



August 6, 2004

# Financial Highlights

County of Santa Barbara, Fiscal Year Ended June 30, 2004

## Board of Supervisors

Naomi Schwartz, First District  
Susan Rose, Vice Chair, Second District  
Gail Marshall, Third District  
Joni Gray, Fourth District  
Joe Centeno, 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](http://www.co.santa-barbara.ca.us)

View the Highlights on-line at  
[www.co.santa-barbara.ca.us/auditor](http://www.co.santa-barbara.ca.us/auditor)

E-mail us your comments at  
[geis@co.santa-barbara.ca.us](mailto:geis@co.santa-barbara.ca.us)

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This report provides highlights of the significant financial and economic activity of Santa Barbara County, California for the fiscal year (FY) ended June 30, 2004.

## Economic Indicators

Beginning the first quarter of FY 2003-04, economic growth at the national level was good news for the economy. It now appears, barring something surprising, recovery will be sustainable. Indications are that California's economy is currently much more robust than commonly thought. The Santa Barbara economy recovered in FY 2003-04 after a slowdown in the prior year.

## Financial Indicators

We are experiencing an increase in the rate of growth in our economic-driven general revenues due to recovery from the recession in the U.S., California and local economies.

State budget reductions this year offset a significant portion of our revenue growth. State budget cuts over the next two years will also have to be absorbed by the County.



## Economic Report Forecasts Wine & Roses

Santa Maria Times June 3, 2004

# A Message from the Auditor-Controller



Elected officials Joe Holland, Bernice James, and Bob Geis have been working together to implement a new property tax system.

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.

Santa Barbara County appears to be past the economic slowdown which affected County revenues during FY 2002-03. County revenues increased 4% in FY 2003-04 after a 3% decline in the prior fiscal year. The upward trend in the economy and growth in County revenues appears sustainable.

## Governments Fret Over Car Tax Cuts

Santa Barbara News-Press November 18, 2004

The dominant issues affecting County finances are budget cuts by the State. Governor Schwarzenegger repealed the tripling of the car tax upon taking office. This money, which is mainly routed to counties and cities, created uncertainty throughout the year with a potential loss of \$19 million in County general revenue. The County eventually absorbed a loss of \$8 million and this "takeaway" is now characterized as a loan to the State to be repaid in August 2006. In a complicated "deal" involving the swap of vehicle license fees for property taxes, additional cuts of \$4 million will be imposed on the County in both FY 04-05 and FY 05-06.

## Budget Deal: Cuts Today, More Money Tomorrow

Santa Barbara News-Press May 13, 2004

Even with all of the uncertainty the County finished FY 03-04 in good financial condition. The County had to draw on fund balance across its fund structure by \$18 million, a 9% decrease, as expenditures exceeded revenues. However, \$10 million of the \$18 million was primarily for debt financed capital projects; the operational draw was \$8 million or 4%.

