Financial Highlights

County of Santa Barbara, Fiscal Year Ended June 30, 2014

August 25, 2014

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

County Executive Officer
Mona Miyasato

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*

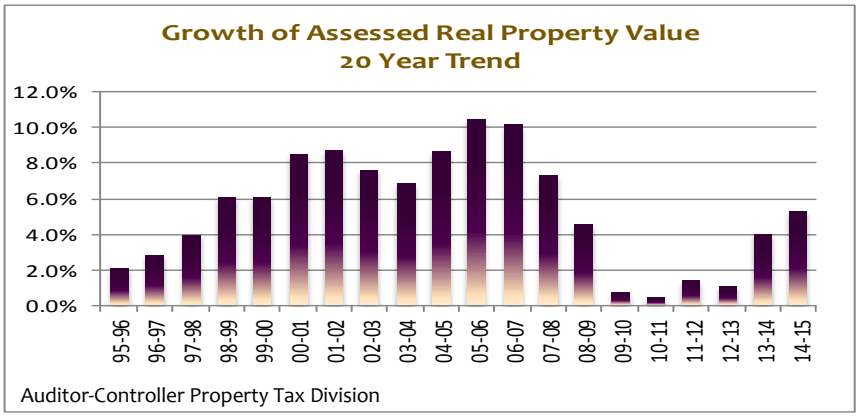
Table of Contents

Auditor-Controller's Message…..2
Who We Are…… 3
The Economy…… 4
County Revenues……5
Financial Summary…… 6
Financial Trends…… 7
Services & Expenditures by Function…… 8
Transition to Next Year's Budget……9
FY 2014-15 Forecast…… 10
Redevelopment Dissolution Distribution…… 11
Debt Ratings…… 11
On the Web…… 12

Economic Indicators

There has been a steady upturn in housing sales, price appreciation, new housing starts and permitting. With improvement in employment, sustained growth in consumer spending and strong local tourism, the local economy can look past the great recession. For the foreseeable future, Santa Barbara County should be able to look forward to moderate sustained growth in its economic driven revenue accounts.

Financial Indicators



Over the last four years, County tax revenues continued to experience growth due to higher real property values, positive consumer spending and rising tourism. Property tax assessed value will increase 5.3% for the FY 14-15, following a 4% increase in FY 13-14. Local sales tax increased 3% and transient occupancy tax increased 11%. The Statewide ½ cent sales tax programs that fund public safety and health/social services programs also continued to trend upward.

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

A Message from the Auditor-Controller

County of Santa Barbara—Financial Highlights for Year Ended June 30, 2014

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, 2014. 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.

With additional economic improvements in the areas of employment and the housing markets the County can now look past the great recession. The County should be able to look forward to moderate but stable growth for the foreseeable future. County revenues are improving and are led by property tax growth, the largest discretionary funding source. The FY 14-15 secured property tax values will grow approximately 5.3%, which will result in an equal amount of growth in property taxes to the County General Fund and certain Special Revenue Funds. Other discretionary revenue increases are discussed on page 11.

> "Infrastructure Initiative Measure M Fails by Thin Margin"
>
> Noozhawk June 6, 2014

During June 2014 and in November 2014, County voters are being asked to weigh in on three different initiatives that affect County finances in the future.

In June, the voters considered a County proposal to fund deferred maintenance of County roads, parks and buildings. While the initiative failed, the Board of Supervisors voted on a funding plan to spend $100 million on deferred maintenance over the next ten years.

In November, voters will be asked to increase the County General Fund Transient Occupancy Tax from 10% to 12.5%. The measure would increase the County tax by approximately $1.9 million annually and be expended on general County government services and capital needs for its programs.

> "County Supervisors Considering Bed-Tax Increase for Unincorporated Areas"
>
> Noozhawk March 31, 2014

Also in November, a citizens initiative to ban numerous oil extraction methods will be on the ballot. If approved, over time, this would reduce access to oil reserves and decrease taxes paid by the oil and gas industry to the State and local government entities. Currently, oil and gas generates approximately 3% of property taxes throughout the County for schools, cities, special districts and the County.

