



SANTA BARBARA COUNTY REDEVELOPMENT AGENCY ANNUAL FINANCIAL REPORT FISCAL YEAR 2007-2008



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

Cover image: Architect Karl Kras's perspective drawing for a new mixed use building in downtown Isla Vista. The project at 909 Embarcadero del Mar combines ground floor commercial with rental units on the second and third floors. This project is an example of the types of buildings 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, 2008**

Prepared Under the Supervision of

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



Redevelopment Agency

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



Redevelopment Agency

COUNTY OF SANTA BARBARA

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OFFICE OF THE AUDITOR-CONTROLLER

August 8, 2008

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, 2008.

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 unqualified ("clean") opinion on the Redevelopment Agency of the County of Santa Barbara's (Agency's) financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

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

Agency Officers:

Board of Directors

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

Policy & Executive

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

Terri Maus-Nisich
Assistant County Executive Officer

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

Mark Paul
Division Chief - Advanced Accounting

Agency Staff

Jamie Goldstein
Agency Deputy Director

Jeff Lindgren and Abigail Nugent,
Redevelopment Specialists

Profile of the Redevelopment Agency

Basic Profile:

Isla Vista Redevelopment Project

In 1990 the Santa Barbara County Board of Supervisors (Board) established the Redevelopment Agency of the County of Santa Barbara (Agency) and established the Isla Vista Project Area (Project Area). The Redevelopment Plan's goals were to remedy, remove, and prevent physical blight and economic obsolescence in the project area; increase open space and protect environmentally sensitive areas; improve the supply of affordable housing; enhance the livability of the residential areas; provide for enhancement and renovation of businesses; address street improvements and promote public improvement facilities.

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

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

Redevelopment — An Overview

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

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

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

Profile of the Redevelopment Agency – continued

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

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

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

Agency's Use of Eminent Domain

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

Tax Increment — An Overview

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

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

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

Component Unit Reporting:

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

This treatment results from the requirement that municipal organizations include in one report all operations financially accountable to the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the County's CAFR as the Board also acts as the Agency's governing board. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made

Profile of the Redevelopment Agency – continued

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

Budgeting:

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

Factors Affecting Financial Condition

Economy:

Santa Barbara County and the Project Area showed sustainable growth in fiscal year (FY) 07-08. Indicators show next year will continue to have a strong economic base. The following highlights are evidence of the changing economy:

Employment:

- The County's unemployment rate as of 2007 continues to be very low at 4.4%.
- The County's largest employer is UCSB with over 9,700 employees. The university borders the Isla Vista community, which houses a significant portion of the UCSB student population.

Income:

- The average annual salary for the County was \$41,242, an increase of 2.2% over the prior year. However, the average annual salary is much lower in the Isla Vista community because of the student population.
- According to the 2000 Census, Santa Barbara per capita income was \$23,059 while Isla Vista per capita income was \$7,644.

Factors Affecting Financial Condition – continued

Retail Sales:

- County-wide taxable retail sales decreased 5.2% to \$5.9 billion. Project Area taxable retail sales decreased 3.5% to \$27.9 million (see Statistical Section - Project Area Taxable Sales schedule).

Real Estate:

- The county-wide median home price increased 5.4% to \$771 thousand, compared to the state median home price which decreased 1.0%.
- Santa Barbara County's residential real estate market continued to slow in 2007. The slowdown was reflected in sales volume, price growth and in new housing production. Given this market, it is notable that the existing single-family median home prices held steady.
- The majority of the real estate in the Project Area is non-owner occupied student housing and rental demand remains strong.

Tourism:

- The South Coast's 2007 hotel and motel occupancy rate was estimated at 73.0%, a rate marginally lower than the ten year (1998 to 2007) average of 73.9%. However, South Coast average room rates have been rising, from \$140 per room per night in 2006 to \$158 in 2007.
- There is one small hotel presently located in the Isla Vista community. However, the university draws many visitors for overnight stays in the surrounding cities and county.

Economic Indicators:

The economy has entered into a significant downturn and has been hit particularly hard by the housing collapse, problems in the mortgage security markets and the oil driven energy crisis. At the very least the housing sector is in a recession of its own throughout the U.S., California and the northern sector of Santa Barbara County. The California State budget deficit for FY 08-09 will also have a negative affect on the economy. We foresee an economic decline throughout 2008. Therefore we expect the continuation of a drop in the growth of our property tax increment.

Financial Indicators:

The Agency is experiencing significant increases in property tax revenues, which is its main revenue source and accounts for 76% of total revenues. The Agency's property tax growth rate for FY 07-08 was 35%. Although the Agency does not expect property tax growth rate to continue to increase at its current rates, the demand for student housing continues to outpace the finite housing supply.

Major Initiatives:

Downtown Infrastructure Projects

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

The Pardall Road project involves physical improvements to establish the roadway as a community focal

Factors Affecting Financial Condition – continued

point and vibrant downtown. In FY 06-07 the Agency selected ROMA Design group to design the Pardall Road Enhancement Project. A number of community workshops were held to solicit community and business leader input into the roadway design. In FY 07-08 the project design was completed and the project was put out to bid. Construction will begin in the August of 2008.

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

The adopted FY 08-09 Agency Budget includes funding to begin design on a downtown storm drain system upgrade. Agency staff plans to begin the design process for this upgrade during the second half of 2008.

Downtown Development Projects

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

Isla Vista Master Plan

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

Partnership Projects

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

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

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

Factors Affecting Financial Condition – continued

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

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

Affordable Housing Activities

In spring of 2007, the Agency funded the Santa Barbara Housing Authority acquisition of two adjacent 10-unit apartment buildings at 6682 and 6688 Picasso Road in Isla Vista. The buildings are currently being renovated for occupation by low to moderate income families. The Agency plans to continue to participate in and implement other affordable housing projects and programs within the Project Area.

Long-term financial planning:

The Agency's property tax increment grew 35% in FY 07-08 following a 36% increase in the prior year. The sustained tax increment growth as well as the prior year's reduction of outstanding debt positioned the Agency to enter into a new loan agreement with the County in the current year for projects.

In January 2006, the County Executive Office Department led an effort to adopt a broader, long-term strategic plan for the Isla Vista area. The Agency will be a tool to assist in executing the broader plan, but will not be the lead agency. This effort involves the Agency, County departments such as Public Works, Sheriff and Fire, and other community organizations, notably UCSB. The goal is to outline the long-term needs and services of the Isla Vista area and develop the funding sources to provide these services.

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

Relevant financial policies:

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

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

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

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

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

Respectfully submitted,



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

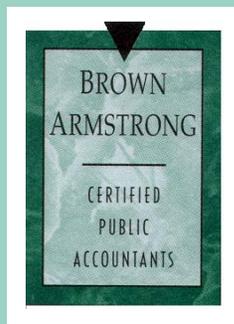


Robert W. Geis, C.P.A.
Agency Treasurer
County Auditor-Controller

FINANCIAL SECTION



Redevelopment Agency



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MCCOWN STARBUCK THORNBURGH & KEETER
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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, 2008, 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.

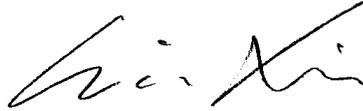
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency, as of June 30, 2008, and the respective changes in financial position, and, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2008, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Keeter", is written over the company name.

Bakersfield, California
August 8, 2008

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, 2008. 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 \$4,715,337 (net assets):

- \$3,158,884 (Restricted net assets) represents amounts with external restrictions that must be used for low income housing efforts and projects.
- \$1,556,453 (Unrestricted net assets) represents the amount that is needed to meet all the Agency's obligations to citizens and creditors.

The Agency's total net assets increased by \$3,436,450 during the current fiscal year. The increase in unrestricted and restricted net assets represents revenues that exceeded expenses for the current year.

The Agency's total governmental funds fund balance at June 30, 2008 was \$22,350,053, an increase of 766%, or \$19,770,095 from the prior year. Of this amount approximately 82%, or \$18,319,573, is available for spending (unreserved fund balance). Unreserved fund balance for the General Fund at year-end was \$3,019,622, or 188%, of total General Fund expenditures and financing uses for the year.

The Agency does not have any investment in capital assets. As of June 30, 2008, the Agency had total long-term obligations of \$17,825,189. Of total long-term obligations, \$380,000 is due or payable within one year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets

	Governmental Activities		Change	
	2007	2008	Dollars	Percent
Current and other assets	\$ 7,690,094	\$ 26,914,651	\$ 19,224,557	250%
Total assets	7,690,094	26,914,651	19,224,557	250%
Current and other liabilities	5,142,758	4,374,125	(768,633)	(15%)
Long-term liabilities	1,268,449	17,825,189	16,556,740	1305%
Total liabilities	6,411,207	22,199,314	15,788,107	246%
Net assets:				
Restricted	888,993	3,158,884	2,269,891	255%
Unrestricted	389,894	1,556,453	1,166,559	299%
Total net assets	\$ 1,278,887	\$ 4,715,337	\$ 3,436,450	269%

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 \$4,715,337 (net assets) at the close of the current fiscal year, an increase of \$3,436,450 over the prior year.

