



August 8, 2003

Financial Highlights

County of Santa Barbara, Fiscal Year Ended June 30, 2003

This report provides highlights of the significant financial and economic activity of Santa Barbara County, California for the fiscal year (FY) ended June 30, 2003.

Board of Supervisors

Naomi Schwartz, Chair, First District
Susan Rose, Second District
Gail Marshall, Third District
Joni Gray, Fourth District
Joe Centeno, Vice Chair, Fifth District

County Administrator

Michael Brown

County Auditor-Controller

Robert W. Geis, CPA, CPFO

Visit the County's web site at
www.co.santa-barbara.ca.us

View the Highlights on-line at
www.co.santa-barbara.ca.us/auditor

E-mail us your comments at
geis@co.santa-barbara.ca.us

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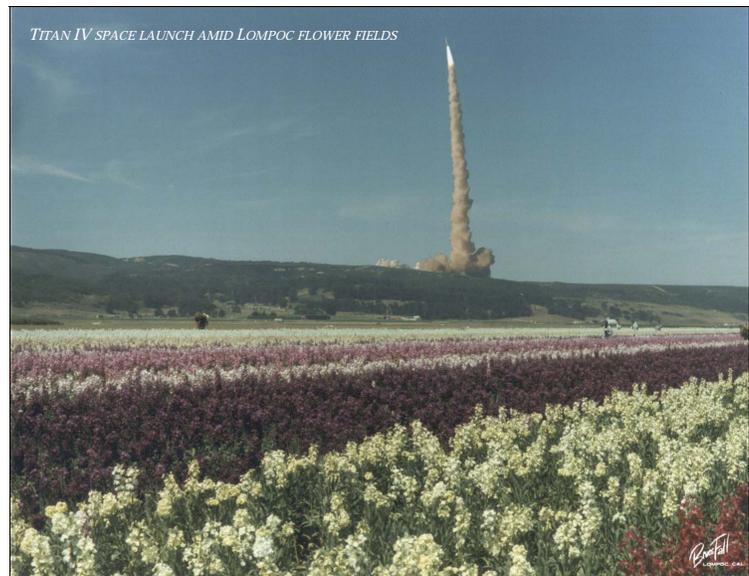
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Economic Indicators

The U.S. economy is expected to grow slowly this year and the California economy is expected to underperform that of the nation. Santa Barbara will grow more slowly than its neighboring counties yet should outpace the State. With weakened national and state economies, we can expect a continued slowdown in local economic growth.

Financial Indicators

The County's revenue growth stalled; strong property tax growth was offset by decreases in state and federal government funding. Next year will be quite different, as expenditures will outpace revenues. Commitments to collective employee bargaining agreements will cause salaries to rise, significant retirement rate increases are expected and workers' compensation costs will continue to go up. More reductions due to the California State budget seem inevitable.



County, Oil Giant Settle Tax Dispute

Santa Barbara News-Press November 6, 2002

A Message from the Auditor-Controller

This *Financial Highlights* publication is intended to provide the general public with an easy to read overview of the County government's financial condition. The information contained in this report is derived from the County of Santa Barbara's Comprehensive Annual Financial Report (CAFR). Copies of the CAFR are available at all public libraries and the Auditor-Controller's web site.



Bob Geis with County Administrator Mike Brown still smiling in spite of the state budget.

The County finished FY 02-03 in good financial condition. County general fund unreserved fund balances are adequate at \$41 million or 17% of expenditures. Although this represents a \$7 million increase over the prior year, it is important to note that almost all of the increase was due to a one-time release of impounded property taxes from the settlements of a nine-year property assessment appeal with Exxon, a four-year appeal by the POPCO gas facility and a two-year appeal by the Bacara resort. Another favorable indicator is that the County's net assets grew \$26 million during FY 02-03. In spite of these positives, we need to prepare for a slower economy and less revenue growth by controlling spending and prudently managing our fund balances.

Singing The Budget Blues

The Santa Barbara Independent January 16, 2003

As everyone knows, California has a large budget problem and it appears that the legislature is struggling to deal with the deficit. In my opinion, the fundamentals of this deficit appear to be a significant over commitment to expenditures. The problem is being compounded with borrowings and the deferral of liabilities to the future. The downturn of the stock market is also creating investment losses in governmental pension funds that will cause retirement contribution rates to rise significantly across most local government entities.

Splitting Headaches

Santa Barbara News-Press September 30, 2002

There is a campaign underway advocating a North-South split of Santa Barbara County forming Mission County in the north. A five-person commission appointed by the governor will conduct a formation study if 25% of the voters in the proposed county sign petitions. The study would include the preparation of a fiscal analysis to determine the viability of the proposed county and the fiscal impact to the proposed and affected counties.

