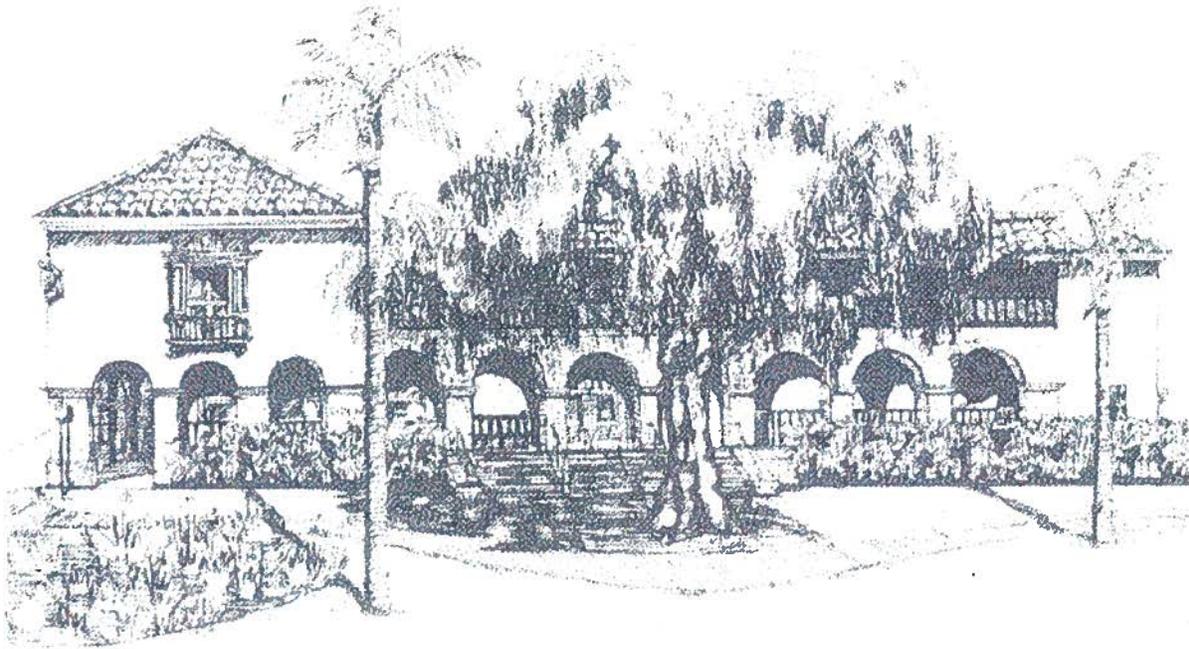


# City of Santa Barbara California



# Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2013

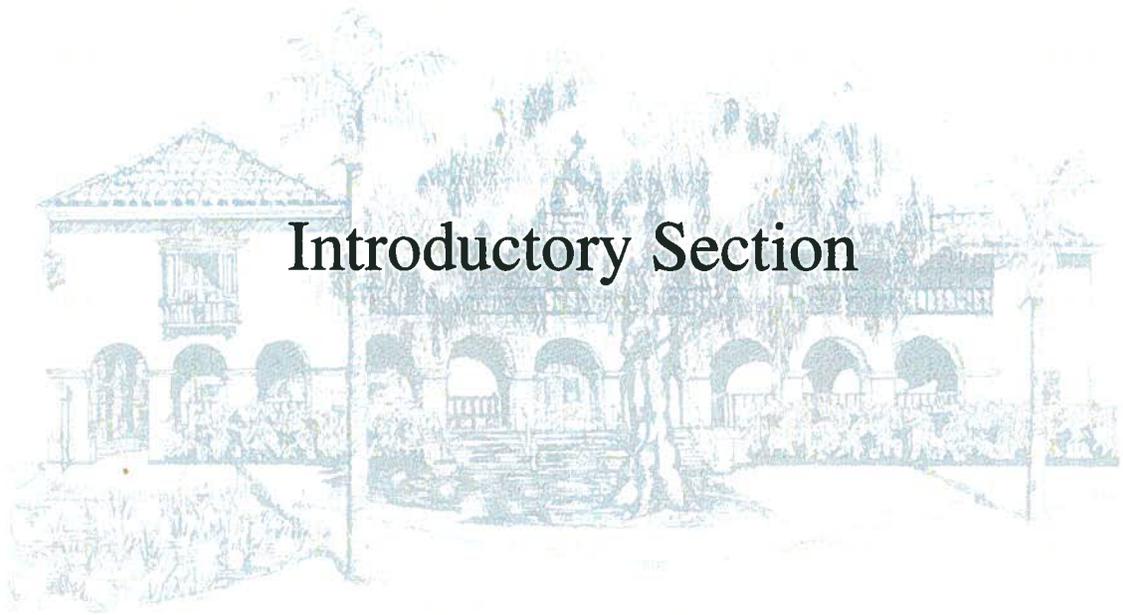
# **City of Santa Barbara, California**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2013**

**Prepared Under the Supervision of**

Robert Samario  
Finance Director



## Introductory Section

**CITY OF SANTA BARBARA**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2013**

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# City of Santa Barbara

## Finance Department

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

January 14, 2014

### 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

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310, E. Ortega St.

PO Box 1990

Santa Barbara, CA

93102-1990

### Environmental Services

805.564-5631

### Fax

805.564.5688

1221 Anacapa Street

PO Box 1990

Santa Barbara, CA

93102-1990

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the City of Santa Barbara for the fiscal year ended June 30, 2013, 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 contained in the CAFR is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City.

This report consists of management's representations concerning the City finances. To provide a reasonable basis for making these representations, management established a comprehensive internal control framework designed both to protect the City's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The City Charter requires an annual audit of the City's financial statements by an independent certified public accountant. Lance, Soll & Lunghard, LLP, has issued an unmodified (i.e., a "clean") opinion on the City's financial statements for the fiscal year ended June 30, 2013. The independent auditors' report is located on pages 9-10 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 11.

## 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 89,681. The City is a major employment center and tourist destination, resulting in a daytime population of nearly 130,000.

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

## **LOCAL ECONOMY**

The local economy is dominated by businesses supporting tourism, such as restaurants, shops, hotels and, wineries. As such, City revenues, including sales taxes and transient occupancy taxes (TOT) are affected by national, state and local economic trends. This was clearly evident during the recent "Great Recession" that resulted in a significant and unprecedented decline in these two tax revenues.

The local economy first began showing signs of recovery in the lodging industry, which provided 5-7% growth rates in TOT revenues starting in fiscal year 2012. This was followed by a moderate growth in retail sales, which resulted in overall revenue growth of 3-5% in the last two years.

Overall, the local economy seems to have recovered from the recession. Tourism appears strong, assisted by the beautiful weather the City has been experiencing. The City has also seen a marked increase in cruise ships visiting the City. While not necessarily generating a great deal of direct revenues, the exposure this provides to the City and surrounding areas to the thousands of passengers could translate to an increase in visitors arriving by traditional means for extended stays.

With respect to the real estate market, properties in the lower end of the spectrum saw a significant increase in market during a most of fiscal year 2013 driven by continued low interest rates, an improved consumer confidence in the general economy and a strong demand for housing, particularly from investors. While property values seem to have stabilized, the real estate market appears to be generally on the upswing.

## **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.

### **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.

### **Long-Term Financial Planning**

The City has been able to maintain financial stability by implementing several cost-cutting measures, such as staff reductions, employee concessions and operational efficiencies. In addition, the City has seen economic recovery in several key General Fund revenues sources. Transient Occupancy Taxes have increased by 15% over the past two years and Sales Taxes are performing at levels close to pre-recession rates.

The City adopts a two-year financial plan every two years. The first year of the plan represents the annually adopted budget as required by City Charter; the second year represents a plan and ultimately a starting point developing the recommended budget in the subsequent year. In addition, the City produces a plan for each of its operating funds, including the General Fund, including a long-term forecast of revenues, expenditures and capital requirements. These long-term forecasts help identify trends, which can sometimes not be evident in a shorter term analysis, that help form decisions early on with respect to operating revenues and expenditures as well as capital investments.

Recently, City Council has updated the City's reserve policies. The new policies maintain the amounts of reserves required in each fund, impose additional requirements before policy reserves can be appropriated and require 50% of any year-end General Fund surplus be set-aside in the Capital Fund for use in subsequent years.

The City's recently adopted six-year Capital Improvement Program identifies capital needs by fund and identifies funding sources and shortfalls. With the recent loss of the City's Redevelopment Agency, which was a major funding source for downtown and waterfront improvements and major City facilities, the City is considering various options to address the over \$400 million in unfunded capital projects.

## **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, 2013, 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, 2012. This was the tenth 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.

Respectfully submitted,



---

James L. Armstrong  
City Administrator/  
Clerk/Treasurer



---

Robert Samario  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Santa Barbara  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

**CITY OF SANTA BARBARA  
Directory of City Officials  
June 30, 2013**

**Helene Schneider  
Mayor**

**Grant R. House  
Councilmember**

**Cathy Murillo  
Councilmember**

**Harwood "Bendy" White  
Councilmember**

**Randy Rowse  
Councilmember**

**Frank Hotchkiss  
Councilmember**

**Dale Francisco  
Councilmember**

**James L. Armstrong  
City Administrator/Clerk/Treasurer**

**Stephen P. Wiley  
City Attorney**

**Robert Samario  
Finance Director**

**Karen S. Ramsdell  
Airport Director**

**Nancy L. Rapp  
Parks and Recreation Director**

**Irene Macias  
Library Director**

**Camerino Sanchez  
Police Chief**

**Pat McElroy  
Fire Chief**

**Paul A. Casey  
Assistant City Administrator**

**Christine Andersen  
Public Works Director**

**Marcelo Lopez  
Assistant City Administrator**

**Scott K. Riedman  
Waterfront Director**

**CITY OF SANTA BARBARA**  
**Advisory Boards and Commissions**  
**June 30, 2013**

**Charter Boards and Commissions**

**Membership**

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

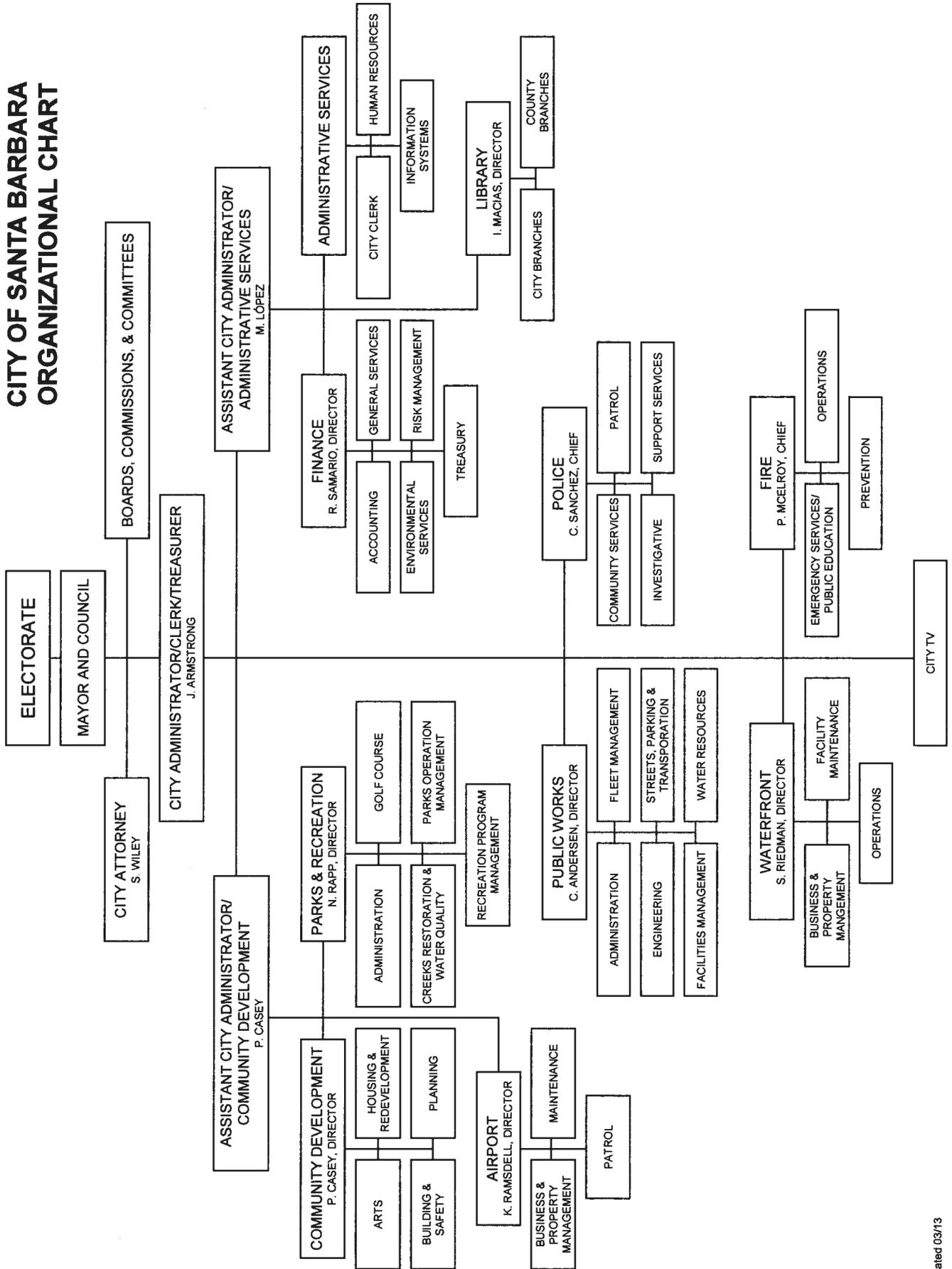
**Committees and Commissions**

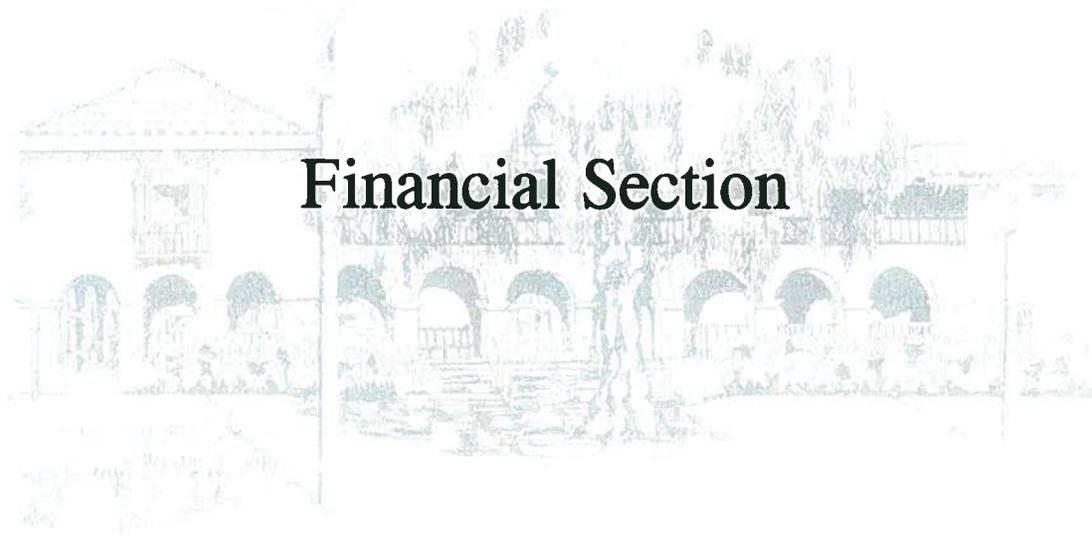
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Arts Advisory Committee	.....	7
Building and Fire Code Board of Appeals	.....	8
Community Development and Human Services Committee	.....	13
Community Events and Festivals Committee	.....	7
Creeks Advisory Committee	.....	7
Downtown Parking Committee	.....	7
Living Wage Advisory Committee	.....	7
Measure P Committee	.....	7
Neighborhood Advisory Council	.....	13
Rental Housing Mediation Task Force	.....	15
Santa Barbara Youth Council	.....	15
Sign Committee	.....	4
Single Family Design Board	.....	7
Sister Cities Board	.....	3
Transportation and Circulation Committee	.....	7

**Other Advisory Bodies**

Central Coast Commission for Senior Citizens	.....	1
Housing Authority Commission	.....	7
Metropolitan Transit District Board	.....	2
Mosquito and Vector Management District Board	.....	1
Oversight Board	.....	2

# CITY OF SANTA BARBARA ORGANIZATIONAL CHART





# Financial Section

## INDEPENDENT AUDITORS' REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California, as of June 30, 2013, and, the respective changes in financial position and, where applicable, cash flows thereoffor the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 1D to the financial statements, in 2013 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.



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

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-22, budgetary comparison information, modified approach for the City's infrastructure assets, and schedule of funding progress for pension plans on pages 82-88; be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Brea, California  
January 10, 2014

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

### **Fiscal Year Ended June 30, 2013**

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, 2013. 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 2013, the City's net position (assets and deferred outflows minus liabilities) totaled \$823.0 million, an increase of approximately \$20.9 million from the prior year.
- Of the total net position, \$141.3 million is unrestricted and may be used to meet the City's ongoing obligations to citizens, utility customers, and creditors, subject to applicable laws and regulations.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$108.9 million, an increase of \$7.4 million from the prior year.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

The City's basic financial statements are comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements. Each of these components is discussed below.

#### **Government-wide Financial Statements**

The Government-wide Financial Statements are designed to present financial information about the City as a whole in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely primarily on user fees and charges to fund their operations. Governmental activities include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. Business-type activities include the City's utility operations (water, wastewater and solid waste), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

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

The Statement of Activities provides the details of how the City's net position changed during the fiscal year. Decreases in net position are presented as "Expenses"; increases in net position are presented as "Revenues". Revenues directly attributable to a particular function or program within the City are presented as "Program Revenues". Tax revenues, including those restricted to a particular program function, are reported as "General Revenues" unless specifically required to be reported as program revenues (i.e., gas and transportation taxes).

#### **Fund Financial Statements**

The City, like other state and local governments, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and thereby enables the City to demonstrate compliance with legal or contractual requirements that may be associated with these

funds. Accordingly, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary, or Fiduciary Funds. Note that the fund financial statements only present information on the most significant (i.e., “major”) funds on the face of the statement. Non-major funds are grouped and presented in total on the face of the statements. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements previously described. This is designed to explain the differences created by the integrated approach.

**Governmental Funds** – Most of the City’s basic services are reported in governmental funds. Governmental funds include the General Fund, Special Revenue, Capital Projects, and Debt Service funds. In the fund financial statements, all governmental fund types are reported using the *modified accrual* basis of accounting. This is a departure from the basis of accounting used in the private sector and is used in the public sector in recognition of the different purpose and focus of financial reporting. Under the modified accrual basis of accounting, revenues are generally recognized when measurable and available to finance current operating costs, rather than when earned; and expenditures are recognized when the related liability is incurred. Because the focus is only on inflow (revenue) and outflow (expenditures) of current financial resources, the balance sheets of governmental funds present only short-term assets and liabilities.

The fund financial statements include separate columns, by fund type, for all major governmental funds of the City. All non-major governmental funds are consolidated into a single column labeled “Other Governmental Funds.” The details of these funds are included in the Combining and Individual Fund Statements and Schedules located in the Financial Section of this report.

**Proprietary Funds** – Proprietary funds are used to account for services provided to external customers or other City departments and funds that are primarily funded from user fees and charges. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. This basis of accounting and financial reporting is consistent with the private sector in recognition that the purpose and focus of enterprise funds, while not on generating a profit, necessitate the measurement of the full cost of providing services for rate setting purposes. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables, capital assets, and long-term liabilities. The basis of accounting and measurement focus used to prepare proprietary fund statements is the same that is used to prepare the government-wide statements. Thus, the proprietary fund statements provide the same, but more detailed, information about these funds, which are included in the “Business-Type Activity” column of the government-wide statements.

Proprietary funds include enterprise funds and internal service funds. The City uses enterprise funds to account for its water, wastewater, solid waste, airport, waterfront/harbor operations, downtown parking, and golf. Internal service funds are used to account for intra-city services such as fleet maintenance and replacement, building maintenance, custodial, communications, information systems, and self-insurance programs.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held by the City as trustee on behalf of other agencies or individuals. Fiduciary funds are not presented in the government-wide statements, as their resources are not available to support the operations of the City.

## **Notes to the Basic Financial Statements**

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

## **Other Information**

In addition to the basic financial statements and related notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits and other post employment benefits to its employees; budgetary comparison schedules for the General Fund and each major special revenue fund; and schedules and disclosures of the modified approach for reporting the City’s infrastructure.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### Statement of Net Position

Table 1 below summarizes the Statement of Net Position for Governmental and Business Type Activities as of June 30, 2013, with comparative totals as of June 30, 2012. 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	
	2013	2012	2013	2012	2013	2012
<b>Assets:</b>						
Current and other assets	\$ 143,843	\$ 133,486	\$ 115,694	\$ 115,675	\$ 259,537	\$ 249,161
Capital assets, net	313,884	306,417	446,022	427,003	759,906	733,420
Total Assets	457,727	439,903	561,716	542,678	1,019,443	982,581
<b>Deferred Outflows of Resources:</b>	49	-	1,560	-	1,609	-
<b>Liabilities:</b>						
Current and other liabilities	11,327	10,120	12,583	14,153	23,910	24,273
Non-current liabilities	24,671	20,792	149,430	134,299	174,101	155,091
Total Liabilities	35,998	30,912	162,013	148,452	198,011	179,364
<b>Net Position:</b>						
Net investment in capital assets	312,891	304,586	300,997	296,692	613,888	601,278
Restricted	66,509	63,244	1,358	18,565	67,867	81,809
Unrestricted	42,378	41,161	98,908	78,969	141,286	120,130
Total Net Position	\$ 421,778	\$ 408,991	\$ 401,263	\$ 394,226	\$ 823,041	\$ 803,217

As shown in Table 1, at June 30, 2013 the City's net position totaled \$823.0 million. The largest portion consists of the City's net investment in capital assets in the amount of \$613.9 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, as most assets are not revenue generating and generally are not liquidated to repay debt.

A portion of the City's net position, \$67.9 million, is subject to restrictions imposed by external parties, and its use is determined by those restrictions and contractual agreements. The remaining amount of \$141.3 million may be used by the City to meet ongoing operations, subject to applicable federal and state laws and regulations.

### 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, 2013, in relation to a year earlier. For the fiscal year ended June 30, 2013, total net position increased by \$20.9 million, mostly related to higher revenues.

Table 2 summarizes the Statement of Activities for Governmental Activities and Business-Type Activities for the fiscal year ended June 30, 2013, with comparative totals for the fiscal year ended June 30, 2012.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for service	\$ 31,212	\$ 28,603	\$ 115,229	\$ 108,735	\$ 146,441	\$ 137,338
Operating grants and contributions	13,251	14,828	-	-	13,251	14,828
Capital grants and contributions	8,474	5,703	4,255	2,778	12,729	8,481
<b>General Revenues:</b>						
Taxes	82,361	87,906	-	-	82,361	87,906
Franchise fees	3,579	3,579	-	-	3,579	3,579
Motor vehicle license fees	77	6	-	-	77	6
Investment income	2,521	2,366	582	1,813	3,103	4,179
Other revenue	6,193	3,932	-	-	6,193	3,932
<b>Total revenues</b>	<b>147,668</b>	<b>146,923</b>	<b>120,066</b>	<b>113,326</b>	<b>267,734</b>	<b>260,249</b>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
Administration	11,851	11,081	-	-	11,851	11,081
Public safety	61,719	57,457	-	-	61,719	57,457
Public works	25,251	25,878	-	-	25,251	25,878
Community services	24,104	19,969	-	-	24,104	19,969
Community development	11,864	17,017	-	-	11,864	17,017
Interest expense	82	572	-	-	82	572
<b>Business Activities:</b>						
Water	-	-	32,214	29,985	32,214	29,985
Wastewater	-	-	17,216	15,887	17,216	15,887
Airport	-	-	21,376	20,167	21,376	20,167
Waterfront	-	-	12,026	11,575	12,026	11,575
Solid Waste	-	-	19,124	18,773	19,124	18,773
Parking	-	-	7,359	6,849	7,359	6,849
Golf Course	-	-	1,949	1,923	1,949	1,923
<b>Total expenses</b>	<b>134,871</b>	<b>131,973</b>	<b>111,264</b>	<b>105,159</b>	<b>246,135</b>	<b>237,132</b>
Increase in Net Position Before Transfers	12,797	14,950	8,802	8,167	21,599	23,117
Extraordinary loss on Dissolution of Redevelopment Agency	-	(91,210)	-	-	-	(91,210)
Gain (loss) on sale of capital assets	(695)	-	-	-	(695)	-
Transfers in (out)	748	27,861	(748)	(27,861)	-	-
Increase (Decrease) in Net Position	12,850	(48,399)	8,054	(19,694)	20,904	(68,093)
Net Position, July 1	408,991	458,780	394,226	413,410	803,217	872,190
Restatement (See Note 19)	(63)	(1,390)	(1,017)	510	(1,080)	(880)
<b>Net Position, June 30</b>	<b>\$ 421,778</b>	<b>\$ 408,991</b>	<b>\$ 401,263</b>	<b>\$ 394,226</b>	<b>\$ 823,041</b>	<b>\$ 803,217</b>

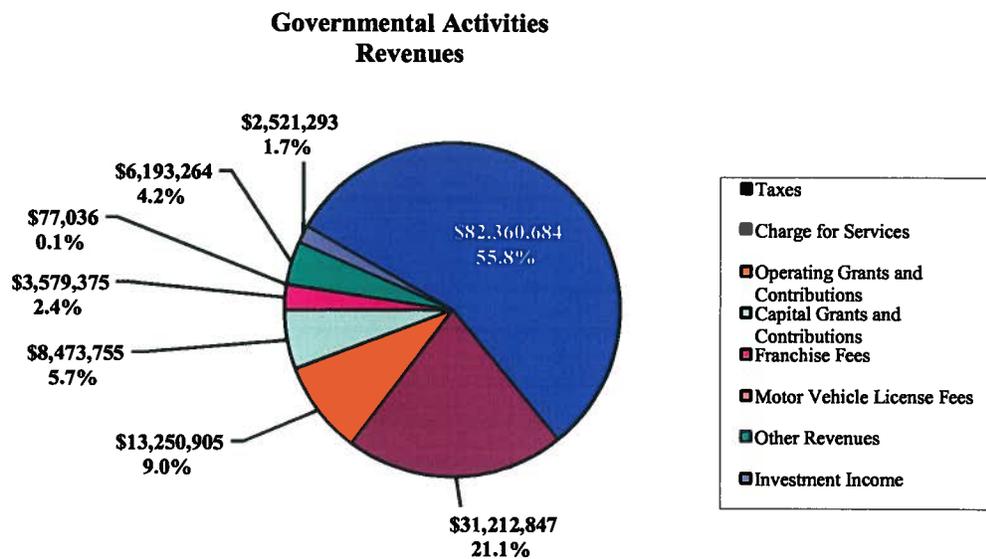
### **Governmental Activities**

#### **Revenue Highlights**

Total revenues for governmental activities were \$147.7 million. The largest component of total revenue is taxes at \$82.4 million, making up 55.8% of total revenue in the governmental funds. This is consistent with the nature and purpose of governmental funds, particularly in the General Fund, where programs are largely supported by general taxes. The highest tax revenues received by the General Fund include sales, transient occupancy, utility users, and property taxes.

Some of the key changes in revenues are:

- Sales tax revenues increased by \$0.7 million compared to the prior year. After a few years of a downward trend, the City has seen continued recovery in the most recent years of this major revenue source.
- Transient occupancy taxes increased by \$1.2 million compared to the prior year. The City has observed healthy gains in the lodging industry beginning in Fiscal Year 2011 and continuing through Fiscal Year 2013.
- Property taxes decreased by \$7.9 million as a result of the dissolution of the Redevelopment Agency. In the prior year, the former Redevelopment Agency received \$11.7 million in property taxes which was reported in the governmental funds. However, in current and future years, the Successor Agency will account for its revenues in fiduciary funds. In the current year, the General Fund did receive one time revenues of approximately \$3.8 million related to the dissolution of the Redevelopment Agency that partially offset the decrease.
- Charges for services increased by \$2.6 million due to several factors: (1) Increased parking citation and traffic fines revenues in the Police department; (2) Higher plan check and building permit fees in the Community Development department; and (3) the Parks and Recreation Department realized increased revenues from youth programs, active adult classes and cultural arts programs.

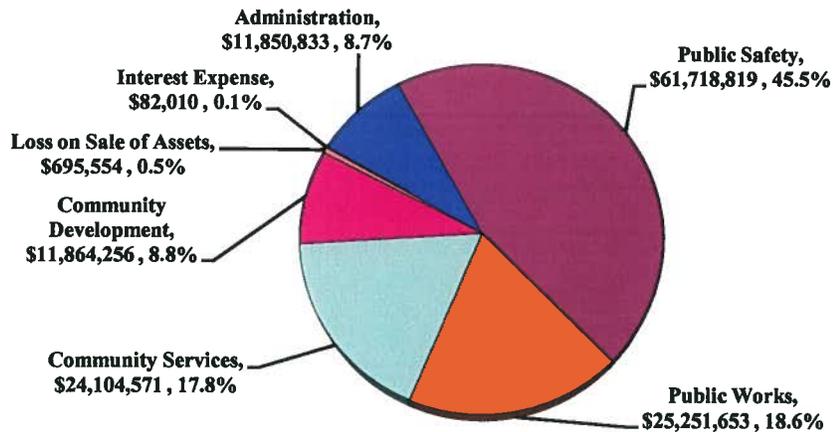


**Expense Highlights**

Functional expenses for the year totaled approximately \$134.9 million, an increase of \$2.9 million from the prior year. The increase was largely due to higher personnel costs due to furlough and salary concessions expiring in the current year and a one-time vacation cash out for eligible employees.

The largest component of total expenses was for Public Safety (fire and police), representing \$61.7 million (45.5%) of the total. A large portion of public safety costs are funded from general revenues, primarily taxes. In contrast, Public Works expenses, which total \$25.3 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.

### Governmental Activities Expenses

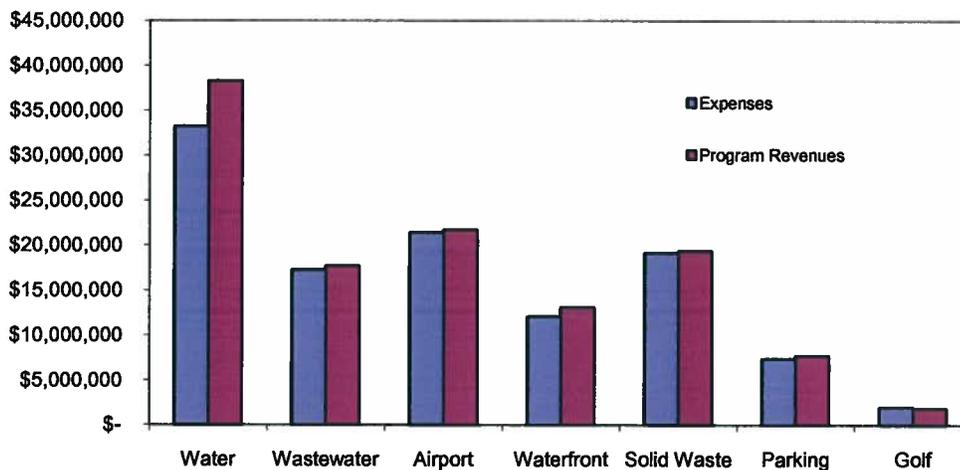


### Business-Type Activities

The City's business-type activities realized an increase in net position of \$8.1 million. The most notable variances come from the Water and Airport Funds. During Fiscal Year 2013, water sales were significantly higher as a result of increased demand during a very dry year. Airport revenues were higher due to grant reimbursements and higher occupancy rates of leased property.

