

# City of Santa Barbara California



# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2017

# **City of Santa Barbara, California**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2017**

**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, 2017

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# City of Santa Barbara

## Finance Department

[www.SantaBarbaraCA.gov](http://www.SantaBarbaraCA.gov)

December 12, 2017

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, 2017, 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, 2017. 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 93,063. 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

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#### Payroll

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#### Risk Management

805.564.5347

#### Treasury

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#### Utility Billing

805.564.5343

#### Fax

805.897.1978

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PO Box 1990

Santa Barbara, CA

93102-1990

#### Purchasing

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#### 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**

As far back as the late 1800's, the City of Santa Barbara was a place people from across the country came to enjoy its natural beauty, including its wonderful beaches, great year-round weather and many recreational and cultural offerings. This is still true today, such that tourism is the largest industry in the City.

Generally speaking, our local economy mirrors the trends of both the state and federal economies. However, because our largest industry is tourism, the impacts are generally more pronounced. Fortunately, we are in the midst of one of the longest periods of economic recovery in over one-hundred years. During most of this recovery period, tourism was strong and the hospitality sector realized substantial gains. Correspondingly, the City realized some of its strongest growth in TOT revenues in decades.

Real estate values have also increased over the last several years, with market values at or above where they were before the Great Recession when property values plummeted. These increases in assessed values result in an attendant increase to local property revenues to the City. While real estate values have moderated, we anticipate continued strong growth in property tax revenues for the next several years.

The area that is not aligning with a period of economic growth is retail. The City has a large retail corridor down the middle of the City, which includes movie theaters, a mall with large retail anchors and small shops, restaurants, specialty shops, etc. While certain sectors, such as restaurants and smaller shops are doing fine, the general retail sector is going through a period of adjustment. The emerging and fast growing shift to on-line shopping have resulted in two primary impacts. First, it has changed how people shop for the types of things traditionally found in large department stores. With a large portion of the downtown corridor made up of bricks and mortar buildings committed to retail, we are seeing large businesses either closing down or downsizing. We are not alone in this, and communities across the nation are highly focused on strategies to address this major paradigm shift. Secondly, on-line shopping in many cases results in the loss of sales tax revenues as out-of-state vendors are not required to collect sales taxes. The estimated loss statewide in sales tax dollars exceed \$1 billion that would otherwise go towards funding critical services.

While the local economy is still relatively healthy, the City will likely go through a period of transition whereby large retail outlets continue to downsize and the buildings they occupy are repurposed into other retail, commercial or housing uses. In the meantime, we anticipate continued impacts to sales tax revenues until the transition is completed.

## **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 significant deficiency 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, 2017, the City had not reached its Article XIII B spending limitation.

### AWARDS AND ACKNOWLEDGEMENTS

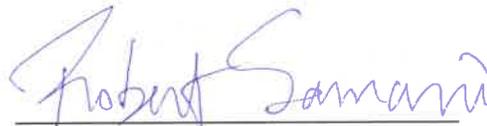
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Santa Barbara California for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the fourteenth 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, 2016**

Executive Director/CEO

**CITY OF SANTA BARBARA**  
**Directory of City Officials**  
**June 30, 2017**

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

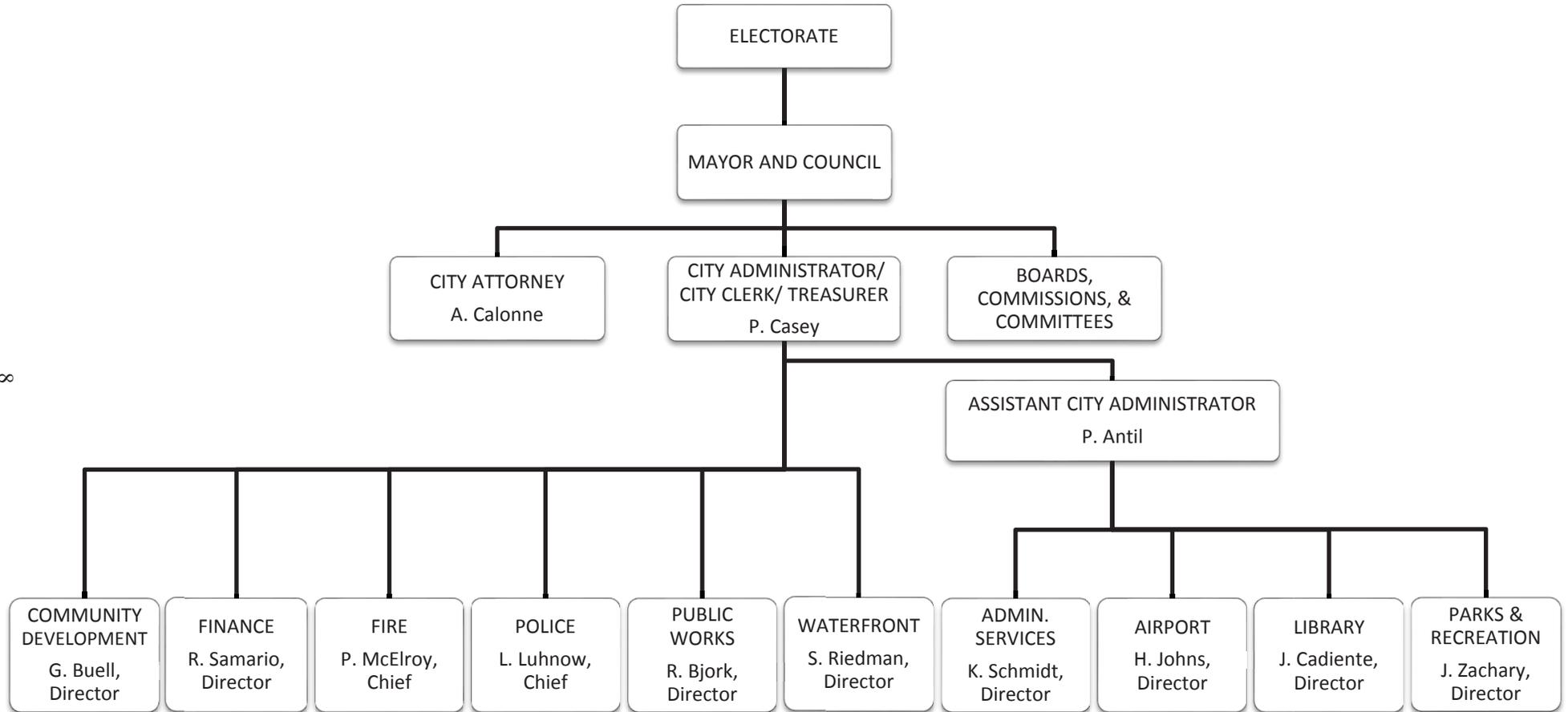
George Buell  
Community Development Director

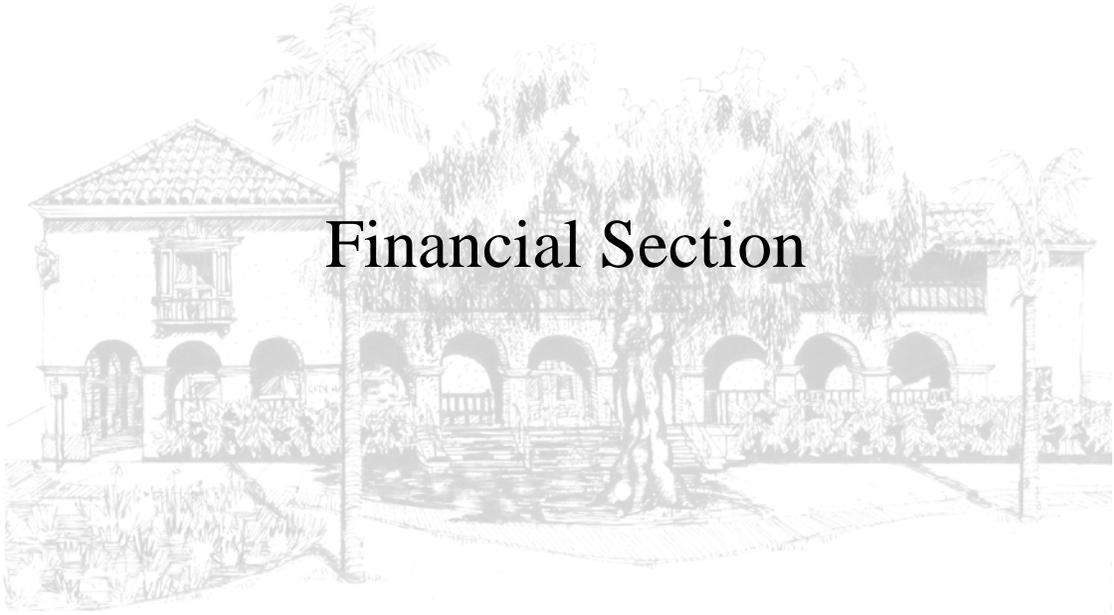
Kristy Schmidt  
Administrative Services Director

**CITY OF SANTA BARBARA**  
**Advisory Boards and Commissions**  
**June 30, 2017**

<b><u>Charter Boards and Commissions</u></b>	<b><u>Membership</u></b>
Airport Commission .....	7
Architectural Board of Review .....	7
Civil Service Commission .....	5
Fire and Police Commission .....	5
Harbor Commission .....	7
Historic Landmarks Commission .....	9
Library Board .....	5
Parks and Recreation Commission .....	7
Planning Commission .....	7
Water Commission .....	5
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Arts Advisory Committee .....	7
Building and Fire Code Board of Appeals .....	13
Community Development and Human Services Committee .....	13
Community Events and Festivals Committee .....	7
Creeks Advisory Committee .....	7
Downtown Parking Committee .....	7
Living Wage Advisory Committee .....	7
Measure P Committee .....	7
Neighborhood Advisory Council .....	13
Rental Housing Mediation Board .....	15
Santa Barbara Youth Council .....	15
Sign Committee .....	3
Single Family Design Board .....	7
Sister Cities Board .....	3
Transportation and Circulation Committee .....	7
<b><u>Other Advisory Bodies</u></b>	
Arts & Crafts Show Advisory Committee .....	5
Golf Advisory Committee .....	7
Central Coast Commission for Senior Citizens .....	1
Housing Authority Commission .....	7
Housing Task Force .....	7
Integrated Pest Management Advisory Committee .....	5
Library Advisory Committee – County .....	1
Metropolitan Transit District Board .....	2
Mosquito and Vector Management District Board .....	1
Oversight Board .....	2
Oversized Vehicle Off-Street Parking Ad Hoc Committee .....	3
Sign Ordinance Review Committee .....	11
Staff Hearing Officer .....	1
Street Tree Advisory Committee .....	5
Sustainability Council Committee .....	3
Tenant/Landlord Task Force .....	8

# CITY OF SANTA BARBARA ORGANIZATIONAL CHART





## 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 City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2017, 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, 2017, 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 investment returns, the schedule of proportionate share of net pension liability, and the schedule of funding progress - OPEB 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 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 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, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

*Lance, Soll & Lingham, LLP*

Brea, California  
November 29, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2017**

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages 1-4 of this report.

### **FINANCIAL HIGHLIGHTS**

Financial highlights include the following:

- At the end of fiscal year 2017, the City's net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$775 million, an increase of approximately \$42 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 \$(107) million, due to the implementation of GASB 68. Before adjusting for GASB 68, unrestricted funds were \$189 million.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$114.3 million, an increase of \$1.1 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, 2017, with comparative totals as of June 30, 2016. 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	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current and other assets	\$ 154,673	\$ 150,119	\$ 141,378	\$ 120,749	\$ 296,051	\$ 270,868
Capital assets, net	436,966	428,325	561,396	524,852	998,362	953,177
Total Assets	<u>591,639</u>	<u>578,444</u>	<u>702,774</u>	<u>645,601</u>	<u>1,294,413</u>	<u>1,224,045</u>
<b>Deferred Outflows of Resources:</b>	<u>67,077</u>	<u>38,579</u>	<u>16,320</u>	<u>10,678</u>	<u>83,397</u>	<u>49,257</u>
<b>Liabilities:</b>						
Current and other liabilities	25,736	25,785	31,757	32,740	57,493	58,525
Non-current liabilities	267,581	229,712	245,731	203,868	513,312	433,580
Total Liabilities	<u>293,317</u>	<u>255,497</u>	<u>277,488</u>	<u>236,608</u>	<u>570,805</u>	<u>492,105</u>
<b>Deferred Inflows of Resources:</b>	<u>27,309</u>	<u>39,862</u>	<u>5,090</u>	<u>8,636</u>	<u>32,399</u>	<u>48,498</u>
<b>Net Position:</b>						
Net investment in capital assets	436,966	427,683	365,505	361,077	802,471	788,760
Restricted	65,647	80,934	13,546	11,962	79,193	92,896
Unrestricted	<u>(164,523)</u>	<u>(186,953)</u>	<u>57,464</u>	<u>37,996</u>	<u>(107,059)</u>	<u>(148,957)</u>
Total Net Position	<u>\$ 338,090</u>	<u>\$ 321,664</u>	<u>\$ 436,516</u>	<u>\$ 411,035</u>	<u>\$ 774,606</u>	<u>\$ 732,699</u>

As shown in Table 1, at June 30, 2017 the City's net position totaled \$775 million. The largest portion consists of the City's net investment in capital assets in the amount of \$802 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, \$79 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 effective Fiscal Year ending June 30, 2015. 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 \$(107) 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 \$189 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, 2017, in relation to a year earlier. For the fiscal year ended June 30, 2017, total net position increased by \$42 million. \$1.3 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 an increase in revenues over expenditures.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2017, with comparative totals for the fiscal year ended June 30, 2016.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for service	\$ 43,968	\$ 42,738	\$ 138,031	\$ 127,841	\$ 181,999	\$ 170,579
Operating grants and contributions	7,882	8,487	23	24	7,905	8,511
Capital grants and contributions	16,966	26,181	496	5,582	17,462	31,763
General Revenues:						
Taxes	93,956	91,397	-	-	93,956	91,397
Franchise fees	4,231	3,132	-	-	4,231	3,132
Motor vehicle license fees	42	37	-	-	42	37
Investment income	1,733	2,288	556	1,304	2,289	3,592
Other revenue	3,013	461	9,205	248	12,218	709
Total revenues	171,791	174,721	148,311	134,999	320,102	309,720
<b>Expenses:</b>						
Program Expenses:						
Administration	16,612	16,179	-	-	16,612	16,179
Public safety	66,678	63,451	-	-	66,678	63,451
Public works	28,565	26,053	-	-	28,565	26,053
Community services	27,636	26,454	-	-	27,636	26,454
Community development	17,442	16,933	-	-	17,442	16,933
Interest expense	66	42	-	-	66	42
Business Activities:						
Water	-	-	37,291	35,859	37,291	35,859
Wastewater	-	-	18,299	17,376	18,299	17,376
Airport	-	-	22,057	21,361	22,057	21,361
Waterfront	-	-	12,975	12,639	12,975	12,639
Solid Waste	-	-	20,837	20,498	20,837	20,498
Downtown Parking	-	-	8,481	7,941	8,481	7,941
Golf Course	-	-	2,591	2,022	2,591	2,022
Total expenses	156,999	149,112	122,531	117,696	279,530	266,808
Increase in Net Position Before Transfers	14,792	25,609	25,780	17,303	40,572	42,912
Extraordinary gain	1,335	23,054	-	-	1,335	23,054
Transfers in (out)	299	433	(299)	(433)	-	-
Increase (Decrease) in Net Position	16,426	49,096	25,481	16,870	41,907	65,966
Net Position, July 1	321,664	272,568	411,035	394,165	732,699	666,733
Net Position, June 30	\$ 338,090	\$ 321,664	\$ 436,516	\$ 411,035	\$ 774,606	\$ 732,699

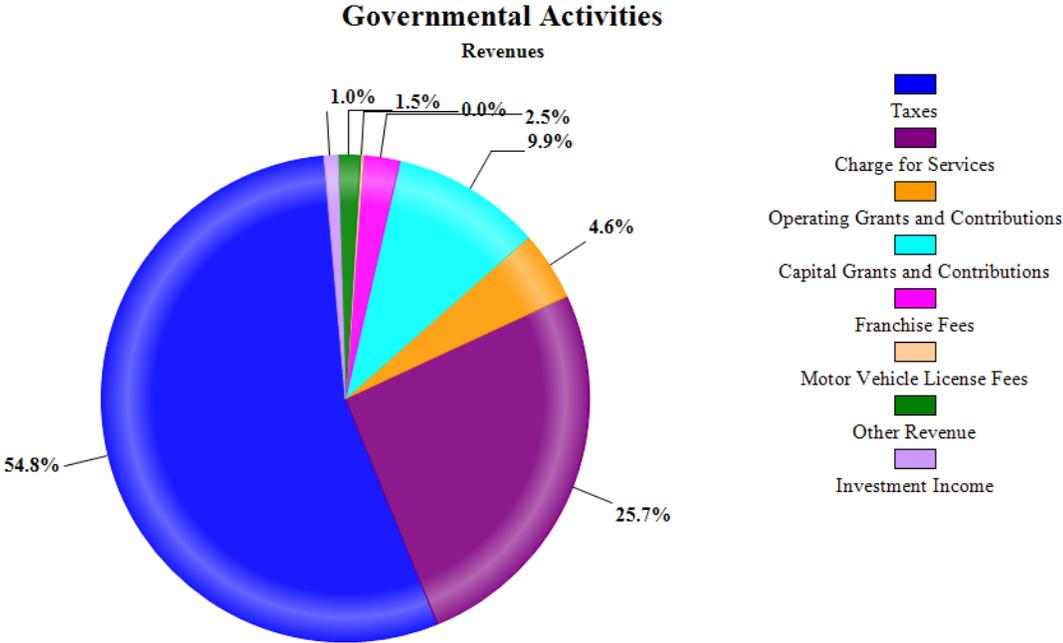
**Governmental Activities**

*Revenue Highlights*

Total revenues for governmental activities were \$172 million. The largest component of total revenue is taxes at \$94 million, making up 54.8% 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:

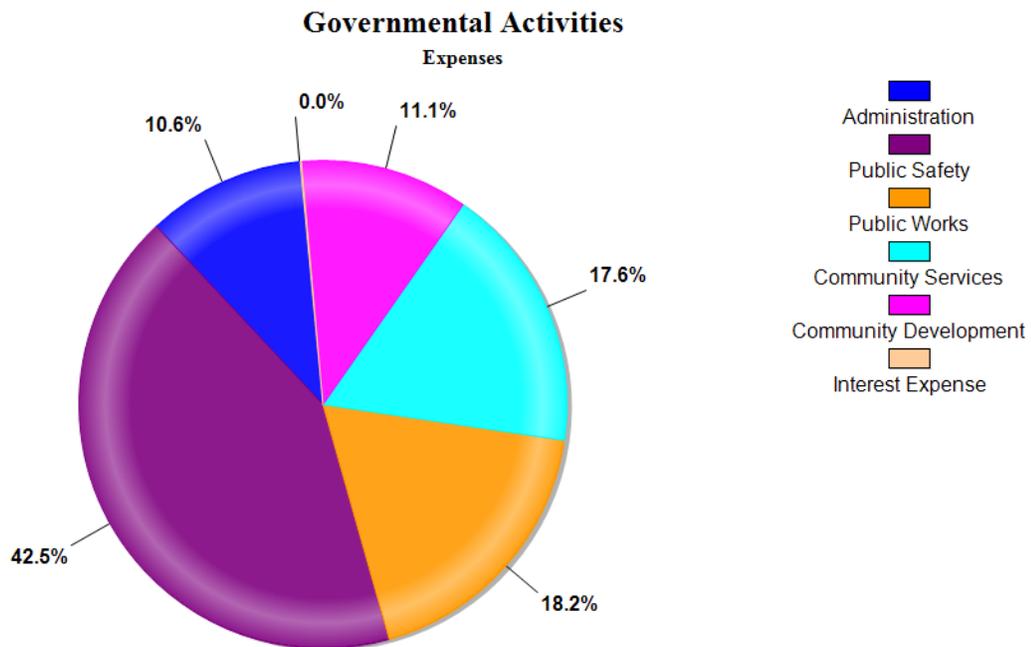
- Property taxes reported an increase of \$2.2 million from the prior year, or a 7.6% increase. This increase is reflective of the rise in property values and the related re-assessment when properties are sold. The increase is also due to the recapture of assessed values that were lowered during the recession when property values dropped significantly.
- Franchise fees decreased by \$1.1 million, or 35%, 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 recent Supreme Court decision allowed the City to recognize \$1.3 million of the fees the City had previously set aside until the litigation was settled. After adjusting for the litigation, franchise fees actually declined slightly due to the decline in electricity and cable television franchise revenues.
- Other revenues increased by \$2.2 million, or 523%, compared to the prior year. This increase is the result of a one time payment of \$2.5 million received for a settlement related to an oil spill at Rufugio State Beach.



*Expense Highlights*

Functional expenses for the year totaled approximately \$157 million, an increase of \$7.8 million from the prior year. \$2 million of this increase relates to increased salary and benefit costs from additional public safety positions filled, compared to the prior year. Another \$2 million is the result of increased public works maintenance work performed. The remaining difference was due to the effects of GASB 68 reporting in pension expenses.

The largest component of total expenses was for Public Safety (fire and police), representing \$66.7 million (42.5%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$28.6 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.

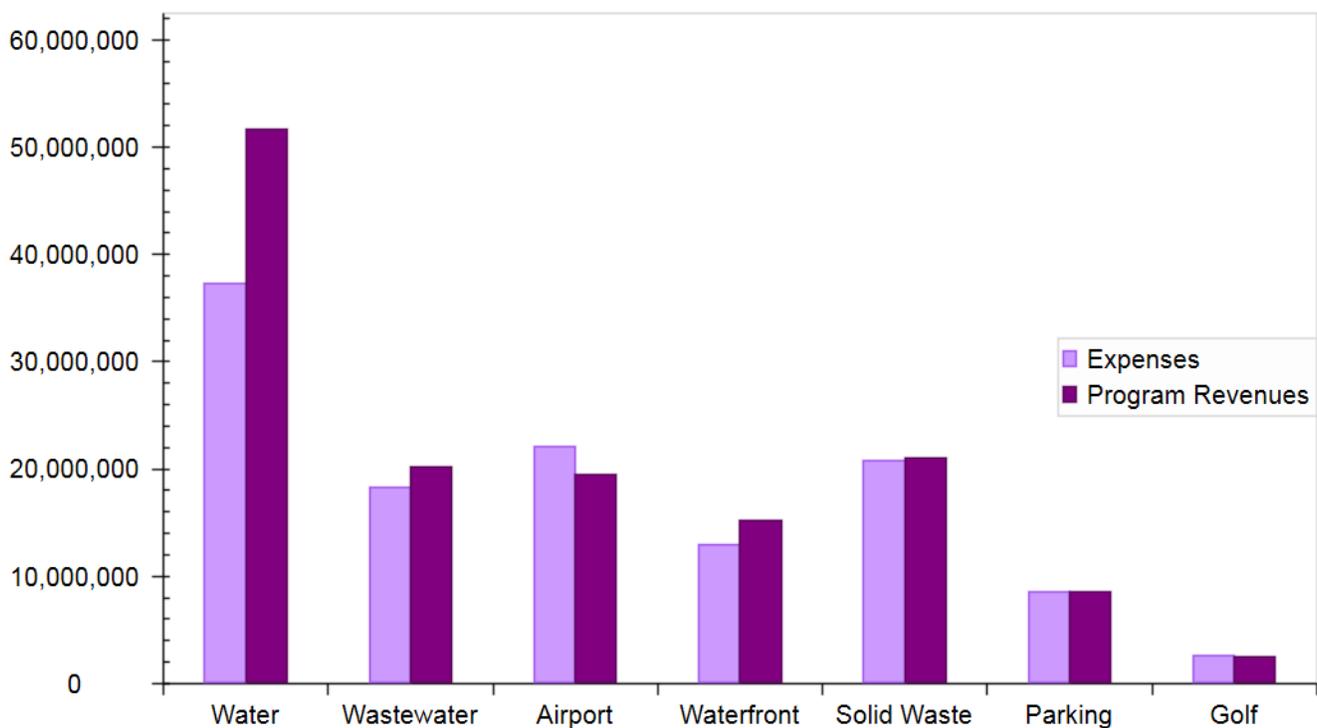


**Business-Type Activities**

The City’s business-type activities realized an increase in net position of \$25 million. The most notable variance comes from increased water sales revenues in the Water fund. During Fiscal Year 2017, Water rates were increased to offset increased costs associated with drought efforts. In addition, the City is in the process of replacing 24,000 water meters, which has already resulted in less system losses and increased revenues.

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, 2017**



**Revenue Highlights**

Total revenues for the Fiscal Year ended June 30, 2017, were \$148 million, an increase of \$13 million from the prior year. \$9 million of the revenue increase was attributable to the sale of airport property. The remaining revenue increase was mainly due to increased water rates necessary to offset the increased costs associated with drought efforts, as well as the replacement of City water meters.

**Expense Highlights**

Expenses of the business-type activities for the Fiscal Year ended June 30, 2017, totaled \$123 million, a \$5 million increase from the prior year. The majority of this increase is in the Water Fund (\$1.4 million) and the Wastewater Fund (\$1 million) from the timing of water purchases and chemical costs for water and wastewater 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, 2017, assets in the City's governmental funds totaled \$145.7 million. Of this total, \$61.1 million consisted of cash and investments. An additional \$65.7 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 \$114.3 million at June 30, 2017. Of this total, \$65.7 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to prepaid assets, outstanding loans and advances receivable of \$2.1 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 \$46.5 million, which includes committed and assigned balances.

The General Fund's total fund balance increased by 1.7%, or \$0.6 million, to \$36.5 million at June 30, 2017. Of the total fund balance, \$2.1 million is nonspendable, \$2.7 million is restricted, \$31.5 million is committed, and \$0.3 million is assigned. The most significant committed portion of fund balance is \$31 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 \$423.7 million as of June 30, 2017, which increased \$24 million from the prior year. The overall increase in net position is primarily attributable to an increase in water sales revenues compared to expenses and the sale of airport property.

## 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	\$ 83,756,015	\$ 83,756,015	\$ 83,085,747	\$ (670,268)
Franchise fees	3,002,500	3,002,500	4,231,304	1,228,804
Intergovernmental	894,780	2,247,337	2,068,458	(178,879)
Charges for services	22,057,956	22,288,297	21,107,593	(1,180,704)
Use of money and property	1,141,098	1,141,098	737,355	(403,743)
Fines and forfeitures	3,317,400	3,317,400	3,159,446	(157,954)
Other revenues	<u>11,573,391</u>	<u>14,136,739</u>	<u>11,897,862</u>	<u>(2,238,877)</u>
Total revenues	<u>125,743,140</u>	<u>129,889,386</u>	<u>126,287,765</u>	<u>(3,601,621)</u>
Transfers in	<u>1,809,693</u>	<u>2,274,828</u>	<u>1,409,323</u>	<u>(865,505)</u>
Total other financing sources (uses)	<u>1,809,693</u>	<u>2,274,828</u>	<u>1,409,323</u>	<u>(865,505)</u>
Total Revenues	<u>\$ 127,552,833</u>	<u>\$ 132,164,214</u>	<u>\$ 127,697,088</u>	<u>\$ (4,467,126)</u>

The amended Fiscal Year 2017 General Fund revenue budget reflects adjustments that were approved by the City Council during the year. The most significant amendment included an increase to "other revenues" from a \$2.5 million settlement from litigation over the Refugio State Beach oil spill.

As shown on Table 3, actual revenues totaled \$128 million. Tax revenues ended the year below the amended budget by (\$0.7) million, reflecting lower revenues than originally projected in sales and transient occupancy (bed) tax revenues. Community development and public works fees and service charges also suffered as a result of staff vacancies.

"Other" revenues, which were budgeted at \$14 million, ended the year \$2.2 million below the amended budget. 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 2017, \$2.3 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 2017 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, 2016.