The legislation that guides this process is vague and short on details resulting in the required fiscal report being very subjective. The details behind the finances of the County are numerous and may change significantly from year to year. The current uncertainty of Federal and State funding will add to the complexity of such a fiscal study. If the split effort moves forward it will be a major project and expense for the commission and the County. The results will be very debatable.

We hope you like our report and we always welcome reader comments!

Robert W. Geis

Who We Are

Policymaking and legislative authority is vested in the County Board of Supervisors (the Board), which consists of an elected supervisor from each of five districts. The County has five elected department heads responsible for the offices of the County Clerk-Recorder-Assessor, Auditor-Controller, District Attorney, Sheriff, and Treasurer-Tax Collector-Public Administrator. The following organization chart is presented so that it reflects the various functional categories reported in the government-wide statement of activities, along with the names of the principal officials.



The County provides a full range of services to its residents and is organized into 24 departments. The average annual employment was 4,295 full-time equivalent (FTE) positions for the fiscal year. This year provided a number of changes within our organization. Effective January 1, 2003, newly elected officials included Joe Centeno as Fifth District Supervisor, James Anderson as Sheriff, Joe Holland as Clerk-Recorder-Assessor and Bernice James as Treasurer-Tax Collector. John Patton retired as the Planning & Development Director and was replaced by Dr. Valentin Alexeeff. The new Department of Housing and Community Development is being led by Edward Moses.

Val Appointed Top Planner

The Santa Barbara Independent April 17, 2003

Counties have a dual role in providing services to their residents. First, we provide basic local government services to residents in the *unincorporated areas of the County*, such as fire protection and maintenance of County roads, as well as services in some *cities by contract*, like sheriff patrol. Second, we provide *County-wide services as a regional government*, for example District Attorney prosecution and Sheriff jail operations, or *as an agent for the State* through public assistance programs. For more details of services you can refer to the County Proposed Budget publication or visit the County's website.

As The Economy Weakens...

Santa Barbara County is slowing in its tenth consecutive year of economic expansion. The following highlights and graphs are evidence of the changing economy.

Employment

- The unemployment rate increased from 3.5% to 4.1%.
- Santa Barbara County lost 692 jobs in 2002.

County Economy Should Hold Firm

Santa Barbara News-Press January 26, 2003

Income

- Real total personal income grew at the same rate as last year at 1.3%.
- The average annual salary was \$34,973 in 2002, an increase of 3.3%, or about the rate of inflation.

Retail Sales

- Real retail sales increased to \$5.2 billion, a growth rate of only 1%.
- Retail sales have been flat for the past two years due to the post September 11 slowdown in tourism, declining consumer optimism, and geopolitical uncertainties.

Real Estate

- Non-residential valuations in 2002 were very near 2001 levels. However, in the key market segments for new space, activity is down countywide.
- Residential sales and prices continue to increase as an estimated 3,088 homes were sold with an average median price of \$392,000.
- The housing-affordability index remains low at 17.6%.

Home Sales, Prices Slow Across County

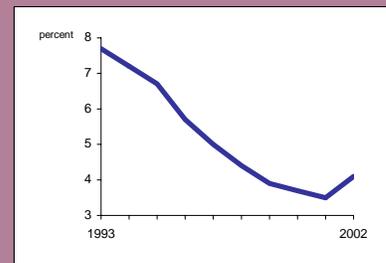
Santa Barbara News-Press May 29, 2003

Tourism

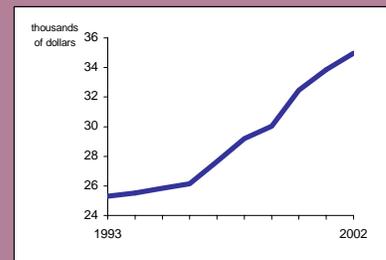
- Santa Barbara County tourism has suffered since the events of September 11.
- Room sales fell by 10% in fiscal year 2002.
- South Coast occupancy rates declined 1.6% in 2002 after falling 5% in the prior year.

Most of the information about the Local Economy is derived from the 2003 Santa Barbara County *Economic Outlook* printed April 2003 and based on the 2002 calendar year (with permission from the UCSB Economic Forecast Project).

