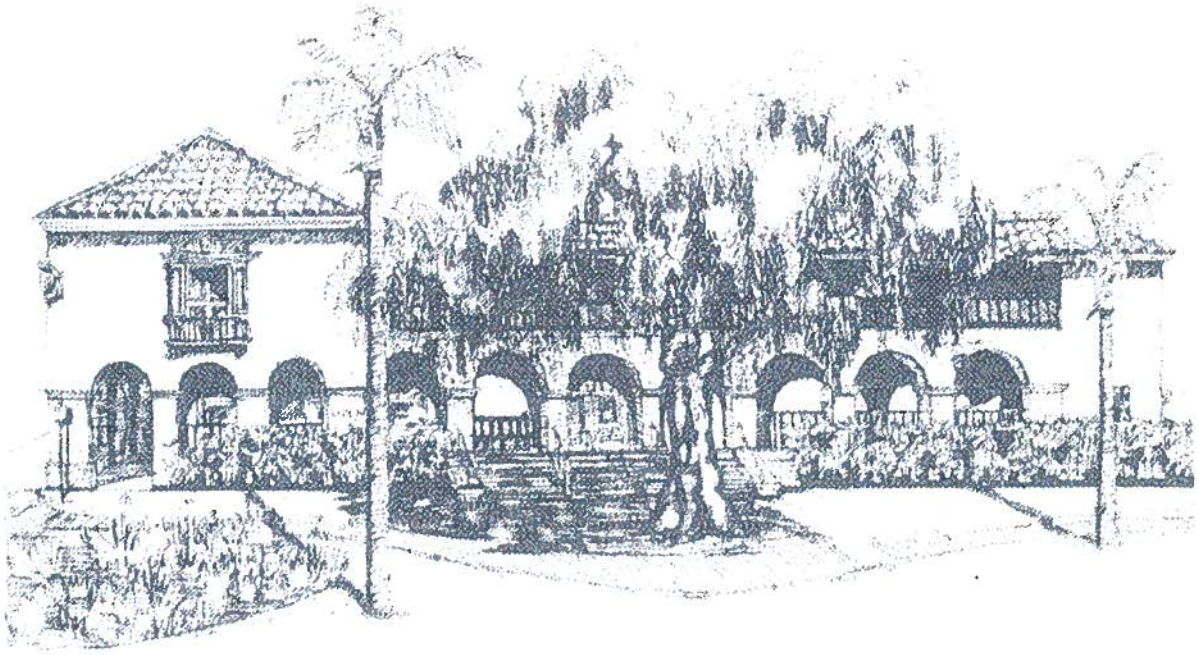
City of Santa Barbara
California



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

City of Santa Barbara, California

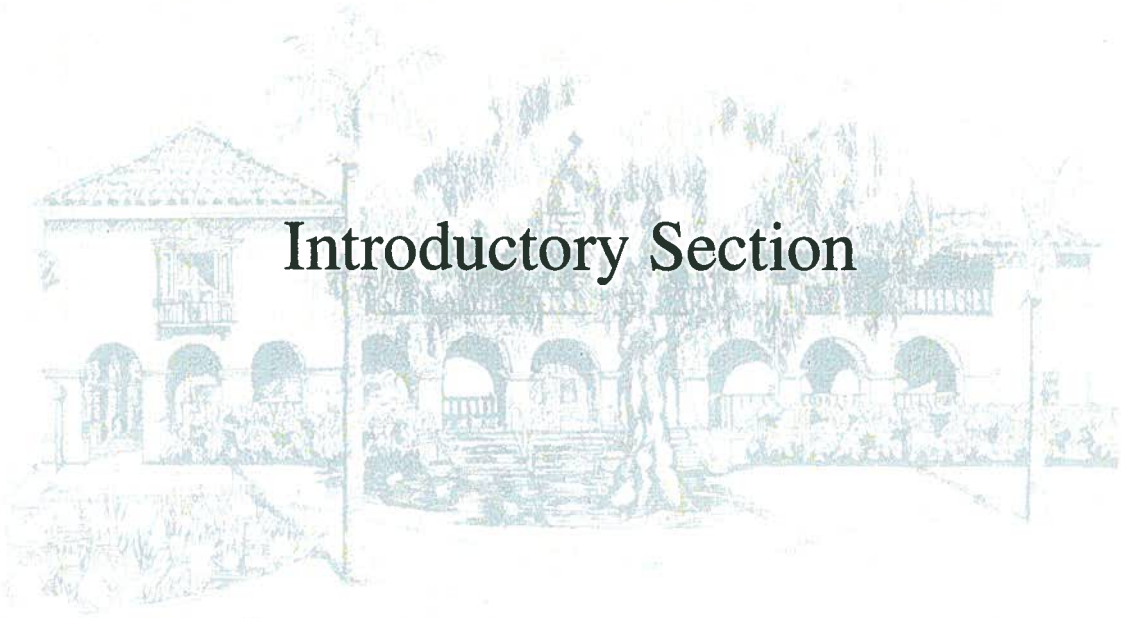
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

Prepared Under the Supervision of

Robert Samario
Finance Director

Introductory Section



CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Table of Contents

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal 1-5
Government Finance Officers Association Certificate of Achievement 6
Directory of City Officials 7
Advisory Boards and Commissions 8
City of Santa Barbara Organization Chart 9

FINANCIAL SECTION

Independent Auditors' Report 11-12
Management's Discussion and Analysis (Required Supplementary Information) 13-32
Basic Financial Statements:
Government-wide Financial Statements:
Statement of Net Assets 34
Statement of Activities 35
Fund Financial Statements:
Balance Sheet – Governmental Funds 36
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities in the Statement of Net Assets 37
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds 38
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities – Governmental Activities 39
Statement of Net Assets – Proprietary Funds 40-41
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds 42-43
Statement of Cash Flows – Proprietary Funds 44-45
Statement of Net Assets – Fiduciary Funds 46
Statement of Changes in Net Assets – Fiduciary Funds 47
Notes to the Basic Financial Statements 50-85
Required Supplementary Information (Other Than MD&A) 86-93
Combining and Individual Fund Statements and Schedules:
Nonmajor Governmental Funds Listing 95-96
Combining Balance Sheet – Nonmajor Governmental Funds 98-100

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Table of Contents

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds 102-104

Budgetary Comparison Schedules – Nonmajor Governmental Funds

Traffic Safety 105

Creeks Restoration/Water Quality 106

Transportation Development 107

Community Development Block Grant 108

Home Program 109

County Library 110

Street Sweeping 111

Measure D Road Maintenance 112

Wildland Fire Suppression Assessment 113

Undergrounding Utility 114

Police – Asset Forfeiture 115

Miscellaneous Grants 116

FEMA Reimbursement Fund 117

Police – Supplemental Law Enforcement 118

Police – Justice Assistance Grant 119

General Capital Improvements 120

Streets Capital Improvements 121

Streets Grant Capital Improvements 122

Creeks Restoration Capital Improvements 123

Nonmajor Proprietary Funds Listing 125

Combining Statement of Net Assets – Nonmajor Proprietary Funds 126

Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Nonmajor Proprietary Funds 127

Combining Statement of Cash Flows – Nonmajor Proprietary Funds 128

Internal Service Funds Listing 129

Combining Statement of Net Assets – Internal Service Funds 130

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds 131

Combining Statement of Cash Flows – Internal Service Funds 132

Fiduciary Funds Listing 133

Combining Statement of Plan Net Assets – Pension Trust Funds 134

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Table of Contents

Combining Statement of Changes in Plan Net Assets – Pension Trust Funds 135
Combining Statement of Fiduciary Net Assets – Private Purpose Trust Funds 136
Combining Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds 137
Combining Statement of Changes in Assets and Liabilities – All Agency Funds 138

STATISTICAL SECTION (unaudited)

Statistical Section Table of Contents 139
Net Assets by Component 140
Changes in Net Assets 141-142
Governmental Activities Tax Revenues by Source 143
Fund Balances of Governmental Funds 144
Changes in Fund Balances of Governmental Funds 145
General Governmental Tax Revenues by Source 146
Assessed Value and Estimated Actual Value of Taxable Property 147
Direct and Overlapping Property Tax Rates 148
Principal Property Tax Payers 149
Property Tax Levies and Collections 150
Ratios of Outstanding Debt by Type 151
Ratios of General Bonded Debt Outstanding 152
Direct and Overlapping Governmental Activities Debt 153
Legal Debt Margin Information 154
Pledged-revenue Coverage 155
Demographic and Economic Statistics 156
Principal Employers 157
Full-time Equivalent City Government Employees by Function 158
Operating Indicators by Function 159
Capital Asset Statistics by Function 160

COMPLIANCE AND INTERNAL CONTROL SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards 161-162

City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 14, 2010

Administration
805.564.5334

Accounting
805.564.5340

License & Permits
805.564.5346

Payroll
805.564.5357

Risk Management
805.564.5347

Treasury
805.564.5528

Utility Billing
805.564.5343

Fax
805.897.1978

735 Anacapa St
PO Box 1990
Santa Barbara, CA
93102-1990

Purchasing
805.564.5349

Warehouse
805.564.5354

Mailroom
805.564.5360

Fax
805.897.1977

310. E. Ortega St
PO Box 1990
Santa Barbara, CA
93102-1990

Environmental Services
805.564-5631

Fax
805.564.5688

1221 Anacapa Street
PO Box 1990
Santa Barbara, CA
93102-1990

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, 2010, 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, 2010. The independent auditors' report is located on pages 11-12 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 13.

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 90,893. 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, 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. Both sales tax and Transient Occupancy Tax (TOT) revenues, which together make up approximately 27% of total General Fund revenues, are directly tied to the local economy. Property tax revenues, making up 22% of total revenues, are also tied to economic conditions, but have historically 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. The current economic downturn has affected virtually all markets, including housing, labor, and retail. While the recession officially ended in September 2009, the national economy is still struggling to recover with unemployment nearly 10%.

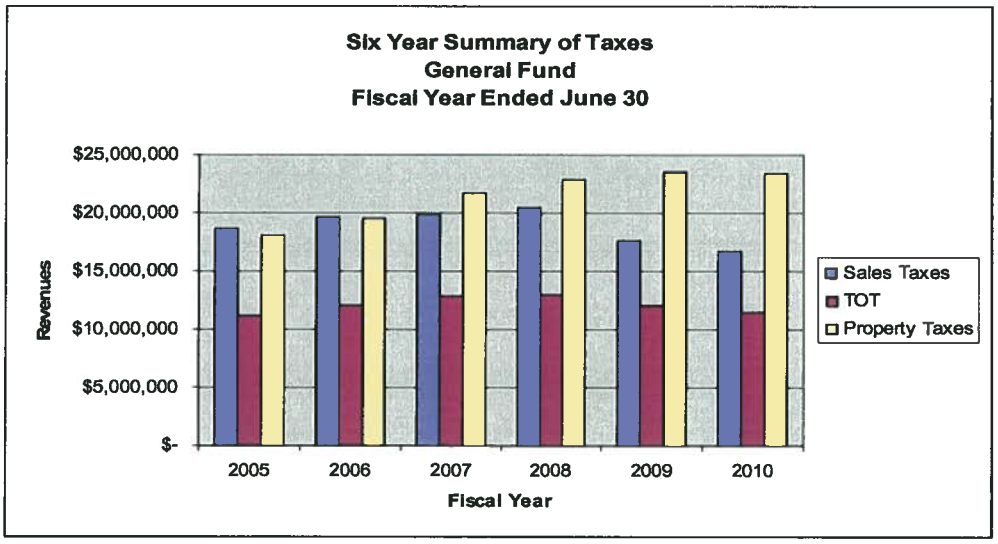
California is facing a severe uphill battle for economic recovery with unemployment still over 12%. It is also facing a seemingly unsolvable $24.5 billion deficit. California voters approved a ballot measure in November 2010 that will allow the adoption of a state budget with a simple majority of both houses of the legislature. Previously, a two-thirds majority was required, which has contributed to the political gridlock and lack of real budget solutions to address the ongoing state budget deficits over the last five to ten years.

The impacts of the recession on the City of Santa Barbara revenues were first noted in September 2008 when TOT revenues declined 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 these declines exceeded 10%. By the end of fiscal year 2009, TOT revenues fell $1.3 million below the estimates contained in the fiscal year 2009 adopted budget. In fiscal year 2010, TOT revenues fell an additional $574,021 to $11,464,132, a level not seen since fiscal year 2005.

Impacts to sales tax revenues were similarly significant. Revenues in fiscal year 2009 fell by $2.9 million and by an additional $895,352 in fiscal year 2010. Over these two fiscal years, sales tax revenues declined a total of 18.5%.

The growth in property tax revenues, which has averaged between 7% to 9% over the last several years, was just 2.73% in fiscal year 2009. Property taxes declined for the first time in fifteen years by 0.37% in fiscal year 2010.

The chart below depicts the trends in the three key General Fund revenues from fiscal year 2005 through 2010.



The magnitude of the recession and its impacts resulted in the worst decline in revenues seen since the Great Depression. The City's General Fund 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. In total, approximately $5 million in budget adjustments was needed to ensure General Fund expenditures did not exceed revenues by year end.

For fiscal year 2011, the General Fund faced an additional $9 million projected deficit, which was solved through wage and benefit concessions from all labor groups, and through the elimination of 32 full time positions. Based on recent revenue projections, the General Fund still has an ongoing structural imbalance of approximately $4-5 million. Over the next few years, we anticipate improved revenue growth as the economy moves into a recovery phase. During this period, costs will need to be held in check to allow expected revenue growth to resolve the imbalance. This will likely require a continuation of wage and benefit concessions expiring at the end of fiscal year 2011, although to a lesser degree. The City has already executed three-year concession agreements with sworn fire and police associations through June 30, 2013. These two labor groups represent approximately 50% of the General Fund budget.

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 contributed to a projected $24.5 billion deficit through June 30, 2012. 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 under specific circumstances and if certain requirements are met. More recently, voters approved Proposition 22, which ostensibly removed all remaining loopholes and opportunities for the State to raid local revenues. Another important measure approved by voters in November 2010 was Proposition 25, which allows lawmakers in Sacramento to pass a yearly budget with a simple majority vote instead of the two-thirds vote requirement.

While the recession is officially over, there is still considerable uncertainty as to the rate and degree of recovery. With a still depressed housing market and high unemployment relative to the national average, California may lag other states in its economic recovery. Locally, we have seen improvements in key tax revenues, which is encouraging. Ultimately, given the City's dependence on tourism and consumer spending, we will likely not see strong growth until statewide unemployment levels improve and consumer confidence is restored.

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, 2010, 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, in particular Rudy Livingston, Accounting Manager, and Doug Smith, Senior Accountant, both of whom put in tremendous hours in the preparation of this report.

Respectfully submitted,

James L. Armstrong
City Administrator/
Clerk/Treasurer

Robert Samario
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, 2009

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, 2010

Helene Schneider
Mayor

Grant R. House
Councilmember

Michael Self
Councilmember

Harwood "Bendy" White
Councilmember

Das Williams
Councilmember

Frank Hotchkiss
Councilmember

Dale Francisco
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Stephen P. Wiley
City Attorney

Robert Samario
Finance Director

Karen S. Ramsdell
Airport Director

Nancy L. Rapp
Parks and Recreation Director

Irene Macias
Library Director

Camerino Sanchez
Police Chief

Andrew DiMizio
Fire Chief

Paul A. Casey
Assistant City Administrator

Christine Andersen
Public Works Director

Marcelo Lopez
Assistant City Administrator

John N. Bridley
Waterfront Director

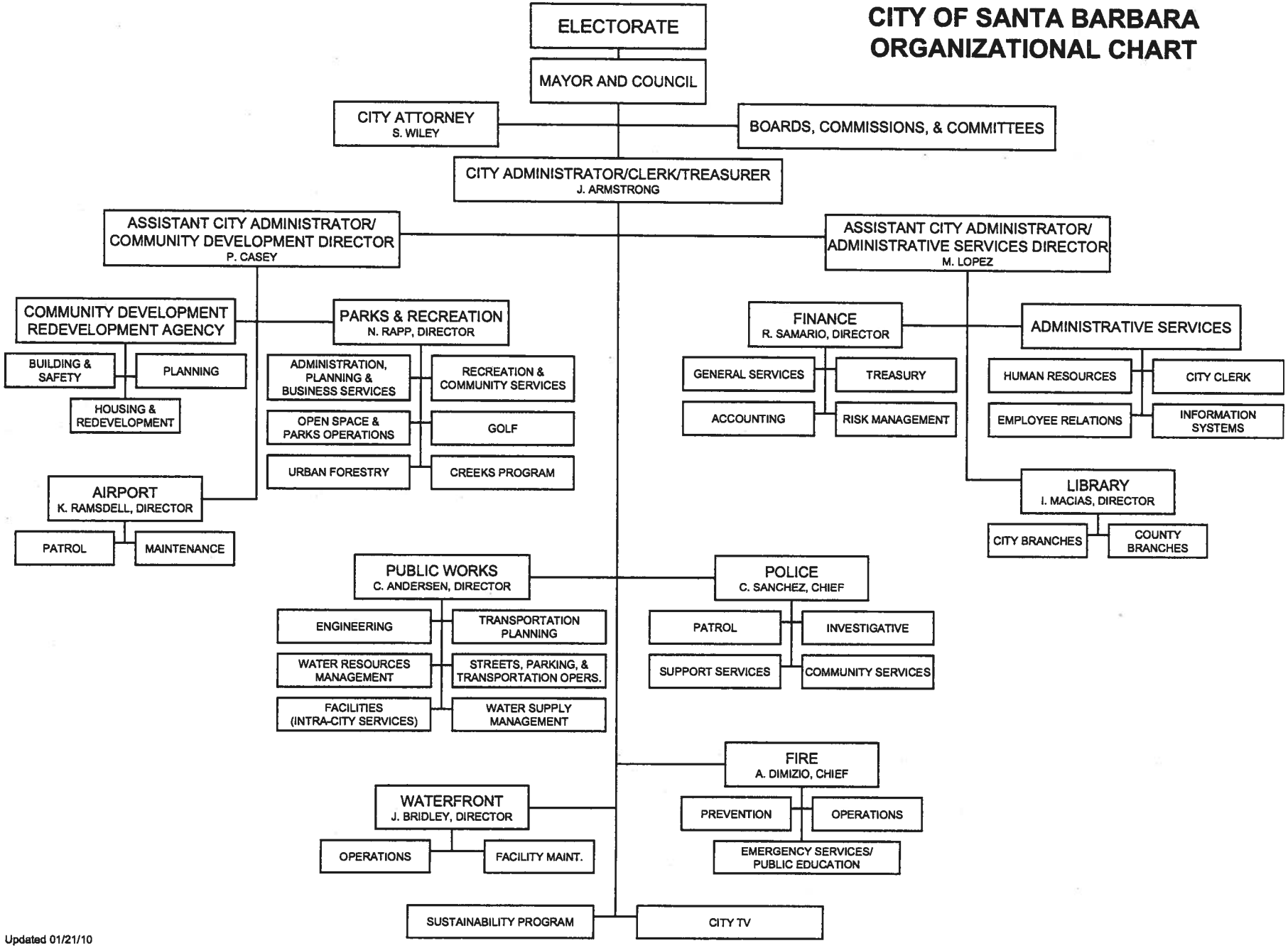
CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2010

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

Committees and Commissions	
Access Advisory Committee	7
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

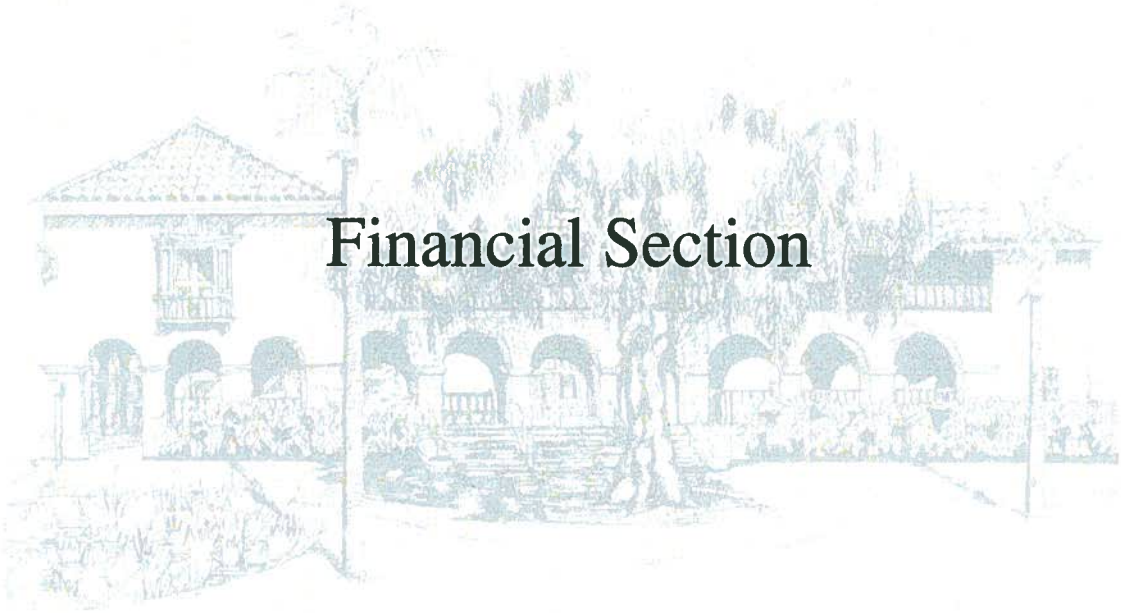
Other Advisory Bodies	
Central Coast Commission for Senior Citizens	1
Housing Authority Commission	7
Metropolitan Transit District Board	2
Mosquito and Vector Management District Board	1

CITY OF SANTA BARBARA
ORGANIZATIONAL CHART



Updated 01/21/10

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA



Financial Section

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
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, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010 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 agreements and other matters. 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information on pages 13 to 32 and 86 to 93, are not a required part of the basic financial statements, but are 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2010

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, 2010. 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 1-5 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2010, net assets of the City totaled $850 million, an increase of approximately $9.4 million from the prior year. Of the total net assets, $116.8 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors, subject to applicable laws and regulations.
- As of June 30, 2010, the City's governmental funds reported combined ending fund balances of $139.6 million, a decrease of $10.3 million from the prior year.
- Approximately 12.2% 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, 2010, unreserved fund balance in the General Fund was $15.6 million, equating to approximately 15.8% of total General Fund expenditures.
- Measure A, a ½ percent sales tax, approved by Santa Barbara County voters, became effective at the end of the fiscal year to provide funds for streets and transportation projects immediately after the expiration of Measure D.

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 and OPEB 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, 2010, with comparative totals as of June 30, 2009.

Table 1
Statement of Net Assets
Governmental Activities
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Current and other assets	$ 177,210,242	$ 186,077,462
Capital assets (net of depreciation)	383,100,260	370,751,059
Total Assets	560,310,502	556,828,521
Liabilities:		
Current and other liabilities	13,984,222	12,658,130
Non-current liabilities	77,565,772	81,424,264
Total Liabilities	91,549,994	94,082,394
Net Assets:		
Invested in capital assets, net of related debt	340,823,946	331,170,997
Restricted	94,788,585	99,248,341
Unrestricted	33,147,977	32,326,789
Total Net Assets	$ 468,760,508	$ 462,746,127

As shown in Table 1, total assets of Governmental Activities were $560.3 million at June 30, 2010, including $383.1 million in capital assets (net of depreciation).

Of the total $177.2 million in current assets, $107.5 million consists of cash, investments, and cash and investments with bond fiscal agents. All 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.

Current liabilities increased by $1.3 this year, mostly due to a $1 million increase in contractor deposits on several large construction projects. Non-current liabilities at June 30, 2010 totaling $77.6 million include outstanding tax allocation bonds issued by the City's Redevelopment Agency, certificates of participation issued by the City, compensated absences liability, net pension obligation and estimated self-insurance claims payable (see the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). Non-current liabilities decreased $3.9 million. The governmental funds made $6.3 million in scheduled principal payments on outstanding debt during the year. The City's self-insured claims liability decreased by approximately $569,000, compensated absences increased $729,000, net pension obligation increased $902,000 and accrued liabilities for other post employment benefits increased $2 million during the year (Note 16).

Net assets totaling $468.8 million include almost $94.8 million that is subject to external restrictions, including federal, state and local laws and regulations. Net assets also include approximately $33.1 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 the 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). In contrast, he Statement of Activities provides details of how net assets changed from the prior year. Thus, it indicates whether the financial health of the City as a whole is better at June 30, 2010, in relation to a year earlier. For the fiscal year ended June 30, 2010, total net assets increased by approximately $6 million.

