROJECTED FOR FY 10-11

Projected FY 10-11 Funding

The Agency's General Fund is budgeted in FY 10-11 to receive \$2,715,000 in property tax increment revenue. In addition, the Agency's General Fund's unreserved fund balance of \$2,161,422 is carried over from FY 09-10 and is available for FY 10-11 projects and activities. The Agency's FY 10-11 budget provides for \$2,911,393 for administration, debt payments, and projects.

Organization of the Redevelopment Agency

An adopted \$2.9 million budget for FY 10-11 includes funding for a Redevelopment Manager to manage Agency initiatives, Redevelopment Specialists, and funding to design and engineer various improvements such as El Embarcadero Road and the El Colegio Road projects. The County Executive Officer, the Auditor-Controller, the Public Works Deputy Director of Administration, a Financial Systems Analyst and the Third District Supervisor and staff will also participate in the management and activities of the Agency.

Projected FY 10-11 Projects/Activity

<u>Project</u>	<u>Goals for FY 10-11</u>
Downtown Private Projects - Development Agreements	<ul style="list-style-type: none"> • Develop other public/private partnerships for new high quality mixed use projects in downtown Isla Vista
Downtown Parking Lot	<ul style="list-style-type: none"> • Continue overseeing paid parking program
Façade Program	<ul style="list-style-type: none"> • Complete three additional façade improvement projects
Pardall Road Enhancements	<ul style="list-style-type: none"> • Establish funding mechanism for long term project maintenance
Downtown Storm Water Project	<ul style="list-style-type: none"> • Construct downtown storm drain project utilizing bio-filtration systems
El Embarcadero Sidewalk/Underground Utilities	<ul style="list-style-type: none"> • Begin construction of the sidewalk network along El Embarcadero including undergrounding of utilities, street lighting and street trees
CarShare Program	<ul style="list-style-type: none"> • Continue to monitor program and usage
Outdoor Dining Program	<ul style="list-style-type: none"> • Increase number of program participants in downtown Isla Vista
Isla Vista Park Redesign Projects	<ul style="list-style-type: none"> • Assist IVRPD in developing park improvement project
El Colegio Road Implementation	<ul style="list-style-type: none"> • Provide staff assistance for permitting, design and bid package for Phase II
Agency and Project Area Committee management	<ul style="list-style-type: none"> • Adopt the FY 10-11 Agency Budget • Continue to provide staff support for PAC/GPAC meetings • Comply with California State law • Submit FY 09-10 annual report to Agency Board of Directors on time
IVMP certification with Coastal Commission	<ul style="list-style-type: none"> • Support Coastal Commission staff review of IVMP
Sidewalk Improvement Program	<ul style="list-style-type: none"> • Continue to improve sidewalk network in Isla Vista • Establish long-term sidewalk improvement contract with Public Works
Downtown Parking Meters	<ul style="list-style-type: none"> • Obtain entitlement permits • Complete bid process for construction
Alternative Transportation Improvement Program	<ul style="list-style-type: none"> • Continue implementing improvements to alternative transportation • Complete installation of two new bus stop benches and shelters
Town Architect	<ul style="list-style-type: none"> • Provide design support for development projects and public improvements
Acquire property from willing sellers	<ul style="list-style-type: none"> • Acquire property from willing sellers to facilitate the development of affordable housing units
American Reinvestment and	<ul style="list-style-type: none"> • Coordinate with County departments and outside partners to complete

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2009-10
(Unaudited)

<u>Project</u>	<u>Goals for FY 10-11</u>
Recovery Act Grants	competitive grant applications for stimulus package funding

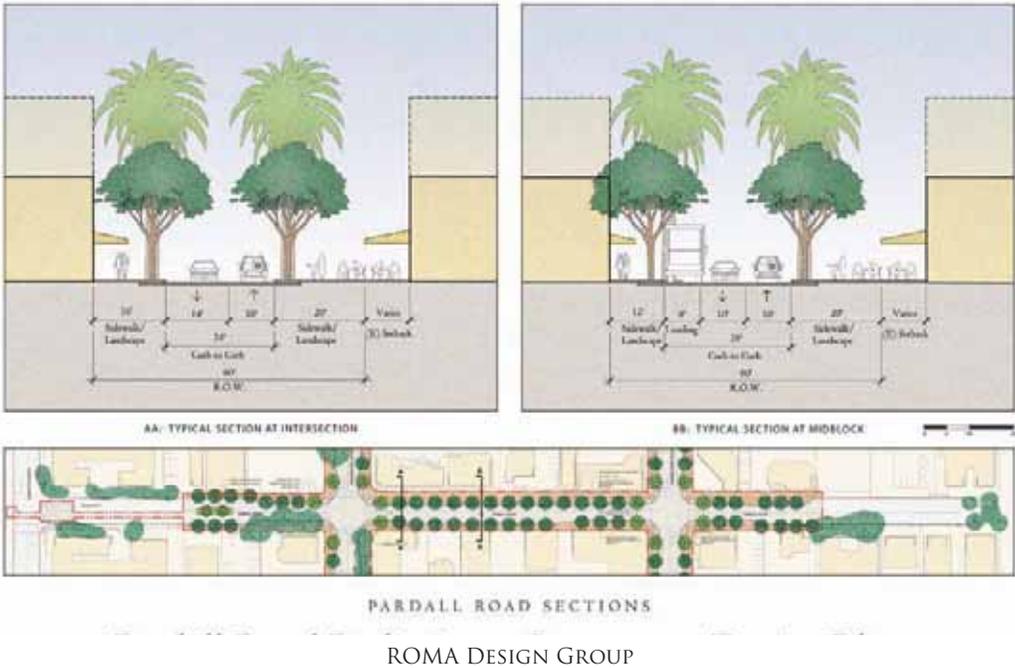
Projected FY 10-11 Very Low, Low, and Moderate Income Housing

For FY 10-11 the property tax increment for housing set-aside funds is estimated at \$1,145,000. Combined with a housing set-aside unreserved fund balance of \$5,212,684 from FY 09-10, total housing funds available for FY 10-11 is estimated at \$6,357,684.