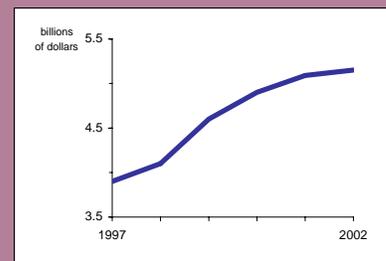
Unemployment Rate



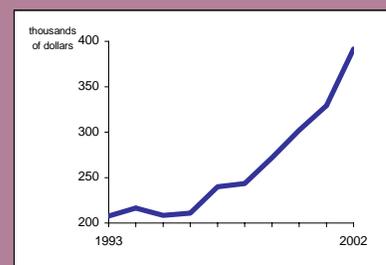
Average Salary



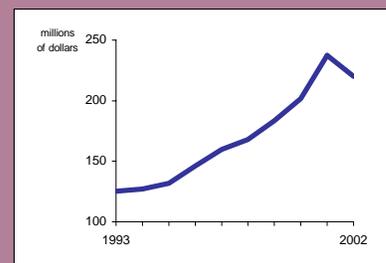
Retail Sales



Median Home Price

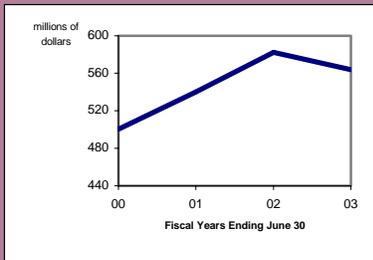


Hotel/Motel Room Sales

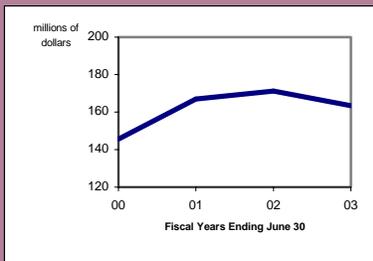


...County Revenue Growth Slows

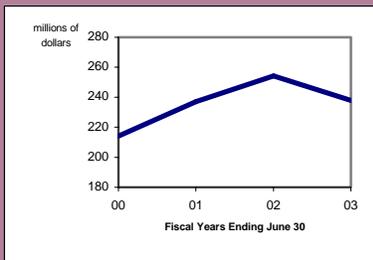
Total Revenues



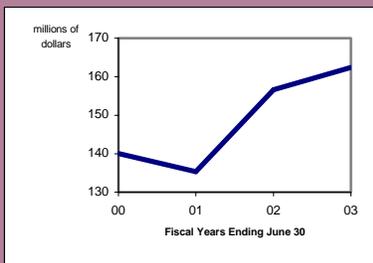
General Revenues



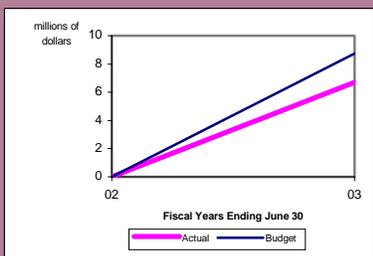
Federal & State



Charges for Services



Goleta Contracts Revenue



The above charts depict information for all governmental and business-type activities.

The momentum of the economy fuels the County's significant revenue sources which are primarily comprised of taxes, state and federal government funds and charges for services.

Total Revenues

- Revenues for the County entity decreased by 3%.
- First decrease in revenues since FY 94-95.

General Revenues

General revenues are primarily local taxes, which provide the Board with most of its discretionary spending power. Since formation of County government in the 1850's, these resources are generally consumed by basic public safety services like Sheriff, Fire and District Attorney. The large decreases this year are due to the transfer of revenues to the City of Goleta.

- Property taxes increased 1% to \$107.3 million
- Motor vehicle in-lieu taxes increased 3% to \$26.9 million
- 1% share of retail sales tax decreased 21% to \$8.9 million
- Other shared retail sales tax decreased 30% to \$7.2 million
- Transient occupancy tax decreased 25% to \$4.4 million
- Unrestricted investment earnings decreased 28% to \$4.4 million
- Total general revenues decreased 4.7% to \$163.1 million

Operating Grants and Contributions (Federal and State)

As an arm of state government, these multiple program resources are 42% of County funding and are tied to mandated services such as social service, public assistance, health and mental health. Total intergovernmental resources driven by reimbursements for mandated programs decreased 6% to \$238 million due to reduction in State and Federal funding.

Charges for Services

A 4% increase to \$162.4 million was again driven by program cost reimbursements via federal and state reimbursements such as Medi-Cal and State FQHC, reimbursements from other government agencies such as city contracts for Sheriff services and contracts with the new City of Goleta.

Absorption of Goleta Incorporation

General revenue reductions were to be neutral for 10 years while the City contracted and paid for County services. The County budgeted \$8.7 million for service billings, but only collected \$6.7 million. In FY 02-03, the County transferred \$11.7 million in revenues to Goleta.

