Financial Highlights

County of Santa Barbara, Fiscal Year Ended June 30, 2015

August 26, 2015

Board of Supervisors
Salud Carbajal, 1st District
Janet Wolf, Chair, 2nd District
Doreen Farr, 3rd District
Peter Adam, Vice Chair, 4th District
Steve Lavagnino, 5th 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

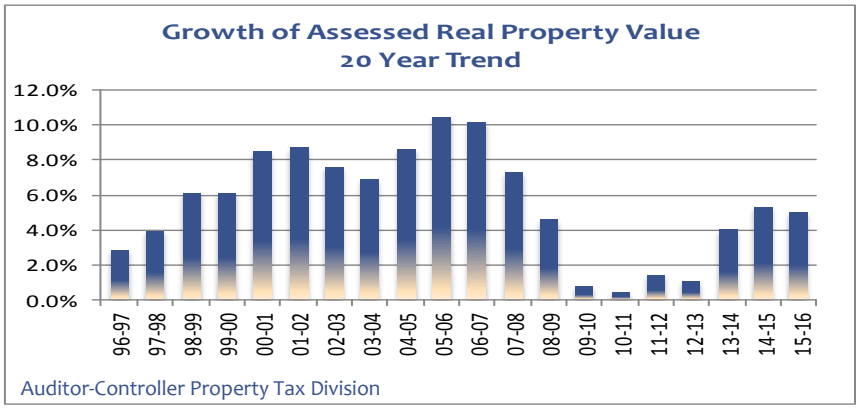
Auditor-Controller's Message…..2
Who We Are…… 3
The Economy…… 4
County Revenues……5
Financial Summary…… 6
Financial Trends…… 7
Services & Expenditures by Function…… 8
Transition to Next Year's Budget……9
FY 2015-16 Forecast…….. 10
Redevelopment Dissolution Distribution…… 11
Debt Ratings…… 11
On the Web…… 12

Cachuma Lake

Economic Indicators

The 2015 UCSB Economic Forecast Project stated, "the national, California and local economy continue to grow and evidence abounds that our economy is, well, looking up." The housing market continues to rebound. The growth rate of the increase in home prices has moderated somewhat over the past, yet still is on an upward trajectory. Employment continues to grow and new businesses are springing up and so commercial vacancy rates are very low.

Financial Indicators



County tax revenues experienced strong growth in FY 14-15 due to the upward economic trends. Property tax assessed value will increase 5.0% for the FY 15-16, following a 5.3% increase in FY 14-15. Local sales tax increased 13.3% and transient occupancy tax increased 13.4% for FY 14-15. The Statewide ½ cent sales tax program that funds public safety and health/social services programs increased 6.4% for FY 14-15. Generally due to the Affordable Care Act, federal reimbursement for Medi-Cal eligible clients increased 25% for FY 14-15.

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

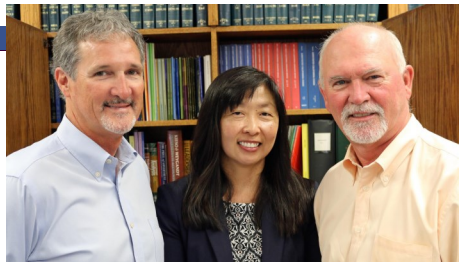
A Message from the Auditor-Controller

County of Santa Barbara—Financial Highlights for Year Ended June 30, 2015

The County Auditor-Controller's Office is featured in a series of articles in Forbes online. Simply Google "Forbes Bob Geis ".

"Here's A Government Agency That Operates Entrepreneurially"

Kelly Allan, Forbes August 9, 2015



forbes.com —Theo Fallati, Betsy Schaffer, and Bob Geis. Bob 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, 2015. 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

The financial results of operations for FY 14-15 showed strong improvement of County finances. With employment increasing and a good housing market, the County is building its foundation for the future. The Board and its administration have made longer term funding commitments to a new jail facility, fire protection financing, deferred capital maintenance and unfunded retirement liabilities. These commitments address important priorities and rely on increasing revenue growth in coming years. The County has a history of stable multi-year revenue growth that normally tends to occur after recessionary downturns.