> "Public Debates Measure P Oil Production Ban During Santa Barbara County Workshop"
>
> Noozhawk August 8, 2014

In addition to the initiatives, a number of other significant long-term issues are being managed by the County in coordination with other government agencies. The State and the County are in a severe drought and without rain next year, mandatory water usage reductions will be the norm. Additionally, consumer water rates will rise to cover the cost of operations, to purchase available water, and to start funding a proposed re-start of a desalination project.

As pointed out in our message last year, pension and retiree medical liabilities continue to require significant funding by the County, but contribution rates should be peaking and start to gradually decline. Another challenge will be the completion of the North County jail construction projects, estimated to cost over $140, million and a need to carve out revenue growth to fund the on-going operations of the jail.

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

Who We Are

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

Janet Wolf
Second District Supervisor
Vice-Chair

Doreen Farr
Third District Supervisor

Mona Miyasato
County Executive Officer (CEO)
General County Programs
Human Resources

Michael Ghizzoni
County Counsel

Peter Adam
Fourth District Supervisor

Steve Lavagnino
Fifth District Supervisor
Chair

Public Safety

Joyce Dudley
District Attorney

Raimundo Montes De Oca
Public Defender

Darrel E. Parker
Court Special Services

Michael W. Dyer
Fire

Beverly Taylor
Probation

William F. Brown
Sheriff-Coroner

Health & Public Assistance

Dr. Takashi Wada (Interim)
Alcohol, Drug, & Mental Health Services (ADMHS)

Carrie Topliffe, CPA
Child Support Services

Dr. Takashi Wada
Public Health Services

Daniel Nielson
Social Services

Community Resources & Facilities

Cathleen Fisher
Agriculture & Cooperative Extension

Renee Bahl (Interim)
Community Services

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

Matthew Pontes
General Services

Harry E. Hagen, CPA, CPFO
Treasurer-Tax Collector & Public Administrator

In December, 2013 Mona Miyasato was appointed as the County Executive Officer with a four year contract. Chair of the Board of Supervisors Steve Lavagnino and Supervisor Janet Wolf were both re-elected to new four year terms beginning January, 2015. The five incumbent elected department heads: District Attorney, Sheriff, Clerk-Recorder-Assessor, Treasurer-Tax Collector-Public Administrator, and Auditor-Controller were also re-elected to four year terms, also beginning January, 2015. Michael Ghizzoni was appointed by the Board as the County Counsel to a four year term in December, 2013. Renee Bahl, Assistant CEO was appointed as interim director of the Community Services department and Dr. Takashi Wada, director of Health Care Services continues as interim director of the Alcohol, Drug, & Mental Health Services department.

> "Mona Miyasato Begins Her Tenure as Santa Barbara County CEO"
>
> Noozhawk December 18, 2013

The County's 20 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.

The Economy

During FY 13-14, the County, for the fourth consecutive year, saw positive trends in certain economic segments led by consumer spending and tourism. For the second consecutive year, the real estate housing market 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 13-14 decreased from 7.2% to 6.4%.
- The June 2014 County unemployment rate of 5.4% was below the State unemployment rate of 7.3% and the national unemployment rate of 6.3%.

> "Jobless Rate in Santa Barbara County Remains Below 6%"
>
> Noozhawk July 21, 2014

Income

- Average annual wages had a slight increase to $48,820 in 2013 from $48,800 in 2012.

Retail Sales

- Countywide retail sales increased 4% to $6.4 billion for the 2013 calendar year, slightly up from $6.2 billion in 2012.
- Retail sales continued to rebound from the December 2010 low point.
- California retail sales followed a similar pattern and began increasing in January 2011.

> "Better late than never"
>
> UCSB Press Release on Real Estate Market
> May 8, 2014

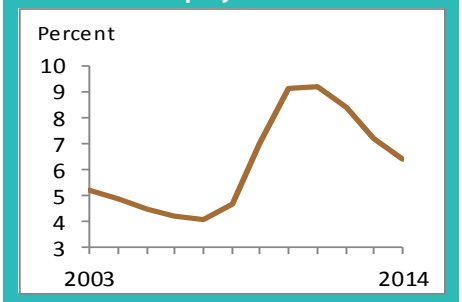
Real Estate

- The countywide median home prices increased 16.3% to $648,793.
- The real estate market has turned positive with increased property sales, price appreciation, and new construction.

