City of Santa Barbara
California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

Prepared Under the Supervision of

Robert Samario
Interim Finance Director

Introductory Section

CITY OF SANTA BARBARA
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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 9, 2009

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Payroll
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Treasury
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Honorable Mayor, Members of the City Council, and Citizens of the
City of Santa Barbara

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2009, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the City. To the best of our knowledge and belief, the information in the CAFR is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Caporicci & Larson, Certified Public Accountants, has issued an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2009. The independent auditors' report is located on pages 9-10 within the financial section of this report. The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 11.

PROFILE OF THE CITY OF SANTA BARBARA

The City of Santa Barbara is located between the Santa Ynez Mountains and the Pacific Ocean. Santa Barbara offers year-round sunshine, miles of beaches, a colorful history dating back to the Chumash Indian tribes, a rich Spanish heritage, gourmet dining, and spectacular parks. It is often referred to as the American Riviera. The City was incorporated in August of 1850 and today serves a population of 90,308. The City provides a wide range of services to its citizens. These services include police and fire protection; the construction and maintenance of highways, streets, traffic signals and infrastructure; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; golf course; community development; and general administration.

The City also provides services through the Redevelopment Agency (RDA), which is a blended component unit of the City. Therefore, the RDA is included in the overall reporting entity presented in the accompanying CAFR. However, the RDA remains separate from the City for all legal purposes and also issues its own separate annual financial report. No

express or implied assumption by the City of any liability for the RDA is to be inferred by its inclusion in the CAFR. The RDA's separately issued CAFR is available on the City's web site at: www.SantaBarbaraCa.gov/government/finance/CAFR.

LOCAL ECONOMY

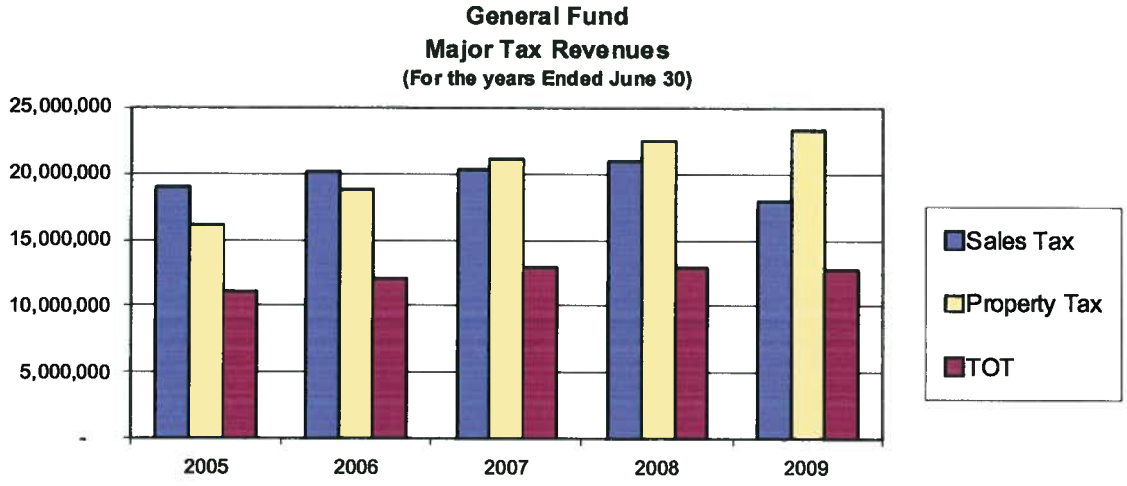
As a tourist destination, the City's key revenues that pay for basic services, including public safety, library, and parks and recreation, are tied to the health of the national, state and local economies. For example, both sales tax and transient occupancy tax (TOT) revenues, which together make up approximately 30% of total General Fund revenues, are directly tied to the local economy. Property tax revenues, making up 23% of total revenues, are also tied to economic conditions, but have traditionally been less volatile than sales tax and TOT revenues.

In December 2007, the United States officially entered into the worst economic downturn since the Great Depression. What has been referred to as the "Great Recession," the current economic downturn has affected virtually all markets, including housing, labor, and retail.

The impacts to City of Santa Barbara revenues were first noted in September 2008 with a decline in TOT revenues of 1.8% in relation to the same month of the prior year. This decline was the first of fourteen straight months of declines through October 2009, eight months of which were declines exceeding 10%. By fiscal year end, TOT revenues were $1.3 million below the original estimates contained in the adopted budget.

Impacts to sales tax revenues were similarly significant. For the last three quarters of fiscal year 2009, sales tax revenues declined an average of 14.5%, resulting in a $2.7 million shortfall in relation to the originally adopted budget. Although we have yet to see declines in property taxes, which have grown between 7-9% over the last several years, revenues are now leveling off.

The chart below depicts the trends in the three key General Fund revenues from fiscal year 2005 through 2009. As shown in the chart, the biggest decline has been in sales tax revenues.



The magnitude of the recession and its impacts to key General Fund tax revenues is unprecedented in at least the last twenty years. The City's General Fund expenditure budget for fiscal year 2010 required approximately $10.5 million in adjustments to offset the sharp revenue declines and increasing costs.

Within four months after the adoption of the budget, revenues deteriorated even further, resulting in an additional $2.9 million projected decline in relation to revised revenue estimates. As a result, additional budget adjustments were made in October 2009 to rebalance the General Fund. For fiscal year 2011, current projections indicate a budget shortfall of almost $6 million, in part due to one-time solutions used in fiscal year 2010. As such, the City will be facing further cuts to programs and services in the General Fund to offset the shortfall.

While economic data and reports suggest the recession is over from a national perspective, considerable uncertainty remains at a state and local level. One of the major uncertainties and looming issues facing local governments is the State's current financial crisis. Years of fiscal mismanagement, a highly volatile revenue base, legal spending mandates and a polarized legislature have all contributed to a projected $21 billion deficit through June 30, 2011. Historically, the State has relied on local revenues to help balance its budgets by shifting local property taxes from cities, counties, and special districts to schools, thereby reducing the State's minimum funding to schools mandated by State law.

In 2005, voters approved Proposition 1A that established protections against future raids on local governments by the State of California, allowing the State to borrow local property taxes only under specific circumstances and only if certain requirements are met. This has indeed provided some protections; however, the current fiscal crisis facing the State is so significant that it is quite possible the State will find some way to impact local government revenues to help solve their problem. Consequently, local officials statewide will be paying close attention to the State's budget process that will begin in January with the Governor's mid-year report for any indications of potential raids on local revenues and whether legislators, and an outgoing Governor during an election year, can come to an agreement on how to balance the budget. Clearly, a considerable amount of compromise will be necessary to honestly and appropriately deal with the long-standing structural imbalance that has plagued the State for years. If not, local governments, which are already facing their own budget challenges, may be facing some impacts from the State's fiscal crisis.

FINANCIAL CONTROLS

The City's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the City's assets are protected from loss, theft or misuse. The City's system of internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. The City's system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

Single Audit

As a recipient of federal assistance, the City is responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs. As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a "major" grant program. The single audit did not encounter any instances of non-compliance or material weaknesses in the City's internal controls over financial reporting.

Budgetary Controls

The City maintains budgetary controls designed to ensure compliance with the legal provisions contained in the annual budget approved by the City Council. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is at the department level for the General Fund and at the fund level for all other legally adopted budgets.

The City maintains a formal, integrated encumbrance accounting system as one means of ensuring budgetary control. Purchase orders that would result in an overrun of department appropriations at a major object category level are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are carried over and re-appropriated in the following fiscal year.

OTHER INFORMATION

Spending Limitation

Article XIIIB of the California Constitution, also known as the Gann spending limit, restricts the amount of "proceeds of taxes" California governments may spend. As of June 30, 2009, the City had not reached its Article XIIIB spending limitation.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Barbara California for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the fifth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department. We would like to express appreciation to the Finance Department and other City departments that provided assistance and support.

Respectfully submitted,

James L. Armstrong
City Administrator/
Clerk/Treasurer

Robert Samario
Interim Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Santa Barbara
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2009

Marty Blum
Mayor

Grant R. House
Councilmember

Helene Schneider
Councilmember

Roger L. Horton
Councilmember

Das Williams
Councilmember

Iya G. Falcone
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert D. Peirson
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Andrew DiMizio
Interim Fire Chief

Paul A. Casey
Community Development Director

Christine Andersen
Public Works Director

Joan M. Kent
Assistant City Administrator

John N. Bridley
Waterfront Director

Marcelo Lopez
Administrative Services Director

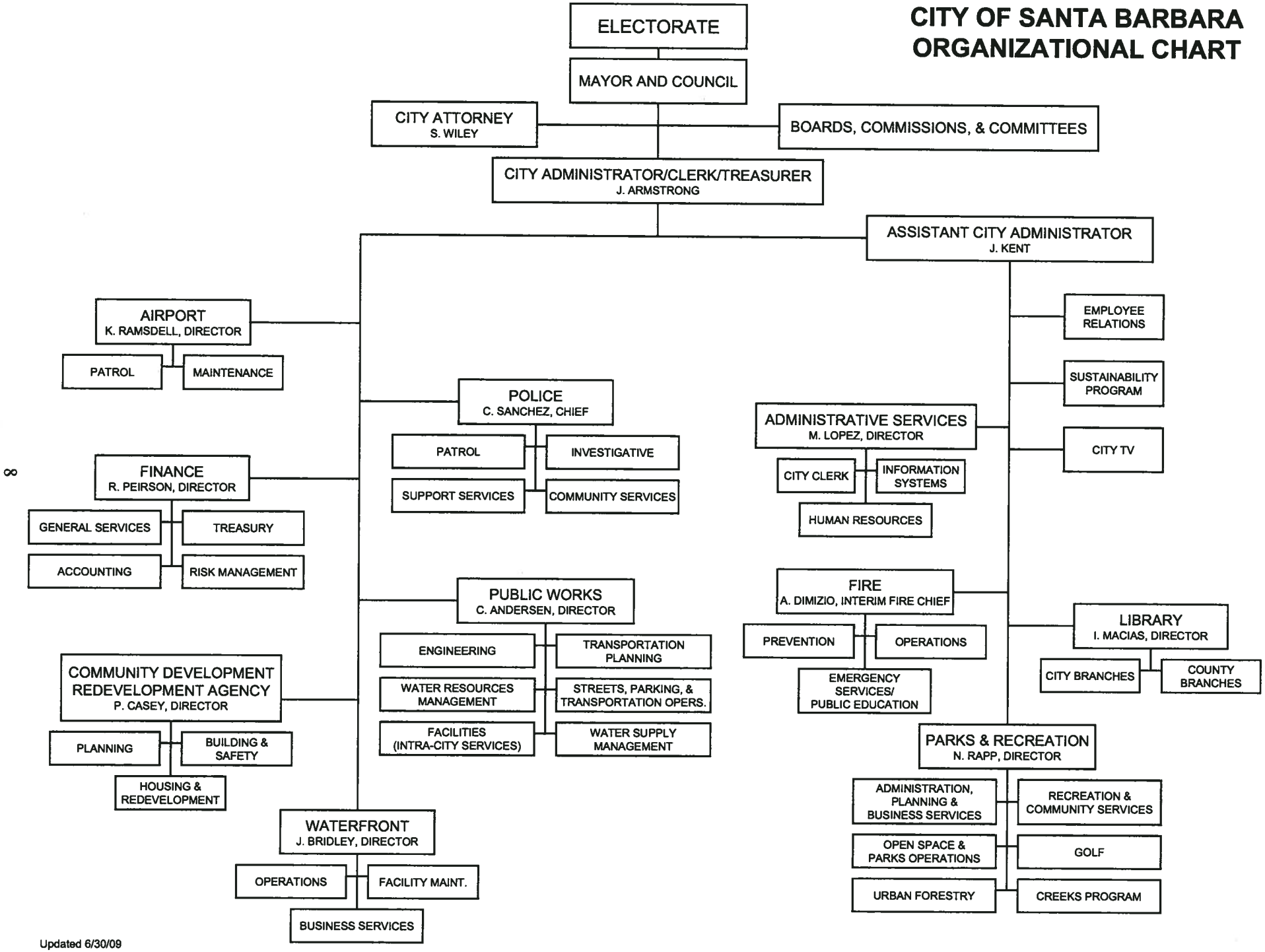
CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2009

Charter Boards and Commissions	**Membership**
Airport Commission	7
Architectural Board of Review	9
Civil Service Commission	5
Fire and Police Commission	5
Fire and Police Pension Commission	5
Harbor Commission	5
Historic Landmarks Commission	9
Library Board	5
Park Commission	5
Planning Commission	7
Recreation Commission	5
Water Commission	5

Committees and Commissions	
Arts Advisory Committee	7
Building and Fire Code Board of Appeals	8
Community Development and Human Services Committee	13
Community Events and Festivals Committee	7
Creeks Advisory Committee	7
Downtown Parking Committee	7
Franklin Center Advisory Committee	7
Living Wage Advisory Committee	7
Lower Westside Center Advisory Committee	7
Measure P Committee	7
Rental Housing Mediation Task Force	15
Sign Committee	5
Single Family Design Board	7
Sister Cities Board	3
Transportation and Circulation Committee	7
Westside Center Advisory Committee	7

Other Advisory Bodies	
Central Coast Commission for Senior Citizens	1
Housing Authority Commission	7
Metropolitan Transit District Board	2
Mosquito and Vector Management District Board	1

CITY OF SANTA BARBARA
ORGANIZATIONAL CHART



Updated 6/30/09

Financial Section

Financial Section

C&L
Caporicci & Larson
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Subsequent to the basic financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed and proposed taking other funds from local governments including the City. These actions by the State include:

- 8% of Property Taxes borrowed -- to be repaid in 3 years
- Redevelopment Agency funds -- proposed to be taken for fiscal year 2010

These above amounts are very significant to the local governments and may affect their ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 19 attached in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caporicci & Larson

Irvine, California
December 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2009

This section of the City's Comprehensive Annual Financial Report presents an overview of the City's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-4 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2009, net assets of the City totaled $840.7 million, an increase of approximately $21.6 million from the prior year. Of the total net assets, $116.3 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of $150 million, an increase of $3.4 million from prior year.
- Approximately 17.8 % of the combined fund balance of the governmental funds is unreserved and therefore available for spending at the City's discretion.
- As of June 30, 2009, unreserved and unrestricted fund balance in the General Fund was $19.9 million, equating to approximately 18.8% of total General Fund expenditures.
- The Airport Fund issued $47.3 million Airport Revenue Bonds to finance a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport.

OVERVIEW OF FINANCIAL STATEMENTS

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. Each of these sections is discussed below.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water and wastewater), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related current liabilities and long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses;" increases in net assets are presented as "Revenues." Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues." Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e. gas and transportation taxes).

Fund Financial Statements

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be

associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary, or Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e., "major") funds on the face of the statement. Nonmajor funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. This is designed to explain the differences created by the integrated approach.

Governmental Funds – Most of the City's basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the modified accrual basis of accounting, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenue) and outflow (expenditures) *of current financial resources.* As such, the balance sheets of governmental funds are intended to present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all "major" governmental funds of the City. All "nonmajor" governmental funds are consolidated into a single column labeled "Other Governmental Funds". The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this Report.

Proprietary Funds – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources.* Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the "Business-Type Activity" column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its Water, Wastewater, Airport, Golf, Downtown Parking, and Waterfront/harbor operations. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, and communications), information systems, and self-insurance funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

Notes to the Basic Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees; budgetary comparison schedules for the General Fund and each major special revenue fund; and schedules and disclosures of the modified approach for reporting the City's infrastructure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following analysis of the Government-Wide statements includes a comparison between current and prior year results of operations and year-end balances.

Governmental Activities

Statement of Net Assets

Table 1 below summarizes the Statement of Net Assets for Governmental Activities as of June 30, 2009, with comparative totals as of June 30, 2008.

Table 1
Statement of Net Assets
Governmental Activities
As of June 30, 2009 and 2008

	2009	2008
Assets:		
Current and other assets	$ 186,077,462	$ 185,463,514
Capital assets (net of depreciation)	370,751,059	359,321,609
Total Assets	556,828,521	544,785,123
Liabilities:		
Current and other liabilities	18,062,121	18,679,103
Long-term liabilities	76,020,273	80,123,919
Total Liabilities	94,082,394	98,803,022
Net Assets:		
Invested in capital assets, net of related debt	331,170,997	319,070,084
Restricted	99,248,341	89,964,064
Unrestricted	32,326,789	36,947,953
Total Net Assets	$ 462,746,127	$ 445,982,101

As shown in Table 1, total assets of Governmental Activities were $556.8 million at June 30, 2009, including $370.8 million in capital assets (net of depreciation).

Of the total $186.1 million in current assets, $110.7 million consists of pooled cash and investments, as well as cash and investments with fiscal agents. All pooled cash is invested in accordance with State law and the City's investment policy, and includes funds legally and/or contractually restricted as to their use.

Long-term liabilities at June 30, 2009 include tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, and estimated self-insurance claims payable (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Long-term liabilities decreased by $4.8 million this year. This is primarily attributable to $5.3 million in scheduled principal payments made on outstanding debt during the year. This debt reduction was partially offset by increases of approximately $251,000 in the City's self-insured claims liability and approximately $245,000 in accrued Other Post Employment Benefits (OPEB) during the year (Note 18).

Net assets totaling $462.7 million include more than $99 million that is subject to external restrictions. Net assets also include approximately $32 million in unrestricted net assets that are available for discretionary spending; however, a portion is designated for emergencies and economic uncertainties pursuant to reserve policies adopted by City Council in 1996.

Statement of Activities

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (i.e., year end). The Statement of Activities provides details of how net assets changed from

the beginning of the year to the end of the year. Thus, it indicates whether the governmental activities of the City as a whole are better off at June 30, 2009, than they were a year earlier. For the fiscal year ended June 30, 2009, total net assets increased by approximately $16.8 million.

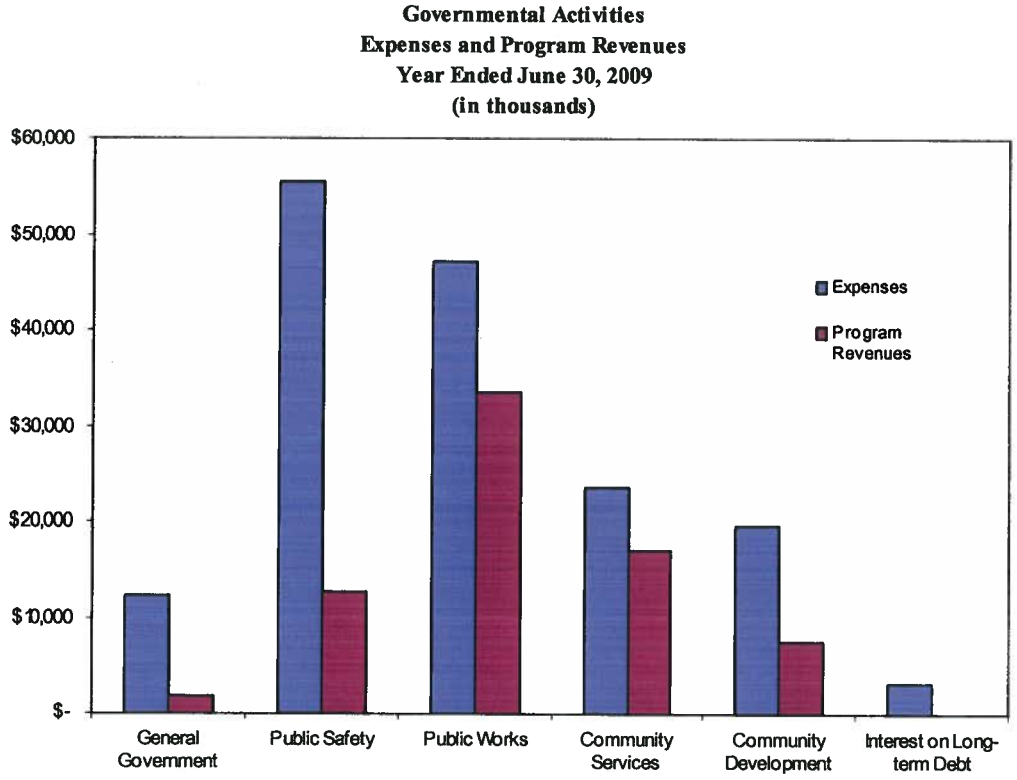
Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2009, with comparative totals for the fiscal year ended June 30, 2008.

Table 2
STATEMENT OF ACTIVITIES
Governmental Activities
Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
Revenues:		
Program Revenues:		
Charges for service	$ 47,739,121	$ 45,966,221
Operating grants and contributions	13,575,792	15,099,483
Capital grants and contributions	11,101,695	8,732,919
General Revenues:		
Taxes	90,854,059	92,109,877
Franchise fees	3,283,833	3,181,287
Motor vehicle license fees	320,189	417,569
Investment income	4,846,386	6,643,125
Other revenue	5,952,019	3,862,329
Total revenues	177,673,094	176,012,810
Expenses:		
Program Expenses:		
Administration	12,207,879	12,196,570
Public safety	55,378,560	54,394,795
Public works	47,150,209	44,527,891
Community services	23,560,826	22,982,993
Community development	19,516,175	19,948,382
Interest expense	3,185,839	3,408,205
Total expenses	160,999,488	157,458,836
Increase in Net Assets Before Transfers	16,673,606	18,553,974
Transfers in	90,420	182,030
Increase in Net Assets	16,764,026	18,736,004
Net Assets, July 1	445,982,101	427,246,097
Net Assets, June 30	$ 462,746,127	$ 445,982,101

Revenues of Governmental Activities totaled $177.7 million for the fiscal year ended June 30, 2009. Of this total, $90.9 million (51%) was derived from taxes, including sales tax, transient occupancy tax, utility user's tax, and property tax revenues. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. Approximately $47.7 million (26%) of total revenues were derived from charges for services, including fees charged for various services, such as recreation, planning, building, library services, and engineering, as well as services provided by General Fund departments to the City's business-type funds. Programs and services provided by the governmental activities of the City are largely subsidized from general tax revenues. Fees and charges help support these programs and reduce a portion of the burden on the limited resources of the General Government.

Total revenues increased by approximately $1.7 million (2.2%) from the prior year, from $176 million to $177.7 million. A decrease of approximately $1.3 million in tax revenues from last year was offset by increases of $1.8 million in charges for services and $845,000 in total grants and contributions.



Expenses for the year totaled approximately $161 million. The largest component of total expenses was for public safety (fire and police), representing $55.4 million (34.4%) of the total. Public Works expenses for street maintenance and improvements, street sweeping, transportation planning, engineering, and other activities accounted for $47.2 million (29.3%) of governmental expenses. Community Services expenses, which include parks, recreation, and library services, totaled $23.6 million. Depreciation accounted for approximately $5.8 million of the total expense, of with approximately $3.8 million is included as Public Works expenses.

Overall expenses increased by approximately $3.5 million from the prior year, which is primarily attributable to increased salary & benefit costs. Expenses for streets and road maintenance were in line with prior years. Under the Modified Approach (see page 85 of this report) used by the City for streets and road construction, maintenance and repairs, these expenses are not capitalized but shown as expenses on the Statement of Activities.

Business-Type Activities

Statement of Net Assets

Table 3 (on the next page) summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2009, with comparative totals as of June 30, 2008.

As previously indicated, business-type activities include the City's operations in the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Enterprise Funds. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets in relation to funds included within the Government Activities category shown in Table 1. In fact, of the $529.6 million in total assets at June 30, 2009, approximately $373.9 million (70.6%) relate to capital assets. The $7 million

increase in capital assets is a result of capital improvements made during the year. These improvements were funded from capital grants, operating revenues, and/or accumulated reserves for several major projects including: renovations to the wastewater treatment & collection system, on-going water main replacements, and airport terminal expansion & safety improvement projects.

Current assets increased by $42.7 million with the majority of the increase in cash resulting from the proceeds of recently issued Airport Revenue Bonds (Note 7) this fiscal year. These bonds were sold to finance construction of the new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport.

Table 3
Statement of Net Assets
Business-Type Activities
As of June 30, 2009 and 2008

	2009	2008
Assets:		
Current and other assets	$ 155,699,174	$ 112,953,816
Capital assets (net of depreciation)	373,877,611	366,889,321
Total Assets	529,576,785	479,843,137
Liabilities:		
Current and other liabilities	16,469,357	15,167,321
Long-term liabilities	135,190,532	91,582,245
Total Liabilities	151,659,889	106,749,566
Net Assets:		
Invested in capital assets, net of related debt	285,547,048	275,593,610
Restricted	8,376,910	9,783,482
Unrestricted	83,992,938	87,716,479
Total net Assets	$ 377,916,896	$ 373,093,571

In total, net assets of the business-type activities increased by $4.8 million for the year ended June 30, 2009. All categories of net assets have a positive balance, which means that, as a whole, the individual funds comprising the business-type activities have sufficient current assets to satisfy both current and long-term liabilities, and still have assets remaining for discretionary spending. Unrestricted net assets of the business-type activities decreased $3.7 million this fiscal year. Unrestricted net assets in the Water and Wastewater Funds increased $2.5 million and $123,000, respectively. These increases were offset by decreases in unrestricted net assets in other funds with decreases of $4.8 million in the Airport Fund, $1.2 million in the Waterfront Fund, and $1.4 million in the nonmajor proprietary funds. Most of the decrease in unrestricted net assets of the Airport Fund was due to the large construction projects that are under way for safety improvement areas and expansion of the airport terminal. Total net assets for the Airport Fund increased $2.2 million due to the $7.1 million increase in net assets invested in capital assets net of related debt.

Statement of Activities
Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2009 and June 30, 2008.

Total revenues for the fiscal year ended June 30, 2009 were $90 million, a decrease of $8.9 million (9%) from the prior year. This decrease was primarily attributable to a $6.8 million decrease in capital grants and contributions and a $1.5 million decrease in investment income. Charges for services, the largest source of revenue, decreased $555,000 (0.7%). Charges for services include fees and charges for utilities, such as Water and Wastewater, as well as charges relating to the Airport, Waterfront, Downtown Parking and Golf enterprise funds. The largest factor in the decrease in charges for services is the economic downturn this year which had noticeable impacts on the Airport, Downtown Parking, Golf, and Waterfront Fund revenues. For example, passenger traffic at the airport was down from last year and this was a significant factor in a 7.1% ($365,000) decrease in terminal-related revenues. Hourly parking revenues were down 4.5% ($202,000) in the Downtown Parking Fund and slip transfer fees decreased 44.2% ($338,000) in the Waterfront Fund.