## Split Qualifies for Study, Vote

Santa Maria Times December 11, 2003

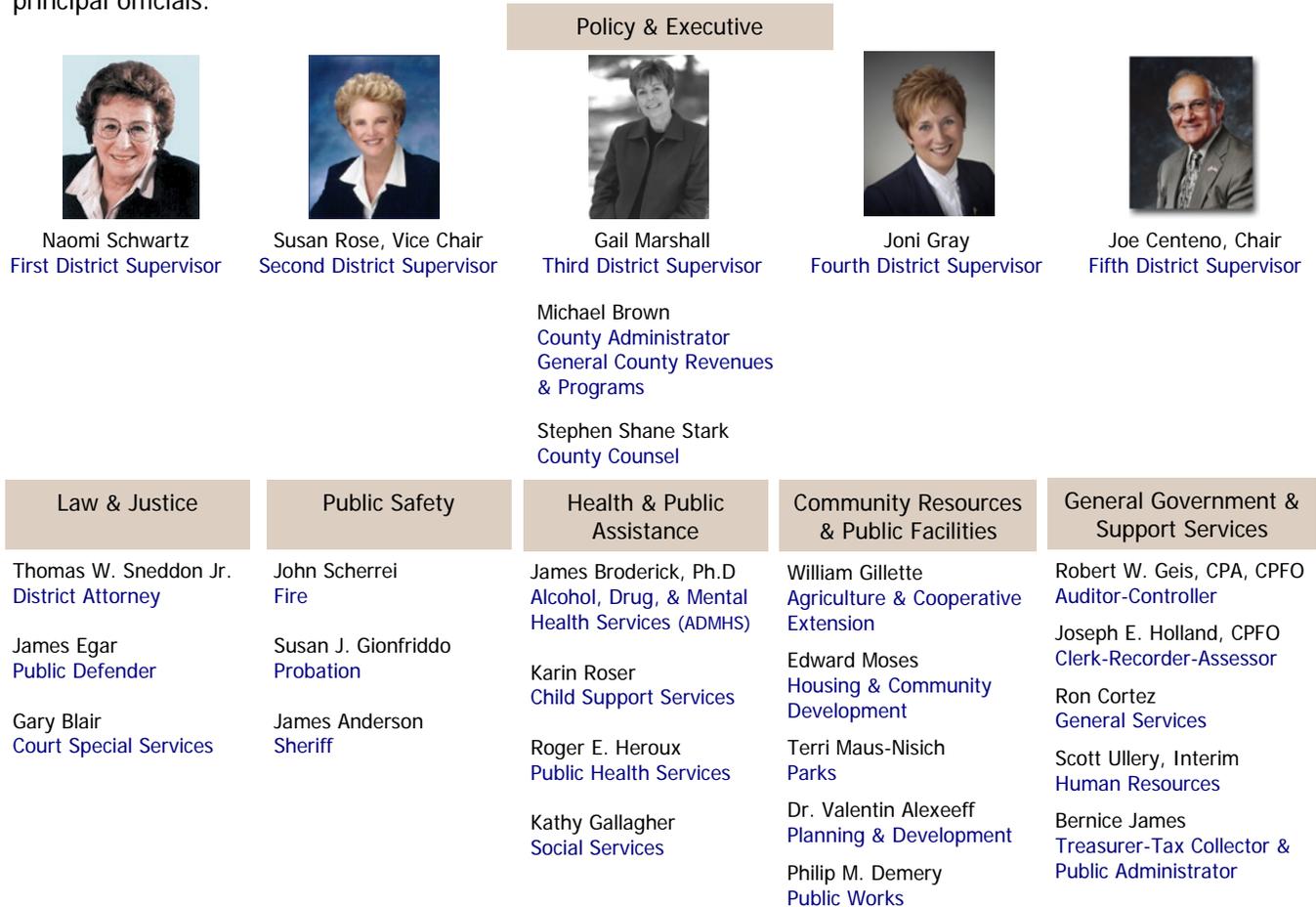
A petition drive to put a County split initiative on the ballot was certified in January 2004. Governor Schwarzenegger appointed a five-person Commission charged with determining the economic viability of Mission County, the fiscal impact on the remaining Santa Barbara County, and how to divide both the debt and assets between the jurisdictions. Regardless of the results of the study, it will be up to the voters to decide in March 2006.

For the first time, the County has recorded the historical value of infrastructure as part of its financial reporting. This adds a new, private sector-like perspective in addition to traditional fund reporting. However, this dual perspective along with a focus on budgetary spending and having to account for tax supported activities, makes government reporting more complex and difficult to understand than private sector reporting. While our goal is to make this report simple and easy to use, we also try to balance this against a report format that incorporates the complex standards.

*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 4,209 full-time equivalent (FTE) positions for the fiscal year. Charlene Chase retired as the Social Services Director and was replaced by Kathy Gallagher. Scott Ullery, Deputy County Administrator, was appointed the acting Human Resources Director. In March 2004, Joni Gray was re-elected for a second term as the fourth district supervisor, Salud Carbajal was elected to replace three-term supervisor Naomi Schwartz in the first district, and Brooks Firestone was elected in the third district to replace two-term supervisor Gail Marshall. The supervisors' new terms begin January 4, 2005.

## Gallagher Named New Social Services Director

Santa Maria Times September 24, 2004

Counties have a dual role in providing services to their residents. First, basic local government services are provided 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, County-wide services are provided 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.

# Economic Recovery...

Santa Barbara County recovered in FY 03-04 following a slowdown in FY 02-03. The following highlights and graphs are evidence of the changing economy.

## Employment

- The County's unemployment rate peaked at only 4.2% in 2002.
- In 2003, the unemployment rate fell to 4.0%.
- The County's 2.4% job growth rate in 2003 was exceeded only in three of the past eleven years. Most of this increase was in agriculture.

### Fed Raises Interest Rates

Move Ends 4-Year Spiral Downward to Record Levels

Santa Barbara News-Press July 1, 2004

## Income

- The average annual salary was \$35,293 in 2003, an increase of 2.6%, or about the rate of inflation.