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

**Business-Type Activities Expenses and Program Revenues For the Year Ended June 30, 2013 (in thousands)**



### Revenue Highlights

Total program revenues for the Fiscal Year ended June 30, 2013, were \$119.5 million, an increase of \$8.0 million from the prior year. The increase was primarily attributable to the following:

- The Airport Fund received \$1.2 million more in Federal Aviation Authority (FAA) Airport Improvement Program (AIP) grant funds than in the prior year. The Airport also experienced higher occupancy rates for commercial and industrial leases that realized \$1.1 million more in revenues.

- Water sales revenue was \$1.9 million higher as a result of increased demand during a very dry year.
- Wastewater sales revenue was \$2.1 million higher as a result of increased water consumption, which has a direct impact on sewer charges.

### *Expense Highlights*

Expenses of the business-type activities for the Fiscal Year ended June 30, 2013, totaled \$111.3 million, a \$6.1 million increase from the prior year. This increase is due to higher personnel costs of \$1.4 million including all funds since furlough and salary concessions were no longer in effect for the current year. Increased costs were also incurred in water production and distribution.

## **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, 2013, assets in the City's governmental funds totaled \$139.0 million. Of this total, \$39.7 million consisted of cash and investments, and \$561,169 consisted of cash and investments held with fiscal agents (bond trustees). An additional \$67.3 million represents outstanding loans receivable, which relate primarily to the City's Affordable Housing Fund and Community Development Block Grant Program.

Fund balances of governmental funds totaled \$108.9 million at June 30, 2013. Of this total, \$66.5 million is restricted for specific programs, projects, and capital improvements. An amount corresponding to outstanding loans and advances receivable of \$8.2 million is reported as "Nonspendable" due to the long-term nature of the receivables and, therefore, unavailability to fund current operations. The spendable portion of fund balance totals \$34.1 million, which includes committed and assigned balances.

The General Fund's total fund balance increased by 6.4%, or \$1.7 million, to \$29.2 million at June 30, 2013. Of the total fund balance, \$7.8 million is nonspendable, \$0.4 million is restricted, \$20.8 million is committed, and \$0.2 million is assigned. The most significant committed portion of fund balance is \$16.6 million consisting of funds set aside, pursuant to City policy, for natural disasters and unexpected events such as significant economic downturns that have a significant impact on General Fund revenues and costs. The policy requires all operating funds, including the General Fund, to set aside an amount equal to 25% of its operating budget. During the tough economic environment over the past several years, a portion of the reserves were used to balance the budget in the General Fund and, accordingly, reserves are currently below the prescribed amount by approximately \$2 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 invested in capital assets net of related debt, amounts restricted for capital projects and debt service, as well as unrestricted amounts. Net position totaled \$401.3 million as of June 30, 2013, which increased \$8.1 million from the prior year. The overall increase in net position is primarily attributable to increased revenues in the Water, Airport and Wastewater Funds as explained above.

## GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating fund of the City. Its revenues are primarily derived from taxes and intergovernmental sources, which are used to pay for the traditional services provided by local government - public safety, library, parks and recreation, community development (building and planning), and public works.

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 68,641,852	\$ 71,008,604	\$ 72,402,728	\$ 1,394,124
Franchise fees	3,509,700	3,509,700	3,579,375	69,675
Intergovernmental	452,650	973,603	1,094,705	121,102
Fines and forfeitures	3,179,292	3,179,292	3,079,940	(99,352)
Use of money and property	1,182,904	1,212,904	786,940	(425,964)
Charges for services	18,691,879	18,931,708	19,449,845	518,137
Other revenues	8,416,400	10,989,921	9,859,558	(1,130,363)
Total revenues	<u>104,074,677</u>	<u>109,805,732</u>	<u>110,253,091</u>	<u>447,359</u>
Transfers in	<u>1,809,226</u>	<u>3,148,567</u>	<u>3,146,868</u>	<u>(1,699)</u>
Total other financing sources (uses)	<u>1,809,226</u>	<u>3,148,567</u>	<u>3,146,868</u>	<u>(1,699)</u>
<b>Total Revenues</b>	<u><u>\$ 105,883,903</u></u>	<u><u>\$ 112,954,299</u></u>	<u><u>\$ 113,399,959</u></u>	<u><u>\$ 445,660</u></u>

The amended Fiscal Year 2013 General Fund revenue budget reflects adjustments that were approved by the City Council during the year. The most significant amendments included increases to budgeted property tax revenues ("Taxes") due to the City's share of a one-time distribution of the former Redevelopment Agency's assets; increases to mutual aid revenues ("Intergovernmental"); and a reimbursement of excess property tax administrative fees ("Other Revenues") charged by the County of Santa Barbara over a five-year period.

As shown on Table 3, actual revenues totaled \$113.4 million, exceeding the amended budget by \$445,660. Taxes exceeded the amended budget by almost \$1.4 million, reflecting bigger gains than originally projected in sales, property and transient occupancy (bed) tax revenues. Use of Money and Property was below budget due to investment revenues (a component of use of money revenue) reporting an unrealized loss of \$442,447 in the market value of the portfolio, an adjustment required per GASB 31. Other revenues, which were budgeted at just under \$11.0 million, ended the year at \$9.9 million. This shortfall was actually expected because of a practice begun several years ago of budgeting anticipated expenditure savings for the year, primarily in salaries and benefits, as revenue. In Fiscal Year 2013, \$1.2 million of "Anticipated Year-End Variance" was budgeted but not reflected in the actual since the savings are realized in expenditures.

The amended Fiscal Year 2013 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, 2012.

**Table 4**  
**SCHEDULE OF EXPENDITURES**  
**GENERAL FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor and council	\$ 737,693	\$ 737,693	\$ 730,019	\$ 7,674
City attorney	2,002,890	2,045,994	2,037,669	8,325
City administration	1,992,727	2,024,572	1,945,047	79,525
Administrative services	1,733,693	1,733,693	1,620,305	113,388
Finance	4,669,234	4,707,377	4,454,587	252,790
Fire	21,789,550	22,335,970	22,263,941	72,029
Police	35,765,758	35,923,017	35,853,283	69,734
Public works	7,127,385	7,260,777	6,955,767	305,010
Parks and recreation	13,078,960	13,351,877	13,229,822	122,055
Library	4,271,279	4,678,836	4,441,201	237,635
Community development	9,193,364	9,319,403	8,597,749	721,654
Community promotions	2,238,835	2,152,542	2,005,022	147,520
Total expenditures	<u>104,601,368</u>	<u>106,271,751</u>	<u>104,134,412</u>	<u>2,137,339</u>
Transfers out	<u>1,282,535</u>	<u>7,545,434</u>	<u>7,519,222</u>	<u>26,212</u>
Total Expenditures	<u>\$ 105,883,903</u>	<u>\$ 113,817,185</u>	<u>\$ 111,653,634</u>	<u>\$ 2,163,551</u>

As shown on Table 4 above, actual expenditures totaled \$111.7 million, and were under budget by approximately \$2.2 million. Each department ended the year within their respective spending authority. The Community Development Department realized the biggest savings due to salary savings from medical leaves of absence, vacancies and a voluntary reduction from full-time to part-time hours for one employee. In addition, non-contractual and professional service expenditures were also below 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.

**TABLE 5**  
**SUMMARY OF CAPITAL ASSETS**  
 (Net of Accumulated Depreciation)  
 As of June 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>Non-depreciating assets:</b>			
Construction in Progress	\$ 24,235,272	\$ 100,782,807	\$ 125,018,079
Land	10,734,063	19,201,133	29,935,196
Streets	160,101,179	-	160,101,179
<b>Depreciating assets:</b>			
Buildings	13,247,398	16,111,418	29,358,816
Building Improvements	6,017,424	6,092,867	12,110,291
Equipment	7,260,254	16,152,094	23,412,348
Other Improvements and drainage systems	14,590,121	200,969,255	215,559,376
Infrastructure	77,698,608	8,368,912	86,067,520
Underground Piping	-	78,343,213	78,343,213
<b>TOTALS</b>	<u><u>\$ 313,884,319</u></u>	<u><u>\$ 446,021,699</u></u>	<u><u>\$ 759,906,018</u></u>

The City owns hundreds of million dollars of capital assets that require ongoing maintenance, improvement and renovation. As a result, the City as a whole undertakes millions of dollars in capital improvement and construction projects each year.

The capital improvement projects undertaken in those operations 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, 2013, infrastructure assets, including streets, totaled \$237.8 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 41 or higher are considered to be in "Fair" or better condition, and roads with PCIs of 56 or higher are considered to be in "Good" or better condition. Pursuant to the modified approach, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized. The most recent report was for the period ended June 30, 2012, and the average PCI for City streets was 63, which is defined as "good."

Key projects that were continuing and newly started, but still incomplete, in the Governmental Activities category include: various bridge replacements (\$17.7 million), storm drainage and creek improvements (\$4.1 million), sidewalks, bike lanes, street and intersection improvements (\$1.0 million), parks and facilities improvements (\$1.4 million).

Capital improvements within the Business-Type Activities category primarily relate to facilities used in connection with enterprise funds, including water, wastewater, airport, waterfront, solid waste, golf and downtown parking. These operations are much more capital intensive given the nature of the services they provide. As of June 30, 2013, the City's business-type funds included \$28.5 million in capital asset additions and \$9.5 million in capital deletions, net of accumulated depreciation. Construction in progress increased by a net of \$16.2 million in connection with various multi-

year large projects that were not completed as of June 30, 2013, such as the airport terminal expansion and the Cater water treatment plant upgrade and rehabilitation projects. Capital projects completed in the year included: water facility improvements (\$1.3 million), water main replacements (\$4.5 million), wastewater improvements including sewer main replacements (\$9.6 million), airport improvements (\$3.4 million) and marina and wharf improvements (\$2.7 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 from the issuance of bonds, certificates of participation, and loans; the table excludes outstanding claims payable, deferred debt costs, and compensated absences. As shown in the table, the City had approximately \$144.8 million in outstanding long-term debt at June 30, 2013, a net increase of \$10.2 million from the prior year.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue Bonds	\$ -	\$ 61,435,000	\$ 61,435,000
Certificates of Participation	1,557,600	36,777,400	38,335,000
Loans	-	45,070,962	45,070,962
	<u>\$ 1,557,600</u>	<u>\$ 143,283,362</u>	<u>\$ 144,840,962</u>

It is important to note that the Governmental Activities, which primarily consists of the General Fund, has very little long-term indebtedness, which is a good financial indicator. The outstanding \$1.6 million in Certificates of Participation (COPs) were issued in Fiscal Year 2002 to refund the 1993 COPs, thereby capturing more favorable interest rates and lowering interest costs. The 1993 COPs were used to renovate City administrative facilities located at 630 Garden Street.

The Waterfront, Water and Golf Funds have outstanding COPs totaling \$13.3 million, \$22.7 million and \$0.8 million, respectively. During the current fiscal year, the Water Fund issued COPs in the amount of \$22.7 million, which were used to refund the outstanding City of Santa Barbara 2002 Certificates and pay off the California Department of Health Services Safe Drinking Water State Revolving Fund loan.

As for revenue bonds outstanding, \$15.0 million in outstanding sewer revenue bonds were issued by the Wastewater Fund in 2004 to fund renovations to the City’s wastewater collection and treatment systems. The Airport Fund issued \$47.3 million in revenue bonds in Fiscal Year 2010 to construct a new passenger terminal building, parking, and roadway improvements, \$46.4 million of which is still outstanding. Of the outstanding \$45.1 million in loans payable in the Business-Type Activities, \$33.6 million relates to the Water Fund. 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 Waterfront Fund also has \$4.7 million in outstanding loans from the State Department of Boating and Waterways used to finance capital improvements at the marina. Lastly, the Wastewater Fund accounts for \$4.9 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 is a destination point for many regional, domestic, and international visitors attracted to the mild weather, local beaches, and many cultural and recreational opportunities offered in the region. As such, the local economy is affected by the health of the national and international economies. In the General Fund, the City's primary operating fund from which the traditional services associated with local government are provided (police, fire, recreation, libraries, etc.) is particularly affected by economic downturns. Key revenues, such as sales tax, transient occupancy tax, and property tax revenues, realized significant and unprecedented declines during Fiscal years 2008 through 2010.

Despite the revenue declines, the City was able to keep General Fund revenues and expenditures in balance through a combination of cuts to spending, labor concessions and one-time funding sources. To the credit of the City Council and the leadership of City Administrative staff, as well as all City employees who agreed to wage concessions, no reserves were used during any part of the economic decline.

Fortunately, General Fund revenues are improving, with sales tax and transient occupancy tax revenues realizing strong gains starting in Fiscal Year 2011. The Fiscal Year 2013 adopted budget was the first in four years that did not require employee wage and benefit concessions to balance the General Fund. In the near term, the financial picture looks much better.

However, increasing pension costs continue to put pressure on City finances. The California Public Employees Retirement System (PERS), which administers the pension system on behalf of cities and employees statewide, recently announced it will be markedly increasing employer retirement contribution rates over a five-year period starting in Fiscal Year 2016. These rate increases are intended to address the large unfunded liabilities created in large part by the deep economic recession in recent years and the attendant investment losses sustained by PERS. For some cities, particularly those still struggling to recover from the recent recession, the sharp increases to rates presents a significant challenge. For the City of Santa Barbara, which is in good financial condition, the pending rate increases will largely impact the City's ability to expand existing services or restore services cut during the recession.

Over the long term, the recently enacted Public Employees Pension Reform Act ("PEPRA") of 2013 will reduce City retirement costs. PEPRA establishes new retirement plans with diminished benefits for new employees hired after December 31, 2012. As such, it will reduce pension costs of virtually all public employers in the long term as existing employees retire or leave public employment and are replaced with new employees subject to PEPRA. However, the new legislation will have no impact on the unfunded liability.

## **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/government/finance/CAFR](http://www.SantaBarbaraCa.gov/government/finance/CAFR). You may also contact the City's Finance Department at PO Box 1990 (735 Anacapa Street), Santa Barbara, California, 93101, (805) 564-5334, or email Robert Samario, Finance Director, at [BSamario@SantaBarbaraCa.gov](mailto:BSamario@SantaBarbaraCa.gov).



**CITY OF SANTA BARBARA**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,215,905	\$ 2,990,706	\$ 5,206,611
Investments	59,522,474	80,334,741	139,857,215
Accounts receivable, net	18,460,339	10,823,420	29,283,759
Accrued interest receivable	484,033	-	484,033
Due from fiduciary funds	669,902	-	669,902
Internal balances	(6,182,555)	6,182,555	-
Inventory	689,725	13,581	703,306
Prepaid assets and deposits	76,516	4,600,314	4,676,830
Loans receivable	67,345,617	-	67,345,617
Non-Current assets:			
Restricted assets:			
Cash and investments with fiscal agents	561,169	10,748,937	11,310,106
Capital assets not being depreciated:			
Construction in progress	24,235,272	100,782,807	125,018,079
Land	10,734,063	19,201,133	29,935,196
Streets	160,101,179	-	160,101,179
Capital assets, net of accumulated depreciation:			
Buildings	13,247,398	16,111,418	29,358,816
Building improvements	6,017,424	6,092,867	12,110,291
Equipment	7,260,254	16,152,094	23,412,348
Infrastructure	77,698,608	8,368,912	86,067,520
Other improvements and drainage systems	14,590,121	200,969,255	215,559,376
Underground piping	-	78,343,213	78,343,213
Total capital assets	<u>313,884,319</u>	<u>446,021,699</u>	<u>759,906,018</u>
Total assets	<u>457,727,446</u>	<u>561,715,953</u>	<u>1,019,443,399</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred from refunding of debt	49,254	1,560,420	1,609,674
Total deferred outflows of resources	<u>49,254</u>	<u>1,560,420</u>	<u>1,609,674</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	3,994,921	7,357,602	11,352,523
Accrued interest payable	79,279	1,915,029	1,994,308
Salaries and benefits payable	3,648,013	1,200,495	4,848,508
Deposits	1,432,921	1,526,429	2,959,350
Unearned revenue	2,172,330	583,615	2,755,945
Noncurrent liabilities:			
Due within one year	9,360,799	6,262,440	15,623,239
Due in more than one year	7,020,960	140,319,549	147,340,509
Net pension obligation	119,000	-	119,000
Other post employment benefits (OPEB) obligation	8,169,910	2,848,090	11,018,000
Total liabilities	<u>35,998,133</u>	<u>162,013,247</u>	<u>198,011,380</u>
<b>NET POSITION</b>			
Net investment in capital assets	312,890,908	300,997,205	613,888,113
Restricted for:			
Administration	92,534	-	92,534
Public safety	1,480,496	-	1,480,496
Public works	5,239,394	-	5,239,394
Community services	906,526	-	906,526
Community development	686,510	-	686,510
Capital improvements	6,113,022	-	6,113,022
Debt service reserve	561,169	1,358,113	1,919,282
Affordable housing	51,429,682	-	51,429,682
Unrestricted	42,378,326	98,907,808	141,286,134
Total net position	<u>\$ 421,778,567</u>	<u>\$ 401,263,126</u>	<u>\$ 823,041,693</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA  
STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
Current:							
Administration	\$ 11,850,833	\$ 1,258,693	\$ -	\$ -	\$ (10,592,140)	\$ -	\$ (10,592,140)
Public safety	61,718,819	10,537,563	1,608,207	4,462	(49,568,587)	-	(49,568,587)
Public works	25,251,653	8,789,399	5,761,165	8,169,936	(2,531,153)	-	(2,531,153)
Community services	24,104,571	5,532,124	3,277,319	299,357	(14,995,771)	-	(14,995,771)
Community development	11,864,256	5,095,068	2,604,214	-	(4,164,974)	-	(4,164,974)
Interest on long term debt	82,010	-	-	-	(82,010)	-	(82,010)
<b>Total governmental activities</b>	<b>134,872,142</b>	<b>31,212,847</b>	<b>13,250,905</b>	<b>8,473,755</b>	<b>(81,934,635)</b>	<b>-</b>	<b>(81,934,635)</b>
<b>Business activities:</b>							
Water	32,213,874	38,171,567	-	-	-	5,957,693	5,957,693
Wastewater	17,216,520	17,657,814	-	-	-	441,294	441,294
Airport	21,376,198	17,739,674	-	3,936,884	-	300,360	300,360
Waterfront	12,025,923	12,782,042	-	318,641	-	1,074,760	1,074,760
Solid Waste	19,124,188	19,353,780	-	-	-	229,592	229,592
Parking	7,358,981	7,691,177	-	-	-	332,196	332,196
Golf course	1,948,808	1,833,345	-	-	-	(115,463)	(115,463)
<b>Total business-type activities</b>	<b>111,264,492</b>	<b>115,229,399</b>	<b>-</b>	<b>4,255,525</b>	<b>-</b>	<b>8,220,432</b>	<b>8,220,432</b>
<b>Total</b>	<b>\$ 246,136,634</b>	<b>\$ 146,442,246</b>	<b>\$ 13,250,905</b>	<b>\$ 12,729,280</b>	<b>(81,934,635)</b>	<b>8,220,432</b>	<b>(73,714,203)</b>
<b>General revenues:</b>							
Taxes:							
Property					27,575,163	-	27,575,163
Sales & use					20,133,821	-	20,133,821
Transient occupancy					17,611,106	-	17,611,106
Utility users					14,053,648	-	14,053,648
Business license					2,345,168	-	2,345,168
Real property transfer					641,778	-	641,778
Franchise fees					3,579,375	-	3,579,375
Unrestricted motor vehicle license-in-lieu					77,036	-	77,036
Investment income					2,521,293	582,126	3,103,419
Other revenue					6,193,264	-	6,193,264
Gain (loss) on sale of capital assets					(695,554)	-	(695,554)
Transfers					748,384	(748,384)	-
<b>Total general revenues, extraordinary items and transfers</b>					<b>94,784,482</b>	<b>(166,258)</b>	<b>94,618,224</b>
<b>Change in net position</b>					<b>12,849,847</b>	<b>8,054,174</b>	<b>20,904,021</b>
<b>Net position, beginning of fiscal year as restated</b>					<b>408,928,720</b>	<b>393,208,952</b>	<b>802,137,672</b>
<b>Net position, end of fiscal year</b>					<b>\$ 421,778,567</b>	<b>\$ 401,263,126</b>	<b>\$ 823,041,693</b>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013**

	General Fund	Special Revenue Funds Affordable Housing	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 416,002	\$ 22,656	\$ 985,644	\$ 1,424,302
Investments	11,174,428	608,586	26,475,849	38,258,863
Cash and investments with fiscal agents	-	-	561,169	561,169
Accounts receivable	8,190,148	-	10,093,434	18,283,582
Accrued interest receivable	484,033	-	-	484,033
Loans receivable	3,337,304	50,812,843	13,195,470	67,345,617
Due from fiduciary funds	669,902	-	-	669,902
Interfund receivable	7,105,235	-	-	7,105,235
Advances to other funds	4,399,069	-	434,052	4,833,121
Prepaid assets and deposits	76,516	-	-	76,516
<b>Total assets</b>	<b>35,852,638</b>	<b>51,444,085</b>	<b>51,745,618</b>	<b>139,042,341</b>
<b>Total Assets</b>	<b>\$ 35,852,638</b>	<b>\$ 51,444,085</b>	<b>\$ 51,745,618</b>	<b>\$ 139,042,341</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 863,152	\$ 746	\$ 1,977,239	\$ 2,841,137
Salaries and benefits payable	3,052,680	13,657	301,566	3,367,903
Interest payable	-	-	55,913	55,913
Interfund payables	-	-	7,105,235	7,105,235
Deposits	1,267,939	-	164,982	1,432,921
Unearned revenue	1,446,075	-	726,255	2,172,330
<b>Total liabilities</b>	<b>6,629,846</b>	<b>14,403</b>	<b>10,331,190</b>	<b>16,975,439</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue	-	-	13,195,470	13,195,470
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>13,195,470</b>	<b>13,195,470</b>
<b>Fund Balances:</b>				
Nonspendable	7,812,889	-	434,052	8,246,941
Restricted	421,043	51,429,682	14,658,608	66,509,333
Committed	20,762,584	-	2,806,703	23,569,287
Assigned	226,276	-	10,603,089	10,829,365
Unassigned	-	-	(283,494)	(283,494)
<b>Total fund balances</b>	<b>29,222,792</b>	<b>51,429,682</b>	<b>28,218,958</b>	<b>108,871,432</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 35,852,638</b>	<b>\$ 51,444,085</b>	<b>\$ 51,745,618</b>	<b>\$ 139,042,341</b>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION**  
**OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**  
**June 30, 2013**

Total Governmental fund balances (page 26)		\$ 108,871,432
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		306,695,584
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (1,557,600)	
Unamortized bond premiums/discounts	3,020	
Unamortized loss on defeasance	49,254	
Compensated absences	<u>(6,228,242)</u>	(7,733,568)
Net pension obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(119,000)
OPEB obligation is not due and payable in the current period and, therefore, is not reported in the governmental funds statements.		(8,169,910)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred in the government-wide financial statements.		(23,366)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position. (See Statement of Net Position Proprietary Funds, p. 30)		
Internal Service Funds net position	\$ 20,895,015	
Less business-type portion	<u>(11,833,090)</u>	9,061,925
Revenues reported as unavailable revenue in the governmental funds and recognized in the statements of activities. These are included in the intergovernmental revenues in the governmental fund activity.		<u>13,195,470</u>
Net position of governmental activities (page 24)		<u><u>\$ 421,778,567</u></u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2013**

	General Fund	Special	Other Governmental Funds	Total Governmental Funds
		Revenue Funds Affordable Housing		
<b>Revenues:</b>				
Taxes	\$ 72,402,728	\$ -	\$ 13,279,880	\$ 85,682,608
Franchise fees	3,579,375	-	-	3,579,375
Intergovernmental	1,094,705	-	15,706,039	16,800,744
Fines and forfeitures	3,079,940	-	1,335,709	4,415,649
Use of money and property	786,940	2,044,008	92,657	2,923,605
Charges for services	19,449,845	-	742,637	20,192,482
Program income	-	-	493,201	493,201
Other revenues	9,859,558	-	2,332,982	12,192,540
<b>Total revenues</b>	<b>110,253,091</b>	<b>2,044,008</b>	<b>33,983,105</b>	<b>146,280,204</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor and council	730,019	-	-	730,019
City attorney	2,037,669	-	-	2,037,669
City administration	1,945,047	-	-	1,945,047
Administrative services	1,620,305	-	-	1,620,305
Finance	4,454,587	-	-	4,454,587
Public safety	58,117,224	-	1,048,509	59,165,733
Public works	6,955,767	-	6,115,785	13,071,552
Community services	17,671,023	-	2,694,322	20,365,345
Community development	8,597,749	352,885	2,134,465	11,085,099
Community promotions	2,005,022	-	-	2,005,022
Capital improvements	-	-	22,229,358	22,229,358
<b>Debt service:</b>				
Principal	-	-	273,900	273,900
Interest	-	-	75,225	75,225
<b>Total expenditures</b>	<b>104,134,412</b>	<b>352,885</b>	<b>34,571,564</b>	<b>139,058,861</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,118,679</b>	<b>1,691,123</b>	<b>(588,459)</b>	<b>7,221,343</b>
<b>Other financing sources (uses):</b>				
Transfers in	3,146,868	-	9,286,627	12,433,495
Transfers out	(7,519,222)	(1,269,341)	(3,450,926)	(12,239,489)
<b>Total other financing sources (uses)</b>	<b>(4,372,354)</b>	<b>(1,269,341)</b>	<b>5,835,701</b>	<b>194,006</b>
<b>Net change in fund balances</b>	<b>1,746,325</b>	<b>421,782</b>	<b>5,247,242</b>	<b>7,415,349</b>
<b>Fund balances, beginning of fiscal year</b>	<b>27,476,467</b>	<b>51,007,900</b>	<b>22,971,716</b>	<b>101,456,083</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ 29,222,792</b>	<b>\$ 51,429,682</b>	<b>\$ 28,218,958</b>	<b>\$ 108,871,432</b>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
Fiscal Year Ended June 30, 2013**

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances - total governmental funds (page 28)	\$	7,415,349
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	\$	13,488,689
Depreciation		<u>(4,874,102)</u>
		8,614,587
Governmental funds report the entire proceeds from sale of an asset as revenue because it provides current financial resources. However, in the statement of activities reports only the gain (loss) on the sale of assets. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold.		
		(1,662,004)
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments	\$	273,900
Amortization of bond premiums/discounts		(604)
Loss on defeasance		<u>(9,851)</u>
		263,445
Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.		
		3,670
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		388,322
Pension obligation change		
		5,000
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the statement of activities only the ARC is an expense.		
		(1,701,184)
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		
		(3,732)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal services funds is reported with governmental activities.		
Change in net position - Internal service funds	\$	(1,845,588)
Less: amount related to enterprise funds		<u>(1,371,981)</u>
		(473,607)
Change in net position of governmental activities (page 25)	<u>\$</u>	<u>12,849,847</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2013**

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
<b>Current assets:</b>			
Cash	\$ 1,458,830	\$ 428,238	\$ 491,727
Investments	39,186,325	11,503,103	13,208,502
Accounts receivable, net	5,257,422	1,946,029	1,474,638
Inventory	-	-	-
Prepaid assets	4,600,314	-	-
Total current assets	<u>50,502,891</u>	<u>13,877,370</u>	<u>15,174,867</u>
<b>Non-current assets:</b>			
Other assets:			
Restricted assets:			
Cash and investments with fiscal agents	1,090,739	3,095,028	5,168,895
Advances to other funds	1,536,078	437,771	-
Total other assets	<u>2,626,817</u>	<u>3,532,799</u>	<u>5,168,895</u>
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	7,414,694	13,953,411	12,295,464
Building improvements	1,954,330	741,616	2,945,645
Improvements other than building	135,310,270	56,623,518	132,572,855
Equipment	9,665,888	21,111,086	5,900,364
Underground piping	111,502,502	72,699,240	-
Other Infrastructure	-	-	16,251,997
Construction in progress	31,621,482	5,918,033	58,222,111
Less: accumulated depreciation	(141,569,581)	(90,196,488)	(71,177,247)
Total capital assets, net	<u>158,117,772</u>	<u>84,359,088</u>	<u>164,321,189</u>
Total non-current assets	<u>160,744,589</u>	<u>87,891,887</u>	<u>169,490,084</u>
Total assets	<u>211,247,480</u>	<u>101,769,257</u>	<u>184,664,951</u>
<b>Deferred Outflows of Resources</b>			
Deferred from refunding of debt	908,549	-	-
Total deferred outflows of resources	<u>908,549</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	2,358,726	1,251,830	1,830,553
Accrued interest payable	124,081	186,419	1,122,119
Salaries and benefits payable	311,280	207,009	203,030
Deposits	106,048	-	813,197
Unearned revenue	-	-	336,695
Compensated absences payable	447,250	228,084	236,166
Current portion claims payable	-	-	-
Current portion long term debt	2,328,256	675,000	1,026,753
Total current liabilities	<u>5,675,641</u>	<u>2,548,342</u>	<u>5,568,513</u>
<b>Non-current liabilities:</b>			
Long-term debt, net of current portion	56,739,048	19,161,119	46,276,632
Compensated absences payable	49,695	25,343	26,240
Other post employment benefits (OPEB) obligation	741,160	515,813	484,870
Advances from other funds	-	-	5,114,509
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	<u>57,529,903</u>	<u>19,702,275</u>	<u>51,902,251</u>
Total liabilities	<u>63,205,543</u>	<u>22,250,617</u>	<u>57,470,764</u>
<b>Net Position</b>			
Net investment in capital assets	99,050,468	64,522,969	117,017,804
Restricted for debt service	915,397	442,716	-
Unrestricted	48,984,621	14,552,955	10,176,383
Total net position	<u>\$ 148,950,486</u>	<u>\$ 79,518,640</u>	<u>\$ 127,194,187</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds  
Net position of business-type activities

See accompanying notes to the basic financial statements

Waterfront	Solid Waste	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ 262,719	\$ 13,624	\$ 335,568	\$ 2,990,706	\$ 791,603
7,057,025	365,959	9,013,827	80,334,741	21,263,611
-	2,126,169	19,162	10,823,420	176,758
-	13,581	-	13,581	689,725
-	-	-	4,600,314	-
<u>7,319,744</u>	<u>2,519,333</u>	<u>9,368,557</u>	<u>98,762,762</u>	<u>22,921,697</u>
1,394,275	-	-	10,748,937	-
269,813	-	312,173	2,555,835	817,414
<u>1,664,088</u>	<u>-</u>	<u>312,173</u>	<u>13,304,772</u>	<u>817,414</u>
878,201	-	5,286,073	19,201,133	-
3,690,671	-	5,876,451	43,230,691	105,889
3,676,562	-	170,228	9,488,381	1,323,139
53,004,685	-	10,425,545	387,936,873	976,354
1,858,233	-	3,597,366	42,132,937	20,191,499
-	-	-	184,201,742	-
-	-	-	16,251,997	-
4,688,595	-	332,586	100,782,807	527,519
(42,430,327)	-	(11,831,219)	(357,204,862)	(15,935,665)
<u>25,366,620</u>	<u>-</u>	<u>13,857,030</u>	<u>446,021,699</u>	<u>7,188,735</u>
27,030,708	-	14,169,203	459,326,471	8,006,149
<u>34,350,452</u>	<u>2,519,333</u>	<u>23,537,760</u>	<u>558,089,233</u>	<u>30,927,846</u>
598,552	-	53,319	1,560,420	-
<u>598,552</u>	<u>-</u>	<u>53,319</u>	<u>1,560,420</u>	<u>-</u>
421,786	1,361,810	132,896	7,357,601	1,153,784
403,424	-	78,986	1,915,029	-
233,914	36,584	208,677	1,200,494	280,110
550,103	-	57,081	1,526,429	-
205,901	-	41,019	583,615	-
295,445	39,698	155,102	1,401,745	336,172
-	-	-	-	3,132,109
682,786	-	147,900	4,860,695	-
<u>2,793,359</u>	<u>1,438,092</u>	<u>821,660</u>	<u>18,845,607</u>	<u>4,902,175</u>
17,332,500	-	654,500	140,163,799	-
32,827	4,411	17,234	155,750	37,353
549,661	80,317	476,271	2,848,092	-
2,316,861	-	775,000	8,206,370	-
-	-	-	-	5,093,303
<u>20,231,849</u>	<u>84,728</u>	<u>1,923,005</u>	<u>151,374,011</u>	<u>5,130,656</u>
<u>23,025,208</u>	<u>1,522,820</u>	<u>2,744,665</u>	<u>170,219,618</u>	<u>10,032,831</u>
7,351,334	-	13,054,630	300,997,205	7,188,735
-	-	-	1,358,113	-
4,572,462	996,513	7,791,784	87,074,718	13,706,280
<u>\$ 11,923,796</u>	<u>\$ 996,513</u>	<u>\$ 20,846,414</u>	<u>389,430,036</u>	<u>\$ 20,895,015</u>
			11,833,090	
			<u>\$ 401,263,126</u>	

