# Financial Highlights

## County of Santa Barbara, Fiscal Year Ended June 30, 2009

August 28, 2009


**Board of Supervisors**
Salud Carbajal, First District
Janet Wolf, Vice Chair, Second District
Doreen Farr, Third District
Joni Gray, Fourth District
Joe Centeno, Chair, Fifth District

**County Executive Officer**
Michael F. Brown

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

Visit the County's web site at
*www.countyofsb.org*

View the Highlights on-line at
*www.countyofsb.org/auditor*

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

### Table of Contents


Auditor-Controller's Message….. 2
FY 2009-10 Forecast…… 3
The Economy…….. 4
County Revenues…….. 5
Financial Summary……... 6
Financial Trends……... 7
Who We Are……. 8
Services & Expenditures by Function……... 9
Transition to Next Year's Budget……. 10
State Budget Effects for County……. 11
Debt Ratings…… 11
On the Web…… 12
Government Finance Award…... 12


## Economic Indicators

Recession may be defined as a period when Gross Domestic Product (GDP) falls for at least two quarters. As displayed in the chart, GDP has fallen five of the last six quarters

## Financial Indicators

As a result of the recession, the County experienced declining property tax growth; property tax revenue is the largest source of discretionary resources that finances the County budget. The County budgeted only 1% growth in property tax for FY 09-10, the lowest in 30 years.


Published by the County Auditor-Controller, Robert W. Geis, CPA, CPFO (805) 568-2100

# A Message from the Auditor-Controller

Bob Geis has served the County of Santa Barbara as the elected Auditor-Controller since 1991.

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). This report provides highlights of the significant financial and economic activity of Santa Barbara County, California for the fiscal year (FY) ended June 30, 2009. Copies of the CAFR are available at all public libraries and also at the Auditor-Controller's web site.

"Measure A: Wins Big"

COAST November 6, 2008

Twenty years ago the County of Santa Barbara, with a vision for transportation improvements across the County, put before the Santa Barbara County voters our current Measure D that was approved by voters in 1989, with a 54% "yes" vote. It was approved for a 20 year period, and expires in March 2010. This funding provided for the formation of the Santa Barbara County Association of Governments (SBCAG), a regional transportation organization with expanded participation by the County and cities in its governance structure. SBCAG put forth a measure in 2006 for replacement of Measure D with a ¾ cent sales tax that did not receive the support of the voters. This in turn brought together many leaders of the community to support a new effort of compromise and provided broad support. Measure "A", a replacement ½ cent sales tax for 30 years, was put before the voters in November 2008. The measure won the required 2/3 super-majority in every single area of the County. This is good news for the financial future of transportation infrastructure throughout the County.

Three different fires burned the mountainsides above Santa Barbara and Goleta during the year. Homes were lost but great fire fighting efforts stopped these fires from being unprecedented disasters in Santa Barbara. Much has been written and all we'll say is that the agencies involved should be proud of their efforts and successful responses.

"Three Fires in Less Than a Year"

Santa Barbara News-Press May 7, 2009

"It's Bleak Right Now- Northern Santa Barbara County and California are in for a Long and Difficult Recovery"

Santa Maria Times April 30, 2009

The economic stress that showed at the beginning of FY 08-09 turned into a recession throughout the County. Revenues turned downward and that trend accelerated beginning in January 2009. Declines in consumer consumption taxes like the statewide sales tax allocation for Public Safety Prop 172 and the Health/Human Services Realignment sales and DMV taxes were much greater than anticipated. Locally, property tax accounts dropped along with local sales tax allocations and hotel taxes. The downturn in taxes hit in the North County first, followed by economic decline in the South County.

Robert W. Geis, CPA, CPFO
County Auditor-Controller

# FY 2009-10 Forecast

## Economic Indicators

The economy is in a recession throughout most of the United States, California and Santa Barbara County. California has been hard hit by the real estate collapse, is losing jobs at a significant rate and is experiencing a decline in economic output. Home prices have been significantly affected, especially in northern Santa Barbara County. Retail sales have been declining for two years. In early 2009, tourism was negatively affected particularly at Santa Barbara's premier resort destinations. California has an acute budget crisis, and government pension funds including Santa Barbara County's incurred significant losses in the investment market.

The indicators for an upturn are elusive. Mixed signals exist about whether we expect to see the bottom of the downturn later this fall or next spring. The unknowns in the economy include rising unemployment, prime mortgage defaults, consumer spending, and tourism, resulting in potential continued decreases in the County tax base.

## Financial Indicators

County tax revenues were under stress with significant declines in local sales tax (7%), public safety sales tax (13%), realignment sales tax (13%), transient occupancy tax (11%), and investment earnings (28%). Secured property tax, the County's largest revenue source, had positive growth of 5%. On the expenditure side, the County decreased the actual employees paid by 129, or 3%. The County enacted an employee furlough program for non-public safety employees, and negotiated wage concessions on previously adopted labor agreements.

