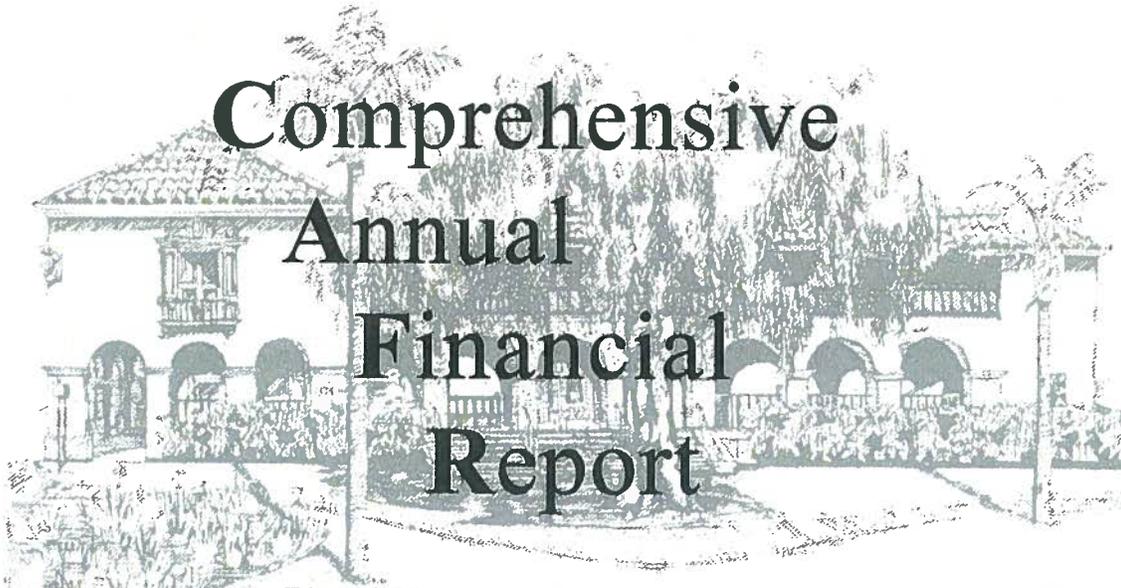


City of Santa Barbara
California



Comprehensive
Annual
Financial
Report

Fiscal Year Ended June 30, 2003



City of Santa Barbara, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2003

Prepared Under the Supervision of

Robert D. Peirson
Finance Director



Introductory Section

CITY OF SANTA BARBARA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2003

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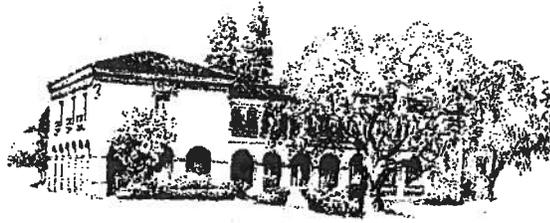
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FINANCE DEPARTMENT

ADMINISTRATION564-5334
TREASURY564-5334
ACCOUNTING.....564-5340
PAYROLL564-5358
BILLING/COLLECTION564-5344
RISK MANAGEMENT564-5347
FAX897-1978
PURCHASING.....564-5349
PURCHASING FAX.....897-1977

City of Santa Barbara



California

**CITY HALL
DE LA GUERRA PLAZA
POST OFFICE BOX 1990
SANTA BARBARA, CA 93102-1990**

October 1, 2003

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 (City) for the fiscal year ended June 30, 2003, in accordance with Section 1219 of the City Charter. The report was prepared by the City's Finance Department. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the City of Santa Barbara. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is 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). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management asserts that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This is the second year the City prepared the CAFR using the new financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (GASB 34). GASB 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic 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 immediately following the Independent Auditor's Report.

The format and content of this CAFR comply with the principles and standards of accounting and financial reporting adopted by the GASB. In addition, the CAFR is organized into three main sections:

1. Introductory Section – Letter of Transmittal with comments on the operations of the City, the City's organizational chart, and a list of City officials.
2. Basic Financial Statements and Required Supplementary Information Section – The Basic Financial Statements include Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements, and Required Supplementary Information as well as the Auditor's Report.
3. Statistical Section – Selected financial and demographic information, generally presented on a multi-year basis.

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 first incorporated in August of 1850 and today serves a population of 90,464. The City provides a wide range of services to its citizens. These services include police and fire protection, the construction and maintenance of highways, streets, traffic signals and infrastructure, recreational activities and cultural events, parks, parking facilities, water, wastewater, library, airport, harbor, community development and general administration.

In addition to general government activities, the City also provides services through the Redevelopment Agency and the S.B. Financing Authority, which are component units of the City of Santa Barbara. Therefore, the Redevelopment Agency and the S.B. Financing Authority are included in the overall reporting entity presented in the accompanying Comprehensive Annual Financial Report (CAFR). However, the Redevelopment Agency remains separate from the City for all legal purposes and also issues its own separate annual financial report. No express or implied assumption by the City of any liability for the Redevelopment Agency is to be inferred by its inclusion in the CAFR.

FISCAL/ECONOMIC OUTLOOK

The City of Santa Barbara is a full service city, offering a wide range of services and activities to its community. Its mild weather and beautiful scenery also serve to attract a large number of domestic, as well as international, visitors. Therefore, revenues such as sales tax, property tax and transient occupancy tax revenues are affected by state and national events and local economic conditions.

Beginning in fiscal year 1996, sales tax and transient occupancy tax revenues, making up over 35% of total General Fund revenues, realized significant growth as the State, and particularly the local, economy flourished. The City expanded services in response to community needs and demands, but recognized the cyclical nature of the economy. Thus, during this period of prosperity, the City continued to fund its reserves in accordance with City Council policy, which provides that a reserve equal to 25% of the operating budget be set aside for natural disasters and economic downturns.

Beginning in fiscal year 2001, the national economy began to falter, leading ultimately to a recession that was largely impacted by the events of September 11, 2001. The growth in City revenues began to subside, requiring the reduction of General Fund revenue estimates in fiscal year 2002 by \$1.7 million. Going into fiscal year 2003, the City adopted in June 2002 the fiscal year 2003 budget, which was balanced with a \$2 million reduction in departmental budgets and the use of \$2.1 million in reserves.

The biggest challenges facing the City in the future, however, are not the impacts on local revenues of a sluggish economy, but rather the impacts of rising costs. The City, as other agencies in the State, is expecting significant increases in retirement costs over the next few years as a result of investment losses realized by the State of California Public Employees Retirement System (PERS). In addition, the City continues to see a rise in workers' compensation costs, as well as increases to property and liability insurance premiums.

As the City began development of its fiscal year 2004 budget, the State was facing an unprecedented projected budget deficit of \$38 billion through June 30, 2004. As with the deficits facing the State in the early 1990's, many across the State were concerned that the State would once again seek to balance its budget at the expense of local governments. The final State budget, adopted in late July 2003, did impact local governments, although to a lesser degree than expected thanks to the efforts of city officials throughout the state. Unfortunately, however, the State used a number of one-time measures and failed to address a large remaining structural deficit. Therefore, as we head toward fiscal year 2005, we continue to be concerned over further impacts.

For fiscal year 2003, key General Fund revenues had mixed performances. sales tax and transient occupancy tax revenues grew only slightly in relation to the prior year. Interest earnings fell by over a million dollars prior to last year due to the continued erosion of yields caused by historically low interest rates. On the positive side, property tax revenues ended the year ahead of budget estimates by over \$600,000 and over \$800,000 ahead of prior year. Amid an economic recession and period of dramatic uncertainty, the local real estate market remains strong. In fact, during the last five years, property tax revenues have grown an average of 7.7% per year, outperforming both sales tax and transient occupancy tax revenues during this period. Revenues from fees and charges also performed well, growing by approximately \$900,000 from the prior year. This growth was almost entirely attributable to the growth in planning and building fee revenues associated with the large increase in residential home improvements. With the significant decline in interest rates, many homeowners refinanced their mortgages for lower rates and pulled equity from their homes to pay for remodels, room additions, and other improvements. Overall, General Fund revenues grew by over \$3 million (3.8%) from prior year and exceeded budget estimates by over \$1.7 million.

Considerable uncertainty still lingers in terms of the economic outlook. The economy, although showing some signs of improving, has yet to fully recover. The City still faces rising costs and potential State impacts over the next few years. The City will likely have to make additional adjustments in the budget, which will impact the City's ability to provide services. Fortunately, the City is well positioned to respond to these challenges due to the availability of reserves accumulated for such purposes. These reserves are available for use, in combination with other measures to reduce costs and increase revenues, to enable the organization to ease through the transition to a smaller, more efficient, organization.

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 are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The City's system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the City's system of internal controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The City's internal controls are subject to periodic evaluation by the City's management.

Single Audit

As a recipient of federal assistance, the City is also responsible for maintaining a system of internal controls that will ensure compliance with applicable laws and regulations related to those federal programs.

As part of the City's federal single audit, tests are made to determine the adequacy of the internal controls, including that portion relating to federal financial assistance. The federal single audit also seeks to determine whether the City has complied with, in all material respects, all applicable laws and regulations that could have a direct or material effect on a major program.

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 (that is, 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 are not released until additional funds have been appropriated. Appropriations for encumbrances outstanding at year-end are re-appropriated in the following fiscal year.

OTHER INFORMATION

Cash Management

Cash temporarily idle during the year was invested in demand deposits, money market funds, certificates of deposit, corporate notes, federal agencies, Treasuries and the State of California's Local Agency Investment Fund (LAIF). At June 30, 2003, the City's investments had an average maturity of approximately 1.27 years and a book yield of 3.52%. The market return on the portfolio for the fiscal year was 3.80%.

The City's earnings are lower than in previous years due to a significant and protracted decline in short-term interest rates that began in January 2001.

Risk Management

The City is partially self-insured for workers' compensation and general and automobile liability claims, and fully self-insured for unemployment claims. Insurable property is covered for all risks by policies with a pooled aggregate limit of \$500,000,000 per occurrence. These pooled limits are shared with other agencies. An earthquake and flood limit of \$50,000,000 per occurrence is included as well. Various unique risks such as airport liability, marine hull protection and indemnity, fidelity, and boiler and machinery are insured as well.

The City is a member of the Authority of California Cities Excess Liability (ACCEL) for the purpose of pooling various risks. The City's self-insured retention (SIR) for liability is \$500,000. ACCEL members now jointly purchase \$19.5 million of coverage above their SIR's. The City's self-insured retention for workers' compensation is \$500,000. An indemnity policy provides limits of \$25 million in excess of the City's self-insured retention of \$500,000.

City management believes that rates charged to user departments may need to be adjusted to fully accumulate the funds needed in the City's Self-Insurance Fund to meet catastrophic losses that may potentially arise.

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, 2003, the City had not reached its Article XIII B spending limitation.

Governmental Accounting Standards Board - Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) - which sets "generally accepted accounting principles" (financial reporting requirements) for all state and local governments - established a new framework for the financial reports of state and local governments. The new framework or financial reporting model represents the biggest single change in the history of governmental accounting and reporting.

Known as "Statement No. 34: Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the new pronouncement represents a fundamental revision to the current financial reporting model, which has been in place since 1979. In fiscal year 2002, the City implemented the new GASB 34 reporting model. Thus, this is the second year these statements are prepared in accordance with the new requirements. One of the key features of the new model is to include the value of infrastructure assets on the face of the new Government-wide Statements. Due to the tremendous amount of historical data required to capture original cost or estimated original cost for this information GASB has allowed an additional four years to fully implement this requirement. Infrastructure assets include roads, bridges, tunnels, drainage systems, sidewalks, curbs, dams and lighting systems dating back to 1980.

Independent Audit

The City Charter requires an annual audit of the financial statements of the City by an independent certified public accountant. The City has complied with this requirement and the independent auditor's report has been included in this report on page 1 of the Financial Section.

ACKNOWLEDGEMENTS

The preparation of this comprehensive annual financial report could not have been accomplished without the hard work and team effort of the entire Finance Department. We would also like to express appreciation to other City departments that provided assistance and support.