Table 4
STATEMENT OF ACTIVITIES
Business-Type Activities
Fiscal Years Ended June 30, 2009 and 2008

	2009	2008
REVENUES:		
Program Revenues:		
Charges for Service	$ 81,047,283	$ 81,601,988
Operating Grants and Contributions	134,903	144,627
Capital Grants and Contributions	5,048,618	11,860,445
General Revenues:		
Investment Income	3,903,963	5,439,977
TOTAL REVENUES	90,134,767	99,047,037
EXPENSES:		
Business Activities:		
Water	29,642,268	27,414,971
Wastewater	15,937,964	14,559,771
Airport	19,012,786	16,307,247
Waterfront	11,560,735	11,053,907
Other Non-Major Funds	9,067,269	8,348,198
TOTAL EXPENSES	85,221,022	77,684,094
Change in Net Assets Before Transfers	4,913,745	21,362,943
Transfers	(90,420)	(182,030)
Change in Net Assets	4,823,325	21,180,913
Net Assets, July 1	373,093,571	351,912,658
Net Assets, June 30	$ 377,916,896	$ 373,093,571

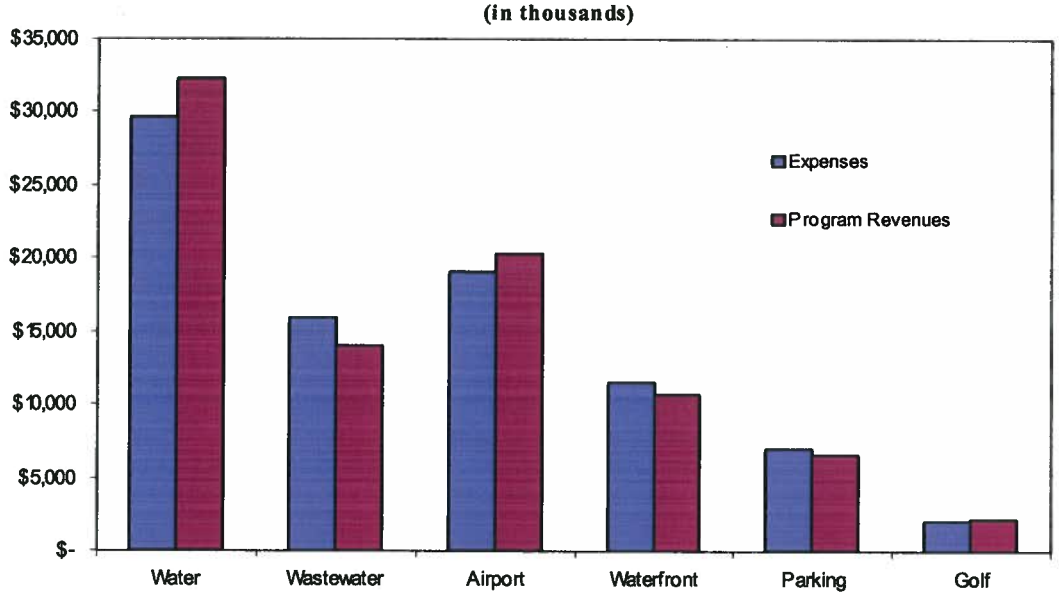
Capital grant revenue includes over $5 million from the Federal Aviation Administration for several large capital projects at the airport, including the terminal expansion, runway relocation and improvements, and airport safety projects. Due to the timing of the projects and reimbursements from the Federal Aviation Administration (FAA), capital grant revenue decreased over $6.8 million this year from the $11.9 million received in the prior year.

Investment income decreased $1.5 million from the prior year. The decrease was primarily the result of a decreased investment yield in the current fiscal year in relation to the prior year. The City's average yield on investments decreased from 4.8% for the year ended June 30, 2008 to 3.9% for the year ended June 30, 2009.

The City pools the cash of all funds, except bond funds held by fiscal agents, for investment purposes. All investments are subject to State law and the City's investment policy. Investment earnings include an adjustment of approximately $149,000 to reflect the increase in fair market value of the City's proprietary funds' portfolio at June 30, 2009, pursuant to GASB Statement No. 31. This increase in market value represents only a "paper" gain, as the City holds all investments to maturity at which time they are redeemed at par value.

Expenses of the business-type activities for the fiscal year ended June 30, 2009 totaled $85.2 million, a $7.5 million increase from the prior year. The increase is the net of varying increases in each fund and will be discussed in more detail later in the analysis of individual funds in this report. The business-type funds experienced approximately $1.8 million increased salary and benefits costs due to negotiated salary increases, increased health care costs, and increased retirement costs (including $698,000 in post-retirement benefits). Materials, supplies, and services increased approximately $2.6 million primarily due to increases of $775,000 in the Water Fund, $603,000 in the Wastewater Fund, and $1.1 million in the Airport Fund. A significant amount of the increase in the Wastewater Fund expenses was a $481,000 increase in expenses for the sewer lateral rebate program this year. The increase in Water Fund expenses was due primarily to a $568,000 increase in non-capital engineering project costs and $105,000 increase in building maintenance costs. Airport expenses increased

Business-type Activities
Expenses and Program Revenues
For the Year Ended June 30, 2009
(in thousands)



primarily due to non-capital expenses for street & road repair and resurfacing, and contractual services. Under the modified approach, the cost of maintaining and repairing streets and roads is expensed each year and not capitalized.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

The City uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

Governmental Funds

Analysis of Year-End Balances

As previously noted, governmental funds use the modified accrual basis of accounting. As of June 30, 2009, assets of the City's governmental funds totaled $176 million. Of this total, $62.9 million consisted of cash and investments, and $27.1 million consisted of cash and investments held with fiscal agents (bond trustees). An additional $61.5 million represents outstanding loans receivable, of which the vast majority relates to the City's

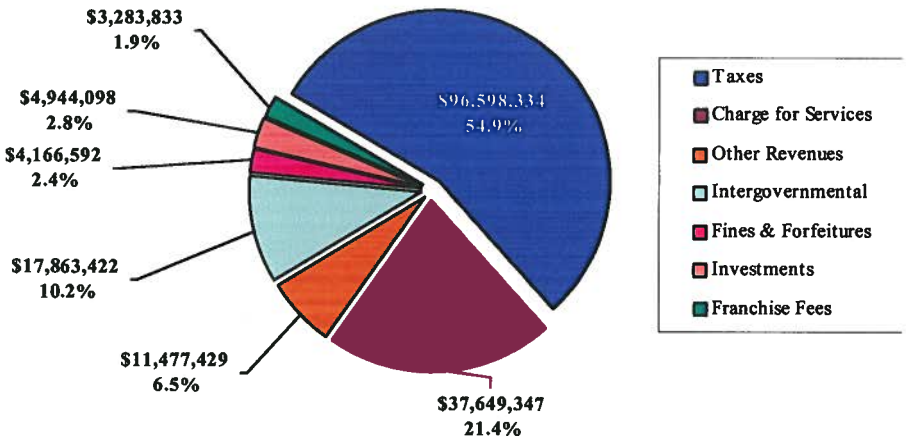
home rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled $150 million at June 30, 2009. Of this total, $123.2 million was reserved, $23.7 million was designated and $3 million was undesignated. The reserved portion of total fund balance includes $26.6 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the Redevelopment Agency (RDA). These funds are restricted to projects for which the bonds were sold, including low-income housing and other redevelopment projects in the RDA project area. Reserved fund balance also includes $41.4 million for outstanding loans receivable in the RDA Housing Fund. Because these loans are long-term, the corresponding portion of fund balance is not currently available for appropriation and is thus reserved. The *designated* portion of fund balance consists of funds set aside in the General Fund, pursuant to City policy, for emergencies, contingencies, and revenue shortfalls caused by economic downturns. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget (policy reserves). During the tough economic environment over the past several years a large portion of the policy reserves have been used to balance the budget in the General Fund and, accordingly, reserves have fallen below the policy amount. This use of reserves was in accordance with the purpose of the policy reserves. However, in order to slow the use of policy reserves, the City has enacted significant budget saving measures during this year that will be continued into next fiscal year. These measures include significant expenditure reductions and transferring reserves from internal service and certain other funds to the General Fund.

Results of Operations

Revenues of the governmental funds totaled $176 million for the fiscal year ended June 30, 2009. As shown in the chart below, the largest component of total revenue was taxes at $96.6 million, making up 54.9% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds,

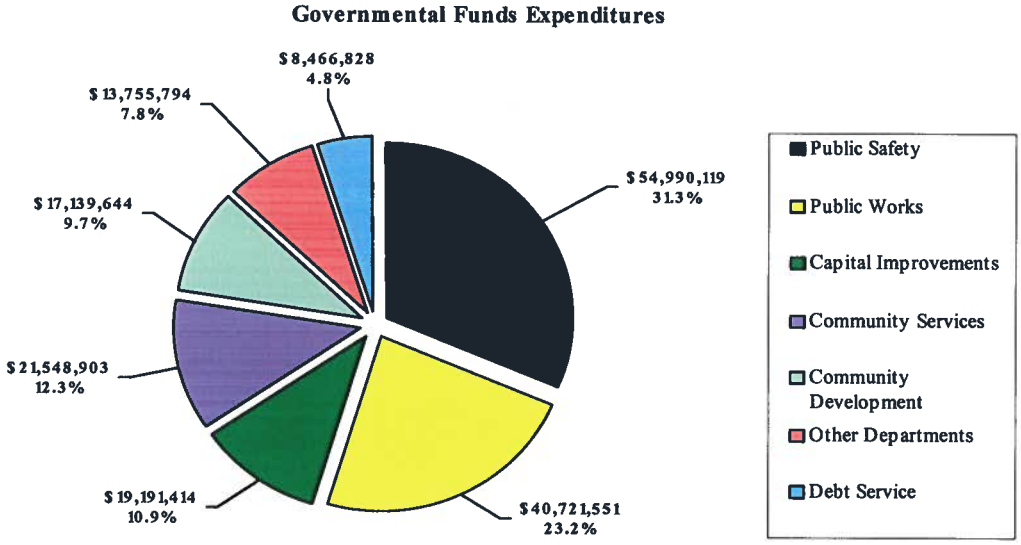
Governmental Funds Revenues



particularly the General Fund, in that they include programs that are largely supported by general taxes. The largest tax revenues received by the General Fund include sales, transient occupancy, utility users, and property taxes. The RDA is almost entirely funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to "blighted" areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties after the improvements are made.

The General Fund adopted expenditure budget was $109 million. City Council approved $1 million in budget amendments and $2.8 million in appropriation were carried over from the prior year, resulting in an amended

budget of $113 million. The majority of the amendments were funded from additional revenues such as intergovernmental mutual aid or grant revenue.



Total governmental expenditures were $175.8 million for the fiscal year. As always, a large portion of total governmental funds expenditures (approximately 31.3%) relates to fire and police (public safety). Virtually all of the public safety costs are funded out of the General Fund, consuming 54.4% of total General Fund revenues. A total of $21.5 million was expended for Community Services, which includes library, parks, and recreation; $40.7 million was spent on Public Works, which includes streets maintenance, capital programs and improvements, and $15.3 million in payments to the waste haulers.

In total, governmental funds ended the year with a net increase in fund balance of $3.4 million. As such, the City's total available resources for financing next year's programs and services increased from the end of last year from $146.6 million to $150 million. The General Fund used approximately $803,000 of fund balance. As discussed in other areas of the report, key tax revenues were significantly below budget in the General Fund. Departmental expenditures were reduced to offset a portion of the losses but transfers in from other governmental funds were necessary to offset the deficit. Fund balance in the RDA Special Revenue Fund and the RDA Capital Projects Fund increased by $1.7 million and $500,000, respectively. The increase in the RDA Special Revenue fund balance was primarily attributable to $20 million in tax increment revenues (a $1.9 million increase from the prior year), less debt service, capital transfers, and operating expenditures. The increase in the RDA Capital Projects fund balance is attributable to transfers from the RDA fund for current and future capital projects.

Proprietary Funds

Unlike governmental funds, proprietary funds use the full accrual basis of accounting for financial statement purposes. Accordingly, information reported for the individual fund statements is very similar to that presented as "business-type activities" in the government-wide statements. Government-wide reporting requires the inclusion of activities of the City's internal service funds related to proprietary fund activities in the "business-type" activities. Therefore, the following analysis is very similar to that presented previously for Business-Type Activities.

Analysis of Year-End Balances

Assets of the proprietary funds totaled $530.3 million as of June 30, 2009. Of this total, $373.8 million (70.5%) consisted of capital assets used in the operations of the various funds. This is consistent with the nature and purpose of the services provided by proprietary funds, which include the Water, Wastewater, Airport, Golf,

Waterfront, and Downtown Parking Funds. These services are highly capital intensive and require ongoing funding for capital maintenance and improvement.

Cash and investments (including cash with fiscal agents) is the second largest asset category, comprising almost 25.7% of total assets. As of June 30, 2009, total cash and investments (including cash and investments with fiscal agents) of proprietary funds totaled $136.3 million, which is a $48.5 million increase from the prior year balance of $87.8 million. As further discussed below, cash increased by $3.4 million in the Water fund and by $48 million in the Airport fund. Cash and investments decreased $1 million in the Wastewater Fund, $989,000 in the Waterfront fund, $751,000 in the Downtown Parking Fund, and $60,000 in the Golf Fund.

As shown in the cash flow statement, Water Fund operations generated a $10.3 million increase in cash, while investing activities provided $1.6 million. This cash was partially used to fund capital expenditures and debt service payments totaling $8.6 million. The capital expenditures included $3.9 in capitalized property and equipment, as well as significant expenditures for planned water pipe & main replacements. Debt service costs in the Water Fund totaled $4.7 million.

Airport cash increased almost $48 million during the year, with most of the increase attributable to the sale of revenue bonds during the year. Operating activities produced $2.3 million and capital grants provided $4.6 million in additional cash flow for the Airport Fund. A loan from the City General Fund provided an additional $7.8 million that was used for the new joint rental car facility.

The Wastewater Fund is continuing capital renovations and improvements to the wastewater system that will occur over the next several years. Total Wastewater Fund cash decreased $1 million during the year. The Fund's operating activities increased cash by $2.6 million and investments provided additional cash of $651,000. These increases were more than offset by approximately $3 million spent on capital projects and $1.4 million in debt service payments during the year.

Waterfront Fund operating activities provided $1.8 million cash during the year. Capital improvements of $1.6 million and $1.4 million in debt service caused a net $989,000 decrease in cash.

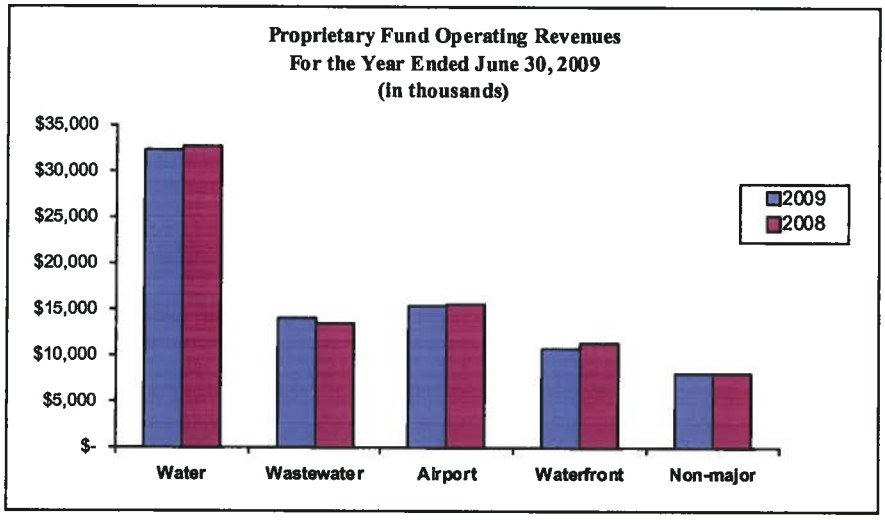
Net assets of proprietary funds totaled $367.5 million as of June 30, 2009, an increase of $3.8 million from the prior year. Net assets consist of amounts invested in capital assets net of net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. As of June 30, 2009, the portion of net assets invested in capital assets (net of related debt) was $285.5 million, a $10 million increase from the prior year. The increase in net assets invested in capital assets (net of related debt) is essentially due to the increase in capital improvements throughout all proprietary funds, reduced by annual depreciation and $4.2 million in principal payments on long-term debt used to finance the capital improvements.

Net assets restricted for capital projects decreased by $1.4 million from $5.1 million to $3.7 million. Unrestricted net assets decreased $4.8 million from $78.3 million to $73.6 million as net assets have been used to pay for capital improvements. Total proprietary fund net assets restricted for debt service remained virtually the same as the prior year at $4.6 million.

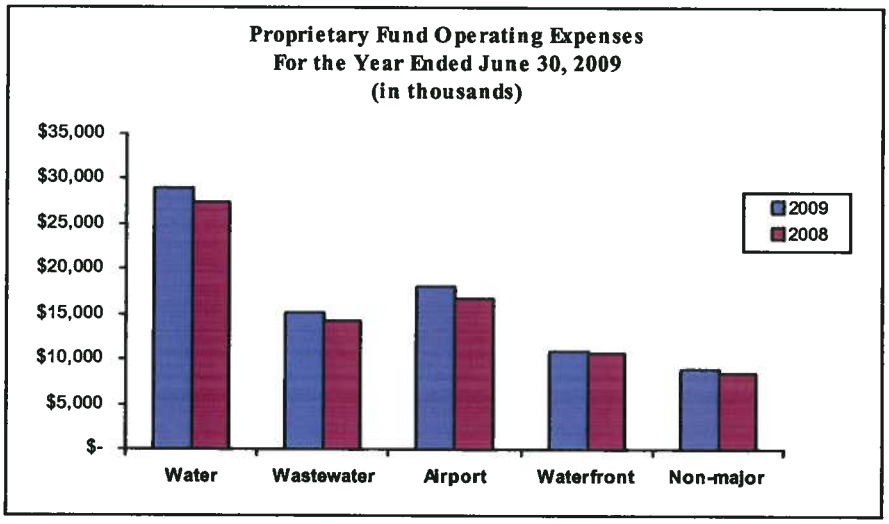
Results of Operations

Fiscal year 2009 operating revenues of the proprietary funds totaled approximately $80.3 million, a decrease of approximately $535,000 (less than 1%) from the prior year. Operating revenues decreased slightly in all funds, except for the Wastewater Fund, which showed an increase of $445,000 (3.3%). Waterfront Fund, Water Fund and Airport Fund operating revenues decreased $423,000 (3.7%), $347,000 (1.1%), and $153,000 (1%), respectively.

Approximately $268,000 of the decrease in 2009 Waterfront operating revenues is attributable to a sharp decline in slip transfer fees with an additional $244,000 reduction in lease revenues. These declines were offset by a workers compensation rebate from the self-insurance internal service fund. Water and wastewater rates were increased in this year's budget; however, because revenues are dependent on both rates and consumption, rate increases and revenue changes will not exactly mirror one another. Actual water sales decreased approximately 8% this year and revenues ended the year slightly lower than prior year revenues.



Operating expenses of proprietary funds totaled approximately $82 million in fiscal year 2009, a $4.5 million increase from the prior year. Salary and benefits costs accounted for approximately $1.8 million of the increase, while materials, supplies, and services expenses increased approximately $2.6 million from the prior year. One of the factors accounting for the increase include new governmental accounting standards that now require the City to record accrued expenses for future Other Post Employment Benefits (OPEB). OPEB costs are a combination of accrued future retiree medical costs and the subsidy on medical insurance coverage for retirees who pay for participation in the City's insurance plan after retirement. OPEB accrued expenses accounted for $698,000 of the overall increase in salaries and benefits costs in the proprietary funds this year.



Other factors leading to the increase in costs in relation to prior year include a significant increase in treatment costs after the recent fires as additional soot and contaminants must be removed during the water treatment process. In addition, the Airport Fund has experienced an increase in non-capitalizable professional service expenses this year related to construction, repairs, and maintenance at the City of Santa Barbara Municipal Airport. Maintenance of the roads and streets is costly. Under the modified approach used to account for streets and roads, repairs and maintenance costs are expensed and not capitalized.

Non-operating revenues and expenses, which include downtown merchants' parking assessments, investment income, grants/contributions, interest expense, and other miscellaneous revenues, decreased $2.1 million from the prior year. Investment earnings decreased approximately $1.5 million this year as the average investment return on the City's pooled cash decreased from 4.8% to 3.9% at the end of the year. Capital contributions

decreased approximately $6.8 million due to decreased Airport grants received from the FAA this year. These grants are dependent on the timing of projects at the Airport and cover multiple years so annual variances in this revenue are not uncommon.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks & recreation, community development (building and planning), and public works.

The amended fiscal year 2009 General Fund budget reflects many changes to the budget in response to dramatic declines to revenues and the implementation of a balancing strategy to address these shortfalls. Most of the adjustments were to revenues, not only to reflect declines in tax revenues, but also an increase in transfers from other funds that were used to offset revenue losses. In the end, the balancing strategy avoided any use of reserves.

As shown in Table 5, General Fund revenues ended the year in $4.5 million under budget. Tax revenues ended the year $2.2 million short of budget even after budgeted revenues were lowered by $2.1 million in February 2009 to reflect revised revenue projections based on revenue data through December 2008. Unfortunately, revenues deteriorated further between January and June 2009. The reductions included sales tax revenue of $1.6 million, TOT revenue of $549,000 and property tax revenues of $141,000. Accordingly, the year-end budget variance is significantly less than it would have been without the mid-year budget adjustments. To compensate for the revenue short fall, transfers were made from internal service funds and other governmental funds. These transfers, which are not included in Table 5, were primarily a rebate of service charges and other fees that were paid by the General Fund this year and in previous years.

Table 5
SUMMARY OF REVENUES
GENERAL FUND
For the Twelve Months Ended June 30, 2009
Comparison to Budget and Prior Year

	Current Year Analysis			Prior Year Analysis	
	Annual Budget	Actual	Budget Variance	Prior Year Actual	Variance From PY
Sales Tax	$ 19,206,432	$ 17,932,580	$ (1,273,852)	$ 20,866,792	$ (2,934,212)
Property Tax	23,165,295	23,237,117	71,822	22,438,713	798,404
UUT	7,129,923	6,849,390	(280,533)	6,844,081	5,309
TOT	12,785,113	12,057,575	(727,538)	12,935,553	(877,978)
Bus License	2,258,500	2,301,492	42,992	2,252,134	49,358
Prop Trans Tax	333,592	278,412	(55,180)	451,640	(173,228)
Total Taxes	64,878,855	62,656,566	(2,222,289)	65,788,913	(3,132,347)
Fee & Services	18,698,096	18,878,336	180,240	18,749,956	128,380
Fines & Forfeitures	2,925,730	2,792,152	(133,578)	2,543,831	248,321
Franchise Fees	2,937,139	2,939,249	2,110	2,829,559	109,690
Use of Money	1,920,692	1,795,587	(125,105)	2,600,533	(804,946)
Intergovernmental	2,312,832	2,510,819	197,987	2,678,225	(167,406)
Other Revenues	11,828,684	9,433,545	(2,395,139)	7,669,764	1,763,781
Total Other	40,623,173	38,349,688	(2,273,485)	37,071,868	1,277,820
Total Revenues	$ 105,502,028	$ 101,006,254	$ (4,495,774)	$ 102,860,781	$ (1,854,527)

The originally adopted General Fund expenditure budget totaled $109.1 million. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2008, as well as Council-approved adjustments during the year, totaled $113 million (including $1.7 of transfers to other funds).

As shown in Table 6, General Fund expenditures (excluding transfers) for the year ended June 30, 2009, were $105.7 million, resulting in a $5.6 million (5.0%) favorable expenditure budget variance. As part of the balancing strategy to offset revenue losses, a spending reduction plan was implemented designed to generate savings of approximately $3 million. Departments were directed to cut back on non-essential expenditures, postponed several planned projects, and leave non-critical vacant positions unfilled. By year end, the savings exceeded $5 million.

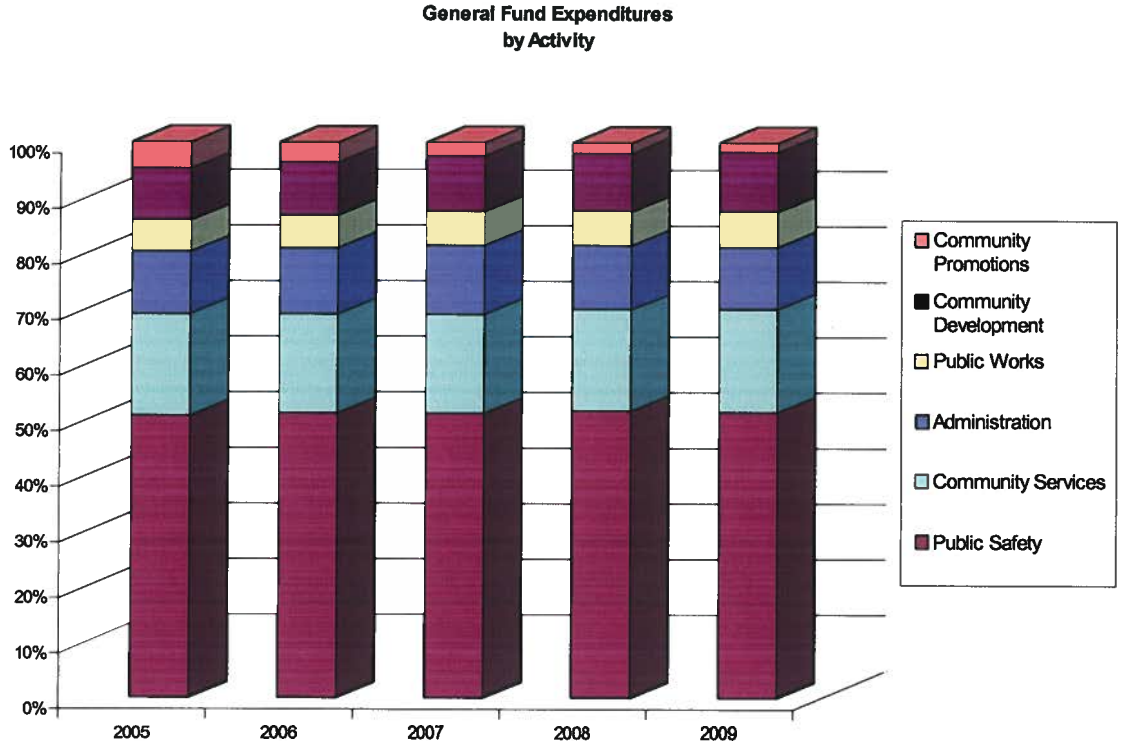
Table 6
SUMMARY OF EXPENDITURES
GENERAL FUND
For the Fiscal Year Ended June 30, 2009

Department	Annual Budget	YTD Actual	Variance Favorable (Unfavorable) $	Variance Favorable (Unfavorable) %
Mayor & Council	$ 857,792	$ 808,082	$ 49,710	5.8%
City Attorney	2,230,025	2,130,534	99,491	4.5%
City Administrator	2,324,004	2,147,045	176,959	7.6%
Administrative Svs.	2,220,288	1,936,503	283,785	12.8%
Finance	5,239,090	4,909,797	329,293	6.3%
Police	33,685,377	33,685,377	-	0.0%
Fire	21,355,345	20,716,864	638,481	3.0%
Public Works	7,102,228	6,613,752	488,476	6.9%
Parks & Recreation	16,048,978	15,173,947	875,031	5.5%
Library	4,617,285	4,414,459	202,826	4.4%
Community Dev.	13,115,840	11,322,450	1,793,390	13.7%
Non-Departmental	2,474,243	1,823,833	650,410	26.3%
Total	$ 111,270,495	$ 105,682,643	$ 5,587,852	5.0%

The savings were derived from a number of sources. Specifically, salary and benefit expenditures ended the year approximately $1.8 million under budget; and materials, supplies & services were $2.2 million under budget. Approximately $1 million of the variance is attributable to a long-term budget for the general plan update that will be expended over several years. Special projects expenditures produced a $598,000 favorable variance while capital expenditures were $112,000 under budget. These expenditures are budgeted many months before the start of the fiscal year based on historical information and estimates of future operations.

The largest departmental General Fund variance ($1.8 million) is in the Community Development Department, primarily due to $1 million encumbered but unspent for the City's General Plan update process and these encumbered funds will be used throughout the process. Fire Department expenditures were approximately $638,000 under budget; however approximately $207,000 of the variance is attributable to a reduction in the year-end salary accrual. Because of the number of mutual aid calls at the end of fiscal year 2008, last year's accrual was abnormally high and the current year accrual is more in line with historical amounts. Materials, supplies & services costs in the Fire Department were approximately $148,000 under budget. Expenditures in the Public Works Department were $488,476 under budget with most of the variance related to salaries &

benefits and project costs. Approximately $139,000 of the variance was in salary & benefits savings and $106,000 in budgeted expenditures for underground fuel tank abatement. The Community Promotions expenditures were $650,000 under budget due to a $750,000 budgeted contingency reserve that was left unspent.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 7 summarizes the City's capital assets by class and by type of activity. It is important to note that capital assets are reported at historical cost, net of accumulated depreciation. These amounts do not represent the market value or replacement cost of City assets, which would be significantly higher. Historical cost is used, pursuant to accounting standards, to provide an objective basis for reporting capital assets.