**CITY OF SANTA BARBARA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
<b>Operating Revenues:</b>			
<b>Charges for sales and services</b>			
Sales	\$ 32,683,467	\$ 16,680,953	\$ -
Service charges	5,292,744	934,009	2,250,260
Leases and rents	22,872	-	15,088,914
Other revenues	172,484	42,852	400,500
Total operating revenues	<u>38,171,567</u>	<u>17,657,814</u>	<u>17,739,674</u>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	7,575,522	5,277,420	4,946,952
Materials, supplies and services	16,001,999	6,410,691	7,998,865
Depreciation	6,877,890	4,483,607	5,185,607
Total operating expenses	<u>30,455,411</u>	<u>16,171,718</u>	<u>18,131,424</u>
Operating income (loss)	<u>7,716,156</u>	<u>1,486,096</u>	<u>(391,750)</u>
<b>Non-operating Revenues (Expenses):</b>			
Taxes	-	-	-
Investment income	267,495	118,304	56,427
Interest expense	(1,654,730)	(770,212)	(2,744,381)
Other, net	(58,421)	(8,817)	(11,913)
Total non-operating revenues (expenses)	<u>(1,445,656)</u>	<u>(660,725)</u>	<u>(2,699,867)</u>
Income (loss) before contributions and transfers	6,270,500	825,371	(3,091,617)
Capital contributions	-	-	3,936,884
Transfers in	-	741,769	-
Transfers out	(918,418)	(100,121)	(104,641)
Change in net position	5,352,082	1,467,019	740,626
Net position, beginning of year as restated	<u>143,598,404</u>	<u>78,051,621</u>	<u>126,453,561</u>
Net position, end of year	<u>\$ 148,950,486</u>	<u>\$ 79,518,640</u>	<u>\$ 127,194,187</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds  
Change in net position of business-type activities (page 25)

See accompanying notes to the basic financial statements

<u>Waterfront</u>	<u>Solid Waste</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ -	\$ 18,747,107	\$ -	\$ 68,111,527	\$ 200,938
7,709,618	-	8,187,780	24,374,411	17,567,373
4,784,685	-	367,089	20,263,560	-
287,739	606,673	3,362	1,513,610	1,039,270
<u>12,782,042</u>	<u>19,353,780</u>	<u>8,558,231</u>	<u>114,263,108</u>	<u>18,807,581</u>
5,618,534	820,145	4,855,159	29,093,732	6,645,906
3,822,623	17,896,240	3,308,318	55,438,736	13,436,280
1,401,380	-	899,726	18,848,210	1,291,330
<u>10,842,537</u>	<u>18,716,385</u>	<u>9,063,203</u>	<u>103,380,678</u>	<u>21,373,516</u>
<u>1,939,505</u>	<u>637,395</u>	<u>(504,972)</u>	<u>10,882,430</u>	<u>(2,565,935)</u>
-	-	966,291	966,291	-
107,371	-	32,529	582,126	56,354
(1,054,804)	-	(61,244)	(6,285,371)	-
(37,696)	-	-	(116,847)	-
<u>(985,129)</u>	<u>-</u>	<u>937,576</u>	<u>(4,853,801)</u>	<u>56,354</u>
954,376	637,395	432,604	6,028,629	(2,509,581)
318,641	-	-	4,255,525	-
-	-	43,500	785,269	1,063,000
<u>(90,978)</u>	<u>(61,671)</u>	<u>(367,439)</u>	<u>(1,643,268)</u>	<u>(399,007)</u>
1,182,039	575,724	108,665	9,426,155	(1,845,588)
<u>10,741,757</u>	<u>420,789</u>	<u>20,737,749</u>		<u>22,740,603</u>
<u>\$ 11,923,796</u>	<u>\$ 996,513</u>	<u>\$ 20,846,414</u>		<u>\$ 20,895,015</u>
			(1,371,981)	
			<u>\$ 8,054,174</u>	

**CITY OF SANTA BARBARA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Fiscal Year Ended June 30, 2013**

	Water	Wastewater	Airport	Waterfront
<b>Cash flows from operating activities:</b>				
Cash received from services	\$ 37,933,389	\$ 17,232,418	\$ 1,599,165	\$ 7,710,167
Cash received from rents and leases	22,872	-	15,092,403	4,743,773
Cash payments for goods and services	(18,133,864)	(7,054,900)	(6,728,909)	(4,014,160)
Cash payments to employees for services	(7,416,649)	(5,191,335)	(4,861,191)	(5,525,538)
Cash received (returned) for deposits	7,407	-	(101,609)	10,161
Other operating receipts	172,484	42,852	400,500	287,739
Other operating disbursements	-	-	-	-
Net cash provided (used) by operating activities	<u>12,585,639</u>	<u>5,029,035</u>	<u>5,400,359</u>	<u>3,212,142</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	-	741,769	-	-
Transfers to other funds	(918,418)	(100,121)	(104,641)	(90,978)
Received from (paid to) other funds	89,058	84,134	(130,707)	(361,681)
Cash received from taxes and assessments	-	-	-	-
Cash received (used) from other sources	(58,421)	(8,816)	(11,913)	(37,696)
Net cash provided (used) by non-capital financing activities	<u>(887,781)</u>	<u>716,966</u>	<u>(247,261)</u>	<u>(490,355)</u>
<b>Cash flows from capital and related financing activities:</b>				
Proceeds from capital debt	34,347,061	4,947,193	-	1,689,655
Proceeds from capital grants and contributions	-	-	3,936,884	318,641
Payments on long term debt	(25,468,449)	(646,183)	(951,906)	(624,498)
Acquisition of capital assets	(20,349,198)	(9,054,689)	(4,961,515)	(3,350,881)
Interest paid on debt	(1,762,610)	(700,792)	(2,761,681)	(952,290)
Net cash used for capital and related financing activities	<u>(13,233,196)</u>	<u>(5,454,471)</u>	<u>(4,738,218)</u>	<u>(2,919,373)</u>
<b>Cash flows from investing activities:</b>				
Cash received on investments	267,495	118,304	56,427	107,371
Proceeds from sales and maturities of investments	40,346,141	11,098,921	11,374,984	7,271,580
Purchase of investments	(39,186,325)	(11,503,103)	(13,208,502)	(7,057,025)
Net cash provided (used) by investing activities	<u>1,427,311</u>	<u>(285,878)</u>	<u>(1,777,091)</u>	<u>321,926</u>
Net increase (decrease) in cash and cash equivalents	(108,027)	5,652	(1,362,211)	124,340
Cash and cash equivalents, beginning of fiscal year	<u>2,657,596</u>	<u>3,517,614</u>	<u>7,022,833</u>	<u>1,532,654</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,549,569</u>	<u>\$ 3,523,266</u>	<u>\$ 5,660,622</u>	<u>\$ 1,656,994</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 7,716,156	\$ 1,486,096	\$ (391,750)	\$ 1,939,505
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	6,877,890	4,483,607	5,185,607	1,401,380
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	(42,822)	(382,544)	(651,095)	549
(Increase) decrease in inventories	-	-	-	-
(Increase) decrease in prepaid assets	(482,926)	-	-	-
Increase (decrease) in accounts payable	(1,648,939)	(644,208)	1,269,956	(191,537)
Increase (decrease) in accrued salaries payable	33,678	1,240	8,318	1,608
Increase (decrease) in deferred revenue	-	-	3,489	(40,912)
Increase (decrease) in accrued compensated absences	(26,761)	(26,116)	(12,979)	(21,659)
Increase (decrease) in OPEB accrual	151,956	110,961	90,422	113,047
Increase (decrease) in accrued claims	-	-	-	-
Increase (decrease) in deposits	7,407	-	(101,609)	10,161
Net cash provided (used) by operating activities	<u>\$ 12,585,639</u>	<u>\$ 5,029,035</u>	<u>\$ 5,400,359</u>	<u>\$ 3,212,142</u>
<b>Noncash investing, capital, and financing activities:</b>				
Change in fair value of investments	\$ (429,546)	\$ (122,417)	\$ (136,746)	\$ (75,451)

See accompanying notes to the basic financial statements

Solid Waste	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ 18,735,457	\$ 8,248,091	\$ 91,458,687	\$ 17,412,700
-	367,089	20,226,137	-
(18,188,946)	(3,317,511)	(57,438,289)	(9,933,435)
(809,325)	(4,810,655)	(28,614,692)	(6,719,501)
-	-	(84,041)	-
606,673	4,189	1,514,437	1,240,208
-	3,362	3,362	-
<u>343,859</u>	<u>494,566</u>	<u>27,065,601</u>	<u>1,999,972</u>
-	43,500	785,269	1,063,000
(61,671)	(367,439)	(1,643,268)	(399,007)
-	(6,849)	(326,045)	(223,060)
-	966,291	966,291	-
-	-	(116,846)	-
<u>(61,671)</u>	<u>635,503</u>	<u>(334,599)</u>	<u>440,933</u>
-	-	40,983,909	-
-	-	4,255,525	-
-	(130,436)	(27,821,472)	-
-	(150,565)	(37,866,848)	(1,805,905)
-	(44,549)	(6,221,922)	-
<u>-</u>	<u>(325,550)</u>	<u>(26,670,808)</u>	<u>(1,805,905)</u>
-	307,529	857,126	56,353
95,576	8,083,517	78,270,719	20,964,896
<u>(365,959)</u>	<u>(9,013,828)</u>	<u>(80,334,742)</u>	<u>(21,263,611)</u>
<u>(270,383)</u>	<u>(622,782)</u>	<u>(1,206,897)</u>	<u>(242,362)</u>
11,805	181,737	(1,146,703)	392,638
<u>1,819</u>	<u>153,831</u>	<u>14,886,347</u>	<u>398,964</u>
<u>\$ 13,624</u>	<u>\$ 335,568</u>	<u>\$ 13,739,643</u>	<u>\$ 791,602</u>
\$ 637,395	\$ (504,972)	\$ 10,882,430	\$ (2,565,935)
-	899,726	18,848,210	1,291,330
61,697	57,123	(957,092)	(154,673)
(8,602)	-	(8,602)	9,314
-	-	(482,926)	-
(284,104)	(9,193)	(1,508,025)	623,717
3,862	12,877	61,583	10,687
-	3,188	(34,235)	-
(8,723)	(53,126)	(149,363)	(84,282)
15,681	84,753	566,820	-
-	4,189	4,189	2,869,814
<u>(73,347)</u>	<u>-</u>	<u>(157,388)</u>	<u>-</u>
<u>\$ 343,859</u>	<u>\$ 494,566</u>	<u>\$ 27,065,601</u>	<u>\$ 1,999,972</u>
\$ -	\$ (87,295)	\$ (938,750)	\$ (151,679)

**CITY OF SANTA BARBARA**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2013**

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
<b><u>Assets</u></b>			
<b>Current assets:</b>			
Cash	\$ -	\$ 242,464	\$ 57,083
Investments	-	6,512,942	1,533,316
Accounts receivable, net	-	-	27,864
Loans receivable	-	3,500,000	2,079,843
Total current assets	-	10,255,406	3,698,106
<b>Noncurrent assets:</b>			
Cash and investments with fiscal agents:			
Cash and cash equivalents	-	11,452,679	-
Other investments	563,449	-	-
Total other assets	563,449	11,452,679	-
Capital Assets:			
Land	-	40,429,911	-
Buildings	-	26,340,653	-
Building improvements	-	9,692,403	-
Improvements other than building	-	33,349,349	-
Equipment	-	603,500	-
Construction in progress	-	2,000,243	-
Infrastructure	-	13,331,968	-
Less: accumulated depreciation	-	(29,458,999)	-
Total capital assets, net	-	96,289,028	-
Total non-current assets	563,449	107,741,707	-
Total assets	563,449	117,997,113	\$ 3,698,106
<b><u>Deferred Outflows of Resources</u></b>			
Deferred from refunding of debt	-	113,229	
Total deferred outflows of resources	-	113,229	
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	-	175,412	\$ 2,625
Accrued benefits payable	-	3,608	-
Interest Payable	-	612,980	-
Due to Other Governments	660,661	-	-
Current portion long-term debt	-	6,195,000	9,241
Total current liabilities	660,661	6,987,000	11,866
<b>Noncurrent liabilities:</b>			
Long-term debt, net of current portion	-	35,783,450	-
Trust liabilities	-	-	221,583
Contributions	-	-	3,464,657
Total noncurrent liabilities	-	35,783,450	3,686,240
Total liabilities	660,661	42,770,450	\$ 3,698,106
<b><u>Net Position</u></b>			
Held in trust for pension benefits and other purposes:			
Employees' pension benefit	(97,212)	-	
Police	-	80,817	
Library	-	2,120,555	
Successor Agency of the Former RDA	-	73,138,520	
Total net position	\$ (97,212)	\$ 75,339,892	

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
Fiscal Year Ended June 30, 2013**

	Pension Trust Funds	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Intergovernmental	\$ -	\$ 8,072,242
Donations	-	506,269
Investment earnings:		
Net appreciation (depreciation) in fair value of investments	24,426	-
Interest	8,908	12,787
Dividends	9,750	-
Total investment earnings	43,084	12,787
Less investment expense	(6,343)	-
Net investment income	36,741	12,787
Total additions	36,741	8,591,298
<b>Deductions</b>		
Salaries, wages and benefits	-	139,036
Materials, supplies and services	-	431,227
Benefits	175,058	-
Community services	-	541,712
Reimbursement of Taxes to County	-	15,958,047
Interest Expense	-	2,121,561
Depreciation Expense	-	1,843,452
Total deductions	175,058	21,035,035
Net increase (decrease)	(138,317)	(12,443,737)
Net position, beginning of fiscal year as restated	41,105	87,783,629
Net position, end of fiscal year	\$ (97,212)	\$ 75,339,892

See accompanying notes to the basic financial statements



**Notes To The  
Basic Financial Statements**

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Santa Barbara, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (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. 61, "The Financial Reporting Entity" (formerly GASB 14 and 39). The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members and a mayor, all of whom are elected at-large. The current City Charter was adopted on May 2, 1967 and provides for the following services: public safety (police and fire), construction and maintenance of highways and streets, sanitation, culture and recreation, public improvements, planning, zoning and general administration. Enterprise funds, operated in a manner similar to a private business, include water, wastewater, solid waste, airport, parking, golf and waterfront.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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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.
- 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 haulers, and franchise and recycling fees paid by haulers that are used for recycling programs in the City.

Additionally, the City reports the following fund types:

- *Internal Service Funds* account for 1) a maintenance facility for fleet and motor pool equipment used by all City departments and City-wide building maintenance operations, 2) Information Systems and computer support services, and 3) self-insurance operations of workers' compensation, unemployment, and general liability insurance coverage.
- *Private Purpose Trust Funds* are used to account for 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 book replacement; and 3) the contributions made for the Police Canine Unit program. All resources of the funds,

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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including any earnings on invested resources, may be used to support these activities. There is no requirement that any portion of these resources be preserved as capital.

- The *Pension Trust Funds* account for the activities of the Safety Retirement Fund and the Service Retirement Fund that accumulates resources for pension benefit payments to qualified safety employees.
- *Agency Funds* are used to report resources held by the City in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**C. Measurement Focus and Basis of Accounting**

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

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Grant funds earned but not received by the end of the fiscal period are recorded as a receivable, and revenue is recognized if collected within 150 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.

**D. Adoption of New Accounting Pronouncement**

The City implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" GASB 65, among other things, amends prior guidance with respect to the treatment of debt issuance costs. Debt issuance costs should be recognized in the period incurred rather than reported on the statement of net position as deferred charges and recognized systematically over the life of the debt. The accounting changes of this statement should be applied retroactive and therefore the City has reported a restatement of beginning net position for any unamortized debt issuance costs (deferred charges) previously reported on the statement of net position to conform.

**E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the Primary Government.

**F. Interfund Activities**

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net 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.

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**Notes to the Basic Financial Statements**  
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**G. Description of Program Revenue**

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

**H. Definition of Operating and Non-operating Revenues**

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Non-operating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The principal operating revenues of the water, wastewater, solid waste, parking, golf, airport and waterfront enterprise funds and the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue service charges, leases and rents, and miscellaneous revenue. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**I. Net Position Flow Assumption**

At times the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**J. Fund Balance Flow Assumption**

At times the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**K. 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.

**L. 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.

**M. Investment Policies**

Effective July 1, 1997, the City adopted the provisions of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and External Investments Pools*, which requires that governmental entities, including governmental

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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, 2013, the fair value of the City's position in LAIF is the same as the value of the pool shares. Investments held in the Pension Trust Funds are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

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

**N. Receivables and Payables**

Interfund transactions are reflected as either: loans, services, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the *governmental activities* and the *business-type activities* are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable amount in applicable governmental funds to indicate that they are not currently available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Loans receivable in the governmental funds include the City Housing Fund, Community Development Block Grant loans, Home Investment Partnership loans, loans held with the Successor Agency, Water fund loans and Employee Mortgages. A portion of fund balance is classified as nonspendable for the Employee Mortgages due to the long-term nature of loans.

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

**O. Inventories and Prepaid Assets**

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

**P. Capital Assets**

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide basic financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in results of operations. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	10-100

The City has networks of infrastructure assets such as roads, water and wastewater treatment plants, drainage systems and sidewalks. The streets pavement subsystem of the road network is reported using the modified approach. The City has established a pavement condition assessment process. Approximately one-third of the entire sub-system is assessed on a rotating basis each year. The City's streets pavement subsystem has been classified as roads with or without formal structural sections. Each road segment is rated and given a Pavement Condition Index (PCI) value from zero to one hundred (0-100), where PCI's of 40 or higher are assigned to be in "Fair" or better condition, and roads with PCI's of 55 or higher to be in "Good" or better condition. Accordingly, depreciation is not reported for this subsystem and all costs, except for betterments and major improvements made to the subsystem, are expensed rather than capitalized.

**Q. Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement Number 63 and GASB Statement Number 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 4 and Note 10 for a detailed listing of the deferred outflows and deferred inflows of resources the City has recognized.

**R. Classification of Net Position**

In the Government-wide financial statements, net position is 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.

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- *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.

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.

**S. 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, 2013, 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.

**T. 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 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”.

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**U. 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 statement of net position 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.

**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.

**W. Allocated Costs Policy**

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

**X. GASB Statement No. 51 Implementation**

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

**NOTE 2. DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash	\$ 5,206,611
Investments	139,857,215
Cash and investments with fiscal agents	11,310,106
Fiduciary funds:	
Cash	299,547
Investments	8,046,258
Cash and investments with fiscal agents	12,016,128
Total cash and investments	<u>\$ 176,735,865</u>

Cash and investments as of June 30, 2013 consist of the following:

Cash on hand	\$ 50,740
Demand deposit accounts with financial institution:	5,455,418
Investments	171,229,707
Total cash and investments	<u>\$ 176,735,865</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

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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 until December 31, 2013. After this date, the limit for FDIC insured deposits will revert to \$100,000, unless an extension is again granted. As of June 30, 2013, the City maintains cash deposits that are partially insured by FDIC insurance. All uninsured cash deposited are fully collateralized.

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

The table on the next page identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by trustees/fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits/Non-Negotiable CD's	5 years	None	None
State Investment Pool (LAIF)	N/A	\$50 million*	N/A

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

**Investments Authorized by Debt Agreements**

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

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

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**Disclosures Relating to Interest Rate Risk**

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

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

<u>Investment Type</u>		<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 10,305,780	2.8
U.S. Agency Securities	81,348,810	3
Corporate Medium Term Notes	10,238,500	1.5
Certificates of Deposit	8,000,000	2.7
State Investment Pool (LAIF)	38,010,382	N/A
Held by Trustees/Fiscal Agents:		
Money Market Funds	19,281,030	N/A
State Investment Pool (LAIF)	47,427	N/A
Corporate Bonds	271,776	
Investment Contracts	3,726,002	N/A
Total	\$ 171,229,707	

**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:

<u>Investment Type</u>	<u>Market Value of Investment</u>	<u>Min. Legal Rating</u>	<u>Not Required To Be Rated</u>	<u>Rating as of Year End</u>						
				<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>AA-</u>	<u>A- and Above</u>	<u>Unrated</u>	
U.S. Treasury Notes	\$ 10,305,780	N/A	\$ -	\$ 10,305,780	\$ -	\$ -	\$ -	\$ -	\$ -	
U.S. Agency Securities	81,348,810	N/A	-	-	81,348,810	-	-	-	-	
Corporate Med Term Notes	10,238,500	A	-	-	4,066,960	2,079,800	4,091,740	-	-	
Certificates of Deposit	8,000,000	Collateralized	-	-	-	-	-	-	8,000,000	
State Investment Pool (LAIF)	38,010,382	N/A	-	-	-	-	-	-	38,010,382	
Held by Trustees/Fiscal Agents:										
Money Market Funds	19,281,030	N/A	-	-	-	-	-	-	19,281,030	
State Investment Pool (LAIF)	47,427	N/A	-	-	-	-	-	-	47,427	
Corporate Bonds	271,776	N/A	-	-	-	-	-	102,889	168,887	
Investment Contracts	3,726,002	N/A	3,726,002	-	-	-	-	-	-	
Total	\$ 171,229,707		\$ 3,726,002	\$ 10,305,780	\$ 85,415,770	\$ 2,079,800	\$ 4,091,740	\$ 102,889	\$ 65,507,726	

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**Disclosure Relating to Concentration of Credit Risk**

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>%</u>
US Treasury Note	U.S. Treasury Securities	\$ 10,305,780	6.0
Federal Home Loan Bank	U.S. Agency Securities	24,619,310	14.4
Federal Home Loan Mortgage Corp.	U.S. Agency Securities	23,872,560	13.9
Federal Natl Mortgage Assn	U.S. Agency Securities	26,772,480	15.6

**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, 2013, \$11,919,663 was collateralized in accordance with Section 53652 of the California Government Code by the pledging financial institution in the City's name.

**Investment in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**NOTE 3. UNEARNED REVENUE**

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position, as well as governmental and proprietary funds, defers revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for unearned revenue.

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At June 30, 2013, the various components of unearned revenue reported are as follows:

	Unearned
<b>Governmental Activities:</b>	
General Fund:	
Deferred business license tax	\$ 1,262,063
Early Retiree Reinsurance Program reimbursement	184,012
Nonmajor Governmental Funds:	
Advances on federal grants for low-income housing	42,153
Advances on grants for streets projects	684,102
Total governmental funds	\$ 2,172,330
 <b>Business-Type Activities:</b>	
Airport Fund:	
Prepaid lease revenue	\$ 336,695
Golf Course Fund:	
Golf gift cards	41,019
Waterfront Fund:	
Prepaid lease and slipholder revenue	205,901
Total business-type activities	\$ 583,615

**NOTE 4. DEFERRED OUTFLOWS OF RESOURCES**

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

Deferred outflows of resources balances for the year ended June 30, 2013 were as follows:

	June 30, 2013
<b>Governmental Activities</b>	
2002 Municipal Certificates of Participation refunding	\$ 49,254
<b>Business-Type Activities</b>	
2002 Waterfront Certificates of Participation refunding	\$ 598,552
2002 Golf Municipal Certificates of Participation refunding	53,319
2013 Water Certificates of Participation refunding	908,549
Total business-type activities	\$ 1,560,420
<b>Fiduciary</b>	
2003 Redevelopment Agency Tax Allocation Bonds refunding	\$ 113,229

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

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013	Internal Service Fund Activity	Total Governmental Capital Assets
<b>Governmental Activities:</b>						
Non-depreciating capital assets:						
Construction in progress	\$ 26,318,049	\$ 10,709,693	\$ (13,319,989)	\$ 23,707,753	\$ 527,519	\$ 24,235,272
Land	11,317,917	-	(583,854)	10,734,063	-	10,734,063
Streets	160,101,179	-	-	160,101,179	-	160,101,179
Total non-depreciating capital assets	<u>197,737,145</u>	<u>10,709,693</u>	<u>(13,903,843)</u>	<u>194,542,995</u>	<u>527,519</u>	<u>195,070,514</u>
Depreciating capital assets:						
Buildings	25,903,562	-	-	25,903,562	105,889	26,009,451
Building improvements	8,330,693	245,197	-	8,575,890	1,323,139	9,899,029
Improvements other than buildings	18,515,935	3,135,332	-	21,651,267	976,354	22,627,621
Equipment	12,542,779	262,706	(221,780)	12,583,705	20,191,499	32,775,204
Infrastructure	129,214,841	11,377,600	-	140,592,441	-	140,592,441
Total depreciating capital assets	<u>194,507,810</u>	<u>15,020,835</u>	<u>(221,780)</u>	<u>209,306,865</u>	<u>22,596,881</u>	<u>231,903,746</u>
Less accumulated depreciation:						
Buildings	12,197,969	458,195	-	12,656,164	105,889	12,762,053
Building improvements	3,628,335	172,875	-	3,801,210	80,395	3,881,605
Improvements other than buildings	7,210,247	716,840	-	7,927,087	110,413	8,037,500
Equipment	9,144,724	953,038	(221,780)	9,875,982	15,638,968	25,514,950
Infrastructure	60,320,678	2,573,155	-	62,893,833	-	62,893,833
Total accumulated depreciation	<u>92,501,953</u>	<u>4,874,103</u>	<u>(221,780)</u>	<u>97,154,276</u>	<u>15,935,665</u>	<u>113,089,941</u>
Total capital assets, being depreciated, net	<u>102,005,857</u>	<u>10,146,732</u>	<u>-</u>	<u>112,152,589</u>	<u>6,661,216</u>	<u>118,813,805</u>
Governmental activities capital assets, net	<u>\$ 299,743,002</u>	<u>\$ 20,856,425</u>	<u>\$ (13,903,843)</u>	<u>\$ 306,695,584</u>	<u>\$ 7,188,735</u>	<u>\$ 313,884,319</u>

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

Governmental activities:

Administration	\$ 85,661
Public safety	128,481
Public works	4,002,837
Community services	501,717
Community development	<u>155,407</u>
General governmental depreciation	4,874,103
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	<u>1,291,330</u>
Total depreciation expense - governmental activities	<u>\$ 6,165,433</u>

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	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013
<b>Business-Type Activities:</b>				
Non-depreciating capital assets:				
Land	\$ 19,201,133	\$ -	\$ -	\$ 19,201,133
Construction in progress	84,599,589	25,701,550	(9,518,332)	100,782,807
Total non-depreciating capital assets	<u>103,800,722</u>	<u>25,701,550</u>	<u>(9,518,332)</u>	<u>119,983,940</u>
Depreciating capital assets:				
Buildings	43,230,691	-	-	43,230,691
Building improvements	9,273,151	215,230	-	9,488,381
Other improvements and drainage	374,506,924	13,429,949	-	387,936,873
Equipment	38,617,168	3,515,769	-	42,132,937
Underground piping	179,679,060	4,522,682	-	184,201,742
Infrastructure	16,251,997	-	-	16,251,997
Total depreciating capital assets	<u>661,558,991</u>	<u>21,683,630</u>	<u>-</u>	<u>683,242,621</u>
Less accumulated depreciation:				
Buildings	26,208,088	911,185	-	27,119,273
Building improvements	3,156,065	239,449	-	3,395,514
Other improvements and drainage	176,880,920	10,086,698	-	186,967,618
Equipment	22,887,314	3,093,529	-	25,980,843
Underground piping	101,673,515	4,185,014	-	105,858,529
Infrastructure	7,550,750	332,335	-	7,883,085
Total accumulated depreciation	<u>338,356,652</u>	<u>18,848,210</u>	<u>-</u>	<u>357,204,862</u>
Total capital assets, being depreciated, net	<u>323,202,339</u>	<u>2,835,420</u>	<u>-</u>	<u>326,037,759</u>
Business-type activities capital assets, net	<u>\$ 427,003,061</u>	<u>\$ 28,536,970</u>	<u>\$ (9,518,332)</u>	<u>\$ 446,021,699</u>

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

Business-type activities:

Water	\$ 6,877,890
Wastewater	4,483,607
Airport	5,185,607
Waterfront	1,401,380
Downtown parking	671,552
Golf	228,174
Total depreciation expense - business-type activities	<u>\$ 18,848,210</u>

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
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**NOTE 6. INTER-FUND AND INTER-GOVERNMENTAL RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of inter-fund and inter-governmental balances as of June 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
<b>Governmental Activities:</b>	<b>Governmental Activities:</b>	
General Fund	Home Program Fund	\$ 283,578
	Disaster Recovery Initiative Fund	121,591
	FEMA Reimbursement Fund	317,242
	Police - Supplemental Law Enforcement Fund	62,576
	Streets Grant Capital Fund	6,320,248
		<u>\$ 7,105,235</u>
	<b><u>Due to/from other governments</u></b>	
Receivable Fund	Payable Fund	Amount
<b>Governmental Activities:</b>	<b>Fiduciary:</b>	
General Fund	Safety Retirement Fund	\$ 660,661
	CA Law Enforcement Telecom System Fund	9,241
		<u>\$ 669,902</u>
	<b><u>Advances to/from other funds</u></b>	
Receivable Fund	Payable Fund	Amount
<b>Governmental Activities:</b>	<b>Business Type Activities:</b>	
General Fund	Golf Course Fund	\$ 500,000
General Fund	Waterfront Fund	2,316,861
Vehicle Capital Fund	Golf Course Fund	275,000
General Fund	Airport Fund	1,582,208
Creek Restoration Fund		328,769
Transportation Development Fund		9,082
County Library Fund		13,686
Measure "D" Fund		36,041
Measure "A" Fund		46,474
Self-Insurance Fund		184,576
Vehicle Capital Fund		357,838
		<u>2,558,674</u>
<b>Business Type Activities:</b>	<b>Business Type Activities:</b>	
Water Fund	Airport Fund	1,536,078
Wastewater Fund		437,771
Downtown Parking Fund		285,659
Golf Course Fund		26,514
Waterfront Fund		269,813
		<u>2,555,835</u>
		<u>\$ 8,206,370</u>

The interfund balances at June 30, 2013, are generally short-term loans to cover temporary cash deficits in various funds.

**CITY OF SANTA BARBARA**  
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The City's General Fund has periodically advanced money to the Waterfront Fund. These advances, totaling \$2,316,861 at June 30, 2013, were for the purposes of rehabilitation of the Stearns Wharf, development of a waterfront parking program, and construction of administrative offices and remodel of the Chandlery Building. The Stearns Wharf advance has a balance of \$1,088,587 at June 30, 2013, and bears interest at 6%. The Chandlery Building advance has a balance of \$1,228,274 at June 30, 2013, and bears interest at the City's portfolio rate of return. Both advances have payments due annually.

The City's General Fund advanced money to the Golf Course Enterprise Fund. These advances, totaling \$500,000 at June 30, 2013, were for the purposes of the Golf Safety Improvement Master Plan. The advance bears interest at 4%, with payments due annually. Various City funds advanced money to the Airport Fund for a total amount of \$7,300,000 in July 2009. The advance was 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 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.