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

- Restricted net assets, \$3,158,884, 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 \$2,269,891 from the prior year due to revenues exceeding expenses in the housing program in the current fiscal year.
- Unrestricted net assets of \$1,556,453 represents that amount that is needed to meet all of the Agency's obligations to citizens and creditors. The \$1,166,559 increase in unrestricted net assets is primarily due to the General Fund's revenues exceeding expenses.

Governmental activities

The Agency's net assets increased by \$3,436,450 for the year ended June 30, 2008 as operating revenues exceeded operating expenses.

Condensed Statement of Changes in Net Assets

	Governmental Activities		Change	
	2007	2008	Dollars	Percent
Revenues				
Program Revenue				
Operating grants and contributions	\$ 383,941	\$ 1,063,822	\$ 679,881	177%
General revenues:				
Property tax increment	2,955,390	3,989,057	1,033,667	35%
Investment earnings	286,543	170,423	(116,120)	(41%)
Total revenues	<u>3,625,874</u>	<u>5,223,302</u>	<u>1,597,428</u>	<u>44%</u>
Expenses				
Project administration	297,654	428,462	130,808	44%
Isla Vista Project Area	4,587,464	1,314,254	(3,273,210)	(71%)
Interest on long-term obligations	55,832	44,136	(11,696)	(21%)
Total expenses	<u>4,940,950</u>	<u>1,786,852</u>	<u>(3,154,098)</u>	<u>(64%)</u>
Excess (deficiency) of revenues over (under) expenses	(1,315,076)	3,436,450	4,751,526	(361%)
Net Assets - beginning	<u>2,593,963</u>	<u>1,278,887</u>	<u>(1,315,076)</u>	<u>(51%)</u>
Net Assets - ending	<u>\$ 1,278,887</u>	<u>\$ 4,715,337</u>	<u>\$ 3,436,450</u>	<u>269%</u>

Revenues

Total revenues for the Agency were \$5,223,302, an increase of 44% from the prior year and primarily related to the following:

- Property tax increment is the main source of revenue for the Agency and is derived from local property tax revenue. This source accounted for 76% of the Agency's revenue in the current fiscal year. Property tax increment revenue increased \$1,033,667 or 35% over the prior year. \$728,108 of this increase is due to a revision in the statutory pass through payments to comply with state law. \$305,559 of this increase is 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.
- Investment earnings decreased by \$116,120 or 41%, to \$170,423. This increase was driven by a decrease in the County's annual investment pool earnings rate from 4.97% to 3.38%.

- Operating grants and contributions increased by \$679,881 over the prior year to \$1,063,822. This increase primarily resulted from the Housing Fund collecting on its loan receivable portfolio.

Expenses

Total expenses for the Agency were \$1,786,852, a decrease of 64% from the prior year, and primarily related to the following:

- Project administration expenses of \$428,462, which included \$61,230 in statutory property tax administration fees, \$77,869 in administrative staffing costs for executing projects, \$179,351 in central service department cost allocations, \$18,100 in financial statement audit fees and other administrative expenses of \$91,912.
- Isla Vista Project Area costs totaled \$1,314,254 across all Agency funds with the exception of the Debt Service Fund. Projects costs of \$769,352 incurred by the General Fund included IV Master Plan costs of \$68,921, streetscape project costs of \$34,642, El Colegio road project costs of \$23,664, facade improvement program costs of \$26,415, parking program project costs of \$18,449, design of Pardall Road enhancements of \$197,208, general project costs of \$253,780, and other miscellaneous project costs of \$146,273. The Agency's Isla Vista Housing Fund incurred \$17,092 in miscellaneous Project Area costs. The Agency's Capital Projects Fund incurred \$527,810 in project costs including \$526,581 in expenses for the Pardall Road Enhancement project and \$1,229 in miscellaneous expenses.
- Interest on long-term obligations of \$44,136 was expensed related to the 1991 note payable to the County.

FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

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

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

- At June 30, 2008, the Agency's governmental funds reported total fund balances of \$22,350,053, a 766% or \$19,770,095, increase in comparison with the prior year fund balance of \$2,579,958. This increase is mainly due to the receipt of debt proceeds to finance capital projects.
- Unreserved fund balance constitutes all of the total fund balances that are available to meet the Agency's current and future needs. The Agency's General Fund fund balance increased \$1,328,657 to \$3,019,622, an increase of 79%. This increase was due to revenues exceeding expenditures in the current year.
- The Isla Vista Housing Fund fund balance is \$3,158,884, an increase of \$2,269,891, or 255% over prior year. This increase was due to increased property tax increment, increased collection of loan receivables, and no extensive housing related expenditures.

- The Debt Service Fund fund balance is \$3,296,473, an increase of \$3,296,473 over the prior year. This increase was due to the receipt of the proceeds of the 2008 note payable from the County offset by cost of issuance expenditures and a transfer of the majority of the proceeds to the Capital Projects Fund.
- The Capital Projects Fund fund balance is \$12,875,074, an increase of \$12,875,074 over the prior year. This increase was due to the receipt of the majority of the proceeds of the 2008 note payable from the County offset by project expenditures of approximately a half million dollars.

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

The following table depicts the County's calculation of property tax increment allocated to the Agency's General Fund amounting to \$2,827,985 and \$1,161,072 to the Agency's Isla Vista Housing Fund for low and moderate income housing.

Base Property Tax Increment	\$ 5,268,829
Add: Supplemental Property Tax	720,648
Add: Bond Rate Increment subject to Set Aside or Pass-through	13,460
Less: Pre 2% Pass-through	<u>(197,579)</u>
Subtotal	5,805,358
Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund	(1,161,072)
Less: Pass-throughs to other Government Agencies	<u>(1,816,301)</u>
Total Allocated to Redevelopment Agency General Fund	<u><u>\$ 2,827,985</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 and other financing uses were adjusted to \$2,289,560 from the original budgeted amounts of \$1,926,760, a \$362,800 increase. This increase was due to two revisions. In the first revision, appropriations were increased by \$200,000 for a contribution to the County Public Works Department for the Isla Vista Beach Access Stairway Repair Project. In the second revision, appropriations were increased by \$162,800 to fund current year contract expenses related to the Pardall Road Enhancement project.

Actual revenues exceeded final budgeted estimates by \$1,220,085 primarily due to a higher than expected property tax increment. Actual expenditures and other financing sources (uses) were less than budgetary appropriations by \$684,991. The General Fund Budget and Actual statement can be found on page 21 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

Redevelopment agencies generally do not invest in capital assets unless they plan to hold assets on a temporary basis for redevelopment purposes. The goals are to keep assets in the private sector, encourage redevelopment and increase the property tax base to generate tax increment to be used for public improvements and revitalization of blighted areas. As of June 30, 2008 the Agency has no capital assets.

Long-term obligations

At June 30, 2008, the Agency had total long-term obligations outstanding of \$17,825,189 consisting of two note payables from the County. The Agency's total long-term obligations increased by \$16,556,740, or 1305%, during the fiscal year due to the issuance of the 2008 note payable offset by a principal payment on the 1991 note balance. The proceeds of the 1991 note were contributed to the County for the County's purchase of bluff-top open space properties (land) in the early 90's. The proceeds of the 2008 note will be 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	
	2007	2008	Dollars	Percent
Notes Payable to County	\$ 1,268,449	\$ 17,825,189	\$ 16,556,740	1305%

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 08-09 budget, the Agency has considered the FY 07-08 growth in the real estate markets in the Isla Vista Project Area that generated a 35% increase in property tax increment to the Agency in the current year. Assessed property valuation in the Agency's project area drives the Agency's main revenue source, property tax increment, and the Agency has included a 65% increase in this tax source in its FY 08-09 budget when compared to the FY 07-08 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, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 18,413,709
Investment income receivable	44,238
Loans receivable (Note 4)	4,210,247
Properties held for resale (Note 5)	2,600,000
Deferred charges	215,977
Restricted cash and investments (Note 3)	<u>1,430,480</u>
Total assets	<u>26,914,651</u>
LIABILITIES	
Accounts payable	\$ 138,374
Interest payable	25,504
Deferred revenue (Note 4)	4,210,247
Long-term obligations (Note 7):	
Portion due or payable in one year:	
Notes payable to County	380,000
Portion due or payable after one year:	
Notes payable to County	17,533,449
Unamortized discount on note payable	<u>(88,260)</u>
Total liabilities	<u>22,199,314</u>
NET ASSETS	
Restricted for low and moderate income housing (Note 9)	3,158,884
Unrestricted	<u>1,556,453</u>
Total net assets	<u>\$ 4,715,337</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, 2008

