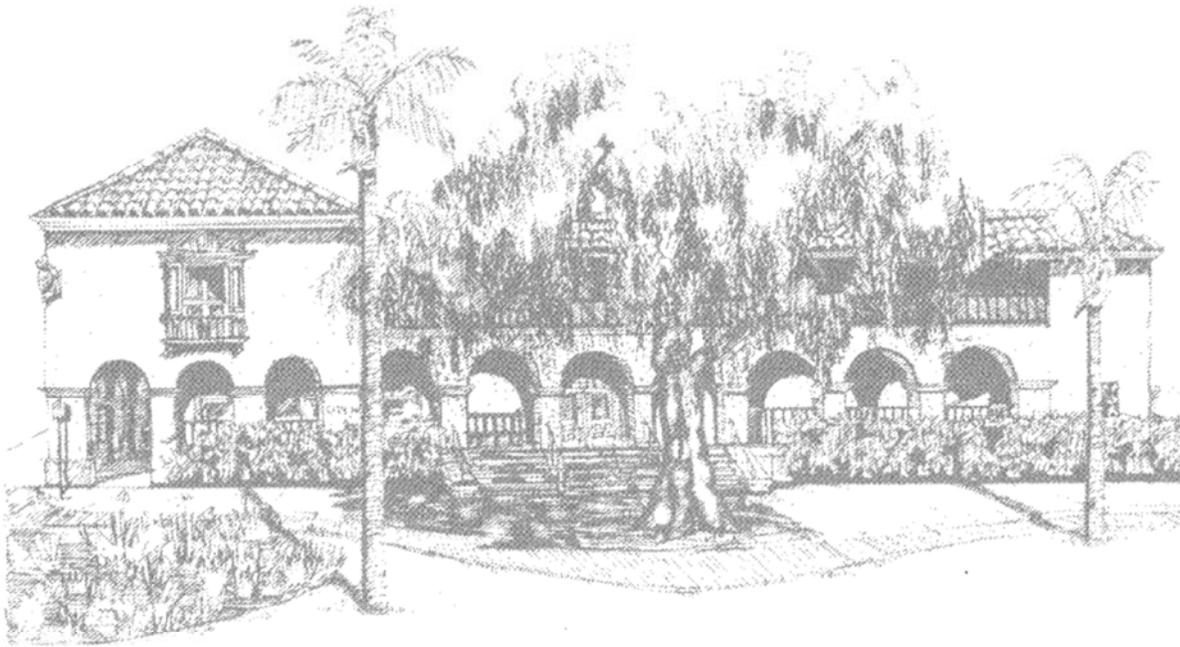


City of Santa Barbara California



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2018

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 11, 2018

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2018, 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, 2018. 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 94,807. 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.

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 of economic trends and swings are generally more pronounced. Since the Great Recession of 2008, the national economy has been expanding, albeit more gradually than typical expansion periods following a recession. In contrast, the local economy was very strong through 2016, generating strong revenue growth in sales taxes, transient occupancy taxes and property taxes. Since 2016, while the national economy continues to be strong, the local economy has been less robust. In particular, the lodging industry and retail sector have been struggling.

Several factors play into the less favorable revenue growth. The emergence of online sales has certainly impacted the retail sector. In addition, prices of taxable goods have been stable, as measured by the consumer price index, which has been below historical averages. Another factor affecting the lodging industry is basic economics; after several years of tremendous revenue growth, driven by increases to both room rates and occupancy rates, revenues have now stabilized due to weaker demand. A new hotel has added more capacity and generated new revenues, but overall the number of rooms has been stable.

Fortunately, the real estate market continues to be strong. Real estate values are still on the rise, with market values at or above where they were before the Great Recession when property values plummeted. As properties change hands, assessed values will be adjusted to reflect the market values, resulting in an increase to local property revenues to the City.

Overall, the local economy is stable. The City is working with local business groups to adjust to the new retail paradigm. It will be a slow process, but one that is critical to ensuring the success of the business sector as a whole and for the City to fund its services to the community.

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 reference one instance of non-compliance regarding the modified approach for city streets infrastructure capital assets. In Fiscal Year 2017 the average Pavement Condition Index (PCI) was reported at 59, below the required level of 60. The Fiscal Year 2018 PCI level was reported at 61, bringing the City into full compliance.

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, 2018, 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, 2017. This was the fifteenth 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, Finance and Treasury Manager, Mark Sewell, 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, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2018

Cathy Murillo
Mayor

Gregg Hart
Councilmember

Kristen Sneddon
Councilmember

Eric Friedman
Councilmember

Randy Rowse
Councilmember

Oscar Gutierrez
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

Lee Waldron
Acting 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, 2018

Charter Boards and Commissions **Membership**

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

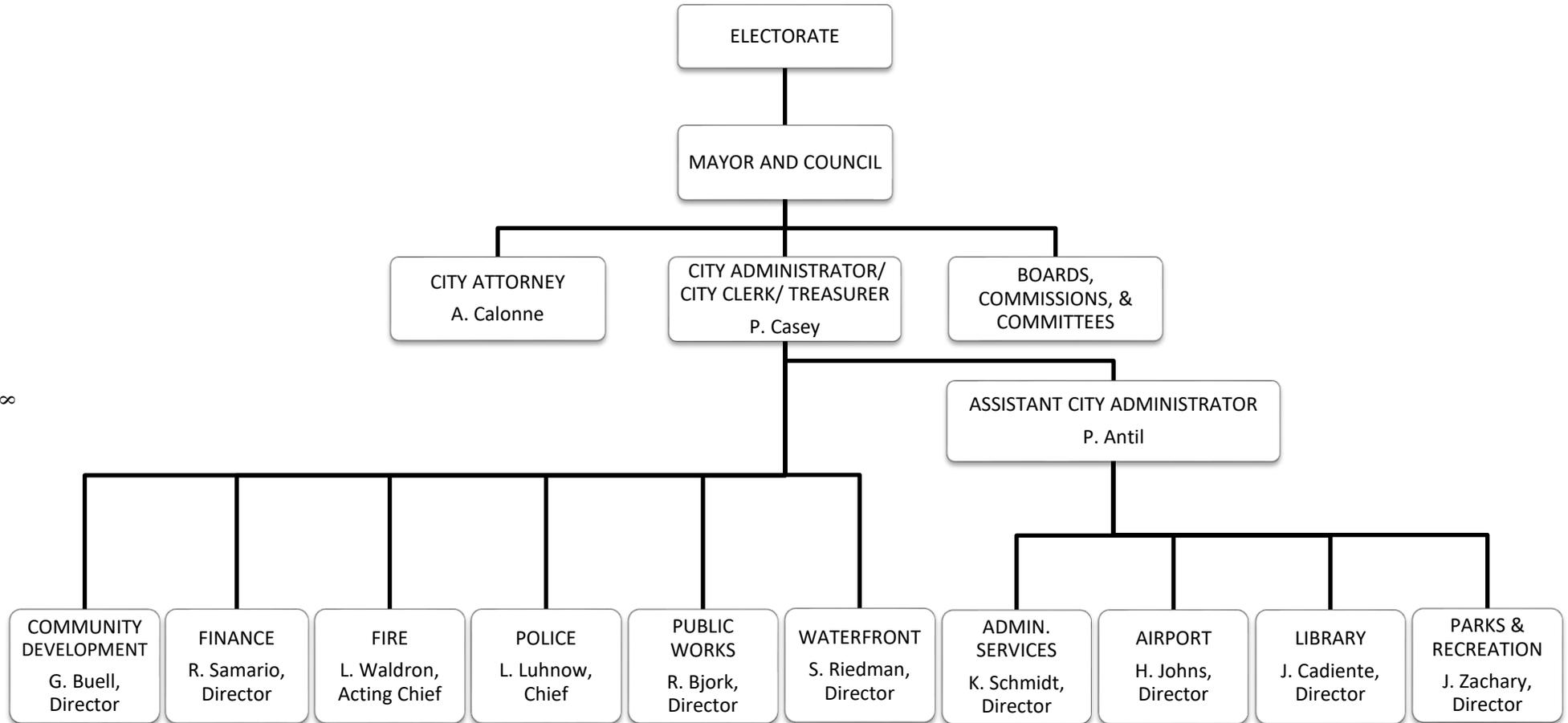
Committees and Commissions

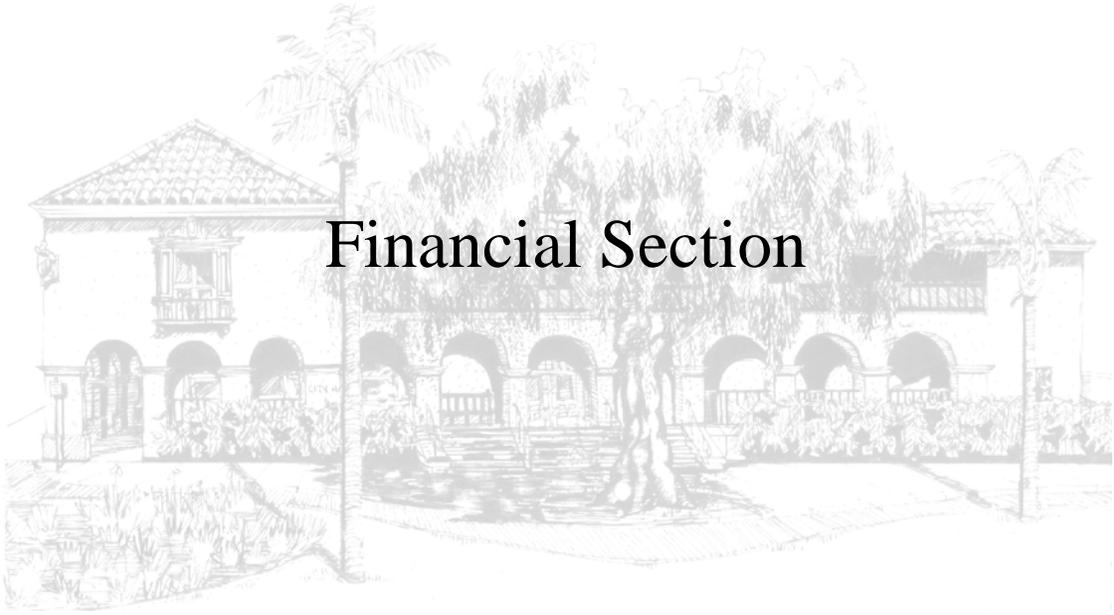
Access Advisory Committee	.....	7
Arts Advisory Committee	.....	7
Building and Fire Code Board of Appeals	.....	13
Central Coast Commission for Senior Citizens	.....	1
Citizens' Oversight Committee	.....	7
Community Development and Human Services Committee	.....	13
Community Events and Festivals Committee	.....	7
County of Santa Barbara Library Advisory Committee	.....	1
Creeks Advisory Committee	.....	7
Downtown Parking Committee	.....	7
Housing Authority Commission	.....	7
Living Wage Advisory Committee	.....	7
Measure P Committee	.....	7
Metropolitan Transit District Board	.....	2
Mosquito and Vector Management District Board	.....	1
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

Other Advisory Bodies

Arts & Crafts Show Advisory Committee	.....	5
Golf Advisory Committee	.....	7
Integrated Pest Management Advisory Committee	.....	5
Sign Ordinance Review Committee	.....	11
Staff Hearing Officer	.....	1
Sustainability Council Committee	.....	3

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, 2018, 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 City'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 City'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, 2018, 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.

Change in Accounting Principle

As discussed in Notes 1 and 16 to the financial statements, in 2018 the City adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 schedules of changes in net pension liability and related ratio, the schedules of contributions, the schedule of investment returns, the schedule of proportionate share of the net pension liability, and the schedule of changes in total OPEB and related ratio 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 schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.



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

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018 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.

Brea, California
November 26, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2018

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, 2018. 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 2018, the City's net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$787 million, an increase of approximately \$12 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 \$(112) million, due to the implementation of GASB 68. Before adjusting for GASB 68, unrestricted funds were \$219 million, an increase of \$30 million from the prior year.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$121.9 million, an increase of \$7.6 million (6.7%) 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, 2018, with comparative totals as of June 30, 2017. 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	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 175,943	\$ 154,673	\$ 161,015	\$ 141,378	\$ 336,958	\$ 296,051
Capital assets, net	443,975	436,966	577,466	561,396	1,021,441	998,362
Total Assets	<u>619,918</u>	<u>591,639</u>	<u>738,481</u>	<u>702,774</u>	<u>1,358,399</u>	<u>1,294,413</u>
Deferred Outflows of Resources:	<u>67,356</u>	<u>67,077</u>	<u>14,229</u>	<u>16,320</u>	<u>81,585</u>	<u>83,397</u>
Liabilities:						
Current and other liabilities	29,783	25,736	33,378	31,757	63,161	57,493
Non-current liabilities	311,722	267,581	267,193	245,731	578,915	513,312
Total Liabilities	<u>341,505</u>	<u>293,317</u>	<u>300,571</u>	<u>277,488</u>	<u>642,076</u>	<u>570,805</u>
Deferred Inflows of Resources:	<u>10,055</u>	<u>27,309</u>	<u>1,067</u>	<u>5,090</u>	<u>11,122</u>	<u>32,399</u>
Net Position:						
Net investment in capital assets	443,975	436,966	359,890	365,505	803,865	802,471
Restricted	81,702	65,647	13,051	13,547	94,753	79,194
Unrestricted	<u>(189,963)</u>	<u>(164,523)</u>	<u>78,131</u>	<u>57,464</u>	<u>(111,832)</u>	<u>(107,059)</u>
Total Net Position	<u>\$ 335,714</u>	<u>\$ 338,090</u>	<u>\$ 451,072</u>	<u>\$ 436,516</u>	<u>\$ 786,786</u>	<u>\$ 774,606</u>

As shown in Table 1, at June 30, 2018 the City's net position totaled \$787 million. The largest portion consists of the City's net investment in capital assets in the amount of \$804 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, \$95 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 ended the fiscal year with a deficit balance of \$(111.8) 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 \$219.1 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, 2018, in relation to the year earlier. For the fiscal year ended June 30, 2018, total net position, before GASB 75 restatement of prior year balance, increased by \$19.6 million. This increase in net position is the difference between revenues of \$345.3 million and expenses of \$325.7 million.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2018, with comparative totals for the fiscal year ended June 30, 2017.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for service	\$ 44,845	\$ 43,968	\$ 145,328	\$ 138,031	\$ 190,173	\$ 181,999
Operating grants and contributions	10,462	7,882	23	23	10,485	7,905
Capital grants and contributions	16,301	16,966	8,640	496	24,941	17,462
General Revenues:						
Taxes	100,523	93,956	-	-	100,523	93,956
Franchise fees	3,597	4,231	-	-	3,597	4,231
Motor vehicle license fees	49	42	-	-	49	42
Investment income	2,171	1,733	724	556	2,895	2,289
Other revenue	11,289	3,013	1,372	9,205	12,661	12,218
Total revenues	<u>189,237</u>	<u>171,791</u>	<u>156,087</u>	<u>148,311</u>	<u>345,324</u>	<u>320,102</u>
Expenses:						
Program Expenses:						
Administration	20,045	16,612	-	-	20,045	16,612
Public safety	82,485	66,678	-	-	82,485	66,678
Public works	34,583	28,565	-	-	34,583	28,565
Community services	30,500	27,636	-	-	30,500	27,636
Community development	16,082	17,442	-	-	16,082	17,442
Interest expense	-	66	-	-	-	66
Business Activities:						
Water	-	-	45,239	37,291	45,239	37,291
Wastewater	-	-	20,542	18,299	20,542	18,299
Airport	-	-	24,507	22,057	24,507	22,057
Waterfront	-	-	15,010	12,975	15,010	12,975
Solid Waste	-	-	23,948	20,837	23,948	20,837
Downtown Parking	-	-	10,104	8,481	10,104	8,481
Golf Course	-	-	2,643	2,591	2,643	2,591
Total expenses	<u>183,695</u>	<u>156,999</u>	<u>141,993</u>	<u>122,531</u>	<u>325,688</u>	<u>279,530</u>
Increase in Net Position Before Transfers	5,542	14,792	14,094	25,780	19,636	40,572
Extraordinary gain	-	1,335	-	-	-	1,335
Transfers in (out)	(462)	299	462	(299)	-	-
Increase (Decrease) in Net Position	5,080	16,426	14,556	25,481	19,636	41,907
Net Position, July 1	<u>338,090</u>	<u>321,664</u>	<u>436,516</u>	<u>411,035</u>	<u>774,606</u>	<u>732,699</u>
Restatement (Prior Year Note 18)	<u>(7,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,456)</u>	<u>-</u>
Net Position, June 30	<u>\$ 335,714</u>	<u>\$ 338,090</u>	<u>\$ 451,072</u>	<u>\$ 436,516</u>	<u>\$ 786,786</u>	<u>\$ 774,606</u>

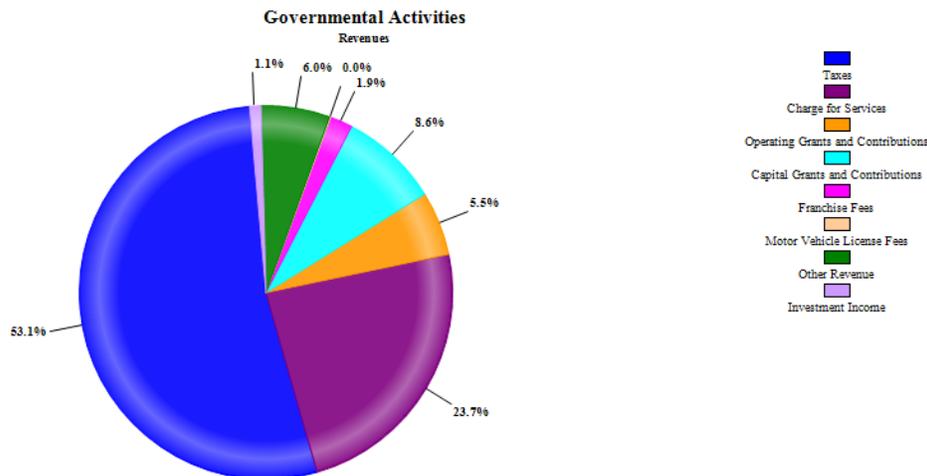
Governmental Activities

Revenue Highlights

Total revenues for governmental activities were \$189 million. The largest component of total revenue is taxes at \$101 million, making up 53.1% 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 Property \$34.9 million, Sales and Use \$25.2 million, Transient Occupancy \$22.7 million, Utility Users \$14.1 million, Business Licenses \$2.8 million and other taxes totaling \$0.8 million.

Some of the key changes in revenues are:

- Property taxes reported an increase of \$3.3 million from the prior year, a 10.5% increase to \$34.9 million. This increase is reflective of the rise in property values and the related re-assessment when properties are sold. The majority of the increase is due to the recapture of assessed values that were lowered during the recession when property values dropped significantly. Included in the year was a one-time sale of property from the former redevelopment agency accounting for approximately 2.0% of the increase on prior year.
- Sales and Use taxes reported an increase of \$3.4 million from the prior year, or a 15.6% increase at \$25.2 million. A new 1% sales and use tax increment approved by voters in November 2017 commenced in April 2018, increasing the sales and use tax rate in the City from 7.75% to 8.75%. Without the impact of this increase in sales and use tax rate, receipts would have been in decline compared to the prior year due to continued pressure on retail sales from storefronts and the impact of the Thomas Fire and resultant debris flow within the year.
- Transient Occupancy taxes reported a decrease of \$0.5 million from the prior year, or a 2.0% decrease at \$22.7 million. The Thomas Fire and debris flow impacted hotel stays in December 2017 reducing the receipts of this tax.
- Franchise fees decreased by \$0.6 million, or 15%, compared to the prior year. In the prior year, a \$1.3 litigation settlement was recognized for electricity franchise fees. After adjusting for the prior year's settlement, franchise fees actually increased by \$0.7 million due to increases in the refuse and cable television franchise revenues.
- Other revenues increased by \$8.7 million, or 332.5%, compared to the prior year to \$11.3 million. This was due to one-time net proceeds following the sale of an option to purchase former City property at 420 E. De La Guerra, Santa Barbara, CA, of \$11.2 million.

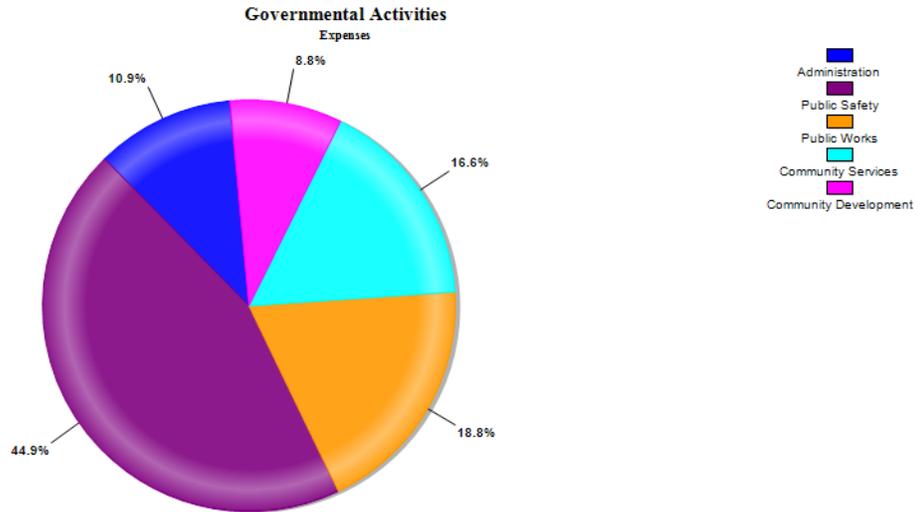


Expense Highlights

Functional expenses for the year totaled approximately \$184 million, an increase of \$26.7 million, 17% from the prior year. \$6.9 million of this increase relates to increased salary and benefit costs with increased mutual aid activity and fewer vacancies in public safety, increases in pension contributions across the City, and salary increases compared to the prior year. Non-salary and benefit costs for mutual aid were \$1.5 million in fiscal year 2018 with nothing in prior year due to service received from outside agencies during the Thomas Fire and resulting debris flow in December 2017 and January 2018 within City limits. Most of the disaster related expenses incurred in Fiscal Year 2018 including salaries, benefits and remediation costs are reimbursable via FEMA, CalOES and/or existing mutual aid agreements. Other expense increases include \$1.1 million additional contracted litigation and attorney services due to increased caseload.

GASB 68 reporting for pension expenses resulted in an increase of \$17.6 million compared to prior year. The City uses CalPERS actuarial reports to calculate pension liabilities which included updated and adjusted assumptions regarding the rate of return for investments as well as other assumptions that impact the calculation of pension liability and expenses. Note 9 contains more information as to the retirement commitments of the City.

The largest component of total expenses was for Public Safety (fire and police), representing \$82.5 million (45%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$34.6 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.

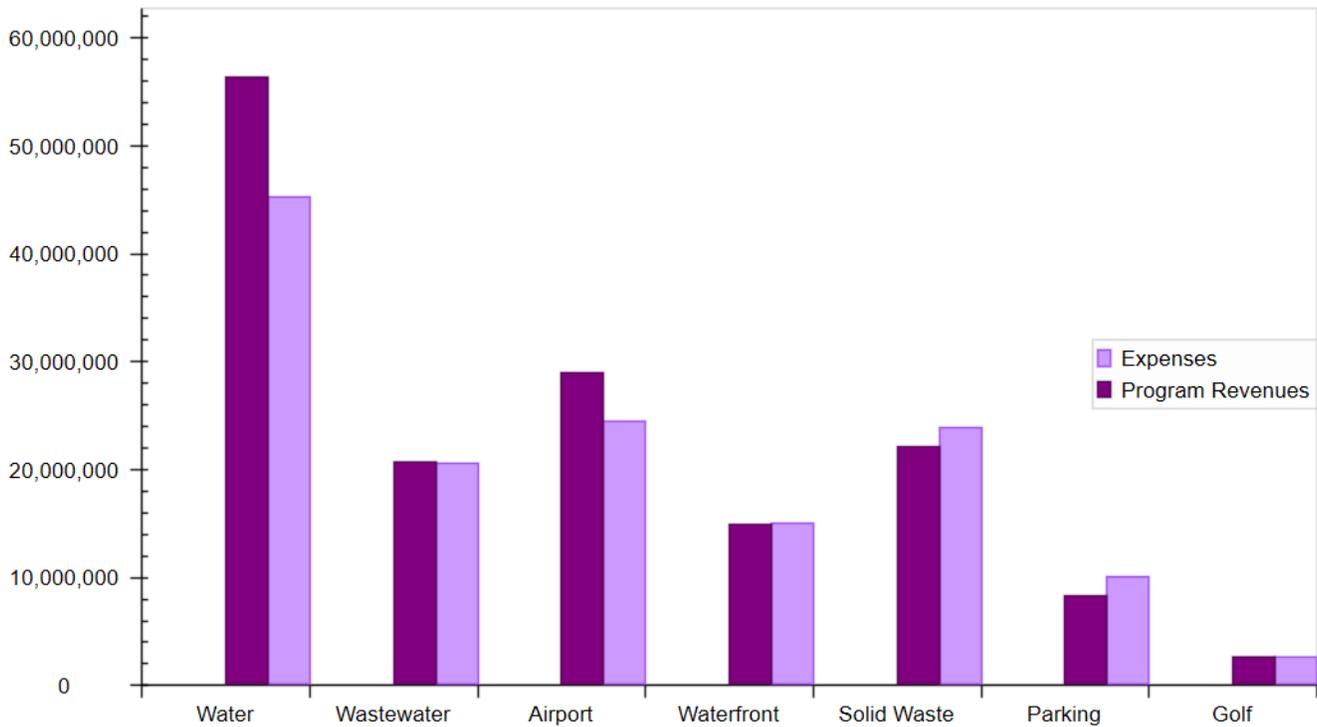


Business-Type Activities

The City’s business-type activities realized an increase in net position of \$15 million (3.3%), ending the year with a net position of \$451 million.

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, 2018**



Revenue Highlights

Revenues of \$156 million were generated in the fiscal year ended June 30, 2018, against expenditures of \$142 million.

Revenues increased by \$7.8 million over prior year, of which \$5.0 million was due to increased Water Fund revenues. Increased water sales, and the impact of price increases, lead to \$6.2 million more revenue that was partially offset by a decline in new capacity charges of \$1.2 million compared to prior year. Fiscal Year 2017 included a high number of large new water meters installed due to large development projects not repeated in Fiscal Year 2018.

The Airport received FAA grant revenue totaling \$8.3 million in the year, of which \$7.9 million was for the runway rehabilitation project. Other revenue was \$7.8 million lower than prior year, due to revenue from a one-time sale of airport property of \$9.2 million in fiscal year 2017.

Expense Highlights

Expenses of the business-type activities for the fiscal year ended June 30, 2018 totaled \$142 million, a \$19 million increase from the prior year. The majority of this increase is in the Water Fund (\$7.9 million), due to increases of \$1.3 million in depreciation following capitalization of recent improvements, \$1.0 million of increased energy costs for the desalination plant, GASB 68 adjustments of \$1.3 million, and \$2.7 million of other increases in operating and maintenance costs. The Wastewater Fund increase of \$2.2 million was due to \$0.5 million increase in sewer main cleaning and \$0.4 million of wetland restoration. GASB 68 adjustments accounted for \$0.8 million within the Wastewater Fund. Airport reported a \$2.4 million increase in expenditures against prior year, of which \$0.8 million was GASB 68 adjustments for pension costs. Other Airport salaries and benefit costs were \$0.6 million higher and professional service contracts were \$0.3 million higher than Fiscal Year 2017. Waterfront expenses were \$2.0 million higher than prior year, with GASB 68 accounting for \$0.5 million of the increase. Uncapitalized improvements within the Waterfront Fund increased by \$0.9 million over prior year. Solid Waste Fund tipping fees and increased costs resulted in \$3.1 million higher expenses and the Downtown Parking Fund reported an increase of \$1.6 million due to increased costs of \$0.5 million for shuttle buses, and the transfer of the final 50% of Downtown Santa Barbara Plaza contract at \$0.4 million.

Included in the variances reported is the impact of GASB 68 reporting for pension expenses. An increase of \$3.9 million is reported compared to prior year. The City uses CalPERS actuarial reports to calculate pension liabilities which included updated and adjusted assumptions regarding the rate of return for investments as well as other assumptions that impact the calculation of pension liability and expenses. Note 9 contains more information as to the retirement commitments of the City.

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, 2018, assets in the City's governmental funds totaled \$160.1 million. Of this total, \$57.0 million consisted of cash and investments. An additional \$76.2 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 \$121.9 million at June 30, 2018. Of this total, \$81.7 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to prepaid assets, outstanding loans and advances receivable of \$1.7 million is reported as "Nonspendable" due to the long-term nature of the assets and, therefore, unavailability to fund current operations. The spendable portion of fund balance totals \$38.5 million, which includes committed and assigned balances.