Respectfully submitted,



James L. Armstrong
City Administrator/
Clerk/Treasurer



Robert D. Peirson
Finance Director

CITY OF SANTA BARBARA
Directory of City Officials
June 30, 2003

Marty Blum
Mayor

Dan B. Secord, M.D.
Councilmember

H. P. Fairly
Councilmember

Gregg A. Hart
Councilmember

Roger L. Horton
Councilmember

Babatunde Folayemi
Councilmember

Iya G. Falcone
Councilmember

James L. Armstrong
City Administrator/Clerk/Treasurer

Daniel J. Wallace
City Attorney

Robert D. Peirson
Finance Director

Karen S. Ramsdell
Airport Director

Richard C. Johns
Parks and Recreation Director

Carol L. Keator
Library Director

Camerino Sanchez
Police Chief

Warner R. Mc Grew
Fire Chief

Paul Casey
Community Development Director

Anthony L. Nisich
Public Works Director

Joan M. Kent
Assistant City Administrator

John N. Bridley
Waterfront Director

CITY OF SANTA BARBARA
Advisory Boards and Commissions
June 30, 2003

Charter Boards and Commissions

Membership

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

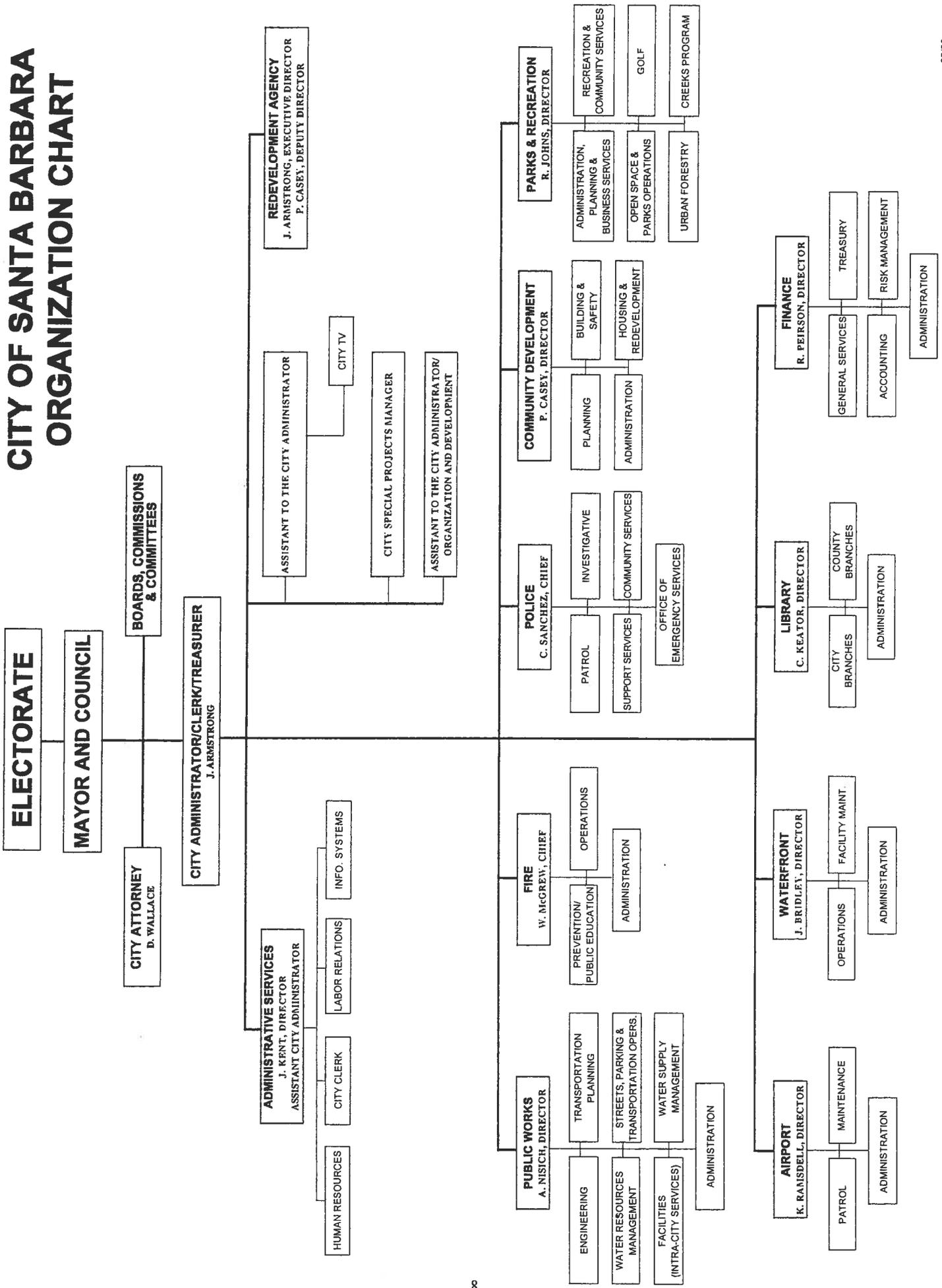
Committees

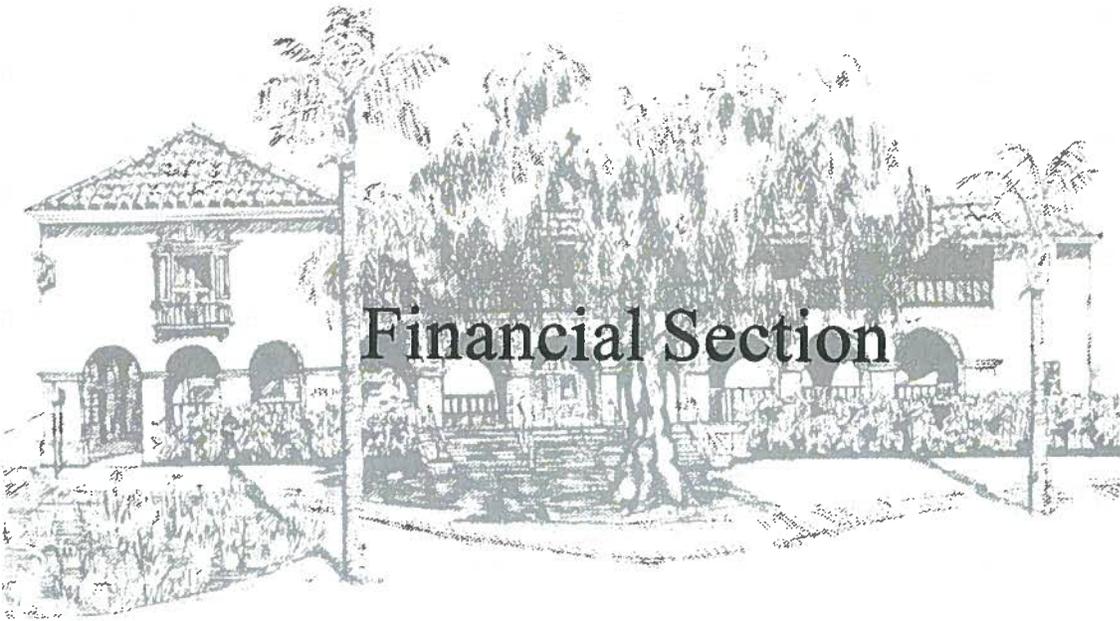
Arts Advisory Committee	.....	7
Committee for Senior Citizens	.....	7
Community Development & Human Services Committee	.....	13
Community Events & Festivals Committee	.....	7
Downtown Parking Committee	.....	9
Franklin Center Advisory Committee	.....	7
Lower Westside Center Advisory Committee	.....	7
Public Access Advisory Committee	.....	3
Sign Committee	.....	9
Westside Center Advisory Committee	.....	8

Other Advisory Bodies

Building and Fire Code Board of Appeals	.....	10
Housing Authority Commission	.....	7
Rental Housing Mediation Task Force	.....	15
Santa Barbara Public Facilities Corporation	.....	3

CITY OF SANTA BARBARA ORGANIZATION CHART





Financial Section



**BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER**

CERTIFIED PUBLIC ACCOUNTANTS

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Peter C. Brown, CPA
Burton H. Armstrong, CPA MST
Andrew J. Paulden, CPA
Harvey J. McCown, CPA
Steven R. Starbuck, CPA
Aileen K. Keeter, CPA

INDEPENDENT AUDITOR'S REPORT

Chris M. Thornburgh, CPA
Lynn R. Krausse, CPA, MST
Bradley M. Hankins, CPA
Eric Xin, CPA
Melinda A. McDaniels, CPA
Thomas M. Young, CPA
Amanda E. Wilson, CPA
Sharon Jones, CPA, MST
Rosalba Flores, CPA
Debbie A. Rapp, CPA
Julie A. Auvil, CPA
Connie M. Perez, CPA

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

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the City of Santa Barbara, California (the City) as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Santa Barbara's management. Our responsibility is to express an opinion 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 *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 aggregated remaining fund information of the City of Santa Barbara, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The *management's discussion and analysis* and *budgetary comparison* information as listed in the accompanying table of contents are not a required part of the City's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Santa Barbara, California's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and the statistical tables identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part to the basic financial statements. These financial statements and schedules are also the responsibility of the management of the City of Santa Barbara, California. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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 on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
September 15, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2003

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, 2003. 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 1-5 of this report.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2003, net assets of the City totaled \$356.7 million, an increase of approximately \$1.2 million from prior year. Of the total net assets, \$92.7 million is unrestricted and thus may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$136.1 million, a slight increase of \$280,793 from prior year.
- Approximately 25% of the combined fund balances of governmental funds is unreserved and therefore available for spending at the City's discretion.
- As of June 30, 2003, unreserved fund balance in the General Fund was \$29.9 million, equating to 37% of total General Fund expenditures.

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 Financial Statements. Each of these sections is discussed below.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to present financial information about the City as whole, in a manner similar to the private sector, including the use of accrual-based accounting to recognize its revenues and expenses. Government activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely primarily on user fees and charges to fund their operations. Government 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 activities include the City's utility operations (water and wastewater), the City's municipal airport, the waterfront/harbor, downtown parking, and golf course.

The Statement of Net Assets presents all City assets, including capital assets, and all related liabilities, including long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets," which serves as a measure of the financial health of the City. Over time, an increase in net assets generally indicates that the financial health of the City is improving.

The Statement of Activities provides the details of how the City's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses;" increases in net assets are presented as "Program Revenues."

Fund Financial Statements

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, 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 the most significant (i.e., "major") funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the government-wide financial statements. 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, debt service and permanent funds. In the fund financial statements, all governmental fund types are reported using the modified accrual basis of accounting, whereby revenues are generally recognized when measurable and available to finance current operating costs, and expenditures are recognized when the related liability is incurred. In addition, the focus is on inflow (revenue) and outflow (expenditures) of *current financial resources*. As such, the balance sheets of governmental funds are intended to present 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 funds" are consolidated into a single column. The details of the "non-major" funds are included in the Required Supplementary Information section of this comprehensive annual financial report.

Proprietary Funds – Proprietary funds are used to account for services provided to customers or other City departments and funds that are primarily funded from user charges and fees. Proprietary funds use the accrual basis of accounting and measure the balance and change in *total economic resources*. Accordingly, balance sheets of proprietary funds include *all* assets and liabilities, including long-term receivables and fixed assets and long-term liabilities. The basis of accounting and measurement focus used to report proprietary fund statements is the same as those 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, airport, golf, downtown parking, and waterfront/harbor operations. Internal service funds are used by the City to account for its intra-city services (motor pool, building maintenance, custodial, communication), information systems, self-insurance and duplications operations.

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 the resources are not available to support the operations of the City.

Notes to the 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 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

This is the second year that the City has presented its financial statements under the new reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. Therefore, the following analysis, unlike last year, includes a comparative analysis between current year and prior year results of operations and year-end balances.

Governmental Activities

Statement of Net Assets

Table 1 below summarizes the Statement of Net Assets for Governmental Activities as of June 30, 2003, with comparative totals at June 30, 2002.