In FY 09-10, the secured property tax revenue will drop to an estimated 1% growth rate which, unlike many counties, is still positive. An additional 6% decline in sales tax revenue and a 10% decline in transient occupancy tax is projected, along with a modest 2% decline in our total discretionary tax revenues. Many County departments cut 10% of their General Fund contributions for expenditures. The lingering California budget crisis resulted in State program reductions, shifts of revenue from county government, and a borrowing of local property taxes. However, the Federal government has stepped in with stimulus money that is helping mitigate some of the negative effects of the State budget crisis in the area of health and human services. Pension cost increases were flat this fiscal cycle, after a 25% increase last year. In future years, significant increases to pension costs appear inevitable due to recent investment market losses.

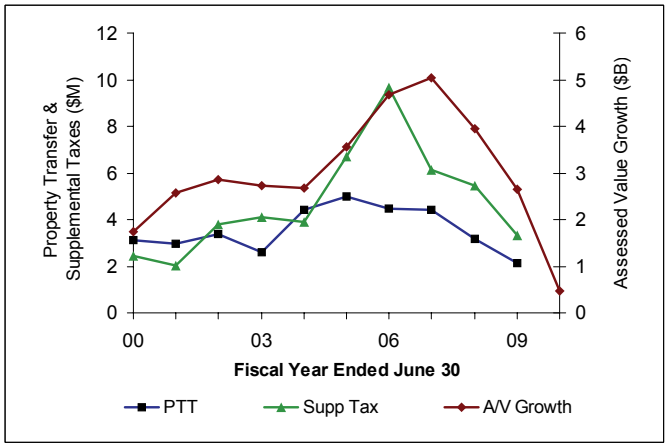
## Summary Highlights

| | |
|---|---|
| FY 09-10 | Recession |
| FY 08-09 | Economic stress |
| FY 07-08 | Slowdown |
| FY 06-07 | Growth moderating |
| FY 05-06 | Strong and stable |
| FY 04-05 | Sustainable growth |
| FY 03-04 | Recovery |
| FY 02-03 | Slow paced growth |
| FY 01-02 | Growth moderating |

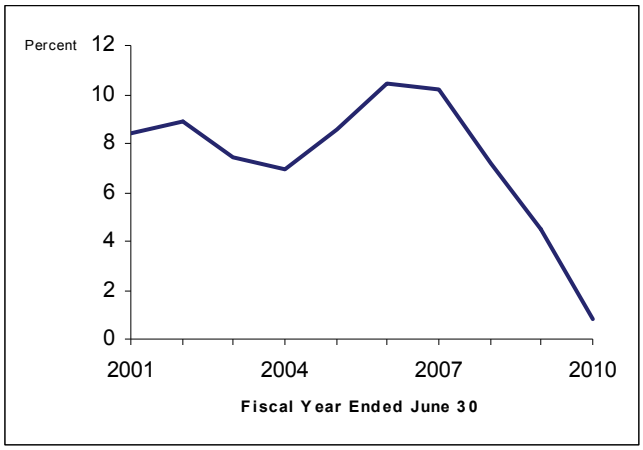
**Historical Assessed Value of Property in the County (in billions)**

| Fiscal Year | Assessed Valuation | Percent Increase |
|---|---|---|
| 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% |
| 05-06 | 49.5 | 10.4% |
| 06-07 | 54.5 | 10.2% |
| 07-08 | 58.5 | 7.2% |
| 08-09 | 61.1 | 4.6% |
| 09-10 | 61.6 | 0.8% |

### Assessed Value Growth vs. Property Transfer Tax (PTT) & Supplemental Property Tax




### Annual Percent Change in Assessed Value



# The Economy

The following highlights and graphs are evidence of Santa Barbara County's changing economy.

### Employment

- The County's unemployment rate increased from 4.4% to 5.4% through 2008. This is slightly lower than the national unemployment rate of 5.8%.
- Job growth was basically nonexistent in Santa Barbara County, with an increase of 0% in 2008. Though certain industries like agriculture generated a few more jobs in the County, this small increase was offset by decreases throughout almost every other sector.
- By June 2009, the economic conditions worsened and unemployment nearly doubled to 8.2% in Santa Barbara County. Though this exemplifies the deteriorated state of the economy, Santa Barbara County has managed to stay below a State unemployment rate of 11.6% and a national unemployment rate of 9.7%

> "Economic Forecast: County's Fortunes Could be Much Worse"
>
> Santa Barbara News-Press April 23, 2009

### Income

- The average annual salary had a slight increase to $42,201, or 0.5%, in 2008, from $41,990 in 2007.

### Retail Sales

- Retail sales decreased 5.1% to $5.6 billion for the 2008 calendar year from $5.9 billion in 2007, and plummeted even further during the first two quarters of 2009.
- California retail sales dropped 13% and Santa Barbara County retail dropped 11% for FY 08-09.

### Real Estate

- The County-wide nominal median home price decreased a significant 52.1% to $388 thousand, compared to a statewide home price of $360 thousand. This sudden drop of the median home price supported a sharp increase in the number of home sales, which saw a 20.4% increase from the prior year.
- Non-residential valuations decreased 8.3% to $191.5 million.