## Retail Sales

- Retail sales increased to \$5.3 billion, a growth rate of 3.3%.
- In constant dollars, retail sales has remained flat over the last three years due to the national recession, September 11 and its related tourism slowdown, and California's peculiar problems.

## Real Estate

- County residential prices are setting new highs every month due to low interest rates and unique demand forces.
- The median home price of \$418,000 was an increase of 6.7% over the prior year. The median family income increased by the same percentage to \$61,000.
- The housing-affordability index fell slightly to 18.3%.
- Non-residential valuations were down in 2003 to \$130 million compared with the 2002 value of \$142.1 million.

### County Home Prices in 2003 Beat Forecast

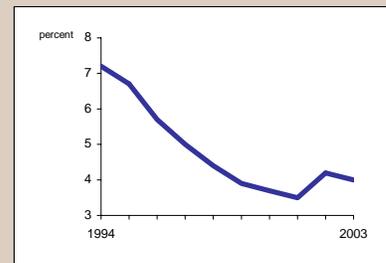
Santa Barbara News-Press January 11, 2004

## Tourism

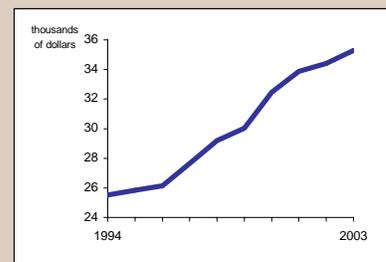
- Real room sales have been declining for two years, but remain above the 2000 level.
- After many years of declining passenger traffic, both of the County's airports showed passenger gains in 2003.

Most of the information about the Local Economy is derived from the 2004 Santa Barbara County *Economic Outlook* printed April 2004 and based on the 2003 calendar year (with permission from the UCSB Economic Forecast Project).

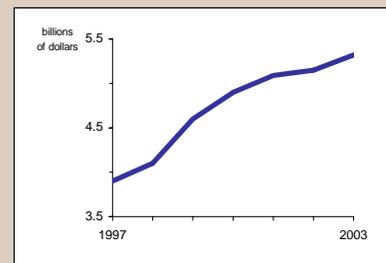
Unemployment Rate



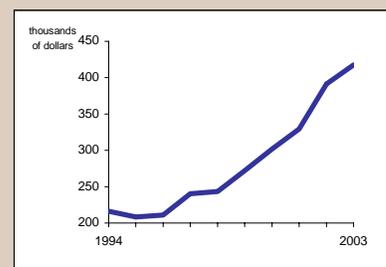
Average Salary



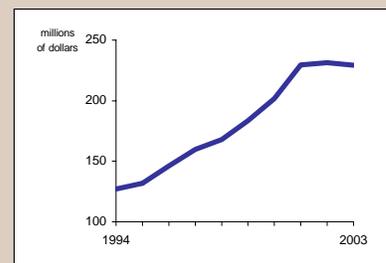
Retail Sales



Median Home Price

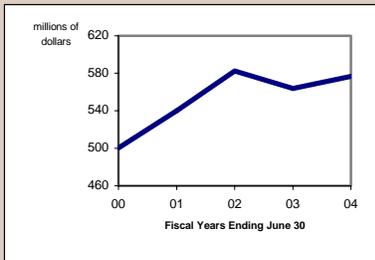


Hotel/Motel Room Sales

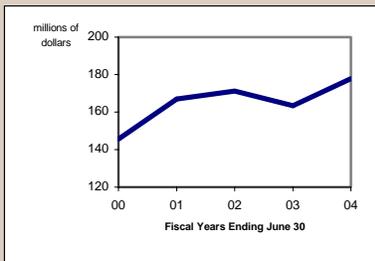


# ...Drives County Revenue Growth

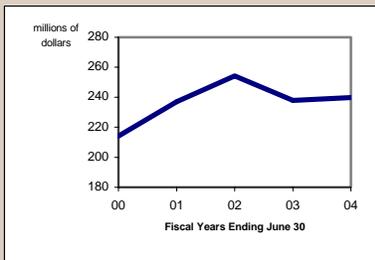
## Total Revenues



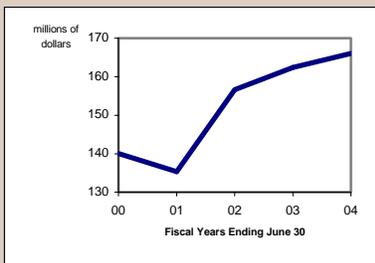
## General Revenues



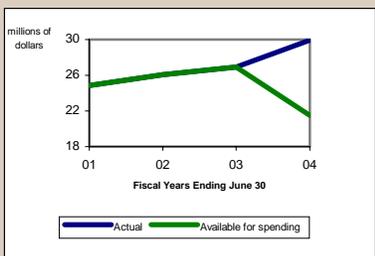
## Federal & State



## Charges for Services



## Motor Vehicle In-Lieu



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

### Total Revenues

- Revenues for the County entity increased by 4% to \$585 million.

