

City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2016

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

Prepared Under the Supervision of

Robert Samario
Finance Director





Introductory Section

CITY OF SANTA BARBARA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR FISCAL YEAR ENDED JUNE 30, 2016

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 13, 2016

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, 2016, 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 City finances. To provide a reasonable basis for making these representations, management established a comprehensive internal control framework 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. Lance, Soll & Lunghard, LLP, has issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2016. The independent auditors' report is located on pages 9-11 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 local population of 93,190. The City is a major employment center and tourist destination.

The City provides a wide range of services to its citizens. These services include police and fire protection; construction and maintenance of highways, streets, traffic signals and infrastructure; community development; recreational activities and cultural events; parks; parking facilities; water; wastewater; library; airport; harbor; and a golf course.

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

LOCAL ECONOMY

Santa Barbara is a well-known tourist destination, both domestically and abroad. Its great year-round weather, rich heritage and diverse attractions have made tourism Santa Barbara's primary industry.

This dependence on tourism as its economic engine has generally served the City well, with its second and third largest revenues (transient occupancy taxes and sales taxes) derived from lodging and retail establishments. These tax revenues, along with other tax revenues, make up almost 70% of the total General Fund revenues that pay for critical services, such as police and fire, as well as services that enrich the community, such as library, parks, recreation and other culturally important services and programs. In fact, the City offers a full range of services that also include streets maintenance, building, planning, code enforcement and city administration.

However, this reliance on tourism also exposes the City to declines in key revenues caused by economic downturns. In addition to the General Fund, other operations impacted by local and national economic conditions include the City's Airport, Waterfront and Golf Course enterprise funds. As such, the City's long-term financial strategy has to, and does, factor in these eventualities.

For several years following the "Great Recession" of 2008 and 2009, the General Fund enjoyed strong revenue growth in its three largest tax revenues – property taxes, sales taxes and transient occupancy taxes. However, beginning in fiscal year 2015, sales tax revenue growth began to wane, growing on average by just 1% compared with historical growth averages of 3-4%. More recently, we have seen a marked decline in TOT revenue growth. Specifically, after several years of 6-9% growth rates, fiscal year 2016 TOT revenues realized no growth (0%).

Some of the factors that likely are playing into the decline in revenue growth include: (1) a strong dollar for much of fiscal year 2016, which impacted on international visitors; (2) an increase in online purchases, many of which are not subject to sales tax; (3) global concerns affecting consumer; and (4) a recent fire and oil spill *near* Santa Barbara each described by the media as being *in* Santa Barbara that affected tourism.

Fortunately, the real estate market has been performing well. After significant declines in property values, followed by large-scale downward re-assessments by the County Assessor, the real estate market has essentially rebounded from the impacts of the recession. As a result, we have seen property tax revenues increasing by 3-5% in the last few years, and we anticipate much of the same for the next few years as assessed values are increased through sales and recapture of downward assessments. Given this is the largest General Fund revenue, representing almost 25% of total General Fund revenues, this favorable growth will help mitigate the lackluster growth in other key tax revenues.

Overall, the local economy is reasonably strong, but certainly the tremendous, and in some cases unprecedented, growth between fiscal years 2012 and 2015 were not sustainable and had to taper off at some point. That time is now. We also recognize that another recession in the next few years is almost a certainty. Our hope is that it is a mild one.

LONG-TERM FINANCIAL PLANNING

Long-term financial planning is an integral part of the City's fiscal management. Each of the City's operating funds, including the General Fund and its seven enterprise funds, maintains a long-term financial model. For enterprise funds, which are largely funded from rates and charges for direct services provided, the financial models go out as far as ten years. These operations are relatively stable financially and, as such, lend themselves to a longer term view, which in turn helps inform real time decisions of

how to manage rates and charges to ensure operating costs are covered; and equally important is ensuring funds will be available for their capital needs.

A long-term financial model is also maintained for the General Fund. The model looks forward five years, rather than ten, because of the volatile nature of tax revenues in a tourist-based economy make it very difficult to predict revenues with any certainty beyond five years. Nonetheless, the financial model is invaluable in the development of the annual budget. The earlier course corrections can be made, the less impact they have. For example, as a result of the Great Recession, the General Fund was facing a \$10 million deficit. The City responded quickly and took appropriate measures to address the deficit rather than wait to see how things developed. Those cities that waited had to make greater cuts than those cities, such as ours, that acted more quickly.

As an additional planning tool, the City adopts a two-year financial plan, with the first year representing the adopted annual budget and the second year serving as a financial plan and a starting point for the following year. Two year financial plans take more time to produce in the first year, but it forces the organization and staff to take a longer term view of its operations at a more detailed level than a financial model that they might not otherwise do. Even though the City's Charter requires an annual budget, the City has embraced the concept and additional discipline required to incorporate a second year into its budget/planning document.

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 is 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 material weaknesses in the City's internal controls over financial reporting. The single audit did encounter one instance of non-compliance that has been corrected.

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 XIII B 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, 2016, the City had not reached its Article XIII B 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, 2015. This was the thirteenth 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.

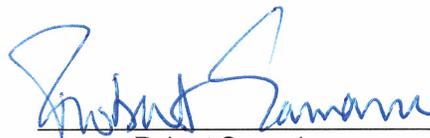
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the Finance Department, in particular Jennifer Tomaszewski, Accounting Manager, Lynne Sparks, Accounting Supervisor, Doug Smith and James Hamilton, Senior Accountants, and Margo Morello, Accountant II, all of whom put in tremendous hours in the preparation of this report.

Respectfully submitted,



Paul Casey
City Administrator/
Clerk/Treasurer



Robert Samario
Finance Director



Government Finance Officers Association

**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, 2015

Executive Director/CEO

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2016

Helene Schneider
Mayor

Gregg Hart
Councilmember

Cathy Murillo
Councilmember

Harwood "Bendy" White
Councilmember

Randy Rowse
Councilmember

Frank Hotchkiss
Councilmember

Jason Dominguez
Councilmember

Paul A. Casey
City Administrator/Clerk/Treasurer

Ariel P. Calonne
City Attorney

Pamela Antil
Assistant City Administrator

Hazel Johns
Airport Director

Robert Samario
Finance Director

Jessica Cadiente
Library Director

Lori Luhnnow
Police Chief

Pat McElroy
Fire Chief

Jill Zachary
Parks and Recreation Director

Rebecca Bjork
Public Works Director

Scott K. Riedman
Waterfront Director

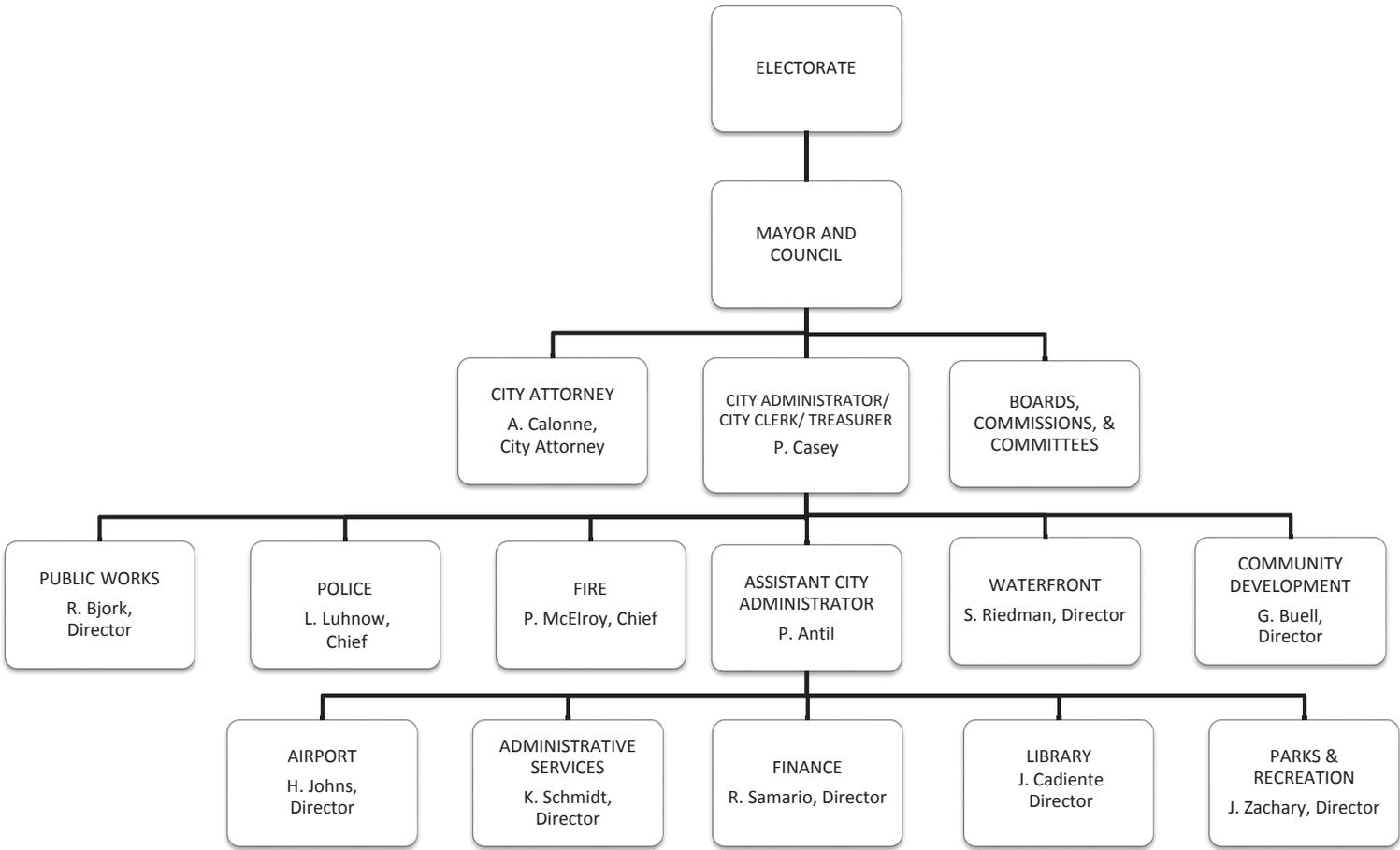
George Buell
Community Development Director

Kristy Schmidt
Administrative Services Director

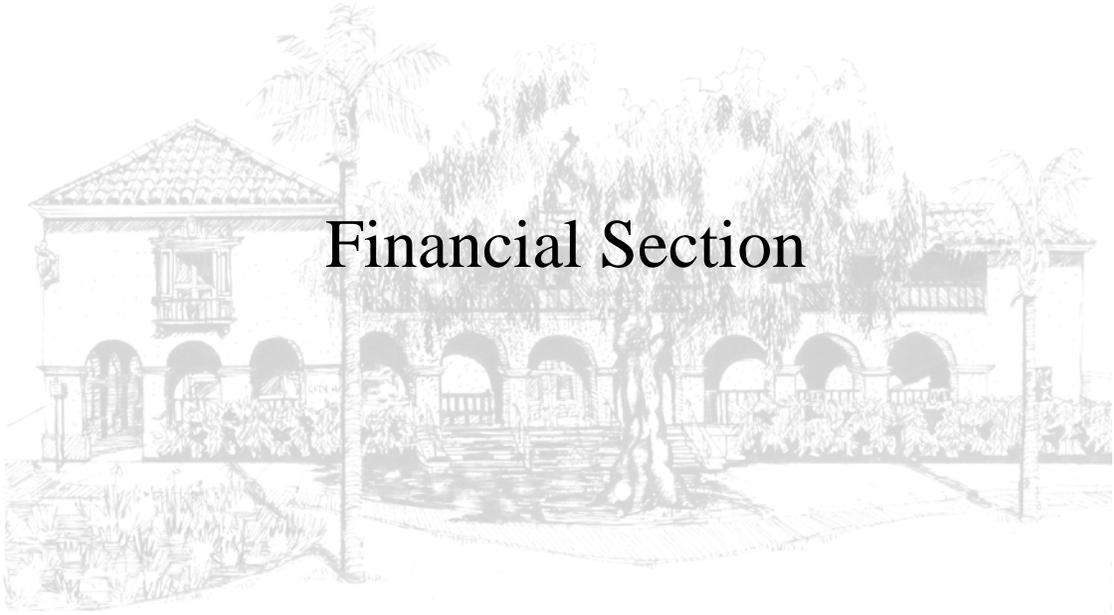
CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2016

<u>Charter Boards and Commissions</u>	<u>Membership</u>
Airport Commission	7
Architectural Board of Review	7
Civil Service Commission	5
County SB Library Advisory Committee	1
Fire and Police Commission	5
Fire and Police Pension Commission	3
Harbor Commission	7
Historic Landmarks Commission	9
Library Board	5
Parks and Recreation Commission	7
Planning Commission	7
Water Commission	5
<u>Committees and Commissions</u>	
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	6
Creeks Advisory Committee	7
Downtown Parking Committee	7
Living Wage Advisory Committee	6
Measure P Committee	6
Neighborhood Advisory Council	13
Rental Housing Mediation Board	15
Santa Barbara Youth Council	14
Sign Committee	4
Single Family Design Board	7
Sister Cities Board	3
Street Tree Advisory Committee	5
Transportation and Circulation Committee	7
<u>Other Advisory Bodies</u>	
Airport Public Art Oversight Committee	7
Arts & Crafts Show Advisory Committee	5
Front Country Trails Task Force	6
Golf Advisory Committee	7
Central Coast Commission for Senior Citizens	1
Housing Authority Commission	7
Integrated Pest Management Advisory Committee	5
Library Advisory Committee – County	1
Metropolitan Transit District Board	2
Mosquito and Vector Management District Board	1
Noise Abatement Committee	7
Oversight Board	2
Sign Ordinance Review Committee	11
Staff Hearing Officer	1
Street Tree Advisory Committee	5
Sustainability Committee	7

CITY OF SANTA BARBARA ORGANIZATIONAL CHART



8



Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Opinions

In our opinion, the 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 of Santa Barbara, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund and the affordable housing fund, the modified approach for the City's infrastructure assets, the schedule of changes in net pension liability and related ratio, the schedule of contributions, the schedule of funding progress, the schedule of investment returns, the schedule of proportionate share of the net pension liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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 nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.



CPAs AND ADVISORS

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 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 grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Soll & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
November 29, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2016

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, 2016. 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 of this report.

FINANCIAL HIGHLIGHTS

Financial highlights include the following:

- At the end of fiscal year 2016, the City's net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$733 million, an increase of approximately \$66 million from the prior year.
- Unrestricted funds may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations. Of the total net position, unrestricted funds had a deficit balance of \$(149) million, due to the implementation of GASB 68. Before adjusting for GASB 68, unrestricted funds were \$101.4 million.
- As of June 30, 2016, the City's governmental funds reported combined ending fund balances of \$113.2 million, a decrease of \$2.5 million from the prior year.

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 components 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. Business-type activities 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, wastewater and solid waste), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Position presents all City assets, including capital assets, and deferred outflows, all related current liabilities, deferred inflows and long-term debt obligations. The difference between total assets and deferred outflows and total liabilities and deferred inflows is presented as "Net Position," which serves as a measure of the financial health of the City. Over time, increases or decreases in net position are indicators of an improving or deteriorating City financial condition.

The Statement of Activities provides the details of how the City's net position changed during the fiscal year. Decreases in net position are presented as "Expenses"; increases in net position 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 thereby enables the City to demonstrate compliance with legal or contractual requirements that may be associated with these funds. Accordingly, 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. Non-major 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 previously described. 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. This is a departure from the basis of accounting used in the private sector and is used in the public sector in recognition of the different purpose and focus of financial reporting. Under the modified accrual basis of accounting, revenues are generally recognized when measurable and available to finance current operating costs, rather than when earned; and expenditures are recognized when the related liability is incurred. Because the focus is only on inflow (revenue) and outflow (expenditures) of current financial resources, the balance sheets of governmental funds 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 non-major 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*. This basis of accounting and financial reporting is consistent with the private sector in recognition that the purpose and focus of enterprise funds, while not on generating a profit, necessitate the measurement of the full cost of providing services for rate setting purposes. 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, solid waste, airport, waterfront/harbor operations, downtown parking, and golf. Internal service funds are used to account for intra-city services such as fleet maintenance and replacement, building maintenance, custodial, communications, information systems, and self-insurance programs.

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 other post employment benefits to its employees; budgetary comparison schedules for the General Fund and each major special revenue fund; and schedules and disclosures of the modified approach for reporting the City's infrastructure.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

Table 1 below summarizes the Statement of Net Position for Governmental and Business Type Activities as of June 30, 2016, with comparative totals as of June 30, 2015. As previously stated, net position at year end serves as a useful indicator over time of whether the City's financial position is improving or deteriorating.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 150,119	\$ 151,792	\$ 120,749	\$ 119,037	\$ 270,868	\$ 270,829
Capital assets, net	428,325	381,913	524,852	484,241	953,177	866,154
Total Assets	<u>578,444</u>	<u>533,705</u>	<u>645,601</u>	<u>603,278</u>	<u>1,224,045</u>	<u>1,136,983</u>
Deferred Outflows of Resources:	<u>38,579</u>	<u>18,196</u>	<u>10,678</u>	<u>5,343</u>	<u>49,257</u>	<u>23,539</u>
Liabilities:						
Current and other liabilities	25,785	15,107	32,740	13,991	58,525	29,098
Non-current liabilities	229,712	226,929	203,868	192,479	433,580	419,408
Total Liabilities	<u>255,497</u>	<u>242,036</u>	<u>236,608</u>	<u>206,470</u>	<u>492,105</u>	<u>448,506</u>
Deferred Inflows of Resources:	<u>39,862</u>	<u>37,297</u>	<u>8,636</u>	<u>7,986</u>	<u>48,498</u>	<u>45,283</u>
Net Position:						
Net investment in capital assets	427,683	381,554	361,076	347,257	788,759	728,811
Restricted	80,934	81,979	11,962	3,794	92,896	85,773
Unrestricted	<u>(186,953)</u>	<u>(190,965)</u>	<u>37,996</u>	<u>43,114</u>	<u>(148,957)</u>	<u>(147,851)</u>
Total Net Position	<u>\$ 321,664</u>	<u>\$ 272,568</u>	<u>\$ 411,035</u>	<u>\$ 394,165</u>	<u>\$ 732,699</u>	<u>\$ 666,733</u>

As shown in Table 1, at June 30, 2016 the City's net position totaled \$733 million. The largest portion consists of the City's net investment in capital assets in the amount of \$789 million. This amount represents the total funds invested to acquire capital assets, reduced by the outstanding debt issued in connection with their construction or acquisition. Capital assets of the City are not available, spendable resources, and generally are not liquidated to repay debt.

A portion of the City's net position, \$93 million, is subject to restrictions imposed by external parties, and its use is determined by those restrictions and contractual agreements.

The City of Santa Barbara implemented GASB Statement 68 last year. With the reporting change, the City recognized a net pension asset, deferred outflows of resources, deferred inflows of resources, pension expense and a net pension liability. As a result of this change, unrestricted funds resulted in a deficit of \$(149) million. Unrestricted funds may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations. Before adjusting for GASB Statement 68, unrestricted funds were \$101.4 million. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Santa Barbara's management.

Statement of Activities

As discussed earlier, the Statement of Net Position provides a measure of the financial health of an entity at a specific date in time (i.e. year-end). In contrast, the Statement of Activities provides details of how the City's net position changed from the prior year. Generally, it indicates whether the financial health of the City as a whole is better or worse at June 30, 2016, in relation to a year earlier. For the fiscal year ended June 30, 2016, total net position increased by \$66 million. \$23 million of this increase is due to the transfer of capital assets from the Successor Agency to the City, most of the remainder is due to higher revenues.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2016, with comparative totals for the fiscal year ended June 30, 2015.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for service	\$ 42,738	\$ 40,806	\$ 127,841	\$ 116,408	\$ 170,579	\$ 157,214
Operating grants and contributions	8,487	6,303	24	-	8,511	6,303
Capital grants and contributions	26,181	24,137	5,582	3,289	31,763	27,426
General Revenues:						
Taxes	91,397	89,249	-	-	91,397	89,249
Franchise fees	3,132	3,751	-	-	3,132	3,751
Motor vehicle license fees	37	39	-	-	37	39
Investment income	2,288	2,031	1,304	1,218	3,592	3,249
Other revenue	461	669	248	555	709	1,224
Total revenues	<u>174,721</u>	<u>166,985</u>	<u>134,999</u>	<u>121,470</u>	<u>309,720</u>	<u>288,455</u>
Expenses:						
Program Expenses:						
Administration	16,179	17,100	-	-	16,179	17,100
Public safety	63,451	65,260	-	-	63,451	65,260
Public works	26,053	29,671	-	-	26,053	29,671
Community services	26,454	25,376	-	-	26,454	25,376
Community development	16,933	12,077	-	-	16,933	12,077
Interest expense	42	56	-	-	42	56
Business Activities:						
Water	-	-	35,859	40,409	35,859	40,409
Wastewater	-	-	17,376	17,242	17,376	17,242
Airport	-	-	21,361	21,616	21,361	21,616
Waterfront	-	-	12,639	12,179	12,639	12,179
Solid Waste	-	-	20,498	20,353	20,498	20,353
Downtown Parking	-	-	7,941	8,325	7,941	8,325
Golf Course	-	-	2,022	2,018	2,022	2,018
Total expenses	<u>149,112</u>	<u>149,540</u>	<u>117,696</u>	<u>122,142</u>	<u>266,808</u>	<u>271,682</u>
Increase in Net Position Before Transfers	25,609	17,445	17,303	(672)	42,912	16,773
Extraordinary gain	23,054	-	-	-	23,054	-
Transfers in (out)	433	342	(433)	(342)	-	-
Increase (Decrease) in Net Position	49,096	17,787	16,870	(1,014)	65,966	16,773
Net Position, July 1	272,568	473,300	394,165	439,561	666,733	912,861
Restatement (Prior Year Note 18)	-	(218,519)	-	(44,382)	-	(262,901)
Net Position, June 30	<u>\$ 321,664</u>	<u>\$ 272,568</u>	<u>\$ 411,035</u>	<u>\$ 394,165</u>	<u>\$ 732,699</u>	<u>\$ 666,733</u>

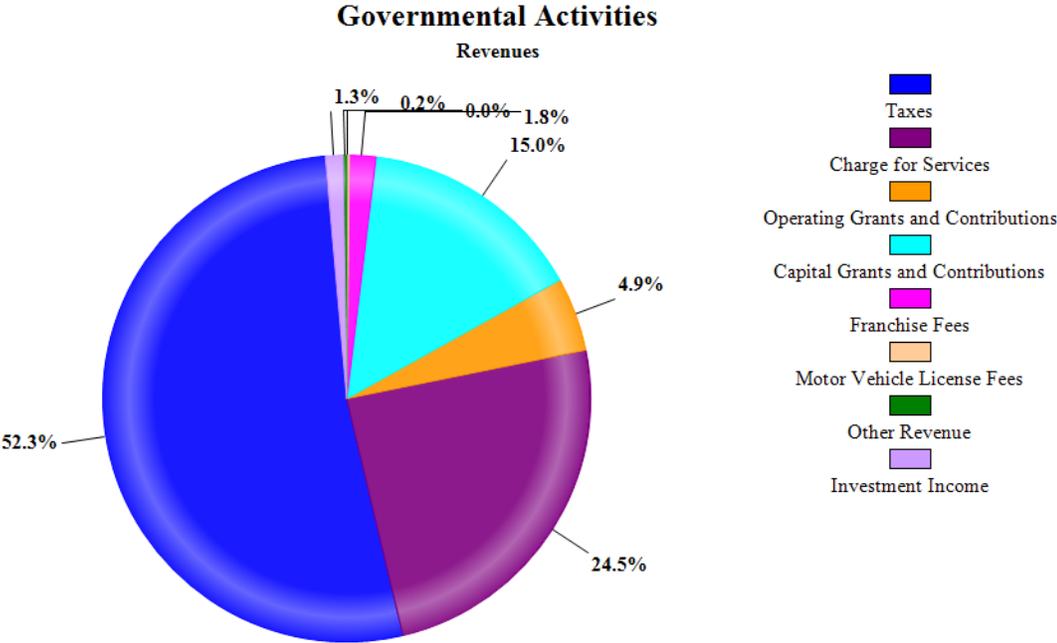
Governmental Activities

Revenue Highlights

Total revenues for governmental activities were \$175 million. The largest component of total revenue is taxes at \$91 million, making up 52.3% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The largest tax revenues received by the General Fund include sales, transient occupancy, utility users, and property taxes.

Some of the key changes in revenues are:

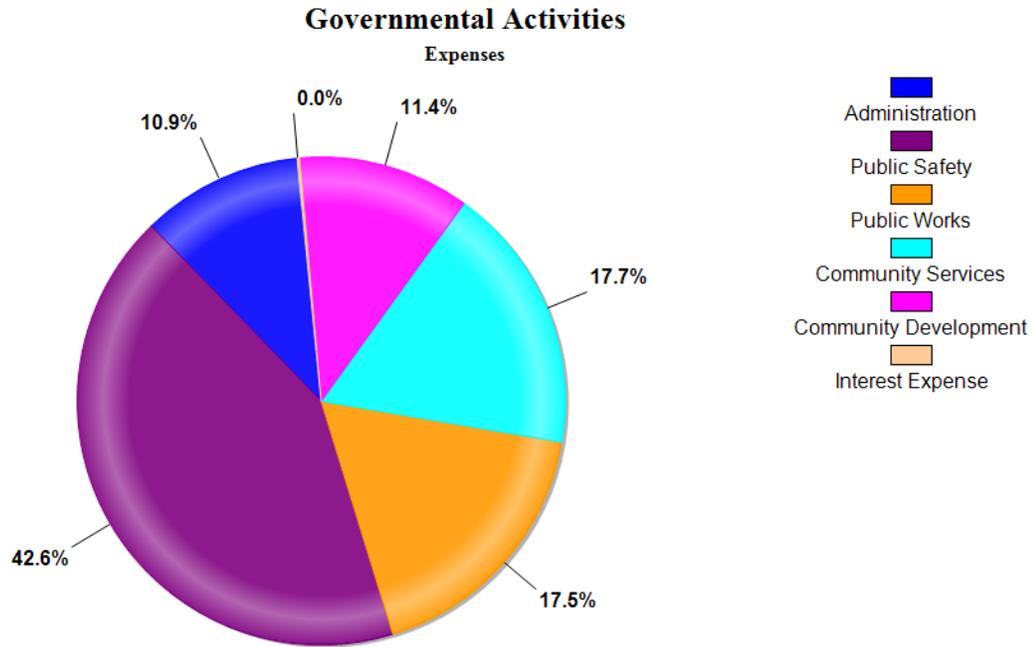
- Property taxes reported an increase of \$1.7 million from the prior year, or a 6.1% increase. This increase is reflective of the rise in property values and the related re-assessment when properties are sold. The increase is also due to the recapture of assessed values that were lowered during the recession when property values dropped significantly.
- Utility user taxes (UUT) increased by \$0.5 million compared to the prior year, or a 3.8% increase. The city realized a large increase in the water segment of UUT and received one-time revenues from UUT audits performed. These increases were offset by the reduction in UUT in the telephony market, which impacts traditional landline telephone and cellular telephone service.
- Franchise fees decreased by \$0.6 million, or 16.5%, compared to the prior year. The City has been setting aside monies from the 1% electricity franchise fee surcharge in a special holding account pending the result of litigation challenging the legality of the fee. A decline in local natural gas prices also affected City franchise fee revenues.



Expense Highlights

Functional expenses for the year totaled approximately \$149 million, a decrease of \$0.4 million from the prior year. The decrease was largely due to savings from vacancies which were partially offset by increases in retirement costs and other post employment benefits.

The largest component of total expenses was for Public Safety (fire and police), representing \$63 million (42.6%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$26.1 million, are funded largely from restricted revenues, including a ½ cent sales tax (Measure A), gas tax, utility user’s taxes, and federal and state grants. These resources pay for street maintenance and improvements, street sweeping, transportation planning, and other related costs.

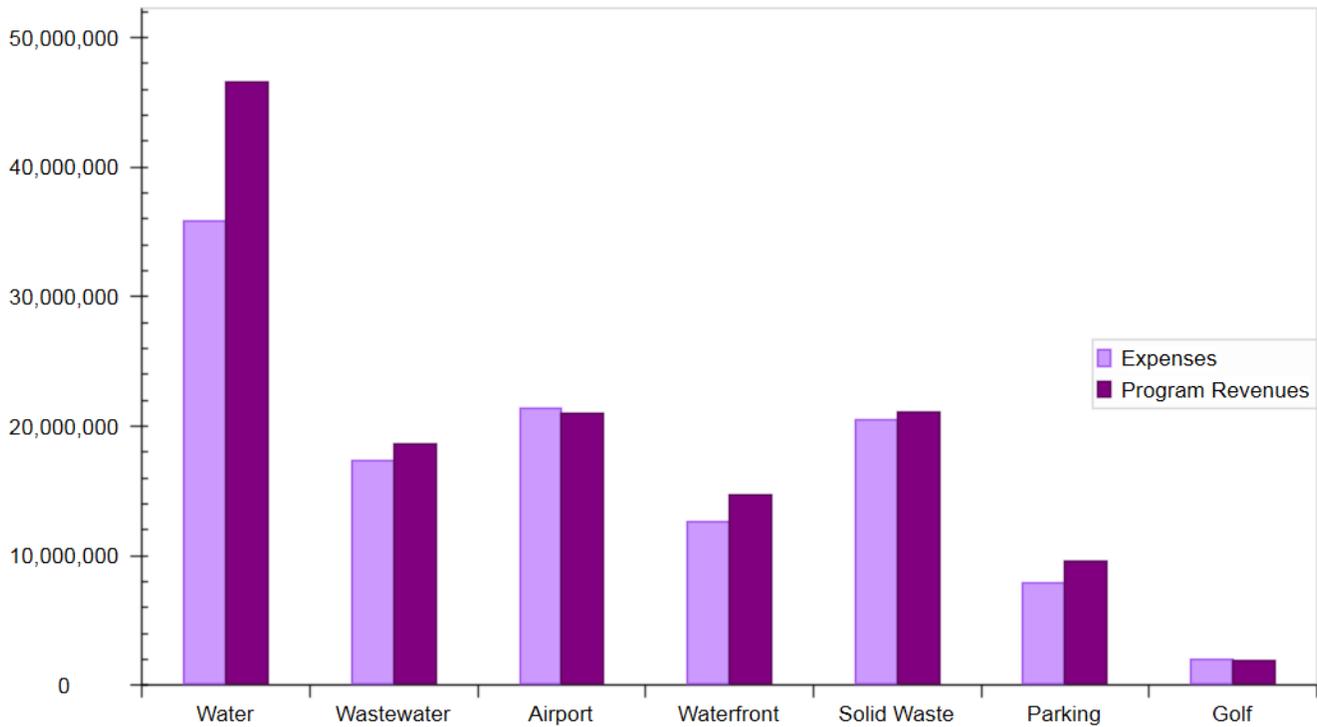


Business-Type Activities

The City’s business-type activities realized an increase in net position of \$17 million. The most notable variance comes from increased water sales revenues in the Water fund. During Fiscal Year 2016, Water rates were increased to offset increased costs associated with drought efforts.

The chart below illustrates Expenses and Program Revenues for each business-type activity.

**Business-Type Activities
Expenses and Program Revenues
For the Year Ended June 30, 2016**



Revenue Highlights

Total revenues for the Fiscal Year ended June 30, 2016, were \$135 million, an increase of \$13.5 million from the prior year. The revenue increase was attributable to increased water rates necessary to offset the increased costs associated with drought efforts.

Expense Highlights

Expenses of the business-type activities for the Fiscal Year ended June 30, 2016, totaled \$118 million, a \$4 million decrease from the prior year. The majority of this decrease is in the Water Fund (\$5 million) from unanticipated savings in water purchases and chemical costs for water treatment.

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

As of June 30, 2016, assets in the City's governmental funds totaled \$144.3 million. Of this total, \$55.9 million consisted of cash and investments, and \$575,650 consisted of cash and investments held with fiscal agents (bond trustees). An additional \$65.9 million represents outstanding loans receivable, which relate primarily to the City's Affordable Housing Fund and Community Development Block Grant and HOME Programs.

Fund balances of governmental funds totaled \$113.2 million at June 30, 2016. Of this total, \$64.8 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to prepaid assets, outstanding loans and advances receivable of \$2.7 million is reported as "Nonspendable" due to the long-term nature of the assets and, therefore, unavailability to fund current operations. The spendable portion of fund balance totals \$45.7 million, which includes committed and assigned balances.

The General Fund's total fund balance increased by 8.1%, or \$2.7 million, to \$35.9 million at June 30, 2016. Of the total fund balance, \$2.7 million is nonspendable, \$2.7 million is restricted, \$30.3 million is committed, and \$0.2 million is assigned. The most significant committed portion of fund balance is \$19.1 million consisting of funds set aside, pursuant to City policy, for natural disasters and unexpected events such as significant economic downturns that have a significant impact on General Fund revenues and costs. The policy requires all operating funds, including the General Fund, to set aside an amount equal to 25% of its operating budget. During the tough economic environment over the past several years, a portion of the reserves were used to balance the budget in the General Fund however, that amount was brought back up to the level required by policy.

Proprietary Funds

Unlike governmental funds, proprietary funds use the 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 for Business-Type Activities.

