



FINANCIAL HIGHLIGHTS

COUNTY OF SANTA BARBARA, FISCAL YEAR ENDED JUNE 30, 2013

August 26, 2013

Board of Supervisors

Salud Carbajal, Chair, First District
 Janet Wolf, Second District
 Doreen Farr, Third District
 Peter Adam, Fourth District
 Steve Lavagnino, Vice-Chair,
 Fifth District

County Executive Officer

Chandra L. Wallar

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



ECONOMIC INDICATORS

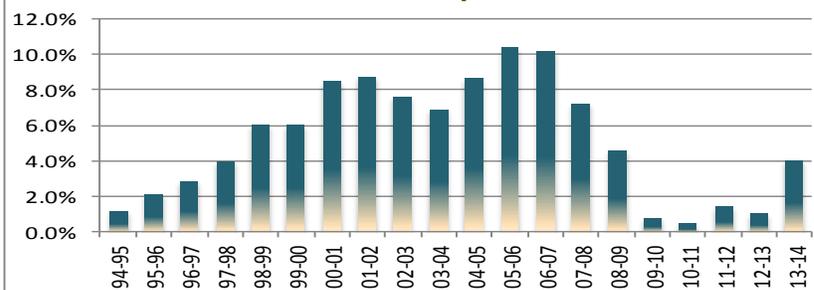
Following sixteen quarters of positive Gross Domestic Product (GDP) at the national level, the County is experiencing slow, steady growth. The County unemployment rate has declined for the second consecutive year to 6.3% from a high of 10.2%. Personal income has rebounded to pre-recession levels and a real estate market recovery is underway. For the third consecutive year, there is growth in consumer spending and tourism.

FINANCIAL INDICATORS

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Historical Assessed Value 20 Year Comparison

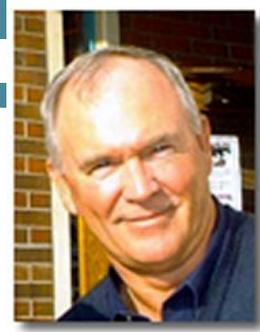


Auditor-Controller Property Tax Division

County tax revenues experienced steady growth due to economic recovery. Property tax assessed value increased 4.0% for the FY 13-14 tax year after four years of a very slow market, foreclosures and price declines. Local sales tax growth and transient occupancy tax grew for a third year. Two statewide ½ cent sales taxes for public safety programs and health/social services programs also increased for the third consecutive year.

A Message from the Auditor-Controller

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013



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 Santa Barbara County's (County) financial condition. The information contained in this report is derived from the County's Comprehensive Annual Financial Report (CAFR). This report provides highlights of the significant financial and economic activity of the County for the fiscal year ended June 30, 2013. Copies of the CAFR can be obtained by contacting the Auditor-Controller's office, or can be found on the Auditor-Controller's web site at www.countyofsb.org/auditor/home.asp.

"UCSB Economic Forecast Project Shows Slow, Steady Recovery in Santa Barbara County"

Noozhawk May 6, 2013

The County has turned a corner on this long recovery period from the recession with three years of growth in retail sales and tourism. Now real property values, property sales, and new construction are trending upward. As highlighted on the front page and in our forecast on page ten, County property tax revenues

will increase by approximately 4% in FY 13-14. However, employment levels still need to improve, especially in the North County. The County itself added jobs after shedding 490 positions or 11% of the workforce over a four-year period beginning in FY 07-08. In FY 12-13 the County increased its average FTE count by 28 to 3,876.

"Citing Workload, County Social Services Seeking Approval to Add 77 Positions"

Noozhawk June 4, 2013

Another strong positive revenue increase for the County is discussed on page eleven. The Governor and State legislature approved a complicated dissolution of the seven Redevelopment Agencies (RDAs) within the County. This process takes property taxes that were funding infrastructure revitalization and affordable housing and returns the taxes to various taxing agencies within the County that generally benefits schools and public safety funding.

A look to the long-term creates some significant challenges for the County. The largest financial challenge is paying down the pension plan liabilities of the County retirement system and the unfunded retiree medical benefit liabilities for the County. Both the Board of Supervisors and State legislation reduced future benefits for new employees and the Board increased the employee share of contributions for general members but still have not had the opportunity to negotiate with public safety members. The cost of retirement funding is now consuming 15% of County expenditures and most likely will increase again next year, but then rates may peak and start to gradually decline. It is my opinion that we should continue to study County pensions and improve the County's ability to fund the plans.

The second challenge is the investment of part of its revenue stream into capital and deferred maintenance of its infrastructure. This is a long-term challenge that has existed since the passage of Proposition 13 that controlled the growth of property tax and required super majority vote requirements to issue General Obligation bonds to finance buildings, equipment, and infrastructure. Our third challenge will be the completion of the new North County Jail and staying within the current estimated cost of \$89 million and then carving out revenue growth to fund the on-going operations of the jail.

A handwritten signature in black ink that reads "Robert W. Geis". The signature is written in a cursive, slightly slanted style.