	<u>2003</u>	<u>2002</u>
Assets:		
Current and other assets	\$ 167,048,347	\$ 167,347,310
Capital assets (net of depreciation)	<u>89,441,381</u>	<u>89,303,304</u>
Total Assets	<u>256,489,728</u>	<u>256,650,614</u>
Liabilities:		
Current and other liabilities	34,869,607	33,228,064
Long-term liabilities	<u>62,160,125</u>	<u>65,471,937</u>
Total Liabilities	<u>97,029,732</u>	<u>98,700,001</u>
Net Assets:		
Invested in capital assets, net of related debt	63,294,320	61,234,513
Restricted	62,649,496	62,552,073
Unrestricted	<u>33,516,180</u>	<u>34,164,027</u>
Total Net Assets	<u>\$ 159,459,996</u>	<u>\$ 157,950,613</u>

As shown in Table 1, total assets of Governmental Activities were \$256.5 million at June 30, 2003, including \$89.4 million in capital assets (net of depreciation). Of the total \$167 million in current assets, \$134.1 million consists of pooled cash and investments, which are invested in accordance with State law and the City's investment policy, and include funds legally and/or contractually restricted as to their use.

Long-term liabilities at June 30, 2003, includes \$59.2 million in tax allocation bonds issued by the City's Redevelopment Agency and \$2.6 million of outstanding certificates of participation. (See the Capital Asset and Debt Administration section for more detailed discussion of outstanding long-term debt). The decline from prior year of \$3.3 million is attributable to the retirement of long-term debt during the year.

Net assets totaling \$159.5 million include \$62.6 million subject to external restrictions. Net assets also include \$33.5 million in unrestricted assets that are available for discretionary spending, although a portion is designated for emergencies and economic uncertainties pursuant to City Council adopted policy. Total net assets increased from fiscal year 2002 by approximately \$1.5 million (0.1%). This is an extremely favorable outcome given the challenges the City faced this year, particularly in the General Fund, as a result of a continued sluggish economy.

The individual components of net assets remained fairly stable. The growth in net assets invested in capital assets grew by approximately \$2.1 million, which stems from the additional capital investment during the year.

Restricted net assets remained virtually unchanged from prior year. Unrestricted net assets decreased by \$647,847, in large part due to the use of reserves in the General Fund to fund a portion of the capital program.

Statement of Activities

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (usually year end). The Statement of *Activities* provides details of how net assets changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. Thus, it indicates whether the City as a whole is better off at June 30, 2003, than it was at June 30, 2002.

Table 2 below summarizes the Statement of Activities for Governmental Activities for the fiscal year ended June 30, 2003, with comparative totals for the fiscal year ended June 30, 2002.

	2003	2002
REVENUES:		
Program Revenues:		
Charges for Service	\$ 19,421,624	\$ 15,852,218
Operating Grants and Contributions	12,533,429	14,251,920
Capital Grants and Contributions	4,130,412	2,907,696
General Revenues:		
Taxes	66,670,830	62,956,549
Motor Vehicle License Fees	5,602,182	5,477,538
Investment Income	4,831,479	6,175,270
Other Revenue	2,203,542	2,961,794
TOTAL REVENUES	115,393,498	110,582,985
EXPENSES:		
Governmental Activities:		
Administration	9,468,522	9,152,771
Public Safety	40,000,431	35,405,826
Public Works	15,610,103	14,702,250
Community Services	17,159,914	16,400,798
Community Development	15,041,694	13,693,785
General Government	6,238,889	4,184,962
Capital Improvements	7,082,644	4,211,521
Debt Service	3,373,131	2,293,484
TOTAL EXPENSES	113,975,328	100,045,397
Increase in Net Assets Before Transfers	1,418,170	10,537,588
Transfers	91,213	36,210
Increase in Net Assets	1,509,383	10,573,798
Net Assets, July 1	157,950,613	147,376,815
Net Assets, June 30	\$ 159,459,996	\$ 157,950,613

Total revenues of the funds included in the Governmental Activities category were \$115.4 million for the year ended June 30, 2003. Of this total, \$66.7 million (58%) was derived from taxes, including sales tax, transient occupancy tax, utility users tax, and property tax revenues. This is consistent with the nature of governmental activities, which includes services traditionally financed from general tax revenues. Approximately \$19.4 million (17%) of total revenues were derived from charges for services, representing fees charged for various services, including recreation, planning, building, library and engineering. Revenues derived from fees and charges help support programs largely subsidized from general tax revenues and thus reduce the burden on these limited resources.

Total revenues increased by approximately \$4.8 million (4%) from prior year, from \$110.6 million to \$115.4 million. As discussed in more detail later in connection with the analysis of the General Fund, both tax revenues and charges for services realized the biggest growth from prior year.

Expenses for the year totaled almost \$114 million. The largest component of total expenses was for public safety (fire and police), representing 35% of the total. Community Services expenses, which include parks, recreation, and library services, totaled \$17.2 million.

Overall expenses grew by almost \$14 million from prior year. The increases is the result of the following:

- Approximately \$4 million is attributable to salary and benefit increases. Virtually all employee groups received salary increases pursuant to multi-year contracts negotiated beginning two years ago. The largest of these increases was attributable to public safety. Increases to benefit costs included workers' compensation, health insurance and retirement.
- Approximately \$2.8 million is attributable to the increase in capital improvements. In fiscal year 2002, a total of \$4.2 million was expended compared to \$7.1 million in the current year.
- Approximately \$3 million is attributable to the additional costs associated with the Self Insurance Internal Service Fund. A portion of the revenues and expenses of internal funds are consolidated into the Governmental Activities column. In fiscal year 2003, expenses of internal service funds grew from approximately \$12.2 million to \$16.7 million. Of this increase, \$3 million is allocated to Governmental Activities. The increase is primarily attributable to the sharp increases to property, workers compensation and general liability claims and insurance.

Business-Type Activities

Statement of Net Assets

Table 2 below summarizes the Statement of Net Assets of Business-Type Activities as of June 30, 2003, with comparative totals at June 30, 2002.

	<u>2003</u>	<u>2002</u>
Assets:		
Current and other assets	\$ 75,024,023	\$ 79,619,009
Capital assets (net of depreciation)	<u>182,180,048</u>	<u>171,554,786</u>
Total Assets	<u>257,204,071</u>	<u>251,173,795</u>
Liabilities:		
Current and other liabilities	10,868,304	7,505,712
Long-term liabilities	<u>49,070,996</u>	<u>46,084,991</u>
Total Liabilities	<u>59,939,300</u>	<u>53,590,703</u>
Net Assets:		
Invested in capital assets, net of related debt	138,065,417	130,624,892
Unrestricted	<u>59,199,354</u>	<u>66,958,200</u>
Total net Assets	<u>\$ 197,264,771</u>	<u>\$ 197,583,092</u>

As previously indicated, business-type activities include the City's Enterprise fund operations, such as water, wastewater, airport, golf, waterfront and downtown parking. These operations are highly capital intensive, devoting a significant portion of their financial resources to the maintenance and replacement of major capital equipment and facilities. This is evidenced by the higher proportion of capital assets to total assets in relation to funds included within the Government Activities category shown in Table 1. In fact, of the \$257.2 million in total assets at June 30, 2003, approximately \$182.2 million (70%) relate to capital assets. In addition, capital assets increased by approximately \$10.6 million from prior year primarily as a result of capital acquisitions and improvements made during the year for two major projects: the Cater Water Treatment Plant and Sheffield Reservoir Projects, which are discussed later in this report.

All categories of net assets have a positive balance, which means that, as a whole, the individual funds comprising the business-type activities have sufficient current assets to satisfy both current and long-term liabilities, and still have assets remaining for discretionary spending. In short, the funds included within this category are in excellent financial condition.

The make-up of net assets, however, changed considerably from the prior year. Although net assets invested in capital *increased* by approximately \$7.4 million, unrestricted net assets *declined* by approximately \$7.8 million. This is due to the fact that a substantial portion of unrestricted net assets was "invested" in capital assets. Specifically, as discussed elsewhere in this analysis, approximately \$13 million was expended toward the Cater

Water Treatment Plant and Sheffield Reservoir Projects during the year. These costs are reimbursable from the State Department of Water Resources pursuant to long-term loan agreements. As of June 30, 2003, a substantial portion (approximately \$8 million) of these costs remained unreimbursed. Therefore, the decline in unrestricted net assets will be restored once the project costs are fully reimbursed.

Statement of Activities

Table 3 summarizes the Statement of Activities for Business-Type Activities for the fiscal years ended June 30, 2003 and June 30, 2002.

Table 3		
STATEMENT OF ACTIVITIES		
Business-Type Activities		
Fiscal Years Ended June 30, 2003 and 2002		
	<u>2003</u>	<u>2002</u>
REVENUES:		
Program Revenues:		
Charges for Service	59,027,453	56,954,097
Operating Grants and Contributions	139,369	122,073
Capital Grants and Contributions	408,418	-
General Revenues:		
Investment Income	2,668,365	4,768,958
Other Revenue	<u>6,333</u>	<u>140,529</u>
TOTAL REVENUES	<u>62,249,938</u>	<u>61,985,657</u>
EXPENSES:		
Business Activities:		
Water	23,276,985	22,887,510
Wastewater	10,698,739	10,209,080
Airport	11,014,396	10,662,334
Waterfront	10,568,438	10,935,631
Other Non-Major Funds	<u>6,918,488</u>	<u>5,988,019</u>
TOTAL EXPENSES	<u>62,477,046</u>	<u>60,682,574</u>
Incr. (Decr.) in Net Assets Before Transfers	(227,108)	1,303,083
Transfers	<u>(91,213)</u>	<u>(36,210)</u>
Increase (Decrease) in Net Assets	(318,321)	1,266,873
Net Assets, July 1	<u>197,583,092</u>	<u>196,316,219</u>
Net Assets, June 30	<u>\$ 197,264,771</u>	<u>\$ 197,583,092</u>

Total revenues for the fiscal year ended June 30, 2003, were \$62.2 million, an increase of just \$264,281 from prior year. This is net of a \$2 million increase in Charges for Services and a decrease of \$2.1 million in Investment Income, as discussed further below.

Charges for services include fees and charges for utilities, such as water and wastewater, as well as charges relating to the Airport, Waterfront, Downtown Parking and Golf Enterprise Funds. The increase of \$2.1 million from prior year stems from a combination of fee increases and increased activity. For example, the Wastewater Fund raised rates in fiscal year 2003 by 10%, which generated an additional \$700,000. The Airport Fund also raised parking fees which, coupled with the general increase in volume of passengers, resulted in additional revenues.

The most dramatic change occurred with Investment Income. The City pools the cash of all funds for investment purposes. All investments are subject to State Law and the City's investment policy. Because of the sharp decline in short-term interest rates beginning in fiscal year 2001, the City's yield on its pooled investments has declined correspondingly. In just one year, from fiscal year 2002 to fiscal year 2003, interest earnings fell by

approximately \$2.1 million (44%). This has had a significant impact on the individual funds included within the Business-Type Activities category.

Expenses for the fiscal year ended June 30, 2003, totaled \$62.5 million, an increase of \$1.8 million (2%). The increase is fairly nominal and is primarily due to the general increase in salaries and benefits, which has affected all funds. In addition to negotiated salary increases for most employee groups, benefit costs also rose during the year, including retirement, health insurance and workers' compensation. Other costs, including liability and property insurance, and indirect costs allocated from the General Fund's administrative departments pursuant to a Central Services Cost Allocation Plan, also increased in fiscal year 2003. The allocation of internal service funds' losses during the year also impacted costs, as discussed in the next paragraph.

In total, net assets decreased by \$318,321 for the year ended June 30, 2003. This "net loss" is primarily attributable to the impacts of internal service funds, specifically the Self-Insurance Fund. For fiscal year 2003, the Self-Insurance Fund realized a \$2.5 million net loss as a result of an actuarial analysis of outstanding workers' compensation and liability, claims which required the recognition of an additional \$3.5 million for claims liability and related expense. Of this total net loss, \$873,791 is attributable, and has been allocated, to the funds making up the Business-Type Activities category.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

As previously noted, 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

Analysis of Year-End Balances

As of June 30, 2003, governmental fund assets totaled \$155.5 million. Of this total, \$66.3 million consisted of cash and investments, and \$35.7 consisted of cash and investments held with bond fiscal agents (trustees). An additional \$39 million represents outstanding loans receivable, of which the vast majority relates to the City's home rehabilitation loan program funded from the Community Development Block Grant program and the Redevelopment Agency's Housing Program.