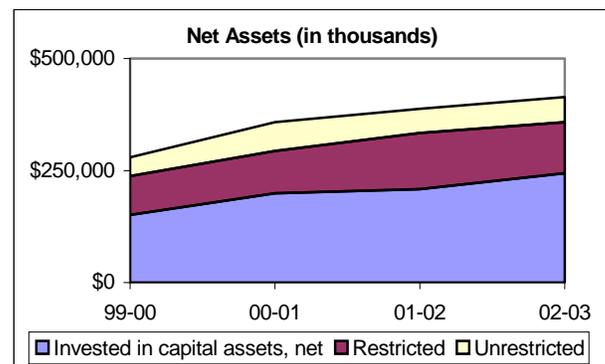
	Fiscal Year	
	2001-02	2002-03
Revenue reductions:		
Property taxes	\$ 650,000	\$ 2,724,000
1% retail sales tax	1,200,000	5,388,000
Transient occupancy tax	985,000	2,900,000
Charges for services	-	259,000
Franchise fees	100,000	400,000
Total revenue reductions	\$ 2,935,000	\$ 11,671,000
Contract service revenue:		
Total service billings	n/c	\$ 6,695,000

FY 2002-03 Year-End Financial Condition

The overall results of operations leave the County in good financial condition. During FY 02-03, the County's total net assets increased 7% to \$413.9 million. Over time, increases or decreases in net assets may be a useful indicator of whether the County's financial position is improving or deteriorating. In the prior fiscal year, the County reported positive changes in all three categories of net assets. This fiscal year, the County reported positive changes in only two of the three categories of net assets which is an indication that we are in a downturn.

Entity-Wide Net Assets (in thousands)

	Fiscal Years		% Change
	2002	2003	
Current and other assets	\$376,532	\$376,728	0%
Capital assets	264,916	306,810	16%
Total assets	641,448	683,538	7%
Current and other liabilities	95,410	106,362	11%
Long-term liabilities	158,135	163,266	3%
Total liabilities	253,545	269,628	6%
Net assets:			
Invested in capital assets, net of related debt	208,240	243,671	17%
Restricted	125,304	113,852	(9%)
Unrestricted	54,359	56,387	4%
Total net assets	\$387,903	\$413,910	7%



Net assets invested in capital assets, net of related debt increased 17% or \$35. The County invested in road infrastructure, flood control projects, debt financed capital projects and received a Betteravia Center land donation. Restricted net assets decreased 9% or \$11 million due to the acquisition of capital assets, the release of impounded taxes related to settled property tax appeals, and the use of those assets for their restricted purposes. Unrestricted net assets represent resources that may be used to meet the County's ongoing obligations to citizens and creditors. These assets increased 4% or \$2 million compared to the prior year due to ongoing revenues exceeding ongoing expenses.

Capital Asset Activity

The County's capital assets as of June 30, 2003 amounted to \$307 million. During the year the County's capital asset activity was as follows:

Asset Additions	\$ 57,319
Retirements	\$ 1,417
Depreciation	\$ 11,688
Assets Transferred to Goleta	\$ 2,320

This resulted in a net change of \$42 million, an increase of 16% over the prior year.

Capital Assets (in thousands)

	Fiscal Years		% Change
	2002	2003	
Land	\$ 43,692	\$ 50,111	15%
Structures	100,165	99,509	(1%)
Equipment	38,264	43,521	14%
Infrastructure	19,071	56,921	198%
Construction in progress	63,724	56,748	(11%)
Total capital assets	\$ 264,916	\$ 306,810	16%

Outstanding Debt

Outstanding Debt (in thousands)

	Fiscal Years		% Change
	2002	2003	
Certificates of participation	\$ 72,890	\$ 67,860	(7%)
Long-term settlement obligations	1,438	1,355	(6%)
Capital lease obligations	1,406	2,161	54%
Sanitation treatment plant loan	4,933	9,388	90%
Other loans	104	83	(20%)
Total outstanding debt	\$ 80,771	\$ 80,847	0%

At June 30, 2003, the County's total long-term outstanding debt amounted to \$80.8 million. The County paid down \$5 million in COP principal payments or 7% of its COP obligation. The County added new capital lease debt and sanitation plant improvement debt. The County's outstanding debt schedule features a rapid debt repayment plan that will reduce the debt by 68% over the next ten years.

Financial Summary

The County's total revenues decreased by 3% or \$19 million. Key elements of the decrease are a 6% reduction in operating grants and contributions caused by federal and state program funding cuts and reductions in road fund revenues. County general revenues decreased due to the shift of the tax base to the new City of Goleta. Charges for services increased 4% as we entered into service contracts with the new city. Overall revenue growth in the County's major operating funds was relatively flat.

Total expenses increased by 2% or \$12 million. Salaries and benefits increased by \$18 million while other costs declined by \$6 million. The increases and decreases in the functional areas are due to a shift of programs between functions, reduced funding for roads, and state cuts in public assistance.

The County recorded an extraordinary item for the transfer of \$2 million in road and RDA assets to Goleta. The County also recorded an \$8 million special item for the receipt of donated land.