The General Fund's total fund balance decreased by (10.2%), or (\$3.7) million, to \$32.8 million at June 30, 2018. \$1.3 million of this reduction is due to the difference in tax revenues received and the transfer out to capital for Measure C projects. The City received \$4.2 million of an estimated \$5.5 million in revenue due to issues in reporting tax revenues at the State of California. Additional revenues will be recovered in Fiscal Year 2019, and a reduction of the transfer out capital as necessary to negate this variance. \$0.8 million is due to unreimbursed costs related to mutual aid provided during the January 2018 debris flow event. \$1.0 million of the reduction is the impact of transferring the Fiscal Year 2017 surplus to the Capital Outlay Fund in Fiscal Year 2018, and finally, \$0.6 million is due to general impact of the fire and debris flow on revenues.

Of the total fund balance of \$32.8 million, \$1.7 million is nonspendable, \$2.8 million is restricted, \$27.9 million is committed, and \$0.4 million is assigned. The most significant committed portion of fund balance is \$27.6 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.

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 \$438.6 million as of June 30, 2018, which increased \$14.9 million (3.5%) from the prior year. \$12.7 million of the overall increase in net position is primarily attributable to an increase in water sales revenues compared to expenses in the Water Fund.

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	\$ 84,769,558	\$ 90,269,558	\$ 89,672,847	\$ (596,711)
Franchise fees	3,586,626	3,586,626	3,596,917	10,291
Intergovernmental	843,118	3,363,582	3,194,690	(168,892)
Charges for services	22,311,672	22,651,574	22,364,519	(287,055)
Use of money and property	1,099,141	1,099,141	758,222	(340,919)
Fines and forfeitures	3,182,566	3,182,566	3,047,119	(135,447)
Other revenues	12,526,955	12,692,807	10,472,843	(2,219,964)
Total revenues	<u>128,319,636</u>	<u>136,845,854</u>	<u>133,107,157</u>	<u>(3,738,697)</u>
Transfers in	<u>1,256,379</u>	<u>1,515,194</u>	<u>703,648</u>	<u>(811,546)</u>
Total other financing sources (uses)	<u>1,256,379</u>	<u>1,515,194</u>	<u>703,648</u>	<u>(811,546)</u>
Total Revenues	<u>\$ 129,576,015</u>	<u>\$ 138,361,048</u>	<u>\$ 133,810,805</u>	<u>\$ (4,550,243)</u>

The amended Fiscal Year 2018 General Fund revenue budget reflects adjustments that were approved by the City Council during the year. The most significant amendment included an increase of \$5.5 million to sales tax revenues from the implementation of a 1% sales and use tax increase approved by voters in November 2017, and commencing April 1, 2018. Intergovernmental revenues were increased by \$2.5 million due to higher than budgeted mutual aid revenue in relation to the City's Fire Department supporting other agencies for activity outside of the City.

As shown on Table 3, actual revenues totaled \$134 million. Tax revenues ended the year below the amended budget by (\$3.7) million, reflecting lower revenues than originally projected in sales and transient occupancy (bed) tax revenues. The largest single contributing category 'Other revenues' ended the year (\$2.2) million lower than 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 2018, \$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 2018 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, 2017.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Mayor and council	\$ 3,505,841	\$ 3,524,206	\$ 3,431,819	\$ 92,387
City attorney	3,252,090	4,645,433	4,089,865	555,568
City administration	2,144,582	2,219,538	2,139,431	80,107
Administrative services	2,856,347	2,944,721	2,714,710	230,011
Finance	5,500,304	5,571,786	5,212,272	359,514
Public safety	67,957,452	70,972,012	70,215,895	756,117
Public works	8,379,341	8,709,345	7,584,156	1,125,189
Community services	21,946,453	22,478,909	21,385,581	1,093,328
Community development	11,745,262	12,332,956	11,519,009	813,947
Total expenditures	<u>127,287,672</u>	<u>133,398,906</u>	<u>128,292,738</u>	<u>5,106,168</u>
Transfers out	<u>2,354,043</u>	<u>9,502,661</u>	<u>9,242,384</u>	<u>260,277</u>
Total Expenditures	<u>\$ 129,641,715</u>	<u>\$ 142,901,567</u>	<u>\$ 137,535,122</u>	<u>\$ 5,366,445</u>

As shown on Table 4 above, actual expenditures totaled \$138 million, and were under final budget by approximately \$5.4 million. Each department ended the year well within their respective spending authority. Many departments, such as Public Works, Parks and Recreation and Community Development realized the largest portion of savings in salary and benefit costs due to staff vacancies compared to final budget.

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.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Non-depreciating assets:			
Construction in progress	\$ 20,771,612	\$ 63,478,985	\$ 84,250,597
Art & historical treasures	1,417,100	-	1,417,100
Land	48,863,987	24,944,374	73,808,361
Streets	160,101,178	-	160,101,178
Depreciating assets:			
Buildings	11,220,447	81,444,667	92,665,114
Building improvements	21,477,175	7,398,322	28,875,497
Equipment	10,586,832	11,181,826	21,768,658
Infrastructure	140,901,172	132,361,825	273,262,997
Other improvements	28,635,679	184,184,779	212,820,458
Underground piping	<u>-</u>	<u>72,470,392</u>	<u>72,470,392</u>
Totals	<u>\$ 443,975,182</u>	<u>\$ 577,465,170</u>	<u>\$ 1,021,440,352</u>

The City owns approximately \$1,021 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, 2018, infrastructure assets, including streets, totaled \$301 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. The City has a minimum target PCI of 60, whereby the modified approach may be applied, with the goal to improve the PCI to 70 in the coming years, since ongoing maintenance needs at this level are considered to be most cost effective. 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, 2018, and the average PCI for City streets exceeded the minimum policy level of 60, with a reported average score of 61, defined as "At Risk." The City is committed to improving this critical infrastructure, spending more than \$1.0 million more on repairs in Fiscal Year 2018 than Fiscal Year 2017, and has budgeted \$19.7 million in Fiscal Year 2019 compared to the calculated \$8.4 million estimate required to maintain at a PCI level of 61. It is anticipated that the extra \$11.3 million will accelerate an increase in PCI toward the goal of 70 in the coming years.

Governmental Activities capital projects totaling \$20.8 million commenced or continued in Fiscal Year 2018 including: Bridge replacements (\$9.9 million), sidewalk, bike lane and pedestrian improvements (\$6.1 million), parks and facilities improvements (\$2.3 million), computer software (\$1.0 million), general infrastructure (\$0.5 million) and various library renovations (\$0.2 million).

Capital improvements commenced or continued totaling \$63.5 million 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, 2018, the City's business-type funds included \$16 million in capital asset additions. Construction in progress decreased by a net of \$(66) million following the reclassification after completion of some large projects in Fiscal Year 2018 including: Desalination plant (\$70.5 million), recycled water plant (\$15.1 million), well development (\$3.9 million), other infrastructure (\$3.5 million), water main replacements (\$3.3 million), wastewater facility improvements (\$2.2 million), downtown parking improvements (\$1.9 million), airport master plan (\$1.2 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 \$217 million in outstanding long-term debt at June 30, 2018, a net increase of \$21 million from the prior year.

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 59,678,884	\$ 59,678,884
Certificates of Participation	-	15,560,000	15,560,000
Loans	-	<u>141,290,138</u>	<u>141,290,138</u>
	<u>\$ -</u>	<u>\$ 216,529,022</u>	<u>\$ 216,529,022</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 \$15.6 million. As for revenue bonds outstanding, \$10.6 million in 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, \$9.1 million is outstanding as of June 30, 2018. 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, \$42 million of which is still outstanding. In 2014, the Waterfront issued \$12.3 million to refund the outstanding 2002 COPs, with \$9 million outstanding at the end of the fiscal year.

Of the outstanding \$141 million in loans payable in the Business-Type Activities, \$95.7 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 \$80 million, with an outstanding balance of \$64.4 million at June 30, 2018. The Desalination Project was completed in Fiscal Year 2018.

The Waterfront Fund has \$10.3 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 \$1.1 million and \$4.2 million respectively, used to finance capital improvements at the airport, and constructing a joint use rental car facility.

Lastly, the Wastewater Fund accounts for \$30.0 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 Stearns 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. In contrast, the City's utility funds - water, wastewater, and solid waste - are ratepayer supported and, as such, are not subject to economic swings.

From a national perspective, the country is now in the longest expansion period in history. Since the Great Recession of 2008, economic growth has been steady and moderate. Up until 2016, this was true for the local economy. Since 2016, two of the General Fund's key revenues, sales tax and transient occupancy tax revenues, have underperformed relative to historical trends. As with most cities in California, sales tax revenues have been impacted due to a shift in consumer spending from bricks and mortar "main street" retail stores to online shopping. Prior to the recent U.S. Supreme Court Decision on the South Dakota vs. Wayfair Inc. case, sales taxes were generally going uncollected by out-of-state businesses for online transactions. The Wayfair decision in June 2018 paves the way for states to require collection of sales taxes from out-of-state businesses doing business within the state. In California, the state has yet to establish these requirements. In any case, sales tax revenues over the last several years have essentially been flat.

Growth in transient occupancy taxes (TOT) has also waned the last two years. Between 2012 and 2015, TOT revenues grew between 6-10% annually. Since then, revenue growth has been in the 3-4% range. It is difficult to determine the cause for these lower growth rates, but it could be a matter of room rates reaching a natural ceiling based on demand and supply and the fact that the number of rooms are generally fixed.

The fiscal year 2019 General Fund adopted budget was balanced with ongoing revenues covering all operating and capital costs and without any cuts to services. This was largely accomplished by controlling labor costs. Beginning in fiscal year 2018, the City's target for negotiated salary increases was lowered to 1% based on short-term and long-term revenue forecasts and expected increases to pension costs. Over the next several years, pension costs will grow more dramatically as new actuarial assumptions implemented by the California Public Employees Retirement System are phased in and will affect all participating agencies statewide. As such, the City will need to continue controlling labor costs in the future to offset the impacts of the rising pension costs and lackluster performance in key revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need any additional financial information, please access the City's Internet web site at www.SantaBarbaraCa.gov/CAFR. You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93101, (805) 564-5334, or email Robert Samario, Finance Director, at bsamario@santabarbaraca.gov.

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 85,864,626	\$ 117,558,624	\$ 203,423,250
Accounts receivable, net	21,128,393	14,553,071	35,681,464
Loans receivable	76,162,529	2,899,231	79,061,760
Accrued interest receivable	729,797	-	729,797
Prepaid assets and deposits	1,961,347	5,908,634	7,869,981
Due from other governments	1,050,339	-	1,050,339
Inventory	887,025	83,580	970,605
Restricted assets:			
Cash and investments with fiscal agent	-	8,171,206	8,171,206
Total Current Assets	187,784,056	149,174,346	336,958,402
Noncurrent assets:			
Internal balances	(11,841,107)	11,841,107	-
Capital assets not being depreciated:			
Construction in progress	20,771,612	63,478,985	84,250,597
Land	48,863,987	24,944,374	73,808,361
Streets	160,101,178	-	160,101,178
Works of art & historical treasures	1,417,100	-	1,417,100
Capital assets, net of accumulated depreciation:			
Buildings	11,220,447	81,444,667	92,665,114
Building improvements	21,477,175	7,398,322	28,875,497
Equipment	10,586,832	11,181,826	21,768,658
Infrastructure	140,901,172	132,361,825	273,262,997
Improvements other than buildings	28,635,679	184,184,779	212,820,458
Underground piping	-	72,470,392	72,470,392
Total capital assets	443,975,182	577,465,170	1,021,440,352
Total Noncurrent Assets	432,134,075	589,306,277	1,021,440,352
Total Assets	619,918,131	738,480,623	1,358,398,754
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	-	1,078,621	1,078,621
Deferred pension-related items	65,808,666	13,150,824	78,959,490
Deferred OPEB-related items	1,547,000	-	1,547,000
Total Deferred Outflows of Resources	67,355,666	14,229,445	81,585,111
LIABILITIES			
Current liabilities:			
Accounts payable	9,061,734	15,151,071	24,212,805
Salaries and benefits payable	5,233,708	1,700,741	6,934,449
Accrued interest payable	-	2,607,931	2,607,931
Unearned revenue	2,269,237	3,172,813	5,442,050
Deposits	803,107	1,666,238	2,469,345
Current portion compensated absences	7,508,402	1,746,549	9,254,951
Current portion claims liability	4,907,195	-	4,907,195
Current portion long-term debt	-	7,332,719	7,332,719
Total Current Liabilities	29,783,383	33,378,062	63,161,445
Noncurrent liabilities:			
Net pension liability	275,258,907	55,677,427	330,936,334
Net OPEB liability	26,142,000	-	26,142,000
Compensated absences, net of current portion	834,269	194,062	1,028,331
Claims liability, net of current portion	9,486,505	-	9,486,505
Long-term debt, net of current portion	-	211,321,427	211,321,427
Total Noncurrent Liabilities	311,721,681	267,192,916	578,914,597
Total Liabilities	341,505,064	300,570,978	642,076,042
DEFERRED INFLOWS OF RESOURCES			
Deferred pension-related items	8,921,004	1,067,025	9,988,029
Deferred OPEB-related items	1,134,000	-	1,134,000
Total Deferred Inflows of Resources	10,055,004	1,067,025	11,122,029
NET POSITION			
Net investment in capital assets	443,975,182	359,889,649	803,864,831
Restricted for:			
Administration	437,980	-	437,980
Public safety	1,227,874	-	1,227,874
Public works	3,457,784	-	3,457,784
Community services	865,957	-	865,957
Community development	2,766,999	-	2,766,999
Capital improvements	8,674,731	-	8,674,731
Debt service reserve	-	13,051,672	13,051,672
Affordable housing	64,270,668	-	64,270,668
Unrestricted	(189,963,446)	78,130,744	(111,832,702)
Total Net Position	\$ 335,713,729	\$ 451,072,065	\$ 786,785,794

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Administration	\$ 20,045,248	\$ 3,825,994	\$ 422,864	\$ -	\$ (15,796,390)	\$ -	\$ (15,796,390)
Public safety	82,484,733	12,140,944	6,472,416	-	(63,871,373)	-	(63,871,373)
Public works	34,582,932	9,333,300	453,554	16,225,460	(8,570,618)	-	(8,570,618)
Community services	30,500,184	12,628,878	1,250,200	75,499	(16,545,607)	-	(16,545,607)
Community development	16,082,507	6,915,794	1,862,853	-	(7,303,860)	-	(7,303,860)
Total Governmental Activities	183,695,604	44,844,910	10,461,887	16,300,959	(112,087,848)	-	(112,087,848)
Business-Type Activities:							
Water	45,239,324	56,117,313	-	266,109	-	11,144,098	11,144,098
Wastewater	20,542,098	20,737,597	-	-	-	195,499	195,499
Airport	24,506,552	20,650,064	-	8,320,957	-	4,464,469	4,464,469
Waterfront	15,010,117	14,814,999	-	52,564	-	(142,554)	(142,554)
Solid Waste	23,948,477	22,116,339	23,450	-	-	(1,808,688)	(1,808,688)
Downtown Parking	10,104,426	8,285,073	-	-	-	(1,819,353)	(1,819,353)
Golf Course	2,642,431	2,606,692	-	-	-	(35,739)	(35,739)
Total Business-Type Activities	141,993,425	145,328,077	23,450	8,639,630	-	11,997,732	11,997,732
Total Primary Government	\$ 325,689,029	\$ 190,172,987	\$ 10,485,337	\$ 24,940,589	(112,087,848)	11,997,732	(100,090,116)
General Revenues							
Taxes:							
Property					34,928,110	-	34,928,110
Transient occupancy					22,650,066	-	22,650,066
Sales & use					25,203,331	-	25,203,331
Business license					2,785,414	-	2,785,414
Utility users					14,149,218	-	14,149,218
Real property transfer					795,361	-	795,361
Other taxes					11,200	-	11,200
Franchise fees					3,596,917	-	3,596,917
Unrestricted motor vehicle license-in-lieu					48,987	-	48,987
Investment income					2,171,411	724,070	2,895,481
Other revenue					11,289,305	1,372,474	12,661,779
Transfers					(461,977)	461,977	-
Total General Revenues and Transfers					117,167,343	2,558,521	119,725,864
Change in Net Position					5,079,495	14,556,253	19,635,748
Net Position at Beginning of Year					338,090,234	436,515,812	774,606,046
Restatement of Net Position					(7,456,000)	-	(7,456,000)
Net Position at Beginning of Year, as restated					330,634,234	436,515,812	767,150,046
Net Position at End of Year					\$ 335,713,729	\$ 451,072,065	\$ 786,785,794

CITY OF SANTA BARBARA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			
	General	Affordable Housing	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled cash and investments	\$ 23,887,140	\$ 2,905,959	\$ 30,157,410	\$ 56,950,509
Accounts receivable	11,605,502	-	9,291,393	20,896,895
Loans receivable	865,467	61,383,468	13,913,594	76,162,529
Accrued interest receivable	729,797	-	-	729,797
Prepaid assets and deposits	92,375	-	-	92,375
Due from other governments	1,050,339	-	-	1,050,339
Interfund receivables	3,467,462	-	-	3,467,462
Advances to other funds	731,629	-	-	731,629
Total Assets	\$ 42,429,711	\$ 64,289,427	\$ 53,362,397	\$ 160,081,535
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 1,852,690	\$ 976	\$ 6,201,298	\$ 8,054,964
Salaries and benefits payable	4,279,456	17,783	493,127	4,790,366
Unearned revenues	1,900,578	-	368,659	2,269,237
Deposits	560,174	-	242,933	803,107
Interfund payables	-	-	3,467,462	3,467,462
Total Liabilities	8,592,898	18,759	10,773,479	19,385,136
Deferred Inflows of Resources:				
Unavailable revenues	1,016,179	-	17,803,636	18,819,815
Total Deferred Inflows of Resources	1,016,179	-	17,803,636	18,819,815
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	92,375	-	-	92,375
Loans receivable	865,467	-	-	865,467
Advances to other funds	731,629	-	-	731,629
Restricted for:				
Administration	437,980	-	-	437,980
Public safety	205,104	-	1,022,770	1,227,874
Public works	103,739	-	3,354,045	3,457,784
Community services	76,634	-	789,323	865,957
Community development	2,033,038	-	733,961	2,766,999
Capital improvements	-	-	8,674,731	8,674,731
Affordable housing	-	64,270,668	-	64,270,668
Committed to:				
Public safety	349,090	-	-	349,090
Capital improvements	-	-	11,899,053	11,899,053
Contingencies	7,560,726	-	-	7,560,726
Disaster Contingency	20,007,502	-	-	20,007,502
Assigned to:				
Administration	99,307	-	-	99,307
Public safety	2,818	-	-	2,818
Public Works	80,788	-	-	80,788
Community development	174,437	-	-	174,437
Capital improvements	-	-	2,857,464	2,857,464
Unassigned	-	-	(4,546,065)	(4,546,065)
Total Fund Balances	32,820,634	64,270,668	24,785,282	121,876,584
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 42,429,711	\$ 64,289,427	\$ 53,362,397	\$ 160,081,535

CITY OF SANTA BARBARA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund balances of governmental funds (page 28)		\$ 121,876,584
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.		426,883,748
Long-term debt, pensions, and compensated absences that have not been included in the governmental fund activity:		
Net pension liability	(260,051,291)	
Compensated absences	<u>(7,912,731)</u>	(267,964,022)
Deferred outflows related to pensions have not been included in governmental fund activity:		
Contributions made after the actuarial measurement date	22,152,233	
Changes in Assumptions	31,052,671	
Difference between expected and actual experiences	557,879	
Net difference between projected and actual earning on plan investments	7,532,841	
Adjustments due to differences in proportions	551,640	
Difference in proportionate share	<u>239,228</u>	62,086,492
Deferred inflows related to pensions have not been included in governmental fund activity:		
Changes in Assumptions	(1,513,934)	
Difference between expected and actual experiences	(6,629,225)	
Adjustments due to differences in proportions	(115,541)	
Difference in proportionate share	<u>(538,165)</u>	(8,796,865)
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.		18,819,815
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	(4,739,987)	
Less: business-type portion	<u>(12,452,036)</u>	<u>(17,192,023)</u>
Net Position of governmental activities (page 26)		<u>\$ 335,713,729</u>

CITY OF SANTA BARBARA

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
	General	Affordable Housing		
Revenues:				
Taxes	\$ 89,672,847	\$ -	\$ 14,804,003	\$ 104,476,850
Franchise fees	3,596,917	-	-	3,596,917
Intergovernmental	3,194,690	-	14,528,027	17,722,717
Charges for services	22,364,519	-	484,165	22,848,684
Use of money and property	758,222	1,204,670	144,259	2,107,151
Fines and forfeitures	3,047,119	-	928,253	3,975,372
Program income	-	-	373,680	373,680
Other revenues	10,472,843	11,197,900	1,398,571	23,069,314
Total Revenues	133,107,157	12,402,570	32,660,958	178,170,685
Expenditures:				
Current:				
Mayor and city council	3,431,819	-	-	3,431,819
City attorney	4,089,865	-	132	4,089,997
City administration	2,139,431	-	3,491	2,142,922
Administrative services	2,714,710	-	13,138	2,727,848
Finance	5,212,272	-	76,057	5,288,329
Public safety	70,215,895	-	3,490,059	73,705,954
Public works	7,584,156	-	13,668,277	21,252,433
Community services	21,385,581	-	3,341,391	24,726,972
Community development	11,519,009	557,912	1,496,505	13,573,426
Capital outlay	-	-	19,075,802	19,075,802
Total Expenditures	128,292,738	557,912	41,164,852	170,015,502
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,814,419	11,844,658	(8,503,894)	8,155,183
Other Financing Sources (Uses):				
Transfers in	703,648	-	17,302,470	18,006,118
Transfers out	(9,242,384)	-	(9,337,946)	(18,580,330)
Total Other Financing Sources (Uses)	(8,538,736)	-	7,964,524	(574,212)
Net Change in Fund Balances	(3,724,317)	11,844,658	(539,370)	7,580,971
Fund Balances, Beginning of Year	36,544,951	52,426,010	25,324,652	114,295,613
Fund Balances, End of Year	\$ 32,820,634	\$ 64,270,668	\$ 24,785,282	\$ 121,876,584

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, 2018**

Net change in fund balances - total governmental funds (page 30)	\$	7,580,971
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	13,528,476	
Depreciation	<u>(7,143,062)</u>	6,385,414
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.		
		(604,387)
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.		
		(11,578,946)
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.		
		3,717,806
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	(831,429)	
Less: Portion allocated to Business Activities	<u>(410,066)</u>	<u>(421,363)</u>
Change in net position of governmental activities (page 27)	\$	<u>5,079,495</u>

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 56,426,083	\$ 15,101,019	\$ 22,525,954	\$ 11,721,282	\$ 1,590,650
Accounts receivable, net	7,302,297	2,839,792	1,664,315	6,634	2,740,033
Loans receivable	2,899,231	-	-	-	-
Prepaid assets	5,737,596	-	-	-	-
Restricted:					
Cash and investments with fiscal agent	2,288,312	45	5,291,287	591,562	-
Total Current Assets	74,653,519	17,940,856	29,481,556	12,319,478	4,330,683
Noncurrent:					
Capital assets:					
Land	2,283,187	3,508,672	7,290,419	878,201	-
Buildings	7,414,694	13,953,411	67,317,290	3,690,671	-
Building improvements	2,020,563	741,616	5,148,755	3,928,500	-
Improvements other than buildings	137,519,477	68,925,454	137,229,955	56,416,736	-
Equipment	11,601,460	25,066,521	6,462,004	3,045,962	-
Underground piping	125,254,741	75,038,982	-	-	-
Other infrastructure	120,994,048	1,298,666	24,381,477	-	-
Construction in progress	2,490,049	36,825,378	11,692,714	12,184,296	-
Less: accumulated depreciation	(175,824,628)	(113,572,631)	(98,466,053)	(49,786,367)	-
Total capital assets, net	233,753,591	111,786,069	161,056,561	30,357,999	-
Total Noncurrent Assets	233,753,591	111,786,069	161,056,561	30,357,999	-
Total Assets	308,407,110	129,726,925	190,538,117	42,677,477	4,330,683
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on debt refunding	584,067	95,519	-	399,035	-
Deferred pension-related items	4,090,553	2,672,898	2,541,883	1,821,142	459,977
Deferred OPEB-related items	-	-	-	-	-
Total Deferred Outflows of Resources	4,674,620	2,768,417	2,541,883	2,220,177	459,977
LIABILITIES					
Current:					
Accounts payable	5,264,512	2,756,957	3,216,292	503,431	2,949,654
Salaries and benefits payable	467,243	314,050	333,543	305,434	51,306
Accrued interest payable	458,865	679,049	1,019,469	450,548	-
Unearned revenues	2,899,232	-	-	157,717	-
Deposits	80,177	51	900,181	617,962	-
Compensated absences payable	602,725	310,786	295,781	374,634	30,742
Current portion claims payable	-	-	-	-	-
Current portion long term debt	3,593,680	1,021,742	1,584,473	1,132,824	-
Total Current Liabilities	13,366,434	5,082,635	7,349,739	3,542,550	3,031,702
Noncurrent:					
Advances from other funds	-	-	-	-	-
Net pension liability	17,124,848	11,307,012	10,667,644	7,752,893	1,898,270
Net OPEB liability	-	-	-	-	-
Compensated absences payable	66,971	34,533	32,864	41,626	3,415
Estimated claims liability, net of current portion	-	-	-	-	-
Long-term debt, net of current portion	109,405,098	39,211,597	44,469,181	18,235,551	-
Total Noncurrent Liabilities	126,596,917	50,553,142	55,169,689	26,030,070	1,901,685
Total Liabilities	139,963,351	55,635,777	62,519,428	29,572,620	4,933,387
DEFERRED INFLOWS OF RESOURCES					
Deferred pension-related items	179,765	170,157	148,178	143,589	44,586
Deferred OPEB-related items	-	-	-	-	-
Total Deferred Inflows of Resources	179,765	170,157	148,178	143,589	44,586
NET POSITION					
Net investment in capital assets	121,338,880	71,648,249	115,002,907	11,388,659	-
Restricted for debt service	5,778,624	1,390,199	5,291,287	591,562	-
Unrestricted	45,821,110	3,650,960	10,118,200	3,201,224	(187,313)
Total Net Position	\$ 172,938,614	\$ 76,689,408	\$ 130,412,394	\$ 15,181,445	\$ (187,313)

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 10,193,636	\$ 117,558,624	\$ 28,914,117
Accounts receivable, net	-	14,553,071	231,498
Loans receivable	-	2,899,231	-
Prepaid assets	9,038	5,746,634	1,868,972
Deposits	162,000	162,000	-
Inventories	83,580	83,580	887,025
Restricted:			
Cash and investments with fiscal agent	-	8,171,206	-
Total Current Assets	10,448,254	149,174,346	31,901,612
Noncurrent:			
Capital assets:			
Land	10,983,895	24,944,374	-
Buildings	31,859,363	124,235,429	105,889
Building improvements	227,526	12,066,960	4,556,399
Improvements other than building	29,503,456	429,595,078	3,245,582
Equipment	4,507,005	50,682,952	26,298,289
Underground piping	-	200,293,723	-
Other infrastructure	340,131	147,014,322	-
Construction in progress	286,548	63,478,985	1,554,896
Less: accumulated depreciation	(37,196,974)	(474,846,653)	(18,669,621)
Total capital assets, net	<u>40,510,950</u>	<u>577,465,170</u>	<u>17,091,434</u>
Total Noncurrent Assets	40,510,950	577,465,170	17,091,434
Total Assets	50,959,204	726,639,516	48,993,046
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding	-	1,078,621	-
Deferred pension-related items	1,564,371	13,150,824	3,722,174
Deferred OPEB-related items	-	-	1,547,000
Total Deferred Outflows of Resources	1,564,371	14,229,445	5,269,174
LIABILITIES			
Current:			
Accounts payable	460,225	15,151,071	1,006,770
Salaries and benefits payable	229,165	1,700,741	443,342
Accrued interest payable	-	2,607,931	-
Unearned revenues	115,864	3,172,813	-
Deposits	67,867	1,666,238	-
Compensated absences payable	131,881	1,746,549	386,946
Current portion claims payable	-	-	4,907,195
Current portion long term debt	-	7,332,719	-
Total Current Liabilities	1,005,002	33,378,062	6,744,253
Noncurrent:			
Advances from other funds	610,929	610,929	120,700
Net pension liability	6,926,760	55,677,427	15,207,616
Net OPEB liability	-	-	26,142,000
Compensated absences payable	14,653	194,062	42,994
Estimated claims liability, net of current portion	-	-	9,486,505
Long-term debt, net of current portion	-	211,321,427	-
Total Noncurrent Liabilities	7,552,342	267,803,845	50,999,815
Total Liabilities	8,557,344	301,181,907	57,744,068
DEFERRED INFLOWS OF RESOURCES			
Deferred pension-related items	380,750	1,067,025	124,139
Deferred OPEB-related items	-	-	1,134,000
Total Deferred Inflows of Resources	380,750	1,067,025	1,258,139
NET POSITION			
Net investment in capital assets	40,510,950	359,889,645	17,091,434
Restricted for debt service	-	13,051,672	-
Unrestricted	3,074,531	65,678,712	(21,831,421)
Total Net Position	\$ 43,585,481	\$ 438,620,029	\$ (4,739,987)
Reconciliation of Net Position to the Statement of Net Position			
Net Position per Statement of Net Position - Proprietary Funds		\$ 438,620,029	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds		12,862,102	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds		(410,066)	
Net Position per Statement of Net Position	\$ 43,585,481	\$ 451,072,065	