Fund balance (assets minus liabilities) of governmental funds totaled \$136.1 million at June 30, 2003. Of this total, \$98.3 million was reserved, \$26.3 was designated, and the balance of \$11.5 was unreserved and undesignated. The *reserved* portion of total fund balance includes \$38 million in bond proceeds held by a fiscal agent in connection with the sale of the 2001 Tax Allocation Bonds by the Redevelopment Agency (RDA). These funds are restricted to projects for which the bonds were sold, including the construction of a new parking structure on Lot No. 6. Reserved fund balances also include \$26.7 million in outstanding loans receivable in the RDA Housing Fund. Because these loans are long-term, they are not currently available for appropriation and are thus reserved. The *designated* portion of fund balance consists largely of funds set aside in the General Fund, pursuant to City policy, for emergencies, contingencies, and revenue shortfalls caused by economic downturns. The policy requires that all operating funds, including the General Fund, set aside an amount equal to 25% of its operating budget. As of June 30, 2003, all funds were in compliance with this policy.

Results of Operations

Total governmental fund revenues for the fiscal year ended June 30, 2003, were \$113.6 million. The largest component of total revenue was Taxes at \$74.5 million, making up 65.5% of total General Fund revenues. This is consistent with the nature and purpose of governmental funds, particularly the General Fund, in that they include programs that are largely supported from tax subsidies. Taxes received by the General Fund include sales, transient occupancy, utility users and property taxes. The Redevelopment Agency (RDA) is almost entirely

funded from property tax revenues. This stems from the nature and purpose of redevelopment agencies in that improvements to "blighted" areas in the community are financed from the sale of bonds, which are repaid from the incremental property tax revenues that are generated as a result of the increased value of the properties realized from the improvements.

Total governmental expenditures for the year were only slightly above revenues, totaling \$113.7 million at year-end. As always, a large portion of overall expenditures relates to fire and police (public safety), which make up \$37.3 million (33%) of total expenditures. Virtually all of these costs are funded out of the General Fund, consuming almost 45% of total General Fund revenues. A total of \$16.4 million is expended for Community Services, which includes library, parks and recreation; \$14.8 million is spent on Public Works, which includes significant funding towards the City's streets maintenance and capital programs.

In total, governmental funds ended the year with a slight surplus (total revenues less total expenditures) of \$280,794. As such, the City's total available resources for financing next year's programs and services increased slightly from the end of last year. This total does include a net "loss" (i.e., use of reserves) in the General Fund of over \$1 million, which was used to partially fund its capital program. In contrast, the General Fund's originally adopted budget included the planned use of reserves totaling over \$2 million for capital (note: the use of reserves for capital and other one-time costs is consistent with City policy and past practice). In addition, it included another \$2.1 million in the planned use of reserves for operations as part of a multi-year and comprehensive strategy to address projected deficits over the next few years caused by revenue shortfalls and rising costs. Thus, only \$1 million in reserves was needed due to better than expected revenue and expenditure results, which is clearly a favorable outcome.

The Redevelopment Agency Special Revenue Fund and Capital Projects Fund ended the year with a surplus of \$1.1 million and \$1.05 million, respectively. These surpluses were the direct result of a conscious decision to hold back capital and special project spending in light of potential impacts to redevelopment agencies resulting from State budget action. During fiscal year 2003, in a highly politicized State budget process, there were several proposals being considered and discussed by the Governor and State legislators to address the State's unprecedented projected budget deficit that included a cut to redevelopment agency revenues. In fact, the State did ultimately approve a \$135 million shift of property tax revenues statewide from redevelopment agencies for fiscal year 2004, of which the City of Santa Barbara's Redevelopment Agency's share is approximately \$775,000.

Proprietary Funds

Highlights of Year-End Balances

Total assets of proprietary funds were \$259.9 million as of June 30, 2003. Of this total, \$182.2 million (70%) consisted of capital assets used in the operations of the various funds. This is consistent with the nature and purpose of the services provided by proprietary funds, which include the Water, Wastewater, Airport, Golf, Waterfront, and Downtown Parking Enterprise Funds. These services are highly capital intensive and require ongoing funding for capital maintenance and improvement.

Cash and Investments is the second largest asset category, comprising almost 23% of total assets. As of June 30, 2003, total cash and investments of proprietary funds was \$59.7 million, which is a decline from the prior year balance of \$65.5 million. The decline was primarily the result of a significant investment in capital assets by the Water Fund, which spent over \$16 million in capital improvements during the year. A large portion of the improvements related to the Cater Water Treatment Plant Project and the Sheffield Reservoir Project. This is evidenced by the increase in capital assets (net of accumulated depreciation) in the Water Fund, from \$77.8 million as of June 30, 2002, to approximately \$90.8 million. See discussion later on "Capital Assets" for additional details.

Net assets of proprietary funds totaled \$197.3 million as of June 30, 2003, essentially unchanged from the prior year. Net assets include amounts invested in capital assets, net of depreciation, and unrestricted amounts. As of June 30, 2002, the portion of net assets invested in capital assets was \$126.2 million, whereas that amount grew

to \$138.1 million as of June 30, 2003, an increase of approximately \$11.9 million. This increase corresponds to the significant capital expenditures in fiscal year 2003, as discussed in the previous paragraph. The unrestricted portion, however, did decline from approximately \$71.2 million to \$60 million, indicating a decline in working capital from the prior year. It is important to note that the decline in working capital, to a large extent, is due strictly to the timing of cash flows. As noted above, a large amount of funds were expended for the Cater Water Treatment Plant and Sheffield Reservoir Projects. The projects are being financed by long-term loan agreements with the State Department of Water Resources. In accordance with the loan agreements, loan funds are provided (i.e., reimbursed) periodically as the project expenditures are incurred. Therefore, as of June 30, 2003, a significant portion of costs had not been reimbursed, resulting in a temporary decline in cash and, thus, net assets.

Results of Operations

Total proprietary fund operating revenues for the fiscal year ended June 30, 2003, were approximately \$58.3 million, an increase of \$2.6 million (4.6%) from prior year. Operating revenues increased in all funds, with the exception of the Waterfront Fund, which saw its operating revenues decline slightly, by less than \$50,000. The overall increase in operating revenues was primarily attributable to the Wastewater Fund and the Airport Fund. Effective on July 1, 2002, wastewater service rates were increased by 10%, which was expected to generate approximately \$900,000 in additional sales revenues in relation to fiscal year 2002. However, because of a general decline in water usage (upon which sewer charges are calculated), the increase was approximately \$700,000.

Airport Fund revenues increased materially from the prior year in two categories: Commercial/Industrial Leases and Terminal Leases. Commercial/Industrial Leases revenues are generated from the properties along Hollister Avenue, separate from the Airport facilities, which generate substantial lease income from long-term leases. In fiscal year 2003, Commercial/Industrial Lease revenues increased by over \$600,000 (19%). Over the last few years, the Airport has made a significant investment in the commercial and industrial properties, adding/improving the infrastructure (roads, curbs, storm drains, lighting, etc.) with the purpose of attracting more and better tenants at higher lease rates. In fact, the Airport has been successful in this regard as lease agreements expire or as tenants have left, lease rates have been adjusted to market and have generated an increasing amount of income.

Terminal Lease revenues include, among other things, parking revenues. In fiscal year 2002, parking revenues totaled \$1,762,962, whereas in fiscal year 2003 they were \$2,229,473, an increase of \$466,511. This increase is directly the result of parking fee increases implemented fiscal year 2003 that included an increase to long-term parking hourly rates by \$1 and elimination of the 15-minute free parking in the short-term lots.

Operating expenses of proprietary funds totaled just under \$59 million, with only a \$1 million (1.7%) increase from the prior year.

Non-operating revenues, which include taxes, investment income, interest expense, grants/contributions, and other miscellaneous items changed significantly from prior year. Taxes decreased from \$1,241,201 in fiscal year 2002 to \$696,828 in fiscal year 2003. This decline is due to a change in policy affecting the allocation of utility users tax revenues collected on water service charges. Until fiscal year 2002, utility users tax revenues were split equally between the Water Fund and General Fund. However, beginning in fiscal year 2003, 100% of the revenues were credited to the General Fund. This change in policy is due to the fact that all other general tax revenues, including utility user tax revenues from all other utilities (electric, cable TV, telephone, etc.), accrue to the General Fund. Investment income also went down across all proprietary funds. In fiscal year 2002, investment income totaled almost \$4.8 million, whereas only \$2.7 million was earned in fiscal year 2003, a decline of \$2.1 million (44%). This sharp decline is directly the result of the continued low interest rate environment in which short-term rates fell from 6.5% in January of 2001 to the current rate of 1%.

GENERAL FUND FINANCIAL AND BUDGETARY HIGHLIGHTS

The General Fund is the main operating 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 & recreation, community development (building and planning), and public works.

The originally adopted budget of the General Fund, including transfers, totaled \$85.4 million, including \$2 million for capital and \$2.5 million for streets capital. The amended budget, which includes unspent, but encumbered appropriations carried forward from fiscal year 2002, as well as Council-approved adjustments during the year, totaled \$88.8 million.

The events of September 11, 2001, and the economic downturn continue to impact local revenues. Moreover, continued cost increases add to the existing challenges. The adopted fiscal year 2003 budget reflected \$2 million in combined expenditure reductions and revenue enhancements to help offset a projected \$4.1 million budget deficit. The balance of the projected deficit was closed through the use of reserves totaling \$2.1 million.

As discussed in more detail below, the actual results of revenues and expenditures for the year ended June 30, 2003, were much more favorable than anticipated. Revenues exceeded budget by \$1.8 million and expenditures ended the year \$3.7 million under budget. This resulted in almost a \$5.5 million favorable variance between budget and actual.

Table 4 summarizes General Fund revenues for the year ended June 30, 2003, in relation to budget, with a comparison to prior year totals.

	<u>Current Year Analysis</u>				<u>Prior Year Analysis</u>	
	<u>Annual Budget</u>	<u>Actual</u>	<u>Variance</u>		<u>Prior Year Actual</u>	<u>Variance Prior Yr To Current Yr</u>
			<u>\$</u>	<u>%</u>		
Sales & Use Tax	17,853,400	17,903,527	50,127	0.3%	17,511,105	2.2%
Property Tax	9,732,000	10,373,212	641,212	6.6%	9,513,753	9.0%
Utility Users Tax	11,364,100	10,886,009	(478,091)	-4.2%	9,995,605	8.9%
Transient Occupancy Tax	9,974,700	9,864,403	(110,297)	-1.1%	9,837,862	0.3%
Franchise Tax	1,658,600	1,769,584	110,984	6.7%	2,066,866	-14.4%
Business License Tax	1,733,400	1,831,973	98,573	5.7%	1,768,599	3.6%
Property Transfer Tax	265,500	874,582	609,082	229.4%	307,319	184.6%
Total Taxes	<u>52,581,700</u>	<u>53,503,290</u>	<u>921,590</u>	1.8%	<u>51,001,109</u>	4.9%
License & Permits	35,000	51,794	16,794	48.0%	43,727	18.4%
Fines & Forfeitures	1,989,921	2,215,764	225,843	11.3%	1,903,209	16.4%
Use of Money & Property	2,517,295	2,208,505	(308,790)	-12.3%	3,389,508	-34.8%
Intergovernmental	6,444,333	6,101,665	(342,668)	-5.3%	5,948,275	2.6%
Fee & Services	10,983,220	12,195,766	1,212,546	11.0%	11,295,924	8.0%
Miscellaneous	5,219,354	5,284,075	64,721	1.2%	5,002,177	5.6%
Operating Transfers In	2,547,722	2,521,488	(26,234)	-1.0%	2,422,920	4.1%
Total Revenues	<u>\$ 82,318,545</u>	<u>\$ 84,082,347</u>	<u>1,763,802</u>	2.1%	<u>\$ 81,006,849</u>	3.8%

The amended General Fund revenue budget totaled \$82.3 million, as shown in Table 4. In total, General Fund revenues exceeded budget by approximately \$1.8 million (2.1%). Although both Utility Users Tax (UUT) and Transient Occupancy Tax (TOT) revenues fell short of budget by a combined total of \$588,388, total tax revenues ended the year \$921,590 (1.8%) above budget. This favorable variance was due to the continued strength in the local real estate market, resulting in a \$641,212 surplus in Property Tax revenues. Total revenues also exceeded prior year totals by slightly over \$3 million, representing an overall growth of 3.8%. Property Tax and Utility Users Tax revenues each grew by 9%, while Real Property Transfer Tax revenues more than doubled. Community Development Department fees and charges, specifically planning-related fees, also grew well above expectations, contributing significantly to the overall favorable budget and growth variance in total General Fund revenues. The growth in planning revenues was the result of a boon in residential improvement projects that was created by historically low mortgage interest rates whereby homeowners were able to refinance existing mortgages to lower interest costs and cash out some of their equity.