<u>Project</u>	<u>Goals for FY 10-11</u>
Affordable housing projects and programs	<ul style="list-style-type: none"> • Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area.

Pardall Road Streetscape Improvements

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



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

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

Recent Accomplishments

- Installed new bike parking and ash urns

Goals

- Continue improvements to Downtown Isla Vista
- Establish funding mechanism for long term project maintenance

Downtown Parking Lot

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

A key restriction to redevelopment in Isla Vista is the on-site parking requirements. Because of this, one mechanism to stimulate downtown revitalization is to provide a centralized public parking lot. Redevelopment Agency staff worked with a local award winning landscape architecture firm to design a forty-five space Downtown Parking Lot. The Parking Lot is sustainably designed with drought resistant plants and solar panels which will provide energy for the night lighting of both the lot and Pardall Road. The lot also includes a small corner park at the main commercial interface at Pardall and Embarcadero del Mar.



Recent Accomplishments

- Completed construction of parking lot
- Initiated paid parking program for use of parking lot

Goals

- Continue efforts to provide parking opportunities for commercial and residential uses
- Continue overseeing paid parking program

Affordable Housing

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

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

Recent Accomplishments	Goals
<ul style="list-style-type: none">• Completed regulatory process and development agreements for six residential affordable units in the Paradise Ivy Project• Worked with private developers to draft plans for mixed use projects with affordable units	<ul style="list-style-type: none">• Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area



Facade Improvement Program

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



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

Recent Accomplishments	Goals
<ul style="list-style-type: none">• Established Facade Improvement Program• Completed two facade improvements in partnerships with local Isla Vista businesses	<ul style="list-style-type: none">• Complete three additional facade improvements projects• Increase number of program participants in downtown Isla Vista

Public/Private Partnership Development Agreement

Goal: Stimulate private sector investment in urban infill development projects in Isla Vista.

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

Recent Accomplishments	Goals
<ul style="list-style-type: none">• Completed the permitting process for The Loop Project located on Trigo Road• Obtained permits for The Icon Project located on Trigo Road• Obtained permits for an apartment building located on Camino del Sur	<ul style="list-style-type: none">• Develop other public/private partnerships for new high quality mixed use projects in downtown



Sidewalk Improvements

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

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



Recent Accomplishments

- Sidewalk gap completed on Trigo Road

Goals

- Continue to improve sidewalk network in Isla Vista
- Establish long-term sidewalk improvement contract with the County's Public Works Department

El Colegio Roadway Improvements

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



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

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

Recent Accomplishments	Goals
<ul style="list-style-type: none"> Completed Phase 1 Completed the permitting process for Phase 2 Road Improvements 	<ul style="list-style-type: none"> Support construction of Phase 2 Provide staff assistance with environmental issues

Downtown Storm Drain System

Goal: Construct and implement a storm water management system to service downtown Isla Vista.



Isla Vista’s storm water management system is currently inadequate to handle the water management needs of the downtown during a storm event. Pardall Road improvements includes a portion of the infrastructure for a downtown storm water management system. However, infrastructure for the remainder of the downtown area has not yet been designed or installed. The 10-11 Fiscal Year Redevelopment Agency budget includes funding for design of a complete storm water management system for downtown Isla Vista.

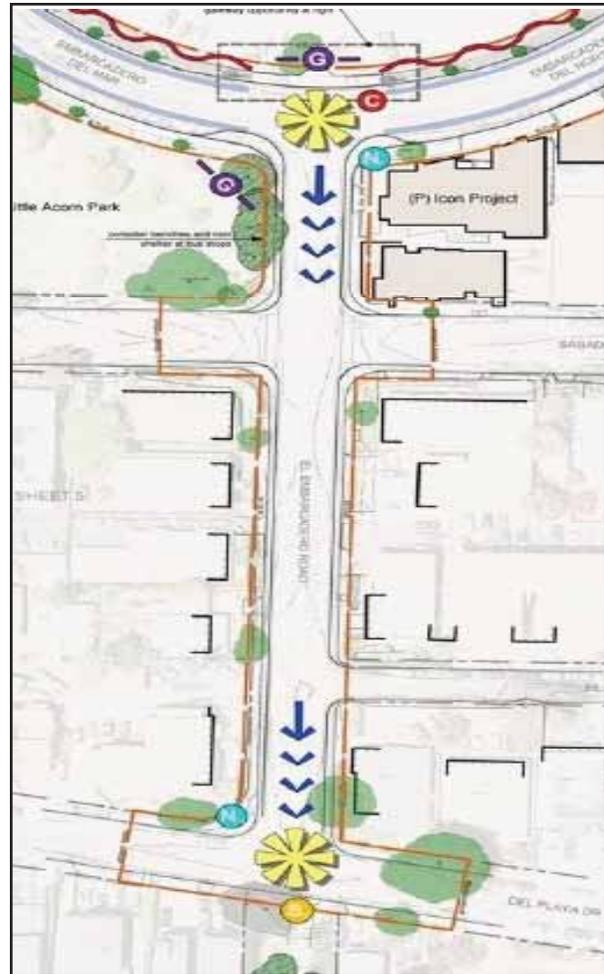
Recent Accomplishments	Goals
<ul style="list-style-type: none">Completed RFP for design and engineering of a storm water management system for downtown Isla Vista	<ul style="list-style-type: none">Construct an integrated storm drain system that connects from Pardall along Embarcadero del Mar and Embarcadero del Norte to El EmbarcaderoComplete bid process for constructionSupport construction of storm drain system

El Embarcadero Project

Goal: Physical improvements to the El Embarcadero that will stimulate private sector reinvestment in the community.