**Table 4**  
**SCHEDULE OF EXPENDITURES**  
**GENERAL FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Expenditures:				
Current:				
Mayor and council	\$ 3,518,491	\$ 3,536,841	\$ 3,461,339	\$ 75,502
City attorney	2,513,762	2,699,693	2,566,179	133,514
City administration	2,175,998	2,251,964	2,100,731	151,233
Administrative services	2,516,473	2,710,064	2,354,298	355,766
Finance	5,742,903	5,784,437	5,497,395	287,042
Public safety	66,396,598	67,780,371	65,749,337	2,031,034
Public works	8,361,966	8,595,908	7,515,569	1,080,339
Community services	22,710,548	23,103,340	21,226,609	1,876,731
Community development	11,500,346	12,061,590	11,161,615	899,975
Total expenditures	<u>125,437,085</u>	<u>128,524,208</u>	<u>121,633,072</u>	<u>6,891,136</u>
Transfers out	<u>2,140,749</u>	<u>6,130,488</u>	<u>5,450,285</u>	<u>680,203</u>
Total Expenditures	<u>\$ 127,577,834</u>	<u>\$ 134,654,696</u>	<u>\$ 127,083,357</u>	<u>\$ 7,571,339</u>

As shown on Table 4 above, actual expenditures totaled \$127 million, and were under budget by approximately \$7.6 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 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.

<b>TABLE 5</b>			
<b>SUMMARY OF CAPITAL ASSETS</b>			
<b>(Net of Accumulated Depreciation)</b>			
<b>As of June 30, 2017</b>			
	Governmental Activities	Business-Type Activities	Totals
Non-depreciating assets:			
Construction in progress	\$ 37,183,182	\$ 129,765,070	\$ 166,948,252
Art & Historical Treasure	1,377,100	-	1,377,100
Land	48,863,987	24,944,374	73,808,361
Streets	160,101,178	-	160,101,178
Depreciating assets:			
Buildings	11,673,822	83,759,017	95,432,839
Building improvements	21,432,249	7,144,559	28,576,808
Equipment	10,919,759	11,397,819	22,317,578
Infrastructure	117,408,716	43,646,989	161,055,705
Other improvements	28,005,800	189,376,536	217,382,336
Underground piping	-	71,361,406	71,361,406
Totals	<u>\$ 436,965,793</u>	<u>\$ 561,395,770</u>	<u>\$ 998,361,563</u>

The City owns approximately \$998 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, 2017, infrastructure assets, including streets, totaled \$278 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, 2017, and the average PCI for City streets was 59, 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 (\$27.7 million), storm drainage and creek improvements (\$1.1 million), various library renovations (\$0.3 million), sidewalks, bike lanes, street and intersection improvements (\$6 million), parks and facilities improvements (\$1.8 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, 2017, the City’s business-type funds included \$37 million in capital asset additions. Construction in progress increased by a net of \$45 million. Capital projects completed in the year included: wastewater facility improvements (\$3 million) airport runway and facility improvements (\$3.4 million), water main replacements (\$3.7 million), downtown parking improvements (\$0.4 million), and harbor and wharf improvements (\$0.8 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 \$196 million in outstanding long-term debt at June 30, 2017, a net increase of \$32 million from the prior year.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Revenue Bonds	\$ -	\$ 62,258,241	\$ 62,258,241
Certificates of Participation	-	17,030,000	17,030,000
Loans	-	116,494,490	116,494,490
	<u>\$ -</u>	<u>\$ 195,782,731</u>	<u>\$ 195,782,731</u>

It is important to note that the Governmental Activities, which primarily consists of the General Fund, has no long-term indebtedness, which is a good financial indicator.

The Water Fund has outstanding COPs totaling \$17 million. As for revenue bonds outstanding, \$10.6 million in outstanding sewer revenue bonds were issued by the Wastewater Fund in 2016 to refund the 2004 Bonds issued for renovations to the City's wastewater collection and treatment systems, \$9.8 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, \$43 million of which is still outstanding. In 2014, the Waterfront issued \$12.3 million to refund the outstanding 2002 COPs, with \$10 million outstanding at the end of the fiscal year, thereby capturing lower interest rates and lowering interest costs.

Of the outstanding \$116 million in loans payable in the Business-Type Activities, \$79.5 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 \$46 million at June 30, 2017, as the project is currently under construction.

The Waterfront Fund has \$8.8 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 \$1.3 million and \$4.5 million respectively, used to finance capital improvements at the airport, and constructing a joint use rental car facility. Lastly, the Wastewater Fund accounts for \$22.4 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.

With Property taxes being the largest General Fund revenue, representing approximately 25% of total General Fund revenues, the state of the housing market plays a key role in the City's finances. The Great Recession, being driven by a collapse in mortgage-backed securities and the resulting collapse of the housing market, has a significant impact on property tax revenues. After seven years of growth ranging from 7%-9%, property tax revenues remained flat for a few years. However, in the last several years, real estate values in Santa Barbara have bounced back and are now at or above where they were before the recession. As such, we have seen good growth in property taxes ranging between 3% and 6% and expect this type of growth for the next few years.

Between 2012 and 2016, the hospitality sector has realized tremendous gains. A number of factors played into this, but the unusually warm and dry weather played a major factor, attracting many visitors to the area. The strong demand for hotel rooms resulted in increases to both occupancy rates as well as room rates. The City also benefited from this boon in that a 12% transient occupancy tax (TOT) applies to all room rates. In fact, growth in TOT revenue was well above historic averages during this period. Unfortunately, the tide has changed. The moderation in TOT revenues is the result of structural and market factors affecting revenue growth. Unless new hotels are added, or existing hotels expand, at some point capacity runs out; and customers have limits on how much they will pay relative to other competing destinations. Unlike the 7%-9% annual growth realized between 2012 and 2016, growth has been closer to 4% in the last eighteen months.

The fiscal year 2018 budget reflects a continuance of the same revenue trends we have seen the last couple of years. Overall, we expect total General Fund revenues to grow between 2%-3%. However, this level of annual growth is not adequate to keep pace with cost increases. Consequently, the fiscal year 2018 budget contained a deficit of approximately \$2 million that was closed with a combination of one time measures and some trimming of costs across most General Fund departments. Although salary increases have been moderate, increases in retirement costs are driving the overall cost increases. 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.

## **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](http://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](mailto:bsamario@santabarbaraca.gov).



CITY OF SANTA BARBARA

STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Pooled cash and investments	\$ 86,649,248	\$ 94,653,118	\$ 181,302,366
Accounts receivable, net	16,360,954	13,421,702	29,782,656
Loans receivable	65,710,613	3,273,563	68,984,176
Accrued interest receivable	483,701	-	483,701
Prepaid assets and deposits	64,442	5,970,531	6,034,973
Due from other governments	550,342	-	550,342
Inventory	868,283	66,894	935,177
Restricted assets:			
Cash and investments with fiscal agent	-	7,977,776	7,977,776
<b>Total Current Assets</b>	<b>170,687,583</b>	<b>125,363,584</b>	<b>296,051,167</b>
Noncurrent assets:			
Internal balances	(16,014,409)	16,014,409	-
Capital assets not being depreciated:			
Construction in progress	37,183,182	129,765,070	166,948,252
Land	48,863,987	24,944,374	73,808,361
Streets	160,101,178	-	160,101,178
Works of Art & Historical Treasurers	1,377,100	-	1,377,100
Capital assets, net of accumulated depreciation:			
Buildings	11,673,822	83,759,017	95,432,839
Building improvements	21,432,249	7,144,559	28,576,808
Equipment	10,919,759	11,397,819	22,317,578
Infrastructure	117,408,716	43,646,989	161,055,705
Improvements other than buildings	28,005,800	189,376,536	217,382,336
Underground piping	-	71,361,406	71,361,406
Total capital assets	436,965,793	561,395,770	998,361,563
<b>Total Noncurrent Assets</b>	<b>420,951,384</b>	<b>577,410,179</b>	<b>998,361,563</b>
<b>Total Assets</b>	<b>591,638,967</b>	<b>702,773,763</b>	<b>1,294,412,730</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on debt refunding	-	1,192,974	1,192,974
Deferred pension related items	67,076,839	15,127,527	82,204,366
<b>Total Deferred Outflows of Resources</b>	<b>67,076,839</b>	<b>16,320,501</b>	<b>83,397,340</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,282,814	14,076,799	20,359,613
Salaries and benefits payable	5,631,646	1,804,792	7,436,438
Accrued interest payable	-	2,271,003	2,271,003
Unearned revenue	2,046,076	3,474,704	5,520,780
Deposits	880,103	1,594,005	2,474,108
Due within one year	10,895,572	8,536,123	19,431,695
<b>Total Current Liabilities</b>	<b>25,736,211</b>	<b>31,757,426</b>	<b>57,493,637</b>
Noncurrent liabilities:			
Net pension liability	245,630,657	50,392,758	296,023,415
Other post-employment benefits (OPEB) obligation	13,545,747	3,953,253	17,499,000
Due in more than one year	8,404,502	191,384,810	199,789,312
<b>Total Noncurrent Liabilities</b>	<b>267,580,906</b>	<b>245,730,821</b>	<b>513,311,727</b>
<b>Total Liabilities</b>	<b>293,317,117</b>	<b>277,488,247</b>	<b>570,805,364</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension-related items	27,308,455	5,090,205	32,398,660
<b>Total Deferred Inflows of Resources</b>	<b>27,308,455</b>	<b>5,090,205</b>	<b>32,398,660</b>
<b>NET POSITION</b>			
Net investment in capital assets	436,965,793	365,505,386	802,471,179
Restricted for:			
Administration	276,035	-	276,035
Public safety	1,003,410	-	1,003,410
Public works	4,928,460	-	4,928,460
Community services	1,352,246	-	1,352,246
Community development	2,471,915	-	2,471,915
Capital improvements	3,189,252	-	3,189,252
Debt service reserve	-	13,545,961	13,545,961
Affordable housing	52,426,010	-	52,426,010
Unrestricted	(164,522,887)	57,464,465	(107,058,422)
<b>Total Net Position</b>	<b>\$ 338,090,234</b>	<b>\$ 436,515,812</b>	<b>\$ 774,606,046</b>

CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

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		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
Administration	\$ 16,611,862	\$ 4,142,637	\$ 159,229	\$ -	\$ (12,309,996)	\$ -	\$ (12,309,996)
Public safety	66,677,921	11,758,352	3,425,350	-	(51,494,219)	-	(51,494,219)
Public works	28,565,417	9,586,288	361,452	15,950,392	(2,667,285)	-	(2,667,285)
Community services	27,635,450	12,399,758	1,281,718	1,015,535	(12,938,439)	-	(12,938,439)
Community development	17,442,238	6,080,782	2,654,164	-	(8,707,292)	-	(8,707,292)
Interest on long-term debt	66,285	-	-	-	(66,285)	-	(66,285)
<b>Total Governmental Activities</b>	<b>156,999,173</b>	<b>43,967,817</b>	<b>7,881,913</b>	<b>16,965,927</b>	<b>(88,183,516)</b>	<b>-</b>	<b>(88,183,516)</b>
Business-Type Activities:							
Water	37,291,155	51,640,980	-	76,662	-	14,426,487	14,426,487
Wastewater	18,298,922	20,142,111	-	-	-	1,843,189	1,843,189
Airport	22,057,103	19,175,117	-	350,904	-	(2,531,082)	(2,531,082)
Waterfront	12,974,754	15,074,794	-	67,991	-	2,168,031	2,168,031
Solid Waste	20,836,688	20,953,429	23,251	-	-	139,992	139,992
Downtown Parking	8,481,490	8,513,850	-	-	-	32,360	32,360
Golf Course	2,591,003	2,530,974	-	-	-	(60,029)	(60,029)
<b>Total Business-Type Activities</b>	<b>122,531,115</b>	<b>138,031,255</b>	<b>23,251</b>	<b>495,557</b>	<b>-</b>	<b>16,018,948</b>	<b>16,018,948</b>
<b>Total Primary Government</b>	<b>\$ 279,530,288</b>	<b>\$ 181,999,072</b>	<b>\$ 7,905,164</b>	<b>\$ 17,461,484</b>	<b>(88,183,516)</b>	<b>16,018,948</b>	<b>(72,164,568)</b>
<b>General Revenues</b>							
Taxes:							
Property					31,611,837	-	31,611,837
Transient occupancy					23,109,923	-	23,109,923
Sales & use					21,806,959	-	21,806,959
Business license					2,650,872	-	2,650,872
Utility users					14,014,216	-	14,014,216
Real property transfer					761,808	-	761,808
Franchise fees					4,231,304	-	4,231,304
Unrestricted motor vehicle license-in-lieu					41,748	-	41,748
Investment income					1,733,216	555,653	2,288,869
Other revenue					2,610,090	9,205,290	11,815,380
Gain on sale of capital assets					403,742	-	403,742
<b>Extraordinary Items</b>					1,335,129	-	1,335,129
<b>Transfers</b>					298,831	(298,831)	-
<b>Total General Revenues, Transfers, and Extraordinary items</b>					<b>104,609,675</b>	<b>9,462,112</b>	<b>114,071,787</b>
Change in Net Position					16,426,159	25,481,060	41,907,219
Net Position at Beginning of Year					321,664,075	411,034,752	732,698,827
<b>Net Position at End of Year</b>					<b>\$ 338,090,234</b>	<b>\$ 436,515,812</b>	<b>\$ 774,606,046</b>

CITY OF SANTA BARBARA

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue Funds			
	General	Affordable Housing	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled cash and investments	\$ 31,562,383	\$ 1,992,740	\$ 27,521,565	\$ 61,076,688
Accounts receivable	8,000,759	-	6,407,373	14,408,132
Loans receivable	1,193,518	50,455,819	14,061,276	65,710,613
Accrued interest receivable	483,701	-	-	483,701
Prepaid assets and deposits	64,442	-	-	64,442
Due from other governments	550,342	-	-	550,342
Interfund receivables	2,526,889	-	-	2,526,889
Advances to other funds	846,647	-	-	846,647
<b>Total Assets</b>	<b>\$ 45,228,681</b>	<b>\$ 52,448,559</b>	<b>\$ 47,990,214</b>	<b>\$ 145,667,454</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,515,090	\$ 605	\$ 4,099,455	\$ 5,615,150
Salaries and benefits payable	4,555,704	21,944	519,966	5,097,614
Unearned revenues	1,968,358	-	77,718	2,046,076
Deposits	608,780	-	271,323	880,103
Advances payable	-	-	104,000	104,000
Interfund payables	-	-	2,526,889	2,526,889
<b>Total Liabilities</b>	<b>8,647,932</b>	<b>22,549</b>	<b>7,599,351</b>	<b>16,269,832</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	35,798	-	15,066,211	15,102,009
<b>Total Deferred Inflows of Resources</b>	<b>35,798</b>	<b>-</b>	<b>15,066,211</b>	<b>15,102,009</b>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid assets and deposits	64,442	-	-	64,442
Loans receivable	1,193,518	-	-	1,193,518
Advances to other funds	846,647	-	-	846,647
<b>Restricted for:</b>				
Administration	276,035	-	-	276,035
Public safety	144,947	-	858,463	1,003,410
Public works	96,327	-	4,832,133	4,928,460
Community services	228,724	-	1,123,522	1,352,246
Community development	1,920,892	-	551,023	2,471,915
Capital improvements	-	-	3,189,252	3,189,252
Affordable housing	-	52,426,010	-	52,426,010
<b>Committed to:</b>				
Public safety	343,434	-	-	343,434
Capital improvements	-	-	12,882,974	12,882,974
Contingencies	11,830,649	-	-	11,830,649
Disaster Contingency	19,167,000	-	-	19,167,000
Community services	120,338	-	-	120,338
<b>Assigned to:</b>				
Administration	18,627	-	-	18,627
Public Works	46,775	-	-	46,775
Community development	232,723	-	-	232,723
Capital improvements	-	-	2,836,757	2,836,757
Community services	13,873	-	-	13,873
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>(949,472)</b>	<b>(949,472)</b>
<b>Total Fund Balances</b>	<b>36,544,951</b>	<b>52,426,010</b>	<b>25,324,652</b>	<b>\$ 114,295,613</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 45,228,681</b>	<b>\$ 52,448,559</b>	<b>\$ 47,990,214</b>	<b>\$ 145,667,454</b>

See Notes to Financial Statements

**CITY OF SANTA BARBARA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

Fund balances of governmental funds (page 29)		\$ 114,295,613
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.		420,498,334
Long-term debt, pensions, and compensated absences that have not been included in the governmental fund activity:		
Net pension liability	(231,937,664)	
Compensated absences	<u>(7,308,343)</u>	(239,246,008)
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.		(13,545,747)
Deferred outflows related to pensions have not been included in governmental fund activity:		
Contributions made after the actuarial measurement date	19,845,714	
Changes in Assumptions	48,972	
Difference between expected and actual experiences	7,627,678	
Net difference between projected and actual earning on plan investments	33,981,076	
Adjustments due to differences in proportions	89,473	
Difference in proportionate share	<u>1,190,866</u>	62,783,779
Deferred inflows related to pensions have not been included in governmental fund activity:		
Changes in Assumptions	(4,951,172)	
Difference between expected and actual experiences	(6,416,040)	
Net difference between projected and actual earnings on pension plan investments	(14,460,332)	
Adjustments due to differences in proportions	(195,483)	
Difference in proportionate share	<u>(5,806)</u>	(26,028,833)
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.		15,102,009
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	3,547,442	
Portion of OPEB obligation allocated to Governmental Activities	13,545,747	
Less: business-type portion	<u>(12,862,102)</u>	<u>4,231,087</u>
<b>Net Position of governmental activities (page 27)</b>		<b><u>\$ 338,090,234</u></b>

**CITY OF SANTA BARBARA**

**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
	General	Affordable Housing		
<b>Revenues:</b>				
Taxes	\$ 83,085,747	\$ -	\$ 14,615,823	\$ 97,701,570
Franchise fees	4,231,304	-	-	4,231,304
Intergovernmental	2,068,458	-	18,021,492	20,089,950
Charges for services	21,107,593	-	542,431	21,650,024
Use of money and property	737,355	785,232	161,058	1,683,645
Fines and forfeitures	3,159,446	-	946,514	4,105,960
Program income	-	-	398,777	398,777
Other revenues	11,897,862	525	3,554,961	15,453,348
<b>Total Revenues</b>	<b>126,287,765</b>	<b>785,757</b>	<b>38,241,056</b>	<b>165,314,578</b>
<b>Expenditures:</b>				
Current:				
Mayor and city council	3,461,339	-	-	3,461,339
City attorney	2,566,179	-	-	2,566,179
City administration	2,100,731	-	-	2,100,731
Administrative services	2,354,298	-	-	2,354,298
Finance	5,497,395	-	69	5,497,464
Public safety	65,749,337	-	1,097,580	66,846,917
Public works	7,515,569	-	12,949,842	20,465,411
Community services	21,226,609	-	2,997,328	24,223,937
Community development	11,161,615	461,296	1,870,955	13,493,866
Capital outlay	-	-	21,056,177	21,056,177
Debt service:				
Principal retirement	-	-	663,300	663,300
Interest and fiscal charges	-	-	57,985	57,985
<b>Total Expenditures</b>	<b>121,633,072</b>	<b>461,296</b>	<b>40,693,236</b>	<b>162,787,604</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,654,693	324,461	(2,452,180)	2,526,974
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,409,323	-	10,215,762	11,625,085
Transfers out	(5,450,285)	(658)	(7,590,576)	(13,041,519)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,040,962)</b>	<b>(658)</b>	<b>2,625,186</b>	<b>(1,416,434)</b>
Net Change in Fund Balances	613,731	323,803	173,006	1,110,540
Fund Balances, Beginning of Year	35,931,220	52,102,207	25,151,646	113,185,073
<b>Fund Balances, End of Year</b>	<b>\$ 36,544,951</b>	<b>\$ 52,426,010</b>	<b>\$ 25,324,652</b>	<b>\$ 114,295,613</b>

**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, 2017**

Net change in fund balances - total governmental funds (page 31) \$ 1,110,540

Amounts reported for governmental activities in the statement of activities are different because:

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.

Capital outlay	15,237,709	
Depreciation	<u>(6,634,624)</u>	8,603,085

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. (1,857,438)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments	663,300	
Amortization of deferred charge on debt refunding	(19,701)	
Amortization of bond premiums/discounts	<u>(1,208)</u>	642,391

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period. 12,609

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. (651,797)

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. 3,238,015

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. 423,929

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.

Change in Net Position - Internal Service Fund	4,994,822	
Less: Portion allocated to Business Activities	<u>1,425,126</u>	<u>3,569,696</u>

Extraordinary gain from transfer of capital assets from Successor Agency 1,335,129

**Change in net position of governmental activities (page 28) \$ 16,426,159**

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
<b>ASSETS</b>					
Current Assets:					
Pooled cash and investments	\$ 31,406,316	\$ 14,530,426	\$ 22,792,049	\$ 12,012,378	\$ 2,624,711
Accounts receivable, net	7,920,902	2,534,516	625,448	2,916	2,333,601
Loans receivable	3,273,563	-	-	-	-
Prepaid assets	5,549,222	-	247,504	-	-
Restricted:					
Cash and investments with fiscal agent	2,096,519	11,173	5,278,526	591,558	-
<b>Total Current Assets</b>	<b>50,246,522</b>	<b>17,076,115</b>	<b>28,943,527</b>	<b>12,606,852</b>	<b>4,958,312</b>
Noncurrent:					
Advances to other funds	-	-	-	-	-
Capital assets:					
Land	2,283,187	3,508,672	7,290,419	878,201	-
Buildings	7,414,694	13,953,411	67,317,287	3,690,671	-
Building improvements	2,020,563	741,616	4,618,743	3,928,500	-
Improvements other than buildings	137,519,477	68,925,454	136,023,495	55,170,751	-
Equipment	10,919,976	25,066,521	5,966,997	2,665,112	-
Underground piping	121,969,982	72,699,240	-	-	-
Other infrastructure	30,621,010	279,364	24,381,477	-	-
Construction in progress	88,379,303	27,644,682	2,319,059	10,392,751	-
Less: accumulated depreciation	(167,686,707)	(108,999,005)	(92,742,256)	(48,244,588)	-
Total capital assets, net	233,441,485	103,819,955	155,175,221	28,481,398	-
<b>Total Noncurrent Assets</b>	<b>233,441,485</b>	<b>103,819,955</b>	<b>155,175,221</b>	<b>28,481,398</b>	<b>-</b>
<b>Total Assets</b>	<b>283,688,007</b>	<b>120,896,070</b>	<b>184,118,748</b>	<b>41,088,250</b>	<b>4,958,312</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on debt refunding	648,964	105,071	-	438,939	-
Deferred pension-related items	4,663,926	3,050,879	2,875,456	2,106,539	528,241
<b>Total Deferred Outflows of Resources</b>	<b>5,312,890</b>	<b>3,155,950</b>	<b>2,875,456</b>	<b>2,545,478</b>	<b>528,241</b>
<b>LIABILITIES</b>					
Current:					
Accounts payable	8,482,926	2,255,052	686,132	205,042	1,936,935
Salaries and benefits payable	499,396	310,865	337,660	345,473	54,459
Accrued interest payable	483,811	309,596	1,040,769	436,827	-
Unearned revenues	3,273,563	-	-	105,888	-
Deposits	67,155	-	868,531	596,089	-
Compensated absences payable	542,900	254,978	285,168	333,856	20,815
Current portion claims payable	-	-	-	-	-
Current portion long term debt	3,492,099	989,757	1,525,803	962,106	-
<b>Total Current Liabilities</b>	<b>16,841,850</b>	<b>4,120,248</b>	<b>4,744,063</b>	<b>2,985,281</b>	<b>2,012,209</b>
Noncurrent:					
Advances from other funds	-	-	-	-	-
Net pension liability	15,320,827	10,154,297	9,526,339	7,032,937	1,725,471
Other post-employment (OPEB) obligation	-	-	-	-	-
Compensated absences payable	60,324	28,332	31,685	37,095	2,312
Estimated claims liability, net of current portion	-	-	-	-	-
Long-term debt, net of current portion	95,032,614	32,451,970	46,019,939	17,706,246	-
<b>Total Noncurrent Liabilities</b>	<b>110,413,765</b>	<b>42,634,599</b>	<b>55,577,963</b>	<b>24,776,278</b>	<b>1,727,783</b>
<b>Total Liabilities</b>	<b>127,255,615</b>	<b>46,754,847</b>	<b>60,322,026</b>	<b>27,761,559</b>	<b>3,739,992</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pension-related items	1,496,965	1,018,243	965,337	700,607	178,148
<b>Total Deferred Inflows of Resources</b>	<b>1,496,965</b>	<b>1,018,243</b>	<b>965,337</b>	<b>700,607</b>	<b>178,148</b>
<b>NET POSITION</b>					
Net investment in capital assets	135,565,736	70,483,299	107,629,479	10,251,985	-
Restricted for debt service	6,750,284	925,593	5,278,526	591,558	-
Unrestricted	17,932,297	4,870,038	12,798,836	4,328,019	1,568,413
<b>Total Net Position</b>	<b>\$ 160,248,317</b>	<b>\$ 76,278,930</b>	<b>\$ 125,706,841</b>	<b>\$ 15,171,562</b>	<b>\$ 1,568,413</b>

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Pooled cash and investments	\$ 11,287,238	\$ 94,653,118	\$ 25,572,560
Accounts receivable, net	4,319	13,421,702	1,952,822
Loans receivable	-	3,273,563	-
Prepaid assets	11,805	5,808,531	-
Deposits	162,000	162,000	-
Inventories	66,894	66,894	868,283
Restricted:			
Cash and investments with fiscal agent	-	7,977,776	-
<b>Total Current Assets</b>	<b>11,532,256</b>	<b>125,363,584</b>	<b>28,393,665</b>
<b>Noncurrent:</b>			
Advances to other funds	-	-	58,299
Capital assets:			
Land	10,983,895	24,944,374	-
Buildings	31,859,363	124,235,426	105,889
Building improvements	227,526	11,536,948	4,382,083
Improvements other than building	28,029,440	425,668,617	2,754,578
Equipment	3,956,280	48,574,886	25,726,665
Underground piping	-	194,669,222	-
Other infrastructure	340,131	55,621,982	-
Construction in progress	1,029,275	129,765,070	1,064,335
Less: accumulated depreciation	(35,948,199)	(453,620,755)	(17,566,091)
Total capital assets, net	<u>40,477,711</u>	<u>561,395,770</u>	<u>16,467,459</u>
<b>Total Noncurrent Assets</b>	<b>40,477,711</b>	<b>561,395,770</b>	<b>16,525,758</b>
<b>Total Assets</b>	<b>52,009,967</b>	<b>686,759,354</b>	<b>44,919,423</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on debt refunding	-	1,192,974	-
Deferred pension-related items	1,902,486	15,127,527	4,293,060
<b>Total Deferred Outflows of Resources</b>	<b>1,902,486</b>	<b>16,320,501</b>	<b>4,293,060</b>
<b>LIABILITIES</b>			
<b>Current:</b>			
Accounts payable	510,712	14,076,799	666,912
Salaries and benefits payable	256,939	1,804,792	534,784
Accrued interest payable	-	2,271,003	-
Unearned revenues	95,253	3,474,704	-
Deposits	62,230	1,594,005	-
Compensated absences payable	128,641	1,566,358	369,876
Current portion claims payable	-	-	3,948,188
Current portion long term debt	-	6,969,765	-
<b>Total Current Liabilities</b>	<b>1,053,775</b>	<b>31,757,426</b>	<b>5,519,760</b>
<b>Noncurrent:</b>			
Advances from other funds	800,946	800,946	-
Net pension liability	6,632,887	50,392,758	13,692,993
Other post-employment (OPEB) obligation	-	-	17,499,000
Compensated absences payable	14,293	174,041	41,097
Estimated claims liability, net of current portion	-	-	7,632,570
Long-term debt, net of current portion	-	191,210,769	-
<b>Total Noncurrent Liabilities</b>	<b>7,448,126</b>	<b>242,578,514</b>	<b>38,865,660</b>
<b>Total Liabilities</b>	<b>8,501,901</b>	<b>274,335,940</b>	<b>44,385,420</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension-related items	730,905	5,090,205	1,279,621
<b>Total Deferred Inflows of Resources</b>	<b>730,905</b>	<b>5,090,205</b>	<b>1,279,621</b>
<b>NET POSITION</b>			
Net investment in capital assets	40,477,711	364,408,210	16,467,459
Restricted for debt service	-	13,545,961	-
Unrestricted	4,201,936	45,699,539	(12,920,017)
<b>Total Net Position</b>	<b>\$ 44,679,647</b>	<b>\$ 423,653,710</b>	<b>\$ 3,547,442</b>
<b>Reconciliation of Net Position to the Statement of Net Position</b>			
Net Position per Statement of Net Position - Proprietary Funds		\$ 423,653,710	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds		11,436,976	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds		1,425,126	
<b>Net Position per Statement of Net Position</b>		<b>\$ 436,515,812</b>	