A summary of interfund transfers during the year follows:

<i>Fund Transferred</i>  <i>From</i>	<i>Fund Transferred To</i>					Total
	General	Other	Waste-	Non-Major	Internal	
	Fund	Govt Funds	water	Proprietary	Service	
<b>Governmental Funds</b>						
General Fund	\$ -	\$ 7,055,722	\$ -	\$ 43,500	\$ 420,000	\$ 7,519,222
Affordable Housing	1,269,341	-	-	-	-	1,269,341
Other Govt Funds	1,174,399	2,230,905	-	-	45,622	3,450,926
<b>Internal Service Funds</b>	356,007	-	-	-	43,000	399,007
<b>Enterprise Funds</b>						
Water	-	-	741,769	-	176,649	918,418
Wastewater	-	-	-	-	100,121	100,121
Solid Waste	50,000	-	-	-	11,671	61,671
Airport	-	-	-	-	104,641	104,641
Waterfront	-	-	-	-	90,978	90,978
Non-Major Proprietary	297,121	-	-	-	70,318	367,439
<b>Total</b>	<b>\$ 3,146,868</b>	<b>\$ 9,286,627</b>	<b>\$ 741,769</b>	<b>\$ 43,500</b>	<b>\$ 1,063,000</b>	<b>\$ 14,281,764</b>

The most significant interfund transfers related to the following:

1. Transfers from the General Fund to Other Governmental Funds primarily represent transfers to the General Capital Improvements Fund of one-time revenues and 50% of the General Fund surplus pursuant to City reserve policies for future appropriation for capital programs.
2. Transfers from Other Governmental Funds to Other Governmental Funds are primarily comprised of capital outlay transfers from the Creeks Fund to the Creeks Capital Fund for capital projects and operating transfers from the Creeks Fund and Streets Fund to the Street Sweeping Fund for street sweeping services.
3. Transfers from all funds into the Information Systems Internal Service Fund were to fund the replacement of the City's financial management system.

**CITY OF SANTA BARBARA**  
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4. Transfers from the Affordable Housing fund to the General Fund represent revenues previously received by the former Redevelopment Agency to be used to subsidize or encourage the development of new or the maintenance or preservation of existing, lower cost visitor-serving accommodations. With the dissolution of the Agency, these funds will be accounted for in the General Fund and reserved for their intended purpose.
5. Transfers from Other Governmental Funds to the General Fund represent a transfer of Overnight Accommodation Mitigation funds from the City Affordable Housing Fund to a reserve account in the General Fund. The funds are intended to be used to subsidize or encourage the development of new, or the maintenance or preservation of existing, lower cost visitor-serving accommodations.

**NOTE 7. LONG-TERM DEBT**

The City has issued debt in both the governmental and business-type activities to provide funds for the acquisition and construction of major capital facilities. The types of debt include (1) Revenue Bonds where the City pledges income derived from a business-type activity to pay debt service, (2) tax allocation bonds where property tax allocations of the former Redevelopment Agency were pledged to pay debt service, (3) certificates of participation that pledge general government revenue to pay base rent payments to the Santa Barbara Public Financing Corporation for real property and improvements owned by the City, and (4) loans from other governmental agencies. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. The claims liability item is generally liquidated by the general fund (see note 11).

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Beginning Balance July 1, 2012	Additions	Deductions	Ending Balance June 30, 2013	Due Within One Year	Due in More Than One Year
<b><u>Governmental Activities</u></b>						
Certificates of participation	\$ 1,831,500	\$ -	\$ 273,900	\$ 1,557,600	\$ 287,100	\$ 1,270,500
Unamortized debt discount	(3,624)	-	(604)	(3,020)	-	(3,020)
Governmental funds debt issues	1,827,876	-	273,296	1,554,580	287,100	1,267,480
Compensated absences	7,074,371	5,638,401	6,111,005	6,601,767	5,941,590	660,177
Claims liability	5,355,598	5,514,894	2,645,080	8,225,412	3,132,109	5,093,303
Governmental activity Long-term liabilities	14,257,845	11,153,295	9,029,381	16,381,759	9,360,799	7,020,960
<b><u>Business-Type Activities</u></b>						
Revenue bonds	65,020,000	-	3,585,000	61,435,000	1,575,000	59,860,000
Certificates of participation	25,908,500	22,680,000	11,811,100	36,777,400	2,222,900	34,554,500
Loans	41,885,356	19,778,910	16,593,304	45,070,962	1,062,795	44,008,167
Unamortized debt premium	121,236	2,881,210	7,578	2,994,868	-	2,994,868
Unamortized debt discount	(1,179,847)	(121,792)	(47,903)	(1,253,736)	-	(1,253,736)
	131,755,245	45,218,328	31,949,079	145,024,494	4,860,695	140,163,799
Compensated absences	1,706,857	1,325,060	1,474,422	1,557,495	1,401,745	155,750
Business-type activity Long-term liabilities	133,462,102	46,543,388	33,423,501	146,581,989	6,262,440	140,319,549
<b>Total debt activity</b>	<b>\$ 147,719,947</b>	<b>\$ 57,696,683</b>	<b>\$ 42,452,882</b>	<b>\$ 162,963,748</b>	<b>\$ 15,623,239</b>	<b>\$ 147,340,509</b>

**CITY OF SANTA BARBARA**  
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A description of long-term obligations outstanding at June 30, 2013, by category follows:

<b><u>Governmental Activities</u></b>	Amount Outstanding June 30, 2013
<b>Certificates of Participation</b>	
<i>General Fund:</i>	
<p><i>\$4,184,400</i> - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements in the City's Municipal Improvements Program. Remaining annual installments range from \$287,100 to \$339,900 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.</p>	\$ 1,557,600
Total governmental activities	<u>\$ 1,557,600</u>
<b><u>Business-Type Activities</u></b>	
<b>Revenue Bonds</b>	
<i>Wastewater Fund:</i>	
<p><i>\$20,410,000</i> - 2004A sewer revenue serial bonds. Bond proceeds are used to provide funds for the acquisition of certain capital improvements to the Wastewater system. Remaining annual installments range from \$675,000 to \$1,290,000 through May 1, 2029. Interest rates range from 2.4% to 4.7% payable semi-annually.</p>	\$ 15,030,000
<i>Airport Fund:</i>	
<p><i>\$47,270,000</i> - 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 \$900,000 to \$2,995,000 through July 1, 2039.</p>	46,405,000
Total revenue bonds	<u>61,435,000</u>
<b>Certificates of Participation</b>	
<i>Waterfront Fund:</i>	
<p><i>19,405,000</i> - 2002 Waterfront Refunding Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara 1992 Certificates of Participation, which were used to finance capital improvements at the waterfront. Remaining annual installments range from \$600,000 to \$1,230,000 through October 1, 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually.</p>	13,295,000
<i>Golf Fund:</i>	
<p><i>\$2,155,600</i> - 2002 Refunding Municipal Certificates of Participation. Certificates issued to provide funds in order to refund the outstanding City of Santa Barbara Refunding Certificates of Participation Series 1993, which were used to finance capital improvements at the golf course. Remaining annual installments range from \$147,900 to \$175,100 through August 1, 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.</p>	802,400
<i>Water Fund:</i>	
<p><i>\$22,680,000</i> - 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 installments range from \$1,360,000 to \$2,055,000 through October 1, 2026. Interest rates range from 2.0% to 6.85% payable semi-annually.</p>	22,680,000
Total certificates of participation	<u>36,777,400</u>

**CITY OF SANTA BARBARA**  
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**Loans Payable**

Water Fund:

*\$17,900,849* - California Department of Health Services Safe Drinking Water State Revolving Fund loan. Funds used to assist in financing construction of a project which will enable the City to meet safe drinking water standards. Due in semi-annual payments of \$572,123. Interest is 2.5132% per annum. The final payment is due July 1, 2025.

11,790,444

*\$29,283,000* 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. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 2.5017% per annum.

21,837,442

Wastewater Fund:

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

603,521

*\$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. Once the project is complete, the total amount borrowed will be repaid to the State with semi-annual payments for 20 years. Interest is 2.6% per annum.

4,343,672

Airport Fund:

*\$2,450,339* - State Department of Transportation Loan. Funds used to finance capital improvements at the airport. Due in 17 annual payments of \$218,714. Interest is 5.0843% per annum. The final payment is due June 30, 2024.

1,808,708

Waterfront Fund:

*\$9,101,000* - State Department of Boating and Waterways loan. Funds used to finance capital improvements at the marina. Interest is 4.5% per annum. Once all phases of the project are complete, the total amount borrowed will be repaid to the State with fixed annual principal and interest payments due each year on August 1 for 30 years.

4,687,175

Total loans payable

45,070,962

Total business-type activities

\$ 143,283,362

**CITY OF SANTA BARBARA**  
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**June 30, 2013**

The annual requirements to amortize all long-term debt outstanding as of June 30, 2013 are as follows:

Fiscal Year Ending	Governmental Activities		Business-Type Activities		
	Certificates of Participation	Principal Payments			
		Revenue Bonds	Certificates of Participation	Other Loans	Total
2014	\$287,100	\$1,575,000	\$2,222,900	\$1,062,795	\$5,147,795
2015	300,300	1,635,000	2,149,700	2,304,822	6,389,822
2016	306,900	1,700,000	2,213,100	5,367,133	9,587,133
2017	323,400	1,780,000	2,301,600	2,594,732	6,999,732
2018	339,900	1,855,000	2,385,100	2,664,611	7,244,611
2019-2023	-	10,550,000	12,610,000	14,439,163	37,599,163
2024-2028	-	13,190,000	12,895,000	12,006,628	38,091,628
2029-2033	-	10,965,000	0	3,839,606	14,804,606
2034-2038	-	12,340,000	0	420,052	12,760,052
2039-2043	-	5,845,000	0	371,420	6,216,420
<b>Total Principal</b>	<b>\$1,557,600</b>	<b>\$61,435,000</b>	<b>\$36,777,400</b>	<b>\$45,070,962</b>	<b>\$144,840,962</b>

Fiscal Year Ending	Interest Payments				Total
2014	\$63,647	\$2,903,450	\$1,381,602	\$528,116	\$4,876,815
2015	50,976	2,841,775	1,450,682	1,631,593	5,975,026
2016	37,502	2,771,525	1,381,304	1,399,189	5,589,520
2017	23,159	2,697,675	1,301,686	1,200,968	5,223,488
2018	7,860	2,625,575	1,211,412	1,131,089	4,975,936
2019-2023	-	11,804,319	4,454,913	4,539,331	20,798,563
2024-2028	-	9,115,888	1,274,000	2,651,948	13,041,836
2029-2033	-	5,867,375	-	1,277,960	7,145,335
2034-2038	-	3,064,250	-	206,566	3,270,816
2039-2043	-	295,875	-	50,640	346,515
<b>Total Interest</b>	<b>\$183,144</b>	<b>\$43,987,707</b>	<b>\$12,455,599</b>	<b>\$14,617,400</b>	<b>\$71,243,850</b>
<b>Total Debt</b>	<b>\$1,740,744</b>	<b>\$105,422,707</b>	<b>\$49,232,999</b>	<b>\$59,688,362</b>	<b>\$216,084,812</b>

GASB 48 Disclosure – Pledging of revenues:

**Revenue Bonds:**

Annual principal and interest payment on the wastewater revenue bonds are expected to require approximately 45% of net available revenues. Total principal and interest remaining to be paid on the Bonds is \$21,671,688 as of June 30, 2013. For the current year, principal and interest paid on the Bonds was \$1,355,793 and total wastewater net revenues were \$5,969,703. The Bonds required 23% of net revenues. The City has complied with all bond covenants.

**2013 Refunding Water Certificates of Participation**

On May 22, 2013, the City issued Water Revenue Refunding Certificates of Participation, Series 2013 in the amount of \$22,680,000 to refund the 2003 California Department of Health Services Safe Drinking Water Loan and Water Revenue Certificates of Participation, Series 2002. The net proceeds of \$26,005,018 (including an original issue premium of

**CITY OF SANTA BARBARA**  
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\$2,881,209, less payment of \$334,568 in underwriting fees, bond insurance, and other issuance costs and a net additional \$761,108 contribution from the Water Revenue Fund and \$1,088,269 of 2002 COP's reserve fund monies) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the full payoff of the 2003 State loan, and all future debt service payments on the advance refunding of the 2002 COP's. As a result, the 2002 COP's are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Water Enterprise Fund.

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

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

**NOTE 8. CONTINGENCIES AND COMMITMENTS**

**Litigation and Claims**

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

**Grants**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

**Construction**

Various construction projects were in progress at June 30, 2013 with an estimated cost to complete of approximately \$8,316,184 in all fund types. The following material construction commitments existed at June 30, 2013:

<u>Project Name</u>	<u>Amount</u>	<u>Expenditures to date as of June 30, 2013</u>	<u>Commitments</u>
Sycamore Creek Channel Improvements	\$ 2,052,565	\$ -	\$ 2,052,565
Main Replacement	2,408,852	355,688	2,053,164
Rehab of Taxiways C,H and J	3,011,768	592,050	2,419,718
Low Impact Development Demonstration	1,888,630	97,892	1,790,738

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**Encumbrances**

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in subsequent periods were as follows:

General Fund	\$ 323,551
Nonmajor Governmental Funds	14,833,468
Water Fund	6,442,836
Wastewater Fund	4,228,445
Airport Fund	3,146,852
Waterfront Fund	541,594
Solid Waste Fund	111,078
Nonmajor Proprietary Funds	410,804
Internal Service Funds	2,722,316
Private Purpose Trust Fund	203,204
Total	<u>\$ 32,964,147</u>

**NOTE 9. RETIREMENT COMMITMENTS**

**Employee Retirement Systems and Pension Plans**

**Plan Description**

The City of Santa Barbara contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial reports may be obtained from their Executive Office – 400 P Street, Sacramento, CA 95814.

**Funding Method**

The actuarial funding method used for the Retirement Program is the Entry Age Normal Cost Method. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces a level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. In addition, all gains or losses are tracked and amortized over a rolling 30-year period with the exception of special gains and losses for the

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fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011. Each of these special losses is isolated and amortized over a fixed and declining 30 year period. Finally, if a plan's accrued liability exceeds the actuarial value of assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

**Funding Policy**

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. The operating funds of the City contribute to the plan. Under GASB 27, the City reports its annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the actual plan contributions for the year. The cumulative difference is the net pension obligation (NPO). The ARC for the period July 1, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2010. Employer rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members' rate is 22.348%, the safety police plan rate is 34.396%, and the safety fire plan rate is 32.206% of payroll. Miscellaneous, non-safety, members contribute 8% and safety members contribute 9% of their annual covered salary. The City makes a portion of the contributions required of City employees on their behalf and for their account. The City paid 0.171% of the miscellaneous, non-safety employees' required contribution in the fiscal year ended June 30, 2013, 6.734% of the police safety non-managerial employees' required contribution, 100% of the fire safety employees' required contribution, and 6.75% of the fire managers unit (beginning on 1/12/2013) and 6.12% of the police safety managers (beginning on 1/12/2013) required contribution. Additionally, the fire safety employees paid 2.982% of City's share of PERS costs. The contribution requirements of the City and plan members are established and may be amended by PERS.

A CalPERS member, safety and non-safety, becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

**Annual Pension Cost**

For fiscal year ended June 30, 2013, the City's annual pension costs for all of the retirement plans, in the amount of \$25,018,050 for PERS, was equal to the City's and employees' required and actual contributions. The required contribution for fiscal year 2013 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal cost method. The actuarial assumptions include:

(a) Valuation date	June 30, 2010
(b) Amortization method	level percent of payroll
(c) Average remaining period	20 years (non-safety), 30 years (safety) as of the valuation date
(d) Asset valuation method	15 years smoothed market
(e) Actuarial assumptions:	
-investment rate of return	7.75% (net of administrative expenses)
-projected salary increases	3.55% to 13.15% depending on age, service and type of employment – safety
	3.55% to 14.45% depending on age, service, and type of employment – non-safety
-inflation	3.00%
-payroll growth	3.25% compounded annually
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%.

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Initial unfunded liabilities are amortized over a closed period that is dependent on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percent of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of approximately 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/11	\$ 21,529,861	100%	\$ -
06/30/12	24,881,631	100%	-
06/30/13	25,018,050	100%	-

**Funded Status of the Plans**

The following tables display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated June 30, 2010 as provided by CalPERS.

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Unfunded (Over-funded) Liability as a % of Payroll
<b><u>Miscellaneous Plan:</u></b>							
2013	06/30/10	\$ 383,255,437	\$ 298,837,969	\$ 84,417,468	78.0%	\$ 51,566,379	163.7%
<b><u>Safety Fire Plan:</u></b>							
2013	06/30/10	136,668,712	110,516,251	26,152,461	80.9%	10,476,219	249.6%
<b><u>Safety Police Plan:</u></b>							
2013	06/30/10	180,792,452	141,957,070	38,835,382	78.5%	15,402,065	252.1%

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

**City Fire and Police Pension Plans**

**Plan Description**

In addition to the California PERS, the City provides two additional single-employer, defined benefit pension plans. One, the Safety Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 1937 and May 1965. The second plan, the Service Retirement Plan, was established to account for the accumulation of resources to be used for retirement benefits for those police and fire employees

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hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of thirteen (13) former public safety (police and fire) employees receive a monthly pension retirement benefit in the form of a cash stipend directly from the City. Both plans have been closed to all other employees as of May 1965 and contributions from the employer and employees also ceased on that date. The City administers the plans in compliance with and under the authority of Article XVA of the City Charter. The costs of administering the plans are financed with investment earnings. As of June 30, 2013, nine (9) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and four (4) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund. Separate audited financial statements are not issued for either plan.

***Funding Policy***

All of the pensioners are retirees. Plan assets diminished considerably as retirees are paid out of the plan. At June 30, 2013, the City has a net pension obligation (NPO) of \$119,000. The General Fund historically makes contributions to the Safety and Service Retirement Plans. The City's annual pension cost and net pension obligation for both Plans are shown below.

Annual required contribution	\$	105,000
Interest on net pension obligation		9,000
Adjustments to annual required contribution		<u>(17,000)</u>
Annual pension cost (expense)		97,000
Contributions made		<u>(102,000)</u>
Increase (decrease) in net pension obligation		(5,000)
Net pension obligation - beginning of year		<u>124,000</u>
Net pension obligation - end of year	\$	<u><u>119,000</u></u>

***Information regarding these plans is as follows:***

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	July 1, 2011	July 1, 2011
Asset valuation	Fair value as measured by the market price of investments.	Fair value as measured by the market price of investments.
	This plan has an equity share in the City's investment pool	This plan has an equity share in the City's investment pool
Actuarial cost method*	Unit Credit	Unit Credit
Number of participants	9 (as of valuation date)	6 (as of valuation date)
Actuarial assumptions:		
Interest Rate	7%	7%
Cost of Living Increases	No surviving participants are eligible for increases	
Mortality	RP-2000 projected to 2009 Annuitant Mortality Table for males and females	

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

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Three Year Information on Net Pension Obligation (in \$000's):

Fiscal Year Ending	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
2011	\$ 109	550.5%	\$ 133
2012	93	109.7%	124
2013	97	105.2%	119

**Funded Status of the Plans**

The tables below display a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability (or Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated annual covered payroll and the Unfunded Actuarial Accrued Liability (UUAL) as a percentage of that covered payroll. The following data is based upon the most recent actuarial valuation dated July 1, 2011.

**Safety Retirement Plan Funded Status (in \$000's)**

Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status
2011	07/01/10*	\$1,337	\$226	\$1,111	16.9%
2012	07/01/11	1,248	682	566	54.6%
2013	07/01/12*	1,129	605	524	53.6%

\*Projected valuation

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

**Financial Information of the Plans**

Financial information of the plans is as follows:

	Safety Retirement	Service Retirement
Total Assets	\$ -	\$ 563,449
Total Liabilities	-	-
Total Net Position	-	563,449
Contributions	102,125	-
Investment Earnings	-	36,741
Benefit Payments	(102,125)	(78,066)
Net Change in Net Position	\$ -	\$ (41,325)

**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

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deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

Effective January 1, 1999, Federal legislation (Small Business Job Protection Act of 1996) requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The City's deferred compensation administrator qualifies as the plan trustee to meet Federal requirements. Since the plan assets are no longer considered the property and rights of the City, such assets are no longer reflected in the accompanying basic financial statements.

**NOTE 10. DEFERRED INFLOWS OF RESOURCES**

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

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized in the current period. Revenue must also be susceptible to accrual (i.e. measurable and available to finance expenditures of the current period). Governmental funds report revenues not considered available to liquidate liabilities of the current period as deferred inflows of resources.

Deferred inflows of resources balances for the year ended June 30, 2013 were as follows:

	Balance
	<u>June 30, 2013</u>
<b>Nonmajor Governmental Funds</b>	
Unavailable federal grants for low-income housing	\$ 13,195,470

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**NOTE 11. CLASSIFICATION OF NET POSITION**

The components of the City's fund balances at June 30, 2013, consist of the following:

	General Fund	Special Revenue Fund Affordable Housing	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepaid assets and deposits	\$ 76,516	\$ -	\$ -	\$ 76,516
Loans receivable	3,337,304	-	-	3,337,304
Advances to other funds	4,399,069	-	434,052	4,833,121
<b>Restricted for:</b>				
Administration	92,534	-	-	92,534
Public safety	87,680	-	1,392,816	1,480,496
Public works	19,170	-	5,220,224	5,239,394
Community services	44,659	-	861,867	906,526
Community development	177,000	-	509,510	686,510
Capital improvements	-	-	6,113,022	6,113,022
Debt service reserve	-	-	561,169	561,169
Affordable housing	-	51,429,682	-	51,429,682
<b>Committed for:</b>				
Capital improvements	-	-	2,806,703	2,806,703
Disaster contingency	16,631,577	-	-	16,631,577
Contingencies	4,131,007	-	-	4,131,007
<b>Assigned to:</b>				
Administration	7,013	-	-	7,013
Public safety	54,083	-	-	54,083
Community services	115,276	-	-	115,276
Community development	49,904	-	-	49,904
Capital improvements	-	-	10,603,089	10,603,089
<b>Unassigned:</b>	-	-	(283,494)	(283,494)
<b>Total Fund Balances</b>	<b>\$ 29,222,792</b>	<b>\$ 51,429,682</b>	<b>\$ 28,218,958</b>	<b>\$ 108,871,432</b>

**NOTE 12. SELF-INSURANCE FUND**

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

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

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The City's general and automobile liability program maintains a self-insured retention of \$1,000,000. Excess liability coverage is provided through a Joint Powers Agreement. The City joined the Authority of California Cities Excess Liability (ACCEL) in May 1986. ACCEL is a public entity risk sharing pool created for the purpose of pooling various public sector risks. ACCEL began its twenty-seventh program year July 2012 with membership totaling twelve (12) cities. ACCEL was formed under the Joint Powers Agreement (JPA) provisions of State Law (Government Code Sections 990, 990.4, 990.8 and 6500-6515). In addition to the joint powers agreement, ACCEL is governed by bylaws, an investment policy, and a Memorandum of Coverage, adopted by the ACCEL members.

Claim settlements administered by ACCEL have not exceeded the pooled coverage layer in any of the past fiscal years. ACCEL now transfers most of its risk sharing exposures through the purchase of a four layer commercial policy underwritten by various carriers. ACCEL members have a \$1 million self-insured retention. ACCEL pools the next \$4 million and commercial carriers provide \$45 million in coverage above that level. Thus the City's participation in ACCEL provides liability coverage of \$50 million.

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

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

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$1 billion. Earthquake and flood coverage have designated limits of \$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. No claims were filed against the various insurance policies during fiscal year 2013.

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, 2013, the estimated outstanding liabilities are \$7,118,606 for workers' compensation and \$1,106,806 for general and automobile liability. These liabilities are based on an actuarial valuation as of June 30, 2012. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2013, the liability for unemployment claims was \$57,761.

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A summary of changes in claims liabilities is shown below:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Claims liabilities, July 1	\$ 5,355,598	\$ 5,267,866	\$ 5,352,223
Incurred claims	3,161,792	2,590,982	2,539,718
Actuarial adjustment	2,869,814	87,732	(84,357)
Payments on claims attributable to events of current and prior years	<u>(3,161,792)</u>	<u>(2,590,982)</u>	<u>(2,539,718)</u>
Claims liabilities, June 30	<u>\$ 8,225,412</u>	<u>\$ 5,355,598</u>	<u>\$ 5,267,866</u>

**NOTE 13. JOINT VENTURES**

In 1991, the City's electorate approved participation in the State Water Project (SWP). As a result, the City joined in the formation of the Central Coast Water Authority (CCWA) in September 1991. The purpose of the Central Coast Water Authority is to provide for the financing, construction, operation and maintenance of certain local (non-state owned) facilities required to deliver water from the SWP to certain water purveyors and users in Santa Barbara County.

Each Santa Barbara Project participant, including the City of Santa Barbara, has entered into a Water Supply Agreement in order to provide for the development, financing, construction, operation and maintenance of the CCWA Project. The purpose of the Water Supply Agreement is to assist in carrying out the purposes of CCWA with respect to the CCWA Project by: (1) requiring CCWA to sell, and the Santa Barbara Project participants to buy, a specified amount of water from CCWA ("take or pay"); and (2) assigning the Santa Barbara Project participant's entitlement rights in the State Water Project to CCWA. Although the City does have an ongoing financial responsibility pursuant to the Water Supply Agreement between the City and CCWA, the City does not have an equity interest as defined by GASB Cod. Sec. J50.105.

Each Santa Barbara Project participant is required to pay to CCWA an amount equal to its share of the total cost of "fixed project costs" and certain other costs in the proportion established in the Water Supply Agreement. This includes the Santa Barbara Project participant's share of payments to the State Department of Water Resources (DWR) under the State Water Supply Contract (including capital, operation, maintenance, power and replacement costs of the DWR facilities), debt service on CCWA bonds and all CCWA operating and administrative costs.

Each Santa Barbara Project participant is required to make payments under its Water Supply Agreement solely from the revenues of its water system. Each participant has agreed in its Water Supply Agreement to fix, prescribe and collect rates and charges for its water system which will be at least sufficient to yield each fiscal year net revenues equal to 125% of the sum of (1) the payments required pursuant to the Water Supply Agreement, and (2) debt service on any existing participant obligation for which revenues are also pledged.

CCWA is composed of eight members, all of which are public agencies. CCWA was organized and exists under a joint exercise of power agreement among the various participating public agencies. The Board of Directors is made up of one representative from each participating entity. Votes on the Board are apportioned between the entities based upon each entity's pro-rata share of the water provided by the project. The City's share of the project, based upon number of acre-feet of water, is 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.

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On November 1, 1996, CCWA sold \$198,015,000 of revenue bonds at a true interest cost of 5.55% to defease CCWA's \$177,120,000 1992 revenue bonds and to pay certain costs of issuing the bonds. The 1996 bonds were issued in two series: Series A of \$173,015,000 and Series B of \$25,000,000. The Series B bonds are subject to mandatory redemption from amounts transferred from the Construction Fund and the Reserve Fund upon completion of the construction of CCWA facilities.

On September 28, 2006, CCWA sold \$123,190,000 of revenue bonds at an average interest rate of 4.24% to refund \$142,985,000 of outstanding 1996 Revenue Bonds with an average interest rate of 5.47%.

Pursuant to the Water Supply Agreement, the City of Santa Barbara's payments to CCWA includes its share of DWR's fixed and variable costs, the debt service requirements on the CCWA Bonds, CCWA's fixed operating and maintenance costs, and variable costs, as shown on the following table:

Central Coast Water Authority  
**City of Santa Barbara**  
 Projected DWR and CCWA Fixed Costs Through 2035

Fiscal Year	DWR COSTS		CCWA COSTS				TOTAL CCWA AND DWR COSTS
	Fixed Costs	Variable Costs (1)	Fixed Costs	Variable Costs (1)	Debt Service	Total CCWA Costs	
2013/14	\$ 2,619,394	\$ 12,885	\$ 258,106	\$ -	\$ 1,727,467	\$ 1,985,573	\$ 4,617,852
2014/15	2,638,249	79,181	265,849	-	1,726,166	1,992,016	4,709,446
2015/16	2,730,896	81,557	273,825	-	1,723,858	1,997,682	4,810,135
2016/17	2,770,071	84,003	282,039	-	1,722,243	2,004,283	4,858,357
2017/18	2,773,222	86,523	290,501	-	1,727,360	2,017,861	4,877,606
Thereafter	42,874,011	-	7,005,963	-	6,886,905	13,892,868	56,766,879
TOTAL:	\$ 56,405,843	\$ 344,150	\$ 8,376,282	\$ -	\$ 15,514,000	\$ 23,890,282	\$ 80,640,275

(1) Variable costs only shown through 2017/18 because delivery information is not available thereafter.

Additional information and complete financial statements for the CCWA are available for public inspection in the Finance Department at City Hall, 735 Anacapa Street, between the hours of 7:30 am and 5:30 p.m., Monday through Thursday.

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

The Districts also agreed to reimburse the City for a pro rata portion of capital expenses of the treatment plant including debt issued by and loans secured by the City to make the capital improvements. The City currently has two loans outstanding with the California State Department of Water Resources for improvements to the plant (see Note 7) with principal balances outstanding totaling \$33,627,886. Of these loan balances, \$11,790,444 is shared by the City of Santa Barbara (60.3%), Carpinteria (20%) and Montecito (19.7%); \$15,992,707 is shared by the City of Santa Barbara (75.37%) and Montecito (24.63%); and \$5,844,735 is for the City of Santa Barbara (100%) for improvements to the Ortega Treatment Plant.

The Districts repay the City semi-annually for the costs of the water treatment improvements plus interest. These repayments by the Districts will be paid through June 30, 2034.

**NOTE 14. PROPOSITION 218 IMPACTS**

Proposition 218, which was approved by the state's voters in November 1996, will regulate the City's ability to impose, increase and extend taxes, assessments and fees. Any new, increased, or extended taxes, assessments, and fees subject to the

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provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by the voters. Therefore, the City's ability to finance the services for which the taxes, assessments, and fees were imposed may be significantly impaired.

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

**NOTE 15. EMPLOYEE MORTGAGE LOAN ASSISTANCE PROGRAM**

On October 2, 2001 the City Council created an Employee Mortgage Loan Assistance Program ("EMLAP"). The purpose of the program was to help the City attract and retain highly qualified employees by providing assistance in dealing with the high cost of home ownership in the Santa Barbara area. The goals of the program included establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program was open to all permanent employees who are "first-time homebuyers" (defined as not having owned a home on the South Coast of Santa Barbara County within the last three years). Homes purchased under the City's EMLAP must be located on the South Coast of Santa Barbara County. The City's EMLAP was structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

Employee down payment (minimum)	5%
Bank-provided 1st Deed of Trust loan	80%
City-funded 2nd Deed of Trust loan (maximum)	<u>15%</u>
Total financing	<u>100%</u>

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

As of June 30, 2013, the City has \$3,337,304 in employee loans outstanding. The City has loaned all approved funds and is not currently accepting any new applications for EMLAP loans.

**NOTE 16. DEFICIT FUND EQUITY**

The Safety Retirement Pension Trust Fund has a deficit fund balance of (\$660,661) as of June 30, 2013. The deficit will be eliminated through contributions from the City's General Fund.

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The FEMA Reimbursement Fund has a deficit fund balance of (\$283,494) as of June 30, 2013. Staff is working with FEMA and California State Office of Emergency Services to close out disaster projects. Once the accounting and reimbursable costs are finalized, the City expects to be reimbursed for all remaining costs.