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Operating Revenues:					
Sales	\$ 52,356,068	\$ 20,273,900	\$ -	\$ -	\$ 21,689,544
Service charges	3,776,134	463,697	2,462,775	9,088,494	-
Leases and rents	-	38,379	18,040,043	5,214,481	-
Other revenues	1,101,547	31,587	153,031	519,464	448,418
Total Operating Revenues	57,233,749	20,807,563	20,655,849	14,822,439	22,137,962
Operating Expenses:					
Salaries, wages and benefits	10,900,590	6,830,509	7,149,438	6,702,796	1,142,232
Materials, supplies and services	23,897,806	8,195,998	9,271,620	5,946,387	22,737,084
Depreciation expense	8,137,922	4,573,625	5,723,792	1,541,779	-
Total Operating Expenses	42,936,318	19,600,132	22,144,850	14,190,962	23,879,316
Operating Income (Loss)	14,297,431	1,207,431	(1,489,001)	631,477	(1,741,354)
Nonoperating Revenues (Expenses):					
Interest revenue	299,115	85,689	164,526	101,649	12,178
Intergovernmental Revenue	-	-	-	-	23,450
Interest expense	(2,172,358)	(882,642)	(2,290,929)	(775,807)	-
Total Nonoperating Revenues (Expenses)	(1,873,243)	(796,953)	(2,126,403)	(674,158)	35,628
Income (Loss) Before Transfers and Contributions	12,424,188	410,478	(3,615,404)	(42,681)	(1,705,726)
Capital Contributions	266,109	-	8,320,957	52,564	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(50,000)
Changes in Net Position	12,690,297	410,478	4,705,553	9,883	(1,755,726)
Net Position:					
Beginning of Year	160,248,317	76,278,930	125,706,841	15,171,562	1,568,413
End of Fiscal Year	\$ 172,938,614	\$ 76,689,408	\$ 130,412,394	\$ 15,181,445	\$ (187,313)

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental Activities- Internal Service Funds
	Other Enterprise Funds	Totals	
Operating Revenues:			
Sales	\$ -	\$ 94,319,512	\$ -
Service charges	10,600,612	26,391,712	26,472,277
Leases and rents	281,615	23,574,518	-
Other revenues	160,762	2,414,809	1,144,108
Total Operating Revenues	11,042,989	146,700,551	27,616,385
Operating Expenses:			
Salaries, wages and benefits	4,677,315	37,402,880	11,048,590
Materials, supplies and services	6,759,928	76,808,823	15,463,298
Depreciation expense	1,248,774	21,225,892	2,161,805
Total Operating Expenses	12,686,017	135,437,595	28,673,693
Operating Income (Loss)	(1,643,028)	11,262,956	(1,057,308)
Nonoperating Revenues (Expenses):			
Interest revenue	60,913	724,070	113,644
Intergovernmental Revenue	-	23,450	-
Interest expense	(24,028)	(6,145,764)	-
Total Nonoperating Revenues (Expenses)	36,885	(5,398,244)	113,644
Income (Loss) Before Transfers and Contributions	(1,606,143)	5,864,712	(943,664)
Capital Contributions	-	8,639,630	-
Transfers in	521,451	521,451	112,235
Transfers out	(9,474)	(59,474)	-
Changes in Net Position	(1,094,166)	14,966,319	(831,429)
Net Position:			
Beginning of Year, as previously reported	44,679,647	423,653,710	3,547,442
Restatements	-	-	(7,456,000)
Beginning of Fiscal Year, as restated	44,679,647	423,653,710	(3,908,558)
End of Fiscal Year	\$ 43,585,481	\$ 438,620,029	\$ (4,739,987)
Reconciliation of Changes in Net Position to the Statement of Activities:			
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds		\$ 14,966,319	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds		(410,066)	
Changes in Net Position of Business-Type Activities per Statement of Activities		\$ 14,556,253	

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	Airport	Waterfront	Solid Waste
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 56,376,476	\$ 20,470,700	\$ 19,463,951	\$ 14,351,086	\$ 21,283,112
Cash received from/(paid to) interfund service provided	-	-	-	-	-
Cash paid to suppliers for goods and services	(27,291,572)	(7,694,042)	(6,462,306)	(5,626,125)	(21,724,365)
Cash paid to employees for services	(9,806,077)	(6,082,705)	(6,484,044)	(6,249,191)	(1,026,854)
Cash received from (payments to) others	1,101,547	31,587	153,031	519,464	448,418
Net Cash Provided (Used) by Operating Activities	20,380,374	6,725,540	6,670,632	2,995,234	(1,019,689)
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	-	-	-	-	-
Cash transfers out	-	-	-	-	(50,000)
Advance from (to) other funds	-	-	-	-	-
Grant subsidies	-	-	-	-	23,450
Net Cash Provided (Used) by Non-Capital Financing Activities	-	-	-	-	(26,550)
Cash Flows from Capital and Related Financing Activities:					
Loan proceeds	18,163,264	7,890,664	-	1,662,129	-
Acquisition and construction of capital assets	(8,183,919)	(12,539,739)	(3,284,175)	(3,365,816)	-
Principal paid on capital debt	(3,492,099)	(989,758)	(1,525,803)	(962,106)	-
Interest paid on capital debt	(2,329,507)	(612,931)	(2,278,514)	(722,182)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	4,157,739	(6,251,764)	(7,088,492)	(3,387,975)	-
Cash Flows from Investing Activities:					
Collection of loans receivable	374,332	-	-	-	-
Interest received	299,115	85,689	164,526	101,649	12,178
Net Cash Provided (Used) by Investing Activities	673,447	85,689	164,526	101,649	12,178
Net Increase (Decrease) in Cash and Cash Equivalents	25,211,560	559,465	(253,334)	(291,092)	(1,034,061)
Cash and Cash Equivalents at Beginning of Year	33,502,835	14,541,599	28,070,575	12,603,936	2,624,711
Cash and Cash Equivalents at End of Year	\$ 58,714,395	\$ 15,101,064	\$ 27,817,241	\$ 12,312,844	\$ 1,590,650
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 14,297,431	\$ 1,207,431	\$ (1,489,001)	\$ 631,477	\$ (1,741,354)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	8,137,922	4,573,625	5,723,792	1,541,779	-
(Increase) decrease in receivables and deposits	618,605	(305,276)	(1,038,867)	(3,718)	(406,432)
(Increase) decrease in inventory	-	-	-	-	-
Increase (decrease) in accrued liabilities	(32,153)	3,185	(4,117)	(40,039)	(3,153)
(Increase) decrease in prepaid expense	(188,374)	-	247,504	-	-
Increase (decrease) in accounts payable	(3,218,414)	501,905	2,530,160	298,389	1,012,719
Increase (decrease) in OPEB	-	-	-	-	-
Increase (decrease) in Pensions	1,060,194	682,610	657,719	448,335	107,501
Increase (decrease) in deposits payable	13,022	51	31,650	21,873	-
Increase (decrease) in unearned revenue	(374,331)	-	-	51,829	-
Increase (decrease) in claims and judgments	-	-	-	-	-
Increase (decrease) in compensated absences	66,472	62,009	11,792	45,309	11,030
Total Adjustments	6,082,943	5,518,109	8,159,633	2,363,757	721,665
Net Cash Provided (Used) by Operating Activities	\$ 20,380,374	\$ 6,725,540	\$ 6,670,632	\$ 2,995,234	\$ (1,019,689)
Non-Cash Investing, Capital, and Financing Activities:					
Capital contribution	\$ 266,109	\$ -	\$ 8,320,957	\$ 52,564	\$ -
Change in Fair Value of Investments	(405,861)	(133,425)	(248,299)	(109,930)	(19,904)
Deferred cost & discount/premium amortization	(130,203)	(99,744)	33,715	39,904	-

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		Governmental
	Other Enterprise Funds	Totals	Activities- Internal Service Funds
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 10,907,157	\$ 142,852,482	\$ -
Cash received from/(paid to) interfund service provided	-	-	28,193,601
Cash paid to suppliers for goods and services	(6,818,697)	(75,617,107)	(14,198,212)
Cash paid to employees for services	(4,419,656)	(34,068,527)	(9,417,038)
Cash received from (payments to) others	160,762	2,414,809	1,144,108
Net Cash Provided (Used) by Operating Activities	(170,434)	35,581,657	5,722,459
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	521,451	521,451	112,235
Cash transfers out	(9,474)	(59,474)	-
Advance from (to) other funds	(190,017)	(190,017)	178,999
Grant subsidies	-	23,450	-
Net Cash Provided (Used) by Non-Capital Financing Activities	321,960	295,410	291,234
Cash Flows from Capital and Related Financing Activities:			
Loan proceeds	-	27,716,057	-
Acquisition and construction of capital assets	(1,282,013)	(28,655,662)	(2,785,780)
Principal paid on capital debt	-	(6,969,766)	-
Interest paid on capital debt	(24,028)	(5,967,162)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,306,041)	(13,876,533)	(2,785,780)
Cash Flows from Investing Activities:			
Collection of loans receivable	-	374,332	-
Interest received	60,913	724,070	113,644
Net Cash Provided (Used) by Investing Activities	60,913	1,098,402	113,644
Net Increase (Decrease) in Cash and Cash Equivalents	(1,093,602)	23,098,936	3,341,557
Cash and Cash Equivalents at Beginning of Year	11,287,238	102,630,894	25,572,560
Cash and Cash Equivalents at End of Year	\$ 10,193,636	\$ 125,729,830	\$ 28,914,117
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,643,028)	\$ 11,262,956	\$ (1,057,308)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,248,774	21,225,892	2,161,805
(Increase) decrease in receivables and deposits	4,319	(1,131,369)	1,721,324
(Increase) decrease in inventory	(16,686)	(16,686)	(18,742)
(Increase) decrease in accrued liabilities	(27,774)	(104,051)	(91,442)
(Increase) decrease in prepaid expense	2,767	61,897	(1,868,972)
Increase (decrease) in accounts payable	(50,487)	1,074,272	339,858
Increase (decrease) in OPEB	-	-	774,000
Increase (decrease) in Pensions	281,833	3,238,192	930,027
Increase (decrease) in deposits payable	5,637	72,233	-
Increase (decrease) in unearned revenue	20,611	(301,891)	-
Increase (decrease) in claims and judgments	-	-	2,812,942
Increase (decrease) in compensated absences	3,600	200,212	18,967
Total Adjustments	1,472,594	24,318,701	6,779,767
Net Cash Provided (Used) by Operating Activities	(170,434)	35,581,657	5,722,459
Non-Cash Investing, Capital, and Financing Activities:			
Capital contribution	\$ -	\$ 8,639,630	\$ -
Change in Fair Value of Investments	(96,799)	(1,014,218)	(175,955)
Deferred cost & discount/premium amortization	-	(156,328)	-

See Notes to Financial Statements

CITY OF SANTA BARBARA

STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2018

	<u>Agency Funds</u>	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
ASSETS			
Current assets:			
Pooled cash and investments	\$ 1,186,057	\$ -	\$ 2,754,428
Accounts receivable, net	58,093	-	-
Loans receivable	2,442,632	-	3,500,000
Restricted assets:			
Cash and investments with fiscal agents	-	-	8,158,939
Non-current assets:			
Capital assets:			
Building improvements	-	-	2,308,715
Improvements other than building	-	-	1,392,606
Equipment	180,000	-	-
Construction in progress	-	-	4,521,967
Less: accumulated depreciation	(180,000)	-	(225,714)
Total capital assets	<u>-</u>	<u>-</u>	<u>7,997,574</u>
Total Assets	<u>\$ 3,686,782</u>	<u>-</u>	<u>22,410,941</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on debt refunding		-	17,809
Total Deferred Outflows of Resources		<u>-</u>	<u>17,809</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,864	\$ -	\$ 1,449,161
Salaries and benefits payable	-	-	7,027
Accrued interest payable	-	-	113,025
Due to the City of Santa Barbara	-	474,247	576,092
Trust liability	3,682,918	-	-
Current portion of long-term debt	-	-	7,828,079
Total Liabilities	<u>\$ 3,686,782</u>	<u>474,247</u>	<u>9,973,384</u>
NET POSITION			
Held in trust:			
Employees' pension benefit		(474,247)	-
Police		-	37,699
Library		-	2,716,729
Successor Agency of the Former RDA		-	9,700,938
Total Net Position		<u>\$ (474,247)</u>	<u>\$ 12,455,366</u>

CITY OF SANTA BARBARA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2018

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS		
Employer Contributions	\$ 120,000	\$ -
Taxes	-	8,212,440
Investment earnings:		
Interest	-	37,444
Dividends	-	15,965
Total investment earnings	-	53,409
Net investment income	-	53,409
Other	-	2,810,428
Total Additions	120,000	11,076,277
DEDUCTIONS		
Benefits	43,905	-
Administrative expenses	-	145,640
Contractual services	-	5,722,309
Interest expense	-	586,950
Depreciation expense	-	90,209
Community Services	-	21,715
Total Deductions	43,905	6,566,823
Changes in Net Position	76,095	4,509,454
NET POSITION - Beginning of the Year	(550,342)	7,945,912
NET POSITION - End of the Year	\$ (474,247)	\$ 12,455,366



Notes To The
Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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, two further seats elected in 2017, and the final seat elected in June 2018. 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 17). Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency.

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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.

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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 Fund* account for the activities of the Safety Retirement Fund that accumulates resources for pension benefit payments to qualified police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.
- *Agency Funds* are used to account for resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The agency funds account for 1) moneys received from agencies for low and moderate income applicant's rehabilitation housing loans, 2) moneys received from agencies for the California Law Enforcement Tracking System (CLETS), and 3) financial activities of the Seismic Assessment District #1.

C. Measurement Focus and Basis of Accounting

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues 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 90 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

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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.

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 Investments Pools*, as amended by GASB 72, which requires that governmental entities,

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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, 2018, 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.

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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.

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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, 2018, 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. Other Postemployment Benefits

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's plan, have been determined by an independent actuary in accordance with GASB Statement No. 75.

S. Restricted Assets

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

T. Use of Estimates

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

U. Allocated Costs Policy

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

CITY OF SANTA BARBARA
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V. Change in Accounting Principle

The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions*. The objective of the statement was to improve reporting by state and local governments for postemployment benefits other than pensions. The statement supercedes GASB Statement No. 45. Beginning net position was restated to account for the change in accounting and Note 16 has been updated to conform.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 203,423,250
Cash and investments with fiscal agents	8,171,206
Fiduciary funds:	
Cash and investments	3,940,485
Cash and investments with fiscal agents	<u>8,158,939</u>
Total cash and investments	<u>\$ 223,693,880</u>
Cash on hand	\$ 31,151
Demand deposit accounts with financial institutions	20,535,350
Investments	<u>203,127,379</u>
Total cash and investments	<u>\$ 223,693,880</u>

All of the City's deposits, except certain cash balances held by fiscal agents, are entirely insured or collateralized. The California Government Code requires California banks and savings and loans to secure the City's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for the portion of cash deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC), statutorily limited to \$250,000. As of June 30, 2018, 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.

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<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits/Non-Negotiable CD's	5 years	None	None
State Investment Pool (LAIF)	N/A	\$65 million*	N/A

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

Investments Authorized by Debt Agreements

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

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

Disclosures Relating to Interest Rate Risk

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

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

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<u>Investment type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 1,950,320	2.2
U.S. Agency Securities	106,133,178	2.6
Corporate Medium Term Notes	7,930,380	1.5
Negotiable Certificates of Deposit	1,731,845	1.8
Local Agency Obligations	4,173,263	11 *
State Investment Pool (LAIF)	64,878,247	0.5
Held by Trustees/Fiscal Agents:		
Money Market Fund	12,211,653	N/A
U.S. Agency Securities	3,108,968	0.6
Investment Contracts	1,009,525	N/A
	<u>\$ 203,127,379</u>	

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

Fair Value Measurements

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

<u>Investment Type</u>	<u>June 30, 2018</u>	<u>Level</u>		
		<u>1</u>	<u>2</u>	<u>3</u>
U.S. Treasury Notes	\$ 1,950,320	\$ 1,950,320	\$ -	\$ -
U.S. Agency Securities	106,133,178	-	106,133,178	-
Corporate Medium Term Notes	7,930,380	-	7,930,380	-
Negotiable Certificates of Deposit	1,731,845	-	1,731,845	-
State Investment Pool (LAIF)	64,878,247	-	64,878,247	-
	<u>182,623,970</u>	<u>1,950,320</u>	<u>180,673,650</u>	<u>-</u>
Held by Trustees/Fiscal Agents:				
Money Market Funds	12,211,653	-	12,211,653	-
U.S. Agency Securities	3,108,968	-	3,108,968	-
	<u>15,320,621</u>	<u>-</u>	<u>15,320,621</u>	<u>-</u>
Total Investments at Fair Value	<u>\$ 197,944,591</u>	<u>\$ 1,950,320</u>	<u>\$ 195,994,271</u>	<u>\$ -</u>
<u>Investments at Amortized Cost</u>				
Local Agency Obligations	4,173,263			
Held by Trustees/Fiscal Agents:				
Investment Contracts	1,009,525			
	<u>5,182,788</u>			
Total Investments	<u>\$ 203,127,379</u>			

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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-	A-	Unrated
U.S. Treasury Notes	\$ 1,950,320	N/A	\$ -	\$ 1,950,320	\$ -	\$ -	\$ -	\$ -
U.S. Agency Securities	106,133,178	N/A	-	106,133,178	-	-	-	-
Corporate Medium Term Notes	7,930,380	A	-	-	1,957,220	3,977,680	1,995,480	-
Negotiable Certificates of Deposit	1,731,845	N/A*	1,731,845	-	-	-	-	-
Local Agency Obligations	4,173,263	N/A	-	-	-	-	-	4,173,263
State Investment Pool (LAIF)	64,878,247	N/A	-	-	-	-	-	64,878,247
Held by Trustees/Fiscal Agents:								
Money Market Funds	12,211,653	N/A	-	-	-	-	-	12,211,653
U.S. Agency Securities	3,108,968	N/A	-	3,108,968	-	-	-	-
Investment Contracts	<u>1,009,525</u>	N/A	<u>1,009,525</u>	-	-	-	-	-
Total	<u>\$ 203,127,379</u>	N/A	<u>\$ 2,741,370</u>	<u>\$111,192,466</u>	<u>\$ 1,957,220</u>	<u>\$ 3,977,680</u>	<u>\$ 1,995,480</u>	<u>\$ 81,263,163</u>

* 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	12,840,928	6.3
Federal Home Loan Bank	U.S. Agency Securities	31,511,460	15.5
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	43,149,620	21.2
Federal Farm Credit Bank	U.S. Agency Securities	11,822,340	5.8

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, 2018, \$18,645,788 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, 2018

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, 2018, the various components of unearned revenue reported are as follows:

Governmental funds:	<u>Unearned</u>
General Fund:	
Deferred business license tax	\$ 1,248,276
Prepaid Parks and Recreation fees	<u>652,302</u>
Subtotal	<u>1,900,578</u>
Other Governmental Funds:	
Street Grant Capital Fund:	
Advance on LSTP street grant funding	345,244
Miscellaneous Grants Fund:	
Advances on Police Neighborhood Assistance Grant	<u>23,415</u>
Subtotal	<u>368,659</u>
Total governmental funds	<u>\$ 2,269,237</u>
Business-type activities:	
Water Fund:	
Joint Venture Agreement	\$ 2,899,232
Golf Course Fund:	
Golf gift cards and credit vouchers	115,864
Waterfront Fund:	
Prepaid lease and slipholder revenue	<u>157,717</u>
Total business-type activities	<u>\$ 3,172,813</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

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, 2018, were as follows:

	Balance <u>June 30, 2018</u>
Governmental Activities	
Deferred pension-related items	\$ 65,808,666
Deferred OPEB-related items	<u>1,547,000</u>
	<u>\$ 67,355,666</u>
 Business-type Activities	
2013 Water Certificates of Participation Refunding	\$ 584,067
2014 Waterfront Refunding Revenue Bonds	399,035
2016 Wastewater Revenue Refunding Bonds	95,519
Deferred pension-related items	<u>13,150,824</u>
	<u>\$ 14,229,445</u>

Gains and losses related to changes in net pension liability and total OPEB liability are recognized systematically over time. Amounts are first recognized in pension and OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension or OPEB and are to be recognized in future pension and OPEB expense. The recognition period differs based on the source of the gain or loss. For the net difference between the projected and actual earnings on plan investments it is 5 years. All other amounts are recognized over the expected average remaining service lifetime.

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, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance July 1, 2017</u>	<u>Increases</u>	<u>Transfers/ Reclassifications</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2018</u>
Governmental Activities:					
Non-depreciating capital assets:					
Construction in progress	\$ 37,183,182	\$ 14,180,201	\$ (30,591,771)	\$ -	\$ 20,771,612
Art & historical treasures	1,377,100	40,000	-	-	1,417,100
Land	48,863,987	-	-	-	48,863,987
Streets	<u>160,101,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,101,178</u>
Total non-depreciating capital assets	<u>247,525,447</u>	<u>14,220,201</u>	<u>(30,591,771)</u>	<u>-</u>	<u>231,153,877</u>
Depreciating capital assets:					
Buildings	26,367,192	-	-	-	26,367,192
Building improvements	27,929,636	-	687,530	-	28,617,166
Improvements other than buildings	50,071,151	199,185	2,301,466	-	52,571,802
Equipment	39,925,968	1,907,321	266,438	(1,147,265)	40,952,462
Infrastructure	<u>195,867,421</u>	<u>50,554</u>	<u>27,336,337</u>	<u>-</u>	<u>223,254,312</u>
Total depreciating capital assets	<u>340,161,368</u>	<u>2,157,060</u>	<u>30,591,771</u>	<u>(1,147,265)</u>	<u>371,762,934</u>
Less accumulated depreciation:					
Buildings	14,693,370	453,375	-	-	15,146,745
Building improvements	6,497,387	642,604	-	-	7,139,991
Improvements other than buildings	22,065,351	1,870,772	-	-	23,936,123
Equipment	29,006,210	2,443,681	-	(1,084,261)	30,365,630
Infrastructure	<u>78,458,705</u>	<u>3,894,435</u>	<u>-</u>	<u>-</u>	<u>82,353,140</u>
Total accumulated depreciation	<u>150,721,023</u>	<u>9,304,867</u>	<u>-</u>	<u>(1,084,261)</u>	<u>158,941,629</u>
Total capital assets, being depreciated, net	<u>189,440,345</u>	<u>(7,147,807)</u>	<u>30,591,771</u>	<u>(63,004)</u>	<u>212,821,305</u>
Governmental activities capital assets, net	<u>\$ 436,965,792</u>	<u>\$ 7,072,394</u>	<u>\$ -</u>	<u>\$ (63,004)</u>	<u>\$ 443,975,182</u>

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

Governmental activities:	
Administration	\$ 164,231
Public safety	545,384
Public works	4,353,247
Community services	1,001,012
Community development	<u>1,079,188</u>
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>2,161,805</u>
Total depreciation expense - governmental activities	<u>\$ 9,304,867</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

	Beginning Balance July 1, 2017	Increases	Decreases	Transfers/ Reclassifications	Ending Balance June 30, 2018
Business-Type Activities:					
Non-depreciating capital assets:					
Land	24,944,374	-	-	-	24,944,374
Construction in progress	129,765,070	36,626,494	-	(102,912,579)	63,478,985
Total non-depreciating capital assets	<u>154,709,444</u>	<u>36,626,494</u>	<u>-</u>	<u>(102,912,579)</u>	<u>88,423,359</u>
Depreciating capital assets:					
Buildings	124,235,426	-	-	-	124,235,426
Building improvements	11,536,948	-	-	530,010	12,066,958
Improvements other than buildings	425,668,616	423,797	-	3,502,663	429,595,076
Equipment	48,574,889	245,001	-	1,863,064	50,682,954
Underground piping	194,669,221	-	-	5,624,501	200,293,722
Infrastructure	55,621,982	-	-	91,392,341	147,014,323
Total depreciating capital assets	<u>860,307,082</u>	<u>668,798</u>	<u>-</u>	<u>102,912,579</u>	<u>963,888,459</u>
Less accumulated depreciation:					
Buildings	40,476,409	2,314,350	-	-	42,790,759
Building improvements	4,392,389	276,247	-	-	4,668,636
Improvements other than buildings	236,292,080	9,118,217	-	-	245,410,297
Equipment	37,177,070	2,324,058	-	-	39,501,128
Underground piping	123,307,815	4,515,515	-	-	127,823,330
Infrastructure	11,974,993	2,677,505	-	-	14,652,498
Total accumulated depreciation	<u>453,620,756</u>	<u>21,225,892</u>	<u>-</u>	<u>-</u>	<u>474,846,648</u>
Total capital assets, being depreciated, net	<u>406,686,326</u>	<u>(20,557,094)</u>	<u>-</u>	<u>102,912,579</u>	<u>489,041,811</u>
Business-type activities capital assets, net	<u>\$ 561,395,770</u>	<u>\$ 16,069,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,465,170</u>

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

Business-type activities:	
Water	\$ 8,137,922
Wastewater	4,573,625
Airport	5,723,792
Waterfront	1,541,779
Downtown parking	1,021,313
Golf	227,461
Total depreciation expense - business-type activities	<u>\$ 21,225,892</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

NOTE 6. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2018, is as follows:

Receivable Fund	<u>Due to/from other funds</u> Payable Fund	Amount
Governmental Activities:		
General Fund	Other Governmental Funds	\$ 3,467,462
		\$ 3,467,462
Advances to/from other funds		
Receivable Fund	Payable Fund	Amount
Governmental Activities:		
General Fund	Golf Course Fund	610,929
General Fund	Intra-City Service Fund	120,700
		\$ 731,629

The interfund balances at June 30, 2018, are generally short-term loans to cover temporary cash deficits in various funds.

The City's General Fund advanced money to the Golf Course Enterprise Fund. This advance, totaling \$610,929 at June 30, 2018, 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 City's General Fund advanced money to the Intra-City Service Fund. This advance, totaling \$120,700 at June 30, 2018, was for the purpose of financing energy efficiency projects. The advance bears interest at 3%, and has payments due annually.

A summary of interfund transfers during the year follows:

Transfers Out	Transfers In				
General Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service	Total	
Governmental Funds					
General Fund	\$ -	\$ 8,684,523	\$ 521,451	\$ 36,410	\$ 9,242,384
Other Govt Funds	644,174	8,617,947	-	75,825	9,337,946
Enterprise Funds					
Solid Waste	50,000	-	-	-	50,000
Other Enterprise Funds	9,474	-	-	-	9,474
Total	\$ 703,648	\$ 17,302,470	\$ 521,451	\$ 112,235	\$ 18,639,804

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 \$2,820,944 to the General Capital Improvements Fund and \$5,500,000 to the Measure C Capital Fund for capital projects.
2. Transfers from the General Fund to Enterprise Funds included operating transfers of \$327,951 to the Downtown Parking Fund to help fund the downtown maintenance contract, which provides landscape maintenance and sidewalk cleaning. In addition, there were transfers of \$150,000 to the Downtown Parking Fund for the Downtown Ambassador Program, which provides assistance to the public in the downtown area.
3. Transfers from the Other Governmental Funds to the General Fund included operating transfers of \$387,032 from the Street Sweeping Fund for Police Department Street Sweeping Enforcement efforts, and \$244,327 from the Traffic Safety Fund for Police Department traffic safety costs.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

4. Transfers between Other Governmental Funds are primarily comprised of capital outlay transfers from the Streets Fund to the Street Capital Improvement Fund (\$969,028); from the Streets Fund to the Streets Grant Capital Fund (\$1,222,736); from the Street Capital Improvement Fund to the Street Grant Capital Fund (\$1,028,484); from the Measure A Fund to the Measure A Capital Improvement Fund (\$2,769,085); and from the Creek Restoration Fund to the Creek Restoration Capital Improvement Fund (\$1,925,000) for capital projects.