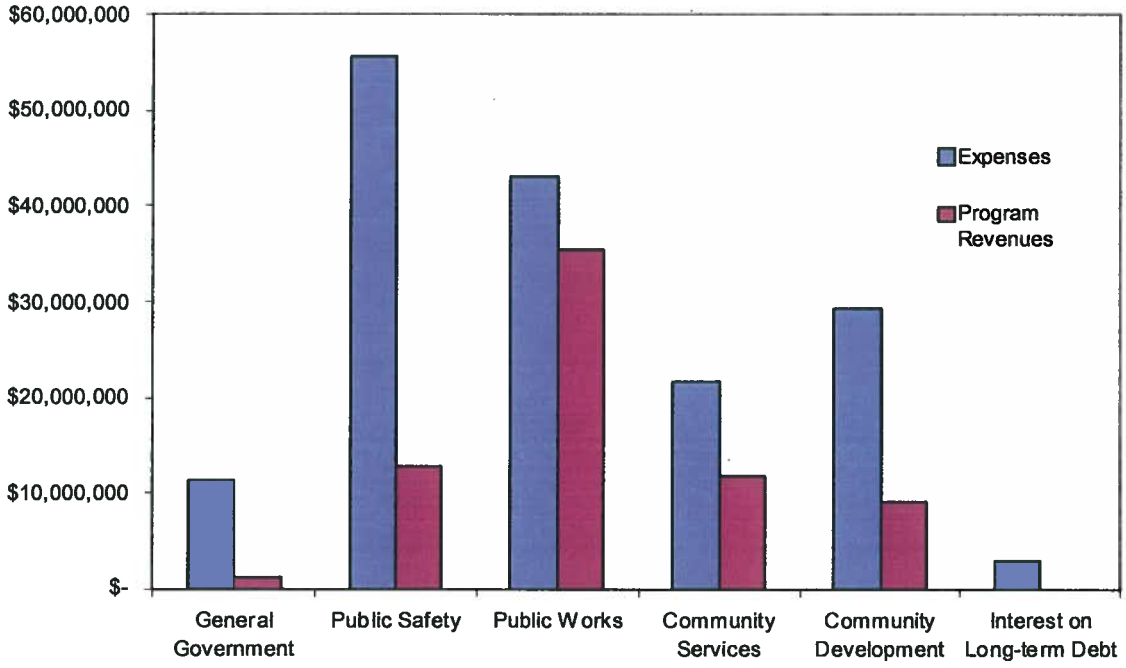
Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2010, with comparative totals for the fiscal year ended June 30, 2009.

Table 2
STATEMENT OF ACTIVITIES
Governmental Activities
Fiscal Years Ended June 30, 2010 and 2009

	2010	2009
Revenues:		
Program Revenues:		
Charges for service	$ 47,699,278	$ 47,739,121
Operating grants and contributions	17,149,683	13,575,792
Capital grants and contributions	5,469,585	11,101,695
General Revenues:		
Taxes	88,256,517	90,854,059
Franchise fees	3,351,274	3,283,833
Motor vehicle license fees	276,370	320,189
Investment income	2,296,338	4,846,386
Other revenue	5,177,703	5,952,019
Total revenues	169,676,748	177,673,094
Expenses:		
Program Expenses:		
Administration	11,254,463	12,217,563
Public safety	55,563,600	55,394,413
Public works	43,082,368	46,913,626
Community services	21,656,606	23,609,641
Community development	29,336,214	19,676,365
Interest expense	3,040,279	3,185,839
Total expenses	163,933,530	160,997,447
Increase in Net Assets Before Transfers	5,743,218	16,675,647
Transfers in	269,122	90,420
Increase in Net Assets	6,012,340	16,766,067
Net Assets, July 1	462,748,168	445,982,101
Net Assets, June 30	$ 468,760,508	$ 462,748,168

Revenues of Governmental Activities totaled $169.7 million for the fiscal year ended June 30, 2010. Of this total, $88.3 million (52%) 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 (28%) 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.

Governmental Activities
Expenses and Program Revenues
Year Ended June 30, 2010
(in thousands)



Total revenues decreased by approximately $8 million (4.5%) from the prior year, from $177.7 million to $169.7 million. This resulted from a decrease of approximately $2.6 million in tax revenues, $2.6 million in investment income, $2 million in total grants and contributions, and approximately $800,000 in other revenue from last year.

Expenses for the year totaled approximately $164 million. The largest component of total expenses was for public safety (fire and police), representing $55.6 million (33.9%) of the total. As shown in the chart above, a large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which include street maintenance and improvements, street sweeping, transportation planning, engineering, and other activities are funded largely from restricted revenues, including Measure A, gas tax, UUT and grant revenues. Community Services expenses, which include parks, recreation, and library services, totaled $21.7 million. Depreciation accounted for approximately $7.7 million of the total expense, of which approximately $4 million is attributable to Public Works.

Overall expenses increased by approximately $3 million from the prior year, which is primarily attributable to increased salary and benefit costs. Expenses for streets and road maintenance were in line with prior years. Under the Modified Approach (see page 90 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 summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2010, with comparative totals as of June 30, 2009.

Table 3
Statement of Net Assets
Proprietary Funds
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Current and other assets	$ 139,539,201	$ 155,699,174
Capital assets (net of depreciation)	387,856,111	373,877,611
Total Assets	527,395,312	529,576,785
Liabilities:		
Current and other liabilities	9,668,272	16,469,357
Non-current liabilities	136,417,585	135,190,532
Total Liabilities	146,085,857	151,659,889
Net Assets:		
Invested in capital assets, net of related debt	290,084,612	285,547,048
Restricted	7,618,855	8,376,910
Unrestricted	83,605,988	83,992,938
Total net Assets	$ 381,309,455	$ 377,916,896

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 Governmental Activities category shown in Table 1. In fact, of the $528 million in total assets at June 30, 2010, approximately $387.9 million (72.4%) relate to capital assets. The $14 million increase in capital assets from prior year was funded from capital grants, operating revenues, and/or accumulated reserves for several major projects including: renovations to the wastewater treatment and collection system, on-going water main replacements, and airport terminal expansion and safety improvement projects.

Overall, total assets decreased by $2.2 million from the prior year. Cash and investments, including cash with fiscal agents cash decreased $16.4 million due to debt service payments and capital projects. This decrease was offset by an increase in cash from operations and investment earnings.

In total, net assets of the business-type activities increased by $3.4 million for the year ended June 30, 2010. 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 approximately $387,000 this fiscal year. Unrestricted net assets in the Water, Wastewater, and Airport Funds increased $70,000, $468,000, and $680,000, respectively. These increases were offset by decreases in unrestricted net assets in other funds with decreases of $2 million in the Waterfront Fund and $1.2 million in the nonmajor proprietary funds.

Statement of Activities

Table 4 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2010, and June 30, 2009.

Table 4
STATEMENT OF ACTIVITIES
Business-Type Activities
Fiscal Years Ended June 30, 2010 and 2009

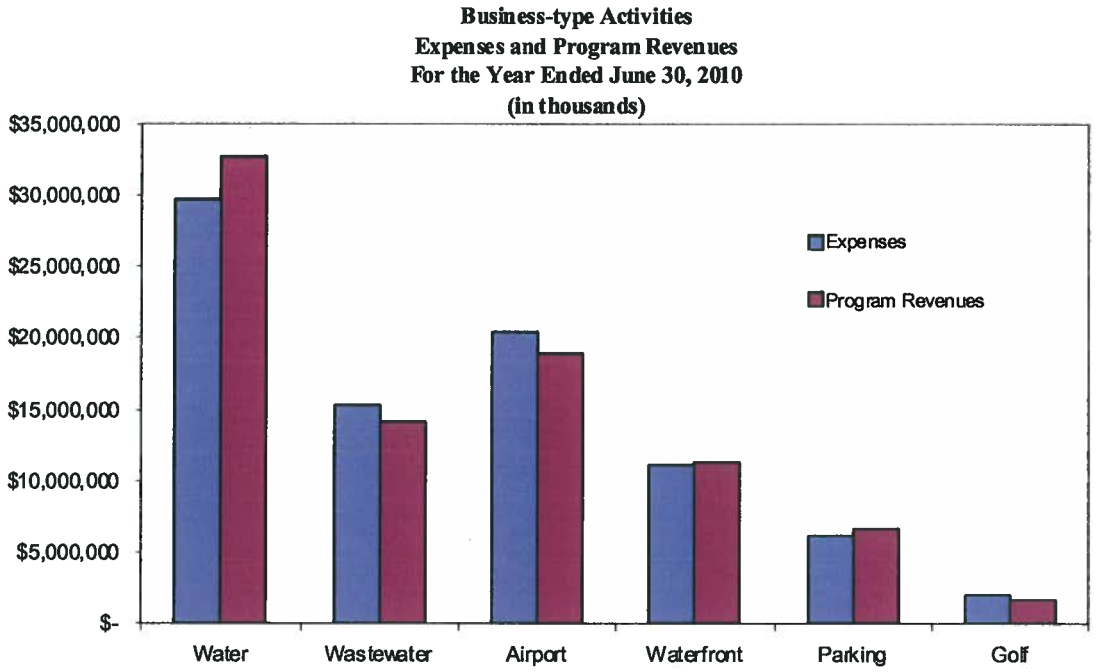
REVENUES:	2010	2009
Program Revenues:		
Charges for Service	$ 80,771,487	$ 81,047,283
Operating Grants and Contributions	327,547	134,903
Capital Grants and Contributions	4,217,476	5,048,618
General Revenues:		
Investment Income	2,903,442	3,903,963
TOTAL REVENUES	88,219,952	90,134,767
EXPENSES:		
Business Activities:		
Water	29,575,267	29,642,269
Wastewater	15,311,676	15,937,964
Airport	20,348,940	19,012,786
Waterfront	11,075,313	11,560,735
Parking	6,218,850	6,948,934
Golf course	2,028,224	2,118,335
TOTAL EXPENSES	84,558,270	85,221,023
Change in Net Assets Before Transfers	3,661,682	4,913,744
Transfers	(269,122)	(90,420)
Change in Net Assets	3,392,560	4,823,324
Net Assets, July 1	377,916,895	373,093,571
Net Assets, June 30	$ 381,309,455	$ 377,916,895

Total revenues for the fiscal year ended June 30, 2010 were $88.2 million, a decrease of $1.9 million (2.1%) from the prior year. This decrease was primarily attributable to a $1 million decrease in investment income and $831,000 decrease in capital grants and contributions. Charges for services, the largest source of re enue, decreased approximately $276,000 (0.3%). 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. Water, Wastewater, Waterfront, and Downtown Parking Fund revenues increased this year, primarily due to rate increases. The largest factor in the decrease in charges for services in the Airport and Golf Funds is the economic downturn this year which had impacts on airport passenger traffic and rounds played at the municipal golf course

Capital grant revenue includes approximately $4.2 million from the Federal Aviation Administration for several large capital projects at the airport, including construction of the new passenger terminal. Due to the timing of the projects and reimbursements from the Federal Aviation Administration (FAA), capital grant revenue decreased over $831,000 this year from the $5 million received in the prior year.

Investment income decreased $1 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 and use of airport revenue bond proceeds for the terminal project.

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 a downward adjustment of approximately $158,000 to reflect the decrease in fair market value of the City's proprietary funds' share of the investment portfolio at June 30, 2010, pursuant to GASB Statement No. 31. This decrease in market value represents only a "paper" loss, 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, 2010, totaled $84.6 million, a $663,000 decrease from the prior year. The decrease is in the result of cutbacks in expenses of the individual funds and will be discussed in more detail later in this report. In general, expenses within business-type operations are fairly stable from year to year since the funding sources are primarily fee and rate based. Salary and benefit costs in business-type funds increased by approximately $199,000 due to a combination of increased health care costs, and increased retirement costs (including $805,000 in post-retirement benefits) and negotiated salary and benefit increases. Materials, supplies, and services decreased approximately $2.7 million primarily due to decreases of $310,000 in the Water Fund, $703,000 in the Wastewater Fund, and $788,000 in the Airport Fund.

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

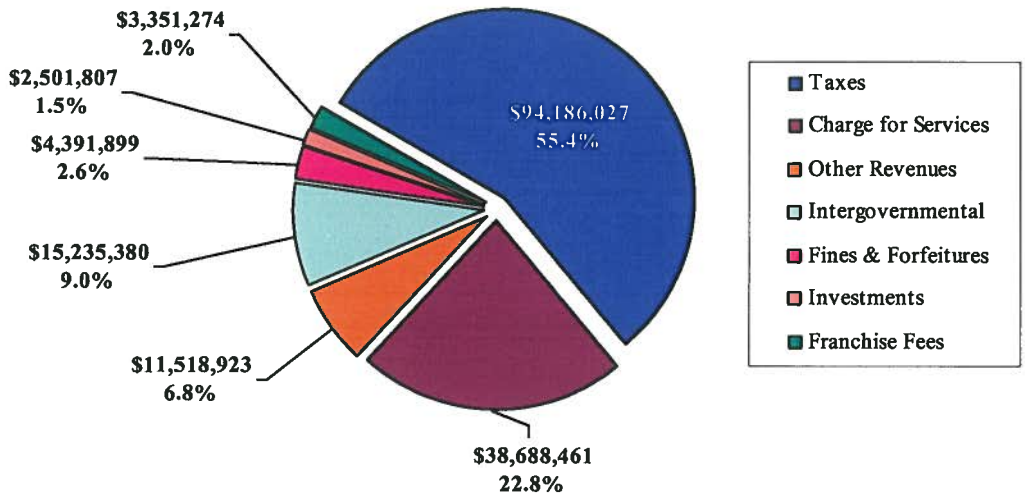
As previously noted, governmental funds use the modified accrual basis of accounting. As of June 30, 2010, assets of the City's governmental funds totaled $167.7 million. Of this total, $65.6 million consisted of cash and investments, and $19.6 million consisted of cash and investments held with fiscal agents (bond trustees). An additional $63.1 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 $139.6 million at June 30, 2010. Of this total, $122.5 million was reserved, $15.7 million was designated and approximately $1.4 million was undesignated. The reserved portion of total fund balance includes approximately $19 million in bond proceeds held by fiscal agents in connection with the sale of the 2001, 2003A, and 2004A Tax Allocation Bonds by the 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 $43 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, revenue shortfalls caused by economic downturns and capital. 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 is in accordance with the purpose of the policy reserves. However, in order to eliminate the use of reserves this year, the City enacted significant budget saving measures during this year. These measures include 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 $169.9 million for the fiscal year ended June 30, 2010. As shown in the chart below, the largest component of total revenue was taxes at $94.2 million, making up 55.4% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, 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 ($17 million), transient occupancy ($13.8 million), utility users ($11.7 million), and property ($43.2 million) 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.

Governmental Funds Revenues



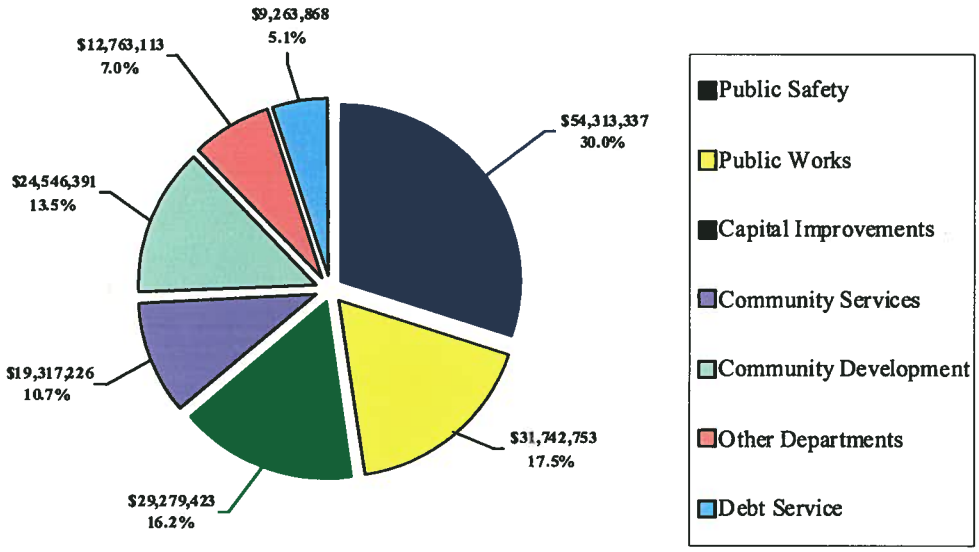
The General Fund adopted expenditure budget was $103.6 million and the final amended budget was $103.4 million. Because of the declining revenues, City Council approved $1.6 million in budget reductions in

November 2009 to help close the budget gap, while modestly increasing appropriations throughout the year as important needs arose. In addition to the reductions to the adopted budget, General Fund departments were requested to obtain further savings through holding positions vacant and voluntarily reducing other expenditures. General Fund departments achieved approximately $4.4 million in budget savings.

Total governmental expenditures were $181.2 million for the fiscal year. As always, a large portion of total governmental funds expenditures (approximately 30%) relates to fire and police (public safety). Virtually all of the public safety costs are funded out of the General Fund, consuming 55% of total General Fund revenues. A total of $19.3 million was expended for Community Services, which includes library, parks, and recreation; $31.7 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 decrease in fund balance of $10.3 million. As such, the City's total available resources for financing next year's programs and services decreased from the end of last year from $150 million to $139.6 million. The General Fund added approximately $423,000 of fund balance.

Governmental Funds Expenditures



As discussed in other areas of the report, key tax revenues were significantly below the adopted budget in the General Fund. In recognition of this, and as part of the City's plan to close the budgetary shortfall, these tax revenues were adjusted downward at mid-year. As part of the mid-year plan to close the budget shortfall, departmental expenditures were reduced to offset a portion of the revenue losses and 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 decreased by $1 million and $5.9 million, respectively. The decrease in the RDA Special Revenue fund balance was primarily attributable to $6.8 million that was required to be paid to the State of California to help balance the State's budget. This payment reduced the funds available to be transferred for capital projects and was primarily responsible for the $5.9 million decrease in the Capital Project Fund's fund balance.

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

As shown in Table 5, assets of the proprietary funds totaled $518.7 million as of June 30, 2010. Of this total, $387.9 million (74.8%) 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.

Table 5
Statement of Net Assets
Proprietary Funds
As of June 30, 2010 and 2009

	2010	2009
Assets:		
Current and other assets	$ 130,860,671	$ 156,411,214
Capital assets (net of depreciation)	387,856,111	373,877,611
Total Assets	518,716,782	530,288,825
Liabilities:		
Current and other liabilities	15,638,275	28,612,368
Non-current liabilities	133,768,249	134,176,661
Total Liabilities	149,406,524	162,789,029
Net Assets:		
Invested in capital assets, net of related debt	290,084,612	285,547,048
Restricted	7,618,855	8,376,909
Unrestricted	71,606,791	73,575,839
Total net Assets	$ 369,310,258	$ 367,499,796

Cash and investments (including cash with fiscal agents) is the second largest asset category, comprising almost 22.7% of total assets. As of June 30, 2010, total cash and investments (including cash with fiscal agents) of proprietary funds totaled $119.9 million, which is a $16.4 million decrease from the prior year balance of $136.3 million. As further discussed below, cash decreased in all proprietary funds. Cash and investments combined decreased $629,000 in the Wastewater Fund, $14.9 million in the Airport Fund, $818,000 in the Waterfront Fund, $264,000 in the Downtown Parking Fund, and $531,000 in the Golf Fund.

Net assets of proprietary funds totaled $369.3 million as of June 30, 2010, an increase of $1.8 million from the prior year. Net assets consist of amounts invested in capital assets net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. As of June 30, 2010, the portion of net assets invested in capital assets (net of related debt) was $290.1 million, a $4.6 million increase from the prior year. The increase in net assets invested in capital assets (net of related debt) is due to the increase in capital improvements throughout all proprietary funds, with approximately $17.9 million of the increase in the Airport Fund from the new terminal project and $5.7 million in the Water Fund.

Net assets restricted for capital projects decreased by $700,000 from $3.7 million to $3 million. Unrestricted net assets decreased approximately $2 million from $73.6 million to $71.6 million. Total proprietary fund net assets restricted for debt service remained virtually the same as the prior year at $4.6 million.

Table 6

Summary of Cash Flows
Proprietary Funds
As of June 30, 2010

	Water	Wastewater	Airport	Waterfront	Non-Major	Total
Cash flow from:						
Operating activities	$ 9,502,665	$ 3,042,072	$ 874,199	$ 2,709,141	$ 98,707	$ 16,226,784
Financing activities	306,037	(103,528)	(1,069)	(57,958)	544,237	687,719
Capital and related financing activities	(10,171,895)	(4,011,838)	(16,592,865)	(3,773,099)	(1,732,503)	(36,282,200)
Investing activities	(690,694)	(36,697)	4,910,890	872,550	832,273	5,888,322
Net increase (decrease) in cash	(1,053,887)	(1,109,991)	(10,808,845)	(249,366)	(257,286)	(13,479,375)
Cash at beginning of year	3,029,675	5,474,534	46,421,412	1,660,334	275,966	56,861,921
Cash at end of year	$ 1,975,788	$ 4,364,543	$ 35,612,567	$ 1,410,968	$ 18,680	$ 43,382,546

As shown in the table above, Airport cash decreased almost $10.8 million during the year. The largest factor in the decrease was the costs incurred for construction on the new airport terminal building funded primarily from the issuance of long-term debt. An additional $1.7 million in cash was used for repayments of the Airport loan from the City General Fund, the proceeds of which were used for the new joint rental car facility. The fund had a $4.9 million increase in cash from investing activities.

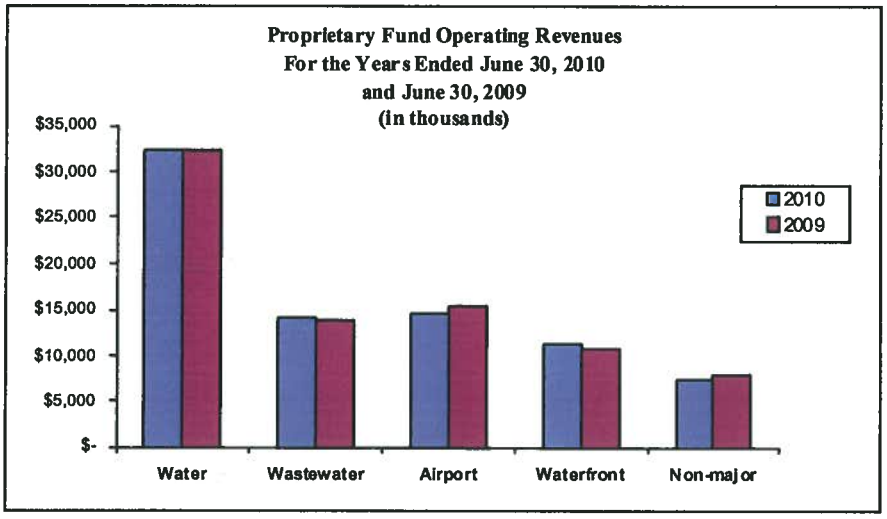
Cash flow from Water Fund operations increased by $9.5 million. This increase was used to fund $5.7 million in capital asset additions and approximately $4.5 million in debt service costs. Cash flow from investing activities decreased $691,000 for a $1.1 million net reduction in cash flow.

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 $1.1 million during the year. The Fund's operating activities increased cash by $3 million but this increase was more than offset by approximately $2.7 million spent on capital projects and $1.3 million in debt service payments during the year.

Waterfront Fund operating activities provided $2.7 million cash and investing activities increased cash by approximately $873,000 during the year. Capital improvements of $2.5 million and $1.5 million in debt service offset the increase and the cash in the fund decreased $249,000.

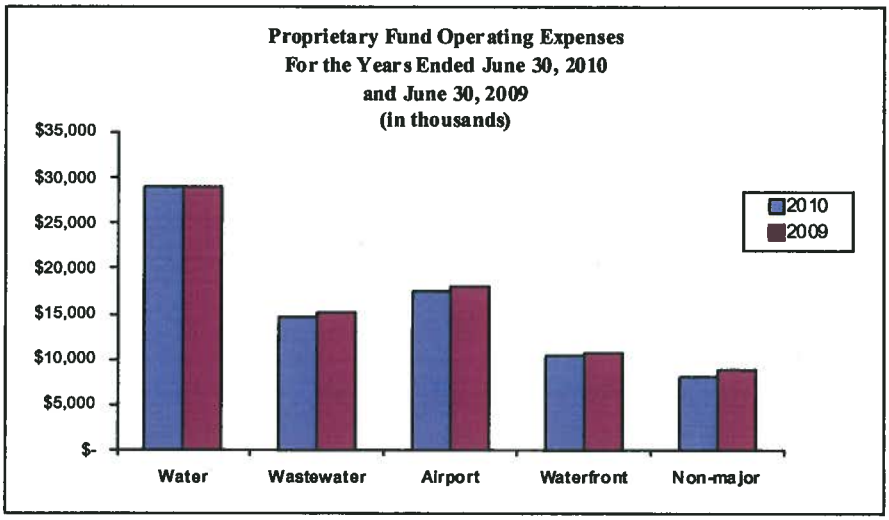
Results of Operations

Fiscal year 2010 operating revenues of the proprietary funds totaled approximately $80 million, a decrease of approximately $330,000 (less than 1%) from the prior year. Operating revenues increased slightly in the Water Fund, Wastewater Fund and Waterfront Fund, which showed an increase of $96,000 (less than 1%), $225,000 (1.7%) and $459,000 (4.3%) respectively. The Airport Fund operating revenues decreased approximately $677,000 (4.5%).



