

City of
SANTA BARBARA
CALIFORNIA



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

Prepared Under the Supervision of

Robert Samario
Finance Director



CITY OF SANTA BARBARA, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	5
Directory of City Officials	6
Advisory Board and Commissions	7
Organizational Chart	8
FINANCIAL SECTION	
Independent Auditors' Report	9
Management's Discussion and Analysis (Required Supplementary Information - Unaudited)	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	31
Statement of Activities	32
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	34
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
Proprietary Funds:	
Statement of Net Position	38
Statement of Revenues, Expenses and Changes in Net Position	40
Statement of Cash Flows	42
Fiduciary Funds:	
Statement of Fiduciary Net Position	46
Statement of Changes in Fiduciary Net Position	47
Notes to Basic Financial Statements	48

CITY OF SANTA BARBARA, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
Table of Contents

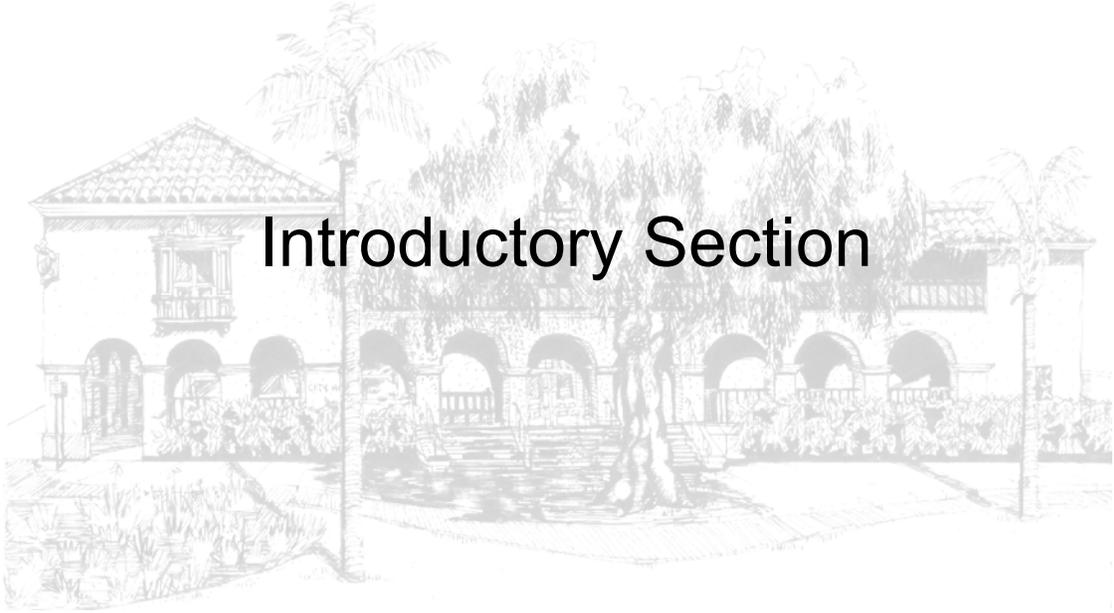
	<u>Page Number</u>
FINANCIAL SECTION (CONTINUED)	
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios - Safety Retirement and Safety Service Retirement Plans	115
Schedule of Contributions - CalPERS Miscellaneous Pension Plans	116
Schedule of Investment Returns - CalPERS Pension Plans	117
Schedule of Changes in the Net Pension Liability and Related Ratios - CalPERS Miscellaneous Pension Plans	118
Schedule of Contributions - CalPERS Miscellaneous Pension Plans	119
Schedule of Changes in the Net Pension Liability and Related Ratios - CalPERS Safety Police Pension Plans	120
Schedule of Contributions - CalPERS Safety Police Pension Plans	121
Schedule of the City's Proportionate Share of the Plan's Net Pension Liability and Related Ratios	122
Schedule of Contributions - CalPERS Safety Fire Pension Plans	123
Schedule of Changes in Total OPEB Liability and Related Ratios	124
Budgetary Comparison Schedules:	
General Fund	125
Affordable Housing Special Revenue Fund	126
Notes to Required Supplementary Information	127
NONMAJOR GOVERNMENTAL FUNDS	
Description of Nonmajor Governmental Funds	133
Other Special Revenue Funds:	
Combining Balance Sheet	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	140
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Traffic Safety Special Revenue Fund	144
Creek Restoration/Water Quality Special Revenue Fund	145
Wildland Fire Suppression Special Revenue Fund	146
Transportation Development Special Revenue Fund	147
Community Development Block Grant Special Revenue Fund	148
Police - Asset Forfeiture Special Revenue Fund	149
County Library Special Revenue Fund	150
Measure A Special Revenue Fund	151
Miscellaneous Grants Special Revenue Fund	152
Street Sweeping Special Revenue Fund	153
HOME Program Special Revenue Fund	154
Police - Supplemental Law Enforcement Special Revenue Fund	155
Streets Special Revenue Fund	156
Police CAD-RMS Support Special Revenue Fund	157

CITY OF SANTA BARBARA, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
Table of Contents

	<u>Page Number</u>
NONMAJOR PROPRIETARY FUNDS	
Description of Nonmajor Proprietary Funds	159
Nonmajor Enterprise Funds:	
Combining Statement of Net Position	160
Combining Statement of Revenues, Expenses and Changes in Net Position	161
Combining Statement of Cash Flows	162
INTERNAL SERVICE FUNDS	
Description of Internal Service Funds	165
Internal Service Funds:	
Combining Statement of Net Position	166
Combining Statement of Revenues, Expenses and Changes in Net Position	167
Combining Statement of Cash Flows	168
FIDUCIARY FUNDS	
Description of Fiduciary Funds	171
Fiduciary Funds:	
Combining Statement of Fiduciary Net Position	172
Combining Statement of Changes in Fiduciary Net Position	173
Agency Funds:	
Combining Statement of Assets and Liabilities	174
Combining Statement of Changes in Fiduciary Assets and Liabilities	175
STATISTICAL SECTION	
Statistical Table of Contents	177
Net Position by Component - Last Ten Fiscal Years	179
Changes in Net Position - Last Ten Fiscal Years	180
Governmental Activities Tax Revenues by Source - Last Ten Fiscal Years	182
Fund Balances of Governmental Funds - Last Ten Fiscal Years	183
Changes in Fund Balances of Governmental Funds - Last Ten Years	184
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	186
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	187
Principal Property Tax Payers - Current Year and Ten Years Ago	188
Property Tax Levies and Collections - Last Ten Fiscal Years	189
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	190
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	191
Statement of Direct and Overlapping Governmental Activities Debt	192
Legal Debt Margin Information - Last Ten Fiscal Years	193

CITY OF SANTA BARBARA, CALIFORNIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019
Table of Contents

	<u>Page</u> <u>Number</u>
STATISTICAL SECTION (CONTINUED)	
Pledged-Revenue Coverage - Last Ten Fiscal Years	194
Demographic and Economic Statistics - Last Ten Calendar Years	195
Principal Employers - Current Year and Nine Years Ago	196
City Government Employees by Function - Last Ten Fiscal years	197
Operating Indicators by Function - Last Ten Fiscal Years	198
Capital Asset Statistics by Function - Last Ten Fiscal Years	199
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	201



Introductory Section



City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

November 27, 2019

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, 2019, 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. White Nelson Diehl Evans LLP, the City's new Audit firm, has issued an unmodified opinion on the City's financial statements for the fiscal year ended June 30, 2019. 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.

Administration

805.564.5334

Accounting

805.564.5340

License & Permits

805.564.5346

Payroll

805.564.5357

Risk Management

805.564.5347

Treasury

805.564.5528

Utility Billing

805.564.5343

Fax

805.897.1978

735 Anacapa St.

PO Box 1990

Santa Barbara, CA

93102-1990

Purchasing

805.564.5349

Warehouse

805.564.5354

Mailroom

805.564.5360

Fax

805.897.1977

310. E. Ortega St.

PO Box 1990

Santa Barbara, CA

93102-1990

Environmental Services

805.564-5631

Fax

805.564.5688

1221 Anacapa Street

PO Box 1990

Santa Barbara, CA

93102-1990

LOCAL ECONOMY

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 expand, the local economy saw slower growth and was somewhat less robust. In particular, the lodging industry and retail sector had been experiencing significant challenges. Sales tax had been stagnant over the last few years with online sales impacting the retail sector. While prices of taxable goods have been relatively stable, as measured by the consumer price index, the City has started to receive tax revenue from a number of the larger online retailers following court decisions requiring the remittance of sales tax for online sales. The introduction of Measure C, a 1% district tax in April 2018, has provided significant new revenues for the City to dramatically enhance the City's ability to meet its infrastructure needs going forward.

Transient occupancy taxes had several years of tremendous revenue growth through 2015, driven by increases to both room rates and occupancy rates, however revenues stabilized due to weaker demand through 2018 and were significantly impacted by the Thomas Fire and resulting debris flow in the winter of 2017/18. Since then, new hotel capacity has added along the waterfront and entrance to State Street that has generated significant new revenues. These new revenues were offset somewhat by the policy decision to enforce the prohibition of short-term rental units in the City, and subsequent payment of TOT taxes still yielding a 3.4% increase over prior fiscal year.

Fortunately, the real estate market continues to be strong. Real estate values are still on the rise, albeit more slowly in recent years with market values at, or near, market high values. 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 strong and growing modestly. The City continues to work with local business groups to adjust to the new retail paradigm with innovative and supportive initiatives designed to reduce retail vacancies and support enterprise in the major retail areas of the city. This process is often incremental, and 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 in 2008, 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.

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, 2019, the City had not reached its Article XIII B spending limitation.

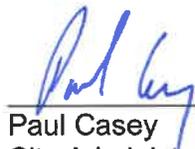
AWARDS AND ACKNOWLEDGEMENTS

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, 2018. 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 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



Mark Sewell
Accounting Manager



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, 2018

Christopher P. Morill

Executive Director/CEO

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2019

City Council



Jason Dominguez
Councilmember

Oscar Gutierrez
Councilmember

Eric Friedman
Councilmember

Meagan Harmon
Councilmember

Randy Rowse
Councilmember

Cathy Murillo
Mayor

Kristen Sneddon
Councilmember

Management Team

Paul Casey, City Administrator/Clerk/Treasurer

Lori Luhnnow, Police Chief

Ariel Calonne, City Attorney

Eric Nickel, Fire Chief

Pamela Antil, Assistant City Administrator

Jill Zachary, Parks and Recreation Director

Henry Thompson, Airport Director

Rebecca Bjork, Public Works Director

Robert Samario, Finance Director

Brian Bosse, Acting Waterfront Director

Jessica Cadiente, Library Director

George Buell, Community Development Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2019

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

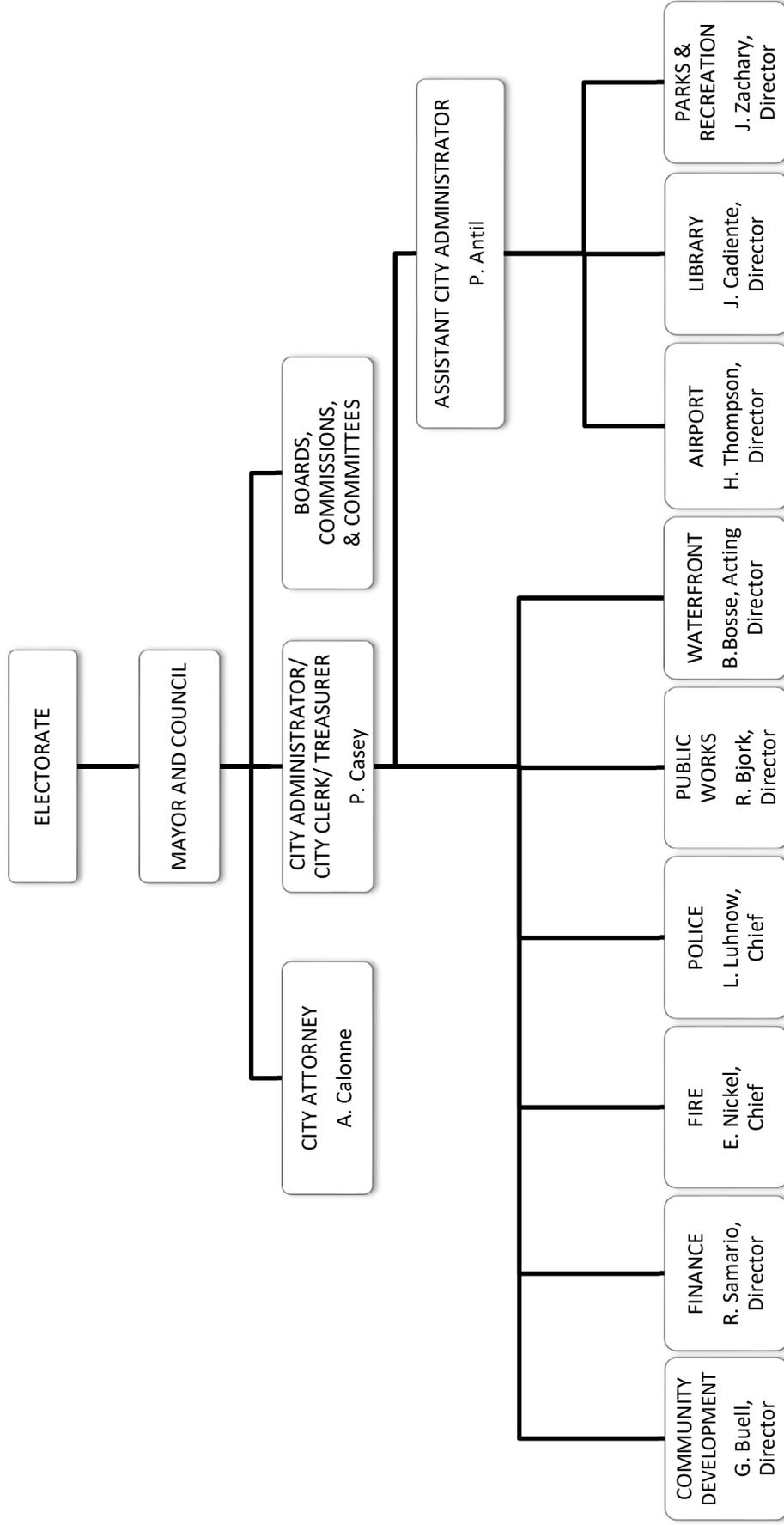
Committees and Commissions

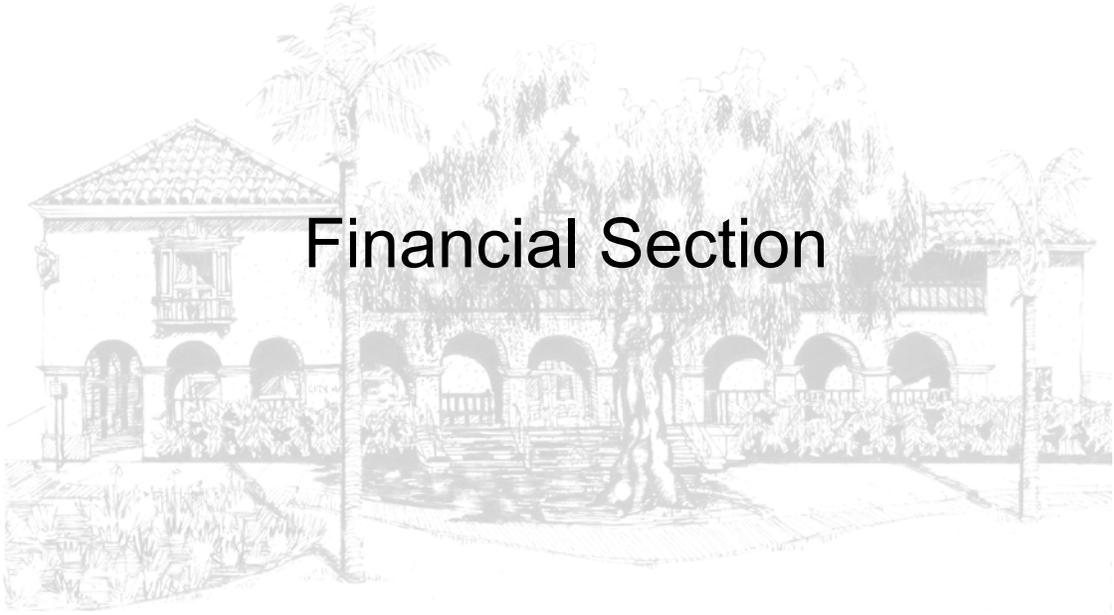
Access Advisory Committee	.....	7
Arts Advisory Committee	.....	7
Building and Fire Code Board of Appeals	.....	13
Central Coast Commission for Senior Citizens	.....	1
Citizens' Oversight Committee	.....	7
Community Development and Human Services Committee	.....	13
Community Events and Festivals Committee	.....	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 City Council
of the City of Santa Barbara
Santa Barbara, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California (the City), as of and for the year ended June 30, 2019, and the related notes to the basic 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.

Auditors' 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 auditors' 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 auditors consider 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.

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, as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the City restated the net position of the governmental activities, the business-type activities, and the airport enterprise fund at July 1, 2018. Our opinions are not modified with respect to this matter.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules - General and Major Special Revenue Funds, the schedules of changes in net pension liability and related ratios, the schedules of plan contributions, and the schedules of changes in the total other post-employment benefit (OPEB) liability and related ratios, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI 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 non-major fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion 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 27, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Diehl Evans LLP

Irvine, California
November 27, 2019



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2019

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, 2019. 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 2019, the City's net position (assets and deferred outflows minus liabilities and deferred inflows) totaled \$792.7 million, an increase of approximately \$5.9 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 \$(145.0) million, due to the implementation of GASB 68. Before adjusting for GASB 68, unrestricted funds were \$183.0 million, a decrease of \$36.1 million from the prior year.

As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$121.7 million, a decrease of \$0.2 million (0.2%) 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, 2019, with comparative totals as of June 30, 2018. 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	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other Assets	\$ 188,170	\$ 175,943	\$ 151,728	\$ 161,015	\$ 339,898	\$ 336,958
Capital Assets, Net	465,776	443,975	586,148	577,465	1,051,925	1,021,440
Total Assets	653,946	619,918	737,876	738,481	1,391,823	1,358,399
Deferred Outflows of Resources:	51,906	67,356	10,148	14,229	62,053	81,585
Liabilities:						
Current and other Liabilities	49,189	29,783	39,785	33,378	88,975	63,161
Non-current liabilities	312,356	311,722	250,100	267,193	562,456	578,915
Total Liabilities	361,545	341,505	289,885	300,571	651,431	642,076
Deferred Inflows of Resources:	8,564	10,055	1,198	1,067	9,762	11,122
Net Position:						
Net investment in capital assets	465,776	443,975	380,202	359,890	845,978	803,865
Restricted	82,381	81,702	9,349	13,052	91,731	94,754
Unrestricted	(212,415)	(189,963)	67,390	78,131	(145,025)	(111,833)
Total Net Position	\$ 335,742	\$ 335,714	\$ 456,941	\$ 451,072	\$ 792,683	\$ 786,786

As shown in Table 1, at June 30, 2019 the City's net position totaled \$792.7 million. The largest portion consists of the City's net investment in capital assets in the amount of \$846.0 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, \$91.7 million, is subject to restrictions imposed by external parties, and its use is determined by those restrictions and contractual agreements.

The City of Santa Barbara implemented GASB Statement 68 effective Fiscal Year ending June 30, 2015. With the reporting change, the City recognized a net pension asset, deferred outflows of resources, deferred inflows of resources, pension expense and a net pension liability. As a result of this change, unrestricted funds resulted in a deficit of \$(145.0) 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 \$183.0 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, 2019, in relation to a year earlier. For the fiscal year ended June 30, 2019, total net position increased by \$5.9 million.

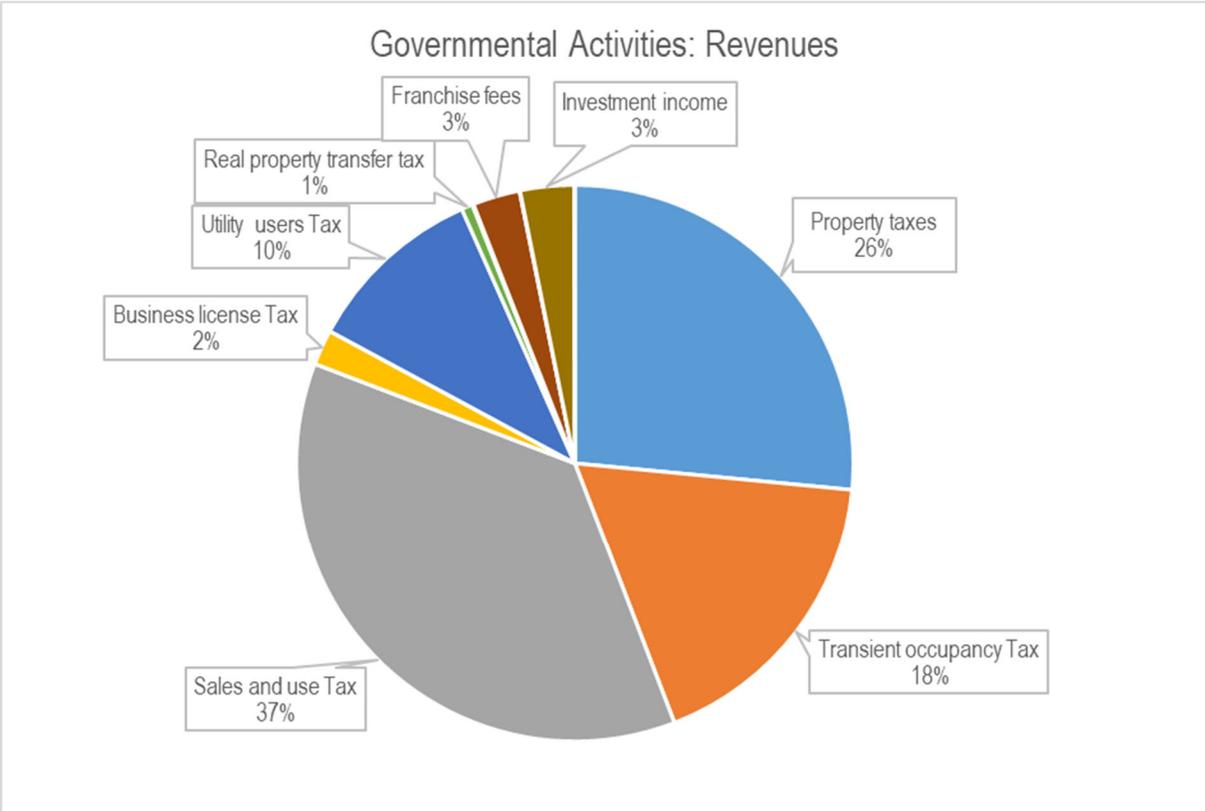
Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2019, with comparative totals for the fiscal year ended June 30, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 27,108	\$ 44,845	\$ 149,161	\$ 145,328	\$ 176,269	\$ 190,173
Operating Grants and Contributions	20,197	10,462	23	23	20,220	10,485
Capital Grants and Contributions	24,112	16,301	2,220	8,640	26,332	24,941
General Revenues:						
Taxes	124,782	100,523	-	-	124,782	100,523
Franchise Fees	3,637	3,597	-	-	3,637	3,597
Motor Vehicle License Fees	46	49	-	-	46	49
Investment Income	4,137	2,171	4,574	724	8,711	2,895
Other Revenue	51	11,289	1,914	1,372	1,966	12,661
Total Revenues	204,070	189,237	157,893	156,087	361,963	345,324
Expenses:						
Program Expenses:						
Administration	19,727	20,045	-	-	19,727	20,045
Public Safety	80,237	82,485	-	-	80,237	82,485
Public Works	44,944	34,583	-	-	44,944	34,583
Community Services	26,110	30,500	-	-	26,110	30,500
Community Development	18,825	16,082	-	-	18,825	16,082
Business Activities:						
Water	-	-	51,781	45,239	51,781	45,239
Wastewater	-	-	20,954	20,542	20,954	20,542
Airport	-	-	26,289	24,507	26,289	24,507
Waterfront	-	-	15,953	15,010	15,953	15,010
Solid Waste	-	-	24,472	23,948	24,472	23,948
Downtown Parking	-	-	10,339	10,104	10,339	10,104
Golf Course	-	-	2,642	2,643	2,642	2,643
Total Expenses	189,843	183,695	152,429	141,993	342,271	325,688
Increase in Net Positions Before Transfers	14,227	5,542	5,464	14,094	19,692	19,636
Transfers In (Out)	(277)	(462)	277	462	-	-
Increase (Decrease) in Net Position	13,950	5,080	5,741	14,556	19,692	19,636
Net Position, beginning of fiscal year	335,714	338,090	451,072	436,516	786,786	774,606
Restatement Prior Year (Note 18)	(13,922)	(7,456)	127	-	(13,794)	(7,456)
Net Position, end of fiscal year	\$ 335,742	\$ 335,714	\$ 456,941	\$ 451,072	\$ 792,683	\$ 786,786

Governmental Activities

Revenue Highlights

Total revenues for governmental activities grew 7.8% compared to fiscal year ended June 30, 2018 at \$204.1 million. The largest component of total revenue is taxes at \$124.8 million, making up 61.2% 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 Governmental activities in Fiscal Year 2019 include, Sales and Use \$48.6 million (including Measure C district tax), Property \$35.1 million, Transient Occupancy \$23.4 million, Utility Users taxes \$13.9 million, Business Licenses \$2.7 million and other taxes totaling \$1.0 million.



Some of the key changes in revenues are:

- Sales and Use taxes reported an increase of \$23.4 million from the prior year, or a 92.8% increase at \$48.6 million. Fiscal Year 2019 was the first full year of Measure C, a 1% district tax approved by voters in November 2017 that commenced on April 1, 2018 increasing the sales and use tax rate in the City from 7.75% to 8.75%. Included in the total reported are fiscal year 2018 payments received in fiscal year 2019 due to delays caused by the State, accounting for approximately \$2.3 million of the tax receipts recognized in the year ending June 30, 2019.

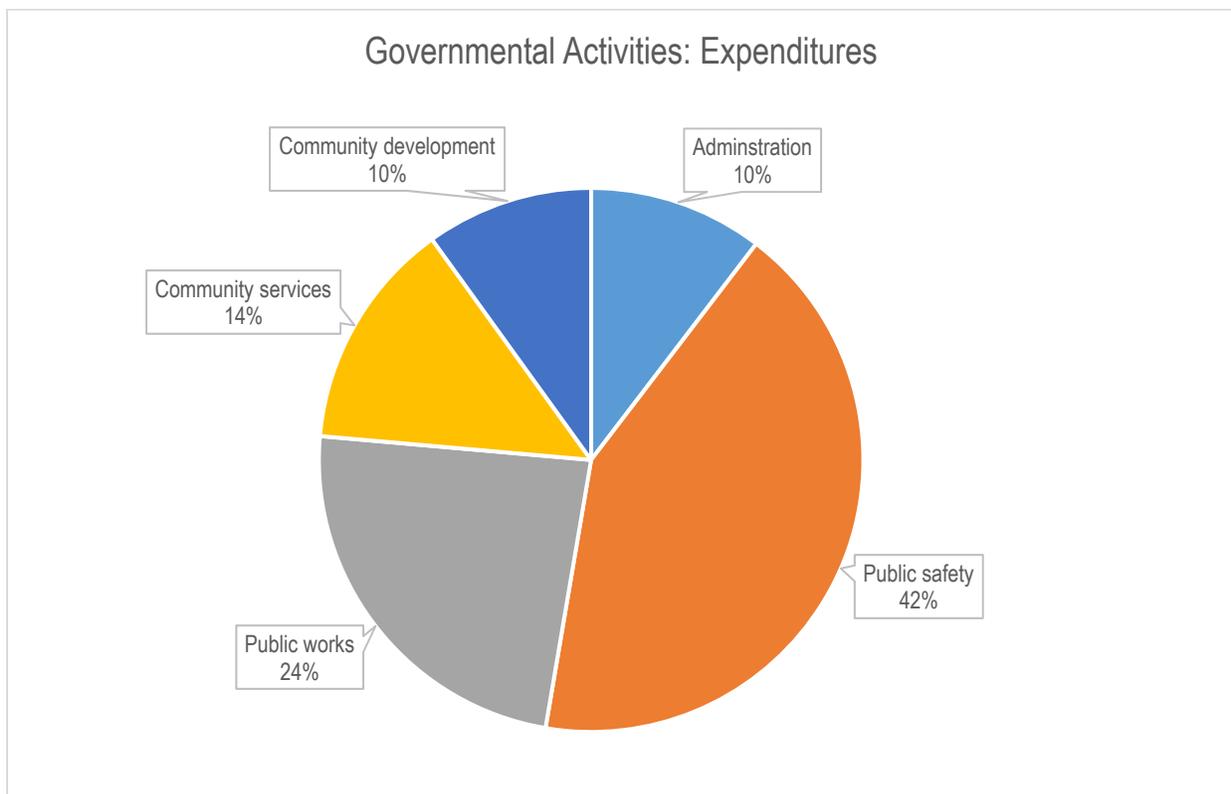
- Property taxes reported an increase of \$0.3 million from the prior year, or a 0.7% increase to \$35.2 million. Property taxes yielded an underlying growth rate of 5.5%, yet two one-off large receipts in fiscal year 2018 created the impact of depressing the overall year on year growth.
- Transient Occupancy taxes (TOT) reported an increase of \$0.8 million from the prior year, or a 3.4% increase at \$23.4 million. In fiscal year 2018, the Thomas Fire and debris flow impacted hotel stays in December 2017 and January 2018 reducing the receipts of this tax. Tourism has steadily improved since the Thomas Fire and debris flow. In addition, several flights and routes have been recently added at the Santa Barbara Municipal Airport, which may be a contributing factor, increasing the number of visitors to Santa Barbara. The impact of enforcing council policy restricting short term rentals has reduced the amount of TOT receipts from properties previously offering that service.
- All other tax categories reported a total of \$17.6 million, a 1.0% decline compared to fiscal year 2018, with Utility user taxes and business license revenues lower than last year, offset somewhat by growth in real property transfer taxes and other miscellaneous taxes.
- Other non-tax revenues reported a decline of \$9.2 million in fiscal year 2019 for a total of \$7.9 million. In Fiscal Year 2018, the City received a one-time payment of \$11.2 million from the sale of the right to repurchase property at 420 E De La Guerra.