Entity-Wide Changes in Net Assets (in thousands)

	Fiscal Years		Over (under) 2002		% of 2003
	2002	2003	Amount	% Change	
Revenues					
Program revenues:					
Charges for services	\$ 156,604	\$ 162,424	\$ 5,820	4%	29%
Operating grants and contributions	254,145	237,735	(16,410)	(6%)	42%
Capital grants and contributions	272	131	(141)	(52%)	0%
General revenues:					
Property taxes	105,922	107,279	1,357	1%	19%
Motor vehicle in-lieu tax	26,078	26,932	854	3%	5%
Sales taxes	21,674	16,134	(5,540)	(26%)	3%
Transient occupancy tax	5,877	4,423	(1,454)	(25%)	1%
Unrestricted investment earnings	6,084	4,391	(1,693)	(28%)	1%
Other	5,633	4,293	(1,340)	(24%)	1%
Total revenues	582,289	563,742	(18,547)	(3%)	100%
Expenses					
Policy & executive	6,960	7,235	275	4%	1%
Law & justice	36,843	36,850	7	0%	7%
Public safety	135,606	142,190	6,584	5%	26%
Health & public assistance	215,182	221,988	6,806	3%	41%
Community resources & public facilities	68,528	65,268	(3,260)	(5%)	12%
General government & support services	29,843	26,927	(2,916)	(10%)	5%
General county programs	11,241	15,644	4,403	39%	3%
Interest on long-term debt	4,541	4,610	69	2%	1%
Solid waste	20,265	18,295	(1,970)	(10%)	3%
Laguna sanitation	2,043	3,825	1,782	87%	1%
Transit	36	27	(9)	(25%)	0%
Loss on disposal of capital assets	-	309	309	100%	0%
Total expenses	531,088	543,168	12,080	2%	100%
Extraordinary and special items	(22,992)	5,433	28,425	(124%)	
Increase (decrease) in net assets	\$ 28,209	\$ 26,007	\$ (2,202)	(8%)	

Entity-wide financial statements are prepared using full accrual accounting for all of the County's activities. Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Employees Provide the Service

The County of Santa Barbara is the third largest employer within the County with an annual average employment count of 4,295 full-time equivalents (FTEs) for FY 2002-03. The budgeted full-time employment count was 4,407. The savings generated by an average of 112 vacant positions for the fiscal year was approximately \$7.3 million across the County fund structure. As a service industry, the cost of employee salaries and benefits are approximately 50% of the total County budget. These costs grew 6.2% over the prior year. Cost of living adjustments negotiated in most labor contracts are tied to 50% of the increase in the property tax growth rate.

Annual Salary and Benefit Costs & Average Employee Count (FTE)				
Fiscal Year	FTE's	Growth	Cost (000's)	Growth
99-00	4,082	2.8%	\$252,000	8.6%
00-01	4,316	5.7%	\$269,000	6.7%
01-02	4,347	0.7%	\$295,000	9.9%
02-03	4,295	-1.2%	\$313,000	6.2%

This report contains information from the government-wide financial statements and was prepared in conformity with generally accepted accounting principles.

Service Efforts

Policy and Executive

This functional area has 88 staff positions and expenses of \$7 million. Setting policy, adopting the budget and providing legal services are its workload drivers.

The County received the Government Finance Officer's Association Distinguished Budget Presentation Award for its fiscal year 2002-03 budget.

The County Administrator utilizes a sophisticated set of management systems to assist County departments in delivering services in accordance with the Board of Supervisors' strategic goals, operational priorities, and budgeted resources.

Supervisors Vote to Protect Oaks

UCSB Nexus April 16, 2003

The Board adopted an ordinance that was a collaborative solution between the agricultural and environmental communities for preservation of oak resources.

General Government And Support Services

With 422 employees and expenses of \$27 million this functional area provides general government services to the citizens for important issues such as elections, and also provides support services to County operations such as payroll and human resources. The departments provide financial integrity for the County, quality services for our biggest asset which is our employees, as well as management of the County's financial assets.

The workload of this function includes property tax assessment and tax collection on 122,100 parcels, elections involving 195,100 registered voters and cash management investment services. The 24 County departments also receive services such as bill paying, mail, purchasing, insurance, telephone, financial systems, and computer technology.



www.sbcountyjobs.com

Public Service in Paradise

Public Safety

This functional area has 1,321 staff positions and expenses of \$142 million. Protection of the community including people and their property through law enforcement, fire protection, custody of adult and juvenile criminals and probation monitoring of offenders are the workload drivers.

The Fire Department stayed busy responding to 8,750 emergency calls. They maintain a strong hazardous material control program, fire prevention services and emergency response plan.

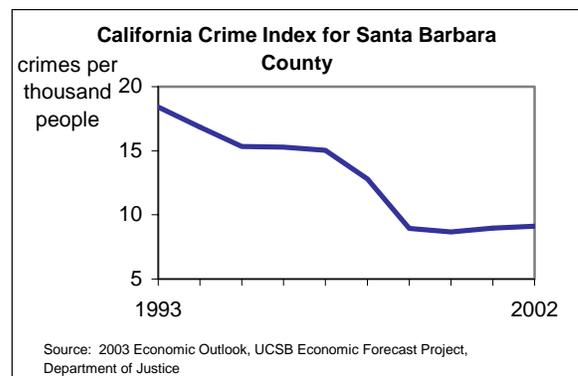
New Sheriff Takes the Helm

Santa Maria Times October 9, 2003

The Sheriff patrol services logged 1.41 million miles and Sheriff custody processed and booked 17,496 adult offenders through the local County jail.