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, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
<b>Operating Revenues:</b>					
Sales	\$ 46,187,721	\$ 18,588,724	\$ -	\$ -	\$ 2,237,725
Service charges	5,476,924	1,553,387	2,130,215	9,289,098	-
Leases and rents	-	37,101	16,877,431	5,148,492	-
Other revenues	414,559	2,115	170,297	642,739	18,715,704
<b>Total Operating Revenues</b>	<b>52,079,204</b>	<b>20,181,327</b>	<b>19,177,943</b>	<b>15,080,329</b>	<b>20,953,429</b>
<b>Operating Expenses:</b>					
Salaries, wages and benefits	9,051,778	5,639,943	5,723,550	6,024,363	773,283
Materials, supplies and services	19,817,443	7,015,790	8,530,310	4,833,183	20,305,751
Depreciation expense	6,834,563	4,918,203	5,708,332	1,490,580	-
<b>Total Operating Expenses</b>	<b>35,703,784</b>	<b>17,573,936</b>	<b>19,962,192</b>	<b>12,348,126</b>	<b>21,079,034</b>
<b>Operating Income (Loss)</b>	<b>16,375,420</b>	<b>2,607,391</b>	<b>(784,249)</b>	<b>2,732,203</b>	<b>(125,605)</b>
Nonoperating Revenues (Expenses):					
Sale of Property	-	-	8,663,760	-	-
Interest revenue	192,388	81,911	115,434	94,347	12,356
Intergovernmental Revenue	-	-	-	-	23,251
Interest expense	(2,021,094)	(937,816)	(2,351,451)	(777,534)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,828,706)</b>	<b>(855,905)</b>	<b>6,427,743</b>	<b>(683,187)</b>	<b>35,607</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>14,546,714</b>	<b>1,751,486</b>	<b>5,643,494</b>	<b>2,049,016</b>	<b>(89,998)</b>
Capital Contributions	76,662	-	350,904	67,991	-
Transfers in	294,840	13,571	-	-	-
Transfers out	(97,914)	(187,128)	(8,229)	(89,370)	(51,481)
<b>Changes in Net Position</b>	<b>14,820,302</b>	<b>1,577,929</b>	<b>5,986,169</b>	<b>2,027,637</b>	<b>(141,479)</b>
<b>Net Position:</b>					
Beginning of Year	145,428,015	74,701,001	119,720,672	13,143,925	1,709,892
<b>End of Fiscal Year</b>	<b>\$ 160,248,317</b>	<b>\$ 76,278,930</b>	<b>\$ 125,706,841</b>	<b>\$ 15,171,562</b>	<b>\$ 1,568,413</b>

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
<b>Operating Revenues:</b>			
Sales	\$ -	\$ 67,014,170	\$ -
Service charges	10,755,572	29,205,196	25,943,200
Leases and rents	258,753	22,321,777	-
Other revenues	86,228	20,031,642	1,044,189
<b>Total Operating Revenues</b>	<b>11,100,553</b>	<b>138,572,785</b>	<b>26,987,389</b>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	4,137,110	31,350,027	9,945,115
Materials, supplies and services	5,888,873	66,391,350	11,887,288
Depreciation expense	1,125,999	20,077,677	1,963,102
<b>Total Operating Expenses</b>	<b>11,151,982</b>	<b>117,819,054</b>	<b>23,795,505</b>
Operating Income (Loss)	(51,429)	20,753,731	3,191,884
<b>Nonoperating Revenues (Expenses):</b>			
Gain on Sale of Property	-	8,663,760	-
Interest revenue	59,217	555,653	87,673
Intergovernmental Revenue	-	23,251	-
Interest expense	(49,292)	(6,137,187)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>9,925</b>	<b>3,105,477</b>	<b>87,673</b>
Income (Loss) Before Transfers and Contributions	(41,504)	23,859,208	3,279,557
Capital Contributions	-	495,557	-
Transfers in	390,230	698,641	2,048,417
Transfers out	(563,350)	(997,472)	(333,152)
Changes in Net Position	(214,624)	24,055,934	4,994,822
<b>Net Position:</b>			
Beginning of Year	44,894,271	399,597,776	(1,447,380)
<b>End of Fiscal Year</b>	<b>\$ 44,679,647</b>	<b>\$ 423,653,710</b>	<b>\$ 3,547,442</b>
<b>Reconciliation of Changes in Net Position to the Statement of Activities:</b>			
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds		\$ 24,055,934	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds		1,425,126	
<b>Changes in Net Position of Business-Type Activities per Statement of Activities</b>		<b>\$ 25,481,060</b>	

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
<b>Cash Flows from Operating Activities:</b>					
Cash received from customers and users	\$ 50,249,861	\$ 20,044,378	\$ 19,756,218	\$ 14,393,464	\$ 2,718,211
Cash paid to suppliers for goods and services	(21,866,868)	(6,655,251)	(8,618,118)	(4,980,789)	(19,860,520)
Cash paid to employees for services	(9,124,905)	(5,739,616)	(5,774,269)	(6,053,800)	(820,065)
Cash received from (payments to) others	414,559	2,115	170,297	642,739	18,715,704
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>19,672,647</b>	<b>7,651,626</b>	<b>5,534,128</b>	<b>4,001,614</b>	<b>753,330</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers in	294,840	13,571	-	-	-
Cash transfers out	(97,914)	(187,128)	(8,229)	(89,370)	(51,481)
Grant subsidies	-	-	-	-	23,251
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>196,926</b>	<b>(173,557)</b>	<b>(8,229)</b>	<b>(89,370)</b>	<b>(28,230)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Loan proceeds	26,281,188	13,779,595	-	1,457,767	-
Bond proceeds	-	11,891,547	-	-	-
Payment to Refunding Bond Escrow	-	(13,029,029)	-	-	-
Acquisition and construction of capital assets	(33,060,654)	(19,113,222)	(1,204,746)	(2,552,321)	-
Principal paid on capital debt	(3,397,605)	(965,451)	(1,462,881)	(968,212)	-
Interest paid on capital debt	(2,099,232)	(937,466)	(2,006,813)	(613,330)	-
Proceeds from sale of property	-	-	8,683,341	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(12,276,303)</b>	<b>(8,374,026)</b>	<b>4,008,901</b>	<b>(2,676,096)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>					
Collection of loans receivable	365,098	-	-	-	-
Interest received	192,388	81,911	115,434	94,347	12,356
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>557,486</b>	<b>81,911</b>	<b>115,434</b>	<b>94,347</b>	<b>12,356</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>8,150,756</b>	<b>(814,046)</b>	<b>9,650,234</b>	<b>1,330,495</b>	<b>737,456</b>
Cash and Cash Equivalents at Beginning of Year	25,352,079	15,355,645	18,420,341	11,273,441	1,887,255
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 33,502,835</b>	<b>\$ 14,541,599</b>	<b>\$ 28,070,575</b>	<b>\$ 12,603,936</b>	<b>\$ 2,624,711</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 16,375,420	\$ 2,607,391	\$ (784,249)	\$ 2,732,203	\$ (125,605)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	6,834,563	4,918,203	5,708,332	1,490,580	-
(Increase) decrease in receivables and deposits	(1,049,686)	(134,834)	748,572	(2,916)	480,486
(Increase) decrease in inventory	-	-	-	-	1,493
Increase (decrease) in accrued liabilities	53,598	34,631	50,637	35,521	2,562
(Increase) decrease in prepaid expense	37,383	-	(247,504)	-	-
Increase (decrease) in accounts payable	(2,081,012)	362,708	155,260	(159,232)	443,738
Increase (decrease) in Pensions	(212,768)	(138,267)	(128,793)	(96,188)	(23,040)
Increase (decrease) in deposits payable	(5,796)	(2,169)	4,436	11,626	-
Increase (decrease) in unearned revenue	(365,098)	-	-	(41,210)	-
Increase (decrease) in compensated absences	86,043	3,963	27,437	31,230	(26,304)
<b>Total Adjustments</b>	<b>3,297,227</b>	<b>5,044,235</b>	<b>6,318,377</b>	<b>1,269,411</b>	<b>878,935</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 19,672,647</b>	<b>\$ 7,651,626</b>	<b>\$ 5,534,128</b>	<b>\$ 4,001,614</b>	<b>\$ 753,330</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>					
Change in Fair Value of Investments	\$ (194,108)	\$ (53,722)	\$ 1,307	\$ (72,009)	\$ (14,540)

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 10,888,114	\$ 118,050,246	\$ -
Cash received from/(paid to) interfund service provided	-	-	25,609,481
Cash paid to suppliers for goods and services	(5,633,091)	(67,614,637)	(12,689,231)
Cash paid to employees for services	(4,187,577)	(31,700,232)	(9,171,783)
Cash received from (payments to) others	86,228	20,031,642	1,044,189
	<u>1,153,674</u>	<u>38,767,019</u>	<u>4,792,656</u>
<b>Net Cash Provided (Used) by Operating Activities</b>			
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers in	390,230	698,641	2,048,417
Cash transfers out	(563,350)	(997,472)	(333,152)
Advance from (to) other funds	(87,394)	(87,394)	56,600
Grant subsidies	-	23,251	-
	<u>(260,514)</u>	<u>(362,974)</u>	<u>1,771,865</u>
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>			
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Loan proceeds	-	41,518,550	-
Bond proceeds	-	11,891,547	-
Payment to Refunding Bond Escrow	-	(13,029,029)	-
Acquisition and construction of capital assets	(691,454)	(56,622,397)	(2,522,800)
Principal paid on capital debt	(341,700)	(7,135,849)	-
Interest paid on capital debt	(34,531)	(5,691,372)	-
Proceeds from capital debt issued	-	8,683,341	-
	<u>(1,067,685)</u>	<u>(20,385,209)</u>	<u>(2,522,800)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>			
<b>Cash Flows from Investing Activities:</b>			
Collection of loans receivable	-	365,098	-
Interest received	59,217	555,653	87,673
	<u>59,217</u>	<u>920,751</u>	<u>87,673</u>
<b>Net Cash Provided (Used) by Investing Activities</b>			
Net Increase (Decrease) in Cash and Cash Equivalents	(115,308)	18,939,587	4,129,394
Cash and Cash Equivalents at Beginning of Year	11,402,546	83,691,307	21,443,166
	<u>\$ 11,287,238</u>	<u>\$ 102,630,894</u>	<u>\$ 25,572,560</u>
<b>Cash and Cash Equivalents at End of Year</b>			
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (51,429)	\$ 20,753,731	\$ 3,191,884
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	1,125,999	20,077,677	1,963,102
(Increase) decrease in receivables and deposits	(165,278)	(123,656)	(333,719)
(Increase) decrease in inventory	(66,894)	(65,401)	(28,445)
(Increase) decrease in accrued liabilities	25,252	202,201	98,464
(Increase) decrease in prepaid expense	(11,805)	(221,926)	-
Increase (decrease) in accounts payable	329,846	(948,692)	(493,093)
Increase (decrease) in OPEB Obligation	-	-	876,998
Increase (decrease) in Pensions	(83,434)	(682,490)	(196,473)
Increase (decrease) in deposits payable	4,635	12,732	-
Increase (decrease) in unearned revenue	39,067	(367,241)	-
Increase (decrease) in claims and judgments	-	-	(280,405)
Increase (decrease) in compensated absences	7,715	130,084	(5,657)
	<u>1,205,103</u>	<u>18,013,288</u>	<u>1,600,772</u>
<b>Total Adjustments Net Cash Provided (Used) by Operating Activities</b>	<u>1,153,674</u>	<u>38,767,019</u>	<u>4,792,656</u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Change in Fair Value of Investments	\$ (69,663)	\$ (402,735)	\$ (101,383)

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION  
 FIDUCIARY FUNDS  
 JUNE 30, 2017

	<u>Agency Funds</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>ASSETS</b>			
Current assets:			
Pooled cash and investments	\$ 1,079,973	\$ -	\$ 4,318,606
Accounts receivable, net	30,249	-	-
Loans receivable	2,450,698	-	3,500,000
Land held for resale	-	-	2,873,528
Restricted assets:			
Cash and investments with fiscal agents	-	-	8,222,407
Non-current assets:			
Capital assets:			
Building improvements	-	-	2,308,715
Improvements other than building	-	-	1,392,606
Equipment	180,000	-	-
Construction in progress	-	-	964,145
Less: accumulated depreciation	(180,000)	-	(135,504)
Total capital assets	<u>-</u>	<u>-</u>	<u>4,529,962</u>
<b>Total Assets</b>	<u>\$ 3,560,920</u>	<u>-</u>	<u>23,444,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on debt refunding		<u>-</u>	<u>36,893</u>
<b>Total Deferred Outflows of Resources</b>		<u>-</u>	<u>36,893</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 1,785	\$ -	\$ 9,517
Salaries and benefits payable	-	-	7,815
Accrued interest payable	-	-	226,998
Due to the City of Santa Barbara	-	550,342	-
Trust liability	3,559,135	-	-
Current portion of long-term debt	-	-	7,430,000
Non-current liabilities:			
Long-term debt, net of current portion	<u>-</u>	<u>-</u>	<u>7,861,154</u>
<b>Total Liabilities</b>	<u>\$ 3,560,920</u>	<u>550,342</u>	<u>15,535,484</u>
<b>NET POSITION</b>			
Held in trust:			
Employees' pension benefit		(550,342)	-
Police		-	58,579
Library		-	2,680,070
Successor Agency of the Former RDA		<u>-</u>	<u>5,207,263</u>
<b>Total Net Position</b>		<u>\$ (550,342)</u>	<u>\$ 7,945,912</u>

CITY OF SANTA BARBARA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 YEAR ENDED JUNE 30, 2017

	Pension Trust Funds	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Employer Contributions	\$ 120,000	\$ -
Taxes	-	8,259,401
Investment earnings:		
Net appreciation (depreciation) in fair value	(1,531)	-
Interest	4,927	21,449
Dividends	4,201	11,292
Total investment earnings	7,597	32,741
Less: investment expense	(3,205)	-
Net investment income	4,392	32,741
<b>Total Additions</b>	<b>124,392</b>	<b>8,292,142</b>
<b>DEDUCTIONS</b>		
Benefits	506,816	-
Administrative expenses	-	156,631
Contractual services	-	1,041,493
Interest expense	-	936,602
Depreciation expense	-	84,215
Community Services	-	137,312
<b>Total Deductions</b>	<b>506,816</b>	<b>2,356,253</b>
Extraordinary loss	-	(1,335,129)
Changes in Net Position	(382,424)	4,600,760
NET POSITION - Beginning of the Year	(167,918)	3,345,152
<b>NET POSITION - End of the Year</b>	<b>\$ (550,342)</b>	<b>\$ 7,945,912</b>



Notes To The  
Basic Financial Statements

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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**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 in 2016, with the remaining three districts elected in November 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 18). Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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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 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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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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

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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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 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. 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.

**E. 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.

**F. 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 other 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.

**G. 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.

**H. 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 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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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**I. Cash and Cash Equivalents**

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

**J. 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, 2017, 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.

**K. 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.

**L. Inventories and Prepaid Assets**

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

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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**M. 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 \$25,000 or more for equipment and other improvements, \$100,000 or more for building improvements and infrastructure, and all buildings, regardless of cost. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at acquisition 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.

**N. 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.

**O. 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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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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, 2017, 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.

**P. 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”.

**Q. 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.

**R. 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.

**S. Use of Estimates**

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

**T. Allocated Costs Policy**

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

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

**NOTE 2. DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 181,302,366
Cash and investments with fiscal agents	7,977,776
Fiduciary funds:	
Cash and investments	5,398,579
Cash and investments with fiscal agents	8,222,407
Total cash and investments	\$ 202,901,128
Cash on hand	\$ 46,616
Demand deposit accounts with financial institutions	13,558,845
Investments	189,295,667
Total cash and investments	\$ 202,901,128

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, 2017, 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.

<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	\$65 million*	N/A

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

**CITY OF SANTA BARBARA**  
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**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.

<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 1,985,940	3.2
U.S. Agency Securities	84,668,931	2.7
Corporate Medium Term Notes	10,007,460	1.4
Negotiable Certificates of Deposit	3,022,508	0.8
Non-Negotiable Certificates of Deposit	4,000,000	0.2
Local Agency Obligations	4,479,501	12 *
State Investment Pool (LAIF)	64,931,145	0.5
Held by Trustees/Fiscal Agents:		
Money Market Fund	11,411,867	N/A
U.S. Agency Securities	3,778,790	1.5
Investment Contracts	1,009,525	N/A
	<u>\$ 189,295,667</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.

**CITY OF SANTA BARBARA**  
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**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, 2017</u>	<u>Level</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
U.S. Treasury Notes	\$ 1,985,940	\$ 1,985,940	\$ -	\$ -
U.S. Agency Securities	84,668,931	-	84,668,931	-
Corporate Medium Term Notes	10,007,460	-	10,007,460	-
Negotiable Certificates of Deposit	3,022,508	-	3,022,508	-
State Investment Pool (LAIF)	<u>64,931,145</u>	-	<u>64,931,145</u>	-
	<u>164,615,984</u>	<u>1,985,940</u>	<u>162,630,044</u>	-
Held by Trustees/Fiscal Agents:				
Money Market Funds	11,411,867	-	11,411,867	-
U.S. Agency Securities	3,778,790	-	3,778,790	-
	<u>15,190,657</u>	-	<u>15,190,657</u>	-
Total Investments at Fair Value	<u>\$ 179,806,641</u>	<u>\$ 1,985,940</u>	<u>\$ 177,820,701</u>	<u>\$ -</u>
<u>Investments at Amortized Cost</u>				
Non-Negotiable Certificates of Deposit	4,000,000			
Local Agency Obligations	4,479,501			
Held by Trustees/Fiscal Agents:				
Investment Contracts	<u>1,009,525</u>			
	<u>9,489,026</u>			
Total Investments	<u>\$ 189,295,667</u>			

**CITY OF SANTA BARBARA**  
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**Disclosures Relating to Credit Risk**

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

Investment Type	Market Value of Investment	Min. Legal Rating	Not Required To Be Rated	Rating as of Year End			
				AAA	AA	AA-	Unrated
U.S. Treasury Notes	\$ 1,985,940	N/A	\$ -	\$ 1,985,940	\$ -	\$ -	\$ -
U.S. Agency Securities	84,668,931	N/A	-	84,668,931	-	-	-
Corporate Medium Term Notes	10,007,460	A	-	-	2,001,880	8,005,580	-
Negotiable Certificates of Deposit	3,022,508	N/A*	3,022,508	-	-	-	-
Non-Negotiable Certificates of Deposit	4,000,000	Collateralized	-	-	-	-	4,000,000
Local Agency Obligations	4,479,501	N/A	-	-	-	-	4,479,501
State Investment Pool (LAIF)	64,931,145	N/A	-	-	-	-	64,931,145
Held by Trustees/Fiscal Agents:							
Money Market Funds	11,411,867	N/A	-	-	-	-	11,411,867
U.S. Agency Securities	3,778,790	N/A	-	3,778,790	-	-	-
Investment Contracts	1,009,525	N/A	1,009,525	-	-	-	-
<b>Total</b>	<b>\$ 189,295,667</b>	<b>N/A</b>	<b>\$ 4,032,033</b>	<b>\$ 90,433,661</b>	<b>\$ 2,001,880</b>	<b>\$ 8,005,580</b>	<b>\$ 84,822,513</b>

\* 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	20,988,944	11.1
Federal Home Loan Bank	U.S. Agency Securities	20,554,686	10.9
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	26,888,710	14.2
Federal Farm Credit Bank	U.S. Agency Securities	11,989,060	6.3

**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, 2017, \$18,248,331 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

**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.

**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, 2017, the various components of unearned revenue reported are as follows:

	<u>Unearned</u>
<b>Governmental funds:</b>	
General Fund:	
Deferred business license tax	\$ 1,244,718
Prepaid Parks and Recreation fees	723,640
Subtotal	1,968,358
Miscellaneous Grants Fund:	
Advances on Police Neighborhood Assistance Grant	77,718
Total governmental funds	\$ 2,046,076
<b>Business-type activities:</b>	
Water Fund:	
Joint Venture Agreement	\$ 3,273,563
Golf Course Fund:	
Golf gift cards and credit vouchers	95,253
Waterfront Fund:	
Prepaid lease and slipholder revenue	105,888
Total business-type activities	\$ 3,474,704

**CITY OF SANTA BARBARA**  
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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, 2017, were as follows:

	Balance <u>June 30, 2017</u>
<b>Governmental Activities</b>	
Deferred pension-related items	\$ <u>67,076,839</u>
	<u>\$ 67,076,839</u>
 <b>Business-type Activities</b>	
2013 Water Certificates of Participation Refunding	\$ 648,964
2014 Waterfront Refunding Revenue Bonds	438,939
2016 Wastewater Revenue Refunding Bonds	105,071
Deferred pension-related items	<u>15,127,527</u>
	<u>\$ 16,320,501</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**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance July 1, 2016	Transfer from Successor Agency	Increases	Transfers/ Reclassifications	Deletions	Ending Balance June 30, 2017	Internal Service Fund Activity	Total Governmental Capital Assets
<b>Governmental Activities:</b>								
Non-depreciating capital assets:								
Construction in progress	\$ 48,280,118	\$ -	\$ 14,558,420	\$ (26,719,690)	\$ -	\$ 36,118,848	\$ 1,064,334	\$ 37,183,182
Art & Historical Treasurers	-	-	-	1,377,100	-	1,377,100	-	1,377,100
Land held for resale	1,857,438	-	-	-	(1,857,438)	-	-	-
Land	47,739,717	1,124,270	-	-	-	48,863,987	-	48,863,987
Streets	160,101,178	-	-	-	-	160,101,178	-	160,101,178
Total non-depreciating capital assets	<u>257,978,451</u>	<u>1,124,270</u>	<u>14,558,420</u>	<u>(25,342,590)</u>	<u>(1,857,438)</u>	<u>246,461,113</u>	<u>1,064,334</u>	<u>247,525,447</u>
Depreciating capital assets:								
Buildings	26,261,303	-	-	-	-	26,261,303	105,889	26,367,192
Building improvements	20,482,370	-	-	3,065,183	-	23,547,553	4,382,083	27,929,636
Improvements other than buildings	44,000,405	228,367	292,356	2,795,445	-	47,316,573	2,754,578	50,071,151
Equipment	14,215,546	-	386,936	(403,176)	-	14,199,306	25,726,665	39,925,971
Infrastructure	175,982,283	-	-	19,885,138	-	195,867,421	-	195,867,421
Total depreciating capital assets	<u>280,941,907</u>	<u>228,367</u>	<u>679,292</u>	<u>25,342,590</u>	<u>-</u>	<u>307,192,156</u>	<u>32,969,215</u>	<u>340,161,371</u>
Less accumulated depreciation:								
Buildings	14,134,107	-	453,374	-	-	14,587,481	105,889	14,693,370
Building improvements	5,670,352	-	515,218	-	-	6,185,570	311,817	6,497,387
Improvements other than buildings	19,988,859	17,508	1,683,015	-	-	21,689,382	375,969	22,065,351
Equipment	11,791,974	-	441,822	-	-	12,233,796	16,772,416	29,006,212
Infrastructure	74,917,510	-	3,541,195	-	-	78,458,705	-	78,458,705
Total accumulated depreciation	<u>126,502,802</u>	<u>17,508</u>	<u>6,634,624</u>	<u>-</u>	<u>-</u>	<u>133,154,934</u>	<u>17,566,091</u>	<u>150,721,025</u>
Total capital assets, being depreciated, net	<u>154,439,105</u>	<u>210,859</u>	<u>(5,955,332)</u>	<u>25,342,590</u>	<u>-</u>	<u>174,037,222</u>	<u>15,403,124</u>	<u>189,440,346</u>
Governmental activities capital assets, net	\$ 412,417,556	\$ 1,335,129	\$ 8,603,088	\$ -	\$ (1,857,438)	\$ 420,498,335	\$ 16,467,458	\$ 436,965,793

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

Governmental activities:	
Administration	\$ 114,610
Public safety	557,760
Public works	3,941,318
Community services	949,501
Community development	<u>1,071,435</u>
General governmental depreciation	6,634,624
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>1,963,102</u>
Total depreciation expense - governmental activities	<u>\$ 8,597,726</u>

**CITY OF SANTA BARBARA**  
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	<u>Beginning Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers/ Reclassifications</u>	<u>Ending Balance June 30, 2017</u>
<b>Business-Type Activities:</b>					
Non-depreciating capital assets:					
Land	24,963,955	-	(19,581)	-	24,944,374
Construction in progress	<u>84,399,301</u>	<u>56,641,378</u>	<u>-</u>	<u>(11,275,609)</u>	<u>129,765,070</u>
Total non-depreciating capital assets	<u>109,363,256</u>	<u>56,641,378</u>	<u>(19,581)</u>	<u>(11,275,609)</u>	<u>154,709,444</u>
Depreciating capital assets:					
Buildings	124,432,970	-	(197,544)	-	124,235,426
Building improvements	11,536,948	-	-	-	11,536,948
Improvements other than buildings	421,636,470	-	-	4,032,146	425,668,616
Equipment	48,429,420	-	-	145,469	48,574,889
Underground piping	191,012,307	-	-	3,656,914	194,669,221
Infrastructure	<u>52,180,902</u>	<u>-</u>	<u>-</u>	<u>3,441,080</u>	<u>55,621,982</u>
Total depreciating capital assets	<u>849,229,017</u>	<u>-</u>	<u>(197,544)</u>	<u>11,275,609</u>	<u>860,307,082</u>
Less accumulated depreciation:					
Buildings	38,185,186	2,488,767	(197,544)	-	40,476,409
Building improvements	4,121,886	270,503	-	-	4,392,389
Improvements other than buildings	227,154,165	9,137,915	-	-	236,292,080
Equipment	34,729,092	2,447,978	-	-	37,177,070
Underground piping	118,888,105	4,419,710	-	-	123,307,815
Infrastructure	<u>10,662,189</u>	<u>1,312,804</u>	<u>-</u>	<u>-</u>	<u>11,974,993</u>
Total accumulated depreciation	<u>433,740,623</u>	<u>20,077,677</u>	<u>(197,544)</u>	<u>-</u>	<u>453,620,756</u>
Total capital assets, being depreciated, net	<u>415,488,394</u>	<u>(20,077,677)</u>	<u>-</u>	<u>11,275,609</u>	<u>406,686,326</u>
Business-type activities capital assets, net	<u>\$ 524,851,650</u>	<u>\$ 36,563,701</u>	<u>\$ (19,581)</u>	<u>\$ -</u>	<u>\$ 561,395,770</u>

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

Business-type activities:	
Water	\$ 6,834,563
Wastewater	4,918,203
Airport	5,708,332
Waterfront	1,490,580
Downtown parking	895,352
Golf	<u>230,647</u>
Total depreciation expense - business-type activities	<u>\$ 20,077,677</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, 2017, is as follows:

Receivable Fund	<u>Due to/from other funds</u> Payable Fund	Amount
<b>Governmental Activities:</b>	<b>Governmental Activities:</b>	
General Fund	Other Governmental Funds	\$ 2,526,889
Receivable Fund	<u>Advances to/from other funds</u> Payable Fund	Amount
<b>Governmental Activities:</b>	<b>Governmental Activities</b>	
General Fund	Other Governmental Funds	\$ 104,000
<b>Governmental Activities:</b>	<b>Business Type Activities:</b>	
General Fund	Golf Course Fund	742,647
Vehicle Capital Fund	Golf Course Fund	58,299
		\$ 904,946

The interfund balances at June 30, 2017, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund advanced money to the General Capital Improvements Fund. This advance, totaling \$104,000 provided the funding necessary to complete the City television equipment replacement project. The advance does not bear interest, and will be repaid in Fiscal Year 2018.