**NOTE 17. OTHER POST-EMPLOYMENT BENEFITS**

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

**Plan Description.** The City provides a retiree medical insurance contribution benefit, in accordance with employee Memorandum of Understanding, to retired employees. This is a single employer defined benefits OPEB plan. The benefit is applicable to employees who retire from City service and,

1. Have 15 or more years of classified or unclassified service; or
2. Retire from City with an industrial disability.

The City contributes an amount each month towards the purchase of medical insurance for the retiree and his/her spouse or domestic partner registered with the City Clerk or the Secretary of State, if applicable. The monthly amount is determined by the applicable Memorandum of Agreement of the retired employee. The payment is based upon the employees' years of service up to a maximum of 35 years, multiplied by the annual amount for the respective employee unit. The City will continue to make its contribution until the retiree reaches age 65 or dies, whichever occurs first, provided however, that if the retiree dies before reaching the age of 65 and there is a surviving spouse or registered domestic partner, the City's contribution shall cease when the retiree would have reached age 65. Thereafter, the spouse may remain on the insurance plan, at his/her own cost, subject to the conditions set forth by the insurance company.

For the Police bargaining unit only: The City will continue the normal retiree medical allowance past the age of 65 for the six (6) specified employees named in the Police Memorandum of Understanding who retire after December 23, 2006 and thereafter certify, on an annual basis, that they are not eligible to apply for Medicare Part A (hospitalization) coverage on the basis of their City service, other covered employment, through a spouse's covered employment, or through any other means. The OPEB plan does not have a stand-alone financial report.

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

**Funding Policy.** The City currently administers its retiree medical plan. There is no requirement to contribute any amount beyond the pay-as-you-go contributions. If retirees elect medical insurance coverage through the City, the retiree pays the entire cost of the premiums, less the City's monthly payment to the retiree.

The City is evaluating various options for funding the post retirement health benefits liability. The City has not set up a trust for purposes of funding the required retiree medical payments but continues to fund the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the September 2012 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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The following table shows the components of the City's annual OPEB costs for the year, the estimated amount contributed to the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 3,510,000
Interest on Net OPEB Obligation	341,000
Adjustment to the ARC	(311,000)
Annual OPEB Cost	\$3,540,000
Contributions Made	(1,325,000)
Increase (Decrease) in Net OPEB Obligation	2,215,000
Net OPEB Obligation – Beginning of Year	8,528,000
Net OPEB Obligation – End of Year	\$10,743,000

The City Retiree Medical annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and each of the preceding two years was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2011	\$ 3,290,000	\$1,176,000	35.7%	\$ 6,256,000
6/30/2012	\$ 3,376,000	\$1,104,000	32.7%	\$ 8,528,000
6/30/2013	\$ 3,540,000	\$1,325,000	37.4%	\$10,743,000

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

Fiscal Year	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL <sup>2</sup> as a % of Covered Payroll
2011	07/01/10	\$0	\$33,009	\$33,009	0%	\$78,746	41.9%
2012	07/01/11	\$0	\$34,113	\$34,113	0%	\$74,178	46.0%
2013	07/01/12	\$0	\$36,502	\$36,502	0%	\$77,444	47.1%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Actuarial Cost Method** - In the July 1, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

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- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

**The Entry Age Normal (EAN) - Level Percentage of Pay** cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

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

**Discount Rate - 4.00%** - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

**Payroll Increases - 3.25%** - This is the annual rate at which total payroll (\$76 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

**Mortality, Disability, Retirement Age, & Turnover** - Mortality, disability, retirement age, and turnover rates developed in the CalPERS 1997-2002 Experience Study were used in the valuation.

**General Inflation Rate – 2.5%** - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

**Annual Medical Inflation Rate –** This is the long-term expected growth of medical benefits paid by the plan, due to non-age-related factors such as general medical inflation, utilization, new technology, and the like. The following table sets for the trend assumptions used for the valuation:

<u>Year</u>	<u>Current Valuation</u>	<u>Prior Valuation</u>
2009	N/A	9.9%
2010	N/A	10.5%
2011	9.5%	9.5%
2012	8.5%	8.5%
2013	8.0%	8.0%
2014	7.5%	7.5%
2015	7.0%	7.0%
2016	6.5%	6.5%
2017	6.0%	6.0%
2018	5.5%	5.5%
2019+	5.0%	5.0%

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**Sick Leave Retiree Benefits**

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

**Funding Policy.** The City is evaluating various options for funding the sick leave retiree benefits. The City has not set up a trust for purposes of funding the required sick leave retiree benefits but continues to fund the benefit on a pay-as-you-go basis in the current year. The City plans to fund the Annual Required Contribution each year based upon projections from the September 2012 actuarial valuation study performed by Aon Consultants. This study was conducted in accordance with GASB Statement 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 45).

**Annual OPEB Cost and Net OPEB Obligation.** The City's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based upon the Annual Required Contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 468,000
Interest on Net OPEB Obligation	9,000
Adjustment to the ARC	<u>(8,000)</u>
Annual OPEB Cost	469,000
Contributions Made	<u>(416,000)</u>
Increase (Decrease) in Net OPEB Obligation	53,000
Net OPEB Obligation – Beginning of Year	<u>222,000</u>
Net OPEB Obligation – End of Year	<u>\$ 275,000</u>

The City Sick Leave Retirement Benefits annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended June 30, 2013 was as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Cost Contributed	% of APC Contributed	Net Pension Obligation
6/30/2011	\$ 367,000	\$ 245,000	66.8%	\$ 167,000
6/30/2012	\$ 457,000	\$ 402,000	88.0%	\$ 222,000
6/30/2013	\$ 469,000	\$ 416,000	88.7%	\$ 275,000

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

Fiscal Year	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2010	07/01/09	\$0	\$3,805	\$3,805	0%	\$68,107	5.6%
2011	07/01/10	\$0	\$3,608	\$3,608	0%	\$70,321	5.1%
2012	07/01/11	\$0	\$4,910	\$4,910	0%	\$65,904	7.5%
2013	07/01/12	\$0	\$4,979	\$4,979	0%	\$77,444	6.4%

Actuarial valuations of an ongoing plan involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required Schedule of Funding Progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities and benefits. Since this is the first year of including this information in the financial report, the data presented is limited.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Actuarial Cost Method** - In the July 1, 2011 actuarial valuation, the actuarial cost shown in the report were developed using two different funding methods:

Under the Aggregate cost method, the ARC equals an amortization of the unfunded present value of future benefits, based on the following:

- Period equal to the average future working lifetime of active participants
- Level percentage of future payroll amounts

The Entry Age Normal (EAN) - Level Percentage of Pay cost method spreads plan costs for each participant from entry date (assuming the plan existed on the employee's hire date) to the expected retirement date. Under this method, the plan's normal cost is developed as a level percentage of payroll spread over the participants' working lifetime. The Actuarial Accrued liability (AAL) is the present value of all projected benefits less the present value of all future normal costs. For retirees, the AAL is simply the present value of all projected benefits.

The ARC under this method equals the normal cost plus the amortization of the unfunded AAL based on the following:

- 30-year open amortization period
- Level percentage of future payroll amounts

The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true Plan costs.

**Discount Rate** - 4.00% - This is based upon the assumption that benefits will be paid from general City assets, or paid from a separate trust where assets are invested relatively conservatively.

**Payroll Increases** - 3.25% - This is the annual rate at which total payroll (\$68 million) is expected to increase and is used in the cost method to calculate the ARC as a level percent of payroll.

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

**General Inflation Rate** – 2.5% - This is the annual rate at which consumer inflation is expected to increase and is the basis for setting other interest rates.

**NOTE 18. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures over appropriations in fiscal year 2013 are detailed as follows:

	Appropriations	Expenditures and Transfers	Excess
Other governmental funds:			
FEMA Reimbursement Fund			
Public Works	\$ 332,040	\$ 343,769	\$ (11,729)
Police-Supplemental Law Enforcement			
Public safety	144,188	146,416	(2,228)

**NOTE 19. RESTATEMENT OF BEGINNING NET POSITION**

Pursuant to GASB Statement Number 65, *“Items Previously Reported as Assets and Liabilities,”* the City no longer amortizes the cost of debt issuance. These amounts should be expensed in the year they are incurred. The City made adjustments for these items as a cumulative effect of change in accounting principle in the current fiscal year. This resulted in Net Position for governmental activities and business-type activities to be reduced by \$62,439 and \$1,016,994, respectively. Total impact to Net Position is a decrease of \$1,079,433 in fiscal year 2013. For the Successor Agency, the adjustment was a reduction of net position of \$704,147.

**NOTE 20. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY**

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

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

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

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such

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transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

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

**a. Cash and investments**

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

Cash and investments pooled with the City	\$	4,553,737
Cash and investments with fiscal agent		11,452,679
	<u>\$</u>	<u>16,006,416</u>

**b. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance July 1, 2012	Increases	Decreases	Ending Balance June 30, 2013
<b>Fiduciary Activities:</b>				
Non-depreciating capital assets:				
Construction in progress	\$ 9,277,416	\$ -	\$ (7,277,173)	\$ 2,000,243
Land	40,429,911	-	-	40,429,911
Total non-depreciating capital assets	<u>49,707,327</u>	<u>-</u>	<u>(7,277,173)</u>	<u>42,430,154</u>
Depreciating capital assets:				
Buildings	26,340,653	-	-	26,340,653
Building improvements	6,128,016	3,564,387	-	9,692,403
Improvements other than buildings	30,554,229	2,795,120	-	33,349,349
Equipment	603,500	-	-	603,500
Infrastructure	12,351,554	980,414	-	13,331,968
Total depreciating capital assets	<u>75,977,952.00</u>	<u>7,339,921</u>	<u>-</u>	<u>83,317,873</u>
Less accumulated depreciation:				
Buildings	4,199,631	528,603	-	4,728,234
Building improvements	305,796	197,755	-	503,551
Improvements other than buildings	20,873,299	744,770	-	21,618,069
Equipment	98,200	13,093	-	111,293
Infrastructure	2,138,621	359,231	-	2,497,852
Total accumulated depreciation	<u>27,615,547</u>	<u>1,843,452</u>	<u>-</u>	<u>29,458,999</u>
Total capital assets, being depreciated, net	<u>48,362,405</u>	<u>5,496,469</u>	<u>-</u>	<u>53,858,874</u>
Fiduciary activities capital assets, net	<u>\$ 98,069,732</u>	<u>\$ 5,496,469</u>	<u>\$ (7,277,173)</u>	<u>\$ 96,289,028</u>

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**c. Long-Term Debt**

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

A description of long-term debt outstanding of the Successor Agency as of June 30, 2013, follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year	Due in More than One Year
<b>Fiduciary Funds:</b>						
Tax allocation bonds	\$ 47,705,000	\$ -	\$ 5,925,000	\$ 41,780,000	\$ 6,195,000	\$ 35,585,000
Unamortized debt premium	511,900	-	73,128	438,772	-	438,772
Unamortized debt discount	(189,270)	(82,984)	(31,932)	(240,322)	-	(240,322)
<b>Total Fiduciary Funds</b>	<b>\$ 48,027,630</b>	<b>\$ (82,984)</b>	<b>\$ 5,966,196</b>	<b>\$ 41,978,450</b>	<b>\$ 6,195,000</b>	<b>\$ 35,783,450</b>

**Successor Agency**

**Tax Allocation Bonds**

*\$7,150,000* - 2004 Redevelopment Agency Tax Allocation Housing Bonds, Series A. Proceeds were used to provide funds to finance redevelopment housing activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$520,000 to \$620,000 through July 1, 2018. Interest rates range from 2.00% to 5.00% payable semi-annually on January and July 1st.

**Amount  
Outstanding  
June 30, 2013**

\$ 3,410,000

*\$34,810,000* - 2003 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$2,245,000 to \$2,835,000 through March 1, 2019. Interest rates range from 2.00% to 5.00% payable semi-annually on September and March 1st.

\$ 15,180,000

*\$38,855,000* - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Proceeds to provide funds to finance redevelopment activities in the Central City Redevelopment Project Area. Remaining annual principal installments on serial bonds range from \$3,430,000 to \$4,340,000 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.

\$ 23,190,000

Total tax allocation bonds

\$ 41,780,000

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The annual requirements to amortize all long-term debt outstanding as of June 30, 2013 are as follows:

Tax Allocation Bonds	
Fiscal Year Ending	Principal Payments
2014	\$ 6,195,000
2015	6,485,000
2016	6,790,000
2017	7,085,000
2018	7,430,000
2019-2023	<u>7,795,000</u>
Total Principal	<u>\$ 41,780,000</u>
Fiscal Year Ending	Interest Payments
2014	\$ 1,949,835
2015	1,662,175
2016	1,356,980
2017	1,057,830
2018	714,913
2019-2023	<u>350,530</u>
Total Interest	<u>\$ 7,092,263</u>
Total Debt	<u>\$ 48,872,263</u>

GASB 48 Disclosure – Pledging of revenues:

**Tax Allocation Bonds:**

The total principal and interest remaining to be paid on the Bonds is \$48,872,263 as of June 30, 2013. For the current year, principal and interest paid on the Bonds was \$8,145,460, and property tax received in the Successor Agency was \$8,072,242. With the elimination of the Redevelopment Agency on January 31, 2012, the outstanding tax allocation bonds have been assumed by the Successor Agency. However, the security for the debt continues to be property taxes to be distributed by the County pursuant ABx1 26 and AB 1484 whereby the outstanding tax allocation bonds are considered enforceable obligations. As such, the City will receive property taxes sufficient to meet the annual debt service payments each year until the bonds are fully retired.

The City has complied with all bond covenants.

**CITY OF SANTA BARBARA**  
**Notes to the Basic Financial Statements**  
**June 30, 2013**

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**d. Commitments and Contingencies**

Various construction projects were in progress at June 30, 2013 with an estimated cost to complete of approximately \$392,138 in all fund types.

The following material construction commitments existed at June 30, 2013:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Expenditures to date as of June 30, 2013</u>	<u>Remaining Commitments</u>
West Beach Pedestrian Improvements	\$ 145,049	\$ 19,464	\$ 125,585
Library Plaza Renovation	130,685	71,144	59,541
PD 911 Call Center	207,012	-	207,012

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

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**BUDGETARY INFORMATION**

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

In February of each year, departments submit their proposed budgets to the City Administrator. These proposals are reviewed and considered, and adjusted as necessary based on funding limitations and priorities. In mid-April, the City Administrator presents a recommended budget to the City Council. From April through mid-June, public hearings are held and the recommended budget is reviewed in detail with the Council and Finance Committee. The budget is adopted by June 30.

The appropriated budget is prepared by fund, department and program. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed appropriations at the department level for the General Fund and at the fund level for all other legally budgeted funds. Department heads may make transfers of appropriations between line items within a program and across programs as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). The City Administrator is authorized to transfer amounts within individual departmental budgets, both between programs and between major object categories. All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. The 2002 Municipal Refunding Certificates Fund is used to accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation. The fund did not have a legally adopted budget during the current year since the debt service transfer is budgeted in the General Fund.

Budgeted amounts, as shown, reflect the originally adopted budget and the final budget that includes re-appropriated prior year encumbrances as well as any approved revisions as detailed below. Except for the General Fund, individual amendments were not material in relation to the original appropriations. The original and amended operating budget for the General Fund is shown in the table below.

Originally Adopted Budget	\$ 105,883,903
Re-appropriated Prior Year Encumbrances	502,655
Amendments	<u>7,430,627</u>
Amended Budget	<u><u>\$ 113,817,185</u></u>

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 68,641,852	\$ 71,008,604	\$ 72,402,728	\$ 1,394,124
Franchise fees	3,509,700	3,509,700	3,579,375	69,675
Intergovernmental	452,650	973,603	1,094,705	121,102
Fines and forfeitures	3,179,292	3,179,292	3,079,940	(99,352)
Use of money and property	1,182,904	1,212,904	786,940	(425,964)
Charges for services	18,691,879	18,931,708	19,449,845	518,137
Other revenues	8,416,400	10,989,921	9,859,558	(1,130,363)
Total revenues	<u>104,074,677</u>	<u>109,805,732</u>	<u>110,253,091</u>	<u>447,359</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Mayor and council	737,693	737,693	730,019	7,674
City attorney	2,002,890	2,045,994	2,037,669	8,325
City administration	1,992,727	2,024,572	1,945,047	79,525
Administrative services	1,733,693	1,733,693	1,620,305	113,388
Finance	4,669,234	4,707,377	4,454,587	252,790
Fire	21,789,550	22,335,970	22,263,941	72,029
Police	35,765,758	35,923,017	35,853,283	69,734
Public works	7,127,385	7,260,777	6,955,767	305,010
Parks and recreation	13,078,960	13,351,877	13,229,822	122,055
Library	4,271,279	4,678,836	4,441,201	237,635
Community development	9,193,364	9,319,403	8,597,749	721,654
Community promotions	2,238,835	2,152,542	2,005,022	147,520
Total expenditures	<u>104,601,368</u>	<u>106,271,751</u>	<u>104,134,412</u>	<u>2,137,339</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(526,691)</u>	<u>3,533,981</u>	<u>6,118,679</u>	<u>2,584,698</u>
<b>Other financing sources (uses):</b>				
Transfers in	1,809,226	3,148,567	3,146,868	(1,699)
Transfers out	(1,282,535)	(7,545,434)	(7,519,222)	26,212
Total other financing sources (uses)	<u>526,691</u>	<u>(4,396,867)</u>	<u>(4,372,354)</u>	<u>24,513</u>
Net change in fund balances	-	(862,886)	1,746,325	2,609,211
Fund balances, beginning of fiscal year	<u>27,476,467</u>	<u>27,476,467</u>	<u>27,476,467</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 27,476,467</u>	<u>\$ 26,613,581</u>	<u>\$ 29,222,792</u>	<u>\$ 2,609,211</u>

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

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**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**AFFORDABLE HOUSING FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ 445,750	\$ 415,750	\$ 2,044,008	\$ 1,628,258
<b>Total revenues</b>	<b>445,750</b>	<b>415,750</b>	<b>2,044,008</b>	<b>1,628,258</b>
<b>Expenditures:</b>				
Community development	445,750	415,750	352,885	62,865
<b>Total expenditures</b>	<b>445,750</b>	<b>415,750</b>	<b>352,885</b>	<b>62,865</b>
 <b>Excess (deficiency) of     revenues over (under)     expenditures</b>	 -	 -	 1,691,123	 1,691,123
<b>Other financing uses:</b>				
Transfers out	-	(1,269,341)	(1,269,341)	-
<b>Total other financing     uses</b>	<b>-</b>	<b>(1,269,341)</b>	<b>(1,269,341)</b>	<b>-</b>
 <b>Net change in fund balances</b>	 -	 (1,269,341)	 421,782	 1,691,123
 <b>Fund balances, beginning of fiscal year</b>	 -	 51,007,900	 51,007,900	 -
 <b>Fund balances, end of fiscal year</b>	 <b>\$ -</b>	 <b>\$ 49,738,559</b>	 <b>\$ 51,429,682</b>	 <b>\$ 1,691,123</b>

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

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**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS**

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

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

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

The pavement network within the City has approximately 238 miles of paved surfaces, comprised of 125 miles of residential streets, 40 miles of principal arterial and arterial streets, 71 miles of collector streets and 3 miles of alleys. This equates to almost 40,000,000 square feet of pavement.

The City has developed a Pavement Management System to inventory and document the physical condition assessment of the City’s street network, including a pavement preservation program. Every two years the study is updated and identifies and records the updated condition assessment of all of the City’s streets. The streets, which are primarily concrete and asphalt pavement, were defined as the physical features associated with the operation of motorized vehicles that exist within the limits of the right of way. City owned streets are classified based on land use, access, and traffic utilization into the following four classifications: residential, principal arterial, arterial, and collector. It is anticipated the condition assessment will be performed every two years covering at least one-third of the City’s streets on a rotating basis. As part of the study, each street was assigned a physical condition based on a variety of potential defects. A Pavement Condition Index (PCI), a nationally recognized index, is assigned to each street and expressed in a continuous scale from 0 to 100, with 100 being a brand new street and 0 being a badly deteriorated street with virtually no remaining life. The following conditions were assigned:

<u>Condition</u>	<u>Rating</u>
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

The City’s preservation program and maintenance estimates were developed to maintain the current infrastructure of streets at or above the average actual condition levels of the streets at the time each of the studies was conducted in 2001, 2002, 2004, 2006, 2008, 2010, and 2012, which were 74, 75, 72, 71, 71, 69, and 63 (“Good”), respectively. This rating level allows minor cracking and raveling of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speeds. The City’s formal policy with regard to preservation levels is to maintain a minimum average rating of no less than 60 (“Good”) for all streets. During the past few years, the PCI has declined slightly due to budgetary constraints.

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

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The most recent study was as of June 30, 2012, the City's street system was rated an average PCI index value of 63 ("Good") with the detail condition as follows:

<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	73%
Fair	15%
Poor to Substandard	12%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to minimize the deterioration through short-term maintenance activities such as pothole patching. The City expended \$3,124,332 on street maintenance for the fiscal year ended June 30, 2013. The City has estimated that the average amount of annual expenditures required for fiscal years 2014-2018 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$12,400,000. The estimated amount of deferred maintenance with an average PCI rating of 70 is \$23.4 million. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below:

<u>Fiscal Year</u>	<u>Estimate</u>	<u>Expenditures</u>	<u>PCI Rating</u>
2008-2009	\$ 8,335,724	\$ 2,385,539	71
2009-2010	7,160,438	3,045,353	69
2010-2011	6,706,045	3,229,503	69
2011-2012	6,516,750	4,102,160	63
2012-2013	7,105,595	3,124,332	63

The City's on-going street preservation program is also intended to maintain the condition rating of City streets. The preservation program is developed with a six-year cycle that is tied to 6 maintenance zones with 1 zone completed each year. The strategy objective is to maintain City streets over the next 6 years and maintain the overall condition of the road network, and involves both slurry seal and pavement resurfacing as preservation components. For pavements that are beyond economical preservation, reconstruction may be proposed to restore the pavement.

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

**Schedule of Funding Progress – PERS Defined Benefit Pension Plan**

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	(Over-funded) Liability as a % of Payroll
<b>Miscellaneous Plan:</b>							
2011	06/30/08	\$ 325,959,823	\$ 264,529,982	\$ 61,429,841	81.2%	\$ 52,403,289	117.2%
2012	06/30/09	363,220,718	281,760,454	81,460,264	77.6%	52,816,930	154.2%
2013	06/30/10	383,255,437	298,837,969	84,417,468	78.0%	51,566,379	163.7%
<b>Safety Fire Plan:</b>							
2011	06/30/08	\$ 122,124,602	\$ 101,954,942	\$ 20,169,660	83.5%	\$ 9,669,632	208.6%
2012	06/30/09	131,297,827	106,045,827	25,252,000	80.8%	10,105,721	249.9%
2013	06/30/10	136,668,712	110,516,251	26,152,461	80.9%	10,476,219	249.6%
<b>Safety Police Plan:</b>							
2011	06/30/08	\$ 158,045,346	\$ 129,677,993	\$ 28,367,353	82.1%	\$ 14,898,978	190.4%
2012	06/30/09	173,581,671	135,805,999	37,775,672	78.2%	15,110,797	250.0%
2013	06/30/10	180,792,452	141,957,070	38,835,382	78.5%	15,402,065	252.1%

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

Rates Applicable to Fiscal Year	Valuation Date	Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	07/01/05	\$ 1,962,848	\$ 836,932	\$ 1,125,916	42.6%
2008	07/01/05	1,962,848	836,932	1,125,916	42.6%
2009	07/01/05	1,962,848	836,932	1,125,916	42.6%
2010	07/01/09	1,472,000	322,000	1,150,000	21.9%
2011	07/01/10	1,337,000	226,000	1,111,000	16.9%
2012	07/01/11	1,248,000	682,000	566,000	54.6%
2013	07/01/12*	1,129,000	605,000	524,000	53.6%

\*Projected Valuation

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

**Schedule of Funding Progress – OPEB-Retiree Medical**  
**Schedule of Funding Progress (000s Omitted)**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
2011	7/1/2010	\$ -	\$ 33,009	\$ 33,009	0%	\$ 78,746	41.9%
2012	7/1/2011	-	34,113	34,113	0%	74,178	46.0%
2013	7/1/2012	-	36,502	36,502	0%	77,444	47.1%

Schedule of Employer Contributions (000s Omitted)

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

**CITY OF SANTA BARBARA**  
**Required Supplementary Information**  
**June 30, 2013**

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**Schedule of Funding Progress – OPEB-Sick Leave Retirement Benefits**

**Schedule of Funding Progress (000s Omitted)**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Costs</u>	<u>Annual</u> <u>Contribution</u>	<u>Percentage</u> <u>Contribution</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2011	\$ 367	\$ 245	66.8%	\$ 167
6/30/2012	457	402	88.0%	222
6/30/2013	469	416	88.7%	275

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



# Nonmajor Governmental Funds

## **NONMAJOR GOVERNMENTAL FUNDS**

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

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

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

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

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

**Disaster Recovery Initiative Fund** - To account for the receipt and disbursement of the Disaster Recovery Initiative funds from the State Community Development Block Grant Program.

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

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

**Measure D Road Maintenance Fund** - To account for funds received from a one-half cent sales tax levied Countywide pursuant to Measure D. This measure was approved by the voters of Santa Barbara County in an election held on November 7, 1989, and became effective on April 1, 1990. The proceeds are restricted to transportation uses.

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

**Undergrounding Utility Fund**- To account for funds received and expended for undergrounding utility services.

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

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

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

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

**Measure A Road Maintenance 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.

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

**Street Capital Improvements Fund** - To account for streets-related capital projects.

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

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

**2002 Municipal Refunding Certificates of Participation Fund (Unbudgeted)** - To accumulate funds for the payment of the General Fund's portion of the 2002 municipal improvement refunding certificates of participation.



**CITY OF SANTA BARBARA  
COMBINING BALANCE SHEET  
NONMAJOR - GOVERNMENTAL FUNDS  
June 30, 2013**

	Special Revenue						
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	Community Dev Block Grant	HOME Program	Disaster Recovery Initiative	County Library
<b>Assets</b>							
Cash	\$ 84	\$ 85,994	\$ 5,113	\$ 13,094	\$ -	\$ -	\$ 22,652
Investments	2,261	2,309,925	137,354	351,719	-	-	608,459
Accounts receivable	-	314,152	3,204	160,614	356,130	142,463	52,132
Loans receivable	-	-	-	5,427,651	7,767,819	-	-
Advance to other funds	-	328,769	9,082	-	-	-	13,686
Cash and investments with fiscal agents	-	-	-	-	-	-	-
Total assets	<u>\$ 2,345</u>	<u>\$ 3,038,840</u>	<u>\$ 154,753</u>	<u>\$ 5,953,078</u>	<u>\$ 8,123,949</u>	<u>\$ 142,463</u>	<u>\$ 696,929</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 2,345	\$ 43,363	\$ 758	\$ 123,392	\$ 29,411	\$ 20,872	\$ 37,890
Salaries and benefits payable	-	42,017	-	4,914	988	-	47,853
Interest payable	-	-	-	-	-	-	-
Interfund payables	-	-	-	-	283,578	121,591	-
Deposits	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	42,153	-	-
Total liabilities	<u>2,345</u>	<u>85,380</u>	<u>758</u>	<u>128,306</u>	<u>356,130</u>	<u>142,463</u>	<u>85,743</u>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	-	-	-	5,427,651	7,767,819	-	-
<b>Fund Balances:</b>							
Nonspendable	-	328,769	9,082	-	-	-	13,686
Restricted	-	2,624,691	144,913	397,121	-	-	597,500
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>2,953,460</u>	<u>153,995</u>	<u>397,121</u>	<u>-</u>	<u>-</u>	<u>611,186</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 2,345</u>	<u>\$ 3,038,840</u>	<u>\$ 154,753</u>	<u>\$ 5,953,078</u>	<u>\$ 8,123,949</u>	<u>\$ 142,463</u>	<u>\$ 696,929</u>

**Special Revenue**

Street Sweeping	Measure D Road Maintenance	Wildland Fire Suppression	Under-grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement
\$ 7,778	\$ 14,194	\$ 4,503	\$ -	\$ 35,166	\$ 25,517	\$ -	\$ -
208,919	381,283	120,953	-	944,623	685,422	-	-
-	-	-	-	20,890	164,186	33,748	62,576
-	36,041	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 216,697</u>	<u>\$ 431,518</u>	<u>\$ 125,456</u>	<u>\$ -</u>	<u>\$ 1,000,679</u>	<u>\$ 875,125</u>	<u>\$ 33,748</u>	<u>\$ 62,576</u>
\$ 26,615	\$ -	\$ 866	\$ -	\$ 279	\$ 5,324	\$ -	\$ -
2,711	-	3,315	-	1,009	-	-	-
-	-	-	-	55,913	-	-	-
-	-	-	-	-	-	317,242	62,576
-	-	-	-	164,982	-	-	-
-	-	-	-	-	-	-	-
<u>29,326</u>	<u>-</u>	<u>4,181</u>	<u>-</u>	<u>222,183</u>	<u>5,324</u>	<u>317,242</u>	<u>62,576</u>
-	-	-	-	-	-	-	-
-	36,041	-	-	-	-	-	-
187,371	395,477	121,275	-	778,496	869,801	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(283,494)	-
<u>187,371</u>	<u>431,518</u>	<u>121,275</u>	<u>-</u>	<u>778,496</u>	<u>869,801</u>	<u>(283,494)</u>	<u>-</u>
<u>\$ 216,697</u>	<u>\$ 431,518</u>	<u>\$ 125,456</u>	<u>\$ -</u>	<u>\$ 1,000,679</u>	<u>\$ 875,125</u>	<u>\$ 33,748</u>	<u>\$ 62,576</u>

**CITY OF SANTA BARBARA  
COMBINING BALANCE SHEET  
NONMAJOR - GOVERNMENTAL FUNDS  
June 30, 2013**

	Special Revenue	Capital Projects				Debt Service	Total
	Measure A	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Creeks Restoration Capital Improvement	2002 Municipal Refunding Certificates	Nonmajor Governmental Funds
<b>Assets</b>							
Cash	\$ 63,781	\$ 301,363	\$ 162,953	\$ -	\$ 243,451	\$ -	\$ 985,644
Investments	1,713,263	8,095,067	4,377,161	-	6,539,441	-	26,475,849
Accounts receivable	230,194	99,357	659,078	7,794,710	-	-	10,093,434
Loans receivable	-	-	-	-	-	-	13,195,470
Advance to other funds	46,474	-	-	-	-	-	434,052
Cash and investments with fiscal agents	-	-	-	-	-	561,169	561,169
<b>Total assets</b>	<b>\$ 2,053,712</b>	<b>\$ 8,495,787</b>	<b>\$ 5,199,192</b>	<b>\$ 7,794,710</b>	<b>\$ 6,782,892</b>	<b>\$ 561,169</b>	<b>\$ 51,745,618</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 94,280	\$ 46,262	\$ 218,123	\$ 527,557	\$ 799,902	\$ -	\$ 1,977,239
Salaries and benefits payable	45,186	-	153,573	-	-	-	301,566
Interest payable	-	-	-	-	-	-	55,913
Interfund payables	-	-	-	6,320,248	-	-	7,105,235
Deposits	-	-	-	-	-	-	164,982
Unearned revenue	-	-	-	684,102	-	-	726,255
<b>Total liabilities</b>	<b>139,466</b>	<b>46,262</b>	<b>371,696</b>	<b>7,531,907</b>	<b>799,902</b>	<b>-</b>	<b>10,331,190</b>
<b>Deferred Inflows of Resources:</b>							
Unavailable revenue	-	-	-	-	-	-	13,195,470
<b>Fund Balances:</b>							
Nonspendable	46,474	-	-	-	-	-	434,052
Restricted	1,867,772	113,813	1,517,760	262,803	4,218,646	561,169	14,658,608
Committed	-	1,005,478	1,801,225	-	-	-	2,806,703
Assigned	-	7,330,234	1,508,511	-	1,764,344	-	10,603,089
Unassigned	-	-	-	-	-	-	(283,494)
<b>Total fund balances</b>	<b>1,914,246</b>	<b>8,449,525</b>	<b>4,827,496</b>	<b>262,803</b>	<b>5,982,990</b>	<b>561,169</b>	<b>28,218,958</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,053,712</b>	<b>\$ 8,495,787</b>	<b>\$ 5,199,192</b>	<b>\$ 7,794,710</b>	<b>\$ 6,782,892</b>	<b>\$ 561,169</b>	<b>\$ 51,745,618</b>