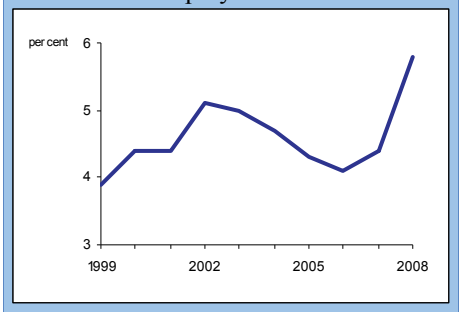
### Tourism

- The South Coast's 2008 hotel and motel occupancy rate was estimated at 72%, a rate slightly lower than the 10-year average of 75%.
- Beginning in October 2008, the County experienced a significant drop in tourism that progressively worsened through June of 2009.

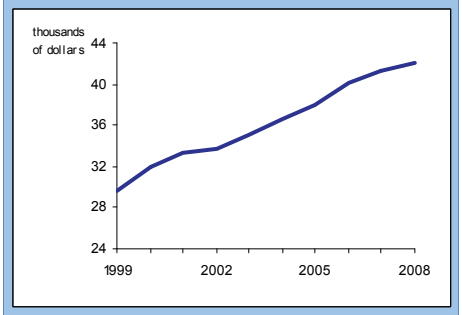
> "Supervisors Give Final Approval to Miramar Plan"
>
> Santa Barbara News-Press December 10, 2008

Most of the information about the Local Economy is derived from the 2009 Santa Barbara County ***Economic Outlook*** *printed April 2009 and based on the 2008 calendar year* (with permission from the UCSB Economic Forecast Project).

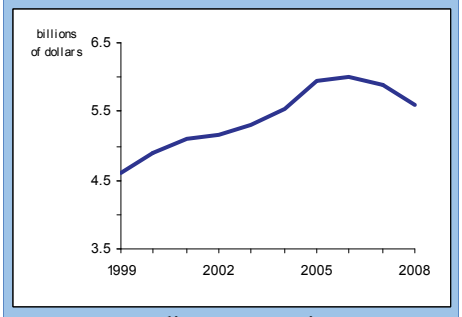
Unemployment Rate



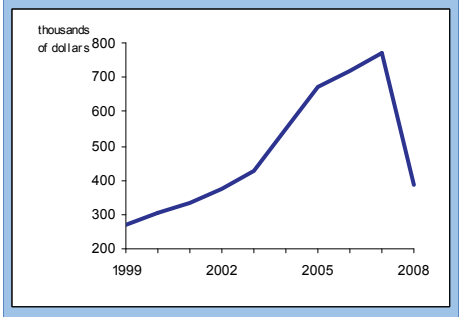

Average Salary



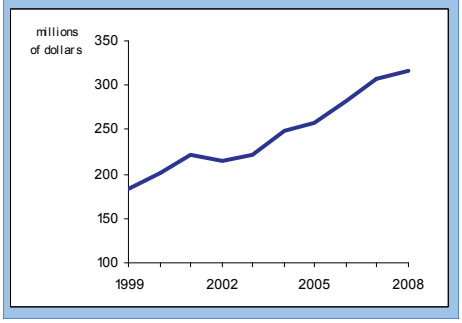

Retail Sales




Median Home Price

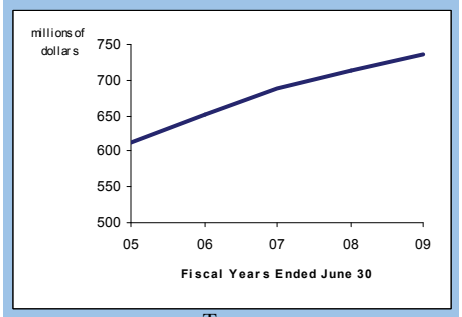



Hotel/Motel Room Sales

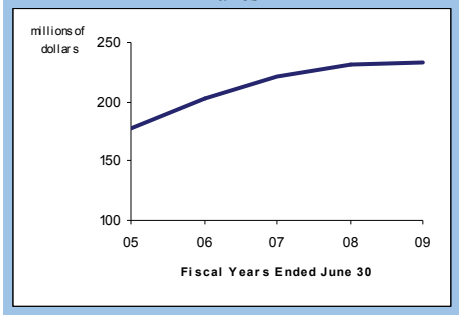


# Drives County Revenues

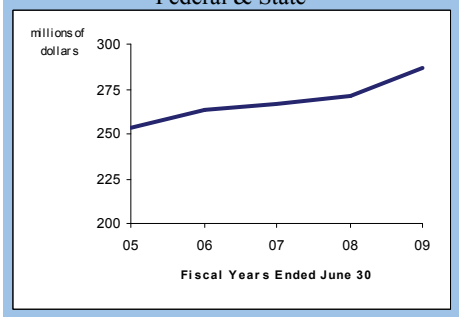
Total Revenues



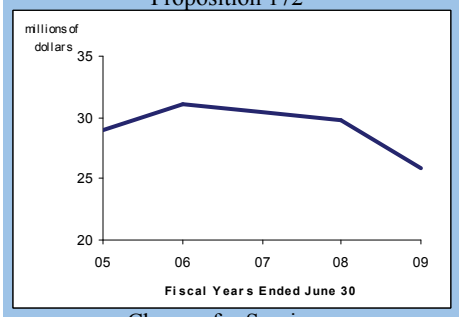

Taxes



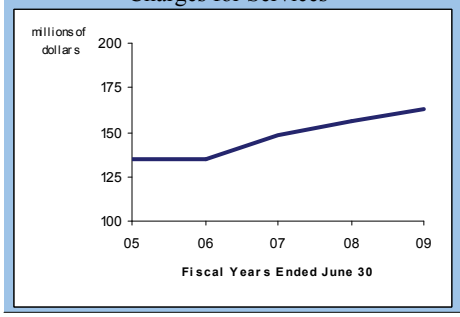

Federal & State




Proposition 172




Charges for Services




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

## Total Revenues

- Revenues for the County government entity increased by 3.2% to $735 million from the prior year's revenues.