<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	\$ 428,462	\$ --	\$ (428,462)
Isla Vista Project Area	1,314,254	1,063,822	(250,432)
Interest on long-term obligations	44,136	--	(44,136)
Total governmental activities	<u>\$ 1,786,852</u>	<u>\$ 1,063,822</u>	<u>(723,030)</u>
General Revenues:			
Property tax increment			3,989,057
Investment earnings			170,423
Total general revenues			<u>4,159,480</u>
Change in net assets			3,436,450
Net assets - beginning			1,278,887
Net assets - ending			<u>\$ 4,715,337</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, 2008

	General	Isla Vista Housing	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$ 2,929,884	\$ 3,137,576	\$ 1,899,929	\$ 10,446,320	\$ 18,413,709
Use of money and property receivable	22,273	21,308	--	657	44,238
Loans receivable (Note 4)	--	4,210,247	--	--	4,210,247
Due from other funds (Note 8)	171,903	--	--	--	171,903
Properties held for resale (Note 5)	--	--	--	2,600,000	2,600,000
Restricted cash and investments (Note 3)	--	--	1,430,480	--	1,430,480
Total assets	<u>\$ 3,124,060</u>	<u>\$ 7,369,131</u>	<u>\$ 3,330,409</u>	<u>\$ 13,046,977</u>	<u>\$ 26,870,577</u>
LIABILITIES & FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 104,438	\$ -	\$ 33,936	\$ -	\$ 138,374
Due to other funds (Note 8)	--	--	--	171,903	171,903
Deferred revenue (Note 4)	--	4,210,247	--	--	4,210,247
Total liabilities	<u>104,438</u>	<u>4,210,247</u>	<u>33,936</u>	<u>171,903</u>	<u>4,520,524</u>
FUND BALANCES					
Reserved for:					
Debt service	--	--	1,430,480	--	1,430,480
Properties held for resale	--	--	--	2,600,000	2,600,000
Unreserved:					
Designated, reported in:					
General fund	3,090	--	--	--	3,090
Special revenue fund	--	3,309	--	--	3,309
Debt service fund	--	--	1,865,993	--	1,865,993
Undesignated, reported in:					
General fund	3,016,532	--	--	--	3,016,532
Special revenue fund	--	3,155,575	--	--	3,155,575
Capital projects fund	--	--	--	10,275,074	10,275,074
Total fund balances	<u>3,019,622</u>	<u>3,158,884</u>	<u>3,296,473</u>	<u>12,875,074</u>	<u>22,350,053</u>
Total liabilities & fund balance	<u>\$ 3,124,060</u>	<u>\$ 7,369,131</u>	<u>\$ 3,330,409</u>	<u>\$ 13,046,977</u>	<u>\$ 26,870,577</u>

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

Fund balances - total governmental funds	\$ 22,350,053
Unamortized issuance cost on long-term obligation	215,977
Accrued interest on long term obligation is not due and payable in the current period and, therefore, is not reported in the funds.	(25,504)
Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(17,913,449)
Unamortized discount on long-term obligation	88,260
Net assets of governmental activities	<u>\$ 4,715,337</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, 2008

	<u>General</u>	<u>Isla Vista Housing</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Property tax increment	\$ 2,827,985	\$ 1,161,072	\$ --	\$ --	\$ 3,989,057
Use of money and property	104,647	62,182	710	2,884	170,423
Recycled affordable housing funds	--	1,063,729	--	--	1,063,729
Other revenues	93	--	--	--	93
Total revenues	<u>2,932,725</u>	<u>2,286,983</u>	<u>710</u>	<u>2,884</u>	<u>5,223,302</u>
EXPENDITURES					
Current:					
Project administration	428,462	--	--	--	428,462
Isla Vista Project Area	769,352	17,092	215,977	527,810	1,530,231
Debt service:					
Principal	355,000	--	--	--	355,000
Interest	51,254	--	--	--	51,254
Total expenditures	<u>1,604,068</u>	<u>17,092</u>	<u>215,977</u>	<u>527,810</u>	<u>2,364,947</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	--	--	--	13,400,000	13,400,000
Transfers Out	--	--	(13,400,000)	--	(13,400,000)
Receipt of long-term note payable	--	--	17,000,000	--	17,000,000
Issuance discount on long-term debt	--	--	(88,260)	--	(88,260)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>3,511,740</u>	<u>13,400,000</u>	<u>16,911,740</u>
Net change in fund balances	1,328,657	2,269,891	3,296,473	12,875,074	19,770,095
Fund balances - beginning	1,690,965	888,993	--	--	2,579,958
Fund balances - ending	<u>\$ 3,019,622</u>	<u>\$ 3,158,884</u>	<u>\$ 3,296,473</u>	<u>\$ 12,875,074</u>	<u>\$ 22,350,053</u>

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

Net change in fund balances - total governmental funds	\$ 19,770,095
The issuance of long-term debt provides current financial resources to the funds but has no effect on net assets.	(17,000,000)
The long-term obligations discount was recorded as a negative interest expenditure in the fund statements but is amortized in the statement of activities.	88,260
Cost of issuance of long-term obligations was recorded as an expenditure in the fund statements but is amortized in the statement of activities.	215,977
Principal payments on long-term obligations use current financial resources and have no effect on net assets.	355,000
The decrease in accrued interest on long-term obligations does not increase current financial resources but is recorded as decrease in expenses in the statement of activities.	7,118
Change in net assets (Statement of Activities, Governmental Activities)	<u>\$ 3,436,450</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, 2008

	Budgeted Amounts		Actual Amounts	Variance Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property tax increment	\$ 1,694,550	\$ 1,694,550	\$ 2,827,985	\$ 1,133,435
Use of money and property	15,000	18,090	104,647	86,557
Other Revenues	--	--	93	93
Total revenues	<u>1,709,550</u>	<u>1,712,640</u>	<u>2,932,725</u>	<u>1,220,085</u>
EXPENDITURES				
Current:				
Project administration	1,207,473	737,473	428,462	309,011
Isla Vista Project Area	--	832,800	769,352	63,448
Debt service:				
Principal	355,000	355,000	355,000	--
Interest	68,204	68,204	51,254	16,950
Capital outlay	295,000	295,000	--	295,000
Total expenditures	<u>1,925,677</u>	<u>2,288,477</u>	<u>1,604,068</u>	<u>684,409</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from County - sources	--	502	--	(502)
Transfers out to County - (uses)	(1,083)	(1,083)	--	1,083
Total other financing sources (uses)	<u>(1,083)</u>	<u>(581)</u>	<u>--</u>	<u>581</u>
Net change in fund balances	(217,210)	(576,418)	1,328,657	1,905,075
Fund balances - beginning	1,690,965	1,690,965	1,690,965	--
Fund balances - ending	<u>\$ 1,473,755</u>	<u>\$ 1,114,547</u>	<u>\$ 3,019,622</u>	<u>\$ 1,905,075</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax increment	\$ 850,000	\$ 850,000	\$ 1,161,072	\$ 311,072
Use of money and property	45,000	48,309	62,182	13,873
Recycled affordable housing funds	17,441	17,441	1,063,729	1,046,288
Total revenues	<u>912,441</u>	<u>915,750</u>	<u>2,286,983</u>	<u>1,371,233</u>
EXPENDITURES				
Current:				
Isla Vista Project Area	<u>102,567</u>	<u>102,567</u>	<u>17,092</u>	<u>85,475</u>
Total expenditures	<u>102,567</u>	<u>102,567</u>	<u>17,092</u>	<u>85,475</u>
Net change in fund balances	809,874	813,183	2,269,891	1,456,708
Fund balances - beginning	<u>888,993</u>	<u>888,993</u>	<u>888,993</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,698,867</u>	<u>\$ 1,702,176</u>	<u>\$ 3,158,884</u>	<u>\$ 1,456,708</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ --	\$ --	\$ 710	\$ 710
Total revenues	--	--	710	710
EXPENDITURES				
Current:				
Isla Vista Project Area	--	300,000	215,977	84,023
Total expenditures	--	300,000	215,977	84,023
OTHER FINANCING SOURCES (USES)				
Transfer Out	--	(13,400,000)	(13,400,000)	--
Receipt of long-term note payable from County	--	2,100,000	17,000,000	14,900,000
Issuance discount on long-term debt	--	(100,000)	(88,260)	11,740
Total other financing sources (uses)	--	(11,400,000)	3,511,740	14,911,740
Net change in fund balances	--	(11,700,000)	3,296,473	14,996,473
Fund balances - beginning	\$ --	\$ (11,700,000)	\$ 3,296,473	\$ 14,996,473
Fund balances - ending	--	--	--	--

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Final Budget - Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Use of money and property	\$ --	\$ --	\$ 2,884	\$ 2,884
Total revenues	<u>--</u>	<u>--</u>	<u>2,884</u>	<u>2,884</u>
EXPENDITURES				
Current:				
Isla Vista Project Area	--	8,375,000	527,810	7,847,190
Debt service:				
Capital outlay	<u>--</u>	<u>5,025,000</u>	<u>--</u>	<u>5,025,000</u>
Total expenditures	<u>--</u>	<u>13,400,000</u>	<u>527,810</u>	<u>12,872,190</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	<u>--</u>	<u>13,400,000</u>	<u>13,400,000</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>13,400,000</u>	<u>13,400,000</u>	<u>--</u>
Net change in fund balances	--	--	12,875,074	12,875,074
Fund balances - beginning	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 12,875,074</u>	<u>\$ 12,875,074</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, 2008

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, 2008, the Agency paid \$471,035 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
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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, 2008. 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The Agency reports the following major governmental funds:

- The **General Fund** is the Agency's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in other specialized funds.
- The **Isla Vista Housing Fund** is used to account for incremental property tax revenue for the purpose of providing low and moderate income housing in the Isla Vista Project Area.
- The **Debt Service Fund** accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest incurred for the purchase of real property within the area of the Redevelopment Agency.
- The **Capital Projects Fund** accounts for financial resources used in the acquisition of land and for physical improvements of infrastructure in downtown Isla Vista.