Expense Highlights

Functional expenses for the year totaled approximately \$189.8 million, an increase of \$6.1 million from the prior year. \$1.7 million of this increase relates to increased salary costs. The main reasons for this increase was due to the increase in retirement costs, growing by \$2.2 million due to increased PERS contributions, modest salary increases and reduced vacant positions. Overtime costs decreased by more than \$2.2 million in fiscal year 2019 compared to fiscal year 2018, a reflection of the impact of the Thomas Fire and debris flow response and other mutual aid activity in fiscal year 2018 being abnormally high that year. While overtime costs were lower year on year, The City also had a one-time \$2.8 million expense as a result of forgiving a loan with Santa Barbara Affordable Housing Group for 1116-1132 De La Vina Street.

GASB 68 reporting for pension expenses resulted in an increase of \$0.6 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.

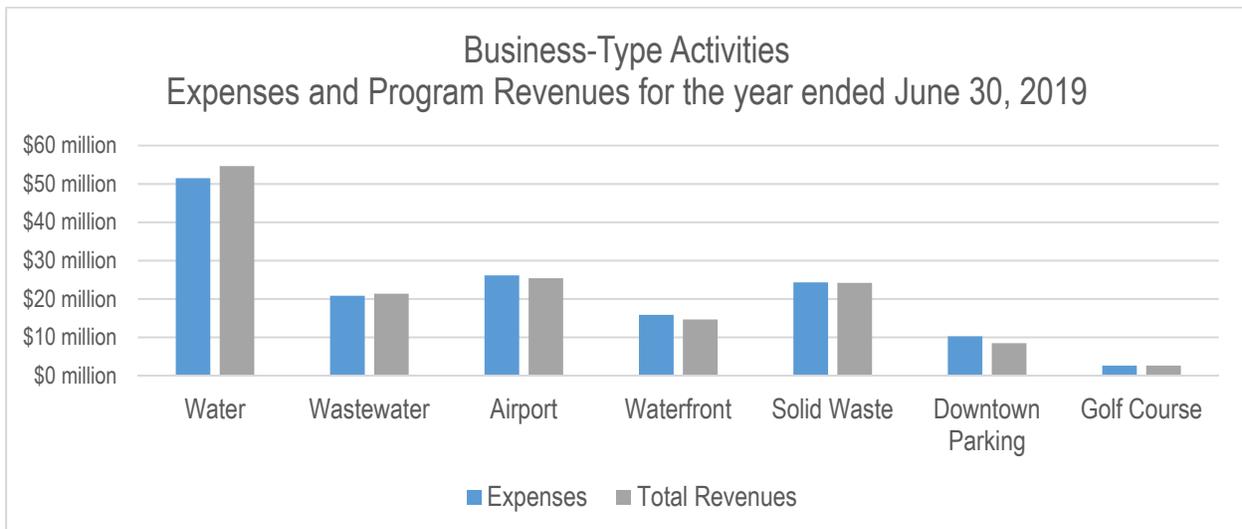
The largest component of total expenses was for Public Safety (fire and police), representing \$80.2 million (42%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$44.9 million, are funded largely 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 net position increased by \$5.9 million in fiscal year 2019 to \$456.9 million as at June 30, 2019.

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



Revenue Highlights

Program revenues of \$151.4 million were generated in Fiscal Year 2019, a decrease of \$2.6 million compared to prior year, a 1.7% reduction. Charges for services, the largest category of revenue grew by 2.6% across all business-type activities with three main drivers of this change:

Airport services continued to expand in fiscal year 2019 with the introduction of new carrier routes and increased passenger levels resulting in revenue growth of \$2.6 million, or 12.4% compared to fiscal year 2018. Solid Waste rate increases adopted in fiscal year 2019 resulted in \$2.1 million, or 9.4% more revenue for services rendered and conversely, a wetter than average winter reduced the demand for water, resulting in lower water sales leading to a \$1.8 million, or 2.1% decline in the Water Fund.

Total operating and capital grant revenue received was \$2.2 million in fiscal year 2019, a drop of \$6.5 million from fiscal year 2018. In fiscal year 2019, the Airport fund received a large Federal Aviation Authority Grant to rehabilitate the runway. Given this, the total revenue category is reported below fiscal year 2018 levels of \$154.0 million, at \$151.4 million as of June 30, 2019.

Expense Highlights

Expenses of the Business-Type Activities for the Fiscal Year ended June 30, 2019, totaled \$152.4 million, a \$10.4 million increase from the prior year. The majority of this increase is in the Water Fund at \$6.5 million, and the Airport Fund at \$1.8 million.

The Water Fund operated the desalination plant each month during fiscal year 2019 compared to fiscal year 2018 in which the plant was only operated in the later part of the fiscal year resulting in an increase in operating costs of \$3.8 million. The recycled water plant operating costs were \$1.2 million higher and costs for Central Coast Water Authority and Cachuma Operation and Maintenance Board were \$0.1 million and \$0.9 million higher respectively. Costs of water main

replacement activity as well as desalination conveyance work was \$2.2 million higher in fiscal year 2019 than prior year, as the Fund accelerated the amount of main replacements as part of its capital program.

Airport Fund expenses were \$1.8 million higher than fiscal year 2018 at \$26.3 million. This increase was primarily due to increased capital project costs including the rehabilitation of the north east aircraft parking apron for \$1.8 million.

Wastewater Fund expenses were in line with prior year at \$21.0 million, an increase of \$0.4 million.

Waterfront Fund expenses increased by \$0.9 million over prior year, with \$0.5 million more depreciation charge. Solid Waste Fund tipping fees and increased costs resulted in \$0.5 million higher expenses and Downtown Parking reported an increases of \$0.2 million. Golf Fund expenses were in line with prior year.

Included in the variances reported is the impact of GASB 68 reporting for pension expenses. A decrease of \$0.2 million is reported compared to prior year for all Propriety Funds. 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, 2019, assets in the City's governmental funds totaled \$175.1 million. Of this total, \$61.8 million consisted of cash and investments, an increase of \$4.8 million over prior year. An additional \$74.8 million represents outstanding loans receivable, which relate primarily to the City's Affordable Housing Fund and Community Development Block Grant and HOME Programs. The General Fund has \$8.7 million in advances (loans) to other City funds, including \$5.0 million to the Measure C Fund, and \$3.0 million to the Airport Fund.

Fund balances of governmental funds totaled \$121.7 million at June 30, 2019. An amount corresponding to prepaid assets, outstanding loans and advances receivable of \$9.6 million is reported as "Nonspendable" due to the long-term nature of the assets and, therefore, unavailable to fund current operations. A further \$81.9 million is restricted for specific programs, projects, and capital improvements with \$62.2 million of this restricted for affordable housing. The spendable portion of fund balance totals \$30.2 million, which includes committed, assigned and unassigned balances.

The General Fund's fund balance increased by \$2.1 million, 6.5%, to \$35.0 million due to a surplus of revenues over expenditures in fiscal year 2019. The most significant committed portion of fund balance is \$26.8 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 the General Fund. The policy requires all operating funds, including the General Fund, to set aside an amount equal to 25% of its operating budget. In fiscal year 2019, City Council approved two advances to other funds using Contingency Reserves, to be paid back over time by the Airport and Measure C funds. Loan repayment schedules are in place for the repayment of both loans with Measure C payments to be completed by June 30, 2025 and the Airport loan to be paid back in full by June 30, 2028. The unassigned deficit fund balance in the General Fund is \$3.8 million.

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 \$456.9 million as of June 30, 2019, which increased \$5.7 million, 1.3% from the prior year. \$5.9 million of the overall increase in net position is primarily attributable to 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.

	Budgeted Amounts		Actual Amounts	Variance from Budget
	Original	Final	2019	
Revenues:				
Taxes	\$ 109,458	\$ 110,671	\$ 113,933	\$ 3,262
Franchise Fees	3,630	3,630	3,637	7
Intergovernmental	1,260	2,067	2,751	684
Charges for Services	23,156	23,454	21,828	(1,626)
Use of Money and Property	1,372	1,372	1,860	488
Fines and Forfeitures	3,180	3,180	2,560	(620)
Other Revenues	10,667	10,844	10,388	(455)
Subtotal Revenues	152,722	155,217	156,958	1,741
Transfers In	1,051	1,280	1,095	(184)
Anticipated Year End Savings	2,445	2,544	-	(2,544)
Total other Financing Sources / (Uses)	3,496	3,824	1,095	(2,728)
Total Revenues	\$ 156,219	\$ 159,040	\$ 158,053	\$ (987)

Revenues

The amended Fiscal Year 2019 General Fund revenue budget of \$159.0 million reflects adjustments of \$2.8 million that were approved by the City Council during the year. The most significant amendments included an increase of \$1.2 million to Measure C tax revenues to enable the appropriation of the delayed fiscal year 2018 tax receipts which were received in fiscal year 2019, to be transferred to the Measure C Fund. Intergovernmental revenues were increased by \$0.8 million, of which \$0.6 million was 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 \$158.1 million. Tax revenues ended the year above the amended budget by \$3.3 million, reflecting the delayed payment of sales and use tax and Measure C taxes by the State of California that were earned in fiscal year 2018 but remitted to the City in fiscal year 2019. Charges for services fell \$1.6 million below budget due to lower than anticipated planning revenue reflecting a reduction in large building permit fees. In addition, labor recharges for City engineers was lower than budgeted due to vacancies within the Engineering Division of Public Works Department. Finally, fines and forfeitures were lower than budgeted due

to vacancies in parking enforcement reducing the number of parking citations issued in fiscal year 2019.

Anticipated year end savings 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 2019, \$2.5 million of "Anticipated Year-End Variance" was budgeted but not reflected in the actual since the savings are realized in expenditures.

Expenditures

The amended Fiscal Year 2019 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, 2018.

	Budgeted Amounts		Actual Amounts	Variance from
	Original	Final	2019	Budget
Expenditures:				
Mayor and Council	\$ 3,536	\$ 3,575	\$ 3,552	\$ 22
City Attorney	3,569	4,151	4,050	101
City Administration	2,359	2,438	2,410	28
Administrative Services	2,761	2,769	2,620	148
Finance	5,811	5,875	5,522	353
Public Safety	71,332	71,877	71,469	407
Public Works	9,009	9,277	8,318	959
Community Services	22,464	22,759	21,601	1,158
Community Development	12,023	12,633	11,599	1,034
Subtotal Expenditures	132,865	135,352	131,142	4,210
Transfers Out	23,327	32,837	24,779	8,057
Total Expenditures	\$ 156,192	\$ 168,189	\$ 155,921	\$ 12,268

As shown on Table 4 above, actual expenditures totaled \$155.9 million, and were under final budget by approximately \$12.3 million. The largest saving against budget is due to the need to appropriate a transfer out of \$8.0 million in new loans subsequently reclassified as actual advances to other funds within the General Fund balance sheet. Underlying savings in the General Fund operating departments was therefore \$4.2 million in fiscal year 2019. 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.

	Governmental Activities	Business-Type Activities	Totals
Non-Depreciating Assets			
Construction in Progress	\$ 34,224	\$ 3,039	\$ 37,263
Art and Historical Treasure	1,759	-	1,759
Land	48,864	24,944	73,808
Streets	160,101	-	160,101
Depreciating Assets			
Buildings	10,767	91,217	101,984
Building Improvements	20,948	8,165	29,114
Other Improvements	35,920	197,335	233,254
Equipment	11,481	12,732	24,213
Infrastructure	141,713	74,174	215,886
Underground Piping	-	174,543	174,543
Total Capital Assets	\$ 465,776	\$ 586,148	\$ 1,051,925

The City owns approximately \$1,052.0 million (net of depreciation) of capital assets, an increase of \$31.5 million compared to the year ended June 30, 2018. These capital assets 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, 2019, infrastructure assets, including streets, totaled \$301.8 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 an aspiration to improve the PCI to 70 in the coming years whereby ongoing maintenance needs 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 biennial 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.”

Governmental Activities which include Internal Service Funds have construction in progress projects totaling \$34.2 million which have commenced or continued in fiscal year 2019 including: Bridge replacements (\$21.3 million), Building renovations, (\$6.8 million), sidewalk, bike lane and pedestrian improvements (\$3.4 million), parks and facilities improvements (\$1.0 million), computer software (\$0.7 million), general infrastructure (\$0.7 million) and various library renovations (\$0.3 million).

For Business-Type Activities, construction in progress projects totaling \$3.0 million which have commenced or continued in fiscal year 2019 primarily relate to facilities used in connection with enterprise funds, including water, wastewater, airport, waterfront, golf and downtown parking. These operations can be much more capital intensive given the nature of the services they provide. The City’s business-type funds included a net \$8.8 million in capital asset additions. Construction in progress decreased by a net of \$60.4 million following the reclassification after completion of some large projects in FY 2019 including: Wastewater Aeration basins \$28.4 million, recycled water plant \$8.4 million, Airport runway development \$8.9 million and Airport property improvements \$2.5 million, Marina One replacement \$12.2 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 \$200.8 million in outstanding long-term debt at June 30, 2019, a net decrease of \$15.8 million from the prior year. 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.

	Governmental Activities	Business- Type Activities	Totals
Revenue Bonds	\$ -	\$ 46,422	\$ 46,422
Certificates of Participation	-	14,040	14,040
Loans	-	140,301	140,301
Total Debt	\$ -	\$ 200,763	\$ 200,763

Revenue Bonds

The City has a total of \$46.4 million in outstanding revenue bonds including the following: \$29.8 million of 2019 Airport refunding bonds, \$8.4 million of 2016 Sewer refunding bonds, \$8.2 million of 2014 Waterfront refunding bonds.

Certificates of Participation

The Water Fund has \$14.0 million in outstanding COP bonds which refunded the 2002 COP bonds in 2013 issued at \$22.7 million. These proceeds were used to finance capital improvements to the water distribution system.

Loans

Of the outstanding \$140.3 million in loans payable in the Business-Type Activities, \$90.3 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 \$61.7 million at June 30, 2019. The Desalination Project was completed in Fiscal Year 2018.

The Waterfront Fund has \$9.9 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 \$0.9 million and \$3.9 million respectively, used to finance capital improvements at the airport, and constructing a joint use rental car facility.

Lastly, the Wastewater Fund accounts for \$35.4 million in loans from the California State Water Resources Control Board for sewer infrastructure improvements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

As of June 30, 2019, the current economic expansion is the longest on record with many economic recessionary indicators mixed resulting in uncertainty as to how long the expansion will continue. Local economic forecasts prepared by the University of California, Santa Barbara, highlights growing employment and moderated growth in house pricing. The City of Santa Barbara has seen moderate underlying growth in all major revenue areas over the recent past. Sales tax is the largest single General Fund revenue, representing approximately 37% of total General Fund revenues and is highly variable with the economic cycle and consumer sentiments.

Property taxes are another major source of General Fund revenue, representing approximately 27% of total General Fund revenues, the state of the housing market plays a key role in the City's finances. Property taxes continue to be a strong source of revenue for the City averaging 4.3% growth over the last ten years fueled by the economic expansion following the great recession of 2008 with increased development, County reassessments, and real estate sales contributing to higher tax receipts. Modest increases are anticipated to continue while the economic expansion continues.

Between 2012 and 2015, the hospitality sector realized tremendous gains of 7-15% annually. A number of factors played into this, but the unusually warm and dry weather played a significant role, attracting many visitors to the area. The strong demand for hotel rooms resulted in increases to both occupancy rates as well as room rates. The City benefited from this boon in that a 12% transient occupancy tax (TOT) applies to all room rates (2% of this tax is transferred to the Creeks Division as Measure B revenue leaving 10% for General Fund purposes). TOT has been impacted more recently by the Thomas Fire and debris flow of late 2017, early 2018, along with City policy to enforce the prohibition of short-term rental properties that had previously remitted TOT.

Recently the City has received more visitors through new carrier routes at the Airport as well as benefitted from new, incremental hotel beds in prominent waterfront and downtown locations. Ten year average growth rates for TOT is 5.4% and economic indicators are mixed as to the sustainability of this level of growth as part of the economic expansion.

The Fiscal Year 2020 Budget reflects a prudent view and continuance of the same revenue trends we have seen the last couple of years. The recent introduction of new revenue sources such as Measure C, Cannabis tax and receipt of tax increment that had previously serviced debt in the former Redevelopment Agency will all provide some short term growth. Overall, General Fund revenues are anticipated to grow between 3-4% in fiscal year 2020. The fiscal year 2020 budget represents a plan for the delivery of services balanced to this anticipated revenue level.

A longer term view highlights significant challenges regarding the City's ability to generate enough revenue to finance existing operations, and meet the needs of the community. Like most full service municipalities, personnel costs are the largest area of expense in the General Fund. Although salary increases have been low to moderate in comparison to other agencies, increases in retirement costs are driving the overall cost increases with regard to City personnel costs. California Public Employees Retirement System (CalPERS) has adopted more conservative funding policies, resulting in the requirement for member agencies to make substantial increases in employer contributions that started in 2016 and will continue until at least 2025. Modest revenue growth coupled with exceptional increases in retirement costs over the next five years will challenge the City to maintain a balanced budget. Should the economic expansion stall or fall into recession, this challenge will only heighten.

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 Mark Sewell, Accounting Manager, at MSewell@SantaBarbaraCA.gov.

CITY OF SANTA BARBARA
STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Pooled cash and investments	\$ 92,001,193	\$ 113,786,717	\$ 205,787,910
Receivables:			
Accounts, net	26,326,972	14,103,094	40,430,066
Loans	74,812,977	6,140,793	80,953,770
Interest	919,086	-	919,086
Due from other governments	396,463	-	396,463
Prepaid assets and deposits	1,583,920	5,901,465	7,485,385
Inventory	751,163	80,497	831,660
Internal balances	(8,621,791)	8,621,791	-
Restricted assets:			
Cash and investments with fiscal agent	-	3,093,401	3,093,401
Total Current Assets	<u>188,169,983</u>	<u>151,727,758</u>	<u>339,897,741</u>
Noncurrent Assets:			
Capital assets			
Not being depreciated	244,947,647	27,983,678	272,931,325
Being depreciated, net	220,828,694	558,164,747	778,993,441
Total Noncurrent Assets	<u>465,776,341</u>	<u>586,148,425</u>	<u>1,051,924,766</u>
TOTAL ASSETS	<u>653,946,324</u>	<u>737,876,183</u>	<u>1,391,822,507</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension-related items	49,856,655	8,521,912	58,378,567
OPEB-related items	2,049,000	-	2,049,000
Unamortized loss on bond defeasance	-	1,625,814	1,625,814
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>51,905,655</u>	<u>10,147,726</u>	<u>62,053,381</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	14,067,789	14,947,236	29,015,025
Salaries and benefits payable	5,690,177	1,779,459	7,469,636
Interest payable	-	1,342,099	1,342,099
Unearned revenue	2,468,448	6,524,125	8,992,573
Deposits	868,224	1,838,031	2,706,255
Due to other governments	13,854,835	-	13,854,835
Compensated absences	7,184,071	1,743,613	8,927,684
Claims liabilities	5,055,942	-	5,055,942
Long-term debt	-	11,610,490	11,610,490
Total Current Liabilities	<u>49,189,486</u>	<u>39,785,053</u>	<u>88,974,539</u>
Noncurrent liabilities			
Net pension liability	274,104,488	53,943,940	328,048,428
Net OPEB liability	26,584,000	-	26,584,000
Compensated absences	798,229	193,735	991,964
Claims liability	10,869,520	-	10,869,520
Long-term debt	-	195,962,074	195,962,074
	<u>312,356,237</u>	<u>250,099,749</u>	<u>562,455,986</u>
TOTAL LIABILITIES	<u>361,545,723</u>	<u>289,884,802</u>	<u>651,430,525</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related	7,126,798	1,198,405	8,325,203
OPEB related	1,437,000	-	1,437,000
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,563,798</u>	<u>1,198,405</u>	<u>9,762,203</u>
NET POSITION:			
Net investment in capital assets	465,776,341	380,201,675	845,978,016
Restricted for:			
Administration	159,176	-	159,176
Public safety projects	1,393,635	-	1,393,635
Public works	14,585,227	-	14,585,227
Community services	1,051,384	-	1,051,384
Community development	2,758,409	-	2,758,409
Capital improvements	189,939	-	189,939
Debt service reserve	-	9,349,245	9,349,245
Affordable housing	62,243,598	-	62,243,598
Unrestricted	<u>(212,415,251)</u>	<u>67,389,782</u>	<u>(145,025,469)</u>
TOTAL NET POSITION	<u>\$ 335,742,458</u>	<u>\$ 456,940,702</u>	<u>\$ 792,683,160</u>

See accompanying notes to basic financial statements.

CITY OF SANTA BARBARA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 19,726,682	\$ 2,043,092	\$ 8,434,786	\$ -
Public safety	80,237,137	5,838,306	6,487,458	300,000
Public works	44,944,374	7,282,271	131,366	23,554,945
Community services	26,109,668	6,416,073	3,278,698	257,520
Community development	18,824,697	5,528,476	1,864,561	-
Total governmental activities	189,842,558	27,108,218	20,196,869	24,112,465
Business-type activities:				
Water	51,781,128	54,622,049	-	-
Wastewater	20,954,178	21,401,704	-	-
Airport	26,288,534	23,205,632	-	2,190,985
Waterfront	15,952,931	14,639,101	-	28,899
Solid Waste	24,471,926	24,190,935	23,264	-
Downtown Parking	10,338,642	8,472,640	-	-
Golf Course	2,641,525	2,629,156	-	-
Total business-type activities	152,428,864	149,161,217	23,264	2,219,884
Total	\$ 342,271,422	\$ 176,269,435	\$ 20,220,133	\$ 26,332,349

General revenues:

Taxes:

Property taxes (net of pass-through payments)

Transient occupancy

Sales and use

Business license

Utility users

Real property transfer tax

Other taxes

Franchise fees

Unrestricted motor vehicle license-in-lieu

Investment income

Other revenue

Transfers

Total general revenues and transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Restatement of net position

Net position - beginning of year, as restated

Net position - end of year

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (9,248,804)	\$ -	\$ (9,248,804)
(67,611,373)	-	(67,611,373)
(13,975,792)	-	(13,975,792)
(16,157,377)	-	(16,157,377)
(11,431,660)	-	(11,431,660)
<u>(118,425,006)</u>	<u>-</u>	<u>(118,425,006)</u>
-	2,840,921	2,840,921
-	447,526	447,526
-	(891,917)	(891,917)
-	(1,284,931)	(1,284,931)
-	(257,727)	(257,727)
-	(1,866,002)	(1,866,002)
-	(12,369)	(12,369)
<u>-</u>	<u>(1,024,499)</u>	<u>(1,024,499)</u>
<u>(118,425,006)</u>	<u>(1,024,499)</u>	<u>(119,449,505)</u>
35,186,688	-	35,186,688
23,421,551	-	23,421,551
48,602,692	-	48,602,692
2,724,903	-	2,724,903
13,888,280	-	13,888,280
863,472	-	863,472
93,985	-	93,985
3,636,661	-	3,636,661
45,508	-	45,508
4,137,225	4,574,203	8,711,428
51,453	1,914,423	1,965,876
(277,169)	277,169	-
<u>132,375,249</u>	<u>6,765,795</u>	<u>139,141,044</u>
<u>13,950,243</u>	<u>5,741,296</u>	<u>19,691,539</u>
335,713,729	451,072,065	786,785,794
(13,921,514)	127,341	(13,794,173)
<u>321,792,215</u>	<u>451,199,406</u>	<u>772,991,621</u>
<u>\$ 335,742,458</u>	<u>\$ 456,940,702</u>	<u>\$ 792,683,160</u>

CITY OF SANTA BARBARA

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
		Affordable Housing		
ASSETS				
Cash and investments	\$ 16,769,739	\$ 2,059,398	\$ 43,002,872	\$ 61,832,009
Receivables:				
Accounts	15,248,857	-	10,904,813	26,153,670
Loans	742,369	60,215,773	13,854,835	74,812,977
Interest	919,086	-	-	919,086
Due from other governments	396,463	-	-	396,463
Prepays and deposits	126,457	-	-	126,457
Interfund receivables	2,173,498	-	-	2,173,498
Advances to other funds	8,722,929	-	-	8,722,929
TOTAL ASSETS	\$ 45,099,398	\$ 62,275,171	\$ 67,762,520	\$ 175,137,089
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,824,137	\$ 12,644	\$ 11,313,760	\$ 13,150,541
Salaries and benefits payable	4,485,595	18,929	529,392	5,033,916
Unearned revenue	2,033,083	-	435,365	2,468,448
Deposits	680,234	-	187,990	868,224
Due to other governments	-	-	13,854,835	13,854,835
Interfund payables	-	-	2,173,498	2,173,498
Advances from other funds	-	-	7,000,000	7,000,000
TOTAL LIABILITIES	9,023,049	31,573	35,494,840	44,549,462
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	1,124,000	-	7,772,904	8,896,904
FUND BALANCES (Note 15):				
Nonspendable	9,591,755	-	-	9,591,755
Restricted	2,367,045	62,243,598	17,290,275	81,900,918
Committed	26,777,415	-	11,052,189	37,829,604
Assigned	-	-	3,558,673	3,558,673
Unassigned	(3,783,866)	-	(7,406,361)	(11,190,227)
TOTAL FUND BALANCES	34,952,349	62,243,598	24,494,776	121,690,723
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 45,099,398	\$ 62,275,171	\$ 67,762,520	\$ 175,137,089

CITY OF SANTA BARBARA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2019

Fund balances for governmental funds		\$ 121,690,723
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore are not reported in the fund financial statements. This amount does not include \$16,970,471 of internal service funds net capital assets.</p>		
Capital assets not being depreciated	\$ 244,657,511	
Capital assets being depreciated	351,885,346	
Accumulated depreciation	<u>(147,736,987)</u>	448,805,870
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position. Balances at June 30, 2019 are:</p>		
Compensated absences		(7,542,558)
<p>Pension-related debt applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions are only reported in the Statement of Net Position as the changes in these amounts affect only the government-wide statements for governmental activities.</p>		
Deferred outflows of resources - pension related	47,463,643	
Deferred inflows of resources - pension related	(6,964,788)	
Net pension liability	<u>(259,396,536)</u>	(218,897,681)
<p>Internal Service funds are used by management to charge the costs of certain activities involved in rendering services to departments within the City. The assets and liabilities of the internal service funds are included in governmental in the Statement of Net Position.</p>		
		(17,210,800)
<p>Receivables that are measurable but not available are recorded as deferred inflows of resources under the modified accrual basis of accounting.</p>		
		<u>8,896,904</u>
Net position of governmental activities		<u>\$ 335,742,458</u>

See accompanying notes to basic financial statements.