The net position of proprietary funds consist of amounts for net investment in capital assets, amounts restricted for capital projects and debt service, as well as unrestricted amounts. Net position totaled \$399.6 million as of June 30, 2016, which increased \$16.6 million from the prior year. The overall increase in net position is primarily attributable to increased water sales revenues.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes, charges for services and intra-governmental charges, 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.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 82,320,561	\$ 82,320,561	\$ 80,492,696	\$ (1,827,865)
Franchise fees	3,219,400	3,219,400	3,131,682	(87,718)
Intergovernmental	725,468	1,660,319	2,067,155	406,836
Charges for services	21,630,255	21,893,129	21,935,629	42,500
Use of money and property	1,140,941	1,140,941	944,188	(196,753)
Fines and forfeitures	3,201,487	3,201,487	2,507,052	(694,435)
Other revenues	<u>10,934,112</u>	<u>12,087,281</u>	<u>9,426,184</u>	<u>(2,661,097)</u>
Total revenues	<u>123,172,224</u>	<u>125,523,118</u>	<u>120,504,586</u>	<u>(5,018,532)</u>
Transfers in	<u>1,700,193</u>	<u>1,736,093</u>	<u>1,517,684</u>	<u>(218,409)</u>
Total other financing sources (uses)	<u>1,700,193</u>	<u>1,736,093</u>	<u>1,517,684</u>	<u>(218,409)</u>
Total Revenues	<u>\$ 124,872,417</u>	<u>\$ 127,259,211</u>	<u>\$ 122,022,270</u>	<u>\$ (5,236,941)</u>

The amended Fiscal Year 2016 General Fund revenue budget reflects adjustments that were approved by the City Council during the year. The most significant amendments included increases to revenues due to debt repayments from the Waterfront ("Other revenues") and budgeted mutual aid revenues received during the year ("Intergovernmental").

As shown on Table 3, actual revenues totaled \$122 million. Tax revenues ended the year below the amended budget by (\$1.8) million, reflecting lower revenues than originally projected in sales and transient occupancy (bed) tax revenues. Police parking citations suffered as a result of vacancies in parking enforcement.

"Other" revenues, which were budgeted at \$12 million, ended the year at \$9.4 million. This shortfall was actually expected because of a practice begun several years ago of budgeting anticipated expenditure savings for the year, primarily in salaries and benefits, as revenue. In Fiscal Year 2016, \$2 million of "Anticipated Year-End Variance" was budgeted but not reflected in the actual since the savings are realized in expenditures.

The amended Fiscal Year 2016 General Fund expenditure budget reflects amendments approved by the City Council during the year. The amended budget also reflects appropriations carried over from the prior year related to outstanding encumbrances as of June 30, 2015.

Table 4
SCHEDULE OF EXPENDITURES
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Mayor and council	\$ 3,461,918	\$ 5,340,551	\$ 3,443,142	\$ 1,897,409
City attorney	2,364,795	2,549,601	2,393,967	155,634
City administration	1,991,819	2,098,094	1,932,293	165,801
Administrative services	2,774,176	2,817,671	2,437,266	380,405
Finance	5,439,352	5,553,094	5,249,298	303,796
Public safety	64,506,084	65,535,424	63,223,179	2,312,245
Public works	8,366,878	8,462,546	7,658,560	803,986
Community services	21,527,284	22,174,751	20,432,558	1,742,193
Community development	10,600,737	11,698,805	10,890,321	808,484
Total expenditures	<u>121,033,043</u>	<u>126,230,537</u>	<u>117,660,584</u>	<u>8,569,953</u>
Transfers out	<u>4,318,249</u>	<u>2,403,079</u>	<u>1,679,355</u>	<u>723,724</u>
Total Expenditures	<u>\$ 125,351,292</u>	<u>\$ 128,633,616</u>	<u>\$ 119,339,939</u>	<u>\$ 9,293,677</u>

As shown on Table 4 above, actual expenditures totaled \$119 million, and were under budget by approximately \$9 million. Each department ended the year well within their respective spending authority. The Police Department ("Public Safety") realized the biggest savings due to salary and benefit savings from an extremely high vacancy caused by challenges in recruiting qualified officers. Other departments, such as Parks and Recreation and Community Development, realized large savings from vacancies as well.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 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.

TABLE 5
SUMMARY OF CAPITAL ASSETS
(Net of Accumulated Depreciation)
As of June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Non-depreciating assets:			
Construction in progress	\$ 48,625,358	\$ 84,399,301	\$ 133,024,659
Land held for resale	1,857,438	-	1,857,438
Land	47,739,717	24,963,955	72,703,672
Streets	160,101,178	-	160,101,178
Depreciating assets:			
Buildings	12,127,196	86,247,784	98,374,980
Building improvements	18,911,456	7,415,062	26,326,518
Equipment	11,397,865	13,700,328	25,098,193
Infrastructure	101,064,773	41,518,713	142,583,486
Other improvements	26,500,338	194,482,305	220,982,643
Underground piping	-	72,124,202	72,124,202
Totals	<u>\$ 428,325,319</u>	<u>\$ 524,851,650</u>	<u>\$ 953,176,969</u>

The City owns approximately \$953 million (net of depreciation) of capital assets that require ongoing maintenance, improvement and renovation. As a result, the City as a whole undertakes millions of dollars in capital improvement and construction projects each year.

The capital improvement projects undertaken in the Governmental Activities category typically include improvements to the City’s infrastructure (roads, curbs, storm drains, bridges, sidewalks, gutters, etc.) and improvements to City public facilities, such as parks, restrooms, community facilities, and playgrounds. Starting in 2004, governmental funds have been required to capitalize and report the costs of acquiring or constructing infrastructure assets acquired or constructed after 1982. As of June 30, 2016, infrastructure assets, including streets, totaled \$261 million, net of accumulated depreciation. Where information was readily available, or if a value could be reasonably estimated, the City capitalized infrastructure assets acquired or constructed prior to 1982.

With regard to capital improvements to City streets, which is also considered “infrastructure,” the City has elected to use the “modified approach” pursuant to Governmental Accounting Standards Board (GASB) Statement No. 34 in accounting for streets. As such, these assets have been reported separately from other infrastructures in Table 5. The City has established a pavement condition assessment process whereby approximately one-third of the entire street system is assessed on a rotating basis every two years. Each road segment is rated and given a pavement condition index (PCI) value from zero to one hundred (0-100), where PCIs of 51-70 are considered to be in “At Risk” condition, and roads with PCIs of 71-100 are considered to be in “Excellent/Good” 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. The most recent report was for the period ended June 30, 2016, and the average PCI for City streets was 61, which is defined as “At Risk.”

Key projects that were continuing and newly started, but still incomplete, in the Governmental Activities category include: various bridge replacements (\$36.7 million), storm drainage and creek improvements (\$1.3 million), various library renovations (\$2.9 million), sidewalks, bike lanes, street and intersection improvements (\$6 million), parks and facilities improvements (\$0.9 million).

Capital improvements within the Business-Type Activities category primarily relate to facilities used in connection with enterprise funds, including water, wastewater, airport, waterfront, golf and downtown parking. These operations are much more capital intensive given the nature of the services they provide. As of June 30, 2016, the City’s business-type funds included \$41 million in capital asset additions. Construction in progress increased by a net of \$20 million. Capital projects completed in the year included: water treatment facility improvements (\$31.5 million), wastewater facility improvements (\$3.9 million) airport runway and facility improvements (\$3.9 million), water main replacements (\$0.7 million), and harbor and wharf improvements (\$0.9 million).

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 6 below summarizes outstanding long-term debt related to 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 \$164 million in outstanding long-term debt at June 30, 2016, a net increase of \$17.2 million from the prior year.

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 67,167,482	\$ 67,167,482
Certificates of Participation	663,300	18,796,700	19,460,000
Loans	-	77,780,848	77,780,848
	<u>\$ 663,300</u>	<u>\$ 163,745,030</u>	<u>\$ 164,408,330</u>

It is important to note that the Governmental Activities, which primarily consists of the General Fund, has very little long-term indebtedness, which is a good financial indicator. The outstanding \$663,300 in Certificates of Participation (COPs) were issued in Fiscal Year 2002 to refund the 1993 COPs, thereby capturing more favorable interest rates and lowering interest costs. The 1993 COPs were used to renovate City administrative facilities located at 630 Garden Street.

The Water and Golf Funds have outstanding COPs totaling \$18.5 million and \$0.3 million, respectively. As for revenue bonds outstanding, \$20.4 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, \$13 million of which is still outstanding. The Airport Fund issued \$47.3 million in revenue bonds in Fiscal Year 2010 to construct a new passenger terminal building, parking, and roadway improvements, \$44 million of which is still outstanding. In 2014, the Waterfront issued \$12.3 million to refund the outstanding 2002 COPs, with \$11 million outstanding at the end of the fiscal year, thereby capturing lower interest rates and lowering interest costs.

Of the outstanding \$78 million in loans payable in the Business-Type Activities, \$55.2 million relates to the Water Fund. Two of the Water Fund loans are low-interest loans from the State Department of Water Resources (SDWR) used to fund the Cater Water Treatment Plant Project, the Ortega Ground Water Treatment Plant Project and the Cater Water Treatment Plant-Phase III Project. Approximately 40% of the SDWR loans will be reimbursed by the Montecito Water District and the Carpinteria Water District for the Cater Water Treatment Plant Project pursuant to a long-standing joint powers agreement. The third loan is a low interest loan from the State Water Resources Control Board used to fund the Desalination Plant Reactivation Project. The Desalination Project loan was issued for \$55 million, with an outstanding balance of \$20 million at June 30, 2016, as the project is currently under construction.

The Waterfront Fund has \$7.5 million in outstanding loans from the State Department of Parks & Recreation, Division of Boating and Waterways, used to finance major renovations to the marina. The Airport Fund carries outstanding loans from the State Department of Transportation and the City of Santa Barbara's Investment Pool, totaling \$1.4 million and \$4.8 million respectively, used to finance capital improvements at the airport, and constructing a joint use rental car facility. Lastly, the Wastewater Fund accounts for \$8.8 million in loans from the California State Water Resources Control Board for sewer infrastructure improvements.

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 City of Santa Barbara's largest industry is tourism. The mild and sunny climate attract visitors from all over the world, who stay in the local lodging establishments, shop in the local stores and dine in the local restaurants. Consequently, the City receives a fair amount of revenues that are either directly or indirectly tied to tourism. In the General Fund, for example, sales taxes and transient occupancy taxes (TOT) represent more than one-third of its total revenues and over half of its total tax revenues. Other operations outside of the General Fund are also dependent, to varying degrees, on tourism. These include the Waterfront Fund, which accounts for the activities along the beach, including Sterns Wharf and the harbor. Its revenues are primarily derived from parking and percentage rents from merchants (shops and restaurants). These revenues are largely impacted by economic conditions, but also by weather. Similarly, the Airport Fund is affected by trends and economic conditions that affect travel.

As a result of a strong local economy, accompanied by unusually warm and dry weather, General Fund revenue growth had been strong over for several years starting in 2012 following the Great Recession. In particular, TOT revenues surged for several years as a result of strong demand for lodging and attendant increases in room rates and occupancy rates. Some of the strong TOT revenue growth had come from the emergence and rapid growth of a relatively new industry, vacation rentals. The City had also enjoyed strong growth in sales tax revenues, also impacted by the strong local economy and high number of visitors.

However, in the last two years, the city has seen a marked change in revenue growth in sales taxes and transient occupancy taxes, which serve as key indicators of the state of the local economy. In the case of sales tax revenues, we believe the lack of growth is partly due to a lack of price increases, evidenced by a low consumer price index. Another factor may be the

increasing volume of sales transactions via the internet. Online retailers offer convenient ways to purchase many products online that previously were almost exclusively available at traditional “bricks and mortar” stores. The lack of strong growth may have likely been impacted by a long period of global uncertainty affecting consumer confidence and willingness to spend.

In addition, after several years of unprecedented growth of 7-9%, TOT revenues remained flat in fiscal year 2016. In addition to the factors noted above that are impacting sales taxes, we believe both sales tax and TOT revenues were impacted by the strong dollar for much of fiscal year 2016, which affected international travel into tourist destinations, such as the City of Santa Barbara.

In contrast, property tax revenues have performed well over the last two years. With the Great Recession being largely driven by a collapse in the real estate market, property values dropped sharply in 2007 and 2008. In response, the County Assessor’s Office lowered assessed values almost across the board, which in turn affected property tax revenues countywide. However, property values have now almost fully recovered and assessed values are, consequently, going back up. Pursuant to Proposition 8, when assessed values are lowered by the County, they can be recaptured without the statutory limitations of 2% per year. As such, in addition to the normal increase in assessed values associated with sales and exchanges, we are seeing more revenues as a result of the Proposition 8 recapture.

On the expense side of the ledger, the single biggest challenge for the City is increasing retirement costs. The City’s retirement program offered to its employees is administered by CalPERS, a statewide agency that manages the retirement programs of most cities and counties in California. One of the fallouts of the Great Recession was the significant loss in the investments held by CalPERS on behalf of its participating agencies. In order to make up for these losses, CalPERS implemented increases over a five-year period starting July 1, 2015 through June 30, 2020. These increased costs will place additional pressure on City finances as it looks to fund these increasing costs from a combination of increasing revenues and additional contributions paid by City employees. In addition to retirement costs, other costs such as health insurance and workers’ compensation premiums continue to rise each year.

From fiscal year 2013 through Fiscal Year 2016, with strong growth in General Fund revenues, the City was able to add back services and programs cut during the recession. While we are not back to the pre-recession levels, we have made good progress to restoring important services to our community, such as library, recreation and public safety (fire and police). Because of anemic revenue growth, the development of the fiscal year 2017 budget required, for the first time, several measures to reduce costs, thereby addressing an otherwise small General Fund deficit.

Looking out to the next few years, our General Fund revenue forecast anticipates a continuation of current revenue trends. Specifically, we anticipate growth in sales tax revenues of 2%, TOT revenues of 3% and property tax revenues of 5%. These assumptions are in contrast with previous years’ growth as high as 4%, 9% and 5.5%, respectively.

As we begin to develop our two-year financial plan for fiscal years 2018 and 2019, we will likely need to expand cost cutting measures taken in fiscal year 2017 to ensure we maintain a balanced budget. This translates into actual cuts in staffing, negotiating less costly labor agreements, or both.

We are also sensitive to the fact that economies are cyclical. We are currently in the midst of one of the longest periods of expansion since World War II, which means a recession in the next 1-3 years is very likely.

Fortunately, the General Fund has fully funded reserves relative to the targets set by City Council in 1996. The reserves are designated for natural disasters and economic contingencies. In total, the policy calls for a total reserves equal to 25% of the operating budget. As of June 30, 2016, the General Fund had \$30.5 million. We therefore have adequate reserves to respond to an economic downturn in a manner that minimizes disruptions to the organization and services to the community by utilizing reserves, in conjunction with cost-cutting measures, to offset the financial impacts of a recession.

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 or need any additional financial information, please access the City’s internet web site at

www.SantaBarbaraCa.gov/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 Robert Samario, Finance Director, at bsamario@santabarbaraca.gov.



CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 77,363,226	\$ 74,463,197	\$ 151,826,423
Accounts receivable, net	19,106,596	13,460,046	32,566,642
Loans receivable	65,545,848	3,638,661	69,184,509
Accrued interest receivable	303,171	-	303,171
Prepaid assets and deposits	134,084	5,586,605	5,720,689
Due from other governments	621,370	-	621,370
Inventory	839,838	1,493	841,331
Restricted assets:			
Cash and investments with fiscal agent	575,650	9,228,110	9,803,760
Total Current Assets	164,489,783	106,378,112	270,867,895
Noncurrent assets:			
Internal balances	(14,370,718)	14,370,718	-
Capital assets not being depreciated:			
Construction in progress	48,625,358	84,399,301	133,024,659
Land held for resale	1,857,438	-	1,857,438
Land	47,739,717	24,963,955	72,703,672
Streets	160,101,178	-	160,101,178
Capital assets, net of accumulated depreciation:			
Buildings	12,127,196	86,247,784	98,374,980
Building improvements	18,911,456	7,415,062	26,326,518
Equipment	11,397,865	13,700,328	25,098,193
Infrastructure	101,064,773	41,518,713	142,583,486
Improvements other than buildings	26,500,338	194,482,305	220,982,643
Underground piping	-	72,124,202	72,124,202
Total capital assets	428,325,319	524,851,650	953,176,969
Total Noncurrent Assets	413,954,601	539,222,368	953,176,969
Total Assets	578,444,384	645,600,480	1,224,044,864
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	19,701	1,214,030	1,233,731
Deferred pension related items	38,559,396	9,464,226	48,023,622
Total Deferred Outflows of Resources	38,579,097	10,678,256	49,257,353
LIABILITIES			
Current liabilities:			
Accounts payable	6,290,532	15,025,491	21,316,023
Salaries and benefits payable	5,474,256	1,602,591	7,076,847
Accrued interest payable	12,609	2,268,790	2,281,399
Unearned revenue	1,998,152	3,841,945	5,840,097
Deposits	1,331,352	1,581,273	2,912,625
Due within one year	10,678,376	8,420,032	19,098,408
Total Current Liabilities	25,785,277	32,740,122	58,525,399
Noncurrent liabilities:			
Net pension liability	207,994,150	41,866,268	249,860,418
Other post-employment benefits (OPEB) obligation	12,799,918	3,822,082	16,622,000
Due in more than one year	8,918,055	158,179,628	167,097,683
Total Noncurrent Liabilities	229,712,123	203,867,978	433,580,101
Total Liabilities	255,497,400	236,608,100	492,105,500
DEFERRED INFLOWS OF RESOURCES			
Deferred pension-related items	39,862,006	8,635,884	48,497,890
Total Deferred Inflows of Resources	39,862,006	8,635,884	48,497,890
NET POSITION			
Net investment in capital assets	427,682,928	361,076,335	788,759,263
Restricted for:			
Administration	326,971	-	326,971
Public safety	908,952	-	908,952
Public works	3,833,461	-	3,833,461
Community services	980,585	-	980,585
Community development	2,274,303	-	2,274,303
Capital improvements	19,931,874	-	19,931,874
Debt service reserve	575,650	11,962,138	12,537,788
Affordable housing	52,102,207	-	52,102,207
Unrestricted	(186,952,856)	37,996,279	(148,956,577)
Total Net Position	\$ 321,664,075	\$ 411,034,752	\$ 732,698,827

CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Administration	\$ 16,178,919	\$ 4,478,840	\$ 600,951	\$ -	\$ (11,099,128)	\$ -	\$ (11,099,128)
Public safety	63,451,398	10,650,440	3,527,813	-	(49,273,145)	-	(49,273,145)
Public works	26,053,254	9,160,634	334	24,268,103	7,375,817	-	7,375,817
Community services	26,454,123	11,908,636	1,088,052	1,912,413	(11,545,022)	-	(11,545,022)
Community development	16,932,642	6,539,929	3,269,539	-	(7,123,174)	-	(7,123,174)
Interest on long-term debt	42,165	-	-	-	(42,165)	-	(42,165)
Total Governmental Activities	149,112,501	42,738,479	8,486,689	26,180,516	(71,706,817)	-	(71,706,817)
Business-Type Activities:							
Water	35,859,075	45,096,925	-	1,456,554	-	10,694,404	10,694,404
Wastewater	17,375,674	18,632,319	-	-	-	1,256,645	1,256,645
Airport	21,360,995	17,987,695	-	2,960,518	-	(412,782)	(412,782)
Waterfront	12,638,544	14,658,044	-	20,857	-	2,040,357	2,040,357
Solid Waste	20,498,458	21,059,160	23,979	-	-	584,681	584,681
Downtown Parking	7,940,913	8,456,602	-	1,143,730	-	1,659,419	1,659,419
Golf Course	2,021,870	1,950,231	-	-	-	(71,639)	(71,639)
Total Business-Type Activities	117,695,529	127,840,976	23,979	5,581,659	-	15,751,085	15,751,085
Total Primary Government	\$ 266,808,030	\$ 170,579,455	\$ 8,510,668	\$ 31,762,175	(71,706,817)	15,751,085	(55,955,732)
General Revenues							
Taxes:							
Property					29,381,978	-	29,381,978
Transient occupancy					22,378,928	-	22,378,928
Sales & use					21,931,961	-	21,931,961
Business license					2,636,315	-	2,636,315
Utility users					14,337,735	-	14,337,735
Real property transfer					730,363	-	730,363
Franchise fees					3,131,682	-	3,131,682
Unrestricted motor vehicle license-in-lieu					36,752	-	36,752
Investment income					2,287,598	1,304,188	3,591,786
Other revenue					418,667	247,900	666,567
Gain on sale of capital assets					43,695	-	43,695
Extraordinary Items					23,054,186	-	23,054,186
Transfers					433,439	(433,439)	-
Total General Revenues, Transfers, and Extraordinary items					120,803,299	1,118,649	121,921,948
Change in Net Position					49,096,482	16,869,734	65,966,216
Net Position at Beginning of Year					272,567,593	394,165,018	666,732,611
Net Position at End of Year					\$ 321,664,075	\$ 411,034,752	\$ 732,698,827

See Notes to Financial Statements

CITY OF SANTA BARBARA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds		Capital Projects Funds	Other Governmental Funds
	General	Affordable Housing	Street Grant Capital Fund	
Assets:				
Pooled cash and investments	\$ 27,882,633	\$ 2,027,564	\$ -	\$ 26,009,863
Accounts receivable	10,686,936	-	4,497,115	2,303,442
Loans receivable	1,839,461	50,094,110	-	13,612,277
Accrued interest receivable	303,171	-	-	-
Prepaid assets and deposits	134,084	-	-	-
Due from other governments	621,370	-	-	-
Interfund receivables	2,915,017	-	-	-
Advances to other funds	773,441	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	575,650
Total Assets	\$ 45,156,113	\$ 52,121,674	\$ 4,497,115	\$ 42,501,232
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,714,961	\$ 691	\$ 2,108,890	\$ 1,305,256
Salaries and benefits payable	4,562,865	18,776	-	457,021
Unearned revenues	1,998,152	-	-	-
Deposits	948,915	-	-	382,437
Interfund payables	-	-	2,915,017	-
Total Liabilities	9,224,893	19,467	5,023,907	2,144,714
Deferred Inflows of Resources:				
Unavailable revenues	-	-	990,842	13,687,238
Total Deferred Inflows of Resources	-	-	990,842	13,687,238
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	134,084	-	-	-
Loans receivable	1,839,461	-	-	-
Advances to other funds	773,441	-	-	-
Restricted for:				
Administration	326,971	-	-	-
Public safety	180,023	-	-	920,763
Public works	172,137	-	-	3,804,872
Community services	285,544	-	-	980,585
Community development	1,717,342	-	-	541,545
Capital improvements	-	-	-	3,178,567
Debt service reserve	-	-	-	575,650
Affordable housing	-	52,102,207	-	-
Committed to:				
Public safety	463,593	-	-	-
Capital improvements	-	-	-	12,964,612
Contingencies	10,746,417	-	-	-
Disaster Contingency	19,088,985	-	-	-
Assigned to:				
Public Works	28,588	-	-	-
Community development	174,634	-	-	-
Capital improvements	-	-	-	3,788,696
Unassigned	-	-	(1,517,634)	(86,010)
Total Fund Balances	35,931,220	52,102,207	(1,517,634)	26,669,280
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 45,156,113	\$ 52,121,674	\$ 4,497,115	\$ 42,501,232

CITY OF SANTA BARBARA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Total Governmental Funds
Assets:	
Pooled cash and investments	\$ 55,920,060
Accounts receivable	17,487,493
Loans receivable	65,545,848
Accrued interest receivable	303,171
Prepaid assets and deposits	134,084
Due from other governments	621,370
Interfund receivables	2,915,017
Advances to other funds	773,441
Restricted assets:	
Cash and investments with fiscal agents	575,650
Total Assets	\$ 144,276,134
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 5,129,798
Salaries and benefits payable	5,038,662
Unearned revenues	1,998,152
Deposits	1,331,352
Interfund payables	2,915,017
Total Liabilities	16,412,981
Deferred Inflows of Resources:	
Unavailable revenues	14,678,080
Total Deferred Inflows of Resources	14,678,080
Fund Balances:	
Nonspendable:	
Prepaid assets and deposits	134,084
Loans receivable	1,839,461
Advances to other funds	773,441
Restricted for:	
Administration	326,971
Public safety	1,100,786
Public works	3,977,009
Community services	1,266,129
Community development	2,258,887
Capital improvements	3,178,567
Debt service reserve	575,650
Affordable housing	52,102,207
Committed to:	
Public safety	463,593
Capital improvements	12,964,612
Contingencies	10,746,417
Disaster Contingency	19,088,985
Assigned to:	
Public Works	28,588
Community development	174,634
Capital improvements	3,788,696
Unassigned	(1,603,644)
Total Fund Balances	\$ 113,185,073
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 144,276,134

CITY OF SANTA BARBARA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Fund balances of governmental funds (page 31)		\$ 113,185,073
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		412,417,558
Long-term debt, pensions, and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	(663,300)	
Unamortized bond premiums/discounts	1,208	
Unamortized loss on defeasance	19,701	
Net pension liability	(196,811,287)	
Compensated absences	<u>(6,656,546)</u>	(204,110,225)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		(12,799,918)
Deferred outflows related to pensions have not been included in governmental fund activity:		
Contributions made after the actuarial measurement date	18,080,974	
Changes in Assumptions	48,972	
Net difference between projected and actual earning on plan investments	16,360,806	
Adjustments due to differences in proportions	1,430,492	
Difference in proportionate share	<u>30,975</u>	35,952,219
Accrued interest payable for the current portion of interest due on Bonds has not been reported in the governmental funds.		(12,609)
Deferred inflows related to pensions have not been included in governmental fund activity:		
Changes in Assumptions	(8,748,965)	
Difference between expected and actual experiences	(6,682,474)	
Net difference between projected and actual earnings on pension plan investments	(21,813,074)	
Adjustments due to differences in proportions	(13,067)	
Difference in proportionate share	<u>(304,085)</u>	(37,561,665)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		14,678,080
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		
Internal Service Funds net position	(1,447,380)	
Portion of OPEB obligation allocated to Governmental Activities	12,799,918	
Less: business-type portion	<u>(11,436,976)</u>	<u>(84,438)</u>
Net Position of governmental activities (page 28)		<u>\$ 321,664,075</u>

CITY OF SANTA BARBARA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue Funds		Capital Projects Funds	Other Governmental Funds
	General	Affordable Housing	Street Grant Capital Fund	
Revenues:				
Taxes	\$ 80,492,696	\$ -	\$ -	\$ 14,593,791
Franchise fees	3,131,682	-	-	-
Intergovernmental	2,067,155	-	16,866,982	8,121,286
Charges for services	21,935,629	-	-	400,036
Use of money and property	944,188	961,268	-	271,669
Fines and forfeitures	2,507,052	-	-	1,089,951
Program income	-	-	-	386,428
Other revenues	9,426,184	-	2,178,862	2,066,990
Total Revenues	120,504,586	961,268	19,045,844	26,930,151
Expenditures:				
Current:				
Mayor and city council	3,443,142	-	-	-
City attorney	2,393,967	-	-	-
City administration	1,932,293	-	-	-
Administrative services	2,437,266	-	-	467,107
Finance	5,249,298	-	-	-
Public safety	63,223,179	-	-	1,107,303
Public works	7,658,560	-	-	12,877,709
Community services	20,432,558	-	-	2,757,542
Community development	10,890,321	775,364	-	1,980,920
Capital outlay	-	-	21,113,116	10,954,581
Debt service:				
Principal retirement	-	-	-	306,900
Interest and fiscal charges	-	-	-	37,502
Total Expenditures	117,660,584	775,364	21,113,116	30,489,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,844,002</u>	<u>185,904</u>	<u>(2,067,272)</u>	<u>(3,559,413)</u>
Other Financing Sources (Uses):				
Transfers in	1,517,684	-	634,630	6,997,858
Transfers out	(1,679,355)	-	-	(7,413,345)
Total Other Financing Sources (Uses)	(161,671)	-	634,630	(415,487)
Net Change in Fund Balances	<u>2,682,331</u>	<u>185,904</u>	<u>(1,432,642)</u>	<u>(3,974,900)</u>
Fund Balances, Beginning of Year	<u>33,248,889</u>	<u>51,916,303</u>	<u>(84,992)</u>	<u>30,644,180</u>
Fund Balances, End of Year	\$ 35,931,220	\$ 52,102,207	\$ (1,517,634)	\$ 26,669,280

CITY OF SANTA BARBARA

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Total Governmental Funds
Revenues:	
Taxes	\$ 95,086,487
Franchise fees	3,131,682
Intergovernmental	27,055,423
Charges for services	22,335,665
Use of money and property	2,177,125
Fines and forfeitures	3,597,003
Program income	386,428
Other revenues	<u>13,672,036</u>
Total Revenues	<u>167,441,849</u>
Expenditures:	
Current:	
Mayor and city council	3,443,142
City attorney	2,393,967
City administration	1,932,293
Administrative services	2,904,373
Finance	5,249,298
Public safety	64,330,482
Public works	20,536,269
Community services	23,190,100
Community development	13,646,605
Capital outlay	32,067,697
Debt service:	
Principal retirement	306,900
Interest and fiscal charges	<u>37,502</u>
Total Expenditures	<u>170,038,628</u>
Excess (Deficiency) of Revenues	(2,596,779)
Other Financing Sources (Uses):	
Transfers in	9,150,172
Transfers out	<u>(9,092,700)</u>
Total Other Financing Sources (Uses)	<u>57,472</u>
Net Change in Fund Balances	<u>(2,539,307)</u>
Fund Balances, Beginning of Year	<u>115,724,380</u>
Fund Balances, End of Year	<u>\$ 113,185,073</u>

CITY OF SANTA BARBARA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net change in fund balances - total governmental funds (page 34)	\$	(2,539,307)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	28,091,788	
Depreciation	<u>(6,119,850)</u>	21,971,938
<p>Governmental funds report the entire proceeds from sale of an asset as revenue because it provides current financial resources. However, the statement of activities reports only the gain (loss) on the sale of assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold.</p>		
		(1,910,167)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal repayments	306,900	
Amortization of deferred charge on debt refunding	(9,851)	
Amortization of bond premiums/discounts	<u>(604)</u>	296,445
<p>Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.</p>		
		5,792
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(13,130)
<p>Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		7,575,448
<p>Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.</p>		
		1,463,809
<p>Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.</p>		
Change in Net Position - Internal Service Fund	(575,076)	
Less: Portion allocated to Business Activities	<u>233,456</u>	<u>(808,532)</u>
<p>Extraordinary gain from transfer of capital assets from Successor Agency</p>		
		<u>23,054,186</u>
Change in net position of governmental activities (page 29)	\$	<u>49,096,482</u>

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 23,433,604	\$ 13,951,573	\$ 13,106,306	\$ 10,681,913	\$ 1,887,255
Accounts receivable, net	6,871,216	2,399,682	1,374,020	-	2,814,087
Loans receivable	3,638,661	-	-	-	-
Prepaid assets	5,586,605	-	-	-	-
Inventories	-	-	-	-	1,493
Restricted:					
Cash and investments with fiscal agent	1,918,475	1,404,072	5,314,035	591,528	-
Total Current Assets	41,448,561	17,755,327	19,794,361	11,273,441	4,702,835
Noncurrent:					
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	2,283,187	3,508,672	7,310,000	878,201	-
Buildings	7,414,694	13,953,411	67,514,831	3,690,671	-
Building improvements	2,020,563	741,616	4,618,743	3,928,500	-
Improvements other than buildings	137,519,477	65,935,383	136,023,495	54,480,908	-
Equipment	10,890,597	25,036,521	5,966,997	2,579,025	-
Underground piping	118,313,068	72,699,240	-	-	-
Other infrastructure	30,621,010	279,364	20,940,397	-	-
Construction in progress	59,005,540	11,551,532	4,535,815	8,616,361	-
Less: accumulated depreciation	(160,852,142)	(104,080,803)	(87,231,471)	(46,754,009)	-
Total capital assets, net	207,215,994	89,624,936	159,678,807	27,419,657	-
Total Noncurrent Assets	207,215,994	89,624,936	159,678,807	27,419,657	-
Total Assets	248,664,555	107,380,263	179,473,168	38,693,098	4,702,835
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	713,860	-	-	478,842	-
Deferred pension-related items	2,851,545	1,891,109	1,825,374	1,285,466	352,841
Total Deferred Outflows of Resources	3,565,405	1,891,109	1,825,374	1,764,308	352,841
LIABILITIES					
Current:					
Accounts payable	10,563,938	1,892,344	530,872	364,274	1,493,197
Salaries and benefits payable	445,798	276,234	287,023	309,952	51,897
Accrued interest payable	507,006	313,531	1,061,169	380,517	-
Unearned revenues	3,638,661	-	-	147,098	-
Deposits	72,951	2,169	864,095	584,463	-
Compensated absences payable	465,463	251,412	260,474	305,749	44,488
Current portion claims payable	-	-	-	-	-
Current portion long term debt	3,397,604	975,451	1,462,882	968,212	-
Total Current Liabilities	19,091,421	3,711,141	4,466,515	3,060,265	1,589,582
Noncurrent:					
Advances from other funds	-	-	-	-	-
Net pension liability	12,615,841	8,414,468	7,935,945	5,808,335	1,453,415
Other post-employment (OPEB) obligation	-	-	-	-	-
Compensated absences payable	51,718	27,935	28,942	33,972	4,943
Estimated claims liability, net of current portion	-	-	-	-	-
Long-term debt, net of current portion	72,440,627	20,680,258	47,512,026	17,210,585	-
Total Noncurrent Liabilities	85,108,186	29,122,661	55,476,913	23,052,892	1,458,358
Total Liabilities	104,199,607	32,833,802	59,943,428	26,113,157	3,047,940
DEFERRED INFLOWS OF RESOURCES					
Deferred pension-related items	2,602,338	1,736,569	1,634,442	1,200,324	297,844
Total Deferred Inflows of Resources	2,602,338	1,736,569	1,634,442	1,200,324	297,844
NET POSITION					
Net investment in capital assets	132,091,623	67,969,227	110,703,899	9,719,702	-
Restricted for debt service	4,213,087	1,843,488	5,314,035	591,528	-
Unrestricted	9,123,305	4,888,286	3,702,738	2,832,695	1,709,892
Total Net Position	\$ 145,428,015	\$ 74,701,001	\$ 119,720,672	\$ 13,143,925	\$ 1,709,892