Operating expenses of proprietary funds totaled approximately $79.7 million in fiscal year 2010, a $2.3 million decrease from the prior year. Materials, supplies and services costs were approximately $2.7 million lower than the prior year. Salaries and benefits expenses increased by $199,000 due to an increase in other post employment benefits. Governmental accounting standards 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 $805,000 of the overall increase in salaries and benefits costs in the proprietary funds this year.

Non-operating revenues and expenses, which include downtown merchants' parking assessments, investment income, grants/contributions, interest expense, and other miscellaneous revenues, decreased $2.8 million from the prior year from $437,000 to $(2.3) million. Investment earnings decreased approximately $1 million this year as the average investment return on the City's pooled cash decreased. Capital contributions decreased approximately $937,000 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 and recreation, community development (building and planning), and public works.

The amended fiscal year 2010 General Fund budget reflected many changes to the budget in response to a projected $3.7 million budget shortfall from significant declines in revenues. The amendments included reductions to budgeted revenues to reflect declines in tax revenues and corresponding expenditure reductions. The measures also included an increase in transfers from other funds that were used to offset revenue losses. In the end, the measures were effective at closing the General Fund budget gap. As discussed below, General Fund revenues ended the year approximately $3.6 million below the amended budget; however, expenditure savings were almost $4.4 million for a net positive variance of $810,000. Actual revenues exceeded actual expenditures and resulted in an approximate $423,000 net increase in reserves.

Table 7
SUMMARY OF REVENUES
GENERAL FUND
For the Twelve Months Ended June 30, 2010
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	$ 17,405,682	$ 16,989,712	$ (415,970)	$ 20,866,792	$ (3,877,080)
Property Tax	23,426,345	23,039,699	(386,646)	22,438,713	600,986
UUT	6,916,329	7,009,012	92,683	6,844,091	164,921
TOT	11,351,970	11,464,132	112,162	12,935,553	(1,471,421)
Bus License	2,273,300	2,245,071	(28,229)	2,252,134	(7,063)
Prop Trans Tax	325,800	388,681	62,881	451,640	(62,959)
Total Tax Revenues	61,699,426	61,136,307	(563,119)	65,788,923	(4,652,616)
Charges for Services	19,574,381	19,954,506	380,125	18,749,956	1,204,550
Fines & Forfeitures	3,204,092	3,016,835	(187,257)	2,543,831	473,004
Franchise Fees	3,775,000	3,351,274	(423,726)	2,829,559	521,715
Use of Money and Property	1,348,387	1,438,209	89,822	2,600,533	(1,162,324)
Intergovernmental	2,525,077	1,098,500	(1,426,577)	2,678,225	(1,579,725)
Other Revenues	10,241,437	8,800,958	(1,440,479)	7,669,764	1,131,194
Total Non-Tax Revenues	40,668,374	37,660,282	(3,008,092)	37,071,868	588,414
Revenues Before Transfers and Budgeted Year-end Variance	102,367,800	98,796,589	(3,571,211)	102,860,791	(4,064,202)
Budgeted Year-end Variance	1,361,508	-	(1,361,508)	-	-
Transfers	1,924,204	1,926,862	2,658	499,546	1,427,316
	3,285,712	1,926,862	(1,358,850)	499,546	1,427,316
Total Revenues	$ 105,653,512	$ 100,723,451	$ (4,930,061)	$ 103,360,337	$ (2,636,886)

As shown in Table 7, General Fund revenues ended the year almost $3.6 million under the amended budget. In November 2009, budgeted tax revenues were reduced $2.5 million and budgeted grant funding was reduced $451,000, for a total budgeted revenue reduction of almost $3 million. Unfortunately, revenues deteriorated further from December 2009 through June 2010 and actual revenues ended the year under budget. Actual tax revenues were $563,000 short of the revised budget and other non-tax revenues were $3 million under the amended budget. Intergovernmental revenues resulted in the largest negative budget variance of $1.4 million,

which was entirely due to mutual aid revenues. As discussed in other areas of this report, the negative mutual aid revenue variance was largely offset by related savings in mutual aid overtime costs.

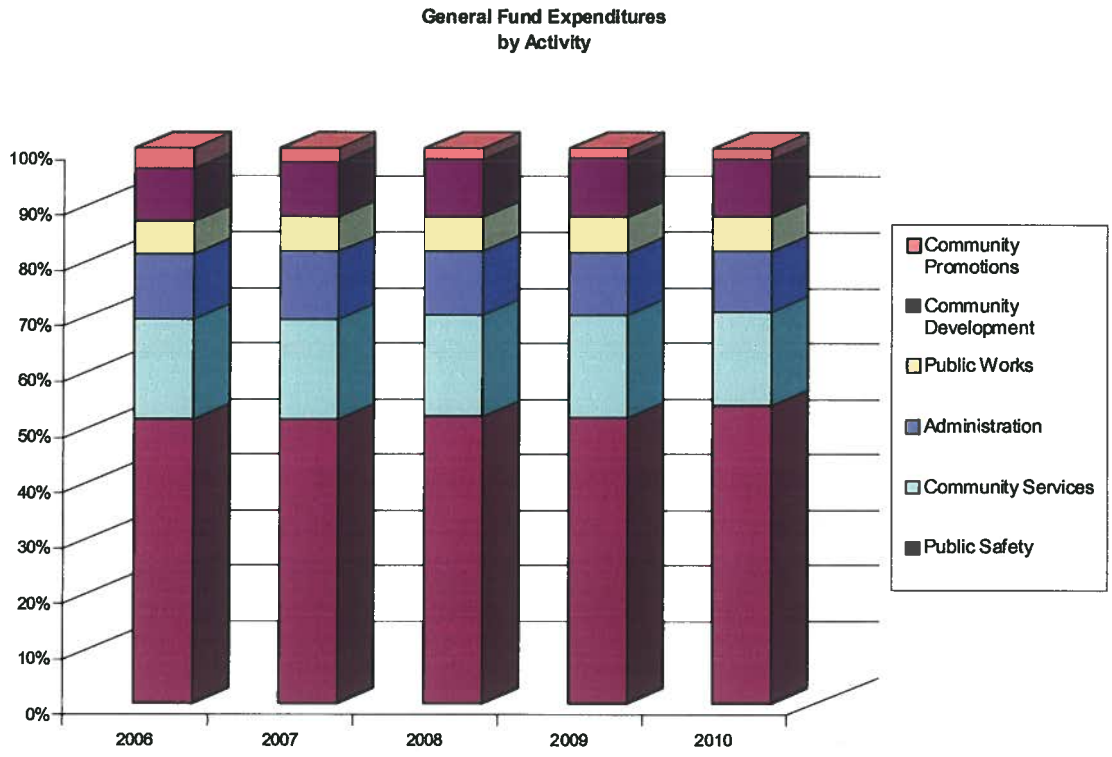
Table 8
SUMMARY OF EXPENDITURES
GENERAL FUND
For the Fiscal Year Ended June 30, 2010

Department	Annual Budget	YTD Actual	Variance Favorable (Unfavorable) $	Variance Favorable (Unfavorable) %
Mayor & Council	$ 747,750	$ 699,990	$ 47,760	6.4%
City Attorney	2,099,358	2,062,699	36,659	1.7%
City Administrator	1,946,030	1,804,635	141,395	7.3%
Administrative Svs.	2,146,852	1,890,927	255,925	11.9%
Finance	4,576,067	4,481,103	94,964	2.1%
Police	33,040,514	32,530,428	510,086	1.5%
Fire	21,514,819	20,520,077	994,742	4.6%
Public Works	6,298,316	6,092,157	206,159	3.3%
Parks & Recreation	13,316,079	12,925,534	390,545	2.9%
Library	4,171,993	3,887,513	284,480	6.8%
Community Dev.	11,614,778	10,313,240	1,301,538	11.2%
Non-Departmental	1,941,250	1,823,758	117,492	6.1%
Total	$ 103,413,806	$ 99,032,061	$ 4,381,745	4.2%

The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2009, as well as Council-approved adjustments during the year, totaled $103.4 million (excluding $1.3 million of transfers to other funds). As shown in Table 6, General Fund expenditures (excluding transfers) for the year ended June 30, 2010, were $99 million, resulting in almost $4.4 million (4.2%) favorable expenditure budget variance. As part of the balancing strategy to offset revenue losses, General Fund expenditure budgets were reduced $1.5 million and General Fund departments were directed to implement a spending reduction plan to generate an additional $1.7 million in budgetary savings by reducing non-essential expenditures, postponing some planned projects, and leaving non-critical vacant positions unfilled. By year end, total savings exceeded $4.3 million.

The savings were derived from a number of sources. Specifically, salary and benefit expenditures ended the year approximately $2.2 million under budget; and materials, supplies and services were $1.5 million under budget. Approximately $483,000 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 $324,000 favorable variance while capital expenditures were $211,000 under budget. These expenditures are budgeted many months before the start of the fiscal year based on historical information and estimates of future operations and always result in some variance.

The largest departmental General Fund variance ($1.3 million) is in the Community Development Department, primarily due to $483,000 encumbered but unspent funds for the City's General Plan update process. These encumbered funds will be used throughout the multi-year process. Fire Department expenditures were approximately $995,000 under budget; however this is entirely due to savings from budgeted mutual aid overtime which did not occur due to very limited mutual aid calls from other agencies. Police Department expenditures were $510,000 under budget primarily due to savings in salaries and benefits expenditures from position vacancies created from retirements. The Parks and Recreation Department expenditures were $391,000 under budget to offset the $246,000 negative revenue variance and contribute to reducing the overall General Fund budget gap.



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 9 below 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 9, capital assets totaled $771 million. Net capital assets (i.e., net of depreciation) in governmental activities increased $12.3 million and the increase in business-type activities was approximately $14 million. The largest increase to capital assets in the governmental activities was $6.5 million for the fire station #1 remodel and the new Emergency Operations Center at the facility. General Governmental funds, including, Measure D, Streets Fund, and the RDA capitalized $12.1 million of improvements to streets, sidewalks, and traffic signals. Accumulated depreciation increased by $4.5 million in the General Government operations and $1.8 million in the RDA.

The City's business-type funds included $14 million in net capital asset additions with the majority of the increase attributable to the new airport terminal construction. Additions to capital in the business-type activities totaled: $5.7 million in the Water Fund, $2.7 million in the Wastewater Fund, $20.6 million in the Airport Fund, $2.5 million in the Waterfront Fund, and $1.6 million in the non-major funds. The capital additions were offset by the change in accumulated depreciation in the Water Fund ($6.3 million), Wastewater Fund ($4 million), Airport Fund ($4.3 million), Waterfront Fund ($1.2 million), and the non-major business-type funds ($567,000).

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 $241.5 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.

TABLE 9
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2010

	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in Progress	$ 27,834,116	$ 53,966,628	$ 81,800,744
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Depreciating assets:			
Buildings	37,954,094	18,889,369	56,843,463
Building Improvements	6,055,883	5,398,458	11,454,341
Equipment	10,069,279	16,147,192	26,216,471
Improvements Other Than Buildings	17,983,728	182,013,913	199,997,641
Infrastructure	72,342,463	9,084,218	81,426,681
Underground Piping	-	83,155,200	83,155,200
TOTALS	$ 383,100,260	$ 387,856,111	$ 770,956,371

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 9. 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, 2010, the average PCI for City streets was 69, which is defined as "good." Ninety-one percent of the City's streets were considered to be in "good to excellent" condition, 4% of the streets were rated in "fair" condition, and only 5% 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 $200 million and $83.2 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 10 below summarizes outstanding long-term debt from the issuance of bonds, certificates of participation, and loans. (The table excludes outstanding claims payable deferred debt costs, and compensated absences). As shown in the table, the City had approximately $197.4 million in long-term issued debt outstanding at June 30, 2010, a net decrease of $4.3 million from the prior year.

With respect to the Governmental Activities, the outstanding $2.3 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 2.4% of total General Fund revenues. The outstanding $58.9 million tax allocation bonds relate to the RDA. 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 10
SUMMARY OF OUTSTANDING ISSUED DEBT
Fiscal Year Ended June 30, 2010

	Governmental Activities	Business-Type Activities	Total
Certificates of Participation	$ 2,349,600	$ 28,240,400	$ 30,590,000
Revenue Bonds	-	67,470,000	67,470,000
Tax Allocation Bonds	58,880,000	-	58,880,000
Loans	-	40,490,794	40,490,794
	$ 61,229,600	$ 136,201,194	$ 197,430,794

Of the outstanding $40.5 million in loans payable in the Business-Type Activities, $32 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 $3.3 million in 1994 Series A revenue bonds outstanding at June 30, 2010. The $16.9 million in outstanding sewer revenue bonds were issued by the Wastewater Fund in 2004 to fund renovations to the City's wastewater collection and treatment systems. The Airport Fund issued $47.3 million in revenue bonds last year to construct a new passenger terminal building, parking, and roadway improvements. The Waterfront and Water Funds also have outstanding COP's totaling $15 million and $12.1 million, respectively.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

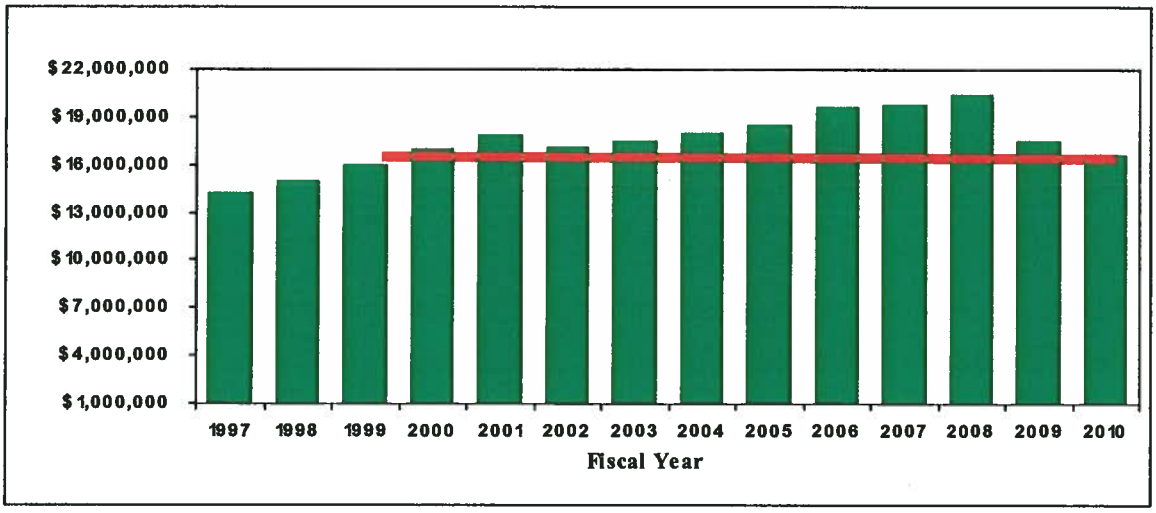
The most significant factor affecting the City's current year results of operations and next year's budget is the lingering impact of the recent economic recession on local revenues – in particular, General Fund revenues.

As a tourist destination, the City's General Fund tax base includes those directly tied to the health of the State and local economy, and to a lesser degree the national economy. The tax revenues directly affected by economic conditions include sales, transient occupancy and property 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. However, the impact from this recent recession has been significant and unprecedented.

While several City funds and operations have been impacted by the recession, the biggest impact overall has been to the General Fund, from which many important services to the community, including fire, police, library, parks and recreation are funded. At 62% of total General Fund revenues, taxes are the primary funding source for these services.

The chart below shows sales tax revenues over a 14-year period through fiscal year 2010. As shown in the chart, sales tax revenues declined substantially in fiscal year 2009 and to a lesser extent in this fiscal year. As demonstrated by the red bar, sales tax revenues in fiscal year 2010 reached the levels realized in fiscal year 2000. This represents a loss of ten years of growth in just two years. Similarly, TOT revenues have lost approximately five years of growth. In fiscal year 2010 alone, total tax revenues ended the year $3.1 million below originally adopted budget estimates, a variance of approximately 3.1% of total General Fund revenues.

Sales Tax Revenue
14-Year History



From fiscal year 2009 through fiscal year 2011, over $11 million in expenditure cuts were implemented in the General Fund to address both revenue declines and scheduled increases to salaries and benefits. Because over 75% of General Fund of expenditures are for salaries and benefits, the vast majority of the cuts were to staffing and, thus, services provided to the public. Yet, even with the significant cuts made, the General Fund still has an outstanding structural imbalance estimated between $4 and $5 million. The structural imbalance largely stems from one-time wage and benefit concessions from several labor groups that were included in the overall balancing of the adopted fiscal year 2011 budget. However, since a portion of the concessions will expire at the end of fiscal year 2011, additional measures will be needed to rebalance the budget for the following year. Three-year wage and benefit concession agreements were reached with both fire and police associations through June 30, 2013. Since these two labor groups represent approximately 50% of total operating expenditures, these labor concessions will help address the structural imbalance over the next few years.

Based on recent data, we anticipate key General Fund tax revenues will outperform estimates contained in the fiscal year 2011 adopted budget, which will help shrink the structural deficit. The key will be to hold down costs, particularly salaries and benefits, during the next two years to allow revenues to catch up to costs. To that end, one of the biggest challenges will be the known and expected increases to retirement costs beginning in fiscal year 2012. The increases, which will add an estimated $4 million in General Fund retirement costs by fiscal year 2014, stem primarily from unprecedented investment losses incurred by CalPERS during fiscal year 2009. These losses will be spread over a three-year period beginning in fiscal year 2012 through increased contributions paid by the City towards retirement plans provided to its employees.

At a broader level, while recent data has been favorable, there are still many unresolved issues that will have a major role in the degree and speed to which the economy recovers. One key issue is the high level of unemployment, particularly in California. Nationally, unemployment is still over 9% and, in California, it is over 12%. Since approximately 70% of the economy is driven by consumer spending, high unemployment creates a lack of consumer confidence, which directly impacts spending. Unfortunately, it will take sustained economic growth at rates higher than seen in the last year to have a significant impact on unemployment rates. On the brighter side, unemployment in Santa Barbara County has dropped to approximately 8.8%, which is below the national average.

Another key issue is the depressed housing market in California, which not only affects local property tax revenues, but also affects consumers' sense of wealth and, therefore, confidence about their future. While home prices have stabilized, it will likely take a number of years for all of the mortgage loans that are in technical default and pending foreclosures to fully work their way through the system. Only then can we expect to see values start to rise again, followed by a return to normal growth in property tax revenues. In terms of its impact to the City, in fiscal year 2010 property tax revenues were essentially unchanged, decreasing less than 0.3% in

relation to fiscal year 2009. However, this followed 12 years of growth averaging approximately 9% per year. For fiscal year 2011, property tax revenues have been projected to increase by just 1%.

Although not expected to impact the City's finances directly, 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, and Proposition 22 approved in November 2010 protect against raids on local revenues, the magnitude of the State's deficit – estimated at over $24 billion through June 30, 2012 – could impact the economic recovery. For example, increased State taxes could negatively impact the already fragile State and local economies and, therefore, indirectly affect City revenues.

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 without reductions to staff and services. The City will continue to work with labor groups to minimize further cuts by extending wage and benefit concessions through the next few years, as necessary, to bring ongoing costs in line with ongoing revenues.

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, 93101, (805) 564-5334, or email Rudolf Livingston CPA, Accounting Manager at *RLivingston@SantaBarbaraCa.gov* or Robert Samario, Finance Director at *BSamario@SantaBarbaraCa.gov*.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	$ 207,436	$ 180,881	$ 388,317
Investments	87,725,593	76,495,499	164,221,092
Accounts receivable, net	10,861,827	5,452,624	16,314,451
Accrued interest receivable	868,405	-	868,405
Due from other agencies	662,868	-	662,868
Due from fiduciary funds	606,364	-	606,364
Internal balances	(8,678,530)	8,678,530	-
Inventory	606,475	-	606,475
Prepaid assets and deposits	31,782	4,437,952	4,469,734
Deferred charges	1,592,116	1,092,050	2,684,166
Loans receivable	63,114,464	-	63,114,464
Non-Current assets:			
Restricted assets:			
Cash and investments with fiscal agents	19,611,442	43,201,665	62,813,107
Capital assets not being depreciated:			
Construction in progress	27,834,116	53,966,628	81,800,744
Land	50,759,518	19,201,133	69,960,651
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	37,954,094	18,889,369	56,843,463
Building improvements	6,055,883	5,398,458	11,454,341
Equipment	10,069,279	16,147,192	26,216,471
Infrastructure	72,342,463	9,084,218	81,426,681
Other improvements and drainage systems	17,983,728	182,013,913	199,997,641
Underground piping	-	83,155,200	83,155,200
Total capital assets	383,100,260	387,856,111	770,956,371
Total assets	560,310,502	527,395,312	1,087,705,814
LIABILITIES			
Current liabilities:			
Accounts payable	3,762,844	4,333,412	8,096,256
Accrued interest payable	732,501	1,751,188	2,483,689
Salaries and benefits payable	6,281,094	1,342,565	7,623,659
Other accrued liabilities	52,828	-	52,828
Deposits	2,106,051	1,597,464	3,703,515
Unearned revenue	1,048,904	643,643	1,692,547
Noncurrent liabilities:			
Due within one year	14,390,818	5,970,003	20,360,821
Due in more than one year	59,582,701	128,944,743	188,527,444
Net pension obligation	908,092	-	908,092
Other post employment benefits (OPEB) obligation	2,684,161	1,502,839	4,187,000
Total liabilities	91,549,994	146,085,857	237,635,851
NET ASSETS			
Invested in capital assets, net of related debt	340,823,946	290,084,612	630,908,558
Restricted for capital projects	27,730,704	2,969,670	30,700,374
Restricted for specific projects and programs	67,057,881	-	67,057,881
Restricted for debt service	-	4,649,185	4,649,185
Unrestricted	33,147,977	83,605,988	116,753,965
Total net assets	$ 468,760,508	$ 381,309,455	$ 850,069,963

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2010

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	$ 11,254,463	$ 1,120,098	$ -	$ -	$ (10,134,365)	$ -	$ (10,134,365)
Public safety	55,563,600	9,806,858	3,069,456	-	(42,687,286)	-	(42,687,286)
Public works	43,082,368	26,443,844	6,088,472	2,835,754	(7,714,298)	-	(7,714,298)
Community services	21,656,606	5,077,526	4,256,702	2,548,065	(9,774,313)	-	(9,774,313)
Community development	29,336,214	5,250,952	3,735,053	85,766	(20,264,443)	-	(20,264,443)
Interest on long term debt	3,040,279	-	-	-	(3,040,279)	-	(3,040,279)
Total governmental activities	163,933,530	47,699,278	17,149,683	5,469,585	(93,614,984)	-	(93,614,984)
Business activities:							
Water	29,575,267	32,359,324	325,651	-	-	3,109,708	3,109,708
Wastewater	15,311,676	14,140,593	-	-	-	(1,171,083)	(1,171,083)
Airport	20,348,940	14,620,665	-	4,217,476	-	(1,510,799)	(1,510,799)
Waterfront	11,075,313	11,274,925	1,896	-	-	201,508	201,508
Parking	6,218,850	6,661,218	-	-	-	442,368	442,368
Golf course	2,028,224	1,714,762	-	-	-	(313,462)	(313,462)
Total business-type activities	84,558,270	80,771,487	327,547	4,217,476	-	758,240	758,240
Total	$ 248,491,800	$ 128,470,765	$ 17,477,230	$ 9,687,061	(93,614,984)	758,240	(92,856,744)
General revenues:							
Taxes:							
Property					43,164,150	-	43,164,150
Sales & use					16,989,712	-	16,989,712
Transient occupancy					13,757,510	-	13,757,510
Utility users					11,711,393	-	11,711,393
Business license					2,245,071	-	2,245,071
Real property transfer					388,681	-	388,681
Franchise fees					3,351,274	-	3,351,274
Unrestricted motor vehicle license-in-lieu					276,370	-	276,370
Investment income					2,296,338	2,903,442	5,199,780
Other revenue					5,177,703	-	5,177,703
Transfers					269,122	(269,122)	-
Total general revenues and transfers					99,627,324	2,634,320	102,261,644
Change in net assets					6,012,340	3,392,560	9,404,900
Net assets, beginning of fiscal year					462,748,168	377,916,895	840,665,063
Net assets, end of fiscal year					$ 468,760,508	$ 381,309,455	$ 850,069,963