As shown in Table 7, capital assets totaled $745.2 million. Net capital assets (i.e. net of depreciation) in governmental funds increased $11.4 million and the increase in business-type funds was $7.5 million. The additions in the governmental funds were primarily due to construction in progress ($4.3 million), and other improvements ($2.7 million) in the General Fund, as well as additions of $7.9 million in construction in progress in the RDA. Accumulated depreciation increased by $3.8 million in the General Fund and $2 million in the RDA.

The $7.5 million net capital asset additions in the business-type funds are spread across all of the funds with capital additions of $3.9 million in the Water Fund, $3 million in the Wastewater Fund, $12.7 million in the Airport Fund, $1.6 million in the Waterfront Fund, and $1.9 million in the Downtown Parking and Golf Funds. The capital additions were offset by the change in accumulated depreciation in the Water Fund ($6.2 million), Wastewater Fund ($3.7 million), Airport Fund ($4.3 million), Waterfront Fund ($1.5 million), Downtown Parking ($315,000), and Golf Fund ($203,000).

TABLE 7
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2009

	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in Progress	$ 33,461,995	$ 59,459,090	$ 92,921,085
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	32,085,708	10,235,652	42,321,360
Building Improvements	4,914,024	5,188,756	10,102,780
Equipment	8,512,529	12,805,371	21,317,900
Improvements Other Than Buildings	18,135,057	173,006,632	191,141,689
Infrastructure	62,781,049	8,296,282	71,077,331
Underground Piping	-	85,684,695	85,684,695
TOTALS	$ 370,751,059	$ 373,877,611	$ 744,628,670

Renovations to the water treatment and distribution systems, including $862,000 of water main replacements, accounted for most of the capital additions in the Water fund. The Wastewater Fund additions include the annual sewer line replacements and continuation of the renovations to the sewer system and plant. Airport Fund net additions totaled $18 million for various projects, including the terminal expansion, air field safety projects, and construction of the joint rental car storage and maintenance facility.

By far, the largest class of assets in the Governmental and Business Type Activities is Infrastructure (which is comprised of "Streets" and "Infrastructure"). Infrastructure assets, totaling $231.3 million of total net capital assets, include roads, curbs, gutters, storm drains, street lights, bridges, etc. Governmental funds have been required to capitalize the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

The City has elected to use the "modified approach" pursuant to GASB Statement No. 34 in accounting for streets so these assets have been reported separately from other infrastructure in Table 7. The City has established a pavement condition assessment process where approximately one-third of the entire street system is assessed on a rotating basis each year. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCI's of 41 or higher are considered to be in "Fair" or better condition, and roads with PCI's of 56 or higher are considered to be in "Good" or better condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. At June 30, 2009, the average PCI for City streets was 71, which is defined as "very good". Ninety one percent of the City's streets were considered to be in "good to excellent" condition, four percent of the streets were rated in "fair" condition, and only five percent were considered to be in "poor to substandard" condition.

The next largest classes of assets are "Improvements Other Than Buildings" and "Underground Piping" which total approximately $191 million and $85.7 million, respectively. Improvements Other Than Buildings include improvements to land, parking structures, and other improvements to assets other than buildings. Underground piping primarily includes water and sewer lines. The majority of these assets is included in the business type activities and is an integral part of their operations.

Additional information on the City of Santa Barbara's capital assets can be found in Notes 1 and 5 to the financial statements, and Required Supplementary Information of this report.

Long-Term Debt

Table 8 summarizes outstanding long-term debt, excluding outstanding claims payable, associated with both Governmental Activities and Business-Type Activities. As shown in Table 8, the City had approximately $202 million in long-term debt outstanding at June 30, 2009, a net increase of $37.6 million from the prior year.

With respect to the Governmental Activities, the outstanding $2.6 million in certificates of participation (COP's) were issued in fiscal year 2002 to refund the 1993 COP's, thereby capturing more favorable interest rates and lowering interest costs. These COP's are the only debt of the General Fund and total just 2.6% of total General Fund revenues. The outstanding $64.2 million tax allocation bonds relate to the City's Redevelopment Agency. This includes the 2001, 2003A, and 2004A Tax Allocation Bonds issued in July 2001, December 2003, and July 2004, respectively, to fund the construction of the Granada Garage, senior affordable housing, and other redevelopment projects.

TABLE 8
SUMMARY OF OUTSTANDING DEBT
Fiscal Year Ended June 30, 2009

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	$ 2,597,100	$ 29,422,900	$ 32,020,000
Revenue Bonds	-	68,625,000	68,625,000
Tax Allocation Bonds	64,165,000	-	64,165,000
Loans	750,000	36,159,133	36,909,133
	$ 67,512,100	$ 134,207,033	$ 201,719,133

Of the outstanding $36.2 million in loans payable in the Business-type activities, $33.9 million relates to the Water Fund. The Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR), primarily for the Sheffield Reservoir Project and the Cater Water Treatment Plant Project. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District. The Water Fund also had $3.8 million in 1994 Series A revenue bonds outstanding at June 30, 2009. The $17.5 million in outstanding sewer revenue bonds were issued by the Wastewater Fund 2004 to fund renovations to the City's wastewater collection and treatment systems. The Waterfront and Water Funds have outstanding COP's totaling $15.5 million and $12.5 million, respectively.

Additional information on the City of Santa Barbara's long-term debt can be found in Note 7 to the financial statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

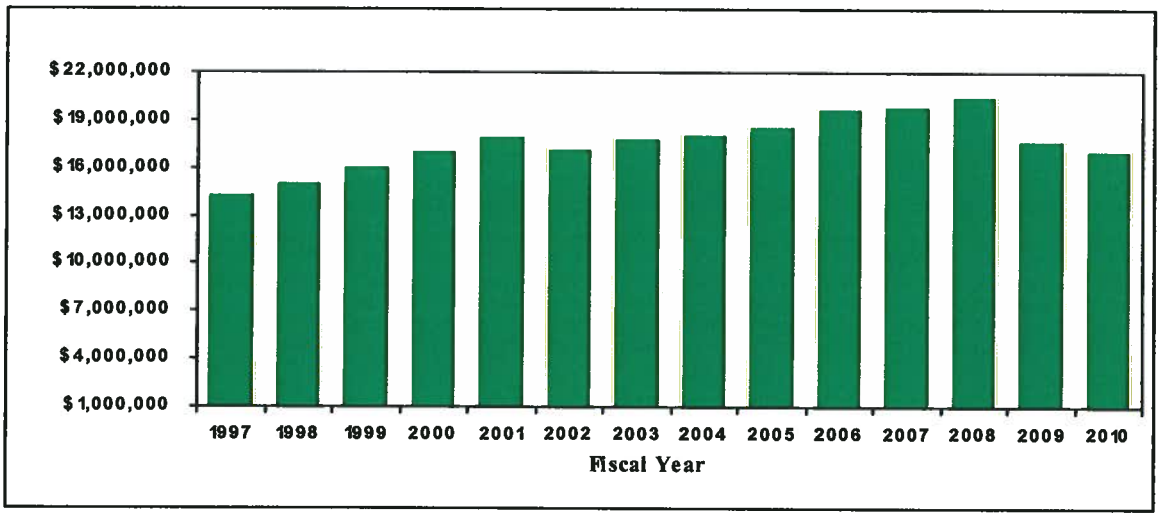
The most significant factor affecting the City's current year results of operations and next year's budget is the impact of the current economic downturn on local revenues.

As a tourist destination, the City's General Fund tax base includes those directly impacted by economic swings, such as sales taxes, property taxes, and transient occupancy taxes. Historically, during economic downturns, these revenues have experienced a moderate decline in the rate of growth. This was the case in the recession of the early 1990's as well as the recession of the early 2000's which was exacerbated by the events of September 11, 2001.

However, the impacts from the current recession on General Fund revenues beginning in fiscal year 2009 have been unprecedented. While several funds and operations have been impacted by the recession, the biggest impact overall has been to the General Fund, which funds many important services to the community, including fire, police, library, parks and recreation. Funding for these services largely comes from tax revenues, which in total make up approximately 62% of total General Fund revenues.

Two key General Fund revenues, sales taxes and transient occupancy taxes, have lost 10 years and 5 years of growth, respectively, through June 30, 2009 (see chart below for a 14-year history of sales taxes). In total, tax revenues for fiscal year 2009 were $4.2 million below originally adopted budget estimates. That represents a decline of approximately 4% of total General Fund revenues.

Sales Tax Revenue
14-Year History



There is still a fair amount of uncertainty at the national level as to when and to what degree economic conditions will return to normal levels. Unemployment is over 10% nationwide, which is well above historic levels, and is over 12% in California. At 8.8%, Santa Barbara County unemployment is doing better than the statewide average, but has been trending upward. In general, unemployment rates affect consumer spending, which is a critical driver of economic health, particularly in Santa Barbara given the number of restaurants, hotels and retail outlets making up its economic base. Economic reports and forecasts indicate that jobless rates will likely remain at double-digits nationally through the middle of 2010.

The real estate market, which is an important element of the local economy, showed incredible resilience during the last economic downturn. While other key revenues declined, property tax revenues grew an average of 8.5% from 2005 through 2009, moderated slightly in relation to the 10.6% average growth between 1997 and 2005. However, the recent collapse in the housing market nationally has led to record foreclosures and a material decline in property values. In Santa Barbara, the decline in property values seemingly has slowed the number of real estate transactions. Real estate sales typically trigger an upward adjustment to the assessed value, which generates growth in property tax revenues. The decline in both market values and sales transactions has substantially affected property tax revenues. In fiscal year 2009, property tax revenues grew 3.5%; for fiscal year 2010, revenues are expected to either be flat or decline slightly – a dramatic reduction in growth in relation to the strong growth rates of the prior fifteen years.

In regards to fiscal year 2010, the combination of revenue declines and rising costs led to a projected General Fund deficit of $10.5 million. This budget gap was closed and the adopted budget was balanced primarily through expenditure reductions and one-time revenues. Unfortunately, shortly after budget adoption, revenues declined greater than estimated in the adopted budget, resulting in a newly forecast revenue shortfall of $2.9 million. This new projected revenue shortfall was offset primarily with one-time expenditure reductions

implemented in October 2009, largely consisting of savings from not filling vacant positions. The cumulative impact of one-time measures, combined with cost increases provided for in multi-year labor contracts, still leaves a remaining projected budget shortfall of approximately $6 million for fiscal year 2011.

Although not factored in current projections, the financial crisis facing the State of California represents a significant and looming uncertainty for local governments statewide. While Proposition 1A, approved by voters in 2005, was designed to protect against raids on local revenues, the magnitude of the State's deficit – estimated at over $21 billion through June 30, 2011 – raises the likelihood that the State will look for new and creative ways to redirect local revenues to its benefit, in spite of Proposition 1A. This was demonstrated by the raid on California Redevelopment Agencies statewide totaling over $2 billion beginning in fiscal year 2010. This followed a failed attempt in fiscal year 2009 which was successfully challenged in court by the California Redevelopment Association. The impact of the current raid on the City of Santa Barbara Redevelopment Agency will be $6.8 million in fiscal year 2010 and an additional $1.5 million in fiscal year 2011.

Historically, the City has been well positioned to respond to normal economic downturns as a result of a deliberate reduction in the size of the organization, an ongoing attention to improving the efficiency of operations, and the availability of reserves established for economic uncertainties. However, the events of this decade, particularly the magnitude of the current recession, rising costs and diminished reserves have combined to severely limit the City's ability to address the outstanding General Fund deficit in a manner that avoids cuts to services and employee lay-offs. The City will be working with labor groups to identify potential concessions that could reduce the need to cut services and staff.

The City is already in the process of identifying cuts to the General Fund and possible new revenue sources to close the estimated $6 million gap. The plan is to present a balanced budget in April to City Council that does not rely on reserves.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, separate reports of the City's component unit (Redevelopment Agency), or need any additional financial information, please access the City's internet web site at www.SantaBarbaraCa.gov/government/finance/CAFR. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93110, (805) 564-5334, or email Rudolf Livingston CPA, Accounting Manager at *RLivingston@SantaBarbaraCa.gov* or Robert Samario, Interim Finance Director at *BSamario@SantaBarbaraCa.gov*.

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	$ 83,469,572	$ 82,028,072	$ 165,497,644
Accounts receivable, net	8,161,027	4,987,960	13,148,987
Accrued interest receivable	1,305,115	-	1,305,115
Due from other agencies	723,458	758,948	1,482,406
Due from fiduciary funds	469,188	-	469,188
Internal balances	712,040	(712,040)	-
Inventory	699,627	-	699,627
Prepaid assets and deposits	7,370	4,121,192	4,128,562
Deferred charges	1,776,396	4,296,557	6,072,953
Loans receivable	61,571,631	5,954,257	67,525,888
Restricted assets:			
Cash and investments with fiscal agents	27,182,038	54,264,228	81,446,266
Capital assets not being depreciated:			
Construction in progress	33,461,995	59,459,090	92,921,085
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	32,085,708	10,235,652	42,321,360
Building improvements	4,914,024	5,188,756	10,102,780
Equipment	8,512,529	12,805,371	21,317,900
Infrastructure	62,781,049	8,296,282	71,077,331
Other improvements and drainage systems	18,135,057	173,006,632	191,141,689
Underground piping	-	85,684,695	85,684,695
Total capital assets	370,751,059	373,877,611	744,628,670
Total assets	556,828,521	529,576,785	1,086,405,306
LIABILITIES			
Current liabilities:			
Accounts payable	3,532,028	4,939,812	8,471,840
Accrued interest payable	784,741	740,395	1,525,136
Salaries and benefits payable	6,016,523	1,289,227	7,305,750
Other accrued liabilities	212,994	-	212,994
Deposits	1,006,446	1,567,384	2,573,830
Unearned revenue	1,105,398	6,654,648	7,760,046
Compensated absences payable	5,403,991	1,277,891	6,681,882
Noncurrent liabilities:			
Due within one year	8,609,242	4,343,011	12,952,253
Due in more than one year	65,555,130	130,007,991	195,563,121
Long-term portion compensated absences	600,444	141,987	742,431
Other post employment benefits (OPEB) obligation	1,253,416	697,543	1,950,959
Total liabilities	94,080,353	151,659,889	245,740,242
NET ASSETS			
Invested in capital assets, net of related debt	331,170,997	285,547,048	616,718,045
Restricted for capital projects	30,821,393	3,728,059	34,549,452
Restricted for specific projects and programs	68,426,948	-	68,426,948
Restricted for debt service	-	4,648,850	4,648,850
Unrestricted	32,328,830	83,992,939	116,321,769
Total net assets	$ 462,748,168	$ 377,916,896	$ 840,665,064

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Assets: Governmental Activities	Net Revenue (Expense) and Changes in Net Assets: Business-Type Activities	Total
Governmental activities:							
Current:							
Administration	$ 12,217,563	$ 1,836,281	$ -	$ -	$ (10,381,282)	$ -	$ (10,381,282)
Public safety	55,394,413	9,448,592	3,167,003	-	(42,778,818)	-	(42,778,818)
Public works	46,913,626	25,682,600	6,281,844	1,463,669	(13,485,513)	-	(13,485,513)
Community services	23,609,641	5,369,030	2,180,741	9,516,945	(6,542,925)	-	(6,542,925)
Community development	19,676,365	5,402,618	1,946,204	121,081	(12,206,462)	-	(12,206,462)
Interest on long term debt	3,185,839	-	-	-	(3,185,839)	-	(3,185,839)
Total governmental activities	160,997,447	47,739,121	13,575,792	11,101,695	(88,580,839)	-	(88,580,839)
Business activities:							
Water	29,642,268	32,263,323	59,995	-	-	2,681,050	2,681,050
Wastewater	15,937,964	13,895,533	58,730	-	-	(1,983,701)	(1,983,701)
Airport	19,012,786	15,297,507	-	5,048,618	-	1,333,339	1,333,339
Waterfront	11,560,735	10,754,081	16,178	-	-	(790,476)	(790,476)
Parking	6,948,934	6,615,339	-	-	-	(333,595)	(333,595)
Golf course	2,118,335	2,221,500	-	-	-	103,165	103,165
Total business-type activities	85,221,022	81,047,283	134,903	5,048,618	-	1,009,782	1,009,782
Total	$ 246,218,469	$ 128,786,404	$ 13,710,695	$ 16,150,313	(88,580,839)	1,009,782	(87,571,057)
General revenues:							
Taxes:							
Property					43,275,010	-	43,275,010
Sales & use					17,875,566	-	17,875,566
Transient occupancy					14,469,128	-	14,469,128
Utility users					12,654,451	-	12,654,451
Business license					2,301,492	-	2,301,492
Real property transfer					278,412	-	278,412
Franchise fees					3,283,833	-	3,283,833
Unrestricted motor vehicle license-in-lieu					320,189	-	320,189
Investment income					4,846,386	3,903,963	8,750,349
Other revenue					5,952,019	-	5,952,019
Transfers					90,420	(90,420)	-
Total general revenues and transfers					105,346,906	3,813,543	109,160,449
Change in net assets					16,766,067	4,823,325	21,589,392
Net assets, beginning of fiscal year					445,982,101	373,093,571	819,075,672
Net assets, end of fiscal year					$ 462,748,168	$ 377,916,896	$ 840,665,064

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Special Revenue Funds: Community Dev Block Grant	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	$ 7,311,317	$ 15,149,585	$ 2,009,409	$ 414	$ 12,915,570	$ 25,582,317	$ 62,968,612
Cash and investments with fiscal agents	-	557,628	-	-	26,063,107	561,303	27,182,038
Accounts receivable	5,127,832	-	1,259,848	-	-	1,711,873	8,099,553
Accrued interest receivable	1,216,671	88,444	-	-	-	-	1,305,115
Loans receivable	4,465,069	41,419,652	-	6,838,758	3,500,000	5,348,152	61,571,631
Due from fiduciary funds	469,188	-	-	-	-	-	469,188
Due from other agencies	-	-	-	253,383	-	470,075	723,458
Interfund receivable	10,304,867	-	-	-	-	-	10,304,867
Advances to other funds	3,329,140	-	-	-	-	-	3,329,140
Prepaid assets and deposits	7,370	-	-	-	-	-	7,370
Total assets	$ 32,231,454	$ 57,215,309	$ 3,269,257	$ 7,092,555	$ 42,478,677	$ 33,673,720	$ 175,960,972
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 714,026	$ 5,609	$ 155,831	$ 34,882	$ 1,363,688	$ 981,992	$ 3,256,028
Salaries and benefits payable	5,330,587	-	42,676	11,626	-	327,953	5,712,842
Interest payable	-	167,268	-	-	-	50,419	217,687
Interfund payables	-	-	-	207,288	-	2,297,579	2,504,867
Deposits	859,574	14,000	2,608	-	-	130,264	1,006,446
Unearned revenue	1,105,398	-	-	-	-	-	1,105,398
Deferred revenue	-	-	-	6,836,412	-	5,348,152	12,184,564
Total liabilities	8,009,585	186,877	201,115	7,090,208	1,363,688	9,136,359	25,987,832
Fund balances:							
Reserved	6,248,797	57,028,432	52,798	2,347	41,114,989	24,537,361	128,984,724
Unreserved:							
Designated	17,973,072	-	-	-		-	17,973,072
Undesignated, reported in:							
Special revenue funds	-	-	3,015,344	-	-	-	3,015,344
Total fund balances	24,221,869	57,028,432	3,068,142	2,347	41,114,989	24,537,361	149,973,140
Total liabilities and fund balances	$ 32,231,454	$ 57,215,309	$ 3,269,257	$ 7,092,555	$ 42,478,677	$ 33,673,720	$ 175,960,972

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
June 30, 2009

Total Governmental fund balances (page 32)		$ 149,973,140
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds. (Note 5)		364,624,047
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,045,112
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the funds. (Note 7)		(67,512,100)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds. (Note 1Q)		(5,687,175)
OPEB obligation is not due and payable in the current period and, therefore, are not reported in the funds. (Note 18)		(1,253,416)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.		(784,741)
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets. (See Statement of Net Assets Proprietary Funds, p. 37)		
Internal Service Funds fund balance	$ 11,191,006	
Less business-type portion	(1,036,962)	10,154,044
CDBG and HOME loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds. (Note 3)		12,189,257
Net assets of governmental activities (page 30)		$ 462,748,168

See accompanying notes to thebasic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Special Revenue Funds: Community Dev Block Grant	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 62,656,566	$ 20,037,894	$ 419,343	$ -	$ -	$ 13,484,531	$ 96,598,334
Franchise fees	2,939,249	-	-	-	-	344,584	3,283,833
Intergovernmental	2,510,819	-	535,864	674,939	121,081	14,020,719	17,863,422
Fines and forfeitures	2,792,152	-	-	-	-	1,374,440	4,166,592
Use of money and property	1,795,587	1,089,217	-	-	1,462,717	596,577	4,944,098
Charges for services	18,878,336	66,225	16,746,096	-	-	1,958,690	37,649,347
Program income	-	-	-	317,975	-	3,090	321,065
Other revenues	9,433,545	325,254	178,173	2,687	6,292	1,210,413	11,156,364
Total revenues	101,006,254	21,518,590	17,879,476	995,601	1,590,090	32,993,044	175,983,055
Expenditures:							
Current:							
Mayor and council	808,082	-	-	-	-	-	808,082
City attorney	2,130,534	-	-	-	-	-	2,130,534
City administration	2,147,045	-	-	-	-	-	2,147,045
Administrative services	1,936,503	-	-	-	-	-	1,936,503
Finance	4,909,797	-	-	-	-	-	4,909,797
Public safety	54,402,241	-	-	-	-	587,878	54,990,119
Public works	6,613,752	-	17,480,770	-	-	15,963,619	40,058,141
Community services	19,588,406	-	-	-	-	1,960,497	21,548,903
Community development	11,322,450	3,930,650	-	994,533	-	892,011	17,139,644
Community promotions	1,823,833	-	-	-	-	-	1,823,833
Capital improvements	-	-	-	-	8,843,451	11,011,373	19,854,824
Debt service:							
Principal	-	455,000	-	-	4,645,000	240,900	5,340,900
Interest	-	139,799	-	-	2,871,084	115,045	3,125,928
Total expenditures	105,682,643	4,525,449	17,480,770	994,533	16,359,535	30,771,323	175,814,253
Excess (deficiency) of revenues over (under) expenditures	(4,676,389)	16,993,141	398,706	1,068	(14,769,445)	2,221,721	168,802
Other financing sources (uses):							
Transfers in	5,358,307	-	-	-	15,269,185	4,375,110	25,002,602
Transfers out	(1,485,160)	(15,273,994)	(534)	(1,068)	-	(5,004,528)	(21,765,284)
Total other financing sources (uses)	3,873,147	(15,273,994)	(534)	(1,068)	15,269,185	(629,418)	3,237,318
Net change in fund balances	(803,242)	1,719,147	398,172	-	499,740	1,592,303	3,406,120
Fund balances, beginning of fiscal year	25,025,111	55,309,285	2,669,970	2,347	40,615,249	22,945,058	146,567,020
Fund balances, end of fiscal year	$ 24,221,869	$ 57,028,432	$ 3,068,142	$ 2,347	$ 41,114,989	$ 24,537,361	$ 149,973,140

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
Fiscal Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities (page 31) are different because:

Net change in fund balances - total governmental funds (page 34)		$ 3,406,120
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	$ 16,429,949	
Less current year depreciation	(5,812,634)	10,617,315
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		5,340,900
Loans made and repayments received are expenditures or revenues in the governmental funds, but the repayments reduce, and new loans increase, loans receivable in the Statement of net Assets.		322,377
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(111,151)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities		51,240
OPEB obligation costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(242,416)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities. (See Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds p. 38)		
Change in net assets - Internal service funds	(1,420,896)	
Less: amount related to enterprise funds	(1,036,962)	(2,457,858)
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as as expenditures in the governmental funds.		(103,445)
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(57,015)
Adjusted change in net assets of governmental activities (page 31)		$ 16,766,067

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Water	Wastewater	Airport
Assets			
Current assets:			
Cash and investments	$ 36,017,783	$ 11,960,017	$ 17,207,762
Accounts receivable, net	3,699,072	1,236,528	-
Due from other agencies	-	-	758,948
Inventory	-	-	-
Prepaid assets	4,121,192	-	-
Total current assets	43,838,047	13,196,545	17,966,710
Non-current assets:			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,889,051	5,095,780	45,876,471
Unamortized bond issuance costs, net	271,431	375,979	-
Deferred charge-loss on defeasance, net	890,676	-	1,388,669
Loans receivable	5,954,257	-	-
Total other assets	9,005,415	5,471,759	47,265,140
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	6,262,226	13,953,411	3,964,543
Building improvements	1,307,479	453,788	2,432,486
Improvements other than building	123,076,577	38,991,146	106,295,004
Equipment	7,923,207	13,399,762	4,466,615
Underground piping	102,470,003	72,699,240	-
Other Infrastructure	-	-	14,885,287
Construction in progress	9,141,491	10,195,993	36,017,847
Less: accumulated depreciation	(115,361,644)	(73,119,224)	(51,944,613)
Total capital assets, net	137,037,526	80,082,788	123,427,169
Total non-current assets	146,042,941	85,554,547	170,692,309
Total assets	189,880,988	98,751,092	188,659,019
Liabilities			
Current liabilities:			
Accounts payable	1,129,447	810,695	2,468,040
Accrued interest payable	268,712	127,000	132,932
Salaries and benefits payable	325,399	220,120	225,759
Due from other funds	-	-	7,800,000
Deposits	138,511	-	870,214
Deferred revenue	5,954,257	-	443,856
Compensated absences payable	376,499	249,518	217,000
Current portion claims payable	-	-	-
Current portion long term debt	2,926,565	595,000	103,946
Total current liabilities	11,119,390	2,002,333	12,261,747
Non-current liabilities:			
Long-term debt, net of current portion	47,345,278	16,925,000	49,423,345
Compensated absences payable	41,833	27,724	24,111
Other post employment benefits (OPEB) obligation	245,594	129,355	154,029
Unamortized bond premium	-	-	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	47,632,705	17,082,079	49,601,485
Total liabilities	58,752,095	19,084,412	61,863,232
Net Assets			
Invested in capital assets, net of related debt	86,765,683	62,562,788	119,776,349
Restricted for capital projects	-	3,728,059	-
Restricted for debt service	1,887,866	1,367,721	-
Unrestricted	42,475,344	12,008,112	7,019,438
Total net assets	$ 131,128,893	$ 79,666,680	$ 126,795,787
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			
Net assets of business-type activities			

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ 8,128,246	$ 8,714,264	$ 82,028,072	$ 20,500,960
-	52,360	4,987,960	61,474
-	-	758,948	-
-	-	-	699,627
-	-	4,121,192	-
8,128,246	8,766,624	91,896,172	21,262,061
1,402,926	-	54,264,228	-
515,661	-	1,163,071	-
758,166	95,975	3,133,486	-
-	-	5,954,257	-
2,676,753	95,975	64,515,042	-
878,201	5,286,073	19,201,133	-
3,690,671	5,876,451	33,747,302	105,889
3,294,171	170,228	7,658,152	162,584
46,058,098	7,250,610	321,671,435	257,165
1,269,579	1,234,049	28,293,212	19,153,170
-	-	175,169,243	-
-	-	14,885,287	-
1,115,989	2,987,770	59,459,090	177,540
(37,184,415)	(8,597,347)	(286,207,243)	(13,729,335)
19,122,294	14,207,834	373,877,611	6,127,013
21,799,047	14,303,809	438,392,653	6,127,013
29,927,293	23,070,433	530,288,825	27,389,074
262,495	269,135	4,939,812	276,000
196,944	14,807	740,395	-
271,058	246,891	1,289,227	303,681
-	-	7,800,000	-
518,559	40,100	1,567,384	-
230,312	26,223	6,654,648	-
281,432	153,442	1,277,891	317,260
-	-	-	2,326,742
590,000	127,500	4,343,011	-
2,350,800	878,098	28,612,368	3,223,683
14,960,000	1,210,400	129,864,023	-
31,270	17,049	141,987	-
92,144	76,421	697,543	-
143,968	-	143,968	-
2,879,140	450,000	3,329,140	-
-	-	-	3,594,246
18,106,522	1,753,870	134,176,661	3,594,246
20,457,322	2,631,968	162,789,029	6,817,929
3,572,294	12,869,934	285,547,048	6,127,013
-	-	3,728,059	-
1,393,263	-	4,648,850	-
4,504,414	7,568,531	73,575,839	14,444,132
$ 9,469,971	$ 20,438,465	367,499,796	$ 20,571,145
		10,417,099	
		$ 377,916,895	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2009