### General Revenues

General revenues are primarily local taxes, which provide the Board with most of its discretionary spending ability. Since formation of County government in the 1850's, these resources have generally been consumed by basic public safety services like Sheriff, Fire and District Attorney.

- Property taxes increased 12% to \$120 million
- Motor vehicle in-lieu taxes increased 11% to \$29.9 million
- 1% share of retail sales tax increased 2% to \$9.1 million
- Other shared retail sales tax increased 0.2% to \$7.3 million
- Transient occupancy tax increased 23% to \$5.4 million
- Unrestricted investment earnings decreased 69% to \$1.4 million
- Total general revenues increased 8.8% to \$177.9 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 services, public assistance, health and mental health. Total intergovernmental resources driven by reimbursements for mandated programs increased 1% to \$240 million.

### Charges for Services

A 2% increase to \$166 million was driven by program cost reimbursements via federal and state programs such as Medi-Cal and State FQHC, and reimbursements from other government agencies such as city contracts for Sheriff services.

### Motor Vehicle In-Lieu

Motor vehicle in-lieu taxes increased by \$3 million, or 11%, to \$29.9 million due to local sales and valuation of automobiles. The State withheld allocations of \$1 million in FY 02-03 and \$7.4 million in FY 03-04. This combined \$8.4 million has been recorded as revenue in the current year and the State has promised to repay this amount in August 2006. For governmental fund and budgetary reporting purposes, this revenue is not considered a spendable resource and is recorded as deferred revenue.

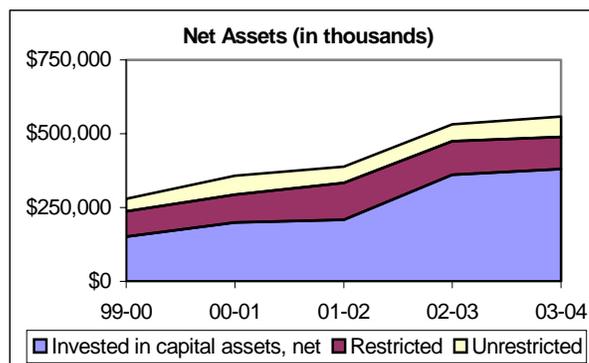
This page contains information from the government-wide financial statements perspective (economic resources measurement focus and the accrual basis of accounting). A summary of the governmental fund perspective (measurement focus on near term inflows and outflows of spendable resources) can be found on page 10. All statements are prepared in conformity with generally accepted accounting principles.

# FY 2003-04 Year-End Financial Condition

The entity-wide financial statements provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the County'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 County financial position.

## Entity-Wide Net Assets (in thousands)

	Fiscal Years		% Change
	2003	2004	
Current and other assets	\$376,728	\$372,544	(1%)
Capital assets	424,194	449,487	6%
Total assets	800,922	822,031	3%
Current and other liabilities	106,362	104,765	(2%)
Long-term liabilities	163,266	159,558	(2%)
Total liabilities	269,628	264,323	(2%)
<b>Net assets:</b>			
Invested in capital assets, net of related debt	361,055	379,935	5%
Restricted	113,852	109,084	(4%)
Unrestricted	56,387	68,689	22%
<b>Total net assets</b>	<b>\$531,294</b>	<b>\$557,708</b>	<b>5%</b>



- As of June 30, 2004, the County's total net assets amounted to \$558 million, an increase of 5% or \$26.4 million.
- The largest component of the County's net assets (68%) is invested in capital assets, less any related debt used to acquire those assets. Depreciation is also applied against the historical cost of the assets.
- \$109 million of the County's net assets (20%) are restricted. This means that these resources are subject to external restrictions on how they may be used (i.e. property taxes restricted for fire and flood protection).
- The remaining net assets of \$68.7 million are considered unrestricted. Unrestricted net assets are resources that the County may use to meet its ongoing obligations to citizens and creditors.

## Capital Asset Activity

- The County's investment in capital assets increased by \$25 million, or 6%, to \$449 million.
- Major project completions include:
  - The Casa Nueva building valued at \$6 million
  - \$17.5 million wastewater treatment project
  - \$6.4 million in road infrastructure for pavement, concrete and bridge replacements
- Recorded depreciation expense of \$14.5 million.