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, 2018, is as follows:

	Beginning Balance July 1, 2017	Additions	Deductions	Ending Balance June 30, 2018	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>						
Compensated absences	\$ 7,719,316	\$ 7,792,046	\$ 7,168,691	\$ 8,342,671	\$ 7,508,402	\$ 834,269
Claims liability	11,580,758	5,388,158	2,575,216	14,393,700	4,907,195	9,486,505
Governmental activity						
Long-term liabilities	19,300,074	13,180,204	9,743,907	22,736,371	12,415,597	10,320,774
<u>Business-Type Activities</u>						
Revenue bonds	62,258,241	-	2,579,357	59,678,884	2,672,143	57,006,741
Certificates of participation	17,030,000	-	1,470,000	15,560,000	1,520,000	14,040,000
Loans	116,494,490	27,716,057	2,920,409	141,290,138	3,140,576	138,149,562
Unamortized debt premium	3,260,258	-	315,097	2,945,161	-	2,945,161
Unamortized debt discount	(862,455)	-	(42,418)	(820,037)	-	(820,037)
	198,180,534	27,716,057	7,242,445	218,654,146	7,332,719	211,321,427
Compensated absences	1,740,399	1,816,469	1,616,257	1,940,611	1,746,549	194,062
Business-type activity						
Long-term liabilities	199,920,933	29,532,526	8,858,702	220,594,757	9,079,268	211,515,489
Total debt activity	\$ 219,221,007	\$ 42,712,730	\$ 18,602,609	\$ 243,331,128	\$ 21,494,865	\$ 221,836,263

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

A description of long-term obligations outstanding at June 30, 2018, by category follows:

	<u>Amount Outstanding June 30, 2018</u>
<u>Business-Type Activities</u>	
Revenue Bonds	
<u>Wastewater Fund:</u>	
\$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 \$725,000 to \$1,120,000 through May 15, 2028. Interest rates range from 4.0% to 5.0% payable semi-annually.	\$ 9,130,000
<u>Waterfront Fund:</u>	
\$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%.	9,033,884
<u>Airport Fund:</u>	
\$47,270,000 – 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$1,105,000 to \$2,995,000 through July 1, 2039. Interest rates range from 4.0% to 5.0% payable semi-annually.	<u>41,515,000</u>
Total revenue bonds	<u>59,678,884</u>
Certificates of Participation	
<u>Water Fund:</u>	
\$22,680,000 - 2013 Refunding Water Certificates of Participation. Certificates issued to provide funds to refund the outstanding City of Santa Barbara 2002 Certificates, which were used to finance capital improvements to the water distribution system. Certificates were also used to defease a California Department of Health Services Safe Drinking Water State Revolving Fund loan, which was used to finance construction of a project that enabled the City to meet safe drinking water standards. Remaining annual principal installments range from \$1,425,000 to \$2,055,000 through October 1, 2026. Interest rates range from 3.0% to 5.0% payable semi-annually.	<u>15,560,000</u>
Total certificates of participation	<u>\$ 15,560,000</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

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. \$ 7,302,850

\$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. 23,968,802

\$80,000,000 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. 64,393,214

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. Interest is 1.8% per annum. The final payment is due December 31, 2036. 1,567,783

\$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. 4,430,015

\$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. 24,012,585

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. 1,107,136

\$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. 4,173,263

Waterfront Fund:

\$14,501,000 - 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. 10,334,490

Total loans payable 141,290,138

Total Business-Type Activities \$ 216,529,022

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018, are as follows:

<u>Business-type Activities</u>				
<u>Principal payments</u>				
Fiscal Year Ending	Revenue Bonds	Certificates of Participation	Other Loans	Total
2019	\$ 2,672,143	\$ 1,520,000	\$ 3,140,576	\$ 7,332,719
2020	2,792,917	1,585,000	6,906,360	11,284,277
2021	2,927,539	1,645,000	7,061,868	11,634,407
2022	3,040,958	1,715,000	7,223,857	11,979,815
2023	3,162,565	1,790,000	7,388,762	12,341,327
2024-2028	17,222,762	7,305,000	35,083,080	59,610,842
2029-2033	9,675,000	-	34,424,115	44,099,115
2034-2038	12,340,000	-	31,853,057	44,193,057
2039-2043	5,845,000	-	7,454,750	13,299,750
2044-2048	-	-	753,713	753,713
Total Principal	<u>59,678,884</u>	<u>15,560,000</u>	<u>141,290,138</u>	<u>216,529,022</u>
Fiscal Year Ending	<u>Interest payments</u>			Total
2019	2,757,327	616,000	3,007,453	6,380,780
2020	2,634,453	553,900	2,982,304	6,170,657
2021	2,511,977	489,300	2,828,698	5,829,975
2022	2,388,335	422,100	2,669,424	5,479,859
2023	2,257,187	352,000	2,506,996	5,116,183
2024-2028	9,032,300	548,750	10,129,063	19,710,113
2029-2033	5,802,875	-	6,520,474	12,323,349
2034-2038	3,064,250	-	3,018,068	6,082,318
2039-2043	295,875	-	756,992	1,052,867
2044-2048	-	-	425,741	425,741
Total Interest	<u>30,744,579</u>	<u>2,982,050</u>	<u>34,845,213</u>	<u>68,571,842</u>
Total Debt	<u>\$ 90,423,463</u>	<u>\$ 18,542,050</u>	<u>\$ 176,135,351</u>	<u>\$ 285,100,864</u>

GASB 48 Disclosure – Pledging of revenues:

Revenue 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 \$3,121,288. The final payment is due July 1, 2039.

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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.

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.

Certificates of Participation:

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.

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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 \$922,730 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.

In addition, the City is involved in negotiations with IDE Americas Inc., regarding a potential liability of \$1.7 million to \$2.0 million owed to IDE Americas Inc. for the construction and operations of the City Desalination Facility.

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, 2018, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 963,304
Affordable Housing Fund	253
Other Governmental Funds	<u>27,163,342</u>
Total Governmental Funds	<u>\$ 28,126,899</u>

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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, 2018, the contributions recognized as part of pension expense for each plan were as follows:

	<u>Miscellaneous</u> <u>Plan</u>	<u>Miscellaneous</u> <u>Plan</u>	<u>Safety Police</u> <u>Plan</u>	<u>Safety Police</u> <u>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%	12.00%
Required employer contribution rates	27.900%	27.900%	40.911%	40.911%

Employees Covered – At June 30, 2018, the following employees were covered by the benefit

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	940	235
Inactive employees entitled to but not yet receiving benefits	824	64
Active employees	763	129
Total	<u>2,527</u>	<u>428</u>

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

2. Net Pension Liability

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of

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June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous Plan</u>	<u>Safety Police Plan</u>
Valuation date	June 30, 2016	June 30, 2016
Measurement date	June 30, 2017	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial assumptions:		
Discount rate	7.15%	7.15%
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	7.0% Net of Pension Plan Investment and Administrative Expenses; includes Inflation	7.0% 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, 2016 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 found on the CalPERS website.

Change in Assumptions – The accounting discount rate changed from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 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 Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation includes administrative expenses.

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.

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.

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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	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

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

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

Change of Assumptions – For the measurement date June 30, 2017, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent.

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>
Balance at June 30, 2016 (Valuation Date)	\$ 526,505,686	\$ 368,360,450	\$ 158,145,236
Changes in the year:			
Service cost	10,827,663	-	10,827,663
Interest on the total pension liability	39,079,614	-	39,079,614
Differences between actual and expected experience	(5,119,771)	-	(5,119,771)
Changes in assumptions	32,405,333	-	32,405,333
Plan to plan resource movement	-	(10,124)	10,124
Contribution - employer	-	14,693,333	(14,693,333)
Contribution - employee	-	5,071,882	(5,071,882)
Net investment income	-	40,908,639	(40,908,639)
Administrative expenses	-	(543,859)	543,859
Benefit payments, included refunds of employee contributions	(25,274,088)	(25,274,088)	-
Net changes	51,918,751	34,845,783	17,072,968
Balance at June 30, 2017 (Measurement Date)	\$ 578,424,437	\$ 403,206,233	\$ 175,218,204

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Safety Police Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
Balance at June 30, 2016 (Valuation Date)	\$ 241,858,537	\$ 165,148,073	\$ 76,710,464
Changes in the year:			
Service cost	4,491,601	-	4,491,601
Interest on the total pension liability	17,958,387	-	17,958,387
Differences between actual and expected experience	(1,701,292)	-	(1,701,292)
Changes in assumptions	15,186,679	-	15,186,679
Plan to plan resource movement	-	10,605	(10,605)
Contribution - employer	-	6,100,953	(6,100,953)
Contribution - employee	-	1,408,892	(1,408,892)
Net investment income	-	18,139,466	(18,139,466)
Administrative expenses	-	(243,830)	243,830
Benefit payments, included refunds of employee contributions	(12,846,960)	(12,846,960)	-
Net changes	23,088,415	12,569,126	10,519,289
Balance at June 30, 2017 (Measurement Date)	\$ 264,946,952	\$ 177,717,199	\$ 87,229,753

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%
	6.15%	7.15%	8.15%
Miscellaneous	\$ 253,676,716	\$ 175,218,204	\$ 110,578,611
Safety Police	124,088,151	87,229,753	57,205,051
Total	\$ 377,764,867	\$ 262,447,957	\$ 167,783,662

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, 2018, the City of Santa Barbara Miscellaneous and Safety Policy Plans recognized pension expense of \$25,869,535 and \$9,370,483 respectively. At June 30, 2018, 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	\$ -	\$ (3,261,533)
Change in Assumptions	20,403,358	-
Pension contribution subsequent to Measurement Date	15,613,850	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,314,588	-
Total	\$ 41,331,796	\$ (3,261,533)

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Safety Police Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ -	\$ (4,526,851)
Change in Assumptions	10,720,009	(893,197)
Pension contribution subsequent to Measurement Date	\$7,293,109	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,571,272	-
Total	\$ 20,584,390	\$ (5,420,048)

\$15,613,850 for Miscellaneous and \$7,293,109 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous Plan Deferred Outflows/(Inflows) of Resources	Safety Police Plan Deferred Outflows/(Inflows) of Resources
2018	\$ 9,952,446	\$ 306,332
2019	\$ 13,233,330	\$ 6,234,567
2020	\$ 2,244,678	\$ 2,639,260
2021	\$ (2,974,041)	\$ (1,308,926)

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, 2018, 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	47.052%	13.063%

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, 2018, the contributions to the plan were \$4,917,209.

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

As of June 30, 2018, the City reported net pension liabilities for its proportionate shares of the net pension liability (NPL) as follows:

	<u>Proportionate Share of NPL</u>
Safety Fire Plan	\$ 68,239,700

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	<u>Safety Fire</u>	
Proportion - June 30, 2016	1.17576	%
Proportion - June 30, 2017	1.14205	%
Change - Increase (Decrease)	(0.03371)	%

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For the year ended June 30, 2018, the City recognized pension expense of \$8,758,068. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Safety Fire Plan		
Changes in Assumptions	\$ 8,090,647	\$ 620,736
Contributions made after the measurement date	5,446,909	-
Difference between expected and actual experiences	557,879	145,454
Net difference between projected and actual earnings on pension plan investments	1,764,078	-
Difference between employer's contributions and employer's proportionate share of contributions	551,640	115,541
Change in Employer's Proportion	<u>579,508</u>	<u>424,717</u>
Total	<u>\$ 16,990,661</u>	<u>\$ 1,306,448</u>

\$5,446,909 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, 2018. 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>
2019	\$ 2,714,095
2020	\$ 5,308,588
2021	\$ 3,246,845
2022	\$ (1,032,224)
2023	\$ -
Thereafter	\$ -

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Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 and the June 30, 2017 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	7.15%
Inflation	2.75%
Salary Increases	3.0% to 14.20% depending on Entry Age and Service
Investment Rate of Return	7.00% 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, 2016 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.

Change in Assumptions – The accounting discount rate changed from 7.65% to 7.15%.

Discount Rate

GASB 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 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is adequate and the use of the municipal bond rate is not necessary. The long term expected discount rate of 7.15% 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	47.0 %	4.90 %	5.38 %
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

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%</u>	<u>Current Discount Rate</u>	<u>Discount Rate +1%</u>
Plan's Net Pension Liability/(Assets)	(6.15%)	(7.15%)	(8.15%)
	\$ 94,967,844	\$ 68,239,700	\$ 46,390,776

Change of Assumptions – For the measurement date June 30, 2017, the financial reporting discount rate was lowered from 7.65 percent to 7.15 percent.

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 Retirement Pension Plan

Plan Description - In addition to the CalPERS, the City provides an additional single-employer defined benefit pension 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 - As of June 30, 2018 a total of six (6) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund. Separate audited financial statements are not issued for the plan.

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Method used to value investments

Investments are 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.

Investment Policy

The City administers the Plan in compliance with and under the authority of Articles XV and XVA of the 1926 City Charter. The City no longer has plan assets in a Trust fund. The City will pay any benefit payments not paid from a Trust.

Net Pension Liability

For the year ended June 30, 2018, the Plan's contribution was \$43,905.

The components of the net pension liability of the Plan at June 30, 2018, were as follows:

Total pension liability	\$	248,677
Plan fiduciary net pension		-
Net pension liability	\$	<u>248,677</u>
Plan fiduciary net position as a percentage of the total pension liability		- %

Actuarial Assumptions

Valuation Date	July 1, 2017
Discount Rate	3.58%
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 3.58%. 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 3.58%, as well as what the Employer's net pension liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current rate:

	1% Lower* (2.58%)	Current Discount Rate (3.58%)	1% Higher* (4.58%)
Net pension liability	\$ 258,889	\$ 248,677	\$ 239,244

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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)
Balance June 30, 2016	\$ 726,095	\$ 453,452	\$ 272,643
Changes for the year:			
Interest	16,437	-	16,437
Change in benefit terms	(416,227)	(416,227)	-
Difference between expected and actual experience	26,062	-	26,062
Change in assumptions	(13,101)	-	(13,101)
Contributions - employer	-	48,972	(48,972)
Net investment income	-	4,392	(4,392)
Benefit payments, including refunds of member contributions	(90,589)	(90,589)	-
Net changes	(477,418)	(453,452)	(23,966)
Balance at June 30, 2017	\$ 248,677	\$ -	\$ 248,677

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

As of June 30, 2018, for the Safety Retirement Plan, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Safety Retirement Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to measurement date	\$ 43,905	\$ -
Net difference between projected and actual earnings	8,738	-
Total	\$ 52,643	\$ -

\$43,905 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, 2018. 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
2019	\$ (69)
2020	6,670
2021	1,141
2022	996
2023	-

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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.

Gains and losses related to changes in net pension liability and total OPEB liability are recognized systematically over time. Amounts are first recognized in pension or OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension or OPEB and are to recognized in future pension and OPEB expense. The recognition period differs based on the source of the gain or loss. For the net difference between the projected and actual earnings on plan investments it is 5 years. All other amounts are recognized over the expected average remaining service lifetime.

Deferred inflows of resources balances as reported on the Statement of Net Position for the year ended June 30, 2018, were as follows:

	Balance <u>June 30, 2018</u>
<u>Government Wide Financials</u>	
Governmental Activities	
Deferred pension-related items	\$ 8,921,004
Deferred OPEB-related items	<u>1,134,000</u>
Total	<u>10,055,004</u>
Business-type Activities	
Deferred pension-related items	<u>1,067,025</u>

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Deferred inflows of resources balances as reported on the Governmental Funds Balance Sheet for the year ended June 30, 2018, were as follows:

	<u>Balance</u> <u>June 30, 2018</u>
<u>Governmental Fund Financials</u>	
Major Governmental Funds	
General Fund-Library and Fire Unavailable revenue	\$ 765,454
General Fund-Unavailable administrative citation revenue	<u>250,725</u>
Total	<u>1,016,179</u>
Nonmajor Governmental Funds	
Street Grant Capital Fund-Unavailable grant revenue	\$ 3,563,368
Misc Grants Fund-Unavailable grant revenue	42,664
CDBG Fund-Advances on federal housing grants	4,581,810
Home Fund-Advances on federal housing grants	9,339,704
FEMA Reimbursement Fund - Unavailable grant revenue	21,584
General Capital Improvements Fund - Unavailable grant revenue	<u>254,506</u>
Total	<u>17,803,636</u>

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.

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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.

The components of the City's fund balances at June 30, 2018, consist of the following:

	Special Revenue Funds			
	General Fund	Affordable Housing	Other Governmental Fund	Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	\$ 92,375	\$ -	\$ -	\$ 92,375
Loans receivable	865,467	-	-	865,467
Advances to other funds	731,629	-	-	731,629
Restricted for:				
Administration	437,980	-	-	437,980
Public safety	205,104	-	1,022,770	1,227,874
Public works	103,739	-	3,354,045	3,457,784
Community services	76,634	-	789,323	865,957
Community development	2,033,038	-	733,961	2,766,999
Capital improvements	-	-	8,674,731	8,674,731
Affordable housing	-	64,270,668	-	64,270,668
Committed for:				
Public safety	349,090	-	-	349,090
Capital improvements	-	-	11,899,053	11,899,053
Contingencies	7,560,726	-	-	7,560,726
Disaster contingency	20,007,502	-	-	20,007,502
Assigned to:				
Administration	99,307	-	-	99,307
Public works	80,788	-	-	80,788
Public safety	2,818	-	-	2,818
Community development	174,437	-	-	174,437
Capital improvements	-	-	2,857,464	2,857,464
Unassigned:	-	-	(4,546,065)	(4,546,065)
Total Fund Balances	<u>\$ 32,820,634</u>	<u>\$ 64,270,668</u>	<u>\$ 24,785,282</u>	<u>\$ 121,876,584</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 32nd year July 2017 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

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carriers provide \$45 million in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

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

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting, finance, underwriting, and claims. ACCEL conducts annual financial, claims, and payroll audits, with an actuarial review performed every two years. A retrospective rating is performed each year on the program year ended five years earlier. The retrospective rating determines each member's share of losses and deposit return. ACCEL members share pooled losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to ensure that funds are available to pay any losses within the pooled layer. ACCEL collects a deposit from each member for each program year in which the member participates. Separate deposit accounts are set for each member for each year of participation. Deposits are invested into pre-approved vehicles and each member account is credited monthly with investment income at the rate earned by the investment vehicle. ACCEL adopted its investment policy in accordance with existing government code criteria.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion. Earthquake and flood coverage have designated limits of \$50 million per peril. Unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a faithful performance bond. The City filed two claims under the property insurance policy during fiscal year 2018, a claim for property damage from a microburst storm in September 2017, and a claim for property damage from the Thomas Fire in December 2017. No other claims were filed during fiscal year 2018.

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, 2018, the estimated outstanding liabilities are \$11,129,079 for workers' compensation and \$3,264,621 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2018. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2018, the liability for unemployment claims was \$22,551.

A summary of changes in claims liabilities is shown below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Claims liabilities, July 1	\$ 11,580,758	\$ 11,861,163	\$ 7,919,646
Incurred claims	2,575,216	2,421,025	3,449,037
Actuarial adjustment	2,812,942	(280,405)	3,941,517
Payments on claims attributable to events of current and prior years	<u>(2,575,216)</u>	<u>(2,421,025)</u>	<u>(3,449,037)</u>
Claims liabilities, June 30	<u>\$ 14,393,700</u>	<u>\$ 11,580,758</u>	<u>\$ 11,861,163</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		
2018/19	\$ 3,393,194	\$ 553,828	\$ 459,437	\$ 471,690	\$ 1,552,887	\$ 2,484,014	\$ 6,431,036
2019/20	3,512,736	600,563	473,220	486,953	1,554,137	2,514,310	6,627,609
2020/21	3,109,777	630,591	487,416	503,002	1,551,978	2,542,396	6,282,764
2021/22	3,190,763	662,121	502,039	519,862	1,550,064	2,571,965	6,424,849
2022/23	3,335,190	695,227	665,670	537,566	-	1,203,236	5,233,653
Thereafter	36,298,730	-	10,249,642	-	-	10,249,642	46,548,372
TOTAL:	\$ 52,840,390	\$ 3,142,330	\$ 12,837,424	\$ 2,519,073	\$ 6,209,066	\$ 21,565,563	\$ 77,548,283

(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 \$31,271,652 (\$7,302,850 and \$23,968,802). Of these loan balances, \$7,302,850 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$15,822,214 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$8,146,588 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 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 2018 year-end COMB expenditures, as presented at the August 27, 2018 COMB Board Meeting:

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General and Administrative	\$ 1,019,731
Operations Division	1,392,083
Fisheries Division	1,262,961
Other Interest Expense -Emergency Pump Facility Project	59,276
Operations Subtotal:	\$ 3,734,051
Total FY 2018 Expenditures:	\$ 3,734,051

Expenditures for Fiscal Year 2018 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 2018 year-end CCRB expenditures as of June 30, 2018 for the portion of these activities that CCRB funds, as presented at the August 2, 2018 CCRB Board Meeting:

General & Administrative	\$ 150,853
Legal Activities	203,773
Consultant Activities	433,033
Total Fiscal Year 2018 Expenditures:	\$ 787,659

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 \$321,995 in City costs for Fiscal Year 2018 excluding any offsets from other CCRB income. At its August 2, 2018 meeting, the CCRB Board decided to return unexpended funds from the Fiscal Year 2018; as a result, \$1,902 will be returned to the City of Santa Barbara during Fiscal Year 2019.

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NOTE 14. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program (“EMLAP”). The purpose of the program 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)	<u>15 %</u>
Total Financing	<u>100 %</u>

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

As of June 30, 2018, the City has \$865,467 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

NOTE 15. DEFICIT FUND EQUITY

The following funds had deficit balances as of June 30, 2018:

Solid Waste Fund	\$ (187,313)
Self-Insurance Internal Service Fund	(31,230,117)
Safety Retirement Trust Fund	(474,247)
Street Grant Capital Improvement Fund	(1,832,664)
FEMA Reimbursement Fund	(2,628,233)

CITY OF SANTA BARBARA
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NOTE 16. 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.

Employees Covered. As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Covered Participants
Inactive currently receiving benefits	232
Inactives entitled to but not yet receiving benefits	-
Active employees*	918
Total	<u>1,150</u>

*Excludes active employees who would not meet service eligibility at age 65

Contributions. 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.

For the fiscal year ended June 30, 2018, cash contributions were \$633,000 and the estimated implied subsidy was \$461,000 resulting in total payments of \$1,094,000.

CITY OF SANTA BARBARA
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Total OPEB Liability. The City's total OPEB liability was measured as of June 30, 2017 for the measurement period July 1, 2016 through June 30, 2017. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial assumptions:

Actuarial Assumptions:

Discount Rate	3.58%
Inflation	2.75%
Salary Increases	3% (Merit tables from CalPERS 1997-2015 Experience Study)
Investment Rate of Return	N/A
Mortality Rate	CalPERS 1997-2015 Experience Study
Pre-retirement Turnover	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	Non-Medicare -7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076 and later years

Note: The experience study reports may be accessed on the CalPERS website www.calpers.ca.gov under forms and publications.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.58%. The discount rate is based on the bond buyer 20-bond index.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the plan are as follows:

	<u>Total OPEB Liability</u>
Changes in Total OPEB Liability (measurement period 7/1/16 - 6/30/17)	
Service Cost	\$ 1,207,000
Interest	574,000
Assumption changes	(1,015,000)
Benefit payments	(1,220,000)
Total OPEB Liability (beginning of year)	<u>\$ 19,545,000</u>
Total OPEB Liability (end of year)	<u>\$ 19,091,000</u>

Sensitivity of the Total OPEB Liability to Changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point higher or one percentage point lower than the current discount rate, for the measurement period June 30, 2017.

	<u>Discount Rate</u>		
	<u>1% Decrease (2.58%)</u>	<u>Current Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 20,496,000	\$ 19,091,000	\$ 17,785,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point higher or one percentage point lower than the current healthcare cost trend rates:

	<u>Healthcare Trend Rate</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 17,574,000	\$ 19,091,000	\$ 20,845,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$1,659,000. At June 30, 2018, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 893,000
Employer contributions made subsequent to the measurement date	1,094,000	-
Total	\$ 1,094,000	\$ 893,000

The \$1,094,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ (122,000)
2020	(122,000)
2021	(122,000)
2022	(122,000)
2023	(122,000)
Thereafter	(283,000)

Sick Leave Retiree Benefits

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

Employees Covered. As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

	Number of Covered Participants
Inactives currently receiving benefits	1
Inactives entitled to but not yet receiving benefits	-
Active employees	860
Total	861

Contributions. 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 is evaluating various options for funding the post retirement benefits liability.

For the fiscal year ended June 30, 2018, cash contributions were \$453,000.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Total OPEB Liability. The City's total OPEB liability was measured as of June 30, 2017 for the measurement period July 1, 2016 through June 30, 2017. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2017, based on the following actuarial assumptions:

Actuarial Assumptions

Discount Rate	3.58%
Inflation	2.75%
Salary Increases	3% (Merit tables from CalPERS 1997-2015 Experience Study)
Investment Rate of Return	N/A
Mortality Rate	CalPERS 1997-2015 Experience Study
Pre-retirement Turnover	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	Benefit is not dependent on healthcare trend

Note: The experience study reports may be accessed on the CalPERS website www.calpers.ca.gov under forms and publications.

Discount Rate. The discount rate used to measure the total OPEB liability was 3.58%. The discount rate is based on the bond buyer 20-bond index.

Changes in the Total OPEB Liability. The changes in the total OPEB liability for the plan are as follows:

	<u>Total OPEB Liability</u>
Changes in Total OPEB Liability (measurement period 7/1/16 - 6/30/17)	
Service Cost	\$ 474,000
Interest	212,000
Assumption changes	(265,000)
Benefit payments	(628,000)
Total OPEB Liability (beginning of year)	<u>\$ 7,258,000</u>
Total OPEB Liability (end of year)	<u>\$ 7,051,000</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point higher or one percentage point lower than the current discount rate, for the measurement period June 30, 2017:

	<u>Discount Rate</u>		
	<u>1% Decrease (2.58%)</u>	<u>Current Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 7,415,000	\$ 7,051,000	\$ 6,702,000

Sensitivity of the Total OPEB Liability to Changes in the healthcare cost trend rates. The benefit is not dependent on healthcare trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the City recognized OPEB expense of \$662,000. At June 30, 2018, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to the Basic Financial Statements
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	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 241,000
Employer contributions made subsequent to the measurement date	453,000	-
Total	453,000	241,000

The \$453,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ (24,000)
2020	(24,000)
2021	(24,000)
2022	(24,000)
2023	(24,000)
Thereafter	(121,000)

NOTE 17. 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, 2018

A. Cash and investments

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

Cash and investments with fiscal agent	<u>\$ 8,158,939</u>
	<u>\$ 8,158,939</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance July 1, 2017	Increases	Decreases	Ending Balance June 30, 2018
Fiduciary Activities:				
Non-depreciating capital assets:				
Construction in progress	\$ 964,145	\$ 3,557,822	\$ -	\$ 4,521,967
Land	-	-	-	-
Total non-depreciating capital assets	<u>964,145</u>	<u>3,557,822</u>	<u>-</u>	<u>4,521,967</u>
Depreciating capital assets:				
Building improvements	2,308,715	-	-	2,308,715
Improvements other than buildings	-	-	-	-
Infrastructure	1,392,606	-	-	1,392,606
Total depreciating capital assets	<u>3,701,321</u>	<u>-</u>	<u>-</u>	<u>3,701,321</u>
Less accumulated depreciation:				
Building improvements	113,940	57,048	-	170,988
Infrastructure	21,564	33,162	-	54,726
Total accumulated depreciation	<u>135,504</u>	<u>90,210</u>	<u>-</u>	<u>225,714</u>
Total capital assets, being depreciated, net	<u>3,565,817</u>	<u>(90,210)</u>	<u>-</u>	<u>3,475,607</u>
Fiduciary activities capital assets, net	<u>\$ 4,529,962</u>	<u>\$ 3,467,612</u>	<u>\$ -</u>	<u>\$ 7,997,574</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, 2018, follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Fiduciary Funds:						
Tax allocation bonds	\$ 15,225,000	\$ -	\$ 7,430,000	\$ 7,795,000	\$ 7,795,000	\$ -
Unamortized debt premium	146,260	-	73,128	73,132	73,132	-
Unamortized debt discount	(80,106)	-	(40,053)	(40,053)	(40,053)	-
Total Fiduciary Funds	<u>\$ 15,291,154</u>	<u>\$ -</u>	<u>\$ 7,463,075</u>	<u>\$ 7,828,079</u>	<u>\$ 7,828,079</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
JUNE 30, 2018

	<u>Amount Outstanding June 30, 2018</u>
<u>Successor Agency</u>	
Tax Allocation Bonds	
\$7,150,000 - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds were used to provide funds to finance redevelopment housing activities in the Central City Redevelopment Project Area. The remaining annual principal installment on the serial bonds is \$620,000 on July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.	\$ 620,000
\$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. The remaining annual principal installment on the serial bonds is \$2,835,000 on March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.	2,835,000
\$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. The remaining annual principal installment on the serial bonds is \$4,340,000 on March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	<u>4,340,000</u>
Total tax allocation bonds	<u>\$ 7,795,000</u>

The annual requirements to amortize all long-term debt outstanding as of June 30, 2018, are as follows:

	Tax Allocation Bonds
Fiscal Year Ending	Principal Payments
<u>2019</u>	<u>\$ 7,795,000</u>
Total Principal	<u>\$ 7,795,000</u>
Fiscal Year Ending	Interest Payments
<u>2019</u>	<u>\$ 350,530</u>
Total Interest	<u>\$ 350,530</u>
Total Debt	<u>\$ 8,145,530</u>

GASB 48 Disclosure – Pledging of revenues:

Tax Allocation Bonds:

The total principal and interest remaining to be paid on the Bonds is \$8,145,530 as of June 30, 2018. For the current year, principal and interest paid on the Bonds was \$8,144,913, and property tax received in the Successor Agency was \$8,212,440. 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, 2018

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, 2018, total fund encumbrance balances for the Successor Agency are as follows:

Successor Agency of Former RDA Fund	\$ 4,587,803
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NOTE 18. Restatement of Net Position

Net Position has been restated by \$7,456,000 for governmental activities as a result of the implementation of Governmental Accounting Standards Board Statement No. 75 related to other post-employment benefits. The restatement is to record the beginning balances.