The El Embarcadero Sidewalk & Utility Undergrounding Project will help the loop area develop as a community focal point while connecting the Downtown to the Pacific Ocean. The project is intended to help create a vibrant downtown by:

- Providing safe and convenient access to the area for bicycles, pedestrians and motorists
- Widening sidewalks and improve pedestrian spaces
- Improving downtown lighting and landscaping
- Increasing business viability and accessibility, and
- Installing a storm water management system that connects to existing improvements on Pardall Road and the El Embarcadero.



Recent Accomplishments

- Completed design and engineering for sidewalk, utility undergrounding, street lighting and trees on El Embarcadero

Goals

- Provide staff support for construction of sidewalks, utility undergrounding, street lighting and trees on El Embarcadero

Alternative Transportation Improvements

Goal: Improve transportation conditions in Isla Vista through physical improvements to the



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

Recent Accomplishments	Goals
<ul style="list-style-type: none">• Installed improvements at three Isla Vista bus stops, including bus stop shelters, benches, and up-to-date route information• Coordinated with MTD to establish new Isla Vista Shuttle	<ul style="list-style-type: none">• Continue implementing improvements to alternative transportation in Isla Vista• Install new bicycle racks, bus shelters, and benches

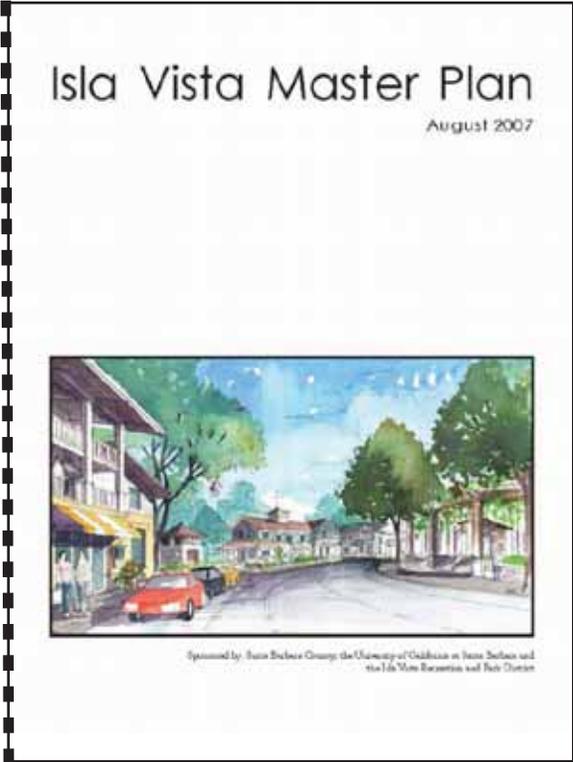
Isla Vista Master Plan Adoption

Goal: Complete the adoption of the Isla Vista Master Plan.

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

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

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



Recent Accomplishments

- Completed responses to Commission staff's request for additional items and clarifications to the Isla Vista Master Plan Local Coastal Plan Amendment application

Goals

- Support Coastal Commission staff review of the Isla Vista Master Plan
- Obtain Coastal Commission certification of the Master Plan

Carshare Program

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

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



Recent Accomplishments

- Facilitated Board of Supervisor adoption and launched the Isla Vista Car Share Program

Goals

- Continue to monitor program and usage
- Support planned expansion of the Car Share Program

Beach Access

Goal: *Ensure safe and convenient beach access for the Isla Vista community through improvements to existing beach access infrastructure and installation of additional beach access sites as needed.*

Beach access is an important and well used resource to the Isla Vista community. Maintaining these access points from the impacts of erosion and wave action is a continuous task. Due to the years of damage caused by the harsh marine environment, it is often necessary to repair or replace portions of stairways at various locations so they remain safe and beach access is maintained. A number of Isla Vista beach access points had fallen into disrepair and were rendered unusable until Redevelopment Agency funds were used to replace the stairways in 2007.



Recent Accomplishments

- Reconstructed three previously unusable beach access points in Isla Vista

Goals

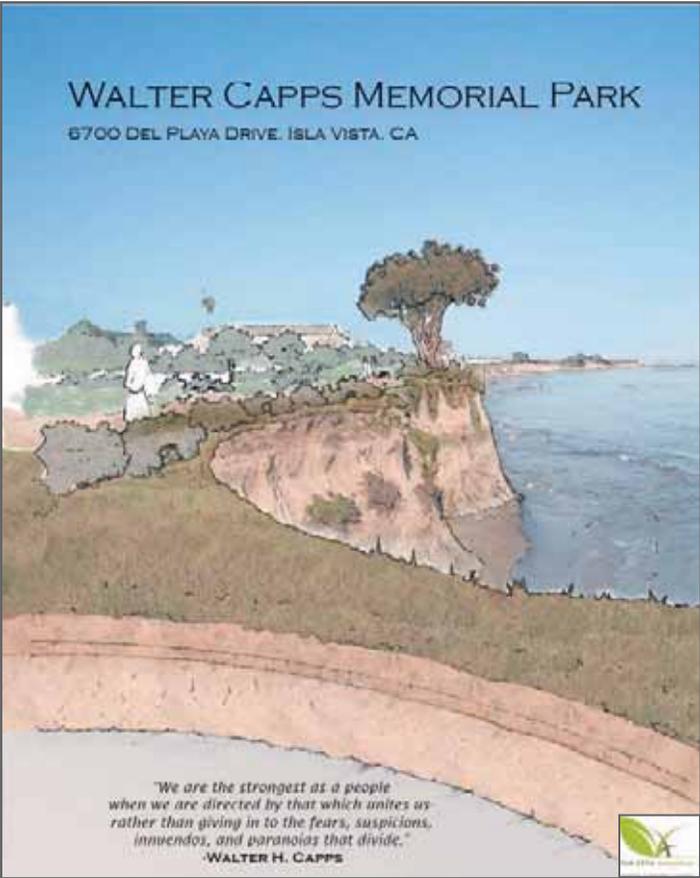
- Continue to implement repairs to beach access points as needed
- Initiate redesign for three beach access points

Capps Park

Goal: *Develop a passive open space park on the Isla Vista bluffs overlooking the ocean with a variety of gathering spaces and restored native habitat.*

After many years of negotiation, in 2005 the final parcels for the 2 acre Capps Park bluff top site were fully assembled. County Parks Department has contracted with Susan Van Atta and Associates to prepare the site plan for the park. The project design includes: boardwalks, native planting areas, look out areas, and a donor circle to recognize those who contributed to developing the Capps Park.