Cash and Investments

The Agency participates in the County Treasurer's cash and pooled investments (the "pool"). 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 County's General Fund.

Investments held by the County Treasurer are stated at fair value. The fair value of investments is established quarterly 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 53% as of June 30, 2008.

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

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

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2008 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Fund Equity

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

Budget Controls

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

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

Incremental Property Tax

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

Property tax increment revenues represent property taxes collected from the excess of taxes levied and collected by the County each year on all property within the redevelopment area over that amount which would have been levied and collected by the County on the base year property tax assessment. The Agency recognized \$3,989,057 of property tax increment revenue for the year ended June 30, 2008.

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, 2008, \$1,161,072 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.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Properties Held for Resale

Properties held for resale by the Agency are recorded in the Agency's 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 \$18,413,709 at June 30, 2008. Investment income apportioned to the Agency by the County Treasurer's cash and pooled investments totaled \$170,423 for the fiscal year ended June 30, 2008, which included unrealized gains of \$12,114 in the fair value allocated to investments held by the Agency in the County Pool.

Deposits

The custodial credit risk for deposits is the risk that the County will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. This risk is mitigated in that of the total bank balance, \$100,000 is insured by Federal depository insurance. The remaining \$25,606,507 on deposit is uninsured and 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, 2008 the value of pledged collateral was 145%.

At June 30, 2008, the carrying amount of the County's deposits was \$25,706,507 and the corresponding bank balance was \$21,940,769. The difference of \$3,765,738 was principally due to deposits in transit.

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2. CASH AND INVESTMENTS - CONTINUED

Investments

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

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

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Treasurer mitigates these risks by holding a diversified portfolio of high quality investments. The policy sets specific parameters by type of investment for credit quality, maturity length, and maximum percentage investment. For securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the U.S. Government the issuer shall be rated AAA by at least two of the three major rating services of Fitch, Moody's and S&P. Commercial paper obligations and negotiable certificates of deposit shall be rated by at least two of the three major rating services a minimum of F1 by Fitch, P-1 by Moody's and A-1 by S&P. Corporate bonds and notes shall be rated AA by at least two of the three major rating services of Fitch, Moody's and S&P if maturity is greater than three years and AA- if maturity is three years or less.

The following is a summary of the credit quality distribution by investment type as a percentage of fair value at June 30, 2008.

	<u>Credit Ratings</u>	<u>% of Portfolio</u>
Treasurer's Pooled Investments:		
LAIF	Unrated	5.06%
Commercial Paper	A-2, P-1, F1	2.87%
Commercial Paper	A-1, P-1, F1	13.11%
Commercial Paper	A-1, P-2, F1	5.72%
Corporate Notes	Aa, AA	1.90%
Corporate Notes	Aa, AA, AA	9.07%
Corporate Notes	Aa, AA-, AA-	0.62%
Corporate Notes	Aa1, AA+	0.64%
Corporate Notes	Aaa, AAA	6.75%
Negotiable Certificates of Deposit	A-1, P-1, F1	2.34%
Government Agency Bonds	AAA	51.92%
Total Treasurer's Pooled Investments		<u>100.00%</u>

At the time of purchase, County investment policy dictates that no more than 5% of the total portfolio, be invested in the securities of any single issuer, other than the U.S. Government, its agencies, and sponsored enterprises. As

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2. CASH AND INVESTMENTS - CONTINUED

of the fiscal year ended June 30, 2008, more than 5% of the County's investments were invested in the following issuers:

<u>Issuer</u>	<u>Issuer Type</u>	<u>Fair Value Holdings</u>	<u>Percentage Holdings</u>
Treasurer's Pooled Investments:			
Federal Home Loan Mortgage Corporation	Government Sponsored	\$98,461,139	12.45%
Federal Home Loan Bank	Government Sponsored	158,564,040	20.05%
Federal National Mortgage Association	Government Sponsored	113,293,429	14.33%
Federal Farm Credit Banks	Government Sponsored	40,315,348	5.10%

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 (5) years and that non-short term investments, in the aggregate, shall not exceed 75% of the portfolio.

The following is a summary of the weighted average days to maturity by investment type at June 30, 2008.

Treasurer's Pooled Investments:	<u>Weighted Average Days to Maturity</u>
LAIF	On Demand
Commercial Paper	27
Corporate Notes	516
Negotiable Certificates of Deposit	164
Government Agency Bonds	1,041
Investment Pool Average	629

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2. CASH AND INVESTMENTS - CONTINUED

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

Treasurer's Pooled Investments:	Interest Rate Range	Maturity Range
LAIF	3.11%	On Demand
Commercial Paper	2.32% - 3.08%	7/08-8/08
Corporate Notes	2.85% - 7.38%	8/08-8/12
Negotiable Certificates of Deposit	2.58% - 3.55%	7/08-5/09
Government Agency Bonds	0% - 6.00%	7/08-5/13

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

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, 2008:

	Pool
Interest Income	\$ 28,447,088
Realized Gain	8,922,820
Administration & Audit Fees	(1,270,535)
Securities Lending	9,162
Miscellaneous Adjustments	(98,587)
Total Net Investment Income	\$ 36,009,948

The Treasurer purchases securities at a discount from face value to earn higher than nominal rates of return. Under GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, such discount, when realized, is considered gain rather than interest. Interest earnings for the fiscal year amounted to \$28,447,088. The net realized gain on investments sold or matured during the fiscal year was \$8,922,820. 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).

Securities Lending

The Santa Barbara County Treasurer's Pool is authorized by state statute and the Treasurer's Investment Policy to lend its investment security holdings. The securities lending program is managed by Union Bank (the Bank) which also serves as the Treasurer's custodial bank. The County Treasurer or the Bank may terminate the agreement to lend securities, without penalty, upon seven days notice.

Under GASB Statement 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash received as collateral on securities lending transactions and investments made with that cash should be reported as assets. Liabilities resulting from these securities lending transactions also should be reported in the balance sheet. The total amount of cash collateral received by the Treasurer at June 30, 2008 amounted to \$7,643,200.

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2. CASH AND INVESTMENTS - CONTINUED

The Bank may lend securities only to eligible borrowers, as defined by the Treasurer. The term for each lending transaction is limited to a maximum of seven days. The Bank and its affiliates are not eligible borrowers. Cash collateral equaling 102% of the total value of the loaned securities is required. The Bank invests cash collateral on behalf of the County in permitted investments. Collateral is marked to market as is reasonable, and the Bank has the right to demand additional collateral as necessary. Such collateral received by the Bank is held separate and apart from the Bank's own funds and securities. The Treasurer may not pledge or sell any collateral securities unless the borrower defaults. Securities lending transactions are restricted to 20% of the base value of the portfolio.

The securities lent remain in the Treasurer's Statement of Assets as the County retains the risks and rewards of changes in the value of the underlying securities during the term of the loan, has a contractual right to the income distributions, and retains the right to sell the securities. The term to maturity of securities loans is generally matched with the maturity date of the term loan. All securities lending investments as of June 30, 2008 are overnight investments with next day maturities.

The collateral received by the Treasurer exceeds the amount on loan. Accordingly, the Treasurer is not exposed to custodial credit risk.

Securities lending balances at June 30, 2008 are as follows:

Securities Lent	Underlying Securities	Securities Collateral Value
Lent for securities collateral:		
Corporate notes	\$ 7,440,000	\$ 7,643,200

There are no provisions for agent indemnification of the securities lending transactions. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses and no recoveries of prior-period losses during the fiscal year. There are no income distributions owing on the securities lent.