CITY OF SANTA BARBARA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2019

	General Fund	Special Revenue Funds Affordable Housing	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 113,933,391	\$ -	\$ 14,989,196	\$ 128,922,587
Franchise fees	3,636,661	-	-	3,636,661
Intergovernmental	2,751,450	-	20,592,829	23,344,279
Charges for services	21,827,800	-	572,992	22,400,792
Use of money and property	1,860,116	1,329,899	520,420	3,710,435
Fines and forfeitures	2,560,108	-	921,126	3,481,234
Program income	-	-	235,625	235,625
Other	10,388,378	-	3,378,075	13,766,453
TOTAL REVENUES	156,957,904	1,329,899	41,210,263	199,498,066
EXPENDITURES:				
Current:				
Mayor and city council	3,552,358	-	-	3,552,358
City attorney	4,050,268	-	-	4,050,268
City administration	2,409,866	-	73,308	2,483,174
Administrative services	2,620,344	-	-	2,620,344
Finance	5,521,672	-	33,608	5,555,280
Public safety	71,469,432	-	1,133,049	72,602,481
Public works	8,317,930	-	14,035,359	22,353,289
Community services	21,600,748	-	2,207,259	23,808,007
Community development	11,599,308	3,356,969	1,879,254	16,835,531
Capital outlay	-	-	45,299,520	45,299,520
TOTAL EXPENDITURES	131,141,926	3,356,969	64,661,357	199,160,252
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	25,815,978	(2,027,070)	(23,451,094)	337,814
OTHER FINANCING SOURCES (USES):				
Transfers in	1,095,154	-	34,944,864	36,040,018
Transfers out	(24,779,417)	-	(11,784,276)	(36,563,693)
TOTAL OTHER FINANCING SOURCES (USES)	(23,684,263)	-	23,160,588	(523,675)
NET CHANGE IN FUND BALANCE	2,131,715	(2,027,070)	(290,506)	(185,861)
FUND BALANCES - BEGINNING OF YEAR	32,820,634	64,270,668	24,785,282	121,876,584
FUND BALANCES - END OF YEAR	\$ 34,952,349	\$ 62,243,598	\$ 24,494,776	\$ 121,690,723

CITY OF SANTA BARBARA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

Net change in fund balances - total governmental funds		\$ (185,861)
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures and do not include capital contributions. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense and capital contributions are recognized as revenue. This is the amount by which capital outlay exceeded depreciation expense in the current period and the amount of capital contributions received.</p>		
Capital outlay	\$ 29,267,082	
Capital contributions	557,520	
Disposals	(281,039)	
Depreciation expense	<u>(7,621,441)</u>	21,922,122
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
		370,173
<p>Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability, and related changes in pension amounts for deferred outflows of resources and deferred inflows of resources.</p>		
		(12,136,017)
<p>Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the change during the fiscal year.</p>		
		3,998,603
<p>Internal service funds are used by management to charge costs of activities involved in rendering services to departments within the City. The changes in net position of the internal service funds are included in the Statement of Activities.</p>		
		<u>(18,777)</u>
Change in net position of governmental activities		<u>\$ 13,950,243</u>

CITY OF SANTA BARBARA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2019

	Water	Wastewater	Airport	Waterfront
ASSETS:				
CURRENT ASSETS:				
Pooled cash and investments	\$ 59,538,706	\$ 16,191,124	\$ 15,239,537	\$ 11,965,836
Accounts receivable, net	7,321,870	2,773,154	860,609	9,188
Prepaid assets	5,670,826	-	-	-
Deposits	-	-	-	-
Inventories	-	-	-	-
Restricted:				
Cash and investments with fiscal agent	2,477,530	39	24,268	591,564
TOTAL CURRENT ASSETS	75,008,932	18,964,317	16,124,414	12,566,588
NONCURRENT ASSETS:				
Advances to other funds	-	-	-	-
Loans receivable	6,140,793	-	-	-
Capital assets:				
Nondepreciable	4,348,719	4,059,504	7,598,547	906,355
Depreciable, net	229,787,373	111,310,024	160,501,057	27,878,549
TOTAL NONCURRENT ASSETS	240,276,885	115,369,528	168,099,604	28,784,904
TOTAL ASSETS	315,285,817	134,333,845	184,224,018	41,351,492
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	519,171	85,967	661,544	359,132
Pension-related items	2,571,545	1,696,095	1,605,155	1,179,460
OPEB-related items	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,090,716	1,782,062	2,266,699	1,538,592
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable	9,282,144	1,505,094	1,468,055	364,705
Salaries and benefits payable	495,220	324,304	332,015	334,315
Interest payable	145,600	342,141	366,223	488,135
Unearned revenue	-	-	2,145	231,657
Deposits	100,007	51	1,036,471	633,522
Compensated absences payable	598,400	327,410	282,006	347,064
Claims payable	-	-	-	-
Current portion long-term debt	6,509,548	2,303,481	1,488,926	1,308,535
TOTAL CURRENT LIABILITIES	17,130,919	4,802,481	4,975,841	3,707,933
NONCURRENT LIABILITIES:				
Advances from other funds	-	-	3,078,534	-
Unearned revenue	6,140,793	-	-	-
Net pension liability	16,578,926	10,947,974	10,294,084	7,517,849
Net other post-employment benefit liability	-	-	-	-
Compensated absences payable, net of current portion	66,489	36,379	31,334	38,563
Claims payable, net of current portion	-	-	-	-
Long-term debt, net of current portion	99,400,316	42,436,450	37,386,187	16,739,121
TOTAL NONCURRENT LIABILITIES	122,186,524	53,420,803	50,790,139	24,295,533
TOTAL LIABILITIES	139,317,443	58,223,284	55,765,980	28,003,466
DEFERRED INFLOWS OF RESOURCES:				
Pension related	221,140	197,368	176,489	161,404
OPEB related	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	221,140	197,368	176,489	161,404
NET POSITION:				
Net investment in capital assets	134,886,192	70,715,564	129,886,035	11,096,380
Restricted for debt service	6,517,683	2,215,730	24,268	591,564
Unrestricted	37,434,075	4,763,961	637,945	3,037,270
TOTAL NET POSITION	\$ 178,837,950	\$ 77,695,255	\$ 130,548,248	\$ 14,725,214

Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds

Current year's adjustment to reflect the consolidation of internal service funds' activities related to the enterprise funds

Net position of business-type activities

Solid Waste	Other Enterprise Funds	Total	Internal Service Funds
\$ 506,930	\$ 10,344,584	\$ 113,786,717	\$ 30,169,184
3,098,228	40,045	14,103,094	173,302
-	5,639	5,676,465	1,457,463
-	225,000	225,000	-
-	80,497	80,497	751,163
-	-	3,093,401	-
<u>3,605,158</u>	<u>10,695,765</u>	<u>136,965,174</u>	<u>32,551,112</u>
-	-	-	2,000,000
-	-	6,140,793	-
-	11,070,553	27,983,678	290,136
-	28,687,744	558,164,747	16,680,335
-	39,758,297	592,289,218	18,970,471
<u>3,605,158</u>	<u>50,454,062</u>	<u>729,254,392</u>	<u>51,521,583</u>
-	-	1,625,814	-
307,952	1,161,705	8,521,912	2,393,012
-	-	-	2,049,000
<u>307,952</u>	<u>1,161,705</u>	<u>10,147,726</u>	<u>4,442,012</u>
1,833,948	493,290	14,947,236	917,248
54,225	239,380	1,779,459	656,261
-	-	1,342,099	-
23,570	125,960	383,332	-
-	67,980	1,838,031	-
36,076	152,657	1,743,613	395,770
-	-	-	5,055,942
-	-	11,610,490	-
<u>1,947,819</u>	<u>1,079,267</u>	<u>33,644,260</u>	<u>7,025,221</u>
-	547,835	3,626,369	96,560
-	-	6,140,793	-
1,830,515	6,774,592	53,943,940	14,707,952
-	-	-	26,584,000
4,008	16,962	193,735	43,972
-	-	-	10,869,520
-	-	195,962,074	-
<u>1,834,523</u>	<u>7,339,389</u>	<u>259,866,911</u>	<u>52,302,004</u>
<u>3,782,342</u>	<u>8,418,656</u>	<u>293,511,171</u>	<u>59,327,225</u>
49,721	392,283	1,198,405	162,010
-	-	-	1,437,000
<u>49,721</u>	<u>392,283</u>	<u>1,198,405</u>	<u>1,599,010</u>
-	39,758,297	386,342,468	18,970,471
-	-	9,349,245	-
81,047	3,046,531	49,000,829	(23,933,111)
<u>\$ 81,047</u>	<u>\$ 42,804,828</u>	<u>444,692,542</u>	<u>\$ (4,962,640)</u>
		12,452,036	
		(203,876)	
		<u>\$ 456,940,702</u>	

CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2019

	Water	Wastewater	Airport	Waterfront
OPERATING REVENUES:				
Sales	\$ 48,959,080	\$ 20,695,427	\$ -	\$ -
Service charges	5,662,969	645,091	2,697,756	9,365,884
Leases and rents	-	61,186	20,507,876	5,273,217
Other revenues	761,562	16,616	120,182	356,394
	<u>55,383,611</u>	<u>21,418,320</u>	<u>23,325,814</u>	<u>14,995,495</u>
OPERATING EXPENSES:				
Salaries, wage and benefits	11,093,041	7,089,091	7,342,457	6,760,604
Material, supplies and services	28,911,317	8,258,772	9,904,176	6,272,743
Depreciation	9,309,100	4,555,094	6,105,137	2,063,727
	<u>49,313,458</u>	<u>19,902,957</u>	<u>23,351,770</u>	<u>15,097,074</u>
	<u>6,070,153</u>	<u>1,515,363</u>	<u>(25,956)</u>	<u>(101,579)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	2,216,508	505,811	710,071	429,859
Intergovernmental revenue	-	-	-	-
Other expenses	-	-	(765,515)	-
Interest expense	(2,298,272)	(974,261)	(2,079,450)	(799,639)
	<u>(81,764)</u>	<u>(468,450)</u>	<u>(2,134,894)</u>	<u>(369,780)</u>
	<u>5,988,389</u>	<u>1,046,913</u>	<u>(2,160,850)</u>	<u>(471,359)</u>
CONTRIBUTIONS:				
Capital contributions	-	-	2,190,985	28,899
	<u>-</u>	<u>-</u>	<u>2,190,985</u>	<u>28,899</u>
TRANSFERS:				
Transfers in	-	-	-	-
Transfers out	(89,053)	(41,066)	(21,622)	(13,771)
	<u>(89,053)</u>	<u>(41,066)</u>	<u>(21,622)</u>	<u>(13,771)</u>
	<u>5,899,336</u>	<u>1,005,847</u>	<u>8,513</u>	<u>(456,231)</u>
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED				
	<u>172,938,614</u>	<u>76,689,408</u>	<u>130,539,735</u>	<u>15,181,445</u>
TOTAL NET POSITION - END OF YEAR				
	<u>\$ 178,837,950</u>	<u>\$ 77,695,255</u>	<u>\$ 130,548,248</u>	<u>\$ 14,725,214</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				
Change in net position - enterprise funds				
Change in net position of business-type activities				

Solid Waste	Other Enterprise Funds	Total	Internal Service Funds
\$ 24,190,935	\$ -	\$ 93,845,442	\$ -
-	10,794,271	29,165,971	27,265,286
-	307,525	26,149,804	-
448,935	210,734	1,914,423	1,204,777
<u>24,639,870</u>	<u>11,312,530</u>	<u>151,075,640</u>	<u>28,470,063</u>
1,156,880	4,651,369	38,093,442	11,748,296
23,225,321	7,007,057	83,579,386	15,586,314
-	1,255,652	23,288,710	2,359,387
<u>24,382,201</u>	<u>12,914,078</u>	<u>144,961,538</u>	<u>29,693,997</u>
<u>257,669</u>	<u>(1,601,548)</u>	<u>6,114,102</u>	<u>(1,223,934)</u>
37,427	346,542	4,246,218	754,775
23,264	-	23,264	-
-	-	(765,515)	-
-	(18,328)	(6,169,950)	-
<u>60,691</u>	<u>328,214</u>	<u>(2,665,983)</u>	<u>754,775</u>
<u>318,360</u>	<u>(1,273,334)</u>	<u>3,448,119</u>	<u>(469,159)</u>
-	-	2,219,884	-
-	-	2,219,884	-
-	527,341	527,341	313,006
(50,000)	(34,660)	(250,172)	(66,500)
(50,000)	492,681	277,169	246,506
268,360	(780,653)	5,945,172	(222,653)
(187,313)	43,585,481	438,747,370	(4,739,987)
<u>\$ 81,047</u>	<u>\$ 42,804,828</u>	<u>\$ 444,692,542</u>	<u>\$ (4,962,640)</u>
		\$ (203,876)	
		<u>5,945,172</u>	
		<u>\$ 5,741,296</u>	

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2019

	Water	Wastewater	Airport	Waterfront
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 57,863,867	\$ 21,468,342	\$ 24,275,116	\$ 14,726,047
Payments to suppliers of goods or services	(25,676,755)	(9,510,635)	(11,652,413)	(6,411,469)
Payments to employees	(10,055,410)	(6,415,391)	(6,767,811)	(6,337,903)
Receipts from others	761,562	16,616	120,182	356,394
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	22,893,264	5,558,932	5,975,074	2,333,069
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash transfers in	-	-	-	-
Cash transfers out	(89,053)	(41,066)	(21,622)	(13,771)
Advances from (to) other funds	-	-	3,078,534	-
Operating grants received	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(89,053)	(41,066)	3,056,912	(13,771)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Loan proceeds	-	5,637,629	-	-
Bond proceeds	-	-	29,825,000	-
Bond premium	-	-	4,249,187	-
Bond issuance costs	-	-	(458,955)	-
Payment to refunding escrow agent	-	-	(40,651,195)	-
Acquisition of capital assets	(9,691,601)	(8,138,553)	(10,957,197)	(461,733)
Principal paid on capital debt	(6,341,787)	(1,021,741)	(1,584,473)	(1,320,719)
Interest paid	(2,443,928)	(1,410,913)	(2,717,860)	(722,149)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(18,477,316)	(4,933,578)	(22,295,493)	(2,504,601)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Loans provided	(3,241,562)	-	-	-
Interest	2,216,508	505,811	710,071	429,859
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,025,054)	505,811	710,071	429,859
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,301,841	1,090,099	(12,553,436)	244,556
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	58,714,395	15,101,064	27,817,241	12,312,844
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,016,236	\$ 16,191,163	\$ 15,263,805	\$ 12,557,400

See accompanying notes to basic financial statements.

Solid Waste	Other Enterprise Funds	Total	Internal Service Funds
\$ 23,856,310	\$ 11,071,960	\$ 153,261,642	\$ 27,323,482
(24,341,027)	(7,030,510)	(84,622,809)	(13,596,703)
(1,058,629)	(4,356,038)	(34,991,182)	(10,415,206)
448,935	210,734	1,914,423	1,204,777
(1,094,411)	(103,854)	35,562,074	4,516,350
-	527,341	527,341	313,006
(50,000)	(34,660)	(250,172)	(66,500)
-	(63,094)	3,015,440	(2,024,140)
23,264	-	23,264	-
(26,736)	429,587	3,315,873	(1,777,634)
-	-	5,637,629	-
-	-	29,825,000	-
-	-	4,249,187	-
-	-	(458,955)	-
-	-	(40,651,195)	-
-	(502,999)	(29,752,083)	(2,238,424)
-	-	(10,268,720)	-
-	(18,328)	(7,313,178)	-
-	(521,327)	(48,732,315)	(2,238,424)
-	-	(3,241,562)	-
37,427	346,542	4,246,218	754,775
37,427	346,542	1,004,656	754,775
(1,083,720)	150,948	(8,849,712)	1,255,067
1,590,650	10,193,636	125,729,830	28,914,117
\$ 506,930	\$ 10,344,584	\$ 116,880,118	\$ 30,169,184

(Continued)

CITY OF SANTA BARBARA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(CONTINUED)
For the year ended June 30, 2019

	Water	Wastewater	Airport	Waterfront
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 6,070,153	\$ 1,515,363	\$ (25,956)	\$ (101,579)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	9,309,100	4,555,094	6,105,137	2,063,727
(Increase) decrease in operating assets and deferred outflows of resources:				
Accounts receivable	(19,573)	66,638	931,049	(2,554)
Due from other agencies	-	-	-	-
Prepays and deposits	(783,070)	-	-	-
Inventory	-	-	-	-
Deferred outflows of resources - pension related	1,519,008	976,803	936,728	641,682
Deferred outflows of resources - OPEB	-	-	-	-
Increase (decrease) in operating liabilities and deferred inflows of resources:				
Accounts payables	4,017,632	(1,251,863)	(1,748,237)	(138,726)
Salaries and benefits payable	27,977	10,254	(1,528)	28,881
Deposits payable	19,830	-	136,290	15,560
Due to other funds	-	-	-	-
Unearned revenue	3,241,561	-	2,145	73,940
Compensated absences payable	(4,807)	18,470	(15,305)	(30,633)
Insurance premium deposit payable	-	-	-	-
Net pension liability	(545,922)	(359,038)	(373,560)	(235,044)
Net other post-employment benefit liability	-	-	-	-
Claims and judgements	-	-	-	-
Deferred inflows of resources - pension related	41,375	27,211	28,311	17,815
Deferred inflows of resources - OPEB related	-	-	-	-
	16,823,111	4,043,569	6,001,030	2,434,648
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 22,893,264	\$ 5,558,932	\$ 5,975,074	\$ 2,333,069

(Continued)

Solid Waste	Other Enterprise Funds	Total	Internal Service Funds
\$ 257,669	\$ (1,601,548)	\$ 6,114,102	\$ (1,223,934)
-	1,255,652	23,288,710	2,359,387
(358,195)	(40,045)	577,320	58,196
-	-	-	-
-	(59,601)	(842,671)	411,509
-	3,083	3,083	135,862
152,025	402,666	4,628,912	1,329,162
-	-	-	(502,000)
(1,115,706)	33,065	(203,835)	(89,522)
2,919	10,215	78,718	212,919
-	113	171,793	-
-	-	-	-
23,570	10,096	3,351,312	-
5,927	23,085	(3,263)	9,802
-	-	-	-
(67,755)	(152,168)	(1,733,487)	(499,664)
-	-	-	442,000
-	-	-	1,531,762
5,135	11,533	131,380	37,871
-	-	-	303,000
<u>(1,352,080)</u>	<u>1,497,694</u>	<u>29,447,972</u>	<u>5,740,284</u>
<u>\$ (1,094,411)</u>	<u>\$ (103,854)</u>	<u>\$ 35,562,074</u>	<u>\$ 4,516,350</u>

CITY OF SANTA BARBARA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2019

	Private-Purpose Trust Funds	Pension Trust Fund	Agency Funds
ASSETS:			
Current assets:			
Pooled cash and investments	\$ 5,239,372	\$ -	\$ 1,024,308
Accounts receivable, net	-	-	26,430
Loans receivable	3,500,000	-	2,703,960
Restricted assets:			
Cash and investments with fiscal agent	-	-	-
Total current assets	8,739,372	-	3,754,698
Noncurrent assets:			
Nondepreciable	9,083,933	-	-
Depreciable, net	3,385,398	-	-
Total capital assets	12,469,331	-	-
 TOTAL ASSETS	 21,208,703	 -	 3,754,698
 LIABILITIES:			
Current liabilities:			
Accounts payable	429,665	-	34,162
Salaries and benefits payable	8,348	-	-
Due to the City of Santa Barbara	-	396,463	-
Trust liability	-	-	3,720,536
 TOTAL LIABILITIES	 438,013	 396,463	 \$ 3,754,698
 NET POSITION:			
Held in trust:			
Employees' pension benefit	-	(396,463)	
Police	84,163	-	
Library	3,059,886	-	
Held for dissolution of community redevelopment agency	17,626,641	-	
 TOTAL NET POSITION	 \$ 20,770,690	 \$ (396,463)	

See accompanying notes to basic financial statements.

CITY OF SANTA BARBARA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended June 30, 2019

	<u>Private-Purpose Trust Funds</u>	<u>Pension Trust Fund</u>
ADDITIONS:		
Employer contributions	\$ -	\$ 120,000
Taxes	8,419,171	-
Investment income		
Interest	65,766	-
Dividends	9,061	-
Other	584,009	-
	<u>9,078,007</u>	<u>120,000</u>
TOTAL ADDITIONS		
DEDUCTIONS:		
Benefits	-	42,216
Administrative expenses	155,662	-
Contractual services	255,854	-
Interest expense	222,236	-
Depreciation and amortization	90,209	-
Community services	38,722	-
	<u>762,683</u>	<u>42,216</u>
TOTAL DEDUCTIONS		
CHANGE IN NET POSITION	<u>8,315,324</u>	<u>77,784</u>
NET POSITION - BEGINNING OF YEAR	<u>12,455,366</u>	<u>(474,247)</u>
NET POSITION - END OF YEAR	<u>\$ 20,770,690</u>	<u>\$ (396,463)</u>

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Financial Reporting Entity (Continued)

Santa Barbara Public Financing Authority

The Santa Barbara Public Financing Authority was formed on April 1, 2002, by a joint powers agreement between the City of Santa Barbara and the Redevelopment Agency of the City of Santa Barbara. It was created to acquire and finance the acquisition of public capital improvements necessary or convenient for the operation of the City or Agency. The Santa Barbara Public Financing Authority is considered a blended component unit of the City. Separate financial statements are not prepared for the Authority.

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 Note 17). Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency. The housing assets retained by the City are reported in the Affordable Housing Special Revenue Fund.

The Successor Agency was created to serve as a custodian for all other 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 interfund 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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

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

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

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

The following are the major governmental funds of the City:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Affordable Housing Fund* accounts for affordable housing financial activity of the City. This includes monitoring low and moderate income housing covenants and accounting for payments on outstanding housing loans. Revenues are derived from principal and interest payments made by loan recipients.

The 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

- 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:

Governmental Fund Types

- *Special Revenue Funds* account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects), that are restricted to expenditures for special purposes.
- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major facilities other than those financed by Proprietary Funds.

Proprietary Funds

- *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.

Fiduciary Funds

- *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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

- *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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. New Accounting Pronouncements

Current Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the City.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the City.

Pending Accounting Standards

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

E. Interfund Activities

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

F. Description of Program Revenue

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Definition of Operating and Nonoperating 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. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange 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 nonoperating revenues and expenses.

H. Flow Assumption for Restricted Resources

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

I. Property Tax Calendar

In 1978, a State constitutional amendment (Article XIII A) provided that the ad valorem real property tax rate be limited to 1% of market value and be levied only by the county and shared with all other jurisdictions. The County of Santa Barbara collects the property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdictions' assessed valuations, subject to adjustments for voter approved debt.

Property taxes are formally due on November 1 and February 1 and become delinquent as of December 10 and April 10, respectively. Taxes become a lien on the property effective March 1 of the preceding year.

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

J. Cash and Cash Equivalents

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

The City's proprietary fund participates in the pooling of City-wide cash and investments. Amounts held in the City pool are available to the fund on demand and are considered to be cash and cash equivalents for statement of cash flow purposes. Investments not held in the City pool that are short-term investments with original maturities of three months or less from the date of acquisition are considered cash and cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Investment Policies

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended by GASB 72, which requires that governmental entities, including governmental external investment pools, report certain investments at fair value in the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred.

The fair value of pooled investments is determined annually and is based on current market prices received from the City's securities custodian. The Local Agency Investment Fund (LAIF) is required to invest in accordance with State statutes. At June 30, 2019, the fair value of the City's position in LAIF is the same as the value of the pool shares. Short-term investments are reported at cost, which approximates fair value.

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

L. Receivables and Payables

Interfund transactions are reflected as either: loans, services, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Inventories and Prepaid Assets

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

N. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$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.

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.

Buildings	40 to 50 years
Building improvements	40 to 50 years
Improvements other than buildings	25 to 50 years
Equipment	5 to 20 years
Infrastructure (except for the maintained pavement subsystem)	10 to 100 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Capital Assets (Continued)

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 subsystem 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.

O. Deferred Outflows and Inflows of Resources

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

P. Compensated Absences

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

Governmental funds recognize the cost of vacation and sick pay benefits when payments are made to employees. The City has determined that 90 percent of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2019, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, and gains and losses on defeasance, are deferred and amortized over the life of the bonds using the bonds-outstanding method, which approximates the effective interest method. Beginning in fiscal year 2013, bond issuance costs are reported as expenses when incurred per GASB Statement No. 65.

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

R. Net Pension Liability

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

S. Other Post-Employment 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.

T. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

V. 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.

2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 205,787,910
Cash and investments with fiscal agents	3,093,401
Fiduciary funds:	
Cash and investments	6,263,680
Cash and investments with fiscal agents	<u>-</u>
 Total cash and investments	 <u><u>\$ 215,144,991</u></u>
 Cash on hand	 \$ 30,501
Demand deposit accounts with financial institutions	16,881,534
Investments	<u>198,232,956</u>
 Total cash and investments	 <u><u>\$ 215,144,991</u></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, 2019, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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

2. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of the overall investment portfolio to 2½ 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.

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

Authorized Investment Type	Fair Value	Weighted-Average Maturity (in years)
U.S. Treasury Notes	\$ 6,042,030	3.1
U.S. Agency Securities	106,152,260	2.2
Corporate Medium Term Notes	16,234,022	3.4
Negotiable Certificates of Deposit	1,750,611	0.8
Local Agency Obligations	3,856,213	10*
State Investment Pool (LAIF)	61,104,419	N/A
Held by Trustees/Fiscal Agents:		
Money Market Fund	2,064,551	N/A
Investment Contracts	1,028,850	N/A
	\$ 198,232,956	

* 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.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

Investment Type	June 30, 2019	Level		
		1	2	3
U.S. Treasury Notes	\$ 6,042,030	\$ -	\$ 6,042,030	\$ -
U.S. Agency Securities	106,152,260	-	106,152,260	-
Corporate Medium-Term Notes	16,234,022	-	16,234,022	-
Negotiable Certificates of Deposit	1,750,611	-	1,750,611	-
Total Investments at Fair Value	130,178,923	\$ -	\$ 130,178,923	\$ -
Investments at Amortized Cost				
Local Agency Obligations	3,856,213			
Held by Trustees/Fiscal Agents:				
Investment Contracts	1,028,850			
	4,885,063			
Investments not Subject to Hierarchy				
State Investment Pool (LAIF)	61,104,419			
Held by Trustees/Fiscal Agents:				
Money Market Funds	2,064,551			
	63,168,970			
Total Investments	\$ 198,232,956			

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/Aaa	AA+	AA	AA-	Unrated
U.S. Treasury Notes	\$ 6,042,030	N/A	\$ 6,042,030	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agency Securities	106,152,260	N/A	-	106,152,260	-	-	-	-
Corporate Medium-Term Notes	16,234,022	A	-	4,017,446	4,033,506	4,088,368	4,094,702	-
Negotiable Certificates of Deposit	1,750,611	N/A	1,750,611	-	-	-	-	-
Local Agency Obligations	3,856,213	N/A	-	-	-	-	-	3,856,213
Local Agency Investment Pool (LAIF)	61,104,419	N/A	-	-	-	-	-	61,104,419
Held by Trustees/Fiscal Agents:								
Money Market	2,064,551	N/A	-	-	-	-	-	2,064,551
Investment Contracts	1,028,850	N/A	1,028,850	-	-	-	-	-
Total	\$ 198,232,956		\$ 8,821,491	\$ 110,169,706	\$ 4,033,506	\$ 4,088,368	\$ 4,094,702	\$ 67,025,183

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

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Disclosure Relating to Concentration of Credit Risk (Continued)

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

Issuer	Investment Type	Reported Amount	%
Federal National Mortgage Association	U.S. Agency Securities	9,960,544	5.0%
Federal Farm Credit Bank	U.S. Agency Securities	14,048,238	7.1%
Federal Home Loan Bank	U.S. Agency Securities	28,046,688	14.1%
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	46,077,806	23.2%

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, 2019, \$12,864,295 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, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of June 30, 2019, the City's investments in the following investment types were held by an agent of the City's counterparty, not in the name of the City:

<u>Investment Type</u>	<u>Amount</u>
U.S. Treasury Notes	\$ 6,042,030
U.S. Agency Securities	106,152,260
Corporate Medium Term Notes	16,234,022
Negotiable Certificates of Deposit	<u>1,750,611</u>
	<u>\$ 130,178,923</u>

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.

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.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

3. UNEARNED REVENUE (CONTINUED)

At June 30, 2019, the various components of unearned revenue reported are as follows:

	<u>Unearned</u>
Governmental funds:	
General Fund:	
Deferred business license tax	\$ 1,257,618
Advance on Library grant funding	31,806
Prepaid Parks and Recreation fees	743,659
Subtotal	<u>2,033,083</u>
Other Governmental Funds:	
Street Grant Capital Fund:	
Advance on LSTP street grant funding	343,703
Miscellaneous Grants Fund:	
Miscellaneous grants	12,633
FEMA Reimbursement Fund:	
Advance on FEMA grant funding	79,029
Subtotal	<u>435,365</u>
Total governmental funds	<u>\$ 2,468,448</u>
	<u>Unearned</u>
Business-type activities:	
Water Fund:	
Joint Venture Agreement	\$ 6,140,793
Airport Fund	
Advance on grant funding	2,145
Waterfront Fund:	
Prepaid lease and slipholder revenue	231,657
Solidwaste Fund:	
Advance on State grant funding	23,570
Golf Course Fund:	
Golf gift cards and credit vouchers	125,960
Total business-type activities	<u>\$ 6,524,125</u>

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.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

4. DEFERRED OUTFLOWS OF RESOURCES (CONTINUED)

Deferred outflows of resources balances as reported on the Statement of Net Position for the year ended June 30, 2019, were as follows:

	Balance June 30, 2019
Governmental Activities	
Deferred pension-related items	\$ 49,856,655
Deferred OPEB-related items	<u>2,049,000</u>
	<u>\$ 51,905,655</u>
Business-Type Activities	
Deferred loss on refunding - 2013 Water Certificates of Participation	\$ 519,171
Deferred loss on refunding - 2014 Waterfront Refunding Revenue Bonds	359,132
Deferred loss on refunding - 2016 Wastewater Revenue Refunding Bonds	85,967
Deferred loss on refunding - 2019 Airport Revenue Refunding Bonds	661,544
Deferred pension-related items	<u>8,521,912</u>
	<u>\$ 10,147,726</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, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

5. CAPITAL ASSETS

Governmental Activities

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance July 1, 2018	Increases	Transfers/ Reclassifications	Decreases	Ending Balance June 30, 2019
Governmental Activities:					
Nondeprecating capital assets:					
Construction in progress	\$ 20,771,612	\$ 29,436,732	\$ (15,984,755)	\$ -	\$ 34,223,589
Art and historical treasures	1,417,100	257,520	84,273	-	1,758,893
Land	48,863,987	-	-	-	48,863,987
Streets	160,101,178	-	-	-	160,101,178
Total nondeprecating capital assets	<u>231,153,877</u>	<u>29,694,252</u>	<u>(15,900,482)</u>	<u>-</u>	<u>244,947,647</u>
Depreciating capital assets:					
Buildings	26,367,192	-	-	-	26,367,192
Building improvements	28,617,166	-	365,502	(358,961)	28,623,707
Improvements other than buildings	52,571,802	-	9,287,087	(54,261)	61,804,628
Equipment	40,952,462	1,990,806	1,584,918	(971,964)	43,556,222
Infrastructure	223,254,312	395,332	4,662,975	-	228,312,619
Total depreciating capital assets	<u>371,762,934</u>	<u>2,386,138</u>	<u>15,900,482</u>	<u>(1,385,186)</u>	<u>388,664,368</u>
Less accumulated depreciation:					
Buildings	15,146,745	453,374	-	-	15,600,119
Building improvements	7,139,991	638,119	-	(102,703)	7,675,407
Improvements other than buildings	23,936,123	1,978,473	-	(29,482)	25,885,114
Equipment	30,365,630	2,664,125	-	(954,598)	32,075,157
Infrastructure	82,353,140	4,246,737	-	-	86,599,877
Total accumulated depreciation	<u>158,941,629</u>	<u>9,980,828</u>	<u>-</u>	<u>(1,086,783)</u>	<u>167,835,674</u>
Total capital assets being depreciated, net	<u>212,821,305</u>	<u>(7,594,690)</u>	<u>15,900,482</u>	<u>(298,403)</u>	<u>220,828,694</u>
Governmental activities capital assets, net	<u>\$ 443,975,182</u>	<u>\$ 22,099,562</u>	<u>\$ -</u>	<u>\$ (298,403)</u>	<u>\$ 465,776,341</u>

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

Governmental activities:	
Administration	\$ 170,852
Public safety	540,915
Public works	4,811,390
Community services	1,134,207
Community development	964,077
Subtotal	<u>7,621,441</u>
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>2,359,387</u>
Total depreciation expense - governmental activities	<u>\$ 9,980,828</u>

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

5. CAPITAL ASSETS (CONTINUED)

Governmental Activities (Continued)

Business-Type Activities

	Beginning Balance July 1, 2018	Increases	Transfers/ Reclassifications	Decreases	Ending Balance June 30, 2019
Business-Type Activities:					
Nondeprecating capital assets:					
Land	\$ 24,944,374	\$ -	\$ -	\$ -	\$ 24,944,374
Construction in progress	63,478,985	29,766,528	(80,136)	(90,126,073)	3,039,304
Total nondeprecating capital assets	88,423,359	29,766,528	(80,136)	(90,126,073)	27,983,678
Depreciating capital assets:					
Buildings	124,235,426	-	-	11,931,897	136,167,323
Building improvements	12,066,958	-	-	1,057,918	13,124,876
Improvements other than buildings	429,595,076	303,882	-	22,569,971	452,468,929
Equipment	50,682,954	194,897	(45,135)	3,649,478	54,482,194
Underground piping	200,293,722	-	-	6,360,697	206,654,419
Infrastructure	147,014,323	1,828,168	-	44,556,112	193,398,603
Total depreciating capital assets	963,888,459	2,326,947	(45,135)	90,126,073	1,056,296,344
Less accumulated depreciation:					
Buildings	42,790,759	2,159,819	-	-	44,950,578
Building improvements	4,668,636	290,813	-	-	4,959,449
Improvements other than buildings	245,410,297	9,723,818	-	-	255,134,115
Equipment	39,501,128	2,253,293	(3,761)	-	41,750,660
Underground piping	127,823,330	4,657,378	-	-	132,480,708
Infrastructure	14,652,498	4,203,589	-	-	18,856,087
Total accumulated depreciation	474,846,648	23,288,710	(3,761)	-	498,131,597
Total capital assets being depreciated, net	489,041,811	(20,961,763)	(41,374)	90,126,073	558,164,747
Business-type activities capital assets, net	\$ 577,465,170	\$ 8,804,765	\$ (121,510)	\$ -	\$ 586,148,425

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

Business-type activities:

Water	\$ 9,309,100
Wastewater	4,555,094
Airport	6,105,137
Waterfront	2,063,727
Downtown parking	1,056,408
Golf	199,244

Total depreciation expense - business-type activities \$ 23,288,710

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2019, is as follows:

The interfund balances at June 30, 2019, are generally short-term loans to cover temporary cash deficits in various funds.