In June 2014, and in November 2014, voters failed three initiatives that would have had significant financial implications to the County General Fund. One initiative was to require actions to keep all County roads, parks and buildings at existing condition assessments. A second initiative was to increase the County's Transient Occupancy Tax from 10% to 12.5%. The third initiative was to ban numerous oil extraction methods.

"Santa Barbara County Residents say 'No' Measure M"

Santa Maria Sun June 4, 2014

"Santa Barbara County Voters oppose Higher Bed Tax Rates"

Noozhawk November 4, 2014

"Measure P 'Anti-Fracking' Initiative Soundly Defeated 63 Percent to 37 Percent"

Noozhawk November 4, 2014

The statewide and local drought, a significant oil spill off the Gaviota Coast, implementation of the Affordable Care Act, and delivering services in Isla Vista are a few of the challenges that the County faced over the last year. The vast array of services the County delivers can be challenging, but it manages both the services and its finances well. Another ongoing funding challenge is the completion of the North County jail construction projects, estimated to cost over $140 million, and the need to carve out revenue growth to fund the future on-going operations of the new jail.

Most notably in this year's countywide financial statements, the County implemented GASB 68, which required unfunded pension liabilities to be recorded on the County's Statement of Net Position. Pension liabilities and retiree medical liabilities continue to require significant funding by the County. Contribution rates are settling, but are still set based on fluctuating investment gains or losses, while incorporating a 17-year amortization of the unfunded liability.

Robert W Geis

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
Chair

Doreen Farr
Third District Supervisor

Peter Adam
Fourth District Supervisor
Vice Chair

Steve Lavagnino
Fifth District Supervisor

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

Michael Ghizzoni
County Counsel

Public Safety		Health & Human Services	Community Resources & Public Facilities	General Government & Support Services
Joyce Dudley District Attorney	**Eric Peterson** Fire	**Alice Gleghorn** Alcohol, Drug, & Mental Health Services (ADMHS)	**Cathleen Fisher** Agriculture / Weights & Measures Sealer	**Robert W. Geis, CPA, CPFO** Auditor-Controller
Raimundo Montes De Oca Public Defender	**Guadalupe Rabago** Probation	**Carrie Topliffe, CPA** Child Support Services	**George Chapjian** 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

New department directors include Alice Gleghorn as the Director of Alcohol, Drug, and Mental Health Services (ADMHS); Eric Peterson as the Fire Chief; Gudalupe Rabago as the head of the Probation Department; and George Chapjian became the Director of Community Services Department.

> "New Director Alice Gleghorn Sees Opportunity in ADMHS' Time of Transition"
>
> Noozhawk November 4, 2014

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 online at www.countyofsb.org/ceo.

The Economy

During Fiscal Year 14-15 the County, for the fifth consecutive year, saw positive trends in certain economic segments led by consumer spending and tourism. For the third 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 on a Countywide basis that includes both the unincorporated area and the eight incorporated cities.

Employment

- The County's average unemployment rate during FY 14-15 decreased from 6.4% to 5.6%.
- The June 2015 County unemployment rate of 4.7% was below the State unemployment rate of 6.2% and the national unemployment rate of 5.5%.

> "Experts Predict Strong Employment Growth for Santa Barbara County Economy"
>
> Noozhawk May 9, 2015

Income

- Average annual wages had a slight increase to $50,130 in 2014 from $48,820 in 2013.

Retail Sales

- Countywide retail sales increased 5.2% to $6.7 billion for the 2014 calendar year, slightly up from $6.4 billion in 2013.
- Local retail sales continue to grow with the expandable economy from the December 2010 low point.
- California retail sales are following a similar pattern.

Real Estate

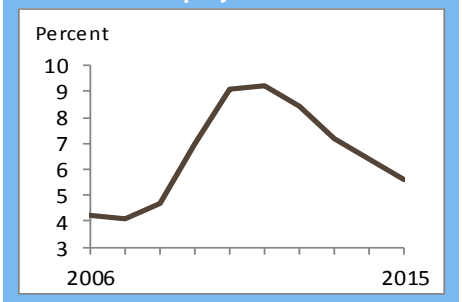
- The countywide median home prices increased 7.4% to $697,022.
- The real estate market continued its upward trend with increased property sales, price appreciation, and new construction.