The City's General Fund advanced money to the Golf Course Enterprise Fund. This advance, totaling \$742,647 at June 30, 2017, 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, totaling \$58,299 at June 30, 2017, 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	Other Governmental Funds	Water	Wastewater	Other Enterprise Funds	Internal Service	Total
<b>Governmental Funds</b>							
General Fund	\$ -	\$ 5,171,652	\$ -	\$ -	\$ 43,500	\$ 235,133	\$ 5,450,285
Affordable Housing	-	-	-	-	-	658	658
Other Govt Funds	699,593	4,961,652	294,840	13,571	197,301	1,423,619	7,590,576
<b>Internal Service Funds</b>	100,000	-	-	-	149,429	83,723	333,152
<b>Enterprise Funds</b>							
Water	-	-	-	-	-	97,914	97,914
Wastewater	-	-	-	-	-	187,128	187,128
Solid Waste	50,000	-	-	-	-	1,481	51,481
Airport	-	-	-	-	-	8,229	8,229
Waterfront	-	82,458	-	-	-	6,912	89,370
Other Enterprise Funds	559,730	-	-	-	-	3,620	563,350
<b>Total</b>	\$ 1,409,323	\$ 10,215,762	\$ 294,840	\$ 13,571	\$ 390,230	\$ 2,048,417	\$ 14,372,143

**CITY OF SANTA BARBARA**  
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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 \$4,432,184 to the General Capital Improvements Fund for capital projects. In addition, the General Fund made debt service transfers of \$325,057 to the 2002 Municipal Refunding Certificates of Participation Fund, and capital outlay transfers of \$300,000 to the Streets Capital Fund for road overlay projects.
2. Transfers from the Other Governmental Funds to the General Fund included operating transfers of \$360,610 from the Street Sweeping Fund for Police Department Street Sweeping Enforcement efforts, and \$255,186 from the Traffic Safety Fund for Police Department traffic safety costs.
3. Transfers between Other Governmental Funds are primarily comprised of capital outlay transfers from the Streets Fund to the Street Capital Improvement Fund (\$509,659); from the Measure A Fund to the Measure A Capital Improvement Fund (\$1,605,741); and from the Creek Restoration Fund to the Creek Restoration Capital Improvement Fund (\$1,780,428) for capital projects.
4. Transfers from Other Governmental Funds to the Internal Service Funds were primarily due to capital outlay transfers of \$1,338,250 from the General Capital Improvements Fund to the Information Services Fund for the permit tracking system software replacement project.
5. Transfers from Other Enterprise Funds to the General Fund were operating transfers of \$361,651 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, and \$198,079 from the Golf Fund for General Fund labor costs for employees transferred from the Golf Fund to other positions in the Parks and Recreation department.

**CITY OF SANTA BARBARA**  
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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, 2017, is as follows:

	Beginning Balance July 1, 2016	Additions	Deductions	Ending Balance June 30, 2017	Due Within One Year	Due in More Than One Year
<b>Governmental Activities</b>						
Certificates of participation	\$ 663,300	\$ -	\$ 663,300	\$ -	\$ -	\$ -
Unamortized debt discount	(1,208)	-	(1,208)	-	-	-
Governmental funds debt issues	662,092	-	662,092	-	-	-
Compensated absences	7,073,176	7,377,894	6,731,754	7,719,316	6,947,384	771,932
Claims liability	11,861,163	2,140,620	2,421,025	11,580,758	3,948,188	7,632,570
Governmental activity						
Long-term liabilities	19,596,431	9,518,514	9,814,871	19,300,074	10,895,572	8,404,502
<b>Business-Type Activities</b>						
Revenue bonds	67,167,482	10,580,000	15,489,241	62,258,241	2,579,357	59,678,884
Certificates of participation	18,796,700	-	1,766,700	17,030,000	1,470,000	15,560,000
Loans	77,780,848	41,518,550	2,804,908	116,494,490	2,920,408	113,574,082
Unamortized debt premium	2,263,807	1,311,547	315,096	3,260,258	-	3,260,258
Unamortized debt discount	(1,019,492)	-	(157,037)	(862,455)	-	(862,455)
	164,989,345	53,410,097	20,218,908	198,180,534	6,969,765	191,210,769
Compensated absences	1,610,315	1,662,671	1,532,587	1,740,399	1,566,358	174,041
Business-type activity						
Long-term liabilities	166,599,660	55,072,768	21,751,495	199,920,933	8,536,123	191,384,810
<b>Total debt activity</b>	<b>\$ 186,196,091</b>	<b>\$ 64,591,282</b>	<b>\$ 31,566,366</b>	<b>\$ 219,221,007</b>	<b>\$ 19,431,695</b>	<b>\$ 199,789,312</b>

**CITY OF SANTA BARBARA**  
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A description of long-term obligations outstanding at June 30, 2017, by category follows:

Amount  
Outstanding  
June 30, 2017

**Business-Type Activities**

**Revenue Bonds**

Wastewater Fund:

\$10,580,000 - 2016 Sewer Revenue Refunding Bonds. Bonds were issued to provide funds in order to refund the outstanding 2004A Sewer Revenue Bonds which were used to finance the acquisition of certain capital improvements to the Wastewater system. Remaining annual principal installments range from \$700,000 to \$1,120,000 through May 15, 2028. Interest rates range from 4.0% to 5.0% payable semi-annually. \$ 9,830,000

Waterfront Fund:

\$12,334,392 - Waterfront Refunding Revenue Bonds, Series 2014. 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 3.53%. 9,848,241

Airport Fund:

\$47,270,000 – 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$1,065,000 to \$2,995,000 through July 1, 2039. Interest rates range from 4.0% to 5.0% payable semi-annually. 42,580,000

Total revenue bonds 62,258,241

**Certificates of Participation**

Water Fund:

\$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 3.0% to 5.0% payable semi-annually. 17,030,000

Total certificates of participation \$ 17,030,000

**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. \$ 8,245,751

\$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. 25,048,000

\$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. 46,229,950

Wastewater Fund:

\$1,636,487 - California State Water Resources Control Board Loan. Funds used to assist in financing a biofuel conversion project to increase energy generated at the El Estero Wastewater Treatment Plant. Due in 20 annual payments of \$98,161. The final payment is due December 31, 2036. Interest is 1.8% per annum. 1,636,487

\$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 July 1, 2033. 4,651,068

\$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. 16,121,921

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 May 30, 2024. 1,261,701

\$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. 4,479,501

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. 8,820,111

Total Business-Type Activities

Total loans payable 116,494,490  
\$ 195,782,731

**CITY OF SANTA BARBARA**  
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The annual requirements to amortize all long-term debt outstanding as of June 30, 2017, are as follows:

<u>Business-type Activities</u>				
Fiscal Year Ending	Revenue Bonds	Certificates of Participation	Other Loans	Total
2018	\$ 2,579,357	\$ 1,470,000	\$ 2,920,408	\$ 6,969,765
2019	2,672,141	1,520,000	5,665,475	9,857,616
2020	2,792,919	1,585,000	5,798,043	10,175,962
2021	2,927,539	1,645,000	5,933,014	10,505,553
2022	3,040,958	1,715,000	6,073,656	10,829,614
2023-2027	17,250,327	9,095,000	29,572,412	55,917,739
2028-2032	10,680,000	-	27,474,188	38,154,188
2033-2037	11,755,000	-	25,956,863	37,711,863
2038-2042	8,560,000	-	5,943,010	14,503,010
2043-2047	-	-	1,157,421	1,157,421
Total Principal	<u>62,258,241</u>	<u>17,030,000</u>	<u>116,494,490</u>	<u>195,782,731</u>
Fiscal Year Ending				Total
2018	2,863,244	668,450	2,647,333	6,179,027
2019	2,757,327	616,000	2,587,542	5,960,869
2020	2,634,452	553,900	2,454,974	5,643,326
2021	2,511,977	489,300	2,320,003	5,321,280
2022	2,388,335	422,100	2,179,361	4,989,796
2023-2027	9,803,849	900,750	8,748,042	19,452,641
2028-2032	6,326,014	-	5,595,009	11,921,023
2033-2037	3,666,625	-	2,616,143	6,282,768
2038-2042	656,000	-	655,756	1,311,756
2043-2047	-	-	138,877	138,877
Total Interest	<u>33,607,823</u>	<u>3,650,500</u>	<u>29,943,040</u>	<u>67,201,363</u>
Total Debt	<u>\$ 95,866,064</u>	<u>\$ 20,680,500</u>	<u>\$ 146,437,530</u>	<u>\$ 262,984,094</u>

GASB 48 Disclosure – Pledging of revenues:

Revenue Bonds:

Waterfront Refunding Revenue Bonds, Series 2014

On March 7, 2014, the City issued Waterfront Refunding Revenue Bonds, Series 2014 in the amount of \$12,334,392 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.

**CITY OF SANTA BARBARA**  
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Sewer Revenue Refunding Bonds, Series 2016

On December 21, 2016, the City issued Sewer Revenue Refunding Bonds, Series 2016 in the amount of \$10,580,000 to refund the 2004 Sewer Revenue Bonds. The net proceeds of \$13,029,030 (including an original issue premium of \$1,311,547, less payment of \$263,572 in underwriting fees, bond insurance, and other issuance costs and a net additional \$1,401,055 of 2004 Sewer Bond'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 2004 Sewer Bonds, and all future debt service payments on the advance refunding. As a result, the 2004 Sewer Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Wastewater Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$114,623. 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 2016 Revenue Refunding Bonds of May 15, 2028 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 11 years by \$3,593,861 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,132,138.

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 wastewater system to be at least equal to 1.20 times the amount necessary to pay principal and interest on the bonds and all other parity bonds.

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.

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 \$27,076,018 (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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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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 \$849,000 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.

**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, 2017, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 877,435
Other Governmental Funds	<u>11,440,251</u>
Total Governmental Funds	<u>\$ 12,317,686</u>

**CITY OF SANTA BARBARA**  
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**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.

**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, 2017, 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	26.942%	26.942%	37.630%	37.630%

**Employees Covered** – At June 30, 2017, the following employees were covered by the benefit

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	884	217
Inactive employees entitled to but not yet receiving benefits	815	64
Active employees	784	139
Total	<u>2,483</u>	<u>420</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.

**CITY OF SANTA BARBARA**  
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**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, 2016, using an annual actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Police Plan</u>
Valuation date	June 30, 2015	June 30, 2015
Measurement date	June 30, 2016	June 30, 2016
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, 2015 valuation were based on the results of a CalPERS 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	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	12.0	4.50	5.13
Liquidity	1.0	(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>Miscellaneous Plan</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability / (Asset)</u>
<b>Balance at June 30, 2016</b>	<b>\$ 502,450,439</b>	<b>\$ 370,881,208</b>	<b>\$ 131,569,231</b>
<b>Changes in the year:</b>			
Service cost	9,760,428	-	9,760,428
Interest on the total pension liability	37,902,710	-	37,902,710
Differences between actual and expected experience	(132,903)	-	(132,903)
Changes in assumptions	-	-	-
Plan to plan resource movement	-	-	-
Contribution - employer	-	14,184,385	(14,184,385)
Contribution - employee	-	4,988,705	(4,988,705)
Changes of benefit terms	-	-	-
Net investment income	-	2,007,173	(2,007,173)
Administrative expenses	-	(226,033)	226,033
Benefit payments, included refunds of employee contributions	(23,474,988)	(23,474,988)	-
<b>Net changes</b>	<b>24,055,247</b>	<b>(2,520,758)</b>	<b>26,576,005</b>
<b>Balance at June 30, 2017</b>	<b>\$ 526,505,686</b>	<b>\$ 368,360,450</b>	<b>\$ 158,145,236</b>

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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**Safety Police Plan**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
<b>Balance at June 30, 2016</b>	\$ 235,967,204	\$ 169,405,447	\$ 66,561,757
<b>Changes in the year:</b>			
Service cost	4,497,742	-	4,497,742
Interest on the total pension liability	17,452,394	-	17,452,394
Differences between actual and expected experience	(4,101,607)	-	(4,101,607)
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Plan to plan resource movement	-	-	-
Contribution - employer	-	5,502,842	(5,502,842)
Contribution - employee	-	1,366,145	(1,366,145)
Net investment income	-	934,079	(934,079)
Administrative expenses	-	(103,244)	103,244
Benefit payments, included refunds of employee contributions	(11,957,196)	(11,957,196)	-
<b>Net changes</b>	<b>5,891,333</b>	<b>(4,257,374)</b>	<b>10,148,707</b>
<b>Balance at June 30, 2017</b>	<b>\$ 241,858,537</b>	<b>\$ 165,148,073</b>	<b>\$ 76,710,464</b>

***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	\$ 227,789,692	\$ 158,145,236	\$ 100,551,050
Safety Police	109,433,129	76,710,464	49,909,063
<b>Total</b>	<b>\$ 337,222,821</b>	<b>\$ 234,855,700</b>	<b>\$ 150,460,113</b>

***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, 2017, the City of Santa Barbara Miscellaneous and Safety Policy Plans recognized pension expense of \$12,605,238 and \$4,981,240 respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
	Difference between Expected and Actual Experience	\$ -
Change in Assumptions	-	2,293,993
Pension contribution subsequent to Measurement Date	14,738,194	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	32,618,738	12,549,286
<b>Total</b>	<b>\$ 47,356,932</b>	<b>\$ 16,059,091</b>

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<b>Safety Police Plan</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between Expected and Actual Experience	\$ -	\$ 6,457,964
Change in Assumptions	-	2,009,695
Pension contribution subsequent to Measurement Date	6,118,439	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	14,851,100	5,761,968
<b>Total</b>	<b>\$ 20,969,539</b>	<b>\$ 14,229,627</b>

\$14,738,194 for Miscellaneous and for Safety Police are 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	<b>Miscellaneous Plan Deferred Outflows/(Inflows) of Resources</b>	<b>Safety Police Plan Deferred Outflows/(Inflows) of Resources</b>
2018	\$ (613,135)	\$ (2,966,360)
2019	\$ 2,820,724	\$ (2,351,034)
2020	\$ 9,133,338	\$ 3,577,201
2021	\$ 5,218,720	\$ 2,361,666
2022	\$ -	\$ -

**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.

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The Safety Fire Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>Safety Fire</u>	<u>Safety Fire</u>
	Prior to January 1, 2013	After January 1, 2013 PEPRA
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%	12.25%
Required employer contribution rates	42.081%	11.923%

**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, 2017, the contributions to the plan were \$4,084,689.

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

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability (NPL) as follows:

	<u>Proportionate Share of NPL</u>
<b>Safety Fire Plan</b>	\$ 60,895,072

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	<u>Safety Fire</u>	
Proportion - June 30, 2015	1.24490	%
Proportion - June 30, 2016	1.17576	%
Change - Increase (Decrease)	(0.06914)	%

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For the year ended June 30, 2017, the City recognized pension expense of \$4,236,559. At June 30, 2017, 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>
<b>Safety Fire Plan</b>		
Changes in Assumptions	\$ -	\$ (1,552,565)
Contributions made after the measurement date	4,917,209	-
Difference between expected and actual experiences	-	(356,087)
Net difference between projected and actual earnings on pension plan investments	7,627,678	-
Difference between employer's contributions and employer's proportionate share of contributions	89,473	(195,483)
Change in Employer's Proportion	<u>1,190,866</u>	<u>(5,808)</u>
Total	<u>\$ 13,825,226</u>	<u>\$ (2,109,943)</u>

\$4,917,209 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, 2017. 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>
2018	\$ 555,598
2019	\$ 682,111
2020	\$ 3,574,658
2021	\$ 1,985,707
2022	\$ -
Thereafter	\$ -

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**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ended June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and the June 30, 2016 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, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2007, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

**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 7.65% used for the June 30, 2015 and June 30, 2016 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.

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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	20.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	10.0	6.83	6.95
Real Estate	12.0	4.50	5.13
Liquidity	1.0	(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

**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% (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>Discount Rate +1% (8.65%)</u>
Plan's Net Pension Liability/(Assets)	\$ 84,774,174	\$ 60,895,072	\$ 41,292,776

**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 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. The second plan, 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, and who were disabled due to job related injuries.

**Benefits Provided & Employees Covered** - A total of nine (9) former public safety (police and fire) employees received 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. During fiscal year 2017, the City paid remaining assets in the form of lump sum payments to the two remaining members of the Service Retirement Plan, and settled the plan. As of June 30, 2017, seven (7) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and the Service Retirement Pension Trust Fund is now closed. Separate audited financial statements are not issued for either plan.

Method used to value investments

Prior to the closure of the Service Retirement Pension Trust Fund, the City of Santa Barbara Fire and Police Pension Plans (the Plans) investments were reported at fair value. Securities that are traded on a national or international exchange were valued at the last reported sales price at current exchange rates.

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Investment Policy

The City administered the Plans in compliance with and under the authority of Articles XV and XVA of the 1926 City Charter. After the closure of the Service Retirement Pension Trust Fund, the City no longer has plan assets in a Trust fund. The City will pay any benefit payments not paid from a Trust.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.4%. During the year, the remaining assets were distributed.

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, 2017, the Plan's actuarially determined annual required contribution was \$48,972.

The components of the net pension liability of the Plan at June 30, 2017, were as follows:

Total pension liability	\$	726,095
Plan fiduciary net pension		<u>(453,452)</u>
Net pension liability		<u>\$ 272,643</u>
Plan fiduciary net position as a percentage of the total pension liability		62.50 %

Actuarial Assumptions

Valuation Date	July 1, 2016
Discount Rate	2.85%
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 2.85%. 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 2.85%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (1.85%) or 1% higher (3.85%) than the current rate:

	1% Lower* (1.85%)	Current Discount Rate (2.85%)	1% Higher* (3.85%)
Net pension liability	\$ 288,397	\$ 272,643	\$ 257,961

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Changes in Net Pension Liability

The changes in the Net Pension Liability for the plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension Liability / (Asset)
<b>Balance June 30, 2016</b>	\$ 925,987	\$ 491,972	\$ 434,015
<b>Changes for the year:</b>			
Interest	38,189	-	38,189
Change in benefit terms	(227,990)	-	(227,990)
Difference between expected and actual experience	41,577	-	41,577
Change in assumptions	64,419	-	64,419
Contributions - employer	-	48,972	(48,972)
Net investment income	-	28,595	(28,595)
Benefit payments, including refunds of member contributions	(116,087)	(116,087)	-
<b>Net changes</b>	<b>(199,892)</b>	<b>(38,520)</b>	<b>(161,372)</b>
<b>Balance at June 30, 2017</b>	<b>\$ 726,095</b>	<b>\$ 453,452</b>	<b>\$ 272,643</b>

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2017, 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>	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	\$ 48,972	\$ -
Net difference between projected and actual earnings	3,697	-
<b>Total</b>	<b>\$ 52,669</b>	<b>\$ -</b>

\$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, 2017. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30:	Deferred outflows/ Inflows of Resources
2018	\$ (1,063)
2019	(1,063)
2020	5,676
2021	147
2022	-

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**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.

**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 an acquisition 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, 2017, were as follows:

<u>Government Wide Financials</u>	<u>Balance</u>
<u>Governmental Activities</u>	<u>June 30, 2017</u>
Deferred pension-related items	\$ 27,308,455
<b>Business-type Activities</b>	
Deferred pension-related items	5,090,205

Deferred inflows of resources balances as reported on the Governmental Funds Balance Sheet for the year ended June 30, 2017, were as follows:

<u>Governmental Fund Financials</u>	<u>Balance</u>
<u>Major Governmental Funds</u>	<u>June 30, 2017</u>
General Fund-Library and Fire Unavailable revenue	\$ 35,798
<b>Nonmajor Governmental Funds</b>	
Street Grant Capital Fund-Unavailable grant revenue	\$ 988,951
Misc Grants Fund-Unavailable grant revenue	636
CDBG Fund-Advances on federal housing grants	4,736,920
Home Fund-Advances on federal housing grants	9,339,704

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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.

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The components of the City's fund balances at June 30, 2017, consist of the following:

	Special Revenue Funds			
	General Fund	Affordable Housing	Other Governmental Fund	Governmental Funds
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid assets and deposits	\$ 64,442	\$ -	\$ -	\$ 64,442
Loans receivable	1,193,518	-	-	1,193,518
Advances to other funds	846,647	-	-	846,647
<b>Restricted for:</b>				
Administration	276,035	-	-	276,035
Public safety	144,947	-	858,463	1,003,410
Public works	96,327	-	4,832,133	4,928,460
Community services	228,724	-	1,123,522	1,352,246
Community development	1,920,892	-	551,023	2,471,915
Capital improvements	-	-	3,189,252	3,189,252
Affordable housing	-	52,426,010	-	52,426,010
<b>Committed for:</b>				
Public safety	343,434	-	-	343,434
Capital improvements	-	-	12,882,974	12,882,974
Community services	120,338	-	-	120,338
Contingencies	11,830,649	-	-	11,830,649
Disaster contingency	19,167,000	-	-	19,167,000
<b>Assigned to:</b>				
Administration	18,627	-	-	18,627
Public works	46,775	-	-	46,775
Community services	13,873	-	-	13,873
Community development	232,723	-	-	232,723
Capital improvements	-	-	2,836,757	2,836,757
<b>Unassigned:</b>	-	-	(949,472)	(949,472)
<b>Total Fund Balances</b>	<u>\$ 36,544,951</u>	<u>\$ 52,426,010</u>	<u>\$ 25,324,652</u>	<u>\$ 114,295,613</u>

**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 thirtieth year July 2016 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.

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.

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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. The City filed one claim under the property insurance policy for damage sustained at the Airport. No other claims were filed during fiscal year 2017.

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, 2017, the estimated outstanding liabilities are \$10,416,761 for workers' compensation and \$1,163,997 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, 2017, the liability for unemployment claims was \$23,223.

A summary of changes in claims liabilities is shown below:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Claims liabilities, July 1	\$ 11,861,163	\$ 7,919,646	\$ 7,613,961
Incurred claims	2,421,025	3,449,037	3,699,699
Actuarial adjustment	(280,405)	3,941,517	305,685
Payments on claims attributable to events of current and prior years	<u>(2,421,025)</u>	<u>(3,449,037)</u>	<u>(3,699,699)</u>
Claims liabilities, June 30	<u>\$ 11,580,758</u>	<u>\$ 11,861,163</u>	<u>\$ 7,919,646</u>

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**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 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%.

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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 Costs	TOTAL CCWA AND DWR COSTS
	Fixed Costs	Variable Costs (1)	Fixed Costs	Variable Costs (1)	Debt Service		
2017/18	\$ 2,745,927	\$ 666,141	\$ 376,342	\$ 432,310	\$ 1,577,107	\$ 2,385,759	\$ 5,797,827
2018/19	2,709,237	449,544	300,552	443,649	1,555,188	2,299,389	5,458,170
2019/20	2,701,706	472,021	309,568	486,335	1,554,137	2,350,040	5,523,767
2020/21	2,798,809	495,622	318,855	509,763	1,551,978	2,380,596	5,675,027
2021/22	2,831,948	520,403	328,421	526,292	1,550,064	2,404,777	5,757,128
Thereafter	34,700,140	-	8,062,702	-	-	8,062,702	42,762,842
<b>TOTAL:</b>	<b>\$ 48,487,767</b>	<b>\$ 2,603,731</b>	<b>\$ 9,696,440</b>	<b>\$ 2,398,349</b>	<b>\$ 7,788,474</b>	<b>\$ 19,883,263</b>	<b>\$ 70,974,761</b>

(1) Variable costs only shown through 2021/22 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 \$33,293,751. Of these loan balances, \$8,245,751 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$16,534,611 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$8,513,389 is for the City of Santa Barbara (100%) for improvements to the Ortega Groundwater Treatment Plant.

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

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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 preliminary Fiscal Year 2017 year-end COMB expenditures, as presented at the October 23, 2017 COMB Board Meeting:

<b>Operations Division</b>	
Operating & Maintenance	\$ 881,210
General & Administrative	\$ 677,077
Special General & Administrative	\$ 1,343
Special Projects - Infrastructure Plan Projects	\$ 1,952,940
Special Projects - Emergency Pumping Facility Interest Expense	\$ 69,126
<b>Operations Subtotal:</b>	<b>\$ 3,581,696</b>
<b>Fisheries Division</b>	
Operating & Maintenance	\$ 702,921
General & Administrative	\$ 275,539
Special Projects	\$ 142,764
Habitat Improvement Plan Projects	\$ 1,728,707
<b>Fisheries Subtotal:</b>	<b>\$ 2,849,931</b>
<b>Total FY 2017 Expenditures:</b>	<b>\$ 6,431,627</b>

Expenditures for Fiscal Year 2017 represent normal costs for operation and maintenance of Cachuma Project facilities, as well as some interest payments associated with the emergency pumping facility installed during 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 (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 final 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 Fiscal Year 2017 year-end CCRB expenditures as of June 30, 2017 for the portion of these activities that CCRB funds, as presented at the September 21, 2017 CCRB Board Meeting:

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General & Administrative	\$ 112,270
Legal Activities	\$ 229,059
Consultant Activities	\$ 300,182
<b>Total Fiscal Year 2017 Expenditures:</b>	<b>\$ 641,511</b>

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 \$262,250 in City costs for Fiscal Year 2017. At its October 18, 2017 meeting, the CCRB Board decided to return unexpended funds from the Fiscal Year 2016 and Fiscal Year 2017; as a result, \$247,914 will be returned to the City of Santa Barbara during Fiscal Year 2018.

**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:

Employee Down Payment (minimum)	5 %
Bank-provided 1st Deed of Trust Loan	80 %
City-funded 2nd Deed of Trust Loan (maximum)	15 %
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

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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, 2017, the City has \$1,192,647 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, 2017:

Self-Insurance Internal Service Fund	\$ (22,349,933)
Safety Retirement Trust Fund	(550,342)
Street Grant Capital Improvement Fund	(623,311)
FEMA Reimbursement Fund	(326,161)

**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.

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.

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**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 update 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	\$ 2,397,000
Interest on net OPEB obligation	638,000
Adjustment to annual required contribution	<u>(921,000)</u>
Annual OPEB cost (expense)	2,114,000
Contributions made	<u>(1,220,000)</u>
Increase/(decrease) in Net OPEB obligation	894,000
Net OPEB obligation - beginning of year	<u>16,551,000</u>
Net OPEB obligation - end of year	<u>\$ 17,445,000</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, 2017, and each of the preceding two years 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>
6/30/2015	\$ 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
6/30/2017	2,114,000	1,220,000	57.7 %	17,445,000

**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
07/01/11	\$ -	\$ 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 %

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

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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 effects 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.