## Taxes

Taxes are generated locally and provide the Board with most of its discretionary spending ability. Since formation of county government in the 1850s, these resources have generally been consumed by basic public safety services such as Sheriff, Fire and District Attorney.

- Property taxes increased 1.6% to $167.0 million.
- Property tax in-lieu of motor vehicle tax increased 4.5% to $41.6 million.
- 1% share of retail sales tax decreased 6% to $7.3 million.
- Property tax in-lieu of 1% sales tax decreased 39% to $2.2 million.
- Other shared retail sales tax decreased 10.8% to $7.4 million.
- Transient occupancy tax decreased 10.4% to $6.4 million.
- Total taxes increased by 0.5% to $232.8 million.

## Federal and State (Intergovernmental) Revenues

- As an arm of State government, these multiple program resources are 39% 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 5.8% to $286.8 million.

## Prop 172 Sales Tax Revenues

- Proposition 172 sales tax revenues declined $3.9 million or 13.4% from the prior year to $25.9 million. This revenue source is a statewide sales tax allocation. The significant downturn in these revenues is due to a decrease in consumer spending.

> "County Revenues Down"
>
> Santa Ynez Valley Journal February 5, 2009

## Charges for Services

- Charges for services revenue increased 4.3% to $163.3 million. These revenues are driven by program cost reimbursements via Federal and State programs such as Medi-Cal and State Federally Qualified Health Center, and reimbursements from other government agencies such as city contracts for Sheriff services.

This report contains information from the CAFR's governmental funds financial statements with the following exceptions: 1. The capital asset and outstanding debt information on page 7 is derived from the government-wide financial statements and 2. The enterprise fund information on page 9 is derived from the proprietary fund financial statements. All statements in the CAFR are prepared in conformity with generally accepted accounting principles (GAAP).

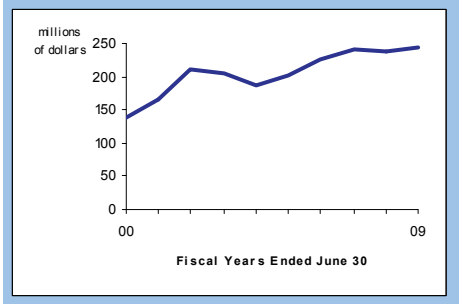
# Financial Summary

| SANTA BARBARA COUNTY<br>ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES | | | | | |
|---|---|---|---|---|---|
| Fiscal Years Ended June 30<br>(in thousands) | 2005 | 2006 | 2007 | 2008 | 2009 |
| Revenues (by source): | | | | | |
| Taxes | $176,747 | $202,078 | $220,583 | $231,955 | $232,781 |
| Licenses, Permits & Franchises | 13,712 | 14,094 | 14,336 | 14,294 | 13,643 |
| Fines, Forfeitures & Penalties | 9,675 | 12,020 | 11,020 | 12,333 | 13,218 |
| Use of Money & Property | 9,489 | 10,783 | 13,025 | 12,173 | 8,739 |
| Intergovernmental | 253,104 | 263,025 | 266,953 | 271,211 | 286,846 |
| Charges for Services | 134,276 | 134,664 | 148,311 | 156,648 | 163,332 |
| Other | 15,751 | 15,255 | 13,414 | 13,637 | 16,614 |
| Total Revenues | 612,754 | 651,919 | 687,642 | 712,251 | 735,173 |
| Expenditures (by function): | | | | | |
| Policy & Executive | 10,229 | 10,824 | 11,846 | 13,290 | 13,971 |
| Law & Justice | 37,361 | 38,083 | 39,247 | 41,875 | 43,869 |
| Public Safety | 148,978 | 160,249 | 175,500 | 189,364 | 193,291 |
| Health & Public Assistance | 241,023 | 260,562 | 273,314 | 287,957 | 287,110 |
| Community Resources & Facilities | 85,219 | 78,085 | 90,994 | 89,859 | 106,471 |
| General Government & Support Services | 40,007 | 46,686 | 47,380 | 48,356 | 50,736 |
| General County Programs | 9,731 | 12,574 | 14,552 | 18,452 | 22,822 |
| Debt Service | 10,016 | 11,323 | 10,806 | 9,237 | 9,554 |
| Capital Outlay | 36,155 | 11,029 | 10,620 | 20,055 | 7,017 |
| Total Expenditures | 618,719 | 629,415 | 674,259 | 718,445 | 734,841 |
| Net Other Financing Sources | 20,385 | 2,631 | 3,035 | 17,758 | 446 |
| Prior Period Adjustment for Mental Health Programs | - | - | - | (14,203) | 2,881 |
| Net Change in Fund Balance | $14,420 | $25,135 | $16,418 | ($2,639) | $3,659 |