The site is dedicated to the memory of Walter M. Capps. Mr. Capps was a professor in the Department of Religious Studies at UCSB from 1963-1996. In 1996 he was elected to serve in the United States House of Representatives, where he served until 1997 when he passed away. Throughout his career, Mr. Capps sought to bring the community together through discussion of important issues facing the nation and world.



Recent Accomplishments	Goals
<ul style="list-style-type: none"> Completed acquisition of parcels for Capps Park using both County and Redevelopment Agency funds County Parks Department obtained design funding and established design contract with Van Atta Obtained permits for the Park 	<ul style="list-style-type: none"> Obtain funding to complete construction Complete bid package Provide staff support during Park construction

Outdoor Dining

Goal: Create a vibrant downtown and create a dining destination.

The Outdoor Dining Program supports Isla Vista Master Plan goals to create a vibrant downtown, engender public-private economic development partnerships, and foster community efforts to build a strong local identity. Isla Vista’s proximity to the Pacific Ocean and UCSB coupled with the temperate year-round climate, create an exceptional opportunity for outdoor cafés to thrive. Approximately 37,000 people live in Isla Vista and its surrounding area and thousands more live or work in the Goleta Valley. The community’s proximity to the University allows it to share in the over 100,000 annual visitors to educational, sports and cultural events on



The Outdoor Dining Program will enhance the ability of local businesses to offer destination dining opportunities that cater to students, local residents and visitors alike. This, in turn, provides an opportunity to capture new public revenue to be dedicated to maintaining and improving public areas throughout Isla Vista. The Outdoor Dining Program is an extension of the Pardall project as it enables businesses and the community to directly utilize these recent streetscape and infrastructure improvements for economic development purposes.

Recent Accomplishments	Goals
<ul style="list-style-type: none"> Facilitated Board of Supervisor adoption and launched the Outdoor Dining Program in downtown Isla Vista Enrolled two Isla Vista businesses in the Outdoor Dining Program 	<ul style="list-style-type: none"> Increase number of program participants in downtown Isla Vista

Agency Management

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

State Redevelopment Law sets forth a number of management requirements for Redevelopment Agencies, including the adoption of a five year implementation plan, an annual budget, and the filing of an annual financial report with the state. These documents serve as the foundation for the Agency’s financial planning and control.

Community Law



Project Area Committee

The Agency is also required to provide staff service to the Isla Vista Project Area Committee (PAC). The PAC consists of a group of residents, property owners, business owners, and community organization representatives from the Project Area that serve as an advisory group for the Redevelopment Agency. The PAC holds bimonthly public meetings which serve as a community forum

Recent Accomplishments

- Adopted 10-11 Fiscal Year Agency Budget on time
- Held PAC and special community meetings

Goals

- Comply with California State Law
- Continue to provide staff support for PAC meetings
- Adopt the 11-12 Fiscal Year Agency Budget that effectively allocates resources to bring positive change to Isla Vista
- Submit 10-11 Fiscal Year annual report to State on time
- Complete 5-Year Implementation Plan Report

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Isla Vista Redevelopment Plan Amendments Summary
(Unaudited)

First Amendment to the Isla Vista Redevelopment Plan

The Agency adopted Ordinance No. 4382, the First Amendment to the Isla Vista Redevelopment Plan, in the 99/00 fiscal year. This amendment, pursuant to Assembly Bill 1342, extended the time limit on incurring indebtedness, the time limit on redevelopment plan effectiveness, and the time limit to repay indebtedness with the proceeds of property taxes to the maximum time limits previously authorized by Assembly Bill 1290 (AB 1290).

AB 1290 established maximum time limits for redevelopment plans adopted prior to 1994. First, a redevelopment agency was permitted to incur indebtedness 20 years from the date of adoption or January 1, 2004, whichever is later. Second, an agency was permitted to perform redevelopment activities 40 years from the date of adoption or January 1, 2009, whichever is later. Finally, a redevelopment agency was permitted to collect tax increment 10 years after the limit on redevelopment activities. As a result of adopting the First Amendment, the Agency's time limit on incurring indebtedness became 2010; the time limit on plan effectiveness became 2030; and the time limit to repay indebtedness with the proceeds of property taxes became 2040.

Second Amendment to the Isla Vista Redevelopment Plan

The Agency approved and adopted Ordinance No. 4651, the Second Amendment to the Isla Vista Redevelopment Plan, in the 07/08 fiscal year. The original Redevelopment Plan provided the Agency with the authority to exercise the power of eminent domain within the Project Area from the time of adoption until the year 2000. The Second Amendment reiterates and further clarifies that the Agency does not now have the authority to acquire property by eminent domain. However, the Second Amendment provides the Agency the flexibility to acquire land from voluntary sale for mixed-use, affordable housing and commercial projects as necessary.

Third Amendment to the Isla Vista Redevelopment Plan

The Agency adopted Ordinance No. 4688, the Third Amendment to the Isla Vista Redevelopment Plan, in the 08/09 fiscal year. The Third Amendment enacted Senate Bills (SB) 1045 and 211.