NOTE 19. Subsequent Events

Loan Forgiveness. In 1997, the former Redevelopment Agency Board approved a \$2.75 million loan as part of the acquisition of land, and development of a 98-unit residential project, Garden Court, at 1116-1132 De La Vina Street, to provide affordable housing to low-income seniors. In October 2018 the City approved full debt forgiveness of this loan in the Affordable Housing Fund, with affordability extended to 90 years.

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, 2018, FOR THE LAST TEN FISCAL YEARS (A)

Measurement Date	2013	2014	2015	2016	2017
Total pension liability:					
Interest	\$ 277,220	\$ 63,008	\$ 58,515	\$ 38,189	\$ 16,437
Benefit payments, including refund of member contributions	(175,058)	(173,700)	(113,370)	(116,087)	(90,589)
Change in Benefit Terms	-	-	54,434	(227,990)	(416,227)
Difference between expected and actual experience	-	-	(237,062)	41,577	26,062
Change in Assumptions	-	-	42,874	64,419	(13,101)
Net change in total pension liability	102,162	(110,692)	(194,609)	(199,892)	(477,418)
Total pension liability, beginning of year	1,129,126	1,231,288	1,120,596	925,987	726,095
Total pension liability, end of year	1,231,288	1,120,596	925,987	726,095	248,677
Plan fiduciary net position:					
Contributions - employer	96,992	102,126	49,611	48,972	48,972
Change in benefit terms	-	-	-	-	(416,227)
Net investment income	36,741	62,733	1,123	28,595	4,392
Benefit payments, including refunds of member contributions	(175,058)	(173,700)	(113,370)	(116,087)	(90,589)
Net change in plan fiduciary net position	(41,325)	(8,841)	(62,636)	(38,520)	(453,452)
Total fiduciary net position, beginning of year	604,774	563,449	554,608	491,972	453,452
Total fiduciary net position, end of year	563,449	554,608	491,972	453,452	-
Net pension liability (asset), end of year	<u>\$ 667,839</u>	<u>\$ 565,988</u>	<u>\$ 434,015</u>	<u>\$ 272,643</u>	<u>\$ 248,677</u>
Plan fiduciary net position as a percentage of the total pension liability	45.76 %	49.49 %	53.13 %	62.45 %	- %
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

During the fiscal year ended June 30, 2017, the safety service retirement plan was closed.

(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, 2018, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 105,000	\$ 108,000	\$ 49,611	\$ 48,972	\$ 43,905
Contributions in relation to the actuarially determined contributions	<u>(97,000)</u>	<u>(104,000)</u>	<u>(49,611)</u>	<u>(48,972)</u>	<u>(43,905)</u>
Contribution deficiency (excess)	<u>\$ 8,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

During the fiscal year ended June 30, 2017, the safety service retirement plan was closed.

(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, 2018, FOR THE LAST TEN FISCAL YEARS (A)**

Measurement Date	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	11.82 %	11.82 %	6.40 %	- %	- %

During the fiscal year ended June 30, 2017, the safety service retirement plan was closed.

(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, 2018, FOR THE LAST TEN FISCAL YEARS (A)

Measurement Date	2014	2015	2016	2017
MISCELLANEOUS PLAN				
Total Pension Liability				
Service cost	\$ 9,676,642	\$ 9,563,623	\$ 9,760,428	\$ 10,827,663
Interest on total pension liability	34,649,348	36,129,828	37,902,710	39,079,614
Differences between expected and actual experience	-	(4,360,012)	(132,903)	(5,119,771)
Changes in assumptions	-	(8,848,255)	-	32,405,333
Benefit payments, including refunds of employee contributions	(20,041,269)	(21,493,097)	(23,474,988)	(25,274,088)
Net change in total pension liability	24,284,721	10,992,087	24,055,247	51,918,751
Total pension liability - beginning	467,173,631	491,458,352	502,450,439	526,505,686
Total pension liability - ending (a)	\$ 491,458,352	\$ 502,450,439	\$ 526,505,686	\$ 578,424,437
Plan fiduciary net position				
Contributions - employer	\$ 11,373,020	\$ 13,162,072	\$ 14,184,385	\$ 14,693,333
Contributions - employee	4,587,261	4,833,301	4,988,705	5,071,882
Net investment income	54,806,585	8,218,938	2,007,173	40,908,639
Plan to Plan Resource Movement	-	(1,157)	-	(10,124)
Administrative Expense	-	(435,768)	(226,033)	(543,859)
Benefit payments	(20,041,269)	(21,493,097)	(23,474,988)	(25,274,088)
Net change in plan fiduciary net position	50,725,597	4,284,289	(2,520,758)	34,845,783
Plan fiduciary net position - beginning	315,871,322	366,596,919	370,881,208	368,360,450
Plan fiduciary net position - ending (b)	\$ 366,596,919	\$ 370,881,208	\$ 368,360,450	\$ 403,206,233
Net pension liability - ending (a) - (b)	\$ 124,861,433	\$ 131,569,231	\$ 158,145,236	\$ 175,218,204
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.59 %	73.81 %	69.96 %	69.71 %
Covered Payroll	\$ 50,588,886	\$ 53,022,251	\$ 55,485,351	\$ 55,884,714
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	246.82 %	248.14 %	285.02 %	313.54 %
SAFETY POLICE PLAN				
Total Pension Liability				
Service cost	\$ 5,186,081	\$ 5,010,613	\$ 4,497,742	\$ 4,491,601
Interest on total pension liability	16,640,662	16,967,585	17,452,394	17,958,387
Differences between expected and actual experience	-	(7,448,519)	(4,101,607)	(1,701,292)
Changes in assumptions	-	(4,242,689)	-	15,186,679
Benefit payments, including refunds of employee contributions	(9,641,215)	(10,608,382)	(11,957,196)	(12,846,960)
Net change in total pension liability	12,185,528	(321,392)	5,891,333	23,088,415
Total pension liability - beginning	224,103,068	236,288,596	235,967,204	241,858,537
Total pension liability - ending (a)	\$ 236,288,596	\$ 235,967,204	\$ 241,858,537	\$ 264,946,952
Plan fiduciary net position				
Contributions - employer	\$ 5,811,400	\$ 5,729,090	\$ 5,502,842	\$ 6,100,953
Contributions - employee	1,514,918	1,462,940	1,366,145	1,408,892
Net investment income	25,268,419	3,780,559	934,079	18,139,466
Plan to Plan Resource Movement	-	(3,426)	-	10,605
Administrative Expense	-	(184,197)	(103,244)	(243,830)
Benefit payments	(9,641,215)	(10,608,382)	(11,957,196)	(12,846,960)
Net change in plan fiduciary net position	22,953,522	176,584	(4,257,374)	12,569,126
Plan fiduciary net position - beginning	146,281,803	169,228,863	169,405,447	165,148,073
Plan fiduciary net position - ending (b)	\$ 169,235,325	\$ 169,405,447	\$ 165,148,073	\$ 177,717,199
Net pension liability - ending (a) - (b)	\$ 67,053,271	\$ 66,561,757	\$ 76,710,464	\$ 87,229,753
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.62 %	71.79 %	68.28 %	67.08 %
Covered Payroll	\$ 17,126,518	\$ 17,232,219	\$ 15,555,046	\$ 14,020,481
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	391.52 %	386.26 %	493.15 %	622.16 %

(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, 2018, FOR THE LAST TEN FISCAL YEARS (A)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>MISCELLANEOUS PLAN</u>				
Actuarially determined contribution	\$ 13,162,072	\$ 14,184,385	\$ 14,693,333	\$ 15,613,850
Contributions in relation to the actuarially determined contributions	<u>(13,162,072)</u>	<u>(14,184,385)</u>	<u>(14,693,333)</u>	<u>(15,613,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 53,022,251	\$ 55,485,351	\$ 55,884,714	\$ 57,069,164
Contributions as a percentage of covered payroll	24.82 %	25.56 %	26.29 %	27.36 %
<u>SAFETY POLICE PLAN</u>				
Actuarially determined contribution	\$ 5,729,090	\$ 5,502,842	\$ 6,100,953	\$ 7,293,109
Contributions in relation to the actuarially determined contributions	<u>(5,729,090)</u>	<u>(5,502,842)</u>	<u>(6,100,953)</u>	<u>(7,293,109)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 17,232,219	\$ 15,555,046	\$ 14,020,481	\$ 15,669,261
Contributions as a percentage of covered payroll	33.25 %	35.38 %	43.51 %	46.54 %

Notes to Schedule

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were from the June 30, 2015 public agency valuations.

Valuation Date June 30, 2015

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, 2018, FOR THE LAST TEN FISCAL YEARS (A)

<u>Fire Plan</u>	<u>Measurement Date</u>			
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the net pension liability	0.73895 %	1.24490 %	1.17576 %	1.14205 %
Proportionate share of the net pension liability	\$45,980,620	\$ 51,295,415	\$60,895,072	\$ 68,239,700
Covered payroll	\$10,161,327	\$ 10,382,054	\$10,699,018	\$ 10,848,464
Proportionate share of the net pension liability as percentage of covered payroll	452.51 %	494.08 %	569.17 %	629.03 %
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 %	68.81 %

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, 2018, FOR THE LAST TEN FISCAL YEARS (A)**

<u>Fire Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	3,535,869	3,672,002	4,917,209	5,446,909
Contributions in relation to the actuarially determined contribution	<u>(3,535,869)</u>	<u>(3,672,002)</u>	<u>(4,917,209)</u>	<u>(5,446,909)</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	10,382,054	10,699,018	10,848,464	11,156,660
Contributions as percentage of covered payroll	34.06 %	34.32 %	45.33 %	48.82 %

Notes to Schedule

Valuation Date: June 30, 2015

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

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2018, FOR THE LAST TEN FISCAL YEARS (A)**

Measurement Date	2017
<u>Retiree Medical Care Benefits and Implied Subsidy of Retiree Health</u>	
<u>Insurance Premiums</u>	
Total OPEB Liability	
Service Cost	\$ 1,207,000
Interest	574,000
Actual vs. Expected Experience	-
Assumption changes	(1,015,000)
Benefit payments	(1,220,000)
Changes in benefit terms	-
Net change in total OPEB liability	(454,000)
Total OPEB Liability - Beginning	<u>\$ 19,545,000</u>
Total OPEB Liability - Ending	<u>\$ 19,091,000</u>
Covered payroll	99,027,000
Total OPEB Liability as a percentage of covered payroll	19.3 %
 <u>Sick Leave Retiree Benefits</u>	
Total OPEB Liability	
Service Cost	\$ 474,000
Interest	212,000
Assumption changes	(265,000)
Benefit payments	(628,000)
Net change in total OPEB liability	(207,000)
Total OPEB Liability - Beginning	<u>\$ 7,258,000</u>
Total OPEB Liability - Ending	<u>\$ 7,051,000</u>
Covered payroll	83,539,000
Total OPEB Liability as a percentage of covered payroll	8.4 %

Changes in assumptions: The discount rate changed from 2.85% to 3.58%.

(A) Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 84,769,558	\$ 90,269,558	\$ 89,672,847	\$ (596,711)
Franchise fees	3,586,626	3,586,626	3,596,917	10,291
Intergovernmental	843,118	3,363,582	3,194,690	(168,892)
Charges for services	22,311,672	22,651,574	22,364,519	(287,055)
Use of money and property	1,099,141	1,099,141	758,222	(340,919)
Fines and forfeitures	3,182,566	3,182,566	3,047,119	(135,447)
Other revenues	12,526,955	12,692,807	10,472,843	(2,219,964)
Total Revenues	128,319,636	136,845,854	133,107,157	(3,738,697)
Expenditures:				
Current:				
Mayor and city council	3,505,841	3,524,206	3,431,819	92,387
City attorney	3,252,090	4,645,433	4,089,865	555,568
City administration	2,144,582	2,219,538	2,139,431	80,107
Administrative services	2,856,347	2,944,721	2,714,710	230,011
Finance	5,500,304	5,571,786	5,212,272	359,514
Public safety	67,957,452	70,972,012	70,215,895	756,117
Public works	8,379,341	8,709,345	7,584,156	1,125,189
Community services	21,946,453	22,478,909	21,385,581	1,093,328
Community development	11,745,262	12,332,956	11,519,009	813,947
Total Expenditures	127,287,672	133,398,906	128,292,738	5,106,168
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,031,964	3,446,948	4,814,419	1,367,471
Other Financing Sources (Uses):				
Transfers in	1,256,379	1,515,194	703,648	(811,546)
Transfers out	(2,354,043)	(9,502,661)	(9,242,384)	260,277
Total Other Financing Sources (Uses)	(1,097,664)	(7,987,467)	(8,538,736)	(551,269)
Net Change in Fund Balances	(65,700)	(4,540,519)	(3,724,317)	816,202
Fund Balances, Beginning of Year	36,544,951	36,544,951	36,544,951	-
Fund Balances, End of Year	\$ 36,479,251	\$ 32,004,432	\$ 32,820,634	\$ 816,202

*See Notes to RSI

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property	\$ 952,400	\$ 952,400	\$ 1,204,670	\$ 252,270
Other revenues	-	-	11,197,900	11,197,900
Total Revenues	<u>952,400</u>	<u>952,400</u>	<u>12,402,570</u>	<u>11,450,170</u>
Expenditures:				
Current:				
Community development	<u>592,571</u>	<u>2,693,834</u>	<u>557,912</u>	<u>2,135,922</u>
Total Expenditures	<u>592,571</u>	<u>2,693,834</u>	<u>557,912</u>	<u>2,135,922</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>359,829</u>	<u>(1,741,434)</u>	<u>11,844,658</u>	<u>13,586,092</u>
Other Financing Sources (Uses):				
Net Change in Fund Balances	<u>359,829</u>	<u>(1,741,434)</u>	<u>11,844,658</u>	<u>13,586,092</u>
Fund Balances, Beginning of Year	<u>52,426,010</u>	<u>52,426,010</u>	<u>52,426,010</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 52,785,839</u>	<u>\$ 50,684,576</u>	<u>\$ 64,270,668</u>	<u>\$ 13,586,092</u>

*See Notes to RSI

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2018

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 FEMA Reimbursement Fund is used to account for costs incurred as a result of the three federally declared disasters from the winter storms in January and February 2017, and the Thomas fire and debris flow which occurred in December 2017 and January 2018. 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. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 129,641,715
Re-appropriated Prior Year Encumbrances	963,304
Amendments	12,296,548
Amended Budget	<u>\$ 142,901,567</u>

Budget amendments in the General Fund totaled \$12.3 million in Fiscal Year 2018, with capital outlay transfers the largest single category at \$7.2 million. Of this, \$5.5 million was the increased appropriation following Council's decision to appropriate the estimated new Measure C tax revenues approved by voters in November 2017, commencing April 1, 2018. Other amendments in the General Fund included an additional appropriation in the Fire Department for mutual aid costs of \$2.4 million, the addition of \$1.4 million for outside legal assistance, \$0.5 million for external plan check and review services, \$0.5 million for various special projects across the City, and \$0.3 million in additional equipment purchases.

The City's Affordable Housing Fund had an originally Adopted Fiscal Year 2018 Budget of \$592,571 that was amended by \$2,101,263 to an Amended Budget of \$2,693,834. \$1.0 million was carried over as unspent appropriations from Fiscal Year 2017 with an additional \$1.0 million appropriated by Council for a total of an additional \$2.0 million in loans for the development and construction of a new very low-income rental housing project for veterans at 813 E Carrillo Street.

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 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

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2018

almost 41 million square feet of pavement.

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

- The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date periodic inventory is performed; (2) condition assessments and summary of results using a measurement scale is completed, and (3) annual amounts to maintain and preserve the eligible infrastructure capital assets at the established condition assessment level are estimated.
- The City documents that the eligible infrastructure capital assets are being preserved at the established and disclosed condition assessment level. While the street pavement system had fallen below the established condition level in Fiscal Year 2017, the City has addressed the issue. On November 7, 2017, a 1% sales tax measure was approved for infrastructure needs, which will generate the necessary funds required to improve the condition level. In Fiscal 2018, expenditures on street maintenance increased by more than \$1.0 million, in part due to the new 1% sales tax measure. This contributed to an increase in the average Pavement Condition Index (PCI) from 59 to 61, which is above the City's established policy's minimum PCI rating of 60. The Fiscal Year 2019 budget includes \$19.1 million in appropriations for street paving projects, which is designed to ensure a continued improvement in the PCI rating.

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 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
2018	61

Prior to 2012, the City previously used the then industry standard MicroPAVER pavement management software, but in 2012

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2018

transitioned to the StreetSaver pavement management software, which is widely used throughout California. The StreetSaver program has several advantages over MicroPAVER, one being the fact that StreetSaver provides PCI information in real-time. StreetSaver utilizes a street segment’s actual inspection and maintenance history, in conjunction with standard pavement deterioration curves, to provide a real-time PCI. Real-time PCI information, as reported by StreetSaver, is more accurate than PCI information based on a past inspection or maintenance and repair treatment, as reported by MicroPAVER. This real-time PCI information provides the City with the greatest opportunity to effectively manage the PMS and accurately report the current condition of the street network. As a result of this software change coupled with ongoing budgetary constraints, the average citywide PCI dropped significantly between 2010 (PCI 69) and 2012 (63). The PCI had 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 2018, the City’s street network was rated an average PCI index value of 61 (“At Risk”) with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent/Good (PCI 71-100)	22%
At Risk (PCI 51-70)	52%
Poor (PCI 25-50)	20%
Very Poor/Failed (PCI 0-24)	6%

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. Despite the PCI increasing to 64 in 2014, the PCI dropped to 61 in 2016 due to the unfunded backlog of roadwork. The PCI level dropped further to 59 in 2017, but has increased to 61 in 2018 due to increased expenditures for street paving projects funded by increased sales tax.

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 \$4.1 million on street maintenance for the fiscal year ended June 30, 2018. 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 2019-2023 to maintain the City’s streets at an average PCI rating of at least 70 is approximately \$15.1 million. The estimated amount of deferred maintenance once a PCI rating of 70 is reached is \$54.0 million, growing to \$65.1 million after five years. Even with the significant increase in pavement maintenance funding made possible through new sales tax revenues (Measure C), deferred maintenance costs will continue to increase for the next several years while the City improves PCI toward 70. 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>
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
2017-2018	\$8,400,000	\$4,086,518	61

CITY OF SANTA BARBARA
Notes to Required Supplementary Information
JUNE 30, 2018

The City's on-going street preservation program was developed with the goal of improving the condition rating of City streets to a score of 70. The City considers a score of 70 to be an industry standard maintenance level that is the most cost effective condition to maintain. Over the past several years, due to a lack of available funds, the overall condition of the road network has dropped as evidenced by the declining PCI rating 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. In Fiscal Year 2018, funding for street pavement maintenance projects was increased following the approval of an increase of 1% to the sales tax rate. The City is committed to improving this critical infrastructure, spending \$1.0 million more on repairs in Fiscal Year 2018 than Fiscal Year 2017, has budgeted \$19.7 million in Fiscal Year 2019, which is more than what was spent in the last five years combined, and will allocate additional funds as necessary to improve the street conditions.



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.

Police CAD-RMS Support Fund - To account for the Police CAD-RMS.

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.

Measure C Capital Fund - To account for capital projects financed by Measure C sales tax revenue.



CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality	Wildland Fire Suppression	Transportation Development
Assets:				
Pooled cash and investments	\$ 2,590	\$ 1,838,842	\$ 64,638	\$ 254,974
Accounts receivable, net	-	358,112	-	-
Loans receivable	-	-	-	-
Total Assets	<u>\$ 2,590</u>	<u>\$ 2,196,954</u>	<u>\$ 64,638</u>	<u>\$ 254,974</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,590	\$ 117,812	\$ -	\$ -
Salaries and benefits payable	-	56,518	5,357	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances payable	-	-	-	-
Interfund payables	-	-	-	-
Total Liabilities	<u>2,590</u>	<u>174,330</u>	<u>5,357</u>	<u>-</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	59,281	-
Public works	-	2,022,624	-	254,974
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>2,022,624</u>	<u>59,281</u>	<u>254,974</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,590</u>	<u>\$ 2,196,954</u>	<u>\$ 64,638</u>	<u>\$ 254,974</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			
	Community Development Block Grant	Police - Asset Forfeiture Grants	County Library	Measure A
Assets:				
Pooled cash and investments	\$ 429,329	\$ 904,829	\$ 529,746	\$ 133,161
Accounts receivable, net	372,973	198	3,250	299,367
Loans receivable	4,574,620	-	-	-
Total Assets	\$ 5,376,922	\$ 905,027	\$ 532,996	\$ 432,528
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 131,193	\$ 1,324	\$ 20,034	\$ 7,027
Salaries and benefits payable	9,161	69,826	62,903	50,689
Unearned revenues	-	-	-	-
Deposits	-	174,275	68,658	-
Interfund payables	-	-	-	-
Total Liabilities	140,354	245,425	151,595	57,716
Deferred Inflows of Resources:				
Unavailable revenues	4,581,810	-	-	-
Total Deferred Inflows of Resources	4,581,810	-	-	-
Fund Balances:				
Restricted for:				
Public safety	-	659,602	-	-
Public works	-	-	-	374,812
Community services	-	-	381,401	-
Community development	654,758	-	-	-
Capital improvements	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	654,758	659,602	381,401	374,812
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,376,922	\$ 905,027	\$ 532,996	\$ 432,528

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			
	<u>Misc. Grants Fund</u>	<u>Street Sweeping Fund</u>	<u>HOME Program Fund</u>	<u>FEMA Reimbursement Fund</u>
Assets:				
Pooled cash and investments	\$ 572,014	\$ 85,840	\$ -	\$ -
Accounts receivable, net	228,250	-	170,110	757,846
Loans receivable	-	-	9,338,974	-
Total Assets	<u>\$ 800,264</u>	<u>\$ 85,840</u>	<u>\$ 9,509,084</u>	<u>\$ 757,846</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 48,636	\$ 39,940	\$ 76,745	\$ 1,061,524
Salaries and benefits payable	32,934	6,610	1,049	3,190
Unearned revenues	23,415	-	-	-
Interfund payables	-	-	38,357	2,299,781
Total Liabilities	<u>104,985</u>	<u>46,550</u>	<u>116,151</u>	<u>3,364,495</u>
Deferred Inflows of Resources:				
Unavailable revenues	42,664	-	9,339,704	21,584
Total Deferred Inflows of Resources	<u>42,664</u>	<u>-</u>	<u>9,339,704</u>	<u>21,584</u>
Fund Balances:				
Restricted for:				
Public safety	252,645	-	-	51,242
Public works	-	39,290	-	-
Community services	407,922	-	-	-
Community development	25,974	-	53,229	-
Capital improvements	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	<u>(33,926)</u>	<u>-</u>	<u>-</u>	<u>(2,679,475)</u>
Total Fund Balances	<u>652,615</u>	<u>39,290</u>	<u>53,229</u>	<u>(2,628,233)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 800,264</u>	<u>\$ 85,840</u>	<u>\$ 9,509,084</u>	<u>\$ 757,846</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds			Capital Projects Fund
	Police - Supplemental Law Enforcement Fund	Streets Fund	Police CAD-RMS Support Fund	General Capital Improvements
Assets:				
Pooled cash and investments	\$ 8,582	\$ 121,661	\$ -	\$ 7,336,908
Accounts receivable, net	-	824,961	1,920	254,506
Loans receivable	-	-	-	-
Total Assets	<u>\$ 8,582</u>	<u>\$ 946,622</u>	<u>\$ 1,920</u>	<u>\$ 7,591,414</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ 98,163	\$ -	\$ 932,201
Salaries and benefits payable	8,582	186,114	194	-
Unearned revenues	-	-	-	-
Deposits	-	-	-	-
Advances payable	-	-	-	-
Interfund payables	-	-	1,726	-
Total Liabilities	<u>8,582</u>	<u>284,277</u>	<u>1,920</u>	<u>932,201</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	254,506
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,506</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	662,345	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	1,531,229
Committed to:				
Capital improvements	-	-	-	3,714,896
Assigned to:				
Capital improvements	-	-	-	1,158,582
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>662,345</u>	<u>-</u>	<u>6,404,707</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,582</u>	<u>\$ 946,622</u>	<u>\$ 1,920</u>	<u>\$ 7,591,414</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Capital Project Funds			
	Street Grant Capital Fund	Measure A Capital Fund	Street Capital Improvements Fund	Creeks Restoration Capital
Assets:				
Pooled cash and investments	\$ -	\$ 1,178,482	\$ 1,207,914	\$ 10,239,140
Accounts receivable, net	6,004,025	-	15,875	-
Loans receivable	-	-	-	-
Total Assets	<u>\$ 6,004,025</u>	<u>\$ 1,178,482</u>	<u>\$ 1,223,789</u>	<u>\$ 10,239,140</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 2,800,479	\$ 231,920	\$ 112,454	\$ 41,322
Salaries and benefits payable	-	-	-	-
Unearned revenues	345,244	-	-	-
Deposits	-	-	-	-
Advances payable	-	-	-	-
Interfund payables	1,127,598	-	-	-
Total Liabilities	<u>4,273,321</u>	<u>231,920</u>	<u>112,454</u>	<u>41,322</u>
Deferred Inflows of Resources:				
Unavailable revenues	3,563,368	-	-	-
Total Deferred Inflows of Resources	<u>3,563,368</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	313,990	603,174	1,933,486
Committed to:				
Capital improvements	-	632,572	325,358	6,748,253
Assigned to:				
Capital improvements	-	-	182,803	1,516,079
Unassigned	<u>(1,832,664)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(1,832,664)</u>	<u>946,562</u>	<u>1,111,335</u>	<u>10,197,818</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,004,025</u>	<u>\$ 1,178,482</u>	<u>\$ 1,223,789</u>	<u>\$ 10,239,140</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Capital Project Funds	
	Measure C Capital Fund	Total Non-Major Governmental Funds
Assets:		
Pooled cash and investments	\$ 5,248,760	\$ 30,157,410
Accounts receivable, net	-	9,291,393
Loans receivable	-	13,913,594
Total Assets	\$ 5,248,760	\$ 53,362,397
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 477,934	\$ 6,201,298
Salaries and benefits payable	-	493,127
Unearned revenues	-	368,659
Deposits	-	242,933
Interfund payables	-	3,467,462
Total Liabilities	477,934	10,773,479
Deferred Inflows of Resources:		
Unavailable revenues	-	17,803,636
Total Deferred Inflows of Resources	-	17,803,636
Fund Balances:		
Restricted for:		
Public safety	-	1,022,770
Public works	-	3,354,045
Community services	-	789,323
Community development	-	733,961
Capital improvements	4,292,852	8,674,731
Committed to:		
Capital improvements	477,974	11,899,053
Assigned to:		
Capital improvements	-	2,857,464
Unassigned	-	(4,546,065)
Total Fund Balances	4,770,826	24,785,282
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,248,760	\$ 53,362,397

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Traffic Safety Fund	Creek Restoration/Water Quality Improvements	Wildland Fire Suppression	Transportation Development
Revenues:				
Taxes	\$ -	\$ 3,775,244	\$ -	\$ 73,746
Intergovernmental	-	-	-	-
Charges for services	-	505	-	-
Use of money and property	-	68,890	-	1,533
Fines and forfeitures	262,282	6,069	-	-
Program income	-	-	-	-
Other revenues	-	7,547	259,035	-
Total Revenues	<u>262,282</u>	<u>3,858,255</u>	<u>259,035</u>	<u>75,279</u>
Expenditures:				
Current:				
Finance	-	-	-	-
Public safety	17,955	-	250,309	-
Public works	-	2,154,705	-	11,111
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>17,955</u>	<u>2,154,705</u>	<u>250,309</u>	<u>11,111</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>244,327</u>	<u>1,703,550</u>	<u>8,726</u>	<u>64,168</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(244,327)	(2,025,000)	-	(27,000)
Total Other Financing Sources (Uses)	<u>(244,327)</u>	<u>(2,025,000)</u>	<u>-</u>	<u>(27,000)</u>
Net Change in Fund Balances	<u>-</u>	<u>(321,450)</u>	<u>8,726</u>	<u>37,168</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>2,344,074</u>	<u>50,555</u>	<u>217,806</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 2,022,624</u>	<u>\$ 59,281</u>	<u>\$ 254,974</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Community Development Block Grant	Police - Asset Forfeiture Grants	County Library	Measure A
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 3,880,404
Intergovernmental	880,310	49,826	2,103,620	-
Charges for services	-	88,664	-	184,521
Use of money and property	-	6,138	18,755	10,970
Fines and forfeitures	-	-	47,347	-
Program income	320,452	-	-	-
Other revenues	-	82,289	197,858	-
Total Revenues	1,200,762	226,917	2,367,580	4,075,895
Expenditures:				
Current:				
Finance	-	-	-	-
Public safety	-	204,363	-	-
Public works	-	-	-	1,537,522
Community services	-	-	2,623,104	-
Community development	1,071,055	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	1,071,055	204,363	2,623,104	1,537,522
Excess (Deficiency) of Revenues Over (Under) Expenditures	129,707	22,554	(255,524)	2,538,373
Other Financing Sources (Uses):				
Transfers in	-	-	-	6,995
Transfers out	-	-	-	(3,128,704)
Total Other Financing Sources (Uses)	-	-	-	(3,121,709)
Net Change in Fund Balances	129,707	22,554	(255,524)	(583,336)
Fund Balances, Beginning of Year	525,051	637,048	636,925	958,148
Fund Balances, End of Year	\$ 654,758	\$ 659,602	\$ 381,401	\$ 374,812