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2. CASH AND INVESTMENTS - CONTINUED

A summary of the investments held by the County Treasurer's pool as of June 30, 2008 is as follows:

Asset Description	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value 6/30/2008
Cash on Hand	\$ 4,000	\$ -	\$ -	\$ 4,000
Bank Deposits	25,706,507	-	-	25,706,507
Total Cash	<u>25,710,507</u>	-	-	<u>25,710,507</u>
Outstanding Purchase Interest:				
Treasurer's Pool Outstanding Purchase Interest				
Interest	129,832	-	-	129,832
Total Outstanding Purchase Interest	<u>129,832</u>	-	-	<u>129,832</u>
Treasurer's Pooled Investments:				
Local Agency Investment Fund	40,000,000	-	-	40,000,000
Commercial Paper	171,151,337	438,602	-	171,589,939
Corporate Notes	150,112,559	917,055	(960,673)	150,068,941
Negotiable Certificates of Deposit	18,500,000	-	-	18,500,000
Government Agency Bonds	<u>410,139,103</u>	<u>1,249,377</u>	<u>(754,522)</u>	<u>410,633,958</u>
Total Treasurer's Pooled Investments	\$ 789,902,999	\$ 2,605,034	\$ (1,715,195)	\$ 790,792,838

3. RESTRICTED CASH AND INVESTMENTS

Cash and investments as of June 30, 2008 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><u>\$ 1,430,480</u></u>
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4. LOANS RECEIVABLE AND DEFERRED REVENUE

Loans receivable, totaling \$4,210,247 at June 30, 2008, consists of loans provided for low and moderate income housing, with interest ranging from 0% to 5% and maturities up to 35 years. Due to the terms of the loans, an offsetting deferred revenue in the amount of \$4,210,247 has been established.

<u>Project</u>	<u>Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2008</u>
A. Storke Ranch Acquisition	\$ 106,000	\$ -	\$ -	\$ 106,000
B. Conway Rehabilitation	10,293	-	711	9,582
C. Isla Vista Apartments	907,063	-	-	907,063
D. Villa del Sol Apartments	308,847	-	7,290	301,557
E. Parkview Apartments	3,775,000	-	888,955	2,886,045
TOTAL	\$ 5,107,203	\$ -	\$ 896,956	\$ 4,210,247

- 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, 2008 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, 2008 is \$9,582.
- 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, 2008 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. The terms of the loan is 3% amortized over a 30 year period. The outstanding balance at June 30, 2008 is \$301,557.
- 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. The loan is payable within three years with simple interest 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. Once such tax credits are obtained it is anticipated that the bridge loan will be repaid and a new long-term loan will be issued by the Agency. The outstanding amount is \$2,886,045.

Loans in default or not in compliance with their terms

As of June 30, 2008 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.

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5. PROPERTIES HELD FOR RESALE

Properties Held for Resale

A summary of the changes in properties held for resale as of June 30, 2008 are as follows:

	Balance		Balance
	July 1, 2007	Additions	June 30, 2008
Properties held for resale	\$ -	\$ 2,600,000	\$ 2,600,000

As of June 30, 2008 the Agency owned one property which was acquired during the 07/08 fiscal year. This property is located at 970 Embarcadero Del Mar and is currently used as a medical clinic.

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 lease provides 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. The original cost of the medical center to the Agency was \$2,601,229. 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, 2008, total rental income was \$0.

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, 2008, the outstanding principal balance was \$913,449.

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

A summary of the notes payable outstanding as of June 30, 2008 is as follows:

	Interest Rate	Date of Issue	Maturity	Amount of	Outstanding as of
	%			Original Issue	June 30, 2008
1991 Note Payable	4.4%	3/5/1991	1/1/2011	\$ 3,609,000	\$ 913,449
2008 Note Payable	4.0% - 4.75%	6/3/2008	12/1/2028	17,000,000	17,000,000
				\$ 20,609,000	\$ 17,913,449

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, 2008

7. LONG-TERM OBLIGATIONS - CONTINUED

The following is a schedule of total debt service requirements to maturity as of June 30, 2008 for notes payable:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 380,000	743,031
2010	405,000	777,609
2011	128,449	759,383
2012	655,000	725,583
2013	680,000	698,883
2014-2018	3,840,000	3,054,613
2019-2023	4,680,000	2,192,744
2024-2028	5,815,000	1,024,313
2029	1,330,000	31,588
Total	<u>\$ 17,913,449</u>	<u>10,007,747</u>

Changes in the Agency's long-term obligation for the year ended June 30, 2008 are as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Notes Payable to County	\$ 1,268,449	\$ 17,000,000	\$ (355,000)	\$ 17,913,449	\$ 380,000

8. INTERFUND TRANSACTIONS

Interfund Receivables / Payables

Amounts due to/from other funds at June 30, 2008 are as follows:

Due from other funds	Due to other funds	Amount
General Fund	Capital Projects Fund	\$ 171,903
Total due to/from		\$ 171,903

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, 2008, the Agency had \$3,158,884 restricted for low income housing, which is restricted by enabling legislation.



Redevelopment Agency

**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 2007-08
(Unaudited)

This report for the fiscal year ended June 30, 2008 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 FY 07-08

Highlights of Previous Agency General Project Efforts: Prior to FY 07-08

Fiscal Year(s)	FUNDS	PROJECT DESCRIPTION
90-91	\$4,010,000	County issues \$4,010,000 in Certificates of Participation and loans proceeds to Agency for the purchase of open space.
90-91 to 92-93	\$2,634,140	County acquires 14 bluff-top, open-space parcels in Isla Vista using Agency funds.
95-96	\$135,000	County Services Area 31 (“CSA 31”) loans funds to Agency to pay debt service.
	\$150,000	Coastal Resource Enhancement Fund (“CREF”) loans funds to Agency to pay debt service.
01-02		Project Area Committee (PAC)/General Plan Advisory Committee (GPAC) formed to guide preparation of Isla Vista Master Plan.
01-02	\$385,000	Agency repays CSA 31 and CREF loans.
04-05	\$65,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department improves over 3,000 square feet of sidewalk and installs over 30 trees in downtown Isla Vista.
	\$100,000	County acquires five undeveloped bluff top open space parcels for Capps Park. \$100,000 of Agency funds matched with \$1.5 million in other funding sources, and \$1.1 million from sale of two isolated County-owned bluff top parcels.
		Agency oversight transferred from County Planning and Development Department to the County Executive Office (“CEO”).
06-07	\$300,000	Sidewalk and Street Trees Program: In partnership with the Agency, County Public Works Department installs 775 linear feet of sidewalk and 18 trees on Sabado Tarde in Isla Vista.
	\$30,000	Installed improvements to four bus stops in Isla Vista, including new bus stop shelters, benches, and up-to-date route information.
	\$192,376	Agency contracts with ROMA Design Group to design Pardall Road Improvements.

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2007-08
(Unaudited)

Previous Very Low and Low Income Housing Efforts: Prior to FY 07-08

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

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

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

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

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2007-08
(Unaudited)

SUMMARY OF PROJECTS AND HOUSING EFFORTS IN FY 07-08

FY 07-08 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 07/08 the Agency completed a number of important projects within these general project types. Highlights of those achievements include:

- The Isla Vista Master Plan (“IVMP”) was adopted by the Board of Supervisors.
- Entered escrow prior to fiscal year end to purchase a site for the Downtown Parking Lot project.
- Completed design and released construction bid package for the Pardall Road streetscape improvement project.
- Acquired the Isla Vista Medical Clinic site.
- Entered escrow prior to fiscal year end to purchase the St. Athanasius Church site.
- The County issued \$17 million in Certificate of Participation and loaned the proceeds to the Agency to fund infrastructure improvement projects and land acquisitions.
- Acquired and rehabilitated two 10-unit apartment buildings in partnership with the Housing Authority for Santa Barbara County.
- Worked with private developer to obtain planning permits for 909 Embarcadero Del Mar.
- Completed initial project of the Downtown Façade Program established in early 2007.
- Partnered with the County Public Works Department to install new benches, shelters, and site amenities at three bus stops in Isla Vista.
- Submitted the IVMP to the California Coastal Commission for certification.

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

FY 07-08 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 is estimated to be completed in Fall of 2008.

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 2007-08
(Unaudited)

SUMMARY OF PROJECTS AND HOUSING EFFORTS PROJECTED FOR FY 08-09

Projected FY 08-09 Funding

The Agency's General Fund is budgeted for FY 08-09 to receive \$3,000,000 in property tax increment revenue. In addition, the Agency's General Fund June 30, 2008 fund balance of \$3,019,622 is available for FY 08-09 projects and activities. The Agency's FY 08-09 budget provides for \$4,354,203 for administration, projects, and debt payments.