SB 1045 required all California redevelopment agencies in the 03/04 fiscal year to allocate additional property tax increment to the Educational Revenue Augmentation Fund (ERAF). To comply, in 2004 the Agency paid ERAF \$130,847. To offset the loss of tax increment revenue diverted to ERAF, a provision in SB 1045 allowed agencies to adopt by ordinance one year extensions of the time limit on plan effectiveness and the time limit to repay indebtedness with the proceeds of property taxes. The Agency in adopting this amendment extended the time limit on redevelopment plan effectiveness from 2030 to 2031 and the time limit to repay indebtedness with the proceeds of property taxes from 2040 to 2041.

In general, a redevelopment plan adopted prior to January 1, 1994 must incur indebtedness within 20 years from the adoption of the plan. In the case of the Agency, established in 1990, the time limit on incurring indebtedness was set to expire in 2010. SB 211 permitted an agency to remove its time limit on incurring indebtedness. Once removed, an agency has the ability to incur new debt until the end of the active life of the project area. However, deleting the time limit on incurring indebtedness also compels an agency to initiate tax sharing pass-through payments to taxing entities that did not enter into tax sharing agreements at the time of the project area adoption. As such, the Agency will begin to make AB 1290 statutory pass-through payments in the 11/12 fiscal year.

STATISTICAL SECTION

(UNAUDITED)

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

CONTENTS	PAGE
REVENUE CAPACITY These schedules contain trend information to help the reader assess the Agency's most significant local revenue source, the property tax.	62
FINANCIAL TRENDS These schedules contain trend information to help the reader understand how the Agency's financial performance and well-being have changed over time.	65
ECONOMIC INFORMATION This schedule offers an economic indicator to help the reader understand the environment within which the Agency's financial activities take place.	68

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Tax Increment Collections (Unaudited)

Since Inception

Fiscal Year	Assessed Value	Percent Change	Tax Increment	Supplemental Tax Increment	PLUS:	LESS:	Gross Tax Revenues	
					Bond Increment	Pre 2% Pass-through	Total Tax Increment	Percent Change
1990-91	\$ 253,992,105	N/A	\$ --	\$ --	\$ --	\$ --	\$ --	N/A
1991-92	275,614,194	8.51%	216,221	41,475	980	--	258,676	N/A
1992-93	282,232,439	2.40%	282,403	13,320	9,390	--	305,113	17.95%
1993-94	293,371,583	3.95%	393,795	69,812	809	--	464,416	52.21%
1994-95	301,119,893	2.64%	471,278	16,752	23,599	--	511,629	10.17%
1995-96	304,061,998	0.98%	500,699	(8,015)	19,107	--	511,791	0.03%
1996-97	313,637,461	3.15%	596,453	36,803	31,349	--	664,605	29.86%
1997-98	321,193,673	2.41%	665,887	45,810	39,883	--	751,580	13.09%
1998-99	324,429,441	1.01%	704,373	53,374	6,072	--	763,819	1.63%
1999-00	370,018,906	14.05%	1,160,268	237,292	1,185	--	1,398,745	83.13%
2000-01	426,272,457	15.20%	1,731,872	325,068	1,056	--	2,057,996	47.13%
2001-02	493,820,920	15.85%	2,398,303	401,418	5,766	--	2,805,487	36.32%
2002-03	511,878,200	3.66%	2,578,887	188,352	6,600	--	2,773,839	-1.13%
2003-04	490,187,401	-4.24%	2,708,685	126,002	5,719	--	2,840,406	2.40%
2004-05	508,439,293	3.72%	2,881,931	381,762	5,729	--	3,269,422	15.10%
2005-06	558,807,750	9.91%	3,394,859	290,784	5,700	--	3,691,343	12.91%
2006-07	640,901,630	14.69%	4,216,814	619,289	9,200	--	4,845,303	31.26%
2007-08	746,174,506	16.43%	5,268,829	720,648	13,460	197,579	5,805,358	19.81%
2008-09	792,151,018	6.16%	5,728,294	216,843	13,070	525,495	5,432,712	-6.42%
2009-10	822,447,355	3.82%	6,031,320	106,213	11,559	311,708	5,837,384	7.45%
			<u>\$ 41,931,171</u>	<u>\$ 3,883,002</u>	<u>\$ 210,233</u>	<u>\$ 1,034,782</u>	<u>\$ 44,989,624</u>	

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	

Note:

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

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

Tax Increment Collections (Unaudited)

Since Inception (continued)

Tax Increment to Agency

Fiscal Year	Total Tax Increment	LESS:		Total to Agency	Agency General Fund	Agency Housing Set-aside
		Pass- Through				
1990-91	\$ --	\$ --		\$ --	\$ --	\$ --
1991-92	258,676	76,483		182,193	125,769	56,424
1992-93	305,113	108,316		196,797	126,196	70,601
1993-94	464,416	172,588		291,828	164,967	126,861
1994-95	511,629	190,569		321,060	196,406	124,654
1995-96	511,791	201,208		310,583	212,046	98,537
1996-97	664,605	251,658		412,947	286,295	126,652
1997-98	751,580	287,364		464,216	320,651	143,565
1998-99	763,819	313,267		450,552	299,003	151,549
1999-00	1,398,745	533,484		865,261	585,843	279,418
2000-01	2,057,996	728,677		1,329,319	917,788	411,531
2001-02	2,805,487	1,101,361		1,704,126	1,144,182	559,944
2002-03	2,773,839	1,095,171		1,678,668	1,125,224	553,444
2003-04	2,840,406	1,158,196		1,682,210	1,115,278	566,932
2004-05	3,269,422	1,232,774		2,036,648	1,383,914	652,734
2005-06	3,691,343	1,519,275		2,172,068	1,434,945	737,123
2006-07	4,845,303	1,889,913		2,955,390	1,988,372	967,018
2007-08	5,805,358	1,816,301		3,989,057	2,827,985	1,161,072
2008-09	5,432,712	1,596,294		3,836,418	2,752,319	1,084,099
2009-10	5,837,384	1,896,991		3,940,393	2,772,929	1,167,464
	<u>\$ 44,989,624</u>	<u>\$ 16,169,890</u>		<u>\$ 28,819,734</u>	<u>\$ 19,780,112</u>	<u>\$ 9,039,622</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, 2010