(Concluded)



**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Special Revenue							
	Traffic Safety	Creek Restoration/ Water Quality	Transpor- tation Develop.	Community Dev Block Grant	HOME Program	Disaster Recovery Initiative	County Library	Street Sweeping
<b>Revenues:</b>								
Taxes	\$ -	\$ 2,935,184	\$ 61,113	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	1,067,242	519,709	204,401	1,362,677	-
Fines and forfeitures	493,582	1,433	-	-	-	-	163,536	640,190
Use of money and property	-	34,264	990	-	-	-	18,253	-
Charges for services	-	3,359	-	8,001	-	-	-	-
Program income	-	-	-	471,675	21,526	-	-	-
Other revenues	-	18,122	-	-	-	-	408,349	-
<b>Total revenues</b>	<b>493,582</b>	<b>2,992,362</b>	<b>62,103</b>	<b>1,546,918</b>	<b>541,235</b>	<b>204,401</b>	<b>1,952,815</b>	<b>640,190</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public safety	31,465	-	-	-	-	-	-	-
Public works	-	1,518,245	213,372	-	-	-	-	578,443
Community services	-	-	-	-	-	-	1,937,337	-
Community development	-	-	-	1,149,797	541,235	181,226	-	-
<b>Capital Outlay:</b>								
Capital improvements	-	-	-	-	-	-	-	-
<b>Debt Service:</b>								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>31,465</b>	<b>1,518,245</b>	<b>213,372</b>	<b>1,149,797</b>	<b>541,235</b>	<b>181,226</b>	<b>1,937,337</b>	<b>578,443</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>462,117</b>	<b>1,474,117</b>	<b>(151,269)</b>	<b>397,121</b>	<b>-</b>	<b>23,175</b>	<b>15,478</b>	<b>61,747</b>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	-	-	-	341,558
Transfers out	(462,117)	(1,870,902)	-	-	-	-	(21,056)	(311,825)
<b>Total other financing sources (uses)</b>	<b>(462,117)</b>	<b>(1,870,902)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,056)</b>	<b>29,733</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>(396,785)</b>	<b>(151,269)</b>	<b>397,121</b>	<b>-</b>	<b>23,175</b>	<b>(5,578)</b>	<b>91,480</b>
<b>Fund balances, beginning of fiscal year</b>	<b>-</b>	<b>3,350,245</b>	<b>305,264</b>	<b>-</b>	<b>-</b>	<b>(23,175)</b>	<b>616,764</b>	<b>95,891</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ -</b>	<b>\$ 2,953,460</b>	<b>\$ 153,995</b>	<b>\$ 397,121</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611,186</b>	<b>\$ 187,371</b>

Special Revenue

Measure D Road Maintenance	Wildland Fire Suppression	Under- grounding Utility	Police - Asset Forfeiture	Miscellaneous Grants	FEMA Reimbursement Fund	Police - Supplemental Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	146,274	787,324	-	146,215
4,112	-	-	1,521	-	-	201
-	-	-	-	266,444	37,213	-
-	-	-	-	-	-	-
-	236,999	-	142,661	312,724	-	-
4,112	236,999	-	290,456	1,366,492	37,213	146,416
-	240,988	-	239,062	390,578	-	146,416
1,347,301	-	170	-	-	4,341	-
-	-	-	-	756,985	-	-
-	-	-	-	262,207	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,347,301	240,988	170	239,062	1,409,770	4,341	146,416
(1,343,189)	(3,989)	(170)	51,394	(43,278)	32,872	-
-	-	-	-	213,889	-	-
-	-	(108,074)	(132,000)	-	(339,428)	-
-	-	(108,074)	(132,000)	213,889	(339,428)	-
(1,343,189)	(3,989)	(108,244)	(80,606)	170,611	(306,556)	-
1,774,707	125,264	108,244	859,102	699,190	23,062	-
\$ 431,518	\$ 121,275	\$ -	\$ 778,496	\$ 869,801	\$ (283,494)	\$ -

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Special Revenue		Capital Projects			Debt Service	Total Nonmajor Governmental Funds
	Measure A	General Capital Improvements	Street Capital Improvements	Street Grant Capital	Creeks Restoration Capital Improvements	2002 Municipal Refunding Certificates	
<b>Revenues:</b>							
Taxes	\$ 3,260,811	\$ -	7,022,772	\$ -	\$ -	\$ -	\$ 13,279,880
Intergovernmental	-	299,357	2,173,442	8,169,936	829,462	-	15,706,039
Fines and forfeitures	-	-	36,968	-	-	-	1,335,709
Use of money and property	4,688	-	-	-	-	28,628	92,657
Charges for services	-	-	427,620	-	-	-	742,637
Program income	-	-	-	-	-	-	493,201
Other revenues	-	7,506	1,206,621	-	-	-	2,332,982
<b>Total revenues</b>	<b>3,265,499</b>	<b>306,863</b>	<b>10,867,423</b>	<b>8,169,936</b>	<b>829,462</b>	<b>28,628</b>	<b>33,983,105</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Public safety	-	-	-	-	-	-	1,048,509
Public works	2,453,913	-	-	-	-	-	6,115,785
Community services	-	-	-	-	-	-	2,694,322
Community development	-	-	-	-	-	-	2,134,465
<b>Capital Outlay:</b>							
Capital improvements	-	1,085,734	10,583,587	8,335,201	2,224,836	-	22,229,358
<b>Debt Service:</b>							
Principal	-	-	-	-	-	273,900	273,900
Interest	-	-	-	-	-	75,225	75,225
<b>Total expenditures</b>	<b>2,453,913</b>	<b>1,085,734</b>	<b>10,583,587</b>	<b>8,335,201</b>	<b>2,224,836</b>	<b>349,125</b>	<b>34,571,564</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>811,586</b>	<b>(778,871)</b>	<b>283,836</b>	<b>(165,265)</b>	<b>(1,395,374)</b>	<b>(320,497)</b>	<b>(588,459)</b>
<b>Other financing sources (uses):</b>							
Transfers in	-	6,653,377	38,074	55,524	1,663,749	320,456	9,286,627
Transfers out	-	-	(205,524)	-	-	-	(3,450,926)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>6,653,377</b>	<b>(167,450)</b>	<b>55,524</b>	<b>1,663,749</b>	<b>320,456</b>	<b>5,835,701</b>
<b>Net change in fund balances</b>	<b>811,586</b>	<b>5,874,506</b>	<b>116,386</b>	<b>(109,741)</b>	<b>268,375</b>	<b>(41)</b>	<b>5,247,242</b>
<b>Fund balances, beginning of fiscal year</b>	<b>1,102,660</b>	<b>2,575,019</b>	<b>4,711,110</b>	<b>372,544</b>	<b>5,714,615</b>	<b>561,210</b>	<b>22,971,716</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ 1,914,246</b>	<b>\$ 8,449,525</b>	<b>\$ 4,827,496</b>	<b>\$ 262,803</b>	<b>\$ 5,982,990</b>	<b>\$ 561,169</b>	<b>\$ 28,218,958</b>

(Concluded)



**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**TRAFFIC SAFETY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 506,204	\$ 506,204	\$ 493,582	\$ (12,622)
Expenditures:				
Current:				
Public Safety	35,000	35,000	31,465	3,535
Excess of revenues over expenditures	471,204	471,204	462,117	(9,087)
Other financing uses:				
Transfers out	(471,204)	(471,204)	(462,117)	9,087
Net change in fund balances	-	-	-	-
Fund balances, beginning of fiscal year	-	-	-	-
Fund balances, end of fiscal year	\$ -	\$ -	\$ -	\$ -

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**CREEKS RESTORATION/WATER QUALITY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 2,849,200	\$ 2,849,200	\$ 2,935,184	\$ 85,984
Fines and forfeitures	-	-	1,433	1,433
Use of money and property	140,600	140,600	34,264	(106,336)
Charges for services	-	-	3,359	3,359
Other revenues	13,072	13,072	18,122	5,050
<b>Total revenues</b>	<u>3,002,872</u>	<u>3,002,872</u>	<u>2,992,362</u>	<u>(10,510)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	<u>2,149,126</u>	<u>2,248,806</u>	<u>1,518,245</u>	<u>730,561</u>
<b>Excess of revenues     over expenditures</b>	853,746	754,066	1,474,117	720,051
<b>Other financing uses:</b>				
Transfers out	<u>(1,532,153)</u>	<u>(1,870,902)</u>	<u>(1,870,902)</u>	<u>-</u>
<b>Net change in fund balances</b>	(678,407)	(1,116,836)	(396,785)	720,051
<b>Fund balances, beginning of fiscal year</b>	<u>3,350,245</u>	<u>3,350,245</u>	<u>3,350,245</u>	<u>-</u>
<b>Fund balances, end of fiscal year</b>	<u>\$ 2,671,838</u>	<u>\$ 2,233,409</u>	<u>\$ 2,953,460</u>	<u>\$ 720,051</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**TRANSPORTATION DEVELOPMENT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 61,113	\$ 61,113	\$ 61,113	\$ -
Use of money and property	4,900	4,900	990	(3,910)
Total revenues	<u>66,013</u>	<u>66,013</u>	<u>62,103</u>	<u>(3,910)</u>
Expenditures:				
Current:				
Public works	<u>66,013</u>	<u>268,840</u>	<u>213,372</u>	<u>55,468</u>
Deficiency of revenues under expenditures	-	(202,827)	(151,269)	51,558
Fund balances, beginning of fiscal year	<u>305,264</u>	<u>305,264</u>	<u>305,264</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 305,264</u>	<u>\$ 102,437</u>	<u>\$ 153,995</u>	<u>\$ 51,558</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 792,279	\$ 1,732,621	\$ 1,067,242	\$ (665,379)
Charges for services	-	-	8,001	8,001
Program income	400,000	400,000	471,675	71,675
Total revenues	<u>1,192,279</u>	<u>2,132,621</u>	<u>1,546,918</u>	<u>(585,703)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community development	<u>1,192,279</u>	<u>2,132,621</u>	<u>1,149,797</u>	<u>982,824</u>
Excess of revenues over expenditures	-	-	397,121	397,121
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 397,121</u>	<u>\$ 397,121</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**HOME PROGRAM**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 425,097	\$ 2,164,584	\$ 519,709	\$ (1,644,875)
Program income	15,000	21,526	21,526	-
Total revenues	<u>440,097</u>	<u>2,186,110</u>	<u>541,235</u>	<u>(1,644,875)</u>
<b>Expenditures:</b>				
Current:				
Community development	<u>440,097</u>	<u>2,186,110</u>	<u>541,235</u>	<u>1,644,875</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning of fiscal year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**DISASTER RECOVERY INITIATIVE**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 155,000	\$ 2,983,285	\$ 204,401	\$ (2,778,884)
<b>Total revenues</b>	<u>155,000</u>	<u>2,983,285</u>	<u>204,401</u>	<u>(2,778,884)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Community development	155,000	2,960,110	181,226	2,778,884
<b>Excess of revenues over     expenditures</b>	-	23,175	23,175	-
<b>Other financing sources (uses):</b>				
Transfers out	-	-	-	-
<b>Total other financing     sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	23,175	23,175	-
<b>Fund balances, beginning of fiscal year</b>	-	-	(23,175)	23,175
<b>Fund balances, end of fiscal year</b>	<u>\$ -</u>	<u>\$ 23,175</u>	<u>\$ -</u>	<u>\$ 23,175</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**COUNTY LIBRARY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,352,012	\$ 1,362,512	\$ 1,362,677	\$ 165
Fines and forfeitures	153,000	153,000	163,536	10,536
Use of money and property	27,500	27,500	18,253	(9,247)
Other revenues	288,491	306,908	408,349	101,441
<b>Total revenues</b>	<b>1,821,003</b>	<b>1,849,920</b>	<b>1,952,815</b>	<b>102,895</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Community services	1,884,430	2,029,792	1,937,337	92,455
<b>Excess (deficiency) of     revenues over (under)     expenditures</b>	<b>(63,427)</b>	<b>(179,872)</b>	<b>15,478</b>	<b>195,350</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(21,056)	(21,056)	(21,056)	-
<b>Total other financing         sources (uses)</b>	<b>(21,056)</b>	<b>(21,056)</b>	<b>(21,056)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(84,483)</b>	<b>(200,928)</b>	<b>(5,578)</b>	<b>195,350</b>
Fund balances, beginning of fiscal year	616,764	616,764	616,764	-
Fund balances, end of fiscal year	<b>\$ 532,281</b>	<b>\$ 415,836</b>	<b>\$ 611,186</b>	<b>\$ 195,350</b>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**STREET SWEEPING**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures	\$ 655,119	\$ 655,119	\$ 640,190	\$ (14,929)
Total revenues	<u>655,119</u>	<u>655,119</u>	<u>640,190</u>	<u>(14,929)</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>619,976</u>	<u>619,976</u>	<u>578,443</u>	<u>41,533</u>
Excess of revenues over expenditures	<u>35,143</u>	<u>35,143</u>	<u>61,747</u>	<u>26,604</u>
<b>Other financing sources (uses):</b>				
Transfers in	341,558	341,558	341,558	-
Transfers out	<u>(311,825)</u>	<u>(311,825)</u>	<u>(311,825)</u>	<u>-</u>
Total other financing sources (uses)	<u>29,733</u>	<u>29,733</u>	<u>29,733</u>	<u>-</u>
Net change in fund balances	64,876	64,876	91,480	26,604
Fund balances, beginning of fiscal year	<u>95,891</u>	<u>95,891</u>	<u>95,891</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 160,767</u>	<u>\$ 160,767</u>	<u>\$ 187,371</u>	<u>\$ 26,604</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**MEASURE D ROAD MAINTENANCE**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Use of money and property	\$ -	\$ 12,493	\$ 4,112	\$ (8,381)
Total revenues	<u>-</u>	<u>12,493</u>	<u>4,112</u>	<u>(8,381)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	<u>-</u>	<u>1,791,788</u>	<u>1,347,301</u>	<u>444,487</u>
Excess (deficiency) of revenues over (under) expenditures	-	(1,779,295)	(1,343,189)	436,106
Fund balances, beginning of fiscal year	<u>1,774,707</u>	<u>1,774,707</u>	<u>1,774,707</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,774,707</u>	<u>\$ (4,588)</u>	<u>\$ 431,518</u>	<u>\$ 436,106</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**WILDLAND FIRE SUPPRESSION ASSESSMENT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Other revenues	\$ 225,080	\$ 225,080	\$ 236,999	\$ 11,919
Total revenues	<u>225,080</u>	<u>225,080</u>	<u>236,999</u>	<u>11,919</u>
Expenditures:				
Current:				
Public Safety	<u>289,879</u>	<u>317,070</u>	<u>240,988</u>	<u>76,082</u>
Excess (deficiency) of revenues over (under) expenditures	(64,799)	(91,990)	(3,989)	88,001
Fund balances, beginning of fiscal year	<u>125,264</u>	<u>125,264</u>	<u>125,264</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 60,465</u>	<u>\$ 33,274</u>	<u>\$ 121,275</u>	<u>\$ 88,001</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**UNDERGROUNDING UTILITY**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Public works	<u>-</u>	<u>170</u>	<u>170</u>	<u>-</u>
Deficiency of revenues under expenditures	-	(170)	(170)	-
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(108,074)</u>	<u>(108,074)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(108,074)</u>	<u>(108,074)</u>	<u>-</u>
Net change in fund balances	-	(108,244)	(108,244)	-
Fund balances, beginning of fiscal year	<u>108,244</u>	<u>108,244</u>	<u>108,244</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 108,244</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**POLICE - ASSET FORFEITURE**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 120,000	\$ 120,000	\$ 146,274	\$ 26,274
Use of money and property	-	-	1,521	1,521
Other revenues	-	-	142,661	142,661
<b>Total revenues</b>	<b>120,000</b>	<b>120,000</b>	<b>290,456</b>	<b>170,456</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety	269,711	321,711	239,062	82,649
<b>Total expenditures</b>	<b>269,711</b>	<b>321,711</b>	<b>239,062</b>	<b>82,649</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(149,711)</b>	<b>(201,711)</b>	<b>51,394</b>	<b>253,105</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(132,000)	(132,000)	(132,000)	-
<b>Total other financing sources (uses)</b>	<b>(132,000)</b>	<b>(132,000)</b>	<b>(132,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(281,711)</b>	<b>(333,711)</b>	<b>(80,606)</b>	<b>253,105</b>
<b>Fund balances, beginning of fiscal year</b>	<b>859,102</b>	<b>859,102</b>	<b>859,102</b>	<b>-</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ 577,391</b>	<b>\$ 525,391</b>	<b>\$ 778,496</b>	<b>\$ 253,105</b>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**MISCELLANEOUS GRANTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 439,013	\$ 1,602,404	\$ 787,324	\$ (815,080)
Charges for services	251,396	249,534	266,444	16,910
Other revenues	97,140	385,651	312,724	(72,927)
Total revenues	<u>787,549</u>	<u>2,237,589</u>	<u>1,366,492</u>	<u>(871,097)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public safety	40,000	1,083,584	390,578	693,006
Community services	785,934	1,422,503	756,985	665,518
Community development	183,291	289,490	262,207	27,283
Total expenditures	<u>1,009,225</u>	<u>2,795,577</u>	<u>1,409,770</u>	<u>1,385,807</u>
Deficiency of revenues under expenditures	<u>(221,676)</u>	<u>(557,988)</u>	<u>(43,278)</u>	<u>514,710</u>
<b>Other financing sources:</b>				
Transfers in	221,676	221,676	213,889	(7,787)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>221,676</u>	<u>221,676</u>	<u>213,889</u>	<u>(7,787)</u>
Net change in fund balances	-	(336,312)	170,611	506,923
Fund balances, beginning of fiscal year	<u>699,190</u>	<u>699,190</u>	<u>699,190</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 699,190</u>	<u>\$ 362,878</u>	<u>\$ 869,801</u>	<u>\$ 506,923</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**FEMA REIMBURSEMENT FUND**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Charges for services	\$ -	\$ -	\$ 37,213	\$ 37,213
Total revenues	<u>-</u>	<u>-</u>	<u>37,213</u>	<u>37,213</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public works	-	-	4,341	(4,341)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,341</u>	<u>(4,341)</u>
Excess of revenues over expenditures	-	-	32,872	32,872
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	(332,040)	(332,040)	(339,428)	7,388
Total other financing sources (uses)	<u>(332,040)</u>	<u>(332,040)</u>	<u>(339,428)</u>	<u>7,388</u>
Net change in fund balances	(332,040)	(332,040)	(306,556)	40,260
Fund balances, beginning of fiscal year	<u>23,062</u>	<u>23,062</u>	<u>23,062</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ (308,978)</u>	<u>\$ (308,978)</u>	<u>\$ (283,494)</u>	<u>\$ 40,260</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**POLICE - SUPPLEMENTAL LAW ENFORCEMENT**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 144,188	\$ 144,188	\$ 146,215	\$ 2,027
Use of money and property	-	-	201	201
<b>Total revenues</b>	<u>144,188</u>	<u>144,188</u>	<u>146,416</u>	<u>2,228</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Public Safety	<u>144,188</u>	<u>144,188</u>	<u>146,416</u>	<u>(2,228)</u>
<b>Excess (deficiency) of     revenues over (under)     expenditures</b>	-	-	-	-
<b>Fund balances, beginning of fiscal year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of fiscal year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**MEASURE A**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 3,008,638	\$ 3,008,638	\$ 3,260,811	\$ 252,173
Use of money and property	12,600	12,600	4,688	(7,912)
Total revenues	<u>3,021,238</u>	<u>3,021,238</u>	<u>3,265,499</u>	<u>244,261</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>3,024,977</u>	<u>4,122,218</u>	<u>2,453,913</u>	<u>1,668,305</u>
Excess (deficiency) of revenues over (under) expenditures	(3,739)	(1,100,980)	811,586	1,912,566
Fund balances, beginning of fiscal year	<u>1,102,660</u>	<u>1,102,660</u>	<u>1,102,660</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 1,098,921</u>	<u>\$ 1,680</u>	<u>\$ 1,914,246</u>	<u>\$ 1,912,566</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**GENERAL CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 300,325	\$ 299,357	\$ (968)
Other revenues	-	151,529	7,506	(144,023)
<b>Total revenues</b>	<b>-</b>	<b>451,854</b>	<b>306,863</b>	<b>(144,991)</b>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Capital improvements	625,000	2,205,412	1,085,734	1,119,678
Deficiency of revenues under expenditures	(625,000)	(1,753,558)	(778,871)	974,687
<b>Other financing sources:</b>				
Transfers in	380,234	6,643,133	6,653,377	10,244
<b>Total other financing sources</b>	<b>380,234</b>	<b>6,643,133</b>	<b>6,653,377</b>	<b>10,244</b>
Net change in fund balances	(244,766)	4,889,575	5,874,506	984,931
Fund balances, beginning of fiscal year	2,575,019	2,575,019	2,575,019	-
Fund balances, end of fiscal year	<b>\$ 2,330,253</b>	<b>\$ 7,464,594</b>	<b>\$ 8,449,525</b>	<b>\$ 984,931</b>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**STREET CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,129,100	\$ 7,129,100	\$ 7,022,772	\$ (106,328)
Intergovernmental	2,457,899	2,557,004	2,173,442	(383,562)
Use of money and property	36,968	36,968	36,968	-
Charges for services	187,992	271,668	427,620	155,952
Other revenues	171,714	616,794	1,206,621	589,827
<b>Total revenues</b>	<b>9,983,673</b>	<b>10,611,534</b>	<b>10,867,423</b>	<b>255,889</b>
<b>Expenditures:</b>				
<b>Capital outlay:</b>				
Capital improvements	10,411,898	14,257,085	10,583,587	3,673,498
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(428,225)</b>	<b>(3,645,551)</b>	<b>283,836</b>	<b>3,929,387</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	38,074	38,074	-
Transfers out	(150,000)	(205,524)	(205,524)	-
<b>Total other financing sources (uses)</b>	<b>(150,000)</b>	<b>(167,450)</b>	<b>(167,450)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(578,225)</b>	<b>(3,813,001)</b>	<b>116,386</b>	<b>3,929,387</b>
<b>Fund balances, beginning of fiscal year</b>	<b>4,711,110</b>	<b>4,711,110</b>	<b>4,711,110</b>	<b>-</b>
<b>Fund balances, end of fiscal year</b>	<b>\$ 4,132,885</b>	<b>\$ 898,109</b>	<b>\$ 4,827,496</b>	<b>\$ 3,929,387</b>

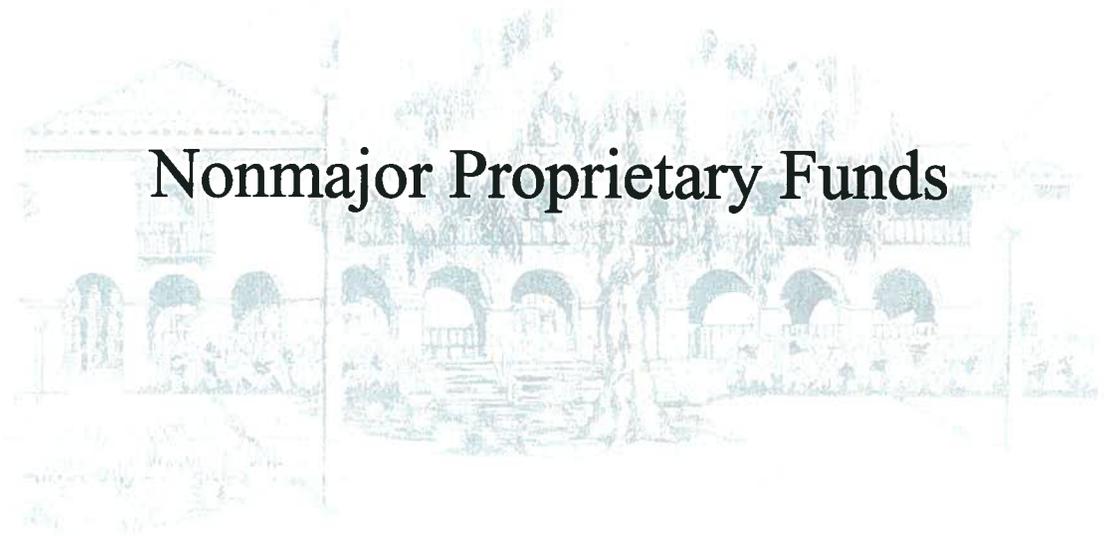
**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**STREET GRANT CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 775,717	\$ 19,022,623	\$ 8,169,936	\$ (10,852,687)
Total revenues	<u>775,717</u>	<u>19,022,623</u>	<u>8,169,936</u>	<u>(10,852,687)</u>
<b>Expenditures:</b>				
Capital outlay:				
Capital improvements	<u>775,717</u>	<u>19,435,492</u>	<u>8,335,201</u>	<u>11,100,291</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>(412,869)</u>	<u>(165,265)</u>	<u>247,604</u>
<b>Other financing sources (uses):</b>				
Transfers in	<u>-</u>	<u>55,524</u>	<u>55,524</u>	<u>-</u>
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>55,524</u>	<u>55,524</u>	<u>-</u>
Net change in fund balances	-	(357,345)	(109,741)	247,604
Fund balances, beginning of fiscal year	<u>372,544</u>	<u>372,544</u>	<u>372,544</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 372,544</u>	<u>\$ 15,199</u>	<u>\$ 262,803</u>	<u>\$ 247,604</u>

**CITY OF SANTA BARBARA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR FUNDS**  
**CREEKS RESTORATION CAPITAL IMPROVEMENTS**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ 5,943,218	\$ 829,462	\$ (5,113,756)
<b>Total revenues</b>	<u>-</u>	<u>5,943,218</u>	<u>829,462</u>	<u>(5,113,756)</u>
<b>Expenditures:</b>				
<b>Capital Outlay:</b>				
Capital improvements	<u>1,325,000</u>	<u>11,950,057</u>	<u>2,224,836</u>	<u>9,725,221</u>
<b>Deficiency of revenues     under expenditures</b>	<u>(1,325,000)</u>	<u>(6,006,839)</u>	<u>(1,395,374)</u>	<u>4,611,465</u>
<b>Other financing sources:</b>				
Transfers in	<u>1,325,000</u>	<u>1,663,749</u>	<u>1,663,749</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>(4,343,090)</u>	<u>268,375</u>	<u>4,611,465</u>
<b>Fund balances, beginning of fiscal year</b>	<u>5,714,615</u>	<u>5,714,615</u>	<u>5,714,615</u>	<u>-</u>
<b>Fund balances, end of fiscal year</b>	<u>\$ 5,714,615</u>	<u>\$ 1,371,525</u>	<u>\$ 5,982,990</u>	<u>\$ 4,611,465</u>





## Nonmajor Proprietary Funds

## **NONMAJOR PROPRIETARY FUNDS**

**Downtown Parking Fund** - To account for the provision of parking services in the downtown area of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

**Golf Course Fund** - To account for the operation of a municipal golf course. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, capital acquisition and construction, financing and related debt service, and billing and collection of fees.

**CITY OF SANTA BARBARA  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2013**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>Assets</b>			
<b>Current assets:</b>			
Cash	\$ 296,514	\$ 39,054	\$ 335,568
Investment	7,964,787	1,049,040	9,013,827
Accounts receivable, net	19,162	-	19,162
<b>Total current assets</b>	<b>8,280,463</b>	<b>1,088,094</b>	<b>9,368,557</b>
<b>Non-current assets:</b>			
Advances to other funds	285,659	26,514	312,173
<b>Capital Assets:</b>			
Land	4,943,771	342,302	5,286,073
Buildings	4,677,851	1,198,600	5,876,451
Building improvements	-	170,228	170,228
Improvements other than buildings	6,200,268	4,225,277	10,425,545
Equipment	2,619,404	977,962	3,597,366
Construction in progress	332,586	-	332,586
Less accumulated depreciation	(8,065,143)	(3,766,076)	(11,831,219)
<b>Total capital assets, net</b>	<b>10,708,737</b>	<b>3,148,293</b>	<b>13,857,030</b>
<b>Total non-current assets</b>	<b>10,994,396</b>	<b>3,174,807</b>	<b>14,169,203</b>
<b>Total assets</b>	<b>19,274,859</b>	<b>4,262,901</b>	<b>23,537,760</b>
<b>Deferred Outflows of Resources</b>			
Deferred from refunding of debt	-	53,319	53,319
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>53,319</b>	<b>53,319</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	88,583	44,313	132,896
Accrued interest payable	-	78,986	78,986
Salaries and benefits payable	168,732	39,945	208,677
Deposits	57,081	-	57,081
Unearned revenue	-	41,019	41,019
Compensated absences payable	113,395	41,707	155,102
Current portion long term debt	-	147,900	147,900
<b>Total current liabilities</b>	<b>427,791</b>	<b>393,870</b>	<b>821,660</b>
<b>Non-current liabilities:</b>			
Long-term debt, net of current portion	-	654,500	654,500
Advances from other funds	-	775,000	775,000
Compensated absences payable	12,600	4,634	17,234
Other post employment benefits (OPEB) obligation	377,884	98,387	476,271
<b>Total non-current liabilities</b>	<b>390,484</b>	<b>1,532,521</b>	<b>1,923,005</b>
<b>Total liabilities</b>	<b>818,274</b>	<b>1,926,391</b>	<b>2,744,665</b>
<b>Net Position:</b>			
Net investment in capital assets	10,708,737	2,345,893	13,054,630
Unrestricted	7,747,848	43,936	7,791,784
<b>Total net position</b>	<b>\$ 18,456,585</b>	<b>\$ 2,389,829</b>	<b>\$ 20,846,414</b>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION**  
**NONMAJOR PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>Operating Revenues:</b>			
<b>Charges for sales and services:</b>			
Service charges	\$ 6,683,295	\$ 1,504,485	\$ 8,187,780
Leases and rents	40,925	326,164	367,089
Other revenues	666	2,696	3,362
Total revenues	<u>6,724,886</u>	<u>1,833,345</u>	<u>8,558,231</u>
<b>Operating Expenses:</b>			
Salaries, wages and benefits	3,859,245	995,914	4,855,159
Materials, supplies and services	2,691,461	616,857	3,308,318
Depreciation	671,552	228,174	899,726
Total operating expenses	<u>7,222,258</u>	<u>1,840,945</u>	<u>9,063,203</u>
Operating income (loss)	<u>(497,372)</u>	<u>(7,600)</u>	<u>(504,972)</u>
<b>Non-operating revenues (expenses):</b>			
Taxes	966,291	-	966,291
Investment income	29,813	2,716	32,529
Interest expense	-	(61,244)	(61,244)
Total non-operating revenues (expenses)	<u>996,104</u>	<u>(58,528)</u>	<u>937,576</u>
Income (loss) before transfers	498,732	(66,128)	432,604
Transfers in	43,500	-	43,500
Transfers out	<u>(344,066)</u>	<u>(23,373)</u>	<u>(367,439)</u>
Change in net position	198,166	(89,501)	108,665
<b>Net Position:</b>			
Net position, beginning of fiscal year	18,258,419	2,479,330	20,737,749
Net position, end of fiscal year	<u>\$ 18,456,585</u>	<u>\$ 2,389,829</u>	<u>\$ 20,846,414</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
<b>Cash flows from operating activities:</b>			
Cash received from services	\$ 6,721,661	\$ 1,526,430	\$ 8,248,091
Cash received from rents and leases	40,925	326,164	367,089
Cash payments for goods and services	(2,699,761)	(617,750)	(3,317,511)
Cash payments to employees for services	(3,802,566)	(1,008,089)	(4,810,655)
Cash returned for deposits	4,189	-	4,189
Other operating receipts	666	2,696	3,362
Net cash provided (used) by operating activities	<u>265,115</u>	<u>229,451</u>	<u>494,566</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	43,500	-	43,500
Transfers to other funds	(344,066)	(23,373)	(367,439)
Received from (paid to) other funds	(5,079)	(1,770)	(6,849)
Cash received from taxes and assessments	966,291	-	966,291
Net cash provided (used) by noncapital financing activities	<u>660,646</u>	<u>(25,143)</u>	<u>635,503</u>
<b>Cash flows from capital and related financing activities:</b>			
Payments on long-term debt	-	(130,436)	(130,436)
Acquisition of capital assets	(150,565)	-	(150,565)
Interest paid on debt	-	(44,549)	(44,549)
Net cash provided (used) by capital and related financing activities	<u>(150,565)</u>	<u>(174,985)</u>	<u>(325,550)</u>
<b>Cash flows from investing activities:</b>			
Cash received on investments	29,813	277,716	307,529
Proceeds from sales and maturities of investments	7,317,047	766,470	8,083,517
Purchase of investments	(7,964,787)	(1,049,041)	(9,013,828)
Net cash provided (used) by investing activities	<u>(617,927)</u>	<u>(4,855)</u>	<u>(622,782)</u>
Net increase (decrease) in cash and cash equivalents	157,269	24,468	181,737
Cash and cash equivalents, beginning of fiscal year	<u>139,245</u>	<u>14,586</u>	<u>153,831</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 296,514</u>	<u>\$ 39,054</u>	<u>\$ 335,568</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (497,372)	\$ (7,600)	\$ (504,972)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	671,552	228,174	899,726
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	38,366	18,757	57,123
Increase (decrease) in accounts payable	(8,300)	(893)	(9,193)
Increase (decrease) in accrued salaries payable	15,427	(2,550)	12,877
Increase (decrease) in deferred revenue	-	3,188	3,188
Increase (decrease) in accrued compensated absences	(33,047)	(20,079)	(53,126)
Increase (decrease) in accrued OPEB	74,299	10,454	84,753
Increase (decrease) in deposits	4,189	-	4,189
Net cash provided (used) by operating activities	<u>\$ 265,115</u>	<u>\$ 229,451</u>	<u>\$ 494,566</u>
<b>Noncash investing, capital, and financing activities:</b>			
Change in fair value of investments	\$ (79,881)	\$ (7,414)	\$ (87,295)



# Internal Service Funds

## **INTERNAL SERVICE FUNDS**

**Intra-City Service Fund** – To account for the costs of operating an automotive maintenance facility and ensuring that vehicles used by all City departments are properly maintained. This fund also accounts for City-wide building maintenance operations, custodial services, and communications.