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	$ 28,669,429	$ 13,197,555	$ -
Service charges	3,433,020	597,655	2,082,711
Leases and rents	-	-	12,525,256
Other revenues	160,873	120,122	689,540
Total operating revenues	32,263,322	13,915,332	15,297,507
Operating Expenses:			
Salaries, wages and benefits	7,163,961	4,893,060	4,804,118
Materials, supplies and services	15,456,263	6,569,133	9,019,311
Depreciation	6,177,069	3,713,719	4,283,771
Other expenses	74,008	30,644	-
Total operating expenses	28,871,301	15,206,556	18,107,200
Operating income (loss)	3,392,021	(1,291,224)	(2,809,693)
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	1,622,034	651,102	805,847
Interest expense	(1,752,209)	(773,653)	(759,729)
Other, net	28,715	(19,799)	-
Total non-operating revenues (expenses)	(101,460)	(142,350)	46,118
Income (loss) before contributions and transfers	3,290,561	(1,433,574)	(2,763,575)
Capital Contributions	31,280	58,730	5,048,618
Transfers in	-	-	-
Transfers out	(37,940)	(29,923)	(40,601)
Change in net assets	3,283,901	(1,404,767)	2,244,442
Net assets, beginning of year	127,844,992	81,071,447	124,551,345
Net assets, end of year	$ 131,128,893	$ 79,666,680	$ 126,795,787

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 31)

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ -	$ -	$ 41,866,984	$ -
6,525,262	7,576,212	20,214,860	18,365,179
4,070,405	304,790	16,900,451	-
220,420	112,589	1,303,544	1,361,333
10,816,087	7,993,591	80,285,839	19,726,512
5,517,337	4,895,145	27,273,621	6,544,975
3,857,410	3,570,308	38,472,425	11,099,522
1,457,433	518,370	16,150,362	1,235,010
-	-	104,652	-
10,832,180	8,983,823	82,001,060	18,879,507
(16,093)	(990,232)	(1,715,221)	847,005
-	843,248	843,248	-
459,409	365,571	3,903,963	780,102
(897,991)	(73,341)	(4,256,923)	-
(62,006)	-	(53,090)	98,895
(500,588)	1,135,478	437,198	878,997
(516,681)	145,246	(1,278,023)	1,726,002
16,178	-	5,154,806	-
-	43,500	43,500	392,577
(2,671)	(22,785)	(133,920)	(3,539,475)
(503,174)	165,961	3,786,363	(1,420,896)
9,973,145	20,272,504		21,992,041
$ 9,469,971	$ 20,438,465		$ 20,571,145
		1,036,961	
		$ 4,823,324	

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2009

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	$ 32,395,451	$ 13,829,792	$ 2,082,711
Cash received from rents and leases	-	-	12,533,107
Cash payments for goods and services	(15,288,422)	(6,556,307)	(8,297,921)
Cash payments to employees for services	(6,856,067)	(4,729,007)	(4,638,606)
Cash received (returned) for deposits	(10,523)	-	(40,555)
Other operating receipts	160,873	120,122	689,540
Other operating disbursements	(74,008)	(30,644)	-
Net cash provided (used) by operating activities	10,327,304	2,633,956	2,328,276
Cash flows from noncapital financing activities:			
Transfers to other funds	(37,940)	(29,923)	(40,601)
Transfers from other funds	-	-	-
Received from (paid to) other funds	-	-	7,800,000
Cash received from taxes and assessments	-	-	-
Cash received (used) from other sources	28,715	-	-
Net cash provided (used) by non-capital financing activities	(9,225)	(29,923)	7,759,399
Cash flows from capital and related financing activities:			
Proceeds from capital debt	64,096	-	47,171,083
Proceeds from capital grants and contributions	31,280	58,730	4,592,234
Deferred charges	-	-	(1,388,669)
Payments on long term debt	(2,978,182)	(561,201)	-
Acquisition of capital assets	(3,926,977)	(3,010,004)	(12,666,253)
Disposition of capital assets	-	-	-
Interest paid on debt	(1,768,420)	(795,452)	(626,797)
Net cash used for capital and related financing activities	(8,578,203)	(4,307,927)	37,081,598
Cash flows from investing activities:			
Cash received on investments	1,622,034	651,102	805,847
Net increase (decrease) in cash and cash equivalents	3,361,910	(1,052,792)	47,975,120
Cash and cash equivalents, beginning of fiscal year	34,544,924	18,108,589	15,109,113
Cash and cash equivalents, end of fiscal year	$ 37,906,834	$ 17,055,797	$ 63,084,233
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 3,392,021	$ (1,291,224)	$ (2,809,693)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,177,069	3,713,719	4,283,771
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	293,002	34,582	-
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	(160,880)	-	-
Increase (decrease) in accounts payable	328,721	12,826	721,390
Increase (decrease) in accrued salaries payable	27,227	15,133	16,204
Increase (decrease) in deferred revenue	-	-	7,851
Increase (decrease) in accrued compensated absences	35,073	19,565	(4,721)
Increase (decrease) in OPEB accrual	245,594	129,355	154,029
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	(10,523)	-	(40,555)
Net cash provided (used) by operating activities	$ 10,327,304	$ 2,633,956	$ 2,328,276

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
$ 6,524,762	$ 1,892,356	$ 56,725,072	$ 18,364,095
4,111,232	5,953,705	22,598,044	-
(3,729,389)	(3,470,642)	(37,342,681)	(11,202,199)
(5,384,819)	(4,787,738)	(26,396,237)	(6,534,423)
8,441	(572)	(43,209)	-
220,420	112,589	1,303,544	1,361,333
-	-	(104,652)	-
1,750,647	(300,302)	16,739,881	1,988,806
(2,671)	(22,785)	(133,920)	(3,539,475)
-	43,500	43,500	392,577
-	-	7,800,000	-
-	843,248	843,248	-
(62,006)	-	(33,291)	-
(64,677)	863,963	8,519,537	(3,146,898)
(123,477)	-	47,111,702	-
16,178	-	4,698,422	-
-	-	(1,388,669)	-
(505,534)	(124,100)	(4,169,017)	-
(1,618,088)	(1,917,330)	(23,138,652)	(2,047,146)
-	-	-	98,895
(903,786)	(49,448)	(4,143,903)	-
(3,134,707)	(2,090,878)	18,969,883	(1,948,251)
459,409	715,571	4,253,963	780,102
(989,328)	(811,646)	48,483,264	(2,326,241)
10,520,500	9,525,910	87,809,036	22,827,201
$ 9,531,172	$ 8,714,264	$ 136,292,300	$ 20,500,960
$ (16,093)	$ (990,232)	$ (1,715,221)	$ 847,005
1,457,433	518,370	16,150,362	1,235,010
(500)	(44,862)	282,222	(1,084)
-	-	-	92,186
-	-	(160,880)	-
128,021	99,666	1,290,624	(445,950)
27,949	23,340	109,853	9,744
40,827	9,921	58,599	-
12,425	7,646	69,988	808
92,144	76,421	697,543	-
-	-	-	251,087
8,441	(572)	(43,209)	-
$ 1,750,647	$ (300,302)	$ 16,739,881	$ 1,988,806

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Current assets:			
Cash and investments	$ -	$ 2,103,951	$ 1,102,645
Accounts receivable, net	-	-	33,291
Loans receivable	-	-	1,987,077
Total current assets	-	2,103,951	3,123,013
Capital assets:			
Equipment	-	-	878,164
Less: accumulated depreciation	-	-	(878,164)
Capital assets, net	-	-	-
Other assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	107,252	-	87,465
Other investments	214,297	-	-
Total other assets	321,549	-	87,465
Total assets	321,549	$ 2,103,951	$ 3,210,478
Liabilities			
Current liabilities:			
Accounts payable	-	-	5,100
Accrued benefits payable	5,132	-	-
Due to other Governments	448,423	-	20,765
Total current liabilities	453,555	-	25,865
Noncurrent liabilities:			
Trust liabilities	-	-	222,942
Contributions	-	-	2,961,671
Total noncurrent liabilities	-	-	3,184,613
Total liabilities	453,555	-	$ 3,210,478
Net Assets			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	(132,006)	-	
Police	-	16,318	
Tea Fire		850	
Library	-	2,085,548	
Parks and recreation	-	1,235	
Total net assets	$ (132,006)	$ 2,103,951	

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2009

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Private donations	$ -	$ 5,047
Investment earnings:		
Interest	4,731	52,690
Dividends	9,560	-
Net change in fair value of investments	(78,168)	-
Total investment earnings	(63,877)	52,690
Less investment expense	21,706	-
Net investment income	(85,583)	52,690
Total additions	(85,583)	57,737
Deductions		
Benefits	236,172	-
Community services	-	444,655
Total deductions	236,172	444,655
Net increase (decrease)	(321,755)	(386,918)
Net assets, beginning of fiscal year	189,749	2,490,869
Net assets, end of fiscal year	$ (132,006)	$ 2,103,951

See accompanying notes to the basic financial statements

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Notes To The
Basic Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Santa Barbara (City) conform to generally accepted accounting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of the Financial Reporting Entity

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise and Fiduciary funds, operated in a manner similar to a private business, include water, wastewater, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency), a blended component unit of the City, was established in 1968 and is a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusions of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City and it has the same governing body. Separate component unit financial statements for the Agency may be obtained on

the City's web site at: **www.SantaBarbaraCa.gov/Government/Finance/CAFR**. California Community Redevelopment law provides that, upon adoption of a redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City. For further information, please contact the City's Finance Department.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets (i.e., fund balances) as presented in these statements to the net assets presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, a portion of the internal service balances and activities have been combined with the governmental activities in the Government-wide financial statements.

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.

- The *Solid Waste Special Revenue Fund* accounts for refuse revenues received from customers, payments remitted to the trash haulers, and franchise and recycling fees paid by haulers that are used for recycling programs in the City.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.
- The *Community Development Block Grant Special Revenue Fund* accounts for the financial resources provide by the federal government for housing and rental needs, housing and rehabilitation loans and grants, as well as low and moderate income housing programs.

The following are the major proprietary funds of the City:

- The *Water Fund* accounts for the provisions of water services to the residents of the City and some residents of the County.
- The *Wastewater Fund* accounts for the provision of sewer services to the residents of the City and some residents of the County.
- The *Airport Fund* accounts for the operation of the municipal airport and the administration of leases of airport property.
- The *Waterfront Fund* accounts for the operation of the City managed waterfront that includes a public wharf, a small craft harbor, and parking facilities.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) Information Systems and computer support services, and 3) self-insurance operations of workers' compensation, unemployment, and general liability insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and promoting junior golf. All resources of the funds, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The City's Agency funds include amounts held on behalf of California Law Enforcement Telecommunications System (CLETS), for non-City obligations and for rehabilitations loans.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary funds' financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the granting agency have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are

considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period.

Property and sales taxes, utility users' taxes, transient occupancy taxes, franchise taxes, licenses and other charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as "other financing sources."

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government. Year-end encumbrances are re-appropriated in the following year and expended as the related liability is incurred. Outstanding encumbrances at year-end are recorded as reservations of fund balance.

E. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of $10,000 or more for equipment, $25,000 or more for building improvements and other improvements, $50,000 or more for buildings and $100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2008.

Capital assets (except land, works of art and construction in progress) of the primary government, as well as the component unit of the Redevelopment Agency, are depreciated using the straight-line method using the estimated useful lives listed below.

	Years
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

The City completed capitalization of infrastructure assets pursuant to GASB 34 in the fiscal year ended June 30, 2006.

F. Assets Available for Resale

Assets available for resale within the City's Redevelopment Agency are recorded in the Agency's fund at the lower of cost or realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributed to properties to be resold to developers. There were no assets held for resale at June 30, 2008.

G. Description of Program Revenue

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes except special assessments, which are program revenues.

H. Definition of Operating and Non-operating Revenues

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

I. Cash and Cash Equivalents

The cash flow statements require presentation of "cash and cash equivalents." For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents," as such funds

are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months to be cash equivalents.

J. Restricted Assets

The City has funds held by trustees or fiscal agents pledged to the payment or security of bonds and certificates of participation and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The California Government Code provides that these funds, in absence of specific statutory provisions governing the issuance of bonds or certificates, may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments the trustees or fiscal agents may make.

K. Flow Assumption for Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy for all fund types to use restricted resources first, and then unrestricted resources as they are needed.

L. Budgetary Principles

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the Miscellaneous Grants fund and the FEMA Reimbursement Storm special revenue fund. Annual budgets are also adopted for the enterprise and internal service funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects funds, capital projects generally span more than one year and are effectively controlled at the project level.

In early February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no violations of the budget in fiscal year 2009.

M. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investments Pools*, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City's securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2009, the fair value of the City's position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

The City has developed a formal investment policy that is more restrictive than the State of California Government Code. The policy is adopted annually by the City Council. The City has adhered to established policies for all investment activities.

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal

to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

N. Receivables and Payables (Inter-fund Transactions)

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

O. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIIIA) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter-approved debt. Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10 respectively. Taxes become a lien on the property effective March 1 of the preceding year.

P. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) for governmental funds and lower of average cost or market for proprietary funds. Governmental fund inventories are recorded as expenses when consumed rather than when purchased. Proprietary fund inventories consist primarily of materials and supplies held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Q. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. For fire safety employees the value of the sick pay benefit is converted to additional years of service for purposes of calculating retirement benefits provided by the Public Employees Retirement System (PERS) and the employee is, therefore, compensated through an increased retirement benefit. All other employees upon retirement and with a minimum of 500 hours of accumulated sick pay benefits may elect to have an annuity or the cash value of an annuity for the value of those accumulated hours, calculated based on comparable actuarial assumptions used by PERS.

Governmental funds recognize the cost of vacation benefits when payments are made to employees. As shown in the table below, 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2009, is deemed current and expected to be paid within the next 12 months with current financial resources. The total amount outstanding at June 30, 2009, was $6,004,435 and $1,419,878 for governmental and business-type activities, respectively.

The compensated absences for governmental funds will generally be liquidated through the general fund. The balances in the proprietary funds will generally be liquidated through the individual funds.

	Beginning Balance June 30, 2008	Additions	Deductions	Ending Balance June 30, 2009	Due Within One Year	Due in More Than One Year
Governmental Activities:						
Governmental funds	$ 5,583,730	$ 5,438,980	$ 5,335,535	$ 5,687,175	$ 5,118,457	$ 568,718
Internal service funds	316,452	303,194	302,386	317,260	285,534	31,726
Compensated Absences	$ 5,900,182	$ 5,742,174	$ 5,637,921	$ 6,004,435	$ 5,403,991	$ 600,444
Business-Type Activities:						
Compensated Absences	$ 1,335,021	$ 1,360,537	$ 1,275,680	$ 1,419,878	$ 1,277,891	$ 141,987

R. Long-term Obligations and Refunding of Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and gains and losses on defeasance, during the current period. The proceeds of long-term debt issued are reported as "other financing sources," net of issuance costs. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Effective July 1, 1993, the City implemented GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." Consequently, amounts which previously would have been reported as an accounting "loss on defeasance of debt" are now deferred and amortized as a component of interest expense over the remaining life of the new debt.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Allocated Costs Policy

Expenses reported for functional activities include allocated indirect expenses pursuant to a cost allocation plan prepared in accordance with OMB Circular A-87.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	$ 165,497,644
Cash and investments with fiscal agents	81,446,266
Fiduciary funds:	
Cash and investments	3,206,596
Cash and investments with fiscal agents	409,014
Total cash and investments	$ 250,559,520

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	$	51,730
Demand deposit accounts with financial institutions		5,290,854
Investments		245,216,936
Total cash and investments	$	250,559,520

Investments Authorized by the California Government Code and the City's Investment Policy
The table below identifies the **investment types** that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address **interest rate risk, credit risk,** and **concentration of credit risk.** This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits	5 years	None	None
Local Agency Investment Fund (LAIF)	N/A	$40 million**	N/A

* Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.
** Per each account for the City and the City's Redevelopment Agency.

Investments Authorized by Debt Agreements
Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk, credit risk,** and **concentration of credit risk.**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity to 2 ½ years. In addition, the City employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the City's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

Investment Type		Weighted Average Maturity (in years)
U.S. Agency Securities	$ 92,641,562	2.2
Corporate Medium Term Notes	12,546,900	1.5
Certificates of Deposit	2,000,000	0.4
Local Agency Investment Fund (LAIF)	56,173,194	N/A
Held by Bond Trustee:		
Money Market Funds	76,711,400	N/A
Investment Contracts	5,143,880	N/A
Total	$ 245,216,936	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the City's investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

		Minimum	Not Required	Rating as of Year End				
Investment Type		Legal Rating	To Be Rated	AAA	AA+	AA	AA-	Unrated
U.S. Agency Securities	$ 92,641,562	N/A	$ -	$ 92,641,562	$ -	$ -	$ -	$ -
Corporate Med Term Notes	12,546,900	A	-	2,290,320	4,109,060	2,037,280	4,110,240	-
Certificates of Deposit	2,000,000	Collateralized	-	-	-	-	-	2,000,000
State Investment Pool (LAIF)	56,173,194	N/A	-	-	-	-	-	56,173,194
Held by Bond Trustee:						-	-	
Money Market Funds	76,711,400	A	-	76,711,400	-	-	-	-
Investment Contracts	5,143,880	N/A	5,143,880	-	-	-	-	-
Total	$245,216,936		$ 5,143,880	$171,643,282	$ 4,109,060	$ 2,037,280	$ 4,110,240	$ 58,173,194

Concentration of Credit Risk
The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments are as follows:

Issuer	Investment Type	Reported Amount	%
Federal Farm Credit Bank	U.S. Agency Securities	$ 20,371,920	8.1
Federal Home Loan Bank	U.S. Agency Securities	36,963,071	14.6
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	21,158,110	8.4
Federal Natl Mortgage Assn	U.S. Agency Securities	14,148,460	5.6

Custodial Credit Risk
Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2009, $8,040,242 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

Investment in State Investment Pool
The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 3. DEFERRED AND UNEARNED REVENUE

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net assets as well as governmental and proprietary funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue. Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period.

At June 30, 2009 the various components of unearned revenue reported are as follows:

	Unearned	Deferred (Unavailable)	Total Unearned
Governmental funds:			
General Fund:			
Deferred business license tax	$ 1,105,398	$ -	$ 1,105,398
Nonmajor Governmental Funds:			
Advances on federal grants for low-income housing	-	12,184,564	12,184,564
Total governmental funds	$ 1,105,398	$ 12,184,564	$ 13,289,962
Business-type activities:			
Water fund:			
Advances to local water districts	$ -	$ 5,954,257	$ 5,954,257
Airport fund:			
Prepaid lease revenue	443,856	-	443,856
Golf Fund:			
Golf gift cards	-	26,223	26,223
Waterfront fund:			
Prepaid lease and slipholder revenue	230,312	-	230,312
Total business-type activities	$ 674,168	$ 5,980,480	$ 6,654,648

NOTE 4. SPECIAL ASSESSMENTS

On August 1, 1992, the City issued $10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2009, the amount of bonds outstanding was $155,000.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

Governmental Activities:	Beginning Balance July 1, 2008	Increases	Decreases	Ending Balance June 30, 2009	Internal Service Fund Activity	Total Governmental Capital Assets
Non-depreciating capital assets:						
Construction in progress	$ 21,025,916	$ 15,004,237	$ (2,745,698)	$ 33,284,455	$ 177,540	$ 33,461,995
Land	50,759,518	-	-	50,759,518	-	50,759,518
Streets	160,101,179	-	-	160,101,179	-	160,101,179
Total non-depreciating capital assets	231,886,613	15,004,237	(2,745,698)	244,145,152	177,540	244,322,692
Depreciating capital assets:						
Buildings	45,325,655	-	-	45,325,655	105,889	45,431,544
Building improvements	6,696,099	1,015,749	-	7,711,848	162,584	7,874,432
Improvements other than buildings	38,346,614	2,905,302	-	41,251,916	257,165	41,509,081
Equipment	8,757,764	327,879	(109,557)	8,976,086	19,153,170	28,129,256
Infrastructure	117,185,386	-	-	117,185,386	-	117,185,386
Total depreciating capital assets	216,311,518	4,248,930	(109,557)	220,450,891	19,678,808	240,129,699
Less accumulated depreciation:						
Buildings	12,247,729	998,836	-	13,246,565	99,271	13,345,836
Building improvements	2,721,867	222,994	-	2,944,861	15,547	2,960,408
Improvements other than buildings	21,702,974	1,634,413	-	23,337,387	36,637	23,374,024
Equipment	5,489,534	581,349	(32,037)	6,038,846	13,577,881	19,616,727
Infrastructure	52,029,295	2,375,042	-	54,404,337	-	54,404,337
Total accumulated depreciation	94,191,399	5,812,634	(32,037)	99,971,996	13,729,336	113,701,332
Total capital assets, being depreciated, net	122,120,119	(1,563,704)	(77,520)	120,478,895	5,949,472	126,428,367
Total governmental capital assets, net	$ 354,006,732	$ 13,440,533	$ (2,823,218)	$ 364,624,047	$ 6,127,012	$ 370,751,059

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	$ 40,966
Administrative services	27,304
Finance	13,961
Public safety	126,822
Public works	3,780,823
Community services	422,972
Community development	1,399,786
General governmental depreciation	5,812,634
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,235,010
Total depreciation expense - governmental activities	$ 7,047,644

	Beginning Balance July 1, 2008	Increases	Decreases	Ending Balance June 30, 2009
Business Type Activities:				
Non-depreciating capital assets:				
Land	$ 19,201,133	$ -	$ -	$ 19,201,133
Construction in progress	50,619,691	20,257,035	(11,417,636)	59,459,090
Total non-depreciating capital assets	69,820,824	20,257,035	(11,417,636)	78,660,223
Depreciating capital assets:				
Buildings	33,747,302	-	-	33,747,302
Building improvements	7,531,074	127,078	-	7,658,152
Other improvements and drainage	310,597,575	11,073,861	-	321,671,436
Equipment	26,056,971	2,236,241	-	28,293,212
Underground piping	174,307,170	862,073	-	175,169,243
Infrastructure	14,885,287	-	-	14,885,287
Total depreciating capital assets	567,125,379	14,299,253	-	581,424,632
Less accumulated depreciation:				
Buildings	22,796,822	714,828	-	23,511,650
Building improvements	2,260,806	400,196	-	2,661,002
Other improvements and drainage	139,460,844	9,005,371	-	148,466,215
Equipment	13,769,561	1,725,263	-	15,494,824
Underground piping	85,468,813	4,015,735	-	89,484,548
Infrastructure	6,300,036	288,969	-	6,589,005
Total accumulated depreciation	270,056,882	16,150,362	-	286,207,244
Net depreciating capital assets	297,068,497	(1,851,109)	-	295,217,388
Total business-type activities Capital assets, net	$ 366,889,321	$ 18,405,926	$ (11,417,636)	$ 373,877,611

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:	
Water	$ 6,177,069
Wastewater	3,713,719
Airport	4,283,771
Waterfront	1,457,433
Downtown parking	315,144
Golf	203,226
Total depreciation expense - business-type activities	$ 16,150,362

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2009, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Governmental Activities:	**Governmental Activities:**	
General Fund	Community Development Block Grant Fund	$ 207,288
General Fund	Other Governmental Funds	2,297,579
	Total Governmental Activities	$ 2,504,867
Governmental Activities:	**Business Type Activity:**	
General Fund	Airport	$ 7,800,000
	Total Business Type Activities	$ 7,800,000
Governmental Activities:	**Fiduciary Funds:**	
General Fund	California Law Enforcement Telecommunications System Agency Fund	$ 20,765
General Fund	Safety Retirement Fund	448,423
	Total Fiduciary Activities	$ 469,188

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
Governmental Activity:	**Business Type Activity:**	
General Fund	Golf Course Fund	$ 450,000
General Fund	Waterfront	2,879,140
	Total Business Type Activities	$ 3,329,140

The interfund balances at June 30, 2009, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling $2,879,140 at June 30, 2009, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The advances for the Stearns Wharf and parking program bear no interest and are repayable as the Waterfront Fund's results of operations permit. The advance for construction of administrative offices and remodel of the Chandlery Building bears interest at 6%, with payments due annually.

During fiscal year 2009, the General Fund loaned $7,800,000 to the Airport Fund for construction of a joint use rental car facility. This loan was temporary until permanent financing could be finalized. In July 2009, the Airport Fund repaid the $7.8 million temporary loan and borrowed $7,300,000 from the City of Santa Barbara General Fund. The new loan is to be repaid over 20 years with interest at the higher of 7% or the current LAIF rate but not to exceed 9%.

A summary of interfund transfers during the year follows:

Fund Transferred From	*Fund Transferred To*						
	Governmental Activities						
	General Fund	Redevelopment Agency Capital Project	Other Governmental Funds	Non-major Proprietary Funds	Subtotal	Internal Service Funds	Total
Governmental Funds							
General Fund	$ -	$ -	$ 1,305,045	$ 43,500	$ 1,348,545	$ 136,615	$ 1,485,160
Redevelopment Agency Special Revenue	-	15,269,184	-	-	15,269,184	4,810	15,273,994
Solid Waste	-	-	-	-	-	534	534
CDBG	-	-	-	-	-	1,068	1,068
Other Governmental Funds	1,923,241	-	3,070,065	-	4,993,306	11,222	5,004,528
Total Governmental Funds	1,923,241	15,269,184	4,375,110	43,500	21,611,035	154,249	21,765,284
Internal Service Funds	3,435,066	-	-	-	3,435,066	104,409	3,539,475
Total Governmental Activities	$ 5,358,307	$ 15,269,184	$ 4,375,110	$ 43,500	$ 25,046,101	$ 258,658	$ 25,304,759
Business-Type Activities							
Water	$ -	$ -	$ -	$ -	$ -	$ 37,940	$ 37,940
Wastewater	-	-	-	-	-	29,923	29,923
Airport	-	-	-	-	-	40,601	40,601
Waterfront	-	-	-	-	-	2,671	2,671
Other Enterprise Funds	-	-	-	-	-	22,785	22,785
Total Business - Type Activities	$ -	$ -	$ -	$ -	$ -	$ 133,920	$ 133,920
Net Transfers	$ 5,358,307	$ 15,269,184	$ 4,375,110	$ 43,500	$ 25,046,101	$ 392,578	$ 25,438,679

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. However, due to the revenue shortfalls in the General Fund caused by an economic downturn, transfers in excess of $5 million were made from internal service and other governmental funds to the General Fund. A significant portion of these transfers were a rebate of intra-city charges from the current and prior years.

NOTE 7. LONG-TERM DEBT

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the Redevelopment Agency are pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 12).