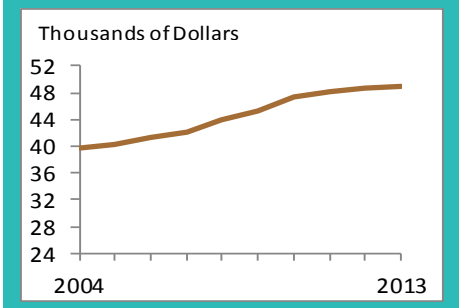
Tourism

- Transient occupancy tax increased 11% in FY 13-14, 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.

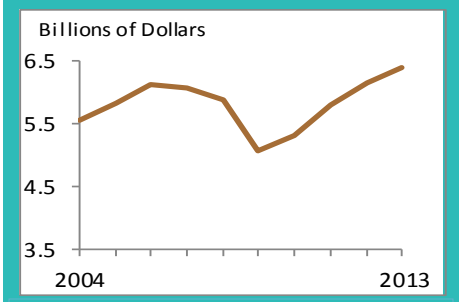
Unemployment Rate



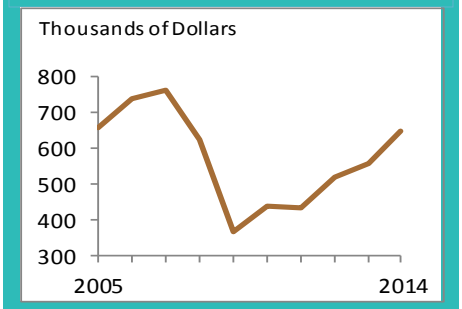
Average Salary



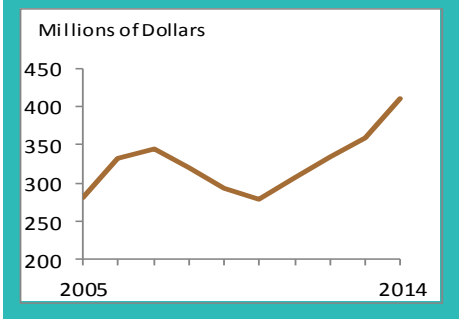
Retail Sales



Median Home Price

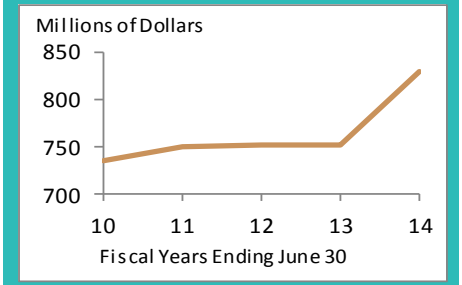


Hotel/Motel Room Sales

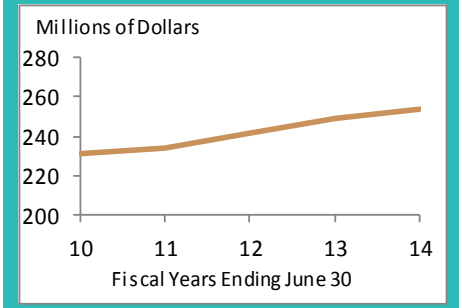


County Revenues

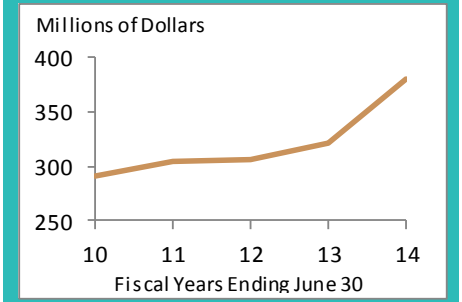
Total Revenues



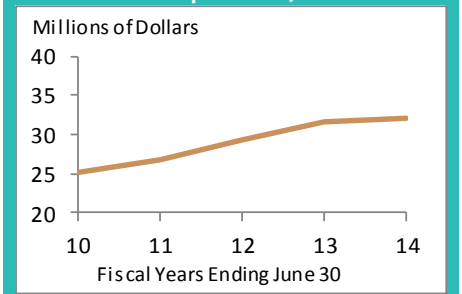
Taxes



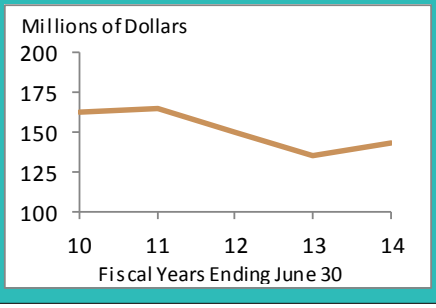
Federal & State



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 10.2% to $828.7 million.