Organization of the Redevelopment Agency

An adopted \$4.4 million budget for FY 08-09 includes funding for an Agency deputy director to manage Agency initiatives, three redevelopment specialists, and other County departments to provide legal, accounting, and other professional services to the Agency. In addition the budget includes funding to design and engineer various projects such as Pardall Road improvement and the Downtown Parking Lot. Infrastructure projects include funding for alternative transportation improvements, sidewalk construction, Downtown Parking Lot, Pardall Road improvements, and other minor projects. The County Chief Executive Officer (CEO), a deputy CEO, the Auditor-Controller, the Advanced Accounting Division Chief, a Financial Systems Analyst and the Third District Supervisor and staff will also be active in the management and activities of the Agency.

Projected FY 08-09 Projects/Activity

Project	Goals for FY 08-09
Downtown Private Projects - Development Agreements	<ul style="list-style-type: none"> • Bring entitlement request for the Trigo Loop Project to decision makers • Work with private developers to submit a complete application for entitlements for the Icon Student Housing Project. • 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"> • Create a sustainable parking lot design using innovative design and alternative energy concepts • Complete construction of the parking lot
Façade Program	<ul style="list-style-type: none"> • Complete two additional façade improvement projects
Pardall Road Design / Engineering	<ul style="list-style-type: none"> • Complete Pardall Road construction • Establish funding mechanism for long term project maintenance
Downtown Storm Water Project	<ul style="list-style-type: none"> • Complete Request For Proposal (RFP) for design and engineering • Complete bid process for construction
Anisq' Oyo' Park Redesign Project	<ul style="list-style-type: none"> • Assist the Isla Vista Recreation and Park District in developing park improvement project
El Colegio Road Implementation	<ul style="list-style-type: none"> • Support Phase I construction • Provide staff assistance to prepare design and bid package for Phase II
Agency and Project Area Committee management	<ul style="list-style-type: none"> • Adopt the FY 09-10 Agency Budget • Continue to provide staff support for PAC/GPAC meetings • Comply with California State law

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
WORK PROGRAM FOR FISCAL YEAR 2007-08
(Unaudited)

Project	Goals for FY 08-09
	<ul style="list-style-type: none"> • Submit the Agency's FY 08-09 annual financial report to the state on time
Coastal Commission certification of the IVMP	<ul style="list-style-type: none"> • Support Coastal Commission staff review of IVMP
RDA Plan Amendments	<ul style="list-style-type: none"> • Bring Senate Bill (SB) 1045 (an amendment to California Health and Safety Code Section 33333.6(e)(2)) and SB 211 (codified in H&S Code Section 33333.2 (c)) Plan Amendments to Board of Supervisors for consideration to extend the Agency's effectiveness and debt incurrence limits.
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
Alternative Transportation Improvement Program	<ul style="list-style-type: none"> • Continue implementing improvements to alternative transportation in Isla Vista • Complete installation of two new bus stop benches and shelters
Town Architect	<ul style="list-style-type: none"> • Complete RFP and establish contract for town architect
Acquire property from willing sellers	<ul style="list-style-type: none"> • Acquire property from willing sellers to facilitate the development of affordable housing units

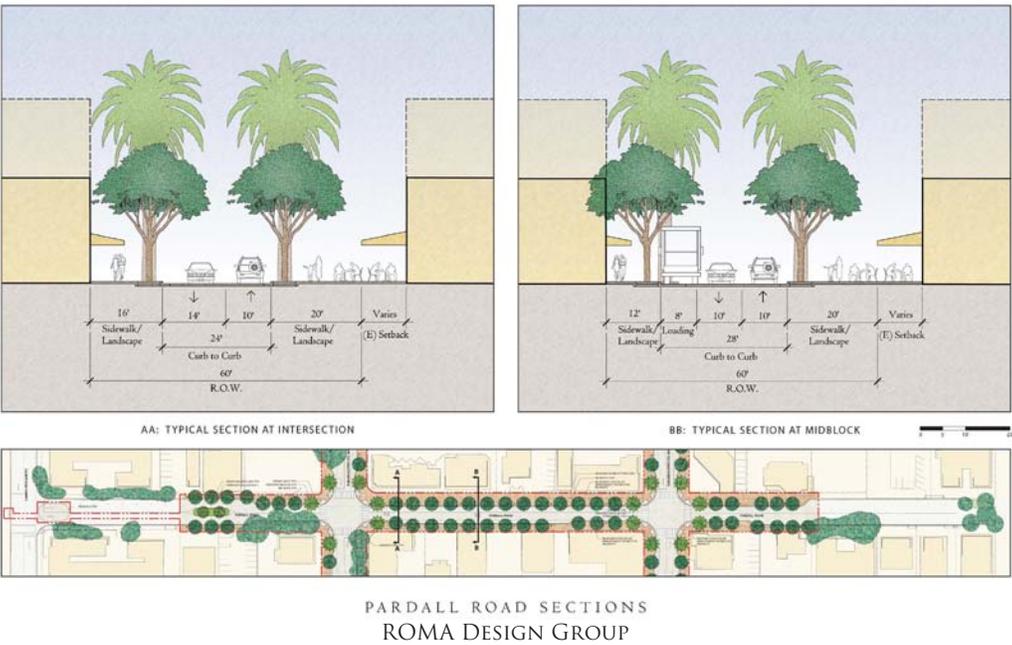
Projected FY 08-09 Very Low, Low, and Moderate Income Housing

The Agency's Housing Fund is budgeted for FY 08-09 to receive \$1,200,000 in property tax increment revenue. Combined with a housing set-aside fund balance of \$3,158,884 from FY 07-08, total housing funds available for FY 08-09 is estimated at \$4,358,884.

Project	Goals for FY 08-09
Rehabilitation of 6688 and 6682 Picasso Road	Complete rehabilitation of 6688 and 6682 Picasso Road, 20 units of affordable housing, for occupation by very low to moderate income families.
Affordable housing projects and programs	Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area.

Pardall Road Streetscape Improvements

Goal: To 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

- Finalized design after multiple community workshops
- Obtained permits and CEQA documentation
- Completed bid package
- Approval of bid package by Board

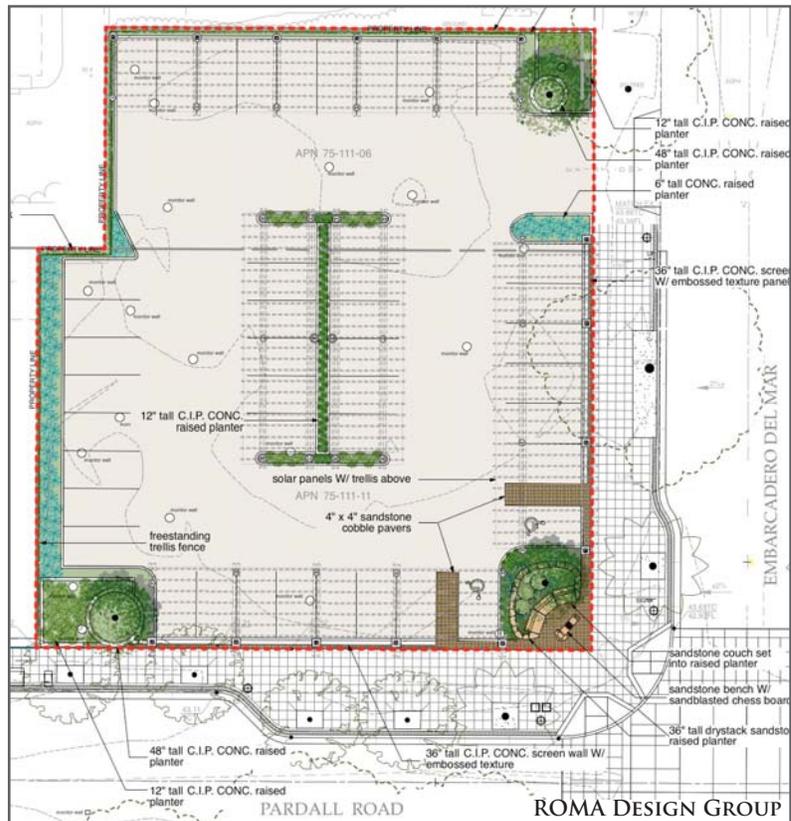
Goals

- Construct Pardall Road Improvements
- Establish funding mechanism for long term project maintenance

Downtown Parking Lot

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

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



Recent Accomplishments

- Acquisition of 881 Embarcadero Del Mar in downtown Isla Vista for the development of a surface parking lot
- Prepared conceptual plans for a sustainable parking lot using innovative design and alternative energy concepts, including solar panels to power Pardall Road lighting.
- Currently developing construction bid package

Goals

- Complete construction of parking lot
- Initiate paid parking program for use of parking lot

Affordable Housing

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

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

Recent Accomplishments	Goals
<ul style="list-style-type: none"> Funded Housing Authority of the County Santa Barbara acquisition of two 10 unit apartment buildings at 6688 and 6682 Picasso Road in Isla Vista Commenced rehabilitation at 6688 and 6682 Picasso Road Worked with private developers to draft plans for mixed use projects with affordable units 	<ul style="list-style-type: none"> Complete rehabilitation of 6688 and 6682 Picasso Road and provide 20 affordable units to the Isla Vista community Participate in, and implement, other projects and programs as new opportunities arise to improve the supply and quality of affordable housing within the Project Area