> "Housing prices going back up, but rental market exceptionally tight"
>
> KEYT April 30, 2015

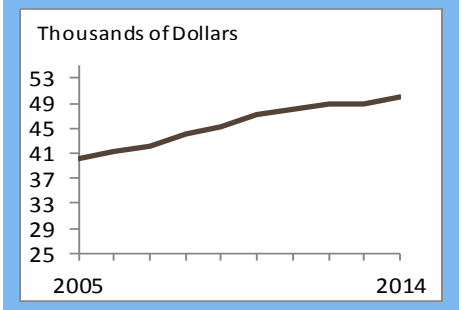
Tourism

- Countywide Transient occupancy tax increased 16.1% 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.

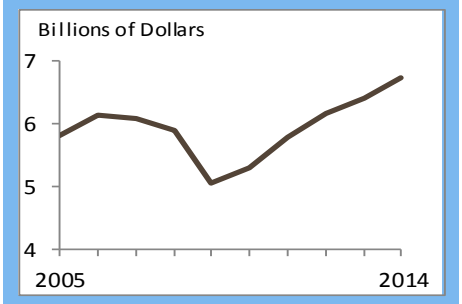
Unemployment Rate



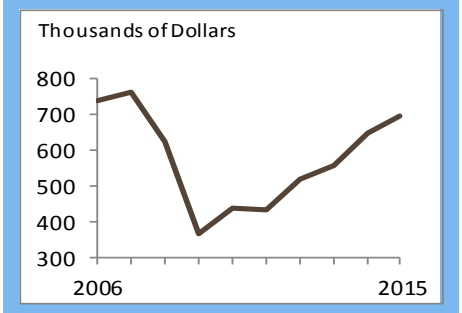
Average Salary



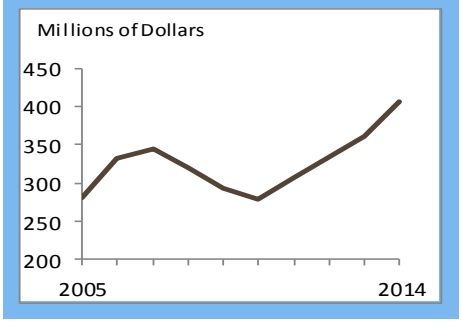
Retail Sales



Median Home Price

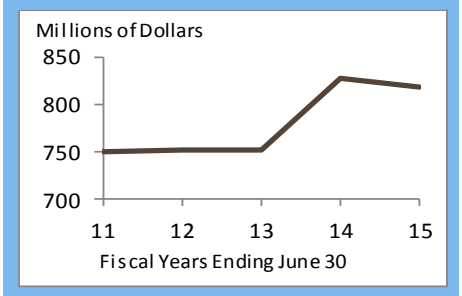


Hotel/Motel Room Sales

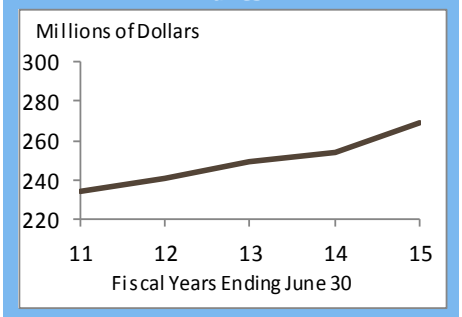


County Revenues

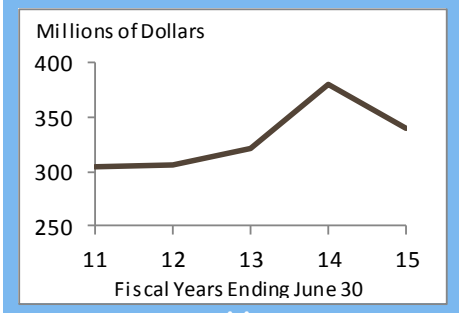
Total Revenues



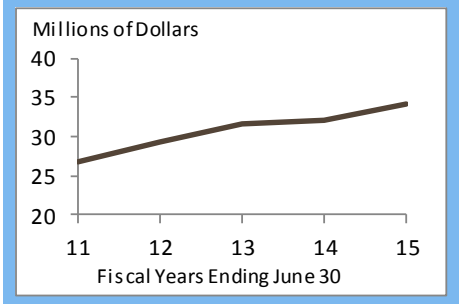
Taxes



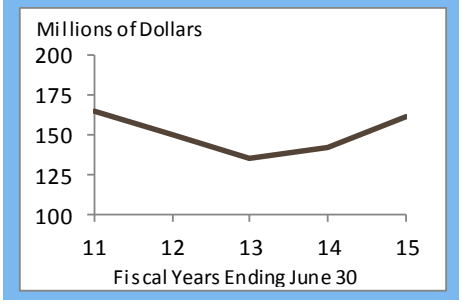
Federal & State



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 decreased by 1% to $819 million. After adjusting for a $43 million donation in FY13-14 from the Federal Government for the reconstruction of the Santa Maria Levee, operating revenue actually increased 4% or $34 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 5.9% to $230.3 million.
- Supplemental property tax decreased 7.5% to $3.7 million.
- Property transfer tax increased 18.6% to $4.1 million.
- RDA property tax trust fund proceeds increased 4.1% to $6.4 million.
- The local retail sales tax increased 13.3% to $7.8 million.
- Other shared retail sales tax (transportation funding allocations) increased by 4.8% to $7.5 million.
- Transient occupancy tax increased 13.4% to $8.6 million.
- Total taxes increased by 6% to $269.4 million.

Federal and State (Intergovernmental) Revenues

As the County is an arm of State government, these multiple program resources are 42% of County funding at $311 million 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 $65 million, an increase of 22% 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 several funding streams for Health, Social Service and Mental Health programs.