Taxes

Taxes are generated locally and provide the County with most of its discretionary spending ability. Since the formation of the 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 4% to $217.5 million.
- Supplemental property tax increased 41.3% to $4 million.
- Property transfer tax decreased 9.4% to $3.4 million.
- RDA property tax trust fund proceeds increased 18.6% to $6 million.
- The local retail sales tax decreased 0.7% to $6.9 million. *
- Other shared retail sales tax (transportation funding allocations) increased by 8.6% to $7 million.
- Transient occupancy tax increased 7.8% to $7.5 million. *
- Total taxes increased by 2% to $254.2 million.

* *If adjusted for collection period timing variances, the accounts would have increased 3.0% and 11% respectively.*

Federal and State (Intergovernmental) Revenues

As the County is an arm of State government, these multiple program resources are 46% of County funding and are tied to mandated services such as social services, public assistance, health, and mental health. A few significant accounts that primarily showed increases in funding compared to the prior year include:

- State Realignment 2011 AB 109 funding provided $63.3 million, an increase of 11% 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 1.4% to $32.1 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 stayed relatively static with a decrease of 1% or $0.6 million to $31.7 million.
- Total intergovernmental resources driven by reimbursements for mandated programs increased 18% to $380 million.

Charges for Services

Charges for services revenue increased by 5.9% to $143.6 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 online 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

SANTA BARBARA COUNTY
ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES

Fiscal Years Ended June 30 (in thousands)	2010	2011	2012	2013	2014
Revenues (by source):					
Taxes	$231,648	$234,354	$241,142	$249,414	$254,177
Licenses, Permits & Franchises	13,223	12,639	12,966	14,011	14,030
Fines, Forfeitures & Penalties	13,527	13,299	10,990	9,582	10,883
Use of Money & Property	6,121	4,582	4,307	2,321	4,995
Intergovernmental	290,440	304,347	306,609	321,765	380,150
Charges for Services	162,525	164,630	139,685	135,626	143,637
Other	17,046	16,372	25,920	19,582	20,803
Total Revenues	734,530	750,223	741,619	752,301	828,675
Expenditures (by function):					
Policy & Executive	13,266	15,661	15,172	15,349	15,408
Public Safety	233,156	241,859	250,145	259,968	270,605
Health & Public Assistance	298,239	307,900	300,536	304,982	318,480
Community Resources & Facilities	100,047	97,672	97,130	100,838	145,576
General Government & Support Services	48,818	47,073	42,643	43,691	44,194
General County Programs	18,449	18,957	12,287	5,091	8,199
Debt Service	12,143	10,539	27,932	7,651	7,810
Capital Outlay	8,639	18,094	15,795	7,290	7,079
Total Expenditures	732,757	757,755	761,640	744,860	817,351
Net Other Financing Sources (Uses)	19,757	(2,444)	17,607	556	(177)
Extraordinary Items-RDA transfer of assets	-	-	(13,092)	-	-
Net Change in Fund Balance	$21,530	($9,976)	($2,414)	$7,997	$11,147

Revenues of $828.7 million and other financing uses of $0.2 million exceeded expenditures of $817.4 million for a net positive change to the County Fund Balances of $11.3 million.

Total revenues increased by 10.3% or $76.4 million.

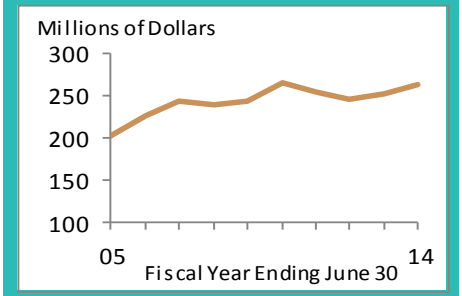
- Taxes increased by 2%, or $4.8 million, due to approximately a 4% or $11.5 million increase in property taxes offset by a prior year one-time distribution of $7 million in RDA proceeds.
- Fines, Forfeitures and Penalties increased by 11.8%, or $1.3 million, generally due to increases in delinquent property tax collections and forfeiture revenue.
- Intergovernmental increased 19%, or $58.4 million to $380 million. These Federal and State revenues represent 46% of total revenues. The Public Works Department received a $43 million donation from the Federal Government for reconstruction of the Santa Maria Levee, Realignment Revenue increased by $7 million and the Redevelopment Agency Successor Agency transferred $7 million in real property to the County.
- Charges for services increased 5.7%, or $8 million where reimbursement of costs increased for services provided to Federal and State programs, generally in the areas of Health, Mental Health, and Social Services.
- Other Revenues increased by 4.7%, or $1.2 million due to one-time revenues from grants and positive audit settlements.