Long-term liability activity for the year ended June 30, 2009, is as follows:

	Beginning Balance July 1, 2008	Additions	Deductions	Ending Balance June 30, 2009	Due Within One Year	Due in More Than One Year
Governmental Activities						
Certificates of participation	$ 2,838,000	$ -	$ 240,900	$ 2,597,100	$ 247,500	$ 2,349,600
Tax allocation bonds	69,265,000	-	5,100,000	64,165,000	5,285,000	58,880,000
Loans	750,000	-	-	750,000	750,000	-
Unamortized debt premium	804,412	-	73,128	731,284	-	731,284
Governmental funds debt issues	73,657,412	-	5,414,028	68,243,384	6,282,500	61,960,884
Claims liability	5,669,901	2,761,129	2,510,042	5,920,988	2,326,742	3,594,246
Governmental activity Long-term liabilities	79,327,313	2,761,129	7,924,070	74,164,372	8,609,242	65,555,130
Business-Type Activities						
Revenue Bonds	22,470,000	47,270,000	1,115,000	68,625,000	1,155,000	67,470,000
Certificates of participation	30,557,000	-	1,134,100	29,422,900	1,182,500	28,240,400
Loans	38,268,711	-	2,109,578	36,159,133	2,005,511	34,153,622
Unamortized debt premium	151,545	-	7,576	143,969	-	143,969
Business-type activity Long-term liabilities	91,447,256	47,270,000	4,366,254	134,351,002	4,343,011	130,007,991
Total debt activity	$170,774,569	$50,031,129	$ 12,290,324	$208,515,374	$12,952,253	$195,563,121

A description of long-term obligations outstanding at June 30, 2009, by category follows:

	Amount Outstanding June 30, 2009
Governmental Activities	
Tax Allocation Bonds	
Redevelopment Agency:	
$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $470,000 to $620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	$ 5,355,000
$34,810,000 - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $1,920,000 to $2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.	23,290,000
$38,855,000 - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from $2,895,000 to $4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	35,520,000
Total tax allocation bonds	64,165,000

Certificates of Participation

General Fund:

$4,184,400 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from $247,500 to $339,900 beginning August 1, 2007 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually. 2,597,100

Loans Payable

Redevelopment Agency:

$750,000 - California Housing Finance Agency Loan issued November 15, 1999. Due in 10 years with payment deferred until then. Interest rate 3% simple per annum. 750,000

Total Governmental Activities $ 67,512,100

Business-Type Activities

Revenue Bonds

Water Fund:

$9,780,000 – 1994A water revenue refunding serial bonds. Bonds issued to provide funds in order to refund the outstanding City of Santa Barbara Water Revenue and Refunding Bonds of 1979, which were used to finance capital improvements to the water distribution system. Remaining annual installments range from $560,000 to $720,000 through September 1, 2014. Interest rates range from 4.3% to 4.8% payable semi-annually on March 1st and September 1st. $ 3,835,000

Wastewater Fund:

$20,410,000 – 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from $580,000 to $1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually. 17,520,000

Airport Fund:

$47,270,000 – 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from $865,000 to $2,995,000 through July 1, 2039. 47,270,000

Total revenue bonds 68,625,000

Certificates of Participation

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from $535,000 to $1,230,000 through October 1, 2027. Term certificates of $16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually. 15,550,000

Golf Fund:

$2,155,600 - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from $127,500 to $175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi annually. 1,337,900

Water Fund:	
$15,535,000 - 2002 Refunding Water Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates, which were used to finance capital improvements to the water distribution system. Remaining annual principal installments range from $465,000 to $1,030,000 through September 1, 2026. Interest rates range from 3.0% to 4.75% payable semi-annually.	12,535,000
Total certificates of participation	29,422,900
Loans Payable	
Water Fund:	
$5,000,000 - State Department of Water Resources Loan. Funds used to finance capital improvements to the water distribution system. Due in 20 annual payments of $342,477 on April 30. Interest is 3.1% per annum. The final payment is due April 30, 2012.	842,249
$17,900,849 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of $572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025	14,998,129
$19,997,929 - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semiannual payments of $655,935. Interest is 2.7934 per annum. The final payment is due January 1, 2027.	18,061,464
Airport Fund:	
$2,450,339 - State Department of Transportation Loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of $218,714. Interest is 3.0% per annum. The final payment is due June 30, 2024.	2,257,291
Total loans payable	36,159,133
Total business-type activities	$ 134,207,033

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2009, are as follows:

	Governmental Activities			Business-type Activities			
	Principal Payments						
Fiscal Year Ending	Tax Allocation Bonds	Certificates of Participation	Other Loans	Revenue Bonds	Certificates of Participation	Other Loans	Total
2010	$ 5,285,000	$ 247,500	$ 750,000	$ 1,155,000	$ 1,182,500	$ 2,005,426	$ 10,625,426
2011	5,470,000	254,100	-	1,200,000	1,140,900	2,062,915	10,127,915
2012	5,705,000	264,000	-	2,115,000	1,191,000	1,985,532	11,260,532
2013	5,925,000	273,900	-	2,210,000	1,236,100	1,836,362	11,481,362
2014	6,195,000	287,100	-	6,460,000	1,292,900	1,888,394	16,123,394
2015 - 2019	35,585,000	1,270,500	-	10,860,000	7,279,500	10,278,215	65,273,215
2020 - 2024	-	-	-	12,640,000	8,580,000	11,832,645	33,052,645
2025 - 2029	-	-	-	16,030,000	7,520,000	4,269,644	27,819,644
2030 - 2034	-	-	-	12,960,000	-	-	12,960,000
2035 - 2039	-	-	-	2,995,000	-	-	2,995,000
Total Principal	$ 64,165,000	$ 2,597,100	$ 750,000	$ 68,625,000	$ 29,422,900	$ 36,159,133	$ 201,719,133
Fiscal Year Ending	Interest Payments						Total
2010	$ 2,869,352	$ 106,068	$ 220,370	$ 3,342,298	$ 1,435,017	$ 1,011,878	$ 8,984,983
2011	2,679,979	96,345	-	3,163,916	1,388,587	954,393	8,283,220
2012	2,443,030	85,983	-	3,115,050	1,341,267	892,650	7,877,980
2013	2,220,460	75,225	-	3,028,430	1,292,019	838,467	7,454,601
2014	1,949,835	63,647	-	2,936,570	1,236,089	786,435	6,972,576
2015 - 2019	5,142,428	119,497	-	13,385,817	5,148,720	3,095,932	26,892,394
2020 - 2024	-	-	-	11,188,520	3,090,437	1,541,502	15,820,459
2025 - 2029	-	-	-	8,262,086	702,647	148,855	9,113,588
2030 - 2034	-	-	-	5,053,250	-	-	5,053,250
2035 - 2039	-	-	-	2,107,750	-	-	2,107,750
Total Interest	$ 17,305,084	$ 546,765	$ 220,370	$ 55,583,687	$ 15,634,783	$ 9,270,112	$ 98,560,801
Total Debt	$ 81,470,084	$ 3,143,865	$ 970,370	$ 124,208,687	$ 45,057,683	$ 45,429,245	$ 300,279,934

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the RDA tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is $81,470,084 as of June 30, 2009. For the current year, principal and interest paid on the Bonds was $8,110,883 and property tax increment net revenues were $20,037,894. The Bonds required 45% of net revenues.

The City has complied with all bond covenants.

NOTE 8. CONTINGENCIES

Litigation and Claims

The City is presently involved in matters of litigation and claims that have arisen in the normal course of conducting City business. City management believes that, based upon consultation with the City Attorney, these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

NOTE 9. SEGMENT INFORMATION

Summary financial information, as of and for the fiscal year ended June 30, 2009 for the City's enterprise funds is presented below:

Condensed Statement of Net Assets:

	Golf Course
Assets:	
Current assets	$ 1,361,397
Capital assets	3,394,302
Other non-current assets	95,975
Total assets	4,851,674
Liabilities:	
Current liabilities	296,315
Non-current liabilities	1,683,652
Total liabilities	1,979,967
Net assets:	
Invested in capital assets, net of related debt	2,056,402
Unrestricted	815,305
Total net assets	$ 2,871,707

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	Golf Course
Charges for services pledged	
-against bonds	$ 2,221,500
-not pledged against bonds	-
Depreciation expense	(203,226)
Other operating expenses	(1,894,189)
Operating income (loss)	124,085
Non-operating revenues (expenses):	
Investment earnings	45,344
Interest expense	(73,341)
Other	(1,069)
Change in net assets	95,019
Beginning net assets	2,776,688
Ending net assets	$ 2,871,707

Condensed Statement of Cash Flows:

	Golf Course
Net cash provided (used) by:	
Operating activities	$ 362,707
Noncapital financing activities	(1,069)
Capital and related financing activities	(817,242)
Investing activities	395,344
Net increase (decrease)	(60,260)
Beginning cash and equivalents	1,421,657
Ending cash and equivalents	$ 1,361,397

NOTE 10. RETIREMENT COMMITMENTS

Employee Retirement Systems and Pension Plans

Plan Description

The City of Santa Barbara contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial reports may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

Funding Method

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and 10% of the net unamortized gain or loss will be amortized each year. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 19.30%, the safety police plan rate is 27.79%, and the safety fire plan rate is 29.62% of payroll. Miscellaneous, non-safety, members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 1.1% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2009. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers, and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

Annual Pension Cost

For fiscal year ended June 30, 2009, the City's annual pension costs for all of the retirement plans, in the amount of $23,155,836 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2006
(b) Amortization method	level percent of payroll
(c) Average remaining period	22 years (non-safety), 32 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (net of administrative expenses)
-projected salary increases	3.25% to 13.15% depending on age, service and type of employment – safety 3.25% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25%
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Three-year Trend Information (all Plans):

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/07	$20,681,841	100%	$0
06/30/08	21,513,692	100%	$0
06/30/09	23,155,836	100%	$0

Funded Status of the Plans

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated June 30, 2006 as provided by CalPERS.

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
Miscellaneous Plan:							
2005	06/30/02	$ 172,996,353	$ 169,784,872	$ 3,211,481	98.1%	$ 43,147,673	7.4%
2006	06/30/03	200,205,019	172,606,727	27,598,292	86.2%	44,387,254	62.2%
2007	06/30/04	236,356,262	183,267,479	53,088,783	77.5%	45,499,938	116.7%
2008	06/30/05	255,720,658	198,200,895	57,519,763	77.5%	46,712,874	123.1%
2009	06/30/06	278,930,353	218,224,291	60,706,062	78.2%	46,724,590	129.9%
Safety Fire Plan:							
2005	06/30/02	$ 85,100,613	$ 71,982,755	$ 13,117,858	84.6%	$ 7,387,092	177.6%
2006	06/30/03	89,536,901	72,602,869	16,934,032	81.1%	7,531,518	224.8%
2007	06/30/04	94,816,120	76,722,184	18,093,936	80.9%	7,758,265	233.2%
2008	06/30/05	101,575,435	82,519,834	19,055,601	81.2%	8,195,490	232.5%
2009	06/30/06	108,541,856	88,617,640	19,924,216	81.6%	8,895,765	224.0%
Safety Police Plan:							
2005	06/30/02	$ 104,007,310	$ 86,387,932	$ 17,619,378	83.1%	$ 11,193,527	157.4%
2006	06/30/03	109,523,544	88,493,786	21,029,758	80.8%	11,815,759	178.0%
2007	06/30/04	116,822,430	94,867,540	21,954,890	81.2%	12,369,163	177.5%
2008	06/30/05	125,487,092	102,700,503	22,786,589	81.8%	13,246,248	172.0%
2009	06/30/06	135,385,172	111,388,655	23,996,517	82.3%	13,196,123	181.8%

City Fire and Police Pension Plans

Plan Description

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of eighteen (18) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2009, ten (10) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and seven (7) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund.

Funding Policy

All of the pensioners are retirees. The annual required contribution (ARC) for the City was $236,172 for fiscal year 2009. The City paid the entire ARC and has no net pension obligation (NPO) for the year ended June 30, 2009.

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2006	June 30, 2006
Asset valuation	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool	Fair value as measured by the market price of investments. This plan has an equity share in the City's investment pool
Actuarial cost method*	Aggregate	Aggregate
Number of participants	10	7
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	4%	4%
Mortality	GAM 1994 Mortality Table for males and females	

*The aggregate actuarial cost method does not identify or separately amortize un-funded actuarial liabilities.

Financial statements for the funds are available from the City of Santa Barbara Finance Director. All members of the plan are retired. The plans were closed as of 1965.

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for hourly employees created in accordance with Internal Revenue Code Section 457. Under the terms of these plans, employees may defer amounts of income up to a maximum of $15,500 per year or one-hundred percent (100%) of includable compensation, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

NOTE 11. CLASSIFICATION OF NET ASSETS

In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.
- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, Specific Projects and Programs, and Debt Service as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The components of the City's fund balances at June 30, 2009, consist of the following:

		Special Revenue Funds			Capital Projects Fund	
	General Fund	Redevelopment Agency	Solid Waste	Community Dev block Grant	Redevelopment Agency	Other Governmental Funds
Reserved:						
Encumbrances	$ 1,653,609	$ 3,173,087	$ 52,798	$ -	$ 34,202,901	$ 21,251,328
Non-current receivables	4,595,188	41,419,652	-	-	2,300,000	-
Due from other agencies	-	-	-	-	-	(290,349)
Redevelopment projects	-	12,435,693	-	-	4,612,088	-
Debt service	-	-	-	-	-	561,303
Public safety	-	-	-	-	-	(3,290,140)
Community development	-	-	-	2,347	-	139,885
Community services	-	-	-	-	-	912,454
Future projects	-	-	-	-	-	4,958,556
Street improvements	-	-	-	-	-	294,324
Total reserved	6,248,797	57,028,432	52,798	2,347	41,114,989	24,537,361
Designated:						
Capital	1,000,000	-	-	-	-	-
Economic Uncertainty	15,541,086	-	-	-	-	-
Future Years' Budget	3,332,206	-	-	-	-	-
Total designated	19,873,292	-	-	-	-	-
Unreserved - undesignated	(1,900,220)	-	3,015,344	-	-	-
Total fund balances	$ 24,221,869	$ 57,028,432	$ 3,068,142	$ 2,347	$ 41,114,989	$ 24,537,361

NOTE 12. SELF-INSURANCE FUND

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. The City has been partially self-insured for workers' compensation since 1974, and partially self-insured for general and automobile liability since 1978. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in any of the past fiscal years.

The City's self-insured retention for workers' compensation is $750,000. An indemnity policy provides statutory limits of in excess of the City's self-insured retention and a $5 million pooled layer. Employers' Liability is also included with the limits of $5 million. The City's self-insured retention for general and automobile liability is $1,000,000. Excess liability coverage is purchased from the commercial market. Coverage provides limits of $45 million in excess of the City's self-insured retention and a $4 million pooled layer.

Insurable property is covered for all risks by policies with a pooled aggregate limit of $1 billion. Earthquake and flood coverage have designated limits of $50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. There were no claims made against any of these policies during the past fiscal year.

The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its twenty-first program year July 2008 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws, an investment policy, and a Memorandum of Coverage, adopted by the ACCEL members.

ACCEL settlements have not exceeded coverage in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a four layer commercial policy underwritten by various carriers. ACCEL members have a $1 million self-insured retention. ACCEL pools the next $4 million and commercial carriers provide $45 million above that level.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their self-insured retention (SIR). This document also serves as the manuscript form for which the commercial carriers provide coverage. Coverage includes comprehensive general and automobile liability protecting against bodily injury, property damage, public officials errors and omissions, personal injury, employment practices, as well as damages arising from owned, non-owned, and hired automobiles.

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting and finance. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return.

ACCEL members share pool losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay pool losses. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. A cost allocation plan is used to apportion self-insurance fund costs. An actuarial study is performed every two-years. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2009, the estimated outstanding liabilities are $4,754,042 for workers' compensation and $1,143,547 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2008. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2009, the liability for unemployment claims was $58,980.

A summary of changes in claims liabilities is shown below:

	2009	2008
Claims liabilities, July 1	$ 5,669,901	$ 8,647,686
Incurred claims	2,510,043	3,188,589
Actuarial adjustment	251,086	(2,977,785)
Payments on claims attributable to events of current and prior years	(2,510,042)	(3,188,589)
Claims liabilities, June 30	$ 5,920,988	$ 5,669,901

NOTE 13. JOINT VENTURES

In 1991, the City's electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the Santa Barbara Project participant's entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project. The City's share of the project, based upon number of acre-feet of water, is 7.7%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

On October 1, 1992, CCWA sold $177,200,000 in revenue bonds at a true interest cost of 6.64% to enable CCWA to finance a portion of the costs of constructing a water treatment plant to treat State water for use by various participating water purveyors and users within Santa Barbara and San Luis Obispo Counties, a transmission system to deliver such water to the participating water purveyors and users within Santa Barbara County, and certain local improvements to the water systems of some of the participating purveyors.

On November 1, 1996, CCWA sold $198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's $177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of $173,015,000 and Series B of $25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

On September 28, 2006, CCWA sold $123,190,000 of revenue bonds at an average interest rate of 4.24% to refund $142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown in the table below:

Fiscal Year	DWR Costs		CCWA Costs				
	Fixed	Variable (1)	Fixed	Variable (1)	Debt Service (2)	Total CCWA Cost	Total CCWA and DWR Costs
2009-10	$ 2,305,768	$ 65,762	$ 196,090	$ 19	$ 1,592,009	$ 1,788,118	$ 4,159,648
2010-11	2,816,238	95,951	215,542	21	1,758,764	1,974,327	4,886,516
2011-12	2,638,165	89,300	229,281	(20)	1,758,741	1,988,002	4,715,467
2012-13	2,683,207	72,320	241,226	(20)	1,761,677	2,002,883	4,758,410
2013-14	2,720,043	-	248,463	-	1,730,803	1,979,266	4,699,309
Thereafter	55,077,343	-	7,814,866	-	13,797,795	21,612,661	76,690,004
Total	$ 68,240,764	$ 323,333	$ 8,945,468	$ -	$ 22,399,789	$ 31,345,257	$ 99,909,354

(1) Variable costs only shown through fiscal year 2011-12 because delivery information is not available thereafter.

Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 7:30 am and 5:30 p.m., Monday through Thursday.

NOTE 14. PROPOSITION 218 IMPACTS

Proposition 218, which was approved by the state's voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

The taxes, fees, and assessments that are subject to the provisions of Proposition 218 that the City currently imposes for its own benefit or as an agent for a special district, or receives from other governmental agencies potentially include business license fees. At this time, it is uncertain how Proposition 218 will affect the City's ability to establish new, or increase existing, revenues it receives from taxes, assessments and fees. All other taxes, fees and assessments were approved by vote prior to the effective date of Proposition 218.

NOTE 15. CONDUIT DEBT

On January 1, 1996, the City of Santa Barbara issued $16,805,000 in Insured Revenue Certificates of Participation for the benefit of FACT Retirement Services, a nonprofit public benefit corporation organized and existing under the laws of the State of California to provide care to persons over 62 years of age. The Certificates were issued to enable FACT Retirement System to purchase certain real property and improvements located within the City of Santa Barbara.
The Certificates do not constitute a debt or liability of the City of Santa Barbara. Neither the execution and delivery of the Certificates, nor the execution of the related trust agreement or installment agreement, shall directly, indirectly or morally obligate the City to levy or to pledge any form of taxation whatever, or to make any appropriation for their payment.

As of June 30, 2009, the outstanding balance on the Certificates is $11,510,000.

NOTE 16. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program is to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara

County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP is structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum)	5%
Bank-provided 1st Deed of Trust loan	80%
City-funded 2nd Deed of Trust loan (maximum)	15%
Total financing	100%

Under the terms of the EMLAP, City participation is limited to a purchase price of $1,250,000. Therefore, the maximum second deed of trust loan available to an employee is $187,500 (15% of $1,250,000). Interest on the City loan is variable, adjusted annually, and is set equal to the most recent quarterly interest rate paid the City on its State of California Local Agency Investment Fund ("LAIF rate") balances. The loan is repayable over 15 years, with interest only due for the first five years, converting to a thirty year amortization schedule payable over 10 years with a balloon payment due at the end of 15 years. Payment is made by payroll deduction. To assist the employee, the City will also pay up to four (4) points to the bank on the employee's first deed of trust loan up to $40,000 in order to "buy down" the interest rate on the first trust deed. The points paid by the City are to be repaid when the second trust deed is refinanced or if the home is sold. However, if the employee maintains continuous employment with the City for 5 years from the date of the loan, 25% of the value of the points loan obligation will be forgiven, and after 10 years 50% will be forgiven. Upon termination of employment the second deed of trust loan, and any related points, are payable either on the fifth anniversary of the loan, or 180 days from the last day of employment, whichever is longer

As of June 30, 2009, the City has $4,465,069 in employee loans outstanding.

NOTE 17. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of ($132,006) as of June 30, 2009. The deficit will be eliminated through contributions from the City's General Fund. The FEMA Reimbursement Storm Fund has a deficit fund balance of ($1,651,782) as of June 30, 2009. Staff is working with FEMA and California State Office of Emergency Services to close out the disaster project. Once all of the accounting and reimbursable project costs are finalized the City will receive a final reimbursement and the remaining project costs are expected to be reimbursed.

NOTE 18. OTHER POST-EMPLOYMENT BENEFITS

Retiree Medical Care Benefits

Plan Description. The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. The benefit is applicable to employees who retire from City service and,

1. Have 15 or more years of classified or unclassified service; or
2. Retire from City with an industrial disability.

The City contributes an amount each month towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The monthly amount is determined by the applicable Memorandum of Agreement of the retired employee. The payment is based upon the employees' years of service up to a maximum of 35 years, multiplied by the annual amount for the respective employee unit. The City will continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.

For the Police bargaining unit only: The City will continue the normal retiree medical allowance past the age of 65 for the six (6) specified employees named in the Police Memorandum of Understanding who retire after December 23, 2006 and thereafter certify, on an annual basis, that they are not eligible to apply for Medicare Part A (hospitalization) coverage on the basis of their City service, other covered employment, through a spouse's covered employment, or through any other means.

Funding Policy. The City currently administers its retiree medical plan. There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If retirees elect medical insurance coverage through the City, the retiree pays the entire cost of the premiums, less the City's monthly payment to the retiree.

The City is evaluating various options for funding the post retirement health benefits liability. The City has not set up a trust for purposes of funding the required retiree medical payments but has elected to continue funding the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the April 21, 2008 actuarial valuation study performed by AON Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than* Pensions (GASB 45).

Annual OPEB Cost and Net OPEB Obligation. The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	$ 1,873,000
Interest on net OPEB obligation	51,000
Adjustments to annual required comtribution	(42,000)
Annual OPEB cost (expense)	1,882,000
Contributions made	(940,000)
Increase (decrease) in net OPEB obligation	942,000
Net OPEB obligation - beginning of year	1,011,000
Net OPEB obligation - end of year	$ 1,953,000

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009 was as follows:

Year Ended	Annual OPEB Cost	Annual Adjustment	Annual OPEB Cost Contributed	Percentage Contribution	OPEB Obligation
6/30/2008	$ 1,842,000	$ -	$ 831,000	45%	$ 1,011,000
6/30/2009	$ 1,873,000	9,000	940,000	45%	942,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows:

Schedule of Funding Progress (000s Omitted)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	7/1/2007	$ -	$ 19,627	$ 19,627	0%	$ 69,293	28.32%	5.00%	3.25%
Estimated	7/1/2008	-	20,755	20,755	0%	71,545	29.01%	5.00%	3.25%

Schedule of Employer Contributions (000s Omitted)

Fiscal Year Ending	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2008	$ 1,842	$ 831	45.10%	$ 1,011
6/30/2009	1,882	940	45.10%	1,953

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits. Since this is the first year of including this information in the financial report, the data presented is limited.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method - In the June 30, 2008 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- Specific amortization period (10, 20, or 30 years are shown)
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

Discount Rate - 5.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

Payroll Increases - 3.25% - This is the annual rate at which total payroll ($69 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Mortality, Disability, Retirement Age, & Turnover - Mortality, disability, retirement age, and turnover rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation.

NOTE 19. SUBSEQUENT EVENTS

Redevelopment Agency
Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments, including our City. These amounts are as follows:

- Property Taxes $2,276,895
- Redevelopment Agency $6,818,255

Property Taxes borrowed by the State for fiscal year 2009-2010 were nearly $2 billion statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, or securitization. Passage of Senate Bill 67 (SB 67) was accomplished on October 14, 2009. A future bond sale is necessary to complete the funding or securitization. The City has planned to use these funds in the 2009-2010 budget. Any delay in funding may compel the City to adopt mid-year service reductions, and other possible measures to manage significant cash-flow shortfalls that may occur.

Redevelopment Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

Airport Fund
In July 2009, the Airport Fund repaid a $7.8 million temporary loan from the General Fund and borrowed an additional $7,300,000 from the City of Santa Barbara General Fund. The loan proceeds are to be used for construction of the joint use rental car facility at the airport. The new loan is to be repaid over 20 years with interest at the higher of 7% or the current LAIF rate. The current LAIF rate is below 7%.

Waterfront Fund
In July 2009, the Waterfront Fund entered into a loan agreement with the State of California Department of Boating and Waterways for a maximum amount of $5.5 million. This loan will be drawn down as needed to complete a 4-phase project to replace the walkway, dock, gangway, and utility mains at Marina 1. During the estimated four year construction phase, annual interest payments will be made to the State at an annual interest rate of 4.5%. Once all phases of the project are complete, the total amount borrowed will be repaid to the state with fixed annual principal and interest payments due each year on August 1 for 30 years.

BUDGETARY INFORMATION

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Effective fiscal control for debt service is achieved through bond indenture provisions. While budgets are prepared for the City's capital projects, capital projects generally span more than one year and are effectively controlled at the project level.