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	$ 37,933	$ 29,017	$ 3,930	$ 32,705	$ 51,063	$ 154,649
Investments	16,042,123	12,271,532	1,662,031	13,830,943	21,594,869	65,401,497
Cash and investments with fiscal agents	-	561,537	-	18,488,297	561,608	19,611,442
Accounts receivable	6,192,276	106,457	1,341,133	-	3,220,474	10,860,340
Accrued interest receivable	837,283	31,122	-	-	-	868,405
Loans receivable	4,243,743	43,043,358	-	3,500,000	12,327,363	63,114,464
Due from fiduciary funds	606,364	-	-	-	-	606,364
Due from other agencies	-	-	-	-	662,868	662,868
Interfund receivable	2,442,386	-	-	-	594,610	3,036,996
Advances to other funds	3,320,667	-	-	-	-	3,320,667
Prepaid assets and deposits	31,782	-	-	-	-	31,782
Total assets	$ 33,754,557	$ 56,043,023	$ 3,007,094	$ 35,851,945	$ 39,012,855	$ 167,669,474
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 592,040	$ 13,767	$ 248,872	$ 623,749	$ 2,009,750	$ 3,488,178
Salaries and benefits payable	5,613,531	-	38,795	-	327,537	5,979,863
Interest payable	-	-	-	-	52,828	52,828
Interfund payables	-	-	-	-	3,036,996	3,036,996
Deposits	1,855,436	3,000	3,219	-	244,396	2,106,051
Unearned revenue	1,048,904	-	-	-	-	1,048,904
Deferred revenue	-	-	-	-	12,327,363	12,327,363
Total liabilities	9,109,911	16,767	290,886	623,749	17,998,870	28,040,183
Fund balances:						
Reserved	8,958,855	56,026,256	81,306	35,228,196	22,229,960	122,524,573
Unreserved:						
Designated	15,685,791	-	-	-	-	15,685,791
Undesignated, reported in:						
Special revenue funds	-	-	2,634,902	-	(1,215,975)	1,418,927
Total fund balances	24,644,646	56,026,256	2,716,208	35,228,196	21,013,985	139,629,291
Total liabilities and fund balances	$ 33,754,557	$ 56,043,023	$ 3,007,094	$ 35,851,945	$ 39,012,855	$ 167,669,474

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, 2010

Total Governmental fund balances (page 36)		$ 139,629,291
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.		377,404,512
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		1,592,116
Unamortized debt premium on debt issuance must be amortized in the statement of activities over the life of the new debt issue.		(658,156)
Governmental long-term debt is not due and payable in the current period and, therefore, are not reported in the governmental funds statements.		(61,229,600)
Compensated absences that are not due and payable in the current period and, therefore, are not reported in the governmental funds statements.		(6,355,744)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(908,092)
OPEB obligation is not due and payable in the current period and, therefore, ise not reported in the governmental funds statements.		(2,684,162)
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.		(732,501)
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. 40)		
Internal Service Funds net assets	$ 22,374,678	
Less business-type portion	(11,999,197)	10,375,481
CDBG loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds.		6,414,670
HOME loans made or repaid throughout the year are not available for use in the current period and, therefore, are deferred in the funds.		5,912,693
Net assets of governmental activities (page 34)		$ 468,760,508

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2010

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 61,136,307	$ 20,124,451	$ -	$ -	$ 12,925,269	$ 94,186,027
Franchise fees	3,351,274	-	-	-	-	3,351,274
Intergovernmental	1,098,500	-	891,136	85,766	13,159,978	15,235,380
Fines and forfeitures	3,016,835	-	-	-	1,375,064	4,391,899
Use of money and property	1,438,209	663,741	-	10,293	389,564	2,501,807
Charges for services	19,954,506	-	16,673,533	-	2,060,422	38,688,461
Program income	-	-	-	-	661,379	661,379
Other revenues	8,800,958	4,091	226,138	553,775	1,272,582	10,857,544
Total revenues	98,796,589	20,792,283	17,790,807	649,834	31,844,258	169,873,771
Expenditures:						
Current:						
Mayor and council	699,990	-	-	-	-	699,990
City attorney	2,062,699	-	-	-	-	2,062,699
City administration	1,804,635	-	-	-	-	1,804,635
Administrative services	1,890,927	-	-	-	-	1,890,927
Finance	4,481,103	-	-	-	-	4,481,103
Public safety	53,050,505	-	-	-	1,262,832	54,313,337
Public works	6,092,157	-	18,129,281	-	7,521,315	31,742,753
Community services	16,813,047	-	-	-	2,504,179	19,317,226
Community development	10,313,240	10,639,709	-	-	3,593,442	24,546,391
Community promotions	1,823,758	-	-	-	-	1,823,758
Capital improvements	-	-	-	8,778,589	20,500,834	29,279,423
Debt service:						
Principal	-	1,220,000	-	4,815,000	247,500	6,282,500
Interest	-	174,898	-	2,700,403	106,067	2,981,368
Total expenditures	99,032,061	12,034,607	18,129,281	16,293,992	35,736,169	181,226,110
Excess (deficiency) of revenues over (under) expenditures	(235,472)	8,757,676	(338,474)	(15,644,158)	(3,891,911)	(11,352,339)
Other financing sources (uses):						
Transfers in	1,926,862	-	-	9,757,365	3,441,858	15,126,085
Transfers out	(1,268,613)	(9,759,852)	(13,460)	-	(3,075,670)	(14,117,595)
Total other financing sources (uses)	658,249	(9,759,852)	(13,460)	9,757,365	366,188	1,008,490
Net change in fund balances	422,777	(1,002,176)	(351,934)	(5,886,793)	(3,525,723)	(10,343,849)
Fund balances, beginning of fiscal year	24,221,869	57,028,432	3,068,142	41,114,989	24,539,708	149,973,140
Fund balances, end of fiscal year	$ 24,644,646	$ 56,026,256	$ 2,716,208	$ 35,228,196	$ 21,013,985	$ 139,629,291

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, 2010

Amounts reported for governmental activities in the statement of activities (page 35) are different because:

Net change in fund balances - total governmental funds (page 38)		$ (10,343,849)
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	$ 19,112,474	
Less current year depreciation	(6,332,008)	12,780,466
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		6,282,500
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.		138,105
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		52,240
Net pension 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.		(908,092)
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.		(1,430,745)
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. 42)		
Change in net assets - Internal service funds	1,803,533	
Less: amount related to enterprise funds	(1,582,098)	221,435
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.		(668,569)
Change in net assets of governmental activities (page 35)		$ 6,012,340

See accompanying notes to the basic financial statements

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Water	Wastewater	Airport
Assets			
Current assets:			
Cash	$ 86,653	$ 28,523	$ 29,758
Investments	36,646,111	12,062,488	12,584,603
Accounts receivable, net	4,004,116	1,353,236	-
Inventory	-	-	-
Prepaid assets	4,437,952	-	-
Total current assets	45,174,832	13,444,247	12,614,361
Non-current assets:			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,889,134	4,336,020	35,582,810
Unamortized bond issuance costs, net	246,349	357,180	-
Total other assets	2,135,483	4,693,200	35,582,810
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	7,414,694	13,953,411	12,295,464
Building improvements	1,408,599	741,616	2,464,486
Improvements other than building	128,896,246	44,660,283	107,511,644
Equipment	8,758,072	15,190,856	5,042,002
Underground piping	103,975,056	72,699,240	-
Other Infrastructure	-	-	15,980,481
Construction in progress	5,380,103	5,123,682	42,712,808
Less: accumulated depreciation	(121,673,246)	(77,092,304)	(56,212,619)
Total capital assets, net	136,377,711	78,785,456	137,104,266
Total non-current assets	138,513,194	83,478,656	172,687,076
Total assets	183,688,026	96,922,903	185,301,437
Liabilities			
Current liabilities:			
Accounts payable	1,132,780	417,792	1,668,664
Accrued interest payable	252,117	124,000	1,139,419
Salaries and benefits payable	345,418	228,284	238,016
Deposits	141,700	-	890,969
Unearned revenue	-	-	387,425
Compensated absences payable	412,528	250,206	236,329
Current portion claims payable	-	-	-
Current portion long term debt	3,018,683	610,000	271,027
Total current liabilities	5,303,226	1,630,282	4,831,849
Non-current liabilities:			
Long-term debt, net of current portion	43,485,485	16,315,000	53,938,110
Compensated absences payable	45,836	27,801	26,259
Other post employment benefits (OPEB) obligation	545,240	277,658	328,008
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	44,076,561	16,620,459	54,292,377
Total liabilities	49,379,787	18,250,741	59,124,226
Net Assets			
Invested in capital assets, net of related debt	89,873,543	61,860,456	118,477,939
Restricted for capital projects	1,371	2,968,299	-
Restricted for debt service	1,887,763	1,367,721	-
Unrestricted	42,545,562	12,475,686	7,699,272
Total net assets	$ 134,308,239	$ 78,672,162	$ 126,177,211
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
$ 17,267	$ 18,681	$ 180,881	$ 52,788
7,302,128	7,900,168	76,495,499	22,324,095
-	95,272	5,452,624	1,487
-	-	-	606,475
-	-	4,437,952	-
7,319,395	8,014,121	86,566,956	22,984,845
1,393,701	-	43,201,665	-
488,521	-	1,092,050	-
1,882,222	-	44,293,715	-
878,201	5,286,073	19,201,133	-
3,690,671	5,876,451	43,230,691	105,889
3,294,171	170,228	8,079,100	295,223
49,566,095	8,987,566	339,621,834	257,165
1,368,721	3,306,524	33,666,175	18,116,977
-	-	176,674,296	-
-	-	15,980,481	-
11,515	738,520	53,966,628	291,538
(38,421,489)	(9,164,569)	(302,564,227)	(13,371,044)
20,387,885	15,200,793	387,856,111	5,695,748
22,270,107	15,200,793	432,149,826	5,695,748
29,589,502	23,214,914	518,716,782	28,680,593
750,775	363,401	4,333,412	274,666
190,893	44,759	1,751,188	-
272,616	258,231	1,342,565	301,231
523,655	41,140	1,597,464	-
226,882	29,336	643,643	-
310,534	194,796	1,404,393	340,015
-	-	-	2,606,533
535,000	130,900	4,565,610	-
2,810,355	1,062,563	15,638,275	3,522,445
14,055,915	994,189	128,788,699	-
34,504	21,644	156,044	37,780
196,782	155,151	1,502,839	-
2,820,667	500,000	3,320,667	-
-	-	-	2,745,690
17,107,868	1,670,984	133,768,249	2,783,470
19,918,223	2,733,547	149,406,524	6,305,915
5,796,970	14,075,704	290,084,612	5,695,748
-	-	2,969,670	-
1,393,701	-	4,649,185	-
2,480,608	6,405,663	71,606,791	16,678,930
$ 9,671,279	$ 20,481,367	369,310,258	$ 22,374,678
		11,999,197	
		$ 381,309,455	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2010

	Water	Wastewater	Airport
Operating Revenues:			
Charges for sales and services			
Sales	$ 28,163,162	$ 13,432,909	$ -
Service charges	3,850,987	678,911	1,950,819
Leases and rents	-	-	12,462,415
Other revenues	345,175	28,773	207,431
Total operating revenues	32,359,324	14,140,593	14,620,665
Operating Expenses:			
Salaries, wages and benefits	7,454,398	4,875,324	4,837,393
Materials, supplies and services	15,146,676	5,866,035	8,231,573
Depreciation	6,311,601	3,973,081	4,268,005
Other expenses	-	4,783	50,161
Total operating expenses	28,912,675	14,719,223	17,387,132
Operating income (loss)	3,446,649	(578,630)	(2,766,467)
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	1,078,257	444,528	832,673
Interest expense	(1,651,597)	(756,888)	(2,901,189)
Other, net	325,651	(23,059)	-
Total non-operating revenues (expenses)	(247,689)	(335,419)	(2,068,516)
Income (loss) before contributions and transfers	3,198,960	(914,049)	(4,834,983)
Capital Contributions	-	-	4,217,476
Transfers in	-	-	-
Transfers out	(19,614)	(80,469)	(1,069)
Change in net assets	3,179,346	(994,518)	(618,576)
Net assets, beginning of year	131,128,893	79,666,680	126,795,787
Net assets, end of year	$ 134,308,239	$ 78,672,162	$ 126,177,211

Adjustment to reflect the consolidation of internal service activities related to enterprise funds
Change in net assets of business-type activities (page 35)

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
$ -	$ -	$ 41,596,071	$ -
7,175,947	7,168,085	20,824,749	17,230,611
3,929,254	275,313	16,666,982	-
169,724	117,290	868,393	179,365
11,274,925	7,560,688	79,956,195	17,409,976
5,461,913	4,843,737	27,472,765	6,277,206
3,732,349	2,809,770	35,786,403	7,815,591
1,237,075	567,221	16,356,983	1,338,412
-	-	54,944	-
10,431,337	8,220,728	79,671,095	15,431,209
843,588	(660,040)	285,100	1,978,767
-	815,292	815,292	-
303,840	244,144	2,903,442	501,946
(946,635)	(85,439)	(6,341,748)	-
1,896	-	304,488	(42,278)
(640,899)	973,997	(2,318,526)	459,668
202,689	313,957	(2,033,426)	2,438,435
-	-	4,217,476	-
-	43,500	43,500	212,032
(1,381)	(314,555)	(417,088)	(846,934)
201,308	42,902	1,810,462	1,803,533
9,469,971	20,438,465		20,571,145
$ 9,671,279	$ 20,481,367		$ 22,374,678
		1,582,098	
		$ 3,392,560	

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2010

	Water	Wastewater	Airport
Cash flows from operating activities:			
Cash received from services	$ 31,709,105	$ 13,995,112	$ 1,900,658
Cash received from rents and leases	-	-	12,405,984
Cash payments for goods and services	(15,460,103)	(6,258,938)	(9,030,949)
Cash payments to employees for services	(7,094,701)	(4,718,092)	(4,629,680)
Cash received (returned) for deposits	3,189	-	20,755
Other operating receipts	345,175	28,773	207,431
Other operating disbursements	-	(4,783)	-
Net cash provided (used) by operating activities	9,502,665	3,042,072	874,199
Cash flows from noncapital financing activities:			
Transfers to other funds	(19,614)	(80,469)	(1,069)
Transfers from other funds	-	-	-
Received from (paid to) other funds	-	-	-
Cash received from taxes and assessments	-	-	-
Cash received (used) from other sources	325,651	(23,059)	-
Net cash provided (used) by non-capital financing activities	306,037	(103,528)	(1,069)
Cash flows from capital and related financing activities:			
Proceeds from capital debt	(841,194)	-	-
Proceeds from capital grants and contributions	-	-	4,976,424
Payments on long term debt	(2,010,723)	(576,201)	(1,729,485)
Acquisition of capital assets	(5,651,786)	(2,675,749)	(17,945,102)
Disposition of capital assets	-	-	-
Interest paid on debt	(1,668,192)	(759,888)	(1,894,702)
Net cash used for capital and related financing activities	(10,171,895)	(4,011,838)	(16,592,865)
Cash flows from investing activities:			
Cash received on investments	1,078,257	444,528	832,673
Proceeds from sales and maturities of investments	34,877,159	11,581,263	16,662,821
Purchase of investments	(36,646,111)	(12,062,488)	(12,584,603)
Net cash provided (used) by investing activities	(690,694)	(36,697)	4,910,890
Net increase (decrease) in cash and cash equivalents	(1,053,887)	(1,109,991)	(10,808,845)
Cash and cash equivalents, beginning of fiscal year	3,029,675	5,474,534	46,421,412
Cash and cash equivalents, end of fiscal year	$ 1,975,787	$ 4,364,543	$ 35,612,568
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 3,446,649	$ (578,630)	$ (2,766,467)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,311,601	3,973,081	4,268,005
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(305,044)	(116,708)	-
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	(316,760)	-	-
Increase (decrease) in accounts payable	3,333	(392,903)	(799,376)
Increase (decrease) in accrued salaries payable	20,019	8,164	12,257
Increase (decrease) in deferred revenue	-	-	(56,431)
Increase (decrease) in accrued compensated absences	40,032	765	21,477
Increase (decrease) in OPEB accrual	299,646	148,303	173,979
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	3,189	-	20,755
Net cash provided (used) by operating activities	$ 9,502,665	$ 3,042,072	$ 874,199
Noncash investing, capital,and financing activities:			
Change in fair value of investments	$ (75,371)	$ (25,532)	$ (26,494)
Conversion from interfund loan to promissory notes	-	-	6,124,300

See accompanying notes to the basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
$ 7,175,947	$ 7,128,286	$ 61,909,108	$ 17,248,320
3,925,824	275,313	16,607,121	-
(3,244,069)	(2,715,504)	(36,709,563)	(8,292,538)
(5,323,381)	(4,707,718)	(26,473,572)	(6,219,121)
5,096	1,040	30,080	-
169,724	117,290	868,393	179,365
-	-	(4,783)	-
2,709,141	98,707	16,226,784	2,916,026
(1,381)	(314,555)	(417,088)	(846,934)
-	43,500	43,500	212,032
(58,473)	-	(58,473)	-
-	815,292	815,292	-
1,896	-	304,488	-
(57,958)	544,237	687,719	(634,902)
212,787	-	(628,407)	-
-	-	4,976,424	-
(530,534)	(116,836)	(4,963,779)	-
(2,502,666)	(1,560,180)	(30,335,483)	(907,147)
-	-	-	-
(952,686)	(55,487)	(5,330,955)	-
(3,773,099)	(1,732,503)	(36,282,200)	(907,147)
303,840	294,144	2,953,442	501,946
7,870,838	8,438,298	79,430,379	19,851,729
(7,302,128)	(7,900,168)	(76,495,499)	(22,324,095)
872,550	832,273	5,888,322	(1,970,421)
(249,366)	(257,286)	(13,479,375)	(596,444)
1,660,334	275,966	56,861,921	649,231
$ 1,410,968	$ 18,681	$ 43,382,546	$ 52,788
$ 843,588	$ (660,040)	$ 285,100	$ 1,978,767
1,237,075	567,221	16,356,983	1,338,412
-	(42,912)	(464,664)	17,709
-	-	-	93,152
-	-	(316,760)	-
488,280	94,266	(606,400)	(1,334)
1,558	11,340	53,338	(2,450)
(3,430)	3,113	(56,748)	-
32,336	45,949	140,559	60,535
104,638	78,730	805,296	-
-	-	-	(568,765)
5,096	1,040	30,080	-
$ 2,709,141	$ 98,707	$ 16,226,784	$ 2,916,026
$ (15,652)	(15,357)	$ (158,406)	$ (32,856)
-	-	6,124,300	-

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
Assets			
Current assets:			
Cash	$ -	$ 4,788	$ 2,671
Investments	-	2,024,735	1,129,487
Accounts receivable, net	-	-	70,271
Loans receivable	-	-	1,969,430
Total current assets	-	2,029,523	3,171,859
Noncurrent assets:			
Cash and investments with fiscal agents:			
Cash and cash equivalents	33,507	-	87,465
Other investments	192,372	-	-
Special assessment receivable	-	-	145,000
Total other assets	225,879	-	232,465
Total assets	225,879	2,029,523	$ 3,404,324
Liabilities			
Current liabilities:			
Accounts payable	-	407	$ 7,070
Accrued benefits payable	5,133	-	-
Due to the City of Santa Barbara	573,997	-	32,367
Total current liabilities	579,130	407	39,437
Noncurrent liabilities:			
Due to bondholders	-	-	145,000
Trust liabilities	-	-	227,004
Contributions	-	-	2,992,883
Total noncurrent liabilities	-	-	3,364,887
Total liabilities	579,130	407	$ 3,404,324
Net Assets			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	(353,251)	-	
Police	-	34,957	
Library	-	1,994,159	
Total net assets	$ (353,251)	$ 2,029,116	

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, 2010

	Pension Trust Funds	Private Purpose Trust Funds
Additions		
Contributions:		
Private donations	$ -	$ 28,855
Investment earnings:		
Interest	44	13,115
Dividends	6,691	-
Net change in fair value of investments	21,957	-
Total investment earnings	28,692	13,115
Less investment expense	(20,017)	-
Net investment income	8,675	13,115
Total additions	8,675	41,970
Deductions		
Benefits	229,920	-
Community services	-	116,805
Total deductions	229,920	116,805
Net increase (decrease)	(221,245)	(74,835)
Net assets, beginning of fiscal year	(132,006)	2,103,951
Net assets, end of fiscal year	$ (353,251)	$ 2,029,116

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 basic financial statements of the City of Santa Barbara, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting 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 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 inclusion 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.

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 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 to account for the contributions made for the Police Canine Unit program. All resources of the funds, including any earnings on invested resources, may be used to support these 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 rehabilitations loans, and for the Seismic Safety Assessment District.

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 fund and fiduciary fund 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. 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.

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, 2010.

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.

F. Interfund Activities

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal services funds transactions have been eliminated. However, transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Cash and cash equivalents are considered to be cash on hand, demand deposits and investments with original maturities of three months or less from the date of acquisition. With respect to cash and investments with fiscal agents, all investments have an original maturity of less than three months and are considered 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. 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, 2010, 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).

M. Receivables and Payables

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.

Loans receivable in the governmental funds include Community Development Block Grant loans, Home Rehabilitation loans (Redevelopment Agency Loans), Home Investment Partnership loans and Employee Mortgages. Fund balance has been reserved for the Redevelopment Agency loans and Employee Mortgages due to the long-term nature of loans. For other loans, deferred revenue has been reflected in the respective governmental funds.

All accounts receivables are shown net of an allowance for uncollectible amounts, including water, wastewater, airport, golf and parking. The estimate allowance is based on historical collection experience and a review of accounts receivable.

N. 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.

The City is a participant of the County's Teeter plan, which means the City would receive the full amount of tax due regardless of the amount actually collected. The County would assume the risk associated with collecting all existing and future past due property tax balances.

O. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) 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.

P. 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 and sick pay benefits when payments are made to employees. The City has determined that 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2010, is deemed current and expected to be paid within the next 12 months with current financial resources.

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.

Q. Long-term Obligations

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". Bonds payable are reported net of the applicable bond premium or discount and gains and losses on refunding. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums received on debt issuances are reported as "other financing sources" while discounts are reported as other financing uses.

R. 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.

S. 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.

T. GASB Statement No. 51 Implementation
In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement requires that al intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Management evaluated the criteria and determined that the adoption of GASB Statement No. 51 did not have any on the financial position, results of operations or cash flows of the City.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:		
Cash	$	388,317
Investments		164,221,091
Cash and investments with fiscal agents		62,813,107
Fiduciary funds:		
Cash		7,459
Investments		3,154,222
Cash and investments with fiscal agents		313,344
Total cash and investments	$	230,897,540

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	$	51,530
Demand deposit accounts with financial institutions		344,246
Investments		230,501,764
Total cash and investments	$	230,897,540

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**, and **concentration of credit risk**. This table does not address investments of debt proceeds held by trustees/fiscal agents 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/Non-negotiable CD's	5 years	None	None
State Investment Pool (LAIF)	N/A	$40 million**	N/A

* Excluding amounts held by trustees/fiscal agents that are not subject to CA 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 trustees/fiscal agents 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 trustees/fiscal agents. The table also identifies certain provisions of these debt agreements that address **interest rate 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
State Investment Pool (LAIF)	N/A	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	102,557,911	2.6
Corporate Medium Term Notes	6,113,380	1.5
Certificates of Deposit	4,000,000	0.9
Local Agency Obligations	6,124,300	19.0
State Investment Pool (LAIF)	48,579,723	N/A
Held by Trustees/Fiscal Agents:		
Money Market Funds	23,608,941	N/A
State Investment Pool (LAIF)	31,171,576	N/A
U.S. Agency Securities	3,202,052	4.0
Investment Contracts	5,143,881	N/A
Total	$ 230,501,764	

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:

Investment Type		Minimum Legal Rating	Not Required To Be Rated	AAA	AA+	AA	AA-	Unrated
U.S. Agency Securities	$ 102,557,911	N/A	$ -	$ 102,557,911	$ -	$ -	-	-
Corporate Med Term Notes	6,113,380	A	-	-	2,064,280	-	4,049,100	-
Certificates of Deposit	4,000,000	Collateralized	-	-	-	-	-	4,000,000
Local Agency Obligations	6,124,300	N/A	6,124,300	-	-	-	-	-
State Investment Pool (LAIF)	48,579,723	N/A	-	-	-	-	-	48,579,723
Held by Bond Trustee:						-	-	
Money Market Funds	23,608,941	A	-	23,608,941	-	-	-	-
State Investment Pool (LAIF)	31,171,576	N/A	-	-	-	-	-	31,171,576
U.S. Agency Securities	3,202,052	N/A	-	3,202,052	-	-	-	-
Investment Contracts	5,143,881	N/A	5,143,881	-	-	-	-	-
Total	$ 230,501,764		$ 11,268,181	$ 129,368,904	$ 2,064,280	$ -	$ 4,049,100	$ 83,751,299

Disclosure Relating to 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	$ 24,506,610	10.6
Federal Home Loan Bank	U.S. Agency Securities	37,695,241	16.4
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	23,227,280	10.1
Federal Natl Mortgage Assn	U.S. Agency Securities	17,128,780	7.4

Disclosure Relating to 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.

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, 2010, $6,173,987 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.