The Probation Department processed over 6,000 juvenile referrals, supervised over 1,400 juveniles and 6,000 adult cases each month, provided 63,400 days of institutional care for minors in two juvenile halls and two camps, and prepared 2,500 adult sentencing reports for the courts.

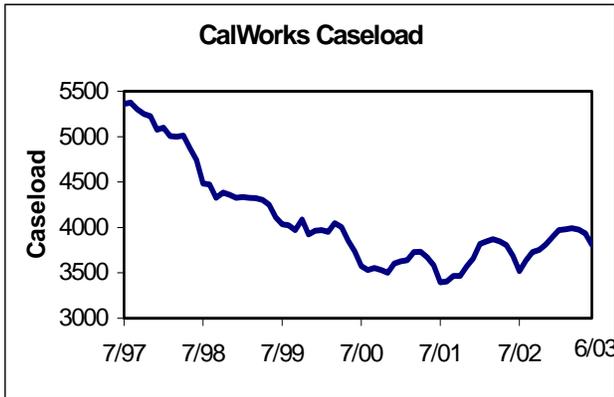
Law and Justice



This functional area has 209 employees and expenses of \$37 million. The District Attorney, Public Defender and Courts Special Services are all about protecting the rights and ensuring the safety of the citizens. Working with law enforcement, the District Attorney filed 2,700 felonies and 11,000 misdemeanors with the courts while the Public Defender's caseload reached 23,700. There is an increasing emphasis throughout the law and justice system on prevention and enforcement remedies.

Health & Public Assistance

With 1,589 employees and expenses of \$222 million these federal and state funded programs serve the less advantaged County residents. They strive to improve the health of the community through preventive health services, aiding individuals and families to become emotionally, socially and fiscally self sufficient, serving children and families by enforcing child support orders and providing a comprehensive array of alcohol, drug and mental health services.



A sample of their workload includes over 15,900 ADMHS clients served, over 153,000 child support payments worth \$28 million processed, 60,000 assistance claims worth \$35 million paid to eligible recipients and over 100,000 treated at Public Health clinics. The departments in this functional area are now collaborating more than ever to deliver integrated services to what frequently is a common client base.

County's Poor, Sick May Suffer State Cutbacks

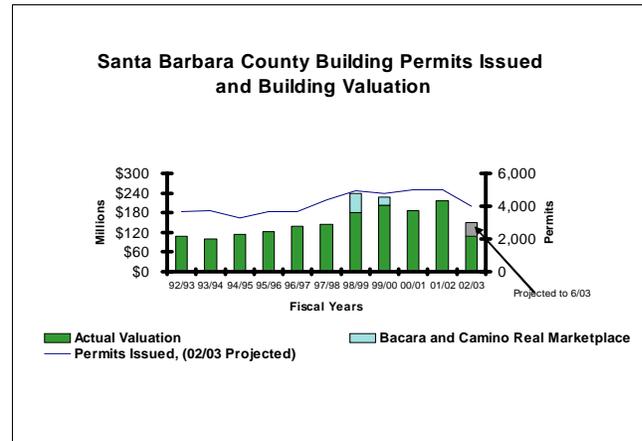
Santa Barbara News-Press September 30, 2002

General County Programs

28 employees with expenses of \$16 million service a variety of general county programs. Included are Debt Service, Developing Strategies, and Economic Development which are generally managed by the policy and executive group. The Children and Families Commission has its own governing body but remains a part of the County financial entity. Transfers to other government entities like libraries and LAFCO are also accounted for in this unit.

Community Resources And Public Facilities

This functional area has 536 employees and expenses of \$65 million. The departments in this functional area are devoted to enhancing the quality of life in Santa Barbara County. They look to preserve and protect natural resources, foster safe long-term land use, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible.



These departments completed more than 29,000 building inspections, maintained or enhanced 380 of the 1,800 road lane miles, completed 200 flood control work requests, and provided services at 25 major county parks.

Housing & Community Development begins its first year as a new department.

Business Activities

There are three business-type activities in the County: Solid Waste, Transit and Laguna Sanitation. A fee for service structure covers the costs of 102 employees and expenses of \$22 million. Workload at solid waste includes waste reduction through recycling at 10,000 tons per month, landfill waste disposal of 18,345 tons per month and approval of the Tajiguas landfill expansion. Our future waste system program remains a long-term strategic issue for the community.