Total expenditures increased by 9.6% or $73 million.

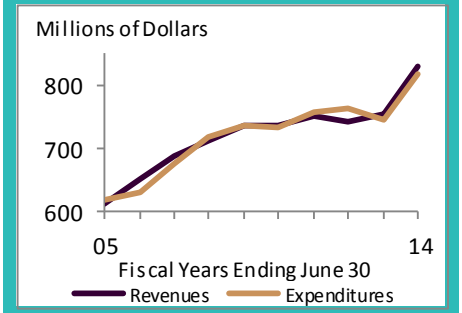
- Salaries and benefits, which are the largest category of expenditures for this service delivery organization, increased 5% or $23 million to $471 million, mainly attributable to three areas: an increase in staffing in the Social Services department, salary increases, and overtime costs in the Sheriff's department. Regular salary costs increased by 3% or $8 million, pension contributions increased $8 million or 8%, overtime increased $1.9 million or 20%, workers compensation 11%, health insurance 6%, reimbursable overtime 26%, and extra-help 3%.
- Other operational expenditures increased 2%, or $7 million to $291 million, due to a $3.5 million increase in design costs for the North County Jail, a $2.9 million Affordable Housing Loan, $4.8 million in Road Fund maintenance costs, and $1.5 million in Social Services cash assistance payments, offset by a $7 million reduction in Proposition 50 Water Agency pass-through payments.
- Debt Service payments of $7.8 million were slightly greater than the prior year.
- Capital Outlay expenditures were $7.1 million, which was about the same as the prior year.

Financial Trends

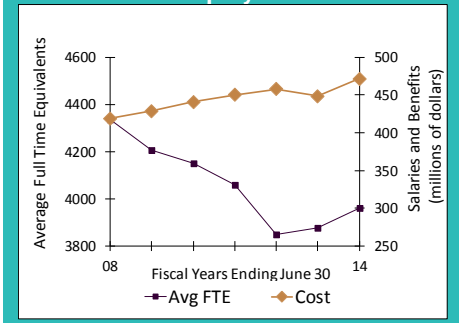
Fund Balance



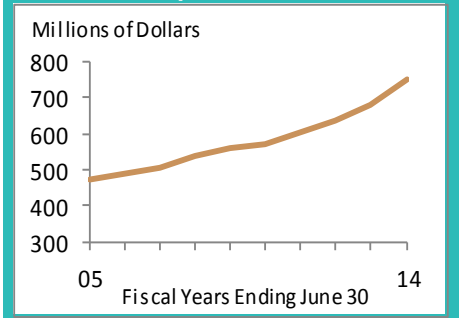
Revenues and Expenditures



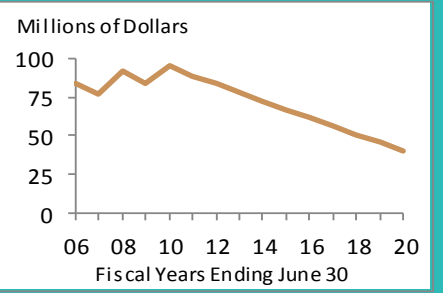
Employees



Capital Assets



Outstanding Debt



Fund Balance

- Total governmental funds increased $11 million, or 4.4%, to $263.2 million. This increase was mostly related to an unanticipated increase in property tax and intergovernmental revenue.
- The portion of the General Fund balance available for appropriation increased $4.9 million, or 5.7%, to $92.8 million.
- The total General Fund balance is 29% of its annual operating expenditures, and the spendable General Fund balance is 26% of General Fund annual operating expenditures.
- The County's General Fund Strategic Reserve, which is earmarked for severe economic downturns and emergencies, ended the year at $24.2 million with an additional $3.4 million of FY 13-14 residual fund balance for a total of $27.6 million. The goal for this reserve is 8% of general revenues, or $28.3 million.