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

Policymaking and legislative authority is vested in the County Board of Supervisors (Board), 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 Auditor-Controller, Clerk-Recorder-Assessor, 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
Chair



Janet Wolf
Second District Supervisor



Doreen Farr
Third District Supervisor



Peter Adam
Fourth District Supervisor



Steve Lavagnino
Fifth District Supervisor
Vice-Chair

Chandra L. Wallar
County Executive Officer (CEO)
General County Programs
Human Resources
Dennis Marshall
County Counsel

Law & Justice	Public Safety	Health & Public	Community	General Government &
Joyce Dudley District Attorney	Michael W. Dyer Fire	Dr. Takashi Wada (Interim) Alcohol, Drug, & Mental Health Services (ADMHS)	Cathleen Fisher Agriculture & Cooperative Extension	Robert W. Geis, CPA, CPFO Auditor-Controller
Raimundo Montes De Oca Public Defender	Beverly Taylor Probation	Carrie Topliffe, CPA Child Support Services	Herman Parker Community Services	Joseph E. Holland, CPFO Clerk-Recorder-Assessor
Darrel E. Parker Court Special Services	William F. Brown Sheriff-Coroner	Dr. Takashi Wada Public Health Services	Glenn Russell Planning & Development	Matthew Pontes General Services
		Daniel Nielson Social Services	Scott McGolpin Public Works	Harry E. Hagen, CPA, CPFO Treasurer-Tax Collector & Public Administrator

In November, 2012 Peter Adam was elected as the Fourth District County Supervisor and assumed the office in January 2013. New department directors include Daniel Nielson as the head of the Social Services department, Matthew Pontes as director of General Services, and Darrel Parker as the director of Court Special Services. Dr. Takashi Wada has been appointed as the interim director of the Alcohol, Drug & Mental Health (ADMHS) department, along with being the director of Health Services, while the County studies the future organization of the ADMHS department.

“Peter Adam Sworn In as Fourth District County Supervisor”

Noozhawk January 8, 2013

The County’s twenty departments have dual roles in providing services to their residents. First of all, basic local government services are provided to residents in the unincorporated areas of the County. These services include fire protection and maintenance of County roads, as well as services in some cities by contract, such as Sheriff patrol. Secondly, countywide services are provided as a regional government, such as District Attorney prosecution and Sheriff jail operations, or as agents for the state through public assistance programs. For details about such County services, peruse the County’s Operating Plan publication available on-line at www.countyofsb.org/ceo.

During FY 12-13, the County for the third consecutive year saw positive trends in certain economic segments, led by consumer spending and tourism. However, this year the real estate housing market turned a corner and the labor market continued to show steady improvement.

The following highlights and graphs are evidence of the changing economy.

Employment

- The County’s average unemployment rate during FY 12-13 decreased from 8.4% to 7.2%.
- The June 2013 unemployment rate of 6.3% was below a state unemployment rate of 8.8%, and the national unemployment rate of 7.8%.

“Santa Barbara County Unemployment Rate Drops to 6%”

Noozhawk May 12, 2013

Income

- Average annual wages had a slight increase to \$48,800 in 2012 from \$48,060 in 2011.

Retail Sales

- Countywide retail sales increased 6.2% to \$6.2 billion for the 2012 calendar year, slightly up from \$5.8 billion in 2011.
- Retail sales continued to rebound from the December 2010 low point.
- California retail sales followed a similar pattern and began increasing in January 2011.

“Santa Barbara County Real Estate Market Shows Bright Spots”

Noozhawk November 1, 2012

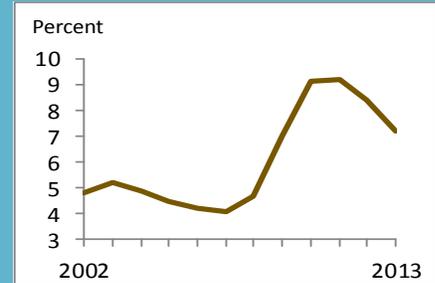
Real Estate

- The countywide median home prices increased 8.0% to \$557,700.
- The real estate market has turned positive with increased property sales, price appreciation, and new construction.

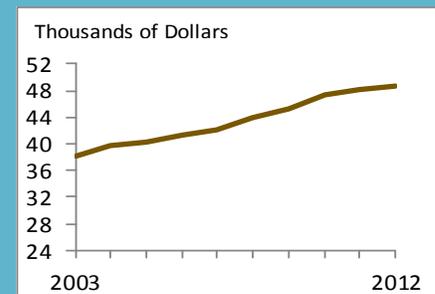
Tourism

- Transient occupancy tax increased 7.2% in FY 12-13, driven by the robust tourism industry
- The County’s wide array of resorts, hotels, motels, and vacation rentals all contributed to the increase in this tax source.