**Self Insurance Fund** - To account for the cost of providing workers' compensation, unemployment, liability and employee health insurance coverage on a City-wide basis.

**Information Systems Fund** - To account for the cost of providing computer equipment and service to all departments and funds within the City.

**Vehicle Capital Fund** - To account for the costs of purchasing new vehicles for use within the City-wide organization.

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2013**

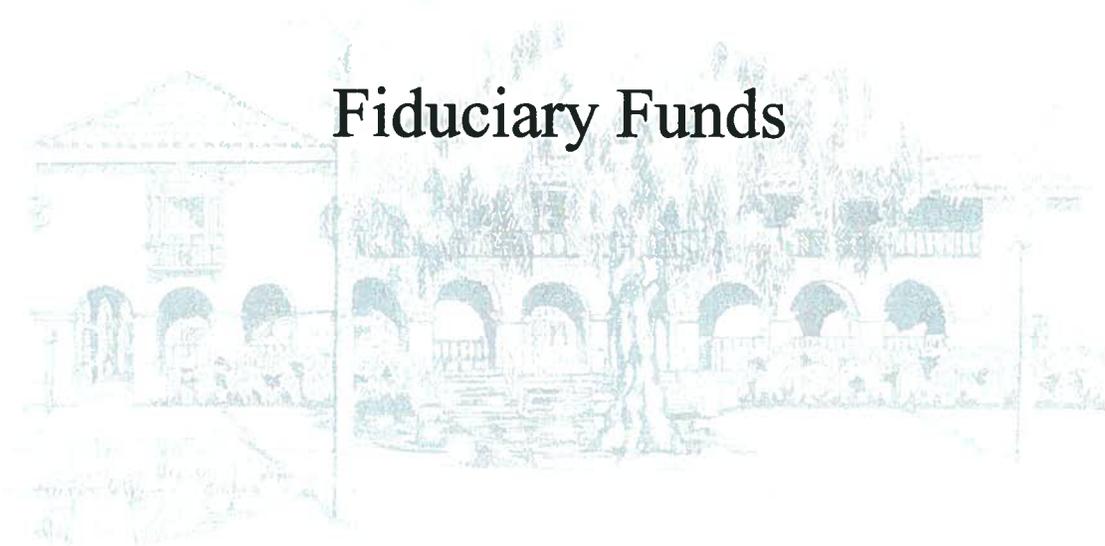
<u>Assets</u>	<u>Intra-City Service</u>	<u>Self- Insurance</u>	<u>Information Systems</u>	<u>Vehicle Capital</u>	<u>Total</u>
<b>Current Assets:</b>					
Cash	\$ 105,217	\$ 211,282	\$ 88,853	\$ 386,251	\$ 791,603
Investments	2,826,282	5,675,331	2,386,722	10,375,276	21,263,611
Accounts receivable	89,581	75,000	-	12,177	176,758
Advances to other funds	-	184,576	-	632,838	817,414
Inventory, at cost	482,077	-	-	207,648	689,725
Total current assets	<u>3,503,157</u>	<u>6,146,189</u>	<u>2,475,575</u>	<u>11,614,190</u>	<u>23,739,111</u>
<b>Capital assets:</b>					
Buildings	105,889	-	-	-	105,889
Building improvements	1,323,139	-	-	-	1,323,139
Improvements other than building	976,354	-	-	-	976,354
Equipment	392,230	-	-	19,799,269	20,191,499
Construction in progress	186,054	-	-	341,465	527,519
Less accumulated depreciation	(441,584)	-	-	(15,494,081)	(15,935,665)
Total capital assets, net	<u>2,542,082</u>	<u>-</u>	<u>-</u>	<u>4,646,653</u>	<u>7,188,735</u>
<b>Total assets</b>	<u>6,045,239</u>	<u>6,146,189</u>	<u>2,475,575</u>	<u>16,260,843</u>	<u>30,927,846</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	226,885	718,688	22,373	185,838	1,153,784
Salaries and benefits payable	166,192	20,780	70,588	22,550	280,110
Compensated absences payable	160,799	26,464	83,256	65,653	336,172
Current portion claims payable	-	3,132,109	-	-	3,132,109
Total current liabilities	<u>553,876</u>	<u>3,898,041</u>	<u>176,217</u>	<u>274,041</u>	<u>4,902,175</u>
<b>Non-current Liabilities:</b>					
Compensated absences, net of current portion	17,867	2,940	9,251	7,295	37,353
Estimated claims payable, net of current portion	-	5,093,303	-	-	5,093,303
<b>Total liabilities</b>	<u>571,743</u>	<u>8,994,284</u>	<u>185,468</u>	<u>281,336</u>	<u>10,032,831</u>
<b>Net Position</b>					
Net investment in capital assets	2,542,082	-	-	4,646,653	7,188,735
Unrestricted	2,931,414	(2,848,095)	2,290,107	11,332,854	13,706,280
<b>Total net position</b>	<u>\$ 5,473,496</u>	<u>\$ (2,848,095)</u>	<u>\$ 2,290,107</u>	<u>\$ 15,979,507</u>	<u>\$ 20,895,015</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
<b>Operating Revenues:</b>					
<b>Charges for sales and services:</b>					
Intergovernmental	\$ 200,938	\$ -	\$ -	\$ -	\$ 200,938
Service charges	5,258,735	5,198,025	2,358,077	4,752,536	17,567,373
Other revenues	175,689	679,458	1,138	182,985	1,039,270
Total operating revenues	<u>5,635,362</u>	<u>5,877,483</u>	<u>2,359,215</u>	<u>4,935,521</u>	<u>18,807,581</u>
<b>Operating Expenses:</b>					
Salaries, wages and benefits	3,148,145	483,866	1,641,325	1,372,570	6,645,906
Materials, supplies and services	2,198,174	8,424,986	1,573,289	1,239,831	13,436,280
Depreciation	81,964	-	-	1,209,366	1,291,330
Total operating expenses	<u>5,428,283</u>	<u>8,908,852</u>	<u>3,214,614</u>	<u>3,821,767</u>	<u>21,373,516</u>
Operating income (loss)	<u>207,079</u>	<u>(3,031,369)</u>	<u>(855,399)</u>	<u>1,113,754</u>	<u>(2,565,935)</u>
<b>Non-operating Revenues and Expenses:</b>					
Investment income	-	19,014	-	37,340	56,354
Total non-operating revenues (expenses)	<u>-</u>	<u>19,014</u>	<u>-</u>	<u>37,340</u>	<u>56,354</u>
Income (loss) before transfers and contributions	207,079	(3,012,355)	(855,399)	1,151,094	(2,509,581)
Transfers In	-	-	1,063,000	-	1,063,000
Transfers Out	-	(356,007)	(43,000)	-	(399,007)
Change in net position	207,079	(3,368,362)	164,601	1,151,094	(1,845,588)
Net position, beginning of fiscal year	<u>5,266,417</u>	<u>520,267</u>	<u>2,125,506</u>	<u>14,828,413</u>	<u>22,740,603</u>
Net position, end of fiscal year	<u>\$ 5,473,496</u>	<u>\$ (2,848,095)</u>	<u>\$ 2,290,107</u>	<u>\$ 15,979,507</u>	<u>\$ 20,895,015</u>

**CITY OF SANTA BARBARA  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
Fiscal Year Ended June 30, 2013**

	Intra-City Service	Self- Insurance	Information Systems	Vehicle Capital	Total
<b>Cash flow from operating activities:</b>					
Cash received from services	\$ 5,172,013	\$ 5,123,025	\$ 2,358,077	\$ 4,759,585	\$ 17,412,700
Cash payments for goods and services	(2,163,722)	(4,873,479)	(1,579,925)	(1,316,309)	(9,933,435)
Cash payments to employees for services	(3,179,275)	(486,217)	(1,650,802)	(1,403,207)	(6,719,501)
Other operating receipts	376,627	679,458	1,138	182,985	1,240,208
Net cash provided (used) by operating activities	<u>205,643</u>	<u>442,787</u>	<u>(871,512)</u>	<u>2,223,054</u>	<u>1,999,972</u>
<b>Cash flows from non-capital financing activities:</b>					
Transfers from other funds	-	-	1,063,000	-	1,063,000
Transfers to other funds	-	(356,007)	(43,000)	-	(399,007)
Received from (paid to) other funds	-	79,106	-	(302,166)	(223,060)
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>(276,901)</u>	<u>1,020,000</u>	<u>(302,166)</u>	<u>440,933</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(617,856)	-	-	(1,188,049)	(1,805,905)
Net cash provided (used) by capital and related financing activities	<u>(617,856)</u>	<u>-</u>	<u>-</u>	<u>(1,188,049)</u>	<u>(1,805,905)</u>
<b>Cash flows from investing activities:</b>					
Cash received on investments	-	19,013	-	37,340	56,353
Proceeds from sales and maturities of investments	3,281,268	5,595,236	2,283,629	9,804,763	20,964,896
Purchase of investments	(2,826,282)	(5,675,331)	(2,386,722)	(10,375,276)	(21,263,611)
Net cash provided (used) by investing activities	<u>454,986</u>	<u>(61,082)</u>	<u>(103,093)</u>	<u>(533,173)</u>	<u>(242,362)</u>
Net increase (decrease) in cash	42,773	104,804	45,395	199,666	392,639
Cash, beginning of fiscal year	62,443	106,478	43,458	186,585	398,964
Cash, end of fiscal year	<u>\$ 105,217</u>	<u>\$ 211,282</u>	<u>\$ 88,853</u>	<u>\$ 386,251</u>	<u>\$ 791,603</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 207,079	\$ (3,031,369)	\$ (855,399)	\$ 1,113,754	\$ (2,565,935)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	81,964	-	-	1,209,366	1,291,330
Changes in operating assets and liabilities:					
(Increase) decrease in accounts receivable	(86,722)	(75,000)	-	7,049	(154,673)
(Increase) decrease in inventories	5,654	-	-	3,660	9,314
Increase (decrease) in accounts payable	28,798	681,693	(6,636)	(80,138)	623,717
Increase (decrease) in accrued claims	-	2,869,814	-	-	2,869,814
Increase (decrease) in accrued salaries payable	6,459	(2,175)	7,518	(1,115)	10,687
Increase (decrease) in accrued compensated absences	(37,589)	(176)	(16,995)	(29,522)	(84,282)
Net cash provided (used) by operating activities	<u>\$ 205,643</u>	<u>\$ 442,787</u>	<u>\$ (871,512)</u>	<u>\$ 2,223,054</u>	<u>\$ 1,999,972</u>
<b>Noncash investing, capital, and financing activities:</b>					
Change in fair value of investments	\$ -	\$ (51,614)	\$ -	\$ (100,065)	\$ (151,679)



# Fiduciary Funds

# **FIDUCIARY FUNDS**

## **PENSION TRUST FUNDS**

Safety Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965.

Service Retirement Fund - To account for the accumulation of resources to be used for retirement benefits for those police and fire employees hired between May 17, 1937 and May 28, 1965, and who were disabled due to job related injuries.

## **PRIVATE PURPOSE TRUST FUNDS**

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

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

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.

## **AGENCY FUNDS**

California Law Enforcement Telecommunications System Fund - To account for moneys received from various participating public agencies for the purchase of computer equipment for communication with the California Law Enforcement Tracking System (CLETS).

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

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

**CITY OF SANTA BARBARA  
 COMBINING STATEMENT OF PLAN NET POSITION  
 PENSION TRUST FUNDS  
 June 30, 2013**

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments with fiscal agents:			
Other investments	\$ -	\$ 563,449	\$ 563,449
Total cash and investments with fiscal agents	<u>-</u>	<u>563,449</u>	<u>563,449</u>
Total assets	<u>-</u>	<u>563,449</u>	<u>563,449</u>
<b>Liabilities</b>			
Due to other Governments	<u>660,661</u>	<u>-</u>	<u>660,661</u>
Total Liabilities	<u>660,661</u>	<u>-</u>	<u>660,661</u>
<b>Net Position</b>			
Held in trust for pension benefits	<u>\$ (660,661)</u>	<u>\$ 563,449</u>	<u>\$ (97,212)</u>

**CITY OF SANTA BARBARA  
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
 PENSION TRUST FUNDS  
 Fiscal Year Ended June 30, 2013**

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
<b>Additions</b>			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	\$ -	\$ 24,426	\$ 24,426
Interest	-	8,908	8,908
Dividends Earned	-	9,750	9,750
Total investment income	<u>-</u>	<u>43,084</u>	<u>43,084</u>
Less investment expenses:			
Banking, interest and fiscal agent expenses	<u>-</u>	<u>(6,343)</u>	<u>(6,343)</u>
Net investment income	<u>-</u>	<u>36,741</u>	<u>36,741</u>
<b>Deductions</b>			
Benefits	<u>96,992</u>	<u>78,066</u>	<u>175,058</u>
Total deductions	<u>96,992</u>	<u>78,066</u>	<u>175,058</u>
Net increase (decrease)	(96,992)	(41,325)	(138,317)
Net position held in trust for pension benefits:			
Beginning of fiscal year	<u>(563,669)</u>	<u>604,774</u>	<u>41,105</u>
End of fiscal year	<u>\$ (660,661)</u>	<u>\$ 563,449</u>	<u>\$ (97,212)</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**June 30, 2013**

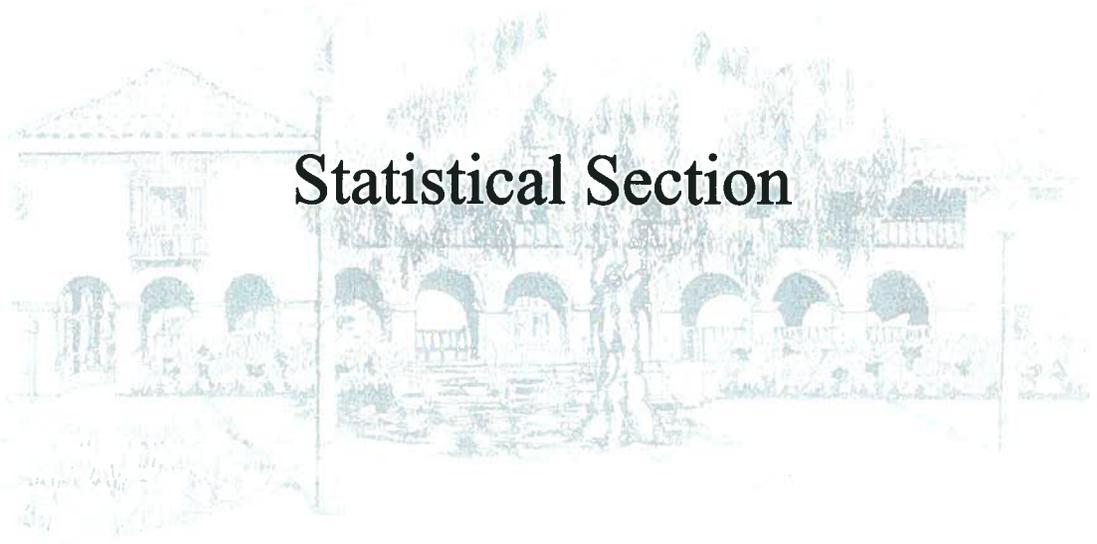
	Library Gifts	Canine Unit	Successor Agency of the Former RDA	Total
<b>Assets</b>				
Cash and investments	\$ 2,120,555	\$ 81,114	\$ 4,553,737	\$ 6,755,406
Cash and investments with fiscal agent	-	-	11,452,679	11,452,679
Loans receivable	-	-	3,500,000	3,500,000
Capital Assets	-	-	125,748,027	125,748,027
Less: accumulated depreciation	-	-	(29,458,999)	(29,458,999)
	<u>2,120,555</u>	<u>81,114</u>	<u>115,795,444</u>	<u>117,997,113</u>
<b>Deferred Outflows of Resources</b>				
Deferred from refunding of debt	-	-	113,229	113,229
	<u>-</u>	<u>-</u>	<u>113,229</u>	<u>113,229</u>
<b>Liabilities</b>				
Accounts payable	-	297	175,115	175,412
Salaries and benefits payable	-	-	3,608	3,608
Interest Payable	-	-	612,980	612,980
Long-term liabilities:				
Due in one year	-	-	6,195,000	6,195,000
Due in more than one year	-	-	35,783,450	35,783,450
	<u>-</u>	<u>297</u>	<u>42,770,153</u>	<u>42,770,450</u>
<b>Net Position</b>				
Held in trust:				
Police	-	80,817	-	80,817
Library	2,120,555	-	-	2,120,555
Successor Agency of the Former RDA	-	-	73,138,520	73,138,520
<b>Total net position</b>	<u>\$ 2,120,555</u>	<u>\$ 80,817</u>	<u>\$ 73,138,520</u>	<u>\$ 75,339,892</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Library Gifts	Canine Unit	Successor Agency of the Former RDA	Total
<b>Additions</b>				
Use of money and property	\$ 6,995	\$ 166	\$ 5,626	\$ 12,787
Intergovernmental	-	-	8,072,242	8,072,242
Contributions	454,118	52,151	-	506,269
Total additions	<u>461,113</u>	<u>52,317</u>	<u>8,077,868</u>	<u>8,591,298</u>
<b>Deductions</b>				
Salaries, wages, and benefits	-	-	139,036	139,036
Materials, supplies and services	-	-	431,227	431,227
Reimbursement of taxes to County	-	-	15,958,047	15,958,047
Interest expense	-	-	2,121,561	2,121,561
Depreciation expense	-	-	1,843,452	1,843,452
Community services	509,719	31,993	-	541,712
Total deductions	<u>509,719</u>	<u>31,993</u>	<u>20,493,323</u>	<u>21,035,035</u>
Net increase (decrease)	(48,606)	20,324	(12,415,455)	(12,443,737)
Net position, beginning of fiscal year as restated	2,169,161	60,493	85,553,975	87,783,629
Net position, end of fiscal year	<u>\$ 2,120,555</u>	<u>\$ 80,817</u>	<u>\$ 73,138,520</u>	<u>\$ 75,339,892</u>

**CITY OF SANTA BARBARA**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:</b>				
Assets:				
Cash and investments	\$ -	\$ 190,717	\$ 190,717	\$ -
Accounts receivable	34,852	27,864	34,852	27,864
Total assets	<u>\$ 34,852</u>	<u>\$ 218,581</u>	<u>\$ 225,569</u>	<u>\$ 27,864</u>
Liabilities:				
Accounts payable	\$ 1,674	\$ 1,057	\$ 1,674	\$ 1,057
Due to the City of Santa Barbara	22,751	9,241	22,751	9,241
Trust liability	10,427	127,185	120,046	17,566
Total liabilities	<u>\$ 34,852</u>	<u>\$ 137,483</u>	<u>\$ 144,471</u>	<u>\$ 27,864</u>
<b>REVOLVING REHAB LOAN:</b>				
Assets:				
Cash and investments	\$ 1,202,034	\$ 184,348	\$ -	\$ 1,386,382
Loans receivable	1,931,977	164,701	16,835	2,079,843
Total assets	<u>\$ 3,134,011</u>	<u>\$ 349,049</u>	<u>\$ 16,835</u>	<u>\$ 3,466,225</u>
Liabilities:				
Accounts payable	\$ 1,566	\$ 2	\$ -	\$ 1,568
Contributions	3,132,445	332,212	-	3,464,657
Total liabilities	<u>\$ 3,134,011</u>	<u>\$ 332,214</u>	<u>\$ -</u>	<u>\$ 3,466,225</u>
<b>SEISMIC SAFETY ASSESSMENT FUND:</b>				
Assets:				
Cash and investments	\$ 204,017	\$ -	\$ -	\$ 204,017
Total assets	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
Liabilities:				
Trust liability	204,017	-	-	204,017
Total liabilities	<u>\$ 204,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,017</u>
<b>TOTAL - ALL AGENCY FUNDS:</b>				
Assets:				
Cash and investments	\$ 1,406,051	\$ 375,065	\$ 190,717	\$ 1,590,399
Accounts receivable	34,852	27,864	34,852	27,864
Loans receivable	1,931,977	164,701	16,835	2,079,843
Total assets	<u>\$ 3,372,880</u>	<u>\$ 567,630</u>	<u>\$ 242,404</u>	<u>\$ 3,698,106</u>
Liabilities:				
Accounts payable	\$ 3,240	\$ 1,059	\$ 1,674	\$ 2,625
Due to other Governments	22,751	9,241	22,751	9,241
Trust liability	214,444	127,185	120,046	221,583
Contributions	3,132,445	332,212	-	3,464,657
Total liabilities	<u>\$ 3,372,880</u>	<u>\$ 469,697</u>	<u>\$ 144,471</u>	<u>\$ 3,698,106</u>



# Statistical Section

## STATISTICAL SECTION

This part of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	136
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	143
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	147
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	152
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	155

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets	\$73,738	\$80,483	\$301,827	\$305,449	\$319,070	\$331,171	\$340,824	\$325,209	\$304,586	\$312,891
Restricted	59,941	70,888	77,906	85,569	89,964	99,248	94,789	110,947	63,244	66,510
Unrestricted	31,314	24,228	33,815	36,228	36,948	32,329	33,148	22,625	41,161	42,378
<b>Total governmental activities net position</b>	<b>\$164,993</b>	<b>\$175,599</b>	<b>\$413,548</b>	<b>\$427,246</b>	<b>\$445,982</b>	<b>\$462,748</b>	<b>\$468,761</b>	<b>\$458,781</b>	<b>\$408,991</b>	<b>\$421,779</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$139,780	\$135,336	\$245,095	\$255,451	\$275,594	\$285,547	\$290,085	\$309,659	\$296,692	\$300,997
Restricted	-	4,704	4,266	12,303	9,784	8,377	7,618	17,223	18,565	1,358
Unrestricted	64,564	75,088	78,148	84,159	87,716	83,993	83,606	86,528	78,969	98,908
<b>Total business-type activities net position</b>	<b>\$204,344</b>	<b>\$215,128</b>	<b>\$327,509</b>	<b>\$351,913</b>	<b>\$373,094</b>	<b>\$377,917</b>	<b>\$381,309</b>	<b>\$413,410</b>	<b>\$394,226</b>	<b>\$401,263</b>
<b>Primary government</b>										
Net investment in capital assets	\$213,518	\$215,819	\$546,922	\$560,900	\$594,664	\$616,718	\$630,909	\$634,868	\$601,278	\$613,888
Restricted	59,941	75,592	82,172	97,872	99,748	107,625	102,407	128,170	81,809	67,868
Unrestricted	95,878	99,316	111,963	120,387	124,664	116,322	116,754	109,153	120,130	141,286
<b>Total primary government net position</b>	<b>\$369,337</b>	<b>\$390,727</b>	<b>\$741,057</b>	<b>\$779,159</b>	<b>\$819,076</b>	<b>\$840,665</b>	<b>\$850,070</b>	<b>\$872,191</b>	<b>\$803,217</b>	<b>\$823,042</b>

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

Expenses	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities:</b>										
Administration	\$10,094	\$10,139	\$11,385	\$12,329	\$12,197	\$12,217	\$11,255	\$10,519	\$11,081	\$11,851
Public safety	42,653	45,653	48,836	51,186	54,395	55,394	55,564	54,707	57,457	61,719
Public works	18,235	19,915	39,887	45,284	44,528	46,914	43,082	44,407	25,878	25,252
Community services	20,778	19,607	20,959	22,032	22,983	23,610	21,657	21,251	19,969	24,104
Community development	16,528	17,002	20,804	17,939	19,948	19,676	29,336	21,314	17,017	11,864
Interest on long-term debt	3,506	4,081	4,069	3,810	3,408	3,186	3,040	2,876	572	82
<b>Total governmental activities expenses</b>	<b>111,794</b>	<b>116,397</b>	<b>145,940</b>	<b>152,580</b>	<b>157,459</b>	<b>160,997</b>	<b>163,934</b>	<b>155,074</b>	<b>131,974</b>	<b>134,872</b>
<b>Business-type activities:</b>										
Water	22,842	23,169	25,937	27,311	27,415	29,642	29,575	29,427	29,985	32,214
Wastewater	9,902	10,909	12,618	13,253	14,560	15,938	15,312	15,709	15,887	17,217
Airport	12,812	11,786	13,499	14,862	16,307	19,013	20,349	22,288	20,167	21,376
Waterfront	10,921	10,164	10,778	11,004	11,054	11,561	11,075	11,217	11,575	12,026
Solid Waste	-	-	-	-	-	-	-	-	18,773	19,124
Parking	4,582	4,925	5,839	6,018	6,262	6,949	6,219	6,666	6,849	7,359
Golf course	1,825	1,877	1,924	2,033	2,086	2,118	2,028	1,972	1,923	1,949
<b>Total business-type activities expenses</b>	<b>62,884</b>	<b>62,830</b>	<b>70,595</b>	<b>74,481</b>	<b>77,684</b>	<b>85,221</b>	<b>84,558</b>	<b>87,279</b>	<b>105,159</b>	<b>111,265</b>
<b>Total primary government expenses</b>	<b>\$174,678</b>	<b>\$179,227</b>	<b>\$216,535</b>	<b>\$227,061</b>	<b>\$235,143</b>	<b>\$246,218</b>	<b>\$248,492</b>	<b>\$242,353</b>	<b>\$237,133</b>	<b>\$246,137</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
Administration	\$1,349	\$1,600	\$1,825	\$1,982	\$1,845	\$1,836	\$1,120	\$1,042	\$1,074	\$1,259
Public safety	7,313	8,092	9,186	9,195	9,401	9,448	9,807	9,610	9,365	10,538
Public works	5,707	7,822	21,781	22,255	23,902	25,683	26,444	25,949	8,471	8,789
Community services	4,552	4,699	4,784	4,945	5,211	5,369	5,078	4,854	5,022	5,532
Community development	4,094	4,259	5,670	5,548	5,608	5,403	5,251	5,427	4,670	5,095
Operating grants and contributions	11,064	10,006	12,447	15,979	15,099	13,576	17,150	13,782	14,829	13,251
Capital grants and contributions	2,821	3,599	2,313	4,178	8,733	11,102	5,469	11,318	5,703	8,474
<b>Total governmental activities program revenues</b>	<b>36,900</b>	<b>40,077</b>	<b>58,006</b>	<b>64,082</b>	<b>69,799</b>	<b>72,417</b>	<b>70,319</b>	<b>71,982</b>	<b>49,134</b>	<b>52,938</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	25,153	26,492	27,410	30,477	32,610	32,263	32,359	31,158	36,265	38,171
Wastewater	10,120	11,379	12,096	12,559	13,449	13,896	14,140	14,770	15,563	17,658
Airport	12,268	13,187	13,939	14,861	15,451	15,298	14,621	15,863	16,745	17,740
Waterfront	9,625	9,899	10,253	10,894	11,177	10,754	11,275	11,313	12,370	12,782
Solid Waste	-	-	-	-	-	-	-	-	18,741	19,354
Parking	4,844	4,968	5,859	6,592	6,669	6,615	6,661	6,579	7,231	7,691
Golf course	2,046	1,976	2,060	2,231	2,245	2,221	1,715	1,892	1,820	1,833
Operating grants and contributions	9	13	57	115	145	135	328	-	-	-
Capital grants and contributions	5,163	3,440	12,382	17,155	11,861	5,049	4,217	6,174	2,778	4,256
<b>Total business-type activities program revenues</b>	<b>69,228</b>	<b>71,354</b>	<b>84,056</b>	<b>94,884</b>	<b>93,607</b>	<b>86,231</b>	<b>85,316</b>	<b>87,749</b>	<b>111,513</b>	<b>119,485</b>
<b>Total primary government program revenues</b>	<b>\$106,128</b>	<b>\$111,431</b>	<b>\$142,062</b>	<b>\$158,966</b>	<b>\$163,406</b>	<b>\$158,648</b>	<b>\$155,635</b>	<b>\$159,731</b>	<b>\$160,647</b>	<b>\$172,423</b>

(Continued)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (expense)/revenue										
Governmental activities	(\$74,894)	(\$76,320)	(\$87,934)	(\$88,498)	(\$87,660)	(\$88,581)	(\$93,615)	(\$83,092)	(\$82,840)	(\$81,934)
Business-type activities	6,344	8,524	13,461	20,403	15,923	1,010	758	470	6,354	8,220
Total primary government net expense	<u>(\$68,550)</u>	<u>(\$67,796)</u>	<u>(\$74,473)</u>	<u>(\$68,095)</u>	<u>(\$71,737)</u>	<u>(\$87,571)</u>	<u>(\$92,857)</u>	<u>(\$82,622)</u>	<u>(\$76,486)</u>	<u>(\$73,714)</u>
<b>General Revenues and Other</b>										
<b>Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property	\$24,142	\$30,022	\$34,078	\$37,871	\$40,520	\$43,275	\$43,164	\$42,739	\$35,453	\$27,575
Sales & use	18,420	18,949	19,968	19,927	20,838	17,876	16,990	17,892	19,444	20,134
Transient occupancy	12,439	13,298	14,439	15,409	15,523	14,469	13,758	14,951	16,394	17,611
Utility users	11,325	11,977	12,422	13,133	12,525	12,654	11,711	13,887	13,974	14,054
Business license	1,926	2,037	2,169	2,214	2,252	2,302	2,245	2,207	2,202	2,345
Real property transfer	709	719	685	646	452	278	389	372	439	642
Franchise fees	2,056	2,124	3,260	3,583	3,181	3,284	3,351	3,480	3,579	3,579
Unrestricted motor vehicle license-in-lieu	4,569	2,297	659	853	418	320	276	478	6	77
Investment income	2,888	3,410	3,955	4,762	6,643	4,846	2,275	1,912	2,366	2,521
Other revenue	1,953	2,024	4,384	3,111	3,862	5,952	5,199	4,755	3,932	6,193
Extraordinary gain/loss of dissolution of RDA	-	-	-	-	-	-	-	-	(91,210)	-
Gain/loss on sale of capital assets	-	-	-	-	-	-	-	-	-	(695)
Transfers	-	70	12	687	182	91	269	(29,560)	27,861	748
Total governmental activities	<u>80,427</u>	<u>86,927</u>	<u>96,031</u>	<u>102,196</u>	<u>106,396</u>	<u>105,347</u>	<u>99,627</u>	<u>73,113</u>	<u>34,440</u>	<u>94,784</u>
Business-type activities:										
Investment earnings	735	2,329	2,836	4,687	5,440	3,904	2,904	2,070	1,813	582
Transfers	-	(70)	(12)	(687)	(182)	(91)	(269)	29,560	(27,861)	(748)
Total business-type activities	<u>735</u>	<u>2,259</u>	<u>2,824</u>	<u>4,000</u>	<u>5,258</u>	<u>3,813</u>	<u>2,635</u>	<u>31,630</u>	<u>(26,048)</u>	<u>(166)</u>
Total primary government	<u>\$81,162</u>	<u>\$89,186</u>	<u>\$98,855</u>	<u>\$106,196</u>	<u>\$111,654</u>	<u>\$109,160</u>	<u>\$102,262</u>	<u>\$104,743</u>	<u>\$8,392</u>	<u>\$94,618</u>
<b>Change in Net Position</b>										
Governmental activities	\$5,533	\$10,607	\$8,097	\$13,698	\$18,736	\$16,766	\$6,012	(\$9,979)	(\$48,400)	\$12,850
Business-type activities	7,079	10,783	16,285	24,403	21,181	4,823	3,393	32,100	(19,694)	8,054
Total primary government	<u>\$12,612</u>	<u>\$21,390</u>	<u>\$24,382</u>	<u>\$38,101</u>	<u>\$39,917</u>	<u>\$21,589</u>	<u>\$9,405</u>	<u>\$22,121</u>	<u>(\$68,094)</u>	<u>\$20,904</u>

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales &amp; Use Tax</b>	<b>Transient Occupancy Tax</b>	<b>Utility Users Tax</b>	<b>Transportation Tax</b>	<b>Business License Tax</b>	<b>Real Property Transfer Tax</b>	<b>Total</b>
2004	\$24,142	\$18,420	\$12,439	\$11,325	\$4,621	\$1,926	\$709	\$73,582
2005	30,022	18,949	13,298	11,977	4,502	2,037	719	81,504
2006	34,078	19,968	14,439	12,422	4,632	2,169	685	88,393
2007	37,871	19,927	15,409	13,133	4,877	2,214	646	94,077
2008	40,520	20,838	15,523	12,525	4,778	2,252	452	96,888
2009	43,275	17,876	14,469	12,654	4,224	2,301	278	95,077
2010	43,164	16,990	13,758	11,711	4,441	2,245	389	92,698
2011	42,738	17,891	14,951	13,887	2,885	2,207	372	94,933
2012	35,453 *	19,444	16,394	13,974	3,185	2,202	439	91,091
2013	27,575	20,134	17,611	14,054	3,322	2,345	642	85,683

Source: FY 13, CRIS reporting.