**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

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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, 2016 actuarial update 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)	\$	625,000
Interest on Net OPEB Obligation		(10,000)
Adjustment to the ARC		<u>(4,000)</u>
Annual OPEB Cost		611,000
Contributions Made		<u>(628,000)</u>
Increase (Decrease) in Net OPEB Obligation		(17,000)
Net OPEB Obligation – Beginning of Year		<u>71,000</u>
Net OPEB Obligation – End of Year	\$	<u>54,000</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, 2017, 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>
6/30/2015	\$ 529,000	\$ 344,000	65.0 %	\$ 626,000
6/30/2016	500,000	1,055,000	211.0 %	71,000
6/30/2017	611,000	628,000	102.8 %	54,000

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

**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 effects 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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

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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. 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.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

**A. Cash and investments**

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

Cash and investments pooled with the City	\$ 1,579,957
Cash and investments with fiscal agent	<u>8,222,407</u>
	<u>\$ 9,802,364</u>

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance <u>July 1, 2016</u>	Transferred from Successor Agency	<u>Increases</u>	<u>Decreases</u>	Transfers / Reclassifications	Ending Balance <u>June 30, 2017</u>
<b>Fiduciary Activities:</b>						
Non-depreciating capital assets:						
Construction in progress	\$ 1,917,836	\$ -	\$ 572,836	\$ -	\$ (1,526,527)	\$ 964,145
Land	<u>1,124,270</u>	<u>(1,124,270)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-depreciating capital assets	<u>3,042,106</u>	<u>(1,124,270)</u>	<u>572,836</u>	<u>-</u>	<u>(1,526,527)</u>	<u>964,145</u>
Depreciating capital assets:						
Building improvements	2,174,794	-	-	-	133,921	2,308,715
Improvements other than buildings	228,367	(228,367)	-	-	-	-
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,392,606</u>	<u>1,392,606</u>
Total depreciating capital assets	<u>2,403,161</u>	<u>(228,367)</u>	<u>-</u>	<u>-</u>	<u>1,526,527</u>	<u>3,701,321</u>
Less accumulated depreciation:						
Building improvements	58,901	-	55,039	-	-	113,940
Improvements other than buildings	9,896	(17,508)	7,612	-	-	-
Infrastructure	<u>-</u>	<u>-</u>	<u>21,564</u>	<u>-</u>	<u>-</u>	<u>21,564</u>
Total accumulated depreciation	<u>68,797</u>	<u>(17,508)</u>	<u>84,215</u>	<u>-</u>	<u>-</u>	<u>135,504</u>
Total capital assets, being depreciated, net	<u>2,334,364</u>	<u>(210,859)</u>	<u>(84,215)</u>	<u>-</u>	<u>1,526,527</u>	<u>3,565,817</u>
Fiduciary activities capital assets, net	<u>\$ 5,376,470</u>	<u>\$ (1,335,128)</u>	<u>\$ 488,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,529,962</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, 2017, follows:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2017</u>	Due Within <u>One Year</u>	Due in More than <u>One Year</u>
<b>Fiduciary Funds:</b>						
Tax allocation bonds	\$ 22,310,000	\$ -	\$ 7,085,000	\$ 15,225,000	\$ 7,430,000	\$ 7,795,000
Unamortized debt premium	219,388	-	73,128	146,260	-	146,260
Unamortized debt discount	<u>(120,160)</u>	<u>-</u>	<u>(40,054)</u>	<u>(80,106)</u>	<u>-</u>	<u>(80,106)</u>
<b>Total Fiduciary Funds</b>	<u>\$ 22,409,228</u>	<u>\$ -</u>	<u>\$ 7,118,074</u>	<u>\$ 15,291,154</u>	<u>\$ 7,430,000</u>	<u>\$ 7,861,154</u>

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**JUNE 30, 2017**

	Amount Outstanding June 30, 2017
<b><u>Successor Agency</u></b>	
<b>Tax Allocation Bonds</b>	
\$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 \$595,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	\$ 1,215,000
\$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 \$2,700,000 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.	5,535,000
\$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 \$4,135,000 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.	<u>8,475,000</u>
Total tax allocation bonds	<u>\$ 15,225,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2017, are as follows:

	Tax Allocation Bonds
Fiscal Year	Principal
<u>Ending</u>	<u>Payments</u>
2018	\$ 7,430,000
2019	<u>7,795,000</u>
Total Principal	<u>\$ 15,225,000</u>
Fiscal Year	Interest
<u>Ending</u>	<u>Payments</u>
2018	\$ 714,913
2019	<u>350,530</u>
Total Interest	<u>\$ 1,065,443</u>
Total Debt	<u>\$ 16,290,443</u>

GASB 48 Disclosure – Pledging of revenues:

**Tax Allocation Bonds:**

The total principal and interest remaining to be paid on the Bonds is \$16,290,443 as of June 30, 2017. For the current year, principal and interest paid on the Bonds was \$8,142,830, and property tax received in the Successor Agency was \$8,259,401. 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, 2017**

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**D. Commitments and Contingencies**

**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 fund balance. As of June 30, 2017, total fund encumbrance balances for the Successor Agency are as follows:

Successor Agency of Former RDA Fund           \$ 408,672

**NOTE 19. RECONCILIATION OF EXTRAORDINARY GAIN/(LOSS)**

	<b>Extraordinary Gain/(Loss)</b>
<b>Governmental Activities:</b>	
Assets received from Successor Agency	\$ <u>1,335,129</u>
Extraordinary loss recorded in Successor Agency	\$ <u>(1,335,129)</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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Total pension liability:</b>				
Interest	\$ 277,220	\$ 63,008	\$ 58,515	\$ 38,189
Benefit payments, including refund of member contributions	(175,058)	(173,700)	(113,370)	(116,087)
Change in Benefit Terms	-	-	54,434	(227,990)
Difference between expected and actual experience	-	-	(237,062)	41,577
Change in Assumptions	-	-	42,874	64,419
<b>Net change in total pension liability</b>	<u>102,162</u>	<u>(110,692)</u>	<u>(194,609)</u>	<u>(199,892)</u>
Total pension liability, beginning of year	<u>1,129,126</u>	<u>1,231,288</u>	<u>1,120,596</u>	<u>925,987</u>
<b>Total pension liability, end of year</b>	1,231,288	1,120,596	925,987	726,095
<b>Plan fiduciary net position:</b>				
Contributions - employer	96,992	102,126	49,611	48,972
Net investment income	36,741	62,733	1,123	28,595
Benefit payments, including refunds of member contributions	<u>(175,058)</u>	<u>(173,700)</u>	<u>(113,370)</u>	<u>(116,087)</u>
<b>Net change in plan fiduciary net position</b>	(41,325)	(8,841)	(62,636)	(38,520)
Total fiduciary net position, beginning of year	<u>604,774</u>	<u>563,449</u>	<u>554,608</u>	<u>491,972</u>
<b>Total fiduciary net position, end of year</b>	<u>563,449</u>	<u>554,608</u>	<u>491,972</u>	<u>453,452</u>
<b>Net pension liability (asset), end of year</b>	<u>\$ 667,839</u>	<u>\$ 565,988</u>	<u>\$ 434,015</u>	<u>\$ 272,643</u>
Plan fiduciary net position as a percentage of the total pension liability	45.76 %	49.49 %	53.13 %	62.45 %
Covered-employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 105,000	\$ 108,000	\$ 49,611	\$ 48,972
Contributions in relation to the actuarially determined contributions	(97,000)	(104,000)	(49,611)	(48,972)
Contribution deficiency (excess)	<u>\$ 8,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

**Notes to Schedule**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2016 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	N/A
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 INVESTMENT RETURNS  
AS OF JUNE 30, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</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, 2017, FOR THE LAST TEN FISCAL YEARS (A)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>MISCELLANEOUS PLAN</u></b>			
Total Pension Liability			
Service cost	\$ 9,676,642	\$ 9,563,623	\$ 9,760,428
Interest on total pension liability	34,649,348	36,129,828	37,902,710
Differences between expected and actual experience	-	(4,360,012)	(132,903)
Changes in assumptions	-	(8,848,255)	-
Benefit payments, including refunds of employee contributions	(20,041,269)	(21,493,097)	(23,474,988)
<b>Net change in total pension liability</b>	<b>24,284,721</b>	<b>10,992,087</b>	<b>24,055,247</b>
<b>Total pension liability - beginning</b>	<b>467,173,631</b>	<b>491,458,352</b>	<b>502,450,439</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 491,458,352</b>	<b>\$ 502,450,439</b>	<b>\$ 526,505,686</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 11,818,133	\$ 13,162,072	\$ 14,184,385
Contributions - employee	4,587,261	4,833,301	4,988,705
Net investment income	54,806,586	8,218,938	2,007,173
Plan to Plan Resource Movement	-	(1,157)	-
Administrative Expense	-	(880,882)	(226,033)
Benefit payments	(20,041,269)	(21,493,097)	(23,474,988)
<b>Net change in plan fiduciary net position</b>	<b>51,170,711</b>	<b>3,839,175</b>	<b>(2,520,758)</b>
<b>Plan fiduciary net position - beginning</b>	<b>315,871,322</b>	<b>367,042,033</b>	<b>370,881,208</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 367,042,033</b>	<b>\$ 370,881,208</b>	<b>\$ 368,360,450</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 124,416,319</b>	<b>\$ 131,569,231</b>	<b>\$ 158,145,236</b>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.68 %	73.81 %	69.96 %
Covered-Employee Payroll	\$ 50,588,886	\$ 53,022,251	\$ 55,485,351
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	245.94 %	248.14 %	285.02 %
<b><u>SAFETY POLICE PLAN</u></b>			
Total Pension Liability			
Service cost	\$ 5,186,081	\$ 5,010,613	\$ 4,497,742
Interest on total pension liability	16,640,662	16,967,585	17,452,394
Differences between expected and actual experience	-	(7,448,519)	(4,101,607)
Changes in assumptions	-	(4,242,689)	-
Benefit payments, including refunds of employee contributions	(9,641,215)	(10,608,382)	(11,957,196)
<b>Net change in total pension liability</b>	<b>12,185,528</b>	<b>(321,392)</b>	<b>5,891,333</b>
<b>Total pension liability - beginning</b>	<b>224,103,068</b>	<b>236,288,596</b>	<b>235,967,204</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 236,288,596</b>	<b>\$ 235,967,204</b>	<b>\$ 241,858,537</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 5,804,938	\$ 5,729,090	\$ 5,502,842
Contributions - employee	1,514,918	1,462,940	1,366,145
Net investment income	25,268,419	3,780,559	934,079
Plan to Plan Resource Movement	-	(3,426)	-
Administrative Expense	-	(184,197)	(103,244)
Benefit payments	(9,641,215)	(10,608,382)	(11,957,196)
<b>Net change in plan fiduciary net position</b>	<b>22,947,060</b>	<b>176,584</b>	<b>(4,257,374)</b>
<b>Plan fiduciary net position - beginning</b>	<b>146,281,803</b>	<b>169,228,863</b>	<b>169,405,447</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 169,228,863</b>	<b>\$ 169,405,447</b>	<b>\$ 165,148,073</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 67,059,733</b>	<b>\$ 66,561,757</b>	<b>\$ 76,710,464</b>

**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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

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Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		71.62 %		71.79 %		68.28 %
Covered-Employee Payroll	\$	17,126,518	\$	17,232,219	\$	15,555,046
Plan Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll		391.55 %		386.26 %		493.15 %

(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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>MISCELLANEOUS PLAN</u></b>			
Actuarially determined contribution	\$ 11,818,133	\$ 13,162,072	\$ 14,738,194
Contributions in relation to the actuarially determined contributions	<u>(11,818,133)</u>	<u>(13,162,072)</u>	<u>(14,738,194)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 50,588,886	\$ 53,022,251	\$ 55,485,351
Contributions as a percentage of covered-employee payroll	23.36 %	24.82 %	26.56 %
<b><u>SAFETY POLICE PLAN</u></b>			
Actuarially determined contribution	\$ 5,804,938	\$ 5,729,090	\$ 6,118,439
Contributions in relation to the actuarially determined contributions	<u>(5,804,938)</u>	<u>(5,729,090)</u>	<u>(6,118,439)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,126,518	\$ 17,232,219	\$ 15,555,046
Contributions as a percentage of covered-employee payroll	33.89 %	33.25 %	39.33 %

**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, 2014
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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

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<u>Fire Plan</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability	0.73895 %	1.24490 %	1.17576 %
Proportionate share of the net pension liability	\$ 45,980,620	\$ 51,295,415	\$ 60,895,072
Covered - employee payroll	\$ 10,382,054	\$ 9,946,642	\$ 10,343,376
Proportionate share of the net pension liability as percentage of covered-employee payroll	442.89 %	515.71 %	588.73 %
Plan's proportionate share of the fiduciary net position as a percentage of the plan's total pension liability	78.40 %	79.82 %	75.87 %

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, 2017, FOR THE LAST TEN FISCAL YEARS (A)**

<b>Fire Plan</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Contractually required contribution (actuarially determined)	3,535,869	3,672,002	4,917,209
Contributions in relation to the actuarially determined contribution	<u>(3,535,869)</u>	<u>(3,672,002)</u>	<u>(4,917,209)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	10,382,054	9,946,642	10,343,376
Contributions as percentage of covered-employee payroll	34.06 %	36.92 %	47.54 %

**Notes to Schedule**

Valuation Date: June 30, 2014

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, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 83,756,015	\$ 83,756,015	\$ 83,085,747	\$ (670,268)
Franchise fees	3,002,500	3,002,500	4,231,304	1,228,804
Intergovernmental	894,780	2,247,337	2,068,458	(178,879)
Charges for services	22,057,956	22,288,297	21,107,593	(1,180,704)
Use of money and property	1,141,098	1,141,098	737,355	(403,743)
Fines and forfeitures	3,317,400	3,317,400	3,159,446	(157,954)
Other revenues	11,573,391	14,136,739	11,897,862	(2,238,877)
<b>Total Revenues</b>	<b>125,743,140</b>	<b>129,889,386</b>	<b>126,287,765</b>	<b>(3,601,621)</b>
<b>Expenditures:</b>				
Current:				
Mayor and city council	3,518,491	3,536,841	3,461,339	75,502
City attorney	2,513,762	2,699,693	2,566,179	133,514
City administration	2,175,998	2,251,964	2,100,731	151,233
Administrative services	2,516,473	2,710,064	2,354,298	355,766
Finance	5,742,903	5,784,437	5,497,395	287,042
Public safety	66,396,598	67,780,371	65,749,337	2,031,034
Public works	8,361,966	8,595,908	7,515,569	1,080,339
Community services	22,710,548	23,103,340	21,226,609	1,876,731
Community development	11,500,346	12,061,590	11,161,615	899,975
<b>Total Expenditures</b>	<b>125,437,085</b>	<b>128,524,208</b>	<b>121,633,072</b>	<b>6,891,136</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	306,055	1,365,178	4,654,693	3,289,515
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,809,693	2,274,828	1,409,323	(865,505)
Transfers out	(2,140,749)	(6,130,488)	(5,450,285)	680,203
<b>Total Other Financing Sources (Uses)</b>	<b>(331,056)</b>	<b>(3,855,660)</b>	<b>(4,040,962)</b>	<b>(185,302)</b>
Net Change in Fund Balances	(25,001)	(2,490,482)	613,731	3,104,213
Fund Balances, Beginning of Year	35,931,220	35,931,220	35,931,220	-
<b>Fund Balances, End of Year</b>	<b>\$ 35,906,219</b>	<b>\$ 33,440,738</b>	<b>\$ 36,544,951</b>	<b>\$ 3,104,213</b>

\*See Notes to RSI

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 AFFORDABLE HOUSING FUND  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Use of money and property	\$ 588,300	\$ 588,300	\$ 785,232	\$ 196,932
Other revenues	-	-	525	525
<b>Total Revenues</b>	<u>588,300</u>	<u>588,300</u>	<u>785,757</u>	<u>197,457</u>
<b>Expenditures:</b>				
Current:				
Community development	587,642	2,209,559	461,296	1,748,263
<b>Total Expenditures</b>	<u>587,642</u>	<u>2,209,559</u>	<u>461,296</u>	<u>1,748,263</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>658</u>	<u>(1,621,259)</u>	<u>324,461</u>	<u>1,945,720</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(658)	(658)	(658)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(658)</u>	<u>(658)</u>	<u>(658)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(1,621,917)</u>	<u>323,803</u>	<u>1,945,720</u>
Fund Balances, Beginning of Year	<u>52,102,207</u>	<u>52,102,207</u>	<u>52,102,207</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 52,102,207</u>	<u>\$ 50,480,290</u>	<u>\$ 52,426,010</u>	<u>\$ 1,945,720</u>

\*See Notes to RSI

**CITY OF SANTA BARBARA**  
**Notes to Required Supplementary Information**  
**JUNE 30, 2017**

**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, and the two federally declared disasters from the January and February 2017 winter storms. 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	\$ 127,577,834
Re-appropriated Prior Year Encumbrances	1,203,218
Amendments	<u>5,873,644</u>
Amended Budget	<u>\$ 134,654,696</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

**CITY OF SANTA BARBARA**  
**Notes to Required Supplementary Information**  
**JUNE 30, 2017**

preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.

- The City documents that the eligible infrastructure capital assets are being preserved near the established and disclosed condition assessment level. While the street pavement system has fallen below the established condition level in Fiscal Year 2017, the City is currently addressing the issue. On November 7, 2017, a 1% sales tax measure was approved for infrastructure needs, which will generate the necessary funds to improve the condition 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

**CITY OF SANTA BARBARA**  
**Notes to Required Supplementary Information**  
**JUNE 30, 2017**

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 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 2017, the City's street network was rated an average PCI index value of 59 ("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 \$2,987,446 on street maintenance for the fiscal year ended June 30, 2017. 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>
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
2016-2017	\$8,200,000	\$2,987,446	59

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

**CITY OF SANTA BARBARA**  
**Notes to Required Supplementary Information**  
**JUNE 30, 2017**

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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 (Unbudgeted)** - To account for costs incurred as a result of the three federally declared disasters for wildfires from July 2007 through May 2009, and the two federally declared disasters from the January and February 2017 winter storms.

**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.

**Street Grant Capital Fund** - To account for street-related capital projects financed by various 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, 2017

	<b>Special Revenue Funds</b>			
	<b>Traffic Safety Fund</b>	<b>Creek Restoration/Water Quality</b>	<b>Wildland Fire Suppression</b>	<b>Transportation Development</b>
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 2,119,731	\$ 68,945	\$ 217,806
Accounts receivable, net	22,824	368,427	-	-
Loans receivable	-	-	-	-
<b>Total Assets</b>	<b>\$ 22,824</b>	<b>\$ 2,488,158</b>	<b>\$ 68,945</b>	<b>\$ 217,806</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 700	\$ 71,986	\$ 11,375	\$ -
Salaries and benefits payable	-	72,098	7,015	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances payable	-	-	-	-
Interfund payables	22,124	-	-	-
<b>Total Liabilities</b>	<b>22,824</b>	<b>144,084</b>	<b>18,390</b>	<b>-</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	50,555	-
Public works	-	2,344,074	-	217,806
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
<b>Committed to:</b>				
Capital improvements	-	-	-	-
<b>Assigned to:</b>				
Capital improvements	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>-</b>	<b>2,344,074</b>	<b>50,555</b>	<b>217,806</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 22,824</b>	<b>\$ 2,488,158</b>	<b>\$ 68,945</b>	<b>\$ 217,806</b>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Community Development Block Grant</b>	<b>Police - Asset Forfeiture Grants</b>	<b>County Library</b>	<b>Measure A</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 214,231	\$ 957,003	\$ 643,006	\$ 803,160
Accounts receivable, net	377,268	198	184,092	241,020
Loans receivable	4,722,302	-	-	-
<b>Total Assets</b>	<b>\$ 5,313,801</b>	<b>\$ 957,201</b>	<b>\$ 827,098</b>	<b>\$ 1,044,180</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 42,706	\$ 2,135	\$ 86,538	\$ 21,479
Salaries and benefits payable	9,124	70,594	79,736	64,553
Unearned revenues	-	-	-	-
Deposits	-	247,424	23,899	-
Interfund payables	-	-	-	-
<b>Total Liabilities</b>	<b>51,830</b>	<b>320,153</b>	<b>190,173</b>	<b>86,032</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	4,736,920	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>4,736,920</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	637,048	-	-
Public works	-	-	-	958,148
Community services	-	-	636,925	-
Community development	525,051	-	-	-
Capital improvements	-	-	-	-
<b>Committed to:</b>				
Capital improvements	-	-	-	-
<b>Assigned to:</b>				
Capital improvements	-	-	-	-
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>525,051</b>	<b>637,048</b>	<b>636,925</b>	<b>958,148</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 5,313,801</b>	<b>\$ 957,201</b>	<b>\$ 827,098</b>	<b>\$ 1,044,180</b>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<u>Special Revenue Funds</u>		
	<u>Misc. Grants Fund</u>	<u>Street Sweeping Fund</u>	<u>HOME Program Fund</u>
<b>Assets:</b>			
Pooled cash and investments	\$ 629,232	\$ 206,090	\$ -
Accounts receivable, net	223,638	-	221,204
Loans receivable	-	-	9,338,974
<b>Total Assets</b>	<u>\$ 852,870</u>	<u>\$ 206,090</u>	<u>\$ 9,560,178</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 91,087	\$ 55,511	\$ 102,212
Salaries and benefits payable	-	7,560	2,077
Unearned revenues	77,718	-	-
Interfund payables	-	-	116,185
<b>Total Liabilities</b>	<u>168,805</u>	<u>63,071</u>	<u>220,474</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	<u>636</u>	<u>-</u>	<u>9,339,704</u>
<b>Total Deferred Inflows of Resources</b>	<u>636</u>	<u>-</u>	<u>9,339,704</u>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	170,860	-	-
Public works	-	143,019	-
Community services	486,597	-	-
Community development	25,972	-	-
Capital improvements	-	-	-
<b>Committed to:</b>			
Capital improvements	-	-	-
<b>Assigned to:</b>			
Capital improvements	-	-	-
<b>Unassigned</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>683,429</u>	<u>143,019</u>	<u>-</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 852,870</u>	<u>\$ 206,090</u>	<u>\$ 9,560,178</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Special Revenue Funds			Capital Project Funds
	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement Fund	Streets Fund	General Capital Improvements
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 9,432	\$ 904,966	\$ 6,779,493
Accounts receivable, net	-	-	574,097	-
Loans receivable	-	-	-	-
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 9,432</u>	<u>\$ 1,479,063</u>	<u>\$ 6,779,493</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 10,868	\$ -	\$ 112,200	\$ 108,618
Salaries and benefits payable	-	9,432	197,777	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances payable	-	-	-	104,000
Interfund payables	315,293	-	-	-
<b>Total Liabilities</b>	<u>326,161</u>	<u>9,432</u>	<u>309,977</u>	<u>212,618</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenues	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Public safety	-	-	-	-
Public works	-	-	1,169,086	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	996,834
<b>Committed to:</b>				
Capital improvements	-	-	-	5,026,519
<b>Assigned to:</b>				
Capital improvements	-	-	-	543,522
<b>Unassigned</b>	<u>(326,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Fund Balances</b>	<u>(326,161)</u>	<u>-</u>	<u>1,169,086</u>	<u>6,566,875</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ -</u>	<u>\$ 9,432</u>	<u>\$ 1,479,063</u>	<u>\$ 6,779,493</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