The General fund advanced money to the Other Governmental Funds (Measure C Capital Projects Fund). This advance, totaling \$5,000,000 at June 30, 2019, was for the purpose of financing the Cabrillo Pavilion project. The advance is payable in five annual payments of \$1,000,000 commencing in fiscal year ending June 30, 2021.

Receivable fund	Due to/from other funds	
	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 2,173,498
		<u>\$ 2,173,498</u>
Receivable fund	Advances to/from other funds	
	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 5,000,000
	Airport Fund	3,078,534
	Other Enterprise Funds	547,835
	Internal Service Funds	96,560
Vehicle Capital Fund	Other Governmental Funds	<u>2,000,000</u>
		<u>\$ 10,722,929</u>

The General Fund advanced money to the Airport Enterprise Fund. This advance, totaling \$3,078,534 at June 30, 2019, was for the purpose of financing general development costs. The advance bears interest at 3.5%, with payments due annually.

The General Fund advanced money to the Other Enterprise Funds (Golf Course Enterprise Fund). This advance, totaling \$547,835 at June 30, 2019, 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 General Fund advanced money to the Internal Service Funds (Intra-City Service Fund). This advance, totaling \$96,560 at June 30, 2019, was for the purpose of financing energy efficiency projects. The advance bears interest at 3%, and has payments due annually.

The Vehicle Capital Fund advanced money to the Other Governmental Funds (Measure C Capital Projects Fund). This advance, totaling \$2,000,000 at June 30, 2019, was for the purpose of financing the Cabrillo Pavilion project. The advance bears interest at 2%, and has payments due annually.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

A summary of interfund transfers during the year follows:

Transfers Out	Transfers In				Total
	General Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service	
Governmental Funds					
General Fund	\$ -	\$ 24,145,750	\$ 521,451	\$ 112,216	\$ 24,779,417
Other Govt Funds	952,772	10,749,789	5,890	75,825	11,784,276
Enterprise Funds					
Water	10,228	49,325	-	29,500	89,053
Wastewater	5,427	-	-	35,639	41,066
Airport	6,322	-	-	15,300	21,622
Waterfront	1,956	-	-	11,815	13,771
Solid Waste	50,000	-	-	-	50,000
Other Enterprise Funds	1,949	-	-	32,711	34,660
Internal Service Funds	66,500	-	-	-	66,500
Total	\$ 1,095,154	\$ 34,944,864	\$ 527,341	\$ 313,006	\$ 36,880,365

The most significant interfund transfers related to the following:

1. Transfers from the General Fund to Other Governmental Funds totaled \$24.1 million. These were primarily due to capital outlay transfers of \$0.84 million to the General Capital Improvements Fund and \$23.2 million to the Measure C Capital fund for a variety of capital projects throughout the city. Notable projects included roadway improvements and the renovation of the Cabrillo Pavilion.
2. Transfers from the General Fund to the Enterprise Funds totaled \$0.52 million. These were all to the Downtown Parking Fund. The significant transfers were \$0.33 million for the downtown maintenance contract to provide landscape maintenance and sidewalk cleaning, and \$0.15 million 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 totaled \$0.95 million. Notable transfers included \$0.4 million from the Street Sweeping Fund for Police Department Street Sweeping Enforcement efforts, and \$0.27 million from the Traffic Safety Fund for Police Department traffic safety costs.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

4. Transfers between Other Governmental Funds totaled \$10.7 million and were are primarily comprised of the following capital outlay transfers:
- \$1.6 million from the Streets Fund to the Street Capital Improvement Fund
 - \$2.27 million from the Measure A fund to the Measure A Capital Improvements Fund
 - \$2.1 million from the Measure A Capital Improvements Fund and \$0.38 million from the Streets Fund to the Street Grant Capital fund for city match for grant funded streets and bridge projects
 - \$0.53 million from the Measure A Capital Improvements Fund to the Streets Capital fund for roadway projects
 - \$3.08 million from the Creek Restoration Fund to the Creek Restoration Capital Improvement Fund for the Arroyo Burro Open Space Restoration (\$1.2 million), and various other creek restoration project (\$1.88 million).

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).

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

7. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended June 30, 2019, is as follows:

	Beginning Balance July 1, 2018 (As Restated)	Additions	Deletions	Ending Balance June 30, 2019	Amount Due in One Year	Amount Due In More Than One Year
<u>Governmental Activities</u>						
Other long-term liabilities:						
Compensated absences	\$ 8,342,671	\$ 7,154,846	\$ 7,515,217	\$ 7,982,300	\$ 7,184,071	\$ 798,229
Claims liability	14,393,700	4,530,248	2,998,486	15,925,462	5,055,942	10,869,520
Governmental activity Long-term liabilities	22,736,371	11,685,094	10,513,703	23,907,762	12,240,013	11,667,749
<u>Business-Type Activities</u>						
Direct borrowings:						
Loans	140,740,112	5,637,629	6,076,579	140,301,162	7,402,571	132,898,591
Other Debt:						
Revenue bonds	59,678,884	29,825,000	43,082,141	46,421,743	2,622,919	43,798,824
Certificates of participation	15,560,000	-	1,520,000	14,040,000	1,585,000	12,455,000
Unamortized debt premium	2,945,161	4,249,187	315,096	6,879,252	-	6,879,252
Unamortized debt discount	(820,037)	-	(750,444)	(69,593)	-	(69,593)
	218,104,120	39,711,816	50,243,372	207,572,564	11,610,490	195,962,074
Other long-term liabilities:						
Compensated absences	1,940,611	1,744,871	1,748,134	1,937,348	1,743,613	193,735
Business-type activity Long-term liabilities	220,044,731	41,456,687	51,991,506	209,509,912	13,354,103	196,155,809
Total debt activity	\$ 242,781,102	\$ 53,141,781	\$ 62,505,209	\$ 233,417,674	\$ 25,594,116	\$ 207,823,558

A description of long-term obligations outstanding at June 30, 2019, by category follows:

Business-Type Activities

Revenue Bonds

Wastewater Fund

\$10,580,000 - 2016 Sewer Revenue Refunding Bonds. Bonds were issued to provide funds in order to refund the outstanding 2004A Sewer Revenue Bonds which were used to finance the acquisition of certain capital improvements to the Wastewater system. Remaining annual principal installments range from \$760,000 to \$1,120,000 through May 15, 2028. Interest rates range from 4.0% to 5.0% payable semiannually.

\$ 8,405,000

Waterfront Fund

\$12,334,392 - Waterfront Refunding Revenue Bonds, Series 2014. Bonds were issued to provide funds in order to refund the outstanding City of Santa Barbara Waterfront Revenue Refunding Certificates of Participation, Series 2002 which were used to finance capital improvements at the waterfront. Remaining annual principal installments range from \$345,000 to \$1,092,700 through October 1, 2027. The interest rate is 3.53%.

8,191,743

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

Airport Fund

\$47,270,000 - 2009 Airport Revenue Bonds. Bonds issued to provide funds to construct a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Remaining annual principal installments range from \$1,105,000 to \$2,995,000 through July 1, 2039. Interest rates range from 4.0% to 5.0% payable semiannually. The Bonds were refunded by the 2019 Airport Revenue Refunding Bonds. \$ -

\$29,825,000 - 2019 Airport Revenue Refunding Bonds. Bonds were issued to provide funds in order to refund the outstanding 2009 Airport Revenue Bonds which were used to finance the construction a new passenger terminal building and related parking and roadway improvements at the Santa Barbara Municipal Airport. Annual principal installments range from \$990,000 to \$2,345,000 through April 1, 2038. Interest rates range from 4.0% to 5.0% payable semiannually. 29,825,000

Total revenue bonds \$ 46,421,743

Certificates of Participation

Water Fund

\$22,680,000 - 2013 Refunding Water Certificates of Participation. Certificates issued to provide funds to refund the outstanding City of Santa Barbara 2002 Certificates, which were used to finance capital improvements to the water distribution system. Certificates were also used to defease a California Department of Health Services Safe Drinking Water State Revolving Fund loan, which was used to finance construction of a project that enabled the City to meet safe drinking water standards. Remaining annual principal installments range from \$1,425,000 to \$2,055,000 through October 1, 2026. Interest rates range from 3.0% to 5.0% payable semiannually. \$ 14,040,000

Total certificates of participation 14,040,000

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 semiannual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025. 6,336,104

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Loans Payable (Continued)

Water Fund (Continued)

\$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 semiannual payments of \$849,692. Interest is 2.5017% per annum. The final payment is due July 1, 2035. \$ 22,297,997

\$80,000,000 California State Water Resources Control Board Loan. Funds used to assist in financing the desalination plant reactivation project. Due in semiannual payments of \$1,899,109. Interest is 1.663% per annum. The final payment is due July 1, 2038. 61,658,953

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. 1,497,842

\$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. 4,203,214

\$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. 29,650,214

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. 944,713

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Loans Payable (Continued)

Airport Fund (Continued)

\$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 semiannual payments of \$230,182. Interest is 3.5% per annum. The final payment is due June 30, 2029. \$ 3,856,213

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. Due in annual payments of \$889,263. The final payment is due August 1, 2037. 9,855,912

Total loans payable 140,301,162

Total Business-Type Activities \$200,762,905

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Funding</u>	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Revenue</u>	<u>Principal payments</u>		
		<u>Bonds</u>	<u>Certificates of Participation</u>		Other Loans
2020	\$ 2,622,919	\$ 1,585,000	\$ 7,402,571	\$ 11,610,490
2021	2,732,539	1,645,000	7,565,516	11,943,055
2022	2,850,958	1,715,000	7,742,762	12,308,720
2023	2,967,565	1,790,000	7,923,520	12,681,085
2024	3,100,103	1,865,000	8,109,102	13,074,205
2025-2029	14,607,659	5,440,000	37,512,946	57,560,605
2030-2034	8,785,000	-	37,880,817	46,665,817
2035-2039	8,755,000	-	26,163,928	34,918,928
Total Principal	46,421,743	14,040,000	140,301,162	200,762,905
<u>Fiscal Year Funding</u>	<u>Interest Payments</u>			
2020	2,152,885	553,900	3,043,468	5,750,253
2021	2,052,440	489,300	2,880,523	5,422,263
2022	1,928,829	422,100	2,703,277	5,054,206
2023	1,799,687	352,000	2,522,518	4,674,205
2024	1,665,172	269,575	2,336,936	4,271,683
2025-2029	6,152,191	279,175	9,046,694	15,478,060
2030-2034	3,549,000	-	4,893,068	8,442,068
2035-2039	1,120,250	-	1,200,892	2,321,142
Total Interest	20,420,454	2,366,050	28,627,376	51,413,880
Total Debt	\$ 66,842,197	\$ 16,406,050	\$ 168,928,538	\$ 252,176,785

GASB 48 Disclosure - Pledging of Revenues

Revenue Bonds

Waterfront Refunding Revenue Bonds, Series 2014

On March 7, 2014, the City issued Waterfront Refunding Revenue Bonds, Series 2014 in the amount of \$12,334,392 to refund the 2002 Waterfront Certificates of Participation. The net proceeds of \$12,898,420 (less payment of \$141,112 in underwriting fees, bond insurance, and other issuance costs and a net additional \$581,456 contribution from the Waterfront reserve fund and \$1,431,597 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2002 COPs, and all future debt service payments on the advance refunding. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Waterfront Enterprise Fund.

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

Waterfront Refunding Revenue Bonds, Series 2014

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 nonsubordinate (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.

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Revenue Bonds (Continued)

Airport Refunding Revenue Bonds, Series 2019

On April 1, 2019, the Santa Barbara Financing Authority (Authority) issued Refunding Revenue Bonds, Series 2019 in the amount of \$29,825,000 to refund the 2009 Airport Revenue bonds. The net proceeds of \$41,158,138 (including an original issue premium of \$4,249,187, less payment of \$486,448 in underwriting fees and other issuance costs and a net additional \$3,000,000 from the Airport PFC funds and \$4,570,399 contribution from the 2009 Airport Bond 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 2009 Bonds and all future debt service payments on the advance refunding. As a result, the 2009 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Airport Enterprise Fund.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$661,544. 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 2019 Refunding Revenue Bonds of April 1, 2038 using the straight-line method. The City completed the refunding to reduce its total debt service payments over the next 19 years by \$12,420,052 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$6,241,206.

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 \$2,460,500 to \$2,472,750. The final payment is due April 1, 2038.

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.

7. LONG-TERM DEBT (CONTINUED)

Business-Type Activities (Continued)

Certificates of Participation (Continued)

Water Revenue Refunding Certificates of Participation, Series 2013 (Continued)

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 nonsubordinate (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.

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 \$935,470 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.

8. CONTINGENCIES AND COMMITMENTS

Litigation and Claims

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

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. Grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

8. CONTINGENCIES AND COMMITMENTS (CONTINUED)

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, 2019, total governmental fund encumbrance balances for the City are as follows:

General Fund	\$ 1,029,818
Affordable Housing Fund	12,076
Other Governmental Funds	<u>31,924,846</u>
 Total Governmental Funds	 <u><u>\$ 32,966,740</u></u>

9. RETIREMENT COMMITMENTS

A. Public Employees' Retirement System (CalPERS)

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 and the City's Safety (fire) Plan, a cost sharing defined benefit plan 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 to 62 with statutorily reduced benefits. For employees hired into a plan with the 1.5% at 65 formula, eligibility for service retirement is age 55 with at least 5 years of services. PEPR miscellaneous members become eligible for service retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for nonduty disability benefits after 5 years of service.

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

1. General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. Safety members can receive a special death benefit if the member dies while actively employed and the death is job-related. Fire members may receive the alternate death benefit in lieu of the Basic Death Benefit or the 1957 Survivor Benefit if the member dies while actively employed and has at least 20 years of total CalPERS service. 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 and Fire) "Classic" plans are closed to new entrants as of January 1, 2013.

The Plans' provisions and benefits in effect at June 30, 2018 measurement date, are summarized as follows:

	<u>Miscellaneous Plan</u>	<u>Miscellaneous Plan</u>	<u>Safety Police Plan</u>	<u>Safety Police Plan</u>
Hire date	Prior to April 1, 2012 (Tier 1)	After January 1, 2013 (PEPRA)	Prior to April 1, 2012 (Tier 1)	After January 1, 2013 (PEPRA)
Benefit formula	2.7% at 55	2% at 62	3% at 50	2.7% at 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%	3.00%	2.0% - 2.7%
Required employee contribution rates	8.00%	6.75%	9.00%	12.00%
Required employer contribution rates				
Normal cost rate	10.358%	10.358%	20.728%	20.728%
Payment of unfunded liability	\$ 10,487,734	\$ -	\$ 4,050,634	\$ -
	<u>Safety Fire</u>		<u>Safety Fire</u>	
Hire date	Prior to January 1, 2013		After January 1, 2013	
Benefit formula	3% at 50		2.7% at 57	
Benefit vesting schedule	5 years of credited service		5 years of credit service	
Benefit payments	monthly for life		monthly for life	
Retirement age	50 and up		50 and up	
Monthly benefits, as a % of eligible compensation	3.00%		2.0% - 2.7%	
Required employee contribution rates	9.00%		12.25%	
Required employer contribution rates				
Normal cost rate	20.741%		12.729%	
Payment of unfunded liability	\$3,230,681		\$1,250	

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

1. General Information about the Pension Plans (Continued)

Employees Covered

At June 30, 2018 measurement date, the following employees were covered by the benefit

	<u>Miscellaneous</u>	<u>Safety</u>
Inactive employees or beneficiaries currently receiving benefits	1,005	245
Inactive employees entitled to but not yet receiving benefits	909	73
Active employees	<u>769</u>	<u>142</u>
Total	<u>2,683</u>	<u>460</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS's annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. City contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

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, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

2. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous Plan	Safety Police Plan	Safety Fire Plan
Valuation Date	June 30, 2017	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:			
Discount Rate	7.15%	7.15%	7.15%
Inflation	2.50%	2.50%	2.50%
Projected Salary Increase	(1)	(1)	(1)
Mortality Rate Table	(2)	(2)	(2)
Post Retirement Benefit Income	(3)	(3)	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

(3) Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

2. Net Pension Liability (Continued)

Long-Term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% was used for this period.

(c) An expected inflation of 2.92% was used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

3. Changes in the Net Pension Liability

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

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017 (Valuation Date)	\$ 578,424,437	\$ 403,206,233	\$ 175,218,204
Changes in the Year:			
Service cost	10,848,882	-	10,848,882
Interest on the total pension liability	40,531,753	-	40,531,753
Changes of assumptions	(3,358,919)	-	(3,358,919)
Differences between expected and actual experience	(291,764)	-	(291,764)
Net plan to plan resource movement	-	(999)	999
Contribution - employer	-	15,654,944	(15,654,944)
Contribution - employee	-	5,249,989	(5,249,989)
Net investment income	-	34,092,665	(34,092,665)
Benefit payments, including refunds of employee contributions	(26,641,065)	(26,641,065)	-
Administrative expenses	-	(628,306)	628,306
Other miscellaneous income (expense)	-	(1,193,164)	1,193,164
Net Changes	21,088,887	26,534,064	(5,445,177)
Balance at June 30, 2018 (Measurement Date)	\$ 599,513,324	\$ 429,740,297	\$ 169,773,027

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

3. Changes in the Net Pension Liability (Continued)

Safety Police Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2017 (Valuation Date)	<u>\$ 264,946,952</u>	<u>\$ 177,717,199</u>	<u>\$ 87,229,753</u>
Changes in the Year:			
Service cost	4,857,235	-	4,857,235
Interest on the total pension liability	18,703,388	-	18,703,388
Differences between actual and expected experience	2,285,455		2,285,455
Changes of assumptions	(1,262,820)	-	(1,262,820)
Plan to plan resource movement	-	(436)	436
Contribution - employer	-	7,279,784	(7,279,784)
Contribution - employee	-	1,434,341	(1,434,341)
Net investment income	-	14,936,635	(14,936,635)
Benefit payments, including refunds of employee contributions	(13,624,691)	(13,624,691)	-
Administrative expenses	-	(276,932)	276,932
Other miscellaneous income (expense)	-	(525,899)	525,899
Net Changes	<u>10,958,567</u>	<u>9,222,802</u>	<u>1,735,765</u>
Balance at June 30, 2018 (Measurement Date)	<u>\$ 275,905,519</u>	<u>\$ 186,940,001</u>	<u>\$ 88,965,518</u>

Proportionate Share of Net Pension Liability

As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability for the Safety Fire Plan as follows:

	Proportionate Share of NPL
Safety Fire Plan	<u>\$ 69,104,402</u>

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, 2018, 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, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportionate share 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.

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

3. Changes in the Net Pension Liability (Continued)

The City's proportionate share of the net pension liability for the Safety Fire Plan as of June 30, 2017 and 2018 was as follows:

	<u>Safety Fire</u>
Proportion - June 30, 2017	1.14205%
Proportion - June 30, 2018	1.17774%
Change - Increase (Decrease)	0.03569%

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 one percentage point lower or one percentage point higher than the current rate:

Plan Type	<u>Discount Rate</u>		
	1% Decrease (6.15%)	Current Rate (7.15%)	1% Increase (8.15%)
Miscellaneous	\$ 249,243,494	\$ 169,773,027	\$ 104,074,916
Safety Police	126,807,272	88,965,518	58,063,793
Safety Fire	96,040,661	69,104,402	47,034,960
Total	<u>\$ 472,091,427</u>	<u>\$ 327,842,947</u>	<u>\$ 209,173,669</u>

Pension Plan Fiduciary Net Position

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

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

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

For the year ended June 30, 2019, the City of Santa Barbara Miscellaneous, Safety Police and Safety Fire Plans recognized pension expense of \$26,991,434, \$10,529,834 and \$10,118,680, respectively. At June 30, 2019, 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
Pension contribution subsequent to Measurement Date	\$ 17,247,341	\$ -
Differences between actual and expected experience	-	1,514,912
Change of assumptions	8,401,383	2,159,305
Net differences between projected and actual earnings on plan investments	947,580	-
Total	<u>\$ 26,596,304</u>	<u>\$ 3,674,217</u>

Safety Police Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to Measurement Date	\$ 8,203,564	\$ -
Differences between actual and expected experience	1,667,764	1,286,475
Change of assumptions	6,253,339	921,517
Net differences between projected and actual earnings on plan investments	643,838	-
Total	<u>\$ 16,768,505</u>	<u>\$ 2,207,992</u>

9. RETIREMENT COMMITMENTS (CONTINUED)

A. Public Employees' Retirement System (CalPERS) (Continued)

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

Safety Fire Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 6,089,508	\$ -
Differences between actual and expected experience	1,484,821	5,633
Change in assumptions	6,780,347	914,790
Changes in proportion and difference between employer contributions and proportionate share of contributions	140,190	1,522,571
Net differences between projected and actual earnings on plan investments	467,869	-
Total	<u>\$ 14,962,735</u>	<u>\$ 2,442,994</u>

\$17,247,341 for Miscellaneous, \$8,203,564 for Safety Police and \$6,089,508 for Safety Fire 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, 2020. 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 Ending June 30,	Miscellaneous Plan Deferred Outflows/Inflows of Resources	Safety Police Plan Deferred Outflows/Inflows of Resources	Safety Fire Plan Deferred Outflows/Inflows of Resources
2020	\$ 10,808,927	\$ 6,022,406	\$ 5,898,650
2021	81,037	2,427,098	3,240,258
2022	(4,094,629)	(1,604,004)	(2,230,024)
2023	(1,120,589)	(488,551)	(478,651)

5. Payable to the Pension Plan

At June 30, 2019, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

9. RETIREMENT COMMITMENTS (CONTINUED)

B. City Safety Retirement Pension Plan

1. General Information about the 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 68. The plan does not issue a separate report.

Benefits Provided and Employees Covered

As of June 30, 2018 measurement date, 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.

Contributions

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

2. Total Pension Liability

The total pension liability of the Plan is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2018. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Measurement date	June 30, 2018
Valuation Date	June 30, 2018
Discount Rate	3.87%
Salary Increases	Not assumed

Mortality rates were based on CalPERS 1997-2015 Experience Study. Post-retirement mortality improvement scale MP-2018 was applied on a generational basis.

Discount Rate

The discount rate used to measure the total pension liability was 3.87% based on bond buyer 20-Bond General Obligation Index as of June 30, 2018.

Change in Assumption

The discount rate changed from 3.58% to 3.87%.

Subsequent Events

There were no subsequent events that would materially affect the results in this disclosure.

9. RETIREMENT COMMITMENTS (CONTINUED)

B. City Safety Retirement Pension Plan

3. Changes in Total Pension Liability

The changes in the total pension liability are as follows:

	Total Pension Liability
Balance June 30, 2017	<u>\$ 248,677</u>
Changes for the year:	
Interest on total pension liability	8,117
Difference between expected and actual experience	(4,543)
Change in assumptions	(2,865)
Benefit payments, including refunds of member contributions	<u>(43,905)</u>
Net changes	<u>(43,196)</u>
Balance at June 30, 2018	<u><u>\$ 205,481</u></u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Plan, calculated using the discount rate of 3.87%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current rate:

	Discount Rate		
	1% Lower* (6.15%)	Current Rate (3.58%)	1% Higher* (4.58%)
Safety Fire Plan Plan's Net Pension Liability/Assets	\$ 213,594	\$ 205,481	\$ 197,970

9. RETIREMENT COMMITMENTS (CONTINUED)

B. City Safety Retirement Pension Plan (Continued)

3. Changes in Total Pension Liability (Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$640. As of June 30, 2019, for the Safety Retirement Plan, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 42,216	\$ -
Net differences between projected and actual earnings on plan investments	8,807	-
Total	<u>\$ 51,023</u>	<u>\$ -</u>

\$42,416 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, 2020. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Deferred Outflows/Inflows of Resources
2020	\$ 6,670
2021	1,141
2022	996
2023	-
2024	-

C. 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.

9. RETIREMENT COMMITMENTS (CONTINUED)

C. Deferred Compensation Plan (Continued)

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.

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 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, 2019, were as follows:

	Balance June 30, 2019
Government Wide Financials	
Government Activities	
Deferred pension-related items	\$ 7,126,798
Deferred OPEB-related items	1,437,000
Total	\$ 8,563,798
Business-type Activities	
Deferred pension-related items	\$ 1,198,405

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

10. DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Deferred inflows of resources balances as reported on the Governmental Funds Balance Sheet for the year ended June 30, 2019, were as follows:

Government Fund Financials	Balance June 30, 2019
Major Government Funds	
General Fund-Library and Fire Unavailable revenue	\$ 799,175
General Fund-Unavailable administrative citation revenue	324,825
	<u>324,825</u>
Total	\$ 1,124,000
	<u><u>1,124,000</u></u>
Nonmajor Governmental Funds	
Wildland Fire Suppression Fund-Unavailable grant revenue	\$ 1,982
Misc. Grants Fund-Unavailable grant revenue	338,895
Police CAD-RAMS Support Fund-Unavailable revenue	25,000
Street Grant Capital Fund-Unavailable grant revenue	7,407,027
	<u>7,407,027</u>
Total	\$ 7,772,904
	<u><u>7,772,904</u></u>

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.

11. CLASSIFICATION OF NET POSITION (CONTINUED)

- Restricted - Amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the City Council of the City of Santa Barbara. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the City Council of the City of Santa Barbara.
- Assigned - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Administrator or Finance Director are authorized to assign amounts to a specific purpose as per the approved City Council Resolution No. 12-069.
- Unassigned - Residual amounts that have not been restricted, committed, or assigned to specific purposes.