## Capital Assets (in thousands)

	Fiscal Years		% Change
	2003	2004	
Land	\$ 96,322	\$ 97,010	1%
Structures	99,509	109,188	10%
Equipment	43,521	43,051	(1%)
Infrastructure	131,691	153,680	17%
Construction in progress	53,151	46,558	(12%)
<b>Total capital assets</b>	<b>\$ 424,194</b>	<b>\$ 449,487</b>	<b>6%</b>

## Outstanding Debt

### Outstanding Debt (in thousands)

	Fiscal Years		% Change
	2003	2004	
Certificates of participation (COPs)	\$ 67,860	\$ 65,810	(3%)
Long-term settlement obligations	1,355	1,025	(24%)
Capital lease obligations	2,161	1,571	(27%)
Sanitation treatment plant loan	9,388	8,999	(4%)
Other loans	83	67	(19%)
<b>Total outstanding debt</b>	<b>\$ 80,847</b>	<b>\$ 77,472</b>	<b>(4%)</b>

- Total long-term debt amounted to \$77.5 million, a decrease of 4%.
- The County refinanced \$18.4 million in COPs and issued \$4.1 million in new COPs to take advantage of low interest rates. Total debt service payments were reduced by \$3.3 million due to the refinancing.
- The County's outstanding debt schedule features a rapid debt repayment plan that will reduce the debt by 75% over the next ten years.

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# Financial Summary

The statement of activities provides information on how the County's net assets changed during the most recent fiscal year regardless of the timing of related cash flows. The statement reports items resulting in cash flows in future fiscal periods as revenues (e.g. the MVIL State loan) and expenses. Cash outflows for capital and debt payments are not recorded as an expense, while depreciation of assets is recorded as an expense.

## Entity-Wide Changes in Net Assets (in thousands)

	Fiscal Years		Over (under) 2003		% of 2004
	2003	2004	Amount	% Change	
<b>Revenues</b>					
Program revenues:					
Charges for services	\$ 162,424	\$ 166,009	\$ 3,585	2%	28%
Operating grants and contributions	237,735	239,929	2,194	1%	41%
Capital grants and contributions	131	1,144	1,013	773%	0%
General revenues:					
Property taxes	107,279	119,973	12,694	12%	21%
Motor vehicle in-lieu tax	26,932	29,923	2,991	11%	5%
Sales taxes	16,134	16,384	250	2%	3%
Transient occupancy tax	4,423	5,448	1,025	23%	1%
Unrestricted investment earnings	4,391	1,357	(3,034)	(69%)	0%
Other	4,293	4,782	489	11%	1%
<b>Total revenues</b>	<b>563,742</b>	<b>584,949</b>	<b>21,207</b>	<b>4%</b>	<b>100%</b>
<b>Expenses</b>					
Policy & executive	7,235	6,242	(993)	(14%)	1%
Law & justice	36,850	38,088	1,238	3%	7%
Public safety	142,190	149,819	7,629	5%	27%
Health & public assistance	221,988	230,432	8,444	4%	41%
Community resources & public facilities	65,268	68,780	3,512	5%	12%
General government & support services	26,927	26,942	15	0%	5%
General county programs	15,644	13,050	(2,594)	(17%)	2%
Interest on long-term debt	4,610	4,172	(438)	(10%)	1%
Solid waste	18,295	17,394	(901)	(5%)	3%
Laguna sanitation	3,825	3,495	(330)	(9%)	1%
Transit	27	16	(11)	(41%)	0%
Loss on disposal of capital assets	309	105	(204)	(66%)	0%
<b>Total expenses</b>	<b>543,168</b>	<b>558,535</b>	<b>15,367</b>	<b>3%</b>	<b>100%</b>
Extraordinary and special items	5,433	0	(5,433)	(100%)	
<b>Increase (decrease) in net assets</b>	<b>\$ 26,007</b>	<b>\$ 26,414</b>	<b>\$ 407</b>	<b>2%</b>	

- As discussed earlier, the County's total revenues increased by 4% or \$21.2 million to \$585 million.
- Total expenses grew 3% or \$15.4 million county-wide to \$558.5 million.
  - Salaries and benefits grew across all functions by 6.6% or \$20.5 million.
  - Services and supplies and other charges increased a net \$3.6 million across all functions.
  - However, there was an offsetting \$8.1 million decrease in program expenses driven by internal service funds; they recorded a current year profit of \$3.6 million versus a prior year \$4.5 million loss.
- Revenues surpassed expenses by \$26 million, which provided resources for County assets (e.g. capital items) and resources to decrease the County's liabilities (e.g. debt obligations).