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			
	Misc. Grants Fund	Street Sweeping Fund	HOME Program Fund	FEMA Reimbursement Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	766,901	-	338,449	1,163,634
Charges for services	9,450	-	-	-
Use of money and property	-	-	-	-
Fines and forfeitures	-	612,555	-	-
Program income	-	-	53,228	-
Other revenues	318,929	-	-	-
Total Revenues	1,095,280	612,555	391,677	1,163,634
Expenditures:				
Current:				
City attorney	-	-	-	132
City administration	-	-	-	3,491
Administrative services	-	-	-	13,138
Finance	-	-	-	76,057
Public safety	443,357	-	-	2,369,896
Public works	-	579,252	-	911,809
Community services	643,930	-	-	74,357
Community development	70,176	-	338,448	16,826
Capital outlay	-	-	-	-
Total Expenditures	1,157,463	579,252	338,448	3,465,706
Excess (Deficiency) of Revenues Over (Under) Expenditures	(62,183)	33,303	53,229	(2,302,072)
Other Financing Sources (Uses):				
Transfers in	44,184	250,000	-	-
Transfers out	(12,815)	(387,032)	-	-
Total Other Financing Sources (Uses)	31,369	(137,032)	-	-
Net Change in Fund Balances	(30,814)	(103,729)	53,229	(2,302,072)
Fund Balances, Beginning of Year	683,429	143,019	-	(326,161)
Fund Balances, End of Year	\$ 652,615	\$ 39,290	\$ 53,229	\$ (2,628,233)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Capital Project Funds
	Police - Supplemental Law Enforcement Fund	Streets Fund	Police CAD-RMS Support Fund	General Capital Improvements
Revenues:				
Taxes	\$ -	\$ 7,074,609	\$ -	\$ -
Intergovernmental	201,956	2,715,994	1,920	-
Charges for services	-	195,477	-	-
Use of money and property	303	37,670	-	-
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	-	420,976	-	75,499
Total Revenues	202,259	10,444,726	1,920	75,499
Expenditures:				
Current:				
Public safety	202,259	-	1,920	-
Public works	-	8,473,878	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	3,378,006
Total Expenditures	202,259	8,473,878	1,920	3,378,006
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,970,848	-	(3,302,507)
Other Financing Sources (Uses):				
Transfers in	-	-	-	3,140,339
Transfers out	-	(2,477,589)	-	-
Total Other Financing Sources (Uses)	-	(2,477,589)	-	3,140,339
Net Change in Fund Balances	-	(506,741)	-	(162,168)
Fund Balances, Beginning of Year	-	1,169,086	-	6,566,875
Fund Balances, End of Year	\$ -	\$ 662,345	\$ -	\$ 6,404,707

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Capital Project Funds			
	Street Grant Capital Fund	Measure A Capital Fund	Street Capital Improvements Fund	Creeks Restoration Capital Improvement Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,305,417	-	-	-
Charges for services	-	-	5,548	-
Fines and forfeitures	-	-	-	-
Program income	-	-	-	-
Other revenues	-	-	36,438	-
Total Revenues	6,305,417	-	41,986	-
Expenditures:				
Current:				
Administrative services	-	-	-	-
Finance	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	10,145,614	3,569,657	898,073	355,278
Total Expenditures	10,145,614	3,569,657	898,073	355,278
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,840,197)	(3,569,657)	(856,087)	(355,278)
Other Financing Sources (Uses):				
Transfers in	2,630,844	2,776,080	1,029,028	1,925,000
Transfers out	-	(6,995)	(1,028,484)	-
Total Other Financing Sources (Uses)	2,630,844	2,769,085	544	1,925,000
Net Change in Fund Balances	(1,209,353)	(800,572)	(855,543)	1,569,722
Fund Balances, Beginning of Year	(623,311)	1,747,134	1,966,878	8,628,096
Fund Balances, End of Year	\$ (1,832,664)	\$ 946,562	\$ 1,111,335	\$ 10,197,818

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Capital Project Funds	
	Measure C Capital Fund	Total Non-Major Governmental Funds
Revenues:		
Taxes	\$ -	\$ 14,804,003
Intergovernmental	-	14,528,027
Charges for services	-	484,165
Use of money and property	-	144,259
Fines and forfeitures	-	928,253
Program income	-	373,680
Other revenues	-	1,398,571
Total Revenues	-	32,660,958
Expenditures:		
Current:		
City attorney	-	132
City administration	-	3,491
Administrative services	-	13,138
Finance	-	76,057
Public safety	-	3,490,059
Public works	-	13,668,277
Community services	-	3,341,391
Community development	-	1,496,505
Capital outlay	729,174	19,075,802
Total Expenditures	729,174	41,164,852
Excess (Deficiency) of Revenues Over (Under) Expenditures	(729,174)	(8,503,894)
Other Financing Sources (Uses):		
Transfers in	5,500,000	17,302,470
Transfers out	-	(9,337,946)
Total Other Financing Sources (Uses)	5,500,000	7,964,524
Net Change in Fund Balances	4,770,826	(539,370)
Fund Balances, Beginning of Year	-	25,324,652
Fund Balances, End of Year	\$ 4,770,826	\$ 24,785,282

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
TRAFFIC SAFETY
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 525,000	\$ 525,000	\$ 262,282	\$ (262,718)
Total Revenues	<u>525,000</u>	<u>525,000</u>	<u>262,282</u>	<u>(262,718)</u>
Expenditures:				
Current:				
Public safety	35,000	35,000	17,955	17,045
Total Expenditures	<u>35,000</u>	<u>35,000</u>	<u>17,955</u>	<u>17,045</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>490,000</u>	<u>490,000</u>	<u>244,327</u>	<u>(245,673)</u>
Other Financing Sources (Uses):				
Transfers out	(490,000)	(490,000)	(244,327)	245,673
Total Other Financing Sources (Uses)	<u>(490,000)</u>	<u>(490,000)</u>	<u>(244,327)</u>	<u>245,673</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
CREEK RESTORATION/WATER QUALITY IMPROVEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,852,500	\$ 3,852,500	\$ 3,775,244	\$ (77,256)
Charges for services	-	-	505	505
Use of money and property	137,000	137,000	68,890	(68,110)
Fines and forfeitures	-	-	6,069	6,069
Other revenues	13,072	13,072	7,547	(5,525)
Total Revenues	<u>4,002,572</u>	<u>4,002,572</u>	<u>3,858,255</u>	<u>(144,317)</u>
Expenditures:				
Current:				
Public works	2,586,275	2,712,088	2,154,705	557,383
Total Expenditures	<u>2,586,275</u>	<u>2,712,088</u>	<u>2,154,705</u>	<u>557,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,416,297</u>	<u>1,290,484</u>	<u>1,703,550</u>	<u>413,066</u>
Other Financing Sources (Uses):				
Transfers out	(2,025,000)	(2,025,000)	(2,025,000)	-
Total Other Financing Sources (Uses)	<u>(2,025,000)</u>	<u>(2,025,000)</u>	<u>(2,025,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(608,703)</u>	<u>(734,516)</u>	<u>(321,450)</u>	<u>413,066</u>
Fund Balances, Beginning of Year	<u>2,344,074</u>	<u>2,344,074</u>	<u>2,344,074</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,735,371</u>	<u>\$ 1,609,558</u>	<u>\$ 2,022,624</u>	<u>\$ 413,066</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
WILDLAND FIRE SUPPRESSION
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ 256,600	\$ 274,100	\$ 259,035	\$ (15,065)
Total Revenues	<u>256,600</u>	<u>274,100</u>	<u>259,035</u>	<u>(15,065)</u>
Expenditures:				
Current:				
Public safety	256,600	300,668	250,309	50,359
Total Expenditures	<u>256,600</u>	<u>300,668</u>	<u>250,309</u>	<u>50,359</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(26,568)</u>	<u>8,726</u>	<u>35,294</u>
Net Change in Fund Balances	<u>-</u>	<u>(26,568)</u>	<u>8,726</u>	<u>35,294</u>
Fund Balances, Beginning of Year	<u>50,555</u>	<u>50,555</u>	<u>50,555</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 50,555</u>	<u>\$ 23,987</u>	<u>\$ 59,281</u>	<u>\$ 35,294</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION DEVELOPMENT
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 74,775	\$ 74,775	\$ 73,746	\$ (1,029)
Use of money and property	3,900	3,900	1,533	(2,367)
Total Revenues	<u>78,675</u>	<u>78,675</u>	<u>75,279</u>	<u>(3,396)</u>
Expenditures:				
Current:				
Public works	78,675	223,450	11,111	212,339
Total Expenditures	<u>78,675</u>	<u>223,450</u>	<u>11,111</u>	<u>212,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(144,775)</u>	<u>64,168</u>	<u>208,943</u>
Other Financing Sources (Uses):				
Transfers out	-	(27,000)	(27,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(27,000)</u>	<u>(27,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(171,775)</u>	<u>37,168</u>	<u>208,943</u>
Fund Balances, Beginning of Year	<u>217,806</u>	<u>217,806</u>	<u>217,806</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 217,806</u>	<u>\$ 46,031</u>	<u>\$ 254,974</u>	<u>\$ 208,943</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT BLOCK GRANT
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 834,376	\$ 1,500,777	\$ 880,310	\$ (620,467)
Program income	400,000	400,000	320,452	(79,548)
Total Revenues	<u>1,234,376</u>	<u>1,900,777</u>	<u>1,200,762</u>	<u>(700,015)</u>
Expenditures:				
Current:				
Community development	1,234,376	2,346,285	1,071,055	1,275,230
Total Expenditures	<u>1,234,376</u>	<u>2,346,285</u>	<u>1,071,055</u>	<u>1,275,230</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(445,508)</u>	<u>129,707</u>	<u>575,215</u>
Net Change in Fund Balances	<u>-</u>	<u>(445,508)</u>	<u>129,707</u>	<u>575,215</u>
Fund Balances, Beginning of Year	<u>525,051</u>	<u>525,051</u>	<u>525,051</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 525,051</u>	<u>\$ 79,543</u>	<u>\$ 654,758</u>	<u>\$ 575,215</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
POLICE-ASSET FORFEITURE GRANTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 48,000	\$ 48,000	\$ 49,826	\$ 1,826
Charges for services	85,000	85,000	88,664	3,664
Use of money and property	-	-	6,138	6,138
Other revenues	-	-	82,289	82,289
Total Revenues	<u>133,000</u>	<u>133,000</u>	<u>226,917</u>	<u>93,917</u>
Expenditures:				
Current:				
Public safety	<u>203,578</u>	<u>371,982</u>	<u>204,363</u>	<u>167,619</u>
Total Expenditures	<u>203,578</u>	<u>371,982</u>	<u>204,363</u>	<u>167,619</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(70,578)</u>	<u>(238,982)</u>	<u>22,554</u>	<u>261,536</u>
Net Change in Fund Balances	<u>(70,578)</u>	<u>(238,982)</u>	<u>22,554</u>	<u>261,536</u>
Fund Balances, Beginning of Year	<u>637,048</u>	<u>637,048</u>	<u>637,048</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 566,470</u>	<u>\$ 398,066</u>	<u>\$ 659,602</u>	<u>\$ 261,536</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 COUNTY LIBRARY
 YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 2,145,924	\$ 2,235,924	\$ 2,103,620	\$ (132,304)
Use of money and property	29,600	29,600	18,755	(10,845)
Fines and forfeitures	58,400	58,400	47,347	(11,053)
Other revenues	247,761	254,761	197,858	(56,903)
Total Revenues	<u>2,481,685</u>	<u>2,578,685</u>	<u>2,367,580</u>	<u>(211,105)</u>
Expenditures:				
Current:				
Community services	2,829,565	2,845,628	2,623,104	222,524
Total Expenditures	<u>2,829,565</u>	<u>2,845,628</u>	<u>2,623,104</u>	<u>222,524</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(347,880)</u>	<u>(266,943)</u>	<u>(255,524)</u>	<u>11,419</u>
Net Change in Fund Balances	<u>(347,880)</u>	<u>(266,943)</u>	<u>(255,524)</u>	<u>11,419</u>
Fund Balances, Beginning of Year	<u>636,925</u>	<u>636,925</u>	<u>636,925</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 289,045</u>	<u>\$ 369,982</u>	<u>\$ 381,401</u>	<u>\$ 11,419</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
MEASURE A
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,631,372	\$ 3,631,372	\$ 3,880,404	\$ 249,032
Charges for services	250,000	250,000	184,521	(65,479)
Use of money and property	36,100	36,100	10,970	(25,130)
Total Revenues	<u>3,917,472</u>	<u>3,917,472</u>	<u>4,075,895</u>	<u>158,423</u>
Expenditures:				
Current:				
Public works	1,688,004	1,699,123	1,537,522	161,601
Total Expenditures	<u>1,688,004</u>	<u>1,699,123</u>	<u>1,537,522</u>	<u>161,601</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,229,468</u>	<u>2,218,349</u>	<u>2,538,373</u>	<u>320,024</u>
Other Financing Sources (Uses):				
Transfers in	-	6,995	6,995	-
Transfers out	(2,776,080)	(3,128,704)	(3,128,704)	-
Total Other Financing Sources (Uses)	<u>(2,776,080)</u>	<u>(3,121,709)</u>	<u>(3,121,709)</u>	<u>-</u>
Net Change in Fund Balances	<u>(546,612)</u>	<u>(903,360)</u>	<u>(583,336)</u>	<u>320,024</u>
Fund Balances, Beginning of Year	<u>958,148</u>	<u>958,148</u>	<u>958,148</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 411,536</u>	<u>\$ 54,788</u>	<u>\$ 374,812</u>	<u>\$ 320,024</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
MISC. GRANTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 295,386	\$ 1,311,959	\$ 766,901	\$ (545,058)
Charges for services	20,000	20,000	9,450	(10,550)
Other revenues	200,657	451,049	318,929	(132,120)
Total Revenues	<u>516,043</u>	<u>1,783,008</u>	<u>1,095,280</u>	<u>(687,728)</u>
Expenditures:				
Current:				
Public safety	20,000	800,662	443,357	357,305
Community services	533,767	1,277,079	643,930	633,149
Community development	-	285,892	70,176	215,716
Total Expenditures	<u>553,767</u>	<u>2,363,633</u>	<u>1,157,463</u>	<u>1,206,170</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(37,724)</u>	<u>(580,625)</u>	<u>(62,183)</u>	<u>518,442</u>
Other Financing Sources (Uses):				
Transfers in	37,724	44,184	44,184	-
Transfers out	-	(12,815)	(12,815)	-
Total Other Financing Sources (Uses)	<u>37,724</u>	<u>31,369</u>	<u>31,369</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(549,256)</u>	<u>(30,814)</u>	<u>518,442</u>
Fund Balances, Beginning of Year	<u>683,429</u>	<u>683,429</u>	<u>683,429</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 683,429</u>	<u>\$ 134,173</u>	<u>\$ 652,615</u>	<u>\$ 518,442</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
STREET SWEEPING
YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 660,000	\$ 660,000	\$ 612,555	\$ (47,445)
Total Revenues	<u>660,000</u>	<u>660,000</u>	<u>612,555</u>	<u>(47,445)</u>
Expenditures:				
Current:				
Public works	584,903	584,903	579,252	5,651
Total Expenditures	<u>584,903</u>	<u>584,903</u>	<u>579,252</u>	<u>5,651</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>75,097</u>	<u>75,097</u>	<u>33,303</u>	<u>(41,794)</u>
Other Financing Sources (Uses):				
Transfers in	250,000	250,000	250,000	-
Transfers out	<u>(387,032)</u>	<u>(387,032)</u>	<u>(387,032)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(137,032)</u>	<u>(137,032)</u>	<u>(137,032)</u>	<u>-</u>
Net Change in Fund Balances	<u>(61,935)</u>	<u>(61,935)</u>	<u>(103,729)</u>	<u>(41,794)</u>
Fund Balances, Beginning of Year	<u>143,019</u>	<u>143,019</u>	<u>143,019</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 81,084</u>	<u>\$ 81,084</u>	<u>\$ 39,290</u>	<u>\$ (41,794)</u>

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
 HOME PROGRAM
 YEAR ENDED JUNE 30, 2018

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 361,831	\$ 1,220,770	\$ 338,449	\$ (882,321)
Program income	10,000	10,000	53,228	43,228
Total Revenues	<u>371,831</u>	<u>1,230,770</u>	<u>391,677</u>	<u>(839,093)</u>
Expenditures:				
Current:				
Community development	371,831	1,146,999	338,448	808,551
Total Expenditures	<u>371,831</u>	<u>1,146,999</u>	<u>338,448</u>	<u>808,551</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>83,771</u>	<u>53,229</u>	<u>(30,542)</u>
Net Change in Fund Balances	<u>-</u>	<u>83,771</u>	<u>53,229</u>	<u>(30,542)</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ 83,771</u>	<u>\$ 53,229</u>	<u>\$ (30,542)</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
POLICE-SUPPLEMENTAL LAW ENFORCEMENT
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 150,000	\$ 206,569	\$ 201,956	\$ (4,613)
Use of money and property	-	-	303	303
Total Revenues	<u>150,000</u>	<u>206,569</u>	<u>202,259</u>	<u>(4,310)</u>
Expenditures:				
Current:				
Public safety	150,000	206,569	202,259	4,310
Total Expenditures	<u>150,000</u>	<u>206,569</u>	<u>202,259</u>	<u>4,310</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
STREETS FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,035,600	\$ 7,035,600	\$ 7,074,609	\$ 39,009
Intergovernmental	2,603,445	2,603,445	2,715,994	112,549
Charges for services	192,187	192,187	195,477	3,290
Use of money and property	36,968	36,968	37,670	702
Other revenues	303,457	303,457	420,976	117,519
Total Revenues	<u>10,171,657</u>	<u>10,171,657</u>	<u>10,444,726</u>	<u>273,069</u>
Expenditures:				
Current:				
Public works	9,150,406	9,138,958	8,473,878	665,080
Total Expenditures	<u>9,150,406</u>	<u>9,138,958</u>	<u>8,473,878</u>	<u>665,080</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,021,251</u>	<u>1,032,699</u>	<u>1,970,848</u>	<u>938,149</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,194,853)</u>	<u>(2,477,589)</u>	<u>(2,477,589)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,194,853)</u>	<u>(2,477,589)</u>	<u>(2,477,589)</u>	<u>-</u>
Net Change in Fund Balances	<u>(173,602)</u>	<u>(1,444,890)</u>	<u>(506,741)</u>	<u>938,149</u>
Fund Balances, Beginning of Year	<u>1,169,086</u>	<u>1,169,086</u>	<u>1,169,086</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 995,484</u>	<u>\$ (275,804)</u>	<u>\$ 662,345</u>	<u>\$ 938,149</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
POLICE CAD-RMS SUPPORT FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues:				
Intergovernmental	-	180,000	1,920	(178,080)
Total Revenues	-	180,000	1,920	(178,080)
Expenditures:				
Current:				
Public safety	-	180,000	1,920	178,080
Total Expenditures	-	180,000	1,920	178,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	-	-	-	-

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
GENERAL CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenues	\$ -	\$ 360,736	\$ 75,499	\$ (285,237)
Total Revenues	<u>-</u>	<u>360,736</u>	<u>75,499</u>	<u>(285,237)</u>
Expenditures:				
Capital outlay	2,124,000	8,987,184	3,378,006	5,609,178
Total Expenditures	<u>2,124,000</u>	<u>8,987,184</u>	<u>3,378,006</u>	<u>5,609,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,124,000)</u>	<u>(8,626,448)</u>	<u>(3,302,507)</u>	<u>5,323,941</u>
Other Financing Sources (Uses):				
Transfers in	1,520,291	3,114,846	3,140,339	25,493
Total Other Financing Sources (Uses)	<u>1,520,291</u>	<u>3,114,846</u>	<u>3,140,339</u>	<u>25,493</u>
Net Change in Fund Balances	<u>(603,709)</u>	<u>(5,511,602)</u>	<u>(162,168)</u>	<u>5,349,434</u>
Fund Balances, Beginning of Year	<u>6,566,875</u>	<u>6,566,875</u>	<u>6,566,875</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 5,963,166</u>	<u>\$ 1,055,273</u>	<u>\$ 6,404,707</u>	<u>\$ 5,349,434</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
STREET CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ -	\$ -	\$ 5,548	\$ 5,548
Other revenues	-	-	36,438	36,438
Total Revenues	<u>-</u>	<u>-</u>	<u>41,986</u>	<u>41,986</u>
Expenditures:				
Capital outlay	1,069,028	1,908,356	898,073	1,010,283
Total Expenditures	<u>1,069,028</u>	<u>1,908,356</u>	<u>898,073</u>	<u>1,010,283</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,069,028)</u>	<u>(1,908,356)</u>	<u>(856,087)</u>	<u>1,052,269</u>
Other Financing Sources (Uses):				
Transfers in	969,028	1,029,028	1,029,028	-
Transfers out	-	(1,028,484)	(1,028,484)	-
Total Other Financing Sources (Uses)	<u>969,028</u>	<u>544</u>	<u>544</u>	<u>-</u>
Net Change in Fund Balances	<u>(100,000)</u>	<u>(1,907,812)</u>	<u>(855,543)</u>	<u>1,052,269</u>
Fund Balances, Beginning of Year	<u>1,966,878</u>	<u>1,966,878</u>	<u>1,966,878</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,866,878</u>	<u>\$ 59,066</u>	<u>\$ 1,111,335</u>	<u>\$ 1,052,269</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
CREEKS RESTORATION CAPITAL IMPROVEMENTS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 2,100,000	\$ -	\$ (2,100,000)
Total Revenues	<u>-</u>	<u>2,100,000</u>	<u>-</u>	<u>(2,100,000)</u>
Expenditures:				
Capital outlay	1,925,000	11,137,288	355,278	10,782,010
Total Expenditures	<u>1,925,000</u>	<u>11,137,288</u>	<u>355,278</u>	<u>10,782,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,925,000)</u>	<u>(9,037,288)</u>	<u>(355,278)</u>	<u>8,682,010</u>
Other Financing Sources (Uses):				
Transfers in	1,925,000	1,925,000	1,925,000	-
Total Other Financing Sources (Uses)	<u>1,925,000</u>	<u>1,925,000</u>	<u>1,925,000</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(7,112,288)</u>	<u>1,569,722</u>	<u>8,682,010</u>
Fund Balances, Beginning of Year	<u>8,628,096</u>	<u>8,628,096</u>	<u>8,628,096</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 8,628,096</u>	<u>\$ 1,515,808</u>	<u>\$ 10,197,818</u>	<u>\$ 8,682,010</u>

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
MEASURE A CAPITAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive Negative</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Capital outlay	<u>2,776,128</u>	<u>4,516,219</u>	<u>3,569,657</u>	<u>946,562</u>
Total Expenditures	<u>2,776,128</u>	<u>4,516,219</u>	<u>3,569,657</u>	<u>946,562</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,776,128)</u>	<u>(4,516,219)</u>	<u>(3,569,657)</u>	<u>(946,562)</u>
Other Financing Sources (Uses):				
Transfers in	<u>2,776,080</u>	<u>2,776,080</u>	<u>2,776,080</u>	<u>-</u>
Transfers out	<u>-</u>	<u>(6,995)</u>	<u>(6,995)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,776,080</u>	<u>2,769,085</u>	<u>2,769,085</u>	<u>-</u>
Net Change in Fund Balances	<u>(48)</u>	<u>(1,747,134)</u>	<u>(800,572)</u>	<u>(946,562)</u>
Fund Balances, Beginning of Year	<u>1,747,134</u>	<u>1,747,134</u>	<u>1,747,134</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,747,086</u>	<u>\$ -</u>	<u>\$ 946,562</u>	<u>\$ 8,682,010</u>

CITY OF SANTA BARBARA

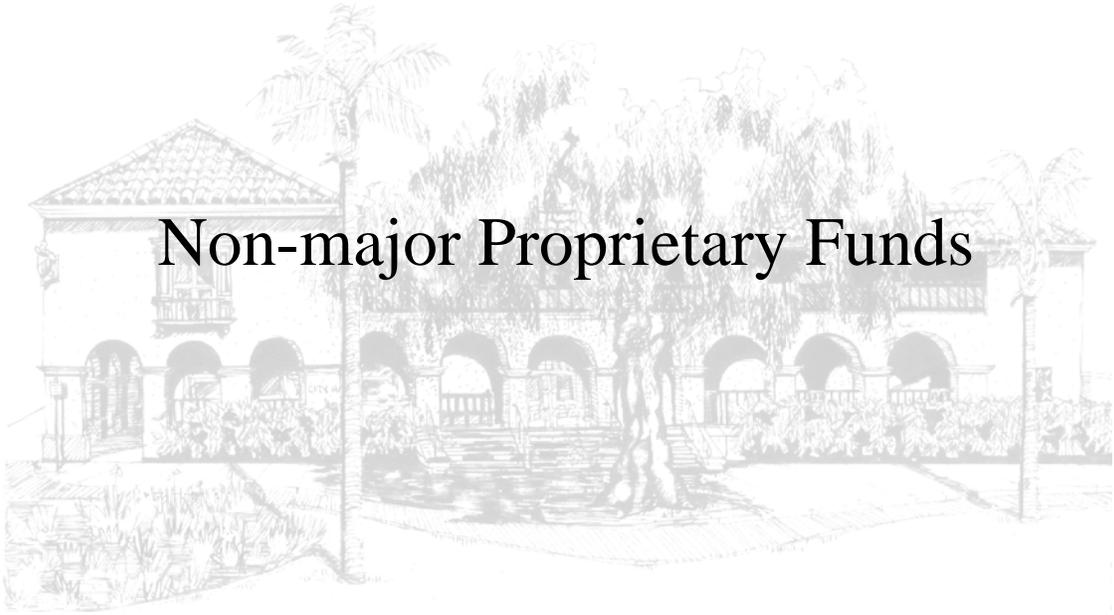
**BUDGETARY COMPARISON SCHEDULE
STREET GRANT CAPITAL IMPROVEMENT
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ -	\$ 27,837,903	\$ 6,305,417	\$ (21,532,486)
Total Revenues	-	27,837,903	6,305,417	(21,532,486)
Expenditures:				
Capital outlay	-	30,089,565	10,145,614	19,943,951
Total Expenditures	-	30,089,565	10,145,614	19,943,951
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(2,251,662)	(3,840,197)	(1,588,535)
Other Financing Sources (Uses):				
Transfers in	-	2,630,844	2,630,844	-
Total Other Financing Sources (Uses)	-	2,630,844	2,630,844	-
Net Change in Fund Balances	-	379,182	(1,209,353)	(1,588,535)
Fund Balances, Beginning of Year	(623,311)	(623,311)	(623,311)	-
Fund Balances, End of Year	\$ (623,311)	\$ (244,129)	\$ (1,832,664)	\$ (1,588,535)

CITY OF SANTA BARBARA

**BUDGETARY COMPARISON SCHEDULE
MEASURE C CAPITAL FUND
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Capital outlay	-	5,500,000	729,174	4,770,826
Total Expenditures	-	5,500,000	729,174	4,770,826
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(5,500,000)	(729,174)	4,770,826
Other Financing Sources (Uses):				
Transfers in	-	5,500,000	5,500,000	-
Total Other Financing Sources (Uses)	-	5,500,000	5,500,000	-
Net Change in Fund Balances	-	-	4,770,826	4,770,826
Fund Balances, Beginning of Year	-	-	-	-
Fund Balances, End of Year	\$ -	\$ -	\$ 4,770,826	\$ 4,770,826