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011 *	2012	2013
<b>General Fund</b>										
Reserved	\$ 4,720	\$ 4,395	\$ 4,866	\$ 5,175	\$ 7,060	\$ 6,249	\$ 8,959	\$ -	\$ -	\$ -
Unreserved	28,147	25,428	24,949	23,033	17,965	17,973	15,686	-	-	-
Nonspendable	-	-	-	-	-	-	-	8,313	8,664	7,813
Restricted	-	-	-	-	-	-	-	463	405	421
Committed	-	-	-	-	-	-	-	-	18,304	20,762
Assigned	-	-	-	-	-	-	-	-	103	226
Unassigned	-	-	-	-	-	-	-	17,770	-	-
<b>Total general fund</b>	<b>\$ 32,867</b>	<b>\$ 29,823</b>	<b>\$ 29,815</b>	<b>\$ 28,208</b>	<b>\$ 25,025</b>	<b>\$ 24,222</b>	<b>\$ 24,645</b>	<b>\$ 26,546</b>	<b>\$ 27,476</b>	<b>\$ 29,222</b>
<b>All other governmental funds</b>										
Reserved	\$ 123,964	\$ 130,317	\$ 117,371	\$ 114,672	\$ 118,960	\$ 122,736	\$ 113,565	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	90	(1,390)	(977)	1,346	2,582	3,015	1,419	-	-	-
Capital projects funds	4,032	539	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	49,642	434
Restricted	-	-	-	-	-	-	-	110,484	13,198	66,088
Committed	-	-	-	-	-	-	-	2,666	6,998	2,807
Assigned	-	-	-	-	-	-	-	2,208	4,165	10,603
Unassigned	-	-	-	-	-	-	-	(340)	(23)	(283)
<b>Total all other governmental funds</b>	<b>\$ 128,086</b>	<b>\$ 129,466</b>	<b>\$ 116,394</b>	<b>\$ 116,018</b>	<b>\$ 121,542</b>	<b>\$ 125,751</b>	<b>\$ 114,984</b>	<b>\$ 115,018</b>	<b>\$ 73,980</b>	<b>\$ 79,649</b>

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

Source: FY04-13, CAFR-Balance Sheet, Governmental Funds.

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$73,583	\$81,504	\$88,493	\$94,361	\$96,917	\$95,134	\$92,697	\$94,933	\$91,091	\$85,683
Franchise fees	2,383	2,497	3,260	3,583	3,181	3,284	3,351	3,480	3,579	3,579
Intergovernmental	11,957	9,744	9,061	14,599	18,296	19,328	16,724	20,603	15,722	16,801
Fines and forfeitures	3,792	4,072	4,547	4,016	4,335	4,167	4,392	4,331	4,166	4,416
Use of money and property	3,297	3,758	4,361	5,173	6,632	4,944	2,502	2,258	2,472	2,924
Charges for services	13,998	15,562	32,365	33,399	35,478	37,649	38,689	38,722	20,625	20,192
Program income	746	845	420	512	283	321	661	835	321	493
Other revenues	6,713	6,590	10,046	8,610	9,234	11,156	10,858	9,982	8,346	12,192
Total revenues	116,469	124,572	152,553	164,253	174,356	175,983	169,874	175,144	146,322	146,280
<b>Expenditures</b>										
General government/administration	9,656	9,806	11,025	12,008	12,007	11,931	10,941	10,008	10,699	10,788
Public safety	42,081	45,035	47,772	50,349	54,109	54,990	54,313	55,020	56,355	59,166
Public works	17,233	19,025	31,278	37,677	38,615	40,058	31,743	30,301	12,817	13,072
Community services	18,880	18,077	18,870	20,044	21,420	21,549	19,317	18,763	19,140	20,365
Community development	13,507	14,224	17,599	16,144	18,014	17,140	24,546	18,110	14,567	11,085
Community promotions	2,267	2,439	2,253	2,373	1,884	1,824	1,824	1,868	1,991	2,005
Capital outlay	7,334	15,775	28,434	19,217	17,169	19,855	29,279	30,875	22,580	22,229
Debt service										
Principal	5,415	4,750	5,411	5,571	5,076	5,341	6,282	5,724	754	274
Interest	3,259	3,935	3,904	3,687	3,459	3,126	2,981	2,776	1,396	75
Other charges	941	305	-	-	-	-	-	-	-	-
Total expenditures	120,573	133,371	166,546	167,070	171,753	175,814	181,226	173,445	140,299	139,059
Excess of revenues over (under) expenditures	(4,104)	(8,799)	(13,993)	(2,817)	2,603	169	(11,352)	1,699	6,023	7,221

(Continued)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Other financing sources (uses)</b>										
Transfers in	\$14,387	\$14,115	\$11,563	\$19,202	\$16,291	\$25,002	\$15,126	\$75,713	\$68,994	\$12,433
Transfers out	(13,846)	(14,164)	(11,400)	(18,368)	(16,553)	(21,765)	(14,118)	(75,477)	(68,782)	(12,239)
Proceeds from bond issuance	28,399	7,184	-	-	-	-	-	-	-	-
Total other financing sources (uses)	28,940	7,135	163	834	(262)	3,237	1,008	236	212	194
Extraordinary gain/(loss) on dissolution of RDA	-	-	-	-	-	-	-	-	(44,954)	-
Net change in fund balances	\$24,836	(\$1,664)	(\$13,830)	(\$1,983)	\$2,341	\$3,406	(\$10,344)	\$1,935	(\$38,719)	\$7,415

Debt service as a percentage of noncapital expenditures

7.51%    7.30%    6.35%    6.06%    5.45%    5.31%    5.71%    5.50%    1.71%    0.28%

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

Fiscal Year	Sales & Use Tax	Utility Users Tax	Property Tax	Real Property Transfer Tax	Transient Occupancy Tax	Business License tax	Business portation Tax	Trans- portation Tax	Total
	2004	\$18,420	\$11,325	\$24,142	\$709	\$12,439	\$1,926	\$4,621	\$4,621
2005	18,949	11,977	30,022	719	13,298	2,037	4,502	4,502	81,504
2006	20,068	12,422	34,078	685	14,439	2,169	4,632	4,632	88,493
2007	20,211	13,132	37,871	646	15,409	2,215	4,877	4,877	94,361
2008	20,838	12,525	40,520	452	15,523	2,252	4,778	4,778	96,888
2009	17,876	12,654	43,275	278	14,469	2,301	4,224	4,224	95,077
2010	16,990	11,711	43,164	389	13,758	2,245	4,441	4,441	92,698
2011	17,891	13,887	42,738	372	14,951	2,207	2,885	2,885	94,933
2012	19,444	13,974	35,453 *	439	16,394	2,202	3,185	3,185	91,091
2013	20,134	14,054	27,575	642	17,611	2,345	3,322	3,322	85,683

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

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

Fiscal Year	City			Taxable Assessed Value	Redevelopment Agency <sup>1</sup>			Taxable Assessed Value	Total Direct Tax Rate
	Secured	Unsecured	Less: Exemptions		Secured	Unsecured	Less: Exemptions		
2004	\$9,986,688	\$741,575	(\$714,976)	\$10,013,287	\$1,218,914	\$248,409	(\$77,833)	\$1,389,490	1.00%
2005	10,768,306	738,641	(708,983)	10,797,964	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	11,921,748	738,200	(802,033)	11,857,915	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	13,005,939	757,276	(794,226)	12,968,989	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	13,996,764	775,075	(947,703)	13,824,136	1,651,716	301,018	(116,640)	1,836,094	1.00%
2009	14,896,566	908,857	(1,089,312)	14,716,111	1,851,532	336,783	(150,558)	2,037,757	1.00%
2010	15,140,213	919,545	(1,221,317)	14,838,441	1,938,383	342,544	(166,008)	2,114,919	1.00%
2011	15,225,027	908,676	(1,325,902)	14,807,801	1,918,388	353,339	(166,018)	2,105,709	1.00%
2012	15,527,645	878,177	(1,514,963)	14,890,859	1,950,504	340,862	(181,263)	2,110,103	1.00%
2013	15,885,111	881,840	(1,619,242)	15,147,709	1,981,494 <sup>2</sup>	342,346 <sup>2</sup>	(198,644) <sup>2</sup>	2,125,202 <sup>2</sup>	1.00% <sup>2</sup>

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

<sup>1</sup> In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

<sup>2</sup> Assessed taxable value of property reported under the Redevelopment Agency Property Tax Trust.

Sources: Santa Barbara County Auditor-Controller

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Direct Rates:</b>										
City Direct Rate <sup>1</sup>	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
<b>Overlapping Rates:</b> <sup>2</sup>										
SB Elementary Bonds 1995 Int/Redem	0.01575%	0.01131%	0.01397%	0.00271%	0.00217%	0.00217%	0.00230%	0.00230%	0.00230%	0.00150%
SB Unified School District High School Bonds 2000	0.00955%	0.00955%	0.01189%	0.01248%	0.01248%	0.01248%	0.01248%	0.01248%	0.01273%	0.01298%
SB Elementary Bonds 1998 Int/Redem	-	-	-	0.01112%	0.01168%	0.01168%	0.01168%	0.01168%	0.01168%	0.00888%
SB City College - Bond 2008	-	-	-	-	-	0.00850%	0.00850%	0.00850%	0.00850%	0.00850%
SB Unified School District High School Bonds 2010 Meas Q	-	-	-	-	-	-	-	-	0.00093%	0.00093%
SB Unified School District Elem School Bonds 2010 Meas R	-	-	-	-	-	-	-	-	0.00005%	0.00010%
SB Elementary Refunding Bonds 1995/1998	-	-	-	-	-	-	-	-	-	0.00680%
	<u>0.02530%</u>	<u>0.02086%</u>	<u>0.02586%</u>	<u>0.02631%</u>	<u>0.02633%</u>	<u>0.03483%</u>	<u>0.03496%</u>	<u>0.03496%</u>	<u>0.03619%</u>	<u>0.03969%</u>
<b>Total Direct and Overlapping Rates:</b>	1.02530%	1.02086%	1.02586%	1.02631%	1.02633%	1.03483%	1.03496%	1.03496%	1.03619%	1.03969%

**Note:**

<sup>1</sup> In 1978 the voter of the State of California passed Proposition 13 which limited property taxes to a maximum rate of 1% based upon the assessed value of the property being taxed.

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

Sources: Santa Barbara County Auditor-Controller

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

<u>Taxpayer</u>	<u>Fiscal Year 2013</u>	
	<u>Taxable Net Assessed Value</u>	<u>Percentage of Total Taxable Net Assessed Value</u>
Parker Fess Doubletree Hotel	\$85,454	0.56%
GRI - Regency, LLC	51,939	0.34%
Hitchcock Holdings, LLC	50,690	0.33%
Levon Investments, LLC	47,246	0.31%
Clark Huguette M/Estate of	45,900	0.30%
I & G Direct Real Estate 3, LP	44,003	0.29%
MCC BB Property, LLC	42,863	0.28%
Nettleship, Patricia S Trust	38,028	0.25%
KHP II Canary LLC	34,594	0.23%
Villa Riviera Real Estate Company, Inc	32,857	0.22%
	<u>\$473,574</u>	<u>3.13%</u>

<u>Taxpayer</u>	<u>Fiscal Year 2004</u>	
	<u>Taxable Net Assessed Value</u>	<u>Percentage of Total Taxable Net Assessed Value</u>
Redevelopment Agency / Santa Barbara	\$78,706	0.79%
Parker Fess Doubletree Hotel	71,822	0.72%
BPP Retail, LLC	31,826	0.32%
Nettleship, Patricia S Trust	27,210	0.27%
ESJ Centers	24,395	0.24%
HDG Associates	24,231	0.24%
Chapala Street Investors	23,076	0.23%
Riviera Dairy Products	17,952	0.18%
Santa Barbara Cottage Hospital	17,637	0.18%
Ampersand Publishing, LLC	15,250	0.15%
	<u>\$332,105</u>	<u>3.32%</u>

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

Sources: Santa Barbara County Auditor-Controller

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

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
<b>2004</b>	\$24,143	\$24,143	100%	\$ -	\$24,143	100%
<b>2005</b>	30,022	30,022	100%	-	30,022	100%
<b>2006</b>	34,078	34,078	100%	-	34,078	100%
<b>2007</b>	37,871	37,871	100%	-	37,871	100%
<b>2008</b>	40,520	40,520	100%	-	40,520	100%
<b>2009</b>	43,275	43,275	100%	-	43,275	100%
<b>2010</b>	43,164	43,164	100%	-	43,164	100%
<b>2011</b>	42,738	42,738	100%	-	42,738	100%
<b>2012</b>	35,453 *	35,453	100%	-	35,453	100%
<b>2013</b>	27,575	27,575	100%	-	27,575	100%

\*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 <sup>1</sup>	Per Capita <sup>1</sup>
	Certificates of Participation	Tax Allocation Bonds <sup>2</sup>	Loans	Revenue Bonds	Certificates of Participation	Loans			
2004	\$3,726	\$82,035	\$ -	\$6,255	\$34,734	\$21,899	\$148,649	1.09%	\$1,641
2005	3,511	84,650	750	25,555	33,739	34,776	182,981	1.26%	2,021
2006	3,290	79,460	750	24,570	32,710	37,229	178,009	1.10%	1,988
2007	3,069	74,110	750	23,545	31,656	40,303	173,433	1.02%	1,939
2008	2,838	69,265	750	22,470	30,557	38,269	164,149	0.88%	1,818
2009	2,597	64,165	750	68,625	29,423	36,159	201,719	1.02%	2,234
2010	2,350	58,880	-	67,470	28,240	40,491	197,431	1.04%	2,172
2011	2,095	53,410	-	66,270	27,100	33,907	182,782	0.95%	2,048
2012	1,832	-	-	65,020	25,908	41,885	134,645	0.70%	1,511
2013	1,555	-	-	60,384	39,569	45,071	146,579	0.71%	1,634

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

<sup>1</sup> See the Schedule of Demographic and Economic Statistics on page 154 for personal income and population data.

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

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

<b>Fiscal Year</b>	<b>Certificates of Participation</b>	<b>Tax Allocation Bonds<sup>3</sup></b>	<b>Loans</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
2004	\$3,726	\$82,035	\$ -	\$1,247	\$84,514	0.84%	\$933
2005	3,511	84,650	750	1,251	87,660	0.81%	968
2006	3,290	79,460	750	1,258	82,242	0.69%	918
2007	3,069	74,110	750	1,260	76,669	0.59%	857
2008	2,838	69,265	750	561	72,292	0.52%	801
2009	2,597	64,165	750	561	66,951	0.45%	741
2010	2,350	58,880	-	562	60,668	0.41%	667
2011	2,095	53,410	-	561	54,944	0.37%	616
2012	1,832	-	-	561	1,271	0.01%	14
2013	1,555	-	-	561	994	0.01%	11

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

<sup>1</sup> See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 145 for property value data.

<sup>2</sup> Population data can be found in the Schedule of Demographic and Economic Statistics on page 154.

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

**City of Santa Barbara**  
**Direct and Overlapping Governmental Activities Debt**  
**as of June 30, 2013**  
**(amounts expressed in thousands)**

<b>2012-13 Assessed Valuation</b>	\$16,776,951
<b>Redevelopment Agency Property Tax Trust Assessed Valuation</b>	2,323,840
<b>Adjusted Assessed Valuation</b>	<u><u>\$14,453,111</u></u>

	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>1</sup></b>	<b>Estimated Share of Overlapping Debt</b>
<b><u>Overlapping Debt Repaid with Property Taxes</u></b>			
Santa Barbara Unified - Elementary Bonds	\$57,764	95%	\$54,939
Santa Barbara Unified - High School Bonds	128,435	42%	53,480
Cold Spring Elementary Bonds	4,565	6%	253
Hope District Elementary Bonds	6,980	34%	2,352
Montecito Union Elementary Bonds	3,290	2%	56
Santa Barbara City College Bonds	59,625	37%	21,841
Total overlapping debt repaid with property taxes	<u><u>\$260,659</u></u>		<u><u>\$132,922</u></u>
<b><u>Overlapping General Obligation Debt</u></b>			
Santa Barbara County Certificates of Participation	\$70,450	21%	\$14,720
Total overlapping general obligation debt	<u>70,450</u>		<u>14,720</u>
Total overlapping debt	<u><u>\$331,109</u></u>		<u><u>\$147,642</u></u>
<b><u>Direct General Obligation Debt</u></b>			
City of Santa Barbara Certificates of Participation	\$2,360	100%	\$2,360
Total direct general obligation debt	<u>2,360</u>		<u>2,360</u>
Total direct debt	<u><u>\$2,360</u></u>		<u><u>\$2,360</u></u>
Total direct and overlapping debt			<u><u>\$150,002</u></u>
<b><u>Ratio to 2012-13 Assessed Valuation</u></b>			
Total direct and overlapping debt			0.89%

**Notes:**

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

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

<sup>1</sup> The estimated percentage applicable for the school districts and City College debt were obtained from the County of Santa Barbara. Population estimates for the City and County were used to calculate the estimated percentage applicable for the County General Fund Obligations. Of the County's 429,200 population, 21% (or 89,681) reside within the city's boundaries.

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed valuation	\$10,728,263	\$11,506,947	\$12,659,948	\$13,763,215	\$14,771,839	\$15,805,423	\$16,059,758	\$16,133,703	\$16,405,822	16,766,951
Coverage percentage	<u>25%</u>									
Adjusted assessed valuation	\$2,682,066	\$2,876,737	\$3,164,987	\$3,440,804	\$3,692,960	\$3,951,356	\$4,014,940	\$4,033,426	\$4,101,456	\$4,191,738
Debt limit percentage	<u>15%</u>									
Debt limit	\$402,310	\$431,511	\$474,748	\$516,121	\$553,944	\$592,703	\$602,241	\$605,014	\$615,218	\$628,761
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$402,310</u>	<u>\$431,511</u>	<u>\$474,748</u>	<u>\$516,121</u>	<u>\$553,944</u>	<u>\$592,703</u>	<u>\$602,241</u>	<u>\$605,014</u>	<u>\$615,218</u>	<u>\$628,761</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

Fiscal Year	Water Revenue Bonds				Wastewater Revenue Bonds				Tax Allocation Bonds <sup>1</sup>					
	Less		Net		Waste-water		Net		Tax		Debt Service			
	Revenue	Operating Expenses	Available Revenue	Debt Service Interest Coverage	Revenue	Operating Expenses	Available Revenue	Debt Service Interest Coverage	Increment	Principal	Interest	Coverage		
2004	\$25,153	\$18,194	\$6,959	\$420	\$310	\$10,120	\$7,920	\$2,200	\$450	\$ -	\$12,945	\$5,210	\$3,075	1.56
2005	26,492	18,547	7,945	435	290	11,379	8,284	3,095	675	680	13,946	4,535	3,701	1.69
2006	27,410	19,770	7,640	460	268	12,096	8,828	3,268	525	829	15,273	5,190	3,733	1.71
2007	30,477	20,170	10,307	480	246	12,559	9,320	3,239	545	808	16,831	5,350	3,522	1.90
2008	32,610	21,351	11,259	510	222	13,471	10,718	2,753	565	789	18,081	4,845	3,302	2.22
2009	32,263	22,694	9,569	535	197	13,915	11,493	2,422	580	775	20,038	5,100	3,053	2.46
2010	32,359	22,601	9,758	560	171	14,141	10,746	3,395	595	760	20,124	5,285	2,869	2.47
2011	31,158	21,996	9,162	590	143	14,771	10,920	3,851	610	742	19,957	5,470	2,680	2.45
2012	36,265	21,912	14,353	620	114	15,563	10,878	4,685	630	722	11,740 <sup>2</sup>	5,705 <sup>2</sup>	2,443 <sup>2</sup>	1.44 <sup>2</sup>
2013	38,172	23,577	14,595	655	83	17,658	11,688	5,970	655	701	8,145 <sup>2</sup>	5,925 <sup>2</sup>	2,220 <sup>2</sup>	1.00 <sup>2</sup>

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.

<sup>1</sup> In Fiscal Year 2012, the Redevelopment Agency was dissolved, effective January 31, 2012.

<sup>2</sup> Debt service payments of the former Redevelopment Agency have become Recognized Obligation Payments of the Successor Agency Trust of the former Redevelopment Agency.

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

<b>Fiscal Year</b>	<b>City Population <sup>(1)</sup></b>	<b>Personal Income (in millions) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(2)</sup></b>	<b>June 30 Unemployment Rate <sup>(3)</sup></b>
<b>2004</b>	90,569	\$13,677	\$33,942	4.6%
<b>2005</b>	90,518	15,389	38,313	4.1%
<b>2006</b>	89,548	16,231	40,486	4.0%
<b>2007</b>	89,456	16,968	42,385	4.2%
<b>2008</b>	90,305	18,642	46,120	5.1%
<b>2009</b>	90,308	19,740	48,693	8.2%
<b>2010</b>	90,893	18,976	46,619	8.3%
<b>2011</b>	89,253	19,262	45,353	8.9%
<b>2012</b>	89,082	19,303	45,219	7.9%
<b>2013</b>	89,681	20,641	47,862	6.3%

**Notes:**

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

**Sources:**

- (1) California Department of Finance, Demographic Research Unit
- (2) U.S. Department of Commerce, Bureau of Economic Analysis
- (3) California Employment Development Department

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

As of June 30, 2013			As of June 30, 2004		
Employer	Number of Employees	Percentage of Total City Employment	Employer	Number of Employees	Percentage of Total City Employment
University of California, Santa Barbara	10,063	17.62%	University of California, Santa Barbara	9,500	17.96%
County of Santa Barbara	4,383	7.68%	County of Santa Barbara	4,140	7.83%
Cottage Health System	2,845	4.98%	Santa Barbara Cottage Hospital	1,951	3.69%
Santa Barbara Unified School District	2,531	4.43%	Raytheon Electronic Systems	1,875	3.54%
Santa Barbara City College	1,791	3.14%	Santa Barbara City College	1,570	2.97%
Raytheon Electronic Systems	1,400	2.45%	Santa Barbara High School District	1,230	2.33%
Santa Barbara County Education Office	1,029	1.80%	Sansum Medical Foundation Clinic	1,170	2.21%
City of Santa Barbara	998	1.75%	City of Santa Barbara	1,061	2.01%
Sansum Medical Foundation Clinic	960	1.68%	U.S. Postal Service	1,005	1.90%
US Postal Service	736	1.29%	Santa Barbara Bank & Trust	820	1.55%
<b>Ten largest companies or organizations</b>	<b>26,736</b>	<b>46.82%</b>		<b>24,322</b>	<b>45.98%</b>

Sources: County of Santa Barbara, City of Santa Barbara, Pacific Coast Business Times.

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

<b>Function</b>	Full-time Equivalent Employees as of June 30									
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Administration	111	111	107	110	113	113	106	103	102	102
Public safety	343	343	333	329	328	327	323	311	317	317
Public works	135	138	142	142	143	154	152	139	138	139
Community services	135	135	134	137	141	144	129	121	115	117
Community development	84	85	88	88	89	88	79	75	74	65
Water	59	56	60	64	68	62	62	68	68	67
Wastewater	55	55	53	53	53	50	49	49	49	49
Airport	50	51	53	53	54	54	53	54	54	52
Waterfront	46	46	46	46	46	46	46	46	46	46
Parking	31	31	32	34	36	38	34	34	34	34
Golf course	12	12	13	13	13	13	13	13	13	10
<b>Total</b>	<b><u>1,061</u></b>	<b><u>1,063</u></b>	<b><u>1,061</u></b>	<b><u>1,069</u></b>	<b><u>1,084</u></b>	<b><u>1,089</u></b>	<b><u>1,046</u></b>	<b><u>1,013</u></b>	<b><u>1,011</u></b>	<b><u>998</u></b>

Source: City's Human Resources Department

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

<b>Function</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2013</b>
<b>Police</b>								
Criminal citations issued	1,990	2,209	2,013	2,898	1,642	1,847	1,407	3,172
Parking citations	64,300	54,928	60,984	54,692	54,377	50,252	45,055	46,450
Street sweeping citations	35,392	32,065	33,017	30,184	27,400	25,989	25,660	25,612
<b>Fire</b>								
Number of calls received	7,302	7,441	7,500	13,768	15,632	15,249	14,984	8,038
Engine company fire inspections	946	1,334	1,417	2,668	1,340	2,611	2,650	2,773
<b>Public works</b>								
Street resurfacing (miles)	75	70	60	64.5	34.5	38	85	26.2
Tons of debris collected by street sweepers	1,056	1,545	1,673	2,122	2,399	2,210	1,846	2,143
<b>Community services</b>								
Facility permits processed	870	982	1,026	1,029	N/A	N/A	N/A	N/A
Library items checked out	726,375	740,703	730,598	758,046	689,391	656,488	703,639	826,627
<b>Community development</b>								
Building inspections completed	14,400	12,909	11,047	11,598	10,815	11,257	11,395	10,665
Total permits issued	3,000	2,478	2,704	2,696	2,425	2,308	2,282	2,373
<b>Water</b>								
Million gallons water treated	7,790	7,424	7,909	6,757	6,528	6,581	6,409	7,481
Percent of drinking water regulations met	100%	100%	100%	100%	100%	100%	100%	100%
<b>Wastewater</b>								
Million gallons waste water treated	3,100	2,774	2,875	2,750	2,761	2,897	2,708	2,627
Miles of wastewater collection system pipes cleaned	200	202	206	173	214	256	186	217
Percent of discharge requirements met	100.0%	99.9%	100.0%	99.9%	99.9%	99.99%	99.7%	100.0%
<b>Airport</b>								
Total number of annual passengers	858,352	832,396	833,164	772,718	745,167	747,531	716,625	722,041
Annual tons of airfreight	3,019	3,053	2,948	2,436	2,132	2,138	2,007	1,813
<b>Waterfront</b>								
Number of lease contracts managed	58	60	67	64	62	64	64	65
Number of parking permits distributed	677,731	720,184	756,377	772,588	697,788	652,923	682,111	564,294
<b>Parking</b>								
Vehicles parked in city lots	4,042,042	4,414,764	4,290,998	4,304,337	4,315,418	4,233,333	4,308,000	4,324,000
<b>Golf course</b>								
Rounds of golf	76,600	78,532	74,484	70,546	59,091	62,800	63,620	61,558

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

Source: Various City Departments

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

<b>Function</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2012</b>	<b>Fiscal Year 2013</b>
<b>Police</b>								
Stations	1	1	1	1	1	1	1	1
<b>Fire</b>								
Stations	8	8	8	8	8	8	8	8
<b>Public works</b>								
Streets (miles)	238	238	238	238	238	238	238	238
Concrete installed-sidewalk, curb and gutter (sq ft.)	21,007	18,382	14,661	25,661	24,455	54,196	21,474	16,088
<b>Community services</b>								
Parks acreage	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765
Parks and sports facilities	59	59	59	59	54	54	54	54
Swimming	2	2	2	2	2	2	2	2
Tennis courts	34	34	34	34	34	34	34	34
Community buildings	8	8	8	8	12	12	12	12
Libraries	2	2	2	2	2	2	2	2
Number of volumes (books, periodicals, tapes, etc.)	423,019	410,010	401,160	384,880	380,617	365,839	357,256	319,898
<b>Water</b>								
Number of distribution system reservoirs	14	14	13	13	13	13	13	15
Number of water supply reservoirs				1	1	1	1	1
Number of pump stations	12	12	12	12	12	12	12	14
Number of treatment plants	2	2	2	2	2	2	2	2
Number of wells	9	9	9	9	9	9	9	9
<b>Wastewater</b>								
Number of treatment plants	1	1	1	1	1	1	1	1
Number of lift stations	10	10	9	9	9	9	9	9
<b>Airport</b>								
Runways and Taxiways, paved surface (sq. footage)	5,793,480	6,011,280	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079	6,842,079
<b>Waterfront</b>								
Number of harbor slips	1,133	1,133	1,133	1,133	1,133	1,137	1,137	1,139
<b>Parking</b>								
Number of parking structures and lots	14	14	14	14	14	14	14	15
Number of parking spaces	3,595	3,595	3,595	3,595	3,591	3,591	3,591	3,620

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

Source: Various City Departments



# Compliance and Internal Control Section

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Barbara, California, (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 10, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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



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

**Purpose of this Report**

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

*Lance, Soll & Loughard, LLP*

Brea, California  
January 10, 2014