Total General Fund expenditures for the year ended June 30, 2003, were \$85.1 million (including transfers), resulting in a favorable variance from budget of over \$3.7 million (4.2%). In general, year-end expenditures typically fall below budget due to several key factors. First, due to the normal turnover in staffing, the General Fund realized salary and benefit savings. However, a hiring "chill" implemented by the City in February 2003

generated additional savings above what is typically realized. Secondly, certain costs are typically encumbered and carried forward each year and, by their nature, create variances between budgeted and actual expenditures at year-end. These are essentially timing differences rather actual savings. For example, two years' of funding are budgeted each year for human services grants paid out of the Community Development Department. At June 30, 2003, a total of almost \$600,000 of grant funding was encumbered and carried over into fiscal year 2004, adding to the overall variance between actual expenditures and budget. Special projects behave in the same manner in that they typically are multi-year efforts and thus often leave substantial unexpended balances at year-end. Almost \$700,000 of appropriations for special projects were carried forward into fiscal year 2004.

Total expenditures grew from prior year by approximately \$2.3 million (2.8%). In large part the growth is attributable to increases in salaries based on multi-year labor agreements approved in prior years as well general increases to benefit costs, including retirement and health insurance. These increases were partially offset by a \$1 million reduction in capital transfers in relation to the prior year, which was a conscious decision to limit the use of reserves as part of an overall strategy to deal with the impacts of the economic downturn on revenues and the effects of rising costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 5 below summarizes the City's capital asset by class and by type of activity.

	Governmental Activities	Business-Type Activities	Totals
Land	\$ 47,795,017	\$ 19,201,133	\$ 66,996,150
Buildings	9,786,515	13,171,513	22,958,028
Building Improvements	1,130,014	1,731,500	2,861,514
Improvements Other Than Buildings	17,648,204	84,888,974	102,537,178
Equipment	7,107,586	5,753,371	12,860,957
Underground Piping	-	36,601,813	36,601,813
Construction in Progress	3,821,810	20,831,744	24,653,554
Infrastructure	2,152,235	-	2,152,235
TOTALS	\$ 89,441,381	\$ 182,180,048	\$ 271,621,429

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.

As shown in Table 5, capital assets totaled \$271.6 million, an increase of \$10.8 million from prior year, with virtually all of the increase relating to Business-Type Activities. Over \$13 million was spent and added to Construction in Progress during the year for two major Water Fund projects: the Sheffield Reservoir Project and

the Cater Water Treatment Plant Project. Both projects are being financed by low-interest, long-term loans from the State of California Department of Water Resources. The Cater Strategic Plan includes projects that will ensure compliance with U.S. Environmental Protection Agency Drinking Water Regulations. The Sheffield Project involves replacing an uncovered reservoir with two 6.5 million gallon buried concrete reservoirs in order to comply with more stringent drinking water standards.

The largest class of assets is "Improvements Other Than Buildings," totaling over \$102.5 million. These assets include water and sewer lines, improvements to land, parking structures, and other improvements to assets other than buildings. The majority of these assets relate to business type activities are an integral part of their operations.

This is the second year in which governmental funds included in the Governmental Activities category are required to capitalize the costs of acquiring or constructing infrastructure assets, which include roads, curbs, gutters, street lights, bridges, etc. As shown in Table 5, the cost of infrastructure constructed since fiscal year 2002 totaled \$2.2 million. By fiscal year 2005, the City is required, pursuant to newly implemented accounting standards, to capture infrastructure assets acquired or constructed since fiscal year 1981. Clearly, infrastructure assets are a significant component of total City assets. Therefore, by fiscal year 2005, infrastructure assets will represent a more significant portion of total assets in the schedule contained in Table 5.

Long-Term Debt

Table 6 below summarizes outstanding long-term debt associated with both Governmental Activities and Business-Type Activities.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Participation	3,930,300	35,709,700	39,640,000
Revenue Bonds	-	7,125,000	7,125,000
Tax Allocation Bonds	59,675,000	-	59,675,000
Loans	-	8,463,785	8,463,785
	<u>\$ 63,605,300</u>	<u>\$ 51,298,485</u>	<u>\$ 114,903,785</u>

As shown in Table 6, the City had approximately \$114.9 million in long-term debt outstanding at June 30, 2003. This is a net decrease of \$459,134 from prior year.

With respect to the Governmental Activities, the outstanding \$3,930,300 in certificates of participation (COP's) were issued in fiscal year 2002 to refund the 1993 COP's, thereby capturing more favorable interest rates and lowering interest costs. These COP's are the only debt of the General Fund, representing just 5% of total General Fund revenues.

The outstanding \$59,675,000 tax allocation bonds relate to the City's Redevelopment Agency. This includes the 2001 Tax Allocation Bonds issued in July 2001 to fund the construction of a new parking structure on Lot No. 6 and other redevelopment projects.

The outstanding \$8,463,785 in loans payable relate to the Water Fund. This includes a new loan executed during the year in the amount of \$5,110,456 for the Cater Water Treatment Plant Plan Project, as previously discussed.

During fiscal year 2003, the City issued \$19.4 million in Waterfront Revenue Refunding Certificates of Participation (COP's) to advance refund the 1992 COP's. The refunding was also designed to capitalize on lower interest rates so as to reduce interest costs on the debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal environment facing the City of Santa Barbara is one of the most difficult we have faced over the past thirty years. It has been influenced by three major factors: an uncertain national and state economy, rising costs, and the worst State budget crisis since the Great Depression. As a result of these factors, the City broke with recent years practice and adopted a one-year budget instead of a two-year financial plan. Current events make it too difficult to predict revenues and expenditures accurately two years into the future.

The events of September 11, 2001 and the national economic slowdown had a significant impact on the City's overall revenues. Local tourism and retail spending dropped dramatically, affecting both transient occupancy and sales tax receipts. As a result of this revenue slowdown, City operating departments were asked to reduce expenditures in both the last half of fiscal year 2002 and in fiscal year 2003. In addition, a hiring "chill" was implemented February of 2003. These short terms efforts were very successful, and the City has been able to minimize the use of reserves in order to balance the City's operating budget, as previously noted.

The City is now experiencing signs of a slow economic recovery. For fiscal year 2004, sales and transient occupancy tax revenues are projected to grow by 2-3%. We are also expecting property tax revenues to grow 6% next year due to the strong real estate market. However, due to the Middle East conflict, the continued threat of terrorism and the State budget imbroglio, we expect to face a prolonged period of economic uncertainty.

The biggest challenge to balancing the fiscal year 2004 budget was not the sluggish economy, but rising costs. For example, health insurance benefits provided to City employees will cost almost \$8 million in fiscal year 2004, an increase of 9%. Due to the poor performance of the Public Employees Retirement System (PERS) investment portfolio, the City will face a major increase in retirement costs. In fiscal year 2004, contributions to PERS are estimated at \$10.5 million, a \$2.9 million (38%) increase from fiscal year 2003. In fiscal year 2005, PERS has estimated that these costs will escalate even more, with an additional annual cost to the City of \$4.7 million.

The challenges facing the City are not unique. Virtually all cities across the State are facing increasing costs related to health care, retirement contributions, workers' compensation costs and property and liability insurance premiums.

After a long and heated political battle, the State adopted its fiscal year 2004 budget in August of 2003. Unfortunately, the State once again used one-time measures to address its staggering deficit of \$38 billion. And, once again, the State solved part of its deficit on the backs of local government, although the impacts were not as significant as had originally been contemplated.

The biggest impact was a one-time shift in property tax revenues from redevelopment agencies statewide totaling \$135 million. The impact to the City of Santa Barbara Redevelopment Agency in fiscal year 2004 will be approximately \$775,000. Although a one-time shift is manageable, the concern now is that this may be made permanent as the State seeks to address continued deficits in subsequent years.

The proposed elimination of the vehicle license fee (VLF) backfill is, at least temporarily, off the table as the State "pulled the trigger" contained in the original legislation that enabled the State Department of Finance to

administratively restore the VLF back to the 1998 level when it was originally lowered. While this leaves payments to local governments of the VLF intact, the State will retain 3 months of fiscal year 2004 VLF payments, totaling approximately \$852 million statewide as a "loan" from local governments to help balance its budget. The City of Santa Barbara's share equates to approximately \$1.2 million. The State has indicated that this loan will be repaid in 3 years when, presumably, the fiscal issues will be resolved. Clearly, local governments remain skeptical as to the security of this unilaterally executed "loan" agreement. The latest concern stems from comments of the Governor-elect Arnold Schwarzenegger that suggest he may seek to roll-back the VLF increase, which would then place the VLF backfill back on the table for possible elimination or reduction.

The most interesting and troublesome scheme implemented by the State is termed the "Triple Flip", which swaps a portion of sales tax revenues collected by local government for an equal portion of property tax revenues. In order to issue \$10.7 billion in deficit reduction bonds, Wall Street bankers required the State to identify and secure a dedicated revenue stream to secure the bonds. As a result, the State will take half of the 1% portion of the sales tax allocated to local governments, beginning in fiscal year 2005, as the dedicated funding source to secure the bonds. In order to compensate local governments for their loss, the State agreed to "backfill" the sales tax loss with an equal amount of property taxes. The swap in revenues will continue for five years and, as structured, will result in no loss in revenues to local governments.

Other components of the State's adopted budget do result in lost revenues to cities. For example, reimbursements to local government for mandated programs and activities pursuant to SB 90 have been indefinitely deferred. The impact to City in fiscal year 2004 is difficult to quantify, but historically the reimbursements have been under \$100,000 annually. Libraries have also taken another cut in funding beyond the reduction implemented in fiscal year 2003. The additional cut to the City Library in fiscal year 2004 is approximately \$60,000.

As a result of sound budget policies and fiscal management, the City of Santa Barbara is well positioned to meet the current and upcoming challenges. Although the impacts of the economic downturn continue to affect City revenues, these impacts have been incorporated into revenue estimates, and measures have been implemented to address previous revenue shortfalls. In addition, during the "boom" years of the late 1990's, the City retained a portion of the revenue growth to increase its reserve levels specifically designated for economic downturns. We are proposing that these reserves be used over the next few years to ease the organization through the transition to a balanced budget as other measures to address rising costs are implemented.

As a long-term strategy, the size of the City workforce will need to be reduced through attrition to help offset increasing costs and to lower the overall cost structure of the organization. This will provide a leaner and more efficient organization that can more effectively respond to future challenges. As a part of this downsizing, the adopted fiscal year 2004 budget includes the elimination of 27.1 full-time equivalent positions. Clearly, with a smaller organization, there will be impacts to services; the goal, however, is to minimize these impacts by establishing a more efficiently run organization.

The long-term strategy of creating a smaller and more efficient organization will be helped by the recent implementation of a performance management program throughout the City. This program includes measurable objectives and performance measures for every program area in the City. Combined with a greater emphasis on better cost accounting, this program will assist management and staff in identifying opportunities for improvement and efficiency. This is a major effort requiring a significant investment of time and resources. However, we believe measuring the performance of City operations makes good business sense. More importantly, it provides the community, Council and staff with objective information from which rational decisions regarding City services can be made.

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, separate reports of the City's component units or need any additional financial information, contact the City's Finance Department located at 735 Anacapa Street, Santa Barbara, California, 93110, (805) 564-5336, or email Robert Samario, Assistant Finance Director at bsamario@ci.santa-barbara.ca.us.

CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 74,387,284	\$ 59,742,474	\$ 134,129,758
Accounts receivable, net	7,117,362	3,565,595	10,682,957
Accrued interest receivable	2,338,895	-	2,338,895
Due from other agencies	1,096,971	283,507	1,380,478
Due from fiduciary funds	43,270	-	43,270
Internal balances	2,709,308	(2,709,308)	-
Inventory	963,794	-	963,794
Prepaid assets	1,526,222	4,929,050	6,455,272
Deferred charges	1,718,451	3,484,500	5,202,951
Loans receivable	38,973,048	2,028,851	41,001,899
Assets available for resale	433,952	-	433,952
Restricted assets:			
Cash with fiscal agent	35,739,790	3,699,354	39,439,144
Capital assets (net of accumulated depreciation):			
Land	47,795,017	19,201,133	66,996,150
Buildings	9,786,515	13,171,513	22,958,028
Building improvements	1,130,014	1,731,500	2,861,514
Other improvements and drainage systems	17,648,204	84,888,974	102,537,178
Equipment	7,107,586	5,753,371	12,860,957
Infrastructure	2,152,235	-	2,152,235
Underground piping	-	36,601,813	36,601,813
Construction in progress	3,821,810	20,831,744	24,653,554
Total assets	<u>256,489,728</u>	<u>257,204,071</u>	<u>513,693,799</u>
LIABILITIES			
Accounts payable	1,978,162	3,012,375	4,990,537
Accrued interest payable	809,793	620,926	1,430,719
Accrued salaries and benefits	2,239,224	409,937	2,649,161
Other accrued liabilities	83,772	-	83,772
Deposits	766,001	1,269,362	2,035,363
Deferred revenue	11,602,510	2,395,403	13,997,913
Loans payable	660,000	-	660,000
Non-current liabilities:			
Long-term debt due within one year	16,730,145	3,160,301	19,890,446
Long-term debt due in more than one year	59,205,700	49,070,996	108,276,696
Estimated claims payable	2,611,548	-	2,611,548
Unamortized debt premium	342,877	-	342,877
Total liabilities	<u>97,029,732</u>	<u>59,939,300</u>	<u>156,969,032</u>
NET ASSETS			
Invested in capital assets, net of related debt	63,294,320	138,065,417	201,359,737
Restricted for capital projects	16,047,030	-	16,047,030
Restricted for specific projects and programs	46,602,466	-	46,602,466
Unrestricted	33,516,180	59,199,354	92,715,534
Total net assets	<u>\$ 159,459,996</u>	<u>\$ 197,264,771</u>	<u>\$ 356,724,767</u>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2003**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
Current:							
Administration	\$ 9,468,522	\$ 970,086	\$ -	\$ -	\$ (8,498,436)	\$ -	\$ (8,498,436)
Public safety	40,000,431	6,014,608	1,334,305	-	(32,651,518)	-	(32,651,518)
Public works	15,610,103	4,318,370	6,297,133	92,605	(4,901,995)	-	(4,901,995)
Community services	17,159,914	4,539,669	1,989,243	1,972,878	(8,658,124)	-	(8,658,124)
Community development	15,041,694	3,578,891	2,912,748	-	(8,550,055)	-	(8,550,055)
General government	6,238,889	-	-	-	(6,238,889)	-	(6,238,889)
Capital outlay:							
Capital improvements	7,082,644	-	-	2,064,929	(5,017,715)	-	(5,017,715)
Debt service:							
Interest	3,373,131	-	-	-	(3,373,131)	-	(3,373,131)
Total governmental activities	<u>113,975,328</u>	<u>19,421,624</u>	<u>12,533,429</u>	<u>4,130,412</u>	<u>(77,889,863)</u>	<u>-</u>	<u>(77,889,862)</u>
Business activities:							
Water	23,276,985	23,171,837	139,369	-	-	34,221	34,221
Wastewater	10,698,739	9,495,297	-	-	-	(1,203,442)	(1,203,442)
Airport	11,014,396	11,288,212	-	-	-	273,816	273,816
Waterfront	10,568,438	8,700,910	-	408,418	-	(1,459,110)	(1,459,110)
Other non-major funds	6,918,488	6,371,197	-	-	-	(547,291)	(547,291)
Total business-type activities	<u>62,477,046</u>	<u>59,027,453</u>	<u>139,369</u>	<u>408,418</u>	<u>-</u>	<u>(2,901,806)</u>	<u>(2,901,806)</u>
Total	<u>\$ 176,452,374</u>	<u>\$ 78,449,077</u>	<u>\$ 12,672,798</u>	<u>\$ 4,538,830</u>	<u>(77,889,863)</u>	<u>(2,901,806)</u>	<u>\$ (80,791,669)</u>
General revenues:							
Taxes:							
Sales & use					28,826,026	-	28,826,026
Property					23,224,130	-	23,224,130
Real property transfer					874,582	-	874,582
Transient occupancy					9,864,403	-	9,864,403
Franchise					2,049,716	-	2,049,716
Business license					1,831,973	-	1,831,973
Motor vehicle license-in-lieu					5,602,182	-	5,602,182
Investment income					4,831,479	2,668,365	7,499,844
Other revenue					2,203,542	6,333	2,209,875
Transfers					91,213	(91,213)	-
Total general revenues and transfers					<u>79,399,246</u>	<u>2,583,485</u>	<u>81,982,731</u>
Change in net assets					1,509,383	(318,321)	1,191,062
Net assets, beginning of fiscal year					157,950,613	197,583,092	355,533,705
Net assets, end of fiscal year					<u>\$ 159,459,996</u>	<u>\$ 197,264,771</u>	<u>\$ 356,724,767</u>

See accompanying notes to basic financial statements

**CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003**

	General Fund	Special Revenue Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		Redevel- opment Agency	Community Development Block Grant	Redevel- opment Agency		
Assets						
Cash and investments	\$ 28,182,810	\$ 11,963,611	\$ 56,317	\$ 6,573,900	\$ 19,532,736	\$ 66,309,374
Cash and investments with fiscal agent	-	-	-	30,397,087	5,342,703	35,739,790
Accounts receivable	5,740,737	-	-	-	906,033	6,646,770
Accrued interest receivable	1,073,698	68,311	-	1,196,886	-	2,338,895
Loans receivable	1,675,359	26,609,007	7,500,415	-	3,188,267	38,973,048
Due from fiduciary funds	43,270	-	-	-	-	43,270
Due from other agencies	166,460	-	-	201,279	691,726	1,059,465
Interfund receivable	1,706,491	410,811	-	-	-	2,117,302
Advances to other funds	1,835,517	-	-	-	-	1,835,517
Prepaid assets	30,000	-	-	-	-	30,000
Assets available for resale	-	433,952	-	-	-	433,952
Total assets	\$ 40,454,342	\$ 39,485,692	\$ 7,556,732	\$ 38,369,152	\$ 29,661,465	\$ 155,527,383
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 660,719	\$ 189,523	\$ 39,564	\$ 198,205	\$ 546,878	\$ 1,634,889
Accrued salaries and benefits	2,181,518	-	-	-	-	2,181,518
Other accrued liabilities	-	-	13,506	-	70,266	83,772
Interfund payables	410,811	-	-	-	1,706,491	2,117,302
Deposits	309,076	214,608	-	-	242,317	766,001
Deferred revenue	912,928	364,597	7,501,315	-	3,188,267	11,967,107
Loans payable	-	660,000	-	-	-	660,000
Total liabilities	4,475,052	1,428,728	7,554,385	198,205	5,754,219	19,410,589
Fund balances:						
Reserved	6,119,539	38,056,964	2,347	38,170,947	15,980,806	98,330,603
Unreserved:						
Designated	26,259,436	-	-	-	-	26,259,436
Undesignated, reported in:						
General fund	3,600,315	-	-	-	-	3,600,315
Capital projects funds	-	-	-	-	7,415,764	7,415,764
Special Revenue funds	-	-	-	-	510,676	510,676
Total fund balances	35,979,290	38,056,964	2,347	38,170,947	23,907,246	136,116,794
Total liabilities and fund balances	\$ 40,454,342	\$ 39,485,692	\$ 7,556,732	\$ 38,369,152	\$ 29,661,465	\$ 155,527,383

See accompanying notes to basic financial statements

CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
June 30, 2003

Total Governmental fund balances (page 30)	\$ 136,116,794
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities, that are not included in internal service funds, are not financial resources and, therefore, are not reported in the funds	84,568,689
Governmental long-term liabilities including compensated absences and excluding those liabilities in the City's internal service funds, are not due and payable in the current period and, therefore, are not reported in the funds	(67,749,569)
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	(809,793)
Government funds report debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge or premium on debt in the government-wide financial statements	1,375,574
Internal service funds are used by management to charge the costs of management of fleet maintenance, printing and reproduction, worker's compensation, employee benefits, and personal injury and property damage to individual funds. The assets and liabilities are included in the governmental activities in the statement of net assets	5,142,704
Certain sales tax receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds	451,000
Certain special assessment revenues are earned but unavailable to pay for current period expenditures, and, therefore, are deferred in the funds	<u>364,597</u>
Net assets of governmental activities (page 28)	<u><u>\$ 159,459,996</u></u>

See accompanying notes to basic financial statements

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2003

	General Fund	Special Revenue Funds		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		Redevel- opment Agency	Community Development Block Grant	Redevel- opment Agency		
Revenues:						
Taxes	\$ 53,503,290	\$ 12,850,918	\$ -	\$ -	\$ 8,124,027	\$ 74,478,235
Intergovernmental	6,101,665	-	1,236,186	-	5,228,724	12,566,575
Fines and forfeitures	2,267,558	-	-	-	656,424	2,923,982
Use of money and property	2,208,505	999,971	-	1,385,612	425,342	5,019,430
Charges for services	12,195,766	-	-	-	-	12,195,766
Program income	-	-	662,621	-	-	662,621
Other revenues	5,284,075	1,200	-	10,000	463,766	5,759,041
Total revenues	81,560,859	13,852,089	1,898,807	1,395,612	14,898,283	113,605,650
Expenditures:						
Current:						
Mayor and council	431,135	-	-	-	-	431,135
City attorney	1,452,184	-	-	-	-	1,452,184
Administration	1,309,732	-	-	-	-	1,309,732
Administrative services	3,038,636	-	-	-	-	3,038,636
Finance	3,430,861	-	-	-	-	3,430,861
Public safety	36,452,344	-	-	-	881,993	37,334,337
Public works	8,852,715	-	-	-	5,911,164	14,763,879
Community services	13,791,408	-	-	-	2,564,857	16,356,265
Community development	6,746,341	4,435,095	1,898,807	-	681,649	13,761,892
General government	4,411,364	-	-	-	-	4,411,364
Capital outlay:						
Capital improvements	-	-	-	1,582,415	8,218,479	9,800,894
Debt service:						
Principle retirement	-	-	-	-	4,239,100	4,239,100
Interest	-	-	-	1,764,854	1,584,847	3,349,701
Total expenditures	79,916,720	4,435,095	1,898,807	3,347,269	24,082,089	113,679,980
Excess (deficiency) of revenues over (under) expenditures	1,644,139	9,416,994	-	(1,951,657)	(9,183,806)	(74,330)
Other financing sources (uses):						
Operating transfers in	2,521,488	-	-	3,006,618	11,464,703	16,992,809
Operating transfers out	(5,186,274)	(8,315,320)	-	-	(3,136,091)	(16,637,685)
Total other financing sources (uses)	(2,664,786)	(8,315,320)	-	3,006,618	8,328,612	355,124
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(1,020,647)	1,101,674	-	1,054,961	(855,194)	280,794
Fund balances, beginning of fiscal year	36,999,937	36,955,290	2,347	37,115,986	24,762,440	135,836,000
Fund balances, end of fiscal year	\$ 35,979,290	\$ 38,056,964	\$ 2,347	\$ 38,170,947	\$ 23,907,246	\$ 136,116,794

See accompanying notes to 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, 2003**

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net change in fund balances - total governmental funds (page 32)	\$	280,794
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.		
Expenditures for general capital assets, infrastructure, and other related capital	2,718,251	
Less current year depreciation	<u>(2,452,420)</u>	265,831
Governmental fund revenues deferred in prior year due to unavailability were received in the current year but already booked in the statement of activities last year.		806,188
Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		4,239,100
Amortization of deferred debt costs in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		(928,494)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are deferred and reported in the period when the liability exists in the statement of activities		(1,822,239)
Internal service funds are used by management to charge the costs of certain services to individual funds. The net revenue of certain activities of internal service funds is reported as governmental activities		(1,153,184)
Governmental liabilities for compensated absences are not due until payable in the governmental funds, therefore, the changes in the liability are not reported as as expenditures in the governmental funds		(215,101)
Certain sales tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		36,488
Adjusted change in net assets of governmental activities (page 29)	<u>\$</u>	<u>1,509,383</u>