The General Fund is the only fund that may report a positive unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

The City's general fund reserve policy consists of Disaster Reserve of 15% of the general fund's most recently adopted fiscal year operating budget and a Contingency Reserve of 10% of the general fund's most recently adopted fiscal year operating budget. The use Disaster Reserve is limited to federal or state declared disasters and may only be used only after other available funds are exhausted, including contingency reserve. The purpose of Contingency reserve is to allow for the orderly implementation of a balancing strategy to address the fiscal impacts of unexpected events such as natural disasters, revenue impacts resulting from State actions or unfunded State mandates, unexpected loss of external funding from sources such as grants, unplanned loss of, or damage to, a City facility, mitigation of an emergency that poses a threat to public health and safety and adverse judicial actual that requires large cash payments to third parties.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

11. CLASSIFICATION OF NET POSITION (CONTINUED)

The components of the City's fund balances at June 30, 2019, consist of the following:

	Special Revenue Funds		Other Governmental Fund	Governmental Funds
	General Fund	Affordable Housing		
Fund Balances:				
Nonspendable:				
Prepaid assets and deposits	\$ 126,457	\$ -	\$ -	\$ 126,457
Loans receivable	742,369	-	-	742,369
Advances to other funds	8,722,929	-	-	8,722,929
Restricted for:				
Administration	18,881	-	-	18,881
Public safety	401,136	-	1,105,106	1,506,242
Public works	12,326	-	14,353,040	14,365,366
Community services	-	-	831,399	831,399
Community development	1,934,702	-	408,038	2,342,740
Capital improvements	-	-	592,692	592,692
Affordable housing	-	62,243,598	-	62,243,598
Committed for:				
Public safety	-	-	-	-
Capital improvements	-	-	11,052,189	11,052,189
Contingencies	5,910,966	-	-	5,910,966
Disaster contingency	20,866,449	-	-	20,866,449
Assigned to:				
Capital improvements	-	-	3,558,673	3,558,673
Unassigned:	<u>(3,783,866)</u>	<u>-</u>	<u>(7,406,361)</u>	<u>(11,190,227)</u>
Total Fund Balances	<u>\$ 34,952,349</u>	<u>\$ 62,243,598</u>	<u>\$ 24,494,776</u>	<u>\$ 121,690,723</u>

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.

12. SELF-INSURANCE FUND (CONTINUED)

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 33rd year July 2018 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 series of commercial insurance policies underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and the purchased commercial carriers provide \$45 million in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

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

A Board of Directors consisting of one representative from each member city governs ACCEL. This Board controls all aspects of ACCEL policy including budgeting, finance, underwriting, and claims. ACCEL conducts annual financial, claims, and payroll audits, and an annual actuarial study. 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 every member City 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, and cyber liability insurance. The City filed two claims under the boiler and machinery insurance policy during fiscal year 2019: a claim for accidental discharge from a fire suppression system and damage to an electrical transformer. No other claims were filed during fiscal year 2019.

12. SELF-INSURANCE FUND (CONTINUED)

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, 2019, the estimated outstanding liabilities are \$11,223,160 for workers' compensation and \$4,702,302 for general and automobile liability.

These liabilities are based on an actuarial valuation as of June 30, 2019. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2019, the liability for unemployment claims was \$28,760. A summary of changes in claims liabilities is shown below:

	2019	2018	2017
Claims liabilities, July 1	\$ 14,393,700	\$ 11,580,758	\$ 11,861,133
Incurred claims	4,998,486	2,575,216	2,421,025
Actuarial adjustment	(468,238)	2,812,942	(280,405)
Payments on claims attributable to events of current and prior years	<u>(2,998,486)</u>	<u>(2,575,216)</u>	<u>(2,421,025)</u>
Claims liabilities, June 30	<u>\$ 15,925,462</u>	<u>\$ 14,393,700</u>	<u>\$ 11,580,728</u>

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.

13. JOINT VENTURES (CONTINUED)

Central Coast Water Authority (Continued)

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%.

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

13. JOINT VENTURES (CONTINUED)

Central Coast Water Authority (Continued)

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:

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		
2019/20	\$ 3,607,354	\$ 393,650	\$ 515,003	\$ 459,626	\$ 1,548,469	\$ 2,523,098	\$ 6,524,102
2020/21	3,079,805	547,082	530,453	474,763	1,546,723	2,551,939	6,178,826
2021/22	3,160,494	574,436	546,366	490,656	1,544,808	2,581,830	6,316,760
2022/23	3,298,828	603,158	712,441	507,345	-	1,219,786	5,121,772
2023/24	3,289,356	633,316	733,815	524,867	-	1,258,682	5,181,354
Thereafter	34,212,858	-	10,334,908	-	-	10,334,908	44,547,766
TOTAL	\$ 50,648,695	\$ 2,751,642	\$ 13,372,986	\$ 2,457,257	\$ 4,640,000	\$ 20,470,243	\$ 73,870,580

(1) Variable costs only shown through 2023/24 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 a.m. 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 \$28,634,101 (\$6,336,104 and \$22,297,997). Of these loan balances, \$6,336,104 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$14,719,287 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$7,578,710 is for the City of Santa Barbara (100%) for improvements to the Ortega Groundwater Treatment Plant.

The Districts repay the City semiannually for the costs of the water treatment improvements plus interest. These repayments by the Districts will be paid through June 30, 2035.

13. JOINT VENTURES (CONTINUED)

Cachuma Operation and Maintenance Board

The Cachuma Operation and Maintenance Board (COMB) is a California Joint Powers Agency (JPA) 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, and Montecito Water District. 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. In October 2018 the COMB JPA Separation Agreement was signed, acknowledging the removal of the Santa Ynez River Water Conservation District Improvement District No. 1 from COMB membership.

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 2019 year-end COMB expenditures, as presented at the August 26, 2019 COMB Board Meeting:

General and Administrative	\$ 1,074,261
Operations Division	2,130,729
Fisheries Division	2,985,603
Other Interest Expense - Emergency Pump Facility Project	<u>43,741</u>
Operations Subtotal	<u><u>\$ 6,234,334</u></u>
Total FY 2019 Expenditures	<u><u>\$ 6,234,334</u></u>

Expenditures for Fiscal Year 2019 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 Cachuma Member Units, and 35.89% for costs apportioned only among COMB Member Agencies (South Coast Member Units).

13. JOINT VENTURES (CONTINUED)

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 2019 year-end CCRB expenditures as of June 30, 2019 for the portion of these activities that CCRB funds, as presented at the August 8, 2019 CCRB Board Meeting:

General and Administrative	\$ 184,884
Legal Activities	198,572
Consultant Activities	<u>531,477</u>
Total Fiscal Year 2019 Expenditures	<u>\$ 914,933</u>

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 \$374,025 in City costs for Fiscal Year 2019 excluding any offsets from other CCRB income. At its August 27, 2019 meeting, the CCRB Board decided to return unexpended funds from the Fiscal Year 2019; as a result, \$60,274 will be returned to the City of Santa Barbara during Fiscal Year 2020.

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><u>100%</u></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, 2019, the City has \$742,369 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

15. DEFICIT FUND EQUITY

The following funds had deficit balances as of June 30, 2019:

Self-Insurance Internal Service Fund	\$ (30,317,153)
County Library Fund	(67,632)
FEMA Reimbursement Fund	(554,167)
Street Grant Capital Fund	(6,331,576)

15. DEFICIT FUND EQUITY (CONTINUED)

Deficit in the County Library Fund, FEMA Reimbursement, and Streets Capital Funds will be eliminated through receipt of revenue in fiscal year 2020. The deficit equity has been created by recognition of reimbursable costs, where payment had not been received by the City within the recognition period for the year ended June 30, 2019. The deficit in the Self Insurance Fund will be funded by charges to other funds in future years.

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 toward 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.

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums (Continued)

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the plan:

	Number of Covered Participants
Inactive currently receiving benefits	222
Inactive entitled to but not yet receiving benefits	-
Active employees*	933
Total	<u>1,155</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 measurement period 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.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018 for the measurement period July 1, 2017 through June 30, 2018. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2017 rolled forward using standard update procedures to June 30, 2018, based on the following actuarial assumptions:

<u>Actuarial Assumptions</u>	
Discount Rate	3.87%
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
Preretirement 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

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The discount rate is based on the bond buyer 20-bond index.

Change in Assumption

The discount rate changed from 3.58% to 3.87%.

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 7/1/17 - 6/30/18)	
Service Cost	\$ 1,095,000
Interest	702,000
Assumption changes	(403,000)
Benefit payments	<u>(1,094,000)</u>
Net changes	300,000
Total OPEB Liability (beginning of year)	<u>19,091,000</u>
Total OPEB Liability (end of year)	<u><u>\$ 19,391,000</u></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, 2018.

	<u>Discount Rate</u>		
	<u>1% Decrease (2.87%)</u>	<u>Current Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 20,819,000	\$ 19,391,000	\$ 18,069,000

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Continued)

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:

	Healthcare Trend Rate		
	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 17,728,000	\$ 19,391,000	\$ 21,326,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$1,626,000. At June 30, 2019, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 1,125,000
Employer contributions made subsequent to the measurement date	1,113,000	-
Total	<u>\$ 1,113,000</u>	<u>\$ 1,125,000</u>

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retiree Medical Care Benefits and Implied Subsidy of Retiree Health Insurance Premiums (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The \$1,113,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2020. 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 Ending June 30,	Deferred Outflows/ Inflows of Resources
2020	\$ (171,000)
2021	(171,000)
2022	(171,000)
2023	(171,000)
2024	(171,000)
Thereafter	(270,000)

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.

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sick Leave Retiree Benefits (Continued)

Employees Covered

As of the June 30, 2018 measurement date, the following current and former employees were covered by the benefit terms under the plan:

	<u>Number of Covered Participants</u>
Inactive currently receiving benefits	1
Inactives entitled to but not yet receiving benefits	-
Active employees	<u>876</u>
Total	<u><u>877</u></u>

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 measurement date June 30, 2018, cash contributions were \$453,000.

Total OPEB Liability

The City's total OPEB liability was measured as of June 30, 2018 for the measurement period July 1, 2017 through June 30, 2018. The total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2017 rolled forward using standard update procedures to June 30, 2018, based on the following actuarial assumptions:

Actuarial Assumptions

Discount Rate	3.87%
Inflation	2.75%
Salary Increases	2.75% (Merit tables from CalPERS 1997-2015 Experience Study)
Investment Rate of Return	N/A
Mortality Rate	CalPERS 1997-2015 Experience Study
Preretirement Turnover	CalPERS 1997-2015 Experience Study
Healthcare Trend Rate	Benefit is not dependent on healthcare trend

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Sick Leave Retiree Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The discount rate is based on the bond buyer 20-bond index.

Change in Assumption

The discount rate changed from 3.58% to 3.87%.

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 7/1/17 - 6/30/18)	
Service cost	\$ 440,000
Interest	260,000
Assumption changes	(105,000)
Benefit payments	(453,000)
Net changes	<u>142,000</u>
 Total OPEB Liability (beginning of year)	 <u>\$ 7,051,000</u>
 Total OPEB Liability (end of year)	 <u>\$ 7,193,000</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, 2018:

	<u>Discount Rate</u>		
	<u>1% Decrease (2.87%)</u>	<u>Current Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB Liability	\$ 7,558,000	\$ 7,193,000	\$ 6,845,000

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The benefit is not dependent on healthcare trend rates.

16. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the City recognized OPEB expense of \$666,000. At June 30, 2019, the City's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 312,000
Employer contributions made subsequent to the measurement date	936,000	-
Total	<u>\$ 936,000</u>	<u>\$ 312,000</u>

The \$936,000 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/ Inflows of Resources
2020	\$ (34,000)
2021	(34,000)
2022	(34,000)
2023	(34,000)
2024	(34,000)
Thereafter	(142,000)

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

17. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

The assets and liabilities of the former Redevelopment Agency (Agency) were transferred to the Successor Agency to the City of Santa Barbara Redevelopment Agency on February 1, 2012, as a result of the dissolution of the Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to notes receivable and long-term liabilities are stated below:

A. Cash and Investments

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

Pooled cash and investments	<u>\$ 5,239,372</u>
	<u>\$ 5,239,372</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance July 1, 2018	Increases	Decreases	Ending Balance June 30, 2019
Fiduciary Activities:				
Nondeprecating capital assets:				
Construction in progress	<u>\$ 4,521,967</u>	<u>\$ 4,561,966</u>	<u>\$ -</u>	<u>\$ 9,083,933</u>
Depreciating capital assets:				
Building improvements	2,308,715	-	-	2,308,715
Infrastructure	<u>1,392,606</u>	<u>-</u>	<u>-</u>	<u>1,392,606</u>
Total depreciating capital assets	<u>3,701,321</u>	<u>-</u>	<u>-</u>	<u>3,701,321</u>
Less accumulated depreciation:				
Building improvements	170,988	57,047	-	228,035
Infrastructure	<u>54,726</u>	<u>33,162</u>	<u>-</u>	<u>87,888</u>
Total accumulated depreciation	<u>225,714</u>	<u>90,209</u>	<u>-</u>	<u>315,923</u>
Total capital assets, being depreciated, net	<u>3,475,607</u>	<u>(90,209)</u>	<u>-</u>	<u>3,385,398</u>
Fiduciary activities capital assets, net	<u>\$ 7,997,574</u>	<u>\$ 4,471,757</u>	<u>\$ -</u>	<u>\$ 12,469,331</u>

CITY OF SANTA BARBARA, CALIFORNIA
Notes to Basic Financial Statements
June 30, 2019

17. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

C. Long-Term Debt

A description of long-term debt outstanding of the Successor Agency as of June 30, 2019, follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Fiduciary Funds:				
Tax allocation bonds	\$ 7,795,000	\$ -	\$ 7,795,000	\$ -
Unamortized debt premium	73,132	-	73,132	-
Unamortized debt discount	(40,053)	-	(40,053)	-
Total Fiduciary Funds	\$ 7,828,079	\$ -	\$ 7,828,079	\$ -

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. Interest rates range from 2.00% to 5.00% payable semiannually on January and July 1. The outstanding balance was paid off during the fiscal year.

\$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. Interest rates range from 2.00% to 5.00% payable semiannually on September and March 1. The outstanding balance was paid off during the fiscal year.

\$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. Interest rates range from 4.00% to 5.00% payable semiannually on September and March 1. The outstanding balance was paid off during the fiscal year.

18. RESTATEMENT OF NET POSITION

Net Position of the Airport Enterprise Fund and Business-type activities at July 1, 2018 was increased by \$127,341 to record passenger facility charges to the proper period. In addition, net position of the governmental activities at July 1, 2018 was decreased by \$13,921,514 to record a liability related to loans receivable in the CDBG and HOME funds.

19. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 27, 2019, the date the financial statements were available to be issued.

CITY OF SANTA BARBARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
SAFETY RETIREMENT AND SAFETY SERVICE RETIREMENT PLANS

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability:						
Interest on total pension liability	\$ 8,117	\$ 16,437	\$ 38,189	\$ 58,515	\$ 63,008	\$ 277,220
Differences between expected and actual experience	(4,543)	26,062	41,577	(237,062)	-	-
Changes in assumptions	(2,865)	(13,101)	64,419	42,874	-	-
Changes in benefits	-	(416,227)	(227,990)	54,434	-	-
Benefit payments, including refunds of employee contributions	(43,905)	(90,589)	(116,087)	(113,370)	(173,700)	(175,058)
Net Change in Total Pension Liability	(43,196)	(477,418)	(199,892)	(194,609)	(110,692)	102,162
Total Pension Liability - Beginning of Year	248,677	726,095	925,987	1,120,596	1,231,288	1,129,126
Total Pension Liability - End of Year (a)	<u>\$ 205,481</u>	<u>\$ 248,677</u>	<u>\$ 726,095</u>	<u>\$ 925,987</u>	<u>\$ 1,120,596</u>	<u>\$ 1,231,288</u>
Plan Fiduciary Net Position:						
Contributions - employer	\$ -	\$ 48,972	\$ 48,972	\$ 49,611	\$ 102,126	\$ 96,992
Contributions - employee	-	-	-	-	-	-
Net investment income	-	4,392	28,595	1,123	62,733	36,741
Benefit payments	-	(506,816)	(116,087)	(113,370)	(173,700)	(175,058)
Net Change in Plan Fiduciary Net Position	-	(453,452)	(38,520)	(62,636)	(8,841)	(41,325)
Plan Fiduciary Net Position - Beginning of Year	-	453,452	491,972	554,608	563,449	604,774
Plan Fiduciary Net Position - End of Year (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 453,452</u>	<u>\$ 491,972</u>	<u>\$ 554,608</u>	<u>\$ 563,449</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 205,481</u>	<u>\$ 248,677</u>	<u>\$ 272,643</u>	<u>\$ 434,015</u>	<u>\$ 565,988</u>	<u>\$ 667,839</u>
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	62.45%	53.13%	49.49%	45.76%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as percentage of covered payroll	N/A	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 trust was closed.

* Fiscal year 2014 was the first year of implementation and therefore only six years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Actuarially determined contribution	\$ 42,216	\$ 43,905	\$ 48,972	\$ 49,611	\$ 108,000	\$ 105,000
Contributions in relation to the actuarially determined contributions	<u>(42,216)</u>	<u>(43,905)</u>	<u>(48,972)</u>	<u>(49,611)</u>	<u>(104,000)</u>	<u>(97,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 8,000</u>
Covered payroll	N/A	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 trust was closed.

* Fiscal year 2014 was the first year of implementation and therefore only six years are shown.

CITY OF SANTA BARBARA
SCHEDULE OF INVESTMENT RETURNS
CalPERS PENSION PLANS

Last Ten Fiscal Years*

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%	0%	0%

Notes to Schedule:

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

* 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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS MISCELLANEOUS PENSION PLANS

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:					
Service cost	\$ 10,848,882	\$ 10,827,663	\$ 9,760,428	\$ 9,563,623	\$ 9,676,642
Interest on total pension liability	40,531,753	39,079,614	37,902,710	36,129,828	34,649,348
Differences between expected and actual experience	(291,764)	(5,119,771)	(132,903)	(4,360,012)	-
Changes in assumptions	(3,358,919)	32,405,333	-	(8,848,255)	-
Benefit payments, including refunds of employee contributions	(26,641,065)	(25,274,088)	(23,474,988)	(21,493,097)	(20,041,269)
Net Change in Total Pension Liability	21,088,887	51,918,751	24,055,247	10,992,087	24,284,721
Total Pension Liability - Beginning of Year	578,424,437	526,505,686	502,450,439	491,458,352	467,173,631
Total Pension Liability - End of Year (a)	<u>\$ 599,513,324</u>	<u>\$ 578,424,437</u>	<u>\$ 526,505,686</u>	<u>\$ 502,450,439</u>	<u>\$ 491,458,352</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 15,654,944	\$ 14,693,333	\$ 14,184,385	\$ 13,162,072	\$ 11,373,020
Contributions - employee	5,249,989	5,071,882	4,988,705	4,833,301	4,587,261
Net investment income	34,092,665	40,908,639	2,007,173	8,218,938	54,806,585
Benefit payments	(26,641,065)	(25,274,088)	(23,474,988)	(21,493,097)	(20,041,269)
Plan to plan resource movement	(999)	(10,124)	-	(1,157)	-
Administrative expense	(628,306)	(543,859)	(226,033)	(435,768)	-
Other miscellaneous income (expense)	(1,193,164)	-	-	-	-
Net Change in Plan Fiduciary Net Position	26,534,064	34,845,783	(2,520,758)	4,284,289	50,725,597
Plan Fiduciary Net Position - Beginning of Year	403,206,233	368,360,450	370,881,208	366,596,919	315,871,322
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 429,740,297</u>	<u>\$ 403,206,233</u>	<u>\$ 368,360,450</u>	<u>\$ 370,881,208</u>	<u>\$ 366,596,919</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 169,773,027</u>	<u>\$ 175,218,204</u>	<u>\$ 158,145,236</u>	<u>\$ 131,569,231</u>	<u>\$ 124,861,433</u>
Plan fiduciary net position as a percentage of the total pension liability	71.68%	69.71%	69.96%	73.81%	74.59%
Covered payroll	\$ 57,069,164	\$ 55,884,714	\$ 55,485,351	\$ 53,022,251	\$ 50,588,866
Net pension liability as percentage of covered payroll	297.49%	313.54%	285.02%	248.14%	246.82%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2017 to June 30, 2019:

There were no significant changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CONTRIBUTIONS
CalPERS MISCELLANEOUS PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 17,247,341	\$ 15,613,850	\$ 14,693,333	\$ 14,184,385	\$ 13,162,072
Contributions in relation to the actuarially determined contributions	<u>(17,247,341)</u>	<u>(15,613,850)</u>	<u>(14,693,333)</u>	<u>(14,184,385)</u>	<u>(13,162,072)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 58,650,784	\$ 57,069,164	\$ 55,884,714	\$ 55,485,351	\$ 53,022,251
Contributions as a percentage of covered payroll	29.41%	27.36%	26.29%	25.56%	24.82%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed.
- (2) Depending on age, service and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CalPERS SAFETY POLICE PENSION PLANS

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Period Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability:					
Service cost	\$ 4,857,235	\$ 4,491,601	\$ 4,497,742	\$ 5,010,613	\$ 5,186,081
Interest on total pension liability	18,703,388	17,958,387	17,452,394	16,967,585	16,640,662
Differences between expected and actual experience	2,285,455	(1,701,292)	(4,101,607)	(7,448,519)	-
Changes in assumptions	(1,262,820)	15,186,679	-	(4,242,689)	-
Benefit payments, including refunds of employee contributions	(13,624,691)	(12,846,960)	(11,957,196)	(10,608,382)	(9,641,215)
Net Change in Total Pension Liability	10,958,567	23,088,415	5,891,333	(321,392)	12,185,528
Total Pension Liability - Beginning of Year	264,946,952	241,858,537	235,967,204	236,288,596	224,103,068
Total Pension Liability - End of Year (a)	<u>\$ 275,905,519</u>	<u>\$ 264,946,952</u>	<u>\$ 241,858,537</u>	<u>\$ 235,967,204</u>	<u>\$ 236,288,596</u>
Plan Fiduciary Net Position:					
Contributions - employer	\$ 7,279,784	\$ 6,100,953	\$ 5,502,842	\$ 5,729,090	\$ 5,811,400
Contributions - employee	1,434,341	1,408,892	1,366,145	1,462,940	1,514,918
Net investment income	14,936,635	18,139,466	934,079	3,780,559	25,268,419
Benefit payments	(13,624,691)	(12,846,960)	(11,957,196)	(10,608,382)	(9,641,215)
Plan to plan resource movement	(436)	10,605	-	(3,426)	-
Administrative expense	(276,932)	(243,830)	(103,244)	(184,197)	-
Other miscellaneous income (expense)	(525,899)	-	-	-	-
Net Change in Plan Fiduciary Net Position	9,222,802	12,569,126	(4,257,374)	176,584	22,953,522
Plan Fiduciary Net Position - Beginning of Year	177,717,199	165,148,073	169,405,447	169,228,863	146,281,803
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 186,940,001</u>	<u>\$ 177,717,199</u>	<u>\$ 165,148,073</u>	<u>\$ 169,405,447</u>	<u>\$ 169,235,325</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 88,965,518</u>	<u>\$ 87,229,753</u>	<u>\$ 76,710,464</u>	<u>\$ 66,561,757</u>	<u>\$ 67,053,271</u>
Plan fiduciary net position as a percentage of the total pension liability	67.76%	67.08%	68.28%	71.79%	71.62%
Covered payroll	\$ 15,669,261	\$ 14,020,481	\$ 15,555,046	\$ 17,232,219	\$ 17,126,518
Net pension liability as percentage of covered payroll	567.77%	622.16%	493.15%	386.26%	391.52%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2017 to June 30, 2019:

There were no significant changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CONTRIBUTIONS
CalPERS SAFETY POLICE PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 8,203,564	\$ 7,293,109	\$ 6,100,953	\$ 5,502,842	\$ 5,729,090
Contributions in relation to the actuarially determined contributions	<u>(8,203,564)</u>	<u>(7,293,109)</u>	<u>(6,100,953)</u>	<u>(5,502,842)</u>	<u>(5,729,090)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 16,273,075	\$ 15,669,261	\$ 14,020,481	\$ 15,555,046	\$ 17,232,219
Contributions as a percentage of covered payroll	24.16%	46.54%	43.51%	35.38%	33.25%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed.
- (2) Depending on age, service and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE PLAN'S NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE - COST SHARING PLAN

	Last Ten Years*				
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Fiscal Year Ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability/(asset)	0.717%	1.142%	1.176%	1.245%	0.739%
Plan's proportionate share of the net pension liability/(asset)	\$ 69,104,402	\$ 68,239,700	\$ 60,895,072	\$ 51,295,415	\$ 45,980,620
Plan's covered payroll (1)	\$ 11,156,660	\$ 10,848,464	\$ 10,699,018	\$ 10,382,054	\$ 10,161,327
Plan's proportionate share of the net pension liability/(asset) as a percentage of its covered - employee payroll	619.40%	629.03%	569.17%	494.08%	452.51%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.26%	68.81%	75.87%	79.82%	78.40%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

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

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

There were no significant changes in assumptions.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CONTRIBUTIONS
CalPERS SAFETY FIRE PENSION PLANS

Last Ten Fiscal Years*

Fiscal year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 6,089,508	\$ 5,446,909	\$ 4,917,209	\$ 3,672,002	\$ 3,535,869
Contributions in relation to the actuarially determined contributions	<u>(6,089,508)</u>	<u>(5,446,909)</u>	<u>(4,917,209)</u>	<u>(3,672,002)</u>	<u>(3,535,869)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 11,685,352	\$ 15,669,261	\$ 14,020,481	\$ 15,555,046	\$ 17,232,219
Contributions as a percentage of covered payroll	24.16%	34.76%	35.07%	23.61%	20.52%

Notes to Schedule:

Valuation Date	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Market Value	Market Value	Market Value	Market Value	15-Year Smoothed Market Method
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)

- (1) Level percentage of payroll, closed.
- (2) Depending on age, service and type of employment.
- (3) Net of pension plan investment expense, including inflation.
- (4) The probabilities of retirement are based on the 2010 CalPERS Experience Study report.
- (5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

* Fiscal year 2015 was the first year of implementation and therefore only five years are shown.

CITY OF SANTA BARBARA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal Year Ended	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Period Ended	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<i>Retiree Medical Benefits and Implied Subsidy of Retiree Health Insurance Premiums</i>		
Total OPEB Liability:		
Service cost	\$ 1,095,000	\$ 1,207,000
Interest on total pension liability	702,000	574,000
Changes in assumptions	(403,000)	(1,015,000)
Benefit payments, including refunds of employee contributions	<u>(1,094,000)</u>	<u>(1,220,000)</u>
Net Change in Total Pension Liability	300,000	(454,000)
Total Pension Liability - Beginning of Year	<u>19,091,000</u>	<u>19,545,000</u>
Total Pension Liability - End of Year (a)	<u>\$ 19,391,000</u>	<u>\$ 19,091,000</u>
Covered payroll	\$ 104,063,000	\$ 99,027,000
Net pension liability as percentage of covered payroll	18.63%	19.28%
<i>Sick Leave Retiree Benefits</i>		
Total OPEB Liability:		
Service cost	\$ 440,000	\$ 474,000
Interest on total pension liability	260,000	212,000
Changes in assumptions	(105,000)	(265,000)
Benefit payments, including refunds of employee contributions	<u>(453,000)</u>	<u>(628,000)</u>
Net Change in Total Pension Liability	142,000	(207,000)
Total Pension Liability - Beginning of Year	<u>7,051,000</u>	<u>7,258,000</u>
Total Pension Liability - End of Year (a)	<u>\$ 7,193,000</u>	<u>\$ 7,051,000</u>
Covered payroll	\$ 86,545,000	\$ 83,539,000
Net pension liability as percentage of covered payroll	8.31%	8.44%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2016 to June 30, 2017:

Discount rate was changed from 2.85% to 3.58%.

From fiscal year June 30, 2017 to June 30, 2018:

Discount rate was changed from 3.58% to 3.87%.

* Fiscal year 2018 was the first year of implementation and therefore only two years are shown.

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 109,457,870	\$ 110,671,184	\$ 113,933,391	\$ 3,262,207
Franchise fees	3,629,600	3,629,600	3,636,661	7,061
Intergovernmental	1,259,894	2,067,001	2,751,450	684,449
Charges for services	23,155,773	23,453,512	21,827,800	(1,625,712)
Use of money and property	1,371,955	1,371,955	1,860,116	488,161
Fines and forfeitures	3,179,750	3,179,750	2,560,108	(619,642)
Other revenue	10,667,439	10,843,707	10,388,378	(455,329)
TOTAL REVENUES	152,722,281	155,216,709	156,957,904	1,741,195
EXPENDITURES:				
Current:				
Mayor and city council	3,535,678	3,574,578	3,552,358	22,220
City attorney	3,569,206	4,151,420	4,050,268	101,152
City administration	2,359,274	2,438,164	2,409,866	28,298
Administrative services	2,760,728	2,768,643	2,620,344	148,299
Finance	5,811,329	5,874,559	5,521,672	352,887
Public safety	71,332,265	71,876,817	71,469,432	407,385
Public works	9,009,013	9,276,742	8,317,930	958,812
Community services	22,464,141	22,758,601	21,600,748	1,157,853
Community development	12,023,072	12,632,834	11,599,308	1,033,526
TOTAL EXPENDITURES	132,864,706	135,352,358	131,141,926	4,210,432
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,857,575	19,864,351	25,815,978	5,951,627
OTHER FINANCING SOURCES (USES):				
Transfers in	3,496,481	3,823,594	1,095,154	(2,728,440)
Transfers out	(23,327,056)	(32,836,524)	(24,779,417)	8,057,107
TOTAL OTHER FINANCING SOURCES (USES)	(19,830,575)	(29,012,930)	(23,684,263)	5,328,667
NET CHANGE IN FUND BALANCE	27,000	(9,148,579)	2,131,715	11,280,294
FUND BALANCE - BEGINNING OF YEAR	32,820,634	32,820,634	32,820,634	-
FUND BALANCE - END OF YEAR	\$ 32,847,634	\$ 23,672,055	\$ 34,952,349	\$ 11,280,294

CITY OF SANTA BARBARA

BUDGETARY COMPARISON SCHEDULE
AFFORDABLE HOUSING SPECIAL REVENUE FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,074,000	\$ 1,074,000	\$ 1,329,899	\$ 255,899
TOTAL REVENUES	1,074,000	1,074,000	1,329,899	255,899
EXPENDITURES:				
Current:				
Community development	723,532	5,473,531	3,356,969	2,116,562
TOTAL EXPENDITURES	723,532	5,473,531	3,356,969	2,116,562
NET CHANGE IN FUND BALANCE	350,468	(4,399,531)	(2,027,070)	2,372,461
FUND BALANCE - BEGINNING OF YEAR	64,270,668	64,270,668	64,270,668	-
FUND BALANCE - END OF YEAR	\$ 64,621,136	\$ 59,871,137	\$ 62,243,598	\$ 2,372,461

1. 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	\$ 156,191,762
Re-appropriated Prior Year Encumbrances	963,304
Amendments	11,033,816
Amended Budget	<u><u>\$ 168,188,882</u></u>

Budgeted amendments in the General Fund totaled just short of \$12.0 million in Fiscal Year 2019. The largest change was due to transfers out to other funds of \$9.5 million: Two loans were made in the year totaling \$8.0 million. \$5.0 million was advanced to the Measure C fund for the Cabrillo Pavilion Renovation project, and \$3 million, loaned to the Airport Development Fund for constructing Phase 1 of the Airport Light Industrial Development at 6100 Hollister Avenue. An additional \$1.2 million was transferred to the Measure C fund, since Measure C sales tax revenue exceeded the original budget.