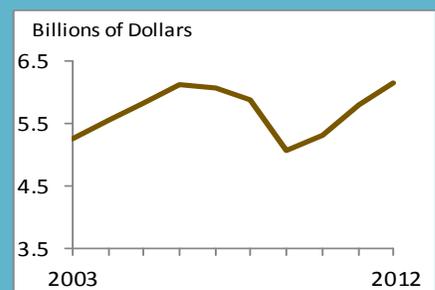
Unemployment Rate



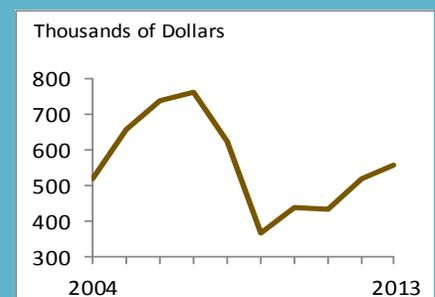
Average Salary



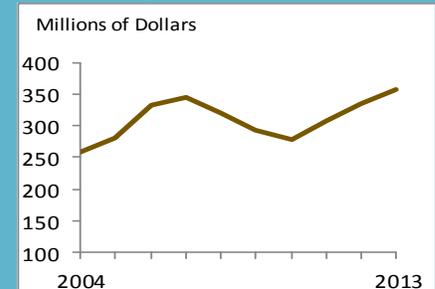
Retail Sales



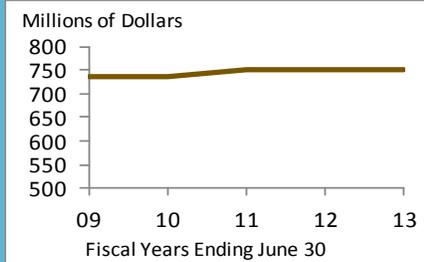
Median Home Price



Hotel/Motel Room Sales



Total Revenues



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 1.4% to \$752.3 million.

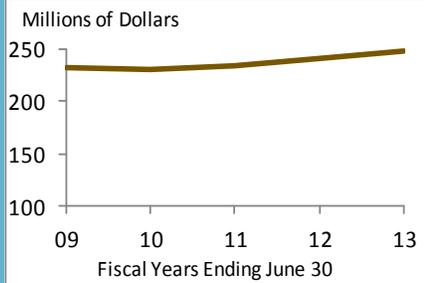
Taxes

Taxes are generated locally and provide the County 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. As compared to the prior year:

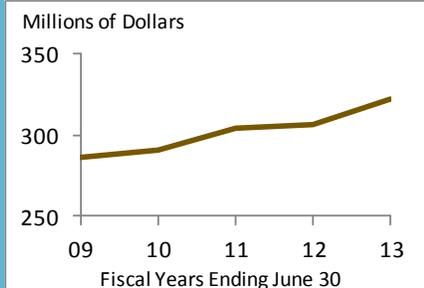
- Property taxes increased 0.3% to \$209 million.
- Supplemental property tax increased 31.9% to \$2.8 million.
- Property transfer tax increased 52.8% to \$3.8 million.
- Property tax RDA dissolution proceeds increased 100% to \$7.2 million.
- RDA property tax trust fund proceeds decreased 15.0% to \$5.2 million.
- The local retail sales tax decreased 12.7% to \$6.9 million. *
- Other shared retail sales tax (transportation funding allocations) decreased by 2.5% to \$6.6 million.
- Transient occupancy tax decreased 7.6% to \$7.0 million. *
- Total taxes increased by 3.4% to \$249.4 million.

* Adjusted for base year changes of \$2.6 million related to the City of Goleta Revenue Neutrality Agreement. Absent the base change revenues, the accounts would have increased 4.0% and 6.5% respectively.

Taxes



Federal & State

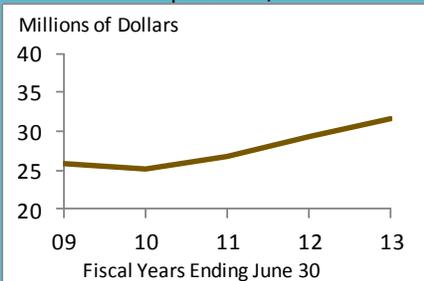


Federal and State (Intergovernmental) Revenues

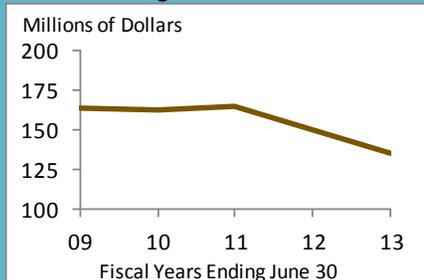
As an arm of State government, these multiple program resources are 43% of County funding, and are tied to mandated services such as social services, public assistance, health and mental health. A few significant accounts that received increases in funding compared to the prior year:

- State Realignment 2011 AB 109 funding provided \$22.5 million, an increase of 18.2% in revenue for public safety service programs that return state prisoners to counties for local community supervision and re-entry into the community. It also replaced other funding streams for Health, Social Service and Mental Health programs.
- Proposition 172, a ½ cent sales tax revenue for public safety services increased 8.4% to \$31.7 million. This revenue source is a statewide allocation of sales tax and is driven by consumer spending and prices of consumer goods.
- State Realignment 1991 revenue allocations for Health and Social Services increased 6.6% to \$42.8 million. The allocations were increased due to caseload growth formulas.
- Total intergovernmental resources driven by reimbursements for mandated programs increased 4.9% to \$321.8 million.

Proposition 172



Charges for Services



Charges for Services

Charges for services revenue decreased by 2.9% to \$135.6 million. These revenues are driven by program cost reimbursements via federal and state programs, such as Medi-Cal and Federally Qualified Health Center revenues, and reimbursements from other government agencies, such as city contracts for Sheriff services. For details about such County services, refer to the County's Operating Plan publication available on-line at www.countyofsb.org/ceo.