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, 2018**

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
ASSETS			
Current Assets:			
Pooled cash and investments	\$ 9,598,354	\$ 595,282	\$ 10,193,636
Prepaid assets	-	9,038	9,038
Deposits	-	162,000	162,000
Inventories	-	83,580	83,580
Total Current Assets	9,598,354	849,900	10,448,254
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	25,033,032	4,470,424	29,503,456
Equipment	3,208,908	1,298,097	4,507,005
Other infrastructure	340,131	-	340,131
Construction in progress	262,757	23,791	286,548
Less: accumulated depreciation	(32,299,937)	(4,897,037)	(37,196,974)
Total capital assets, net	<u>37,847,247</u>	<u>2,663,703</u>	<u>40,510,950</u>
Total Noncurrent Assets	37,847,247	2,663,703	40,510,950
Total Assets	47,445,601	3,513,603	50,959,204
Deferred Outflows of Resources:			
Deferred pension-related items	1,181,754	382,617	1,564,371
Total Deferred Outflows of Resources	1,181,754	382,617	1,564,371
LIABILITIES			
Current:			
Accounts payable	271,269	188,956	460,225
Salaries and benefits payable	225,907	3,258	229,165
Unearned revenues	-	115,864	115,864
Deposits	67,867	-	67,867
Compensated absences payable	131,881	-	131,881
Total Current Liabilities	696,924	308,078	1,005,002
Noncurrent:			
Advances from other funds	-	610,929	610,929
Net pension-liability	5,116,723	1,810,037	6,926,760
Compensated absences payable	14,653	-	14,653
Total Noncurrent Liabilities	5,131,376	2,420,966	7,552,342
Total Liabilities	5,828,300	2,729,044	8,557,344
Deferred Inflows of Resources:			
Deferred pension-related items	150,812	229,938	380,750
Total Deferred Inflows of Resources	150,812	229,938	380,750
Net Position:			
Net investment in capital assets	37,847,247	2,663,703	40,510,950
Unrestricted	4,800,996	(1,726,465)	3,074,531
Total Net Position	\$ 42,648,243	\$ 937,238	\$ 43,585,481

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
Operating Revenues:			
Service charges	\$ 8,147,027	\$ 2,453,585	\$ 10,600,612
Leases and rents	127,760	153,855	281,615
Other revenues	88,201	72,561	160,762
Total Operating Revenues	8,362,988	2,680,001	11,042,989
Operating Expenses:			
Salaries, wages and benefits	4,600,987	76,328	4,677,315
Materials, supplies and services	4,452,945	2,306,983	6,759,928
Depreciation expense	1,021,313	227,461	1,248,774
Total Operating Expenses	10,075,245	2,610,772	12,686,017
Operating Income (Loss)	(1,712,257)	69,229	(1,643,028)
Nonoperating Revenues (Expenses):			
Interest revenue	57,226	3,687	60,913
Interest expense	-	(24,028)	(24,028)
Total Nonoperating Revenues (Expenses)	57,226	(20,341)	36,885
Income (Loss) Before Transfers	(1,655,031)	48,888	(1,606,143)
Transfers in	521,451	-	521,451
Transfers out	-	(9,474)	(9,474)
Changes in Net Position	(1,133,580)	39,414	(1,094,166)
Net Position:			
Beginning of Year	43,781,823	897,824	44,679,647
End of Fiscal Year	\$ 42,648,243	\$ 937,238	\$ 43,585,481

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds		
	Downtown Parking	Golf Course	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 8,275,697	\$ 2,631,460	\$ 10,907,157
Cash paid to suppliers for goods and services	(4,377,294)	(2,441,403)	(6,818,697)
Cash paid to employees for services	(4,348,760)	(70,896)	(4,419,656)
Cash received from (payments to) others	88,201	72,561	160,762
Net Cash Provided (Used) by Operating Activities	(362,156)	191,722	(170,434)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	521,451	-	521,451
Cash transfers out	-	(9,474)	(9,474)
Advance from (to) other funds	-	(190,017)	(190,017)
Net Cash Provided (Used) by Non-Capital Financing Activities	521,451	(199,491)	321,960
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets	(1,274,823)	(7,190)	(1,282,013)
Interest paid	-	(24,028)	(24,028)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,274,823)	(31,218)	(1,306,041)
Cash Flows from Investing Activities:			
Interest received	57,226	3,687	60,913
Net Cash Provided (Used) by Investing Activities	57,226	3,687	60,913
Net Increase (Decrease) in Cash and Cash Equivalents	(1,058,302)	(35,300)	(1,093,602)
Cash and Cash Equivalents at Beginning of Year	10,656,656	630,582	11,287,238
Cash and Cash Equivalents at End of Year	\$ 9,598,354	\$ 595,282	\$ 10,193,636
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,712,257)	\$ 69,229	\$ (1,643,028)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	1,021,313	227,461	1,248,774
(Increase) decrease in receivables and deposits	910	3,409	4,319
(Increase) decrease in inventory	-	(16,686)	(16,686)
Increase (decrease) in accrued liabilities	(27,885)	111	(27,774)
(Increase) decrease in prepaid expenses	-	2,767	2,767
Increase (decrease) in accounts payable	70,014	(120,501)	(50,487)
Increase (decrease) in pensions	276,512	5,321	281,833
Increase (decrease) in deposits payable	5,637	-	5,637
Increase (decrease) in unearned revenue	-	20,611	20,611
Increase (decrease) in compensated absences	3,600	-	3,600
Total Adjustments	1,350,101	122,493	1,472,594
Net Cash Provided (Used) by Operating Activities	(362,156)	191,722	(170,434)
Non-Cash Investing, Capital, and Financing Activities:			
Change in Fair Value of Investments	\$ (91,096)	\$ (5,703)	\$ (96,799)



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, 2018**

	Governmental Activities - Internal Service Funds				
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	Totals
ASSETS					
Current Assets:					
Pooled cash and investments	\$ 2,036,902	\$ 8,134,102	\$ 3,504,844	\$ 15,238,269	\$ 28,914,117
Accounts receivable, net	60,917	111,848	-	58,733	231,498
Prepaid assets	-	1,868,972	-	-	1,868,972
Inventories	751,364	-	-	135,661	887,025
Total Current Assets	2,849,183	10,114,922	3,504,844	15,432,663	31,901,612
Noncurrent:					
Capital assets:					
Buildings	105,889	-	-	-	105,889
Building improvements	3,871,610	-	-	684,789	4,556,399
Improvements other than building	3,110,423	-	-	135,159	3,245,582
Equipment	392,230	-	2,113,404	23,792,655	26,298,289
Construction in progress	-	42,119	976,257	536,520	1,554,896
Less: accumulated depreciation	(1,205,340)	-	(805,662)	(16,658,619)	(18,669,621)
Total capital assets, net	6,274,812	42,119	2,283,999	8,490,504	17,091,434
Total Noncurrent Assets	6,274,812	42,119	2,283,999	8,490,504	17,091,434
Total Assets	9,123,995	10,157,041	5,788,843	23,923,167	48,993,046
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension-related items	1,810,823	267,895	936,326	707,130	3,722,174
Deferred OPEB-related items	-	1,547,000	-	-	1,547,000
Total Deferred Outflows of Resources	1,810,823	1,814,895	936,326	707,130	5,269,174
Resources					
LIABILITIES					
Current:					
Accounts payable	396,396	292,769	54,977	262,628	1,006,770
Salaries and benefits payable	181,518	89,451	100,622	71,751	443,342
Compensated absences payable	200,090	37,811	97,971	51,074	386,946
Current portion claims payable	-	4,907,195	-	-	4,907,195
Total Current Liabilities	778,004	5,327,226	253,570	385,453	6,744,253
Noncurrent:					
Advances from other funds	120,700	-	-	-	120,700
Net pension liability	7,407,369	1,098,282	3,813,287	2,888,678	15,207,616
Net OPEB liability	-	26,142,000	-	-	26,142,000
Compensated absences payable	22,232	4,201	10,886	5,675	42,994
Estimated claims liability, net of current portion	-	9,486,505	-	-	9,486,505
Total Noncurrent Liabilities	7,550,301	36,730,988	3,824,173	2,894,353	50,999,815
Total Liabilities	8,328,305	42,058,214	4,077,743	3,279,806	57,744,068
DEFERRED INFLOWS OF RESOURCES					
Deferred pension-related items	57,954	9,839	32,497	23,849	124,139
Deferred OPEB-related items	-	1,134,000	-	-	1,134,000
Total Deferred Inflows of Resources	57,954	1,143,839	32,497	23,849	1,258,139
NET POSITION:					
Investment in capital assets	6,274,812	42,119	2,283,999	8,490,504	17,091,434
Unrestricted	(3,726,253)	(31,272,236)	330,930	12,836,138	(21,831,421)
Total Net Position	\$ 2,548,559	\$ (31,230,117)	\$ 2,614,929	\$ 21,326,642	\$ (4,739,987)

CITY OF SANTA BARBARA

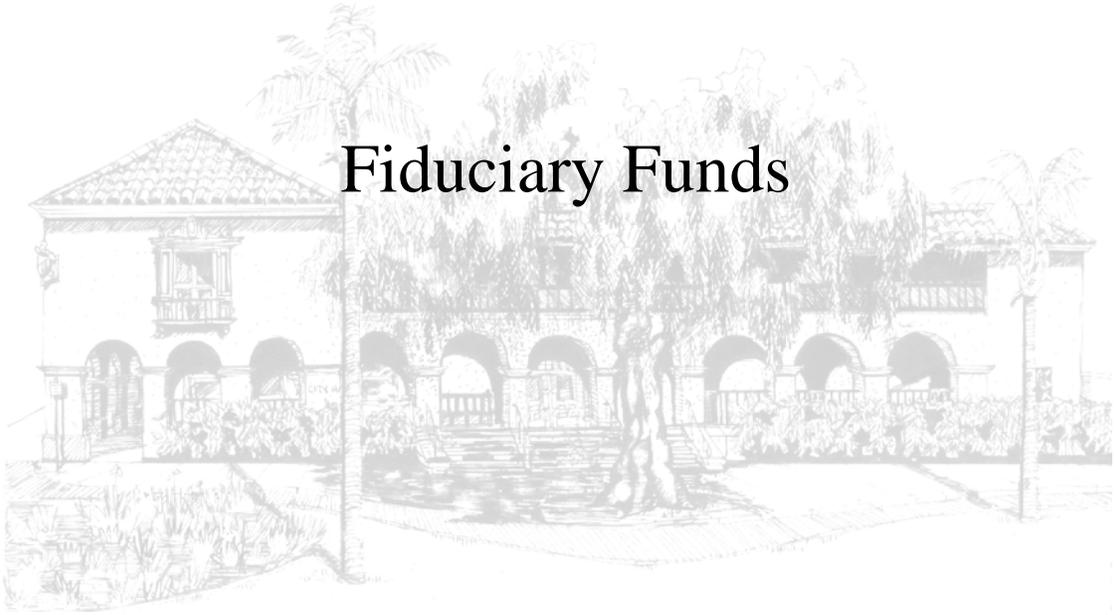
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
Operating Revenues:					
Service charges	\$ 7,716,202	\$ 9,694,700	\$ 3,319,046	\$ 5,742,329	\$ 26,472,277
Other revenues	468,430	371,802	-	303,876	1,144,108
Total Operating Revenues	8,184,632	10,066,502	3,319,046	6,046,205	27,616,385
Operating Expenses:					
Salaries, wages and benefits	4,162,137	2,917,314	2,326,153	1,642,986	11,048,590
Materials, supplies and services	4,072,761	8,686,169	1,153,318	1,551,050	15,463,298
Depreciation expense	214,391	-	260,908	1,686,506	2,161,805
Total Operating Expenses	8,449,289	11,603,483	3,740,379	4,880,542	28,673,693
Operating Income (Loss)	(264,657)	(1,536,981)	(421,333)	1,165,663	(1,057,308)
Nonoperating Revenues (Expenses):					
Interest revenue	-	36,972	-	76,672	113,644
Total Nonoperating Revenues (Expenses)	-	36,972	-	76,672	113,644
Income (Loss) Before Transfers	(264,657)	(1,500,009)	(421,333)	1,242,335	(943,664)
Transfers in	-	75,825	36,410	-	112,235
Changes in Net Position	(264,657)	(1,424,184)	(384,923)	1,242,335	(831,429)
Net Position:					
Beginning of Year, as originally reported	2,813,216	(22,349,933)	2,999,852	20,084,307	3,547,442
Restatements	-	(7,456,000)	-	-	(7,456,000)
Beginning of Fiscal Year, as restated	2,813,216	(29,805,933)	2,999,852	20,084,307	(3,908,558)
End of Fiscal Year	\$ 2,548,559	\$ (31,230,117)	\$ 2,614,929	\$ 21,326,642	\$ (4,739,987)

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Funds				Totals
	Intra-City Service Fund	Self Insurance Fund	Information Systems Fund	Vehicle Capital Fund	
Cash Flows from Operating Activities:					
Cash received from/(paid to) interfund service provided	7,656,342	11,452,515	3,319,046	5,765,698	28,193,601
Cash paid to suppliers for goods and services	(3,925,217)	(7,607,811)	(1,106,495)	(1,558,689)	(14,198,212)
Cash paid to employees for services	(3,803,757)	(2,047,410)	(2,087,236)	(1,478,635)	(9,417,038)
Cash received from (payments to) others	468,430	371,802	-	303,876	1,144,108
Net Cash Provided (Used) by Operating Activities	395,798	2,169,096	125,315	3,032,250	5,722,459
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	-	75,825	36,410	-	112,235
Advance from (to) other funds	120,700	-	-	58,299	178,999
Net Cash Provided (Used) by Non-Capital Financing Activities	120,700	75,825	36,410	58,299	291,234
Cash Flows from Capital and Related Financing Activities:					
Acquisition and construction of capital assets	(450,190)	(42,119)	(266,114)	(2,027,357)	(2,785,780)
Net Cash Provided (Used) by Capital and Related Financing Activities	(450,190)	(42,119)	(266,114)	(2,027,357)	(2,785,780)
Cash Flows from Investing Activities:					
Interest received	-	36,972	-	76,672	113,644
Net Cash Provided (Used) by Investing Activities	-	36,972	-	76,672	113,644
Net Increase (Decrease) in Cash and Cash Equivalents	66,308	2,239,774	(104,389)	1,139,864	3,341,557
Cash and Cash Equivalents at Beginning of Year	1,970,594	5,894,328	3,609,233	14,098,405	25,572,560
Cash and Cash Equivalents at End of Year	\$ 2,036,902	\$ 8,134,102	\$ 3,504,844	\$ 15,238,269	\$ 28,914,117
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ (264,657)	\$ (1,536,981)	\$ (421,333)	\$ 1,165,663	\$ (1,057,308)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	214,391	-	260,908	1,686,506	2,161,805
(Increase) decrease in receivables and deposits	(59,860)	1,757,815	-	23,369	1,721,324
(Increase) decrease in inventory	21,121	-	-	(39,863)	(18,742)
Increase (decrease) in accrued liabilities	(40,717)	(1,628)	(30,410)	(18,687)	(91,442)
(Increase) decrease in prepaid expense	-	(1,868,972)	-	-	(1,868,972)
Increase (decrease) in accounts payable	126,423	134,388	46,823	32,224	339,858
Increase (decrease) in OPEB	-	774,000	-	-	774,000
Increase (decrease) in pensions	395,145	87,482	266,691	180,709	930,027
Increase (decrease) in claims and judgments	-	2,812,942	-	-	2,812,942
Increase (decrease) in compensated absences	3,952	10,050	2,636	2,329	18,967
Total Adjustments	660,455	3,706,077	546,648	1,866,587	6,779,767
Net Cash Provided (Used) by Operating Activities	\$ 395,798	\$ 2,169,096	\$ 125,315	\$ 3,032,250	\$ 5,722,459
Non-Cash Investing, Capital, and Financing Activities:					
Change in Fair Value of Investments	\$ -	\$ (55,688)	\$ -	\$ (120,267)	\$ (175,955)



Fiduciary Funds

FIDUCIARY FUNDS

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 PRIVATE-PURPOSE TRUST FUNDS
 JUNE 30, 2018**

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Totals
ASSETS				
Current assets:				
Pooled cash and investments	\$ -	\$ 2,716,729	\$ 37,699	\$ 2,754,428
Loans receivable	3,500,000	-	-	3,500,000
Restricted assets:				
Cash and investments with fiscal agents	8,158,939	-	-	8,158,939
Non-current assets:				
Capital assets:				
Building improvements	2,308,716	-	-	2,308,716
Infrastructure	1,392,606	-	-	1,392,606
Construction in progress	4,521,966	-	-	4,521,966
Less: accumulated depreciation	<u>(225,714)</u>	<u>-</u>	<u>-</u>	<u>(225,714)</u>
Total capital assets	<u>7,997,574</u>	<u>-</u>	<u>-</u>	<u>7,997,574</u>
Total Assets	<u>19,656,513</u>	<u>2,716,729</u>	<u>37,699</u>	<u>22,410,941</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on debt refunding	<u>17,809</u>	<u>-</u>	<u>-</u>	<u>17,809</u>
Total Deferred Outflows of Resources	<u>17,809</u>	<u>-</u>	<u>-</u>	<u>17,809</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,449,161	-	-	1,449,161
Salaries and benefits payable	7,027	-	-	7,027
Accrued interest payable	113,025	-	-	113,025
Due to the City of Santa Barbara	576,092	-	-	576,092
Current portion of long-term debt	<u>7,828,079</u>	<u>-</u>	<u>-</u>	<u>7,828,079</u>
Total Liabilities	<u>9,973,384</u>	<u>-</u>	<u>-</u>	<u>9,973,384</u>
NET POSITION				
Held in trust:				
Police	-	-	37,699	37,699
Library	-	2,716,729	-	2,716,729
Successor Agency of the Former RDA	<u>9,700,938</u>	<u>-</u>	<u>-</u>	<u>9,700,938</u>
Total Net Position	<u>\$ 9,700,938</u>	<u>\$ 2,716,729</u>	<u>\$ 37,699</u>	<u>\$ 12,455,366</u>

CITY OF SANTA BARBARA

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 ALL PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2018**

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Totals
ADDITIONS				
Taxes	\$ 8,212,440	\$ -	\$ -	\$ 8,212,440
Investment earnings:				
Interest	-	36,659	785	37,444
Dividends	15,965	-	-	15,965
Total investment earnings	15,965	36,659	785	53,409
Other	2,810,378	-	50	2,810,428
Total Additions	11,038,783	36,659	835	11,076,277
DEDUCTIONS				
Administrative expenses	145,640	-	-	145,640
Contractual services	5,722,309	-	-	5,722,309
Interest expense	586,949	-	-	586,949
Depreciation expense	90,210	-	-	90,210
Community services	-	-	21,715	21,715
Total Deductions	6,545,108	-	21,715	6,566,823
Changes in Net Position	4,493,675	36,659	(20,880)	4,509,454
NET POSITION - Beginning of the Year	5,207,263	2,680,070	58,579	7,945,912
NET POSITION - End of the Year	\$ 9,700,938	\$ 2,716,729	\$ 37,699	\$ 12,455,366

CITY OF SANTA BARBARA

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2018

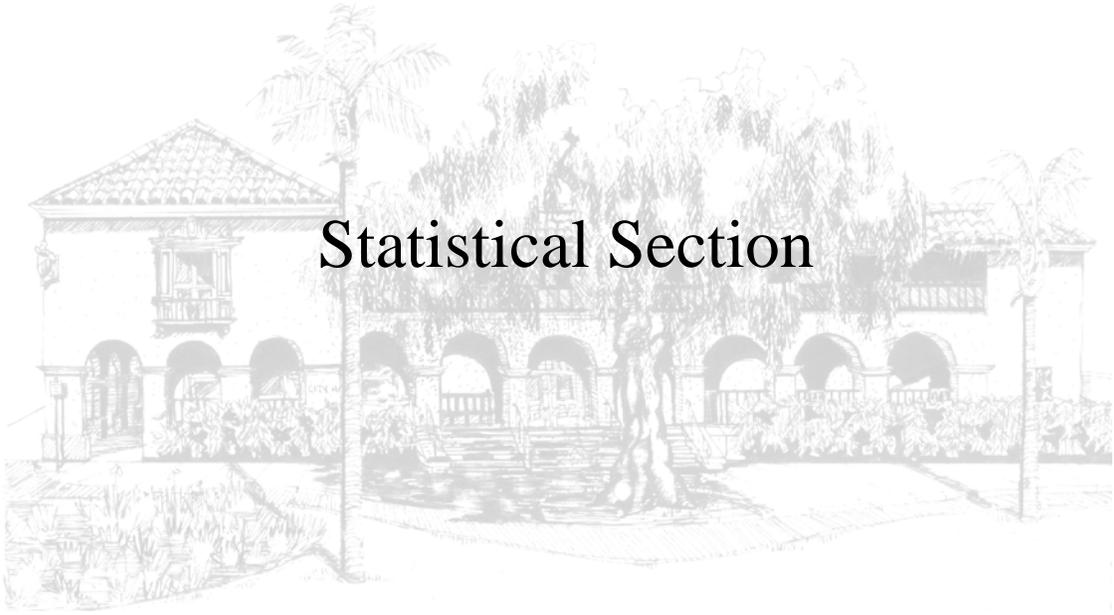
	<u>Revolving Rehab Loan</u>	<u>California Law Enforcement Telecommunications</u>	<u>Seismic Safety Assessment Fund</u>	<u>Totals</u>
ASSETS				
Current assets:				
Pooled cash and investments	\$ 900,060	\$ 81,980	\$ 204,017	\$ 1,186,057
Accounts receivable, net	-	58,093	-	58,093
Loans receivable	2,442,632	-	-	2,442,632
Equipment	-	180,000	-	180,000
Less: accumulated depreciation	-	(180,000)	-	(180,000)
Total Assets	<u>\$ 3,342,692</u>	<u>\$ 140,073</u>	<u>\$ 204,017</u>	<u>\$ 3,686,782</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,569	\$ 2,295	\$ -	\$ 3,864
Trust Liability	<u>3,341,123</u>	<u>137,778</u>	<u>204,017</u>	<u>3,682,918</u>
Total Liabilities	<u>\$ 3,342,692</u>	<u>\$ 140,073</u>	<u>\$ 204,017</u>	<u>\$ 3,686,782</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2018

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2018</u>
Revolving Rehab Loan				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 824,533	\$ 100,527	\$ 25,000	\$ 900,060
Loans receivable	2,450,698	-	8,066	2,442,632
Total Assets	<u>\$ 3,275,231</u>	<u>\$ 100,527</u>	<u>\$ 33,066</u>	<u>\$ 3,342,692</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,569	\$ 25,000	\$ 25,000	\$ 1,569
Trust liability	3,273,662	92,461	25,000	3,341,123
Total Liabilities	<u>\$ 3,275,231</u>	<u>\$ 117,461</u>	<u>\$ 50,000</u>	<u>\$ 3,342,692</u>
California Law Enforcement Telecommunications				
ASSETS				
Current assets:				
Pooled cash and investments	51,423	216,662	186,105	81,980
Accounts receivable, net	30,249	175,144	147,300	58,093
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	(180,000)	-	-	(180,000)
Total Assets	<u>\$ 81,672</u>	<u>\$ 391,806</u>	<u>\$ 333,405</u>	<u>\$ 140,073</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 216	\$ 93,575	\$ 91,496	\$ 2,295
Trust liability	81,456	244,319	187,997	137,778
Total Liabilities	<u>\$ 81,672</u>	<u>\$ 337,894</u>	<u>\$ 279,493</u>	<u>\$ 140,073</u>
Seismic Safety Assessment Fund				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Assets	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
LIABILITIES				
Current liabilities:				
Trust liability	\$ 204,017	\$ -	\$ -	\$ 204,017
Total Liabilities	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
Totals - All Agency Funds				
ASSETS				
Current assets:				
Pooled cash and investments	\$ 1,079,973	\$ 317,189	\$ 211,105	\$ 1,186,057
Accounts receivable, net	30,249	175,144	147,300	58,093
Loans receivable	2,450,698	-	8,066	2,442,632
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	(180,000)	-	-	(180,000)
Total Assets	<u>\$ 3,560,920</u>	<u>\$ 492,333</u>	<u>\$ 366,471</u>	<u>\$ 3,686,782</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,785	\$ 118,575	\$ 116,496	\$ 3,864
Trust liability	3,559,135	336,780	212,997	3,682,918
Total Liabilities	<u>\$ 3,560,920</u>	<u>\$ 455,355</u>	<u>\$ 329,493</u>	<u>\$ 3,686,782</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.	156
Revenue Capacity These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.	163
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.	167
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.	172
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.	175

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>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>2018</u>
Governmental activities										
Net investment in capital assets	\$ 331,171	\$ 340,824	\$ 325,209	\$ 304,586	\$ 312,891	\$ 362,540	\$ 381,554	\$ 427,683	\$ 436,966	\$ 443,975
Restricted	99,248	94,789	110,947	63,244	66,510	65,614	81,979	80,934	65,647	81,702
Unrestricted	<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>	<u>(189,963)</u>
Total governmental activities net position	<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>	<u>\$ 335,714</u>
Business-type activities										
Net investment in capital assets	\$ 285,547	\$ 290,085	\$ 309,659	\$ 296,692	\$ 300,997	\$ 340,246	\$ 347,257	\$ 361,076	\$ 365,505	\$ 359,890
Restricted	8,377	7,618	17,223	18,565	1,358	3,659	3,794	11,962	13,546	13,052
Unrestricted	<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>	<u>78,131</u>
Total business-type activities net position	<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>	<u>\$ 451,073</u>
Primary government										
Net investment in capital assets	\$ 616,718	\$ 630,909	\$ 634,868	\$ 601,278	\$ 613,888	\$ 702,786	\$ 728,811	\$ 788,759	\$ 802,471	\$ 803,865
Restricted	107,625	102,407	128,170	81,809	67,868	69,273	85,773	92,896	79,193	94,753
Unrestricted	<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>	<u>(111,832)</u>
Total primary government net position	<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>	<u>\$ 786,786</u>

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

	<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>2018</u>
Expenses										
Governmental activities:										
Administration	\$ 12,217	\$ 11,255	\$ 10,519	\$ 11,081	\$ 11,851	\$ 14,650	\$ 17,100	\$ 16,179	\$ 16,612	\$ 20,045
Public safety	55,394	55,564	54,707	57,457	61,719	66,525	65,260	63,451	66,678	82,485
Public works	46,914	43,082	44,407	25,878	25,252	24,552	29,672	26,053	28,565	34,583
Community services	23,610	21,657	21,251	19,969	24,104	24,083	25,377	26,454	27,635	30,500
Community development	19,676	29,336	21,314	17,017	11,864	13,567	12,077	16,933	17,442	16,083
Interest on long-term debt	3,186	3,040	2,876	572	82	74	56	42	66	-
Total governmental activities expenses	<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>	<u>183,696</u>
Business-type activities:										
Water	29,642	29,575	29,427	29,985	32,214	35,316	40,409	35,859	37,291	45,239
Wastewater	15,938	15,312	15,709	15,887	17,217	16,930	17,242	17,376	18,299	20,542
Airport	19,013	20,349	22,288	20,167	21,376	20,557	21,616	21,361	22,057	24,507
Waterfront	11,561	11,075	11,217	11,575	12,026	12,707	12,179	12,639	12,975	15,010
Solid Waste	-	-	-	18,773	19,124	19,732	20,353	20,498	20,837	23,948
Parking	6,949	6,219	6,666	6,849	7,359	7,693	8,325	7,941	8,481	10,104
Golf course	2,118	2,028	1,972	1,923	1,949	1,820	2,018	2,022	2,591	2,642
Total business-type activities expenses	<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>	<u>141,992</u>
Total primary government expenses	<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>	<u>\$ 325,688</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$ 1,836	\$ 1,120	\$ 1,042	\$ 1,074	\$ 1,259	\$ 2,008	\$ 4,851	\$ 4,479	\$ 4,143	\$ 3,826
Public safety	9,448	9,807	9,610	9,365	10,538	13,627	10,794	10,650	11,758	12,141
Public works	25,683	26,444	25,949	8,471	8,789	9,434	8,945	9,161	9,586	9,333
Community services	5,369	5,078	4,854	5,022	5,532	7,934	10,869	11,909	12,400	12,629
Community development	5,403	5,251	5,427	4,670	5,095	5,348	5,347	6,540	6,081	6,916
Operating grants and contributions	13,576	17,150	13,782	14,829	13,251	14,490	6,303	8,487	7,882	10,462
Capital grants and contributions	<u>11,102</u>	<u>5,469</u>	<u>11,318</u>	<u>5,703</u>	<u>8,474</u>	<u>10,517</u>	<u>24,137</u>	<u>26,181</u>	<u>16,966</u>	<u>16,301</u>
Total governmental activities program revenues	<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>	<u>71,608</u>
Business-type activities:										
Charges for services:										
Water	32,263	32,359	31,158	36,265	38,171	36,368	34,573	45,097	51,641	56,117
Wastewater	13,896	14,140	14,770	15,563	17,658	17,991	17,742	18,632	20,142	20,738
Airport	15,298	14,621	15,863	16,745	17,740	17,910	17,902	17,988	19,175	20,650
Waterfront	10,754	11,275	11,313	12,370	12,782	13,776	14,982	14,658	15,075	14,815
Solid Waste	-	-	-	18,741	19,354	20,689	20,827	21,059	20,953	22,116
Parking	6,615	6,661	6,579	7,231	7,691	7,955	8,432	8,457	8,514	8,285
Golf course	2,221	1,715	1,892	1,820	1,833	2,031	1,950	1,950	2,531	2,607
Operating grants and contributions	135	328	-	-	-	-	-	24	23	23
Capital grants and contributions	<u>5,049</u>	<u>4,217</u>	<u>6,174</u>	<u>2,778</u>	<u>4,256</u>	<u>3,663</u>	<u>3,289</u>	<u>5,582</u>	<u>496</u>	<u>8,640</u>
Total business-type activities program revenues	<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>	<u>153,991</u>
Total primary government program revenues	<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>	<u>\$ 225,599</u>

(Continued)

	<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>2018</u>
Net (expense)/revenue										
Governmental activities	\$ (88,580)	\$ (93,615)	\$ (83,092)	\$ (82,840)	\$ (81,934)	\$ (80,093)	\$ (78,296)	\$ (71,705)	\$ (88,182)	\$ (112,088)
Business-type activities	<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>	<u>11,999</u>
Total primary government net expense	<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>	<u>\$ (100,089)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$ 43,275	\$ 43,164	\$ 42,739	\$ 35,453	\$ 27,575	\$ 26,555	\$ 27,691	\$ 29,382	\$ 31,612	\$ 34,928
Sales & use	17,876	16,990	17,892	19,444	20,134	21,323	21,958	21,932	21,807	25,203
Transient occupancy	14,469	13,758	14,951	16,394	17,611	20,186	22,527	22,379	23,110	22,650
Utility users	12,654	11,711	13,887	13,974	14,054	14,016	13,810	14,338	14,014	14,149
Business license	2,302	2,245	2,207	2,202	2,345	2,555	2,574	2,636	2,651	2,786
Real property transfer	278	389	372	439	642	669	692	730	762	795
Other taxes	-	-	-	-	-	-	-	-	-	11
Franchise fees	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231	3,597
Unrestricted motor vehicle license-in-lieu	320	276	478	6	77	40	39	37	42	49
Investment income	4,846	2,275	1,912	2,366	2,521	2,165	2,030	2,288	1,733	2,172
Other revenue	5,952	5,199	4,755	3,932	6,193	660	669	419	2,610	11,289
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>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>	<u>(462)</u>
Total governmental activities	<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>	<u>117,167</u>
Business-type activities:										
Investment earnings	3,904	2,904	2,070	1,813	582	1,562	1,218	1,304	556	724
Other revenue	-	-	-	-	-	221	555	248	9,205	1,372
Extraordinary gain (2)	-	-	-	-	-	28,956	-	-	-	-
Transfers	<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>	<u>462</u>
Total business-type activities	<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>	<u>2,558</u>
Total primary government	<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>	<u>\$ 119,725</u>
Change in Net Position										
Governmental activities	\$ 16,767	\$ 6,012	\$ (9,979)	\$ (48,400)	\$ 12,850	\$ 50,900	\$ 17,786	\$ 49,099	\$ 16,428	\$ 5,079
Business-type activities	<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>	<u>14,557</u>
Total primary government	<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>\$ 41,909</u>	<u>\$ 19,636</u>

Note: Description of extraordinary gain / loss

(1) Extraordinary loss of dissolution of RDA.