## Employees Provide the Service

The County of Santa Barbara is the third largest employer within the County with an annual average employment count of 4,209 full-time equivalents (FTEs) for FY 2003-04. The budgeted full-time employment count was 4,264. The savings generated by an average of 55 vacant positions for the fiscal year was approximately \$4.5 million across the County fund structure. As a service delivery entity, the cost of employee salaries and benefits are approximately 52% of the total County budget. These costs grew 6.6% over the prior year.

Annual Salary and Benefit Costs & Average Employee Count (FTE)				
Fiscal Year	FTE's	Growth	Cost (000's)	Growth
01-02	4,321	0.3%	\$295,000	9.9%
02-03	4,274	-1.0%	\$313,000	6.2%
03-04	4,209	-1.5%	\$334,000	6.6%

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# Service Efforts

## Policy and Executive

This functional area has 87 staff positions and expenses of \$6 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 2003-04 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.

### Santa Barbara County Approves Spending Plan — For Now

Santa Maria Times June 12, 2004

## General Government And Support Services

With 413 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 largest 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 122,800 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](http://www.sbcountyjobs.com)

Public Service in Paradise

## Public Safety

This functional area has 1,298 staff positions and expenses of \$150 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 9,400 emergency calls. They maintain a strong hazardous material control program, fire prevention services and emergency response plan.

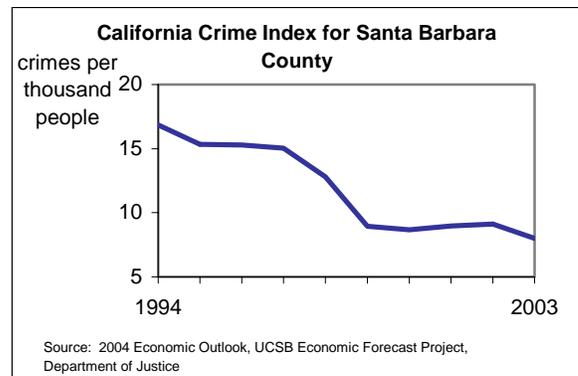
### Gaviota Fire Burns More Than 7,400 Acres

Goleta Valley Voice June 11, 2004

Sheriff custody processed and booked 17,535 adult offenders through the County jail, while Sheriff's patrol services handled 332,000 calls for service. The Public Safety Dispatch answered more than 260,000 inquiries to the center during the year.

The Probation Department processed over 6,300 juvenile referrals, supervised over 2,050 juveniles and 8,500 adult offenders, provided 58,300 days of institutional care for minors in two juvenile halls and two camps, and prepared and submitted 11,300 reports for the courts regarding adult offenders.

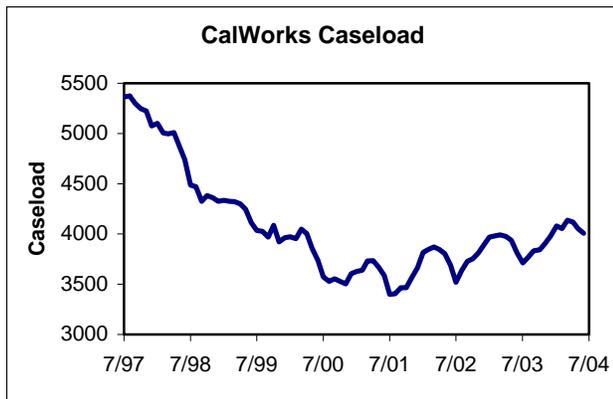
## Law and Justice



This functional area has 207 employees and expenses of \$38 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 3,500 felonies and 11,200 misdemeanors with the courts, while the Public Defender's caseload reached 25,900. There is an increasing emphasis throughout the law and justice system on prevention and enforcement remedies.

## Health & Public Assistance

With 1,560 employees and expenses of \$230 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 20,000 ADMHS clients served, over 156,000 child support payments worth \$28 million processed, 62,500 assistance claims worth \$38 million paid to eligible recipients and over 112,000 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.