1. BUDGETARY INFORMATION (CONTINUED)

Other amendments in the General Fund included additional appropriations of \$0.45 million for increased plan check and review services and the land development team fee study within the Community Development Department, \$0.3 million for the Fire Department for mutual aid costs covered by additional revenue received, and \$0.3 million for additional outside legal assistance in the City Attorney's Office. \$1.0 million was carried forward from Fiscal Year 2018 as encumbrances made in that year leaving an additional \$0.7 million amended across many programs in the City as approved by Council.

The City's Affordable Housing Fund had an originally Adopted Fiscal Year 2019 Budget of \$0.7 million that was amended by \$4.8 million to an Amended Budget of \$5.5 million. \$2.0 million was carried over as unspent appropriations from Fiscal Year 2018 for the housing loan for the development and construction of Johnson Court, a new Very Low-Income Rental Housing Project for veterans at 813 E. Carrillo St. In addition, \$2.75 million was appropriated to forgive a housing loan to Garden Court, 1116 De La Vina St, a 98-unit affordable housing congregate care facility serving Very Low-Income Seniors.

2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The pavement network within the City has approximately 245 miles of paved surfaces, comprised of 126 miles of residential streets, 47 miles of principal arterial and minor arterial streets, 69 miles of collector streets and 3 miles of alleys. This equates to almost 41 million square feet of pavement.

The City has developed a Pavement Management System (PMS) 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.

**2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS
(CONTINUED)**

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 Pavements Condition Index (PCI) rating, a nationally recognized index, is calculated for each street segment and is expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following PCI thresholds, which are generally accepted industry standards, were assigned to each street segment:

Condition	Rating
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.

Condition	Rating
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 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.

2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS (CONTINUED)

As a result of this software change coupled with ongoing budgetary constraints, the average citywide PCI dropped significantly between 2010 (PCI 69) and 2012 (PCI 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:

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

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.

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 from a PCI of 63 in 2012 to a PCI of 64 in 2014. While this addition had a short-term positive effect on the citywide PCI, over the long-term, the unfunded backlog of roadwork will be increased due to the increase in pavement square footage requiring maintenance.

In Fiscal Year 2017, the PCI had fallen below the established condition assessment level with a citywide PCI of 59. The City has addressed the issue by committing to increase annual expenditures on street maintenance projects. On November 7, 2017, a 1% general sales tax measure (Measure C) was approved, with significant community support for infrastructure needs, which will generate the necessary funds required to improve the citywide PCI rating. In Fiscal 2018, expenditures on street maintenance increased by more than \$1.0 million, in part due to Measure C. 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.

**2. MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS
(CONTINUED)**

In Fiscal Year 2019, the City expended \$11.5 million on street maintenance including 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 2020-2024 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 Measure C, deferred maintenance costs will continue to increase for the next several years while the City improves its 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:

Fiscal Year	Estimate (to maintain current PCI)	Expenditures	PCI Rating
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
2018-2019	8,400,000	11,530,346	61

The City’s ongoing 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.

Funding for street pavement maintenance projects continue to increase as the City is committed to improving this critical infrastructure. The Fiscal Year 2020 budget includes \$24.5 million in appropriations for street paving projects, which is designed to ensure a continued improvement in the PCI rating.





Nonmajor Governmental Funds

CITY OF SANTA BARBARA, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

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

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

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

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

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

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

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

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

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

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

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

FEMA Reimbursement Fund - To account for costs incurred as a result of the three federally declared disasters from January and February 2017 winter storms, and the Thomas Fire and debris flow in December 2017 and January 2018.

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.

CITY OF SANTA BARBARA, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2019

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
 OTHER SPECIAL REVENUE FUNDS

June 30, 2019

	Special Revenue Funds			
	Traffic Safety	Creek Restoration/Water Quality	Wildland Fire Suppression	Transportation Development
ASSETS				
Pooled cash and investments	\$ 3,920	\$ 723,715	\$ 88,914	\$ 270,445
Accounts receivable, net	-	384,216	1,982	-
Loans receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 3,920</u>	<u>\$ 1,107,931</u>	<u>\$ 90,896</u>	<u>\$ 270,445</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 3,920	\$ 65,925	\$ 19,052	\$ -
Salaries and benefits payable	-	60,727	5,624	-
Unearned revenue	-	-	-	-
Deposits	-	-	-	-
Due to other governments	-	-	-	-
Interfund payables	-	-	-	-
Advances from Other funds	-	-	-	-
TOTAL LIABILITIES	<u>3,920</u>	<u>126,652</u>	<u>24,676</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	1,982	-
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	\$ -	\$ -	\$ 64,238	\$ -
Public works	-	981,279	-	270,445
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>-</u>	<u>981,279</u>	<u>64,238</u>	<u>270,445</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 3,920</u>	<u>\$ 1,107,931</u>	<u>\$ 90,896</u>	<u>\$ 270,445</u>

Special Revenue Funds (Continued)

Community Development Block Grant	Police - Asset Forfeiture	County Library	Measure A	Miscellaneous Grants	Street Sweeping	HOME Program
\$ 261,661	\$ 784,564	\$ 596	\$ 424,564	\$ 685,336	\$ 79,458	\$ 35,452
351,049	198	460	387,701	581,235	-	110,538
4,479,574	-	-	-	-	-	9,375,261
<u>\$ 5,092,284</u>	<u>\$ 784,762</u>	<u>\$ 1,056</u>	<u>\$ 812,265</u>	<u>\$ 1,266,571</u>	<u>\$ 79,458</u>	<u>\$ 9,521,251</u>
\$ 236,849	\$ 624	\$ 19,787	\$ 35,547	\$ 147,464	\$ 70,226	\$ 106,262
6,307	83,403	40,482	49,262	61,023	5,621	1,244
-	-	-	-	12,633	-	-
-	187,990	-	-	-	-	-
4,479,574	-	-	-	-	-	9,375,261
-	-	8,419	-	-	-	-
-	-	-	-	-	-	-
<u>4,722,730</u>	<u>272,017</u>	<u>68,688</u>	<u>84,809</u>	<u>221,120</u>	<u>75,847</u>	<u>9,482,767</u>
-	-	-	-	338,895	-	-
\$ -	\$ 512,745	\$ -	\$ -	\$ 217,247	\$ -	\$ -
-	-	-	727,456	-	3,611	-
-	-	-	-	831,399	-	-
369,554	-	-	-	-	-	38,484
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(67,632)	-	(342,090)	-	-
<u>369,554</u>	<u>512,745</u>	<u>(67,632)</u>	<u>727,456</u>	<u>706,556</u>	<u>3,611</u>	<u>38,484</u>
<u>\$ 5,092,284</u>	<u>\$ 784,762</u>	<u>\$ 1,056</u>	<u>\$ 812,265</u>	<u>\$ 1,266,571</u>	<u>\$ 79,458</u>	<u>\$ 9,521,251</u>

CITY OF SANTA BARBARA

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

June 30, 2019

	Special Revenue Funds			
	FEMA Reimbursement	Police Supplemental Law Enforcement	Streets	Police CAD-RMS Support
ASSETS				
Pooled cash and investments	\$ 564,551	\$ 5,828	\$ 339,180	\$ 140,921
Accounts receivable, net	-	-	687,313	85,000
Loans receivable	-	-	-	-
TOTAL ASSETS	<u>\$ 564,551</u>	<u>\$ 5,828</u>	<u>\$ 1,026,493</u>	<u>\$ 225,921</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,035,615	\$ 5,828	\$ 277,474	\$ -
Salaries and benefits payable	4,074	-	210,684	941
Unearned revenue	79,029	-	-	-
Deposits	-	-	-	-
Due to other governments	-	-	-	-
Interfund payables	-	-	-	-
Advances payable	-	-	-	-
TOTAL LIABILITIES	<u>1,118,718</u>	<u>5,828</u>	<u>488,158</u>	<u>941</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	-	25,000
FUND BALANCES (DEFICITS):				
Restricted for:				
Public safety	\$ 110,896	\$ -	\$ -	\$ 199,980
Public works	-	-	538,335	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital improvements	-	-	-	-
Committed to:				
Capital improvements	-	-	-	-
Assigned to:				
Capital improvements	-	-	-	-
Unassigned	(665,063)	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>(554,167)</u>	<u>-</u>	<u>538,335</u>	<u>199,980</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	<u>\$ 564,551</u>	<u>\$ 5,828</u>	<u>\$ 1,026,493</u>	<u>\$ 225,921</u>

Capital Projects Funds						Total Other Governmental Funds
General Capital Improvements	Street Grant Capital	Measure A Capital	Streets Capital Improvements	Creek Restoration Capital	Measure C Capital	
\$ 4,685,712	\$ -	\$ 216,834	\$ 2,187,670	\$ 11,976,164	\$ 19,527,387	\$ 43,002,872
-	8,274,529	-	13,092	27,500	-	10,904,813
-	-	-	-	-	-	13,854,835
<u>\$ 4,685,712</u>	<u>\$ 8,274,529</u>	<u>\$ 216,834</u>	<u>\$ 2,200,762</u>	<u>\$ 12,003,664</u>	<u>\$ 19,527,387</u>	<u>\$ 67,762,520</u>
\$ 419,705	\$ 4,690,296	\$ 26,895	\$ 30,737	\$ 171,750	\$ 3,949,804	\$ 11,313,760
-	-	-	-	-	-	529,392
-	343,703	-	-	-	-	435,365
-	-	-	-	-	-	187,990
-	-	-	-	-	-	13,854,835
-	2,165,079	-	-	-	-	2,173,498
-	-	-	-	-	7,000,000	7,000,000
<u>419,705</u>	<u>7,199,078</u>	<u>26,895</u>	<u>30,737</u>	<u>171,750</u>	<u>10,949,804</u>	<u>35,494,840</u>
-	7,407,027	-	-	-	-	7,772,904
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,105,106
-	-	-	-	11,831,914	-	14,353,040
-	-	-	-	-	-	831,399
-	-	-	-	-	-	408,038
402,753	-	189,939	-	-	-	592,692
651,639	-	-	1,822,967	-	8,577,583	11,052,189
3,211,615	-	-	347,058	-	-	3,558,673
-	(6,331,576)	-	-	-	-	(7,406,361)
<u>4,266,007</u>	<u>(6,331,576)</u>	<u>189,939</u>	<u>2,170,025</u>	<u>11,831,914</u>	<u>8,577,583</u>	<u>24,494,776</u>
<u>\$ 4,685,712</u>	<u>\$ 8,274,529</u>	<u>\$ 216,834</u>	<u>\$ 2,200,762</u>	<u>\$ 12,003,664</u>	<u>\$ 19,527,387</u>	<u>\$ 67,762,520</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2019

	Special Revenue Funds			
	Traffic Safety	Creek Restoration/Water Quality	Wildland Fire Suppression	Transportation Development
REVENUES:				
Taxes	\$ -	\$ 3,904,040	\$ -	\$ 75,712
Licenses, fees and permits	-	-	-	-
Intergovernmental	-	-	-	-
Fines and forfeitures	284,150	3,435	-	-
Charges for services	-	125	-	-
Use of money and property	-	412,473	-	9,662
Program income	-	-	-	-
Other	-	12,715	269,303	-
TOTAL REVENUES	284,150	4,332,788	269,303	85,374
EXPENDITURES:				
Current:				
City administration	-	-	-	-
Finance	-	-	-	-
Public safety	18,515	-	264,346	-
Public works	-	2,089,133	-	69,903
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	18,515	2,089,133	264,346	69,903
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	265,635	2,243,655	4,957	15,471
OTHER FINANCING USES:				
Transfers in	-	-	-	-
Transfers out	(265,635)	(3,285,000)	-	-
TOTAL OTHER FINANCING USES	(265,635)	(3,285,000)	-	-
NET CHANGE IN FUND BALANCES	-	(1,041,345)	4,957	15,471
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	-	2,022,624	59,281	254,974
FUND BALANCES (DEFICITS) - END OF YEAR	\$ -	\$ 981,279	\$ 64,238	\$ 270,445

Special Revenue Funds (Continued)

Community Development Block Grant	Police - Asset Forfeiture	County Library	Measure A	Miscellaneous Grants	Street Sweeping	HOME Program
\$ -	\$ -	\$ -	\$ 4,065,304	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
729,307	50,252	876,444	-	690,192	-	332,553
-	-	15,919	-	-	617,622	-
-	89,409	-	238,844	16,700	-	-
-	9,618	10,964	39,910	-	-	-
197,141	-	-	-	-	-	38,484
-	7,201	476,596	-	661,912	-	-
<u>926,448</u>	<u>156,480</u>	<u>1,379,923</u>	<u>4,344,058</u>	<u>1,368,804</u>	<u>617,622</u>	<u>371,037</u>
-	-	-	-	73,308	-	-
-	-	-	-	-	-	-
-	271,421	-	-	327,045	-	-
-	-	-	1,723,954	163,863	636,209	-
-	-	1,828,956	-	376,689	-	-
1,211,652	-	-	-	281,820	-	385,782
-	-	-	-	-	-	-
<u>1,211,652</u>	<u>271,421</u>	<u>1,828,956</u>	<u>1,723,954</u>	<u>1,222,725</u>	<u>636,209</u>	<u>385,782</u>
<u>(285,204)</u>	<u>(114,941)</u>	<u>(449,033)</u>	<u>2,620,104</u>	<u>146,079</u>	<u>(18,587)</u>	<u>(14,745)</u>
-	-	-	-	37,724	380,000	-
-	(31,916)	-	(2,267,460)	(129,862)	(397,092)	-
-	(31,916)	-	(2,267,460)	(92,138)	(17,092)	-
(285,204)	(146,857)	(449,033)	352,644	53,941	(35,679)	(14,745)
<u>654,758</u>	<u>659,602</u>	<u>381,401</u>	<u>374,812</u>	<u>652,615</u>	<u>39,290</u>	<u>53,229</u>
<u>\$ 369,554</u>	<u>\$ 512,745</u>	<u>\$ (67,632)</u>	<u>\$ 727,456</u>	<u>\$ 706,556</u>	<u>\$ 3,611</u>	<u>\$ 38,484</u>

CITY OF SAN TA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER SPECIAL REVENUE FUNDS
(CONTINUED)

For the year ended June 30, 2019

	Special Revenue Funds			
	FEMA Reimbursement	Police Supplemental Law Enforcement	Streets	Police CAD-RMS Support
REVENUES:				
Taxes	\$ -	\$ -	\$ 6,944,140	\$ -
Licenses, fees and permits	-	-	-	-
Intergovernmental	2,110,661	213,499	3,472,096	238,080
Fines and forfeitures	-	-	-	-
Charges for services	-	-	227,914	-
Use of money and property	-	123	37,670	-
Program income	-	-	-	-
Other	-	-	428,831	-
TOTAL REVENUES	2,110,661	213,622	11,110,651	238,080
EXPENDITURES:				
Current:				
City administration	-	-	-	-
Finance	33,608	-	-	-
Public safety	-	213,622	-	38,100
Public works/utilities	1,373	-	9,350,924	-
Community services	1,614	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	36,595	213,622	9,350,924	38,100
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,074,066	-	1,759,727	199,980
OTHER FINANCING USES:				
Transfers in	-	-	349,959	-
Transfers out	-	-	(2,233,696)	-
TOTAL OTHER FINANCING USES	-	-	(1,883,737)	-
NET CHANGE IN FUND BALANCES	2,074,066	-	(124,010)	199,980
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(2,628,233)	-	662,345	-
FUND BALANCES (DEFICITS) - END OF YEAR	\$ (554,167)	\$ -	\$ 538,335	\$ 199,980

Capital Projects Fund						Total
General Capital Improvements	Street Grant Capital	Measure A Capital	Streets Capital Improvements	Creek Restoration Capital	Measure C Capital	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,989,196
-	-	-	-	-	-	-
-	11,879,745	-	-	-	-	20,592,829
-	-	-	-	-	-	921,126
-	-	-	-	-	-	572,992
-	-	-	-	-	-	520,420
-	-	-	-	-	-	235,625
340,418	-	-	81,099	1,100,000	-	3,378,075
340,418	11,879,745	-	81,099	1,100,000	-	41,210,263
-	-	-	-	-	-	73,308
-	-	-	-	-	-	33,608
-	-	-	-	-	-	1,133,049
-	-	-	-	-	-	14,035,359
-	-	-	-	-	-	2,207,259
-	-	-	-	-	-	1,879,254
3,322,559	18,716,397	413,609	976,490	2,540,904	19,329,561	45,299,520
3,322,559	18,716,397	413,609	976,490	2,540,904	19,329,561	64,661,357
(2,982,141)	(6,836,652)	(413,609)	(895,391)	(1,440,904)	(19,329,561)	(23,451,094)
843,441	2,591,706	2,267,460	2,134,988	3,075,000	23,264,586	34,944,864
-	(253,966)	(2,610,474)	(180,907)	-	(128,268)	(11,784,276)
843,441	2,337,740	(343,014)	1,954,081	3,075,000	23,136,318	23,160,588
(2,138,700)	(4,498,912)	(756,623)	1,058,690	1,634,096	3,806,757	(290,506)
6,404,707	(1,832,664)	946,562	1,111,335	10,197,818	4,770,826	24,785,282
\$ 4,266,007	\$ (6,331,576)	\$ 189,939	\$ 2,170,025	\$ 11,831,914	\$ 8,577,583	\$ 24,494,776

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRAFFIC SAFETY

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 475,000	\$ 475,000	\$ 284,150	\$ (190,850)
TOTAL REVENUES	475,000	475,000	284,150	(190,850)
EXPENDITURES				
Current:				
Public safety	25,000	25,000	18,515	6,485
TOTAL EXPENDITURES	25,000	25,000	18,515	6,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	450,000	450,000	265,635	(184,365)
OTHER FINANCING USES:				
Transfers out	(450,000)	(450,000)	(265,635)	184,365
TOTAL OTHER FINANCING USES	(450,000)	(450,000)	(265,635)	184,365
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CREEK RESTORATION/WATER QUALITY

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,956,900	\$ 3,956,900	\$ 3,904,040	\$ (52,860)
Fines and forfeitures	-	-	3,435	3,435
Charges for services	-	-	125	125
Use of money and property	256,000	256,000	412,473	156,473
Other	13,072	13,072	12,715	(357)
TOTAL REVENUES	<u>4,225,972</u>	<u>4,225,972</u>	<u>4,332,788</u>	<u>106,816</u>
EXPENDITURES				
Current:				
Public works/utilities	<u>2,624,518</u>	<u>2,789,725</u>	<u>2,089,133</u>	<u>700,592</u>
TOTAL EXPENDITURES	<u>2,624,518</u>	<u>2,789,725</u>	<u>2,089,133</u>	<u>700,592</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,601,454</u>	<u>1,436,247</u>	<u>2,243,655</u>	<u>807,408</u>
OTHER FINANCING USES:				
Transfers out	<u>(2,065,000)</u>	<u>(3,285,000)</u>	<u>(3,285,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(2,065,000)</u>	<u>(3,285,000)</u>	<u>(3,285,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(463,546)	(1,848,753)	(1,041,345)	807,408
FUND BALANCE - BEGINNING OF YEAR	<u>2,022,624</u>	<u>2,022,624</u>	<u>2,022,624</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,559,078</u>	<u>\$ 173,871</u>	<u>\$ 981,279</u>	<u>\$ 807,408</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
WILDLAND FIRE SUPPRESSION

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other	\$ 264,813	\$ 282,313	\$ 269,303	\$ (13,010)
TOTAL REVENUES	<u>264,813</u>	<u>282,313</u>	<u>269,303</u>	<u>(13,010)</u>
EXPENDITURES				
Current:				
Public safety	<u>264,813</u>	<u>303,514</u>	<u>264,346</u>	<u>39,168</u>
TOTAL EXPENDITURES	<u>264,813</u>	<u>303,514</u>	<u>264,346</u>	<u>39,168</u>
NET CHANGE IN FUND BALANCE	-	(21,201)	4,957	26,158
FUND BALANCE - BEGINNING OF YEAR	<u>59,281</u>	<u>59,281</u>	<u>59,281</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,281</u>	<u>\$ 38,080</u>	<u>\$ 64,238</u>	<u>\$ 26,158</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TRANSPORTATION DEVELOPMENT

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 75,712	\$ 75,712	\$ 75,712	\$ -
Use of money and property	5,500	5,500	9,662	4,162
TOTAL REVENUES	<u>81,212</u>	<u>81,212</u>	<u>85,374</u>	<u>4,162</u>
EXPENDITURES				
Current:				
Public works/utilities	81,212	293,551	69,903	223,648
TOTAL EXPENDITURES	<u>81,212</u>	<u>293,551</u>	<u>69,903</u>	<u>223,648</u>
NET CHANGE IN FUND BALANCE	-	(212,339)	15,471	227,810
FUND BALANCE - BEGINNING OF YEAR	<u>254,974</u>	<u>254,974</u>	<u>254,974</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 254,974</u>	<u>\$ 42,635</u>	<u>\$ 270,445</u>	<u>\$ 227,810</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 853,991	\$ 1,526,991	\$ 729,307	\$ (797,684)
Program income	400,000	400,000	197,141	(202,859)
TOTAL REVENUES	<u>1,253,991</u>	<u>1,926,991</u>	<u>926,448</u>	<u>(1,000,543)</u>
EXPENDITURES				
Current:				
Development services	<u>1,267,990</u>	<u>2,594,026</u>	<u>1,211,652</u>	<u>1,382,374</u>
TOTAL EXPENDITURES	<u>1,267,990</u>	<u>2,594,026</u>	<u>1,211,652</u>	<u>1,382,374</u>
NET CHANGE IN FUND BALANCE	(13,999)	(667,035)	(285,204)	381,831
FUND BALANCE - BEGINNING OF YEAR	<u>654,758</u>	<u>654,758</u>	<u>654,758</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 640,759</u>	<u>\$ (12,277)</u>	<u>\$ 369,554</u>	<u>\$ 381,831</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POLICE - ASSET FORFEITURE

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 50,252	\$ 252
Charges for services	90,000	90,000	89,409	(591)
Use of money and property	-	-	9,618	9,618
Other	-	-	7,201	7,201
TOTAL REVENUES	<u>140,000</u>	<u>140,000</u>	<u>156,480</u>	<u>16,480</u>
EXPENDITURES				
Current:				
Public safety	<u>149,070</u>	<u>390,822</u>	<u>271,421</u>	<u>119,401</u>
TOTAL EXPENDITURES	<u>149,070</u>	<u>390,822</u>	<u>271,421</u>	<u>119,401</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,070)</u>	<u>(250,822)</u>	<u>(114,941)</u>	<u>135,881</u>
OTHER FINANCING USES:				
Transfers out	<u>-</u>	<u>(31,916)</u>	<u>(31,916)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(31,916)</u>	<u>(31,916)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(9,070)	(282,738)	(146,857)	135,881
FUND BALANCE - BEGINNING OF YEAR	<u>659,602</u>	<u>659,602</u>	<u>659,602</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 650,532</u>	<u>\$ 376,864</u>	<u>\$ 512,745</u>	<u>\$ 135,881</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY LIBRARY

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 710,022	\$ 710,022	\$ 876,444	\$ 166,422
Fines and forfeitures	56,150	18,900	15,919	(2,981)
Use of money and property	24,650	15,150	10,964	(4,186)
Other	150,874	393,027	476,596	83,569
TOTAL REVENUES	941,696	1,137,099	1,379,923	242,824
EXPENDITURES				
Current:				
Community services	1,307,356	1,847,544	1,828,956	18,588
TOTAL EXPENDITURES	1,307,356	1,847,544	1,828,956	18,588
NET CHANGE IN FUND BALANCE	(365,660)	(710,445)	(449,033)	261,412
FUND BALANCE - BEGINNING OF YEAR	381,401	381,401	381,401	-
FUND BALANCE - END OF YEAR	\$ 15,741	\$ (329,044)	\$ (67,632)	\$ 261,412

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MEASURE A

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,754,222	\$ 3,754,222	\$ 4,065,304	\$ 311,082
Charges for services	250,000	250,000	238,844	(11,156)
Use of money and property	53,700	53,700	39,910	(13,790)
TOTAL REVENUES	<u>4,057,922</u>	<u>4,057,922</u>	<u>4,344,058</u>	<u>286,136</u>
EXPENDITURES				
Current:				
Public works/utilities	<u>1,802,908</u>	<u>1,853,769</u>	<u>1,723,954</u>	<u>129,815</u>
TOTAL EXPENDITURES	<u>1,802,908</u>	<u>1,853,769</u>	<u>1,723,954</u>	<u>129,815</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,255,014</u>	<u>2,204,153</u>	<u>2,620,104</u>	<u>415,951</u>
OTHER FINANCING USES:				
Transfers out	<u>(2,267,460)</u>	<u>(2,267,460)</u>	<u>(2,267,460)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(2,267,460)</u>	<u>(2,267,460)</u>	<u>(2,267,460)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(12,446)	(63,307)	352,644	415,951
FUND BALANCE - BEGINNING OF YEAR	<u>374,812</u>	<u>374,812</u>	<u>374,812</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 362,366</u>	<u>\$ 311,505</u>	<u>\$ 727,456</u>	<u>\$ 415,951</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MISCELLANEOUS GRANTS

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 299,654	\$ 4,013,261	\$ 690,192	\$ (3,323,069)
Charges for services	24,000	24,000	16,700	(7,300)
Other	124,800	879,582	661,912	(217,670)
TOTAL REVENUES	448,454	4,916,843	1,368,804	(3,548,039)
EXPENDITURES				
Current:				
City administration	-	248,572	73,308	175,264
Public safety	15,000	1,130,943	327,045	803,898
Development services	-	2,225,716	163,863	2,061,853
Community services	471,178	1,470,909	376,689	1,094,220
Public works/utilities	-	327,680	281,820	45,860
TOTAL EXPENDITURES	486,178	5,403,820	1,222,725	4,181,095
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,724)	(486,977)	146,079	633,056
OTHER FINANCING USES:				
Transfers in	37,724	37,724	37,724	-
Transfers out	-	(129,862)	(129,862)	-
TOTAL OTHER FINANCING USES	37,724	(92,138)	(92,138)	-
NET CHANGE IN FUND BALANCE	-	(579,115)	53,941	633,056
FUND BALANCE - BEGINNING OF YEAR	652,615	652,615	652,615	-
FUND BALANCE - END OF YEAR	\$ 652,615	\$ 73,500	\$ 706,556	\$ 633,056

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREET SWEEPING

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Public works/utilities	\$ 627,326	\$ 655,959	\$ 636,209	\$ 19,750
TOTAL EXPENDITURES	627,326	655,959	636,209	19,750
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,287,326)	(1,315,959)	(18,587)	1,297,372
OTHER FINANCING USES:				
Transfers in	360,000	380,000	380,000	-
Transfers out	(397,092)	(397,092)	(397,092)	-
TOTAL OTHER FINANCING USES	(37,092)	(17,092)	(17,092)	-
NET CHANGE IN FUND BALANCE	(1,324,418)	(1,333,051)	(35,679)	1,297,372
FUND BALANCE - BEGINNING OF YEAR	39,290	39,290	39,290	-
FUND BALANCE - END OF YEAR	\$ (1,285,128)	\$ (1,293,761)	\$ 3,611	\$ 1,297,372

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOME PROGRAM

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 352,700	\$ 1,403,477	\$ 332,553	\$ (1,070,924)
Program income	10,000	10,000	38,484	28,484
TOTAL REVENUES	<u>362,700</u>	<u>1,413,477</u>	<u>371,037</u>	<u>(1,042,440)</u>
EXPENDITURES				
Current:				
Development services	<u>366,544</u>	<u>1,451,599</u>	<u>385,782</u>	<u>1,065,817</u>
TOTAL EXPENDITURES	<u>366,544</u>	<u>1,451,599</u>	<u>385,782</u>	<u>1,065,817</u>
NET CHANGE IN FUND BALANCE	(3,844)	(38,122)	(14,745)	23,377
FUND BALANCE - BEGINNING OF YEAR	<u>53,229</u>	<u>53,229</u>	<u>53,229</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 49,385</u>	<u>\$ 15,107</u>	<u>\$ 38,484</u>	<u>\$ 23,377</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POLICE - SUPPLEMENTAL LAW ENFORCEMENT

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 180,000	\$ 249,409	\$ 213,499	\$ (35,910)
Use of money and property	-	-	123	123
TOTAL REVENUES	<u>180,000</u>	<u>249,409</u>	<u>213,622</u>	<u>(35,787)</u>
EXPENDITURES				
Current:				
Public safety	<u>180,000</u>	<u>249,409</u>	<u>213,622</u>	<u>35,787</u>
TOTAL EXPENDITURES	<u>180,000</u>	<u>249,409</u>	<u>213,622</u>	<u>35,787</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STREETS