(2) Extraordinary gain from Successor Agency property transfer.

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

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Transportation Tax	Business License Tax	Real Property Transfer Taxes	Other Taxes	Total
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
2018	34,928	25,203	22,650	14,149	3,954	2,786	795	11	104,476

* 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)

	2009	2010	2011 *	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 6,249	\$ 8,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,973	15,686	-	-	-	-	-	-	-	-
Nonspendable	-	-	8,313	8,664	7,813	6,910	4,033	2,747	2,105	1,689
Restricted	-	-	463	405	421	2,213	2,464	2,682	2,667	2,856
Committed	-	-	-	18,304	20,762	21,644	26,575	30,299	31,461	27,917
Assigned	-	-	-	103	226	153	177	203	312	357
Unassigned	-	-	17,770	-	-	-	-	-	-	-
Total general fund	<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>	<u>\$ 32,819</u>
All other governmental funds										
Reserved	\$ 122,736	\$ 113,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	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	78,845
Committed	-	-	2,666	6,998	2,807	11,050	12,170	12,965	12,883	11,899
Assigned	-	-	2,208	4,165	10,603	8,636	8,156	3,789	2,837	2,857
Unassigned	-	-	(340)	(23)	(283)	(722)	(152)	(1,604)	(949)	(4,546)
Total all other governmental funds	<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>	<u>\$ 89,055</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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 95,134	\$ 92,697	\$ 94,933	\$ 91,091	\$ 85,683	\$ 88,791	\$ 92,889	\$ 95,086	\$ 97,702	\$ 104,477
Franchise fees	3,284	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231	3,597
Intergovernmental	19,328	16,724	20,603	15,722	16,801	19,569	23,899	27,056	20,090	17,723
Fines and forfeitures	4,167	4,392	4,331	4,166	4,416	4,529	4,177	3,597	4,106	3,975
Use of money and property	4,944	2,502	2,258	2,472	2,924	2,047	1,939	2,177	1,684	2,107
Charges for services	37,649	38,689	38,722	20,625	20,192	20,923	21,567	22,336	21,650	22,849
Program income	321	661	835	321	493	311	511	386	399	374
Other revenues	11,156	10,858	9,982	8,346	12,192	9,642	11,537	13,672	15,453	23,069
Total revenues	<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>	<u>178,171</u>
Expenditures										
General government/administration (1)	11,931	10,941	10,008	10,699	10,788	11,444	13,794	15,923	15,980	17,681
Public safety	54,990	54,313	55,020	56,355	59,166	61,216	62,559	64,330	66,847	73,706
Public works	40,058	31,743	30,301	12,817	13,072	12,829	21,087	20,536	20,465	21,252
Community services	21,549	19,317	18,763	19,140	20,365	21,140	22,009	23,191	24,224	24,727
Community development	17,140	24,546	18,110	14,567	11,085	12,332	11,775	13,646	13,494	13,573
Community promotions (1)	1,824	1,824	1,868	1,991	2,005	2,051	2,620	-	-	-
Capital outlay	19,855	29,279	30,875	22,580	22,229	22,943	23,370	32,068	21,056	19,076
Debt service										
Principal	5,341	6,282	5,724	754	274	287	300	307	663	-
Interest	3,126	2,981	2,776	1,396	75	64	51	38	58	-
Total expenditures	<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>	<u>170,015</u>
Excess of revenues over (under) expenditures	\$ 169	\$ (11,352)	\$ 1,699	\$ 6,023	\$ 7,221	\$ 5,328	\$ 2,705	\$ (2,597)	\$ 2,528	\$ 8,156

(Continued)

Note:

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

	<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>2018</u>
Other financing sources (uses)										
Transfers in	\$ 25,002	\$ 15,126	\$ 75,713	\$ 68,994	\$ 12,433	\$ 11,605	\$ 20,009	\$ 9,150	\$ 11,625	\$ 18,006
Transfers out	(21,765)	(14,118)	(75,477)	(68,782)	(12,239)	(12,520)	(20,275)	(9,092)	(13,042)	(18,580)
Total other financing sources (uses)	<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>	<u>(574)</u>
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	(44,954)	-	-	-	-	-	-
Net change in fund balances	<u>\$ 3,406</u>	<u>\$ (10,344)</u>	<u>\$ 1,935</u>	<u>\$ (38,719)</u>	<u>\$ 7,415</u>	<u>\$ 4,413</u>	<u>\$ 2,439</u>	<u>\$ (2,539)</u>	<u>\$ 1,111</u>	<u>\$ 7,582</u>
Debt service as a percentage of noncapital expenditures	5.31 %	5.71 %	5.50 %	1.71 %	0.28 %	0.27 %	0.26 %	0.24 %	0.49 %	- %

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

Fiscal Year	Secured	Unsecured	SBE Nonunitary	Net Taxable Assessed Value	Total Direct Tax Rate
2009	13,976,688	969,823	3,572	14,950,083	1.00 %
2010	14,086,249	974,290	1,034	15,061,573	1.00 %
2011	14,066,132	949,326	1,034	15,016,492	1.00 %
2012	14,196,194	907,712	1,034	15,104,940	1.00 %
2013	14,450,300	897,146	-	15,347,446	1.00 %
2014	15,115,761	916,616	-	16,032,377	1.00 %
2015	15,828,353	950,610	-	16,778,963	1.00 %
2016	16,893,957	1,000,471	-	17,894,428	1.00 %
2017	17,897,470	1,002,168	-	18,899,638	1.00 %
2018	18,999,710	1,046,971	-	20,046,681	1.00 %

Notes:

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.

Exempt values are not included in Total

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

Hdl Coren & Cone Data Source: Santa Barbara County Assessor 2008/09 - 2017/18 Combined Tax Rolls.

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>Direct Rates:</u>										
Basic Levy (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>										
Cold Spring Elementary	0.00912	0.01420	0.01386	0.01386	0.01443	0.01450	0.01446	0.01411	0.01207	0.01192
Goleta Union	0.01627	0.01627	0.01627	0.01627	0.01627	0.01383	0.01314	0.01248	0.01061	0.00955
Hope Elementary	0.00883	0.00883	0.00883	0.00883	0.00883	0.00883	0.01850	0.01779	0.01514	0.01222
Montecito Union Elementary Bond 1997 A	0.00179	0.00168	0.00126	0.00094	0.00089	0.00067	0.00050	0.00025	0.00019	0.00010
Santa Barbara Community College Bond 2008	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00731	0.00731
Santa Barbara Elementary	0.01385	0.01398	0.01398	0.01403	0.01728	0.01995	0.01995	0.01995	0.01776	0.01713
Santa Barbara High Bond	0.01248	0.01248	0.01248	0.01366	0.01391	0.01995	0.01995	0.01670	0.01581	0.01543
SB Unified High Bond 2016-I	-	-	-	-	-	-	-	-	-	0.01149
	0.07084	0.07594	0.07518	0.07609	0.08011	0.08623	0.09500	0.08978	0.07889	0.08515
Total Direct and Overlapping Tax Rates:	1.07084	1.07594	1.07518	1.07609	1.08011	1.08623	1.09500	1.08978	1.07889	1.08515
City's Share of 1% Levy Per Prop 13: (3) Voter Approved City Debt Rate	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963
Redevelopment Rate: (4)	1.00000	1.00000	1.00000	1.00000						
Total Direct Rate: (5)	0.23353	0.23721	0.23717	0.23681	0.23570	0.12008	0.12008	0.12019	0.12010	0.12009

- Notes:
- (1) In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
 - (2) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
 - (3) City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the City. ERAF general fund tax shifts may not be included in tax ratio figures.
 - (4) Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2013 and years thereafter.
 - (5) Total Direct Rate is the weighted average of all individual direct rates applied by the City/Agency preparing the statistical section information and excludes revenues derived from aircraft. Beginning in fiscal year 2014 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during fiscal year 2013. For the purposes of this report, residual revenue is assumed to be distributed to the City/Agency in the same proportions as general fund revenue.

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

HdL Coren & Cone Data Source: Santa Barbara County Assessor 2008/09 - 2017/18 Tax Rate Table.

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

<u>Taxpayer</u>	<u>Fiscal Year 2018</u>	
	<u>Taxable Net Assessed Value</u>	<u>Percentage of Total Taxable Net Assessed Value</u>
Fess Parker Doubletree Hotel	\$ 92,671,464	0.49 %
El Encanto Inc	90,799,687	0.48 %
Levon Investments LLC	90,252,528	0.48 %
XHR Santa Barbara LLC	83,775,260	0.44 %
Dario Pini	73,725,796	0.39 %
Paseo Nuevo Owner LLC	70,127,925	0.37 %
CHSP Santa Barbara LLC	61,938,138	0.33 %
Hitchcock Holdings LLC	57,858,257	0.30 %
HHLP Santa Barbara I Associates LLC	54,856,124	0.29 %
Gri-Regency LLC	53,182,288	0.28 %
Total	<u>\$ 729,187,467</u>	<u>3.85 %</u>

<u>Taxpayer</u>	<u>Fiscal Year 2009</u>	
	<u>Taxable Net Assessed Value</u>	<u>Percentage of Total Taxable Net Assessed Value</u>
Redevelopment Agency Santa Barbara (1)	\$ 89,693,525	0.64 %
Fess Park Doubletree Hotel	79,136,920	0.57 %
FW CA-Five Points Shopping Center LLC	49,657,234	0.36 %
Dario Pini	48,841,635	0.35 %
Patricia S Nettleship Trustee	44,089,604	0.32 %
MCC BB Property LLC	41,065,545	0.29 %
Santa Barbara Cottage Hospital Foundation	37,683,325	0.27 %
MF Santa Barbara LLC	35,700,000	0.26 %
Levon Investments LLC	33,837,209	0.24 %
Due West LLC	31,701,784	0.23 %
Total	<u>\$ 491,406,781</u>	<u>3.53 %</u>

Notes:

(1) In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

HdL Coren & Cone Data Source: Santa Barbara County Assessor 2008/09 and 2017/18 Combined Tax Rolls and the SBE Non Unitary Tax Roll.

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

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	43,275	43,275	100 %	-	43,275	100 %
2010	43,164	43,164	100 %	-	43,164	100 %
2011	42,738	42,738	100 %	-	42,738	100 %
2012	35,453	35,453	100 %	-	35,453	100 %
2013	27,575	27,575	100 %	-	27,575	100 %
2014	26,555	26,555	100 %	-	26,555	100 %
2015	27,691	27,691	100 %	-	27,691	100 %
2016	29,382	29,382	100 %	-	29,382	100 %
2017	31,612	31,612	100 %	-	31,612	100 %
2018	34,928	34,928	100 %	-	34,928	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			
2009	2,597	64,165	750	68,625	29,423	36,159	201,719	6.10 %	2,240
2010	2,350	58,880	-	67,470	28,240	40,491	197,431	6.19 %	2,191
2011	2,095	53,410	-	66,270	27,100	33,907	182,782	5.94 %	2,011
2012	1,832	-	-	65,020	25,908	41,885	134,645	4.19 %	1,511
2013	1,555	-	-	60,384	39,569	45,071	146,579	4.48 %	1,634
2014	1,268	-	-	70,991	24,422	50,970	147,651	4.52 %	1,634
2015	968	-	-	68,660	22,711	56,231	148,570	4.48 %	1,640
2016	662	-	-	66,243	20,965	77,781	165,651	4.90 %	1,778
2017	-	-	-	62,686	19,001	116,494	198,181	5.83 %	2,130
2018	-	-	-	60,030	17,334	141,290	218,654	6.27 %	2,306

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

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

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

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

Fiscal Year	Certificates of Participation	Tax Allocation Bonds (3)	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2009	2,597	64,165	750	561	66,951	0.45 %	744
2010	2,350	58,880	-	562	60,668	0.40 %	673
2011	2,095	53,410	-	561	54,944	0.37 %	604
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 %	-
2018	-	-	-	-	-	0.00 %	-

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.

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

**City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2018**

2017-18 Assessed Valuation

\$20,046,680,533

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Tax and Assessment Debt			
Santa Barbara Community College District	\$ 60,930,000	37.94 %	\$ 23,114,405
Santa Barbara Unified School District	50,000,000	43.13 %	21,563,000
Santa Barbara Unified School District School Facilities Improvement District No. 1	20,000,000	95.25 %	19,050,200
Santa Barbara High School District	114,086,078	43.13 %	49,200,762
Cold Spring School District	4,078,891	6.29 %	256,481
Goleta Union School District	13,785,000	2.06 %	284,109
Hope Elementary School District	10,279,860	35.46 %	3,645,444
Montecito Union School District	2,285,000	2.06 %	46,957
Santa Barbara School District	<u>51,563,605</u>	95.25 %	<u>49,114,849</u>
Total overlapping Tax and Assessment Debt	<u>\$ 327,008,434</u>		<u>\$ 166,276,207</u>
Direct and Overlapping General Fund Debt			
Santa Barbara County Certificates of Participation	\$ 45,465,000	25.36 %	\$ 11,529,015
City of Santa Barbara General Fund Obligations	41,515,000	100.00 %	<u>41,515,000</u>
Total Gross Direct and Overlapping General Fund Debt			<u>\$ 53,044,015</u>
Less: Santa Barbara County supported obligations			820,331
City of Santa Barbara supported obligations			<u>41,515,000</u>
Total Net Direct and Overlapping General Fund Debt			<u>\$ 10,708,684</u>
Overlapping Tax Increment Debt (Successor Agency)			
Total Gross Direct Debt			\$ 7,795,000
Total Net Direct Debt			\$ 41,515,000
Total Gross Overlapping Debt			\$ 0
Total Net Overlapping Debt			185,600,222
			\$ 184,779,891
Gross Combined Total Debt (2)			\$ 227,115,222
Net Combined Total Debt			\$ 184,779,891
Ratio to 2017-18 Assessed Valuation			
Total Overlapping Tax and Assessment Debt			0.83 %
Combined Gross Direct Debt (\$41,515,000)			0.21 %
Combined Net Direct Debt			0.00 %
Gross Combined Total Debt			1.13 %
Net Combined Total Debt			0.92 %

Notes:

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the City divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and non-bonded capital lease obligations.

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.

Sources: California Municipal Statistics

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

	<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>2018</u>
Assessed valuation	\$ 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	\$ 22,171,096
Coverage percentage	<u>25 %</u>	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %	25 %
Adjusted assessed valuation	\$ 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	\$ 5,542,774
Debt limit percentage	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	<u>15 %</u>
Debt limit	\$ 592,703	\$ 602,241	\$ 605,014	\$ 615,218	\$ 628,761	\$ 658,283	\$ 687,389	\$ 736,416	\$ 782,126	\$ 831,416
Legal debt margin	<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>	<u>\$ 831,416</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %

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

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report.

HdL Coren & Cone Data Source: Santa Barbara County Assessor 2017/18 Combined Tax Rolls

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

Fiscal Year	Water Revenue Bonds						Wastewater Revenue Bonds						Tax Allocation Bonds (1)					
	Water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Waste-water Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Tax Increment	Debt Service		Coverage		
			Principal	Interest					Principal	Interest			Principal	Interest				
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		
2018	57,234	34,798	22,436	1,470	668	10.49	20,808	15,027	5,781	700	463	4.97	8,145	7,430	715	1.00		

Fiscal Year	Airport Revenue Bonds						Airport Promissory Note						Waterfront Revenue Bonds					
	Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Airport Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Waterfront Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest					Principal	Interest					Principal	Interest		
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
2018	20,656	16,421	4,235	1,065	2,060	1.36	20,656	16,421	4,235	306	154	9.21	14,822	12,649	2,173	814	340	1.88

Fiscal Year	Golf Certificates of Participation					
	Golf Revenue	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
			Principal	Interest		
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
2018	2,680	2,383	297	-	-	-

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

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

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

Fiscal Year	City Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	June 30 Unemployment Rate (3)
2009	90,040	\$ 3,304,362	\$ 36,699	3.8 %
2010	90,099	\$ 3,190,561	\$ 35,412	5.9 %
2011	90,893	\$ 3,078,546	\$ 33,870	6.6 %
2012	89,082	\$ 3,215,682	\$ 36,098	6.2 %
2013	89,681	\$ 3,270,666	\$ 36,470	4.2 %
2014	90,385	\$ 3,268,683	\$ 36,164	3.8 %
2015	90,612	\$ 3,315,221	\$ 36,587	4.9 %
2016	93,190	\$ 3,379,787	\$ 36,267	4.2 %
2017	93,063	\$ 3,397,602	\$ 36,508	4.0 %
2018	94,807	\$ 3,486,408	\$ 36,773	3.3 %

Notes:

In Fiscal Year 2018, the City engaged HdL, Coren & Cone to provide data for the statistical section of the Comprehensive Annual Financial Report. Historical data was updated based upon this information.

HdL, Coren & Cone Data Sources:

(1) Population data: California State Department of Finance.

(2) 2000-2009 Income data - ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. 2010 and later Income data - US Census Bureau, most recent American Community Survey.

(3) Unemployment data: California Employment Development Department.

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

<u>As of June 30, 2018</u>			<u>As of June 30, 2009</u>		
<u>Employer</u>	<u>Number of Employees (1)</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Number of Employees (1)</u>	<u>Percentage of Total Employment</u>
University of California, Santa Barbara	4,325	4.84 %	University of California, Santa Barbara	5,161	9.44 %
County of Santa Barbara	4,213	4.72 %	County of Santa Barbara	4,026	7.36 %
Cottage Health Organization	3,606	4.04 %	Santa Barbara Cottage Hospital	2,518	4.60 %
Santa Barbara Unified School District	1,400	1.57 %	Santa Barbara City College	2,360	4.31 %
Santa Barbara City College	1,193	1.34 %	Santa Barbara School District Admin	1,692	3.09 %
City of Santa Barbara	1,050	1.18 %	Raytheon Electronic Systems	1,633	2.99 %
Raytheon Electronic Systems	1,000	1.12 %	Sansum Medical Foundation Clinic	1,100	2.01 %
Sansum Medical Foundation Clinic	1,000	1.12 %	City of Santa Barbara	1,000	1.83 %
Santa Barbara County Education Office	875	0.98 %	Santa Barbara Bank & Trust	894	1.63 %
Yardi Systems	<u>700</u>	<u>0.78 %</u>	US Postal Service	<u>830</u>	<u>1.52 %</u>
Ten largest companies or organizations	<u>19,362</u>	<u>21.69 %</u>		<u>21,214</u>	<u>38.78 %</u>

Sources:

(1) County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times

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

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administration	112.8	112.8	106.2	103.1	101.9	101.8	105.6	106.5	106.5	108.3
Administrative services	31.5	31.5	28.5	25.5	25.5	25.5	28.5	30.5	30.5	30.5
City administrator	12.3	12.3	10.5	10.5	10.5	10.5	10.5	9.5	9.5	8.5
City attorney	13.0	13.0	12.2	11.1	11.4	11.3	11.6	11.0	11.0	13.8
Finance	47.0	47.0	46.0	48.0	46.5	46.5	47.0	47.5	47.5	47.5
Mayor and city council	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Public safety	328.0	327.0	323.0	311.0	317.0	317.0	316.0	317.0	317.0	316.0
Police	213.0	212.0	209.0	201.0	207.0	207.0	211.0	212.0	212.0	211.0
Fire	115.0	115.0	114.0	110.0	110.0	110.0	105.0	105.0	105.0	105.0
Public works	143.0	153.5	152.0	139.0	138.0	139.0	144.0	143.0	140.0	141.0
Community services	141.4	144.0	128.5	120.6	115.2	116.7	122.4	126.5	131.6	132.8
Library	48.3	48.0	42.3	38.5	34.6	36.1	36.1	36.1	38.4	40.4
Parks and recreation	93.1	96.0	86.2	82.1	80.6	80.6	86.3	90.4	93.3	92.5
Community development	88.5	87.5	79.0	75.0	74.0	64.8	67.8	70.8	73.8	72.8
Water	68.0	62.3	62.3	68.3	68.3	67.3	68.8	74.3	75.3	72.8
Wastewater	53.0	50.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	52.5
Airport	54.0	54.0	53.0	54.0	54.0	52.0	55.5	55.5	55.8	61.0
Waterfront	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	47.0	47.0
Parking	36.0	38.4	34.4	34.4	34.4	34.4	30.4	31.4	31.4	30.4
Golf (1)	<u>13.3</u>	<u>13.3</u>	<u>12.8</u>	<u>12.8</u>	<u>12.8</u>	<u>10.3</u>	<u>10.3</u>	<u>9.8</u>	<u>-</u>	<u>-</u>
Total	<u>1,084.0</u>	<u>1,088.8</u>	<u>1,046.2</u>	<u>1,013.2</u>	<u>1,010.6</u>	<u>998.3</u>	<u>1,015.8</u>	<u>1,029.8</u>	<u>1,027.4</u>	<u>1,034.6</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, 2017.

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

<u>Function</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>	<u>Fiscal Year 2018</u>
Police										
Criminal citations issued	2,898	1,642	1,847	1,407	3,172	4,282	5,298	3,511	1,087	932
Parking citations	54,692	54,377	50,252	45,055	46,450	55,555	55,700	55,716	59,580	59,613
Street sweeping citations	30,184	27,400	25,989	25,660	25,612	26,187	27,109	29,031	27,032	26,349
Fire										
Number of calls received	13,768	15,632	15,249	14,984	8,038	8,165	8,341	9,102	9,891	9,240
Engine company fire inspections	2,668	1,340	2,611	2,650	2,773	2,661	3,116	2,890	2,450	2,329
Public works										
Street resurfacing (miles)	65	35	38	85	26	32	24	14	8	11
Community services										
Library items checked out	758,046	689,391	656,488	703,639	826,627	853,177	782,860	825,731	792,767	826,420
Community development										
Building inspections completed	11,598	10,815	11,257	11,395	10,665	11,220	11,650	11,403	11,805	13,128
Total permits issued	2,696	2,425	2,308	2,282	2,373	2,412	2,580	2,818	2,571	2,777
Water										
Million gallons water treated	6,757	6,528	6,581	6,409	7,481	7,527	4,960	4,247	4,132	4,600
Percent of drinking water regulations met	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Wastewater										
Million gallons waste water treated	2,750	2,761	2,897	2,708	2,627	2,551	2,360	2,301	2,312	2,252
Miles of wastewater system pipes cleaned	173	214	256	186	217	230	219	262	219	277
Percent of discharge requirements met	99.9 %	99.9 %	99.9 %	99.7 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Airport										
Total number of annual passengers	772,718	745,167	747,531	716,625	722,041	699,916	628,837	630,612	690,992	738,079
Annual tons of airfreight	2,436	2,132	2,138	2,007	1,813	1,764	1,800	1,794	1,736	1,943
Waterfront										
Number of lease contracts managed	64	62	64	64	65	65	64	64	65	60
Number of parking permits distributed	772,588	697,788	652,923	682,111	564,294	702,622	814,800	765,471	781,419	727,345
Parking										
Vehicles parked in city lots	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	4,128,353
Golf course										
Paid rounds of golf	70,546	59,091	62,800	63,620	61,558	62,512	57,089	55,376	53,799	54,300

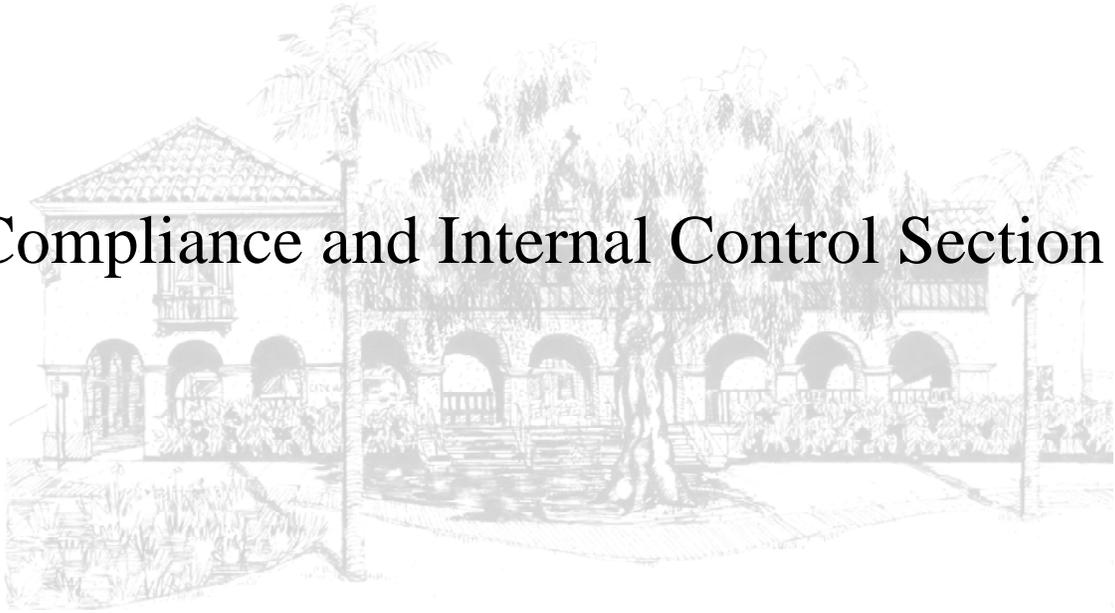
Source: Various City Departments

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

Function	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	Fiscal Year 2018
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	254	254	255	255	255
Concrete installed-sidewalk, curb and gutter (sq ft.)	25,661	24,455	54,196	21,474	16,088	10,754	12,140	14,145	15,976	15,387
Community services Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,808	1,808
Parks and sports facilities	59	54	54	54	54	56	57	57	60	60
Swimming	2	2	2	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34	34	33	33
Community buildings	8	12	12	12	12	15	15	15	16	16
Libraries	2	2	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, etc.)	384,880	380,617	365,839	357,256	319,898	330,703	330,773	439,773	396,055	564,103
Water Number of distribution system reservoirs	13	13	13	13	15	15	15	15	15	15
Number of water supply reservoirs	1	1	1	1	1	1	1	1	1	1
Number of pump stations	12	12	12	12	14	14	14	14	14	14
Number of treatment plants	2	2	2	2	2	2	2	2	3	3
Number of wells	9	9	9	9	9	9	9	8	9	10
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	7	7	7
Airport Runways, 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	1,137	1,137	1,139	1,139	1,139	1,139	1,143	1,141
Parking Number of parking structures and lots	14	14	14	14	15	15	16	16	15	15
Number of parking spaces	3,595	3,591	3,591	3,591	3,620	3,548	3,628	3,628	3,605	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 (the City), as of and for the year ended June 30, 2018, 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 26, 2018.

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 City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



CPAs AND ADVISORS

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

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 & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
November 26, 2018