In early January of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In mid April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department, and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	$ 109,124,760
Re-appropriated Prior Year Encumbrances	2,841,132
Amendments	1,021,997
Amended Budget	$ 112,987,889

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 67,123,500	$ 64,878,855	$ 62,656,566	$ (2,222,289)
Franchise fees	2,995,400	2,937,139	2,939,249	2,110
Intergovernmental	1,401,799	2,312,832	2,510,819	197,987
Fines and forfeitures	3,155,932	2,925,730	2,792,152	(133,578)
Use of money and property	1,920,692	1,920,692	1,795,587	(125,105)
Charges for services	16,202,998	18,698,096	18,878,336	180,240
Other revenues	15,080,643	9,408,190	9,433,545	25,355
Total revenues	107,880,964	103,081,534	101,006,254	(2,075,280)
Expenditures:				
Current:				
Mayor and council	857,792	857,792	808,082	49,710
City attorney	2,230,025	2,230,025	2,130,534	99,491
City administration	2,265,445	2,324,004	2,147,045	176,959
Administrative services	2,157,971	2,220,288	1,936,503	283,785
Finance	5,140,416	5,239,090	4,909,797	329,293
Fire	20,638,519	21,355,345	20,716,864	638,481
Police	31,923,298	33,685,377	33,685,377	-
Public works	7,487,362	7,102,228	6,613,752	488,476
Parks and recreation	16,756,193	16,048,978	15,173,947	875,031
Library	4,438,182	4,617,285	4,414,459	202,826
Community development	12,251,374	13,115,840	11,322,450	1,793,390
Community promotions	2,978,183	2,474,243	1,823,833	650,410
Total expenditures	109,124,760	111,270,495	105,682,643	5,587,852
Excess (deficiency) of revenues over (under) expenditures	(1,243,796)	(8,188,961)	(4,676,389)	3,512,572
Other financing sources (uses):				
Transfers in	1,243,796	8,012,717	5,358,307	(2,654,410)
Transfers out	-	(1,717,394)	(1,485,160)	232,234
Total other financing sources (uses)	1,243,796	6,295,323	3,873,147	(2,422,176)
Net change in fund balances	-	(1,893,638)	(803,242)	1,090,396
Fund balances, beginning of fiscal year	25,025,111	25,025,111	25,025,111	-
Fund balances, end of fiscal year	$ 25,025,111	$ 23,131,473	$ 24,221,869	$ 1,090,396

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 18,018,000	$ 18,018,000	$ 20,037,894	$ 2,019,894
Use of money and property	515,000	515,000	1,089,217	574,217
Charges for services	-	-	66,225	66,225
Other revenues	49,923	49,923	325,254	275,331
Total revenues	18,582,923	18,582,923	21,518,590	2,935,667
Expenditures:				
Current:				
Community development	3,429,383	6,866,831	3,930,650	2,936,181
Debt service:				
Principal	455,000	455,000	455,000	-
Interest	193,150	193,150	139,799	53,351
Total expenditures	4,077,533	7,514,981	4,525,449	2,989,532
Excess of revenues over expenditures	14,505,390	11,067,942	16,993,141	5,925,199
Other financing uses:				
Transfers out	(12,178,494)	(15,309,121)	(15,273,994)	35,127
Net change in fund balances	2,326,896	(4,241,179)	1,719,147	5,960,326
Fund balances, beginning of fiscal year	55,309,285	55,309,285	55,309,285	-
Fund balances, end of fiscal year	$ 57,636,181	$ 51,068,106	$ 57,028,432	$ 5,960,326

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 434,546	$ 434,546	$ 419,343	$ (15,203)
Intergovernmental	450,000	474,000	535,864	61,864
Charges for services	16,358,503	16,358,503	16,746,096	387,593
Other revenues	255,002	255,002	178,173	(76,829)
Total revenues	17,498,051	17,522,051	17,879,476	357,425
Expenditures:				
Current:				
Public works	17,584,005	17,671,760	17,480,770	190,990
Deficiency of revenues under expenditures	(85,954)	(149,709)	398,706	548,415
Other financing uses:				
Transfers out	(8,153)	(8,153)	(534)	7,619
Net change in fund balances	(94,107)	(157,862)	398,172	556,034
Fund balances, beginning of fiscal year	2,669,970	2,669,970	2,669,970	-
Fund balances, end of fiscal year	$ 2,575,863	$ 2,512,108	$ 3,068,142	$ 556,034

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,065,068	$ 2,303,256	$ 674,939	$ (1,628,317)
Program income	250,000	250,000	317,975	67,975
Other revenues	2,687	2,687	2,687	-
Total revenues	1,317,755	2,555,943	995,601	(1,560,342)
Expenditures:				
Current:				
Community development	1,316,687	2,554,875	994,533	1,560,342
Excess of revenues over expenditures	1,068	1,068	1,068	-
Other financing uses:				
Transfers out	(1,068)	(1,068)	(1,068)	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	2,347	2,347	2,347	-
Fund balances, end of fiscal year	$ 2,347	$ 2,347	$ 2,347	$ -

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the City is required to account for and report infrastructure capital assets. The City defines infrastructure as the basic physical assets including the streets system, water and wastewater treatment plants, drainage systems, bridges, and sidewalks. Each major infrastructure network can be divided into subsystems. For example, the street network can be divided into concrete and asphalt pavements, curbs and gutters, sidewalks, streetlights, traffic control devices, landscaping and land. Subsystem detail is not presented in these basic financial statements; however, the City maintains detailed information on these subsystems.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.

- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The pavement network within the City has approximately 238 miles of paved surfaces, comprised of 127 miles of residential streets, 40 miles of principal arterial and arterial streets and 71 miles of collector streets. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City's street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City's streets. The streets, which are primarily concrete and asphalt pavement, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City's streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following conditions were assigned:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City's preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001, 2002, 2004, 2006 and 2008 which were 74, 75, 72, 71 and 71 ("Very Good"), respectively. The City's formal policy with regard to preservation levels is to maintain a minimum average rating of no less than 60 ("Good") for all streets. This rating level allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. As of June 30, 2009, the City's street system was rated an average PCI index value of 71 ("Very Good") with the detail condition as follows:

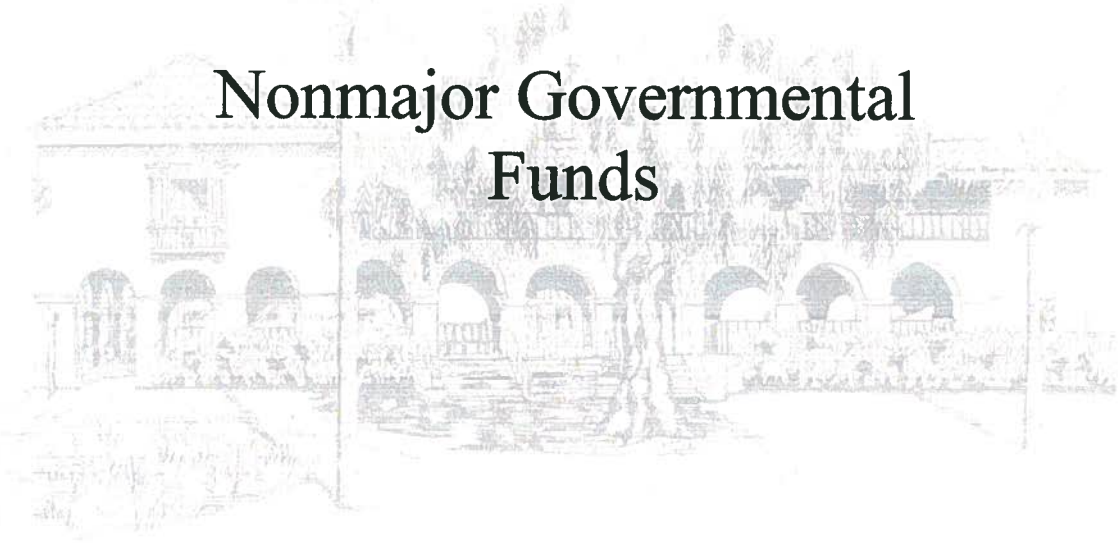
Condition	Approximate % of Streets
Excellent to Good	91%
Fair	4%
Poor to Substandard	5%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended $2,385,539 on street maintenance for the fiscal year ended June 30, 2009. The City has estimated that the average amount of annual expenditures required for fiscal years 2010-2014 to maintain the City's streets at an average PCI rating of at least 70 is approximately $5,600,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is $13.8 million at June 30, 2009. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

Fiscal Year	Maintenance Estimate	Actual Expenditures	PCI Rating
2004-2005	$ 2,683,648	$ 2,270,022	72
2005-2006	3,856,200	2,963,855	71
2006-2007	6,355,188	3,230,977	71
2007-2008	6,021,356	3,135,532	71
2008-2009	8,335,724	2,385,539	71

The City's on-going street preservation program is also intended to maintain the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to maintain City streets over the next 6 years and maintain the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.

Nonmajor Governmental Funds



NONMAJOR GOVERNMENTAL FUNDS

Traffic Safety Fund - To account for the receipt of fines collected pursuant to the California Vehicle Code. The State of California Government Code restricts use of these funds to traffic control devices, equipment and supplies related to traffic control or traffic safety and maintenance of public streets. The funds may not be used to pay compensation of traffic or police officers.

Creek Restoration/Water Quality Fund - To account for funds received from a two-percent tax increase in the City's transient occupancy tax. The proceeds are restricted for use in the City's Creeks Restoration and Water Quality Improvement Program. Measure B was approved by the voters of Santa Barbara County in an election held on November 7, 2000. The tax became effective on January 1, 2001.

Transportation Development Fund - To account for the receipt and disbursement of the City's share of gasoline sales tax pursuant to the Transportation Development Act of 1971. These funds are restricted for use in support of alternative transportation, including sidewalks and bikeways.

HOME Program Fund - To account for the receipt and disbursement of the City's Federal HOME grant funds.

County Library Fund- To account for funds received and expended for library services on behalf of the County (non-City) residents.

Street Sweeping Fund- To account for funds received and expended for street sweeping services.

Measure D Road Maintenance Fund - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

Wildland Fire Suppression Fund- To account for funds received and expended for wildland fire suppression.

Undergrounding Utility Fund- To account for funds received and expended for undergrounding utility services.

Police - Asset Forfeiture Fund (Unbudgeted) - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

Miscellaneous Grants Fund (Unbudgeted)- To account for resources received from various granting agencies.

FEMA Reimbursement Storm Fund (Unbudgeted) - To account for costs incurred as a result of the two federally declared disasters in February, 1998; and the storm in January, 2005.

Police – Supplemental Law Enforcement Fund - To account for State voter-approved grant funds (AB 3229) restricted to public safety and law enforcement.

Police – Local Law Enforcement Block Grant Fund - To account for Federal grants funds received for local law enforcement activities.

General Capital Improvements Fund - To account for all capital projects financed by the General Fund.

Street Grant Capital Improvements Fund - To account for streets-related capital projects financed by Grants.

Street Capital Improvements Fund - To account for streets-related capital projects financed by the General Fund.

Creeks Restoration Capital Improvement Fund - To account for creeks restoration capital improvements funded by Measure B.

2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted) - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue						
Assets	Traffic Safety	Creek Restoration/ Water Quality	Transportation Develop.	HOME Program	County Library	Street Sweeping	Measure D Road Maintenance
Cash and investments	$ 2,590	$ 3,686,619	$ 368,986	$ -	$ 339,185	$ 377,012	$ 3,873,471
Accounts receivable	-	207,699	-	-	76,316	-	259,146
Loans receivable	-	-	-	5,348,152	-	-	-
Due from other agencies	-	-	-	372,059	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	$ 2,590	$ 3,894,318	$ 368,986	$ 5,720,211	$ 415,501	$ 377,012	$ 4,132,617
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 2,590	$ 54,555	$ -	$ -	$ 5,944	$ 29,304	$ 44,855
Salaries and benefits payable	-	41,211	-	1,934	67,975	14,609	29,950
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	-	-	370,125	-	-	-
Deposits	-	-	-	-	-	-	-
Deferred revenue	-	-	-	5,348,152	-	-	-
Loans Payable	-	-	-	-	-	-	-
Total liabilities	2,590	95,766	-	5,720,211	73,919	43,913	74,805
Fund balances:							
Reserved:							
Encumbrances	-	175,645	270,635	-	13,201	2,814	4,188,647
Due from other agencies	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Street improvements	-	-	98,351	-	-	330,285	(130,835)
Parks	-	-	-	-	-	-	-
Library	-	-	-	-	328,381	-	-
Community development	-	-	-	-	-	-	-
Future projects	-	3,622,907	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total fund balances	-	3,798,552	368,986	-	341,582	333,099	4,057,812
Total liabilities and fund balances	$ 2,590	$ 3,894,318	$ 368,986	$ 5,720,211	$ 415,501	$ 377,012	$ 4,132,617

	Special Revenue							Captital Projects
	Wildland Fire Suppression	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
	$ 118,150	$ 1,222,336	$ 921,658	$ 841,650	$ 252,933	$ -	$ -	$ 1,540,835
	-	26,339	335	27,126	-	11,353	-	262,159
	-	-	-	-	-	-	-	-
	-	-	-	-	98,016	-	-	-
	-	-	-	-	-	-	-	-
	$ 118,150	$ 1,248,675	$ 921,993	$ 868,776	$ 350,949	$ 11,353	$ -	$ 1,802,994
	$ 31,251	$ 14,095	$ 48,321	$ 1,267	$ 88,567	$ -	$ -	$ 51,834
	2,179	-	-	-	-	(1,937)	-	-
	-	-	50,419	-	-	-	-	-
	-	-	-	-	1,914,164	13,290	-	-
	-	-	130,264	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	33,430	14,095	229,004	1,267	2,002,731	11,353	-	51,834
	72,611	1,094,695	678,232	-	1,955,573	-	-	1,291,438
	-	-	-	-	(290,349)	-	-	-
	12,109	-	14,757	-	(3,317,006)	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	139,885	-	-	-	-	-	-
	-	-	-	867,509	-	-	-	459,722
	-	-	-	-	-	-	-	-
	84,720	1,234,580	692,989	867,509	(1,651,782)	-	-	1,751,160
	$ 118,150	$ 1,248,675	$ 921,993	$ 868,776	$ 350,949	$ 11,353	$ -	$ 1,802,994

(Continued)

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2009

	Captital Projects			Debt Service	
Assets	Streets Grant Capital	Street Capital Improvements	Creeks Restoration Capital Improvement	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Cash and investments	$ 3,286,192	$ 4,123,066	$ 4,627,634	$ -	$ 25,582,317
Accounts receivable	262,981	578,419	-	-	1,711,873
Loans receivable	-	-	-	-	5,348,152
Due from other agencies	-	-	-	-	470,075
Cash and investments with fiscal agents	-	-	-	561,303	561,303
Total assets	$ 3,549,173	$ 4,701,485	$ 4,627,634	$ 561,303	$ 33,673,720
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 390,098	$ 193,275	$ 26,036	$ -	$ 981,992
Salaries and benefits payable	-	172,032	-	-	327,953
Interest payable	-	-	-	-	50,419
Interfund payables	-	-	-	-	2,297,579
Deposits	-	-	-	-	130,264
Deferred revenue	-	-	-	-	5,348,152
Loans Payable	-	-		-	-
Total liabilities	390,098	365,307	26,036	-	9,136,359
Fund balances:					
Reserved:					
Encumbrances	3,153,943	4,336,369	4,017,525	-	21,251,328
Due from other agencies	-	-	-	-	(290,349)
Public safety	-	-	-	-	(3,290,140)
Street improvements	5,132	(8,609)	-	-	294,324
Parks	-	-	584,073	-	584,073
Library	-	-	-	-	328,381
Community development	-	-	-	-	139,885
Future projects	-	8,418	-	-	4,958,556
Debt service	-	-	-	561,303	561,303
Total fund balances	3,159,075	4,336,178	4,601,598	561,303	24,537,361
Total liabilities and fund balances	$ 3,549,173	$ 4,701,485	$ 4,627,634	$ 561,303	$ 33,673,720

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2009

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transportation Develop.	HOME Program	County Library	Street Sweeping	Measure D Road Maintenance
Revenues:							
Taxes	$ -	$ 2,411,553	$ 58,466	$ -	$ -	$ -	$ 4,165,124
Franchise fees	-	-	-	-	-	-	-
Intergovernmental	-	-	-	836,462	1,458,906	-	-
Fines and forfeitures	482,124	-	-	-	131,776	760,540	-
Use of money and property	-	348,239	15,632	-	19,792	-	165,931
Charges for services	-	-	-	-	-	-	-
Program income	-	-	-	3,090	-	-	-
Other revenues	-	30,738	-	198	175,323	5,271	16,919
Total revenues	482,124	2,790,530	74,098	839,750	1,785,797	765,811	4,347,974
Expenditures:							
Current:							
Public safety	33,040	-	-	-	-	-	-
Public works	-	1,524,243	39,643	-	-	844,961	3,844,479
Community services	-	-	-	-	1,789,497		-
Community development	-	-	-	839,750	-	-	-
Capital Outlay:							
Capital improvements	-	-	-	-	-	-	-
Debt Service:							
Principle retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	33,040	1,524,243	39,643	839,750	1,789,497	844,961	3,844,479
Excess (deficiency) of revenues over (under) expenditures	449,084	1,266,287	34,455	-	(3,700)	(79,150)	503,495
Other financing sources (uses):							
Transfers in	-	-	-	-	-	322,203	-
Transfers out	(449,084)	(2,465,902)	-	-	-	(1,459,760)	(534)
Total other financing sources (uses)	(449,084)	(2,465,902)	-	-	-	(1,137,557)	(534)
Net change in fund balances	-	(1,199,615)	34,455	-	(3,700)	(1,216,707)	502,961
Fund balances, beginning of fiscal year	-	4,998,167	334,531	-	345,282	1,549,806	3,554,851
Fund balances, end of fiscal year	$ -	$ 3,798,552	$ 368,986	$ -	$ 341,582	$ 333,099	$ 4,057,812

Special Revenue							Captital Projects
Wildland Fire Suppression	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reim-bursement Storm Fund	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	General Capital Improvements
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	344,584	-	-	-	-	-	-
-	-	80,049	271,094	-	100,000	-	597,794
-	-	-	-	-	-	-	-
-	-	10,056	-	-	-	-	-
-	-	-	123,400	1,390,255	-	-	-
-	-	-	-	-	-	-	-
220,227	-	58,353	176,946	-	8,031	-	363,305
220,227	344,584	148,458	571,440	1,390,255	108,031	-	961,099
-	-	172,849	273,958	-	108,031	-	-
250,952	204,704	-	12,492	2,987,636	-	-	-
-	-	-	171,000	-	-	-	-
-	-	-	52,261	-	-	-	-
-	-	-	-	-	-	-	2,276,061
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
250,952	204,704	172,849	509,711	2,987,636	108,031	-	2,276,061
(30,725)	139,880	(24,391)	61,729	(1,597,381)	-	-	(1,314,962)
-	-	-	6,962	-	-	-	839,440
-	-	-	-	-	-	-	(16,000)
-	-	-	6,962	-	-	-	823,440
(30,725)	139,880	(24,391)	68,691	(1,597,381)	-	-	(491,522)
115,445	1,094,700	717,380	798,818	(54,401)	-	-	2,242,682
$ 84,720	$ 1,234,580	$ 692,989	$ 867,509	$ (1,651,782)	$ -	$ -	$ 1,751,160

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2009

	Captital Projects			Debt Service	
	Streets Grant Capital	Street Capital Improvements	Creeks Restoration Capital Improvements	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ -	$ 6,849,388	$ -	$ -	$ 13,484,531
Franchise fees	-	-	-	-	344,584
Intergovernmental	8,919,151	1,463,669	293,594	-	14,020,719
Fines and forfeitures	-	-	-	-	1,374,440
Use of money and property	-	7,625	-	29,302	596,577
Charges for services	-	445,035	-	-	1,958,690
Program income	-	-	-	-	3,090
Other revenues	-	155,102	-	-	1,210,413
Total revenues	8,919,151	8,920,819	293,594	29,302	32,993,044
Expenditures:					
Current:					
Public safety	-	-	-	-	587,878
Public works	85,518	6,168,991	-	-	15,963,619
Community services	-	-	-	-	1,960,497
Community development	-	-	-	-	892,011
Capital Outlay:					
Capital improvements	5,217,723	2,926,018	591,571	-	11,011,373
Debt Service:					
Principle retirement	-	-	-	240,900	240,900
Interest	-	-	-	115,045	115,045
Total expenditures	5,303,241	9,095,009	591,571	355,945	30,771,323
Excess (deficiency) of revenues over (under) expenditures	3,615,910	(174,190)	(297,977)	(326,643)	2,221,721
Other financing sources (uses):					
Transfers in	-	588,811	2,291,027	326,667	4,375,110
Transfers out	(456,835)	(156,413)	-	-	(5,004,528)
Total other financing sources (uses)	(456,835)	432,398	2,291,027	326,667	(629,418)
Net change in fund balances	3,159,075	258,208	1,993,050	24	1,592,303
Fund balances, beginning of fiscal year	-	4,077,970	2,608,548	561,279	22,945,058
Fund balances, end of fiscal year	$ 3,159,075	$ 4,336,178	$ 4,601,598	$ 561,303	$ 24,537,361

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRAFFIC SAFETY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 513,000	$ 513,000	$ 482,124	$ (30,876)
Expenditures:				
Current:				
Protection of persons and property	30,000	30,000	33,040	(3,040)
Excess of revenues over expenditures	483,000	483,000	449,084	(33,916)
Other financing uses:				
Transfers out	(483,000)	(483,000)	(449,084)	33,916
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ -	$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION/WATER QUALITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 2,666,800	$ 2,666,800	$ 2,411,553	$ (255,247)
Use of money and property	269,665	269,665	348,239	78,574
Other revenues	6,504	23,704	30,738	7,034
Total revenues	2,942,969	2,960,169	2,790,530	(169,639)
Expenditures:				
Current:				
Public works	1,885,470	2,086,643	1,524,243	562,400
Excess of revenues over expenditures	1,057,499	873,526	1,266,287	392,761
Other financing uses:				
Transfers out	(1,044,875)	(2,465,902)	(2,465,902)	-
Net change in fund balances	12,624	(1,592,376)	(1,199,615)	392,761
Fund balances, beginning of fiscal year	4,998,167	4,998,167	4,998,167	-
Fund balances, end of fiscal year	$ 5,010,791	$ 3,405,791	$ 3,798,552	$ 392,761

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
TRANSPORTATION DEVELOPMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 75,000	$ 75,000	$ 58,466	$ (16,534)
Use of money and property	13,300	13,300	15,632	2,332
Total revenues	88,300	88,300	74,098	(14,202)
Expenditures:				
Current:				
Public works	150,000	305,612	39,643	265,969
Deficiency of revenues under expenditures	(61,700)	(217,312)	34,455	251,767
Fund balances, beginning of fiscal year	367,344	367,344	334,531	(32,813)
Fund balances, end of fiscal year	$ 305,644	$ 150,032	$ 368,986	$ 218,954

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
HOME PROGRAM
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 777,402	$ 777,402	$ 836,462	$ 59,060
Program income	5,000	5,000	3,090	(1,910)
Other revenues	198	198	198	-
Total revenues	782,600	782,600	839,750	57,150
Expenditures:				
Current:				
Community development	782,600	2,605,626	839,750	1,765,876
Excess (deficiency) of revenues over (under) expenditures	-	(1,823,026)	-	1,823,026
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ (1,823,026)	$ -	$ 1,823,026

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,556,357	$ 1,556,357	$ 1,458,906	$ (97,451)
Fines and forfeitures	165,000	165,000	131,776	(33,224)
Use of money and property	10,000	10,000	19,792	9,792
Other revenues	85,660	145,863	175,323	29,460
Total revenues	1,817,017	1,877,220	1,785,797	(91,423)
Expenditures:				
Current:				
Community services	1,868,077	1,879,263	1,789,497	89,766
Excess (deficiency) of revenues over (under) expenditures	(51,060)	(2,043)	(3,700)	(1,657)
Other financing sources (uses):				
Transfers in	60,203	-	-	-
Transfers out	(14,475)	(14,475)	-	(14,475)
Total other financing sources (uses)	45,728	(14,475)	-	(14,475)
Net change in fund balances	(5,332)	(16,518)	(3,700)	(16,132)
Fund balances, beginning of fiscal year	288,740	288,740	345,282	(56,542)
Fund balances, end of fiscal year	$ 283,408	$ 272,222	$ 341,582	$ (72,674)

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET SWEEPING
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 875,000	$ 875,000	$ 760,540	$ (114,460)
Other revenues	5,271	5,271	5,271	-
Total revenues	880,271	880,271	765,811	(114,460)
Expenditures:				
Current:				
Public works	1,187,308	931,965	844,961	87,004
Deficiency of revenue under expenditures	(307,037)	(51,694)	(79,150)	(27,456)
Other financing sources (uses):				
Transfers in	322,203	322,203	322,203	-
Transfers out	(500,000)	(1,258,157)	(1,459,760)	201,603
Total other financing sources	(177,797)	(935,954)	(1,137,557)	201,603
Net change in fund balances	(484,834)	(987,648)	(1,216,707)	174,147
Fund balances, beginning of fiscal year	1,376,856	1,376,856	1,549,806	(172,950)
Fund balances, end of fiscal year	$ 892,022	$ 389,208	$ 333,099	$ 1,197

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MEASURE D ROAD MAINTENANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 4,975,000	$ 4,975,000	$ 4,165,124	$ (809,876)
Use of money and property	195,000	195,000	165,931	(29,069)
Other revenues	16,919	16,919	16,919	-
Total revenues	5,186,919	5,186,919	4,347,974	(838,945)
Expenditures:				
Current:				
Public works	5,386,385	8,269,950	3,844,479	4,425,471
Excess (deficiency) of revenues over (under) expenditures	(199,466)	(3,083,031)	503,495	3,586,526
Other financing uses:				
Transfers out	(534)	(534)	(534)	-
Net change in fund balances	(200,000)	(3,083,565)	502,961	3,586,526
Fund balances, beginning of fiscal year	3,487,485	3,554,851	3,554,851	-
Fund balances, end of fiscal year	$ 3,287,485	$ 471,286	$ 4,057,812	$ 3,586,526

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
WILDLAND FIRE SUPPRESSION ASSESSMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Other revenues	$ 236,591	$ 236,591	$ 220,227	$ (16,364)
Total revenues	236,591	236,591	220,227	(16,364)
Expenditures:				
Current:				
Protection of persons and property	236,591	314,876	250,952	63,924
Excess (deficiency) of revenues over (under) expenditures	-	(78,285)	(30,725)	47,560
Fund balances, beginning of fiscal year	115,445	115,445	115,445	-
Fund balances, end of fiscal year	$ 115,445	$ 37,160	$ 84,720	$ 47,560

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
UNDERGROUNDING UTILITY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	$ 380,200	$ 380,200	$ 344,584	$ (35,616)
Total revenues	380,200	380,200	344,584	(35,616)
Expenditures:				
Current:				
Public works	380,200	1,299,399	204,704	1,094,695
Excess (deficiency) of revenues over (under) expenditures	-	(919,199)	139,880	1,059,079
Fund balances, beginning of fiscal year	1,094,700	1,094,700	1,094,700	-
Fund balances, end of fiscal year	$ 1,094,700	$ 175,501	$ 1,234,580	$ 1,059,079

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - SUPPLEMENTAL LAW ENFORCEMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 149,830	$ 149,830	$ 100,000	$ (49,830)
Other revenues	8,819	8,819	8,031	(788)
Total revenues	158,649	158,649	108,031	(50,618)
Expenditures:				
Current:				
Protection of persons and property	158,649	158,649	108,031	50,618
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ -	$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - LOCAL LAW ENFORCEMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Use of money and property	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Protection of persons and property	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ -	$ -

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
GENERAL CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 1,117,464	$ 597,794	$ (519,670)
Other revenues	-	127,365	363,305	235,940
Total revenues	-	1,244,829	961,099	(283,730)
Expenditures:				
Capital outlay:				
Capital improvements	1,385,070	4,409,299	2,276,061	2,133,238
Deficiency of revenues under expenditures	(1,385,070)	(3,164,470)	(1,314,962)	1,849,508
Other financing sources:				
Transfers in	1,436,396	1,136,396	839,440	(296,956)
Operating transfers out	-	(16,000)	(16,000)	-
Total other financing sources (uses)	1,436,396	1,120,396	823,440	(296,956)
Net change in fund balances	51,326	(2,044,074)	(491,522)	1,552,552
Fund balances, beginning of fiscal year	2,242,682	2,242,682	2,242,682	-
Fund balances, end of fiscal year	$ 2,294,008	$ 198,608	$ 1,751,160	$ 1,552,552

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET GRANT CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 11,452,838	$ 23,110,542	$ 8,919,151	$ (14,191,391)
Use of money and property	-	-	-	-
Other revenues	-	109,997	-	(109,997)
Total revenues	11,452,838	23,220,539	8,919,151	(14,301,388)
Expenditures:				
Capital outlay:				
Capital improvements	11,452,838	22,557,532	5,303,241	17,254,291
Total expenditures	11,452,838	22,557,532	5,303,241	17,254,291
Excess (deficiency) of revenues over (under) expenditures	-	663,007	3,615,910	2,952,903
Other financing sources (uses):				
Transfers out	-	-	(456,835)	456,835
Total other financing sources (uses)	-	-	(456,835)	456,835
Net change in fund balances	-	663,007	3,159,075	3,409,738
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ 663,007	$ 3,159,075	$ 3,409,738

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
STREET CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