	<b>Capital Project Funds</b>		
	<b>Creeks Restoration Capital</b>	<b>Measure A Capital Fund</b>	<b>Street Capital Improvements Fund</b>
<b>Assets:</b>			
Pooled cash and investments	\$ 8,629,816	\$ 3,195,281	\$ 2,143,373
Accounts receivable, net	-	-	9,272
Loans receivable	-	-	-
<b>Total Assets</b>	<b>\$ 8,629,816</b>	<b>\$ 3,195,281</b>	<b>\$ 2,152,645</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,720	\$ 1,448,147	\$ 185,767
Salaries and benefits payable	-	-	-
Unearned revenues	-	-	-
Deposits	-	-	-
Advances payable	-	-	-
Interfund payables	-	-	-
<b>Total Liabilities</b>	<b>1,720</b>	<b>1,448,147</b>	<b>185,767</b>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	-	-	-
Public works	-	-	-
Community services	-	-	-
Community development	-	-	-
Capital improvements	491,935	1,309,657	390,826
<b>Committed to:</b>			
Capital improvements	6,596,141	430,435	829,879
<b>Assigned to:</b>			
Capital improvements	1,540,020	7,042	746,173
<b>Unassigned</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>8,628,096</b>	<b>1,747,134</b>	<b>1,966,878</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,629,816</b>	<b>\$ 3,195,281</b>	<b>\$ 2,152,645</b>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	
	<u>Street Grant Capital Fund</u>	<u>2002 Municipal Refunding Certificates</u>	<u>Total Non-Major Governmental Funds</u>
<b>Assets:</b>			
Pooled cash and investments	\$ -	\$ -	\$ 27,521,565
Accounts receivable, net	4,185,333	-	6,407,373
Loans receivable	-	-	14,061,276
<b>Total Assets</b>	<u>\$ 4,185,333</u>	<u>\$ -</u>	<u>\$ 47,990,214</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 1,746,406	\$ -	\$ 4,099,455
Salaries and benefits payable	-	-	519,966
Unearned revenues	-	-	77,718
Deposits	-	-	271,323
Advances payable	-	-	104,000
Interfund payables	2,073,287	-	2,526,889
<b>Total Liabilities</b>	<u>3,819,693</u>	<u>-</u>	<u>7,599,351</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable revenues	988,951	-	15,066,211
<b>Total Deferred Inflows of Resources</b>	<u>988,951</u>	<u>-</u>	<u>15,066,211</u>
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Public safety	-	-	858,463
Public works	-	-	4,832,133
Community services	-	-	1,123,522
Community development	-	-	551,023
Capital improvements	-	-	3,189,252
<b>Committed to:</b>			
Capital improvements	-	-	12,882,974
<b>Assigned to:</b>			
Capital improvements	-	-	2,836,757
<b>Unassigned</b>	<u>(623,311)</u>	<u>-</u>	<u>(949,472)</u>
<b>Total Fund Balances</b>	<u>(623,311)</u>	<u>-</u>	<u>25,324,652</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 4,185,333</u>	<u>\$ -</u>	<u>\$ 47,990,214</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Traffic Safety Fund</b>	<b>Creek Restoration/Water Quality Improvements</b>	<b>Wildland Fire Suppression</b>	<b>Transportation Development</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 3,862,760	\$ -	\$ 67,583
Intergovernmental	-	-	-	-
Charges for services	-	105	-	-
Use of money and property	-	55,779	-	1,520
Fines and forfeitures	267,506	-	-	-
Program income	-	-	-	-
Other revenues	-	14,138	253,968	-
<b>Total Revenues</b>	<b>267,506</b>	<b>3,932,782</b>	<b>253,968</b>	<b>69,103</b>
<b>Expenditures:</b>				
Current:				
Finance	-	-	-	-
Public safety	12,320	-	243,644	-
Public works	-	2,099,779	-	3,025
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>12,320</b>	<b>2,099,779</b>	<b>243,644</b>	<b>3,025</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>255,186</b>	<b>1,833,003</b>	<b>10,324</b>	<b>66,078</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(255,186)	(1,882,732)	(329)	(139,227)
Total Other Financing Sources (Uses)	(255,186)	(1,882,732)	(329)	(139,227)
Net Change in Fund Balances	-	(49,729)	9,995	(73,149)
Fund Balances, Beginning of Year	-	2,393,803	40,560	290,955
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 2,344,074</b>	<b>\$ 50,555</b>	<b>\$ 217,806</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Special Revenue Funds</b>			
	<b>Community Development Block Grant</b>	<b>Police - Asset Forfeiture Grants</b>	<b>County Library</b>	<b>Measure A</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 3,678,372
Intergovernmental	918,124	50,062	2,032,458	-
Charges for services	-	91,071	-	247,384
Use of money and property	-	3,889	26,640	17,790
Fines and forfeitures	-	-	47,196	-
Program income	337,700	-	-	-
Other revenues	-	-	261,771	-
<b>Total Revenues</b>	<b>1,255,824</b>	<b>145,022</b>	<b>2,368,065</b>	<b>3,943,546</b>
<b>Expenditures:</b>				
Current:				
Finance	-	-	-	-
Public safety	-	323,110	-	-
Public works	-	-	-	1,853,732
Community services	-	-	2,275,300	-
Community development	1,246,017	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,246,017</b>	<b>323,110</b>	<b>2,275,300</b>	<b>1,853,732</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,807</u>	<u>(178,088)</u>	<u>92,765</u>	<u>2,089,814</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	(329)	-	(494)	(1,607,058)
<b>Total Other Financing Sources (Uses)</b>	<b>(329)</b>	<b>-</b>	<b>(494)</b>	<b>(1,607,058)</b>
Net Change in Fund Balances	<u>9,478</u>	<u>(178,088)</u>	<u>92,271</u>	<u>482,756</u>
Fund Balances, Beginning of Year	<u>515,573</u>	<u>815,136</u>	<u>544,654</u>	<u>475,392</u>
<b>Fund Balances, End of Year</b>	<b>\$ 525,051</b>	<b>\$ 637,048</b>	<b>\$ 636,925</b>	<b>\$ 958,148</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Special Revenue Funds</b>		
	<b>Misc. Grants Fund</b>	<b>Street Sweeping Fund</b>	<b>HOME Program Fund</b>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	786,187	-	563,861
Charges for services	17,270	-	-
Use of money and property	-	-	-
Fines and forfeitures	-	631,812	-
Program income	-	-	61,077
Other revenues	254,438	-	-
<b>Total Revenues</b>	<b>1,057,895</b>	<b>631,812</b>	<b>624,938</b>
<b>Expenditures:</b>			
Current:			
Finance	-	-	-
Public safety	291,661	-	-
Public works	-	628,261	-
Community services	636,823	-	-
Community development	-	-	624,938
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>928,484</b>	<b>628,261</b>	<b>624,938</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	129,411	3,551	-
<b>Other Financing Sources (Uses):</b>			
Transfers in	113,194	250,000	-
Transfers out	-	(361,104)	-
<b>Total Other Financing Sources (Uses)</b>	<b>113,194</b>	<b>(111,104)</b>	<b>-</b>
Net Change in Fund Balances	242,605	(107,553)	-
Fund Balances, Beginning of Year	440,824	250,572	-
<b>Fund Balances, End of Year</b>	<b>\$ 683,429</b>	<b>\$ 143,019</b>	<b>\$ -</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	Special Revenue Funds			Capital Project Funds
	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement Fund	Streets Fund	General Capital Improvements
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 7,007,108	\$ -
Intergovernmental	160,592	185,269	1,712,000	-
Charges for services	-	-	172,836	-
Use of money and property	-	123	37,438	-
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	-	-	378,056	123,293
<b>Total Revenues</b>	<b>160,592</b>	<b>185,392</b>	<b>9,307,438</b>	<b>123,293</b>
<b>Expenditures:</b>				
Current:				
Finance	69	-	-	-
Public safety	41,317	185,528	-	-
Public works	199,002	-	8,166,043	-
Community services	85,205	-	-	-
Community development	-	-	-	-
Capital outlay	568	-	-	2,486,884
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>326,161</b>	<b>185,528</b>	<b>8,166,043</b>	<b>2,486,884</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(165,569)	(136)	1,141,395	(2,363,591)
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,217	-	103,644	4,475,180
Transfers out	(389,909)	-	(470,103)	(2,137,133)
<b>Total Other Financing Sources (Uses)</b>	<b>(388,692)</b>	<b>-</b>	<b>(366,459)</b>	<b>2,338,047</b>
Net Change in Fund Balances	(554,261)	(136)	774,936	(25,544)
Fund Balances, Beginning of Year	228,100	136	394,150	6,592,419
<b>Fund Balances, End of Year</b>	<b>\$ (326,161)</b>	<b>\$ -</b>	<b>\$ 1,169,086</b>	<b>\$ 6,566,875</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Capital Projects Funds</b>		
	<b>Creeks Restoration Capital Improvement Fund</b>	<b>Measure A Capital Fund</b>	<b>Street Capital Improvements Fund</b>
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	893,492	7,000	-
Charges for services	-	-	13,765
Fines and forfeitures	-	-	-
Program income	-	-	-
Other revenues	-	-	840,920
<b>Total Revenues</b>	<b>893,492</b>	<b>7,000</b>	<b>854,685</b>
<b>Expenditures:</b>			
Current:			
Administrative services	-	-	-
Finance	-	-	-
Public safety	-	-	-
Public works	-	-	-
Community services	-	-	-
Community development	-	-	-
Capital outlay	2,522,409	2,100,725	2,267,448
<b>Total Expenditures</b>	<b>2,522,409</b>	<b>2,100,725</b>	<b>2,267,448</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,628,917)	(2,093,725)	(1,412,763)
<b>Other Financing Sources (Uses):</b>			
Transfers in	1,780,428	1,605,741	1,129,659
Transfers out	-	-	(149,671)
<b>Total Other Financing Sources (Uses)</b>	<b>1,780,428</b>	<b>1,605,741</b>	<b>979,988</b>
Net Change in Fund Balances	151,511	(487,984)	(432,775)
Fund Balances, Beginning of Year	8,476,585	2,235,118	2,399,653
<b>Fund Balances, End of Year</b>	<b>\$ 8,628,096</b>	<b>\$ 1,747,134</b>	<b>\$ 1,966,878</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Street Grant Capital Fund</u>	<u>2002 Municipal Refunding Certificates</u>	
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 14,615,823
Intergovernmental	10,712,447	-	18,021,492
Charges for services	-	-	542,431
Use of money and property	-	17,879	161,058
Fines and forfeitures	-	-	946,514
Program income	-	-	398,777
Other revenues	1,428,377	-	3,554,961
	<u>12,140,824</u>	<u>17,879</u>	<u>38,241,056</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
Current:			
Finance	-	-	69
Public safety	-	-	1,097,580
Public works	-	-	12,949,842
Community services	-	-	2,997,328
Community development	-	-	1,870,955
Capital outlay	11,678,143	-	21,056,177
Debt service:			
Principal retirement	-	663,300	663,300
Interest and fiscal charges	-	57,985	57,985
	<u>11,678,143</u>	<u>721,285</u>	<u>40,693,236</u>
<b>Total Expenditures</b>			
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>462,681</u>	<u>(703,406)</u>	<u>(2,452,180)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	431,642	325,057	10,215,762
Transfers out	-	(197,301)	(7,590,576)
<b>Total Other Financing Sources (Uses)</b>	<u>431,642</u>	<u>127,756</u>	<u>2,625,186</u>
Net Change in Fund Balances	<u>894,323</u>	<u>(575,650)</u>	<u>173,006</u>
Fund Balances, Beginning of Year	<u>(1,517,634)</u>	<u>575,650</u>	<u>25,151,646</u>
<b>Fund Balances, End of Year</b>	<u>\$ (623,311)</u>	<u>\$ -</u>	<u>\$ 25,324,652</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 TRAFFIC SAFETY  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures	\$ 525,000	\$ 525,000	\$ 267,506	\$ (257,494)
<b>Total Revenues</b>	<u>525,000</u>	<u>525,000</u>	<u>267,506</u>	<u>(257,494)</u>
<b>Expenditures:</b>				
Current:				
Public safety	<u>35,000</u>	<u>35,000</u>	<u>12,320</u>	<u>22,680</u>
<b>Total Expenditures</b>	<u>35,000</u>	<u>35,000</u>	<u>12,320</u>	<u>22,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>490,000</u>	<u>490,000</u>	<u>255,186</u>	<u>(234,814)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(490,000)</u>	<u>(490,000)</u>	<u>(255,186)</u>	<u>234,814</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(490,000)</u>	<u>(490,000)</u>	<u>(255,186)</u>	<u>234,814</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>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 CREEK RESTORATION/WATER QUALITY IMPROVEMENTS  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 3,947,900	\$ 3,947,900	\$ 3,862,760	\$ (85,140)
Charges for services	-	-	105	105
Use of money and property	139,700	139,700	55,779	(83,921)
Other revenues	13,072	13,072	14,138	1,066
<b>Total Revenues</b>	<u>4,100,672</u>	<u>4,100,672</u>	<u>3,932,782</u>	<u>(167,890)</u>
<b>Expenditures:</b>				
Current:				
Public works	2,468,965	2,626,274	2,099,779	526,495
<b>Total Expenditures</b>	<u>2,468,965</u>	<u>2,626,274</u>	<u>2,099,779</u>	<u>526,495</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,631,707</u>	<u>1,474,398</u>	<u>1,833,003</u>	<u>358,605</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,577,304)	(1,882,732)	(1,882,732)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(1,577,304)</u>	<u>(1,882,732)</u>	<u>(1,882,732)</u>	<u>-</u>
Net Change in Fund Balances	<u>54,403</u>	<u>(408,334)</u>	<u>(49,729)</u>	<u>358,605</u>
<b>Fund Balances, Beginning of Year</b>	<u>2,393,803</u>	<u>2,393,803</u>	<u>2,393,803</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,448,206</u>	<u>\$ 1,985,469</u>	<u>\$ 2,344,074</u>	<u>\$ 358,605</u>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
WILDLAND FIRE SUPPRESSION  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues	\$ 250,539	\$ 250,539	\$ 253,968	\$ 3,429
<b>Total Revenues</b>	<u>250,539</u>	<u>250,539</u>	<u>253,968</u>	<u>3,429</u>
<b>Expenditures:</b>				
Current:				
Public safety	250,210	256,681	243,644	13,037
<b>Total Expenditures</b>	<u>250,210</u>	<u>256,681</u>	<u>243,644</u>	<u>13,037</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>329</u>	<u>(6,142)</u>	<u>10,324</u>	<u>16,466</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(329)	(329)	(329)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(329)</u>	<u>(329)</u>	<u>(329)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(6,471)</u>	<u>9,995</u>	<u>16,466</u>
Fund Balances, Beginning of Year	<u>40,560</u>	<u>40,560</u>	<u>40,560</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 40,560</u>	<u>\$ 34,089</u>	<u>\$ 50,555</u>	<u>\$ 16,466</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 TRANSPORTATION DEVELOPMENT  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 73,143	\$ 73,143	\$ 67,583	\$ (5,560)
Use of money and property	2,800	2,800	1,520	(1,280)
<b>Total Revenues</b>	<u>75,943</u>	<u>75,943</u>	<u>69,103</u>	<u>(6,840)</u>
<b>Expenditures:</b>				
Current:				
Public works	75,943	174,800	3,025	171,775
<b>Total Expenditures</b>	<u>75,943</u>	<u>174,800</u>	<u>3,025</u>	<u>171,775</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(98,857)</u>	<u>66,078</u>	<u>164,935</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>-</u>	<u>(139,227)</u>	<u>(139,227)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(139,227)</u>	<u>(139,227)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(238,084)</u>	<u>(73,149)</u>	<u>164,935</u>
Fund Balances, Beginning of Year	<u>290,955</u>	<u>290,955</u>	<u>290,955</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 290,955</u>	<u>\$ 52,871</u>	<u>\$ 217,806</u>	<u>\$ 164,935</u>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
COMMUNITY DEVELOPMENT BLOCK GRANT  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 834,376	\$ 1,564,908	\$ 918,124	\$ (646,784)
Program income	400,000	481,639	337,700	(143,939)
<b>Total Revenues</b>	<u>1,234,376</u>	<u>2,046,547</u>	<u>1,255,824</u>	<u>(790,723)</u>
<b>Expenditures:</b>				
Current:				
Community development	1,234,047	2,510,505	1,246,017	1,264,488
<b>Total Expenditures</b>	<u>1,234,047</u>	<u>2,510,505</u>	<u>1,246,017</u>	<u>1,264,488</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>329</u>	<u>(463,958)</u>	<u>9,807</u>	<u>473,765</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(329)</u>	<u>(329)</u>	<u>(329)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(329)</u>	<u>(329)</u>	<u>(329)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(464,287)</u>	<u>9,478</u>	<u>473,765</u>
Fund Balances, Beginning of Year	<u>515,573</u>	<u>515,573</u>	<u>515,573</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 515,573</u>	<u>\$ 51,286</u>	<u>\$ 525,051</u>	<u>\$ 473,765</u>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
POLICE-ASSET FORFEITURE GRANTS  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 50,062	\$ 5,062
Charges for services	85,000	85,000	91,071	6,071
Use of money and property	-	-	3,889	3,889
<b>Total Revenues</b>	<u>130,000</u>	<u>130,000</u>	<u>145,022</u>	<u>15,022</u>
<b>Expenditures:</b>				
Current:				
Public safety	<u>135,101</u>	<u>468,656</u>	<u>323,110</u>	<u>145,546</u>
<b>Total Expenditures</b>	<u>135,101</u>	<u>468,656</u>	<u>323,110</u>	<u>145,546</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,101)</u>	<u>(338,656)</u>	<u>(178,088)</u>	<u>160,568</u>
Net Change in Fund Balances	<u>(5,101)</u>	<u>(338,656)</u>	<u>(178,088)</u>	<u>160,568</u>
Fund Balances, Beginning of Year	<u>815,136</u>	<u>815,136</u>	<u>815,136</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 810,035</u>	<u>\$ 476,480</u>	<u>\$ 637,048</u>	<u>\$ 160,568</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 COUNTY LIBRARY  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 1,763,994	\$ 1,849,744	\$ 2,032,458	\$ 182,714
Use of money and property	23,900	23,900	26,640	2,740
Fines and forfeitures	71,430	71,430	47,196	(24,234)
Other revenues	198,474	220,289	261,771	41,482
<b>Total Revenues</b>	<u>2,057,798</u>	<u>2,165,363</u>	<u>2,368,065</u>	<u>202,702</u>
<b>Expenditures:</b>				
Current:				
Community services	2,460,955	2,590,413	2,275,300	315,113
<b>Total Expenditures</b>	<u>2,460,955</u>	<u>2,590,413</u>	<u>2,275,300</u>	<u>315,113</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(403,157)</u>	<u>(425,050)</u>	<u>92,765</u>	<u>517,815</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(494)</u>	<u>(494)</u>	<u>(494)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(494)</u>	<u>(494)</u>	<u>(494)</u>	<u>-</u>
Net Change in Fund Balances	<u>(403,651)</u>	<u>(425,544)</u>	<u>92,271</u>	<u>517,815</u>
Fund Balances, Beginning of Year	<u>544,654</u>	<u>544,654</u>	<u>544,654</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 141,003</u>	<u>\$ 119,110</u>	<u>\$ 636,925</u>	<u>\$ 517,815</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 MEASURE A  
 YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,628,245	\$ 3,628,245	\$ 3,678,372	\$ 50,127
Charges for services	-	-	247,384	247,384
Use of money and property	30,300	30,300	17,790	(12,510)
<b>Total Revenues</b>	<b>3,658,545</b>	<b>3,658,545</b>	<b>3,943,546</b>	<b>285,001</b>
<b>Expenditures:</b>				
Current:				
Public works	2,262,473	2,270,296	1,853,732	416,564
<b>Total Expenditures</b>	<b>2,262,473</b>	<b>2,270,296</b>	<b>1,853,732</b>	<b>416,564</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,396,072	1,388,249	2,089,814	701,565
<b>Other Financing Sources (Uses):</b>				
Transfers out	(1,293,826)	(1,607,058)	(1,607,058)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,293,826)</b>	<b>(1,607,058)</b>	<b>(1,607,058)</b>	<b>-</b>
Net Change in Fund Balances	102,246	(218,809)	482,756	701,565
Fund Balances, Beginning of Year	475,392	475,392	475,392	-
<b>Fund Balances, End of Year</b>	<b>\$ 577,638</b>	<b>\$ 256,583</b>	<b>\$ 958,148</b>	<b>\$ 701,565</b>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
MISC. GRANTS  
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 206,279	\$ 1,599,394	\$ 786,187	\$ (813,207)
Charges for services	45,700	45,700	17,270	(28,430)
Other revenues	141,497	370,889	254,438	(116,451)
<b>Total Revenues</b>	<b>393,476</b>	<b>2,015,983</b>	<b>1,057,895</b>	<b>(958,088)</b>
<b>Expenditures:</b>				
Current:				
Administrative services	-	54,969	-	54,969
Public safety	38,000	732,931	291,661	441,270
Community services	402,861	1,355,068	636,823	718,245
Community development	-	285,892	-	285,892
<b>Total Expenditures</b>	<b>440,861</b>	<b>2,428,860</b>	<b>928,484</b>	<b>1,500,376</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,385)	(412,877)	129,411	542,288
<b>Other Financing Sources (Uses):</b>				
Transfers in	47,385	113,194	113,194	-
<b>Total Other Financing Sources (Uses)</b>	<b>47,385</b>	<b>113,194</b>	<b>113,194</b>	<b>-</b>
Net Change in Fund Balances	-	(299,683)	242,605	542,288
Fund Balances, Beginning of Year	440,824	440,824	440,824	-
<b>Fund Balances, End of Year</b>	<b>\$ 440,824</b>	<b>\$ 141,141</b>	<b>\$ 683,429</b>	<b>\$ 542,288</b>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
STREET SWEEPING  
YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeitures	\$ 660,000	\$ 660,000	\$ 631,812	\$ (28,188)
<b>Total Revenues</b>	<u>660,000</u>	<u>660,000</u>	<u>631,812</u>	<u>(28,188)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>585,807</u>	<u>640,969</u>	<u>628,261</u>	<u>12,708</u>
<b>Total Expenditures</b>	<u>585,807</u>	<u>640,969</u>	<u>628,261</u>	<u>12,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>74,193</u>	<u>19,031</u>	<u>3,551</u>	<u>(15,480)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	250,000	250,000	250,000	-
Transfers out	<u>(361,104)</u>	<u>(361,104)</u>	<u>(361,104)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(111,104)</u>	<u>(111,104)</u>	<u>(111,104)</u>	<u>-</u>
Net Change in Fund Balances	<u>(36,911)</u>	<u>(92,073)</u>	<u>(107,553)</u>	<u>(15,480)</u>
Fund Balances, Beginning of Year	<u>250,572</u>	<u>250,572</u>	<u>250,572</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 213,661</u>	<u>\$ 158,499</u>	<u>\$ 143,019</u>	<u>\$ (15,480)</u>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
HOME PROGRAM  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 361,831	\$ 1,433,878	\$ 563,861	\$ (870,017)
Program income	10,000	10,000	61,077	51,077
<b>Total Revenues</b>	<u>371,831</u>	<u>1,443,878</u>	<u>624,938</u>	<u>(818,940)</u>
<b>Expenditures:</b>				
Current:				
Community development	371,831	1,411,186	624,938	786,248
<b>Total Expenditures</b>	<u>371,831</u>	<u>1,411,186</u>	<u>624,938</u>	<u>786,248</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>32,692</u>	<u>-</u>	<u>(32,692)</u>
Net Change in Fund Balances	<u>-</u>	<u>32,692</u>	<u>-</u>	<u>(32,692)</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ -</u>	<u>\$ 32,692</u>	<u>\$ -</u>	<u>\$ (32,692)</u>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
POLICE-SUPPLEMENTAL LAW ENFORCEMENT  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 145,000	\$ 185,530	\$ 185,269	\$ (261)
Use of money and property	-	-	123	123
<b>Total Revenues</b>	<u>145,000</u>	<u>185,530</u>	<u>185,392</u>	<u>(138)</u>
<b>Expenditures:</b>				
Current:				
Public safety	<u>145,000</u>	<u>185,530</u>	<u>185,528</u>	<u>2</u>
<b>Total Expenditures</b>	<u>145,000</u>	<u>185,530</u>	<u>185,528</u>	<u>2</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>136</u>	<u>136</u>	<u>136</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 136</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ (136)</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
STREETS FUND  
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,072,200	\$ 7,072,200	\$ 7,007,108	\$ (65,092)
Intergovernmental	1,869,251	1,869,251	1,712,000	(157,251)
Charges for services	187,906	187,906	172,836	(15,070)
Use of money and property	36,968	36,968	37,438	470
Other revenues	339,074	339,074	378,056	38,982
<b>Total Revenues</b>	<b>9,505,399</b>	<b>9,505,399</b>	<b>9,307,438</b>	<b>(197,961)</b>
<b>Expenditures:</b>				
Current:				
Public works	8,741,158	8,977,645	8,166,043	811,602
<b>Total Expenditures</b>	<b>8,741,158</b>	<b>8,977,645</b>	<b>8,166,043</b>	<b>811,602</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	764,241	527,754	1,141,395	613,641
Other Financing Sources (Uses):				
Transfers in	-	103,644	103,644	-
Transfers out	(380,103)	(470,103)	(470,103)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(380,103)</b>	<b>(366,459)</b>	<b>(366,459)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>384,138</b>	<b>161,295</b>	<b>774,936</b>	<b>613,641</b>
Fund Balances, Beginning of Year	394,150	394,150	394,150	-
Fund Balances, End of Year	\$ 778,288	\$ 555,445	\$ 1,169,086	\$ 613,641

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL CAPITAL IMPROVEMENTS  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenues	\$ -	\$ 231,140	\$ 123,293	\$ (107,847)
<b>Total Revenues</b>	<u>-</u>	<u>231,140</u>	<u>123,293</u>	<u>(107,847)</u>
<b>Expenditures:</b>				
Capital outlay	<u>2,647,460</u>	<u>8,765,700</u>	<u>2,486,884</u>	<u>6,278,816</u>
<b>Total Expenditures</b>	<u>2,647,460</u>	<u>8,765,700</u>	<u>2,486,884</u>	<u>6,278,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,647,460)</u>	<u>(8,534,560)</u>	<u>(2,363,591)</u>	<u>6,170,969</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	918,275	4,581,115	4,475,180	(105,935)
Transfers out	<u>(509,659)</u>	<u>(2,137,133)</u>	<u>(2,137,133)</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>408,616</u>	<u>2,443,982</u>	<u>2,338,047</u>	<u>(105,935)</u>
Net Change in Fund Balances	<u>(2,238,844)</u>	<u>(6,090,578)</u>	<u>(25,544)</u>	<u>6,065,034</u>
Fund Balances, Beginning of Year	<u>6,592,419</u>	<u>6,592,419</u>	<u>6,592,419</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 4,353,575</u>	<u>\$ 501,841</u>	<u>\$ 6,566,875</u>	<u>\$ 6,065,034</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
STREET CAPITAL IMPROVEMENTS  
YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 13,765	\$ 13,765
Other revenues	-	229,628	840,920	611,292
<b>Total Revenues</b>	<b>-</b>	<b>229,628</b>	<b>854,685</b>	<b>625,057</b>
<b>Expenditures:</b>				
Capital outlay	959,659	3,598,328	2,267,448	1,330,880
<b>Total Expenditures</b>	<b>959,659</b>	<b>3,598,328</b>	<b>2,267,448</b>	<b>1,330,880</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(959,659)	(3,368,700)	(1,412,763)	1,955,937
<b>Other Financing Sources (Uses):</b>				
Transfers in	959,659	1,129,659	1,129,659	-
Transfers out	-	(149,671)	(149,671)	-
<b>Total Other Financing Sources (Uses)</b>	<b>959,659</b>	<b>979,988</b>	<b>979,988</b>	<b>-</b>
Net Change in Fund Balances	-	(2,388,712)	(432,775)	1,955,937
Fund Balances, Beginning of Year	2,399,653	2,399,653	2,399,653	-
<b>Fund Balances, End of Year</b>	<b>\$ 2,399,653</b>	<b>\$ 10,941</b>	<b>\$ 1,966,878</b>	<b>\$ 1,955,937</b>

**CITY OF SANTA BARBARA**

**BUDGETARY COMPARISON SCHEDULE  
CREEKS RESTORATION CAPITAL IMPROVEMENTS  
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 1,893,490	\$ 893,492	\$ (999,998)
<b>Total Revenues</b>	<u>-</u>	<u>1,893,490</u>	<u>893,492</u>	<u>(999,998)</u>
<b>Expenditures:</b>				
Capital outlay	1,475,000	10,629,469	2,522,409	8,107,060
<b>Total Expenditures</b>	<u>1,475,000</u>	<u>10,629,469</u>	<u>2,522,409</u>	<u>8,107,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,475,000)</u>	<u>(8,735,979)</u>	<u>(1,628,917)</u>	<u>7,107,062</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,475,000	1,780,428	1,780,428	-
<b>Total Other Financing Sources (Uses)</b>	<u>1,475,000</u>	<u>1,780,428</u>	<u>1,780,428</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(6,955,551)</u>	<u>151,511</u>	<u>7,107,062</u>
Fund Balances, Beginning of Year	<u>8,476,585</u>	<u>8,476,585</u>	<u>8,476,585</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 8,476,585</u>	<u>\$ 1,521,034</u>	<u>\$ 8,628,096</u>	<u>\$ 7,107,062</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 MEASURE A CAPITAL FUND  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive Negative</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 7,000	\$ 7,000
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,000</u>
<b>Expenditures:</b>				
Capital outlay	<u>1,292,510</u>	<u>3,840,816</u>	<u>2,100,725</u>	<u>1,740,091</u>
<b>Total Expenditures</b>	<u>1,292,510</u>	<u>3,840,816</u>	<u>2,100,725</u>	<u>1,740,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,292,510)</u>	<u>(3,840,816)</u>	<u>(2,093,725)</u>	<u>(1,733,091)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>1,292,510</u>	<u>1,605,742</u>	<u>1,605,741</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,292,510</u>	<u>1,605,742</u>	<u>1,605,741</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(2,235,074)</u>	<u>(487,984)</u>	<u>(1,733,091)</u>
Fund Balances, Beginning of Year	<u>2,235,118</u>	<u>2,235,118</u>	<u>2,235,118</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,235,118</u>	<u>\$ 44</u>	<u>\$ 1,747,134</u>	<u>\$ 7,107,062</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE  
 STREET GRANT CAPITAL IMPROVEMENT  
 YEAR ENDED JUNE 30, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 22,591,841	\$ 10,712,447	\$ (11,879,394)
Other revenues	-	1,428,377	1,428,377	-
<b>Total Revenues</b>	<b>-</b>	<b>24,020,218</b>	<b>12,140,824</b>	<b>(11,879,394)</b>
<b>Expenditures:</b>				
Capital outlay	-	23,219,882	11,678,143	11,541,739
<b>Total Expenditures</b>	<b>-</b>	<b>23,219,882</b>	<b>11,678,143</b>	<b>11,541,739</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	800,336	462,681	(337,655)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	431,642	431,642	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>431,642</b>	<b>431,642</b>	<b>-</b>
Net Change in Fund Balances	-	1,231,978	894,323	(337,655)
Fund Balances, Beginning of Year	(1,517,634)	(1,517,634)	(1,517,634)	-
<b>Fund Balances, End of Year</b>	<b>\$ (1,517,634)</b>	<b>\$ (285,656)</b>	<b>\$ (623,311)</b>	<b>\$ (337,655)</b>



## 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, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Downtown Parking</b>	<b>Golf Course</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Pooled cash and investments	\$ 10,656,656	\$ 630,582	\$ 11,287,238
Accounts receivable, net	910	3,409	4,319
Prepaid assets	-	11,805	11,805
Deposits	-	162,000	162,000
Inventories	-	66,894	66,894
<b>Total Current Assets</b>	<b>10,657,566</b>	<b>874,690</b>	<b>11,532,256</b>
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	23,559,016	4,470,424	28,029,440
Equipment	2,658,183	1,298,097	3,956,280
Other infrastructure	340,131	-	340,131
Construction in progress	1,012,675	16,600	1,029,275
Less: accumulated depreciation	(31,278,624)	(4,669,575)	(35,948,199)
Total capital assets, net	<u>37,593,737</u>	<u>2,883,974</u>	<u>40,477,711</u>
<b>Total Noncurrent Assets</b>	<b>37,593,737</b>	<b>2,883,974</b>	<b>40,477,711</b>
<b>Total Assets</b>	<b>48,251,303</b>	<b>3,758,664</b>	<b>52,009,967</b>
<b>Deferred Outflows of Resources:</b>			
Deferred pension-related items	1,370,933	531,553	1,902,486
<b>Total Deferred Outflows of Resources</b>	<b>1,370,933</b>	<b>531,553</b>	<b>1,902,486</b>
<b>LIABILITIES</b>			
Current:			
Accounts payable	201,255	309,457	510,712
Salaries and benefits payable	253,792	3,147	256,939
Unearned revenues	-	95,253	95,253
Deposits	62,230	-	62,230
Compensated absences payable	128,641	-	128,641
<b>Total Current Liabilities</b>	<b>645,918</b>	<b>407,857</b>	<b>1,053,775</b>
Noncurrent:			
Advances from other funds	-	800,946	800,946
Net pension-liability	4,685,847	1,947,040	6,632,887
Compensated absences payable	14,293	-	14,293
<b>Total Noncurrent Liabilities</b>	<b>4,700,140</b>	<b>2,747,986</b>	<b>7,448,126</b>
<b>Total Liabilities</b>	<b>5,346,058</b>	<b>3,155,843</b>	<b>8,501,901</b>
<b>Deferred Inflows of Resources:</b>			
Deferred pension-related items	494,355	236,550	730,905
<b>Total Deferred Inflows of Resources</b>	<b>494,355</b>	<b>236,550</b>	<b>730,905</b>
<b>Net Position:</b>			
Net investment in capital assets	37,593,737	2,883,974	40,477,711
Unrestricted	6,188,086	(1,986,150)	4,201,936
<b>Total Net Position</b>	<b>\$ 43,781,823</b>	<b>\$ 897,824</b>	<b>\$ 44,679,647</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
NON-MAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Downtown Parking</b>	<b>Golf Course</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Service charges	\$ 8,380,534	\$ 2,375,038	\$ 10,755,572
Leases and rents	110,840	147,913	258,753
Other revenues	22,476	63,752	86,228
<b>Total Operating Revenues</b>	<b>8,513,850</b>	<b>2,586,703</b>	<b>11,100,553</b>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	4,117,666	19,444	4,137,110
Materials, supplies and services	3,567,118	2,321,755	5,888,873
Depreciation expense	895,352	230,647	1,125,999
<b>Total Operating Expenses</b>	<b>8,580,136</b>	<b>2,571,846</b>	<b>11,151,982</b>
Operating Income (Loss)	(66,286)	14,857	(51,429)
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	56,366	2,851	59,217
Interest expense	-	(49,292)	(49,292)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>56,366</b>	<b>(46,441)</b>	<b>9,925</b>
Transfers in	43,500	346,730	390,230
Transfers out	(365,271)	(198,079)	(563,350)
Changes in Net Position	(331,691)	117,067	(214,624)
<b>Net Position:</b>			
Beginning of Year	44,113,514	780,757	44,894,271
<b>End of Fiscal Year</b>	<b>\$ 43,781,823</b>	<b>\$ 897,824</b>	<b>\$ 44,679,647</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS  
NON-MAJOR PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers and users	\$ 8,490,464	\$ 2,397,650	\$ 10,888,114
Cash paid to suppliers for goods and services	(3,486,559)	(2,146,532)	(5,633,091)
Cash paid to employees for services	(4,128,606)	(58,971)	(4,187,577)
Cash received from (payments to) others	22,476	63,752	86,228
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>897,775</b>	<b>255,899</b>	<b>1,153,674</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash transfers in	43,500	346,730	390,230
Cash transfers out	(365,271)	(198,079)	(563,350)
Advance from (to) other funds	-	(87,394)	(87,394)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(321,771)</b>	<b>61,257</b>	<b>(260,514)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	(674,854)	(16,600)	(691,454)
Principal paid on capital debt	-	(341,700)	(341,700)
Interest paid on capital debt	-	(34,531)	(34,531)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(674,854)</b>	<b>(392,831)</b>	<b>(1,067,685)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	56,366	2,851	59,217
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>56,366</b>	<b>2,851</b>	<b>59,217</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(42,484)</b>	<b>(72,824)</b>	<b>(115,308)</b>
Cash and Cash Equivalents at Beginning of Year	10,699,140	703,406	11,402,546
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,656,656</b>	<b>\$ 630,582</b>	<b>\$ 11,287,238</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (66,286)	\$ 14,857	\$ (51,429)
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>			
Depreciation	895,352	230,647	1,125,999
(Increase) decrease in receivables and deposits	(910)	(164,368)	(165,278)
(Increase) decrease in inventory	-	(66,894)	(66,894)
Increase (decrease) in accrued liabilities	42,574	(17,322)	25,252
(Increase) decrease in prepaid expenses	-	(11,805)	(11,805)
Increase (decrease) in accounts payable	75,924	253,922	329,846
Increase (decrease) in pensions	(61,229)	(22,205)	(83,434)
Increase (decrease) in deposits payable	4,635	-	4,635
Increase (decrease) in unearned revenue	-	39,067	39,067
Increase (decrease) in compensated absences	7,715	-	7,715
<b>Total Adjustments</b>	<b>964,061</b>	<b>241,042</b>	<b>1,205,103</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>897,775</b>	<b>255,899</b>	<b>1,153,674</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>			
Change in Fair Value of Investments	\$ (66,273)	\$ (3,390)	\$ (69,663)