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 11,402,546	\$ 74,463,197	\$ 21,443,166
Accounts receivable, net	1,041	13,460,046	1,619,103
Loans receivable	-	3,638,661	-
Prepaid assets	-	5,586,605	-
Inventories	-	1,493	839,838
Restricted:			
Cash and investments with fiscal agent	-	9,228,110	-
Total Current Assets	11,403,587	106,378,112	23,902,107
Noncurrent:			
Advances to other funds	-	-	114,899
Capital assets:			
Land	10,983,895	24,963,955	-
Buildings	31,859,363	124,432,970	105,889
Building improvements	227,526	11,536,948	4,315,443
Improvements other than building	27,677,207	421,636,470	2,754,578
Equipment	3,956,280	48,429,420	25,545,705
Underground piping	-	191,012,308	-
Other infrastructure	340,131	52,180,902	-
Construction in progress	690,053	84,399,301	345,239
Less: accumulated depreciation	(34,822,199)	(433,740,624)	(17,159,093)
Total capital assets, net	40,912,256	524,851,650	15,907,761
Total Noncurrent Assets	40,912,256	524,851,650	16,022,660
Total Assets	52,315,843	631,229,762	39,924,767
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	21,328	1,214,030	-
Deferred pension-related items	1,257,891	9,464,226	2,607,177
Total Deferred Outflows of Resources	1,279,219	10,678,256	2,607,177
LIABILITIES			
Current:			
Accounts payable	180,866	15,025,491	1,160,731
Salaries and benefits payable	231,687	1,602,591	435,594
Accrued interest payable	6,567	2,268,790	-
Unearned revenues	56,186	3,841,945	-
Deposits	57,595	1,581,273	-
Compensated absences payable	121,697	1,449,283	374,967
Current portion claims payable	-	-	3,989,118
Current portion long term debt	166,600	6,970,749	-
Total Current Liabilities	821,198	32,740,122	5,960,410
Noncurrent:			
Advances from other funds	888,340	888,340	-
Net pension liability	5,638,264	41,866,268	11,182,863
Other post-employment (OPEB) obligation	-	-	16,622,002
Compensated absences payable	13,522	161,032	41,663
Estimated claims liability, net of current portion	-	-	7,872,045
Long-term debt, net of current portion	175,100	158,018,596	-
Total Noncurrent Liabilities	6,715,226	200,934,236	35,718,573
Total Liabilities	7,536,424	233,674,358	41,678,983
DEFERRED INFLOWS OF RESOURCES			
Deferred pension-related items	1,164,367	8,635,884	2,300,341
Total Deferred Inflows of Resources	1,164,367	8,635,884	2,300,341
NET POSITION			
Net investment in capital assets	40,591,884	361,076,335	15,907,761
Restricted for debt service	-	11,962,138	-
Unrestricted	4,302,387	26,559,303	(17,355,141)
Total Net Position	\$ 44,894,271	\$ 399,597,776	\$ (1,447,380)
Reconciliation of Net Position to the Statement of Net Position			
Net Position per Statement of Net Position - Proprietary Funds		\$ 399,597,776	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds		11,203,521	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds		233,455	
Net Position per Statement of Net Position		\$ 411,034,752	

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Operating Revenues:					
Sales	\$ 41,433,002	\$ 17,770,280	\$ -	\$ -	\$ 2,180,342
Service charges	3,675,778	862,039	1,974,212	8,810,745	-
Leases and rents	13,342	35,168	15,869,544	5,145,777	-
Other revenues	146,190	44,340	152,509	703,299	18,878,818
Total Operating Revenues	45,268,312	18,711,827	17,996,265	14,659,821	21,059,160
Operating Expenses:					
Salaries, wages and benefits	8,217,607	5,075,239	4,987,918	5,693,396	784,445
Materials, supplies and services	18,879,202	6,481,012	8,023,548	4,615,584	19,553,488
Depreciation expense	6,922,670	4,868,679	5,772,796	1,470,649	-
Total Operating Expenses	34,019,479	16,424,930	18,784,262	11,779,629	20,337,933
Operating Income (Loss)	11,248,833	2,286,897	(787,997)	2,880,192	721,227
Nonoperating Revenues (Expenses):					
Interest revenue	409,196	257,280	275,277	181,720	25,872
Intergovernmental Revenue	-	-	-	-	23,979
Interest expense	(1,570,188)	(814,674)	(2,409,454)	(759,942)	-
Total Nonoperating Revenues (Expenses)	(1,160,992)	(557,394)	(2,134,177)	(578,222)	49,851
Income (Loss) Before Transfers and Contributions	10,087,841	1,729,503	(2,922,174)	2,301,970	771,078
Capital Contributions	1,456,554	-	2,960,518	20,857	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(32,501)	(51,472)	(50,000)
Changes in Net Position	11,544,395	1,729,503	5,843	2,271,355	721,078
Net Position:					
Beginning of Year	133,883,620	72,971,498	119,714,829	10,872,570	988,814
End of Fiscal Year	\$ 145,428,015	\$ 74,701,001	\$ 119,720,672	\$ 13,143,925	\$ 1,709,892

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales	\$ -	\$ 61,383,624	\$ -
Service charges	9,952,297	25,275,071	24,617,191
Leases and rents	418,438	21,482,269	-
Other revenues	36,098	19,961,254	1,378,387
Total Operating Revenues	10,406,833	128,102,218	25,995,578
Operating Expenses:			
Salaries, wages and benefits	4,907,162	29,665,767	9,597,483
Materials, supplies and services	3,833,287	61,386,121	16,981,198
Depreciation expense	1,093,709	20,128,503	1,707,045
Total Operating Expenses	9,834,158	111,180,391	28,285,726
Operating Income (Loss)	572,675	16,921,827	(2,290,148)
Nonoperating Revenues (Expenses):			
Interest revenue	141,501	1,290,846	195,375
Intergovernmental Revenue	-	23,979	-
Interest expense	(50,606)	(5,604,864)	-
Total Nonoperating Revenues (Expenses)	90,895	(4,290,039)	195,375
Income (Loss) Before Transfers and Contributions	663,570	12,631,788	(2,094,773)
Capital Contributions	-	4,437,929	1,143,730
Transfers in	43,500	43,500	776,478
Transfers out	(342,966)	(476,939)	(400,511)
Changes in Net Position	364,104	16,636,278	(575,076)
Net Position:			
Beginning of Year	44,530,167	382,961,498	(872,304)
End of Fiscal Year	\$ 44,894,271	\$ 399,597,776	\$ (1,447,380)
Reconciliation of Changes in Net Position to the Statement of Activities:			
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds		\$ 16,636,278	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds		233,456	
Changes in Net Position of Business-Type Activities per Statement of Activities		\$ 16,869,734	

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 42,440,027	\$ 18,196,166	\$ 16,678,030	\$ 14,038,042	\$ 1,667,176
Cash paid to suppliers for goods and services	(10,166,528)	(5,250,041)	(7,988,320)	(4,462,439)	(19,613,798)
Cash paid to employees for services	(8,917,618)	(5,504,441)	(5,419,667)	(5,959,712)	(862,894)
Cash received from (payments to) others	146,190	44,340	152,509	703,299	18,878,818
Net Cash Provided (Used) by Operating Activities	23,502,071	7,486,024	3,422,552	4,319,190	69,302
Cash Flows from Non-Capital Financing Activities:					
Cash transfers out	-	-	(32,501)	(51,472)	(50,000)
Advance from (to) other funds	-	-	-	(1,011,894)	-
Grant subsidies	-	-	-	-	23,979
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	(32,501)	(1,063,366)	(26,021)
Cash Flows from Capital and Related Financing Activities:					
Loan proceeds	19,999,276	2,103,783	-	1,603,663	-
Acquisition and construction of capital assets	(44,424,345)	(7,795,877)	(1,034,281)	(2,381,065)	-
Principal paid on capital debt	(2,800,038)	(939,992)	(1,395,677)	(870,705)	-
Interest paid on capital debt	(1,713,094)	(756,928)	(2,399,989)	(695,137)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(28,938,201)	(7,389,014)	(4,829,947)	(2,343,244)	-
Cash Flows from Investing Activities:					
Collection of loans receivable	356,093	-	-	-	-
Interest received	409,196	257,280	275,277	181,720	25,872
Net Cash Provided (Used) by Investing Activities	765,289	257,280	275,277	181,720	25,872
Net Increase (Decrease) in Cash and Cash Equivalents	(4,670,841)	354,290	(1,164,619)	1,094,300	69,153
Cash and Cash Equivalents at Beginning of Year	30,022,920	15,001,355	19,584,960	10,179,141	1,818,102
Cash and Cash Equivalents at End of Year	\$ 25,352,079	\$ 15,355,645	\$ 18,420,341	\$ 11,273,441	\$ 1,887,255
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 11,248,833	\$ 2,286,897	\$ (787,997)	\$ 2,880,192	\$ 721,227
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	6,922,670	4,868,679	5,772,796	1,470,649	-
(Increase) decrease in accounts receivable	(2,326,002)	(471,321)	(1,029,506)	-	(513,166)
(Increase) decrease in inventory	-	-	-	-	11,029
Increase (decrease) in accrued liabilities	43,494	25,541	35,235	37,769	10,499
(Increase) decrease in prepaid expense	(556,286)	-	-	-	-
Increase (decrease) in accounts payable	9,317,211	1,228,888	42,177	147,014	(71,339)
Increase (decrease) in Pensions	(759,760)	(503,864)	(486,349)	(342,497)	(94,010)
Increase (decrease) in deposits payable	(48,251)	2,083	(6,949)	6,131	-
Increase (decrease) in unearned revenue	(356,093)	-	(136,220)	81,520	-
Increase (decrease) in compensated absences	16,255	49,121	19,365	38,412	5,062
Total Adjustments	12,253,238	5,199,127	4,210,549	1,438,998	(651,925)
Net Cash Provided (Used) by Operating Activities	\$ 23,502,071	\$ 7,486,024	\$ 3,422,552	\$ 4,319,190	\$ 69,302
Non-Cash Investing, Capital, and Financing Activities:					
Change in Fair Value of Investments	\$ 2,613	\$ (362)	\$ 20,447	\$ (263)	\$ (33)

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 10,393,265	\$ 103,412,706	\$ -
Cash received from/(paid to) interfund service provided	-	-	24,057,620
Cash paid to suppliers for goods and services	(3,780,005)	(51,261,131)	(12,579,935)
Cash paid to employees for services	(5,290,499)	(31,954,831)	(9,938,898)
Cash received from (payments to) others	36,098	19,961,254	1,378,387
Net Cash Provided (Used) by Operating Activities	1,358,859	40,157,998	2,917,174
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	43,500	43,500	776,478
Cash transfers out	(342,966)	(476,939)	(400,511)
Advance from (to) other funds	218,489	(793,405)	54,952
Grant subsidies	-	23,979	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(80,977)	(1,202,865)	430,919
Cash Flows from Capital and Related Financing Activities:			
Loan proceeds	-	23,706,722	-
Acquisition and construction of capital assets	(665,187)	(56,300,755)	(3,860,060)
Principal paid on capital debt	(158,100)	(6,164,512)	-
Interest paid on capital debt	(159,287)	(5,724,435)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(982,574)	(44,482,980)	(3,860,060)
Cash Flows from Investing Activities:			
Collection of loans receivable	-	356,093	-
Interest received	141,501	1,290,846	195,375
Net Cash Provided (Used) by Investing Activities	141,501	1,646,939	195,375
Net Increase (Decrease) in Cash and Cash Equivalents	436,809	(3,880,908)	(316,592)
Cash and Cash Equivalents at Beginning of Year	10,965,737	87,572,215	21,759,758
Cash and Cash Equivalents at End of Year	\$ 11,402,546	\$ 83,691,307	\$ 21,443,166
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 572,675	\$ 16,921,827	\$ (2,290,148)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,093,709	20,128,503	1,707,045
(Increase) decrease in accounts receivable	20,221	(4,319,774)	(559,571)
(Increase) decrease in inventory	-	11,029	107,666
(Increase) decrease in accrued liabilities	(4,591)	147,947	40,313
(Increase) decrease in prepaid expense	-	(556,286)	-
Increase (decrease) in accounts payable	36,000	10,699,951	352,080
Increase (decrease) in OPEB Obligation	-	-	295,002
Increase (decrease) in Pensions	(335,150)	(2,521,630)	(694,652)
Increase (decrease) in deposits payable	17,282	(29,704)	-
Increase (decrease) in unearned revenue	2,309	(408,484)	-
Increase (decrease) in claims and judgments	-	-	3,941,517
Increase (decrease) in compensated absences	(43,596)	84,619	17,922
Total Adjustments	786,184	23,236,171	5,207,322
Net Cash Provided (Used) by Operating Activities	1,358,859	40,157,998	2,917,174
Non-Cash Investing, Capital, and Financing Activities:			
Change in Fair Value of Investments	\$ (254)	\$ 22,148	\$ (357)

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>Agency Funds</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
ASSETS			
Current assets:			
Pooled cash and investments	\$ 1,490,646	\$ -	\$ 2,858,744
Accounts receivable, net	14,118	-	-
Loans receivable	1,963,149	-	3,500,000
Land held for resale	-	-	2,873,528
Restricted assets:			
Cash and investments	-	453,452	-
Cash and investments with fiscal agents	-	-	11,490,162
Non-current assets:			
Capital assets:			
Land	-	-	1,124,270
Building improvements	-	-	2,174,794
Improvements other than building	-	-	228,367
Equipment	180,000	-	-
Construction in progress	-	-	1,917,836
Less: accumulated depreciation	<u>(180,000)</u>	<u>-</u>	<u>(68,797)</u>
Total capital assets	<u>-</u>	<u>-</u>	<u>5,376,470</u>
Total Assets	<u>\$ 3,467,913</u>	<u>453,452</u>	<u>26,098,904</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding		<u>-</u>	<u>55,977</u>
Total Deferred Outflows of Resources		<u>-</u>	<u>55,977</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 1,569	\$ -	\$ 58,340
Salaries and benefits payable	-	-	7,922
Accrued interest payable	-	-	334,239
Due to the City of Santa Barbara	-	621,370	-
Trust liability	3,466,344	-	-
Current portion of long-term debt	-	-	7,085,000
Non-current liabilities:			
Long-term debt, net of current portion	<u>-</u>	<u>-</u>	<u>15,324,228</u>
Total Liabilities	<u>\$ 3,467,913</u>	<u>621,370</u>	<u>22,809,729</u>
NET POSITION			
Held in trust:			
Employees' pension benefit		(167,918)	-
Police		-	73,311
Library		-	2,781,201
Successor Agency of the Former RDA		-	490,640
Total Net Position		<u>\$ (167,918)</u>	<u>\$ 3,345,152</u>

CITY OF SANTA BARBARA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2016

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Employer Contributions	\$ 120,000	\$ -
Contributions	-	199,534
Taxes	-	8,586,766
Investment earnings:		
Net appreciation (depreciation) in fair value	4,500	-
Interest	23,862	12,387
Dividends	5,537	5,855
Total investment earnings	33,899	18,242
Less: investment expense	(5,303)	-
Net investment income	28,596	18,242
Other	-	21,250
Total Additions	148,596	8,825,792
DEDUCTIONS		
Benefits	116,087	-
Administrative expenses	-	141,451
Contractual services	-	100,485
Interest expense	-	1,249,850
Depreciation expense	-	173,210
Community Services	-	194,237
Total Deductions	116,087	1,859,233
Extraordinary loss	-	(23,054,186)
Changes in Net Position	32,509	(16,087,627)
NET POSITION - Beginning of the Year	(200,427)	19,432,779
NET POSITION - End of the Year	\$ (167,918)	\$ 3,345,152



Notes To The
Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2016

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," and applicable amendments including GASB 61 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 elected by district, and a mayor elected at-large. The City moved to district elections starting 2015 with three district seats elected on November 3rd, with the remaining three districts to be elected in 2017. 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, solid waste, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency) was established in 1968 with the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Area". It was formerly 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. However, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California, effective January 31, 2012. The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill (see footnote 19). Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency.

The Successor Agency was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency is a separate entity of the City, subject to the direction of an Oversight Board. The

CITY OF SANTA BARBARA
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Oversight Board is comprised of seven-member representatives from local government bodies. In general, the Successor Agency's assets can only be used to pay for enforceable obligations in existence at the date of dissolution. In future fiscal years, the Successor Agency will only be allocated revenue in the amount necessary to pay the estimated payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, it is reported in a fiduciary fund (private-purpose trust fund).

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. 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 is 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 position (i.e., fund balances) as presented in these statements to the net position presented in the Government-wide financial statements.

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Fund Net Position, 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 *Affordable Housing Fund* accounts for affordable housing financial activity of the City. This includes monitoring low and moderate income housing covenants and accounting for payments on outstanding housing loans. Revenues are derived from principal and interest payments made by loan recipients.
- The *Street Grant Capital Fund* accounts for streets-related capital projects financed by Grants.

CITY OF SANTA BARBARA
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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.
- The *Solid Waste Fund* accounts for refuse revenues received from customers, payments remitted to the trash hauler, and franchise and recycling fees paid by hauler that are used for recycling programs in the City.

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, 2) intra-city service building maintenance operations, 3) information systems and computer support services, and 4) self-insurance operations of workers' compensation, unemployment, general liability insurance coverage, and post employment benefits.
- *Private Purpose Trust Funds* are used to account for monies held on behalf of others in a fiduciary capacity, typically pursuant to a formal trust agreement. The City uses private purpose trust funds to account for 1) the Successor Agency of the Former Redevelopment Agency which was dissolved on January 31, 2012, pursuant to state law; 2) resources legally held in trust for use by a not-for-profit organization devoted to library functions; and 3) 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 Funds* account for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulate resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to account for 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 agency funds account for 1) moneys received from agencies for low and moderate income applicant's rehabilitation housing loans, 2) moneys received from agencies for the California Law Enforcement Tracking System (CLETS), and 3) financial activities of the Seismic Assessment District #1.

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 90 days of the end of the current fiscal period. Grant funds earned but not received by the end of the fiscal period are recorded as a receivable, and revenue is recognized if collected within 120 days of the end of the current fiscal period. Property and

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2016

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.

Proprietary, pension and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilizes the *accrual basis of accounting* for reporting assets and liabilities.

D. Adoption of New Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, to address accounting and financial issues related to fair value measurements. This statement provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The City has fully conformed to the requirements of this statement for the fiscal year ending June 30, 2016.

E. 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 Position 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, and Transfers in and out.

F. 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.

G. Definition of Operating and Non-operating Revenues and Expenses

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, solid waste, 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.

H. 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.

I. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIII A) 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

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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.

J. 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.

K. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended by GASB 72, 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, 2016, 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.

L. Receivables and Payables

Interfund transactions are reflected as either: loans, services, 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 nonspendable amount 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 the City Housing Fund, Community Development Block Grant loans, Home Investment Partnership loans, loans held with the Successor Agency, Water fund loans and Employee Mortgages. A portion of fund balance is classified as nonspendable for the Employee Mortgages due to the long-term nature of loans.

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

M. 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

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements.

N. 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, 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.

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

	<u>Years</u>
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 every two years so that the entire street network is inspected every six years. Each road segment is inspected and the Pavement Condition Index (PCI) value from zero to one hundred (0-100) is calculated for each road segment. PCI's of 71 to 100 are considered "Good/Excellent", PCI's from 51 to 70 are considered "At Risk", PCI's from 25 to 50 are considered "Poor", and PCI's from 0 to 24 are considered "Very Poor/Failed". 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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O. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the City recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 10 and Note 4 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

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, 2016, 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 position. Bond premiums and discounts, 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. Beginning in fiscal year 2013, bond issuance costs are reported as expenses when incurred per GASB Statement No. 65.

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. Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office, and are in accordance with the implementation of GASB Statement No. 68. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

S. 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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T. 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.

U. 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 and Uniform Guidance.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 151,826,423
Cash and investments with fiscal agents	9,803,760
Fiduciary funds:	
Cash and investments	4,349,390
Restricted cash	453,452
Cash and investments with fiscal agents	<u>11,490,162</u>
Total cash and investments	<u>\$ 177,923,187</u>
Cash on hand	\$ 51,045
Demand deposit accounts with financial institutions	21,713,905
Investments	<u>156,158,237</u>
Total cash and investments	<u>\$ 177,923,187</u>

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 the portion of cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), statutorily limited to \$250,000. As of June 30, 2016, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by 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.

CITY OF SANTA BARBARA
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<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
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%
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	\$50 million*	N/A

* Excluding amounts held by trustees/fiscal agents that are not subject to California Government Code restrictions.

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, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 of the overall investment portfolio 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.

CITY OF SANTA BARBARA
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<u>Investment type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 4,007,480	0.4
U.S. Agency Securities	60,413,210	2.4
Corporate Medium Term Notes	8,115,200	1.6
Negotiable Certificates of Deposit	3,068,615	2.9
Non-Negotiable Certificates of Deposit	4,000,000	1.2
Local Agency Obligations	4,775,296	13.0*
State Investment Pool (LAIF)	50,031,061	0.5
Held by Trustees/Fiscal Agents:		
Money Market Fund	14,734,323	N/A
Corporate Bond Funds	253,123	N/A
U.S. Agency Securities	3,845,734	2.5
Investment Contracts	2,914,195	N/A
	<u>\$ 156,158,237</u>	

*In accordance with the City's investment policy, weighted average maturity exceeds the maximum allowed maturity of 5 years due to express authority granted by City Council on April 14, 2009.

Fair Value Measurements

The City adopted GASB Statement No. 72, Fair Value Measurement and Application, as of July 1, 2015. GASB Statement No. 72 establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

<u>Investment Type</u>	<u>June 30, 2016</u>	<u>Level</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
U.S. Treasury Notes	\$ 4,007,480	\$ 4,007,480	\$ -	\$ -
U.S. Agency Securities	60,413,210	-	60,413,210	-
Corporate Medium Term Notes	8,115,200	-	8,115,200	-
Negotiable Certificates of Deposit	3,068,615	-	3,068,615	-
State Investment Pool (LAIF)	50,031,061	-	50,031,061	-
	<u>125,635,566</u>	<u>4,007,480</u>	<u>121,628,086</u>	<u>-</u>
Held by Trustees/Fiscal Agents:				
Money Market Funds	14,734,323	185,613	14,548,710	-
U.S. Agency Securities	3,845,734	-	3,845,734	-
Corporate Bonds	253,123	-	253,123	-
	<u>18,833,180</u>	<u>185,613</u>	<u>18,647,567</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 144,468,746</u>	<u>\$ 4,193,093</u>	<u>\$ 140,275,653</u>	<u>\$ -</u>
<u>Investments at Amortized Cost</u>				
Non-Negotiable Certificates of Deposit	4,000,000			
Local Agency Obligations	4,775,296			
Held by Trustees/Fiscal Agents:				
Investment Contracts	2,914,195			
	<u>11,689,491</u>			
Total Investments	<u>\$ 156,158,237</u>			

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

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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	Market Value of Investment	Min. Legal Rating	Not Required To Be Rated	Rating as of Year End			
				AA+	AA	AA-	Unrated
U.S. Treasury Notes	\$ 4,007,480	N/A	\$ -	\$ 4,007,480	\$ -	\$ -	\$ -
U.S. Agency Securities	60,413,210	N/A	-	60,413,210	-	-	-
Corporate Medium Term Notes	8,115,200	A	-	2,067,900	2,023,220	4,024,080	-
Negotiable Certificates of Deposit	3,068,615	N/A*	3,068,615	-	-	-	-
Non-Negotiable Certificates of Deposit	4,000,000	Collateralized	-	-	-	-	4,000,000
Local Agency Obligations	4,775,296	N/A	-	-	-	-	4,775,296
State Investment Pool (LAIF)	50,031,061	N/A	-	-	-	-	50,031,061
Held by Trustees/Fiscal Agents:							
Money Market Funds	14,734,323	N/A	-	-	-	-	14,734,323
Corporate Bond Funds	253,123	N/A	-	-	-	-	253,123
U.S. Agency Securities	3,845,734	N/A	-	3,845,734	-	-	-
Investment Contracts	2,914,195	N/A	2,914,195	-	-	-	-
Total	\$ 156,158,237	N/A	\$ 5,982,810	\$ 70,334,324	\$ 2,023,220	\$ 4,024,080	\$ 73,793,803

* Individual Negotiable Certificates of Deposit do not exceed \$250,000 and are fully insured by the Federal Deposit Insurance Corporation.

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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
Federal Natl Mortgage Assn	U.S. Agency Securities	30,253,740	19.4
Federal Home Loan Bank	U.S. Agency Securities	12,149,420	7.8
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	11,695,844	7.5

Disclosure Risk 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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2016, \$26,658,394 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

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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 7.0% 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 July 2013, the City reduced the interest rate on the promissory note from 7.0% to 3.5%. 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.

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NOTE 3. 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 position, as well as governmental and proprietary funds, defers 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.

At June 30, 2016, the various components of unearned revenue reported are as follows:

	<u>Unearned</u>
Governmental funds:	
General Fund:	
Deferred business license tax	\$ 1,264,584
Prepaid Parks and Recreation fees	733,568
Total governmental funds	\$ 1,998,152
Business-type activities:	
Water Fund:	
Joint Venture Agreement	\$ 3,638,661
Golf Course Fund:	
Golf gift cards	56,186
Waterfront Fund:	
Prepaid lease and slipholder revenue	147,098
Total business-type activities	\$ 3,841,945

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NOTE 4. DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” the City recognized deferred outflows of resources in the entity-wide and proprietary fund statements. This item is a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Deferred outflows of resources balances as reported on the Statement of Net Position for the year ended June 30, 2016, were as follows:

	Balance <u>June 30, 2016</u>
Governmental Activities	
2002 Certificates of Participation Refunding	\$ 19,701
Deferred pension-related items	<u>38,559,396</u>
	<u>\$ 38,579,097</u>
 Business-type Activities	
2002 Golf Course Certificates of Participation	\$ 21,328
2013 Water Certificates of Participation refunding	713,860
2014 Waterfront Certificates of Participation refunding	478,842
Deferred pension-related items	<u>9,464,226</u>
	<u>\$ 10,678,256</u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF SANTA BARBARA
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NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Transfer from Successor Agency	Increases	Transfers/ Reclassifications	Deletions	Ending Balance June 30, 2016	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:								
Non-depreciating capital assets:								
Construction in progress	\$ 36,026,787	\$ -	\$ 25,143,701	\$ (12,890,370)	\$ -	\$ 48,280,118	\$ 345,240	\$ 48,625,358
Land held for resale	3,767,605	-	-	-	(1,910,167)	1,857,438	-	1,857,438
Land	22,654,567	22,370,318	2,714,832	-	-	47,739,717	-	47,739,717
Streets	160,101,178	-	-	-	-	160,101,178	-	160,101,178
Total non-depreciating capital assets	<u>222,550,137</u>	<u>22,370,318</u>	<u>27,858,533</u>	<u>(12,890,370)</u>	<u>(1,910,167)</u>	<u>257,978,451</u>	<u>345,240</u>	<u>258,323,691</u>
Depreciating capital assets:								
Buildings	26,261,303	-	-	-	-	26,261,303	105,889	26,367,192
Building improvements	20,158,688	-	54,408	269,274	-	20,482,370	4,315,443	24,797,813
Improvements other than buildings	35,283,531	4,836,871	-	3,880,003	-	44,000,405	2,754,578	46,754,983
Equipment	13,998,725	-	178,846	53,976	(16,001)	14,215,546	25,545,705	39,761,251
Infrastructure	167,295,166	-	-	8,687,117	-	175,982,283	-	175,982,283
Total depreciating capital assets	<u>262,997,413</u>	<u>4,836,871</u>	<u>233,254</u>	<u>12,890,370</u>	<u>(16,001)</u>	<u>280,941,907</u>	<u>32,721,615</u>	<u>313,663,522</u>
Less accumulated depreciation:								
Buildings	13,680,422	-	453,685	-	-	14,134,107	105,889	14,239,996
Building improvements	5,195,520	-	474,832	-	-	5,670,352	216,005	5,886,357
Improvements other than buildings	14,385,499	4,153,003	1,450,357	-	-	19,988,859	265,786	20,254,645
Equipment	11,486,554	-	321,421	-	(16,001)	11,791,974	16,571,412	28,363,386
Infrastructure	71,497,955	-	3,419,555	-	-	74,917,510	-	74,917,510
Total accumulated depreciation	<u>116,245,950</u>	<u>4,153,003</u>	<u>6,119,850</u>	<u>-</u>	<u>(16,001)</u>	<u>126,502,802</u>	<u>17,159,092</u>	<u>143,661,894</u>
Total capital assets, being depreciated, net	<u>146,751,463</u>	<u>683,868</u>	<u>(5,886,596)</u>	<u>12,890,370</u>	<u>-</u>	<u>154,439,105</u>	<u>15,562,523</u>	<u>170,001,628</u>
Governmental activities capital assets, net	<u>\$ 369,301,600</u>	<u>\$ 23,054,186</u>	<u>\$ 21,971,937</u>	<u>\$ -</u>	<u>\$ (1,910,167)</u>	<u>\$ 412,417,556</u>	<u>\$ 15,907,763</u>	<u>\$ 428,325,319</u>

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

Governmental activities:	
Administration	\$ 84,193
Public safety	490,847
Public works	948,718
Community services	852,442
Community development	<u>3,743,650</u>
General governmental depreciation	6,119,850
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>1,707,045</u>
Total depreciation expense - governmental activities	<u>\$ 7,826,895</u>

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	Beginning Balance July 1, 2015	Increases	Decreases	Transfers/ Reclassifications	Ending Balance June 30, 2016
Business-Type Activities:					
Non-depreciating capital assets:					
Land	24,963,955	-	-	-	24,963,955
Construction in progress	<u>64,531,767</u>	<u>60,906,883</u>	-	<u>(41,039,349)</u>	<u>84,399,301</u>
Total non-depreciating capital assets	<u>89,495,722</u>	<u>60,906,883</u>	-	<u>(41,039,349)</u>	<u>109,363,256</u>
Depreciating capital assets:					
Buildings	124,432,970	-	-	-	124,432,970
Building improvements	10,302,753	-	-	1,234,195	11,536,948
Improvements other than buildings	417,302,313	-	-	4,334,157	421,636,470
Equipment	47,609,900	-	(190,984)	1,010,504	48,429,420
Underground piping	190,323,372	-	-	688,935	191,012,307
Infrastructure	<u>18,409,344</u>	-	-	<u>33,771,558</u>	<u>52,180,902</u>
Total depreciating capital assets	<u>808,380,652</u>	-	<u>(190,984)</u>	<u>41,039,349</u>	<u>849,229,017</u>
Less accumulated depreciation:					
Buildings	35,696,420	2,488,766	-	-	38,185,186
Building improvements	3,864,553	257,333	-	-	4,121,886
Improvements other than buildings	218,419,767	8,996,302	-	(261,904)	227,154,165
Equipment	32,030,072	2,721,805	(22,785)	-	34,729,092
Underground piping	114,491,801	4,396,304	-	-	118,888,105
Infrastructure	<u>9,132,292</u>	<u>1,267,993</u>	-	<u>261,904</u>	<u>10,662,189</u>
Total accumulated depreciation	<u>413,634,905</u>	<u>20,128,503</u>	<u>(22,785)</u>	-	<u>433,740,623</u>
Total capital assets, being depreciated, net	<u>394,745,747</u>	<u>(20,128,503)</u>	<u>(168,199)</u>	<u>41,039,349</u>	<u>415,488,394</u>
Business-type activities capital assets, net	<u>\$ 484,241,469</u>	<u>\$ 40,778,380</u>	<u>\$ (168,199)</u>	<u>\$ -</u>	<u>\$ 524,851,650</u>

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

Business-type activities:	
Water	\$ 6,922,670
Wastewater	4,868,679
Airport	5,772,796
Waterfront	1,470,649
Downtown parking	905,768
Golf	187,941
Total depreciation expense - business-type activities	<u>\$ 20,128,503</u>

CITY OF SANTA BARBARA
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NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2016, is as follows:

Receivable Fund	<u>Due to/from other funds</u> Payable Fund	Amount
Governmental Activities:	Governmental Activities:	
General Fund	Street Grant Capital Fund	\$ 2,915,017
<u>Advances to/from other funds</u>		
Receivable Fund	Payable Fund	Amount
Governmental Activities:	Business Type Activities:	
General Fund	Golf Course Fund	773,441
Vehicle Capital Fund	Golf Course Fund	114,899
		\$ 888,340

The interfund balances at June 30, 2016, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund advanced money to the Golf Course Enterprise Fund. This advance, totaling \$773,441 at June 30, 2016, was for the purpose of financing the Golf Safety Improvement Master Plan and the remaining debt payments for the Certificates of Participation bonds. The advance bears interest at 3%, with payments due annually.

The Vehicle Capital Fund advanced money to the Golf Course Enterprise Fund. This advance, totalling \$114,899 at June 30, 2016, was for the purpose of Golf Course equipment purchase. The advance bears interest at 3%, and has payments due annually.