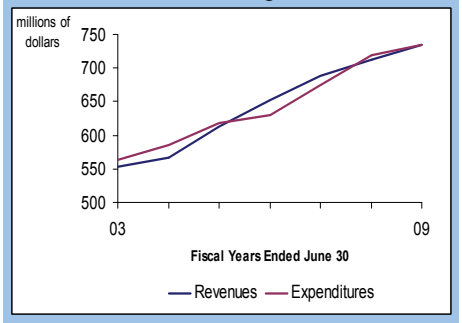
The County's governmental funds were able to maintain their financial position for FY 08-09. Expenditures of $735 million ended up virtually even with revenues of $735 million.

- Total revenues increased overall by 3% or $23 million. This is compared to increases in FY 07-08 of 4% or $25 million, and FY 06-07 of 5% or $36 million.
- Taxes remained flat with an increase of just 0.4%. Intergovernmental (Federal and State program) revenues and reimbursements increased 13% or approximately $20 million, offset by a significant decline in State public safety sales tax allocation of $4 million. Charges for services reimbursements also increased revenues 4% or $7 million.
- Total Expenditures increased overall 2% or $16 million. This is compared to increases in FY 07-08 of 7% or $44 million, and in FY 06-07 of 7% or $45 million.
- The functional areas of Health & Public Assistance and Public Safety account for approximately 65% of total expenditures. These two major functional areas showed only a small increase in expenditures.
- The main functional area which showed an increase in expenditures was Community Resources & Facilities with projects such as the Tepusquet Bridge, the Jalama Bridge, the Pardall Road Improvements, and fire cleanup.
- Salaries and benefits costs increased in all the functional areas by $8 million, or 2%, to $411 million. The increase is primarily due to an increase in retirement costs of $9 million. Other salary cost increases (i.e. COLA's) were offset by a decrease in the FTE count by 129 positions and employee furlough savings.
- With revenues equal to expenditures, there was small growth in fund balance as a portion of a prior period adjustment was reversed due to a favorable change in a cost report submitted to the State Department of Mental Health for FY 07-08.

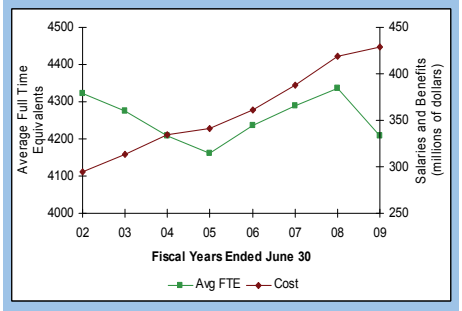
Fund Balance



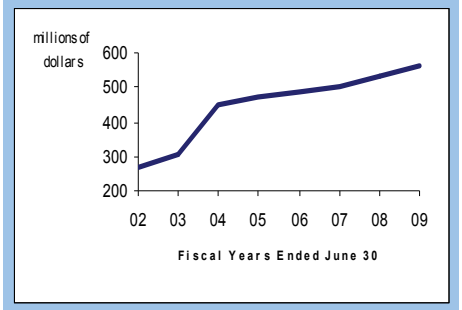

Revenues and Expenditures



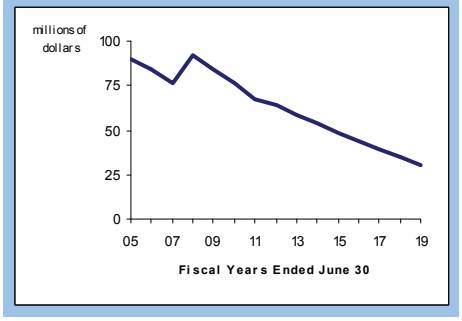

Employees




Capital Assets




Outstanding Debt




## Fund Balance

- Total governmental funds increased $3.7 million, or 1.6%, to $243 million.
- General Fund unreserved balance decreased $3.9 million, or 6%, to $57.9 million.
- The General Fund balance is 25% of its annual expenditures and the General Fund unreserved fund balance is 17% of the total General Fund annual expenditures.
- The Strategic Reserve designation, which is earmarked for severe economic downturns and emergencies, ended the year at $22.4 million.

## Revenues and Expenditures

- While total countywide revenues came in very close to total countywide expenditures for FY 08-09, the reader should keep in mind that the County financing includes both annual operating revenue/expenditures and multi-year project revenues/expenditures.

## Employees

- The County reduced its average full-time equivalent count by 129 to 4,207.
- The Public Safety departments reduced 38 employees to a total of 1,356.
- As a service delivery entity, the cost of employee salaries and benefits of $411 million were approximately 56% of actual expenditures.