# 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, 2017

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
<b>ASSETS</b>					
Current Assets:					
Pooled cash and investments	\$ 1,970,594	\$ 5,894,328	\$ 3,609,233	\$ 14,098,405	\$ 25,572,560
Accounts receivable, net	1,057	1,869,663	-	82,102	1,952,822
Inventories	772,485	-	-	95,798	868,283
<b>Total Current Assets</b>	<b>2,744,136</b>	<b>7,763,991</b>	<b>3,609,233</b>	<b>14,276,305</b>	<b>28,393,665</b>
Noncurrent:					
Advances to other funds	-	-	-	58,299	58,299
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	3,697,294	-	-	684,789	4,382,083
Improvements other than building	2,754,578	-	-	-	2,754,578
Equipment	392,230	-	1,969,311	23,365,124	25,726,665
Construction in progress	79,971	-	854,235	130,129	1,064,335
Less: accumulated depreciation	(990,949)	-	(544,753)	(16,030,389)	(17,566,091)
Total capital assets, net	6,039,013	-	2,278,793	8,149,653	16,467,459
<b>Total Noncurrent Assets</b>	<b>6,039,013</b>	<b>-</b>	<b>2,278,793</b>	<b>8,207,952</b>	<b>16,525,758</b>
<b>Total Assets</b>	<b>8,783,149</b>	<b>7,763,991</b>	<b>5,888,026</b>	<b>22,484,257</b>	<b>44,919,423</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred pension-related items	2,105,299	303,508	1,072,236	812,017	4,293,060
<b>Total Deferred Outflows of Resources</b>	<b>2,105,299</b>	<b>303,508</b>	<b>1,072,236</b>	<b>812,017</b>	<b>4,293,060</b>
<b>LIABILITIES</b>					
Current:					
Accounts payable	269,973	158,381	8,154	230,404	666,912
Salaries and benefits payable	222,235	91,079	131,032	90,438	534,784
Compensated absences payable	196,533	28,766	95,599	48,978	369,876
Current portion claims payable	-	3,948,188	-	-	3,948,188
<b>Total Current Liabilities</b>	<b>688,741</b>	<b>4,226,414</b>	<b>234,785</b>	<b>369,820</b>	<b>5,519,760</b>
Noncurrent:					
Net pension liability	6,728,237	968,601	3,403,256	2,592,899	13,692,993
Other post-employment (OPEB) obligation	-	17,499,000	-	-	17,499,000
Compensated absences payable	21,837	3,196	10,622	5,442	41,097
Estimated claims liability, net of current portion	-	7,632,570	-	-	7,632,570
<b>Total Noncurrent Liabilities</b>	<b>6,750,074</b>	<b>26,103,367</b>	<b>3,413,878</b>	<b>2,598,341</b>	<b>38,865,660</b>
<b>Total Liabilities</b>	<b>7,438,815</b>	<b>30,329,781</b>	<b>3,648,663</b>	<b>2,968,161</b>	<b>44,385,420</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred pension-related items	636,417	87,651	311,747	243,806	1,279,621
<b>Total Deferred Inflows of Resources</b>	<b>636,417</b>	<b>87,651</b>	<b>311,747</b>	<b>243,806</b>	<b>1,279,621</b>
<b>NET POSITION:</b>					
Investment in capital assets	6,039,013	-	2,278,793	8,149,653	16,467,459
Unrestricted	(3,225,797)	(22,349,933)	721,059	11,934,654	(12,920,017)
<b>Total Net Position</b>	<b>\$ 2,813,216</b>	<b>\$ (22,349,933)</b>	<b>\$ 2,999,852</b>	<b>\$ 20,084,307</b>	<b>\$ 3,547,442</b>

CITY OF SANTA BARBARA

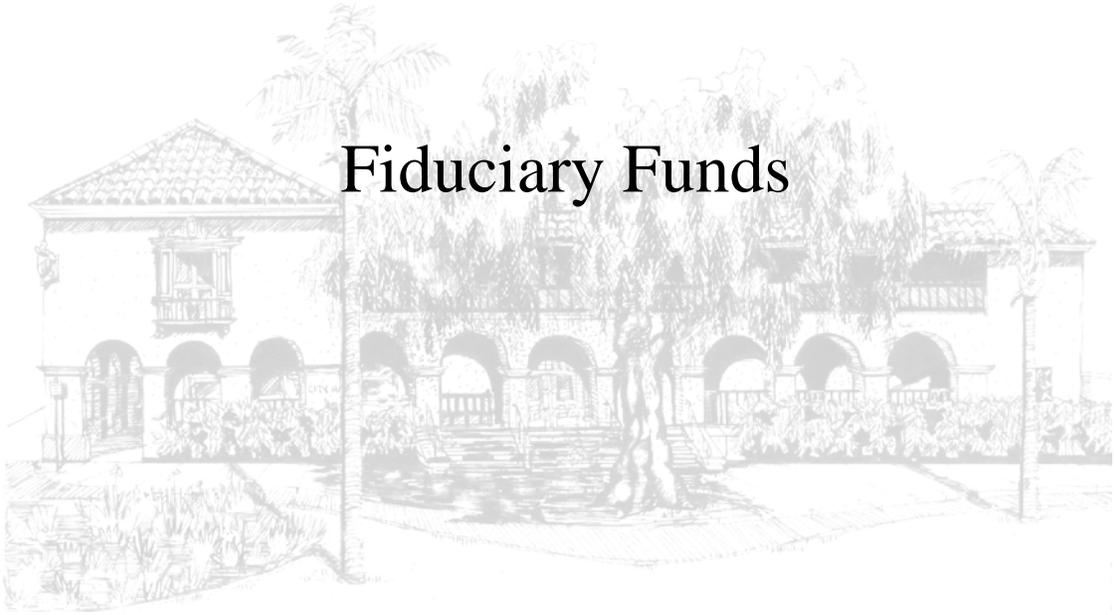
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
<b>Operating Revenues:</b>					
Service charges	\$ 7,480,905	\$ 9,314,224	\$ 3,446,902	\$ 5,701,169	\$ 25,943,200
Other revenues	260,333	439,307	-	344,549	1,044,189
<b>Total Operating Revenues</b>	<b>7,741,238</b>	<b>9,753,531</b>	<b>3,446,902</b>	<b>6,045,718</b>	<b>26,987,389</b>
<b>Operating Expenses:</b>					
Salaries, wages and benefits	3,516,734	3,160,959	1,878,638	1,388,784	9,945,115
Materials, supplies and services	3,420,095	5,487,603	1,198,164	1,781,426	11,887,288
Depreciation expense	211,957	-	250,772	1,500,373	1,963,102
<b>Total Operating Expenses</b>	<b>7,148,786</b>	<b>8,648,562</b>	<b>3,327,574</b>	<b>4,670,583</b>	<b>23,795,505</b>
Operating Income (Loss)	592,452	1,104,969	119,328	1,375,135	3,191,884
<b>Nonoperating Revenues (Expenses):</b>					
Interest revenue	-	23,606	-	64,067	87,673
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>23,606</b>	<b>-</b>	<b>64,067</b>	<b>87,673</b>
Income (Loss) Before Transfers	592,452	1,128,575	119,328	1,439,202	3,279,557
Transfers in	75,000	75,825	1,662,459	235,133	2,048,417
Transfers out	(80,101)	(495)	(100,000)	(152,556)	(333,152)
Changes in Net Position	587,351	1,203,905	1,681,787	1,521,779	4,994,822
<b>Net Position:</b>					
Beginning of Year	2,225,865	(23,553,838)	1,318,065	18,562,528	(1,447,380)
<b>End of Fiscal Year</b>	<b>\$ 2,813,216</b>	<b>\$ (22,349,933)</b>	<b>\$ 2,999,852</b>	<b>\$ 20,084,307</b>	<b>\$ 3,547,442</b>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
YEAR ENDED JUNE 30, 2017

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
<b>Cash Flows from Operating Activities:</b>					
Cash received from/(paid to) interfund service provided	7,588,248	8,936,172	3,446,902	5,638,159	25,609,481
Cash paid to suppliers for goods and services	(3,650,539)	(5,718,917)	(1,233,944)	(2,085,831)	(12,689,231)
Cash paid to employees for services	(3,558,402)	(2,287,349)	(1,890,076)	(1,435,956)	(9,171,783)
Cash received from (payments to) others	260,333	439,307	-	344,549	1,044,189
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>639,640</b>	<b>1,369,213</b>	<b>322,882</b>	<b>2,460,921</b>	<b>4,792,656</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Cash transfers in	75,000	75,825	1,662,459	235,133	2,048,417
Cash transfers out	(80,101)	(495)	(100,000)	(152,556)	(333,152)
Advance from (to) other funds	-	-	-	56,600	56,600
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>(5,101)</b>	<b>75,330</b>	<b>1,562,459</b>	<b>139,177</b>	<b>1,771,865</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and construction of capital assets	(15,229)	-	(795,095)	(1,712,476)	(2,522,800)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(15,229)</b>	<b>-</b>	<b>(795,095)</b>	<b>(1,712,476)</b>	<b>(2,522,800)</b>
<b>Cash Flows from Investing Activities:</b>					
Interest received	-	23,606	-	64,067	87,673
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>23,606</b>	<b>-</b>	<b>64,067</b>	<b>87,673</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>619,310</b>	<b>1,468,149</b>	<b>1,090,246</b>	<b>951,689</b>	<b>4,129,394</b>
Cash and Cash Equivalents at Beginning of Year	1,351,284	4,426,179	2,518,987	13,146,716	21,443,166
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 1,970,594</b>	<b>\$ 5,894,328</b>	<b>\$ 3,609,233</b>	<b>\$ 14,098,405</b>	<b>\$ 25,572,560</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating income (loss)	\$ 592,452	\$ 1,104,969	\$ 119,328	\$ 1,375,135	\$ 3,191,884
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>					
Depreciation	211,957	-	250,772	1,500,373	1,963,102
(Increase) decrease in receivables and deposits	107,343	(378,052)	-	(63,010)	(333,719)
(Increase) decrease in inventory	(42,249)	-	-	13,804	(28,445)
Increase (decrease) in accrued liabilities	40,414	8,947	32,153	16,950	98,464
Increase (decrease) in accounts payable	(188,195)	49,091	(35,780)	(318,209)	(493,093)
Increase (decrease) in OPEB Obligation	-	876,998	-	-	876,998
Increase (decrease) in pensions	(95,769)	(14,178)	(49,473)	(37,053)	(196,473)
Increase (decrease) in claims and judgments	-	(280,405)	-	-	(280,405)
Increase (decrease) in compensated absences	13,687	1,843	5,882	(27,069)	(5,657)
<b>Total Adjustments</b>	<b>47,188</b>	<b>264,244</b>	<b>203,554</b>	<b>1,085,786</b>	<b>1,600,772</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 639,640</b>	<b>\$ 1,369,213</b>	<b>\$ 322,882</b>	<b>\$ 2,460,921</b>	<b>\$ 4,792,656</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>					
Change in Fair Value of Investments	\$ -	\$ (26,551)	\$ -	\$ (74,832)	\$ (101,383)



# 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, 2017

	<u>Service Retirement Fund</u>	<u>Safety Retirement Fund</u>	<u>Totals</u>
<b>LIABILITIES</b>			
Current liabilities:			
Due to the City of Santa Barbara	\$ -	\$ 550,342	\$ 550,342
<b>Total Liabilities</b>	<u>-</u>	<u>550,342</u>	<u>550,342</u>
<b>NET POSITION</b>			
Held in trust:			
Employees' pension benefit	-	(550,342)	(550,342)
<b>Total Net Position</b>	<u>\$ -</u>	<u>\$ (550,342)</u>	<u>\$ (550,342)</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 ALL PENSION TRUST FUNDS  
 YEAR ENDED JUNE 30, 2017

	<u>Service Retirement Fund</u>	<u>Safety Retirement Fund</u>	<u>Totals</u>
<b>ADDITIONS</b>			
Employer contributions	\$ -	\$ 120,000	\$ 120,000
Investment earnings:			
Net appreciation (depreciation) in fair value	(1,531)	-	(1,531)
Interest	4,927	-	4,927
Dividends	4,201	-	4,201
Total investment earnings	<u>7,597</u>	<u>-</u>	<u>7,597</u>
Less: investment expense	<u>(3,205)</u>	<u>-</u>	<u>(3,205)</u>
Net investment income	<u>4,392</u>	<u>-</u>	<u>4,392</u>
<b>Total Additions</b>	<u>4,392</u>	<u>120,000</u>	<u>124,392</u>
<b>DEDUCTIONS</b>			
Benefits	<u>457,844</u>	<u>48,972</u>	<u>506,816</u>
<b>Total Deductions</b>	<u>457,844</u>	<u>48,972</u>	<u>506,816</u>
Changes in Net Position	(453,452)	71,028	(382,424)
NET POSITION - Beginning of the Year	<u>453,452</u>	<u>(621,370)</u>	<u>(167,918)</u>
<b>NET POSITION - End of the Year</b>	<u>\$ -</u>	<u>\$ (550,342)</u>	<u>\$ (550,342)</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION  
 ALL PRIVATE-PURPOSE TRUST FUNDS  
 JUNE 30, 2017

	<u>Successor Agency of the Former RDA</u>	<u>Library Gift Trust</u>	<u>Canine Unit Trust</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 1,579,957	\$ 2,680,070	\$ 58,579	\$ 4,318,606
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	8,222,407	-	-	8,222,407
Non-current assets:				
Capital assets:				
Building improvements	2,308,716	-	-	2,308,716
Infrastructure	1,392,606	-	-	1,392,606
Construction in progress	964,144	-	-	964,144
Less: accumulated depreciation	<u>(135,504)</u>	<u>-</u>	<u>-</u>	<u>(135,504)</u>
Total capital assets	<u>4,529,962</u>	<u>-</u>	<u>-</u>	<u>4,529,962</u>
<b>Total Assets</b>	<u>20,705,854</u>	<u>2,680,070</u>	<u>58,579</u>	<u>23,444,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on debt refunding	<u>36,893</u>	<u>-</u>	<u>-</u>	<u>36,893</u>
<b>Total Deferred Outflows of Resources</b>	<u>36,893</u>	<u>-</u>	<u>-</u>	<u>36,893</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	9,517	-	-	9,517
Salaries and benefits payable	7,815	-	-	7,815
Accrued interest payable	226,998	-	-	226,998
Current portion of long-term debt	7,430,000	-	-	7,430,000
Non-current liabilities:				
Long-term debt, net of current portion	<u>7,861,154</u>	<u>-</u>	<u>-</u>	<u>7,861,154</u>
<b>Total Liabilities</b>	<u>15,535,484</u>	<u>-</u>	<u>-</u>	<u>15,535,484</u>
<b>NET POSITION</b>				
Held in trust:				
Police	-	-	58,579	58,579
Library	-	2,680,070	-	2,680,070
Successor Agency of the Former RDA	<u>5,207,263</u>	<u>-</u>	<u>-</u>	<u>5,207,263</u>
<b>Total Net Position</b>	<u>\$ 5,207,263</u>	<u>\$ 2,680,070</u>	<u>\$ 58,579</u>	<u>\$ 7,945,912</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 ALL PRIVATE PURPOSE TRUST FUNDS  
 YEAR ENDED JUNE 30, 2017

	<u>Successor Agency of the Former RDA</u>	<u>Library Gift Trust</u>	<u>Canine Unit Trust</u>	<u>Totals</u>
<b>ADDITIONS</b>				
Taxes	\$ 8,259,401	\$ -	\$ -	\$ 8,259,401
Investment earnings:				
Interest	-	20,926	523	21,449
Dividends	11,292	-	-	11,292
Total investment earnings	<u>11,292</u>	<u>20,926</u>	<u>523</u>	<u>32,741</u>
<b>Total Additions</b>	<u>8,270,693</u>	<u>20,926</u>	<u>523</u>	<u>8,292,142</u>
<b>DEDUCTIONS</b>				
Administrative expenses	156,631	-	-	156,631
Contractual services	1,041,493	-	-	1,041,493
Interest expense	936,601	-	-	936,601
Depreciation expense	84,216	-	-	84,216
Community services	-	122,057	15,255	137,312
<b>Total Deductions</b>	<u>2,218,941</u>	<u>122,057</u>	<u>15,255</u>	<u>2,356,253</u>
Extraordinary loss	<u>(1,335,129)</u>	<u>-</u>	<u>-</u>	<u>(1,335,129)</u>
<b>Changes in Net Position</b>	<u>4,716,623</u>	<u>(101,131)</u>	<u>(14,732)</u>	<u>4,600,760</u>
NET POSITION - Beginning of the Year	<u>490,640</u>	<u>2,781,201</u>	<u>73,311</u>	<u>3,345,152</u>
<b>NET POSITION - End of the Year</b>	<u>\$ 5,207,263</u>	<u>\$ 2,680,070</u>	<u>\$ 58,579</u>	<u>\$ 7,945,912</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION  
 ALL AGENCY FUNDS  
 JUNE 30, 2017

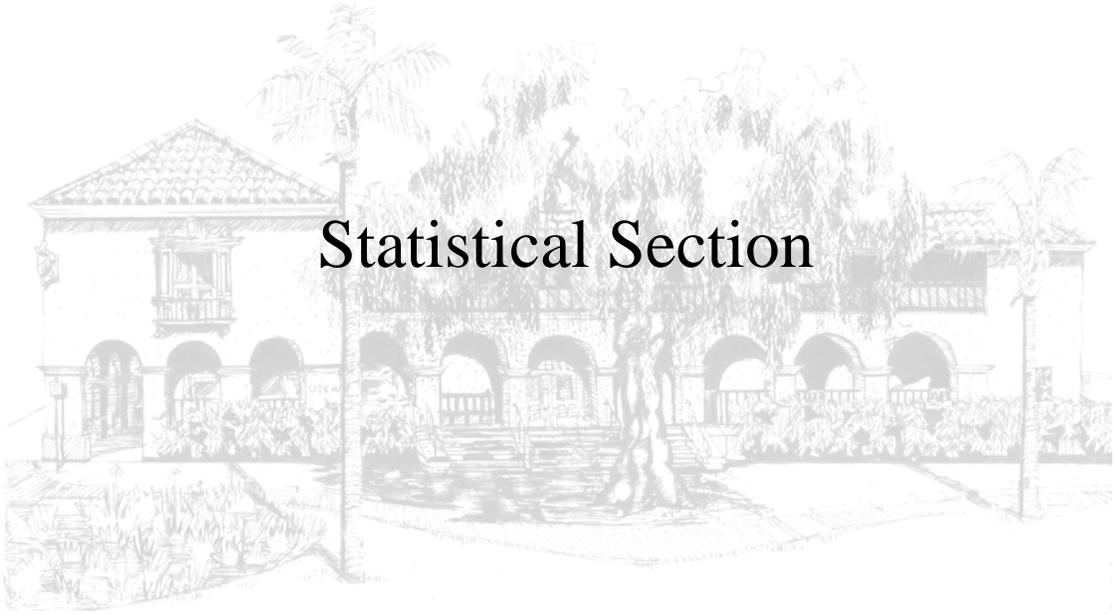
	<u>Revolving Rehab Loan</u>	<u>California Law Enforcement Telecommunications</u>	<u>Seismic Safety Assessment Fund</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 824,533	\$ 51,423	\$ 204,017	\$ 1,079,973
Accounts receivable, net	-	30,249	-	30,249
Loans receivable	2,450,698	-	-	2,450,698
Equipment	-	180,000	-	180,000
Less: accumulated depreciation	-	(180,000)	-	(180,000)
<b>Total Assets</b>	<u>\$ 3,275,231</u>	<u>\$ 81,672</u>	<u>\$ 204,017</u>	<u>\$ 3,560,920</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,569	\$ 216	\$ -	\$ 1,785
Trust Liability	3,273,662	81,456	204,017	3,559,135
<b>Total Liabilities</b>	<u>\$ 3,275,231</u>	<u>\$ 81,672</u>	<u>\$ 204,017</u>	<u>\$ 3,560,920</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2017

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2017</u>
<b>Revolving Rehab Loan</b>				
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 1,208,478	\$ 116,055	\$ 500,000	\$ 824,533
Loans receivable	<u>1,963,149</u>	<u>500,000</u>	<u>12,451</u>	<u>2,450,698</u>
<b>Total Assets</b>	<u>\$ 3,171,627</u>	<u>\$ 616,055</u>	<u>\$ 512,451</u>	<u>\$ 3,275,231</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,569	\$ 500,000	\$ 500,000	\$ 1,569
Trust liability	<u>3,170,058</u>	<u>103,604</u>	<u>-</u>	<u>3,273,662</u>
<b>Total Liabilities</b>	<u>\$ 3,171,627</u>	<u>\$ 603,604</u>	<u>\$ 500,000</u>	<u>\$ 3,275,231</u>
<b>California Law Enforcement Telecommunications</b>				
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	78,151	240,240	266,968	51,423
Accounts receivable, net	14,118	188,116	171,985	30,249
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
<b>Total Assets</b>	<u>\$ 92,269</u>	<u>\$ 428,356</u>	<u>\$ 438,953</u>	<u>\$ 81,672</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ -	\$ 176,122	\$ 175,906	\$ 216
Trust liability	<u>92,269</u>	<u>253,284</u>	<u>264,097</u>	<u>81,456</u>
<b>Total Liabilities</b>	<u>\$ 92,269</u>	<u>\$ 429,406</u>	<u>\$ 440,003</u>	<u>\$ 81,672</u>
<b>Seismic Safety Assessment Fund</b>				
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
<b>Total Assets</b>	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
<b>LIABILITIES</b>				
Current liabilities:				
Trust liability	\$ 204,017	\$ -	\$ -	\$ 204,017
<b>Total Liabilities</b>	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
<b>Totals - All Agency Funds</b>				
<b>ASSETS</b>				
Current assets:				
Pooled cash and investments	\$ 1,490,646	\$ 356,295	\$ 766,968	\$ 1,079,973
Accounts receivable, net	14,118	188,116	171,985	30,249
Loans receivable	1,963,149	500,000	12,451	2,450,698
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	<u>(180,000)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>
<b>Total Assets</b>	<u>\$ 3,467,913</u>	<u>\$ 1,044,411</u>	<u>\$ 951,404</u>	<u>\$ 3,560,920</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,569	\$ 676,122	\$ 675,906	\$ 1,785
Trust liability	<u>3,466,344</u>	<u>356,888</u>	<u>264,097</u>	<u>3,559,135</u>
<b>Total Liabilities</b>	<u>\$ 3,467,913</u>	<u>\$ 1,033,010</u>	<u>\$ 940,003</u>	<u>\$ 3,560,920</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.	160
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	168
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.	172
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.	177
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.	180

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)**

	<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>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 319,070	\$ 331,171	\$ 340,824	\$ 325,209	\$ 304,586	\$ 312,891	\$ 362,540	\$ 381,554	\$ 427,683	\$ 436,966
Restricted	89,964	99,248	94,789	110,947	63,244	66,510	65,614	81,979	80,934	65,647
Unrestricted	<u>36,948</u>	<u>32,329</u>	<u>33,148</u>	<u>22,625</u>	<u>41,161</u>	<u>42,378</u>	<u>45,146</u>	<u>(190,965)</u>	<u>(186,953)</u>	<u>(164,523)</u>
Total governmental activities net position	<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>	<u>\$ 338,090</u>
Business-type activities										
Net investment in capital assets	\$ 275,594	\$ 285,547	\$ 290,085	\$ 309,659	\$ 296,692	\$ 300,997	\$ 340,246	\$ 347,257	\$ 361,076	\$ 365,505
Restricted	9,784	8,377	7,618	17,223	18,565	1,358	3,659	3,794	11,962	13,546
Unrestricted	<u>87,716</u>	<u>83,993</u>	<u>83,606</u>	<u>86,528</u>	<u>78,969</u>	<u>98,908</u>	<u>95,656</u>	<u>43,114</u>	<u>37,996</u>	<u>57,464</u>
Total business-type activities net position	<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>	<u>\$ 436,515</u>
Primary government										
Net investment in capital assets	\$ 594,664	\$ 616,718	\$ 630,909	\$ 634,868	\$ 601,278	\$ 613,888	\$ 702,786	\$ 728,811	\$ 788,759	\$ 802,471
Restricted	99,748	107,625	102,407	128,170	81,809	67,868	69,273	85,773	92,896	79,193
Unrestricted	<u>124,664</u>	<u>116,322</u>	<u>116,754</u>	<u>109,153</u>	<u>120,130</u>	<u>141,286</u>	<u>140,802</u>	<u>(147,851)</u>	<u>(148,957)</u>	<u>(107,059)</u>
Total primary government net position	<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>	<u>\$ 774,605</u>