A summary of interfund transfers during the year follows:

<u>Transfers Out</u>	<u>Transfers In</u>					
General Fund	Street Grant Capital Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service	Total	
Governmental Funds						
General Fund	\$ -	\$ -	\$ 1,107,242	\$ 43,500	\$ 528,613	\$ 1,679,355
Other Govt Funds	748,774	634,630	5,890,616	-	139,325	7,413,345
Internal Service Funds	400,511	-	-	-	-	400,511
Enterprise Funds						
Solid Waste	50,000	-	-	-	-	50,000
Airport	-	-	-	-	32,501	32,501
Waterfront	-	-	-	-	51,472	51,472
Other Enterprise Funds	318,399	-	-	-	24,567	342,966
Total	\$ 1,517,684	\$ 634,630	\$ 6,997,858	\$ 43,500	\$ 776,478	\$ 9,970,150

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The most significant interfund transfers related to the following:

1. Transfers from the General Fund to Other Governmental Funds were primarily due to capital outlay transfers of \$738,376 to the General Capital Improvements Fund for capital projects. In addition, the General Fund made debt service transfers of \$311,481 to the 2002 Municipal Refunding Certificates of Participation Fund.
2. Transfers from the General Fund to the Internal Service Funds were capital outlay transfers of \$153,613 to the Information Services Fund for computer software upgrades, and \$375,000 to the Intra-City Service Fund for the Police Department locker room remodel and other facilities renewal projects.
3. Transfers from Other Governmental Funds to the General Fund included operating transfers of \$360,574 from the Street Sweeping Fund for Police Department Street Sweeping Enforcement efforts, and \$352,300 from the Traffic Safety Fund for Police Department traffic safety costs.
4. Transfers from the Other Governmental Funds to the Street Grants Capital Fund were primarily capital outlay transfers of \$584,630 from the Street Capital Improvement Fund for the city matching funds for grants.
5. Transfers between Other Governmental Funds are primarily comprised of capital outlay transfers from the Streets Fund to the Street Capital Improvement Fund (\$1,880,024); from the Measure A Fund to the Measure A Capital Improvement Fund (\$1,731,467); and from the Creek Restoration Fund to the Creek Restoration Capital Improvement Fund for capital projects (\$1,786,473).
6. Transfers from the Internal Service Funds to the General Fund were \$400,511 from the Vehicle Capital Fund to the General Fund for Police and Fire Department Mobile Data Computer equipment.
7. Transfers from Other Enterprise Funds to the General Fund were \$318,399 from the Downtown Parking Fund to the General Fund for the Downtown Maintenance Contract to provide landscape maintenance and sidewalk cleaning in the Downtown area.

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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) 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 (3) loans from other governmental agencies. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 12).

Long-term liability activity for the year ended June 30, 2016, is as follows:

	Beginning Balance July 1, 2015	Additions	Deductions	Ending Balance June 30, 2016	Due Within One Year	Due in More Than One Year
Governmental Activities						
Certificates of participation	\$ 970,200	\$ -	\$ 306,900	\$ 663,300	\$ 323,400	\$ 339,900
Unamortized debt discount	(1,812)	-	(604)	(1,208)	-	(1,208)
Governmental funds debt issues	968,388	-	306,296	662,092	323,400	338,692
Compensated absences	7,042,124	5,762,429	5,731,377	7,073,176	6,365,858	707,318
Claims liability	7,919,646	7,390,554	3,449,037	11,861,163	3,989,118	7,872,045
Governmental activity						
Long-term liabilities	15,930,158	13,152,983	9,486,710	19,596,431	10,678,376	8,918,055
Business-Type Activities						
Revenue bonds	69,627,330	-	2,459,848	67,167,482	2,574,241	64,593,241
Certificates of participation	20,344,800	-	1,548,100	18,796,700	1,591,600	17,205,100
Loans	56,230,690	23,706,721	2,156,563	77,780,848	2,804,908	74,975,940
Unamortized debt premium	2,469,608	-	205,801	2,263,807	-	2,263,807
Unamortized debt discount	(1,070,724)	-	(51,232)	(1,019,492)	-	(1,019,492)
	147,601,704	23,706,721	6,319,080	164,989,345	6,970,749	158,018,596
Compensated absences	1,525,697	1,326,338	1,241,720	1,610,315	1,449,283	161,032
Business-type activity						
Long-term liabilities	149,127,401	25,033,059	7,560,800	166,599,660	8,420,032	158,179,628
Total debt activity	\$ 165,057,559	\$ 38,186,042	\$ 17,047,510	\$ 186,196,091	\$ 19,098,408	\$ 167,097,683

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A description of long-term obligations outstanding at June 30, 2016, by category follows:

	<u>Amount Outstanding June 30, 2016</u>
<u>Governmental Activities</u>	
<u>Certificates of Participation</u>	
<u>General Fund:</u>	
\$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 principal installments range from \$323,400 to \$339,900 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.	\$ 663,300
Total Governmental Activities	<u>663,300</u>
 <u>Business-Type Activities</u>	
<u>Revenue Bonds</u>	
<u>Wastewater Fund:</u>	
\$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 principal installments range from \$760,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.	12,925,000
 <u>Waterfront Fund:</u>	
\$12,334,391 - Waterfront Harbor Refunding Revenue Bonds, Series 2014. Revenue bonds were issued to provide funds in order to refund the outstanding City of Santa Barbara Waterfront Revenue Refunding Certificates of Participation, Series 2002 which were used to finance capital improvements at the waterfront. Remaining annual principal installments range from \$345,000 to \$1,092,700 through October 1, 2027. The interest rate is 3.530%.	10,642,482
 <u>Airport Fund:</u>	
\$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 \$1,020,000 to \$2,995,000 through July 1, 2039. Interest rates range from 4.0% to 5.0% payable semi-annually.	<u>43,600,000</u>
Total revenue bonds	<u>67,167,482</u>
 <u>Certificates of Participation</u>	
<u>Golf Fund:</u>	
\$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 principal installments range from \$166,600 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semiannually.	341,700
 <u>Water Fund:</u>	
\$22,680,000 - 2013 Refunding Water Certificates of Participation. Certificates issued to provide funds to refund the outstanding City of Santa Barbara 2002 Certificates, which were used to finance capital improvements to the water distribution system. Certificates were also used to defease a California Department of Health Services Safe Drinking Water State Revolving Fund loan, which was used to finance construction of a project that enabled the City to meet safe drinking water standards. Remaining annual principal installments range from \$1,425,000 to \$2,055,000 through October 1, 2026. Interest rates range from 2.0% to 6.85% payable semi-annually.	<u>18,455,000</u>
Total certificates of participation	<u>\$ 18,796,700</u>

CITY OF SANTA BARBARA
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Loans Payable

Water Fund:

\$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 semi-annual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025. \$ 9,165,394

\$26,614,040 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 semi-annual payments of \$849,692. Interest is 2.5017% per annum. The final payment is due July 1, 2035. 26,100,962

\$55,000,000 California State Water Resources Control Board loan. Funds used to assist in financing the desalination plant reactivation project. Once the project is complete, the total amount borrowed will be repaid to the State with annual principal and interest payments for 20 years. Interest is 1.663% per annum. 19,948,762

Wastewater Fund:

\$1,600,000 - California State Water Resources Control Board loan. Funds used to assist in financing a two phase project to increase energy generated at the El Estero Wastewater Treatment Plant. Once the project is complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 1.8% per annum. 1,573,416

\$5,200,000 - California State Water Resources Control Board loan. Funds used to assist in financing the replacement design, modifications to the washer compactor area, replacement of water compactor units, and a study of the electrical generators use for new mechanical screens and conveyance. Due in 20 annual payments of \$341,981. Interest is 2.6% per annum. The final payment is due August 4, 2033. 4,866,519

\$31,388,033 - California State Water Resources Control Board loan. Funds used to assist in financing the upgrade to the aeration system and improve the secondary treatment process at the El Estero Wastewater Treatment Plant. Once the project is complete, the total amount borrowed will be repaid to the State with annual principal and interest payments for 20 years. Interest is 1.9% per annum. 2,405,397

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 5.0843% per annum. The final payment is due June 30, 2024. 1,408,787

\$7,300,000 - Airport Promissory Note. Funds used to finance construction of a joint use rental car facility for use by the rental car companies serving the Airport. Due in semi-annual payments of \$230,182. Interest is 3.5% per annum. The final payment is due June 30, 2029. 4,775,296

Waterfront Fund:

\$9,101,000 - State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. 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. 7,536,315

Total loans payable 77,780,848

Total Business-Type Activities \$ 163,745,030

CITY OF SANTA BARBARA
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The annual requirements to amortize all long-term debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending	Gov't Activities		Business-type Activities			Total
	Principal Payments					
	Certificates of Participation	Revenue Bonds	Certificates of Participation	Other Loans		
2017	\$ 323,400	\$ 2,574,241	\$ 1,591,600	\$ 2,804,908	\$ 7,294,149	
2018	339,900	2,669,357	1,645,100	3,869,009	8,523,366	
2019	-	2,767,141	1,520,000	3,968,491	8,255,632	
2020	-	2,887,919	1,585,000	4,070,797	8,543,716	
2021	-	3,017,539	1,645,000	4,175,126	8,837,665	
2022-2026	-	17,003,607	9,385,000	20,965,975	47,354,582	
2027-2031	-	13,907,678	1,425,000	17,199,718	32,532,396	
2032-2036	-	11,195,000	-	16,346,732	27,541,732	
2037-2041	-	11,145,000	-	3,253,699	14,398,699	
2042-2046	-	-	-	1,126,393	1,126,393	
Total Principal	<u>663,300</u>	<u>67,167,482</u>	<u>18,796,700</u>	<u>77,780,848</u>	<u>164,408,330</u>	

Fiscal Year Ending	Interest Payments				Total
2017	23,159	3,066,346	723,805	1,953,055	5,766,365
2018	7,860	2,966,031	672,499	1,905,989	5,552,379
2019	-	2,855,724	616,000	1,806,507	5,278,231
2020	-	2,734,660	553,900	1,704,202	4,992,762
2021	-	2,612,992	489,300	1,599,872	4,702,164
2022-2026	-	11,047,232	1,301,475	6,327,346	18,676,053
2027-2031	-	7,147,196	21,375	3,939,751	11,108,322
2032-2036	-	4,240,375	-	1,884,017	6,124,392
2037-2041	-	1,148,625	-	554,189	1,702,814
2042-2046	-	-	-	112,841	112,841
Total Interest	<u>31,019</u>	<u>37,819,181</u>	<u>4,378,354</u>	<u>21,787,769</u>	<u>64,016,323</u>
Total Debt	<u>\$ 694,319</u>	<u>\$ 104,986,663</u>	<u>\$ 23,175,054</u>	<u>\$ 99,568,617</u>	<u>\$ 228,424,653</u>

GASB 48 Disclosure – Pledging of revenues:

Revenue Bonds:

Sewer Revenue Bonds, Series 2004

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 \$17,612,300 as of June 30, 2016. For the current year, principal and interest paid on the Bonds was \$1,354,938 and total wastewater net revenues were \$7,155,576. The Bonds required 19% of net revenues. The City has complied with all bond covenants.

Waterfront Harbor Refunding Revenue Bonds, Series 2014

On March 7, 2014, the City issued Waterfront Harbor Refunding Revenue Bonds, Series 2014 in the amount of \$12,334,391 to refund the 2002 Waterfront Certificates of Participation. The net proceeds of \$12,898,420 (less payment of \$141,112 in underwriting fees, bond insurance, and other issuance costs and a net additional \$581,456 contribution from the Waterfront reserve fund and \$1,431,597 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2002 COPs, and all future debt service payments on the advance refunding. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Waterfront Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$598,552. This difference, reported in the accompanying basic financial statements as a deferred charge, is being charged to operations through the final maturity date of the 2014 Refunding Revenue Bonds of October 1, 2027 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$2,627,198 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$360,609.

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Santa Barbara Financing Authority Revenue Bonds (Airport Project), Series 2009

On May 27, 2009, the Santa Barbara Financing Authority (Authority) issued Revenue Bonds in the amount of \$47,270,000 to provide funds to finance the construction of a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport serving the City of Santa Barbara (City). The City and Authority entered into a Facility Lease agreement whereby the City pledges to make the necessary annual appropriations and make base rental payments equal to the annual debt service requirements. The remaining annual payments range between \$3,069,875 to \$3,125,238. The final payment is due July 1, 2039.

Certificates of Participation:

City of Santa Barbara Refunding Certificates of Participation, Series 2002

On May 29, 2002, the City issued City of Santa Barbara Refunding Certificates of Participation, Series 2002 Evidencing the Proportionate Undivided Interest of the Owners Thereof in Base Rental Payments to be Made by the City of Santa Barbara, California to the Santa Barbara Financing Authority in the amount of \$6,340,000 to refund the City of Santa Barbara Refunding Certificates of Participation, Series 1993. The City pledges to make the necessary annual appropriations and make base rental payments equal to the annual debt service requirements. The remaining annual payments range between \$525,089 to \$526,909. The final payment is due August 1, 2017.

Water Revenue Refunding Certificates of Participation, Series 2013

On May 22, 2013, the City issued Water Revenue Refunding Certificates of Participation, Series 2013 in the amount of \$22,680,000 to refund the 2003 California Department of Health Services Safe Drinking Water Loan and Water Revenue Certificates of Participation, Series 2002. The net proceeds of \$26,005,018 (including an original issue premium of \$2,881,209, less payment of \$334,568 in underwriting fees, bond insurance, and other issuance costs and a net additional \$761,108 contribution from the Water Revenue Fund and \$1,088,269 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2003 State loan, and all future debt service payments on the advance refunding of the 2002 COP's. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Water Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$908,549. This difference, reported in the accompanying basic financial statements as a deferred charge, is being charged to operations through the final maturity date of the 2013 Refunding COP's of October 1, 2026 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$3,862,551 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$2,205,039.

This debt issue is subject to a reserve requirement in conjunction with non-subordinate (parity) debt issued by the City. The City is in compliance with the revenue rate covenant requiring net revenues of the water system to be at least equal to 1.25 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

Loans:

Airport Promissory Note

The Airport issued a \$7,300,000 promissory note in July 2009, which was purchased by the City's Investment Pool. The note was for the purpose of constructing a new joint use rental car facility for use by the rental car companies serving the Airport. Pledged revenues are derived from a Customer Facility Charge (CFC) of \$10 per rental car contract on all rentals at Airport rental car locations. CFC revenues of \$841,000 were received in the current year. In July 2013, the City revised the interest rate from 7% to 3.5% with annual payments being reduced from \$587,714 to \$460,364. The final payment is due June 30, 2029.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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. 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.

Encumbrances

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to contracts not yet performed and purchase orders not yet filled (executory contracts; and open purchase orders). Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities but, rather, as restricted or committed governmental fund balance. As of June 30, 2016, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 1,203,218
Street Grant Capital Fund	12,095,566
Other Governmental Funds	<u>4,459,937</u>
Total Governmental Funds	<u>\$ 17,758,721</u>

NOTE 9. RETIREMENT COMMITMENTS

A. Agent Multiple-Employer Defined Benefit Pension Plans

1. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City’s separate Safety (police) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CITY OF SANTA BARBARA
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Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (Tier 1 Miscellaneous Plan), age 52 (PEPRA Miscellaneous Plan) and age 50 (Tier 1 and PEPRA Safety Police Plans) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. Pursuant to PEPRA, the Miscellaneous and Safety Police “Classic” plans are closed to new entrants as of January 1, 2013.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for each plan were as follows:

	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>	<u>Safety Police Plan</u>	<u>Safety Police Plan</u>
Hire date	Prior to April 1, 2012 (Tier 1)	After January 1, 2013 (PEPRA)	Prior to April 1, 2012 (Tier 1)	After January 1, 2013 (PEPRA)
Benefit formula	2.7% @ 55	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of credited service			
Benefit payments	monthly for life			
Retirement age	50 and up	52 and up	50 and up	50 and up
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.0% - 2.5%	3.0%	2.0% - 2.7%
Required employee contribution rates	8.0%	6.75%	9.0%	12.75%
Required employer contribution rates	24.725%	24.725%	35.958%	35.958%

Employees Covered – At June 30, 2016, the following employees were covered by the benefit

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	833	201
Inactive employees entitled to but not yet receiving benefits	827	62
Active employees	755	150
Total	<u>2,415</u>	<u>413</u>

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

2. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Police Plan</u>
Valuation date	June 30, 2014	June 30, 2014
Measurement date	June 30, 2015	June 30, 2015
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.65%	7.65%
Inflation	2.75%	2.75%
Payroll growth	3.0%	3.0%
Projected salary increase	3.0% to 14.20%	3.0% to 14.20%
Investment rate of return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.5% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality	Derived using CalPERS' Membership Data	Derived using CalPERS' Membership Data

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website .

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.65 percent investment return assumption used in this accounting valuation includes administrative expenses.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

CITY OF SANTA BARBARA
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In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) An expected inflation of 2.5% used for this period.

(2) An expected inflation of 3.0% used for this period.

3. Changes in the Net Pension Liability

The changes in the Net Pension Liability for each Plan follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability / (Asset)</u>
Balance at June 30, 2015	<u>\$ 491,458,352</u>	<u>\$ 367,042,033</u>	<u>\$ 124,416,319</u>
Changes in the year:			
Service cost	9,563,623	-	9,563,623
Interest on the total pension liability	36,129,828	-	36,129,828
Differences between actual and expected experience	(4,360,012)	-	(4,360,012)
Changes in assumptions	(8,848,255)	-	(8,848,255)
Plan to plan resource movement	-	(1,157)	1,157
Contribution - employer	-	13,162,072	(13,162,072)
Contribution - employee	-	4,833,301	(4,833,301)
Changes of benefit terms	-	-	-
Net investment income	-	8,218,938	(8,218,938)
Administrative expenses	-	(880,882)	880,882
Benefit payments, included refunds of employee contributions	(21,493,097)	(21,493,097)	-
Net changes	<u>10,992,087</u>	<u>3,839,175</u>	<u>7,152,912</u>
Balance at June 30, 2016	<u>\$ 502,450,439</u>	<u>\$ 370,881,208</u>	<u>\$ 131,569,231</u>

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Safety Police Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balance at June 30, 2015	\$ 236,288,596	\$ 169,228,863	\$ 67,059,733
Changes in the year:			
Service cost	5,010,613	-	5,010,613
Interest on the total pension liability	16,967,585	-	16,967,585
Differences between actual and expected experience	(7,448,519)	-	(7,448,519)
Changes in assumptions	(4,242,689)	-	(4,242,689)
Changes in benefit terms	-	-	-
Plan to plan resource movement	-	(3,426)	3,426
Contribution - employer	-	5,729,090	(5,729,090)
Contribution - employee	-	1,462,940	(1,462,940)
Net investment income	-	3,780,559	(3,780,559)
Administrative expenses	-	(184,197)	184,197
Benefit payments, included refunds of employee contributions	(10,608,382)	(10,608,382)	-
Net changes	<u>(321,392)</u>	<u>176,584</u>	<u>(497,976)</u>
Balance at June 30, 2016	<u>\$ 235,967,204</u>	<u>\$ 169,405,447</u>	<u>\$ 66,561,757</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Plan Type	Discount Rate - 1%	Current Discount Rate	Discount Rate + 1%
	6.65%	7.65%	8.65%
Miscellaneous	\$ 198,983,063	\$ 131,569,231	\$ 75,886,877
Safety Police	99,022,442	66,561,757	39,974,836
Total	<u>\$ 298,005,505</u>	<u>\$ 198,130,988</u>	<u>\$ 115,861,713</u>

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

4. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City of Santa Barbara Miscellaneous and Safety Policy Plans recognized pension expense of \$10,018,318. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ -	\$ (8,233,575)
Change in Assumptions	-	(8,697,316)
Pension contribution subsequent to Measurement Date	19,562,212	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	22,864,391	(27,466,882)
Total	<u>\$ 42,426,603</u>	<u>\$ (44,397,773)</u>

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\$19,562,212 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ (11,408,111)
2017	\$ (9,940,528)
2018	\$ (5,900,835)
2019	\$ 5,716,092
2020	\$ -

B. Cost Sharing Multiple-Employer Defined Benefit Pension Plans

1. General Information about the Pension Plan

Plan Descriptions – The City’s Safety Fire Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). All qualified permanent and probationary employees are eligible to participate in the City’s Safety Fire Plan. Benefit provisions under the Safety Fire Plan are established by State statute and Agency Board Approval. CalPERS issues publicly available reports that include a full description of the Safety Fire Plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Public Employees’ Pension Reform Act of 2013 (PEPRA) requires new benefits and member contributions for new members as defined by PEPRA, that are hired after January 1, 2013. These PEPRA members in pooled plans are reflected in new Safety risk pools created by the CalPERS Board in response to the passage of PEPRA, beginning with the June 30, 2013 risk-pool valuations. Therefore, pursuant to PEPRA, the Safety Fire “Classic” plan is closed to new entrants as of January 1, 2013.

The Safety Fire Plan provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Safety Fire	Safety Fire
	Prior to	After
	January 1, 2013	January 1, 2013
	3% @ 50	2.7% @ 57
Hire Date		
Benefit Formula	3% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of credited service	5 years of credited service
Benefit payments	monthly for life	monthly for life
Retirement age	50 and up	50 and up
Monthly benefits, as a % of eligible compensation	3.0%	2.0% - 2.7%
Required employee contribution rates	9.0%	12.75%
Required employer contribution rates	36.917%	36.917%

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Miscellaneous Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions to the plan were \$3,672,002.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability (NPL) as follows:

	<u>Proportionate Share of NPL</u>
Safety Fire Plan	\$ 51,295,415

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	<u>Safety Fire</u>
Proportion - June 30, 2014	1.22583%
Proportion - June 30, 2015	1.15923%
Change - Increase (Decrease)	(0.6660%)

For the year ended June 30, 2016, the City recognized pension expense of \$3,033,876. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Safety Fire Plan		
Changes in Assumptions		\$ (2,194,005)
Contributions made after the measurement date	4,084,689	-
Difference between expected and actual experiences	-	(477,024)
Net difference between projected and actual earnings on pension plan investments	-	(1,111,936)
Difference between employer's contributions and employer's proportionate share of contributions	30,975	(304,085)
Adjustment due to differences in proportions	1,430,492	(13,067)
Total	\$ 5,546,156	\$ (4,100,117)

CITY OF SANTA BARBARA
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\$4,084,689 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period ended <u>June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources-Safety Fire</u>
2016	\$ (825,831)
2017	\$ (824,380)
2018	\$ (710,454)
2019	\$ (277,985)
2020	\$ -
Thereafter	\$ -

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. The June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

1. Depending on age, service and type of employment
2. Net of Pension Plan Investment and Administrative Expenses; includes Inflation
3. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report on the CalPERS website.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

CITY OF SANTA BARBARA
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Discount Rate

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

The discount rate used to measure the total pension liability was 7.65% for each of the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans ran out of assets. Therefore, the assumed 7.65% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10 (1)</u>	<u>Real Return Years 11+ (2)</u>
Global Equity	51.0 %	5.25 %	5.71 %
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	10.0	4.50	5.13
Infrastructure and Forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

1. An expected inflation of 2.5% used for this period
2. An expected inflation of 3.0% used for this period

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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Safety Fire Plan</u>	<u>Discount Rate -1%</u> (6.65%)	<u>Current Discount Rate</u> (7.65%)	<u>Discount Rate +1%</u> (8.65%)
Plan's Net Pension Liability/(Assets)	\$ 74,790,113	\$ 51,295,415	\$ 32,030,194

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

C. City Safety and Service Retirement Pension Plans

Plan Description - In addition to the CalPERS, 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.

Benefits Provided & Employees Covered - A total of ten (10) 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, 2016, seven (7) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and three (3) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. Separate audited financial statements are not issued for either plan.

Method used to value investments

The City of Santa Barbara Fire and Police Pension Plans (the Plans) investments are reported at fair value. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Investment Policy

The City administers the Plans in compliance with and under the authority of Articles XV and XVA of the 1926 City Charter. The City has plan assets in a Trust fund. The City will pay any benefit payments not paid from the Trust.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Net Pension Liability

The Plan's annual required contribution is based on an actuarially determined amount that is estimated to finance costs of benefits earned by plan members during the year; with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, the Plan's actuarially determined annual required contribution was \$49,611.

The components of the net pension liability of the Plan at June 30, 2016, were as follows:

Total pension liability	\$	925,987
Plan fiduciary net pension		(491,972)
Net pension liability		434,015
Plan fiduciary net position as a percentage of the total pension liability		53.10 %

Actuarial Assumptions

Valuation Date	July 1, 2015
Discount Rate	4.4%
Salary Increases	Not assumed

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2014.

Discount Rate

The discount rate used to measure the total pension liability was 4.4%. The projection of cash flows used to determine the discount rate assumed that employer contributions would be equal to the actuarially determined contribution amount. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of plan members. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 4.4%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (3.4%) or 1% higher (5.4%) than the current rate:

	1% Lower* (3.40%)	Current Discount Rate (4.40%)	1% Higher* (5.40%)
Net pension liability	\$ 498,226	\$ 434,015	\$ 377,138

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, for the Safety and Service Retirement Plan, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Safety and Service Retirement Plan</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ 48,972	\$ -
Net difference between projected and actual earnings	1,891	-
Total	<u>\$ 50,863</u>	<u>\$ -</u>

\$48,972 reported as deferred outflows of resources related to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred outflows/ Inflows of Resources</u>
2016	\$ (1,212)
2017	\$ (1,212)
2018	(1,212)
2019	5,527
2020	-

D. 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 \$17,500 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2016

NOTE 10. DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” the City recognized deferred inflows of resources in the entity-wide and proprietary fund statements. This item is a consumption of net position by the City that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

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 revenues not considered available to liquidate liabilities of the current period as deferred inflows of resources.

Deferred inflows of resources balances as reported on the Statement of Net Position for the year ended June 30, 2016, were as follows:

<u>Government Wide Financials</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities	
Deferred pension-related items	\$ 39,862,006
 Business-type Activities	
Deferred pension-related items	8,635,884

Deferred inflows of resources balances as reported on the Governmental Funds Balance Sheet for the year ended June 30, 2016, were as follows:

<u>Governmental Fund Financials</u>	<u>Balance</u> <u>June 30, 2016</u>
Major Governmental Funds	
Street Grant Capital Fund-Unavailable grant revenue	\$ 990,842
 Nonmajor Governmental Funds	
Misc Grants Fund-Unavailable grant revenue	\$ 67,738
CDBG Fund-Advances on federal housing grants	4,703,594
Home Fund-Advances on federal housing grants	8,915,906

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Notes to the Basic Financial Statements
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NOTE 11. CLASSIFICATION OF NET POSITION

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

- *Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. 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 Position* – 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 Position* – This category represents the net position of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, governmental funds report the following fund balance classifications:

- *Nonspendable* – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – Amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- *Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority, the City Council of the City of Santa Barbara. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council of the City of Santa Barbara.
- *Assigned* – Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator or Finance Director are authorized to assign amounts to a specific purpose as per the approved City Council Resolution No. 12-069.
- *Unassigned* – Residual amounts that have not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that may report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, then unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

CITY OF SANTA BARBARA
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The components of the City's fund balances at June 30, 2016, consist of the following:

	General Fund	Special Revenue Funds Affordable Housing	Capital Projects Funds Street Grant Capital Improvement	Other Governmental Fund	Governmental Funds
Fund Balances:					
Nonspendable:					
Prepaid assets and deposits	\$ 134,084	\$ -	\$ -	\$ -	\$ 134,084
Loans receivable	1,839,461	-	-	-	1,839,461
Advances to other funds	773,441	-	-	-	773,441
Restricted for:					
Administration	326,971	-	-	-	326,971
Public safety	180,023	-	-	920,763	1,100,786
Public works	172,137	-	-	3,804,872	3,977,009
Community services	285,544	-	-	980,585	1,266,129
Community development	1,717,342	-	-	541,545	2,258,887
Capital improvements	-	-	-	3,178,567	3,178,567
Debt service reserve	-	-	-	575,650	575,650
Affordable housing	-	52,102,207	-	-	52,102,207
Committed for:					
Public safety	463,593	-	-	-	463,593
Capital improvements	-	-	-	12,964,612	12,964,612
Contingencies	10,746,417	-	-	-	10,746,417
Disaster contingency	19,088,985	-	-	-	19,088,985
Assigned to:					
Public works	28,588	-	-	-	28,588
Community development	174,634	-	-	-	174,634
Capital improvements	-	-	-	3,788,696	3,788,696
Unassigned:	-	-	(1,517,634)	(86,010)	(1,603,644)
Total Fund Balances	<u>\$ 35,931,220</u>	<u>\$ 52,102,207</u>	<u>\$ (1,517,634)</u>	<u>\$ 26,669,280</u>	<u>\$ 113,185,073</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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NOTE 12. SELF-INSURANCE FUND

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

The City's workers' compensation program maintains a self-insured retention of \$750,000. The City purchases an excess insurance policy that provides statutory limits in excess of the City's self-insured retention. The excess insurance coverage consists of a \$5 million pooled layer above the City's self-insured retention amount plus the use of commercial insurance above the pooled layer. Employers' Liability coverage is also included within the limits of the \$5 million pooled layer.

The City's general and automobile liability program maintains a self-insured retention of \$1,000,000. Excess liability coverage is provided through a Joint Powers Agreement. The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk sharing pool created for the purpose of pooling various public sector risks. ACCEL began its twenty-ninth program year July 2015 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 65006515). 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.

Claim settlements administered by ACCEL have not exceeded the pooled coverage layer 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 in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above the 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, finance, underwriting, and claims. 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 pooled 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 any losses within the pooled layer. 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.

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 \$75 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. No claims were filed against the various insurance policies during fiscal year 2016.

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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, 2016, the estimated outstanding liabilities are \$10,640,848 for workers' compensation and \$1,220,315 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2016. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2016, the liability for unemployment claims was \$71,056.

A summary of changes in claims liabilities is shown below:

	2016	2015	2014
Claims liabilities, July 1	\$ 7,919,646	\$ 7,613,961	\$ 8,225,412
Incurred claims	3,449,037	3,699,699	2,409,563
Actuarial adjustment	3,941,517	305,685	(611,451)
Payments on claims attributable to events of current and prior years	(3,449,037)	(3,699,699)	(2,409,563)
Claims liabilities, June 30	\$ 11,861,163	\$ 7,919,646	\$ 7,613,961

NOTE 13. JOINT VENTURES

Central Coast Water Authority

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 voting share of the project, based upon approximate allocation of State Water entitlement, is 11.47%. Operating and capital expenses are allocated among the members based

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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 on the following table:

City of Santa Barbara
 Projected DWR and CCWA Fixed Costs Through 2035

Fiscal Year	DWR COSTS		CCWA COSTS				TOTAL CCWA AND DWR COSTS
	Fixed Costs	Variable Costs (1)	Fixed Costs	Variable Costs (1)	Debt Service	Total CCWA Costs	
2016/17	\$ 2,676,449	\$ 264,521	\$ 337,991	\$ 514,576	\$ 1,722,567	\$ 2,575,134	\$ 5,516,104
2017/18	2,735,225	505,942	231,948	572,233	1,727,360	2,531,541	5,772,708
2018/19	2,677,135	545,738	238,907	604,662	1,719,657	2,563,226	5,786,099
2019/20	2,668,152	573,024	246,074	618,138	1,718,287	2,582,499	5,823,675
2020/21	<u>2,765,512</u>	<u>601,676</u>	<u>253,456</u>	<u>632,017</u>	<u>1,716,203</u>	<u>2,601,676</u>	<u>5,968,864</u>
Thereafter	<u>37,838,722</u>	-	<u>7,288,000</u>	-	<u>1,713,988</u>	<u>9,001,988</u>	<u>46,840,710</u>
TOTAL:	\$ 51,361,195	\$ 2,490,901	\$ 8,596,376	\$ 2,941,626	\$ 10,318,062	\$ 21,856,064	\$ 75,708,160

(1) Variable costs only shown through 2020/21 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.

Cater Treatment Plant Cost Sharing Agreement

The City of Santa Barbara has entered into a cost sharing agreement with the Carpinteria Valley Water District (Carpinteria) and the Montecito Water District (Montecito) for water treatment. 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 capital expenses of the Treatment Plant including debt issued by and loans secured by the City to make the capital improvements. 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 totaling \$35,266,356. Of these loan balances, \$9,165,394 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$17,229,689 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$8,871,273 is for the City of Santa Barbara (100%) for improvements to the Ortega Groundwater Treatment Plant.

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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, 2036.

Cachuma Operation and Maintenance Board

The Cachuma Operation and Maintenance Board (COMB) is a California Joint Powers Agency formed in 1956 pursuant to an agreement with the Bureau of Reclamation. The agreement transferred to the Cachuma Member Units the responsibility to operate, repair and maintain all Cachuma Project facilities, except Bradbury Dam, which the Bureau of Reclamation has continued to operate. COMB's Member Units include Carpinteria Valley Water District, City of Santa Barbara, Goleta Water District, Montecito Water District, and Santa Ynez River Water Conservation District-Improvement District No. 1. An Amended and Restated Agreement for the Establishment of a Board of Control to Operate and Maintain the Cachuma Project (Cachuma Operation and Maintenance Board) was adopted on May 23, 1996, and amended on September 16, 2003.