Facade Improvement Program

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



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

Recent Accomplishments	Goals
<ul style="list-style-type: none"> Established Facade Improvement Program Completed Facade Improvement Project at Eclectic IV Completed application process and drafted plans for 4 Isla Vista businesses 	<ul style="list-style-type: none"> Complete 2 facade improvements projects Increase number of program participants in downtown Isla Vista

Public/Private Partnership Development Agreement

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

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

Recent Accomplishments	Goals
<ul style="list-style-type: none">• Obtained entitlement permits for 909 Embarcadero Del Mar• Obtained conceptual approval from Board of Architectural Review for The Loop Project• Developed conceptual redevelopment plans for 955 Embarcadero Del Mar• Developed conceptual redevelopment plans for the Icon Housing project at 6547 Trigo Road	<ul style="list-style-type: none">• Develop other public/private partnerships for new high quality mixed use projects in downtown• Bring entitlement request for The Loop Project to decision makers• Bring entitlement request for Icon Housing project at 6547 Trigo Road to decision makers



Sidewalk Improvements

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

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



Recent Accomplishments

- 775 feet of sidewalks and 18 street trees installed on Sabado Tarde
- Right of Way obtained on Trigo Road for sidewalk installation

Goals

- Complete installation of sidewalk on Trigo Road
- Continue to improve sidewalk network in Isla Vista
- Establish long-term sidewalk improvement contract with Public Works

El Colegio Roadway Improvements

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



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

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

Recent Accomplishments	Goals
<ul style="list-style-type: none"> Finalized agreement between UCSB and the County after 4 years of negotiation Completed environmental documentation Obtained County permits Finalized Phase 1 bid package and obtained approval from Board of Supervisors 	<ul style="list-style-type: none"> Support construction of Phase 1 Provide staff assistance to prepare design and bid package for Phase 2 Obtain approval of Phase 2 bid package from Board of Supervisors

Alternative Transportation Improvements

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

Alternative transportation plays a significant role in meeting Isla Vista’s transportation needs. The Santa Barbara Metropolitan Transportation District (MTD) estimated that during 2006, five transit routes carried over one million transit riders into Isla Vista



and out to surrounding communities and nearby shopping and employment centers. Despite the high usage of Isla Vista’s alternative transportation system, many improvements to the system are needed. For example, many bus stops in Isla Vista lack basic amenities, such as benches, shelters, and up to date route information.

Recent Accomplishments

- Installed improvements at four Isla Vista bus stops, including bus stop shelters, benches, and up-to-date route information

Goals

- Continue annual program of implementing improvements to alternative transportation in Isla Vista
- Install improvements to three new bus stops in the next fiscal year

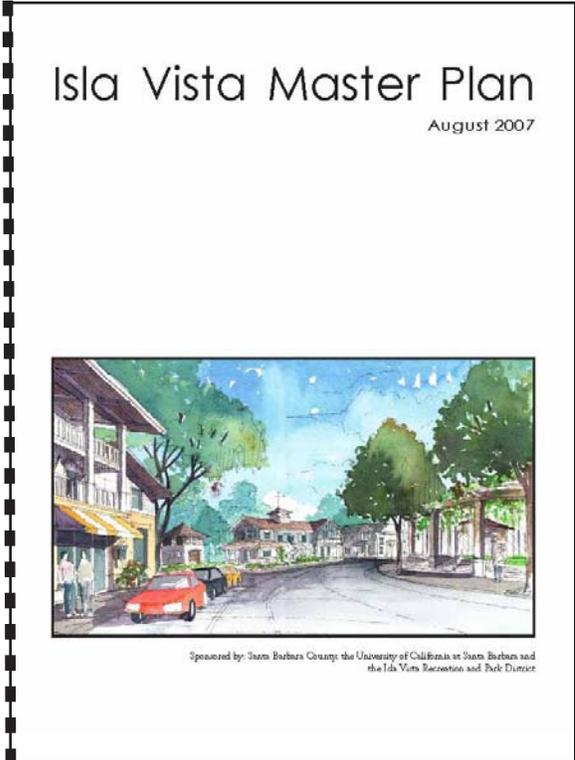
Isla Vista Master Plan Adoption

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

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

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

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



Recent Accomplishments

- Approval of the Isla Vista Master Plan by the Board of Supervisors
- Submitted Isla Vista Master Plan to the California Coastal Commission for consideration

Goals

- Prepare response to Coastal Commission for Isla Vista Master Plan approval
- Receive Coastal Commission approval of the Master Plan

Beach Access

Goal: *To 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 in 2007.

Goals

- Continue to implement repairs to beach access points as needed.

Agency Management

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

State Community Redevelopment Law sets forth a number of management requirements for Redevelopment Agencies, including the adoption of a 5 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.



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 for comments and questions on Redevelopment Agency activities.

Recent Accomplishments	Goals
<ul style="list-style-type: none"> • Adopted 07-08 Fiscal Year Agency Budget on time • Held PAC and special community meetings • Completed SB 53 and 1809 redevelopment ordinances to describe the Agency’s use of eminent domain and clarify that the Agency is not authorized to acquire real property by eminent domain 	<ul style="list-style-type: none"> • Comply with California State Law • Continue to provide staff support for PAC meetings • Adopt the 08-09 Fiscal Year Agency Budget that effectively allocates resources to bring positive change to Isla Vista • Submit 08-09 Fiscal Year annual report to State on time • Complete SB 1045 and AB 211 Redevelopment Plan amendments

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.	56
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.	59
ECONOMIC INFORMATION This schedule offers an economic indicator to help the reader understand the environment within which the Agency's financial activities take place.	62

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	0.0%	\$ --	\$ --	\$ --	\$ --	\$ --	N/A
1991-92	275,614,194	8.5%	216,221	41,475	980	--	258,676	(48.1%)
1992-93	282,232,439	2.4%	282,403	13,320	9,390	--	305,113	18.0%
1993-94	293,371,583	3.9%	393,795	69,812	809	--	464,416	52.2%
1994-95	301,119,893	2.6%	471,278	16,752	23,599	--	511,629	10.2%
1995-96	304,061,998	1.0%	500,699	(8,015)	19,107	--	511,791	0.0%
1996-97	313,637,461	3.1%	596,453	36,803	31,349	--	664,605	29.9%
1997-98	321,193,673	2.4%	665,887	45,810	39,883	--	751,580	13.1%
1998-99	324,429,441	1.0%	704,373	53,374	6,072	--	763,819	1.6%
1999-00	370,018,906	14.1%	1,160,268	237,292	1,185	--	1,398,745	83.1%
2000-01	426,272,457	15.2%	1,731,872	325,068	1,056	--	2,057,996	47.1%
2001-02	493,820,920	15.8%	2,398,303	401,418	5,766	--	2,805,487	36.3%
2002-03	511,878,200	3.7%	2,578,887	188,352	6,600	--	2,773,839	(1.1%)
2003-04	490,187,401	(4.2%)	2,708,685	126,002	5,719	--	2,840,406	2.4%
2004-05	508,439,293	3.7%	2,881,931	381,762	5,729	--	3,269,422	15.1%
2005-06	558,807,750	9.9%	3,394,859	290,784	5,700	--	3,691,343	12.9%
2006-07	640,901,630	14.7%	4,216,814	619,289	9,200	--	4,845,303	31.3%
2007-08	746,174,506	16.4%	5,268,829	720,648	13,460	197,579	5,805,358	19.8%
			<u>\$ 30,171,557</u>	<u>\$ 3,559,946</u>	<u>\$ 185,604</u>	<u>\$ 197,579</u>	<u>\$ 33,719,528</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-throughs were not subject to the Housing Set Aside.