Top Ten Secured Role Parcels	Net Assessed	Percent	Total 1% Tax
	Value (AV)	of Total Net AV	
Essex Portfolio, LP	\$ 60,587,721	7.43%	\$ 605,877
Apf Edr, LP	45,703,733	5.60%	457,037
Tropicana Gardens Ag Borrower LLC	43,788,251	5.37%	437,883
Gelb, James	34,315,431	4.21%	343,154
St George, Edward Revocable Trust	31,819,972	3.90%	318,200
Yellow Submarine, LLC	19,136,613	2.35%	191,366
New Tahitian LLC	12,677,380	1.55%	126,774
Hi Desert Mobile Home Park LP	11,321,470	1.39%	113,215
6626 Picasso, LLC	10,636,979	1.30%	106,370
Warkentin, John & Marjolein Family Trust	8,225,112	1.01%	82,251
Sub-total top ten payers	\$ 278,212,662	34.11%	\$ 2,782,127
All other	537,335,353	65.89%	
Total Net Taxable Value	\$ 815,548,015	100.00%	

Top Ten Current Year Buyers	Net Assessed Value (AV)
Anglin, Delores M Ventura Trust 10/28/1998	\$ 2,200,000
Knill, Ellen	2,039,990
Morton, Diane Revocable Trust	1,952,280
Icon At UCSB, LLC	1,725,000
Mx li, LLC	1,632,000
Schaumburg, Michael C	1,455,000
Kolb, Kit	1,405,000
Amherst Exchange Corporation	1,335,000
Gelb, James	1,300,500
Ponce Family Trust 7/5/04	1,086,300
Subtotal top transfers	\$ 16,131,070
All others	5,950,680
Total Net Taxable Value	\$ 22,081,750

Notes:

(1) Total Net Taxable Value amounts include secured and unitary assessed value and excludes homeowners exemptions (\$1,330,000) and unsecured assessed value (\$5,569,340).

(2) Total Tax amounts are the total taxes paid by the payer, not taxes that were distributed by the Agency.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Governmental Funds Revenues By Source (Unaudited)

Since Inception

<u>Fiscal Year</u> <u>Ending</u>	<u>Property Tax</u> <u>Increment</u>	<u>Investment</u> <u>Income</u>	<u>Inter-</u> <u>Governmental</u>	<u>Other Revenue</u>	<u>Long-term</u> <u>Obligations</u>	<u>Total</u> <u>Revenues</u>
1991	\$ --	\$ 43,794	\$ --	\$ --	\$ 3,350,000	\$ 3,393,794
1992	182,193	68,042	--	--	--	250,235
1993	196,797	66,922	--	215,313	--	479,032
1994	291,728	39,365	--	--	--	331,093
1995	321,060	37,942	500	--	--	359,502
1996	310,583	56,024	--	--	385,000	751,607
1997	412,947	38,946	--	--	--	451,893
1998	464,216	61,886	--	--	--	526,102
1999	450,552	50,814	--	--	--	501,366
2000	865,061	47,459	--	--	--	912,520
2001	1,329,319	86,945	17,327	--	--	1,433,591
2002	1,704,124	37,311	112,807	--	--	1,854,242
2003	1,678,667	60,485	232,116	--	--	1,971,268
2004	1,682,210	15,429	152,883	--	--	1,850,522
2005	2,036,648	67,086	20,000	6,479	--	2,130,213
2006	2,172,068	107,130	--	17,441	--	2,296,639
2007	2,955,390	286,543	--	383,941	--	3,625,874
2008	3,989,057	170,423	--	1,063,822	16,911,740	22,135,042
2009	3,836,418	569,443	--	3,056,889	--	7,462,750
2010	3,940,393	284,955	--	30,582	--	4,255,930
Total Since Inception	<u>\$ 28,819,431</u>	<u>\$ 2,196,944</u>	<u>\$ 535,633</u>	<u>\$ 4,774,467</u>	<u>\$ 20,646,740</u>	<u>\$ 56,973,215</u>

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Governmental Funds Expenditures By Function (Unaudited)

Since Inception

Fiscal Year Ending	Project Administration	State ERAF/ SERAF Payments	Isla Vista Projects				Long-term Obligations		Total Expenditures
			Master Plan	Projects	Contribution to Other Governments	Housing Activities	Principal	Interest	
1991	\$ 165,343	\$ --	\$ --	\$ --	\$ 1,943,789	\$ --	\$ --	\$ --	\$ 2,109,132
1992	63,195	--	--	--	764,390	--	--	95,438	923,023
1993	112,085	--	--	--	135,084	--	--	245,489	492,658
1994	141,794	--	--	--	--	--	75,000	242,544	459,338
1995	30,328	--	--	--	--	--	85,000	233,360	348,688
1996	32,969	--	--	--	--	--	100,000	214,669	347,638
1997	28,272	--	--	--	--	--	110,000	186,618	324,890
1998	20,501	--	--	--	--	8,290	125,000	216,045	369,836
1999	29,282	--	--	--	--	181,710	180,000	145,493	536,485
2000	70,570	--	93,650	--	--	468,090	200,000	135,092	967,402
2001	203,013	--	179,931	4,800	--	668,270	180,000	78,921	1,314,935
2002	395,574	--	262,291	4,500	--	298,379	615,000	130,388	1,706,132
2003	166,035	63,287	605,068	56,597	--	--	250,000	133,438	1,274,425
2004	203,436	130,847	393,454	43,586	--	--	270,000	109,068	1,150,391
2005	215,281	217,956	421,540	74,793	100,000	357,544	290,000	100,451	1,777,565
2006	246,661	200,381	138,341	151,132	--	13,594	315,000	94,434	1,159,543
2007	486,625	--	175,826	429,576	--	3,793,091	330,000	62,336	5,277,454
2008	428,462	--	68,921	1,444,218	--	17,092	355,000	51,254	2,364,947
2009	587,393	--	31,202	3,842,837	--	3,298,796	380,000	737,418	8,877,646
2010	480,925	1,537,441	25,442	1,688,572	--	128,208	533,449	758,893	5,152,930
Total Since Inception	\$ 4,107,744	\$ 2,149,912	\$ 2,395,666	\$ 7,740,611	\$ 2,943,263	\$ 9,233,064	\$ 4,393,449	\$ 3,971,349	\$ 36,935,058