- Proposition 172, a ½ cent sales tax revenue for public safety services, increased 6.4% to $34.2 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 2.9% to 33.1 million.

Charges for Services

Charges for services revenue increased by 14% to $161.6 million. The increase is due to the implementation of the Affordable Care Act that impacts program cost reimbursements via Federal and State programs, such as Medi-Cal and Federally Qualified Health Center revenues. The County also receives 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

ALL GOVERNMENTAL FUND TYPE REVENUES & EXPENDITURES

Fiscal Years Ended June 30 (in thousands)	2011	2012	2013	2014	2015
Revenues (by source):					
Taxes	$234,354	$241,142	$249,414	$254,177	$269,412
Licenses, Permits & Franchises	12,639	12,966	14,011	14,030	13,660
Fines, Forfeitures & Penalties	13,299	10,990	9,582	10,883	9,581
Use of Money & Property	4,582	4,307	2,321	4,995	4,902
Intergovernmental	304,347	306,609	321,765	380,785	340,807
Charges for Services	164,630	139,685	135,626	141,839	161,637
Other	16,372	25,920	19,582	20,804	19,033
Total Revenues	750,223	741,619	752,301	827,513	819,032
Expenditures (by function):					
Policy & Executive	15,661	15,172	15,349	15,408	15,563
Public Safety	241,859	250,145	259,968	270,605	281,211
Health & Public Assistance	307,900	300,536	304,982	317,322	343,584
Community Resources & Facilities	97,672	97,130	100,838	145,572	93,443
General Government & Support Services	47,073	42,643	43,691	44,194	47,357
General County Programs	18,957	12,287	5,091	8,199	3,190
Debt Service	10,539	27,932	7,651	7,810	17,834
Capital Outlay	18,094	15,795	7,290	7,079	8,353
Total Expenditures	757,755	761,640	744,860	816,189	810,535
Net Other Financing Sources (Uses)	(2,444)	17,607	556	(177)	9,299
Extraordinary Items-RDA transfer of assets	-	(13,092)	-	-	-
Net Change in Fund Balance	$ (9,976)	$ (15,506)	$7,997	$11,147	$17,796

Revenues of $819 million and other financing sources of $9.3 million exceeded expenditures of $810.5 million for a net positive change to the County Fund Balances of $17.8 million.