See accompanying notes to the basic financial statements

**CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2003**

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
Current assets:			
Cash and investments	\$ 14,874,772	\$ 12,905,818	\$ 13,773,702
Accounts receivable, net	2,630,524	860,052	23,856
Due from other agencies	-	-	269,805
Inventory	-	-	-
Prepaid assets	4,929,050	-	-
Total current assets	<u>22,434,346</u>	<u>13,765,870</u>	<u>14,067,363</u>
Non-current assets:			
Restricted assets:			
Cash with fiscal agent	1,890,280	392,957	-
Unamortized issuance costs, net	460,886	-	-
Deferred charge-loss on defeasance, net	1,187,568	-	-
Loans receivable	2,028,851	-	-
Total other assets	<u>5,567,585</u>	<u>392,957</u>	<u>-</u>
Capital Assets:			
Land	2,218,187	3,508,672	7,310,000
Buildings	6,397,658	14,416,883	3,964,543
Building improvements	1,433,780	453,788	1,284,624
Improvements other than building	80,423,047	23,906,141	35,143,173
Equipment	6,549,810	7,681,868	805,303
Underground piping	45,045,981	25,185,723	-
Construction in progress	14,511,478	3,443,685	1,514,176
Less: accumulated depreciation	(65,785,695)	(40,571,332)	(27,798,764)
Total capital assets, net	<u>90,794,246</u>	<u>38,025,428</u>	<u>22,223,055</u>
Total assets	<u>118,796,177</u>	<u>52,184,255</u>	<u>36,290,418</u>
Liabilities			
Current liabilities:			
Accounts payable	1,974,123	316,950	550,547
Accrued interest payable	354,344	9,000	-
Accrued salaries and benefits payable	124,662	40,307	69,861
Deposits	101,062	-	430,871
Deferred revenue	2,028,851	-	242,530
Current portion compensated absences liability	357,363	116,100	145,406
Current portion claims liability	-	-	-
Current portion long term debt	1,182,089	450,000	-
Total current liabilities	<u>6,122,494</u>	<u>932,357</u>	<u>1,439,215</u>
Noncurrent liabilities:			
Long-term debt, net of current portion	28,956,696	-	-
Advances from other funds	-	-	-
Estimated claims liability, net of current portion	-	-	-
Total noncurrent liabilities	<u>28,956,696</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>35,079,190</u>	<u>932,357</u>	<u>1,439,215</u>
Net Assets			
Invested in capital assets, net of related debt	64,194,195	37,968,385	22,223,055
Unrestricted	19,522,792	13,283,513	12,628,148
Total net assets	<u>\$ 83,716,987</u>	<u>\$ 51,251,898</u>	<u>\$ 34,851,203</u>

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

Waterfront	Nonmajor Proprietary Funds	Total Business-Type Funds	Governmental Activities - Internal Service Funds
\$ 10,110,295	\$ 8,077,887	\$ 59,742,474	\$ 8,077,910
43,184	7,979	3,565,595	19,592
-	13,702	283,507	37,506
-	-	-	963,794
-	-	4,929,050	1,496,222
<u>10,153,479</u>	<u>8,099,568</u>	<u>68,520,626</u>	<u>10,595,024</u>
1,416,117	-	3,699,354	-
678,501	-	1,139,387	-
997,587	159,958	2,345,113	-
-	-	2,028,851	-
<u>3,092,205</u>	<u>159,958</u>	<u>9,212,705</u>	<u>-</u>
878,201	5,286,073	19,201,133	-
3,690,671	4,220,123	32,689,878	105,889
40,063	90,749	3,303,004	-
40,494,983	6,548,431	186,515,775	-
824,875	1,234,614	17,096,470	15,264,739
-	-	70,231,704	-
988,373	374,032	20,831,744	-
(26,864,407)	(6,669,462)	(167,689,660)	(10,497,936)
<u>20,052,759</u>	<u>11,084,560</u>	<u>182,180,048</u>	<u>4,872,692</u>
<u>33,298,443</u>	<u>19,344,086</u>	<u>259,913,379</u>	<u>15,467,716</u>
86,226	84,529	3,012,375	343,087
224,582	33,000	620,926	-
85,359	89,748	409,937	57,706
712,381	25,048	1,269,362	-
124,022	-	2,395,403	-
190,692	123,251	932,812	156,010
-	-	-	3,937,540
490,000	105,400	2,227,489	-
<u>1,913,262</u>	<u>460,976</u>	<u>10,868,304</u>	<u>4,494,343</u>
18,195,000	1,919,300	49,070,996	-
1,835,517	-	1,835,517	-
-	-	-	6,704,460
<u>20,030,517</u>	<u>1,919,300</u>	<u>50,906,513</u>	<u>6,704,460</u>
<u>21,943,779</u>	<u>2,380,276</u>	<u>61,774,817</u>	<u>11,198,803</u>
4,459,964	9,219,818	138,065,417	4,872,692
6,894,700	7,743,992	60,073,145	(603,779)
<u>\$ 11,354,664</u>	<u>\$ 16,963,810</u>	<u>198,138,562</u>	<u>\$ 4,268,913</u>
		(873,791)	
		<u>\$ 197,264,771</u>	

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2003

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
Operating Revenues:			
Charges for sales and services			
Sales	\$ 20,822,544	\$ 9,080,606	\$ -
Service charges	1,649,988	391,611	932,181
Leases and rents	-	-	9,818,504
Other revenues	699,305	23,080	537,527
Total operating revenues	<u>23,171,837</u>	<u>9,495,297</u>	<u>11,288,212</u>
Operating Expenses:			
Salaries, wages and benefits	4,531,753	3,558,287	3,190,632
Materials, supplies and services	13,580,689	4,843,197	5,282,219
Depreciation	3,404,879	2,060,218	2,344,549
Other expenses	36,599	21,631	254
Total operating expenses	<u>21,553,920</u>	<u>10,483,333</u>	<u>10,817,654</u>
Operating income (loss)	<u>1,617,917</u>	<u>(988,036)</u>	<u>470,558</u>
Non-operating Revenues (Expenses):			
Taxes	-	-	-
Investment income	900,323	502,367	474,716
Interest expense	(1,331,062)	(21,228)	-
Grants and contributions	139,369	-	-
Other, net	6,333	(3,516)	-
Total non-operating revenues (expenses)	<u>(285,037)</u>	<u>477,623</u>	<u>474,716</u>
Income (loss) before transfers	1,332,880	(510,413)	945,274
Transfers out	<u>(28,001)</u>	<u>(9,818)</u>	<u>(8,865)</u>
Change in net assets	1,304,879	(520,231)	936,409
Net assets, beginning of year	<u>82,412,108</u>	<u>51,772,129</u>	<u>33,914,794</u>
Net assets, end of year	<u>\$ 83,716,987</u>	<u>\$ 51,251,898</u>	<u>\$ 34,851,203</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds			
Change in net assets of business-type activities			

See accompanying notes to basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities - Internal Service Funds
\$ -	\$ -	\$ 29,903,150	\$ -
5,182,271	5,411,144	13,567,195	13,904,074
3,454,304	248,369	13,521,177	-
64,335	14,856	1,339,103	516,561
<u>8,700,910</u>	<u>5,674,369</u>	<u>58,330,625</u>	<u>14,420,635</u>
3,777,060	3,464,160	18,521,891	2,782,050
3,480,464	2,684,843	29,871,412	12,579,706
2,159,185	550,247	10,519,078	1,329,535
9,110	-	67,594	935
<u>9,425,819</u>	<u>6,699,250</u>	<u>58,979,975</u>	<u>16,692,226</u>
<u>(724,909)</u>	<u>(1,024,881)</u>	<u>(649,350)</u>	<u>(2,271,591)</u>
-	696,828	696,828	-
475,133	315,826	2,668,365	54,390
(969,626)	(97,397)	(2,419,313)	-
408,418	-	547,787	-
(1,564)	-	1,253	-
<u>(87,639)</u>	<u>915,257</u>	<u>1,494,920</u>	<u>54,390</u>
(812,548)	(109,624)	845,570	(2,217,201)
<u>(9,425)</u>	<u>(35,104)</u>	<u>(91,213)</u>	<u>(8,660)</u>
(821,973)	(144,728)	754,357	(2,225,861)
<u>12,176,636</u>	<u>17,108,538</u>	<u>197,384,205</u>	<u>6,494,774</u>
<u>\$ 11,354,664</u>	<u>\$ 16,963,810</u>		<u>\$ 4,268,913</u>
		<u>(873,791)</u>	
		<u>\$ 197,264,771</u>	

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2003

	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>
Cash flows from operating activities:			
Cash received from services	\$ 22,663,736	\$ 9,494,542	\$ 932,181
Cash received from rents and leases	-	-	9,814,714
Cash payments for goods and services	(12,937,999)	(5,105,903)	(5,055,554)
Cash payments to employees for services	(4,535,095)	(3,548,072)	(3,168,412)
Cash received for deposits	-	-	32,863
Cash returned for deposits	(122)	(10)	-
Other operating receipts	699,305	23,080	311,968
Other operating disbursements	(36,599)	(21,631)	(254)
Net cash provided (used) by operating activities	<u>5,853,226</u>	<u>842,006</u>	<u>2,867,506</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	(28,001)	(9,818)	(8,865)
Received from (paid to) other agencies	145,702	(3,516)	-
Cash received from taxes and assessments	-	-	-
Net cash provided (used) by non-capital financing activities	<u>117,701</u>	<u>(13,334)</u>	<u>(8,865)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	5,110,456	-	-
Payments on long term debt	(1,299,590)	(435,000)	-
Sale of capital assets	-	-	-
Acquisition of capital assets	(16,395,114)	(1,989,358)	(1,302,463)
Interest paid on debt	(1,036,629)	(26,700)	-
Net cash used for capital and related financing activities	<u>(13,620,877)</u>	<u>(2,451,058)</u>	<u>(1,302,463)</u>
Cash flows from investing activities:			
Cash received on investments	<u>890,187</u>	<u>954,285</u>	<u>474,716</u>
Net increase (decrease) in cash and cash equivalents	(6,759,763)	(668,101)	2,030,894
Cash and cash equivalents, beginning of fiscal year	<u>21,634,535</u>	<u>13,573,919</u>	<u>11,742,808</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 14,874,772</u>	<u>\$ 12,905,818</u>	<u>\$ 13,773,702</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,617,917	\$ (988,036)	\$ 470,558
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,404,879	2,060,218	2,344,549
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	191,204	22,325	382,158
(Increase) decrease in inventories	-	-	-
(Increase) decrease in prepaid assets	(318,766)	-	-
(Increase) decrease in due from other agencies	-	-	(225,559)
Increase (decrease) in accounts payable	961,456	(262,706)	226,665
Increase (decrease) in accrued salaries payable	6,226	4,245	2,189
Increase (decrease) in deferred revenue	-	-	(385,948)
Increase (decrease) in accrued compensated absences	(9,568)	5,970	20,031
Increase (decrease) in accrued claims	-	-	-
Increase (decrease) in deposits	(122)	(10)	32,863
Net cash provided (used) by operating activities	<u>\$ 5,853,226</u>	<u>\$ 842,006</u>	<u>\$ 2,867,506</u>