Revenues and Expenditures

- In FY 13-14, 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, during economic upturns the County may build a fund balance and in downturns draw on fund balance.

> "With Better than Expected Revenue Outlook, County Supervisors Approve New Budget"
>
> Noozhawk, June 11, 2014

Employees

- The County increased its average full time equivalent (FTE) count by a net 85 to 3,961. This was mainly attributed to the Social Services department, funded by Federal and State caseload realignment revenue growth, adding 81 FTE.
- As a service delivery entity, salaries and benefit costs are the largest cost component at $471.6 million, approximately 58% of actual expenditures.

Capital Assets

- The County's investment in capital assets increased by $69.2 million, or 10%, to $749.7 million, of which $47.7 million was due to the completion of improvements to the Santa Maria River Levee, which was mainly completed by the Army Corps of Engineers and donated to the County. Additionally, $6.8 million of the increase to capital assets was due to a donation of three real estate properties from the RDA successor agency.
- $14.3 million of major project completions included improvements to the Santa Maria Clerks Building, an Electronic Health Records System, an expansion to the Santa Maria Admin Building, a Cachuma Water Treatment System, a Cachuma Sewage Treatment System, a Kinevan Road Bridge, and seismic improvements at the Santa Maria Cook Street building.

Outstanding Debt

- Total long-term outstanding indebtedness amounted to $76.5 million, a decrease of $6.3 million, or 7.6%, 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.

Services & Expenditures by Function

Policy & Executive

This functional area is responsible for: setting policy, managing human resources, risk management programs and emergency operations, recommending the budget and providing legal services. This functional area remained the same at 88 employees and had expenditures of $16 million.

> "Santa Barbara County Awarded Nearly $39 Million in Jail Funding"
>
> Noozhawk January 16, 2014

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 increased 8 FTE to 1,394 employees and had expenditures of $277.9 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 71 FTE to 1,679 employees and expenditures of $316.5 million, these Federal and State funded programs serve the less advantaged County residents.

> "ADMHS Leaders Describe 'Culture Change' as Department Implements Reforms"
>
> Noozhawk April 22, 2014

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 increased 3 FTE to 392 employees and had expenditures of $89.3 million.

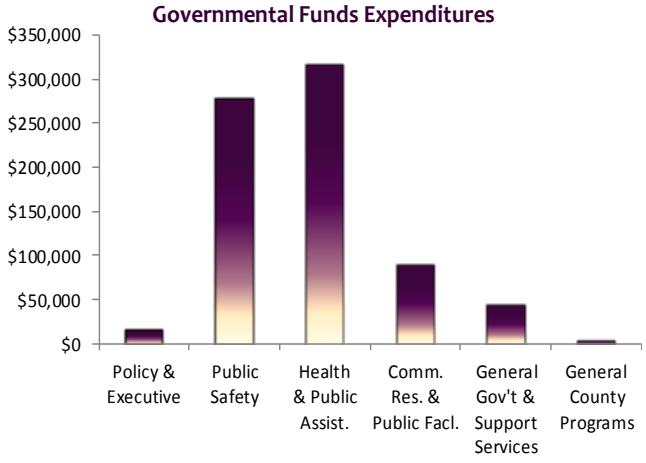
General Government & Support Services

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 1 FTE to 313 employees and had expenditures of $44.3 million.

> "State Allows County to Keep Three Isla Vista Properties"
>
> Santa Barbara Independent, February 26, 2014

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 currently has no FTE's assigned and had expenditures of $3.8 million.



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 94 employees, an increase of 4 FTE from the prior year, and expenses of $26.3 million.

Transition to Next Year's Budget

The table below presents the County's General Fund and 8 other distinct major funds. Other Governmental Funds aggregate the 19 other special revenue funds and debt service funds.