Total revenues decreased by 1% or $8.5 million. However, if adjusted for the prior year Santa Maria Levee donation, revenue increased 4% or $34 million.

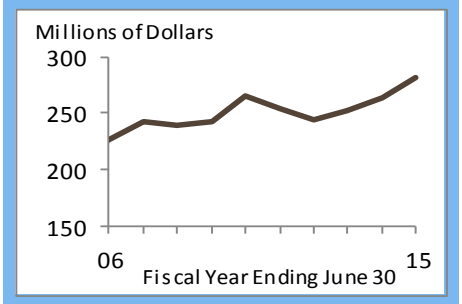
- Taxes increased by 6%, or $15.2 million, due to approximately a 6% or $13 million increase in property taxes.
- Fines, Forfeitures and Penalties decreased by 12%, or $1.3 million, generally due to a decrease in court collections related to AB 233 fees and fines.
- Intergovernmental decreased 10.5%, or $40 million to $340.8 million. This decrease can be attributed to a $43 million donation in FY13-14 from the Federal Government for the reconstruction of the Santa Maria Levee. These Federal and State revenues represent 42% of total revenues.
- Charges for services increased 14%, or $20 million were mainly attributed to the County's major special revenue funds where reimbursement for services from the Federal and State Medi-Cal Programs.
- Other Revenues decreased by 8.5%, or $1.8 million.

Total expenditures decreased by 0.7% or $5.7 million. However, if adjusted for the prior year Santa Maria Levee cost, expenditures increased 5% or $37 million.

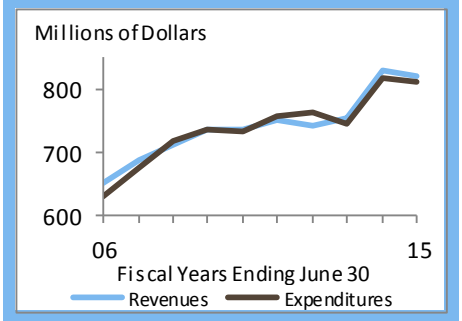
- Salaries and benefits, which are the largest category of expenditures for this service delivery organization, increased 5% or $23 million to $495 million, mainly attributable to an increase of $15 million or 5% in regular salaries due to an increase of 140.5 FTE, costing approximately $10 million annually in the departments of Social Services, ADMHS, Fire, Sheriff, Public Heath, and District Attorney. The remainder represents employee salary increases of approximately $5 million or 1.8% of prior year base salaries. Pension contributions increased $6 million or 4%, overtime increased $1.3 million or 17%, health insurance 13%, and reimbursable overtime 3%.
- Other operational expenditures increased 4%, or $12 million to $303 million. Significant expenditures in this area include $48 million in public assistance cash payments, $41 million in various professional and contractual services across all departments, $35 million in ADMHS community based organization service contracts, $26 million in departmental payments to the County Internal Service Funds, $10 million in contributions to the State for a local Court mandated payment and additional services and supplies cost.
- Debt Service payments increased by $10 million to $17.8 million due to a debt refinance. Annual debt service payments, excluding the current year refinance, decreased 4% or $0.3 million.
- Capital Outlay expenditures were $8.4 million, due to infrastructure work in progress and $4 million in equipment purchases.