For the year ended June 30, 2019

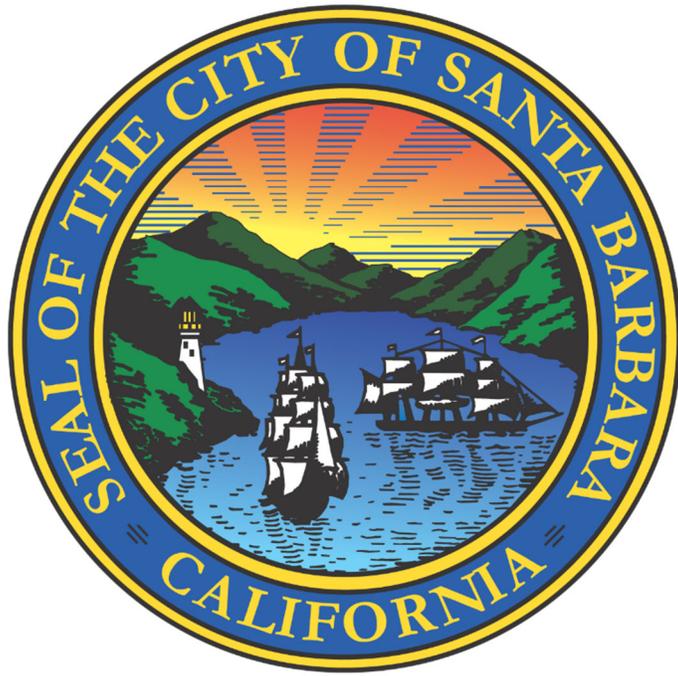
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 7,190,300	\$ 7,190,300	\$ 6,944,140	\$ (246,160)
Intergovernmental	3,844,540	3,844,540	3,472,096	(372,444)
Charges for services	218,939	218,939	227,914	8,975
Use of money and property	36,968	36,968	37,670	702
Other	303,820	446,781	428,831	(17,950)
TOTAL REVENUES	<u>11,594,567</u>	<u>11,737,528</u>	<u>11,110,651</u>	<u>(626,877)</u>
EXPENDITURES				
Current:				
Public works/utilities	<u>9,714,939</u>	<u>9,927,591</u>	<u>9,350,924</u>	<u>576,667</u>
TOTAL EXPENDITURES	<u>9,714,939</u>	<u>9,927,591</u>	<u>9,350,924</u>	<u>576,667</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,879,628</u>	<u>1,809,937</u>	<u>1,759,727</u>	<u>(50,210)</u>
OTHER FINANCING USES:				
Transfers in	-	349,959	349,959	-
Transfers out	<u>(1,704,328)</u>	<u>(2,233,696)</u>	<u>(2,233,696)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(1,704,328)</u>	<u>(1,883,737)</u>	<u>(1,883,737)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	175,300	(73,800)	(124,010)	(50,210)
FUND BALANCE - BEGINNING OF YEAR	<u>662,345</u>	<u>662,345</u>	<u>662,345</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 837,645</u>	<u>\$ 588,545</u>	<u>\$ 538,335</u>	<u>\$ (50,210)</u>

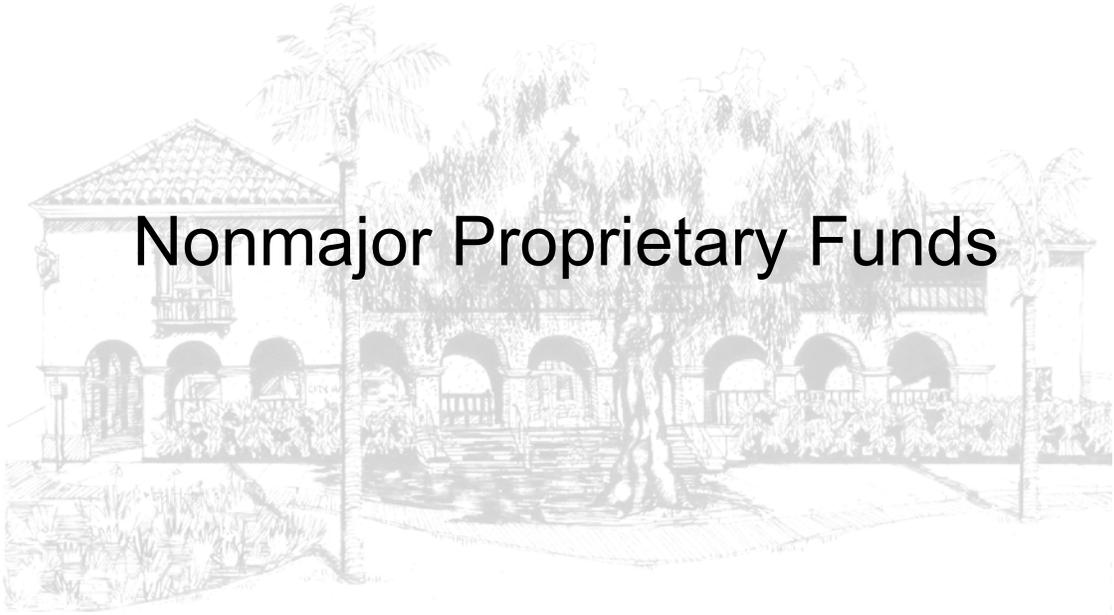
CITY OF SANTA BARBARA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
POLICE CAD-RMS SUPPORT

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 178,080	\$ 238,080	\$ 60,000
TOTAL REVENUES	-	178,080	238,080	60,000
EXPENDITURES				
Current:				
Public safety	-	178,080	38,100	139,980
TOTAL EXPENDITURES	-	178,080	38,100	139,980
NET CHANGE IN FUND BALANCE	-	-	199,980	199,980
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 199,980	\$ 199,980





Nonmajor Proprietary Funds

CITY OF SANTA BARBARA, CALIFORNIA
NONMAJOR PROPRIETARY FUNDS
June 30, 2019

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 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 ENTERPRISE FUNDS

June 30, 2019

	Downtown Parking	Golf Course	Total
ASSETS:			
CURRENT ASSETS:			
Pooled cash and investments	\$ 9,807,803	\$ 536,781	\$ 10,344,584
Receivables:			
Accounts	37,045	3,000	40,045
Prepaid assets	-	5,639	5,639
Deposits	-	225,000	225,000
Inventories	-	80,497	80,497
TOTAL CURRENT ASSETS	9,844,848	850,917	10,695,765
NONCURRENT ASSETS:			
Capital assets:			
Nondepreciable	10,728,251	342,302	11,070,553
Depreciable, net	26,317,178	2,370,566	28,687,744
TOTAL NONCURRENT ASSETS	37,045,429	2,712,868	39,758,297
TOTAL ASSETS	46,890,277	3,563,785	50,454,062
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related	786,453	375,252	1,161,705
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	284,777	208,513	493,290
Salaries and benefits payable	236,279	3,101	239,380
Unearned revenue	-	125,960	125,960
Deposits	67,980	-	67,980
Compensated absences payable	152,657	-	152,657
TOTAL CURRENT LIABILITIES	741,693	337,574	1,079,267
NONCURRENT LIABILITIES:			
Advances from other funds	-	547,835	547,835
Compensated absences payable	16,962	-	16,962
Net pension liability	4,968,902	1,805,690	6,774,592
TOTAL NONCURRENT LIABILITIES	4,985,864	2,353,525	7,339,389
TOTAL LIABILITIES	5,727,557	2,691,099	8,418,656
DEFERRED INFLOWS OF RESOURCES:			
Pension related	162,015	230,268	392,283
NET POSITION:			
Net investment in capital assets	37,045,429	2,712,868	39,758,297
Unrestricted	4,741,729	(1,695,198)	3,046,531
TOTAL NET POSITION	\$ 41,787,158	\$ 1,017,670	\$ 42,804,828

CITY OF SANTA BARBARA

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS

For the year ended June 30, 2019

	Downtown Parking	Golf Course	Total
OPERATING REVENUES:			
Service charges	\$ 8,344,880	\$ 2,449,391	\$ 10,794,271
Leases and rents	127,760	179,765	307,525
Other revenues	148,284	62,450	210,734
TOTAL OPERATING REVENUES	8,620,924	2,691,606	11,312,530
OPERATING EXPENSES:			
Salaries, wage and benefits	4,588,494	62,875	4,651,369
Material, supplies and services	4,655,872	2,351,185	7,007,057
Depreciation	1,056,408	199,244	1,255,652
TOTAL OPERATING EXPENSES	10,300,774	2,613,304	12,914,078
OPERATING INCOME (LOSS)	(1,679,850)	78,302	(1,601,548)
NONOPERATING REVENUES (EXPENSES):			
Investment income	325,891	20,651	346,542
Interest expense	-	(18,328)	(18,328)
TOTAL NONOPERATING REVENUES (EXPENSES)	325,891	2,323	328,214
INCOME (LOSS) BEFORE TRANSFERS	(1,353,959)	80,625	(1,273,334)
TRANSFERS:			
Transfers in	527,341	-	527,341
Transfers out	(34,467)	(193)	(34,660)
TOTAL TRANSFERS	492,874	(193)	492,681
CHANGES IN NET POSITION	(861,085)	80,432	(780,653)
TOTAL NET POSITION - BEGINNING OF YEAR	42,648,243	937,238	43,585,481
TOTAL NET POSITION - END OF YEAR	\$ 41,787,158	\$ 1,017,670	\$ 42,804,828

CITY OF SANTA BARBARA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS

For the year ended June 30, 2019

	Downtown Parking	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 8,435,708	\$ 2,636,252	\$ 11,071,960
Payments to suppliers of goods or services	(4,642,364)	(2,388,146)	(7,030,510)
Payments to employees	(4,296,354)	(59,684)	(4,356,038)
Receipts from others	148,284	62,450	210,734
	<u>(354,726)</u>	<u>250,872</u>	<u>(103,854)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	527,341	-	527,341
Cash paid to other funds	(34,467)	(193)	(34,660)
Advance from (to) other funds	-	(63,094)	(63,094)
	<u>492,874</u>	<u>(63,287)</u>	<u>429,587</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(254,590)	(248,409)	(502,999)
Interest paid	-	(18,328)	(18,328)
	<u>(254,590)</u>	<u>(266,737)</u>	<u>(521,327)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	325,891	20,651	346,542
	<u>325,891</u>	<u>20,651</u>	<u>346,542</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	209,449	(58,501)	150,948
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,598,354</u>	<u>595,282</u>	<u>10,193,636</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,807,803</u>	<u>\$ 536,781</u>	<u>\$ 10,344,584</u>

(Continued)

CITY OF SANTA BARBARA
 COMBINING STATEMENT OF CASH FLOWS
 NON-MAJOR ENTERPRISE FUNDS
 (CONTINUED)

For the year ended June 30, 2019

	Downtown Parking	Golf Course	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,679,850)	\$ 78,302	\$ (1,601,548)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,056,408	199,244	1,255,652
Accounts receivable and deposits	(37,045)	(3,000)	(40,045)
Inventory	-	3,083	3,083
Prepays	-	3,399	3,399
Deposits		(63,000)	(63,000)
Deferred outflows	395,301	7,365	402,666
Accounts payable	13,508	19,557	33,065
Salaries and benefits payable	10,372	(157)	10,215
Deposits payable	113	-	113
Compensated absences payable	23,085	-	23,085
Unearned revenue	-	10,096	10,096
Net pension liability	(147,821)	(4,347)	(152,168)
Deferred inflows	11,203	330	11,533
	1,325,124	172,570	1,497,694
TOTAL ADJUSTMENTS			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (354,726)	\$ 250,872	\$ (103,854)





Internal Service Funds

CITY OF SANTA BARBARA, CALIFORNIA
INTERNAL SERVICE FUNDS
June 30, 2019

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, 2019

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
ASSETS:					
CURRENT ASSETS:					
Pooled cash and investments	\$ 2,467,531	\$ 9,349,773	\$ 2,858,923	\$ 15,492,957	\$ 30,169,184
Accounts receivable, net	18,705	111,319	-	43,278	173,302
Prepays and deposits	-	1,457,463	-	-	1,457,463
Inventories	602,640	-	-	148,523	751,163
TOTAL CURRENT ASSETS	3,088,876	10,918,555	2,858,923	15,684,758	32,551,112
NONCURRENT ASSETS:					
Advance to Other Funds	-	-	-	2,000,000	2,000,000
Capital assets:					
Nondepreciable	50,061	52,136	187,939	-	290,136
Depreciable, net	6,098,258	-	2,657,375	7,924,702	16,680,335
Total capital assets, net	6,148,319	52,136	2,845,314	9,924,702	18,970,471
TOTAL NONCURRENT ASSETS	6,148,319	52,136	2,845,314	9,924,702	18,970,471
TOTAL ASSETS	9,237,195	10,970,691	5,704,237	25,609,460	51,521,583
DEFERRED OUTFLOWS OF RESOURCES:					
Pension related	1,189,552	162,403	589,370	451,687	2,393,012
OPEB related	-	2,049,000	-	-	2,049,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,189,552	2,211,403	589,370	451,687	4,442,012
LIABILITIES:					
CURRENT LIABILITIES:					
Accounts payable	277,827	167,900	190,670	280,851	917,248
Salaries and benefits payable	197,757	273,575	108,547	76,382	656,261
Compensated absences payable	190,996	35,068	118,046	51,660	395,770
Claims payable	-	5,055,942	-	-	5,055,942
TOTAL CURRENT LIABILITIES	666,580	5,532,485	417,263	408,893	7,025,221
NONCURRENT LIABILITIES:					
Advances from other funds	96,560	-	-	-	96,560
Compensated absences payable	21,221	3,895	13,116	5,740	43,972
Claims payable	-	10,869,520	-	-	10,869,520
Net pension liability	7,178,812	1,059,573	3,676,349	2,793,218	14,707,952
Net other post-employment benefit liability	-	26,584,000	-	-	26,584,000
TOTAL NONCURRENT LIABILITIES	7,296,593	38,516,988	3,689,465	2,798,958	52,302,004
TOTAL LIABILITIES	7,963,173	44,049,473	4,106,728	3,207,851	59,327,225
DEFERRED INFLOWS OF RESOURCES:					
Pension related	75,277	12,774	42,875	31,084	162,010
OPEB related	-	1,437,000	-	-	1,437,000
TOTAL DEFERRED INFLOWS OF RESOURCES	75,277	1,449,774	42,875	31,084	1,599,010
NET POSITION:					
Net investment in capital assets	6,148,319	52,136	2,845,314	9,924,702	18,970,471
Unrestricted	(3,760,022)	(32,369,289)	(701,310)	12,897,510	(23,933,111)
TOTAL NET POSITION	\$ 2,388,297	\$ (32,317,153)	\$ 2,144,004	\$ 22,822,212	\$ (4,962,640)

CITY OF SANTA BARBARA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS

For the year ended June 30, 2019

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
OPERATING REVENUES:					
Service charges	\$ 7,695,949	\$ 9,721,279	\$ 3,533,778	\$ 6,314,280	\$ 27,265,286
Other revenues	678,269	195,203	-	331,305	1,204,777
TOTAL OPERATING REVENUES	8,374,218	9,916,482	3,533,778	6,645,585	28,470,063
OPERATING EXPENSES:					
Salaries, wages and benefits	4,420,019	3,229,549	2,416,269	1,682,459	11,748,296
Materials, supplies and services	4,081,935	8,107,990	1,243,051	2,153,338	15,586,314
Depreciation	232,526	-	357,598	1,769,263	2,359,387
TOTAL OPERATING EXPENSES	8,734,480	11,337,539	4,016,918	5,605,060	29,693,997
OPERATING INCOME (LOSS)	(360,262)	(1,421,057)	(483,140)	1,040,525	(1,223,934)
NONOPERATING REVENUES:					
Interest income	-	258,196	-	496,579	754,775
TOTAL NONOPERATING REVENUES	-	258,196	-	496,579	754,775
INCOME (LOSS) BEFORE TRANSFERS	(360,262)	(1,162,861)	(483,140)	1,537,104	(469,159)
TRANSFERS:					
Transfers in	200,000	75,825	12,215	24,966	313,006
Transfers out	-	-	-	(66,500)	(66,500)
TOTAL TRANSFERS	200,000	75,825	12,215	(41,534)	246,506
CHANGES IN NET POSITION	(160,262)	(1,087,036)	(470,925)	1,495,570	(222,653)
TOTAL NET POSITION - BEGINNING OF YEAR	2,548,559	(31,230,117)	2,614,929	21,326,642	(4,739,987)
TOTAL NET POSITION - END OF YEAR	\$ 2,388,297	\$ (32,317,153)	\$ 2,144,004	\$ 22,822,212	\$ (4,962,640)

CITY OF SANTA BARBARA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

For the year ended June 30, 2019

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 7,738,161	\$ 9,721,808	\$ 3,533,778	\$ 6,329,735	\$ 27,323,482
Payments to suppliers of goods or services	(4,051,780)	(6,289,588)	(1,107,358)	(2,147,977)	(13,596,703)
Payments to employees	(4,003,848)	(2,735,756)	(2,165,643)	(1,509,959)	(10,415,206)
Receipts from (payments to) others	678,269	195,203	-	331,305	1,204,777
NET CASH PROVIDED BY OPERATING ACTIVITIES	360,802	891,667	260,777	3,003,104	4,516,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash transfers in	200,000	75,825	12,215	24,966	313,006
Cash transfers out	-	-	-	(66,500)	(66,500)
Advance from (to) other funds	(24,140)	-	-	(2,000,000)	(2,024,140)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	175,860	75,825	12,215	(2,041,534)	(1,777,634)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(106,033)	(10,017)	(918,913)	(1,203,461)	(2,238,424)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(106,033)	(10,017)	(918,913)	(1,203,461)	(2,238,424)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received	-	258,196	-	496,579	754,775
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	258,196	-	496,579	754,775
NET CHANGE IN CASH AND CASH EQUIVALENTS	430,629	1,215,671	(645,921)	254,688	1,255,067
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,036,902	8,134,102	3,504,844	15,238,269	28,914,117
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,467,531	\$ 9,349,773	\$ 2,858,923	\$ 15,492,957	\$ 30,169,184

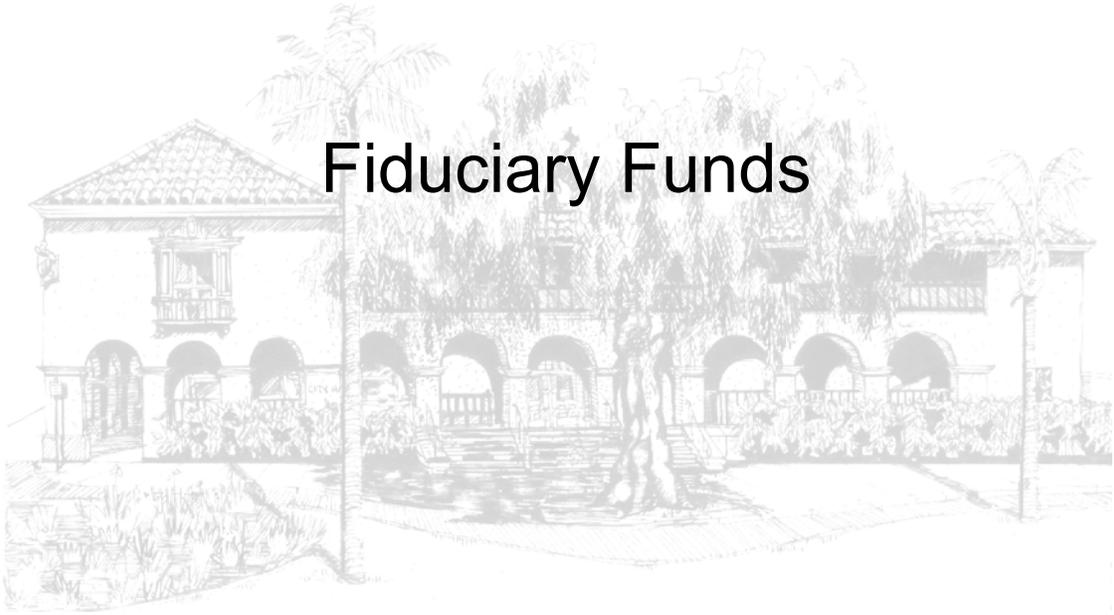
(Continued)

CITY OF SANTA BARBARA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 (CONTINUED)

For the year ended June 30, 2019

	Intra-City Service	Self-Insurance	Information Systems	Vehicle Capital	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (360,262)	\$ (1,421,057)	\$ (483,140)	\$ 1,040,525	\$ (1,223,934)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	232,526	-	357,598	1,769,263	2,359,387
(Increase) decrease in operating assets and deferred outflows of resources:					
Accounts receivable	42,212	529	-	15,455	58,196
Prepaid assets	-	411,509	-	-	411,509
Inventory	148,724	-	-	(12,862)	135,862
Deferred outflows of resources - pension related	621,271	105,492	346,956	255,443	1,329,162
Deferred outflows of resources - OPEB related	-	(502,000)	-	-	(502,000)
Increase (decrease) in operating liabilities and deferred inflows of resources:					
Accounts payable	(118,569)	(124,869)	135,693	18,223	(89,522)
Salaries and benefits payable	16,239	184,124	7,925	4,631	212,919
Compensated absences payable	(10,105)	(3,049)	22,305	651	9,802
Net pension liability	(228,557)	(38,709)	(136,938)	(95,460)	(499,664)
Net other post-employment benefit liability	-	442,000	-	-	442,000
Claims and judgements	-	1,531,762	-	-	1,531,762
Deferred inflows of resources - pension related	17,323	2,935	10,378	7,235	37,871
Deferred inflows of resources - OPEB related	-	303,000	-	-	303,000
 TOTAL ADJUSTMENTS	 721,064	 2,312,724	 743,917	 1,962,579	 5,740,284
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 360,802</u>	 <u>\$ 891,667</u>	 <u>\$ 260,777</u>	 <u>\$ 3,003,104</u>	 <u>\$ 4,516,350</u>





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 Telecommunication 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 FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2019

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Total
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 2,095,323	\$ 3,059,886	\$ 84,163	\$ 5,239,372
Loans receivable	3,500,000	-	-	3,500,000
Total current assets	<u>5,595,323</u>	<u>3,059,886</u>	<u>84,163</u>	<u>8,739,372</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	9,083,933	-	-	9,083,933
Depreciable, net	3,385,398	-	-	3,385,398
Total capital assets	<u>12,469,331</u>	<u>-</u>	<u>-</u>	<u>12,469,331</u>
 TOTAL ASSETS	 <u>18,064,654</u>	 <u>3,059,886</u>	 <u>84,163</u>	 <u>21,208,703</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	429,665	-	-	429,665
Salaries and benefits payable	8,348	-	-	8,348
TOTAL LIABILITIES	<u>438,013</u>	<u>-</u>	<u>-</u>	<u>438,013</u>
NET POSITION:				
Held in trust:				
Police	-	-	84,163	84,163
Library	-	3,059,886	-	3,059,886
Held for dissolution of community redevelopment agency	17,626,641	-	-	17,626,641
 TOTAL NET POSITION	 <u>\$ 17,626,641</u>	 <u>\$ 3,059,886</u>	 <u>\$ 84,163</u>	 <u>\$ 20,770,690</u>

CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the year ended June 30, 2019

	Successor Agency of the Former RDA	Library Gift Trust	Canine Unit Trust	Total
ADDITIONS:				
Taxes	\$ 8,419,171	\$ -	\$ -	\$ 8,419,171
Investment earnings				
Interest	-	64,080	1,686	65,766
Dividends	9,061	-	-	9,061
Other	-	500,509	83,500	584,009
TOTAL ADDITIONS	8,428,232	564,589	85,186	9,078,007
DEDUCTIONS:				
Administrative expenses	155,662	-	-	155,662
Contractual services	34,422	-	-	34,422
Interest expense	222,236	-	-	222,236
Depreciation and amortization	90,209	-	-	90,209
Community services	-	221,432	38,722	260,154
TOTAL DEDUCTIONS	502,529	221,432	38,722	762,683
CHANGE IN NET POSITION	7,925,703	343,157	46,464	8,315,324
NET POSITION - BEGINNING OF YEAR	9,700,938	2,716,729	37,699	12,455,366
NET POSITION - END OF YEAR	\$ 17,626,641	\$ 3,059,886	\$ 84,163	\$ 20,770,690

CITY OF SANTA BARBARA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2019

	Revolving Rehab	California Law Enforcement Telecommunications	Seismic Safety Assessment	Total Agency Funds
ASSETS:				
Current Assets:				
Pooled cash and investments	\$ 767,837	\$ 52,454	\$ 204,017	\$ 1,024,308
Accounts receivable, net	-	26,430	-	26,430
Loans receivable	2,703,960	-	-	2,703,960
Equipment	-	180,000	-	180,000
Less: accumulated depreciation	-	(180,000)	-	(180,000)
TOTAL ASSETS	<u>\$ 3,471,797</u>	<u>\$ 78,884</u>	<u>\$ 204,017</u>	<u>\$ 3,754,698</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 34,162	\$ -	\$ -	\$ 34,162
Trust liability	3,437,635	78,884	204,017	3,720,536
TOTAL LIABILITIES	<u>\$ 3,471,797</u>	<u>\$ 78,884</u>	<u>\$ 204,017</u>	<u>\$ 3,754,698</u>

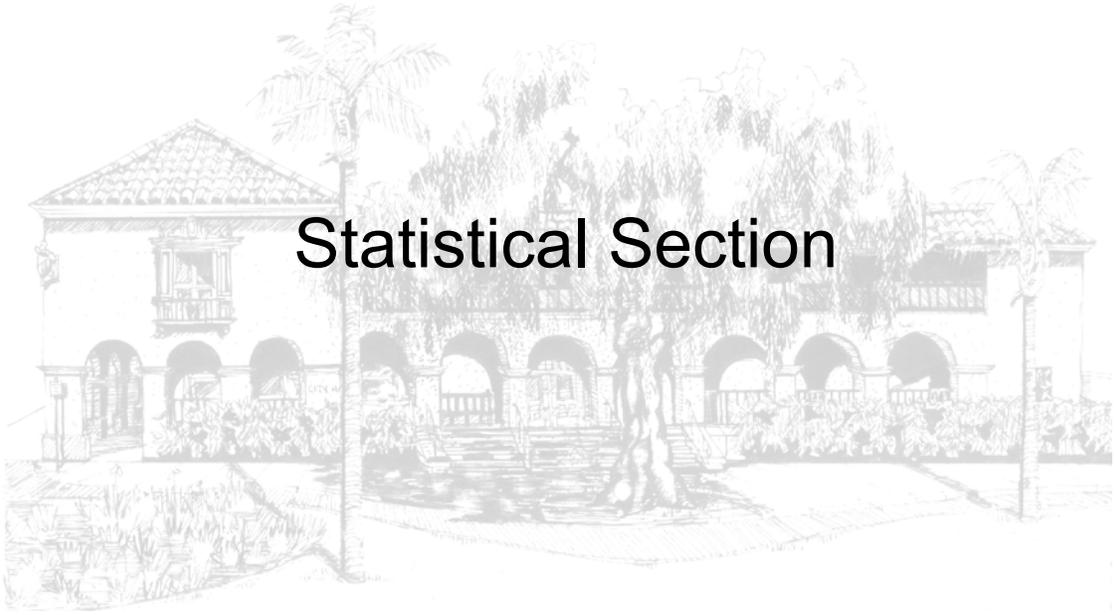
CITY OF SANTA BARBARA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

For the year ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
REVOLVING REHAB FUND				
ASSETS:				
Pooled cash and investments	\$ 900,060	\$ 195,841	\$ 328,064	\$ 767,837
Loans receivable	2,442,632	274,568	13,240	2,703,960
TOTAL ASSETS	\$ 3,342,692	\$ 470,409	\$ 341,304	\$ 3,471,797
LIABILITIES:				
Accounts payable	\$ 1,569	\$ 333,306	\$ 300,713	\$ 34,162
Trust liability	3,341,124	182,180	85,669	3,437,635
TOTAL LIABILITIES	\$ 3,342,693	\$ 515,486	\$ 386,382	\$ 3,471,797
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS FUND				
ASSETS:				
Pooled cash and investments	\$ 81,980	\$ 225,437	\$ 254,963	\$ 52,454
Accounts receivable, net	58,093	58,591	90,254	26,430
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	(180,000)	-	-	(180,000)
TOTAL ASSETS	\$ 140,073	\$ 284,028	\$ 345,217	\$ 78,884
LIABILITIES:				
Accounts payable	\$ 2,295	\$ 144,802	\$ 147,097	\$ -
Trust liability	137,777	192,491	251,384	78,884
TOTAL LIABILITIES	\$ 140,072	\$ 337,293	\$ 398,481	\$ 78,884
SEISMIC SAFETY ASSESSMENT FUND				
ASSETS:				
Pooled cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
TOTAL ASSETS	\$ 204,017	\$ -	\$ -	\$ 204,017
LIABILITIES:				
Trust liability	\$ 204,017	-	-	\$ 204,017
TOTAL LIABILITIES	\$ 204,017	\$ -	\$ -	\$ 204,017
TOTALS				
ASSETS:				
Pooled cash and investments	\$ 1,186,057	\$ 421,278	\$ 583,027	\$ 1,024,308
Accounts receivable, net	58,093	58,591	90,254	26,430
Loans receivable	2,442,632	274,568	13,240	2,703,960
Equipment	180,000	-	-	180,000
Less: accumulated depreciation	(180,000)	-	-	(180,000)
TOTAL ASSETS	\$ 3,686,782	\$ 754,437	\$ 686,521	\$ 3,754,698
LIABILITIES:				
Accounts payable	\$ 3,864	\$ 478,108	\$ 447,810	\$ 34,162
Trust liability	3,682,918	374,671	337,053	3,720,536
TOTAL LIABILITIES	\$ 3,686,782	\$ 852,779	\$ 784,863	\$ 3,754,698





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 <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	179
Revenue Capacity <i>These schedules contain trend information to help the reader assess the City's most significant local revenue source, the property tax.</i>	186
Debt Capacity <i>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.</i>	191
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	195
Operating Information <i>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.</i>	198

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.