Investment in Local Agency Obligations

In July 2009, the Airport Fund issued a promissory note in the amount of $7,300,000 at an interest rate of the higher of 6.5% or the LAIF rate, but not to exceed 9%, for the purpose of constructing a new joint use rental car facility for use by the rental car companies serving the Airport. In accordance with the California Government Code Section 53601 (e), the City is allowed to invest in bonds, notes, warrants, or other evidence of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

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, 2010, the various components of unearned and deferred revenue reported are as follows:

	Unearned	Deferred (Unavailable)
Governmental funds:		
General Fund:		
Deferred business license tax	$ 1,048,904	$ -
Nonmajor Governmental Funds:		
Advances on federal grants for low-income housing	-	12,327,363
Total governmental funds	$ 1,048,904	$ 12,327,363
Business-type activities:		
Airport Fund:		
Prepaid lease revenue	$ 387,425	$ -
Nonmajor Proprietary Funds:		
Golf gift cards	29,256	-
Parking	80	-
Waterfront Fund:		
Prepaid lease and slipholder revenue	226,882	-
Total business-type activities	$ 643,643	$ -

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, 2010, the amount of bonds outstanding was $145,000. The asset and liability is recorded in the Seismic Safety Assessment Agency Fund.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance July 1, 2009	Increases	Decreases	Ending Balance June 30, 2010	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:						
Non-depreciating capital assets:						
Construction in progress	$ 33,284,455	$ 16,991,920	$ (22,733,798)	$ 27,542,577	$ 291,538	$ 27,834,115
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	244,145,152	16,991,920	(22,733,798)	238,403,274	291,538	238,694,812
Depreciating capital assets:						
Buildings	45,325,655	6,918,560	-	52,244,215	105,889	52,350,104
Building improvements	7,711,848	1,270,383	-	8,982,231	295,223	9,277,454
Improvements other than buildings	41,251,916	1,315,787	-	42,567,703	257,165	42,824,868
Equipment	8,976,086	3,289,927	-	12,266,013	18,116,977	30,382,990
Infrastructure	117,185,386	12,059,694	-	129,245,080	-	129,245,080
Total depreciating capital assets	220,450,891	24,854,351	-	245,305,242	18,775,254	264,080,496
Less accumulated depreciation:						
Buildings	13,246,565	1,047,525	-	14,294,090	101,919	14,396,009
Building improvements	2,944,861	255,441	-	3,200,302	21,269	3,221,571
Improvements other than buildings	23,337,387	1,456,829	-	24,794,216	46,924	24,841,140
Equipment	6,038,846	1,073,933	-	7,112,779	13,200,932	20,313,711
Infrastructure	54,404,337	2,498,280	-	56,902,617	-	56,902,617
Total accumulated depreciation	99,971,996	6,332,008	-	106,304,004	13,371,044	119,675,048
Total capital assets, being depreciated, net	120,478,895	18,522,343	-	139,001,238	5,404,210	144,405,448
Total governmental capital assets, net	$ 364,624,047	$ 35,514,263	$ (22,733,798)	$ 377,404,512	$ 5,695,748	$ 383,100,260

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities:	
Administration	$ 88,648
Public safety	134,239
Public works	4,049,952
Community services	479,966
Community development	1,579,203
General governmental depreciation	6,332,008
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	1,338,412
Total depreciation expense - governmental activities	$ 7,670,420

	Beginning Balance July 1, 2009	Increases	Decreases	Ending Balance June 30, 2010
Business-Type Activities:				
Non-depreciating capital assets:				
Land	$ 19,201,133	$ -	$ -	$ 19,201,133
Construction in progress	59,459,090	19,944,366	(25,436,828)	53,966,628
Total non-depreciating capital assets	78,660,223	19,944,366	(25,436,828)	73,167,761
Depreciating capital assets:				
Buildings	33,747,302	9,483,389	-	43,230,691
Building improvements	7,658,152	420,948	-	8,079,100
Other improvements and drainage	321,671,436	17,950,398	-	339,621,834
Equipment	28,293,212	5,372,963	-	33,666,175
Underground piping	175,169,243	1,505,053	-	176,674,296
Infrastructure	14,885,287	1,095,194	-	15,980,481
Total depreciating capital assets	581,424,632	35,827,945	-	617,252,577
Less accumulated depreciation:				
Buildings	23,511,650	829,672	-	24,341,322
Building improvements	2,661,002	211,246	-	2,872,248
Other improvements and drainage	148,466,215	8,943,118	-	157,409,333
Equipment	15,494,824	2,031,141	-	17,525,965
Underground piping	89,484,548	4,034,548	-	93,519,096
Infrastructure	6,589,005	307,258	-	6,896,263
Total accumulated depreciation	286,207,244	16,356,983	-	302,564,227
Net depreciating capital assets	295,217,388	19,470,962	-	314,688,350
Total business-type activities Capital assets, net	$ 373,877,611	$ 39,415,328	$ (25,436,828)	$ 387,856,111

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

Business-type activities:	
Water	$ 6,311,601
Wastewater	3,973,081
Airport	4,268,005
Waterfront	1,237,075
Downtown parking	363,551
Golf	203,670
Total depreciation expense - business-type activities	$ 16,356,983

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2010, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	$ 2,442,386
Street Grant Capital Fund	Street Capital Improvements Fund	594,610
		$ 3,036,996

Advances to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	Golf Course Fund	$ 500,000
General Fund	Waterfront	2,820,667
		$ 3,320,667

The interfund balances at June 30, 2010, 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 $2,820,667 at June 30, 2010, 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.

The City's General Fund advanced money to the Golf Course Nonmajor Enterprise Fund. These advances, totaling $500,000 at June 30, 2010, were for the purposes of the Golf Safety Improvement Master Plan. The advance bears interest at 6%, with payments beginning in fiscal year 2012.

A summary of interfund transfers during the year follows:

Fund Transferred From	*Fund Transferred To* General Fund	Redevelopment Agency Capital Project	Other Governmental Funds	Non-major Proprietary Funds	Subtotal	Internal Service Funds	Total
Governmental Funds							
General Fund	$ -	$ -	$ 1,141,781	$ 43,500	$ 1,185,281	$ 83,332	$ 1,268,613
Redevelopment Agency Special Revenue	-	9,757,365	-	-	9,757,365	2,487	9,759,852
Solid Waste	-	-	-	-	-	13,460	13,460
Other Governmental Funds	834,241	-	2,235,077	-	3,069,318	6,352	3,075,670
Internal Service Funds	780,000	-	65,000	-	845,000	1,934	846,934
Enterprise Funds							
Water	-	-	-	-	-	19,614	19,614
Wastewater	-	-	-	-	-	80,469	80,469
Airport	-	-	-	-	-	1,069	1,069
Waterfront	-	-	-	-	-	1,381	1,381
Other Enterprise Funds	312,621	-	-	-	312,621	1,934	314,555
Total	$ 1,926,862	$ 9,757,365	$ 3,441,858	$ 43,500	$ 15,169,585	$ 212,032	$ 15,381,617

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 $1.9 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 11).

Long-term liability activity for the year ended June 30, 2010, is as follows:

	Beginning Balance July 1, 2009	Additions	Deductions	Ending Balance June 30, 2010	Due Within One Year	Due in More Than One Year
Governmental Activities						
Certificates of participation	$ 2,597,100	$ -	$ 247,500	$ 2,349,600	$ 254,100	$ 2,095,500
Tax allocation bonds	64,165,000	-	5,285,000	58,880,000	5,470,000	53,410,000
Loans	750,000	-	750,000	-	-	-
Unamortized debt premium	731,284	-	73,128	658,156	-	658,156
Governmental funds debt issues	68,243,384	-	6,355,628	61,887,756	5,724,100	56,163,656
Compensated absences	6,004,435	6,320,501	5,591,395	6,733,541	6,060,186	673,355
Claims liability	5,920,988	1,590,951	2,159,716	5,352,223	2,606,533	2,745,690
Governmental activity Long-term liabilities	80,168,807	7,911,452	14,106,739	73,973,520	14,390,819	59,582,701
Business-Type Activities						
Revenue bonds	68,625,000	-	1,155,000	67,470,000	1,200,000	66,270,000
Certificates of participation	29,422,900	-	1,182,500	28,240,400	1,140,900	27,099,500
Loans	36,159,133	6,337,087	2,005,426	40,490,794	2,224,710	38,266,084
Unamortized debt premium	143,969	-	7,578	136,391	-	136,391
Loss on defeasance	(3,133,486)	-	(150,210)	(2,983,276)	-	(2,983,276)
	131,217,516	6,337,087	4,200,294	133,354,309	4,565,610	128,788,699
Compensated absences	1,419,878	1,462,765	1,322,206	1,560,437	1,404,393	156,044
Business-type activity Long-term liabilities	132,637,394	7,799,852	5,522,500	134,914,746	5,970,003	128,944,743
Total debt activity	$ 212,806,201	$ 15,711,304	$ 19,629,239	$ 208,888,266	$ 20,360,822	$ 188,527,444

A description of long-term obligations outstanding at June 30, 2010, by category follows:

	Amount Outstanding June 30, 2010
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.	$ 4,885,000
$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.	21,370,000
$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.	32,625,000
Total tax allocation bonds	58,880,000

Certificates of Participation

$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. 2,349,600

Total Governmental Activities $ 61,229,600

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. $ 3,275,000

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. 16,925,000

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 67,470,000

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. 14,960,000

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. 1,210,400

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 sys 12,070,000

Total certificates of participation 28,240,400

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.	525,881
$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	14,225,995
$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.	17,248,486
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.	2,153,345
$6,124,300 - City of Santa Barbara loan. Funds used to finance capital improvements at the airport. The loan is to be repaid over 20 years with an interest rate of higher of 6.5% or the LAIF rate, but not to exceed 9%.	6,124,300
Waterfront Fund:	
$212,787 - State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. Due in 17 annual payments of $218,714. Interest is 4.5% per annum. 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.	212,787
Total loans payable	40,490,794
Total business-type activities	$ 136,201,194

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2010, are as follows:

	Governmental Activities		Business-type Activities			
	Principal Payments					
Fiscal Year Ending	Tax Allocation Bonds	Certificates of Participation	Revenue Bonds	Certificates of Participation	Other Loans	Total
2011	$ 5,470,000	$ 254,100	$ 1,200,000	$ 1,140,900	$ 2,224,710	$ 10,289,710
2012	5,705,000	264,000	1,250,000	1,191,000	2,158,852	10,568,852
2013	5,925,000	273,900	2,175,000	1,236,100	2,022,026	11,632,026
2014	6,195,000	287,100	2,265,000	1,292,900	2,087,282	12,127,282
2015	6,485,000	300,300	2,355,000	1,349,700	2,155,024	12,645,024
2016 - 2020	29,100,000	970,200	9,275,000	7,469,800	12,099,498	58,914,498
2021 - 2025	-	-	11,505,000	9,035,000	13,809,352	34,349,352
2026 - 2030	-	-	13,175,000	5,525,000	3,934,050	22,634,050
2031 - 2035	-	-	10,660,000	-	-	10,660,000
2036 - 2039	-	-	13,610,000	-	-	13,610,000
Total Principal	$ 58,880,000	$ 2,349,600	$ 67,470,000	$ 28,240,400	$ 40,490,794	$ 197,430,794
Fiscal Year Ending	Interest Payments					Total
2011	$ 2,679,979	$ 96,345	$ 3,163,916	$ 1,388,587	$ 1,542,106	$ 8,870,933
2012	2,443,030	85,983	3,115,050	1,341,267	1,480,364	8,465,694
2013	2,220,460	75,225	3,028,430	1,292,019	1,426,181	8,042,315
2014	1,949,835	63,647	2,936,570	1,236,089	1,374,149	7,560,290
2015	1,662,175	50,976	2,840,355	1,172,540	1,320,574	7,046,620
2016 - 2020	3,480,253	68,521	12,969,655	4,777,019	5,741,703	27,037,151
2021 - 2025	-	-	10,683,268	2,618,822	4,140,573	17,442,663
2026 - 2030	-	-	7,827,390	373,422	2,395,536	10,596,348
2031 - 2035	-	-	4,520,250	-	-	4,520,250
2036 - 2039	-	-	1,427,250	-	-	1,427,250
Total Interest	$ 14,435,732	$ 440,697	$ 52,512,134	$ 14,199,765	$ 19,421,186	$ 101,009,514
Total Debt	$ 73,315,732	$ 2,790,297	$ 119,982,134	$ 42,440,165	$ 59,911,980	$ 298,440,308

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:
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 $73,315,732 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was $8,160,301 and property tax increment net revenues were $20,124,451. The Bonds required 41% of net revenues.

Revenue Bonds:
Annual principal and interest payment on the water revenue bonds are expected to require approximately 10% of net available revenues. Total principal and interest remaining to be paid on the Bonds is $3,683,840 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was $730,640 and total water net revenues were $9,758,250. The Bonds required 7% of net revenues.

Annual principal and interest payment on the wastewater revenue bonds are expected to require approximately 45% of net available revenues. Total principal and interest remaining to be paid on the Bonds is $26,002,480 as of June 30, 2010. For the current year, principal and interest paid on the Bonds was $1,354,888 and total wastewater net revenues were $3,394,451. The Bonds required 40% of net revenues.

The City has complied with all bond covenants.

NOTE 8. CONTINGENCIES AND COMMITMENTS

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.

Construction

Various construction projects were in progress at June 30, 2010 with an estimated cost to complete of approximately $48,770,000 in all fund types.

NOTE 9. 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, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 18.51%, the safety police plan rate is 27.79%, and the safety fire plan rate is 28.62% of payroll. Miscellaneous, non-safety, members contribute 7.999% 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, 2010 and 100% of the safety employees' required contribution. 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, 2010, the City's annual pension costs for all of the retirement plans, in the amount of $22,084,844 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2010 was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2007
(b) Amortization method	level percent of payroll
(c) Average remaining period	21 years (non-safety), 30 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
06/30/08	$ 21,513,692	100%	$ -
06/30/09	23,155,836	100%	-
06/30/10	22,084,844	100%	-

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, 2007 as provided by CalPERS.

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:							
2010	06/30/07	$ 299,764,650	$ 242,421,975	$ 57,342,675	80.9%	$ 48,999,460	117.0%
Safety Fire Plan:							
2010	06/30/07	$ 115,216,176	$ 95,597,935	$ 19,618,241	83.0%	$ 9,491,027	206.7%
Safety Police Plan:							
2010	06/30/07	$ 146,668,344	$ 121,314,000	$ 25,354,344	82.7%	$ 14,075,549	180.1%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

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 seventeen (17) 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, 2010, 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. Separate audited financial statements are not issued for either plan.

Funding Policy

All of the pensioners are retirees. Plan assets diminished considerably as retirees are paid out of the plan and the City has not made contributions. At June 30, 2010, the City has a net pension obligation (NPO) of $908,092. The City's 2010 annual pension cost and net pension obligation for each Plan are shown below.

Annual required contribution	$	178,000
Interest on net pension obligation		47,472
Adjustments to annual required contribution		4,448
Annual pension cost (expense)		229,920
Contributions made		-
Increase (decrease) in net pension obligation		229,920
Net pension obligation - beginning of year		678,172
Net pension obligation - end of year	$	908,092

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	July 1, 2008	July 1, 2008
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*	Unit Credit	Unit Credit
Number of participants	10	7
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	No surviving participants are eligible for increases	
Mortality	RP-2000 projected to 2008 Annuitant Mortality Table for males and females	

*The unit credit actuarial cost method amortizes unfunded actuarial liabilities over the average remaining lifetime of participants.

Three-year Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	$ 131,011	0%	$ 442,000
06/30/09	236,172	0%	678,172
06/30/10	229,920	0%	908,092

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 July 1, 2008.

Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
Safety Retirement Plan & Service Retirement Plan					
2010	07/01/08	$ 1,586,468	$ 189,749	$ 1,396,719	12.0%

*The City did not perform separate valuation on the Safety Retirement and the Service Retirement Plan

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for the benefits.

Financial Information of the Plans

All members of the plan are retired. The plans were closed as of 1965. Financial information of the plans is as follows:

	Safety Retirement	Service Retirement
Total Assets	$ -	$ 225,879
Total Liabilities	$ 579,130	$ -
Total Net Assets Available for Benefits	$ (579,130)	$ 225,879
Investments Earnings	$ (14,161)	$ 22,836
Benefits Payments	$ (111,414)	$ (118,506)
Net Changes in Net Assets Available for Benefits	$ (125,575)	$ (95,670)

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 10. 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, 2010, consist of the following:

	General Fund	Special Revenue Funds: Redevelopment Agency	Special Revenue Funds: Solid Waste	Capital Projects Fund: Redevelopment Agency	Other Governmental Funds	Total
Reserved:						
Encumbrances	$ 1,362,663	$ 110,403	$ 81,306	$ 3,284,700	$ 4,780,389	$ 9,619,461
Non-current receivables	4,243,743	43,043,358	-	3,500,000	-	50,787,101
Advances to other funds	3,320,667	-	-	-	-	3,320,667
Redevelopment projects	-	4,145,907	-	28,443,496	-	32,589,403
Low and moderate income housing	-	8,726,588	-	-	-	8,726,588
Prepaid assets and deposits	31,782	-	-	-	-	31,782
Debt service	-	-	-	-	561,608	561,608
Public safety	-	-	-	-	1,211,868	1,211,868
Community development	-	-	-	-	286,873	286,873
Parks	-	-	-	-	2,500,940	2,500,940
Library					524,865	524,865
Future projects	-	-	-	-	6,171,260	6,171,260
Street improvements	-	-	-	-	6,192,157	6,192,157
Total reserved	8,958,855	56,026,256	81,306	35,228,196	22,229,960	122,524,573
Designated:						
Capital	1,000,000	-	-	-	-	1,000,000
Economic Uncertainty	11,829,907	-	-	-	-	11,829,907
Future Years' Budget	2,855,884	-	-	-	-	2,855,884
Total designated	15,685,791	-	-	-	-	15,685,791
Unreserved - undesignated	-	-	2,634,902	-	(1,215,975)	1,418,927
Total fund balances	$ 24,644,646	$ 56,026,256	$ 2,716,208	$ 35,228,196	$ 21,013,985	$ 139,629,291

NOTE 11. 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 three 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, 2010, the estimated outstanding liabilities are $4,194,955 for workers' compensation and $1,157,268 for general and automobile

liability. These liabilities are based on an actuarial valuation as of June 30, 2010. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2010, the liability for unemployment claims was $76,307.

A summary of changes in claims liabilities is shown below:

	2010	2009	2008
Claims liabilities, July 1	$ 5,920,988	$ 5,669,901	$ 8,647,686
Incurred claims	1,590,951	2,510,043	3,188,589
Actuarial adjustment	(568,765)	251,086	(2,977,785)
Payments on claims attributable to events of current and prior years	(1,590,951)	(2,510,042)	(3,188,589)
Claims liabilities, June 30	$ 5,352,223	$ 5,920,988	$ 5,669,901

NOTE 12. 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
2010-11	$ 2,505,281	$ 99,892	$ 202,212	$ (25)	$ 1,780,497	$ 1,982,684	$ 4,587,857
2011-12	2,630,295	117,339	205,732	(68)	1,732,507	1,938,171	4,685,805
2012-13	2,661,237	79,255	225,397	(48)	1,739,285	1,964,634	4,705,126
2013-14	2,751,401	82,145	237,312	(49)	1,730,803	1,968,066	4,801,612
2014-15	2,881,331	-	244,431	-	1,729,921	1,974,352	4,855,683
Thereafter	55,391,817	-	7,219,704	-	12,067,875	19,287,579	74,679,396
Total	$ 68,821,362	$ 378,631	$ 8,334,788	$ (190)	$ 20,780,888	$ 29,115,486	$ 98,315,479

(1) Variable costs only shown through fiscal year 2013-14 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.

The City of Santa Barbara Water Fund has entered into a cost sharing agreement with the Carpinteria Valley Water District (Carpinteria) and the Montecito Water District (Montecito) for water treatment and distribution. Under the agreement, Carpinteria reimburses the City 20% of the costs to operate the City's Cater Treatment Plant and Montecito reimburses 19.7% of the costs.

The Districts also agreed to reimburse the City for a pro rata portion of debt issued by the City to make improvements to the water treatment plant. The City currently has two loans outstanding with the California State Department of Water Resources for improvements to the plant (see Note 7) with principal balances outstanding of $525,881 and $14,225,995.

The Districts repay the City semi-annually for the costs of the water treatment improvements plus interest. These repayments by the Districts will be paid through June 30, 2025.

NOTE 13. 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 14. 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, 2010, the City has $4,243,743 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 15. DEFICIT FUND EQUITY

The Safety Retirement Pension Trust Fund has a deficit fund balance of ($579,130) as of June 30, 2010. The deficit will be eliminated through contributions from the City's General Fund.

The FEMA Reimbursement Fund has a deficit fund balance of ($1,215,975) as of June 30, 2010. 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 16. 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. This is a single employer defined benefits OPEB plan. 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. The OPEB plan does not have a stand-alone financial report.

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 November 30, 2010 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	$ 3,124,000
Interest on net OPEB obligation	78,000
Adjustments to annual required contribution	(71,000)
Annual OPEB cost (expense)	3,131,000
Contributions made	(942,000)
Increase (decrease) in net OPEB obligation	2,189,000
Net OPEB obligation - beginning of year	1,953,000
Net OPEB obligation - end of year	$ 4,142,000

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, 2010 and each of the preceding two years was as follows:

Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage Contribution	OPEB Obligation
6/30/2008	$ 1,842,000	$ 831,000	45%	$ 1,011,000
6/30/2009	$ 1,882,000	940,000	50%	1,953,000
6/30/2010	$ 3,131,000	942,000	30%	4,142,000

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

Schedule of Funding Progress (000s Omitted)

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
7/1/2009	$ -	$ 30,697	$ 30,697	0%	$ 76,267	40.25%

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 required Schedule of Funding Progress, presented as required supplementary information, 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.

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, 2010 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:

- 30-year open amortization period
- 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 - 4.00% - 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 ($76 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.

Sick Leave Retiree Benefits

Plan Description. The City provides additional retirement benefits based on unused accumulated sick leave to eligible employees who retire with CalPERS pension benefits immediately upon termination of employment from the City. Under this plan, unused accumulated sick leave balances are converted to credited service that is used to provide additional retirement benefits. Annuity benefits are determined based on credited service, final average compensation, and the CalPERS benefit formulas. Employees are eligible for benefits if they terminate employment at a minimum of age 50 and 5 years service. Eligibility is applicable to employees who retire directly from City employment and have accrued at least 500 of unused sick leave.

Funding Policy. The City is evaluating various options for funding the sick leave retirement benefits. The City has not set up a trust for purposes of funding the required sick leave retiree benefits 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 November 30, 2010 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	$ 367,000
Interest on net OPEB obligation	6,000
Adjustments to annual required contribution	242,000
Annual OPEB cost (expense)	615,000
Contributions made	(570,000)
Increase (decrease) in net OPEB obligation	45,000
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 45,000

The City Sick Leave Retirement Benefits annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2010 was as follows:

(000s Omitted)

Fiscal Year Ending	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2010	$ 615	$ 570	92.68%	$ 45

*This is the first year the City implemented Sick Leave Retirement Benefits, therefore, the preceding two years information was not available.

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

Schedule of Funding Progress (000s Omitted)

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
7/1/2009	$ -	$ 3,805	$ 3,805	0%	$ 68,107	5.59%

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 required Schedule of Funding Progress, presented as required supplementary information, 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, 2010 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:

- 30-year open amortization period
- 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 - 4.00% - 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 ($68 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

Salary Increases – 4.00% - This is the annual rate at which individual salaries are expected to increase and is used in the determination of benefits.

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations in fiscal year 2010 are detailed as follows:

	Appropriations	Expenditures and Transfers	Excess
Other governmental funds:			
Traffic safety fund:			
Public safety	$ 515,000	$ 519,543	$ (4,543)
Police Supplemental law enforcement fund:			
Public safety	73,000	97,420	(24,420)

NOTE 18. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu of sales tax, and supplemental property tax apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was $2,276,895.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint power authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 19. SUBSEQUENT EVENT

In 2009, the State of California enacted legislation authorizing a two-year takeaway of Redevelopment Agency funds. The fiscal year 2009-2010 payment was $6.8 million and it is anticipated another $1.5 million would need to be remitted for the fiscal year 2010-2011. This action was litigated by the California Redevelopment Association and other parties. This lawsuit challenges the constitutionality of ABX 4-26 and seeks to prevent the State from taking redevelopment funds for non-development purposes. As of the date of this report, the court's decision is currently being appealed and the results and the results have not yet been determined.

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 except for Measure A Road Maintenance Fund. 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. The City did not adopt a formal budget for RDA capital projects fund.