COMB is responsible for diversion of water to the South Coast through the Tecolote Tunnel, and operation and maintenance of the South Coast Conduit pipeline, flow control valves, meters, and instrumentation at control stations, and turnouts along the South Coast Conduit and at four regulating reservoirs. COMB coordinates closely with the Bureau of Reclamation and Member Units' staff to ensure that water supplies meet daily demands. The Fisheries Division of COMB conducts fish monitoring and habitat improvement projects to implement provisions of the October 2000 Lower Santa Ynez River Fish Management Plan. Following is a summary of the FY 2016 year-end COMB expenditures as of June 30, 2016:

Operations Division	
Operating & Maintenance	\$ 887,661
General & Administrative	\$ 697,445
Special General & Administrative	\$ 4,006
Special Projects - Infrastructure & Drought Planning	\$ 379,400
Special Projects - Emergency Pumping Facility	\$ 2,200,000
Operations Subtotal:	\$ 4,168,512
Fisheries Division	
Operating & Maintenance	\$ 613,936
General & Administrative	\$ 329,355
Special Projects	\$ 141,100
Habitat Improvement Plan Projects	\$ 1,026,000
Fisheries Subtotal:	\$ 2,110,391
Total FY 2016 Expenditures:	\$ 6,278,903

Expenditures for FY 2016 represent normal costs for operation and maintenance of Cachuma Project facilities, as well as extraordinary costs associated with severe drought. The numbers above represent gross expenditures, prior to any revenue offsets from grants or other funds. Expenditures are allocated to Member Units in relation to percentage share of Cachuma Project yield. The City's share is typically 32.19% for costs apportioned among all Member Units, and 35.89% for costs apportioned only among South Coast Member Units.

Cachuma Conservation Release Board

The Cachuma Conservation Release Board (CCRB) is a joint powers agency formed in January 1973 by Carpinteria Valley Water District, the City of Santa Barbara, Goleta Water District, and the Montecito Water District. In January 2011, Carpinteria withdrew its membership. CCRB was established to represent its members in protecting their Cachuma Project water rights and other related interests. CCRB's activities are funded by its Members, which in turn are funded by their water rate payers.

In 1993, CCRB began development of a Fish Management Plan Program in the Lower Santa Ynez River with many federal, state, and local partners. CCRB was the primary implementing agency of the fisheries program until January 2011. At that time, implementation of the Fish Management Plan was transferred to the Cachuma Operation and Maintenance Board

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(COMB). Since that time, CCRB has focused on issues related to the Cachuma Project water rights.

The U.S. Bureau of Reclamation, on behalf of the Cachuma Project Member Units, holds the Cachuma Project water right permits, and CCRB is the agency responsible for the actions and decisions relative to the terms and conditions of those permits for CCRB Member Units. These include issues related to downstream releases of water from Cachuma Reservoir for the benefit and protection of steelhead/rainbow trout and their habitats, and protection of the Cachuma Project water supply. Since 2000, CCRB has participated in various water rights hearings before the State Water Resources Control Board to establish the Cachuma Project operating parameters necessary to conform to the various parties' water rights, the most recent of which occurred in 2012. Since that time CCRB has participated in hearings related the Final EIR on the water rights issues and continued legal and technical preparations for an anticipated draft water rights order. In some instances, the costs for this work are shared with other parties that have similar interests. Following is a summary of preliminary FY 2016 year-end CCRB expenditures as of June 30, 2016 for the portion of these activities that CCRB funds:

General & Administrative	\$ 96,355
Legal Activities	\$ 108,547
Consultant Activities	\$ 329,500
Total FY 2016 Expenditures:	\$ 534,402

CCRB members share costs based on each member's proportionate share of the total Cachuma Project yield held by CCRB members, resulting in a City cost share percentage of 40.88%, for most items. This represents approximately \$218,464 in City costs for FY 2016. This year, the CCRB board decided to return surplus funds carried over from previous years; as a result \$244,865 has been returned to the City to date.

NOTE 14. PROPOSITION 218 IMPACTS

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

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

NOTE 15. 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 was 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 included establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program was open to all permanent employees who are "first-time homebuyers" (defined as not having owned a market-rate 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 was structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

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Employee Down Payment (minimum)	5 %
Bank-provided 1st Deed of Trust Loan	80 %
City-funded 2nd Deed of Trust Loan (maximum)	<u>15 %</u>
Total Financing	<u>100 %</u>

Under the terms of the EMLAP, City participation was limited to a purchase price of \$1,250,000. Therefore, the maximum second deed of trust loan available to an employee was \$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 also paid 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, 2016, the City has \$1,553,544 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 16. DEFICIT FUND EQUITY

The following funds had deficit balances as of June 30, 2016:

Self-Insurance Internal Service Fund	\$(23,553,838)
Safety Retirement Trust Fund	(621,370)
Street Grant Capital Improvement Fund	(1,517,634)

NOTE 17. OTHER POST-EMPLOYMENT BENEFITS

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums

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 at least 10 or 15 years of classified or unclassified service, depending on bargaining unit; 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.

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In addition to the direct City paid contributions, retirees covered under the City's plans receive pre-65 benefits that are subsidized as the cost of their coverage is based on blended (active and retiree) premium rates instead of normally higher retiree only rates. This implicit subsidy is also considered in the valuation for retirees electing City healthcare plan coverage. However, it does not apply to retirees electing coverage in non-City plans.

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 continues to fund 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 July 1, 2015 actuarial valuation study performed by Bartel Associates. 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 estimated amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 1,946,000
Interest on net OPEB obligation	606,000
Adjustment to annual required contribution	<u>(603,000)</u>
Annual OPEB cost (expense)	1,949,000
Contributions made	<u>(1,099,000)</u>
Increase/(decrease) in Net OPEB obligation	850,000
Net OPEB obligation - beginning of year	<u>15,701,000</u>
Net OPEB obligation - end of year	<u>\$ 16,551,000</u>

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, 2016, and each of the preceding two years was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Annual Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2014	\$ 3,690,000	\$ 1,174,000	31.8 %	\$13,259,000
6/30/2015	3,873,000	1,431,000	36.9 %	15,701,000
6/30/2016	1,949,000	1,099,000	56.4 %	16,551,000

Funded Status and Funding Progress. The funding status of the City's OPEB plan is as follows (in \$000's):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/01	\$ -	\$ 34,113	\$ 34,113	- %	\$ 74,178	46.0 %
07/01/13	-	32,870	32,870	- %	81,322	40.4 %
07/01/15	-	21,181	21,181	- %	71,616	29.6 %

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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 July 1, 2015 actuarial valuation, the actuarial cost shown in the report was developed using the Entry Age Normal (EAN) cost method.

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.

City Contribution Increase – 3.25% - This is the rate the monthly benefit amounts are assumed to increase per year after the end of the current respective bargaining agreements.

Discount Rate (Investment Return Assumption) - 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 (\$72 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 1997-2011 Experience Study were used in the valuation.

General Inflation Rate – 3.00% - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

Healthcare Cost Trend Rate (Inflation Rate) - "Actual Premiums" - This is the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

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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 have accrued at least 500 hours 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 continues to fund 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 July 1, 2015 actuarial valuation study performed by Bartel Associates. 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 (ARC)	\$	520,000
Interest on Net OPEB Obligation		4,000
Adjustment to the ARC		<u>(24,000)</u>
Annual OPEB Cost		500,000
Contributions Made		<u>(1,055,000)</u>
Increase (Decrease) in Net OPEB Obligation		(555,000)
Net OPEB Obligation – Beginning of Year		<u>626,000</u>
Net OPEB Obligation – End of Year	\$	<u><u>71,000</u></u>

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, 2016, was as follows:

Fiscal Year	Annual Pension	Cost	% of APC	Net Pension
<u>Ending</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2014	\$ 510,000	\$ 344,000	67.5 %	\$ 441,000
6/30/2015	529,000	344,000	65.0 %	626,000
6/30/2016	500,000	1,055,000	211.0 %	71,000

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Funded Status and Funding Progress. The funding status of the City’s OPEB plan is as follows: (in \$000’s)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/11	\$ -	\$ 4,910	\$ 4,910	- %	\$ 65,904	7.5 %
07/01/13	-	5,616	5,616	- %	68,806	8.2 %
07/01/15	-	5,404	5,404	- %	66,823	8.1 %

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 July 1, 2015 actuarial valuation, the actuarial cost shown in the report was developed using the Entry Age Normal (EAN) cost method.

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 (Investment Return Assumption) - 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 (\$64 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

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Salary Increases – 3.25% - This is the annual rate at which individual salaries are expected to increase and is used in the determination of benefits.

General Inflation Rate – 3.0% - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

Healthcare Cost Trend Rate - N/A - This is the rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

NOTE 18. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations in fiscal year 2016 are detailed as follows:

	<u>Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
Other governmental funds:			
Police Supplemental Law Enforcement Fund			
Public Safety	\$ 216,500	\$ 216,745	\$ 245

NOTE 19. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Santa Barbara that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

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A. Cash and investments

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 3,023
Cash and investments with fiscal agent	<u>11,490,162</u>
	<u>\$ 11,493,185</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Transferred from Successor Agency	Increases	Decreases	Ending Balance June 30, 2016
Fiduciary Activities:					
Non-depreciating capital assets:					
Construction in progress	\$ 1,246,334	\$ -	\$ 671,502	\$ -	\$ 1,917,836
Land	<u>23,494,588</u>	<u>(22,370,318)</u>	<u>-</u>	<u>-</u>	<u>1,124,270</u>
Total non-depreciating capital assets	<u>24,740,922</u>	<u>(22,370,318)</u>	<u>671,502</u>	<u>-</u>	<u>3,042,106</u>
Depreciating capital assets:					
Building improvements	2,174,794	-	-	-	2,174,794
Improvements other than buildings	<u>5,065,237</u>	<u>(4,836,871)</u>	<u>-</u>	<u>-</u>	<u>228,367</u>
Total depreciating capital assets	<u>7,240,031</u>	<u>(4,836,871)</u>	<u>-</u>	<u>-</u>	<u>2,403,161</u>
Less accumulated depreciation:					
Building improvements	4,531	-	54,370	-	58,901
Improvements other than buildings	<u>4,044,058</u>	<u>(4,153,002)</u>	<u>118,840</u>	<u>-</u>	<u>9,896</u>
Total accumulated depreciation	<u>4,048,589</u>	<u>(4,153,002)</u>	<u>173,210</u>	<u>-</u>	<u>68,797</u>
Total capital assets, being depreciated, net	<u>3,191,442</u>	<u>(683,869)</u>	<u>(173,210)</u>	<u>-</u>	<u>2,334,364</u>
Fiduciary activities capital assets, net	<u>\$ 27,932,364</u>	<u>\$ (23,054,186)</u>	<u>\$ 498,292</u>	<u>\$ -</u>	<u>\$ 5,376,470</u>

C. Long-Term Debt

The following debt was transferred from the Redevelopment Agency to the Successor Agency as of February 1, 2012 as a result of the dissolution.

A description of long-term debt outstanding of the Successor Agency as of June 30, 2016, follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Fiduciary Funds:						
Tax allocation bonds	\$ 29,100,000	\$ -	\$ 6,790,000	\$ 22,310,000	\$ 7,085,000	\$ 15,225,000
Unamortized debt premium	292,516	-	73,128	219,388	-	219,388
Unamortized debt discount	<u>(160,214)</u>	<u>-</u>	<u>(40,054)</u>	<u>(120,160)</u>	<u>-</u>	<u>(120,160)</u>
Total Fiduciary Funds	<u>\$ 29,232,302</u>	<u>\$ -</u>	<u>\$ 6,823,074</u>	<u>\$ 22,409,228</u>	<u>\$ 7,085,000</u>	<u>\$ 15,324,228</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2016

	Amount Outstanding June 30, 2016
<u>Successor Agency</u>	
Tax Allocation Bonds	
\$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds were used to provide funds to finance redevelopment housing activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$575,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	\$ 1,790,000
\$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 \$2,570,000 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.	8,105,000
\$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 \$3,940,000 to \$4,340,000 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	12,415,000
Total tax allocation bonds	<u>\$ 22,310,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2016, are as follows:

	Tax Allocation Bonds
Fiscal Year Ending	Principal Payments
2017	\$ 7,085,000
2018	7,430,000
2019	7,795,000
Total Principal	<u>\$ 22,310,000</u>
Fiscal Year Ending	Interest Payments
2017	\$ 1,057,830
2018	714,913
2019	350,530
Total Interest	<u>\$ 2,123,273</u>
Total Debt	<u>\$ 24,433,273</u>

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:

The total principal and interest remaining to be paid on the Bonds is \$24,433,273 as of June 30, 2016. For the current year, principal and interest paid on the Bonds was \$8,146,980, and property tax received in the Successor Agency was \$8,586,766. With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the Successor Agency. However, the security for the debt continues to be property taxes to be distributed by the County pursuant ABx1 26 and AB 1484 whereby the outstanding tax allocation bonds are considered enforceable obligations. As such, the City will receive property taxes sufficient to meet the annual debt service payments each year until the bonds are fully retired.

The City has complied with all bond covenants.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2016

D. Commitments and Contingencies

The following material construction commitments existed at June 30, 2016, with an estimated cost to complete of approximately \$600,928:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of</u> <u>June 30, 2016</u>	<u>Remaining Commitments</u>
Cabrillo Pavilion and Bathhouse Renovation \$	1,280,903	\$ 679,975	\$ 600,928

NOTE 20. RECONCILIATION OF EXTRAORDINARY GAIN/(LOSS)

	Extraordinary Gain/(Loss)
Governmental Activities:	
Assets received from Successor Agency	\$ <u>23,054,186</u>
Extraordinary loss recorded in Successor Agency	\$ <u>(23,054,186)</u>

CITY OF SANTA BARBARA

SAFETY RETIREMENT AND SAFETY SERVICE RETIREMENT PLANS

**SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total pension liability:			
Interest	\$ 277,220	\$ 63,008	\$ 58,515
Experience losses/(gains)	(175,058)	(173,700)	(113,370)
Change in Benefit Terms	-	-	54,434
Difference between expected and actual experience	-	-	(237,062)
Change in Assumptions	-	-	42,874
Net change in total pension liability	<u>102,162</u>	<u>(110,692)</u>	<u>(194,609)</u>
Total pension liability, beginning of year	<u>1,129,126</u>	<u>1,231,288</u>	<u>1,120,596</u>
Total pension liability, end of year	1,231,288	1,120,596	925,987
Plan fiduciary net position:			
Contributions - employer	96,992	102,126	49,611
Net investment income	36,741	62,733	1,123
Benefit payments, including refunds of member contributions	<u>(175,058)</u>	<u>(173,700)</u>	<u>(113,370)</u>
Net change in plan fiduciary net position	(41,325)	(8,841)	(62,636)
Total fiduciary net position, beginning of year	<u>604,774</u>	<u>563,449</u>	<u>554,608</u>
Total fiduciary net position, end of year	<u>563,449</u>	<u>554,608</u>	<u>491,972</u>
Net pension liability (asset), end of year	<u>\$ 667,839</u>	<u>\$ 565,988</u>	<u>\$ 434,015</u>
Plan fiduciary net position as a percentage of the total pension liability	45.76 %	49.49 %	53.13 %
Covered-employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

(A) GASB Statement No. 67 and No. 68, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014 and June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

SAFETY RETIREMENT AND SAFETY SERVICE RETIREMENT PLANS

**SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 105,000	\$ 108,000	\$ 49,611
Contributions in relation to the actuarially determined contributions	(97,000)	(104,000)	(49,611)
Contribution deficiency (excess)	<u>\$ 8,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>
Covered-employee payroll	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2015 valuations.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Average Remaining Lifetime of participants
Asset Valuation Method	N/A
Inflation	3.0%
Salary Increases	N/A
Payroll Growth	N/A
Investment Rate of Return	6.4%, Net of Investment Expense
Retirement Age	Various
Mortality	The RP-2014 Healthy Annuitant Mortality tables for males and females with adjustments for mortality improvements based on Scale MP-2014.

(A) GASB Statement No. 68, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

SAFETY RETIREMENT AND SAFETY SERVICE RETIREMENT PLANS

SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll	Interest Rate	Salary Scale
Actual	07/01/2005	\$ 837	\$ 1,963	\$ 1,126	42.6 %	N/A	N/A	7.00 %	N/A
Actual	07/01/2008	\$ 190	\$ 1,586	\$ 1,396	12.0 %	N/A	N/A	7.00 %	N/A
Actual	07/01/2009	\$ 322	\$ 1,472	\$ 1,150	21.9 %	N/A	N/A	7.00 %	N/A
Projected	07/01/2010	\$ 226	\$ 1,337	\$ 1,111	16.9 %	N/A	N/A	7.00 %	N/A
Actual	07/01/2011	\$ 682	\$ 1,248	\$ 566	54.6 %	N/A	N/A	7.00 %	N/A
Projected	07/01/2012	\$ 605	\$ 1,129	\$ 524	53.6 %	N/A	N/A	7.00 %	N/A
Actual	07/01/2013	\$ 563	\$ 1,231	\$ 668	54.3 %	N/A	N/A	5.50 %	N/A
Projected	07/01/2014	\$ 555	\$ 1,121	\$ 566	49.5 %	N/A	N/A	5.50 %	N/A
Actual	07/01/2015	\$ 492	\$ 926	\$ 434	53.1 %	N/A	N/A	4.40 %	N/A
Projected	07/01/2016	\$ -	\$ -	\$ -	- %	N/A	N/A	- %	N/A

(A) GASB Statement No. 67 and No. 68, was implemented during fiscal year ended June 30, 2014 and fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

SAFETY RETIREMENT AND SAFETY SERVICE RETIREMENT PLANS

**SINGLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	11.82 %	11.82 %	6.40 %

(A) GASB Statement No. 67, which requires ten years of history for this schedule, was implemented during fiscal year ended June 30, 2014. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

MISCELLANEOUS AND SAFETY PLANS

AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>	<u>2015</u>
<u>MISCELLANEOUS PLAN</u>		
Total Pension Liability		
Service cost	\$ 9,676,642	\$ 9,563,623
Interest on total pension liability	34,649,348	36,129,828
Differences between expected and actual experience	-	(4,360,012)
Changes in assumptions	-	(8,848,255)
Benefit payments, including refunds of employee contributions	(20,041,269)	(21,493,097)
Net change in total pension liability	24,284,721	10,992,087
Total pension liability - beginning	467,173,631	491,458,352
Total pension liability - ending (a)	\$ 491,458,352	\$ 502,450,439
Plan fiduciary net position		
Contributions - employer	\$ 11,818,133	\$ 13,162,072
Contributions - employee	4,587,261	4,833,301
Net investment income	54,806,586	8,218,938
Plan to Plan Resource Movement	-	(1,157)
Administrative Expense	-	(880,882)
Benefit payments	(20,041,269)	(21,493,097)
Net change in plan fiduciary net position	51,170,711	3,839,175
Plan fiduciary net position - beginning	315,871,322	367,042,033
Plan fiduciary net position - ending (b)	\$ 367,042,033	\$ 370,881,208
Net pension liability - ending (a) - (b)	\$ 124,416,319	\$ 131,569,231
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.68 %	73.81 %
Covered-Employee Payroll	\$ 50,588,886	\$ 53,022,251
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	245.94 %	248.14 %
<u>SAFETY POLICE PLAN</u>		
Total Pension Liability		
Service cost	\$ 5,186,081	\$ 5,010,613
Interest on total pension liability	16,640,662	16,967,585
Differences between expected and actual experience	-	(7,448,519)
Changes in assumptions	-	(4,242,689)
Benefit payments, including refunds of employee contributions	(9,641,215)	(10,608,382)
Net change in total pension liability	12,185,528	(321,392)
Total pension liability - beginning	224,103,068	236,288,596
Total pension liability - ending (a)	\$ 236,288,596	\$ 235,967,204
Plan fiduciary net position		
Contributions - employer	\$ 5,804,938	\$ 5,729,090
Contributions - employee	1,514,918	1,462,940
Net investment income	25,268,419	3,780,559
Plan to Plan Resource Movement	-	(3,426)
Administrative Expense	-	(184,197)
Benefit payments	(9,641,215)	(10,608,382)
Net change in plan fiduciary net position	22,947,060	176,584
Plan fiduciary net position - beginning	146,281,803	169,228,863
Plan fiduciary net position - ending (b)	\$ 169,228,863	\$ 169,405,447
Net pension liability - ending (a) - (b)	\$ 67,059,733	\$ 66,561,757

CITY OF SANTA BARBARA

MISCELLANEOUS AND SAFETY PLANS

**AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.62 %		71.79 %
Covered-Employee Payroll	\$	17,126,518	\$	17,232,219
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll		391.55 %		386.26 %

(A) GASB Statement No. 68, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

MISCELLANEOUS AND SAFETY PLANS

**AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2014</u>	<u>2015</u>
<u>MISCELLANEOUS PLAN</u>		
Actuarially determined contribution	\$ 11,818,133	\$ 13,162,072
Contributions in relation to the actuarially determined contributions	<u>(11,818,133)</u>	<u>(13,162,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 50,588,886	\$ 53,022,251
Contributions as a percentage of covered-employee payroll	23.36 %	24.82 %
<u>SAFETY POLICE PLAN</u>		
Actuarially determined contribution	\$ 5,804,938	\$ 5,729,090
Contributions in relation to the actuarially determined contributions	<u>(5,804,938)</u>	<u>(5,729,090)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,126,518	\$ 17,232,219
Contributions as a percentage of covered-employee payroll	33.89 %	33.25 %

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2013 public agency valuations.

Valuation Date	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level Percent of Payroll
Asset Valuation Method	15 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

(A) GASB Statement No. 68, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

SAFETY FIRE PLAN

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

Fire Plan	2014	2015
Proportion of the net pension liability	0.73895 %	1.24490 %
Proportionate share of the net pension liability	\$ 45,980,620	\$ 51,295,415
Covered - employee payroll	\$ 10,382,054	\$ 9,946,642
Proportionate share of the net pension liability as percentage of covered-employee payroll	442.89 %	515.71 %
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	79.82 %	78.40 %

Notes to Schedule:

Benefit changes - None

Changes in assumptions - None

(A) GASB Statement No. 68, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

SAFETY FIRE PLAN

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2016, FOR THE LAST TEN FISCAL YEARS (A)**

Fire Plan	2014	2015
Contractually required contribution (actuarially determined)	3,535,869	3,672,002
Contributions in relation to the actuarially determined contribution	(3,535,869)	(3,672,002)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-Employee Payroll	 10,382,054	 9,946,642
Contributions as percentage of covered-employee payroll	34.06 %	36.92 %

Notes to Schedule

Valuation Date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	54 yrs.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

(A) GASB Statement No. 68, was implemented during fiscal year ended June 30, 2015. Additional years will be added as they become available in the future.

CITY OF SANTA BARBARA

**PENSION PLAN
 SCHEDULE OF FUNDING PROGRESS - OPEB (000s Omitted)
 AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (A)**

Retiree Medical

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>	<u>Interest Rate</u>	<u>Salary Scale</u>
2008	7/1/2007	\$ -	\$ 19,627	\$ 19,627	- %	\$ 69,293	28.3 %	5.00 %	3.25 %
2009	7/1/2008	-	20,755	20,755	- %	71,545	29.0 %	5.00 %	3.25 %
2010	7/1/2009	-	30,697	30,697	- %	76,267	40.2 %	4.00 %	3.25 %
2011	7/1/2010	-	33,009	33,009	- %	78,746	41.9 %	4.00 %	3.25 %
2012	7/1/2011	-	34,113	34,113	- %	74,178	46.0 %	4.00 %	3.25 %
2013	7/1/2012	-	36,502	36,502	- %	76,589	47.7 %	4.00 %	3.25 %
2014	7/1/2013	-	32,870	32,870	- %	81,322	40.4 %	4.00 %	3.25 %
2015	7/1/2014	-	35,488	35,488	- %	87,799	40.4 %	4.00 %	3.25 %
2016	7/1/2015	-	21,181	21,181	- %	71,616	29.6 %	4.00 %	3.25 %

(A) Information is not available in preceding years as the City adopted GASB Statement No. 45 for this plan in 2008.

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 82,320,561	\$ 82,320,561	\$ 80,492,696	\$ (1,827,865)
Franchise fees	3,219,400	3,219,400	3,131,682	(87,718)
Intergovernmental	725,468	1,660,319	2,067,155	406,836
Charges for services	21,630,255	21,893,129	21,935,629	42,500
Use of money and property	1,140,941	1,140,941	944,188	(196,753)
Fines and forfeitures	3,201,487	3,201,487	2,507,052	(694,435)
Other revenues	10,934,112	12,087,281	9,426,184	(2,661,097)
Total Revenues	123,172,224	125,523,118	120,504,586	(5,018,532)
Expenditures:				
Current:				
Mayor and city council	3,461,918	5,340,551	3,443,142	1,897,409
City attorney	2,364,795	2,549,601	2,393,967	155,634
City administration	1,991,819	2,098,094	1,932,293	165,801
Administrative services	2,774,176	2,817,671	2,437,266	380,405
Finance	5,439,352	5,553,094	5,249,298	303,796
Public safety	64,506,084	65,535,424	63,223,179	2,312,245
Public works	8,366,878	8,462,546	7,658,560	803,986
Community services	21,527,284	22,174,751	20,432,558	1,742,193
Community development	10,600,737	11,698,805	10,890,321	808,484
Total Expenditures	121,033,043	126,230,537	117,660,584	8,569,953
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,139,181	(707,419)	2,844,002	3,551,421
Other Financing Sources (Uses):				
Transfers in	1,700,193	1,736,093	1,517,684	(218,409)
Transfers out	(4,318,249)	(2,403,079)	(1,679,355)	723,724
Total Other Financing Sources (Uses)	(2,618,056)	(666,986)	(161,671)	505,315
Net Change in Fund Balances	(478,875)	(1,374,405)	2,682,331	4,056,736
Fund Balances, Beginning of Year	33,248,889	33,248,889	33,248,889	-
Fund Balances, End of Year	\$ 32,770,014	\$ 31,874,484	\$ 35,931,220	\$ 4,056,736

*See Notes to RSI

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING FUND
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 553,300	\$ 553,300	\$ 961,268	\$ 407,968
Total Revenues	<u>553,300</u>	<u>553,300</u>	<u>961,268</u>	<u>407,968</u>
Expenditures:				
Current:				
Community development	553,300	1,353,300	775,364	577,936
Total Expenditures	<u>553,300</u>	<u>1,353,300</u>	<u>775,364</u>	<u>577,936</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(800,000)</u>	<u>185,904</u>	<u>985,904</u>
Net Change in Fund Balances	<u>-</u>	<u>(800,000)</u>	<u>185,904</u>	<u>985,904</u>
Fund Balances, Beginning of Year	<u>51,916,303</u>	<u>51,916,303</u>	<u>51,916,303</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 51,916,303</u>	<u>\$ 51,116,303</u>	<u>\$ 52,102,207</u>	<u>\$ 985,904</u>

*See Notes to RSI

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2016

BUDGETARY INFORMATION

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

In February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In mid-April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council and 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 as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). The City Administrator is authorized to transfer amounts within individual departmental budgets, both between programs and between major object categories. All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. The 2002 Municipal Refunding Certificates Fund is used to accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation. The fund did not have a legally adopted budget during the current year since the debt service transfer is budgeted in the General Fund. The FEMA Reimbursement Fund is used to account for costs incurred as a result of the three federally declared disasters for wildfires from July 2007 through May 2009. The fund did not have a legally adopted budget during the current year.

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	\$ 125,351,292
Re-appropriated Prior Year Encumbrances	1,024,921
Amendments	2,257,403
Amended Budget	<u>\$ 128,633,616</u>

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.

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2016

- 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 245 miles of paved surfaces, comprised of 126 miles of residential streets, 47 miles of principal arterial and minor arterial streets, 69 miles of collector streets and 3 miles of alleys. This equates to almost 41,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition of the City’s street network, including a pavement preservation program. Every two years the City updates a Pavement Management System Report, which identifies and documents the updated condition of the City’s street network. City-owned streets are classified based on land use, access, and traffic utilization into the following five classifications: principal arterial, minor arterial, collector, residential, and alley. A condition assessment is performed, through physical street inspections, as part of each biennial report update covering at least one-third of the City’s streets on a rotating basis. As part of the report, each street segment is assigned a condition rating based on a variety of potential defects. A Pavement Condition Index (PCI) rating, a nationally recognized index, is calculated for each street segment and is 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 PCI thresholds, which are generally accepted industry standards, were assigned to each street segment:

<u>Condition</u>	<u>Rating</u>
Excellent/Good	71-100
At Risk	51-70
Poor	25-50
Very Poor/Failed	0-24

The City’s Pavement Management System provides staff with current technical data to target a desirable level of pavement performance, while optimizing the expenditure of limited fiscal resources. The following table summarizes the average citywide PCI biennially reported since 2004.

<u>Year</u>	<u>PCI</u>
2004	72
2006	71
2008	71
2010	69
2012	63
2014	64
2016	61

Prior to 2012, the City previously used the then industry standard MicroPAVER pavement management software, but in 2012 transitioned to the StreetSaver pavement management software, which is widely used throughout California. The StreetSaver program has several advantages over MicroPAVER, one being the fact that StreetSaver provides PCI information in real-time. StreetSaver utilizes a street segment’s actual inspection and maintenance history, in conjunction with standard pavement deterioration curves, to provide a real-time PCI. Real-time PCI information, as reported by StreetSaver, is more accurate than PCI information based on a past inspection or maintenance and repair treatment, as reported by MicroPAVER. This real-time PCI information provides the City with the greatest opportunity to effectively manage the PMS and accurately report the current condition of the street network. As a result of this software change coupled with ongoing budgetary constraints, the average citywide PCI dropped significantly between 2010 (PCI 69) and 2012 (63). The PCI has generally been declining since 2002 due to budgetary constraints.

PCI rating levels in the mid 60’s to low 70’s range allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. The City’s formal policy with regard to pavement

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2016

condition levels is to maintain a minimum average rating of no less than 60 (“At Risk”) for all streets. This PCI was selected because there is a significant cost increase to maintain streets averaging below a PCI of 60.

In the most recent Pavement Management System report that was completed for fiscal year 2016, the City’s street network was rated an average PCI index value of 61 (“At Risk”) with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent/Good (PCI 71-100)	25%
At Risk (PCI 51-70)	49%
Poor (PCI 25-50)	19%
Very Poor/Failed (PCI 0-24)	7%

In January 2014, the former State Route 225 was relinquished to the City from the State, adding over 4.5 centerline miles of primary arterial roadway to the City’s network. This equates to nearly 1.4 million additional square feet of asphalt pavement. The additional roadway segments were inspected in summer 2014 and were included in the analyses used for the 2014 report. Caltrans micro-surfaced the entire route in summer 2011 and as a result, the roadway segments were in “good/excellent” condition, with PCIs generally in the 80s. As a result of adding a large amount of square footage with relatively high PCIs, the citywide PCI increased slightly between 2012 and 2014. While this addition has a short-term positive effect on the citywide PCI, over the long term, the unfunded backlog will be increased due to the increase in pavement square footage requiring maintenance. Despite the PCI increasing to 64 in 2014, the PCI has dropped to 61 in 2016.

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 \$3,602,692 on street maintenance for the fiscal year ended June 30, 2016. These expenditures include both construction and soft costs (design, construction management, inspection, etc.). The City has estimated that the average amount of annual expenditures required for fiscal years 2016-2020 to maintain the City’s streets at an average PCI rating of at least 70 is approximately \$16,500,000. The estimated amount of deferred maintenance once a PCI rating of 70 is reached is \$18.4 million, growing to \$44.2 million after five years. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current PCI rating compared to actual expenditures for street maintenance for the last five years is presented below:

<u>Fiscal Year</u>	<u>Estimate (to maintain current PCI)</u>	<u>Expenditures</u>	<u>PCI Rating</u>
2011-2012	\$6,700,000	\$4,491,598*	63
2012-2013	\$6,700,000	\$2,285,772	63
2013-2014	\$7,500,000	\$2,839,154	64
2014-2015	\$7,500,000	\$3,596,617	63
2015-2016	\$8,200,000	\$3,602,692	61

* City received American Recovery and Reinvestment Act of 2009 funds, which were expended in FY 11/12 (\$1,450,307).

The City’s on-going street preservation program was developed with the goal of maintaining the condition rating of City streets. The preservation program was developed with a six-year cycle that is tied to 6 maintenance zones with one zone completed each year. The original strategy objective was to maintain City streets over a 6 year cycle and maintain the overall condition of the road network, utilizing both slurry seal and pavement resurfacing as preservation components. Over the past several years, the overall condition of the road network has dropped to a point where less expensive preventative maintenance treatments, such as slurry seal, are no longer effective for many streets. As a result, more expensive pavement rehabilitation treatments are required, such as grind and overlay, thus significantly increasing the cost to maintain the road network, without a comparable increase in revenues for pavement maintenance.



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.

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

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.

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

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

Measure A Fund - 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.

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

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

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

FEMA Reimbursement Fund - To account for costs incurred as a result of the three federally declared disasters for wildfires from July 2007 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.

Streets Fund - To account for street maintenance and operating costs.

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

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

Measure A Capital Fund - To account for capital projects financed by Measure A.

Street Capital Improvements Fund - To account for street-related capital projects not financed by Grants.

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.



CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality	Wildland Fire Suppression	Transportation Development
Assets:				
Pooled cash and investments	\$ 490	\$ 2,171,061	\$ 45,700	\$ 290,955
Accounts receivable, net	-	366,409	-	-
Loans receivable	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 490	\$ 2,537,470	\$ 45,700	\$ 290,955
Liabilities and Fund Balances				
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 490	\$ 83,885	\$ -	\$ -
Salaries and benefits payable	-	59,782	5,140	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	-	-	-	-
Total Liabilities	490	143,667	5,140	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Administration	-	-	-	-
Public safety	-	-	40,560	-
Public works	-	2,393,803	-	290,955
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Debt service reserve	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	-	2,393,803	40,560	290,955
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 490	\$ 2,537,470	\$ 45,700	\$ 290,955

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			
	Community Development Block Grant	Police - Asset Forfeiture Grants	County Library	Measure A
Assets:				
Pooled cash and investments	\$ 408,698	\$ 1,137,771	\$ 384,601	\$ 349,518
Accounts receivable, net	207,435	198	234,542	244,282
Loans receivable	4,696,371	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	\$ 5,312,504	\$ 1,137,969	\$ 619,143	\$ 593,800
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 85,609	\$ 92	\$ 15,975	\$ 60,892
Salaries and benefits payable	7,728	63,698	58,514	57,516
Unearned revenues	-	-	-	-
Deposits	-	259,043	-	-
Interfund payables	-	-	-	-
Total Liabilities	93,337	322,833	74,489	118,408
Deferred Inflows of Resources:				
Unavailable revenues	4,703,594	-	-	-
Total Deferred Inflows of Resources	4,703,594	-	-	-
Fund Balances:				
Restricted for:				
Administration	-	-	-	-
Public safety	-	815,136	-	-
Public works	-	-	-	475,392
Community services	-	-	544,654	-
Community development	515,573	-	-	-
Capital improvements	-	-	-	-
Debt service reserve	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	515,573	815,136	544,654	475,392
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,312,504	\$ 1,137,969	\$ 619,143	\$ 593,800

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds		
	Misc. Grants Fund	Street Sweeping Fund	HOME Program Fund
Assets:			
Pooled cash and investments	\$ 421,750	\$ 284,832	\$ 11,978
Accounts receivable, net	259,853	-	7,555
Loans receivable	-	-	8,915,906
Restricted assets:			
Cash and investments with fiscal agents	-	-	-
Total Assets	\$ 681,603	\$ 284,832	\$ 8,935,439
Liabilities, Deferred Inflows of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	\$ 49,647	\$ 27,772	\$ 18,004
Salaries and benefits payable	-	6,488	1,529
Deposits	123,394	-	-
Total Liabilities	173,041	34,260	19,533
Deferred Inflows of Resources:			
Unavailable revenues	67,738	-	8,915,906
Total Deferred Inflows of Resources	67,738	-	8,915,906
Fund Balances:			
Restricted for:			
Public safety	64,931	-	-
Public works	-	250,572	-
Community services	435,931	-	-
Community development	25,972	-	-
Capital improvements	-	-	-
Debt service reserve	-	-	-
Committed to:			
Capital improvements	-	-	-
Assigned to:			
Capital improvements	-	-	-
Unassigned	(86,010)	-	-
Total Fund Balances	440,824	250,572	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 681,603	\$ 284,832	\$ 8,935,439

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue Funds			Capital Project Funds
	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement Fund	Streets Fund	General Capital Improvements
Assets:				
Pooled cash and investments	\$ 151,618	\$ 8,661	\$ 78,676	\$ 6,775,457
Accounts receivable, net	76,482	-	548,693	-
Loans receivable	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	-
Total Assets	<u>\$ 228,100</u>	<u>\$ 8,661</u>	<u>\$ 627,369</u>	<u>\$ 6,775,457</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 45,118	\$ 183,038
Salaries and benefits payable	-	8,525	188,101	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	-	-	-	-
Total Liabilities	-	8,525	233,219	183,038
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balances:				
Restricted for:				
Administration	-	-	-	-
Public safety	-	136	-	-
Public works	-	-	394,150	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	792,175
Debt service reserve	-	-	-	-
Committed to:				
Capital improvements	-	-	-	3,979,545
Assigned to:				
Capital improvements	228,100	-	-	1,820,699
Unassigned	-	-	-	-
Total Fund Balances	<u>228,100</u>	<u>136</u>	<u>394,150</u>	<u>6,592,419</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 228,100</u>	<u>\$ 8,661</u>	<u>\$ 627,369</u>	<u>\$ 6,775,457</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Capital Project Funds			Debt Service Funds
	Creeks Restoration Capital	Measure A Capital Fund	Street Capital Improvements Fund	2002 Municipal Refunding Certificates
Assets:				
Pooled cash and investments	\$ 8,494,025	\$ 2,439,448	\$ 2,554,624	\$ -
Accounts receivable, net	354,678	-	3,315	-
Loans receivable	-	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	575,650
Total Assets	<u>\$ 8,848,703</u>	<u>\$ 2,439,448</u>	<u>\$ 2,557,939</u>	<u>\$ 575,650</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 372,118	\$ 204,330	\$ 158,286	\$ -
Salaries and benefits payable	-	-	-	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Interfund payables	-	-	-	-
Total Liabilities	<u>372,118</u>	<u>204,330</u>	<u>158,286</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Administration	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	1,688,401	352,930	345,061	-
Debt service reserve	-	-	-	575,650
Committed to:				
Capital improvements	5,209,749	1,842,446	1,932,872	-
Assigned to:				
Capital improvements	1,578,435	39,742	121,720	-
Unassigned	-	-	-	-
Total Fund Balances	<u>8,476,585</u>	<u>2,235,118</u>	<u>2,399,653</u>	<u>575,650</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,848,703</u>	<u>\$ 2,439,448</u>	<u>\$ 2,557,939</u>	<u>\$ 575,650</u>

CITY OF SANTA BARBARA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Total Non-Major Governmental Funds
Assets:	
Pooled cash and investments	\$ 26,009,863
Accounts receivable, net	2,303,442
Loans receivable	13,612,277
Restricted assets:	
Cash and investments with fiscal agents	<u>575,650</u>
Total Assets	<u>\$ 42,501,232</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:	
Liabilities:	
Accounts payable	\$ 1,305,256
Salaries and benefits payable	457,021
Deposits	<u>382,437</u>
Total Liabilities	<u>2,144,714</u>
Deferred Inflows of Resources:	
Unavailable revenues	<u>13,687,238</u>
Total Deferred Inflows of Resources	<u>13,687,238</u>
Fund Balances:	
Restricted for:	
Public safety	920,763
Public works	3,804,872
Community services	980,585
Community development	541,545
Capital improvements	3,178,567
Debt service reserve	575,650
Committed to:	
Capital improvements	12,964,612
Assigned to:	
Capital improvements	3,788,696
Unassigned	<u>(86,010)</u>
Total Fund Balances	<u>26,669,280</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 42,501,232</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality Improvements	Wildland Fire Suppression	Transportation Development
Revenues:				
Taxes	\$ -	\$ 3,735,716	\$ -	\$ 70,566
Intergovernmental	-	-	-	-
Charges for services	-	125	-	-
Use of money and property	-	146,512	-	3,264
Fines and forfeitures	361,820	-	-	-
Program income	-	-	-	-
Other revenues	-	7,450	248,679	-
Total Revenues	361,820	3,889,803	248,679	73,830
Expenditures:				
Current:				
Administrative services	-	-	-	-
Public safety	9,520	-	266,682	-
Public works	-	1,944,357	-	9,674
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	9,520	1,944,357	266,682	9,674
Excess (Deficiency) of Revenues Over (Under) Expenditures	352,300	1,945,446	(18,003)	64,156
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(352,300)	(1,856,795)	-	-
Total Other Financing Sources (Uses)	(352,300)	(1,856,795)	-	-
Net Change in Fund Balances	-	88,651	(18,003)	64,156
Fund Balances, Beginning of Year	-	2,305,152	58,563	226,799
Fund Balances, End of Year	\$ -	\$ 2,393,803	\$ 40,560	\$ 290,955

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	Community Development Block Grant	Police - Asset Forfeiture Grants	County Library	Measure A
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 3,618,641
Intergovernmental	703,403	48,027	1,846,743	-
Charges for services	-	65,060	-	-
Use of money and property	-	2,521	22,327	33,987
Fines and forfeitures	-	-	63,593	-
Program income	318,361	-	-	-
Other revenues	-	81,111	277,550	-
Total Revenues	1,021,764	196,719	2,210,213	3,652,628
Expenditures:				
Current:				
Administrative services	-	-	-	-
Public safety	-	253,213	-	-
Public works	-	-	-	2,237,093
Community services	-	-	2,202,455	-
Community development	832,654	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	832,654	253,213	2,202,455	2,237,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>189,110</u>	<u>(56,494)</u>	<u>7,758</u>	<u>1,415,535</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	(1,731,467)
Total Other Financing Sources (Uses)	-	-	-	(1,731,467)
Net Change in Fund Balances	<u>189,110</u>	<u>(56,494)</u>	<u>7,758</u>	<u>(315,932)</u>
Fund Balances, Beginning of Year	<u>326,463</u>	<u>871,630</u>	<u>536,896</u>	<u>791,324</u>
Fund Balances, End of Year	\$ 515,573	\$ 815,136	\$ 544,654	\$ 475,392

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds		
	Misc. Grants Fund	Street Sweeping Fund	HOME Program Fund
Revenues:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	1,003,971	-	1,046,220
Charges for services	21,250	-	-
Use of money and property	-	-	-
Fines and forfeitures	-	664,538	-
Program income	-	-	68,067
Other revenues	246,760	-	-
Total Revenues	1,271,981	664,538	1,114,287
Expenditures:			
Current:			
Administrative services	467,107	-	-
Public safety	361,143	-	-
Public works	-	551,251	-
Community services	555,087	-	-
Community development	33,979	-	1,114,287
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,417,316	551,251	1,114,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	(145,335)	113,287	-
Other Financing Sources (Uses):			
Transfers in	57,385	220,322	-
Transfers out	(35,900)	(360,574)	-
Total Other Financing Sources (Uses)	21,485	(140,252)	-
Net Change in Fund Balances	(123,850)	(26,965)	-
Fund Balances, Beginning of Year	564,674	277,537	-
Fund Balances, End of Year	\$ 440,824	\$ 250,572	\$ -

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			Capital Project Funds
	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement Fund	Streets Fund	General Capital Improvements
Revenues:				
Taxes	\$ -	\$ -	\$ 7,168,868	\$ -
Intergovernmental	-	216,500	1,911,185	-
Charges for services	94,546	-	193,396	-
Use of money and property	-	381	33,887	-
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	-	-	566,241	577,176
Total Revenues	94,546	216,881	9,873,577	577,176
Expenditures:				
Current:				
Administrative services	-	-	-	-
Public safety	-	216,745	-	-
Public works	-	-	8,135,334	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	2,056,794
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	-	216,745	8,135,334	2,056,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>94,546</u>	<u>136</u>	<u>1,738,243</u>	<u>(1,479,618)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	272,330	738,376
Transfers out	-	-	(2,219,349)	-
Total Other Financing Sources (Uses)	-	-	(1,947,019)	738,376
Net Change in Fund Balances	<u>94,546</u>	<u>136</u>	<u>(208,776)</u>	<u>(741,242)</u>
Fund Balances, Beginning of Year	<u>133,554</u>	<u>-</u>	<u>602,926</u>	<u>7,333,661</u>
Fund Balances, End of Year	\$ 228,100	\$ 136	\$ 394,150	\$ 6,592,419

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	Capital Projects Funds			Debt Service Funds
	Creeks Restoration Capital Improvement Fund	Measure A Capital Fund	Street Capital Improvements Fund	2002 Municipal Refunding Certificates
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,345,237	-	-	-
Charges for services	-	-	25,659	-
Use of money and property	-	-	-	28,790
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	-	-	62,023	-
Total Revenues	1,345,237	-	87,682	28,790
Expenditures:				
Current:				
Administrative services	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	4,460,097	1,201,269	3,236,421	-
Debt service:				
Principal retirement	-	-	-	306,900
Interest and fiscal charges	-	-	-	37,502
Total Expenditures	4,460,097	1,201,269	3,236,421	344,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,114,860)	(1,201,269)	(3,148,739)	(315,612)
Other Financing Sources (Uses):				
Transfers in	1,786,473	1,731,467	1,880,024	311,481
Transfers out	-	-	(856,960)	-
Total Other Financing Sources (Uses)	1,786,473	1,731,467	1,023,064	311,481
Net Change in Fund Balances	(1,328,387)	530,198	(2,125,675)	(4,131)
Fund Balances, Beginning of Year	9,804,972	1,704,920	4,525,328	579,781
Fund Balances, End of Year	\$ 8,476,585	\$ 2,235,118	\$ 2,399,653	\$ 575,650

CITY OF SANTA BARBARA

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Total Non-Major Governmental Funds
Revenues:	
Taxes	\$ 14,593,791
Intergovernmental	8,121,286
Charges for services	400,036
Use of money and property	271,669
Fines and forfeitures	1,089,951
Program income	386,428
Other revenues	<u>2,066,990</u>
Total Revenues	<u>26,930,151</u>
Expenditures:	
Current:	
Administrative services	467,107
Public safety	1,107,303
Public works	12,877,709
Community services	2,757,542
Community development	1,980,920
Capital outlay	10,954,581
Debt service:	
Principal retirement	306,900
Interest and fiscal charges	<u>37,502</u>
Total Expenditures	<u>30,489,564</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,559,413)</u>
Other Financing Sources (Uses):	
Transfers in	6,997,858
Transfers out	<u>(7,413,345)</u>
Total Other Financing Sources (Uses)	<u>(415,487)</u>
Net Change in Fund Balances	<u>(3,974,900)</u>
Fund Balances, Beginning of Year	<u>30,644,180</u>
Fund Balances, End of Year	<u>\$ 26,669,280</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 TRAFFIC SAFETY
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 525,000	\$ 525,000	\$ 361,820	\$ (163,180)
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>361,820</u>	<u>(163,180)</u>
Expenditures:				
Current:				
Public safety	35,000	35,000	9,520	25,480
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>9,520</u>	<u>25,480</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>490,000</u>	<u>490,000</u>	<u>352,300</u>	<u>(137,700)</u>
Other Financing Sources (Uses):				
Transfers out	(490,000)	(490,000)	(352,300)	137,700
Total Other Financing Sources (Uses)	<u>(490,000)</u>	<u>(490,000)</u>	<u>(352,300)</u>	<u>137,700</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
CREEK RESTORATION/WATER QUALITY IMPROVEMENTS
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,941,400	\$ 3,941,400	\$ 3,735,716	\$ (205,684)
Charges for services	-	-	125	125
Use of money and property	116,200	116,200	146,512	30,312
Other revenues	13,072	13,072	7,450	(5,622)
Total Revenues	<u>4,070,672</u>	<u>4,070,672</u>	<u>3,889,803</u>	<u>(180,869)</u>
Expenditures:				
Current:				
Public works	2,348,977	2,415,922	1,944,357	471,565
Total Expenditures	<u>2,348,977</u>	<u>2,415,922</u>	<u>1,944,357</u>	<u>471,565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,721,695</u>	<u>1,654,750</u>	<u>1,945,446</u>	<u>290,696</u>
Other Financing Sources (Uses):				
Transfers out	(1,395,322)	(1,856,795)	(1,856,795)	-
Total Other Financing Sources (Uses)	<u>(1,395,322)</u>	<u>(1,856,795)</u>	<u>(1,856,795)</u>	<u>-</u>
Net Change in Fund Balances	<u>326,373</u>	<u>(202,045)</u>	<u>88,651</u>	<u>290,696</u>
Fund Balances, Beginning of Year	<u>2,305,152</u>	<u>2,305,152</u>	<u>2,305,152</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,631,525</u>	<u>\$ 2,103,107</u>	<u>\$ 2,393,803</u>	<u>\$ 290,696</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
WILDLAND FIRE SUPPRESSION
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ 248,058	\$ 248,058	\$ 248,679	\$ 621
Total Revenues	<u>248,058</u>	<u>248,058</u>	<u>248,679</u>	<u>621</u>
Expenditures:				
Current:				
Public safety	277,901	296,322	266,682	29,640
Total Expenditures	<u>277,901</u>	<u>296,322</u>	<u>266,682</u>	<u>29,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(29,843)</u>	<u>(48,264)</u>	<u>(18,003)</u>	<u>30,261</u>
Net Change in Fund Balances	<u>(29,843)</u>	<u>(48,264)</u>	<u>(18,003)</u>	<u>30,261</u>
Fund Balances, Beginning of Year	<u>58,563</u>	<u>58,563</u>	<u>58,563</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 28,720</u>	<u>\$ 10,299</u>	<u>\$ 40,560</u>	<u>\$ 30,261</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION DEVELOPMENT
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 71,663	\$ 71,663	\$ 70,566	\$ (1,097)
Use of money and property	2,400	2,400	3,264	864
Total Revenues	<u>74,063</u>	<u>74,063</u>	<u>73,830</u>	<u>(233)</u>
Expenditures:				
Current:				
Public works	74,063	247,758	9,674	238,084
Total Expenditures	<u>74,063</u>	<u>247,758</u>	<u>9,674</u>	<u>238,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(173,695)</u>	<u>64,156</u>	<u>237,851</u>
Net Change in Fund Balances	<u>-</u>	<u>(173,695)</u>	<u>64,156</u>	<u>237,851</u>
Fund Balances, Beginning of Year	<u>226,799</u>	<u>226,799</u>	<u>226,799</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 226,799</u>	<u>\$ 53,104</u>	<u>\$ 290,955</u>	<u>\$ 237,851</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 803,372	\$ 1,433,936	\$ 703,403	\$ (730,533)
Program income	400,000	400,000	318,361	(81,639)
Total Revenues	<u>1,203,372</u>	<u>1,833,936</u>	<u>1,021,764</u>	<u>(812,172)</u>
Expenditures:				
Current:				
Community development	1,203,372	2,109,113	832,654	1,276,459
Total Expenditures	<u>1,203,372</u>	<u>2,109,113</u>	<u>832,654</u>	<u>1,276,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(275,177)</u>	<u>189,110</u>	<u>464,287</u>
Net Change in Fund Balances	<u>-</u>	<u>(275,177)</u>	<u>189,110</u>	<u>464,287</u>
Fund Balances, Beginning of Year	<u>326,463</u>	<u>326,463</u>	<u>326,463</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 326,463</u>	<u>\$ 51,286</u>	<u>\$ 515,573</u>	<u>\$ 464,287</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
POLICE-ASSET FORFEITURE GRANTS
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 40,004	\$ 48,004	\$ 48,027	\$ 23
Charges for services	84,600	84,600	65,060	(19,540)
Use of money and property	-	-	2,521	2,521
Other revenues	-	-	81,111	81,111
Total Revenues	<u>124,604</u>	<u>132,604</u>	<u>196,719</u>	<u>64,115</u>
Expenditures:				
Current:				
Public safety	<u>127,610</u>	<u>324,572</u>	<u>253,213</u>	<u>71,359</u>
Total Expenditures	<u>127,610</u>	<u>324,572</u>	<u>253,213</u>	<u>71,359</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,006)</u>	<u>(191,968)</u>	<u>(56,494)</u>	<u>135,474</u>
Net Change in Fund Balances	<u>(3,006)</u>	<u>(191,968)</u>	<u>(56,494)</u>	<u>135,474</u>
Fund Balances, Beginning of Year	<u>871,630</u>	<u>871,630</u>	<u>871,630</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 868,624</u>	<u>\$ 679,662</u>	<u>\$ 815,136</u>	<u>\$ 135,474</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
COUNTY LIBRARY
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,476,573	\$ 1,737,464	\$ 1,846,743	\$ 109,279
Use of money and property	26,400	26,650	22,327	(4,323)
Fines and forfeitures	97,700	108,950	63,593	(45,357)
Other revenues	193,078	250,486	277,550	27,064
Total Revenues	<u>1,793,751</u>	<u>2,123,550</u>	<u>2,210,213</u>	<u>86,663</u>
Expenditures:				
Current:				
Community services	<u>2,048,197</u>	<u>2,317,824</u>	<u>2,202,455</u>	<u>115,369</u>
Total Expenditures	<u>2,048,197</u>	<u>2,317,824</u>	<u>2,202,455</u>	<u>115,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(254,446)</u>	<u>(194,274)</u>	<u>7,758</u>	<u>202,032</u>
Net Change in Fund Balances	<u>(254,446)</u>	<u>(194,274)</u>	<u>7,758</u>	<u>202,032</u>
Fund Balances, Beginning of Year	<u>536,896</u>	<u>536,896</u>	<u>536,896</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 282,450</u>	<u>\$ 342,622</u>	<u>\$ 544,654</u>	<u>\$ 202,032</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 MEASURE A
 YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 3,647,265	\$ 3,647,265	\$ 3,618,641	\$ (28,624)
Use of money and property	22,400	22,400	33,987	11,587
Total Revenues	3,669,665	3,669,665	3,652,628	(17,037)
Expenditures:				
Current:				
Public works	2,327,733	2,330,438	2,237,093	93,345
Total Expenditures	2,327,733	2,330,438	2,237,093	93,345
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,341,932	1,339,227	1,415,535	76,308
Other Financing Sources (Uses):				
Transfers out	(1,608,004)	(1,731,467)	(1,731,467)	-
Total Other Financing Sources (Uses)	(1,608,004)	(1,731,467)	(1,731,467)	-
Net Change in Fund Balances	(266,072)	(392,240)	(315,932)	76,308
Fund Balances, Beginning of Year	791,324	791,324	791,324	-
Fund Balances, End of Year	\$ 525,252	\$ 399,084	\$ 475,392	\$ 76,308

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
MISC. GRANTS
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 273,630	\$ 1,585,589	\$ 1,003,971	\$ (581,618)
Charges for services	55,700	59,661	21,250	(38,411)
Other revenues	160,508	348,973	246,760	(102,213)
Total Revenues	489,838	1,994,223	1,271,981	(722,242)
Expenditures:				
Current:				
Administrative services	-	667,835	467,107	200,728
Public safety	111,337	627,161	361,143	266,018
Community services	435,886	1,118,603	555,087	563,516
Community development	-	33,980	33,979	1
Total Expenditures	547,223	2,447,579	1,417,316	1,030,263
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,385)	(453,356)	(145,335)	308,021
Other Financing Sources (Uses):				
Transfers in	57,385	57,385	57,385	-
Transfers out	-	(35,900)	(35,900)	-
Total Other Financing Sources (Uses)	57,385	21,485	21,485	-
Net Change in Fund Balances	-	(431,871)	(123,850)	308,021
Fund Balances, Beginning of Year	564,674	564,674	564,674	-
Fund Balances, End of Year	\$ 564,674	\$ 132,803	\$ 440,824	\$ 308,021

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET SWEEPING
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 663,000	\$ 663,000	\$ 664,538	\$ 1,538
Total Revenues	<u>663,000</u>	<u>663,000</u>	<u>664,538</u>	<u>1,538</u>
Expenditures:				
Current:				
Public works	531,662	573,699	551,251	22,448
Total Expenditures	<u>531,662</u>	<u>573,699</u>	<u>551,251</u>	<u>22,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>131,338</u>	<u>89,301</u>	<u>113,287</u>	<u>23,986</u>
Other Financing Sources (Uses):				
Transfers in	220,322	220,322	220,322	-
Transfers out	<u>(360,574)</u>	<u>(360,574)</u>	<u>(360,574)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(140,252)</u>	<u>(140,252)</u>	<u>(140,252)</u>	<u>-</u>
Net Change in Fund Balances	<u>(8,914)</u>	<u>(50,951)</u>	<u>(26,965)</u>	<u>23,986</u>
Fund Balances, Beginning of Year	<u>277,537</u>	<u>277,537</u>	<u>277,537</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 268,623</u>	<u>\$ 226,586</u>	<u>\$ 250,572</u>	<u>\$ 23,986</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
HOME PROGRAM
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 335,230	\$ 2,116,318	\$ 1,046,220	\$ (1,070,098)
Program income	10,000	10,000	68,067	58,067
Total Revenues	<u>345,230</u>	<u>2,126,318</u>	<u>1,114,287</u>	<u>(1,012,031)</u>
Expenditures:				
Current:				
Community development	345,230	2,073,836	1,114,287	959,549
Total Expenditures	<u>345,230</u>	<u>2,073,836</u>	<u>1,114,287</u>	<u>959,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>52,482</u>	<u>-</u>	<u>(52,482)</u>
Net Change in Fund Balances	<u>-</u>	<u>52,482</u>	<u>-</u>	<u>(52,482)</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 52,482</u>	<u>\$ -</u>	<u>\$ (52,482)</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
POLICE-SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 144,188	\$ 216,500	\$ 216,500	\$ -
Use of money and property	-	-	381	381
Total Revenues	<u>144,188</u>	<u>216,500</u>	<u>216,881</u>	<u>381</u>
Expenditures:				
Current:				
Public safety	144,188	216,500	216,745	(245)
Total Expenditures	<u>144,188</u>	<u>216,500</u>	<u>216,745</u>	<u>(245)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>136</u>	<u>136</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136</u>	<u>\$ 136</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
STREETS FUND
YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,219,700	\$ 7,219,700	\$ 7,168,868	\$ (50,832)
Intergovernmental	2,039,307	2,039,307	1,911,185	(128,122)
Charges for services	162,849	162,849	193,396	30,547
Use of money and property	36,968	36,968	33,887	(3,081)
Other revenues	258,466	258,466	566,241	307,775
Total Revenues	9,717,290	9,717,290	9,873,577	156,287
Expenditures:				
Current:				
Public works	8,362,500	8,456,568	8,135,334	321,234
Total Expenditures	8,362,500	8,456,568	8,135,334	321,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,354,790	1,260,722	1,738,243	477,521
Other Financing Sources (Uses):				
Transfers in	-	272,330	272,330	-
Transfers out	(2,105,849)	(2,219,349)	(2,219,349)	-
Total Other Financing Sources (Uses)	(2,105,849)	(1,947,019)	(1,947,019)	-
Net Change in Fund Balances	(751,059)	(686,297)	(208,776)	477,521
Fund Balances, Beginning of Year	602,926	602,926	602,926	-
Fund Balances, End of Year	\$ (148,133)	\$ (83,371)	\$ 394,150	\$ 477,521

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ -	\$ 808,316	\$ 577,176	\$ (231,140)
Total Revenues	<u>-</u>	<u>808,316</u>	<u>577,176</u>	<u>(231,140)</u>
Expenditures:				
Capital outlay	2,745,000	7,207,759	2,056,794	5,150,965
Total Expenditures	<u>2,745,000</u>	<u>7,207,759</u>	<u>2,056,794</u>	<u>5,150,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,745,000)</u>	<u>(6,399,443)</u>	<u>(1,479,618)</u>	<u>4,919,825</u>
Other Financing Sources (Uses):				
Transfers in	549,000	706,855	738,376	31,521
Total Other Financing Sources (Uses)	<u>549,000</u>	<u>706,855</u>	<u>738,376</u>	<u>31,521</u>
Net Change in Fund Balances	<u>(2,196,000)</u>	<u>(5,692,588)</u>	<u>(741,242)</u>	<u>4,951,346</u>
Fund Balances, Beginning of Year	<u>7,333,661</u>	<u>7,333,661</u>	<u>7,333,661</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 5,137,661</u>	<u>\$ 1,641,073</u>	<u>\$ 6,592,419</u>	<u>\$ 4,951,346</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ 25,659	\$ 25,659
Other revenues	-	54,400	62,023	7,623
Total Revenues	<u>-</u>	<u>54,400</u>	<u>87,682</u>	<u>33,282</u>
Expenditures:				
Capital outlay	1,880,024	5,552,792	3,236,421	2,316,371
Total Expenditures	<u>1,880,024</u>	<u>5,552,792</u>	<u>3,236,421</u>	<u>2,316,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,880,024)</u>	<u>(5,498,392)</u>	<u>(3,148,739)</u>	<u>2,349,653</u>
Other Financing Sources (Uses):				
Transfers in	1,880,024	1,880,024	1,880,024	-
Transfers out	-	(856,960)	(856,960)	-
Total Other Financing Sources (Uses)	<u>1,880,024</u>	<u>1,023,064</u>	<u>1,023,064</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(4,475,328)</u>	<u>(2,125,675)</u>	<u>2,349,653</u>
Fund Balances, Beginning of Year	<u>4,525,328</u>	<u>4,525,328</u>	<u>4,525,328</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 4,525,328</u>	<u>\$ 50,000</u>	<u>\$ 2,399,653</u>	<u>\$ 2,349,653</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 CREEKS RESTORATION CAPITAL IMPROVEMENTS
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 3,238,728	\$ 1,345,237	\$ (1,893,491)
Total Revenues	<u>-</u>	<u>3,238,728</u>	<u>1,345,237</u>	<u>(1,893,491)</u>
Expenditures:				
Capital outlay	1,325,000	13,402,742	4,460,097	8,942,645
Total Expenditures	<u>1,325,000</u>	<u>13,402,742</u>	<u>4,460,097</u>	<u>8,942,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,325,000)</u>	<u>(10,164,014)</u>	<u>(3,114,860)</u>	<u>7,049,154</u>
Other Financing Sources (Uses):				
Transfers in	1,325,000	1,786,473	1,786,473	-
Total Other Financing Sources (Uses)	<u>1,325,000</u>	<u>1,786,473</u>	<u>1,786,473</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(8,377,541)</u>	<u>(1,328,387)</u>	<u>7,049,154</u>
Fund Balances, Beginning of Year	<u>9,804,972</u>	<u>9,804,972</u>	<u>9,804,972</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 9,804,972</u>	<u>\$ 1,427,431</u>	<u>\$ 8,476,585</u>	<u>\$ 7,049,154</u>

CITY OF SANTA BARBARA

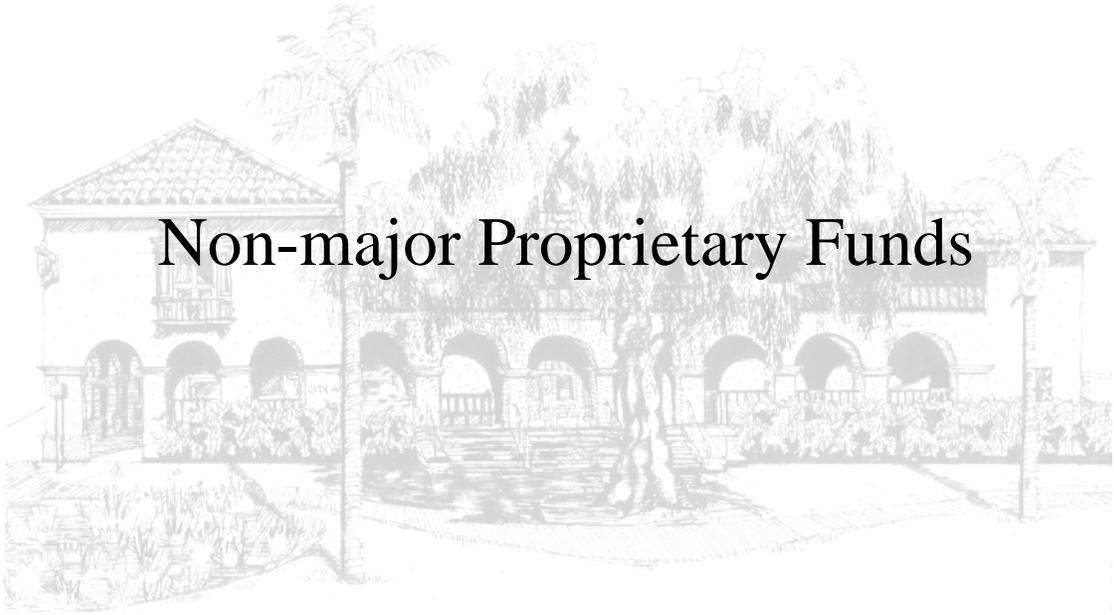
BUDGETARY COMPARISON SCHEDULE
 MEASURE A CAPITAL FUND
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive Negative</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Capital outlay	\$ 1,608,004	\$ 3,749,619	\$ 1,201,269	\$ 2,548,350
Total Expenditures	<u>1,608,004</u>	<u>3,749,619</u>	<u>1,201,269</u>	<u>2,548,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,608,004)</u>	<u>(3,749,619)</u>	<u>(1,201,269)</u>	<u>(2,548,350)</u>
Other Financing Sources (Uses):				
Transfers in	<u>1,608,004</u>	<u>1,731,467</u>	<u>1,731,467</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,608,004</u>	<u>1,731,467</u>	<u>1,731,467</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(2,018,152)</u>	<u>530,198</u>	<u>(2,548,350)</u>
Fund Balances, Beginning of Year	<u>1,704,920</u>	<u>1,704,920</u>	<u>1,704,920</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,704,920</u>	<u>\$ (313,232)</u>	<u>\$ 2,235,118</u>	<u>\$ 7,049,154</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 STREET GRANT CAPITAL IMPROVEMENT
 YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 344,717	\$ 32,988,340	\$ 16,866,982	\$ (16,121,358)
Other revenues	-	3,629,739	2,178,862	(1,450,877)
Total Revenues	<u>344,717</u>	<u>36,618,079</u>	<u>19,045,844</u>	<u>(17,572,235)</u>
Expenditures:				
Capital outlay	344,717	37,464,934	21,113,116	16,351,818
Total Expenditures	<u>344,717</u>	<u>37,464,934</u>	<u>21,113,116</u>	<u>16,351,818</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(846,855)	(2,067,272)	(1,220,417)
Other Financing Sources (Uses):				
Transfers in	-	634,630	634,630	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>634,630</u>	<u>634,630</u>	<u>-</u>
Net Change in Fund Balances	-	(212,225)	(1,432,642)	(1,220,417)
Fund Balances, Beginning of Year	(84,992)	(84,992)	(84,992)	-
Fund Balances, End of Year	<u>\$ (84,992)</u>	<u>\$ (297,217)</u>	<u>\$ (1,517,634)</u>	<u>\$ (1,220,417)</u>