Financial Trends

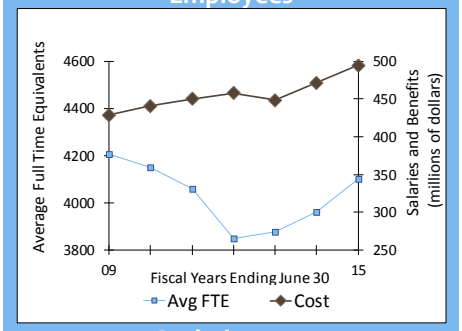
Fund Balance



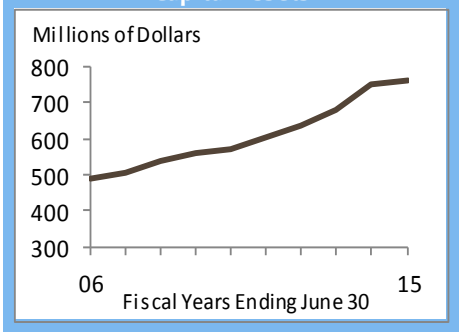
Revenues and Expenditures



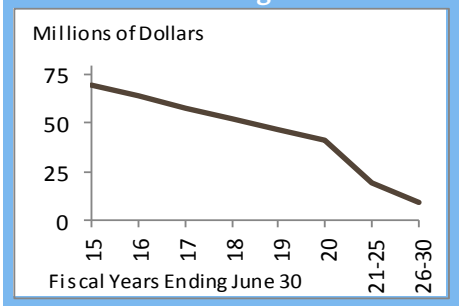
Employees



Capital Assets



Outstanding Debt



Fund Balance

- Total governmental funds increased $17.8 million, or 6.8%, to $281 million. The increase is mostly related to property tax growth and a pre 2004 state mandate payment [SB 90].
- The portion of the General Fund balance available for appropriation increased $6.3 million, or 6.8%, to $99.17 million.
- The total General Fund balance is 31% of its annual operating expenditures, and the spendable General Fund balance is 27% 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 $29.6 million and requires an increase of $0.3 million of unassigned fund balance to meet the target of 8% of General Revenues. An additional $2.9 million resulting from operations in FY 14-15 is recorded as unassigned fund balance.

Revenues and Expenditures

- In FY 14-15, 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.

Employees

- The County increased its average full time equivalent (FTE) count by a net 141 FTE to 4101 FTE. This was mainly attributed to the Social Services, Health and Mental Health departments, funded by the Affordable Care Act, adding 117 FTE.
- As a service delivery entity, salaries and benefit costs are the largest cost component at $495 million, approximately 61% of actual expenditures.

Capital Assets

- The County's net investment in capital assets increased by $12.6 million, or 1.7% to $762.3 million, of which $18.8 million was due to the completion of or improvements to the Santa Barbara Courthouse HVAC, the Courthouse Mural Room, Probation structure improvements, Phase One of the new Property Tax System, Jonata Park Bridge, Black Road Bridge, the Cachuma Sewer Plant, and a Sheriff Helicopter.

> "Board Discusses Santa Barbara County's $84 Million Maintenance Backlog"
>
> Noozhawk March 27, 2015

Outstanding Debt

- Total long-term outstanding indebtedness amounted to $69.3 million, a decrease of $7.1 million, or 9.3%, from the prior year.
- The County has $66.7 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 increased by 2 FTE to 91 employees and had expenditures of $15.7 million.

> "Santa Barbara County Supervisors Extend State of Emergency for Refugio Oil Spill"
>
> Noozhawk June 23, 2015

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 21 FTE to 1,414 and had expenditures of $271.1 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 117 FTE to 1,796 employees and expenditures of $330.6 million, these Federal and State funded programs serve the less advantaged County residents.

> "Mental Health Crisis Responders Express Excitement About New Santa Barbara County Programs"
>
> Noozhawk June 16, 2015

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 10 FTE to 382 employees and had expenditures of $84.5 million.

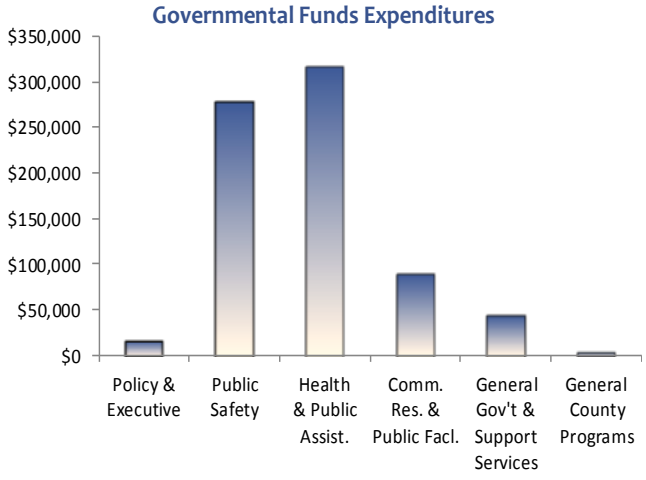
General Government & Support Services

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 increased 12 FTE to 325 employees and had expenditures of $47.5 million.