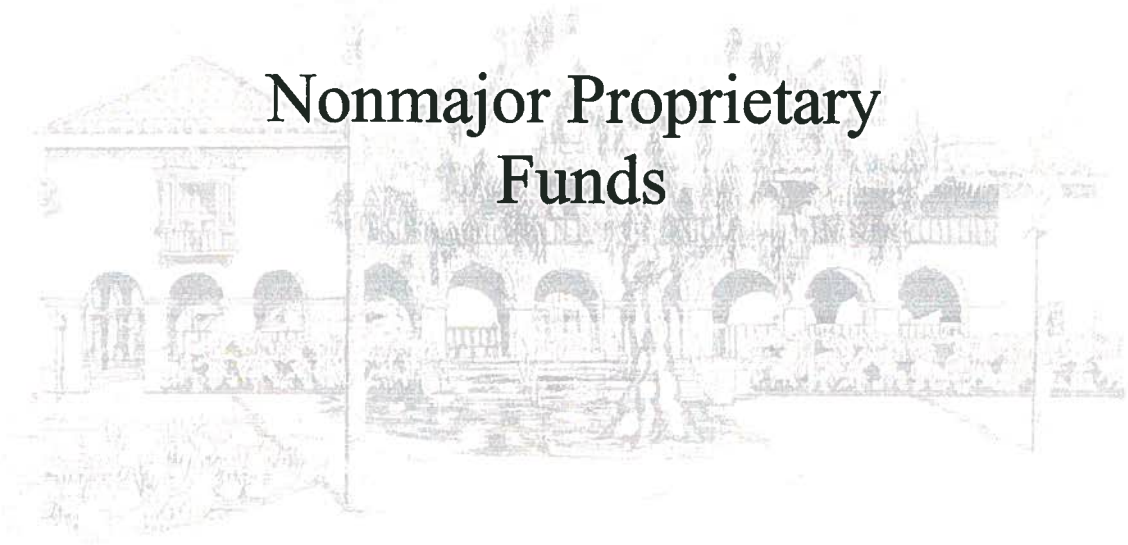
	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 6,966,000	$ 6,966,000	$ 6,849,388	$ (116,612)
Intergovernmental	1,725,000	1,851,617	1,463,669	(387,948)
Use of money and property	-	-	7,625	7,625
Charges for services	465,000	526,000	445,035	(80,965)
Other revenues	60,658	61,778	155,102	93,324
Total revenues	9,216,658	9,405,395	8,920,819	(484,576)
Expenditures:				
Capital outlay:				
Public works	8,453,148	14,511,458	6,168,991	8,342,467
Capital improvements	1,081,118	-	2,926,018	(2,926,018)
Total expenditures	9,534,266	14,511,458	9,095,009	5,416,449
Excess (deficiency) of revenues over (under) expenditures	(317,608)	(5,106,063)	(174,190)	4,931,873
Other financing sources (uses):				
Transfers in	131,976	588,811	588,811	-
Transfers out	(156,413)	(156,413)	(156,413)	-
Total other financing sources (uses)	(24,437)	432,398	432,398	-
Net change in fund balances	(342,045)	(4,673,665)	258,208	4,931,873
Fund balances, beginning of fiscal year	4,077,970	4,077,970	4,077,970	-
Fund balances, end of fiscal year	$ 3,735,925	$ (595,695)	$ 4,336,178	$ 4,931,873

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
CREEKS RESTORATION CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 1,479,184	$ 293,594	$ (1,185,590)
Other revenues	-	180,000	-	(180,000)
Total revenues	-	1,659,184	293,594	(1,365,590)
Expenditures:				
Capital Outlay:				
Capital improvements	870,000	6,187,292	591,571	5,595,721
Excess (deficiency) of revenues over (under) expenditures	(870,000)	(4,528,108)	(297,977)	4,230,131
Other financing sources:				
Transfers in	-	2,291,027	2,291,027	-
Net change in fund balances	(870,000)	(2,237,081)	1,993,050	4,230,131
Fund balances, beginning of fiscal year	1,918,463	2,608,548	2,608,548	-
Fund balances, end of fiscal year	$ 1,048,463	$ 371,467	$ 4,601,598	$ 4,230,131

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Nonmajor Proprietary Funds



NONMAJOR PROPRIETARY FUNDS

Downtown Parking Fund - To account for the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

Golf Course Fund - To account for the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2009

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash and investments	$ 7,352,867	$ 1,361,397	$ 8,714,264
Accounts receivable, net	52,360	-	52,360
Total current assets	7,405,227	1,361,397	8,766,624
Capital Assets:			
Capital Assets:			
Land	4,943,771	342,302	5,286,073
Buildings	4,677,851	1,198,600	5,876,451
Building improvements	-	170,228	170,228
Improvements other than buildings	4,630,080	2,620,530	7,250,610
Equipment	378,702	855,347	1,234,049
Construction in progress	1,889,607	1,098,163	2,987,770
Less accumulated depreciation	(5,706,479)	(2,890,868)	(8,597,347)
Total capital assets, (net)	10,813,532	3,394,302	14,207,834
Other Assets:			
Deferred charge-loss on defeasance, net	-	95,975	95,975
Total assets	18,218,759	4,851,674	23,070,433
Liabilities			
Current liabilities:			
Accounts payable	244,971	24,164	269,135
Accrued interest payable	-	14,807	14,807
Salaries and benefits payable	191,879	55,012	246,891
Deposits	40,100	-	40,100
Deferred revenue	80	26,143	26,223
Compensated absences payable	104,753	48,689	153,442
Current portion long term debt	-	127,500	127,500
Total current liabilities	581,783	296,315	878,098
Non-current liabilities:			
Long-term debt, net of current portion	-	1,210,400	1,210,400
Advances from other funds	-	450,000	450,000
Compensated absences payable	11,639	5,410	17,049
Other post employment benefits (OPEB) obligation	58,579	17,842	76,421
	70,218	1,683,652	1,753,870
Total liabilities	652,001	1,979,967	2,631,968
Net Assets:			
Invested in capital assets net of related debt	10,813,532	2,056,402	12,869,934
Unrestricted	6,753,226	815,305	7,568,531
Total net assets	$ 17,566,758	$ 2,871,707	$ 20,438,465

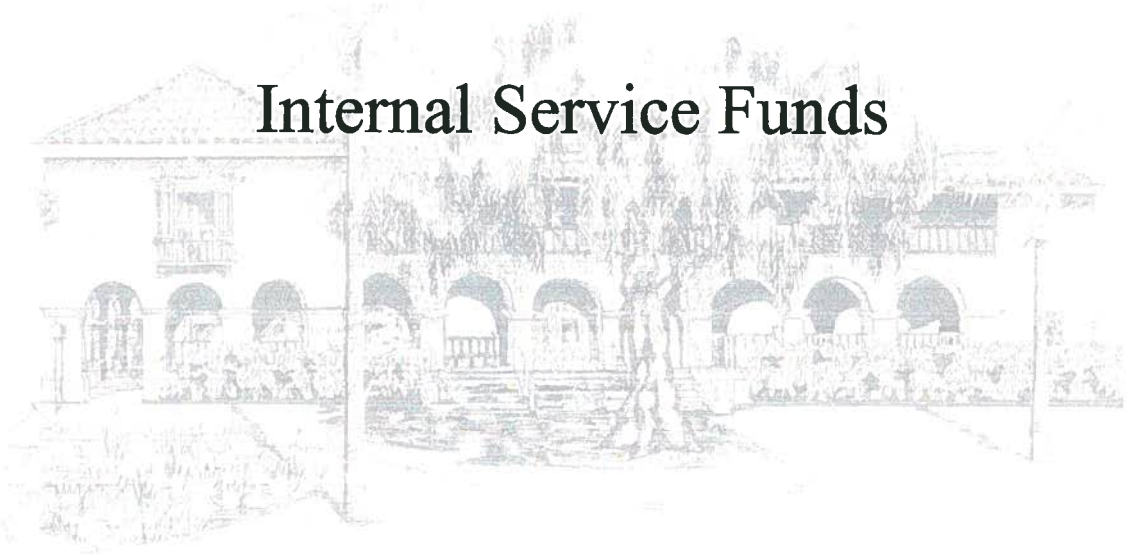
CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2009

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for sales and services:			
Service charges	$ 5,693,697	$ 1,882,515	$ 7,576,212
Leases and rents	-	304,790	304,790
Other revenues	78,394	34,195	112,589
Total revenues	5,772,091	2,221,500	7,993,591
Operating Expenses:			
Salaries, wages and benefits	3,684,772	1,210,373	4,895,145
Materials, supplies and services	2,886,492	683,816	3,570,308
Depreciation	315,144	203,226	518,370
Total operating expenses	6,886,408	2,097,415	8,983,823
Operating income (loss)	(1,114,317)	124,085	(990,232)
Non-operating revenues (expenses):			
Taxes	843,248	-	843,248
Investment income	320,227	45,344	365,571
Interest expense	-	(73,341)	(73,341)
Total non-operating revenues (expenses)	1,163,475	(27,997)	1,135,478
Income (loss)	49,158	96,088	145,246
Transfers in	43,500	-	43,500
Transfers out	(21,716)	(1,069)	(22,785)
Change in net assets	70,942	95,019	165,961
Net assets, beginning of fiscal year	17,495,816	2,776,688	20,272,504
Net assets, end of fiscal year	$ 17,566,758	$ 2,871,707	$ 20,438,465

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2009

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	$ -	$ 1,892,356	$ 1,892,356
Cash received from rents and leases	5,648,915	304,790	5,953,705
Cash payments for goods and services	(2,791,779)	(678,863)	(3,470,642)
Cash payments to employees for services	(3,597,967)	(1,189,771)	(4,787,738)
Cash returned for deposits	(572)	-	(572)
Other operating receipts	78,394	34,195	112,589
Net cash provided (used) by operating activities	(663,009)	362,707	(300,302)
Cash flows from noncapital financing activities			
Transfers from other funds	43,500	-	43,500
Transfers to other funds	(21,716)	(1,069)	(22,785)
Cash received from taxes and assessments	843,248	-	843,248
Net cash provided (used) by non-capital financing activities	865,032	(1,069)	863,963
Cash flows from capital and related financing activities:			
Payments on long term debt	-	(124,100)	(124,100)
Acquisition of capital assets	(1,273,636)	(643,694)	(1,917,330)
Interest paid on debt	-	(49,448)	(49,448)
Net cash provided (used) by capital and related financing activities	(1,273,636)	(817,242)	(2,090,878)
Cash flows from investing activities:			
Cash received on investments	320,227	395,344	715,571
Net increase (decrease) in cash and cash equivalents	(751,386)	(60,260)	(811,646)
Cash and cash equivalents, beginning of fiscal year	8,104,253	1,421,657	9,525,910
Cash and cash equivalents, end of fiscal year	$ 7,352,867	$ 1,361,397	$ 8,714,264
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (1,114,317)	$ 124,085	$ (990,232)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	315,144	203,226	518,370
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(44,862)	-	(44,862)
Increase (decrease) in accounts payable	94,713	4,953	99,666
Increase (decrease) in accrued salaries payable	21,335	2,005	23,340
Increase (decrease) in deferred revenue	80	9,841	9,921
Increase (decrease) in accrued compensated absences	6,891	755	7,646
Increase (decrease) in accrued OPEB	58,579	17,842	76,421
Increase (decrease) in deposits	(572)	-	(572)
Net cash provided (used) by operating activities	$ (663,009)	$ 362,707	$ (300,302)

Internal Service Funds



INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a City-wide basis.

Information Systems Fund - To account for the cost of providing computer equipment and service to all departments and funds within the City.

Vehicle Capital Fund - To account for the costs of purchasing new vehicles for use within the City-wide organization.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2009

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Assets					
Current Assets:					
Cash and investments	$ 2,545,678	$ 9,863,139	$ 1,082,320	$ 7,009,823	$ 20,500,960
Accounts receivable	14,703	42,278	-	4,493	61,474
Inventory, at cost	699,627	-	-	-	699,627
Total current assets	3,260,008	9,905,417	1,082,320	7,014,316	21,262,061
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	162,584	-	-	-	162,584
Improvements other than building	257,165	-	-	-	257,165
Equipment	305,865	-	-	18,847,305	19,153,170
Construction in progress	132,639	-	-	44,901	177,540
Less accumulated depreciation	(232,269)	-	-	(13,497,066)	(13,729,335)
Total capital assets, net	731,873	-	-	5,395,140	6,127,013
Total assets	3,991,881	9,905,417	1,082,320	12,409,456	27,389,074
Liabilities					
Current Liabilities:					
Accounts payable	96,110	51,640	3,420	124,830	276,000
Salaries and benefits payable	176,380	21,232	69,796	36,273	303,681
Compensated absences payable	215,522	21,936	74,821	4,981	317,260
Current portion claims payable	-	2,326,742	-	-	2,326,742
Total current liabilities	488,012	2,421,550	148,037	166,084	3,223,683
Non-current Liabilities:					
Estimated claims payable, net of current portion	-	3,594,246	-	-	3,594,246
Total liabilities	488,012	6,015,796	148,037	166,084	6,817,929
Net Assets					
Unreserved - designated:					
Invested in net assets, net of related debt	731,873	-	-	5,395,140	6,127,013
Unrestricted	2,771,996	3,889,621	934,283	6,848,232	14,444,132
Total net assets	$ 3,503,869	$ 3,889,621	$ 934,283	$ 12,243,372	$ 20,571,145

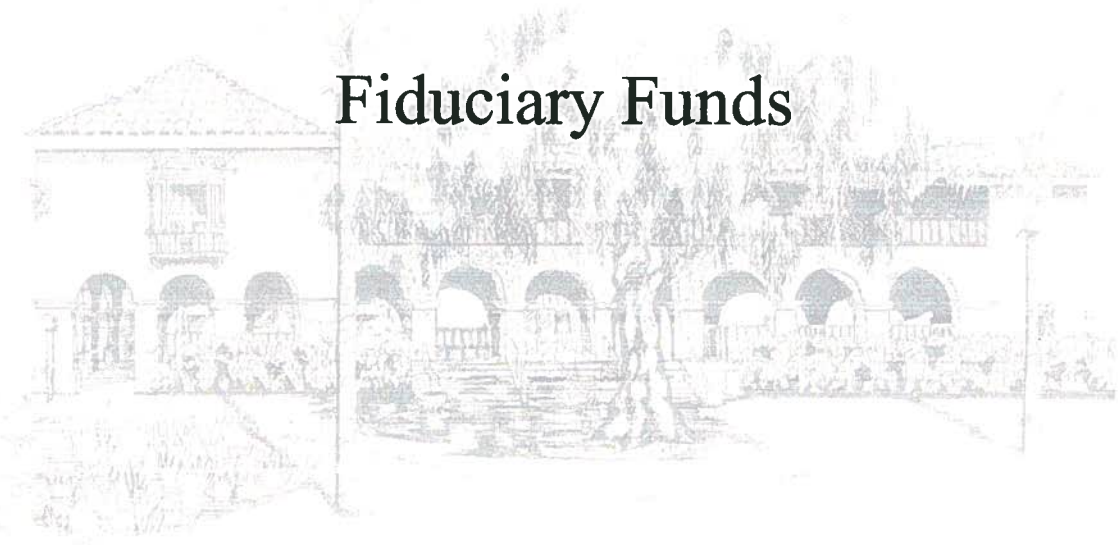
CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2009

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:					
Charges for sales and services:					
Service charges	$ 5,440,168	$ 5,596,802	$ 2,593,871	$ 4,734,338	$ 18,365,179
Other revenues	94,440	1,175,971	10,561	80,361	1,361,333
Total operating revenues	5,534,608	6,772,773	2,604,432	4,814,699	19,726,512
Operating Expenses:					
Public safety					
Salaries, wages and benefits	3,077,339	514,841	1,605,358	1,347,437	6,544,975
Materials, supplies and services	2,015,895	6,456,878	1,083,878	1,542,871	11,099,522
Depreciation	32,292	-	-	1,202,718	1,235,010
Total operating expenses	5,125,526	6,971,719	2,689,236	4,093,026	18,879,507
Operating income (loss)	409,082	(198,946)	(84,804)	721,673	847,005
Non-operating Revenues and Expenses:					
Investment income	-	490,307	-	289,795	780,102
Other	-	-	-	98,895	98,895
	-	490,307	-	388,690	878,997
Income (loss) before transfers	409,082	291,361	(84,804)	1,110,363	1,726,002
Transfers In	-	-	233,333	159,244	392,577
Transfers Out	(216,697)	(3,193,830)	(52,983)	(75,965)	(3,539,475)
Change in net assets	192,385	(2,902,469)	95,546	1,193,642	(1,420,896)
Net assets, beginning of fiscal year	3,311,484	6,792,090	838,737	11,049,730	21,992,041
Net assets, end of fiscal year	$ 3,503,869	$ 3,889,621	$ 934,283	$ 12,243,372	$ 20,571,145

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2009

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:					
Cash received from services	$ 5,443,578	$ 5,596,801	$ 2,593,871	$ 4,729,845	$ 18,364,095
Cash payments for goods and services	(2,112,711)	(6,399,195)	(1,131,356)	(1,558,937)	(11,202,199)
Cash payments to employees for services	(3,088,374)	(519,020)	(1,617,897)	(1,309,132)	(6,534,423)
Other operating receipts	94,440	1,175,971	10,561	80,361	1,361,333
Net cash provided (used) by operating activities	336,933	(145,443)	(144,821)	1,942,137	1,988,806
Cash flows from non-capital financing activities:					
Transfers from other funds	-	-	233,333	159,244	392,577
Transfers to other funds	(216,697)	(3,193,830)	(52,983)	(75,965)	(3,539,475)
Net cash provided (used) by non-capital financing activities	(216,697)	(3,193,830)	180,350	83,279	(3,146,898)
Cash flows from capital and related financing activities:					
Proceeds from disposition of capital assets	-	-	-	98,895	98,895
Acquisition of capital assets	(132,640)	-	-	(1,914,506)	(2,047,146)
Net cash provided (used) by capital and related financing activities	(132,640)	-	-	(1,815,611)	(1,948,251)
Cash flows from investing activities:					
Cash received on investments	-	490,307	-	289,795	780,102
Net increase (decrease) in cash and cash equivalents	(12,404)	(2,848,966)	35,529	499,600	(2,326,241)
Cash and cash equivalents, beginning of fiscal year	2,558,082	12,712,105	1,046,791	6,510,223	22,827,201
Cash and cash equivalents, end of fiscal year	$ 2,545,678	$ 9,863,139	$ 1,082,320	$ 7,009,823	$ 20,500,960
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 409,082	$ (198,946)	$ (84,804)	$ 721,673	$ 847,005
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	32,292	-	-	1,202,718	1,235,010
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	3,410	(1)	-	(4,493)	(1,084)
(Increase) decrease in inventories	92,186	-	-	-	92,186
Increase (decrease) in accounts payable	(189,002)	(193,404)	(47,478)	(16,066)	(445,950)
Increase (decrease) in accrued claims	-	251,087	-	-	251,087
Increase (decrease) in accrued salaries payable	(20,525)	1,344	(4,399)	33,324	9,744
Increase (decrease) in accrued compensated absences	9,490	(5,523)	(8,140)	4,981	808
Net cash provided by operating activities	$ 336,933	$ (145,443)	$ (144,821)	$ 1,942,137	$ 1,988,806

Fiduciary Funds



FIDUCIARY FUNDS

PENSION TRUST FUNDS

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

PRIVATE PURPOSE TRUST FUNDS

Library Gifts Fund - To account for gifts and bequests made to the City library. Funds are used for book replacement.

Canine Unit Fund - To account for contributions made for the Police's Canine Unit program.

Russ Morrison Fund - To account for contributions made from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

AGENCY FUNDS

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

Revolving Rehabilitation Loan Fund - To account for rehabilitation loans made by the City through the use of various funding sources.

Seismic Safety Assessment Fund - To account for the financial activities of the Seismic Assessment District #1.

CITY OF SANTA BARBARA
COMBINING STATEMENT OF PLAN NET ASSETS
PENSION TRUST FUNDS
June 30, 2009

	Safety Retirement	Service Retirement	Total
Assets			
Investments, at fair value			
Cash and investments with fiscal agent	$ -	$ 321,549	$ 321,549
Liabilities			
Accrued benefits payable	5,132	-	5,132
Due to other Governments	448,423	-	448,423
Total Liabilities	453,555	-	453,555
Net assets			
Held in trust for pension benefits	$ (453,555)	$ 321,549	$ (132,006)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2009

	Safety Retirement	Service Retirement	Total
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	$ -	$ (78,168)	$ (78,168)
Interest	-	4,731	4,731
Dividends	-	9,560	9,560
Total investment income	-	(63,877)	(63,877)
Less investment expenses:			
Banking, interest and fiscal agent expenses	(16,578)	(5,128)	(21,706)
Net investment income	(16,578)	(69,005)	(85,583)
Deductions			
Benefits	111,413	124,759	236,172
Total deductions	111,413	124,759	236,172
Net decrease	(127,991)	(193,764)	(321,755)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	(325,564)	515,313	189,749
End of fiscal year	$ (453,555)	$ 321,549	$ (132,006)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2009

	Library Gifts	Tea Fire Employee Trust	Canine Unit	Russ Morrison Trust	Total
Assets					
Cash and investments	$ 2,085,548	$ 850	$ 16,318	$ 1,235	$ 2,103,951
Accounts receivable	-	-	-	-	-
	2,085,548	850	16,318	1,235	2,103,951
Liabilities					
Accounts payable	-	-	-	-	-
Net Assets					
Held in trust	$ 2,085,548	$ 850	$ 16,318	$ 1,235	$ 2,103,951

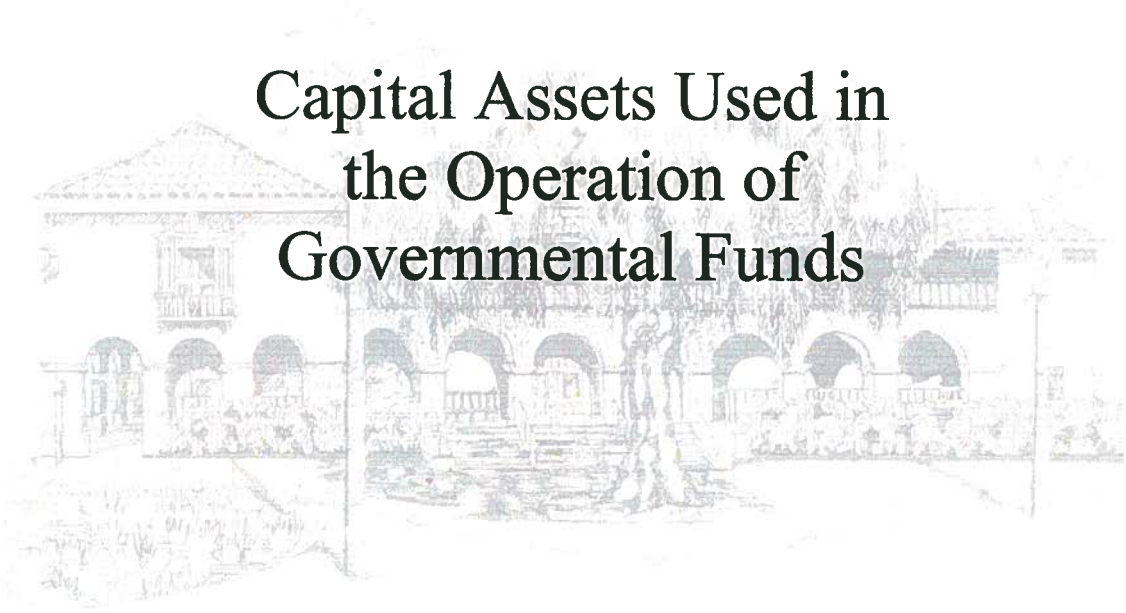
CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2009

	Library Gifts	Tea Fire Employee Trust	Canine Unit	Russ Morrison Trust	Total
Additions					
Use of money and property	$ 52,240	$ -	$ 450	$ -	$ 52,690
Contributions	-	850	4,500	(303)	5,047
Total additions	52,240	850	4,950	(303)	57,737
Deductions					
Community services	432,634	-	12,021	-	444,655
Net increase (decrease)	(380,394)	850	(7,071)	(303)	(386,918)
Net assets, beginning of fiscal year	2,465,942	-	23,389	1,538	2,490,869
Net assets, end of fiscal year	$ 2,085,548	$ 850	$ 16,318	$ 1,235	$ 2,103,951

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Accounts receivable	$ 20,713	$ 12,578	$ -	$ 33,291
Equipment	12,000	-	12,000	-
Total assets	$ 32,713	$ 12,578	$ 12,000	$ 33,291
Liabilities:				
Accounts payable	$ 856	$ 2,685	$ -	$ 3,541
Due to other Governments	6,649	14,116	-	20,765
Trust liability	25,208	-	16,223	8,985
Total liabilities	$ 32,713	$ 16,801	$ 16,223	$ 33,291
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	$ 948,808	$ 27,345	$ -	$ 976,153
Loans receivable	2,007,133	-	20,056	1,987,077
Total assets	$ 2,955,941	$ 27,345	$ 20,056	$ 2,963,230
Liabilities:				
Accounts payable	$ 1,556	$ 3	$ -	$ 1,559
Contributions	2,954,385	7,286	-	2,961,671
Total liabilities	$ 2,955,941	$ 7,289	$ -	$ 2,963,230
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	$ 133,833	$ -	$ 7,341	$ 126,492
Accounts receivable	-	-	-	-
Cash and investments held by fiscal agent	96,460	-	8,995	87,465
Total assets	$ 230,293	$ -	$ 16,336	$ 213,957
Liabilities:				
Trust liability	230,293	-	16,336	213,957
Total liabilities	$ 230,293	$ -	$ 16,336	$ 213,957
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	$ 1,082,641	$ 27,345	$ 7,341	$ 1,102,645
Accounts receivable	20,713	12,578	-	33,291
Loans receivable	2,007,133	-	20,056	1,987,077
Equipment	12,000	-	12,000	-
Cash and investments held by fiscal agent	96,460	-	8,995	87,465
Total assets	$ 3,218,947	$ 39,923	$ 48,392	$ 3,210,478
Liabilities:				
Accounts payable	$ 2,412	$ 2,688	$ -	$ 5,100
Due to other Governments	6,649	14,116	-	20,765
Trust liability	255,501	-	32,559	222,942
Contributions	2,954,385	7,286	-	2,961,671
Total liabilities	$ 3,218,947	$ 24,090	$ 32,559	$ 3,210,478

Capital Assets Used in the Operation of Governmental Funds



CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
Fiscal Year Ended June 30, 2009

Governmental Funds Capital Assets	Historic Cost	Accumulated Depreciation	Net
Construction in progress	$ 33,461,995	$ -	$ 33,461,995
Land	50,759,518	-	50,759,518
Streets	160,101,179	-	160,101,179
Buildings	45,431,544	13,345,836	32,085,708
Building Improvements	7,874,432	2,960,408	4,914,024
Improvements	41,509,081	23,374,024	18,135,057
Equipment	28,129,256	19,616,727	8,512,529
Infrastructure	117,185,386	54,404,337	62,781,049
Total governmental funds capital assets	$ 484,452,391	$ 113,701,332	$ 370,751,059

This schedule presents the capital asset balances related to governmental funds and capital assets of governmental activities reported in the Internal Service funds. Generally, the capital assets of Internal Service funds are included in governmental activities in the Statement of Net Assets.