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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$340,824	\$325,209	\$304,586	\$312,891	\$362,540	\$381,554	\$427,683	\$436,966	\$443,975	\$465,776
Restricted	94,789	110,947	63,244	66,510	65,614	81,979	80,934	65,647	81,702	82,381
Unrestricted	33,148	22,625	41,161	42,378	45,146	(190,965)	(186,953)	(164,523)	(189,963)	(212,415)
Total governmental activities net position	<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>	<u>\$335,742</u>
Business-type activities										
Net investment in capital assets	\$290,085	\$309,659	\$296,692	\$300,997	\$340,246	\$347,257	\$361,076	\$365,505	\$359,890	\$380,202
Restricted	7,618	17,223	18,565	1,358	3,659	3,794	11,962	13,546	13,052	9,349
Unrestricted	83,606	86,528	78,969	98,908	95,656	43,114	37,996	57,464	78,131	67,390
Total business-type activities net position	<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>	<u>\$456,941</u>
Primary government										
Net investment in capital assets	\$630,909	\$634,868	\$601,278	\$613,888	\$702,786	\$728,811	\$788,759	\$802,471	\$803,865	\$845,978
Restricted	102,407	128,170	81,809	67,868	69,273	85,773	92,896	79,193	94,754	91,730
Unrestricted	116,754	109,153	120,130	141,286	140,802	(147,851)	(148,957)	(107,059)	(111,832)	(145,025)
Total primary government net position	<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>\$786,787</u>	<u>\$792,683</u>

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

Expenses	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental activities:										
Administration	\$11,255	\$10,519	\$11,081	\$11,851	\$14,650	\$17,100	\$16,179	\$16,612	\$20,045	\$19,727
Public safety	55,564	54,707	57,457	61,719	66,525	65,260	63,451	66,678	82,485	80,237
Public works	43,082	44,407	25,878	25,252	24,552	29,672	26,053	28,565	34,583	44,944
Community services	21,657	21,251	19,969	24,104	24,083	25,377	26,454	27,635	30,500	26,109
Community development	29,336	21,314	17,017	11,864	13,567	12,077	16,933	17,442	16,083	18,825
Interest on long-term debt	3,040	2,876	572	82	74	56	42	66	-	-
Total governmental activities expenses	163,934	155,074	131,974	134,872	143,451	149,542	149,112	156,998	183,696	189,842
Business-type activities:										
Water	29,575	29,427	29,985	32,214	35,316	40,409	35,859	37,291	45,239	51,781
Wastewater	15,312	15,709	15,887	17,217	16,930	17,242	17,376	18,299	20,542	20,954
Airport	20,349	22,288	20,167	21,376	20,557	21,616	21,361	22,057	24,507	26,289
Waterfront	11,075	11,217	11,575	12,026	12,707	12,179	12,639	12,975	15,010	15,953
Solid Waste	-	-	18,773	19,124	19,732	20,353	20,498	20,837	23,948	24,472
Parking	6,219	6,666	6,849	7,359	7,693	8,325	7,941	8,481	10,104	10,339
Golf course	2,028	1,972	1,923	1,949	1,820	2,018	2,022	2,591	2,642	2,641
Total business-type activities expenses	84,558	87,279	105,159	111,265	114,755	122,142	117,696	122,531	141,992	152,429
Total primary government expenses	\$248,492	\$242,353	\$237,133	\$246,137	\$258,206	\$271,684	\$266,808	\$279,529	\$325,688	\$342,271
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	\$1,120	\$1,042	\$1,074	\$1,259	\$2,008	\$4,851	\$4,479	\$4,143	\$3,826	\$2,043
Public safety	9,807	9,610	9,365	10,538	13,627	10,794	10,650	11,758	12,141	5,838
Public works	26,444	25,949	8,471	8,789	9,434	8,945	9,161	9,586	9,333	7,282
Community services	5,078	4,854	5,022	5,532	7,934	10,869	11,909	12,400	12,629	6,416
Community development	5,251	5,427	4,670	5,095	5,348	5,347	6,540	6,081	6,916	5,529
Operating grants and contributions	17,150	13,782	14,829	13,251	14,490	6,303	8,487	7,882	10,462	20,197
Capital grants and contributions	5,469	11,318	5,703	8,474	10,517	24,137	26,181	16,966	16,301	24,112
Total governmental activities program revenues	70,319	71,982	49,134	52,938	63,358	71,246	77,407	68,816	71,608	71,417
Business-type activities:										
Charges for services:										
Water	32,359	31,158	36,265	38,171	36,368	34,573	45,097	51,641	56,117	54,622
Wastewater	14,140	14,770	15,563	17,658	17,991	17,742	18,632	20,142	20,738	21,402
Airport	14,621	15,863	16,745	17,740	17,910	17,902	17,988	19,175	20,650	23,205
Waterfront	11,275	11,313	12,370	12,782	13,776	14,982	14,658	15,075	14,815	14,639
Solid Waste	-	-	18,741	19,354	20,689	20,827	21,059	20,953	22,116	24,191
Parking	6,661	6,579	7,231	7,691	7,955	8,432	8,457	8,514	8,285	8,473
Golf course	1,715	1,892	1,820	1,833	2,031	1,950	1,950	2,531	2,607	2,629
Operating grants and contributions	328	-	-	-	-	-	24	23	23	23
Capital grants and contributions	4,217	6,174	2,778	4,256	3,663	3,289	5,582	496	8,640	2,220
Total business-type activities program revenues	85,316	87,749	111,513	119,485	120,383	119,697	133,447	138,550	153,991	151,404
Total primary government program revenues	\$155,635	\$159,731	\$160,647	\$172,423	\$183,741	\$190,943	\$210,854	\$207,366	\$225,599	\$222,821

(Continued)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (expense)/revenue										
Governmental activities	(\$93,615)	(\$83,092)	(\$82,840)	(\$81,934)	(\$80,093)	(\$78,296)	(\$71,705)	(\$88,182)	(\$112,088)	(\$118,425)
Business-type activities	758	470	6,354	8,220	5,628	(2,445)	15,751	16,019	11,999	(1,025)
Total primary government net expense	<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>	<u>(\$119,450)</u>
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes										
Property	\$43,164	\$42,739	\$35,453	\$27,575	\$26,555	\$27,691	\$29,382	\$31,612	\$34,928	\$35,187
Transient occupancy	13,758	14,951	16,394	17,611	20,186	22,527	22,379	23,110	22,650	23,421
Sales & use	16,990	17,892	19,444	20,134	21,323	21,958	21,932	21,807	25,203	48,603
Business license	2,245	2,207	2,202	2,345	2,555	2,574	2,636	2,651	2,786	2,725
Utility users	11,711	13,887	13,974	14,054	14,016	13,810	14,338	14,014	14,149	13,888
Real property transfer	389	372	439	642	669	692	730	762	795	863
Other taxes	-	-	-	-	-	-	-	-	11	94
Franchise fees	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231	3,597	3,637
Unrestricted motor vehicle license-in-lieu	276	478	6	77	40	39	37	42	49	46
Investment income	2,275	1,912	2,366	2,521	2,165	2,030	2,288	1,733	2,172	4,137
Other revenue	5,199	4,755	3,932	6,193	660	669	419	2,610	11,289	51
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	269	(29,560)	27,861	748	918	342	433	299	(462)	(277)
Total governmental activities	<u>99,627</u>	<u>73,113</u>	<u>34,440</u>	<u>94,784</u>	<u>130,995</u>	<u>96,083</u>	<u>120,804</u>	<u>104,610</u>	<u>117,167</u>	<u>132,375</u>
Business-type activities:										
Investment earnings	2,904	2,070	1,813	582	1,562	1,218	1,304	556	724	4,574
Other revenue	-	-	-	-	221	555	248	9,205	1,372	1,915
Extraordinary gain (2)	-	-	-	-	28,956	-	-	-	-	-
Transfers	(269)	29,560	(27,861)	(748)	(918)	(342)	(433)	(299)	462	277
Total business-type activities	<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>	<u>6,766</u>
Total primary government	<u>\$102,262</u>	<u>\$104,743</u>	<u>\$8,392</u>	<u>\$94,618</u>	<u>\$160,816</u>	<u>\$97,514</u>	<u>\$121,923</u>	<u>\$114,072</u>	<u>\$119,725</u>	<u>\$139,141</u>
Change in Net Position										
Governmental activities	\$6,012	(\$9,979)	(\$48,400)	\$12,850	\$50,902	\$17,787	\$49,100	\$16,428	\$5,079	\$13,950
Business-type activities	3,393	32,100	(19,694)	8,054	35,449	(1,014)	16,870	25,481	14,557	5,741
Total primary government	<u>\$9,405</u>	<u>\$22,121</u>	<u>(\$68,094)</u>	<u>\$20,904</u>	<u>\$86,351</u>	<u>\$16,773</u>	<u>\$65,969</u>	<u>\$41,909</u>	<u>\$19,636</u>	<u>\$19,691</u>

Note: Description of extraordinary gain / loss

(1) Extraordinary loss of dissolution of RDA

(2) Extraordinary gain from Successor Agency property transfer

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

Fiscal Year	Property Tax	Sales & Use Tax	Transient Occupancy Tax	Utility Users Tax	Transportation Tax	Business License Tax	Real Property Transfer Tax	Other Taxes	Total
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 ⁽¹⁾	19,444	16,394	13,974	3,185	2,202	439	-	91,092
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 ⁽²⁾	22,650	14,149	3,954	2,785	795	11	104,475
2019	35,187	48,603	23,421	13,888	4,141	2,725	863	94	128,922

Notes:

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

(2) Measure C, a 1% sales and use tax increase, became effective April 1, 2018.

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

	Fiscal Year									
	2010	2011 *	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 8,959	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	15,686	-	-	-	-	-	-	-	-	-
Nonspendable	-	8,313	8,664	7,813	6,910	4,033	2,747	2,105	1,689	9,592
Restricted	-	463	405	421	2,213	2,464	2,682	2,667	2,856	2,367
Committed	-	-	18,304	20,762	21,644	26,575	30,299	31,461	27,917	26,777
Assigned	-	-	103	226	153	177	203	312	357	-
Unassigned	-	17,770	-	-	-	-	-	-	-	(3,784)
Total general fund	\$ 24,645	\$ 26,546	\$ 27,476	\$ 29,222	\$ 30,920	\$ 33,249	\$ 35,931	\$ 36,545	\$ 32,819	\$ 34,952
All other governmental funds										
Reserved	\$ 113,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	1,419	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	49,642	434	-	-	-	-	-	-
Restricted	-	110,484	13,198	66,088	63,401	62,301	62,104	62,980	78,845	79,534
Committed	-	2,666	6,998	2,807	11,050	12,170	12,965	12,883	11,899	11,052
Assigned	-	2,208	4,165	10,603	8,636	8,156	3,789	2,837	2,857	3,559
Unassigned	-	(340)	(23)	(283)	(722)	(152)	(1,604)	(949)	(4,546)	(7,406)
Total all other governmental funds	\$ 114,984	\$ 115,018	\$ 73,980	\$ 79,649	\$ 82,365	\$ 82,475	\$ 77,254	\$ 77,751	\$ 89,055	\$ 86,739

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

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$92,697	\$94,933	\$91,091	\$85,683	\$88,791	\$92,888	\$95,086	\$97,702	\$104,477	\$128,923
Franchise fees	3,351	3,480	3,579	3,579	3,822	3,751	3,132	4,231	3,597	3,637
Intergovernmental	16,724	20,603	15,722	16,801	19,569	23,899	27,055	19,929	17,723	23,344
Fines and forfeitures	4,392	4,331	4,166	4,416	4,529	4,177	3,597	4,106	3,975	3,481
Use of money and property	2,502	2,258	2,472	2,924	2,047	1,938	2,177	1,684	2,107	3,710
Charges for services	38,689	38,722	20,625	20,192	20,923	21,567	22,336	21,811	22,849	22,401
Program income	661	835	321	493	311	511	386	399	374	236
Other revenues	10,858	9,982	8,346	12,192	9,642	11,537	13,672	15,453	23,069	13,766
Total revenues	169,874	175,144	146,322	146,280	149,634	160,268	167,441	165,315	178,171	199,498
Expenditures										
General gov't/administration (1)	10,941	10,008	10,699	10,788	11,444	13,792	15,923	15,980	17,681	18,261
Public safety	54,313	55,020	56,355	59,166	61,216	62,559	64,330	66,847	73,706	72,602
Public works	31,743	30,301	12,817	13,072	12,829	21,087	20,536	20,465	21,252	22,353
Community services	19,317	18,763	19,140	20,365	21,140	22,009	23,191	24,224	24,727	23,808
Community development	24,546	18,110	14,567	11,085	12,332	11,776	13,646	13,494	13,573	16,836
Community promotions (1)	1,824	1,868	1,991	2,005	2,051	2,620	-	-	-	-
Capital outlay	29,279	30,875	22,580	22,229	22,943	23,370	32,068	21,056	19,076	45,300
Debt service										
Principal	6,282	5,724	754	274	287	300	307	663	-	-
Interest	2,981	2,776	1,396	75	64	51	38	58	-	-
Other charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	181,226	173,445	140,299	139,059	144,306	157,564	170,039	162,787	170,015	199,160
Excess of revenues over (under) expenditures	(11,352)	1,699	6,023	7,221	5,328	2,704	(2,598)	2,528	8,156	338

(Continued)

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

	Fiscal Year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Other financing sources (uses)											
Transfers in	\$15,126	\$75,713	\$68,994	\$12,433	\$11,605	\$20,009	\$9,150	\$11,625	\$18,006	\$36,040	
Transfers out	(14,118)	(75,477)	(68,782)	(12,239)	(12,520)	(20,275)	(9,093)	(13,042)	(18,580)	(36,564)	
Proceeds from bond issuance	-	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	1,008	236	212	194	(915)	(266)	57	(1,417)	(574)	(524)	
Extraordinary gain/(loss) on dissolution of RDA	-	-	(44,954)	-	-	-	-	-	-	-	
Net change in fund balances	(\$10,344)	\$1,935	(\$38,719)	\$7,415	\$4,413	\$2,438	(\$2,541)	\$1,111	\$7,582	(\$186)	
Debt service as a percentage of noncapital expenditures	5.71%	5.50%	1.71%	0.28%	0.27%	0.26%	0.24%	0.49%	0.00%	0.00%	

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
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%
2019	20,146,838	1,058,569	-	21,205,407	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 2009/10 - 2018/19 Combined Tax Rolls.

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

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<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:</u> (2)										
Cold Spring Elementary	0.01420	0.01386	0.01386	0.01443	0.01450	0.01446	0.01411	0.01207	0.01192	0.01177
Goleta Union	0.01627	0.01627	0.01627	0.01627	0.01383	0.01314	0.01248	0.01061	0.00955	0.00907
Hope Elementary	0.00883	0.00883	0.00883	0.00883	0.00883	0.01850	0.01779	0.01514	0.01222	0.01181
Montecito Union Elementary Bond 1997 A	0.00168	0.00126	0.00094	0.00089	0.00067	0.00050	0.00025	0.00019	0.00010	0.00007
Santa Barbara Community College Bond 2008	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00850	0.00731	0.00731	0.00731
Santa Barbara Elementary	0.01398	0.01398	0.01403	0.01728	0.01995	0.01995	0.01995	0.01776	0.01713	0.03445
Santa Barbara High Bond	0.01248	0.01248	0.01366	0.01391	0.01995	0.01995	0.01670	0.01581	0.02692	0.02417
	0.07594	0.07518	0.07609	0.08011	0.08623	0.09500	0.08978	0.07889	0.08515	0.09865
Total Direct and Overlapping Rates:	1.07594	1.07518	1.07609	1.08011	1.08623	1.09500	1.08978	1.07889	1.08515	1.09865
City's Share of 1% Levy Per Prop 13: (3)	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963	0.11963
Voter Approved City Debt Rate										
Redevelopment Rate: (4)	1.00000	1.00000	1.00000							
Total Direct Rate: (5)	0.23721	0.23717	0.23681	0.23570	0.12008	0.12008	0.12019	0.12010	0.12009	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 property resides within.
- (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. The ERAF portion of the City's Levy has been subtracted where known.
- (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 2014.
- (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 equally among all taxing agencies.

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 2009/10 - 2018/19 Tax Rate Table.

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

Taxpayer	Fiscal Year 2019	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
35 State Street Hotel Partners LLC	\$104,423	0.49%
Fess Parker Doubletree Hotel	94,275	0.44%
Levon Investments LLC	93,351	0.44%
XHR Santa Barbara LLC	84,655	0.40%
Dario L Pini Trust	75,417	0.36%
Paseo Nuevo Owner LLC	71,500	0.34%
EI Encanto Inc	70,690	0.33%
KHP IV Santa Barbara LLC	63,079	0.30%
Hitchcock Holdings LLC	59,119	0.28%
HHLP Santa Barbara I Associates LLC	55,929	0.26%
	\$772,438	3.64%

Taxpayer	Fiscal Year 2010	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Redevelopment Agency Santa Barbara (1)	\$86,587	0.57%
Fess Parker Doubletree Hotel	82,270	0.55%
FW CA-Five Points Shopping Center LLC	50,650	0.34%
Dario Pini	50,192	0.33%
Chapala One LLC	45,687	0.30%
Patricia S Nettleship Trustee	42,066	0.28%
MCC BB Property LLC	41,822	0.28%
Levon Investments LLC	40,817	0.27%
EI Encanto, Inc	39,650	0.26%
MF Santa Barbara LLC	36,414	0.24%
	\$516,155	3.43%

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 2090/10 and 2018/19 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
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%
2019	35,187	35,187	100%	-	35,187	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			
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
2019	-	-	-	51,655	15,617	140,301	207,573	5.47%	2,219

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. **The amount of outstanding debt by type reported above is net of related premiums and discounts.**

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)
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%	0
2018	-	-	-	-	-	0.00%	0
2019	-	-	-	-	-	0.00%	0

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, 2019**

2018-19 Assessed Valuation \$21,205,407,280

<u>Overlapping Tax and Assessment Debt</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Santa Barbara Community College District	\$ 58,885,000	38.24%	\$ 22,515,857
Santa Barbara Unified School District	94,940,000	43.44%	41,243,835
Santa Barbara Unified School District School Facilities Improvement District No. 1	40,000,000	95.27%	38,108,000
Santa Barbara High School District	110,733,746	43.44%	48,104,954
Cold Spring School District	3,885,524	6.40%	248,751
Goleta Union School District	12,755,000	2.06%	262,753
Hope Elementary School District	9,839,860	35.82%	3,524,244
Montecito Union School District	2,100,000	2.11%	44,226
Santa Barbara School District	49,683,605	95.27%	47,333,570
Total Overlapping Tax and Assessment Debt	<u>\$ 382,822,735</u>		<u>\$ 201,386,190</u>
Direct and Overlapping General Fund Debt			
Santa Barbara County Certificates of Participation	\$40,610,000	25.59%	\$ 10,391,693
City of Santa Barbara General Fund Obligations	29,825,000	100.00%	29,825,000
Total Gross Direct and Overlapping General Fund Debt			<u>\$ 40,216,693</u>
Less: Santa Barbara County supported obligations			739,522
City of Santa Barbara supported obligations			29,825,000
Total Net Direct and Overlapping General Fund Debt			<u>\$ 9,652,171</u>
Total Gross Direct Debt			\$ 29,825,000
Total Net Direct Debt			\$ 0
Total Gross Overlapping Debt			\$ 211,777,883
Total Net Overlapping Debt			\$ 211,038,361
Gross Combined Total Debt (2)			\$ 241,602,883
Net Combined Total Debt			\$ 211,038,361

Ratio to 2018-19 Assessed Valuation

Total Overlapping Tax and Assessment Debt	0.95%
Total Gross Direct Debt (\$29,825,000)	0.14%
Total Net Direct Debt	0.00%
Gross Combined Total Debt	1.14%
Net Combined Total Debt	1.00%

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)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed valuation	\$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	\$23,507,910
Coverage percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$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	\$5,876,978
Debt limit percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt limit	\$602,241	\$605,014	\$615,218	\$628,761	\$658,283	\$687,389	\$736,416	\$782,126	\$831,416	\$881,547
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	\$602,241	\$605,014	\$615,218	\$628,761	\$658,283	\$687,389	\$736,416	\$782,126	\$831,416	\$881,547
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 2018/19 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					
	Less			Net			Waste-water			Net			Tax			Debt Service		
	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Principal	Interest	Coverage
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 ²	5,705 ²	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 ²	5,925 ²	2,220	1.00		
2014	36,485	27,675	8,810	1,475	666	4.11	18,030	11,798	6,242	675	677	4.62	8,145 ²	6,195 ²	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 ²	6,485 ²	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 ²	6,790 ²	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 ²	7,085 ²	1,058	1.00		
2018	57,234	34,798	22,436	1,470	668	10.49	20,808	15,026	5,782	700	463	4.97	8,145 ²	7,430 ²	715	1.00		
2019	55,384	40,004	15,380	1,520	616	7.20	21,418	15,348	6,070	725	435	5.23	8,146 ²	7,795 ²	351	1.00		

Fiscal Year	Airport Revenue Bonds						Airport Promissory Note						Waterfront Revenue Bonds					
	Less			Net			Airport			Net			Waterfront			Net		
	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue	Principal	Interest	Coverage	Principal	Interest	Coverage
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	12,650	2,172	814	340	1.88
2019	23,326	17,247	6,079	1,105	2,011	1.95	23,326	17,247	6,079	317	143	13.22	14,995	13,033	1,962	842	311	1.70

Fiscal Year	Golf Certificates of Participation					
	Less			Net		
	Revenue	Operating Expenses	Available Revenue	Revenue	Operating Expenses	Available Revenue
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	2,384	296	-	-	-
2019	2,692	2,414	278	-	-	-

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.

² 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)
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%
2019	93,532	3,797,190	40,597	2.6%

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**

As of June 30, 2019			As of June 30, 2010		
Employer	Number of Employees (1)	Percentage of Total Employment	Employer	Number of Employees (1)	Percentage of Total Employment
County of Santa Barbara	4,600	5.13%	University of California, Santa Barbara	6,200	11.76%
University of California, Santa Barbara	4,300	4.80%	County of Santa Barbara	4,000	7.59%
Cottage Health Organization	3,600	4.02%	Santa Barbara Cottage Hospital	2,500	4.74%
Santa Barbara Unified School District	1,400	1.56%	Santa Barbara City College	2,000	3.80%
Santa Barbara City College	1,193	1.33%	Santa Barbara High School District	1,800	3.42%
City of Santa Barbara	1,037	1.16%	Raytheon Electronic Systems	1,500	2.85%
Raytheon Electronic Systems	1,000	1.12%	Sansum Medical Foundation Clinic	1,500	2.85%
Sansum Medical Foundation Clinic	1,000	1.12%	City of Santa Barbara	1,000	1.90%
Santa Barbara County Education Office	875	0.98%	US Postal Service	1,000	1.90%
Procure Technologies	800	0.89%	Santa Barbara Bank & Trust	950	1.80%
Ten largest companies or organizations:	19,805	22.10%		22,450	42.60%

Sources:

(1) Pacific Coast Business Times "Book of Lists", City of Santa Barbara

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
City Government Employees by Function
Last Ten Fiscal Years

Function	Authorized Employees as of June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	112.8	106.2	103.1	101.9	101.8	105.6	106.5	106.5	108.3	111.3
Administrative services	31.5	28.5	25.5	25.5	25.5	28.5	30.5	30.5	30.5	31.5
City administrator	12.3	10.5	10.5	10.5	10.5	10.5	9.5	9.5	8.5	8.5
City attorney	13.0	12.2	11.1	11.4	11.3	11.6	11.0	11.0	13.8	15.8
Finance	47.0	46.0	48.0	46.5	46.5	47.0	47.5	47.5	47.5	47.5
Mayor and city council	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Public safety	327.0	323.0	311.0	317.0	317.0	316.0	317.0	317.0	316.0	316.0
Police	212.0	209.0	201.0	207.0	207.0	211.0	212.0	212.0	211.0	210.0
Fire	115.0	114.0	110.0	110.0	110.0	105.0	105.0	105.0	105.0	106.0
Public works	153.5	152.0	139.0	138.0	139.0	144.0	143.0	140.0	141.0	143.0
Community services	144.0	128.5	120.6	115.2	116.7	122.4	126.5	131.6	132.8	125.5
Library	48.0	42.3	38.5	34.6	36.1	36.1	36.1	38.4	40.4	35.0
Parks and recreation	96.0	86.2	82.1	80.6	80.6	86.3	90.4	93.3	92.5	90.5
Community development	87.5	79.0	75.0	74.0	64.8	67.8	70.8	73.8	72.8	75.3
Water	62.3	62.3	68.3	68.3	67.3	68.8	74.3	75.3	72.8	72.8
Wastewater	50.0	49.0	49.0	49.0	49.0	49.0	49.0	49.0	52.5	52.5
Airport	54.0	53.0	54.0	54.0	52.0	55.5	55.5	55.8	61.0	63.0
Waterfront	46.0	46.0	46.0	46.0	46.0	46.0	46.0	47.0	47.0	47.0
Parking	38.4	34.4	34.4	34.4	34.4	30.4	31.4	31.4	30.4	30.4
Golf (1)	13.3	12.8	12.8	12.8	10.3	10.3	9.8	0.0	0.0	0.0
Total	1,088.8	1,046.2	1,013.2	1,010.6	998.3	1,015.7	1,029.7	1,027.3	1,034.5	1,036.7

Source: City's Human Resources Department

Note:

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

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

Function	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	Fiscal Year 2019
Police										
Criminal citations issued	1,642	1,847	1,407	3,172	4,282	5,298	3,511	1,087	932	815
Parking citations	54,377	50,252	45,055	46,450	55,555	55,700	55,716	59,580	59,613	45,116
Street sweeping citations	27,400	25,989	25,660	25,612	26,187	27,109	29,031	27,032	26,349	26,922
Fire										
Number of calls received	15,632	15,249	14,984	8,038	8,165	8,341	9,102	9,891	9,240	10,583
Engine company fire inspections	1,340	2,611	2,650	2,773	2,661	3,116	2,890	2,450	2,329	2,034
Public works										
Street resurfacing (Blocks)	34.5	38	85	26.2	32	23.7	14.2	8.4	11.3	36.0
Community services										
Library items checked out	689,391	656,488	703,639	826,627	853,177	782,860	825,731	792,767	826,420	957,879
Community development										
Building inspections completed	10,815	11,257	11,395	10,665	11,220	11,650	11,403	11,805	13,128	11,690
Total permits issued	2,425	2,308	2,282	2,373	2,412	2,580	2,818	2,571	2,777	2,741
Water										
Million gallons water treated	6,528	6,581	6,409	7,481	7,527	4,960	4,247	4,132	4,600	4,016
Percent of drinking water regulations met	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wastewater										
Million gallons waste water treated	2,761	2,897	2,708	2,627	2,551	2,360	2,301	2,312	2,252	2,369
Miles of wastewater collection system pipes cleaned	214	256	186	217	230	219	262	219	277	346
Percent of discharge requirements met	99.9%	99.99%	99.7%	100.0%	100.0%	100.0%	100%	100%	100%	100%
Airport										
Total number of annual passengers	745,167	747,531	716,625	722,041	699,916	628,837	630,612	690,992	738,079	860,909
Annual tons of airfreight	2,132	2,138	2,007	1,813	1,764	1,800	1,794	1,736	1,943	1,838
Waterfront										
Number of lease contracts managed	62	64	64	65	65	64	64	65	60	60
Number of parking permits distributed	697,788	652,923	682,111	564,294	702,622	814,800	765,471	781,419	727,345	736,660
Parking										
Vehicles parked in city lots	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	4,118,116
Golf course										
Paid rounds of golf	59,091	62,800	63,620	61,558	62,512	57,089	55,376	53,799	54,300	52,222

Source: Various City Departments

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

Function	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	Fiscal Year 2019
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	254	254	255	255	255	254
Concrete installed-sidewalk, curb and gutter (sq ft)	24,455	54,196	21,474	16,088	10,754	12,140	14,145	15,976	15,387	83,698
Community services Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,808	1,808	1,810
Parks and sports facilities	54	54	54	54	56	57	57	60	60	60
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis and pickle ball courts	34	34	34	34	34	34	34	33	33	33
Community buildings	12	12	12	12	15	15	15	16	16	16
Libraries	2	2	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, etc.)	380,617	365,839	357,256	319,898	330,703	330,773	439,773	396,055	564,103	506,195
Water Number of distribution system reservoirs	13	13	13	15	15	15	15	15	15	15
Number of water supply reservoirs	1	1	1	1	1	1	1	1	1	2
Number of pump stations	12	12	12	14	14	14	14	14	14	15
Number of treatment plants	2	2	2	2	2	2	2	3	3	3
Number of wells	9	9	9	9	9	9	8	9	10	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	7	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	1,137	1,137	1,139	1,139	1,139	1,139	1,143	1,141	1,143
Parking Number of parking structures and lots	14	14	14	15	15	16	16	15	15	15
Number of parking spaces	3,591	3,591	3,591	3,620	3,548	3,628	3,628	3,605	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*

The Honorable City Council
of the City of Santa Barbara
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, 2019 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 27, 2019.

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 matter that are required to be reported under *Government Auditing Standards*.

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.

White Nelson Dick Evans LLP

Irvine, California
November 27, 2019