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

	<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>	<u>2017</u>
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 12,197	\$ 12,217	\$ 11,255	\$ 10,519	\$ 11,081	\$ 11,851	\$ 14,650	\$ 17,100	\$ 16,179	\$ 16,612
Public safety	54,395	55,394	55,564	54,707	57,457	61,719	66,525	65,260	63,451	66,678
Public works	44,528	46,914	43,082	44,407	25,878	25,252	24,552	29,672	26,053	28,565
Community services	22,983	23,610	21,657	21,251	19,969	24,104	24,083	25,377	26,454	27,635
Community development	19,948	19,676	29,336	21,314	17,017	11,864	13,567	12,077	16,933	17,442
Interest on long-term debt	3,408	3,186	3,040	2,876	572	82	74	56	42	66
Total governmental activities expenses	<u>157,459</u>	<u>160,997</u>	<u>163,934</u>	<u>155,074</u>	<u>131,974</u>	<u>134,872</u>	<u>143,451</u>	<u>149,542</u>	<u>149,112</u>	<u>156,998</u>
Business-type activities:										
Water	27,415	29,642	29,575	29,427	29,985	32,214	35,316	40,409	35,859	37,291
Wastewater	14,560	15,938	15,312	15,709	15,887	17,217	16,930	17,242	17,376	18,299
Airport	16,307	19,013	20,349	22,288	20,167	21,376	20,557	21,616	21,361	22,057
Waterfront	11,054	11,561	11,075	11,217	11,575	12,026	12,707	12,179	12,639	12,975
Solid Waste	-	-	-	-	18,773	19,124	19,732	20,353	20,498	20,837
Parking	6,262	6,949	6,219	6,666	6,849	7,359	7,693	8,325	7,941	8,481
Golf course	2,086	2,118	2,028	1,972	1,923	1,949	1,820	2,018	2,022	2,591
Total business-type activities expenses	<u>77,684</u>	<u>85,221</u>	<u>84,558</u>	<u>87,279</u>	<u>105,159</u>	<u>111,265</u>	<u>114,755</u>	<u>122,142</u>	<u>117,696</u>	<u>122,531</u>
Total primary government expenses	<u>\$ 235,143</u>	<u>\$ 246,218</u>	<u>\$ 248,492</u>	<u>\$ 242,353</u>	<u>\$ 237,133</u>	<u>\$ 246,137</u>	<u>\$ 258,206</u>	<u>\$ 271,684</u>	<u>\$ 266,808</u>	<u>\$ 279,529</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Administration	\$ 1,845	\$ 1,836	\$ 1,120	\$ 1,042	\$ 1,074	\$ 1,259	\$ 2,008	\$ 4,851	\$ 4,479	\$ 4,143
Public safety	9,401	9,448	9,807	9,610	9,365	10,538	13,627	10,794	10,650	11,758
Public works	23,902	25,683	26,444	25,949	8,471	8,789	9,434	8,945	9,161	9,586
Community services	5,211	5,369	5,078	4,854	5,022	5,532	7,934	10,869	11,909	12,400
Community development	5,608	5,403	5,251	5,427	4,670	5,095	5,348	5,347	6,540	6,081
Operating grants and contributions	15,099	13,576	17,150	13,782	14,829	13,251	14,490	6,303	8,487	7,882
Capital grants and contributions	8,733	11,102	5,469	11,318	5,703	8,474	10,517	24,137	26,181	16,966
Total governmental activities program revenues	<u>69,799</u>	<u>72,417</u>	<u>70,319</u>	<u>71,982</u>	<u>49,134</u>	<u>52,938</u>	<u>63,358</u>	<u>71,246</u>	<u>77,407</u>	<u>68,816</u>
Business-type activities:										
Charges for services:										
Water	32,610	32,263	32,359	31,158	36,265	38,171	36,368	34,573	45,097	51,641
Wastewater	13,449	13,896	14,140	14,770	15,563	17,658	17,991	17,742	18,632	20,142
Airport	15,451	15,298	14,621	15,863	16,745	17,740	17,910	17,902	17,988	19,175
Waterfront	11,177	10,754	11,275	11,313	12,370	12,782	13,776	14,982	14,658	15,075
Solid Waste	-	-	-	-	18,741	19,354	20,689	20,827	21,059	20,953
Parking	6,669	6,615	6,661	6,579	7,231	7,691	7,955	8,432	8,457	8,514
Golf course	2,245	2,221	1,715	1,892	1,820	1,833	2,031	1,950	1,950	2,531
Operating grants and contributions	145	135	328	-	-	-	-	-	24	23
Capital grants and contributions	11,861	5,049	4,217	6,174	2,778	4,256	3,663	3,289	5,582	496
Total business-type activities program revenues	<u>93,607</u>	<u>86,231</u>	<u>85,316</u>	<u>87,749</u>	<u>111,513</u>	<u>119,485</u>	<u>120,383</u>	<u>119,697</u>	<u>133,447</u>	<u>138,550</u>
Total primary government program revenues	<u>\$ 163,406</u>	<u>\$ 158,648</u>	<u>\$ 155,635</u>	<u>\$ 159,731</u>	<u>\$ 160,647</u>	<u>\$ 172,423</u>	<u>\$ 183,741</u>	<u>\$ 190,943</u>	<u>\$ 210,854</u>	<u>\$ 207,366</u>

(Continued)

	<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>	<u>2017</u>
Net (expense)/revenue										
Governmental activities	\$ (87,660)	\$ (88,580)	\$ (93,615)	\$ (83,092)	\$ (82,840)	\$ (81,934)	\$ (80,093)	\$ (78,296)	\$ (71,705)	\$ (88,182)
Business-type activities	<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>	<u>16,019</u>
Total primary government net expense	<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>	<u>\$ (72,163)</u>
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property	\$ 40,520	\$ 43,275	\$ 43,164	\$ 42,739	\$ 35,453	\$ 27,575	\$ 26,555	\$ 27,691	\$ 29,382	\$ 31,612
Sales & use	20,838	17,876	16,990	17,892	19,444	20,134	21,323	21,958	21,932	21,807
Transient occupancy	15,523	14,469	13,758	14,951	16,394	17,611	20,186	22,527	22,379	23,110
Utility users	12,525	12,654	11,711	13,887	13,974	14,054	14,016	13,810	14,338	14,014
Business license	2,252	2,302	2,245	2,207	2,202	2,345	2,555	2,574	2,636	2,651
Real property transfer	452	278	389	372	439	642	669	692	730	762
Franchise fees	3,181	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231
Unrestricted motor vehicle license-in-lieu	418	320	276	478	6	77	40	39	37	42
Investment income	6,643	4,846	2,275	1,912	2,366	2,521	2,165	2,030	2,288	1,733
Other revenue	3,862	5,952	5,199	4,755	3,932	6,193	660	669	419	2,610
Extraordinary gain (2)	-	-	-	-	-	-	38,084	-	23,054	1,335
Extraordinary loss (1)	-	-	-	-	(91,210)	-	-	-	-	-
Gain/loss on sale of capital assets	-	-	-	-	-	(695)	-	-	44	404
Transfers	<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>	<u>299</u>
Total governmental activities	<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>	<u>104,610</u>
Business-type activities:										
Investment earnings	5,440	3,904	2,904	2,070	1,813	582	1,562	1,218	1,304	556
Other revenue	-	-	-	-	-	-	221	555	248	9,205
Extraordinary gain (2)	-	-	-	-	-	-	28,956	-	-	-
Transfers	<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>	<u>(299)</u>
Total business-type activities	<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>	<u>9,462</u>
Total primary government	<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>	<u>\$ 114,072</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 18,736	\$ 16,767	\$ 6,012	\$ (9,979)	\$ (48,400)	\$ 12,850	\$ 50,900	\$ 17,786	\$ 49,099	\$ 16,425
Business-type activities	<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>	<u>25,481</u>
Total primary government	<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>\$ 65,969</u>	<u>\$ 41,906</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)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales &amp; Use Tax</b>	<b>Transient Occupancy Tax</b>	<b>Utility Users Tax</b>	<b>Trans- portation Tax</b>	<b>Business License Tax</b>	<b>Real Property Transfer Tax</b>	<b>Total</b>
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
2017	31,612	21,807	23,110	14,014	3,746	2,651	762	97,702

\* 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)**

	2008	2009	2010	2011 *	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 7,060	\$ 6,249	\$ 8,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,965	17,973	15,686	-	-	-	-	-	-	-
Nonspendable	-	-	-	8,313	8,664	7,813	6,910	4,033	2,747	2,105
Restricted	-	-	-	463	405	421	2,213	2,464	2,682	2,667
Committed	-	-	-	-	18,304	20,762	21,644	26,575	30,299	31,461
Assigned	-	-	-	-	103	226	153	177	203	312
Unassigned	-	-	-	17,770	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 36,545</u>
All other governmental funds										
Reserved	\$ 118,960	\$ 122,736	\$ 113,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	62,980
Committed	-	-	-	2,666	6,998	2,807	11,050	12,170	12,965	12,883
Assigned	-	-	-	2,208	4,165	10,603	8,636	8,156	3,789	2,837
Unassigned	-	-	-	(340)	(23)	(283)	(722)	(152)	(1,604)	(949)
Total all other governmental funds	<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>	<u>\$ 77,751</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)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 96,917	\$ 95,134	\$ 92,697	\$ 94,933	\$ 91,091	\$ 85,683	\$ 88,791	\$ 92,889	\$ 95,086	\$ 97,702
Franchise fees	3,181	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231
Intergovernmental	18,296	19,328	16,724	20,603	15,722	16,801	19,569	23,899	27,056	20,090
Fines and forfeitures	4,335	4,167	4,392	4,331	4,166	4,416	4,529	4,177	3,597	4,106
Use of money and property	6,632	4,944	2,502	2,258	2,472	2,924	2,047	1,939	2,177	1,684
Charges for services	35,478	37,649	38,689	38,722	20,625	20,192	20,923	21,567	22,336	21,650
Program income	283	321	661	835	321	493	311	511	386	399
Other revenues	9,234	11,156	10,858	9,982	8,346	12,192	9,642	11,537	13,672	15,453
Total revenues	<u>174,356</u>	<u>175,983</u>	<u>169,874</u>	<u>175,144</u>	<u>146,322</u>	<u>146,280</u>	<u>149,634</u>	<u>160,270</u>	<u>167,442</u>	<u>165,315</u>
<b>Expenditures</b>										
General government/administration (1)	12,007	11,931	10,941	10,008	10,699	10,788	11,444	13,794	15,923	15,980
Public safety	54,109	54,990	54,313	55,020	56,355	59,166	61,216	62,559	64,330	66,847
Public works	38,615	40,058	31,743	30,301	12,817	13,072	12,829	21,087	20,536	20,465
Community services	21,420	21,549	19,317	18,763	19,140	20,365	21,140	22,009	23,191	24,224
Community development	18,014	17,140	24,546	18,110	14,567	11,085	12,332	11,775	13,646	13,494
Community promotions (1)	1,884	1,824	1,824	1,868	1,991	2,005	2,051	2,620	-	-
Capital outlay	17,169	19,855	29,279	30,875	22,580	22,229	22,943	23,370	32,068	21,056
Debt service										
Principal	5,076	5,341	6,282	5,724	754	274	287	300	307	663
Interest	3,459	3,126	2,981	2,776	1,396	75	64	51	38	58
Total expenditures	<u>171,753</u>	<u>175,814</u>	<u>181,226</u>	<u>173,445</u>	<u>140,299</u>	<u>139,059</u>	<u>144,306</u>	<u>157,565</u>	<u>170,039</u>	<u>162,787</u>
Excess of revenues over (under) expenditures	\$ 2,603	\$ 169	\$ (11,352)	\$ 1,699	\$ 6,023	\$ 7,221	\$ 5,328	\$ 2,705	\$ (2,597)	\$ 2,528

(Continued)

Note:

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

	<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>	<u>2017</u>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 16,291	\$ 25,002	\$ 15,126	\$ 75,713	\$ 68,994	\$ 12,433	\$ 11,605	\$ 20,009	\$ 9,150	\$ 11,625
Transfers out	(16,553)	(21,765)	(14,118)	(75,477)	(68,782)	(12,239)	(12,520)	(20,275)	(9,092)	(13,042)
Total other financing sources (uses)	<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>	<u>(1,417)</u>
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	(44,954)	-	-	-	-	-
Net change in fund balances	<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>\$ 2,586</u>	<u>\$ 1,111</u>
Debt service as a percentage of noncapital expenditures	5.45 %	5.31 %	5.71 %	5.50 %	1.71 %	0.28 %	0.27 %	0.26 %	0.24 %	0.49 %

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

<b>Fiscal Year</b>	<b>Sales &amp; Use Tax</b>	<b>Utility Users Tax</b>	<b>Property Tax</b>	<b>Real Property Transfer Tax</b>	<b>Transient Occupancy Tax</b>	<b>Business License tax</b>	<b>Trans- portation Tax</b>	<b>Total</b>
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
2017	21,807	14,014	31,612	762	23,110	2,651	3,746	97,702

\* 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		
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 %
2017	19,715,761	1,140,922	(2,032,937)	18,823,746	2,413,951	413,249	(214,500)	2,612,700	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**

	<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>	<u>2017</u>
<u>Direct Rates:</u>										
City Direct Rate (1)	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %	1.00000 %
<u>Overlapping Rates: (2)</u>										
SB Elementary Bonds 1995 Int/Redem	0.00217 %	0.00217 %	0.00230 %	0.00230 %	0.00230 %	0.00150 %	0.00188 %	0.00182 %	0.00171 %	0.00154 %
SB Unified School District High School Bonds 2000	0.01248 %	0.01248 %	0.01248 %	0.01248 %	0.01273 %	0.01298 %	0.01298 %	0.01298 %	0.00973 %	0.00954 %
SB Elementary Bonds 1998 Int/Redem	0.01168 %	0.01168 %	0.01168 %	0.01168 %	0.01168 %	0.00888 %	0.01154 %	0.01096 %	0.00986 %	0.00868 %
SB City College - Bond 2008	- %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00850 %	0.00731 %
SB Unified School District High School Bonds 2010 Meas Q	- %	- %	- %	- %	0.00093 %	0.00093 %	0.00697 %	0.00697 %	0.00697 %	0.00627 %
SB Unified School District Elem School Bonds 2010 Meas R	- %	- %	- %	- %	0.00005 %	0.00010 %	0.00653 %	0.00717 %	0.00838 %	0.00754 %
SB Elementary Refunding Bonds 1995/1998	- %	- %	- %	- %	- %	<u>0.00680 %</u>	- %	- %	- %	- %
	<u>0.02633 %</u>	<u>0.03483 %</u>	<u>0.03496 %</u>	<u>0.03496 %</u>	<u>0.03619 %</u>	<u>0.03969 %</u>	<u>0.04840 %</u>	<u>0.04840 %</u>	<u>0.04515 %</u>	<u>0.04088 %</u>
 Total Direct and Overlapping Rates:	 1.02633 %	 1.03483 %	 1.03496 %	 1.03496 %	 1.03619 %	 1.03969 %	 1.04840 %	 1.04840 %	 1.04515 %	 1.04088 %

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>	<u>Fiscal Year 2017</u>	
	<u>Taxable Net</u>	<u>Percentage of</u>
	<u>Assessed</u>	<u>Total Taxable</u>
	<u>Value</u>	<u>Net Assessed</u>
		<u>Value</u>
Fess Parker Doubletree Hotel	\$ 90,096	0.48 %
El Encanto, Inc	89,218	0.47 %
XHR Santa Barbara LLC	82,597	0.44 %
Paseo Nuevo Owner LLC	67,282	0.36 %
CHSP Santa Barbara LLC	60,819	0.32 %
Hitchcock Holdings, LLC	56,796	0.30 %
HHLP Santa Barbara I Assoc LLC	53,804	0.29 %
GRI - Regency, LLC	51,774	0.28 %
Levon Investments LLC	51,315	0.27 %
Clark Huguette M/Estate of	48,702	0.26 %
Total	<u>\$ 652,403</u>	<u>3.47 %</u>

<u>Taxpayer</u>	<u>Fiscal Year 2008</u>	
	<u>Taxable Net</u>	<u>Percentage of</u>
	<u>Assessed</u>	<u>Total Taxable</u>
	<u>Value</u>	<u>Net Assessed</u>
		<u>Value</u>
Redevelopment Agency / Santa Barbara	\$ 90,327	0.65 %
Fess Parker Doubletree Hotel	77,695	0.56 %
FW CA-Five Points Shopping Center, LLC	48,684	0.35 %
Nettleship, Patricia S Trust	43,107	0.31 %
MCC BB Property, LLC	40,383	0.29 %
Due West, LLC	28,429	0.21 %
HDG Associates	28,109	0.20 %
Riviera Dairy Products	25,340	0.18 %
Ralphs Grocery Store	24,946	0.18 %
El Encanto, Inc	23,334	0.17 %
Total	<u>\$ 430,354</u>	<u>3.10 %</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)**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>2008</b>	40,520	40,520	100 %	-	40,520	100 %
<b>2009</b>	43,275	43,275	100 %	-	43,275	100 %
<b>2010</b>	43,164	43,164	100 %	-	43,164	100 %
<b>2011</b>	42,738	42,738	100 %	-	42,738	100 %
<b>2012</b>	35,453	35,453	100 %	-	35,453	100 %
<b>2013</b>	27,575	27,575	100 %	-	27,575	100 %
<b>2014</b>	26,555	26,555	100 %	-	26,555	100 %
<b>2015</b>	27,691	27,691	100 %	-	27,691	100 %
<b>2016</b>	29,382	29,382	100 %	-	29,382	100 %
<b>2017</b>	31,612	31,612	100 %	-	31,612	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			
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
2017	-	-	-	62,686	19,001	116,494	198,181	0.79 %	2,130

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)

<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>Tax Allocation Bonds (3)</b>	<b>Loans</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (1)</b>	<b>Per Capita (2)</b>
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
2017	-	-	-	-	-	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, 2017**  
**(amounts expressed in thousands)**

<b>2016-17 Assessed Valuation</b>	\$ 20,856,682
<b>Redevelopment Agency Property Tax Trust Assessed Valuation</b>	2,827,200
<b>Adjusted Assessed Valuation</b>	<u>\$ 18,029,482</u>

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b><u>Overlapping Debt Repaid with Property Taxes</u></b>			
Santa Barbara Unified - Elementary Bonds	\$ 71,600	95.26 %	\$ 68,206
Santa Barbara Unified - High School Bonds	165,738	42.90 %	71,102
Cold Spring Elementary Bonds	4,385	6.29 %	276
Hope District Elementary Bonds	10,685	35.44 %	3,787
Montecito Union Elementary Bonds	2,510	2.05 %	51
Santa Barbara City College Bonds	65,275	37.77 %	24,654
Total overlapping debt repaid with property taxes	<u>\$ 320,193</u>		<u>\$ 168,076</u>
<b><u>Overlapping General Obligation Debt</u></b>			
Santa Barbara County Certificates of Participation	<u>\$ 50,190</u>	20.65 %	<u>\$ 10,364</u>
Total overlapping general obligation debt	<u>50,190</u>		<u>10,364</u>
Total overlapping debt	<u>\$ 370,383</u>		<u>\$ 178,440</u>
<b><u>Direct General Obligation Debt</u></b>			
City of Santa Barbara Certificates of Participation	<u>\$ 0</u>	100 %	<u>\$ 0</u>
Total direct general obligation debt	<u>0</u>		<u>0</u>
Total direct debt	<u>\$ 0</u>		<u>\$ 0</u>
Total direct and overlapping debt			<u>\$ 178,440</u>
<b><u>Ratio to 2016-17 Assessed Valuation</u></b>			
Total direct and overlapping debt			<u>0.86 %</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 450,663 population, 20.65% (or 93,063) 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)**

	<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>	<u>2017</u>
Assessed valuation	\$ 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	\$ 20,856,683
Coverage percentage	<u>25 %</u>									
Adjusted assessed valuation	\$ 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	\$ 5,214,171
Debt limit percentage	<u>15 %</u>									
Debt limit	\$ 553,944	\$ 592,703	\$ 602,241	\$ 605,014	\$ 615,218	\$ 628,761	\$ 658,283	\$ 687,389	\$ 736,416	\$ 782,126
Legal debt margin	<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>	<u>\$ 782.126</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)**

<b>Water Revenue Bonds</b>							<b>Wastewater Revenue Bonds</b>						<b>Tax Allocation Bonds (1)</b>			
<b>Fiscal Year</b>	<b>Water Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>			<b>Waste-water Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>			<b>Tax Increment</b>	<b>Debt Service</b>		
				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>		<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
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
2017	52,079	28,869	23,210	1,425	712	10.86	20,181	12,656	7,525	750	492	6.06	8,143	7,085	1,058	1.00

<b>Airport Revenue Bonds</b>							<b>Airport Promissory Note</b>						<b>Waterfront Revenue Bonds</b>					
<b>Fiscal Year</b>	<b>Airport Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>			<b>Airport Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>			<b>Waterfront Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		
				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
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	15,863	14,494	1,369	162	426	2.33	-	-	-	-	-	-
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
2017	19,178	14,254	4,924	1,020	2,102	1.58	19,178	14,254	4,924	296	165	10.68	15,080	10,857	4,223	794	369	3.63

<b>Golf Certificates of Participation</b>						
<b>Fiscal Year</b>	<b>Golf Revenue</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		
				<b>Principal</b>	<b>Interest</b>	<b>Coverage</b>
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
2017	2,587	2,341	246	342	8	0.70

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**

<b>Fiscal Year</b>	<b>City Population (1)</b>	<b>Personal Income (in millions) (2)</b>	<b>Per Capita Personal Income (2)</b>	<b>June 30 Unemployment Rate (3)</b>
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 %
2017	93,063	25,007	56,048	4.3 %

Notes:

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

Sources:

(1) California Department of Finance, Demographic Research Unit

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

(3) California Employment Development Department

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

<b>As of June 30, 2017</b>			<b>As of June 30, 2008</b>		
<b>Employer</b>	<b>Number of Employees (1)</b>	<b>Percentage of Total Employment</b>	<b>Employer</b>	<b>Number of Employees (2)</b>	<b>Percentage of Total Employment</b>
University of California, Santa Barbara	10,726	12.59 %	University of California, Santa Barbara	9,723	17.78 %
County of Santa Barbara	4,900	5.75 %	County of Santa Barbara	4,269	7.80 %
Cottage Health System	3,790	4.45 %	Santa Barbara Cottage Hospital	2,762	5.05 %
Santa Barbara City College	2,280	2.68 %	Santa Barbara City College	2,157	3.94 %
Santa Barbara Unified School District	2,185	2.56 %	Santa Barbara School District Admin	1,618	2.96 %
City of Santa Barbara	1,598	1.88 %	Raytheon Electronic Systems	1,613	2.95 %
Raytheon Electronic Systems	1,000	1.17 %	Sansum Medical Foundation Clinic	1,100	2.01 %
Sansum Medical Foundation Clinic	1,000	1.17 %	City of Santa Barbara	1,084	1.98 %
Santa Barbara County Education	875	1.03 %	U.S. Postal Service	830	1.52 %
Yardi Systems	<u>654</u>	<u>0.77 %</u>	Santa Barbara Bank & Trust	<u>775</u>	<u>1.42 %</u>
Ten largest companies or organizations	<u>29,008</u>	<u>34.05 %</u>		<u>25,931</u>	<u>47.41 %</u>

Sources:

- (1) County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times  
(2) City of Santa Barbara CAFR FY 2007-08.

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**

<b>Function</b>	<b>Full-time Equivalent Employees as of June 30</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Administration	113	113	107	104	103	103	107	107	107	108
Administrative services	32	32	29	26	26	26	29	31	31	31
City administrator	12	12	11	11	11	11	11	10	10	9
City attorney	13	13	12	11	11	11	12	11	11	14
Finance	47	47	46	48	47	47	47	48	48	48
Mayor and city council	9	9	9	8	8	8	8	8	8	8
Public safety	328	327	323	311	317	317	316	317	317	316
Police	213	212	209	201	207	207	211	212	212	211
Fire	115	115	114	110	110	110	105	105	105	105
Public works	143	154	152	139	138	139	144	143	140	141
Community services	141	144	128	121	116	117	122	126	132	133
Library	48	48	42	39	35	36	36	36	38	40
Parks and recreation	93	96	86	82	81	81	86	90	93	92
Community development	89	88	79	75	74	65	68	71	74	73
Water	68	62	62	68	68	67	69	74	75	73
Wastewater	53	50	49	49	49	49	49	49	49	53
Airport	54	54	53	54	54	52	56	56	56	61
Waterfront	46	46	46	46	46	46	46	46	47	47
Parking	36	38	34	34	34	34	30	31	31	30
Golf (1)	<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>	<u>-</u>
Total	<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>	<u>1,035</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 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>	<u>Fiscal Year 2017</u>
Police										
Criminal citations issued	2,013	2,898	1,642	1,847	1,407	3,172	4,282	5,298	3,511	1,087
Parking citations	60,984	54,692	54,377	50,252	45,055	46,450	55,555	55,700	55,716	59,580
Street sweeping citations	33,017	30,184	27,400	25,989	25,660	25,612	26,187	27,109	29,031	27,032
Fire										
Number of calls received	7,500	13,768	15,632	15,249	14,984	8,038	8,165	8,341	9,102	9,891
Engine company fire inspections	1,417	2,668	1,340	2,611	2,650	2,773	2,661	3,116	2,890	2,450
Public works										
Street resurfacing (miles)	60	65	35	38	85	26	32	24	14	8
Tons of debris collected by street sweepers	1,673	2,122	2,399	2,210	1,846	2,143	2,287	2,119	2,334	2,009
Community services										
Library items checked out	730,598	758,046	689,391	656,488	703,639	826,627	853,177	782,860	825,731	792,767
Community development										
Building inspections completed	11,047	11,598	10,815	11,257	11,395	10,665	11,220	11,650	11,403	11,805
Total permits issued	2,704	2,696	2,425	2,308	2,282	2,373	2,412	2,580	2,818	2,571
Water										
Million gallons water treated	7,909	6,757	6,528	6,581	6,409	7,481	7,527	4,960	4,247	4,132
Percent of drinking water regulations met	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Wastewater										
Million gallons waste water treated	2,875	2,750	2,761	2,897	2,708	2,627	2,551	2,360	2,301	2,312
Miles of wastewater system pipes cleaned	206	173	214	256	186	217	230	219	262	219
Percent of discharge requirements met	100.0 %	99.9 %	99.9 %	99.9 %	99.7 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Airport										
Total number of annual passengers	833,164	772,718	745,167	747,531	716,625	722,041	699,916	628,837	630,612	690,992
Annual tons of airfreight	2,948	2,436	2,132	2,138	2,007	1,813	1,764	1,800	1,794	1,736
Waterfront										
Number of lease contracts managed	67	64	62	64	64	65	65	64	64	65
Number of parking permits distributed	756,377	772,588	697,788	652,923	682,111	564,294	702,622	814,800	765,471	781,419
Parking										
Vehicles parked in city lots	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	4,358,066
Golf course										
Rounds of golf	74,484	70,546	59,091	62,800	63,620	61,558	62,512	57,089	55,376	53,799

Source: Various City Departments

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

Function	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	Fiscal Year 2017
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	254	254	255	255
Concrete installed-sidewalk, curb and gutter (sq. ft.)	14,661	25,661	24,455	54,196	21,474	16,088	10,754	12,140	14,145	15,976
Community services										
Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,808
Parks and sports facilities	59	59	54	54	54	54	56	57	57	60
Swimming	2	2	2	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34	34	34	33
Community buildings	8	8	12	12	12	12	15	15	15	16
Libraries	2	2	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	401,160	384,880	380,617	365,839	357,256	319,898	330,703	330,773	439,773	396,055
Water										
Number of distribution system reservoirs	13	13	13	13	13	15	15	15	15	15
Number of water supply reservoirs	-	1	1	1	1	1	1	1	1	1
Number of pump stations	12	12	12	12	12	14	14	14	14	14
Number of treatment plants	2	2	2	2	2	2	2	2	2	3
Number of wells	9	9	9	9	9	9	9	9	8	9
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	9	9	9	9	9	9	9	9	7	7
Airport										
Runways and Taxiways, paved surface (sq. ft.)	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	6,842,079
Waterfront										
Number of harbor slips	1,133	1,133	1,133	1,137	1,137	1,139	1,139	1,139	1,139	1,143
Parking										
Number of parking structures and lots	14	14	14	14	14	15	15	16	16	15
Number of parking spaces	3,595	3,595	3,591	3,591	3,591	3,620	3,548	3,628	3,628	3,605

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 (City) as of and for the year ended June 30, 2017, 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, 2017.

#### **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.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*:



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

### **Modified Approach for City Streets Infrastructure Capital Assets**

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting of its Streets Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated, however the City is required to manage the eligible infrastructure capital assets using an asset management system with the characteristics of (1) performing an up-to-date periodic inventory; (2) completing condition assessments and summary of results using a measurement scale, and (3) estimating annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level.

Using a Pavement Condition Index (PCI) rating, a nationally recognized index, where the assessed condition for each street segment 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 City’s formal policy is to maintain a minimum average rating of no less than 60 (“At Risk”) for all streets. For fiscal year 2017, the City’s PCI rating fell below the City’s policy at an average value of 59. We recommend that the City take necessary measures to comply with its policy.

#### **Management’s Response**

While the street pavement system has fallen below the established condition level in fiscal year 2017, the City is currently addressing the issue. On November 7, 2017, a 1% sales tax measure was approved for infrastructure needs, which will generate the necessary funds to improve the condition level.

#### **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 black ink that reads "Lance, Soll &amp; Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California  
November 29, 2017