Non-major 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 POSITION
NON-MAJOR PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 10,699,140	\$ 703,406	\$ 11,402,546
Accounts receivable, net	-	1,041	1,041
Total Current Assets	10,699,140	704,447	11,403,587
Noncurrent:			
Capital assets:			
Land	10,641,593	342,302	10,983,895
Buildings	30,660,763	1,198,600	31,859,363
Building improvements	-	227,526	227,526
Improvements other than building	23,206,783	4,470,424	27,677,207
Equipment	2,658,183	1,298,097	3,956,280
Other infrastructure	340,131	-	340,131
Construction in progress	690,053	-	690,053
Less: accumulated depreciation	(30,383,271)	(4,438,928)	(34,822,199)
Total capital assets, net	37,814,235	3,098,021	40,912,256
Total Noncurrent Assets	37,814,235	3,098,021	40,912,256
Total Assets	48,513,375	3,802,468	52,315,843
Deferred Outflows of Resources:			
Deferred charge on debt refunding	-	21,328	21,328
Deferred pension-related items	875,243	382,648	1,257,891
Total Deferred Outflows of Resources	875,243	403,976	1,279,219
LIABILITIES			
Current:			
Accounts payable	125,331	55,535	180,866
Salaries and benefits payable	211,218	20,469	231,687
Accrued interest payable	-	6,567	6,567
Unearned revenues	-	56,186	56,186
Deposits	57,595	-	57,595
Compensated absences payable	121,697	-	121,697
Current portion long-term debt	-	166,600	166,600
Total Current Liabilities	515,841	305,357	821,198
Noncurrent:			
Advances from other funds	-	888,340	888,340
Net pension-liability	3,933,289	1,704,975	5,638,264
Compensated absences payable	13,522	-	13,522
Long-term debt, net of current portion	-	175,100	175,100
Total Noncurrent Liabilities	3,946,811	2,768,415	6,715,226
Total Liabilities	4,462,652	3,073,772	7,536,424
Deferred Inflows of Resources:			
Deferred pension-related items	812,452	351,915	1,164,367
Total Deferred Inflows of Resources	812,452	351,915	1,164,367
Net Position:			
Net investment in capital assets	37,814,235	2,777,649	40,591,884
Unrestricted	6,299,279	(1,996,892)	4,302,387
Total Net Position	\$ 44,113,514	\$ 780,757	\$ 44,894,271

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
Operating Revenues:			
Service charges	\$ 8,316,522	\$ 1,635,775	\$ 9,952,297
Leases and rents	107,000	311,438	418,438
Other revenues	33,080	3,018	36,098
Total Operating Revenues	8,456,602	1,950,231	10,406,833
Operating Expenses:			
Salaries, wages and benefits	4,040,016	867,146	4,907,162
Materials, supplies and services	2,932,943	900,344	3,833,287
Depreciation expense	905,768	187,941	1,093,709
Total Operating Expenses	7,878,727	1,955,431	9,834,158
Operating Income (Loss)	577,875	(5,200)	572,675
Nonoperating Revenues (Expenses):			
Interest revenue	132,797	8,704	141,501
Interest expense	-	(50,606)	(50,606)
Total Nonoperating Revenues (Expenses)	132,797	(41,902)	90,895
Transfers in	43,500	-	43,500
Transfers out	(342,966)	-	(342,966)
Changes in Net Position	411,206	(47,102)	364,104
Net Position:			
Beginning of Year	43,702,308	827,859	44,530,167
End of Fiscal Year	\$ 44,113,514	\$ 780,757	\$ 44,894,271

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 8,440,784	\$ 1,952,481	\$ 10,393,265
Cash paid to suppliers for goods and services	(2,899,510)	(880,495)	(3,780,005)
Cash paid to employees for services	(4,246,268)	(1,044,231)	(5,290,499)
Cash received from (payments to) others	33,080	3,018	36,098
Net Cash Provided (Used) by Operating Activities	<u>1,328,086</u>	<u>30,773</u>	<u>1,358,859</u>
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	43,500	-	43,500
Cash transfers out	(342,966)	-	(342,966)
Advance from (to) other funds	-	218,489	218,489
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(299,466)</u>	<u>218,489</u>	<u>(80,977)</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(617,640)	(47,547)	(665,187)
Principal paid on capital debt	-	(158,100)	(158,100)
Interest paid on capital debt	-	(159,287)	(159,287)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(617,640)</u>	<u>(364,934)</u>	<u>(982,574)</u>
Cash Flows from Investing Activities:			
Interest received	132,797	8,704	141,501
Net Cash Provided (Used) by Investing Activities	<u>132,797</u>	<u>8,704</u>	<u>141,501</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>543,777</u>	<u>(106,968)</u>	<u>436,809</u>
Cash and Cash Equivalents at Beginning of Year	10,155,363	810,374	10,965,737
Cash and Cash Equivalents at End of Year	<u>\$ 10,699,140</u>	<u>\$ 703,406</u>	<u>\$ 11,402,546</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 577,875	\$ (5,200)	\$ 572,675
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	905,768	187,941	1,093,709
(Increase) decrease in accounts receivable	21,262	(1,041)	20,221
Increase (decrease) in accrued liabilities	21,313	(25,904)	(4,591)
Increase (decrease) in accounts payable	16,151	19,849	36,000
Increase (decrease) in pensions	(233,198)	(101,952)	(335,150)
Increase (decrease) in deposits payable	17,282	-	17,282
Increase (decrease) in unearned revenue	(4,000)	6,309	2,309
Increase (decrease) in compensated absences	5,633	(49,229)	(43,596)
Total Adjustments	<u>750,211</u>	<u>35,973</u>	<u>786,184</u>
Net Cash Provided (Used) by Operating Activities	<u>1,328,086</u>	<u>30,773</u>	<u>1,358,859</u>
Non-Cash Investing, Capital, and Financing Activities:			
Change in Fair Value of Investments	\$ (236)	\$ (18)	\$ (254)



Internal Service Funds

INTERNAL SERVICE FUNDS

Intra-City Service Fund – To account for the operating and capital costs of City-wide building maintenance operations, custodial services, and communications.

Self Insurance Fund - To account for the cost of providing workers' compensation, unemployment, liability, employee health insurance coverage, and other post employment benefits, 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 operating an automotive maintenance facility, maintaining all City departmental vehicles, and purchasing new vehicles for use within the City-wide organization.

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2016

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 1,351,284	\$ 4,426,179	\$ 2,518,987	\$ 13,146,716	\$ 21,443,166
Accounts receivable, net	108,400	1,491,611	-	19,092	1,619,103
Inventories	730,236	-	-	109,602	839,838
Total Current Assets	2,189,920	5,917,790	2,518,987	13,275,410	23,902,107
Noncurrent:					
Advances to other funds	-	-	-	114,899	114,899
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	3,630,654	-	-	684,789	4,315,443
Improvements other than building	2,754,578	-	-	-	2,754,578
Equipment	392,230	-	1,889,311	23,264,164	25,545,705
Construction in progress	131,381	-	139,141	74,717	345,239
Less: accumulated depreciation	(778,991)	-	(293,982)	(16,086,120)	(17,159,093)
Total capital assets, net	6,235,741	-	1,734,470	7,937,550	15,907,761
Total Noncurrent Assets	6,235,741	-	1,734,470	8,052,449	16,022,660
Total Assets	8,425,661	5,917,790	4,253,457	21,327,859	39,924,767
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension-related items	1,294,935	176,199	639,819	496,224	2,607,177
Total Deferred Outflows of Resources	1,294,935	176,199	639,819	496,224	2,607,177
LIABILITIES					
Current:					
Accounts payable	458,153	109,700	44,122	548,756	1,160,731
Salaries and benefits payable	181,836	81,722	98,691	73,345	435,594
Compensated absences payable	184,215	27,107	90,305	73,340	374,967
Current portion claims payable	-	3,989,118	-	-	3,989,118
Total Current Liabilities	824,204	4,207,647	233,118	695,441	5,960,410
Noncurrent:					
Net pension liability	5,516,102	781,812	2,763,287	2,121,662	11,182,863
Other post-employment (OPEB) obligation	-	16,622,002	-	-	16,622,002
Compensated absences payable	20,468	3,012	10,034	8,149	41,663
Estimated claims liability, net of current portion	-	7,872,045	-	-	7,872,045
Total Noncurrent Liabilities	5,536,570	25,278,871	2,773,321	2,129,811	35,718,573
Total Liabilities	6,360,774	29,486,518	3,006,439	2,825,252	41,678,983
DEFERRED INFLOWS OF RESOURCES					
Deferred pension-related items	1,133,957	161,309	568,772	436,303	2,300,341
Total Deferred Inflows of Resources	1,133,957	161,309	568,772	436,303	2,300,341
Net Position:					
Investment in capital assets	6,235,741	-	1,734,470	7,937,550	15,907,761
Unrestricted	(4,009,876)	(23,553,838)	(416,405)	10,624,978	(17,355,141)
Total Net Position	\$ 2,225,865	\$ (23,553,838)	\$ 1,318,065	\$ 18,562,528	\$ (1,447,380)

CITY OF SANTA BARBARA

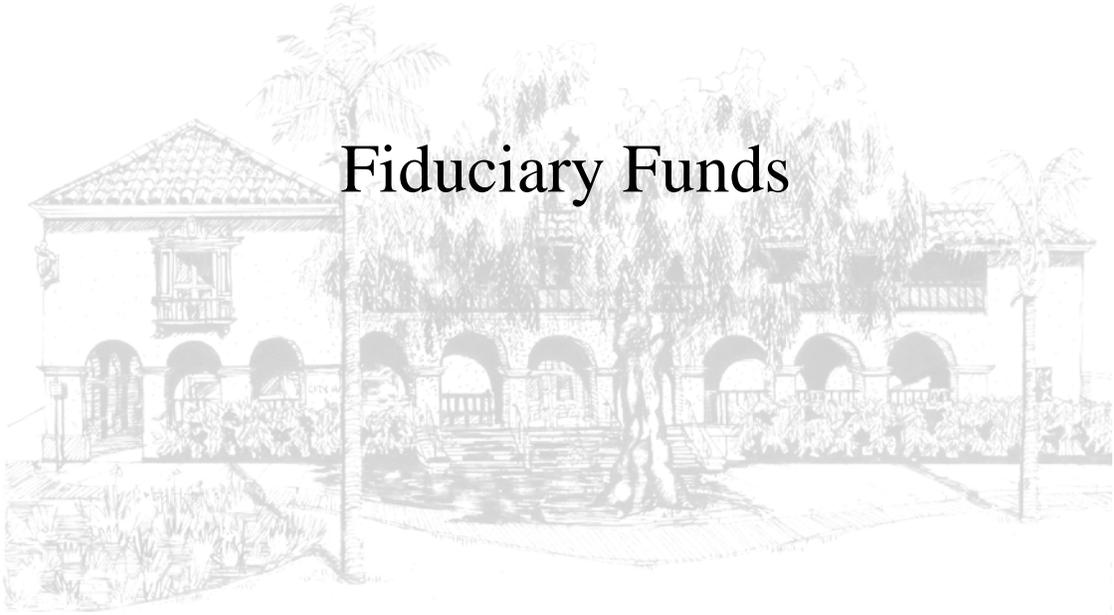
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
Operating Revenues:					
Service charges	\$ 6,904,568	\$ 8,787,726	\$ 3,205,021	\$ 5,719,876	\$ 24,617,191
Other revenues	333,281	717,766	-	327,340	1,378,387
Total Operating Revenues	7,237,849	9,505,492	3,205,021	6,047,216	25,995,578
Operating Expenses:					
Salaries, wages and benefits	3,427,511	3,162,360	1,686,426	1,321,186	9,597,483
Materials, supplies and services	3,633,939	10,698,643	1,084,904	1,563,712	16,981,198
Depreciation expense	147,230	-	233,382	1,326,433	1,707,045
Total Operating Expenses	7,208,680	13,861,003	3,004,712	4,211,331	28,285,726
Operating Income (Loss)	29,169	(4,355,511)	200,309	1,835,885	(2,290,148)
Nonoperating Revenues (Expenses):					
Interest revenue	-	52,496	-	142,879	195,375
Total Nonoperating Revenues (Expenses)	-	52,496	-	142,879	195,375
Income (Loss) Before Transfers and Contributions	29,169	(4,303,015)	200,309	1,978,764	(2,094,773)
Capital Contributions	1,143,730	-	-	-	1,143,730
Transfers in	375,000	75,825	325,653	-	776,478
Transfers out	-	-	-	(400,511)	(400,511)
Changes in Net Position	1,547,899	(4,227,190)	525,962	1,578,253	(575,076)
Net Position:					
Beginning of Year	677,966	(19,326,648)	792,103	16,984,275	(872,304)
End of Fiscal Year	\$ 2,225,865	\$ (23,553,838)	\$ 1,318,065	\$ 18,562,528	\$ (1,447,380)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	6,796,168	8,327,503	3,205,021	5,728,928	24,057,620
Cash paid to suppliers for goods and services	(3,437,794)	(6,743,168)	(1,138,969)	(1,260,004)	(12,579,935)
Cash paid to employees for services	(3,732,810)	(2,906,998)	(1,851,545)	(1,447,545)	(9,938,898)
Cash received from (payments to) others	333,281	717,766	-	327,340	1,378,387
Net Cash Provided (Used) by Operating Activities	(41,155)	(604,897)	214,507	3,348,719	2,917,174
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	375,000	75,825	325,653	-	776,478
Cash transfers out	-	-	-	(400,511)	(400,511)
Advance from (to) other funds	-	-	-	54,952	54,952
Net Cash Provided (Used) by Non-Capital Financing Activities	375,000	75,825	325,653	(345,559)	430,919
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(782,545)	-	(286,492)	(2,791,023)	(3,860,060)
Net Cash Provided (Used) by Capital and Related Financing Activities	(782,545)	-	(286,492)	(2,791,023)	(3,860,060)
Cash Flows from Investing Activities:					
Interest received	-	52,496	-	142,879	195,375
Net Cash Provided (Used) by Investing Activities	-	52,496	-	142,879	195,375
Net Increase (Decrease) in Cash and Cash Equivalents	(448,700)	(476,576)	253,668	355,016	(316,592)
Cash and Cash Equivalents at Beginning of Year	1,799,984	4,902,755	2,265,319	12,791,700	21,759,758
Cash and Cash Equivalents at End of Year	\$ 1,351,284	\$ 4,426,179	\$ 2,518,987	\$ 13,146,716	\$ 21,443,166
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	29,169	(4,355,511)	200,309	1,835,885	(2,290,148)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	147,230	-	233,382	1,326,433	1,707,045
(Increase) decrease in accounts receivable	(108,400)	(460,223)	-	9,052	(559,571)
(Increase) decrease in inventory	71,717	-	-	35,949	107,666
Increase (decrease) in accrued liabilities	18,482	5,963	12,293	3,575	40,313
Increase (decrease) in accounts payable	124,428	13,958	(54,065)	267,759	352,080
Increase (decrease) in OPEB Obligation	-	295,002	-	-	295,002
Increase (decrease) in pensions	(345,021)	(46,946)	(170,472)	(132,213)	(694,652)
Increase (decrease) in claims and judgments	-	3,941,517	-	-	3,941,517
Increase (decrease) in compensated absences	21,240	1,343	(6,940)	2,279	17,922
Total Adjustments	(70,324)	3,750,614	14,198	1,512,834	5,207,322
Net Cash Provided (Used) by Operating Activities	\$ (41,155)	\$ (604,897)	\$ 214,507	\$ 3,348,719	\$ 2,917,174
Non-Cash Investing, Capital, and Financing Activities:					
Change in Fair Value of Investments	\$ -	\$ (95)	\$ -	\$ (262)	\$ (357)



Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

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.

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, and who were disabled due to job related injuries.

PRIVATE PURPOSE TRUST FUNDS

Successor Agency of the Former RDA Fund - To account for assets held until they are distributed to other units of state and local government and to receive revenue from the County to pay enforceable obligations of the former redevelopment agency.

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

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

AGENCY FUNDS

Revolving Rehabilitation Loan Fund - To account for moneys received from various public agencies for funding of rehabilitation loans to low and moderate income applicants.

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).

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

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
ALL PENSION TRUST FUNDS
JUNE 30, 2016

	<u>Service Retirement Fund</u>	<u>Safety Retirement Fund</u>	<u>Totals</u>
ASSETS			
Current assets:			
Restricted assets:			
Cash and investments	\$ 453,452	\$ -	\$ 453,452
Total Assets	<u>453,452</u>	<u>-</u>	<u>453,452</u>
LIABILITIES			
Current liabilities:			
Due to the City of Santa Barbara	-	621,370	621,370
Total Liabilities	<u>-</u>	<u>621,370</u>	<u>621,370</u>
NET POSITION			
Held in trust:			
Employees' pension benefit	453,452	(621,370)	(167,918)
Total Net Position	<u>\$ 453,452</u>	<u>\$ (621,370)</u>	<u>\$ (167,918)</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PENSION TRUST FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Service Retirement Fund</u>	<u>Safety Retirement Fund</u>	<u>Totals</u>
ADDITIONS			
Employer contributions	\$ -	\$ 120,000	\$ 120,000
Investment earnings:			
Net appreciation (depreciation) in fair value	4,500	-	4,500
Interest	23,862	-	23,862
Dividends	5,537	-	5,537
Total investment earnings	<u>33,899</u>	<u>-</u>	<u>33,899</u>
Less: investment expense	<u>(5,303)</u>	<u>-</u>	<u>(5,303)</u>
Net investment income	<u>28,596</u>	<u>-</u>	<u>28,596</u>
Total Additions	<u>28,596</u>	<u>120,000</u>	<u>148,596</u>
DEDUCTIONS			
Benefits	<u>67,115</u>	<u>48,972</u>	<u>116,087</u>
Total Deductions	<u>67,115</u>	<u>48,972</u>	<u>116,087</u>
Changes in Net Position	(38,519)	71,028	32,509
NET POSITION - Beginning of the Year	<u>491,971</u>	<u>(692,398)</u>	<u>(200,427)</u>
NET POSITION - End of the Year	<u>\$ 453,452</u>	<u>\$ (621,370)</u>	<u>\$ (167,918)</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2016

	<u>Successor Agency of the Former RDA</u>	<u>Library Gift Trust</u>	<u>Canine Unit Trust</u>	<u>Totals</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 3,023	\$ 2,781,201	\$ 74,520	\$ 2,858,744
Loans receivable	3,500,000	-	-	3,500,000
Land held for resale	2,873,528	-	-	2,873,528
Restricted assets:				
Cash and investments with fiscal agents	11,490,162	-	-	11,490,162
Non-current assets:				
Capital assets:				
Land	1,124,270	-	-	1,124,270
Building improvements	2,174,794	-	-	2,174,794
Improvements other than building	228,367	-	-	228,367
Construction in progress	1,917,836	-	-	1,917,836
Less: accumulated depreciation	(68,797)	-	-	(68,797)
Total capital assets	<u>5,376,470</u>	<u>-</u>	<u>-</u>	<u>5,376,470</u>
Total Assets	<u>23,243,183</u>	<u>2,781,201</u>	<u>74,520</u>	<u>26,098,904</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on debt refunding	<u>55,977</u>	<u>-</u>	<u>-</u>	<u>55,977</u>
Total Deferred Outflows of Resources	<u>55,977</u>	<u>-</u>	<u>-</u>	<u>55,977</u>
LIABILITIES				
Current liabilities:				
Accounts payable	57,131	-	1,209	58,340
Salaries and benefits payable	7,922	-	-	7,922
Accrued interest payable	334,239	-	-	334,239
Current portion of long-term debt	7,085,000	-	-	7,085,000
Non-current liabilities:				
Long-term debt, net of current portion	<u>15,324,228</u>	<u>-</u>	<u>-</u>	<u>15,324,228</u>
Total Liabilities	<u>22,808,520</u>	<u>-</u>	<u>1,209</u>	<u>22,809,729</u>
NET POSITION				
Held in trust:				
Police	-	-	73,311	73,311
Library	-	2,781,201	-	2,781,201
Successor Agency of the Former RDA	<u>490,640</u>	<u>-</u>	<u>-</u>	<u>490,640</u>
Total Net Position	<u>\$ 490,640</u>	<u>\$ 2,781,201</u>	<u>\$ 73,311</u>	<u>\$ 3,345,152</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2016

	<u>Successor Agency of the Former RDA</u>	<u>Library Gift Trust</u>	<u>Canine Unit Trust</u>	<u>Totals</u>
ADDITIONS				
Contributions	\$ 53,691	\$ 145,843	\$ -	\$ 199,534
Taxes	8,586,766	-	-	8,586,766
Investment earnings:				
Interest	-	12,079	308	12,387
Dividends	5,855	-	-	5,855
Total investment earnings	<u>5,855</u>	<u>12,079</u>	<u>308</u>	<u>18,242</u>
Other	-	-	21,250	21,250
Total Additions	<u>8,646,312</u>	<u>157,922</u>	<u>21,558</u>	<u>8,825,792</u>
DEDUCTIONS				
Administrative expenses	141,451	-	-	141,451
Contractual services	100,485	-	-	100,485
Interest expense	1,249,850	-	-	1,249,850
Depreciation expense	173,210	-	-	173,210
Community services	-	177,734	16,503	194,237
Total Deductions	<u>1,664,996</u>	<u>177,734</u>	<u>16,503</u>	<u>1,859,233</u>
Extraordinary loss	<u>(23,054,186)</u>	<u>-</u>	<u>-</u>	<u>(23,054,186)</u>
Changes in Net Position	<u>(16,072,870)</u>	<u>(19,812)</u>	<u>5,055</u>	<u>(16,087,627)</u>
NET POSITION - Beginning of the Year	<u>16,563,510</u>	<u>2,801,013</u>	<u>68,256</u>	<u>19,432,779</u>
NET POSITION - End of the Year	<u>\$ 490,640</u>	<u>\$ 2,781,201</u>	<u>\$ 73,311</u>	<u>\$ 3,345,152</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2016

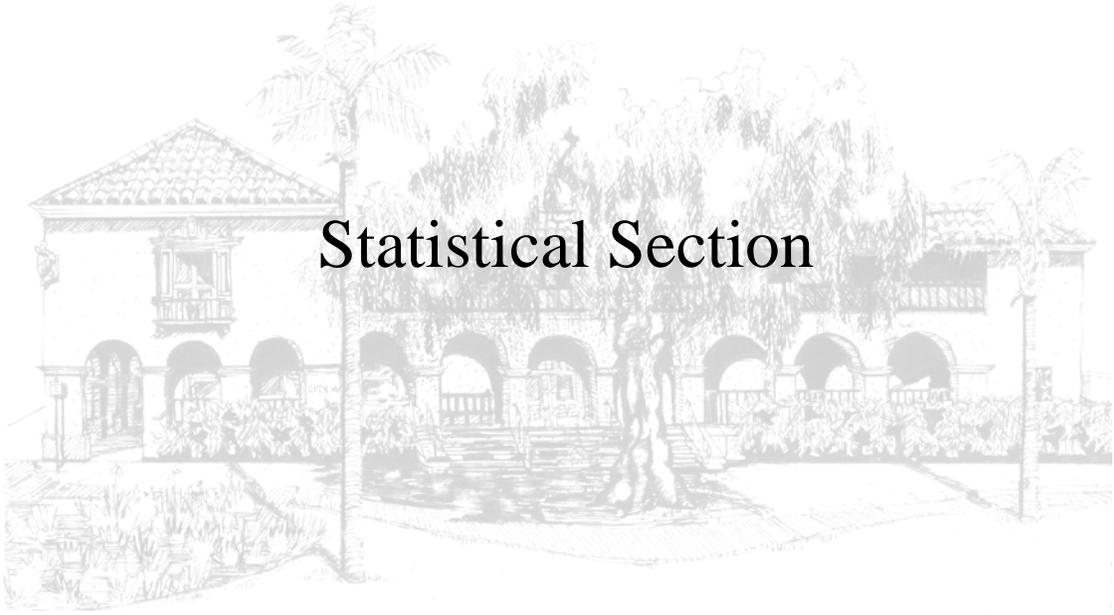
	<u>Revolving Rehab Loan</u>	<u>California Law Enforcement Telecommunications</u>	<u>Seismic Safety Assessment Fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,208,478	\$ 78,151	\$ 204,017	\$ 1,490,646
Accounts receivable, net	-	14,118	-	14,118
Loans receivable	1,963,149	-	-	1,963,149
Equipment	-	180,000	-	180,000
Less: accumulated depreciation	-	(180,000)	-	(180,000)
Total Assets	<u>\$ 3,171,627</u>	<u>\$ 92,269</u>	<u>\$ 204,017</u>	<u>\$ 3,467,913</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,569	\$ -	\$ -	\$ 1,569
Trust Liability	<u>3,170,058</u>	<u>92,269</u>	<u>204,017</u>	<u>3,466,344</u>
Total Liabilities	<u>\$ 3,171,627</u>	<u>\$ 92,269</u>	<u>\$ 204,017</u>	<u>\$ 3,467,913</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 JUNE 30, 2016

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2016</u>
Revolving Rehab Loan				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,075,507	\$ 156,666	\$ 23,695	\$ 1,208,478
Loans receivable	<u>2,007,942</u>	<u>432</u>	<u>45,225</u>	<u>1,963,149</u>
Total Assets	<u>\$ 3,083,449</u>	<u>\$ 157,098</u>	<u>\$ 68,920</u>	<u>\$ 3,171,627</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,569	\$ -	\$ -	\$ 1,569
Trust liability	<u>3,081,880</u>	<u>88,178</u>	<u>-</u>	<u>3,170,058</u>
Total Liabilities	<u>\$ 3,083,449</u>	<u>\$ 88,178</u>	<u>\$ -</u>	<u>\$ 3,171,627</u>
California Law Enforcement Telecommunications				
ASSETS				
Current assets:				
Pooled cash and investments	80,055	287,306	289,210	78,151
Accounts receivable, net	45,637	189,075	220,594	14,118
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Total Assets	<u>\$ 125,692</u>	<u>\$ 476,381</u>	<u>\$ 509,804</u>	<u>\$ 92,269</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 55,108	\$ 153,636	\$ 208,744	\$ -
Trust liability	<u>70,584</u>	<u>251,768</u>	<u>230,083</u>	<u>92,269</u>
Total Liabilities	<u>\$ 125,692</u>	<u>\$ 405,404</u>	<u>\$ 438,827</u>	<u>\$ 92,269</u>
Seismic Safety Assessment Fund				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Assets	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
LIABILITIES				
Current liabilities:				
Trust liability	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Liabilities	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
Totals - All Agency Funds				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,359,579	\$ 443,972	\$ 312,905	\$ 1,490,646
Accounts receivable, net	45,637	189,075	220,594	14,118
Loans receivable	2,007,942	432	45,225	1,963,149
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
Total Assets	<u>\$ 3,413,158</u>	<u>\$ 633,479</u>	<u>\$ 578,724</u>	<u>\$ 3,467,913</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 56,677	\$ 153,636	\$ 208,744	\$ 1,569
Trust liability	<u>3,356,481</u>	<u>339,946</u>	<u>230,083</u>	<u>3,466,344</u>
Total Liabilities	<u>\$ 3,413,158</u>	<u>\$ 493,582</u>	<u>\$ 438,827</u>	<u>\$ 3,467,913</u>





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 City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	164
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	172
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	176
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	181
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	184

Sources: 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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 305,449	\$ 319,070	\$ 331,171	\$ 340,824	\$ 325,209	\$ 304,586	\$ 312,891	\$ 362,540	\$ 381,554	\$ 427,683
Restricted	85,569	89,964	99,248	94,789	110,947	63,244	66,510	65,614	81,979	80,934
Unrestricted	36,228	36,948	32,329	33,148	22,625	41,161	42,378	45,146	(190,965)	(186,953)
Total governmental activities net position	<u>\$ 427,246</u>	<u>\$ 445,982</u>	<u>\$ 462,748</u>	<u>\$ 468,761</u>	<u>\$ 458,781</u>	<u>\$ 408,991</u>	<u>\$ 421,779</u>	<u>\$ 473,300</u>	<u>\$ 272,568</u>	<u>\$ 321,664</u>
Business-type activities										
Net investment in capital assets	\$ 255,451	\$ 275,594	\$ 285,547	\$ 290,085	\$ 309,659	\$ 296,692	\$ 300,997	\$ 340,246	\$ 347,257	\$ 361,076
Restricted	12,303	9,784	8,377	7,618	17,223	18,565	1,358	3,659	3,794	11,962
Unrestricted	84,159	87,716	83,993	83,606	86,528	78,969	98,908	95,656	43,114	37,996
Total business-type activities net position	<u>\$ 351,913</u>	<u>\$ 373,094</u>	<u>\$ 377,917</u>	<u>\$ 381,309</u>	<u>\$ 413,410</u>	<u>\$ 394,226</u>	<u>\$ 401,263</u>	<u>\$ 439,561</u>	<u>\$ 394,165</u>	<u>\$ 411,034</u>
Primary government										
Net investment in capital assets	\$ 560,900	\$ 594,664	\$ 616,718	\$ 630,909	\$ 634,868	\$ 601,278	\$ 613,888	\$ 702,786	\$ 728,811	\$ 788,759
Restricted	97,872	99,748	107,625	102,407	128,170	81,809	67,868	69,273	85,773	92,896
Unrestricted	120,387	124,664	116,322	116,754	109,153	120,130	141,286	140,802	(147,851)	(148,957)
Total primary government net position	<u>\$ 779,159</u>	<u>\$ 819,076</u>	<u>\$ 840,665</u>	<u>\$ 850,070</u>	<u>\$ 872,191</u>	<u>\$ 803,217</u>	<u>\$ 823,042</u>	<u>\$ 912,861</u>	<u>\$ 666,733</u>	<u>\$ 732,698</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Administration	\$ 12,329	\$ 12,197	\$ 12,217	\$ 11,255	\$ 10,519	\$ 11,081	\$ 11,851	\$ 14,650	\$ 17,100	\$ 16,179
Public safety	51,186	54,395	55,394	55,564	54,707	57,457	61,719	66,525	65,260	63,451
Public works	45,284	44,528	46,914	43,082	44,407	25,878	25,252	24,552	29,672	26,053
Community services	22,032	22,983	23,610	21,657	21,251	19,969	24,104	24,083	25,377	26,454
Community development	17,939	19,948	19,676	29,336	21,314	17,017	11,864	13,567	12,077	16,933
Interest on long-term debt	3,810	3,408	3,186	3,040	2,876	572	82	74	56	42
Total governmental activities expenses	152,580	157,459	160,997	163,934	155,074	131,974	134,872	143,451	149,542	149,112
Business-type activities:										
Water	27,311	27,415	29,642	29,575	29,427	29,985	32,214	35,316	40,409	35,859
Wastewater	13,253	14,560	15,938	15,312	15,709	15,887	17,217	16,930	17,242	17,376
Airport	14,862	16,307	19,013	20,349	22,288	20,167	21,376	20,557	21,616	21,361
Waterfront	11,004	11,054	11,561	11,075	11,217	11,575	12,026	12,707	12,179	12,639
Solid Waste	-	-	-	-	-	18,773	19,124	19,732	20,353	20,498
Parking	6,018	6,262	6,949	6,219	6,666	6,849	7,359	7,693	8,325	7,941
Golf course	2,033	2,086	2,118	2,028	1,972	1,923	1,949	1,820	2,018	2,022
Total business-type activities expenses	74,481	77,684	85,221	84,558	87,279	105,159	111,265	114,755	122,142	117,696
Total primary government expenses	\$ 227,061	\$ 235,143	\$ 246,218	\$ 248,492	\$ 242,353	\$ 237,133	\$ 246,137	\$ 258,206	\$ 271,684	\$ 266,808
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 1,982	\$ 1,845	\$ 1,836	\$ 1,120	\$ 1,042	\$ 1,074	\$ 1,259	\$ 2,008	\$ 4,851	\$ 4,479
Public safety	9,195	9,401	9,448	9,807	9,610	9,365	10,538	13,627	10,794	10,650
Public works	22,255	23,902	25,683	26,444	25,949	8,471	8,789	9,434	8,945	9,161
Community services	4,945	5,211	5,369	5,078	4,854	5,022	5,532	7,934	10,869	11,909
Community development	5,548	5,608	5,403	5,251	5,427	4,670	5,095	5,348	5,347	6,540
Operating grants and contributions	15,979	15,099	13,576	17,150	13,782	14,829	13,251	14,490	6,303	8,487
Capital grants and contributions	4,178	8,733	11,102	5,469	11,318	5,703	8,474	10,517	24,137	26,181
Total governmental activities program revenues	64,082	69,799	72,417	70,319	71,982	49,134	52,938	63,358	71,246	77,407
Business-type activities:										
Charges for services:										
Water	30,477	32,610	32,263	32,359	31,158	36,265	38,171	36,368	34,573	45,097
Wastewater	12,559	13,449	13,896	14,140	14,770	15,563	17,658	17,991	17,742	18,632
Airport	14,861	15,451	15,298	14,621	15,863	16,745	17,740	17,910	17,902	17,988
Waterfront	10,894	11,177	10,754	11,275	11,313	12,370	12,782	13,776	14,982	14,658
Solid Waste	-	-	-	-	-	18,741	19,354	20,689	20,827	21,059
Parking	6,592	6,669	6,615	6,661	6,579	7,231	7,691	7,955	8,432	8,457
Golf course	2,231	2,245	2,221	1,715	1,892	1,820	1,833	2,031	1,950	1,950
Operating grants and contributions	115	145	135	328	-	-	-	-	-	24
Capital grants and contributions	17,155	11,861	5,049	4,217	6,174	2,778	4,256	3,663	3,289	5,582
Total business-type activities program revenues	94,884	93,607	86,231	85,316	87,749	111,513	119,485	120,383	119,697	133,447
Total primary government program revenues	\$ 158,966	\$ 163,406	\$ 158,648	\$ 155,635	\$ 159,731	\$ 160,647	\$ 172,423	\$ 183,741	\$ 190,943	\$ 210,854