### One in Five Children Lacks Health Insurance

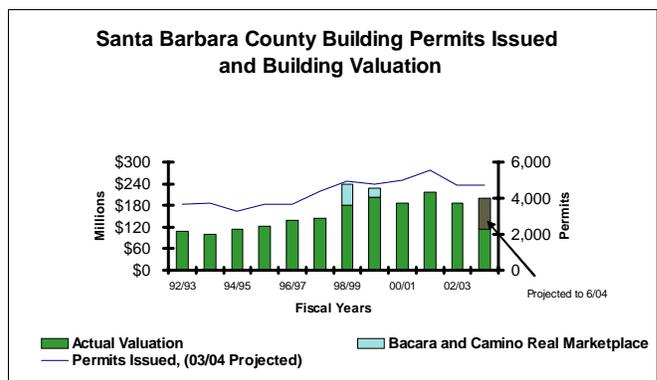
Santa Barbara News-Press November 20, 2003

## General County Programs

18 employees with expenses of \$13 million service a variety of general county programs. Included are Debt Service and Developing Strategies 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 the Local Agency Formation Commission, are also accounted for in this unit.

## Community Resources And Public Facilities

This functional area has 527 employees and expenses of \$69 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, develop affordable housing, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible.



These departments completed more than 25,000 building inspections, maintained or enhanced 150 of the 1,667 road lane miles, completed 200 flood control work requests, and provided services at 25 major county parks.

*Public Works Annually Updates its 5-Year Pavement Preservation Program*

## 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 99 employees and expenses of \$21 million. Workload at solid waste includes waste reduction through recycling at 10,200 tons per month, landfill waste disposal of 19,910 tons per month, and the implementation of Phase I of the Tajiguas Landfill expansion which will provide four additional years of disposal capacity. Our future waste system program remains a long-term strategic issue for the community.

# Transition to Next Year's Budget

## Statement of Revenues, Expenditures, and Changes in Fund Balance (FY 03-04) Governmental Funds (in thousands)

	General	Road	Public Health	Social Services	Flood Control District	Capital Projects	Other Governmental Funds	Total
Revenues	\$ 259,331	\$ 27,615	\$ 58,517	\$ 90,647	\$ 12,489	\$ 8,463	\$ 110,431	\$ 567,493
Expenditures	(253,109)	(29,751)	(67,482)	(99,708)	(9,751)	(24,252)	(102,348)	(586,401)
Net other financing uses	(8,334)	1,455	4,602	8,520	7	5,679	(10,755)	1,174
<b>Change in fund balance</b>	<b>\$ (2,112)</b>	<b>\$ (681)</b>	<b>\$ (4,363)</b>	<b>\$ (541)</b>	<b>\$ 2,745</b>	<b>\$ (10,110)</b>	<b>\$ (2,672)</b>	<b>\$ (17,734)</b>

The County drew on fund balances in FY 03-04 in the amount of \$17.7 million across the fund structure of the County, as expenditures outpaced revenues. This was mostly due to growth in salary and benefit expenditures outpacing revenue growth. However, taking away the \$10.1 million related to the capital outlay fund leaves a draw of approximately \$7.6 million or only 1.4% of operating expenditures.

### Financial Status Summary General Fund (in thousands)

	FY 03-04		
	Adjusted Budget	Actual	Budget Savings
Revenues	\$ 255,930	\$ 259,332	\$ 3,402
Expenditures	(261,044)	(253,092)	7,952
Net other financing uses	(7,350)	(8,350)	(1,000)
Net changes to reserves/designs	415	14	(401)
<b>Net financial impact</b>	<b>\$ (12,049)</b>	<b>\$ (2,096)</b>	<b>\$ 9,953</b>

### General Fund Equity (in thousands)

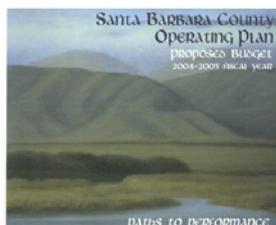
	Beginning Balance 7/1/2003	Ending Balance 6/30/2004
Fund Balance Reserved	\$ 8,901	\$ 9,250
Fund Balance Designated	28,724	28,362
Fund Balance Unres & Undes	12,050	9,953
<b>Total Equity</b>	<b>\$ 49,675</b>	<b>\$ 47,565</b>

General Fund revenue growth rebounded this year with a 3% increase, while expenditures grew 5%. We believe this trend of expenditures exceeding revenues may reverse next budget cycle. Revenues will grow with the economy and outpace the State budget cuts. Expenditures will increase at a smaller rate due to the budget not having any COLA's for new salary agreements.

As of June 30, 2004, total equity of the general fund was \$47.6 million, a decrease of 4% from the prior year. Of this amount \$28.4 million was designated and \$10 million is unreserved undesignated. Total unreserved fund balances are adequate at \$38.3 million or 15% of expenditures.