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
Fiscal Year Ended June 30, 2009

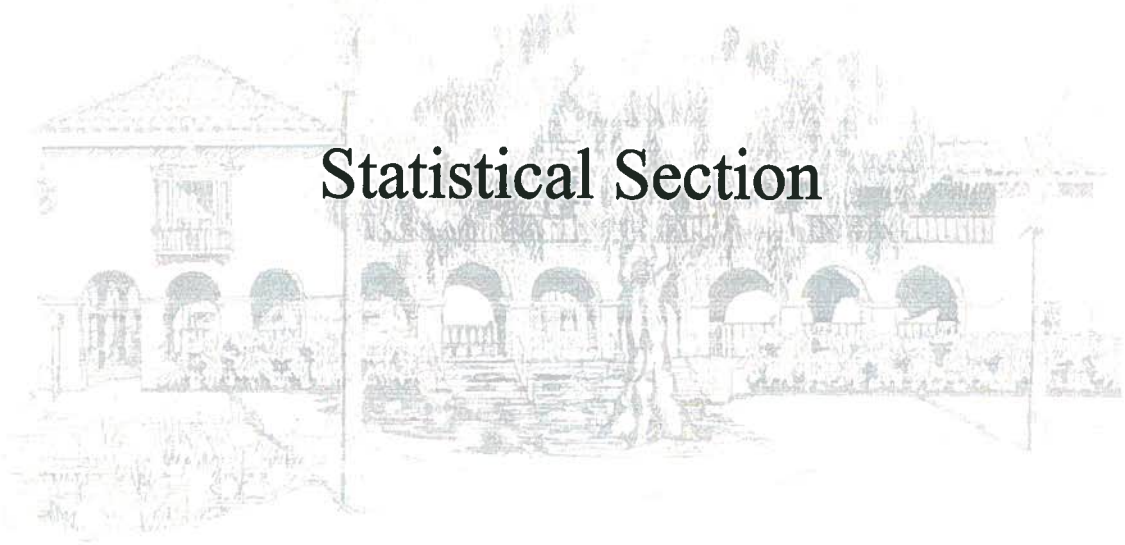
Function:	Construction in Progress	Land	Streets	Buildings	Building Improvements	Improvements	Equipment	Infrastructure	Total
City Attorney	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City Administrator's Office	-	1,473,424	-	158,716	308,212	-	1,473,953	-	3,414,305
Administrative Services	169,087	-	-	-	330,148	-	1,776,447	-	2,275,682
Finance	503,156	-	-	51,931	208,717	-	399,802	-	1,163,606
Public Safety	2,092,349	558,158	-	3,669,683	949,379	306,922	2,993,427	-	10,569,918
Public Works	14,967,022	1,406,279	160,101,179	1,609,534	825,348	5,454,058	19,918,561	110,829,652	315,111,633
Community Services	930,533	6,891,746	-	9,919,005	4,163,461	9,809,254	1,235,478	2,303,015	35,252,492
Community Development	14,799,848	40,429,911	-	30,022,675	1,089,167	25,938,847	331,588	4,052,719	116,664,755
Total governmental funds capital assets	$33,461,995	$50,759,518	$160,101,179	$45,431,544	$ 7,874,432	$ 41,509,081	$28,129,256	$117,185,386	$484,452,391

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
Fiscal Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Function:				
City Attorney	$ -	$ -	$ -	$ -
City Administrator's Office	3,397,537	16,768	-	3,414,305
Administrative Services	1,997,875	277,807	-	2,275,682
Finance	1,085,307	78,299	-	1,163,606
Public Safety	9,918,265	683,690	(32,037)	10,569,918
Public Works	308,573,830	7,506,308	(968,505)	315,111,633
Community Services	33,940,280	1,312,212	-	35,252,492
Community Development	108,057,210	8,607,545	-	116,664,755
Total governmental funds capital assets	$ 466,970,304	$ 18,482,629	$ (1,000,542)	$ 484,452,391

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

Statistical Section



STATISTICAL SECTION

This part of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents **Page**

Financial Trends 132

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 139

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity 143

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 148

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 150

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Santa Barbara
Net assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	$23,763	$63,294	$73,738	$80,483	$301,827	$305,449	$319,070	$331,171
Restricted	83,447	62,650	59,941	70,888	77,906	85,569	89,964	99,248
Unrestricted	50,741	33,516	31,314	24,228	33,815	36,228	36,948	32,329
Total governmental activities net assets	$157,951	$159,460	$164,993	$175,599	$413,548	$427,246	$445,982	$462,748
Business-type activities								
Invested in capital assets, net of related debt	$126,385	$138,066	$139,780	$135,336	$245,095	$255,451	$275,594	$285,547
Restricted	4,240	-	-	4,704	4,266	12,303	9,784	8,377
Unrestricted	66,958	59,199	64,564	75,088	78,148	84,159	87,716	83,993
Total business-type activities net assets	$197,583	$197,265	$204,344	$215,128	$327,509	$351,913	$373,094	$377,917
Primary government								
Invested in capital assets, net of related debt	$150,148	$201,360	$213,518	$215,819	$546,922	$560,900	$594,664	$616,718
Restricted	87,687	62,650	59,941	75,592	82,172	97,872	99,748	107,625
Unrestricted	117,699	92,715	95,878	99,316	111,963	120,387	124,664	116,322
Total primary government net assets	$355,534	$356,725	$369,337	$390,727	$741,057	$779,159	$819,076	$840,665

Note:
Trend data is only available for the last eight fiscal years due to the implementation of GASB 34.

City of Santa Barbara
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year					
Expenses	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Governmental activities:						
Administration	$10,094	$10,139	$11,385	$12,329	$12,197	$12,217
Public safety	42,653	45,653	48,836	51,186	54,395	55,394
Public works	18,235	19,915	39,887	45,284	44,528	46,914
Community services	20,778	19,607	20,959	22,032	22,983	23,610
Community development	16,528	17,002	20,804	17,939	19,948	19,676
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408	3,186
Total governmental activities expenses	111,794	116,397	145,940	152,580	157,459	160,997
Business-type activities:						
Water	22,842	23,169	25,937	27,311	27,415	29,642
Wastewater	9,902	10,909	12,618	13,253	14,560	15,938
Airport	12,812	11,786	13,499	14,862	16,307	19,013
Waterfront	10,921	10,164	10,778	11,004	11,054	11,561
Parking	4,582	4,925	5,839	6,018	6,262	6,949
Golf course	1,825	1,877	1,924	2,033	2,086	2,118
Total business-type activities expenses	62,884	62,830	70,595	74,481	77,684	85,221
Total primary government expenses	$174,678	$179,227	$216,535	$227,061	$235,143	$246,218
Program Revenues						
Governmental activities:						
Charges for services:						
Administration	$1,349	$1,600	$1,825	$1,982	$1,845	$1,836
Public safety	7,313	8,092	9,186	9,195	9,401	9,448
Public works	5,707	7,822	21,781	22,255	23,902	25,683
Community services	4,552	4,699	4,784	4,945	5,211	5,369
Community development	4,094	4,259	5,670	5,548	5,608	5,403
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099	13,576
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733	11,102
Total governmental activities program revenues	36,900	40,077	58,006	64,082	69,799	72,417
Business-type activities:						
Charges for services:						
Water	25,153	26,492	27,410	30,477	32,610	32,263
Wastewater	10,120	11,379	12,096	12,559	13,449	13,896
Airport	12,268	13,187	13,939	14,861	15,451	15,298
Waterfront	9,625	9,899	10,253	10,894	11,177	10,754
Parking	4,844	4,968	5,859	6,592	6,669	6,615
Golf course	2,046	1,976	2,060	2,231	2,245	2,221
Operating grants and contributions	9	13	57	115	145	135
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861	5,049
Total business-type activities program revenues	69,228	71,354	84,056	94,884	93,607	86,231
Total primary government program revenues	$106,128	$111,431	$142,062	$158,966	$163,406	$158,648

(Continued)

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Net (expense)/revenue						
Governmental activities	($74,894)	($76,320)	($87,934)	($88,498)	($87,660)	($88,581)
Business-type activities	6,344	8,524	13,461	20,403	15,923	1,010
Total primary government net expense	($68,550)	($67,796)	($74,473)	($68,095)	($71,737)	($87,571)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property	$24,142	$30,022	$34,078	37,871	40,520	43,275
Sales & use	18,420	18,949	19,968	19,927	20,838	17,876
Transient occupancy	12,439	13,298	14,439	15,409	15,523	14,469
Utility users	11,325	11,977	12,422	13,133	12,525	12,654
Business license	1,926	2,037	2,169	2,214	2,252	2,302
Real property transfer	709	719	685	646	452	278
Franchise fees	2,056	2,124	3,260	3,583	3,181	3,284
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418	320
Investment income	2,888	3,410	3,955	4,762	6,643	4,846
Other revenue	1,953	2,024	4,384	3,111	3,862	5,952
Transfers	-	70	12	687	182	91
Total governmental activities	80,427	86,927	96,031	102,196	106,396	105,347
Business-type activities:						
Investment earnings	735	2,329	2,836	4,687	5,440	3,904
Transfers	-	(70)	(12)	(687)	(182)	(91)
Total business-type activities	735	2,259	2,824	4,000	5,258	3,813
Total primary government	$81,162	$89,186	$98,855	$106,196	$111,654	$109,160
Change in Net Assets						
Governmental activities	$5,533	$10,607	$8,097	$13,698	$18,736	$16,766
Business-type activities	7,079	10,783	16,285	24,403	21,181	4,823
Total primary government	$12,612	$21,390	$24,382	$38,101	$39,917	$21,589

Note:
Trend data is only available for the last six fiscal years due to the implementation of GASB 34.

City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Trans-portation Tax	Business License Tax	Gas Tax	Real Property Transfer Tax	Total
2000	$17,751	$17,326	$9,392	$8,911	$3,745	$1,666	$1,618	$372	$60,781
2001	19,883	18,237	11,099	9,737	4,587	1,682	1,810	339	67,374
2002	21,366	17,511	11,805	9,996	4,897	1,769	1,668	307	69,319
2003	23,224	17,904	11,837	11,166	4,173	1,832	1,698	875	72,709
2004	24,142	18,420	12,439	11,325	4,621	1,926	1,679	709	75,261
2005	30,022	18,949	13,298	11,977	4,502	2,037	1,684	719	83,188
2006	34,078	19,968	14,439	12,422	4,632	2,169	1,649	685	90,042
2007	37,871	19,927	15,409	13,133	4,877	2,214	1,643	646	95,720
2008	40,520	20,838	15,523	12,525	4,778	2,252	1,598	452	98,486
2009	43,275	17,876	14,469	12,654	4,224	2,301	1,464	278	96,541

City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
General Fund										
Reserved	$5,696	$6,742	$7,101	$6,120	$4,720	$4,395	$4,866	$5,175	$7,060	$6,249
Unreserved	29,863	31,099	29,899	29,859	28,147	25,428	24,949	23,033	17,965	17,973
Total general fund	$35,559	$37,841	$37,000	$35,979	$32,867	$29,823	$29,815	$28,208	$25,025	$24,222
All other governmental funds										
Reserved	$46,210	$47,739	$87,923	$92,211	$123,964	$130,317	$117,371	$114,672	$118,960	$122,736
Unreserved, reported in:										
Special revenue funds	(1,219)	183	543	511	90	(1,390)	(977)	1,346	2,582	3,015
Capital projects funds	7,306	9,230	10,370	7,416	4,032	539	-	-	-	-
Total all other governmental funds	$52,297	$57,152	$98,836	$100,138	$128,086	$129,466	$116,394	$116,018	$121,542	$125,751

City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Revenues										
Taxes	$60,781	$67,374	$69,319	$72,709	$75,262	$83,188	$90,142	$96,004	$98,515	$96,598
Franchise fees	1,634	1,784	2,067	2,050	2,383	2,497	3,260	3,583	3,181	3,284
Intergovernmental	9,851	16,844	12,754	12,567	10,278	8,060	7,412	12,956	16,698	17,864
Fines and forfeitures	2,309	2,265	2,649	2,924	3,792	4,072	4,547	4,016	4,335	4,167
Use of money and property	4,256	6,929	6,417	5,019	3,297	3,758	4,361	5,173	6,632	4,944
Charges for services	13,484	15,070	11,781	11,915	13,998	15,562	32,365	33,399	35,478	37,649
Program income	669	845	484	663	746	845	420	512	283	321
Other revenues	4,342	1,059	5,334	5,759	6,713	6,590	10,046	8,610	9,234	11,156
Total revenues	97,326	112,170	110,805	113,606	116,469	124,572	152,553	164,253	174,356	175,983
Expenditures										
General government/administration	9,741	10,644	9,902	9,663	9,656	9,806	11,025	12,008	12,007	11,931
Public safety	30,743	33,419	37,630	37,334	42,081	45,035	47,772	50,349	54,109	54,990
Public works	11,995	12,464	15,029	14,764	17,233	19,025	31,278	37,677	38,615	40,058
Community services	15,470	16,859	16,690	16,356	18,880	18,077	18,870	20,044	21,420	21,549
Community development	9,382	10,097	12,477	13,762	13,507	14,224	17,599	16,144	18,014	17,140
Capital outlay	5,028	12,389	7,521	11,960	7,334	15,775	28,434	19,217	17,169	19,855
Community promotions	1,954	2,003	2,295	2,252	2,267	2,439	2,253	2,373	1,884	1,824
Debt service										
Principal	3,540	3,735	4,490	4,239	5,415	4,750	5,411	5,571	5,076	5,341
Interest	2,305	2,110	2,974	3,350	3,259	3,935	3,904	3,687	3,459	3,126
Other charges	-	-	-	-	941	305	-	-	-	-
Total expenditures	90,158	103,720	109,008	113,680	120,573	133,371	166,546	167,070	171,753	175,814
Excess of revenues over (under) expenditures	7,168	8,450	1,797	(74)	(4,104)	(8,799)	(13,993)	(2,817)	2,603	169

(Continued)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses)										
Transfers in	$15,103	$15,779	$24,630	$16,993	$14,387	$14,115	$11,563	$19,202	$16,291	$25,002
Transfers out	(15,070)	(15,287)	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)
Proceeds from bond issuance	-	-	37,790	-	28,399	7,184	-	-	-	-
Total other financing sources (uses)	33	492	38,047	355	28,940	7,135	163	834	(262)	3,237
Net change in fund balances	$7,201	$8,942	$39,844	$281	$24,836	($1,664)	($13,830)	($1,983)	$2,341	$3,406
Debt service as a percentage of noncapital expenditures	6.87%	6.40%	7.78%	7.67%	8.88%	8.71%	7.87%	6.93%	7.88%	6.04%

City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Sales & Use Tax	Utility Users Tax	Property Tax	Real Property Transfer Tax	Transient Occupancy Tax	Business License tax	Trans-portation Tax	Gas tax	Total
2000	$17,326	$8,911	$17,751	$372	$9,392	$1,666	$3,745	$1,618	$60,781
2001	18,237	9,737	19,883	339	11,099	1,682	4,587	1,810	67,374
2002	17,511	9,996	21,366	307	11,805	1,769	4,897	1,668	69,319
2003	17,904	11,166	23,224	875	11,837	1,832	4,173	1,698	72,709
2004	18,420	11,325	24,143	709	12,439	1,926	4,621	1,679	75,262
2005	18,949	11,977	30,022	719	13,298	2,037	4,502	1,684	83,188
2006	20,068	12,422	34,078	685	14,439	2,169	4,632	1,649	90,142
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	1,643	96,004
2008	20,838	12,525	40,520	452	15,523	2,252	4,778	1,598	98,486
2009	17,876	12,654	43,275	278	14,469	2,301	4,224	1,464	96,541

City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

	City				Redevelopment Agency				
Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2000	$7,489,424	$497,403	($580,768)	$7,406,059	$863,742	$189,602	($44,240)	$1,009,104	1.00%
2001	8,032,015	597,443	(579,933)	8,049,525	1,022,931	215,719	(52,137)	1,186,513	1.00%
2002	8,641,674	637,216	(622,514)	8,656,376	1,094,347	227,297	(54,310)	1,267,334	1.00%
2003	9,262,486	703,068	(663,027)	9,302,527	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	9,986,688	741,575	(714,976)	10,013,287	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	10,768,306	738,641	(708,983)	10,797,964	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	11,921,748	738,200	(802,033)	11,857,915	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	13,996,764	775,075	(947,703)	13,824,136	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	14,896,566	908,857	(1,089,312)	14,716,111	1,851,532	336,783	(150,558)	2,037,757	1.00%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Direct and Overlapping Property Tax Rates
(Rate per $100 of assessed value)
Last Ten Fiscal Years

	Direct Rates	Overlapping Rates		
Fiscal Year	General	City Bonds	Schools Bonds	Total
2000	$1.000	$ -	$0.019	$1.019
2001	1.000	-	0.027	1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026
2009	1.000	-	0.035	1.035

Note:
In 1978 the voter of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2009 Taxable Net Assessed Value	Fiscal Year 2009 Percentage of Total Taxable Net Assessed Value	Fiscal Year 2000 Taxable Net Assessed Value	Fiscal Year 2000 Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association[1]	$85,193	0.57%	$56,137	0.76%
Parker Fess Doubletree Hotel	79,137	0.53%	67,563	0.91%
FW CA-Five Points Shopping Center, LLC	49,657	0.33%	-	0.00%
Nettleship Patricia S Trust	44,090	0.30%	27,692	0.37%
MCC BB Property, LLC	41,066	0.28%	-	0.00%
MF Santa Barbara, LLC	35,700	0.24%	-	0.00%
Due West, LLC	31,702	0.21%	-	0.00%
El Encanto, Inc	29,618	0.20%	-	0.00%
HDG Associates	28,633	0.19%	22,386	0.30%
Riviera Dairy Products	25,846	0.17%	15,741	0.21%
BPP Retail LLC	-	0.00%	26,208	0.35%
ESJ Centers	19,081	0.13%	22,537	0.30%
Union Pacific Railroad Company	-	0.00%	15,292	0.21%
Encinal Properties LLC	-	0.00%	13,893	0.19%
New York Times Company	-	0.00%	13,725	0.19%
	$469,723	3.17%	$281,174	3.80%

(1) The City's Redevelopment Agency owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

Sources: Santa Barbara County Auditor-Controller

City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	$17,751	$17,751	100%	$ -	$17,751	100%
2001	19,883	19,883	100%	-	19,883	100%
2002	21,366	21,366	100%	-	21,366	100%
2003	23,224	23,224	100%	-	23,224	100%
2004	24,143	24,143	100%	-	24,143	100%
2005	30,022	30,022	100%	-	30,022	100%
2006	34,078	34,078	100%	-	34,078	100%
2007	37,871	37,871	100%	-	37,871	100%
2008	40,520	40,520	100%	-	40,520	100%
2009	43,275	43,275	100%	-	43,275	100%

City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

	Governmental Activities			Business-Type Activities					
Fiscal Year	Certificates of Participation	Tax Allocation Bonds	Loans	Revenue Bonds	Certificates of Participation	Loans	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2000	$4,150	$32,750	$ -	$9,525	$40,955	$5,111	$92,491	0.78%	$1,004
2001	4,015	29,150	-	8,755	40,345	4,695	86,960	0.67%	951
2002	4,184	63,660	-	7,955	35,296	4,268	115,363	0.88%	1,272
2003	3,930	59,675	-	7,125	35,710	8,464	114,904	0.88%	1,270
2004	3,726	82,035	-	6,255	34,734	21,899	148,649	1.09%	1,641
2005	3,511	84,650	750	25,555	33,739	34,776	182,981	1.26%	2,021
2006	3,290	79,460	750	24,570	32,710	37,229	178,009	1.10%	1,988
2007	3,069	74,110	750	23,545	31,656	40,303	173,433	1.02%	1,939
2008	2,838	69,265	750	22,470	30,557	38,269	164,149	0.88%	1,818
2009	2,597	64,165	750	68,625	29,423	36,159	201,719	1.02%	2,234

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[1] See the Schedule of Demographic and Economic Statistics on page 148 for personal income and population data.

City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Certificates of Participation	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita[2]
2000	$4,150	$32,750	$ -	$5,485	$31,415	0.42%	$341
2001	4,015	29,150	-	5,514	27,651	0.34%	302
2002	4,184	63,660	-	5,412	62,432	0.72%	688
2003	3,930	59,675	-	5,342	58,263	0.63%	644
2004	3,726	82,035	-	1,247	84,514	0.84%	933
2005	3,511	84,650	750	1,251	87,660	0.81%	968
2006	3,290	79,460	750	1,258	82,242	0.69%	918
2007	3,069	74,110	750	1,260	76,669	0.59%	857
2008	2,838	69,265	750	561	72,292	0.52%	801
2009	2,597	64,165	750	561	66,951	0.45%	741

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[1] See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 139 for property value data.

[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 148.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2009
(amounts expressed in thousands)

2008-09 Assessed Valuation	$15,805,423
Redevelopment Agency Incremental Valuation	2,188,315
Adjusted Assessed Valuation	$13,617,108

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara School Districts	$100,141	100%	$100,141
Total overlapping debt repaid with property taxes	$100,141		$100,141
Direct and Overlapping General Obligation Debt			
Santa Barbara County General Fund Obligations	$73,315	21%	$15,351
City of Santa Barbara Certificates of Participation	3,935	100%	3,935
Total direct and overlapping general obligation debt	$77,250		$19,286
Total direct and overlapping debt			$119,427
Ratio to 2008-09 Assessed Valuation			
Total direct and overlapping debt			0.76%

Notes:
Details regarding the city's outstanding debt can be found in the notes to the financial statements.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

[1] Population estimates for the City and County were used to calculate the estimated percentage applicable of the overlapping debt. Of the County's 431,312 population, 21% (or 90,308) reside within the city's boundaries.

Sources: County of Santa Barbara

City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Assessed valuation	$7,986,827	$8,629,458	$9,278,890	$9,965,554	$10,728,263	$11,506,947	12,659,948	$13,763,215	14,771,839	15,805,423
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$1,996,707	$2,157,365	$2,319,723	$2,491,389	$2,682,066	$2,876,737	$3,164,987	$3,440,804	$3,692,960	$3,951,356
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121	$553,944	$592,703
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$299,506	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121	$553,944	$592,703
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

	Water Revenue Bonds						Wastewater Revenue Bonds						Tax Allocation Bonds			
Fiscal Year	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Waste-water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Tax Increment	Debt Service Principal	Debt Service Interest	Coverage
2000	$22,888	$12,429	$10,459	$345	$383	14.37	$9,092	$6,670	$2,422	$400	$69	5.16	$9,624	$3,410	$2,058	1.76
2001	22,517	15,072	7,445	360	366	10.25	8,975	6,639	2,336	410	52	5.06	11,183	3,600	1,868	2.05
2002	22,813	17,931	4,882	375	348	6.75	8,802	8,177	625	425	35	1.36	11,853	4,345	2,739	1.67
2003	23,172	18,149	5,023	395	330	6.93	9,495	8,423	1,072	435	21	2.35	12,851	3,985	3,239	1.78
2004	25,153	18,194	6,959	420	310	9.53	10,120	7,920	2,200	450	-	4.89	12,945	5,210	3,075	1.56
2005	26,492	18,547	7,945	435	290	10.96	11,379	8,284	3,095	675	680	2.28	13,946	4,535	3,701	1.69
2006	27,410	19,770	7,640	460	268	10.49	12,096	8,828	3,268	525	829	2.41	15,273	5,190	3,733	1.71
2007	30,477	20,170	10,307	480	246	14.20	12,559	9,320	3,239	545	808	2.39	16,831	5,350	3,522	1.90
2008	32,610	21,351	11,259	510	222	15.38	13,471	10,718	2,753	565	789	2.03	18,081	4,845	3,302	2.22
2009	32,263	22,694	9,569	535	197	13.07	13,915	11,493	2,422	580	775	1.79	20,038	5,100	3,053	2.46

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population [1]	Personal Income (in millions) [2]	Per Capita Personal Income [2]	June 30 Unemployment Rate [3]
2000	92,100	$11,890	$29,957	4.2%
2001	91,429	12,911	32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,389	38,313	4.1%
2006	89,548	16,231	40,486	4.0%
2007	89,456	16,968	42,385	4.2%
2008	90,305	18,642	46,120	5.1%
2009	90,308	19,740	48,693	8.2%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria.

Sources:

(1) California Department of Finance, Demographic Research Unit

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) California Employment Development Department

City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago

	As of June 30, 2009		As of June 30, 2000	
Employer	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
University of California, Santa Barbara	9,501	17.63%	8,834	17.36%
County of Santa Barbara	4,214	7.82%	4,255	8.36%
Santa Barbara Cottage Hospital	2,518	4.67%	1,866	3.67%
Santa Barbara City Community College	2,360	4.38%	1,500	2.95%
Santa Barbara School District Admin.	1,692	3.14%	1,708	3.36%
Raytheon/ E-Systems	1,633	3.03%	1,700	3.34%
Sansum Medical Foundation Clinic	1,100	2.04%	1,100	2.16%
City of Santa Barbara	1,000	1.86%	1,042	2.05%
Santa Barbara Bank & Trust	894	1.66%	968	1.90%
US Postal Service	830	1.54%	1,091	2.14%
	25,742	47.76%	24,064	47.28%

Source: Santa Barbara Chamber of Commerce

City of Santa Barbara
Full-time Equivalent City Government Employees by Function
Last Six Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	2005	2006	2007	2008	2009
Administration	111	107	110	113	103
Public safety	343	333	329	328	323
Public works	138	142	142	143	138
Community services	135	134	137	141	117
Community development	85	88	88	89	78
Water	56	60	64	68	61
Wastewater	55	53	53	53	59
Airport	51	53	53	54	52
Waterfront	46	46	46	46	46
Parking	31	32	34	36	34
Golf course	12	13	13	13	12
Total	1,063	1,061	1,069	1,084	1,023

Note:
Trend data is only available for the last five fiscal years due to the implementation of GASB 34.

City of Santa Barbara
Operating Indicators by Function
Last Four Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Police				
Criminal citations issued	1,990	2,209	2,013	9,825
Parking citations	64,300	54,928	60,984	54,692
Street sweeping citations	35,392	32,065	33,017	30,184
Fire				
Number of calls received	7,302	7,441	7,500	13,768
Engine company fire inspections	946	1334	1417	2668
Public works				
Street resurfacing (miles)	75	70	60	64.5
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122
Community services				
Facility permits processed	870	982	1026	1029
Library items checked out	726,375	740,703	730,598	758,046
Community development				
Building inspections completed	14,400	12,909	11,047	11,598
Total permits issued	3,000	2,478	2,704	2,696
Water				
Million gallons water treated	7,790	7,424	7,909	6,757
Percent of drinking water regulations met	100%	100%	100%	100%
Wastewater				
Million gallons waste water treated	3,100	2,774	2,875	2,750
Miles of wastewater collection system pipes cleaned	200	202	206	173
Percent of discharge requirements met	99%	100%	99%	89%
Airport				
Total number of annual passengers	858,352	832,396	833,164	772,718
Annual tons of airfreight	3,019	3,053	2,948	2,436
Waterfront				
Number of lease contracts managed	58	60	67	64
Number of parking permits distributed	677,731	720,184	756,377	772,588
Parking				
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998	4,304,337
Golf course				
Rounds of golf	76,600	78,532	74,484	70,546

Note:
Trend data is only available for the last four fiscal years due to the implementation of GASB 34.

Source: Various City Departments

City of Santa Barbara
Capital Asset Statistics by Function
Last Four Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Police				
Stations	1	1	1	1
Fire				
Stations	8	8	8	8
Public works				
Streets (miles)	238	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661
Community services				
Parks acreage	1,765	1,765	1765	1765
Parks	59	59	59	59
Swimming pools	2	2	2	2
Tennis courts	34	34	34	34
Community buildings	8	8	8	8
Libraries	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	423,019	410,010	401,160	384,880
Water				
Number of distribution system reservoirs	14	14	13	13
Number of water supply reservoir				1
Number of pump stations	12	12	12	12
Number of treatment plants	2	2	2	2
Number of wells	9	9	9	9
Wastewater				
Number of treatment plants	1	1	1	1
Number of lift stations	10	10	9	9
Airport				
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079	6,842,079
Waterfront				
Number of harbor slips	1,133	1,133	1,133	1,133
Parking				
Number of parking structures and lots	14	14	14	14
Number of parking spaces	3,595	3,595	3,595	3,595

Note:
Trend data is only available for the last four fiscal years due to the implementation of GASB 34.

Source: Various City Departments