Next Year's Budget

Fund Balance for FY 02-03 General Fund (in thousands)

	Beginning Balance 7/1/2002	Ending Balance 6/30/2003
Fund Balance Reserved	\$ 15,039	\$ 8,901
Fund Balance Designated	26,390	28,724
Fund Balance Unres & Undes	7,542	12,050
Total Equity	\$ 48,971	\$ 49,675

\$7,400 in impound releases

Assessment Appeal Settlement Impacts General Fund (in thousands)

	Ongoing Revenues	One-time Impound Releases	Total Impact
Oil Companies	\$ 900	\$ 7,000	\$ 7,900
Resort properties	100	400	500
Total	\$ 1,000	\$ 7,400	\$ 8,400

As of June 30, 2003, total equity of the general fund was \$49.7 million, an increase of 1% over the prior year. Of this amount \$28.7 million was designated and \$12 million is unreserved undesignated. Total unreserved fund balances are adequate at \$40.8 million or 17% of expenditures per a Standard and Poor's rating analysis dated June 13, 2003. An important point is that reserved fund balances released due to property tax appeal settlements provided \$7.4 million in one-time monies and a shift in fund balance from reserved to unreserved.

Financial Status Summary General Fund (in thousands)

	FY 02-03				FY 01-02	
	Adjusted Budget	Actual	Budget Savings	% of Budget	Actual	Annual Change
Revenues	\$ 250,459	\$ 251,283	\$ 824	100%	\$ 251,580	-
Expenditures	(249,655)	(240,679)	8,976	96%	(233,433)	3%
Net other financing uses	(9,429)	(9,900)	(471)	N/A	(13,507)	(27%)
Net changes to reserves/designations	1,079	3,799	2,720	N/A	(5,761)	166%
Net financial impact	\$ (7,546)	\$ 4,503	\$ 12,049		\$ (1,121)	502%

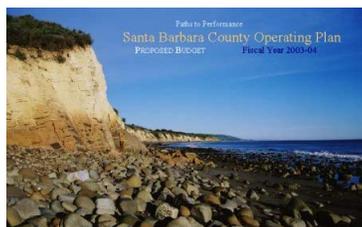
Another item to be aware of is that general fund revenues decreased slightly while general fund expenditures grew by 3%. We believe this trend of expenditures exceeding revenues could continue since the economy has slowed and salaries and related costs are set to increase. When expenditures exceed revenues the County could draw quickly on reserves.

State Budget Reductions

The State budget crisis continues to dominate the State legislative process. The State Controller stopped the backfill of MVIL taxes in June, although the tax has been increased to the full tax amount. This billing cycle requires 90 days to take effect. A temporary 90-day loss would cost the County \$6 million in one-time funds. A lawsuit stopping the tax increase, if successful, would cost the County \$18 million this year. As of the date of this report, a State budget has been adopted that contains an estimated \$12 million in reductions to the County including the \$6 million MVIL loss.

FY 03-04 Budget

The County adopted the FY 03-04 County Budget Plan with operating appropriations set at \$600.2 million and a capital budget of \$20.4 million. This plan is less conservative than prior plans in the area of revenue estimates. Expenditure stressors like bargaining agreements and retirement costs may generate less expenditure savings than we have experienced in past years. Significant undesignated fund balance rollover for next year may be difficult to attain which will make it challenging to balance the budget for FY 04-05.



The Proposed Budget is prepared on the modified accrual basis that focuses on near term inflows and outflows of spendable resources and can be viewed on the internet at www.countyofsb.org/cao/default.htm.

	Operating Budget	Percent of Total
Use of Funds Summary		
<i>Countywide Functions:</i>		
Policy & executive	\$ 6,912,023	1.1%
Law & justice	34,602,009	5.6%
Public safety	137,508,484	22.2%
Health & public assistance	235,121,140	37.9%
Community resources & public fac.	121,684,026	19.6%
Support services	45,046,217	7.3%
General county programs	19,307,725	3.1%
Expenditure total	600,181,624	96.7%
Capital	20,450,901	3.3%
Total use of funds	\$ 620,632,525	100.0%

FY 2003-04 Forecast

The relatively sluggish national and state economic activity will slow the economic growth of Santa Barbara County, but the County's unique strengths and diversity may allow it to avoid much of the economic pain at the local level. A number of economic driven revenue accounts, such as sales tax and transient occupancy tax, had negative rates of growth. Other accounts still grew but at a more moderate rate compared to previous years. We look toward another year of slow paced growth even though the local property tax roll will have another strong year in FY 2003-04 with an increase of 6.9%.