"Isla Vista Foot Patrol Opens New Station"

Daily Sound December 11, 2008

## Capital Assets

- The County's investment in capital assets increased by $25.2 million, or 4.7%, to $560.7 million.
- $29.7 million in major construction projects were completed.
- Major projects included the Isla Vista Foot Patrol Building for $4.6 million, Community Resource & Facilities infrastructure for $4.5 million, and the County Administration building HVAC replacement at $2.4 million.

## Long-Term Debt

- Total long-term debt outstanding related to general obligation and revenue bonds amounted to $84 million, a decrease of 8.5% from the prior year.
- The County has $73.3 million in outstanding certificates of participation (COP) and has a rapid debt repayment plan that will reduce the debt by 63% over the next ten years.
- Tax and Revenue Anticipation Notes (TRAN) of $63.7 million were issued in July 2009. Proceeds from the notes will be used to meet FY 09-10 cash flow requirements.

# Who We Are

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

## Policy & Executive

Salud Carbajal
First District Supervisor

Janet Wolf, Vice-Chair
Second District Supervisor

Doreen Farr
Third District Supervisor

Joni Gray
Fourth District Supervisor

Joe Centeno, Chair
Fifth District Supervisor

Michael F. Brown
County Executive Officer
General County Programs

Dennis Marshall
County Counsel

### Law & Justice

Christie Stanley
District Attorney

Greg Paraskou
Public Defender

Gary Blair
Court Special Services

### Public Safety

Michael Dyer
Fire

Patricia Stewart
Probation

Bill Brown
Sheriff-Coroner

### Health & Public Assistance

Ann Detrick
Alcohol, Drug, & Mental Health Services (ADMHS)

Carrie Topliffe, CPA
Child Support Services

Dr. Elliot Schulman
Public Health Services

Kathy Gallagher
Social Services

### Community Resources & Public Facilities

William Gillette
Agriculture & Cooperative Extension

John McInnes, interim
Housing & Community Development

Daniel Hernandez
Parks

Glenn Russell
Planning & Development

Scott McGolpin
Public Works

### General Government & Support Services

Robert W. Geis, CPA, CPFO
Auditor-Controller

Joseph E. Holland, CPFO
Clerk-Recorder-Assessor

Robert Nisbet
General Services

Susan Paul
Human Resources

Sally Nagy
Information Technology

Bernice James
Treasurer-Tax Collector & Public Administrator

Doreen Farr was elected as the newest County supervisor representing the Third District. Joe Centeno is presently serving as Chair of the Board of Supervisors and Janet Wolf as Vice-Chair. A new department of Information Technology was formed, and Sally Nagy was appointed as the director. John McInnes was appointed as interim director of the Housing and Community Development Department. After the close of the fiscal year but before the publication date of this report, Michael Dyer, formerly an employee of Los Angeles County, was appointed as fire chief for Santa Barbara County, and Glenn Russell, formerly an employee of San Diego County, was appointed as the director of Planning and Development.

"Farr Wins Supervisor Seat"
Daily Sound July 6, 2008

The twenty-five County departments have dual roles 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, such as Sheriff patrol. Second, countywide services are provided as a regional government, such as District Attorney prosecution and Sheriff jail operations, or agents for the State through public assistance programs. For details of services provided by the County, visit the County's website and peruse the County's Operating Plan publication.

# Services & Expenditures by Function

## Policy & Executive

This functional area has 83 employees and expenditures of $14 million. Setting policy, adopting the budget and providing legal services are its workload drivers.

## Law & Justice

This functional area has 205 employees and expenditures of $44 million. The District Attorney, Public Defender and Courts Special Services are charged with protecting the rights and ensuring the safety of the citizens.

## Public Safety

This functional area has 1,356 employees and expenditures of $193 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.

> "Supervisors Privatize Mental Health Care at Jail"
>
> Daily Sound June 17, 2009

## Health & Public Assistance

With 1,573 employees and expenditures of $287 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.

> "Supervisors Forge New Jobs For Youth"
>
> Daily Sound April 23, 2009

## Community Resources & Public Facilities

This functional area has 445 employees and expenditures of $106 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.

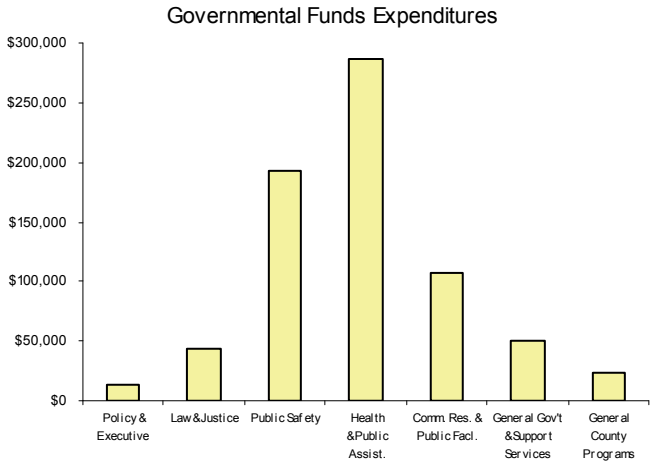
## General Government & Support Services

With 414 employees and expenditures of $51 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.