### FY 04-05 Budget

The County adopted the FY 04-05 County Budget Plan with operating appropriations set at \$617.3 million and a capital budget of \$13.6 million.



The fund statements and proposed budget are prepared on the modified accrual basis that focuses on near term inflows and outflows of spendable resources.

	Operating Budget	Percent of Total
<b>Use of Funds Summary</b>		
<i>Countywide Functions:</i>		
Policy & executive	\$ 7,272,695	1.1%
Law & justice	36,734,320	5.8%
Public safety	146,199,360	23.2%
Health & public assistance	244,055,028	38.7%
Community resources & public facil.	121,895,707	19.3%
Support services	43,490,126	6.9%
General county programs	17,615,881	2.8%
Expenditure total	617,263,117	97.8%
Capital	13,566,474	2.2%
Total use of funds	\$ 630,829,591	100.0%

### State Budget Reductions

The County adopted the budget in June without State budget reductions, except for an anticipated \$1.1 loss of mandate reimbursements. In August 2004 the State adopted its budget that includes a two year \$3.9 million reduction to County General Fund revenues as part of a VLF and property tax swap. An additional \$3 million in cuts were made to other funds and the State did not fund the mandate reimbursements. The County plans to adjust the budget for the State cuts by using unanticipated revenues (i.e. property tax growth is expected to exceed budget estimates) and fund equity.

# FY 2004-05 Forecast

After a slowdown in the prior fiscal year the County recovered in FY 03-04. The downturn to our surprise was short term. Property taxes remained strong and the County is absorbing State budget reductions. Reporting on a fund basis, County expenditures outpaced revenues for FY 03-04. The FY 04-05 budget does not contain cost of living increases for employees. This budgetary constraint should slow the growth of County expenditures. A number of economic driven revenue accounts such as sales tax and transient occupancy tax, returned to positive rates of growth. Our largest revenue account, property taxes, reversed from a declining trend over the last two years and increased from 6.9% in FY 03-04 to 8.6% for FY 04-05.

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%
04-05	44.8	8.6%

## Standard & Poor's Ratings

January 7, 2004

The 'AA-' rating on Santa Barbara County, Calif.'s \$31 million certificates of participation (COPs) reflects:

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

The stable outlook reflects the expectation that the county will be able to sustain its level of financial performance during the current period of uncertainty regarding state intergovernmental transfers.

June 15, 2004

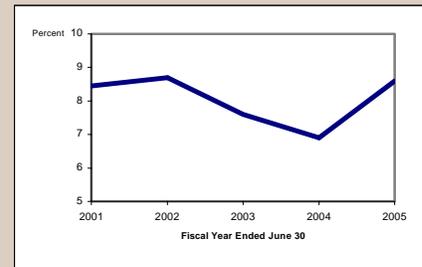
The 'SP-1+' rating on Santa Barbara County, Calif.'s TRANs reflects:

- The county's favorable general credit characteristics, and
- ...the County's cash balances provide strong projected coverage for the notes.

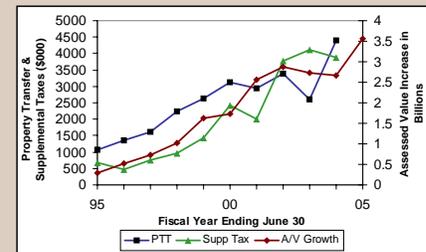
## Summary Highlights

FY 04-05	Sustainable growth
FY 03-04	Recovery
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

### Annual Change in Assessed Value of Property in the County



### Assessed Value Growth vs Property Transfer Tax & Supplement



## Economic Indicators

Beginning the first quarter of FY 2003-04, economic growth at the national level was good news for the economy. It now appears, barring something surprising, recovery will be sustainable. Indications are that California's economy is currently much more robust than commonly thought. The Santa Barbara economy recovered in FY 2003-04 after a slowdown in the prior year.

## Financial Indicators

We are experiencing an increase in the rate of growth in our economic driven general revenues due to recovery from the recession in the U.S., California and local economies.

State budget reductions this year offset a significant portion of our revenue growth. State budget cuts over the next two years will also have to be absorbed by the County. However, next year we believe revenues will outpace expenditures.

# 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, 2003



*Nancy L. Ziehl*  
President

*Jeffrey L. Eselle*  
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 completed the implementation of Government Accounting Standards Board Statement No. 34 that includes a more comprehensive, integrated financial reporting model, infrastructure reporting and 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, 2003. 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:  
Guadalupe Dunes  
Photograph by Mark Bright