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 early 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	$ 104,875,610
Re-appropriated Prior Year Encumbrances	1,288,707
Amendments	(1,470,273)
Amended Budget	$ 104,694,044

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 64,207,624	$61,699,426	$ 61,136,307	$ (563,119)
Franchise fees	2,976,000	3,775,000	3,351,274	(423,726)
Intergovernmental	2,345,577	2,525,077	1,098,500	(1,426,577)
Fines and forfeitures	3,121,774	3,204,092	3,016,835	(187,257)
Use of money and property	1,348,387	1,348,387	1,438,209	89,822
Charges for services	19,538,461	19,574,381	19,954,506	380,125
Other revenues	10,106,100	10,241,437	8,800,958	(1,440,479)
Total revenues	103,643,923	102,367,800	98,796,589	(3,571,211)
Expenditures:				
Current:				
Mayor and council	747,750	747,750	699,990	47,760
City attorney	2,099,358	2,099,358	2,062,699	36,659
City administration	2,021,353	1,946,030	1,804,635	141,395
Administrative services	2,146,852	2,146,852	1,890,927	255,925
Finance	4,612,704	4,576,067	4,481,103	94,964
Fire	21,486,546	21,514,819	20,520,077	994,742
Police	32,839,944	33,040,514	32,530,428	510,086
Public works	6,526,773	6,298,316	6,092,157	206,159
Parks and recreation	13,605,368	13,316,079	12,925,534	390,545
Library	4,331,670	4,171,993	3,887,513	284,480
Community development	10,728,900	11,614,778	10,313,240	1,301,538
Community promotions	2,448,154	1,941,250	1,823,758	117,492
Total expenditures	103,595,372	103,413,806	99,032,061	4,381,745
Excess (deficiency) of revenues over (under) expenditures	48,551	(1,046,006)	(235,472)	810,534
Other financing sources (uses):				
Transfers in	1,044,204	1,924,204	1,926,862	2,658
Transfers out	(1,280,238)	(1,280,238)	(1,268,613)	11,625
Total other financing sources (uses)	(236,034)	643,966	658,249	14,283
Net change in fund balances	(187,483)	(402,040)	422,777	824,817
Fund balances, beginning of fiscal year	24,221,869	24,221,869	24,221,869	-
Fund balances, end of fiscal year	$ 24,034,386	$ 23,819,829	$ 24,644,646	$ 824,817

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 20,421,800	$ 20,421,800	$ 20,124,451	$ (297,349)
Use of money and property	627,700	627,700	663,741	36,041
Other revenues	-	-	4,091	4,091
Total revenues	21,049,500	21,049,500	20,792,283	(257,217)
Expenditures:				
Current:				
Community development	6,394,194	19,286,299	10,639,709	8,646,590
Debt service:				
Principal	470,000	470,000	1,220,000	(750,000)
Interest	168,950	168,950	174,898	(5,948)
Total expenditures	7,033,144	19,925,249	12,034,607	7,890,642
Excess of revenues over expenditures	14,016,356	1,124,251	8,757,676	7,633,425
Other financing uses:				
Transfers out	(14,016,356)	(9,759,852)	(9,759,852)	-
Net change in fund balances	-	(8,635,601)	(1,002,176)	7,633,425
Fund balances, beginning of fiscal year	57,028,432	57,028,432	57,028,432	-
Fund balances, end of fiscal year	$ 57,028,432	$ 48,392,831	$ 56,026,256	$ 7,633,425

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SOLID WASTE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 440,248	$ 248	$ -	$ (248)
Intergovernmental	895,649	895,649	891,136	(4,513)
Charges for services	17,003,510	17,003,510	16,673,533	(329,977)
Other revenues	274,802	274,802	226,138	(48,664)
Total revenues	18,614,209	18,174,209	17,790,807	(383,402)
Expenditures:				
Current:				
Public works	18,613,933	18,800,381	18,129,281	671,100
Excess (deficiency) of reveues over (under) expenditures	276	(626,172)	(338,474)	287,698
Other financing uses:				
Transfers out	(276)	(276)	(13,460)	(13,184)
Net change in fund balances	-	(626,448)	(351,934)	274,514
Fund balances, beginning of fiscal year	3,068,142	3,068,142	3,068,142	-
Fund balances, end of fiscal year	$ 3,068,142	$ 2,441,694	$ 2,716,208	$ 274,514

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 125 miles of residential streets, 40 miles of principal arterial and arterial streets, 71 miles of collector streets and 3 miles of alleys. 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, 2008, and 2010, which were 74, 75, 72, 71, 71, and 69 ("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, 2010, the City's street system was rated an average PCI index value of 69 ("Good") with the detail condition as follows:

Condition	Approximate % of Streets
Excellent to Good	83%
Fair	10%
Poor to Substandard	7%

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 $3,045,354 on street maintenance for the fiscal year ended June 30, 2010. The City has estimated that the average amount of annual expenditures required for fiscal years 2011-2015 to maintain the City's streets at an average PCI rating of at least 70 is approximately $4,700,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is $11.9 million at June 30, 2010. 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
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
2009-2010	7,160,438	3,045,354	69

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.

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2010

Schedule of Funding Progress – PERS Defined Benefit Pension Plan

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:							
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%
2010	06/30/07	299,764,650	242,421,975	57,342,675	80.9%	48,999,460	117.0%
Safety Fire Plan:							
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%
2010	06/30/07	115,216,176	95,597,935	19,618,241	83.0%	9,491,027	206.7%
Safety Police Plan:							
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%
2010	06/30/07	146,668,344	121,314,000	25,354,344	82.7%	14,075,549	180.1%

Schedule of Funding Progress – Safety & Service Defined Benefit Pension Plan

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
Safety Retirement Plan & Service Retirement Plan					
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	07/01/05	$ 1,962,848	$ 836,932	$ 1,125,916	42.6%
2008	07/01/05	1,962,848	836,932	1,125,916	42.6%
2009	07/01/05	1,962,848	836,932	1,125,916	42.6%
2010	07/01/08	1,586,468	189,749	1,396,719	12.0%

Note: Separate information for Safety and Service Retirement Plan is not available.

Schedule of Funding Progress – OPEB-Retiree Medical

Schedule of Funding Progress (000s Omitted)

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
7/1/2009	$ -	$ 30,697	$ 30,697	0%	$ 76,267	40.25%

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 in 2008.

Schedule of Funding Progress – OPEB-Sick Leave Retirement Benefits

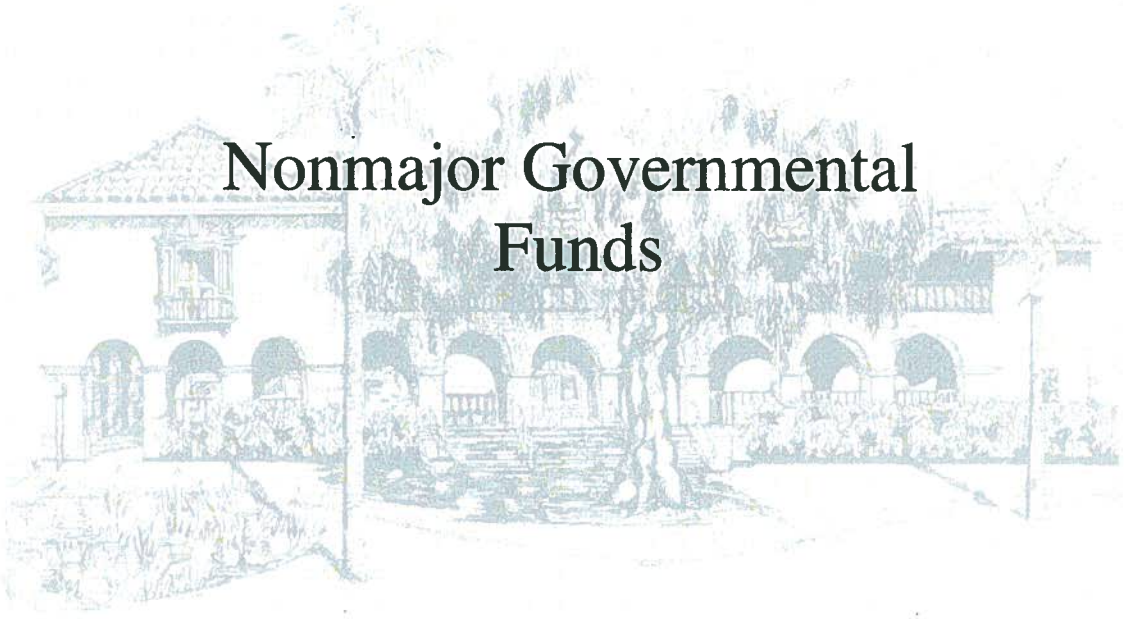
Schedule of Funding Progress (000s Omitted)

Fiscal Year Ending	Annual OPEB Costs	Annual Contribution	Percentage Contribution	Net OPEB Obligation
6/30/2010	$ 615	$ 570	92.68%	$ 45

OPEB information is not available in preceding years as the City adopted GASB Statement No. 45 for this plan in 2010.

SEAL OF THE CITY OF SANTA BARBARA
CALIFORNIA

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.

Community Development Block Grant Fund - To account for the receipt and disbursement of the City's Community Development Block Grant funds.

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 - To account for assets confiscated by police special operations. These funds are restricted to use in support of police operations.

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

FEMA Reimbursement Fund - To account for costs incurred as a result of the four federally declared disasters for storms and wildfires from January, 2005 through May 2009.

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

Police – Justice Assistance Grant Fund - To account for Federal grants funds received for local law enforcement activities.

Measure A Road Maintenance Fund (Unbudgeted) - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure A. This measure was approved by the voters of Santa Barbara County in an election held on November 4, 2008, and became effective on April 1, 2010. The proceeds are restricted to transportation uses.

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

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

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

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, 2010

	Special Revenue						
Assets	Traffic Safety	Creek Restoration/ Water Quality	Transportation Develop.	Community Dev Block Grant	HOME Program	County Library	Street Sweeping
Cash	$ 5	$ 8,169	$ 656	$ -	$ -	$ 1,145	$ 615
Investments	2,165	3,454,565	277,228	-	-	484,378	260,066
Accounts receivable	-	226,517	-	-	13,968	151,283	-
Loans receivable	-	-	-	6,414,670	5,912,693	-	-
Due from other agencies	-	-	-	461,778	201,090	-	-
Interfund receivable	-	-	-	-	-	-	-
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	$ 2,170	$ 3,689,251	$ 277,884	$ 6,876,448	$ 6,127,751	$ 636,806	$ 260,681
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 2,170	$ 39,905	$ 12,234	$ 21,691	$ -	$ 14,182	$ 59,434
Salaries and benefits payable	-	42,257	-	8,574	1,672	63,459	13,605
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	-	-	431,513	213,386	-	-
Deposits	-	-	-	-	-	-	-
Deferred revenue	-	-	-	6,414,670	5,912,693	-	-
Total liabilities	2,170	82,162	12,234	6,876,448	6,127,751	77,641	73,039
Fund balances:							
Reserved:							
Encumbrances	-	103,448	103	-	-	34,300	-
Public safety	-	-	-	-	-	-	-
Street improvements	-	-	265,547	-	-	-	187,642
Parks	-	-	-	-	-	-	-
Library	-	-	-	-	-	524,865	-
Community development	-	-	-	-	-	-	-
Future projects	-	3,503,641	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unreserved - undesignated	-	-	-	-	-	-	-
Total fund balances	-	3,607,089	265,650	-	-	559,165	187,642
Total liabilities and fund balances	$ 2,170	$ 3,689,251	$ 277,884	$ 6,876,448	$ 6,127,751	$ 636,806	$ 260,681

	Special Revenue							
	Measure D Road Maintenance	Wildland Fire Suppression	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
	$ 9,905	$ 297	$ 2,383	$ 2,465	$ 1,989	$ 1,130	$ 16	$ 989
	4,188,786	125,753	1,007,915	1,042,563	841,309	477,758	6,695	418,210
	25,702	-	-	198	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	$ 4,224,393	$ 126,050	$ 1,010,298	$ 1,045,226	$ 843,298	$ 478,888	$ 6,711	$ 419,199
	$ 403,238	$ 12,710	$ 2,725	$ 75	$ 31,924	$ 2,100	$ 4,131	$ 9,724
	152	2,408	-	-	-	-	-	-
	-	-	-	52,828	-	-	-	-
	-	-	-	-	-	1,692,763	-	-
	-	-	-	244,396	-	-	-	-
	-	-	-	-	-	-	-	-
	403,390	15,118	2,725	297,299	31,924	1,694,863	4,131	9,724
	745,449	49,850	720,700	9,196	-	-	-	-
	-	61,082	-	738,731	-	-	2,580	409,475
	3,075,554	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	286,873	-	-	-	-	-
	-	-	-	-	811,374	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	(1,215,975)	-	-
	3,821,003	110,932	1,007,573	747,927	811,374	(1,215,975)	2,580	409,475
	$ 4,224,393	$ 126,050	$ 1,010,298	$ 1,045,226	$ 843,298	$ 478,888	$ 6,711	$ 419,199

(Continued)

CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR - GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue	Captital Projects				Debt Service	
Assets	Measure A	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Creeks Restoration Capital Improvement	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Cash	$ -	$ 4,698	$ 9,712	$ -	$ 6,889	$ -	$ 51,063
Investments	-	1,986,678	4,107,334	-	2,913,466	-	21,594,869
Accounts receivable	122,737	-	878,258	191,230	1,610,581	-	3,220,474
Loans receivable	-	-	-	-	-	-	12,327,363
Due from other agencies	-	-	-	-	-	-	662,868
Interfund receivable	-	-	-	594,610	-	-	594,610
Cash and investments with fiscal agents	-	-	-	-	-	561,608	561,608
Total assets	$ 122,737	$ 1,991,376	$ 4,995,304	$ 785,840	$ 4,530,936	$ 561,608	$ 39,012,855
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ -	$ 47,044	$ 151,409	$ 681,116	$ 513,938	$ -	$ 2,009,750
Salaries and benefits payable	30,848	-	164,562	-	-	-	327,537
Interest payable	-	-	-	-	-	-	52,828
Interfund payables	-	-	594,610	104,724	-	-	3,036,996
Deposits	-	-	-	-	-	-	244,396
Deferred revenue	-	-	-	-	-	-	12,327,363
Total liabilities	30,848	47,044	910,581	785,840	513,938	-	17,998,870
Fund balances:							
Reserved:							
Encumbrances	-	88,087	1,513,198	-	1,516,058	-	4,780,389
Public safety	-	-	-	-	-	-	1,211,868
Street improvements	91,889	-	2,571,525	-	-	-	6,192,157
Parks	-	-	-	-	2,500,940	-	2,500,940
Library	-	-	-	-	-	-	524,865
Community development	-	-	-	-	-	-	286,873
Future projects	-	1,856,245	-	-	-	-	6,171,260
Debt service	-	-	-	-	-	561,608	561,608
Unreserved	-	-	-	-	-	-	(1,215,975)
Total fund balances	91,889	1,944,332	4,084,723	-	4,016,998	561,608	21,013,985
Total liabilities and fund balances	$ 122,737	$ 1,991,376	$ 4,995,304	$ 785,840	$ 4,530,936	$ 561,608	$ 39,012,855

(Concluded)

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, 2010

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transportation Develop.	Community Dev Block Grant	HOME Program	County Library	Street Sweeping
Revenues:							
Taxes	$ -	$ 2,293,378	$ 53,175	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	1,944,249	673,274	1,418,963	-
Fines and forfeitures	519,543	-	-	-	-	141,068	714,453
Use of money and property	-	207,503	9,145	-	-	26,213	-
Charges for services	-	-	-	-	-	-	-
Program income	-	-	-	584,570	76,809	-	-
Other revenues	-	22,061	-	10	61,238	357,504	-
Total revenues	519,543	2,522,942	62,320	2,528,829	811,321	1,943,748	714,453
Expenditures:							
Current:							
Public safety	31,885	-	-	-	-	-	-
Public works	-	1,360,656	165,656	-	-	-	839,867
Community services	-	-	-	-	-	1,726,165	
Community development	-	-	-	2,530,624	811,321	-	-
Capital Outlay:							
Capital improvements	-	-	-	-	-	-	-
Debt Service:							
Principal retirement	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	31,885	1,360,656	165,656	2,530,624	811,321	1,726,165	839,867
Excess (deficiency) of revenues over (under) expenditures	487,658	1,162,286	(103,336)	(1,795)	-	217,583	(125,414)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	327,369
Transfers out	(487,658)	(1,353,749)	-	(552)	-	-	(347,412)
Total other financing sources (uses)	(487,658)	(1,353,749)	-	(552)	-	-	(20,043)
Net change in fund balances	-	(191,463)	(103,336)	(2,347)	-	217,583	(145,457)
Fund balances, beginning of fiscal year	-	3,798,552	368,986	2,347	-	341,582	333,099
Fund balances, end of fiscal year	$ -	$ 3,607,089	$ 265,650	$ -	$ -	$ 559,165	$ 187,642

Special Revenue							
Measure D Road Maintenance	Wildland Fire Suppression	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement	Police - Justice Assistance Grant
$ 3,569,704	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	124,660	790,043	-	100,000	777,205
-	-	-	-	-	-	-	-
114,870	-	-	3,088	-	-	-	-
-	-	-	-	234,676	1,411,981	-	-
-	-	-	-	-	-	-	-
-	216,281	-	45,068	302,019	-	-	-
3,684,574	216,281	-	172,816	1,326,738	1,411,981	100,000	777,205
-	190,069	-	117,878	457,850	-	97,420	367,730
3,921,107	-	227,007	-	-	976,174	-	-
-	-	-	-	778,014	-	-	-
-	-	-	-	251,497	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,921,107	190,069	227,007	117,878	1,487,361	976,174	97,420	367,730
(236,533)	26,212	(227,007)	54,938	(160,623)	435,807	2,580	409,475
-	-	-	-	242,586	-	-	-
(276)	-	-	-	(138,098)	-	-	-
(276)	-	-	-	104,488	-	-	-
(236,809)	26,212	(227,007)	54,938	(56,135)	435,807	2,580	409,475
4,057,812	84,720	1,234,580	692,989	867,509	(1,651,782)	-	-
$ 3,821,003	$ 110,932	$ 1,007,573	$ 747,927	$ 811,374	$ (1,215,975)	$ 2,580	$ 409,475

(Continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2010

	Special Revenue	Capital Projects				Debt Service	
	Measure A	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Creeks Restoration Capital Improvements	2002 Municipal Refunding Certificates	Total Nonmajor Governmental Funds
Revenues:							
Taxes	$ -	$ -	7,009,012	$ -	$ -	$ -	$ 12,925,269
Intergovernmental	122,737	241,434	2,306,631	2,713,017	1,947,765	-	13,159,978
Fines and forfeitures	-	-	-	-	-	-	1,375,064
Use of money and property	-	-	-	-	-	28,745	389,564
Charges for services	-	-	413,765	-	-	-	2,060,422
Program income	-	-	-	-	-	-	661,379
Other revenues	-	26,760	59,259	882	181,500	-	1,272,582
Total revenues	122,737	268,194	9,788,667	2,713,899	2,129,265	28,745	31,844,258
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	1,262,832
Public works	30,848	-	-	-	-	-	7,521,315
Community services	-	-	-	-	-	-	2,504,179
Community development	-	-	-	-	-	-	3,593,442
Capital Outlay:							
Capital improvements	-	753,206	9,391,179	6,467,584	3,888,865	-	20,500,834
Debt Service:							
Principle retirement	-	-	-	-	-	247,500	247,500
Interest	-	-	-	-	-	106,067	106,067
Total expenditures	30,848	753,206	9,391,179	6,467,584	3,888,865	353,567	35,736,169
Excess (deficiency) of revenues over (under) expenditures	91,889	(485,012)	397,488	(3,753,685)	(1,759,600)	(324,822)	(3,891,911)
Other financing sources (uses):							
Transfers in	-	678,184	98,982	594,610	1,175,000	325,127	3,441,858
Transfers out	-	-	(747,925)	-	-	-	(3,075,670)
Total other financing sources (uses)	-	678,184	(648,943)	594,610	1,175,000	325,127	366,188
Net change in fund balances	91,889	193,172	(251,455)	(3,159,075)	(584,600)	305	(3,525,723)
Fund balances, beginning of fiscal year	-	1,751,160	4,336,178	3,159,075	4,601,598	561,303	24,539,708
Fund balances, end of fiscal year	$ 91,889	$ 1,944,332	$ 4,084,723	$ -	$ 4,016,998	$ 561,608	$ 21,013,985

(Concluded)

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 515,000	$ 515,000	$ 519,543	$ 4,543
Expenditures:				
Current:				
Public Safety	30,000	30,000	31,885	(1,885)
Excess of revenues over expenditures	485,000	485,000	487,658	2,658
Other financing uses:				
Transfers out	(485,000)	(485,000)	(487,658)	(2,658)
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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 2,385,400	$ 2,385,400	$ 2,293,378	$ (92,022)
Use of money and property	224,700	224,700	207,503	(17,197)
Other revenues	-	11,400	22,061	10,661
Total revenues	2,610,100	2,621,500	2,522,942	(98,558)
Expenditures:				
Current:				
Public works	1,954,214	2,044,071	1,360,656	683,415
Excess of revenues over expenditures	655,886	577,429	1,162,286	584,857
Other financing uses:				
Transfers out	(1,353,749)	(1,353,749)	(1,353,749)	-
Net change in fund balances	(697,863)	(776,320)	(191,463)	584,857
Fund balances, beginning of fiscal year	3,798,552	3,798,552	3,798,552	-
Fund balances, end of fiscal year	$ 3,100,689	$ 3,022,232	$ 3,607,089	$ 584,857

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 50,000	$ 50,000	$ 53,175	$ 3,175
Use of money and property	10,100	10,100	9,145	(955)
Total revenues	60,100	60,100	62,320	2,220
Expenditures:				
Current:				
Public works	60,100	326,068	165,656	160,412
Deficiency of revenues under expenditures	-	(265,968)	(103,336)	162,632
Fund balances, beginning of fiscal year	368,986	368,986	368,986	-
Fund balances, end of fiscal year	$ 368,986	$ 103,018	$ 265,650	$ 162,632

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,077,325	$ 2,994,916	$ 1,944,249	$ (1,050,667)
Program income	250,000	250,000	584,570	334,570
Other revenues	-	-	10	10
Total revenues	1,327,325	3,244,916	2,528,829	(716,087)
Expenditures:				
Current:				
Community development	1,326,773	3,120,497	2,530,624	589,873
Excess of revenues over expenditures	552	124,419	(1,795)	(126,214)
Other financing uses:				
Transfers out	(552)	(552)	(552)	-
Net change in fund balances	-	123,867	(2,347)	(126,214)
Fund balances, beginning of fiscal year	2,347	2,347	2,347	-
Fund balances, end of fiscal year	$ 2,347	$ 126,214	$ -	$ (126,214)

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 870,727	$ 870,727	$ 673,274	$ (197,453)
Program income	5,000	5,000	76,809	71,809
Other revenues	79,000	79,000	61,238	(17,762)
Total revenues	954,727	954,727	811,321	(143,406)
Expenditures:				
Current:				
Community development	954,727	2,718,020	811,321	1,906,699
Excess (deficiency) of revenues over (under) expenditures	-	(1,763,293)	-	1,763,293
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ (1,763,293)	$ -	$ 1,763,293

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 1,356,798	$ 1,311,665	$ 1,418,963	$ 107,298
Fines and forfeitures	135,000	135,000	141,068	6,068
Use of money and property	21,620	21,620	26,213	4,593
Other revenues	190,514	235,647	357,504	121,857
Total revenues	1,703,932	1,703,932	1,943,748	239,816
Expenditures:				
Current:				
Community services	1,754,372	1,790,938	1,726,165	64,773
Excess (deficiency) of revenues over (under) expenditures	(50,440)	(87,006)	217,583	304,589
Fund balances, beginning of fiscal year	341,582	341,582	341,582	-
Fund balances, end of fiscal year	$ 291,142	$ 254,576	$ 559,165	$ 304,589

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Fines and forfeitures	$ 810,810	$ 810,810	$ 714,453	$ (96,357)
Total revenues	810,810	810,810	714,453	(96,357)
Expenditures:				
Current:				
Public works	921,741	924,554	839,867	84,687
Deficiency of revenue under expenditures	(110,931)	(113,744)	(125,414)	(11,670)
Other financing sources (uses):				
Transfers in	327,369	327,369	327,369	-
Transfers out	(247,412)	(347,412)	(347,412)	-
Total other financing sources (uses)	79,957	(20,043)	(20,043)	-
Net change in fund balances	(30,974)	(133,787)	(145,457)	(11,670)
Fund balances, beginning of fiscal year	333,099	333,099	333,099	-
Fund balances, end of fiscal year	$ 302,125	$ 199,312	$ 187,642	$ (11,670)

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 4,800,000	$ 4,800,000	$ 3,569,704	$ (1,230,296)
Use of money and property	84,000	84,000	114,870	30,870
Total revenues	4,884,000	4,884,000	3,684,574	(1,199,426)
Expenditures:				
Current:				
Public works	4,883,724	9,066,793	3,921,107	5,145,686
Excess (deficiency) of revenues over (under) expenditures	276	(4,182,793)	(236,533)	3,946,260
Other financing uses:				
Transfers out	(276)	(276)	(276)	-
Net change in fund balances	-	(4,183,069)	(236,809)	3,946,260
Fund balances, beginning of fiscal year	4,057,812	4,057,812	4,057,812	-
Fund balances, end of fiscal year	$ 4,057,812	$ (125,257)	$ 3,821,003	$ 3,946,260