> "Santa Barbara Majority Will Vote by Mail"
>
> Daily Sound October 3, 2008

## General County Programs

30 employees with expenditures of $23 million service a variety of general County programs. Included are Debt Service, Developing Strategies and the Redevelopment Agency which are generally managed by the policy and executive group. The First 5 Children and Families Commission has its own governing body, but remains a part of the County financial entity. Transfers to other government entities, such as libraries and the Local Agency Formation Commission, are also accounted for in this unit.




## Enterprise Funds

There are two enterprise funds in the County: Resource Recovery and Laguna Sanitation. A fee for service revenue structure covers the costs of 102 employees and expenses of $30 million.

# Transition to Next Year's Budget

## Statement of Revenues, Expenditures, and Changes in Fund Balance (FY 08-09)

Governmental Funds (in thousands)

| | General | Roads | Public Health | Social Services | ADMHS | Flood Control District | Capital Projects | RDA Debt Service | Other Gov Funds | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenues | $ 335,104 | $ 37,721 | $ 71,082 | $ 118,766 | $ 68,873 | $ 23,085 | $ 2,574 | $ 97 | $ 77,871 | $ 735,173 |
| Expenditures | (332,767) | (35,109) | (76,913) | (126,210) | (69,257) | (18,696) | (8,524) | - | (67,365) | (734,841) |
| Other fin. sources (use) | (5,888) | 1,567 | 5,263 | 8,527 | 7,001 | 13 | 3,354 | (687) | (18,704) | 446 |
| Prior Per. Adj. ADMHS | - | - | - | - | 2,881 | - | - | - | - | 2,881 |
| Change in fund balance | $ (3,551) | $ 4,179 | $ (568) | $ 1,083 | $ 9,498 | $ 4,402 | $ (2,596) | $ (590) | $ (8,198) | $ 3,659 |

The above table presents the County's General Fund and seven other major funds. Other Governmental Funds aggregate the 21 other special revenue funds and debt service funds. A few highlights follow:

- The General Fund decreased total fund balance by $3.6 million as expenditures and other financing uses exceeded revenues.
- The Roads Fund increased fund balance by $4.2 million with funding that will be expended on projects currently underway.
- ADMHS had an increase of $7 million related to new Mental Health Services Act funding and carry-over funding in the Alcohol Drug Program.
- Flood Control increased their fund balance by approximately $4.4 million due to carry-over funding for capital and maintenance projects.
- Other Governmental Funds decreased $8.2 million, mostly in the Fire Protection District Fund and the Prop 10 Fund.

### Financial Status Summary

General Fund (in thousands)

| | FY 08-09 Adjusted Budget | FY 08-09 Actual | FY 08-09 Budget Savings |
|---|---|---|---|
| Revenues | $ 340,288 | $ 335,104 | $ (5,184) |
| Expenditures | (342,417) | (332,767) | 9,650 |
| Net other financing uses | (18,941) | (5,888) | 13,053 |
| Net financial impact | $ (21,070) | $ (3,551) | $17,519 |

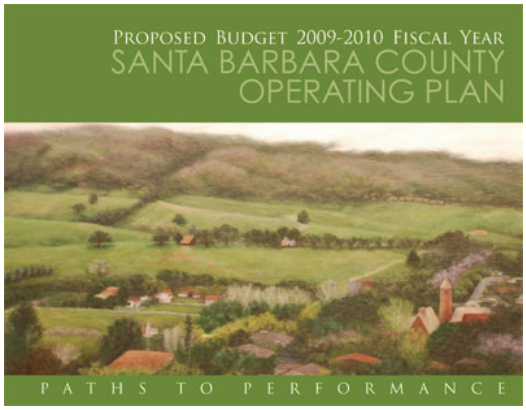
### General Fund Balance (in thousands)

| | Beginning Balance 7/1/2008 | Ending Balance 6/30/2009 |
|---|---|---|
| Reserved | $ 26,381 | $ 26,744 |
| Unreserved Designated | 56,447 | 55,741 |
| Unreserved Undesignated | 5,311 | 2,103 |
| Total Fund Balance | $ 88,139 | $ 84,588 |

The General Fund actual expenditures and net other financing uses exceeded revenues by $3.6 million. As of June 30, 2009, total General Fund balance was $84.6 million, with $26.7 million representing reserved fund balance. The unreserved

## FY 09-10 Budget

The County adopted the FY 09-10 County Budget Plan with operating appropriations set at $747 million and capital outlay appropriations of $33.4 million.




| Use of Funds Summary | Operating Budget | Percent of Total |
|---|---|---|
| *Countywide Functions:* | | |
| Policy & executive | $ 8,385,664 | 1.1% |
| Law & justice | 40,775,169 | 5.2% |
| Public safety | 188,088,512 | 24.1% |
| Health & public assistance | 301,395,514 | 38.6% |
| Community resources & public facl. | 128,693,567 | 16.5% |
| General Gov & Support services | 57,807,404 | 7.4% |
| General county programs | 22,059,989 | 2.8% |
| Expenditure total | 747,205,819 | 95.7% |
| Capital | 33,367,045 | 4.3% |
| Total use of funds | $ 780,572,864 | 100.0% |

## State Budget

Significant cuts in funding by the State of California were not included in the County's budget. However, the State budget has been adopted as of the date of this report, and the State enacted significant borrowings, take-aways and program cuts described on the following page.