This report contains information from the County CAFR 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 8 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

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013

SANTA BARBARA COUNTY ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES

Fiscal Years Ended June 30 (in thousands)	2009	2010	2011	2012	2013
Revenues (by source):					
Taxes	\$232,781	\$231,648	\$234,354	\$241,142	\$249,414
Licenses, Permits & Franchises	13,643	13,223	12,639	12,966	14,011
Fines, Forfeitures & Penalties	13,218	13,527	13,299	10,990	9,582
Use of Money & Property	8,739	6,121	4,582	4,307	2,321
Intergovernmental	286,846	290,440	304,347	306,609	321,765
Charges for Services	163,332	162,525	164,630	139,685	135,626
Other	16,614	17,046	16,372	25,920	19,582
Total Revenues	735,173	734,530	750,223	741,619	752,301
Expenditures (by function):					
Policy & Executive	13,971	13,266	15,661	15,172	15,349
Public Safety	237,160	233,156	241,859	250,145	259,968
Health & Public Assistance	287,110	298,239	307,900	300,536	304,982
Community Resources & Facilities	106,471	100,047	97,672	97,130	100,838
General Government & Support Services	50,736	48,818	47,073	42,643	43,691
General County Programs	22,822	18,449	18,957	12,287	5,091
Debt Service	9,554	12,143	10,539	27,932	7,651
Capital Outlay	7,017	8,639	18,094	15,795	7,290
Total Expenditures	734,841	732,757	757,755	761,640	744,860
Net Other Financing Sources (Uses)	446	19,757	(2,444)	17,607	556
Prior Period Adjustments for Mental Health Programs	2,881	-	-	-	-
Extraordinary Items-RDA transfer of assets	-	-	-	(13,092)	-
Net Change in Fund Balance	\$3,659	\$21,530	(\$9,976)	(\$15,506)	\$7,997

Revenues of \$752.3 million and other financing sources of \$0.6 million exceed expenditures of \$744.9 million by \$8.0 million for a net positive change to the County Fund Balances.

Total revenues increased by 1.4% or \$10.7 million.

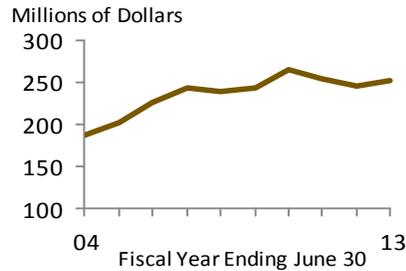
- Taxes increased by 3.4%, or \$8.2 million, due to \$7.2 million in unanticipated revenue returned to the County upon the dissolution of seven RDAs.
- Licenses, Permits & Franchises increased \$1.0 million, from increased permit revenues and franchise revenues recovered through County audits.
- Fines, Forfeitures and Penalties decreased by 12.8%, or \$1.4 million, generally due to a reduction in delinquent property tax penalty revenue and a decrease in fines and forfeiture revenue.
- Intergovernmental increased 4.9%, or \$15.1 million to \$321.8 million. These federal and state revenues represent 43% of total revenues. State realignment 2011, State realignment 1991 and the Prop 172 1/2 cent sales tax allocation provided the increases in revenue for public safety, health, ADMHS, and social service programs.
- Charges for services decreased 2.9%, or \$4.0 million due to a reduction in ADMHS reimbursements for service costs that were switched to Realignment 2011 funding.
- Other Revenues decreased by 24.5%, or \$6.3 million due to one-time revenues recorded in the prior year including a settlement with the State Department of Mental Health, donations of land, and hotel project mitigation funds.

Total expenditures decreased by 2.2% or \$16.8 million.

- County salaries and benefits, which are the largest category of expenditures for this service delivery organization, increased 1.7% or \$7.4 million to \$448.5 million. While regular salary costs declined by 7.5%, they were offset by increases in pension costs 2%, workers compensation 38%, health insurance 5%, regular overtime 50%, reimbursable overtime 40%, and extra-help 21.6%.
- Other operational expenditures increased 1.6% or \$4.5 million to \$281 million. The increase is due to a settlement payment to cities related to property tax administration fees and increase in Water Agency Prop 50 pass-through payments to other agencies.
- Debt Service decreased 72.6% or \$20.3 million to \$7.6 million due to a debt refinancing and an early extinguishment of a portion of long-term debt in the prior year.
- Capital Outlay expenditures decreased 53.8% or \$8.5 million to \$7.3 million due to fewer projects under construction.

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013

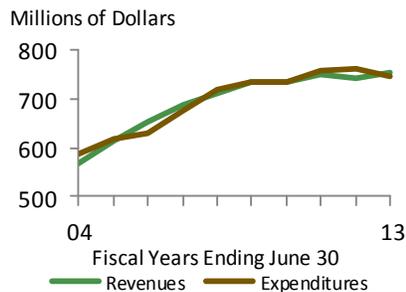
Fund Balance



Fund Balance

- Total governmental funds increased \$8.0 million, or 3.2%, to \$252.1 million. This increase was mostly related to proceeds received from the dissolution of the seven RDAs with the County.
- The portion of the General Fund balance available for appropriation, increased \$1.1 million, or 1.4%, to \$87.8 million.
- The total General Fund balance is 25% of its annual expenditures, and the spendable General Fund balance is 22% of General Fund annual expenditures.
- The County's General Fund Strategic Reserve, which is earmarked for severe economic downturns and emergencies, ended the year at \$21.2 million with a target goal of 8% of general revenues, or \$28.3 million.