> "I.V. Self-Governance Bill Clears State Assembly"
>
> Santa Barbara Independent June 11, 2015

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 1 FTE and had expenditures of $2.5 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 92 employees, a decrease of 2 FTE from the prior year, and expenses of $32.2 million.

Transition to Next Year's Budget

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

Governmental Funds (in thousands)

	General	Roads	Public Health	Social Services	ADMHS
Revenues	$ 370,093	$ 28,361	$ 66,192	$ 145,570	$ 81,376
Expenditures	(321,228)	(33,600)	(67,871)	(151,996)	(92,060)
Other fin. sources (uses)	(42,554)	5,070	4,231	6,934	11,480
Change in fund balance	$ 6,311	$ (169)	$ 2,552	$ 508	$ 796

	Flood Control District	Affordable Housing	Fire Protection District	Capital Projects	Other Gov Funds
Revenues	$ 14,832	$ 6,338	$ 63,317	$ 3,246	$ 39,707
Expenditures	(9,682)	(3,740)	(58,054)	(9,316)	(62,988)
Other fin. sources (uses)	162	(1,353)	(2,369)	6,520	21,178
Change in fund balance	$ 5,312	$ 1,245	$ 2,894	$ 450	$ (2,103)

Total	
$ 819,032	Revenues
(810,535)	Expenditures
9,299	Other fin. sources (uses)
$ 17,796	Change in fund balance

The County General Fund increased total fund balance by $6.3 million. Spendable fund balance increased by $5.4 million due to positive operating results, and non-spendable fund balance increased by $0.9 million. All other governmental funds increased by a net $11.5 million. Some funds added to their respective fund balances while others drew on their fund balances.

Financial Status Summary
General Fund (in thousands)

	FY 14-15		
	Adjusted Budget	Actual	Variances
Revenues	$ 370,119	$ 370,093	$ (26)
Expenditures	(332,280)	(321,228)	11,052
Net other financing uses	(43,342)	(42,554)	788
Net financial impact	$ (5,503)	$ 6,311	$ 11,814

General Fund Balance (in thousands)

	Beginning Balance 7/1/2014	Ending Balance 6/30/2015
Nonspendable	$ 10,138	$ 11,042
Restricted	21,245	22,946
Committed	58,018	61,887
Unassigned	3,405	3,242
Total Fund Balance	$ 92,806	$ 99,117

The General Fund's fund balance ended the year at $99.1 million with $11 million representing nonspendable fund balance. The spendable (*restricted, committed, and unassigned*) portion increased to $88.1 million, or 11% of FY 14-15 expenditures.

FY 15-16 Budget

Use of Funds Summary	Operating Budget	Percent of Total
Countywide Functions:		
Policy & Executive	$ 53,099,492	5.3%
Public Safety	285,114,845	28.4%
Health & Public Assistance	367,228,326	36.6%
Community Resources & Public Facl.	154,762,441	15.4%
General Government & Support Services	102,351,235	10.2%
General County Programs	2,548,048	0.3%
Expenditure total	965,104,387	96.3%
Capital	37,394,129	3.7%
Total Use of Funds	$ 1,002,498,516	100.0%

The County's Recommended FY 15-16 Budget Plan included operating appropriations set at $965.1 million and capital outlay appropriations of $37.4 million that includes capital expenditures and for infrastructure/capital maintenance.

State Budget

The State adopted a budget on time, including a continuing source of financing for major County Programs. The improving condition of State finances is helping the County's effort to balance its local budget and provide services.

FY 2014-2015 Forecast

Economic Indicators

The County's economy is showing strong growth as consumer spending and tourism has increased for the fifth consecutive year. Local unemployment continues a steady decline, with a June unemployment rate of 4.7% that was below the State unemployment rate of 6.2% and the national unemployment rate of 5.5%. The local housing market continues to rebound after hitting bottom in 2012. The growth rate in the increase of home prices has moderated somewhat over the past, yet still is on an upward trajectory. There also has been a steady stream of building permitting, new housing starts, and home sales.