Governmental Funds (in thousands)

	General	Roads	Public Health	Social Services	ADMHS
Revenues	$ 355,379	$ 31,407	$ 63,942	$ 132,377	$ 71,731
Expenditures	(316,787)	(33,800)	(66,124)	(139,610)	(81,123)
Other fin. sources (uses)	(33,594)	5,482	6,322	684	8,847
Change in fund balance	$ 4,998	$ 3,089	$ 4,140	$ (6,549)	$ (545)

	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Gov Funds
Revenues	$ 59,931	$ 10,020	$ 57,951	$ 2,316	$ 43,687
Expenditures	(57,492)	(8,905)	(53,089)	(7,552)	(52,935)
Other fin. sources (uses)	161	(1,640)	(1,690)	1,393	13,858
Change in fund balance	$ 2,600	$ (525)	$ 3,172	$ (3,843)	$ 4,610

Total	
$ 828,741	Revenues
(817,417)	Expenditures
(177)	Other fin. sources (uses)
$ 11,147	Change in fund balance

The County General Fund increased total fund balance by $4.9 million. Spendable fund balance increased by $4.5 million due to positive operating results, and non-spendable fund balance increased by $0.5 million. The other Governmental Funds increased by a net $6.1 million. Some funds added to the respective fund balance while others drew on fund balance.

Financial Status Summary
General Fund (in thousands)

	FY 13-14		
	Adjusted Budget	Actual	Variances
Revenues	$ 356,047	$ 355,379	$ (668)
Expenditures	(327,802)	(316,787)	11,015
Net other financing uses	(34,370)	(33,594)	776
Net financial impact	$ (6,125)	$ 4,998	$ 11,123

General Fund Balance (in thousands)

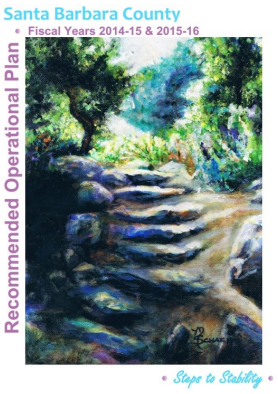
	Beginning Balance 7/1/2013	Ending Balance 6/30/2014
Nonspendable	$ 9,618	$ 10,138
Restricted	19,800	21,245
Committed	50,298	58,018
Unassigned	8,092	3,405
Total Fund Balance	$ 87,808	$ 92,806

The General Fund's fund balance ended the year at $92.8 million with $10 million representing nonspendable fund balance. The spendable (*restricted, committed, and unassigned*) portion increased to $82.7 million, or 6% of FY 13-14 expenditures.

FY 14-15 Budget

Use of Funds Summary	Operating Budget	Percent of Total
Countywide Functions:		
Policy & Executive	$ 52,362,283	5.5%
Public Safety	276,638,729	29.3%
Health & Public Assistance	348,520,583	36.9%
Community Resources & Public Facl.	144,784,882	15.3%
General Government & Support Services	75,628,033	8.0%
General County Programs	5,249,031	0.6%
Expenditure total	903,183,541	95.7%
Capital	40,888,736	4.3%
Total Use of Funds	$ 944,072,277	100.0%

The County's Recommended FY 14-15 Budget Plan included operating appropriations set at $903 million and capital outlay appropriations of $40.0 million that includes capital expenditures and infrastructure/capital maintenance.



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.

FY 2014-2015 Forecast

Economic Indicators

The County's economy is showing moderate sustained growth as consumer spending and tourism has increased for the fourth consecutive year. Local unemployment has been declining steadily over the last few years, with a June 2014 unemployment rate of 5.4%, down 0.9% from June 2013 and down 3.8% from June 2011 at 9.2%. The housing market continues to rebound after four years of slow activity coupled with price depreciation and hitting bottom in 2012. Looking back one year, there has been a 16.3% increase in the median home price. There appears to be a steady upturn in permitting, housing sales, new housing starts and price appreciation. With the improvements in employment and the housing market, the County can now look past the great recession.

Financial Indicators

County tax revenues continue to show signs of moderate growth due to increases in real property values, tourism and consumer spending. 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 decreased $0.4 million or 10% to $3.4 million (after a significant 52% growth in the prior year) and supplemental property tax increased $1.3 million or 32% to $4.0 million. The property tax growth rate hit a low point for FY 12-13 with a growth rate of less than 1%. For FY 13-14, the assessed value for property taxes increased 4.0%; and for FY 14-15 will increase approximately 5.3%. With all three accounts mostly showing positive growth, the County general discretionary revenues are expected to continue to improve.