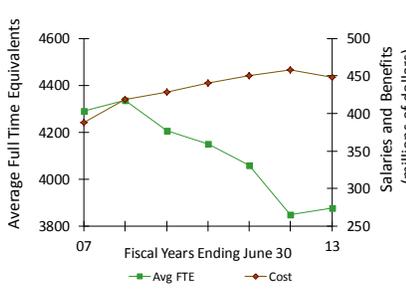
Revenues and Expenditures



Revenues and Expenditures

- In FY 12-13 Countywide revenues/sources exceeded expenditures/uses by 1%. Since balanced budgets are prescribed by California law, actual revenues and expenditures generally come close to being equal. In some years there are additional resources, like from a bond financing, that are then spent on capital projects in future cycles. In addition, in economic upturns the County may build a fund balance and in downturns draw on fund balance.

Employees



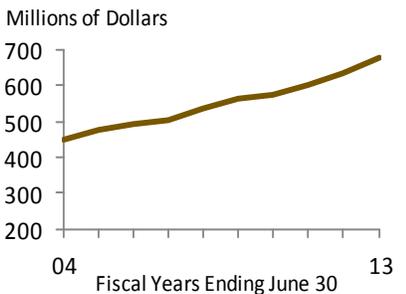
“Counting the County Coin” \$844.5 million FY 13-14 Operating Plan

Santa Barbara Independent May 16, 2013

Employees

- The County increased its average FTE count by a net 28 to 3,876. The Social Services department, funded by Federal and State caseload realignment revenue growth, added 72 FTE offset by a decline of 45 employees in other County departments led by a decrease of 21 FTE in Public Health.
- As a service delivery entity, salaries and benefit costs are the largest cost component at \$448.5 million, approximately 60% of actual expenditures.

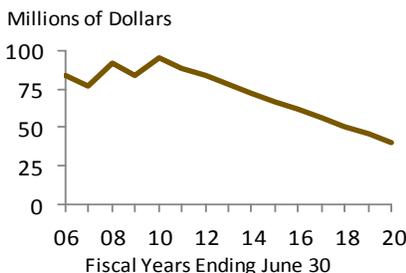
Capital Assets



Capital Assets

- The County's investment in capital assets increased by \$44.9 million, or 7%, to \$680.5 million, of which \$28.8 million was as a result of GASB 60 implementation for Service Concession Arrangement (SCA) assets.
- \$24 million of major project completions included the Tajiguas Landfill Liner Project Phase III, El Embarcadero sidewalk improvements, a Photovoltaic System at the Laguna Sanitation District, Greenwell Road improvements, and bridges at Hollister Ave, Cathedral Oaks, and Jalama.

Outstanding Debt



Outstanding Debt

- Total long-term outstanding indebtedness amounted to \$82.8 million, a decrease of \$5.8 million, or 6.6%, from the prior year.
- The County has \$79.4 million in outstanding certificates of participation (COP), bonds and notes payable and has a rapid debt repayment plan that will reduce the debt by 60% over the next ten years.
- Tax and Revenue Anticipation Notes (TRAN) of \$35 million were issued in July 2013, a decrease of \$5 million from the previous year. Proceeds from the notes will be used to meet FY 13-14 cash flow requirements.

Services & Expenditures by Function

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013

Policy & Executive

Setting policy, managing human resources, adopting the budget and providing legal services are the workload drivers. This functional area increased 5 FTE to 112 employees, and had expenditures of \$15.6 million.

“County Supervisors Agree to Accept \$80 Million from State for Jail Project”

Noozhawk October 2, 2012

Public Safety

Public safety protects the community, including people and their property via law enforcement, fire protection, custody of adult and juvenile criminals, and probation monitoring of offenders. This function also protects the rights and the safety of citizens through criminal/civil prosecution and defense of the accused. This functional area decreased 5 FTE to 1,386 employees, and had expenditures of \$265.6 million.

Health & Public Assistance

This functional area strives 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. With a net increase of 60 FTE to 1,608 employees, and expenditures of \$301.7 million, these federal and state funded programs serve the less advantaged County residents.

“Santa Barbara County Officials Discuss Local Effects of Federal Health-care Law”

Noozhawk May 23, 2013

Community Resources

The departments in this functional area are devoted to enhancing the quality of life in the County. They look to preserve and protect natural resources, foster safe long-term land use, develop affordable housing, support the use of parks, protect agriculture and maintain essential public works facilities to make everyday life as safe and convenient as possible. This functional area decreased 3 FTE to 389 employees, and had expenditures of \$85.2 million.

General Government & Support Services

This functional area provides important general government services to the citizens such as elections, property tax administration, Treasury operations, and also provides support services to County operations such as information technology, communications, payroll and capital projects. These departments provide financial integrity for the County, as well as management of the County’s assets. This functional area decreased 13 FTE to 291 employees, and had expenditures of \$44.3 million.