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Other revenues	$ 214,895	$ 214,895	$ 216,281	$ 1,386
Total revenues	214,895	214,895	216,281	1,386
Expenditures:				
Current:				
Public Safety	214,895	287,506	190,069	97,437
Excess (deficiency) of revenues over (under) expenditures	-	(72,611)	26,212	98,823
Fund balances, beginning of fiscal year	84,720	84,720	84,720	-
Fund balances, end of fiscal year	$ 84,720	$ 12,109	$ 110,932	$ 98,823

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Franchise fees	$ 359,000	$ -	$ -	$ -
Total revenues	359,000	-	-	-
Expenditures:				
Current:				
Public works	359,000	1,094,694	227,007	867,687
Excess (deficiency) of revenues over (under) expenditures	-	(1,094,694)	(227,007)	867,687
Fund balances, beginning of fiscal year	1,234,580	1,234,580	1,234,580	-
Fund balances, end of fiscal year	$ 1,234,580	$ 139,886	$ 1,007,573	$ 867,687

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - ASSET FORFEITURE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 80,000	$ 80,000	$ 124,660	$ 44,660
Use of money and property	-	-	3,088	3,088
Other revenues	-	-	45,068	45,068
Total revenues	80,000	80,000	172,816	92,816
Expenditures:				
Current:				
Public Safety	80,000	440,512	117,878	322,634
Excess (deficiency) of revenues over (under) expenditures	-	(360,512)	54,938	415,450
Fund balances, beginning of fiscal year	692,989	692,989	692,989	-
Fund balances, end of fiscal year	$ 692,989	$ 332,477	$ 747,927	$ 415,450

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
MISCELLANEOUS GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 96,438	$ 2,233,952	$ 790,043	$ (1,443,909)
Charges for services	212,179	226,646	234,676	8,030
Other revenues	459,424	679,917	302,019	(377,898)
Total revenues	768,041	3,140,515	1,326,738	(1,813,777)
Expenditures:				
Current:				
Public safety	93,938	1,044,216	457,850	586,366
Public works	-	22,812	-	22,812
Community services	621,603	1,500,528	778,014	722,514
Community development	52,500	1,300,010	251,497	1,048,513
Total expenditures	768,041	3,867,566	1,487,361	2,380,205
Excess (deficiency) of Deficiency of revenues under expenditures	-	(727,051)	(160,623)	566,428
Other financing sources:				
Transfers in	-	-	242,586	242,586
Operating transfers out	-	-	(138,098)	138,098
Total other financing sources (uses)	-	-	104,488	380,684
Net change in fund balances	-	(727,051)	(56,135)	947,112
Fund balances, beginning of fiscal year	867,509	867,509	867,509	-
Fund balances, end of fiscal year	$ 867,509	$ 140,458	$ 811,374	$ 947,112

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FEMA REIMBURSEMENT FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Charges for services	$ -	$ 700,000	$ 1,411,981	$ 711,981
Total revenues	-	700,000	1,411,981	711,981
Expenditures:				
Current:				
Public works	-	2,655,573	976,174	1,679,399
Excess (deficiency) of revenues over (under) expenditures	-	(1,955,573)	435,807	2,391,380
Fund balances, beginning of fiscal year	(1,651,782)	(1,651,782)	(1,651,782)	-
Fund balances, end of fiscal year	$ (1,651,782)	$ (3,607,355)	$ (1,215,975)	$ 2,391,380

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 524,420	$ 73,000	$ 100,000	$ 27,000
Total revenues	524,420	73,000	100,000	27,000
Expenditures:				
Current:				
Public Safety	524,420	73,000	97,420	(24,420)
Excess (deficiency) of revenues over (under) expenditures	-	-	2,580	2,580
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ 2,580	$ 2,580

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
POLICE - JUSTICE ASSISTANCE GRANTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ 777,205	$ 777,205	$ 777,205	$ -
Expenditures:				
Current:				
Public Safety	777,205	777,205	367,730	409,475
Excess of revenues over expenditures	-	-	409,475	409,475
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	$ -	$ -	$ 409,475	$ 409,475

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 473,604	$ 241,434	$ (232,170)
Other revenues	334,500	34,760	26,760	(8,000)
Total revenues	334,500	508,364	268,194	(240,170)
Expenditures:				
Capital outlay:				
Capital improvements	857,670	2,413,080	753,206	1,659,874
Deficiency of revenues under expenditures	(523,170)	(1,904,716)	(485,012)	1,419,704
Other financing sources:				
Transfers in	573,470	972,470	678,184	(294,286)
Transfers out	-	-	-	-
Total other financing sources (uses)	573,470	972,470	678,184	(294,286)
Net change in fund balances	50,300	(932,246)	193,172	1,125,418
Fund balances, beginning of fiscal year	1,751,160	1,751,160	1,751,160	-
Fund balances, end of fiscal year	$ 1,801,460	$ 818,914	$ 1,944,332	$ 1,125,418

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 7,242,000	$ 7,242,000	$ 7,009,012	$ (232,988)
Intergovernmental	1,725,000	1,725,000	2,306,631	581,631
Charges for services	465,000	465,000	413,765	(51,235)
Other revenues	40,000	40,700	59,259	18,559
Total revenues	9,472,000	9,472,700	9,788,667	315,967
Expenditures:				
Capital outlay:				
Capital improvements	9,417,667	13,940,579	9,391,179	4,549,400
Excess (deficiency) of revenues over (under) expenditures	54,333	(4,467,879)	397,488	4,865,367
Other financing sources (uses):				
Transfers in	98,982	98,982	98,982	-
Transfers out	(153,315)	(153,315)	(747,925)	594,610
Total other financing sources (uses)	(54,333)	(54,333)	(648,943)	594,610
Net change in fund balances	-	(4,522,212)	(251,455)	5,459,977
Fund balances, beginning of fiscal year	4,336,178	4,336,178	4,336,178	-
Fund balances, end of fiscal year	$ 4,336,178	$ (186,034)	$ 4,084,723	$ 5,459,977

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, 2010

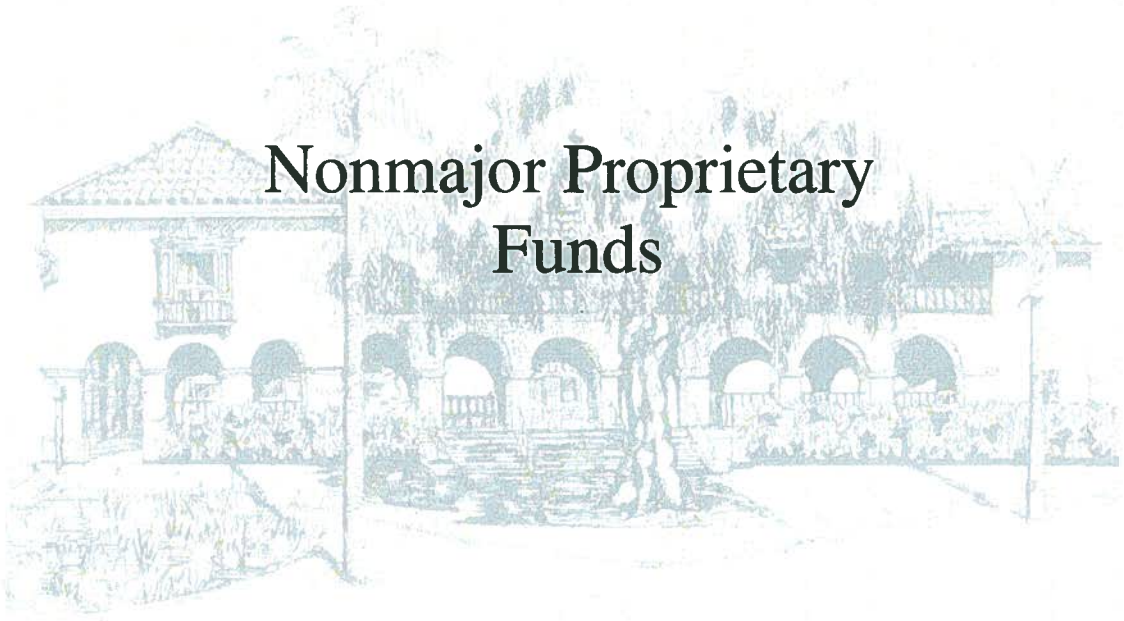
	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 19,732,039	$ 2,713,017	$ (17,019,022)
Other revenues	-	-	882	882
Total revenues	-	19,732,039	2,713,899	(17,018,140)
Expenditures:				
Capital outlay:				
Capital improvements	-	23,030,825	6,467,584	16,563,241
Excess (deficiency) of revenues over (under) expenditures	-	(3,298,786)	(3,753,685)	(454,899)
Other financing sources (uses):				
Transfers in	-	-	594,610	594,610
Total other financing sources (uses)	-	-	594,610	594,610
Net change in fund balances	-	(3,298,786)	(3,159,075)	139,711
Fund balances, beginning of fiscal year	3,159,075	3,159,075	3,159,075	-
Fund balances, end of fiscal year	$ 3,159,075	$ (139,711)	$ -	$ 139,711

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, 2010

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
Revenues:				
Intergovernmental	$ -	$ 5,274,175	$ 1,947,765	$ (3,326,410)
Other revenues	-	207,000	181,500	(25,500)
Total revenues	-	5,481,175	2,129,265	(3,351,910)
Expenditures:				
Capital Outlay:				
Capital improvements	1,175,000	10,673,701	3,888,865	6,784,836
Excess (deficiency) of revenues over (under) expenditures	(1,175,000)	(5,192,526)	(1,759,600)	3,432,926
Other financing sources:				
Transfers in	1,175,000	1,175,000	1,175,000	-
Net change in fund balances	-	(4,017,526)	(584,600)	3,432,926
Fund balances, beginning of fiscal year	4,601,598	4,601,598	4,601,598	-
Fund balances, end of fiscal year	$ 4,601,598	$ 584,072	$ 4,016,998	$ 3,432,926

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, 2010

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash	$ 16,722	$ 1,958	$ 18,681
Investment	7,071,917	828,252	7,900,168
Accounts receivable, net	41,980	53,292	95,272
Total current assets	7,130,619	883,502	8,014,121
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	5,268,873	3,718,693	8,987,566
Equipment	2,451,177	855,347	3,306,524
Construction in progress	264,176	474,344	738,520
Less accumulated depreciation	(6,070,032)	(3,094,537)	(9,164,569)
Total capital assets, (net)	11,535,816	3,664,977	15,200,793
Total assets	18,666,435	4,548,479	23,214,914
Liabilities			
Current liabilities:			
Accounts payable	255,567	107,834	363,401
Accrued interest payable	-	44,759	44,759
Salaries and benefits payable	203,087	55,144	258,231
Deposits	41,140	-	41,140
Deferred revenue	80	29,256	29,336
Compensated absences payable	134,491	60,305	194,796
Current portion long term debt	-	130,900	130,900
Total current liabilities	634,365	428,198	1,062,563
Non-current liabilities:			
Long-term debt, net of current portion	-	994,189	994,189
Advances from other funds	-	500,000	500,000
Compensated absences payable	14,943	6,701	21,644
Other post employment benefits (OPEB) obligation	118,418	36,733	155,151
	133,361	1,537,623	1,670,984
Total liabilities	767,726	1,965,821	2,733,547
Net Assets:			
Invested in capital assets net of related debt	11,535,816	2,539,888	14,075,704
Unrestricted	6,362,893	42,770	6,405,663
Total net assets	$ 17,898,709	$ 2,582,658	$ 20,481,367

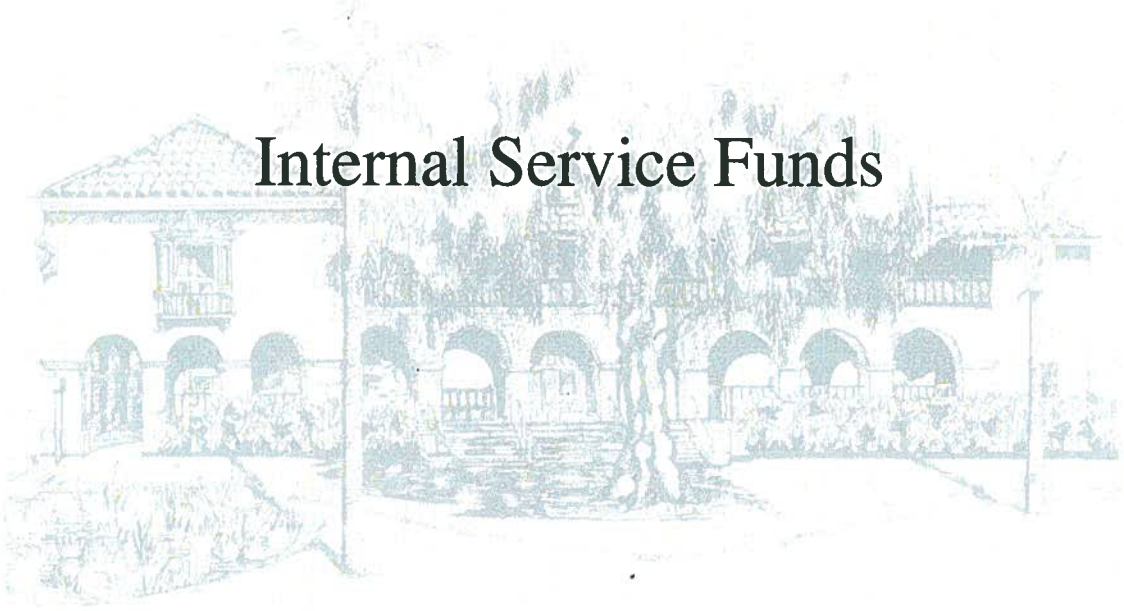
CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2010

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Charges for sales and services:			
Service charges	$ 5,737,357	$ 1,430,728	$ 7,168,085
Leases and rents	-	275,313	275,313
Other revenues	108,569	8,721	117,290
Total revenues	5,845,926	1,714,762	7,560,688
Operating Expenses:			
Salaries, wages and benefits	3,676,345	1,167,392	4,843,737
Materials, supplies and services	2,234,280	575,490	2,809,770
Depreciation	363,551	203,670	567,221
Total operating expenses	6,274,176	1,946,552	8,220,728
Operating income (loss)	(428,250)	(231,790)	(660,040)
Non-operating revenues (expenses):			
Taxes	815,292	-	815,292
Investment income	215,411	28,733	244,144
Interest expense	-	(85,439)	(85,439)
Total non-operating revenues (expenses)	1,030,703	(56,706)	973,997
Income (loss)	602,453	(288,496)	313,957
Transfers in	43,500	-	43,500
Transfers out	(314,002)	(553)	(314,555)
Change in net assets	331,951	(289,049)	42,902
Net assets, beginning of fiscal year	17,566,758	2,871,707	20,438,465
Net assets, end of fiscal year	$ 17,898,709	$ 2,582,658	$ 20,481,367

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2010

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Cash flows from operating activities:			
Cash received from services	$ 5,747,737	$ 1,380,549	$ 7,128,286
Cash received from rents and leases	-	275,313	275,313
Cash payments for goods and services	(2,223,684)	(491,820)	(2,715,504)
Cash payments to employees for services	(3,572,256)	(1,135,462)	(4,707,718)
Cash returned for deposits	1,040	-	1,040
Other operating receipts	108,569	8,721	117,290
Net cash provided (used) by operating activities	61,406	37,301	98,707
Cash flows from noncapital financing activities			
Transfers from other funds	43,500	-	43,500
Transfers to other funds	(314,002)	(553)	(314,555)
Cash received from taxes and assessments	815,292	-	815,292
Net cash provided (used) by noncapital financing activities	544,790	(553)	544,237
Cash flows from capital and related financing activities:			
Payments on long-term debt	-	(116,836)	(116,836)
Acquisition of capital assets	(1,085,835)	(474,345)	(1,560,180)
Interest paid on debt	-	(55,487)	(55,487)
Net cash provided (used) by capital and related financing activities	(1,085,835)	(646,668)	(1,732,503)
Cash flows from investing activities:			
Cash received on investments	215,411	78,733	294,144
Proceeds from sales and maturities of investments	7,120,014	1,318,284	8,438,298
Purchase of investments	(7,071,917)	(828,252)	(7,900,168)
Net cash provided (used) by investing activities	263,508	568,765	832,273
Net increase (decrease) in cash and cash equivalents	(216,131)	(41,155)	(257,286)
Cash and cash equivalents, beginning of fiscal year	232,853	43,113	275,966
Cash and cash equivalents, end of fiscal year	$ 16,722	$ 1,958	$ 18,681
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (428,250)	$ (231,790)	$ (660,040)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	363,551	203,670	567,221
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	10,380	(53,292)	(42,912)
Increase (decrease) in accounts payable	10,596	83,670	94,266
Increase (decrease) in accrued salaries payable	11,208	132	11,340
Increase (decrease) in deferred revenue	-	3,113	3,113
Increase (decrease) in accrued compensated absences	33,042	12,907	45,949
Increase (decrease) in accrued OPEB	59,839	18,891	78,730
Increase (decrease) in deposits	1,040	-	1,040
Net cash provided (used) by operating activities	$ 61,406	$ 37,301	$ 98,707
Noncash investing, capital,and financing activities:			
Change in fair value of investments	$ (13,389)	$ (1,968)	$ (15,357)

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, 2010

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Assets					
Current Assets:					
Cash	$ 6,959	$ 23,981	$ 2,814	$ 19,033	$ 52,788
Investments	2,943,179	10,141,690	1,190,019	8,049,208	22,324,095
Accounts receivable	1,487	-	-	-	1,487
Inventory, at cost	606,475	-	-	-	606,475
Total current assets	3,558,100	10,165,671	1,192,833	8,068,241	22,984,845
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	295,223	-	-	-	295,223
Improvements other than building	257,165	-	-	-	257,165
Equipment	305,865	-	-	17,811,112	18,116,977
Construction in progress	60,184	-	-	231,354	291,538
Less accumulated depreciation	(266,220)	-	-	(13,104,824)	(13,371,044)
Total capital assets, net	758,106	-	-	4,937,642	5,695,748
Total assets	4,316,206	10,165,671	1,192,833	13,005,883	28,680,593
Liabilities					
Current Liabilities:					
Accounts payable	159,400	14,260	43,971	57,035	274,666
Salaries and benefits payable	179,060	16,337	71,379	34,455	301,231
Compensated absences payable	233,312	9,406	86,258	11,039	340,015
Current portion claims payable	-	2,606,533	-	-	2,606,533
Total current liabilities	571,772	2,646,536	201,608	102,529	3,522,445
Non-current Liabilities:					
Compensated absences, net of current portion	25,924	1,045	9,584	1,227	37,780
Estimated claims payable, net of current portion	-	2,745,690	-	-	2,745,690
Total liabilities	597,696	5,393,271	211,192	103,756	6,305,915
Net Assets					
Invested in net assets, net of related debt	758,106	-	-	4,937,642	5,695,748
Unrestricted	2,960,404	4,772,400	981,641	7,964,485	16,678,930
Total net assets	$ 3,718,510	$ 4,772,400	$ 981,641	$ 12,902,127	$ 22,374,678

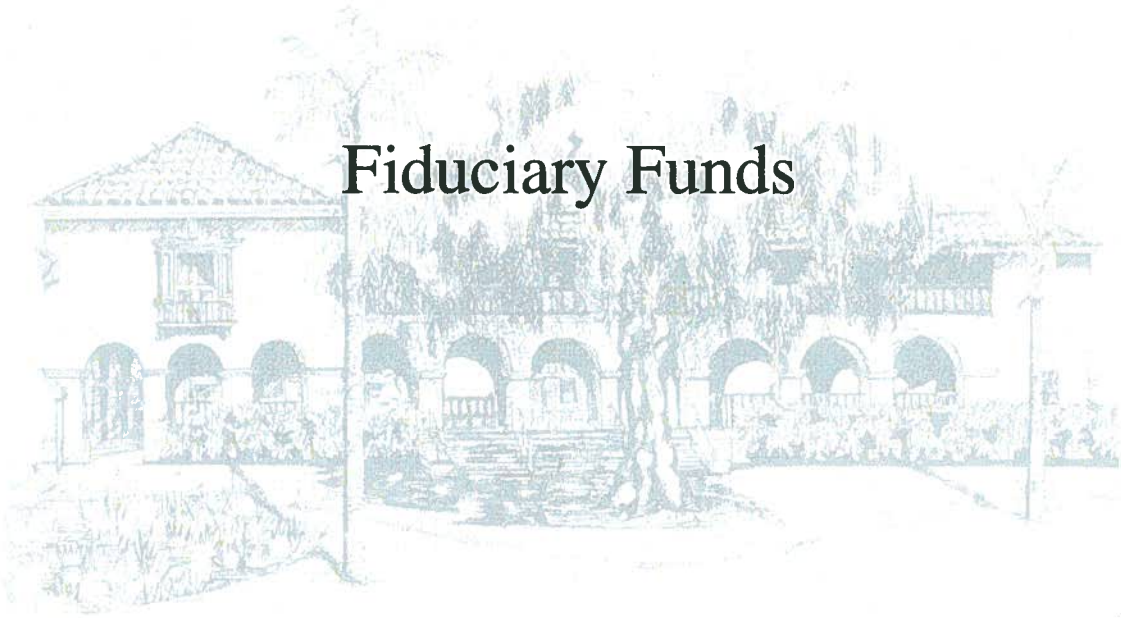
CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2010

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Operating Revenues:					
Charges for sales and services:					
Service charges	$ 4,982,271	$ 5,736,059	$ 2,446,175	$ 4,066,106	$ 17,230,611
Other revenues	-	4,086	226	175,053	179,365
Total operating revenues	4,982,271	5,740,145	2,446,401	4,241,159	17,409,976
Operating Expenses:					
Salaries, wages and benefits	2,962,359	532,471	1,485,900	1,296,476	6,277,206
Materials, supplies and services	1,825,437	3,755,238	1,046,991	1,187,925	7,815,591
Depreciation	33,950	-	-	1,304,462	1,338,412
Total operating expenses	4,821,746	4,287,709	2,532,891	3,788,863	15,431,209
Operating income (loss)	160,525	1,452,436	(86,490)	452,296	1,978,767
Non-operating Revenues and Expenses:					
Investment income	54,945	253,726	-	193,275	501,946
Other	-	(42,278)	-	-	(42,278)
Total non-operating revenues (expenses)	54,945	211,448	-	193,275	459,668
Income (loss) before transfers	215,470	1,663,884	(86,490)	645,571	2,438,435
Transfers In	65,000	-	133,848	13,184	212,032
Transfers Out	(65,829)	(781,105)	-	-	(846,934)
Change in net assets	214,641	882,779	47,358	658,755	1,803,533
Net assets, beginning of fiscal year	3,503,869	3,889,621	934,283	12,243,372	20,571,145
Net assets, end of fiscal year	$ 3,718,510	$ 4,772,400	$ 981,641	$ 12,902,127	$ 22,374,678

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2010

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
Cash flow from operating activities:					
Cash received from services	$ 4,995,487	$ 5,736,059	$ 2,446,175	$ 4,070,599	$ 17,248,320
Cash payments for goods and services	(1,668,995)	(4,361,383)	(1,006,440)	(1,255,720)	(8,292,538)
Cash payments to employees for services	(2,915,965)	(548,851)	(1,463,296)	(1,291,009)	(6,219,121)
Other operating receipts	-	4,086	226	175,053	179,365
Net cash provided (used) by operating activities	410,527	829,911	(23,335)	1,698,923	2,916,026
Cash flows from non-capital financing activities:					
Transfers from other funds	65,000	-	133,848	13,184	212,032
Transfers to other funds	(65,829)	(781,105)	-	-	(846,934)
Net cash provided (used) by non-capital financing activities	(829)	(781,105)	133,848	13,184	(634,902)
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(60,183)	-	-	(846,964)	(907,147)
Net cash provided (used) by capital and related financing activities	(60,183)	-	-	(846,964)	(907,147)
Cash flows from investing activities:					
Cash received on investments	54,945	253,726	-	193,275	501,946
Proceeds from sales and maturities of investments	2,465,061	9,550,790	1,048,045	6,787,834	19,851,729
Purchase of investments	(2,943,179)	(10,141,690)	(1,190,019)	(8,049,208)	(22,324,095)
Net cash provided (used) by investing activities	(423,173)	(337,174)	(141,974)	(1,068,099)	(1,970,421)
Net increase (decrease) in cash	(73,658)	(288,368)	(31,461)	(202,956)	(596,444)
Cash, beginning of fiscal year	80,617	312,349	34,275	221,989	649,231
Cash, end of fiscal year	$ 6,959	$ 23,981	$ 2,814	$ 19,033	$ 52,788
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ 160,525	$ 1,452,436	$ (86,490)	$ 452,296	$ 1,978,767
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	33,950	-	-	1,304,462	1,338,412
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	13,216	-	-	4,493	17,709
(Increase) decrease in inventories	93,152	-	-	-	93,152
Increase (decrease) in accounts payable	63,290	(37,380)	40,551	(67,795)	(1,334)
Increase (decrease) in accrued claims	-	(568,765)	-	-	(568,765)
Increase (decrease) in accrued salaries payable	2,680	(4,895)	1,583	(1,818)	(2,450)
Increase (decrease) in accrued compensated absences	43,714	(11,485)	21,021	7,285	60,535
Net cash provided (used) by operating activities	$ 410,527	$ 829,911	$ (23,335)	$ 1,698,923	$ 2,916,026
Noncash investing, capital,and financing activities:					
Change in fair value of investments	$ (13,539)	$ (19,317)	$ -	$ -	$ (32,856)