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Ending Total Fund Balance (Unaudited)

Since Inception

Fiscal Year	Isla Vista Housing				Ending Total
Ending	General Fund	Fund	Debt Service Fund	Capital Projects Fund	Fund Balance
1991	\$ 193,654	\$ --	\$ 527,623	\$ 1,091,008	\$ 1,812,285
1992	203,171	56,676	412,896	352,027	1,024,770
1993	37,749	130,814	407,527	429,686	1,005,776
1994	180,212	264,924	410,063	24,867	880,066
1995	76,991	403,827	404,456	--	885,274
1996	356,314	528,472	405,249	--	1,290,035
1997	322,942	688,847	391,727	--	1,403,516
1998	298,027	870,028	387,495	--	1,555,550
1999	253,847	879,088	385,401	--	1,518,336
2000	355,351	722,703	377,032	--	1,455,086
2001	683,276	513,434	340,245	--	1,536,955
2002	542,367	802,453	365,729	--	1,710,549
2003	653,421	1,388,242	351,086	--	2,392,749
2004	775,850	1,965,944	352,731 (1)	--	3,094,525
2005	779,447	2,314,995	--	--	3,094,442
2006	1,098,807	3,132,731	--	--	4,231,538
2007	1,690,965	888,993	--	--	2,579,958
2008	3,019,622	3,158,884	3,296,473	12,875,074	22,350,053
2009	4,755,596	4,106,593	2,706,211	9,366,757	20,935,157
2010	4,499,485	5,212,684	1,992,813	8,333,175	20,038,157

Note:

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

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Project Area Taxable Sales (Unaudited)

Since 1997

<u>Tax Year</u>	<u>Restaurants & Hotels</u>	<u>Food & Drug</u>	<u>General Consumer</u>	<u>Business & Industries</u>	<u>Other</u>	<u>Total</u>	<u>Percent Change</u>
1997	\$ 5,103,262	\$ 3,154,023	\$ 4,292,731	\$ 853,808	\$ 376,780	\$ 13,780,604	N/A
1998	5,040,221	3,666,121	4,329,362	814,594	604,647	14,454,945	4.9%
1999	13,664,013	3,404,605	4,123,944	860,729	1,112,436	23,165,727	60.3%
2000	12,966,053	4,069,521	3,709,611	968,188	1,146,990	22,860,363	-1.3%
2001	15,174,512	4,363,883	4,383,668	987,254	1,726,928	26,636,245	16.5%
2002	14,146,736	5,017,164	720,514	3,658,379	962,392	24,505,185	-8.0%
2003	14,250,477	4,182,169	3,222,430	2,179,008	263,232	24,097,316	-1.7%
2004	11,820,999	4,006,000	3,150,240	2,433,961	150,449	21,561,649	-10.5%
2005	15,413,684	4,392,979	3,568,562	2,698,360	318,322	26,391,907	22.4%
2006	16,011,929	4,744,636	4,036,274	3,601,023	480,388	28,874,250	9.4%
2007	16,037,083	5,173,434	3,609,177	2,601,853	429,395	27,850,942	-3.5%
2008	17,066,989	5,403,510	3,581,709	2,473,706	140,868	28,666,782	2.9%
2009	17,091,826	6,055,034	2,872,404	3,197,619	109,677	29,326,560	2.3%
TOTAL	<u>\$ 173,787,784</u>	<u>\$ 57,633,079</u>	<u>\$ 45,600,626</u>	<u>\$ 27,328,482</u>	<u>\$ 7,822,504</u>	<u>\$ 312,172,475</u>	

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Glossary for the Annual Financial Report
June 30, 2010

Assembly Bill (AB) 1290: AB 1290, Chapter 942, Statutes of 1993, is a major redevelopment agency reform bill, which went into effect on January 1, 1994.

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

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

Base Value: The total assessed value of property within a project area in the year the redevelopment project is approved.

Base Year: The year the redevelopment plan is adopted.

Blighted Areas: Areas and/or structures of a community which constitute either physical, social, or economic liabilities requiring redevelopment in the interest of the health, safety, and general welfare of the people of the community and the state.

Bond Limit: Redevelopment plans adopted on or after October 1, 1976 that authorize the issuance of bonds must also contain a dollar limitation on the amount of bonded indebtedness that can be outstanding at any time.

California Community Redevelopment Law: Redevelopment law of the state contained in California Health and Safety (H&S) Code as contained in Division 24, Part 1 (Section 33000 et. seq.).

Capital Projects Fund: Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Debt Service Fund: Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

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

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

Educational Revenue Augmentation Fund (ERAF): The fund established for the deposit of moneys deducted and transferred from counties, cities and special districts (California Revenue & Taxation Code §97.2). ERAF is commonly referred to as the property tax shift.

Excess surplus: Any unexpended and unencumbered amount in an agency's Low and Moderate Income Housing Fund that exceeds the greater of one million dollars (\$1,000,000) or the aggregate amount

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Glossary for the Annual Financial Report
June 30, 2010

deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2 and 33334.6 during the agency's preceding four fiscal years. (H&S §33334.12(g)(1))

"Housing Set Aside": For each redevelopment plan adopted on January 1, 1977, or later, an agency is generally required to set aside at least 20 percent of all tax increment revenue generated from the project area for the purpose of "increasing, improving, and preserving the community's supply of low- and moderate- income housing." (H&S §§33334.2, 33334.3(a))

Infrastructure: Public improvements which support development, including street lighting, sewers, flood control facilities, water lines, gas-lines, telephone lines, etc...