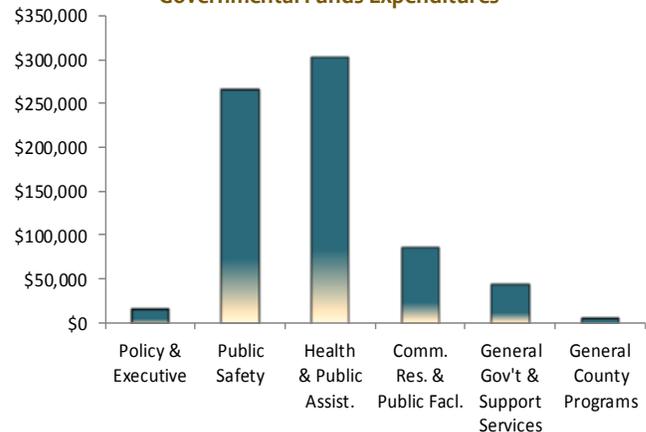
“Santa Barbara County’s New \$5.2 Million Solar Panel System Up and Running”

Noozhawk July 23, 2012

General County Programs

This area performs functions that are not directly associated with a specific department, such as organizational development. Transfers to other government entities, such as libraries, and the Local Agency Formation Commission, are also accounted for in this unit. General County Programs decreased 13 FTE to zero employees due to the transfer of First 5 to the Health and Public Assistance function, and had expenditures of \$5.7 million.

Governmental Funds Expenditures



Enterprise Funds

The County has two enterprise funds: the Resource Recovery and Waste Management fund, and the Laguna County Sanitation District fund. A fee for service revenue structure covers the costs of 90 employees, a decrease of 2 FTE from the prior year, and expenses of \$26.3 million.

Transition to Next Year's Budget

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013

Governmental Funds (in thousands)

	General	Roads	Public Health	Social Services	ADMHS	Flood Control District	Other Gov Funds	Total
Revenues	\$ 354,793	\$ 26,756	\$ 68,356	\$ 126,150	\$ 68,333	\$ 13,547	\$ 94,366	\$ 752,301
Expenditures	(348,828)	(29,038)	(75,779)	(128,676)	(73,424)	(14,517)	(74,598)	(744,860)
Other fin. sources (uses)	(4,066)	2,931	4,912	5,145	3,811	100	(12,277)	556
Extraordinary Items	-	-	-	-	-	-	-	-
Change in fund balance	\$ 1,899	\$ 649	\$ (2,511)	\$ 2,619	\$ (1,280)	\$ (870)	\$ 7,491	\$ 7,997

The above table presents the County's General Fund and 5 other distinct major funds. Other Governmental Funds aggregate the 23 other special revenue funds and debt service funds. A few highlights follow:

- The County General Fund increased total fund balance by \$1.9 million. Spendable fund balance increased by \$1.1 million due to positive operating results, and nonspendable fund balance increased by \$0.8 million due to property tax impounds related to oil property assessment appeals. Other Governmental Funds increased by \$10.7 million mainly due to the transfer of \$8.9 million of funding from the General Fund (Strategic Reserve \$5.3 million, Jail Operations Reserve \$3.0 million, and Prop 172 Reserve \$0.6 million) to the North County Jail Fund as a match to an \$80 million State grant to build the facility.

Financial Status Summary General Fund (in thousands)

	FY 12-13		
	Adjusted Budget	Actual	Budget Savings
Revenues	\$ 352,454	\$ 354,793	\$ 2,339
Expenditures	(359,120)	(348,828)	10,292
Net other financing uses	(7,354)	(4,066)	3,288
Extraordinary Items	-	-	-
Net financial impact	\$ (14,020)	\$ 1,899	\$ 15,919

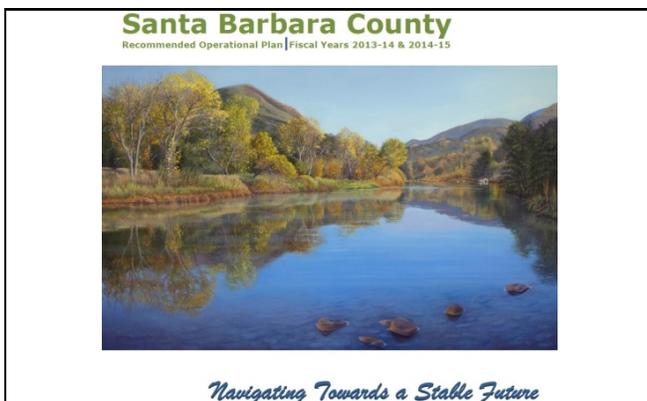
General Fund Balance (in thousands)

	Beginning Balance 7/1/2012	Ending Balance 6/30/2013
Nonspendable	\$ 8,780	\$ 9,618
Restricted	17,536	19,800
Committed	52,002	50,298
Unassigned	7,591	8,092
Total Fund Balance	\$ 85,909	\$ 87,808

- The General Fund's fund balance ended the year at \$87.8 million, \$9.6 million representing nonspendable fund balance. The spendable (*restricted, committed, and unassigned*) portion increased to \$78.2 million, or 22%, of FY 12-13 expenditures.