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, 2010

	Safety Retirement	Service Retirement	Total
Assets			
Cash and investments with fiscal agents:			
Cash and cash equivalents	$ -	$ 33,507	$ 33,507
Other investments	-	192,372	192,372
Total cash and investments with fiscal agents	-	225,879	225,879
Total assets	-	225,879	225,879
Liabilities			
Accrued benefits payable	5,133	-	5,133
Due to other Governments	573,997	-	573,997
Total Liabilities	579,130	-	579,130
Net assets			
Held in trust for pension benefits	$ (579,130)	$ 225,879	$ (353,251)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2010

	Safety Retirement	Service Retirement	Total
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	$ -	$ 21,957	$ 21,957
Interest	-	44	44
Dividends	-	6,691	6,691
Total investment income	-	28,692	28,692
Less investment expenses:			
Banking, interest and fiscal agent expenses	(14,161)	(5,856)	(20,017)
Net investment income	(14,161)	22,836	8,675
Deductions			
Benefits	111,414	118,506	229,920
Total deductions	111,414	118,506	229,920
Net decrease	(125,575)	(95,670)	(221,245)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	(453,555)	321,549	(132,006)
End of fiscal year	$ (579,130)	$ 225,879	$ (353,251)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2010

	Library Gifts	Tea Fire Employee Trust	Canine Unit	Russ Morrison Trust	Total
Assets					
Cash and investments	$ 1,994,159	$ -	$ 35,364	$ -	$ 2,029,523
Liabilities					
Accounts payable	-	-	407	-	407
Net Assets					
Held in trust:					
Police	-	-	34,957	-	34,957
Library	1,994,159	-	-	-	1,994,159
Total net assets	$ 1,994,159	$ -	$ 34,957	$ -	$ 2,029,116

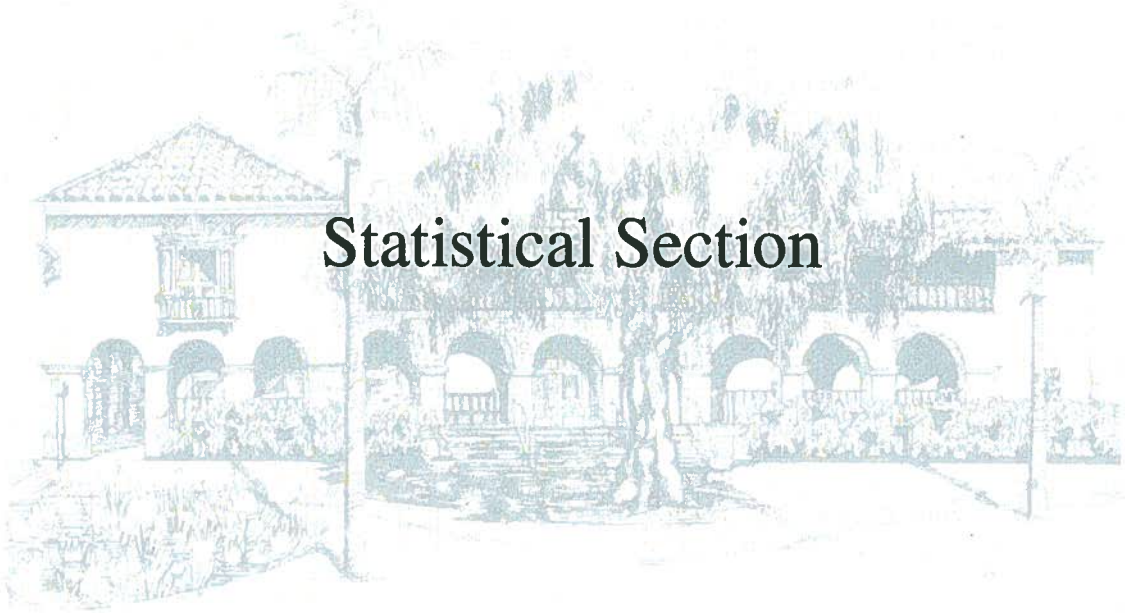
CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2010

	Library Gifts	Tea Fire Employee Trust	Canine Unit	Russ Morrison Trust	Total
Additions					
Use of money and property	$ 12,957	$ -	$ 158	$ -	$ 13,115
Contributions	-	-	28,855	-	28,855
Total additions	12,957	-	29,013	-	41,970
Deductions					
Community services	104,346	850	10,374	1,235	116,805
Net increase (decrease)	(91,389)	(850)	18,639	(1,235)	(74,835)
Net assets, beginning of fiscal year	2,085,548	850	16,318	1,235	2,103,951
Net assets, end of fiscal year	$ 1,994,159	$ -	$ 34,957	$ -	$ 2,029,116

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Accounts receivable	$ 33,291	$ 11,530	$ -	$ 44,821
Total assets	$ 33,291	$ 11,530	$ -	$ 44,821
Liabilities:				
Accounts payable	$ 3,541	$ 1,968	$ -	$ 5,509
Due to the City of Santa Barbara	20,765	11,602	-	32,367
Trust liability	8,985	-	2,040	6,945
Total liabilities	$ 33,291	$ 13,570	$ 2,040	$ 44,821
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	$ 976,153	$ 23,411	$ -	$ 999,564
Accounts receivable	-	25,450	-	25,450
Loans receivable	1,987,077	-	17,647	1,969,430
Total assets	$ 2,963,230	$ 48,861	$ 17,647	$ 2,994,444
Liabilities:				
Accounts payable	$ 1,559	$ 2	$ -	$ 1,561
Contributions	2,961,671	31,212	-	2,992,883
Total liabilities	$ 2,963,230	$ 31,214	$ -	$ 2,994,444
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	$ 126,492	$ 6,102	$ -	$ 132,594
Special assessment receivable	155,000	-	10,000	145,000
Cash and investments held by fiscal agent	87,465	-	-	87,465
Total assets	$ 368,957	$ 6,102	$ 10,000	$ 365,059
Liabilities:				
Due to bondholders	155,000	-	10,000	145,000
Trust liability	213,957	6,102	-	220,059
Total liabilities	$ 368,957	$ 6,102	$ 10,000	$ 365,059
TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	$ 1,102,645	$ 29,513	$ -	$ 1,132,158
Accounts receivable	33,291	36,980	-	70,271
Special assessment receivable	155,000	-	10,000	145,000
Loans receivable	1,987,077	-	17,647	1,969,430
Cash and investments held by fiscal agent	87,465	-	-	87,465
Total assets	$ 3,365,478	$ 66,493	$ 27,647	$ 3,404,324
Liabilities:				
Accounts payable	$ 5,100	$ 1,970	$ -	$ 7,070
Due to other Governments	20,765	11,602	-	32,367
Due to bondholders	155,000	-	10,000	145,000
Trust liability	222,942	6,102	2,040	227,004
Contributions	2,961,671	31,212	-	2,992,883
Total liabilities	$ 3,365,478	$ 50,886	$ 12,040	$ 3,404,324

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 140

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 147

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

Debt Capacity 151

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 156

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 159

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 Nine Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	$340,824
Restricted	83,447	62,650	59,941	70,888	77,906	85,569	89,964	99,248	94,789
Unrestricted	50,741	33,516	31,314	24,228	33,815	36,228	36,948	32,329	33,148
Total governmental activities net assets	$157,951	$159,460	$164,993	$175,599	$413,548	$427,246	$445,982	$462,748	$468,761
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	$290,085
Restricted	4,240	-	-	4,704	4,266	12,303	9,784	8,377	7,618
Unrestricted	66,958	59,199	64,564	75,088	78,148	84,159	87,716	83,993	83,606
Total business-type activities net assets	$197,583	$197,265	$204,344	$215,128	$327,509	$351,913	$373,094	$377,917	$381,309
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	$630,909
Restricted	87,687	62,650	59,941	75,592	82,172	97,872	99,748	107,625	102,407
Unrestricted	117,699	92,715	95,878	99,316	111,963	120,387	124,664	116,322	116,754
Total primary government net assets	$355,534	$356,725	$369,337	$390,727	$741,057	$779,159	$819,076	$840,665	$850,070

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

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

	Fiscal Year						
Expenses	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Governmental activities:							
Administration	$10,094	$10,139	$11,385	$12,329	$12,197	$12,217	$11,255
Public safety	42,653	45,653	48,836	51,186	54,395	55,394	55,564
Public works	18,235	19,915	39,887	45,284	44,528	46,914	43,082
Community services	20,778	19,607	20,959	22,032	22,983	23,610	21,657
Community development	16,528	17,002	20,804	17,939	19,948	19,676	29,336
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408	3,186	3,040
Total governmental activities expenses	111,794	116,397	145,940	152,580	157,459	160,997	163,934
Business-type activities:							
Water	22,842	23,169	25,937	27,311	27,415	29,642	29,575
Wastewater	9,902	10,909	12,618	13,253	14,560	15,938	15,312
Airport	12,812	11,786	13,499	14,862	16,307	19,013	20,349
Waterfront	10,921	10,164	10,778	11,004	11,054	11,561	11,075
Parking	4,582	4,925	5,839	6,018	6,262	6,949	6,219
Golf course	1,825	1,877	1,924	2,033	2,086	2,118	2,028
Total business-type activities expenses	62,884	62,830	70,595	74,481	77,684	85,221	84,558
Total primary government expenses	$174,678	$179,227	$216,535	$227,061	$235,143	$246,218	$248,492
Program Revenues							
Governmental activities:							
Charges for services:							
Administration	$1,349	$1,600	$1,825	$1,982	$1,845	$1,836	$1,120
Public safety	7,313	8,092	9,186	9,195	9,401	9,448	9,807
Public works	5,707	7,822	21,781	22,255	23,902	25,683	26,444
Community services	4,552	4,699	4,784	4,945	5,211	5,369	5,078
Community development	4,094	4,259	5,670	5,548	5,608	5,403	5,251
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099	13,576	17,150
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733	11,102	5,469
Total governmental activities program revenues	36,900	40,077	58,006	64,082	69,799	72,417	70,319
Business-type activities:							
Charges for services:							
Water	25,153	26,492	27,410	30,477	32,610	32,263	32,359
Wastewater	10,120	11,379	12,096	12,559	13,449	13,896	14,140
Airport	12,268	13,187	13,939	14,861	15,451	15,298	14,621
Waterfront	9,625	9,899	10,253	10,894	11,177	10,754	11,275
Parking	4,844	4,968	5,859	6,592	6,669	6,615	6,661
Golf course	2,046	1,976	2,060	2,231	2,245	2,221	1,715
Operating grants and contributions	9	13	57	115	145	135	328
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861	5,049	4,217
Total business-type activities program revenues	69,228	71,354	84,056	94,884	93,607	86,231	85,316
Total primary government program revenues	$106,128	$111,431	$142,062	$158,966	$163,406	$158,648	$155,635

(Continued)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue							
Governmental activities	($74,894)	($76,320)	($87,934)	($88,498)	($87,660)	($88,581)	($93,615)
Business-type activities	6,344	8,524	13,461	20,403	15,923	1,010	758
Total primary government net expense	($68,550)	($67,796)	($74,473)	($68,095)	($71,737)	($87,571)	($92,857)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes							
Property	$24,142	$30,022	$34,078	37,871	40,520	43,275	43,164
Sales & use	18,420	18,949	19,968	19,927	20,838	17,876	16,990
Transient occupancy	12,439	13,298	14,439	15,409	15,523	14,469	13,758
Utility users	11,325	11,977	12,422	13,133	12,525	12,654	11,711
Business license	1,926	2,037	2,169	2,214	2,252	2,302	2,245
Real property transfer	709	719	685	646	452	278	389
Franchise fees	2,056	2,124	3,260	3,583	3,181	3,284	3,351
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418	320	276
Investment income	2,888	3,410	3,955	4,762	6,643	4,846	2,275
Other revenue	1,953	2,024	4,384	3,111	3,862	5,952	5,199
Transfers	-	70	12	687	182	91	269
Total governmental activities	80,427	86,927	96,031	102,196	106,396	105,347	99,627
Business-type activities:							
Investment earnings	735	2,329	2,836	4,687	5,440	3,904	2,904
Transfers	-	(70)	(12)	(687)	(182)	(91)	(269)
Total business-type activities	735	2,259	2,824	4,000	5,258	3,813	2,635
Total primary government	$81,162	$89,186	$98,855	$106,196	$111,654	$109,160	$102,262
Change in Net Assets							
Governmental activities	$5,533	$10,607	$8,097	$13,698	$18,736	$16,766	$6,012
Business-type activities	7,079	10,783	16,285	24,403	21,181	4,823	3,393
Total primary government	$12,612	$21,390	$24,382	$38,101	$39,917	$21,589	$9,405

Note:
Trend data is only available for the last seven 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
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
2010	43,164	16,990	13,758	11,711	4,441	2,245	1,489	389	94,187

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$6,742	$7,101	$6,120	$4,720	$4,395	$4,866	$5,175	$7,060	$6,249	$8,959
Unreserved	31,099	29,899	29,859	28,147	25,428	24,949	23,033	17,965	17,973	15,686
Total general fund	$37,841	$37,000	$35,979	$32,867	$29,823	$29,815	$28,208	$25,025	$24,222	$24,645
All other governmental funds										
Reserved	$47,739	$87,923	$92,211	$123,964	$130,317	$117,371	$114,672	$118,960	$122,736	$113,565
Unreserved, reported in:										
Special revenue funds	183	543	511	90	(1,390)	(977)	1,346	2,582	3,015	1,419
Capital projects funds	9,230	10,370	7,416	4,032	539	-	-	-	-	-
Total all other governmental funds	$57,152	$98,836	$100,138	$128,086	$129,466	$116,394	$116,018	$121,542	$125,751	$114,984

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	$67,374	$69,319	$72,709	$75,262	$83,188	$90,142	$96,004	$98,515	$96,598	$94,186
Franchise fees	1,784	2,067	2,050	2,383	2,497	3,260	3,583	3,181	3,284	3,351
Intergovernmental	16,844	12,754	12,567	10,278	8,060	7,412	12,956	16,698	17,864	15,235
Fines and forfeitures	2,265	2,649	2,924	3,792	4,072	4,547	4,016	4,335	4,167	4,392
Use of money and property	6,929	6,417	5,019	3,297	3,758	4,361	5,173	6,632	4,944	2,502
Charges for services	15,070	11,781	11,915	13,998	15,562	32,365	33,399	35,478	37,649	38,689
Program income	845	484	663	746	845	420	512	283	321	661
Other revenues	1,059	5,334	5,759	6,713	6,590	10,046	8,610	9,234	11,156	10,858
Total revenues	112,170	110,805	113,606	116,469	124,572	152,553	164,253	174,356	175,983	169,874
Expenditures										
General government/administration	10,644	9,902	9,663	9,656	9,806	11,025	12,008	12,007	11,931	10,941
Public safety	33,419	37,630	37,334	42,081	45,035	47,772	50,349	54,109	54,990	54,313
Public works	12,464	15,029	14,764	17,233	19,025	31,278	37,677	38,615	40,058	31,743
Community services	16,859	16,690	16,356	18,880	18,077	18,870	20,044	21,420	21,549	19,317
Community development	10,097	12,477	13,762	13,507	14,224	17,599	16,144	18,014	17,140	24,546
Capital outlay	12,389	7,521	11,960	7,334	15,775	28,434	19,217	17,169	19,855	29,279
Community promotions	2,003	2,295	2,252	2,267	2,439	2,253	2,373	1,884	1,824	1,824
Debt service										
Principal	3,735	4,490	4,239	5,415	4,750	5,411	5,571	5,076	5,341	6,282
Interest	2,110	2,974	3,350	3,259	3,935	3,904	3,687	3,459	3,126	2,981
Other charges	-	-	-	941	305	-	-	-	-	-
Total expenditures	103,720	109,008	113,680	120,573	133,371	166,546	167,070	171,753	175,814	181,226
Excess of revenues over (under) expenditures	8,450	1,797	(74)	(4,104)	(8,799)	(13,993)	(2,817)	2,603	169	(11,352)

(Continued)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other financing sources (uses)										
Transfers in	$15,779	$24,630	$16,993	$14,387	$14,115	$11,563	$19,202	$16,291	$25,002	$15,126
Transfers out	(15,287)	(24,373)	(16,638)	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)	(14,118)
Proceeds from bond issuance	-	37,790	-	28,399	7,184	-	-	-	-	-
Total other financing sources (uses)	492	38,047	355	28,940	7,135	163	834	(262)	3,237	1,008
Net change in fund balances	$8,942	$39,844	$281	$24,836	($1,664)	($13,830)	($1,983)	$2,341	$3,406	($10,344)
Debt service as a percentage of noncapital expenditures	6.40%	7.78%	7.67%	8.88%	8.71%	7.87%	6.93%	7.88%	6.07%	6.93%

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
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
2010	16,990	11,711	43,164	389	13,758	2,245	4,441	1,489	94,187

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
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%
2010	15,140,213	919,545	(1,221,317)	14,838,441	1,938,383	342,544	(166,008)	2,114,919	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
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
2010	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 2010 Taxable Net Assessed Value	Fiscal Year 2010 Percentage of Total Taxable Net Assessed Value	Fiscal Year 2001 Taxable Net Assessed Value	Fiscal Year 2001 Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association[1]	$86,587	0.58%	$78,809	1.06%
Parker Fess Doubletree Hotel	82,270	0.55%	68,752	0.93%
FW CA-Five Points Shopping Center, LLC	50,650	0.34%	-	0.00%
Chapala One, LLC	45,687	0.31%	-	0.00%
MCC BB Property, LLC	42,177	0.28%	-	0.00%
Nettleship Patricia S Trust	42,066	0.28%	27,632	0.37%
Due West, LLC	32,109	0.22%	-	0.00%
Albertson's	-	0.00%	26,242	0.35%
ESJ Centers	-	0.00%	22,988	0.31%
HDG Associates	29,168	0.20%	22,834	0.31%
Hitchcock Holdings, LLC	27,919	0.19%	-	0.00%
The Internext Group	-	0.00%	21,116	0.29%
Riviera Dairy Products	26,478	0.18%	17,908	0.24%
Old Town Mall	-	0.00%	17,747	0.24%
Ampersand Publishing, LLC	-	0.00%	14,659	0.20%
	$465,111	3.13%	$318,687	4.30%

(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
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%
2010	43,164	43,164	100%	-	43,164	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]
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
2010	2,350	58,880	-	67,470	28,240	40,491	197,431	1.04%	2,172

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 156 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]
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
2010	2,350	58,880	-	562	60,668	0.41%	667

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 147 for property value data.

[2] Population data can be found in the Schedule of Demographic and Economic Statistics on page 152.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2010
(amounts expressed in thousands)

2009-10 Assessed Valuation	$16,059,758
Redevelopment Agency Incremental Valuation	2,280,927
Adjusted Assessed Valuation	$13,778,831

Overlapping Debt Repaid with Property Taxes	**Debt Outstanding**	**Estimated Percentage Applicable[1]**	**Estimated Share of Overlapping Debt**
Santa Barbara School Districts	$92,513	100%	$92,513
Total overlapping debt repaid with property taxes	$92,513		$92,513
Direct and Overlapping General Obligation Debt			
Santa Barbara County General Fund Obligations	$66,575	21%	$13,927
City of Santa Barbara Certificates of Participation	3,560	100%	3,560
Total direct and overlapping general obligation debt	$70,135		$17,487
Total direct and overlapping debt			$110,000
Ratio to 2009-10 Assessed Valuation			
Total direct and overlapping debt			0.68%

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 434,481 population, 21% (or 90,893) 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									
	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Assessed valuation	$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	$16,059,758
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	$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	$4,014,940
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121	$553,944	$592,703	$602,241
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$323,605	$347,958	$373,708	$402,310	$431,511	$474,748	$516,121	$553,944	$592,703	$602,241
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			
		Less	Net	Debt Service			Waste-	Less	Net	Debt Service				Debt Service		
Fiscal Year	Water Revenue	Operating Expenses	Available Revenue	Principal	Interest	Coverage	water Revenue	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Tax Increment	Principal	Interest	Coverage
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
2010	32,359	22,601	9,758	560	171	13.35	14,141	10,746	3,395	595	760	2.51	20,124	5,285	2,869	2.47

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]
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%
2010	90,893	18,976	46,619	8.3%

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

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, 2010		As of June 30, 2001	
Employer	**Number of Employees**	**Percentage of Total City Employment**	**Number of Employees**	**Percentage of Total City Employment**
University of California, Santa Barbara	6,200	11.65%	8,800	17.29%
County of Santa Barbara	4,000	7.52%	4,200	8.25%
Santa Barbara Cottage Hospital	2,500	4.70%	1,800	3.54%
Santa Barbara City College	2,000	3.76%	1,600	3.14%
Santa Barbara High School District	1,800	3.38%	1,700	3.34%
Raytheon Electronic Systems	1,500	2.82%	1,700	3.34%
Sansum Medical Foundation Clinic	1,500	2.82%	1,100	2.16%
City of Santa Barbara	1,000	1.88%	1,100	2.16%
US Postal Service	1,000	1.88%	1,000	1.96%
Santa Barbara Bank & Trust	950	1.79%	950	1.87%
	22,450	42.20%	23,950	47.05%

Source: Santa Barbara Chamber of Commerce

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

	Full-time Equivalent Employees as of June 30						
Function	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Administration	111	111	107	110	113	106	103
Public safety	343	343	333	329	328	323	312
Public works	135	138	142	142	143	139	139
Community services	135	135	134	137	141	128	121
Community development	84	85	88	88	89	79	75
Water	59	56	60	64	68	62	68
Wastewater	55	55	53	53	53	60	49
Airport	50	51	53	53	54	53	54
Waterfront	46	46	46	46	46	46	46
Parking	31	31	32	34	36	36	34
Golf course	12	12	13	13	13	13	13
Total	1,061	1,063	1,061	1,069	1,084	1,046	1,014

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 Five Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Police					
Criminal citations issued	1,990	2,209	2,013	2,898	1,642
Parking citations	64,300	54,928	60,984	54,692	34,377
Street sweeping citations	35,392	32,065	33,017	30,184	27,400
Fire					
Number of calls received	7,302	7,441	7,500	13,768	15,632
Engine company fire inspections	946	1334	1417	2668	1340
Public works					
Street resurfacing (miles)	75	70	60	64.5	34.5
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122	2,399
Community services					
Facility permits processed	870	982	1026	1029	N/A
Library items checked out	726,375	740,703	730,598	758,046	689,391
Community development					
Building inspections completed	14,400	12,909	11,047	11,598	10,815
Total permits issued	3,000	2,478	2,704	2,696	2,425
Water					
Million gallons water treated	7,790	7,424	7,909	6,757	6,528
Percent of drinking water regulations met	100%	100%	100%	100%	100%
Wastewater					
Million gallons waste water treated	3,100	2,774	2,875	2,750	2,761
Miles of wastewater collection system pipes cleaned	200	202	206	173	214
Percent of discharge requirements met	100.0%	99.9%	100.0%	99.9%	99.9%
Airport					
Total number of annual passengers	858,352	832,396	833,164	772,718	745,167
Annual tons of airfreight	3,019	3,053	2,948	2,436	2,132
Waterfront					
Number of lease contracts managed	58	60	67	64	62
Number of parking permits distributed	677,731	720,184	756,377	772,588	697,788
Parking					
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998	4,304,337	4,315,418
Golf course					
Rounds of golf	76,600	78,532	74,484	70,546	59,091

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 Five Fiscal Years

Function	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Police					
Stations	1	1	1	1	1
Fire					
Stations	8	8	8	8	8
Public works					
Streets (miles)	238	238	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661	24,455
Community services					
Parks acreage	1,765	1,765	1765	1765	1765
Parks and sports facilities	59	59	59	59	54
Swimming	2	2	2	2	2
Tennis courts	34	34	34	34	34
Community buildings	8	8	8	8	12
Libraries	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	423,019	410,010	401,160	384,880	380,617
Water					
Number of distribution system reservoirs	14	14	13	13	13
Number of water supply reservoirs				1	1
Number of pump stations	12	12	12	12	12
Number of treatment plants	2	2	2	2	2
Number of wells	9	9	9	9	9
Wastewater					
Number of treatment plants	1	1	1	1	1
Number of lift stations	10	10	9	9	9
Airport					
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079	6,842,079	6,842,079
Waterfront					
Number of harbor slips	1,133	1,133	1,133	1,133	1,133
Parking					
Number of parking structures and lots	14	14	14	14	14
Number of parking spaces	3,595	3,595	3,595	3,595	3,591

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

Source: Various City Departments

C&L
Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
December 9, 2010