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

Tax Increment Collections (Unaudited)

Since Inception (continued)

Tax Increment to RDA

Fiscal Year	Total Tax Increment	LESS:		Total to RDA	RDA	
		Pass- Through			General Fund	RDA Housing Set-aside
1990-91	\$ --	\$ --		\$ --	\$ --	\$ --
1991-92	258,676	76,483		182,193	125,769	56,424
1992-93	305,113	108,316		196,797	126,196	70,601
1993-94	464,416	172,588		291,828	164,967	126,861
1994-95	511,629	190,569		321,060	196,406	124,654
1995-96	511,791	201,208		310,583	212,046	98,537
1996-97	664,605	251,658		412,947	286,295	126,652
1997-98	751,580	287,364		464,216	320,651	143,565
1998-99	763,819	313,267		450,552	299,003	151,549
1999-00	1,398,745	533,484		865,261	585,843	279,418
2000-01	2,057,996	728,677		1,329,319	917,788	411,531
2001-02	2,805,487	1,101,361		1,704,126	1,144,182	559,944
2002-03	2,773,839	1,095,171		1,678,668	1,125,224	553,444
2003-04	2,840,406	1,158,196		1,682,210	1,115,278	566,932
2004-05	3,269,422	1,232,774		2,036,648	1,383,914	652,734
2005-06	3,691,343	1,519,275		2,172,068	1,434,945	737,123
2006-07	4,845,303	1,889,913		2,955,390	1,988,372	967,018
2007-08	5,805,358	1,816,301		3,989,057	2,827,985	1,161,072
	<u>\$ 33,719,528</u>	<u>\$ 12,676,605</u>		<u>\$ 21,042,923</u>	<u>\$ 14,254,864</u>	<u>\$ 6,788,059</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, 2008

Top Ten Secured Role Parcels	Net Assessed Value (AV)	Percent of Total Net AV	Total Tax
ESSEX PORTFOLIO, LP	\$ 58,239,630	7.82%	\$ 680,006
APF EDR, LP	42,500,000	5.71%	482,843
TROPICANA GARDENS AG BORROWER LLC	42,093,726	5.65%	496,375
GELB, JAMES	26,999,110	3.63%	306,301
STGEORGE, EDWARD REVOCABLE TRUST	23,491,505	3.15%	273,342
YELLOW SUBMARINE, LLC	18,397,688	2.47%	224,825
6626 PICASSO, LLC	10,225,000	1.37%	124,682
WARKENTIN, JOHN & MARJOLEIN FAMILY TRUST	7,466,383	1.00%	114,926
ISLAY INVESTMENTS	6,828,600	0.92%	133,799
G&H FRENCH QUARTER APTS, L P	<u>6,269,042</u>	<u>0.84%</u>	<u>79,400</u>
Sub-total top ten payers	\$ 242,510,684	32.56%	<u>\$ 2,916,500</u>
All other	<u>502,207,822</u>	<u>67.44%</u>	
Total Net Assessed Value	<u>\$ 744,718,506</u>	<u>100.00%</u>	

Top Ten Current Year Buyers	Net Assessed Value (AV)
ESSEX PORTFOLIO, LP	\$ 58,239,630
APF EDR, LP	42,500,000
6626 PICASSO, LLC	10,252,500
GELB, JAMES	7,685,500
STGEORGE, EDWARD REVOCABLE TRUST 5/16/02	6,620,100
BENENATI, JESSE	3,773,950
TAYLOR, DONOVAN	3,200,000
MCQUEEN, BRENT ANDREW	1,801,000
KARAGOZIAN, MICHAEL	1,600,000
PREIMESBERGER, DANIEL JOHN	<u>1,500,000</u>
Sub-total top ten transfers	\$ 137,172,680
All other transfers	<u>9,228,250</u>
Total Net Assessed Value Transferred	<u>\$ 146,400,930</u>

Notes:

(1) Net Assessed Value amounts include secured and unitary less homeowners exemptions (\$1,456,000)

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

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Governmental Funds Revenues By Source (Unaudited)

Since Inception

<u>Fiscal Year</u> <u>Ending</u>	<u>Property Tax</u> <u>Increment</u>	<u>Investment</u> <u>Income</u>	<u>Inter-</u> <u>Governmental</u>	<u>Other Revenue</u>	<u>Long-term</u> <u>Obligations</u>	<u>Total</u> <u>Revenues</u>
1991	\$ --	\$ 43,794	\$ --	\$ --	\$ 3,350,000	\$ 3,393,794
1992	182,193	68,042	--	-	--	250,235
1993	196,797	66,922	--	215,313	--	479,032
1994	291,728	39,365	--	--	--	331,093
1995	321,060	37,942	500	--	--	359,502
1996	310,583	56,024	--	--	385,000	751,607
1997	412,947	38,946	--	--	--	451,893
1998	464,216	61,886	--	--	--	526,102
1999	450,552	50,814	--	--	--	501,366
2000	865,061	47,459	--	--	--	912,520
2001	1,329,319	86,945	17,327	--	--	1,433,591
2002	1,704,124	37,311	112,807	--	--	1,854,242
2003	1,678,667	60,485	232,116	--	--	1,971,268
2004	1,682,210	15,429	152,883	--	--	1,850,522
2005	2,036,648	67,086	20,000	6,479	--	2,130,213
2006	2,172,068	107,130	--	17,441	--	2,296,639
2007	2,955,390	286,543	--	383,941	--	3,625,874
2008	3,989,057	170,423	--	1,063,822	16,911,740	22,135,042
Total Since Inception	\$ 21,042,620	\$ 1,342,546	\$ 535,633	\$ 1,686,996	\$ 20,646,740	\$ 45,254,535

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA

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

Governmental Funds Expenditures By Function (Unaudited)

Since Inception

Fiscal Year Ending	Project Adminstration	Isla Vista Projects				Long-term Obligations		Total Expenditures
		Master Plan	Projects	Contribution to Other Governments	Housing Activities	Principal	Interest	
1991	\$ 165,343	\$ --	\$ --	\$ 1,943,789	\$ --	\$ --	\$ --	\$ 2,109,132
1992	63,195	--	--	764,390	--	--	95,438	923,023
1993	112,085	--	--	135,084	--	--	245,489	492,658
1994	141,794	--	--	--	--	75,000	242,544	459,338
1995	30,328	--	--	--	--	85,000	233,360	348,688
1996	32,969	--	--	--	--	100,000	214,669	347,638
1997	28,272	--	--	--	--	110,000	186,618	324,890
1998	20,501	--	--	--	8,290	125,000	216,045	369,836
1999	29,282	--	--	--	181,710	180,000	145,493	536,485
2000	70,570	93,650	--	--	468,090	200,000	135,092	967,402
2001	203,013	179,931	4,800	--	668,270	180,000	78,921	1,314,935
2002	395,574	262,291	4,500	--	298,379	615,000	130,388	1,706,132
2003	229,322	605,068	56,597	--	--	250,000	133,438	1,274,425
2004	334,283	393,454	43,586	--	--	270,000	109,068	1,150,391
2005	433,237	421,540	74,793	100,000	357,544	290,000	100,451	1,777,565
2006	447,042	138,341	151,132	--	13,594	315,000	94,434	1,159,543
2007	486,625	175,826	429,576	--	3,793,091	330,000	61,416	5,276,534
2008	428,462	68,921	1,444,218	--	17,092	355,000	51,254	2,364,947
Total Since Inception	\$ 3,651,897	\$ 2,339,022	\$ 2,209,202	\$ 2,943,263	\$ 5,806,060	\$ 3,480,000	\$ 2,474,118	\$ 22,903,562

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

Note:

(1) The Debt Service Fund originally associated with the 1991 debt was removed from the Agency's governmental funds in the Agency's FY 2005/06 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	0.0%
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%
TOTAL	\$ 139,628,969	\$ 46,174,535	\$ 39,146,513	\$ 21,657,157	\$ 7,571,959	\$ 254,179,133	

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, 2008

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

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

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

Base Year: The year the redevelopment plan is adopted.

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

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

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

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

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

Market Value: What a willing seller could reasonably expect to receive if he/she were to sell the property on the open market to a willing buyer.

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

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

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

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

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

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

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

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

REDEVELOPMENT AGENCY OF THE COUNTY OF SANTA BARBARA, CALIFORNIA
(A Component Unit of the County of Santa Barbara, California)
Glossary for the Annual Financial Report
June 30, 2008

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

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

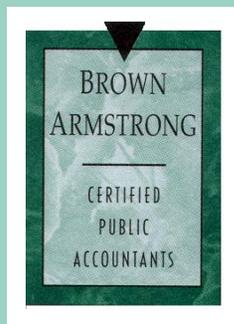
Tax Allocation Bond: A bond or financial obligation issued by the agency in order to generate funds to implement the redevelopment plan. The bond is repaid with tax increments flowing to the agency as a result of the agency's revitalization of the project area

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

COMPLIANCE SECTION



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

Lynn R. Krausse, CPA, MST
Rosalba Flores, CPA
Connie M. Perez, CPA
M. Sharon Adams, CPA, MST
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Jialan Su, CPA
Ariadne S. Prunes, CPA
Samuel O. Newland, CPA
Brooke N. DeCuir, CPA
Craig A. Rickett, CPA
Kenneth J. Witham, CPA

We have audited the financial statements of the governmental activities and each major fund of the Santa Barbara County Redevelopment Agency (the Agency) as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated August 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Section 33080(a) of the Health and Safety Code of the State of California; and the procedures contained in the Controller of the State of California *Guideline for Compliance Audits of California Redevelopment Agencies*.

Internal Control Over Financial Reporting

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

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

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

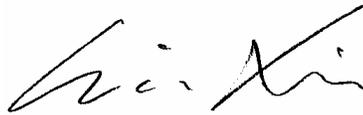
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

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

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK THORNBURGH & KEETER
ACCOUNTANCY CORPORATION

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

Bakersfield, California
August 8, 2008