FY 13-14 Budget

The County adopted the FY 13-14 County Budget Plan with operating appropriations set at \$844.5 million and capital outlay appropriations of \$37.0 million that includes capital expenditures and infrastructure/capital maintenance.



Use of Funds Summary	Operating Budget	Percent of Total
<i>Countywide Functions:</i>		
Policy & Executive	\$ 48,408,759	5.5%
Public Safety	265,987,035	30.2%
Health & Public Assistance	318,953,387	36.2%
Community Resources & Public Fac.	134,026,043	15.2%
General Government & Support Services	73,205,927	8.3%
General County Programs	3,926,650	0.4%
Expenditure total	844,507,801	95.8%
Capital	37,009,710	4.2%
Total Use of Funds	\$ 881,517,511	100.0%

State Budget

The State adopted a budget on time, including a continuing source of funds from the Governor-sponsored Proposition 30 tax initiative. The improving condition of State finances is helping the County's own effort to balance its local budget.

Economic Indicators

The County economy is showing slow steady growth as consumer spending and tourism grew for the third straight year. Local unemployment showed steady improvement with a June 2013 unemployment rate of 6.3% down 1.6% from June 2012 at 7.9% and down 2.6% from June 2011 at 9.2%. The housing market is now turning positive after four years of slow activity coupled with price depreciation. There appears to be a steady upturn in permitting, property sales, new housing starts and price appreciation.

Financial Indicators

County tax revenues are showing signs of steady growth due to consumer spending, tourism and now an upturn in real estate activity. Property Tax is the County's largest source of discretionary revenue. Certain leading indicators of future property tax growth tend to be property transfer taxes that increased \$1.3 million or 53% to \$3.8 million and supplemental property taxes that increased \$0.7 million or 33% to \$2.7 million. Last year was the fourth year in a row of an average growth rate in secured property tax of less than 1%. For FY 13-14 the assessed value for taxes increased 4.0%. With all three accounts showing positive growth, the County general discretionary revenues will improve.

Growth in transient occupancy tax (TOT) and local retail sales would have been positive 6.5% and 4.0% respectively, except for the loss of base taxes in the amount of \$2.6 million due to the terms of the Goleta Revenue Neutrality Agreement (RNA). Therefore, for the third year in a row these accounts indicate positive steady growth. Statewide allocated sales tax for Proposition 172 public safety ½ cent sales tax grew \$2.4 million or 8.4% to \$31.7 million, up for the third straight year. Realignment 1991 1/2 cent sales tax for Health & Social Services grew by the same percentage and resulted in caseload growth distributions to the County.

As a service organization, the largest category of expenditures for the County is salaries and benefits. Wages, overtime, retirement, health insurance, and workers compensation are expected to continue to grow at a pace greater than inflation. Pension rates and pension costs continue to rise significantly because of prior market losses on pension plan assets. Significant pension fund investment losses in calendar years 2008 and 2009 are being absorbed into employer rates over a five year period. The employer pension rate for FY 13-14 increased from 35.9% to 38.4%, and will most likely exceed 40% for the FY 14-15 budget.

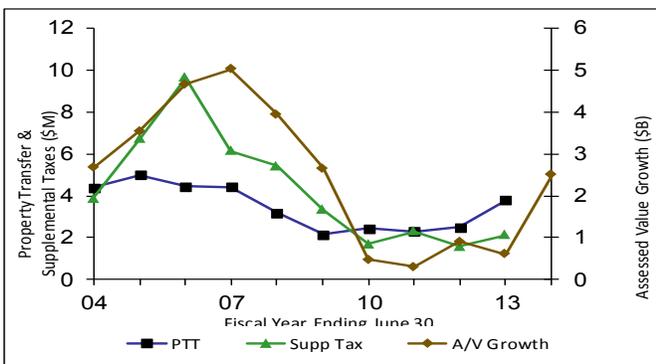
Summary Highlights

FY 13-14	Slow, steady growth
FY 12-13	Emerging growth
FY 11-12	Tepid growth
FY 10-11	Mild recovery
FY 09-10	Recession
FY 08-09	Economic stress
FY 07-08	Slowdown
FY 06-07	Moderate growth
FY 05-06	Strong and stable
FY 04-05	Sustainable growth

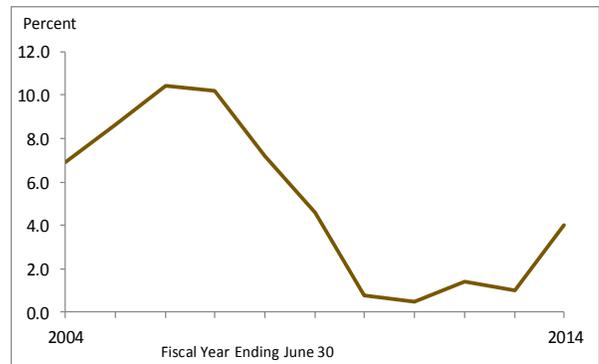
Historical Assessed Value of Property in the County (in billions)