Historical Assessed Value of Property in the County (in billions)		
Fiscal Year	Assessed Valuation	Percent Increase
78-79	6.4	9.8%
79-80	7.2	13.3%
80-81	8.3	14.6%
81-82	9.3	12.3%
82-83	10.3	10.8%
83-84	11.1	7.3%
84-85	12.4	12.5%
85-86	13.7	10.4%
86-87	14.9	8.4%
87-88	16.2	9.0%
88-89	17.6	8.5%
89-90	19.2	9.2%
90-91	21.2	10.5%
91-92	22.6	6.4%
92-93	23.5	4.1%
93-94	24.5	4.1%
94-95	24.8	1.2%
95-96	25.3	2.1%
96-97	26.0	2.8%
97-98	27.1	3.9%
98-99	28.7	6.0%
99-00	30.4	6.0%
00-01	33.0	8.4%
01-02	35.9	8.7%
02-03	38.6	7.6%
03-04	41.3	6.9%

Standard & Poor's Ratings

November 14, 2001

The 'AA-' rating on Santa Barbara County, Calif.'s \$31 million certificates of participation (COPs) debt issue for eight major capital projects reflects:

- The County's very strong underlying credit characteristics, and
- The County's covenant to budget and appropriate lease payments.

County financial performance and flexibility is strong.

June 18, 2003

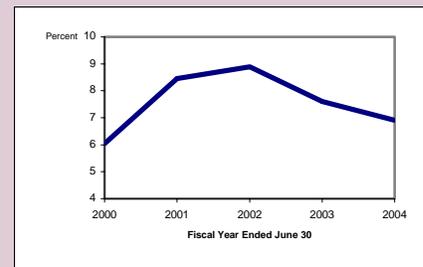
The 'SP-1+' rating on Santa Barbara County, Calif.'s TRANs reflects:

- The county's favorable general credit characteristics
- Unreserved fund balance are adequate at \$33.9 million or 14% of expenditures
- The budget does not assume any loss in motor vehicle license fee backfill funds

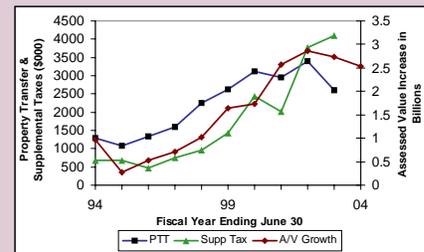
Summary Highlights

FY 03-04	Weakened economy
FY 02-03	Slow paced growth
FY 01-02	Growth moderating
FY 00-01	Tremendous momentum carries over
FY 99-00	And the boom goes on
FY 98-99	Sizzling growth
FY 97-98	Robust growth
FY 96-97	Strong and stable
FY 95-96	Recovery and expansion
FY 94-95	Moderate growth

Annual Change in Assessed Value of Property in the County



Assessed Value Growth vs Property Transfer Tax & Supplement



Economic Indicators

The U.S. economy is expected to grow slowly this year and the California economy is expected to underperform that of the nation. Santa Barbara will grow more slowly than its neighboring counties yet should outpace the State.

Events of the last two years have hurt the California economy including 9/11, the energy crisis, the high tech losses, the stock market downturn and the large budget deficits. Fortunately, the economics of the real estate market have remained strong.

With weakened national and state economies, we can expect a continued slowdown in local economic growth.

Financial Indicators

We are experiencing a slowdown in our economic driven general revenues due to slower growth in the U.S., California and the local economy.

The County's overall revenue growth stalled, strong property tax growth was offset by decreases in state and federal government funding. Next year will be quite different, as expenditures will outpace revenues. Commitments to collective employee bargaining agreements will cause salaries to rise, significant retirement rate increases are expected and workers' compensation costs continue to go up. More reductions due to the California State budget seem inevitable.

Award for Outstanding Achievement

Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

COUNTY OF
SANTA BARBARA,
CALIFORNIA

For the fiscal year ending
June 30, 2002



Edward Hamstra
President

Jeffrey L. Esser
Executive Director

The contents of this year's *Financial Highlights* are inter-related with the contents of the County's Comprehensive Annual Financial Report. We implemented a new financial reporting model last year that includes the requirement to prepare a Management's Discussion and Analysis (MD&A). MD&A is intended to be a readable, objective analysis of the County's financial activity during the year and is similar to SEC reporting requirements for public companies. The *Highlights* integrates portions of these new reporting requirements. We hope after reading this year's report, you will take the time to provide us with your thoughts or ideas for improvement. You may drop me a note at the address below, call my direct line at (805) 568-2101, or e-mail me at geis@co.santa-barbara.ca.us. I am looking forward to hearing from you.

Sincerely,

Robert W. Geis, CPA, CPFO
Auditor-Controller

The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Santa Barbara County for its Popular Annual Financial Report for the fiscal year ended June 30, 2002. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

Robert W. Geis, CPA, CPFO
Auditor-Controller
105 East Anapamu Street, Room 303
Santa Barbara, CA 93101

Front Page:
Titan IV Space Launch
Photograph by Bruce Fall