Growth in transient occupancy tax (TOT) and local retail sales tax have again been positive at 11% and 3%, respectively. For the fourth year in a row, these accounts indicate positive, steady growth. Statewide allocated sales tax for Proposition 172 public safety, a ½ cent sales tax, grew $0.5 million or 1.4% for the fourth straight year to $32.1 million; however, if adjusted for collection timing differences, grew 4.1%. Realignment 1991 and 2011, sales taxes and vehicle license fee (VLF) revenue distributed to the County for Public Safety and Health and Human Services grew statewide by approximately 5.5% and has resulted in caseload growth distributions to the County.

On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, which increased 5.0%. The majority of the increase is due to the addition of 81 positions in Social Services and is attributable to the Affordable Care Act implementation. However, the County also had cost of living increases in regular salaries and benefits. Pension rates and costs continue to rise because of prior market losses on pension plan assets and the Retirement Board decreased the assumed rate of return from 7.75% to $7.50%. The County expects the pension contribution rate increases that have occurred over the past five years to level out and decline slowly overtime. The employer pension rate for FY 13-14 increased from 35.9% to 38.3%, and for the FY 14-15 budget increased from 38.3% to 38.9%.

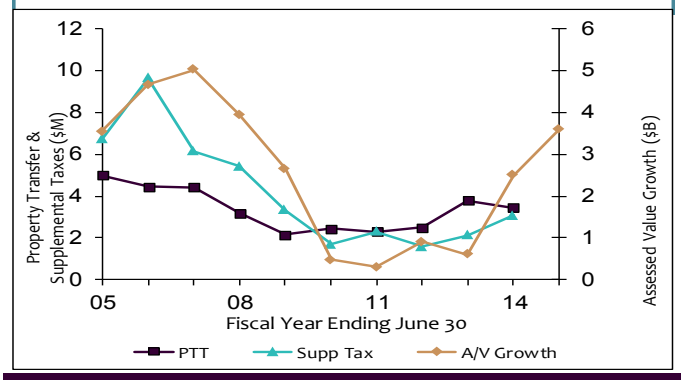
Summary Highlights

FY14-15	Sustained Moderate Growth
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

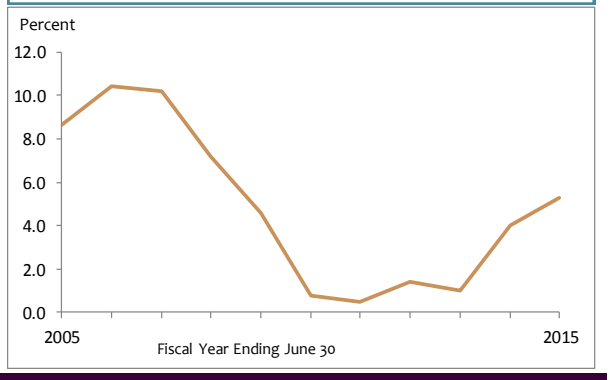
Historical Assessed Value of Property in the County (in billions)

Fiscal Year	Assessed Valuation	Percent Increase
14-15	69.5	5.3%
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%

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 Distributions

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 was 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 debts and obligations of the former RDAs are retired and all assets are disposed. In Santa Barbara County, there were six city RDAs and one County RDA. The State estimates that once the RDAs are totally dissolved, over $5 billion in taxes will revert to the local tax agencies statewide.

Fiscal Year (in millions)	11-12	12-13	13-14
Property Tax Increment	$ 36.3	$ 37.6	$ 38.8
Obligation Payments	18.3	15.0	13.8
Distribution of Taxes: **	$ 18.0	$ 22.6	$ 25.0
School Districts	10.3	13.9	15.0
County General Fund	4.3	4.7	5.4
Special Districts	1.7	1.9	2.2
Cities	1.7	2.1	2.4

** Includes $4.8 million in pass through payments.

For the RDAs in Santa Barbara County, the amount of taxes that will revert to the taxing agencies is currently estimated at $38.8 million annually. The above table displays a summary of RDA property tax increment, obligations and distribution of taxes to the agencies for the last three fiscal years.

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".

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, 2013. This was the nineteenth 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
105 East Anapamu Street, Room 303
Santa Barbara, CA 93101