(Continued)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense)/revenue										
Governmental activities	\$ (88,498)	\$ (87,660)	\$ (88,580)	\$ (93,615)	\$ (83,092)	\$ (82,840)	\$ (81,934)	\$ (80,093)	\$ (78,296)	\$ (71,705)
Business-type activities	<u>20,403</u>	<u>15,923</u>	<u>1,010</u>	<u>758</u>	<u>470</u>	<u>6,354</u>	<u>8,220</u>	<u>5,628</u>	<u>(2,445)</u>	<u>15,751</u>
Total primary government net expense	<u>\$ (68,095)</u>	<u>\$ (71,737)</u>	<u>\$ (87,570)</u>	<u>\$ (92,857)</u>	<u>\$ (82,622)</u>	<u>\$ (76,486)</u>	<u>\$ (73,714)</u>	<u>\$ (74,465)</u>	<u>\$ (80,741)</u>	<u>\$ (55,954)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 37,871	\$ 40,520	\$ 43,275	\$ 43,164	\$ 42,739	\$ 35,453	\$ 27,575	\$ 26,555	\$ 27,691	\$ 29,382
Sales & use	19,927	20,838	17,876	16,990	17,892	19,444	20,134	21,323	21,958	21,932
Transient occupancy	15,409	15,523	14,469	13,758	14,951	16,394	17,611	20,186	22,527	22,379
Utility users	13,133	12,525	12,654	11,711	13,887	13,974	14,054	14,016	13,810	14,338
Business license	2,214	2,252	2,302	2,245	2,207	2,202	2,345	2,555	2,574	2,636
Real property transfer	646	452	278	389	372	439	642	669	692	730
Franchise fees	3,583	3,181	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132
Unrestricted motor vehicle license-in-lieu	853	418	320	276	478	6	77	40	39	37
Investment income	4,762	6,643	4,846	2,275	1,912	2,366	2,521	2,165	2,030	2,288
Other revenue	3,111	3,862	5,952	5,199	4,755	3,932	6,193	660	669	419
Extraordinary gain (2)	-	-	-	-	-	-	-	38,084	-	23,054
Extraordinary loss (1)	-	-	-	-	-	(91,210)	-	-	-	-
Gain/loss on sale of capital assets	-	-	-	-	-	-	(695)	-	-	44
Transfers	<u>687</u>	<u>182</u>	<u>91</u>	<u>269</u>	<u>(29,560)</u>	<u>27,861</u>	<u>748</u>	<u>918</u>	<u>342</u>	<u>433</u>
Total governmental activities	<u>102,196</u>	<u>106,396</u>	<u>105,347</u>	<u>99,627</u>	<u>73,113</u>	<u>34,440</u>	<u>94,784</u>	<u>130,993</u>	<u>96,083</u>	<u>120,804</u>
Business-type activities:										
Investment earnings	4,687	5,440	3,904	2,904	2,070	1,813	582	1,562	1,218	1,304
Other revenue	-	-	-	-	-	-	-	221	555	248
Extraordinary gain (2)	-	-	-	-	-	-	-	28,956	-	-
Transfers	<u>(687)</u>	<u>(182)</u>	<u>(91)</u>	<u>(269)</u>	<u>29,560</u>	<u>(27,861)</u>	<u>(748)</u>	<u>(918)</u>	<u>(342)</u>	<u>(433)</u>
Total business-type activities	<u>4,000</u>	<u>5,258</u>	<u>3,813</u>	<u>2,635</u>	<u>31,630</u>	<u>(26,048)</u>	<u>(166)</u>	<u>29,821</u>	<u>1,431</u>	<u>1,119</u>
Total primary government	<u>\$ 106,196</u>	<u>\$ 111,654</u>	<u>\$ 109,160</u>	<u>\$ 102,262</u>	<u>\$ 104,743</u>	<u>\$ 8,392</u>	<u>\$ 94,618</u>	<u>\$ 160,814</u>	<u>\$ 97,514</u>	<u>\$ 121,923</u>
Change in Net Position										
Governmental activities	\$ 13,698	\$ 18,736	\$ 16,767	\$ 6,012	\$ (9,979)	\$ (48,400)	\$ 12,850	\$ 50,900	\$ 17,786	\$ 49,096
Business-type activities	<u>24,403</u>	<u>21,181</u>	<u>4,823</u>	<u>3,393</u>	<u>32,100</u>	<u>(19,694)</u>	<u>8,054</u>	<u>35,449</u>	<u>(1,014)</u>	<u>16,870</u>
Total primary government	<u>\$ 38,101</u>	<u>\$ 39,917</u>	<u>\$ 21,590</u>	<u>\$ 9,405</u>	<u>\$ 22,121</u>	<u>\$ (68,094)</u>	<u>\$ 20,904</u>	<u>\$ 86,349</u>	<u>\$ 16,772</u>	<u>\$ 65,966</u>

Note: Description of extraordinary gain / loss

- (1) Extraordinary loss of dissolution of RDA
- (2) Extraordinary gain from Successor Agency property transfer

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	Transportation Tax	Business License Tax	Real Property Transfer Tax	Total
2007	\$ 37,871	\$ 19,927	\$ 15,409	\$ 13,133	\$ 4,877	\$ 2,214	\$ 646	\$ 94,077
2008	40,520	20,838	15,523	12,525	4,778	2,252	452	96,888
2009	43,275	17,876	14,469	12,654	4,224	2,301	278	95,077
2010	43,164	16,990	13,758	11,711	4,441	2,245	389	92,698
2011	42,738	17,891	14,951	13,887	2,885	2,207	372	94,933
2012	35,453	19,444	16,394	13,974	3,185	2,202	439	91,091
2013	27,575	20,134	17,611	14,054	3,322	2,345	642	85,683
2014	26,555	21,323	20,186	14,016	3,488	2,555	669	88,792
2015	27,691	21,958	22,527	13,810	3,637	2,574	692	92,889
2016	29,382	21,932	22,379	14,338	3,689	2,636	730	95,086

* Note: In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

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

	Fiscal Year									
	2007	2008	2009	2010	2011 *	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 5,175	\$ 7,060	\$ 6,249	\$ 8,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	23,033	17,965	17,973	15,686	-	-	-	-	-	-
Nonspendable	-	-	-	-	8,313	8,664	7,813	6,910	4,033	2,747
Restricted	-	-	-	-	463	405	421	2,213	2,464	2,682
Committed	-	-	-	-	-	18,304	20,762	21,644	26,575	30,299
Assigned	-	-	-	-	-	103	226	153	177	203
Unassigned	-	-	-	-	17,770	-	-	-	-	-
Total general fund	<u>\$ 28,208</u>	<u>\$ 25,025</u>	<u>\$ 24,222</u>	<u>\$ 24,645</u>	<u>\$ 26,546</u>	<u>\$ 27,476</u>	<u>\$ 29,222</u>	<u>\$ 30,920</u>	<u>\$ 33,249</u>	<u>\$ 35,931</u>
All other governmental funds										
Reserved	\$ 114,672	\$ 118,960	\$ 122,736	\$ 113,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	1,346	2,582	3,015	1,419	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	49,642	434	-	-	-
Restricted	-	-	-	-	110,484	13,198	66,088	63,401	62,301	62,104
Committed	-	-	-	-	2,666	6,998	2,807	11,050	12,170	12,965
Assigned	-	-	-	-	2,208	4,165	10,603	8,636	8,156	3,789
Unassigned	-	-	-	-	(340)	(23)	(283)	(722)	(152)	(1,604)
Total all other governmental funds	<u>\$ 116,018</u>	<u>\$ 121,542</u>	<u>\$ 125,751</u>	<u>\$ 114,984</u>	<u>\$ 115,018</u>	<u>\$ 73,980</u>	<u>\$ 79,649</u>	<u>\$ 82,365</u>	<u>\$ 82,475</u>	<u>\$ 77,254</u>

* Note: In FY 2011, the City implemented Standard GASB 54, that required new fund balance classifications.

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 94,361	\$ 96,917	\$ 95,134	\$ 92,697	\$ 94,933	\$ 91,091	\$ 85,683	\$ 88,791	\$ 92,889	\$ 95,086
Franchise fees	3,583	3,181	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132
Intergovernmental	14,599	18,296	19,328	16,724	20,603	15,722	16,801	19,569	23,899	27,056
Fines and forfeitures	4,016	4,335	4,167	4,392	4,331	4,166	4,416	4,529	4,177	3,597
Use of money and property	5,173	6,632	4,944	2,502	2,258	2,472	2,924	2,047	1,939	2,177
Charges for services	33,399	35,478	37,649	38,689	38,722	20,625	20,192	20,923	21,567	22,336
Program income	512	283	321	661	835	321	493	311	511	386
Other revenues	8,610	9,234	11,156	10,858	9,982	8,346	12,192	9,642	11,537	13,672
Total revenues	164,253	174,356	175,983	169,874	175,144	146,322	146,280	149,634	160,270	167,442
Expenditures										
General government/administration (1)	12,008	12,007	11,931	10,941	10,008	10,699	10,788	11,444	13,794	15,923
Public safety	50,349	54,109	54,990	54,313	55,020	56,355	59,166	61,216	62,559	64,330
Public works	37,677	38,615	40,058	31,743	30,301	12,817	13,072	12,829	21,087	20,536
Community services	20,044	21,420	21,549	19,317	18,763	19,140	20,365	21,140	22,009	23,191
Community development	16,144	18,014	17,140	24,546	18,110	14,567	11,085	12,332	11,775	13,646
Community promotions (1)	2,373	1,884	1,824	1,824	1,868	1,991	2,005	2,051	2,620	-
Capital outlay	19,217	17,169	19,855	29,279	30,875	22,580	22,229	22,943	23,370	32,068
Debt service										
Principal	5,571	5,076	5,341	6,282	5,724	754	274	287	300	307
Interest	3,687	3,459	3,126	2,981	2,776	1,396	75	64	51	38
Total expenditures	167,070	171,753	175,814	181,226	173,445	140,299	139,059	144,306	157,565	170,039
Excess of revenues over (under) expenditures	(2,817)	2,603	169	(11,352)	1,699	6,023	7,221	5,328	2,705	(2,597)

(Continued)

Note:

(1) Beginning in Fiscal Year 2016, Community Promotions expenditures were recorded in the General Government/Administration classification.

	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Other financing sources (uses)										
Transfers in	\$ 19,202	\$ 16,291	\$ 25,002	\$ 15,126	\$ 75,713	\$ 68,994	\$ 12,433	\$ 11,605	\$ 20,009	\$ 9,150
Transfers out	(18,368)	(16,553)	(21,765)	(14,118)	(75,477)	(68,782)	(12,239)	(12,520)	(20,275)	(9,092)
Total other financing sources (uses)	<u>834</u>	<u>(262)</u>	<u>3,237</u>	<u>1,008</u>	<u>236</u>	<u>212</u>	<u>194</u>	<u>(915)</u>	<u>(266)</u>	<u>58</u>
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	(44,954)	-	-	-	-
Net change in fund balances	<u>\$ (1,983)</u>	<u>\$ 2,341</u>	<u>\$ 3,406</u>	<u>\$ (10,344)</u>	<u>\$ 1,935</u>	<u>\$ (38,719)</u>	<u>\$ 7,415</u>	<u>\$ 4,413</u>	<u>\$ 2,439</u>	<u>\$ (2,539)</u>
Debt service as a percentage of noncapital expenditures	6.06 %	5.45 %	5.31 %	5.71 %	5.50 %	1.71 %	0.28 %	0.27 %	0.26 %	0.24 %

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	Total
2007	\$ 20,211	\$ 13,132	\$ 37,871	\$ 646	\$ 15,409	\$ 2,215	\$ 4,877	\$ 94,361
2008	20,838	12,525	40,520	452	15,523	2,252	4,778	96,888
2009	17,876	12,654	43,275	278	14,469	2,301	4,224	95,077
2010	16,990	11,711	43,164	389	13,758	2,245	4,441	92,698
2011	17,891	13,887	42,738	372	14,951	2,207	2,885	94,933
2012	19,444	13,974	35,453	439	16,394	2,202	3,185	91,091
2013	20,134	14,054	27,575	642	17,611	2,345	3,322	85,683
2014	21,323	14,016	26,555	669	20,186	2,555	3,488	88,792
2015	21,958	13,810	27,691	692	22,527	2,574	3,637	92,889
2016	21,932	14,338	29,382	730	22,379	2,636	3,689	95,086

* In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

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

Fiscal Year	City			Taxable Assessed Value	Redevelopment Agency (1)			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
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 %
2011	15,225,027	908,676	(1,325,902)	14,807,801	1,918,388	353,339	(166,018)	2,105,709	1.00 %
2012	15,527,645	878,177	(1,514,963)	14,890,859	1,950,504	340,862	(181,263)	2,110,103	1.00 %
2013	15,885,111	881,840	(1,619,242)	15,147,709	1,981,494	342,346	(198,644)	2,125,196	1.00 %
2014	16,656,998	897,217	(1,734,827)	15,819,388	2,038,537	364,304	(199,484)	2,203,357	1.00 %
2015	17,405,530	924,854	(1,777,358)	16,553,026	2,081,120	370,269	(201,472)	2,249,917	1.00 %
2016	18,506,144	1,131,622	(1,819,781)	17,817,985	2,249,534	397,052	(224,796)	2,421,790	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.

(1) In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012. Assessed taxable value of property is now reported under the Redevelopment Agency Property Tax Trust.

Sources: Santa Barbara County Auditor-Controller

**City of Santa Barbara
Direct and Overlapping Property Tax Rates
(\$1 per \$100 of assessed value)
Last Ten Fiscal Years**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Direct Rates:										
City Direct Rate (1)	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
Overlapping Rates: (2)										
SB Elementary Bonds 1995 Int/Redem	0.00271 %	0.00217 %	0.00217 %	0.00230 %	0.00230 %	0.00230 %	0.00150 %	0.00188 %	0.00182 %	0.00171 %
SB Unified School District High School Bonds 2000	0.01248 %	0.01248 %	0.01248 %	0.01248 %	0.01248 %	0.01273 %	0.01298 %	0.01298 %	0.01298 %	0.00973 %
SB Elementary Bonds 1998 Int/Redem	0.01112 %	0.01168 %	0.01168 %	0.01168 %	0.01168 %	0.01168 %	0.00888 %	0.01154 %	0.01096 %	0.00986 %
SB City College - Bond 2008	- %	- %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %
SB Unified School District High School Bonds 2010 Meas Q	- %	- %	- %	- %	- %	0.00093 %	0.00093 %	0.00697 %	0.00697 %	0.00697 %
SB Unified School District Elem School Bonds 2010 Meas R	- %	- %	- %	- %	- %	0.00005 %	0.00010 %	0.00653 %	0.00717 %	0.00838 %
SB Elementary Refunding Bonds 1995/1998	- %	- %	- %	- %	- %	- %	0.00680 %	- %	- %	- %
	0.02631 %	0.02633 %	0.03483 %	0.03496 %	0.03496 %	0.03619 %	0.03969 %	0.04840 %	0.04840 %	0.04515 %
Total Direct and Overlapping Rates:	1.02631 %	1.02633 %	1.03483 %	1.03496 %	1.03496 %	1.03619 %	1.03969 %	1.04840 %	1.04840 %	1.04515 %

Note:

- (1) 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.
(2) In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of Santa Barbara School District and Santa Barbara City College bonds.

Sources: Santa Barbara County Auditor-Controller

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

<u>Taxpayer</u>	Fiscal Year 2016	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
	Parker Fess Doubletree Hotel	\$ 88,884
El Encanto, Inc	81,090	0.46 %
Paseo Nuevo Owner LLC	66,262	0.37 %
Hitchcock Holdings, LLC	55,829	0.31 %
GRI - Regency, LLC	50,926	0.29 %
Levon Investments, LLC	50,544	0.28 %
Clark Huguette M/Estate of	47,970	0.27 %
XHR Santa Barbara LLC	44,104	0.25 %
Nettleship, Patricia S Trust	42,485	0.24 %
MCC BB Property, LLC	40,709	0.23 %
	<u>\$ 568,803</u>	<u>3.20 %</u>

<u>Taxpayer</u>	Fiscal Year 2007	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
	Redevelopment Agency / Santa Barbara	\$ 88,987
Parker Fess Doubletree Hotel	76,330	0.59 %
FW CA-Five Points Shopping Center, LLC	47,729	0.37 %
Nettleship, Patricia S Trust	42,262	0.33 %
MCC BB Property, LLC	39,674	0.31 %
Hotel Carrillo, LP	27,871	0.21 %
HDG Associates	27,596	0.21 %
El Encanto, Inc	25,118	0.19 %
Riviera Dairy Products	24,843	0.19 %
Ralphs Grocery Store	24,457	0.19 %
	<u>\$ 424,867</u>	<u>3.28 %</u>

In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.
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
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 %
2011	42,738	42,738	100 %	-	42,738	100 %
2012	35,453	35,453	100 %	-	35,453	100 %
2013	27,575	27,575	100 %	-	27,575	100 %
2014	26,555	26,555	100 %	-	26,555	100 %
2015	27,691	27,691	100 %	-	27,691	100 %
2016	29,382	29,382	100 %	-	29,382	100 %

*Note: In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Certificates of Participation	Tax Allocation Bonds (2)	Loans	Revenue Bonds	Certificates of Participation	Loans			
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
2011	2,095	53,410	-	66,270	27,100	33,907	182,782	0.95 %	2,048
2012	1,832	-	-	65,020	25,908	41,885	134,645	0.70 %	1,511
2013	1,555	-	-	60,384	39,569	45,071	146,579	0.71 %	1,634
2014	1,268	-	-	70,991	24,422	50,970	147,651	0.68 %	1,634
2015	968	-	-	68,660	22,711	56,231	148,570	0.68 %	1,631
2016	662	-	-	66,243	20,965	77,781	165,651	0.68 %	1,778

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 for personal income and population data.

(2) In Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective January 31, 2012. The bonds were assumed by the Successor Agency.

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 (3)	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
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
2011	2,095	53,410	-	561	54,944	0.37 %	616
2012	1,832	-	-	561	1,271	0.01 %	14
2013	1,555	-	-	561	994	0.01 %	11
2014	1,268	-	-	561	707	0.00 %	8
2015	968	-	-	580	388	0.00 %	4
2016	662	-	-	576	86	0.00 %	1

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 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

(3) In Fiscal Year 2012, the Tax Allocation Bonds are no longer reported on this schedule, due to the dissolution of the Redevelopment Agency, effective January 31, 2012. The bonds were assumed by the Successor Agency.

City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2016
(amounts expressed in thousands)

2015-16 Assessed Valuation	\$ 19,637,766
Redevelopment Agency Property Tax Trust Assessed Valuation	<u>2,646,586</u>
Adjusted Assessed Valuation	<u>\$ 16,991,180</u>

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes</u>			
Santa Barbara Unified - Elementary Bonds	\$ 53,292	95 %	\$ 50,745
Santa Barbara Unified - High School Bonds	118,591	43 %	50,532
Cold Spring Elementary Bonds	4,154	6 %	267
Hope District Elementary Bonds	10,970	36 %	3,927
Montecito Union Elementary Bonds	2,810	2 %	58
Santa Barbara City College Bonds	<u>66,700</u>	38 %	<u>25,013</u>
Total overlapping debt repaid with property taxes	<u>\$ 256,517</u>		<u>\$ 130,542</u>
 <u>Overlapping General Obligation Debt</u>			
Santa Barbara County Certificates of Participation	<u>\$ 54,790</u>	21 %	<u>\$ 11,430</u>
Total overlapping general obligation debt	<u>54,790</u>		<u>11,430</u>
Total overlapping debt	<u>\$ 311,307</u>		<u>\$ 141,972</u>
 <u>Direct General Obligation Debt</u>			
City of Santa Barbara Certificates of Participation	<u>\$ 662</u>	100 %	<u>\$ 662</u>
Total direct general obligation debt	<u>662</u>		<u>662</u>
Total direct debt	<u>\$ 662</u>		<u>\$ 662</u>
Total direct and overlapping debt			<u>\$ 142,634</u>
 <u>Ratio to 2015-16 Assessed Valuation</u>			
Total direct and overlapping debt			<u>0.73 %</u>

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) The estimated percentage applicable for the school districts and City College debt were obtained from the County of Santa Barbara. Population estimates for the City and County were used to calculate the estimated percentage applicable for the County General Fund Obligations. Of the County's 446,717 population, 21% (or 93,190) reside within the city's boundaries.

Sources: County of Santa Barbara, California Department of Finance Demographic Research Unit

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

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed valuation	\$ 13,763,215	\$ 14,771,839	\$ 15,805,423	\$ 16,059,758	\$ 16,133,703	\$ 16,405,822	\$ 16,766,951	\$ 17,554,215	\$ 18,330,384	\$ 19,637,766
Coverage percentage	<u>25 %</u>									
Adjusted assessed valuation	\$ 3,440,804	\$ 3,692,960	\$ 3,951,356	\$ 4,014,940	\$ 4,033,426	\$ 4,101,456	\$ 4,191,738	\$ 4,388,554	\$ 4,582,596	\$ 4,909,442
Debt limit percentage	<u>15 %</u>									
Debt limit	\$ 516,121	\$ 553,944	\$ 592,703	\$ 602,241	\$ 605,014	\$ 615,218	\$ 628,761	\$ 658,283	\$ 687,389	\$ 736,416
Legal debt margin	<u>\$ 516,121</u>	<u>\$ 553,944</u>	<u>\$ 592,703</u>	<u>\$ 602,241</u>	<u>\$ 605,014</u>	<u>\$ 615,218</u>	<u>\$ 628,761</u>	<u>\$ 658,283</u>	<u>\$ 687,389</u>	<u>\$ 736,416</u>
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)**

<u>Water Revenue Bonds</u>							<u>Wastewater Revenue Bonds</u>						<u>Tax Allocation Bonds (1)</u>				
Fiscal Year	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Waste-water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service			
				Principal	Interest					Principal	Interest			Principal	Interest	Coverage	
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	
2011	31,158	21,996	9,162	590	143	12.50	14,771	10,920	3,851	610	742	2.85	19,957	5,470	2,680	2.45	
2012	36,265	21,912	14,353	620	114	19.55	15,563	10,878	4,685	630	722	3.47	11,740	5,705	2,443	1.44	
2013	38,172	23,577	14,595	655	83	19.78	17,658	11,688	5,970	655	701	4.40	8,145	5,925	2,220	1.00	
2014	36,485	27,675	8,810	1,475	666	4.11	18,030	11,788	6,242	675	677	4.62	8,145	6,195	1,950	1.00	
2015	34,904	31,823	3,081	1,360	775	1.44	17,778	11,774	6,004	700	652	4.44	8,147	6,485	1,662	1.00	
2016	45,268	27,096	18,172	1,390	747	8.50	18,712	11,556	7,156	730	625	5.28	8,147	6,790	1,357	1.00	

<u>Airport Revenue Bonds</u>							<u>Airport Promissory Note</u>						<u>Waterfront Revenue Bonds</u>					
Fiscal Year	Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Waterfront Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest					Principal	Interest					Principal	Interest	Coverage
2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2010	14,621	13,119	1,502	-	1,272	1.18	14,621	13,119	1,502	1,176	490	0.90	-	-	-	-	-	-
2011	15,863	14,494	1,369	-	2,279	0.60	-	-	-	-	-	-	-	-	-	-	-	-
2012	16,745	12,350	4,395	-	2,279	1.93	16,745	12,350	4,395	173	414	7.49	-	-	-	-	-	-
2013	17,740	12,945	4,795	865	2,259	1.53	17,740	12,945	4,795	185	402	8.17	-	-	-	-	-	-
2014	17,997	13,498	4,499	900	2,226	1.44	17,997	13,498	4,499	267	194	9.76	13,776	10,035	3,741	194	29	16.78
2015	18,113	13,244	4,869	935	2,189	1.56	18,113	13,244	4,869	276	184	10.58	14,982	10,013	4,969	738	422	4.28
2016	17,996	13,011	4,985	970	2,147	1.60	17,996	13,011	4,985	286	175	10.81	14,660	10,309	4,351	760	396	3.76

<u>Golf Certificates of Participation</u>						
Fiscal Year	Golf Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	2,231	1,798	433	114	67	2.39
2008	2,245	1,867	378	119	64	2.07
2009	2,222	1,894	328	124	60	1.78
2010	1,715	1,743	(28)	128	55	(0.15)
2011	1,892	1,679	213	131	50	1.18
2012	1,820	1,635	185	136	45	1.02
2013	1,833	1,613	220	141	39	1.22
2014	2,031	1,538	493	148	33	2.73
2015	1,950	1,650	300	155	26	1.66
2016	1,950	1,767	183	158	19	1.03

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.

(1) In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012. Debt service payments of the former Redevelopment Agency have become Recognized Obligation Payments of the Successor Agency Trust of the former Redevelopment Agency.

**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)
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 %
2011	89,253	19,262	45,353	8.9 %
2012	89,082	19,303	45,219	7.9 %
2013	89,681	20,641	47,862	6.3 %
2014	90,385	21,726	49,864	5.4 %
2015	91,088	22,264	50,523	4.6 %
2016	93,190	24,208	54,428	4.9 %

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**

<u>As of June 30, 2016</u>			<u>As of June 30, 2007</u>		
<u>Employer</u>	<u>Number of Employees (1)</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Number of Employees (2)</u>	<u>Percentage of Total Employment</u>
University of California, Santa Barbara	10,827	12.35 %	University of California, Santa Barbara	9,501	17.69 %
County of Santa Barbara	4,945	5.64 %	County of Santa Barbara	4,214	7.85 %
Cottage Health System	3,760	4.29 %	Santa Barbara Unified School District	2,968	5.53 %
Santa Barbara City College	2,348	2.68 %	Santa Barbara Cottage Hospital	2,518	4.69 %
Santa Barbara Unified School District	2,000	2.28 %	Santa Barbara City College	2,360	4.39 %
City of Santa Barbara	1,619	1.85 %	Raytheon Electronic Systems	1,633	3.04 %
Raytheon Electronic Systems	1,100	1.25 %	Sansum Medical Foundation Clinic	1,100	2.05 %
Sansum Medical Foundation Clinic	1,002	1.14 %	City of Santa Barbara	1,069	1.99 %
Santa Barbara County Education	875	1.00 %	Santa Barbara Bank & Trust	900	1.68 %
Goleta Union School District	<u>625</u>	<u>0.71 %</u>	U.S. Postal Service	<u>833</u>	<u>1.55 %</u>
Ten largest companies or organizations	<u>29,101</u>	<u>33.19 %</u>		<u>27,096</u>	<u>50.46 %</u>

Sources:

- (1) County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times
(2) City of Santa Barbara CAFR FY 2006-07.

Employment data is intended for use as a general guide only. The City of Santa Barbara does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

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

<u>Function</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Administration	110	113	113	107	104	103	103	107	107	107
Administrative services	32	32	32	29	26	26	26	29	31	31
City administrator	11	12	12	11	11	11	11	11	10	10
City attorney	13	13	13	12	11	11	11	12	11	11
Finance	45	47	47	46	48	47	47	47	48	48
Mayor and city council	9	9	9	9	8	8	8	8	8	8
Public safety	329	328	327	323	311	317	317	316	317	317
Police	214	213	212	209	201	207	207	211	212	212
Fire	115	115	115	114	110	110	110	105	105	105
Public works	142	143	154	152	139	138	139	144	143	140
Community services	137	141	144	128	121	116	117	122	126	132
Library	48	48	48	42	39	35	36	36	36	38
Parks and recreation	89	93	96	86	82	81	81	86	90	93
Community development	88	89	88	79	75	74	65	68	71	74
Water	64	68	62	62	68	68	67	69	74	75
Wastewater	53	53	50	49	49	49	49	49	49	49
Airport	53	54	54	53	54	54	52	56	56	56
Waterfront	46	46	46	46	46	46	46	46	46	47
Parking	34	36	38	34	34	34	34	30	31	31
Golf (1)	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>-</u>
Total	<u>1,069</u>	<u>1,084</u>	<u>1,089</u>	<u>1,046</u>	<u>1,014</u>	<u>1,012</u>	<u>999</u>	<u>1,017</u>	<u>1,030</u>	<u>1,028</u>

Note:

(1) Effective July 1, 2016 operation of the golf course was contracted to a private management company. Consequently, there were no golf employees at June 30, 2016.

**City of Santa Barbara
Operating Indicators by Function
Last Ten Fiscal Years**

<u>Function</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Police										
Criminal citations issued	2,209	2,013	2,898	1,642	1,847	1,407	3,172	4,282	5,298	3,511
Parking citations	54,928	60,984	54,692	54,377	50,252	45,055	46,450	55,555	55,700	55,716
Street sweeping citations	32,065	33,017	30,184	27,400	25,989	25,660	25,612	26,187	27,109	29,031
Fire										
Number of calls received	7,441	7,500	13,768	15,632	15,249	14,984	8,038	8,165	8,341	9,102
Engine company fire inspections	1,334	1,417	2,668	1,340	2,611	2,650	2,773	2,661	3,116	2,890
Public works										
Street resurfacing (miles)	70	60	65	35	38	85	26	32	24	14
Tons of debris collected by street sweepers	1,545	1,673	2,122	2,399	2,210	1,846	2,143	2,287	2,119	2,334
Community services										
Library items checked out	740,703	730,598	758,046	689,391	656,488	703,639	826,627	853,177	782,860	825,731
Community development										
Building inspections completed	12,909	11,047	11,598	10,815	11,257	11,395	10,665	11,220	11,650	11,403
Total permits issued	2,478	2,704	2,696	2,425	2,308	2,282	2,373	2,412	2,580	2,818
Water										
Million gallons water treated	7,424	7,909	6,757	6,528	6,581	6,409	7,481	7,527	4,960	4,247
Percent of drinking water regulations met	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Wastewater										
Million gallons waste water treated	2,774	2,875	2,750	2,761	2,897	2,708	2,627	2,551	2,360	2,301
Miles of wastewater system pipes cleaned	202	206	173	214	256	186	217	230	219	262
Percent of discharge requirements met	99.9 %	100.0 %	99.9 %	99.9 %	99.9 %	99.7 %	100.0 %	100.0 %	100.0 %	100.0 %
Airport										
Total number of annual passengers	832,396	833,164	772,718	745,167	747,531	716,625	722,041	699,916	628,837	630,612
Annual tons of airfreight	3,053	2,948	2,436	2,132	2,138	2,007	1,813	1,764	1,800	1,794
Waterfront										
Number of lease contracts managed	60	67	64	62	64	64	65	65	64	64
Number of parking permits distributed	720,184	756,377	772,588	697,788	652,923	682,111	564,294	702,622	814,800	765,471
Parking										
Vehicles parked in city lots	4,414,764	4,290,998	4,304,337	4,315,418	4,233,333	4,308,000	4,324,000	4,430,000	4,488,773	4,433,780
Golf course										
Rounds of golf	78,532	74,484	70,546	59,091	62,800	63,620	61,558	62,512	57,089	55,376

Source: Various City Departments

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

Function	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016
Police Stations	1	1	1	1	1	1	1	1	1	1
Fire Stations	8	8	8	8	8	8	8	8	8	8
Public works										
Streets (miles)	238	238	238	238	238	238	238	238	254	254
Concrete installed-sidewalk, curb and gutter (sq ft.)	18,382	14,661	25,661	24,455	54,196	21,474	16,088	10,754	12,140	14,145
Community services										
Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765
Parks and sports facilities	59	59	59	54	54	54	54	56	57	57
Swimming	2	2	2	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34	34	34	34
Community buildings	8	8	8	12	12	12	12	15	15	15
Libraries	2	2	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	410,010	401,160	384,880	380,617	365,839	357,256	319,898	330,703	330,773	439,773
Water										
Number of distribution system reservoirs	14	13	13	13	13	13	13	15	15	15
Number of water supply reservoirs	-	-	1	1	1	1	1	1	1	1
Number of pump stations	12	12	12	12	12	12	12	14	14	14
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Number of wells	9	9	9	9	9	9	9	9	9	8
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	10	9	9	9	9	9	9	9	9	7
Airport										
Runways and Taxiways, paved surface (sq. ft.)	6,011,280	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079
Waterfront										
Number of harbor slips	1,133	1,133	1,133	1,133	1,137	1,137	1,139	1,139	1,139	1,139
Parking										
Number of parking structures and lots	14	14	14	14	14	14	15	15	16	16
Number of parking spaces	3,595	3,595	3,595	3,591	3,591	3,591	3,620	3,548	3,628	3,628

Source: Various City Departments



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*

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

We have audited, in accordance with the 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, the 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, (the City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be a significant deficiency:

Accounts Payable Accrual

During our search for unrecorded liabilities, we noted one material invoice related to fiscal year 2015-16 and paid subsequent to June 30, 2016 that was not properly recognized as a liability at June 30, 2016. Since recent auditing standards have made it clear that the independent auditor is not and cannot be part of their client's financial reporting process or its internal control, the City should review its procedures to ensure that all items related to the prior fiscal year are appropriately recorded. Toward that end, we recommend that in addition to the performance of the City's general cutoff procedures for payable, the City also review subsequent disbursements for potential accruals.





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

Management's Response:

The City concurs with the finding, which was a one-time error and, in our opinion, not a systemic issue. However, the City agrees with the recommendation and, in addition to the general cutoff procedures for payables, the City will incorporate the review of subsequent disbursements for potential accruals into the year-end written procedures.”

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

City's Response to Findings

The City's response to the findings identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lance, Soll & Lughard, LLP".

Brea, California
November 29, 2016