Fiscal Year	Assessed Valuation	Percent Increase
13-14	65.9	4.0%
12-13	63.4	1.0%
11-12	62.7	1.4%
10-11	61.9	0.5%
09-10	61.6	0.8%
08-09	61.1	4.6%
07-08	58.5	7.2%
06-07	54.5	10.2%
05-06	49.5	10.4%
04-05	44.8	8.6%
03-04	41.3	6.9%
02-03	38.6	7.6%
01-02	35.9	8.7%
00-01	33.0	8.4%
99-00	30.4	6.0%
98-99	28.7	6.0%
97-98	27.1	3.9%
96-97	26.0	2.8%
95-96	25.3	2.1%
94-95	24.8	1.2%
93-94	24.5	4.1%
92-93	23.5	4.1%

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



Annual Percent Change in Assessed Value Growth Rate of Property in the County



Redevelopment Dissolution Funds to the County

County of Santa Barbara—Financial Highlights for Year Ended June 30th, 2013

As part of the FY 2011-12 state budget package the legislature and governor passed the Redevelopment Agency (RDA) “Dissolution Act”. Under the Act, each of California’s redevelopment agencies were dissolved as of February 1, 2012, and the cities and counties that formed the original RDAs, together with other designated entities, initiated a complex process to unwind the affairs of the RDAs. The process is now entering its third fiscal year and will continue until all debt of the former RDAs are retired and all assets are disposed of. In Santa Barbara County there were six city RDAs and one County RDA. The State estimates that once agencies are totally dissolved over \$5 billion in taxes will revert to the local tax agencies statewide. In Santa Barbara County the amount of taxes is currently estimated at \$37.6 million annually that will revert to the taxing agencies. The following table displays a summary of RDA property tax increment, obligations and distribution of taxes to the agencies for fiscal year 2012-13.

Fiscal Year 2012-13 (in millions)

	Buellton	Goleta	Guadalupe	Lompoc	Santa Barbara	Isla Vista	Santa Maria	Total
Property Tax Increment	\$ 0.8	\$ 4.1	\$ 1.6	\$ 2.6	\$ 20.4	\$ 6.9	\$ 1.2	\$ 37.6
Obligation Payments	0.1	1.9	0.6	2.1	8.4	1.7	0.2	15.0
Distribution of Taxes: **	\$ 0.7	\$ 2.2	\$ 1.0	\$ 0.5	\$ 12.0	\$ 5.2	\$ 1.0	\$ 22.6
School Districts	0.4	1.5	0.6	0.3	7.3	3.3	0.6	13.9
County General Fund	0.1	0.3	0.2	0.1	2.9	1.0	0.2	4.7
Special Districts	0.1	0.3	0.1	0.1	0.3	0.8	0.1	1.9
Cities	0.1	0.1	0.1	-	1.5	0.1	0.1	2.1

** Includes \$4.8 million in pass through payments.

In addition, the RDAs were required to transfer cash on-hand as of February 1, 2011 to the taxing agencies. The RDAs distributed \$8.4 million in housing assets and \$17.9 million in other assets to the taxing agencies in FY 12-13. Schools received \$15.3 million, County General Fund \$6.0 million, Cities \$3.1 million and Special Districts \$1.8 million.

Debt Ratings

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 June 12, 2013 credit profile affirmed its ‘AA+’ rating to the County’s appropriation debt.

The rationale behind the rating reflects the rating agency’s view of:

- The long-term general creditworthiness of the County; and
- The County’s covenants to budget and appropriate lease payments.

The ‘AA+’ rating is based on the following long-term strengths of the County:

- A stable, moderately growing economic base with access to the broader Ventura and Los Angeles area economies;
- Consistent maintenance of very strong unreserved general fund balances despite limited financial flexibility due to state mandates;
- An experienced management team that has implemented strong financial policies and prudent expenditure controls; and
- Low overall debt levels.

Standard & Poor’s, in its May 29, 2013 rating of the County’s FY 13-14 \$35,000 Tax and Revenue Anticipation Notes (TRAN), states that the ‘SP-1+’ short-term rating “reflects the County’s very strong underlying general credit characteristics, as well as strong County-projected note repayment coverage of 1.78x at maturity; and very strong County-projected coverage of 3.21x at maturity if including additional borrowable liquidity of various other funds”.

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

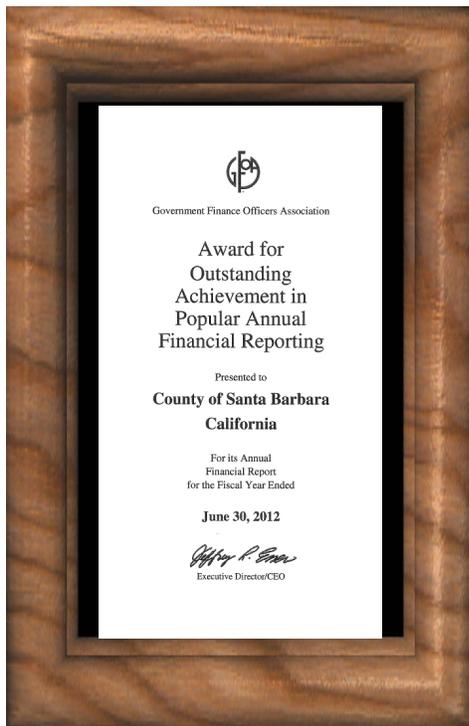
Property Tax Highlights

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, 2012. This was the sixteenth 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 will be submitting it to the GFOA.

Robert W. Geis, CPA, CPFO
Auditor-Controller
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