Limit on Tax Increment Receipt: Dollar cap on the total amount of tax increment revenue a redevelopment agency can receive over the life of a redevelopment plan. Plans adopted before 1994 are required to contain a cap on the total amount of tax increment.

Mandatory AB 1290 Payments: AB 1290 requires statutory pass-throughs to all taxing entities for plans adopted before 1994 if the plan is amended to delete the deadline on incurring debt. AB 1290 replaced pass through agreements as a form of mitigating the financial burden or detriment of redevelopment financing on affected taxing entities with a mandatory, statutory formula for pass through payments. (H&S §33607.5 & 33607.7)

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 Payments In Lieu of Taxes: Under H&S §33401 in effect prior to 1994, a redevelopment agency could enter into an agreement with an affected taxing agency to alleviate the financial burden or detriment to the affected taxing entity resulting from the adoption and implementation of a redevelopment plan. Such agreements typically included an obligation for the redevelopment agency to pay to the affected taxing entity a specified portion of the tax increment revenue that, but for the adoption of the redevelopment plan and allocation of such tax increment revenue to the affected taxing entity, would have been payable to the affected taxing entity as normal property taxes.

Negotiated Sale: When the price to be paid for land and improvements is mutually agreed upon by the buyer and seller.

Owner Participation Agreement: A contract between a redevelopment agency and a landowner, under which the landowner makes specific commitments about project development, and the government entity specifies the type of public involvement in the project.

Pass-Through: Incremental tax revenue returned to taxing jurisdictions affected by a redevelopment agency based upon either a negotiated agreement (prior to January 1, 1994) or based upon statutory mandate (H&S §33607.5).

Project Area: Area designated in the redevelopment plan for redevelopment and revitalization.

Project Area Committee (PAC): Elected committee composed of project area residents, business persons, and representatives of organizations to consult with and advise the agency.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Glossary for the Annual Financial Report
June 30, 2010

Property Held for Resale: Property purchased by a redevelopment agency with the intent to rehabilitate and/or resell the property at a later date.

Property Tax: The amount of tax, which a property owner pays on the value of his/her property. The tax is calculated by multiplying the assessed value of the property by the tax rate, which is one percent plus any voter approved increases.

Redevelopment: Planning, development, re-planning, redesign, clearance, reconstruction, or rehabilitation of all or part of a project area.

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

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

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

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

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

Supplemental Revenue Augmentation Fund (SERAF): Fund mandated by California Assembly Bill AB 26 4x which requires redevelopment agencies to redirect tax increment funds to K-12 school district(s) or county office of education located partially or entirely within any project area of the agency.

Statement of Indebtedness (SOI): A report detailing information in regards to each loan, advance, or indebtedness incurred or entered into by a redevelopment agency required by H&S §33675 to be submitted to the Auditor-Controller on or before October 1.

Supplemental (Property) Tax: The increase in the amount of tax based on a change in ownership or completion of new construction. The tax is calculated based on the difference between the old and new value and the date of event.

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

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

Time Limit on Exercise of Eminent Domain: Time limit on commencing eminent domain proceedings of not more than twelve years.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Glossary for the Annual Financial Report
June 30, 2010

Time Limit on Incurring Bond Debt: Prevents an agency from “establishing... loans, advances, and indebtedness to be paid” with tax increment, which includes bond indebtedness. Every pre-1994 plan was required to contain a time limit on incurring debt, which was not to exceed 20 years from the adoption of the plan or January 1, 2004, whichever was later. Senate Bill 211 allows an agency to eliminate that deadline altogether for pre-1994 plans.

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

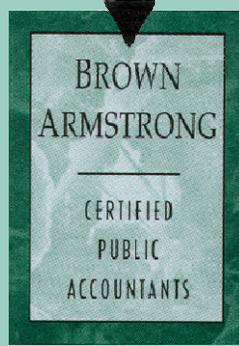
Two Percent Inflationary Revenue Payments to Agencies (Pre-AB 1290): For plans adopted in 1985 through 1993, taxing entities could elect to receive the so-called 2 percent election payments from a project area pursuant to former Section 33676. A taxing entity properly making such an election became entitled to receive annually its proportional share of property taxes attributable to the annual inflationary growth (not exceeding 2 percent per year) in the real property assessed valuation above the base year real property assessed valuation. (H&S §33676)

COMPLIANCE SECTION



Redevelopment Agency

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

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

We have audited the financial statements of the governmental activities and each major fund of Santa Barbara County Redevelopment Agency (the Agency) as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 33080(a) of the Health and Safety Code of the State of California; and the procedures contained in the Controller of the State of California *Guideline for Compliance Audits of California Redevelopment Agencies*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

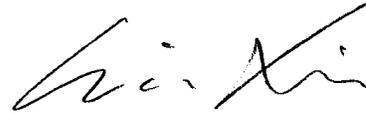
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guideline for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office, Division of Accounting and Reporting. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and recommendations section of this report as Finding 2010-1.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the agency's response and, accordingly, we express no opinion on it.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

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

Bakersfield, California
August 18, 2010

**SANTA BARBARA COUNTY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE, 20, 2010**

Finding 2010-1

Condition: We noted that Santa Barbara Redevelopment Agency (the Agency) does not have policies and procedures in place to monitor the level of low- and moderate-income housing and therefore, is not in compliance with the related Health and Safety Code Section 33418.

Recommendation: We recommend the Agency implement policies and procedures to monitor the level of low- and moderate-income housing.

Management Response: The Agency will implement policies and procedures in order to be in compliance with requirements under Health and Safety Code Section 33418 related to monitoring the level of available affordable housing to low- and moderate-income households.