Financial Indicators

County tax revenues experienced strong 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 are property transfer taxes that increased 18.6% to $4.1 million and supplemental tax decreased 7.5% to $3.7 million (after a growth of 32% in the prior year and a delay in some supplemental billings due to a new tax system implementation). The secured property tax growth rate for FY 14-15 was 5.5% and for FY 15-16 is estimated at 5.0%. With these accounts showing mostly positive growth, the County general discretionary revenues are expected to continue to grow annually in the 4% to 6% range for the foreseeable future.

Growth in transient occupancy tax (TOT) and local retail sales tax have been strong at 13.4% and 13.3%, respectively. Statewide sales tax for Proposition 172 public safety, a ½ cent tax, grew 6.4% to $34.2 million. The County also had modest growth in State Realignment 1991 and 2011, sales taxes and vehicle license fees that are distributed to the County for Public Safety and Health and Human Services that reached $98.1 million. The implementation of the Affordable Care Act has significantly increased Medi-Cal reimbursements and Social Services reimbursements for Medi-Cal eligibility programs.

On the expenditure side, the largest category of expenditures as a service organization is County salaries and benefits, which increased by $23 million or 5% to $495 million. This represents 61% of total County governmental fund expenditures. The majority of the increase is due to the addition of 141 FTE at a cost of $17 million annually and mainly due to the implementation of the Affordable Care Act. The remainder is due to base salary increases of approximately 1.8%.

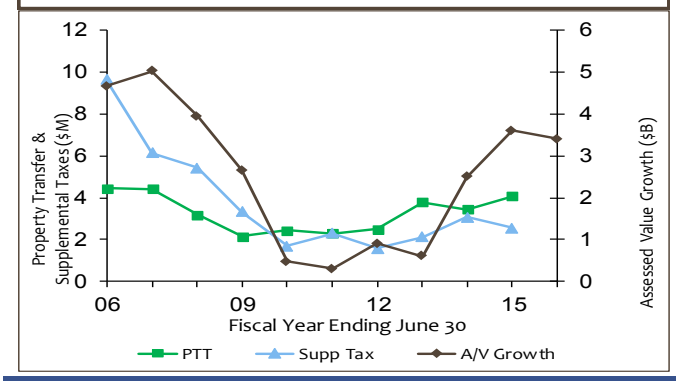
Summary Highlights

FY 15-16	Continued Moderate Growth
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

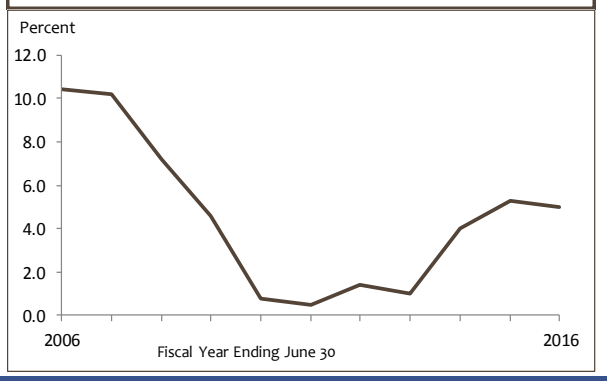
Historical Assessed Value of Property in the County (in billions)

Fiscal Year	Assessed Valuation	Percent Increase
15-16	72.9	5.0%
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%

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 fourth 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	14-15
Property Tax Increment	$ 36.3	$ 37.6	$ 38.8	$ 39.7
Obligation Payments	18.3	15.0	13.8	13.0
Distribution of Taxes: **	$ 18.0	$ 22.6	$ 25.0	$ 26.7
School Districts	10.3	13.9	15.0	15.7
County General Fund	4.3	4.7	5.4	5.6
Special Districts	1.7	1.9	2.2	2.3
Cities	1.7	2.1	2.4	2.6

** 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 $39.7 million annually. The above table displays a summary of RDA property tax increment, obligations and distribution of taxes to the agencies for the four fiscal years since dissolution.

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

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

County of Santa Barbara
California

For its Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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, 2014. This was the twentieth 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