# State Budget effects For the County

On July 29, 2009, the State of California adopted a revised budget for FY 09-10 to close a budget gap approximated at $24 billion. Some of the significant impacts for the County are as follows:

- Reduction in property tax allocations to the counties and their special districts by an amount equivalent to 8% of the prior year property tax revenues. This shift of revenue is approximately $13 million for the County General Fund and $3 million for its special districts. The legislation provides for repayment of these funds by June 30, 2013. The legislation also provides financing mechanisms to securitize the State's repayment obligation through State bond financing or local financing in order to avoid a current year loss of revenue to the County and its districts.
- A shift of $1.6 million in FY 09-10 and $300 thousand in FY 10-11 from the County RDA to a Supplemental Revenue Augmentation Fund for K-12 Schools.
- Decreased Prop 36 funding of $1.5 million for the County/ Courts Drug Court Program.
- Elimination or reduction of approximately $1.4 million funding of ADMHS programs including Healthy Families, Crisis Services, Network Providers, State Hospital and Children's programs.
- Elimination of $1.4 million of reimbursement for the May 2009 Special Election costs.
- Suspension of the Williamson Act Open Space funding of approximately $600 thousand.
- Elimination or reduction of approximately $770 thousand funding for Public Health programs including HIV/ AIDS, Healthy Families and California Children's Services programs.
- Additionally, there are statewide impacts to Social Services programs such as CalWorks, In-Home Supportive Services, Child Welfare, and Foster Care that the County is not currently able to estimate at the local level.

Some amount of Federal Stimulus money is expected to be received by the County in the Health and Human Services arena that will mitigate a portion of the effects of the State budget reductions.

# Debt Ratings

**Standard & Poor's Upgraded the County's Ratings During the Fiscal Year**

**The County maintains a Standard & Poor's "SP-1+" rating for short-term notes and both a Standard & Poor's "AA+" and a Moody's "A1" for long-term certificates of participation.**

Standard & Poor's in its October 7, 2008 credit profile raised its rating and underlying rating for Santa Barbara County's appropriation debt from 'AA' to 'AA+', and provided the following comments and reasons:

"This...marks the first time that credit quality among California's 58 counties has reached this exceptional level of creditworthiness."

The credit profile noted several observations about Santa Barbara County's "excellent set of profile characteristics":

- The County has high wealth and incomes and is situated in an area with dynamic job markets that are central to the industries it serves;
- The County has fine-tuned operations, i.e., it provides adequate service levels, such as health care, that are affordable and sustainable; and
- Financial restraint is the norm for the County, evidenced by high reserve levels and structural balance between revenues and expenditures.

The upgrade to AA+ is based on Santa Barbara County's:

- Very strong reserves;
- Stable and broad local economic base anchored by the University of California, Santa Barbara and Vandenberg Air Force Base as well as access to diverse employment opportunities in nearby Los Angeles and Ventura counties;
- Strong wealth and income indicators; and
- Low debt levels.

Standard & Poor's, in the June 2009 rating on the County's Tax and Revenue Anticipation Notes (TRAN) for FY 09-10, states: "The ['SP-1+'] rating reflects the County's very strong underlying general credit characteristics," as well as "strong projected debt coverage of 1.24x at maturity."

# On the Web

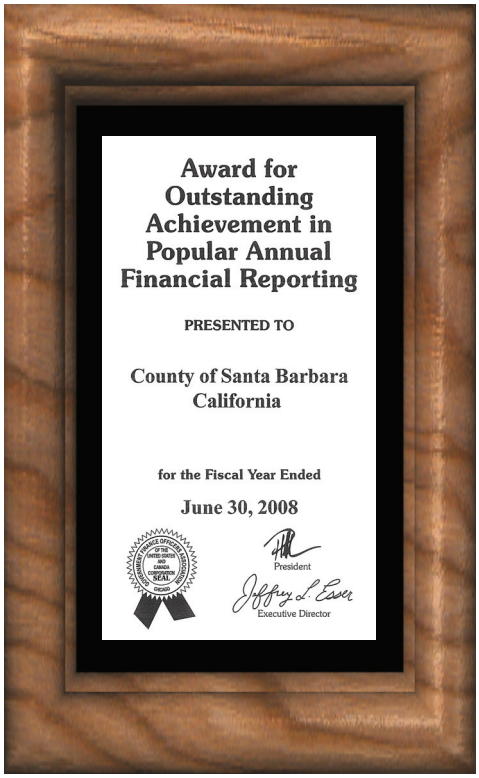
**Learn more about the Auditor-Controller's Office**

and view the County's financial reports at www.countyofsb.org/auditor/home.asp.

Comprehensive Annual Financial Report
Single Audit Report
Financial Highlights
Property Tax Highlights
Retail Sales & Use Tax Highlights
Transient Occupancy Tax Highlights

See the breakdown of your secured property tax bill at taxes.co.santa-barbara.ca.us

# Award for Outstanding Achievement




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, 2008. This was the twelfth consecutive year that the County has received this award. 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