See accompanying notes to basic financial statements

Waterfront	Nonmajor Proprietary Funds	Total Proprietary Funds	Governmental Activities Internal Service Funds
\$ -	\$ 1,702,437	\$ 34,792,896	\$ 13,913,833
8,647,403	3,965,800	22,427,917	-
(3,458,876)	(2,730,241)	(29,288,573)	(9,330,410)
(3,746,080)	(3,431,490)	(18,429,149)	(2,543,601)
198,144	-	231,007	-
-	(4,791)	(4,923)	-
64,335	18,280	1,116,968	516,561
(9,110)	-	(67,594)	-
<u>1,695,816</u>	<u>(480,005)</u>	<u>10,778,549</u>	<u>2,556,383</u>
(9,425)	(35,104)	(91,213)	(8,660)
406,854	-	549,040	9,030
-	696,828	696,828	-
<u>397,429</u>	<u>661,724</u>	<u>1,154,655</u>	<u>370</u>
18,407,413	-	23,517,869	-
(18,970,000)	(130,900)	(20,835,490)	-
-	49,542	49,542	-
(811,790)	(695,156)	(21,193,881)	(1,428,826)
<u>(1,274,663)</u>	<u>(53,733)</u>	<u>(2,391,725)</u>	<u>-</u>
<u>(2,649,040)</u>	<u>(830,247)</u>	<u>(20,853,685)</u>	<u>(1,428,826)</u>
<u>573,444</u>	<u>315,826</u>	<u>3,208,458</u>	<u>54,390</u>
17,649	(332,702)	(5,712,023)	1,182,317
<u>10,092,646</u>	<u>8,410,589</u>	<u>65,454,497</u>	<u>6,895,593</u>
<u>\$ 10,110,295</u>	<u>\$ 8,077,887</u>	<u>\$ 59,742,474</u>	<u>\$ 8,077,910</u>
\$ (724,909)	\$ (1,024,881)	\$ (649,351)	\$ (2,271,591)
2,159,185	550,246	10,519,077	1,329,535
470,857	8,724	1,075,268	9,759
-	-	-	78,365
-	-	(318,766)	196,433
-	3,425	(222,134)	-
21,588	(45,399)	901,604	(78,610)
6,703	6,435	25,798	238,449
(460,029)	-	(845,977)	-
24,277	26,236	66,946	-
-	-	-	3,054,043
<u>198,144</u>	<u>(4,791)</u>	<u>226,084</u>	<u>-</u>
<u>\$ 1,695,816</u>	<u>\$ (480,005)</u>	<u>\$ 10,778,549</u>	<u>\$ 2,556,383</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds	Total Fiduciary Funds
Assets				
Current assets:				
Cash and investments	\$ 402,401	\$ 1,413,983	\$ 1,814,958	\$ 3,631,342
Accounts receivable, net	-	-	1,003,860	1,003,860
Loans receivable	-	-	2,373,490	2,373,490
Total current assets	<u>402,401</u>	<u>1,413,983</u>	<u>5,192,308</u>	<u>7,008,692</u>
Capital assets:				
Equipment	-	-	878,164	878,164
Less: accumulated depreciation	-	-	(776,164)	(776,164)
Capital assets, net	<u>-</u>	<u>-</u>	<u>102,000</u>	<u>102,000</u>
Other assets:				
Due from other agencies	11,050	-	-	11,050
Cash and investments held by fiscal agents:				
Cash and cash equivalents	80,211	-	100,539	180,750
Other investments	886,921	-	-	886,921
Total other assets	<u>978,182</u>	<u>-</u>	<u>100,539</u>	<u>1,078,721</u>
Total assets	<u>1,380,583</u>	<u>1,413,983</u>	<u>5,394,847</u>	<u>8,189,413</u>
Liabilities				
Current liabilities:				
Accounts payable	-	125	4,057	4,182
Due to General Fund	-	-	43,270	43,270
Total current liabilities	<u>-</u>	<u>125</u>	<u>47,327</u>	<u>47,452</u>
Noncurrent liabilities:				
Trust liabilities	-	-	2,298,688	2,298,688
Contributions	-	-	3,048,832	3,048,832
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>5,347,520</u>	<u>5,347,520</u>
Total liabilities	<u>-</u>	<u>125</u>	<u>5,394,847</u>	<u>5,394,972</u>
Net Assets				
Held in trust for pension benefits and other purposes:				
Employees' pension benefit	1,380,583	-	-	1,380,583
Police	-	76,536	-	76,536
Library	-	1,292,683	-	1,292,683
Parks and recreation	-	44,639	-	44,639
Total net assets	<u>\$ 1,380,583</u>	<u>\$ 1,413,858</u>	<u>\$ -</u>	<u>\$ 2,794,441</u>

See accompanying notes to basic financial statements

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NETS ASSETS
FIDUCIARY FUNDS
Fiscal Year Ended June 30, 2003

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>	<u>Total Fiduciary Funds</u>
Additions			
Contributions:			
Private donations	\$ -	\$ 499,235	\$ 499,235
Investment earnings:			
Interest	58,280	28,710	86,990
Dividends	12,791	-	12,791
Net depreciation in fair value of investments	(44,034)	-	(44,034)
Total investment earnings	<u>27,037</u>	<u>28,710</u>	<u>55,747</u>
Less investment expense	11,868	-	11,868
Net investment income	<u>15,169</u>	<u>28,710</u>	<u>43,879</u>
Total additions	<u>15,169</u>	<u>527,945</u>	<u>543,114</u>
Deductions			
Benefits	388,472	-	388,472
Community services	-	36,673	36,673
Operating transfers out	-	255,251	255,251
Total deductions	<u>388,472</u>	<u>291,924</u>	<u>680,396</u>
Net decrease	(373,303)	236,021	(137,282)
Net assets, beginning of fiscal year	<u>1,753,886</u>	<u>1,177,837</u>	<u>2,931,723</u>
Net assets, end of fiscal year	<u>\$ 1,380,583</u>	<u>\$ 1,413,858</u>	<u>\$ 2,794,441</u>

See accompanying notes to basic financial statements



Notes To The
Basic Financial Statements

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Santa Barbara (City) conform to generally accepted accounting principles. The following summary of the City's more significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying basic financial statements.

A. Description of the Financial Reporting Entity

The City's reporting entity includes the City (the primary government) and its component units. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which the City adopted effective July 1, 1993. The basic, but not the only, criterion for including a potential component unit within the City's reporting entity is whether the City Council, as the City's governing body, has financial accountability for the potential component unit. The most significant manifestations of financial accountability include the ability of the Council to appoint a voting majority of the organization's governing body and the ability to impose its will on the organization; or that there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be deemed to be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board. In addition to those organizations for which the City may be financially accountable, other organizations for which the City is not financially accountable, but for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete, may also be component units. Component units are presented on a "blended" basis when the component unit's governing body is substantially the same as the City's or the component unit provides services almost entirely to the City. In a blended presentation, a component unit's balances and transactions are reported in a manner similar to the balances and transactions of the City. Based upon the application of these criteria, the following is a brief review of the City and each component unit within the City's reporting entity.

City of Santa Barbara

The City of Santa Barbara (the primary government) was incorporated on August 26, 1850. The City is a charter city under the laws of the State of California and operates under a Council-Administrator form of government. The Council consists of six council members 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 and Fiduciary funds, operated in a manner similar to a private business, include water, wastewater, airport, parking, golf and waterfront.

Redevelopment Agency of the City of Santa Barbara

The Redevelopment Agency of the City of Santa Barbara (Agency), a blended component unit of the City, was established in 1968 and is a separate governmental entity as prescribed in the State of California's Community Redevelopment law as set forth in the State's Health and Safety Code.

The liabilities of the Agency are mutually exclusive from those of the City. The inclusion of the Agency's operations in the accompanying basic financial statements does not express or imply any assumption of liability by the City, either now or in the future. The City Council of the City of Santa Barbara and the Board of Directors of the Agency are legally separate boards; however, they share common membership. The Agency Board consists of members of the City Council. The City also provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement between the two entities. Accordingly, although it is legally separate from the City, the Agency is reported as if it were part of the City because its sole purpose is to provide for redevelopment activities within the City

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

and it has the same governing body. Separate component unit financial statements for the Agency may be obtained from the City's Finance Department at 735 Anacapa Street, Santa Barbara, CA 93102.

California Community Redevelopment law provides that, upon adoption of a redevelopment plan for a specific area, future incremental tax revenues attributable to increases in the tax base within the project area shall be paid to finance the project. Accordingly, for purposes of its comprehensive annual financial report, the City records the Agency's operating fund as a special revenue fund.

Santa Barbara Public Facilities Corporation

The Santa Barbara Public Facilities Corporation ("Corporation") was incorporated in 1986 and organized pursuant to the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was created solely for the purpose of providing financial assistance to the City by acquiring, constructing, improving, developing and installing certain real and personal property for the use, benefit and enjoyment of the City. The activities of the Corporation are included within the Water Enterprise Fund of the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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- The *Redevelopment Agency Special Revenue Fund*, a blended component unit of the City, accounts for all financial activities of the Agency, except for those required for debt service and housing activity.
- The *Community Development Block Grant Special Revenue Fund* accounts for the financial resources provided by the federal government for housing and rental needs, housing rehabilitation loans and grants, as well as low and moderate income housing programs.
- The *Redevelopment Agency Capital Projects Fund* accounts for all capital projects, including some related debt, financed by the Agency.

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.

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) duplicating and printing services, and 3) self-insurance operations of workers' compensation, unemployment, liability and employee health insurance coverage.
- *Private Purpose Trust Funds* are used to account for resources legally held in trust for use by a not-for-profit organization devoted to library book replacement and promoting junior golf. All resources of the funds, including any earnings on invested resources, may be used to support the organization's activities. There is no requirement that any portion of these resources be preserved as capital.
- The *Pension Trust Fund* accounts 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 are the proprietary funds' and fiduciary funds' 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 60 days of the end of the current fiscal period.

CITY OF SANTA BARBARA
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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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as "other financing sources."

For its *business-type activities* and enterprise funds, the City has elected under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America (GAAP) for governmental units.

D. 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. Year-end encumbrances are re-appropriated in the following year and expended as the related liability is incurred. Outstanding encumbrances at year-end are recorded as reservations of fund balance.

E. 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, sidewalks, 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 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 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets 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 fixed 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. No interest was capitalized during the year ended June 30, 2003.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	30-40
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure (except for the maintained pavement subsystem)	25-100

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 a "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. There were no capitalizable additions to the streets pavement subsystem during fiscal year 2003.

The City was required to report all infrastructure asset additions effective July 1, 2001. Only the prospective provisions were implemented for infrastructure assets. The retroactive reporting is subject to an extended implementation period and final implementation is required by fiscal year ending June 30, 2006.

F. Assets Available for Resale

Assets available for resale within the City's Redevelopment Agency are recorded in the Agency's fund at the lower of cost or realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributed to properties to be resold to developers.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes except special assessments, which are program revenues.

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, 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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I. Cash and Cash Equivalents

The cash flow statements require presentation of "cash and cash equivalents." For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents," as such funds are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months to be cash equivalents.

J. Restricted Assets

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

K. Flow Assumption for Restricted Resources

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

L. Budgetary Principles

A two-year financial plan is prepared from which annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. 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 early January 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 early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council Finance Committee and City Council. The budget is adopted by June 30.

There were no material violations of the budget in 2003.

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 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, 2003, 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.

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

CITY OF SANTA BARBARA
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government securities as collateral. The fair value of the pledged securities must equal 110% of the City's deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

N. Receivables and Payables (Inter-fund Transactions)

Interfund transactions are reflected as either loans, services provided, 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 reserve account 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.

O. Property Tax Calendar

Property tax collections are recognized as revenue in the current period as collections relating to the December 10 and April 10 due dates occur by January 30 and May 31, respectively. 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.

P. Inventories and Prepaid Assets

Inventories are stated at cost (first-in, first-out basis) for governmental funds 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 both government-wide and fund financial statements.

Q. 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. No other employee group has this 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 benefits when payments are made to employees. As shown below, all of the liability for compensated absences in both the governmental activities and the business-type activities at June 30, 2003, is current and expected to be paid with current financial resources. In prior years, compensated absences have been liquidated primarily by the General Fund and the proprietary funds. The total amount outstanding at June 30, 2003, was \$4,300,093 and \$932,812 for governmental and business-type activities, respectively.

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	<u>Balance June 30, 2002</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance June 30, 2003</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More than One Year</u>
Governmental Activities:						
Compensated Absences	<u>\$ 4,079,248</u>	<u>\$ 5,126,718</u>	<u>\$ 4,905,873</u>	<u>\$ 4,300,093</u>	<u>\$ 4,300,093</u>	<u>\$ -</u>
Business-Type Activities:						
Compensated Absences	<u>\$ 865,866</u>	<u>\$ 1,108,273</u>	<u>\$ 1,041,327</u>	<u>\$ 932,812</u>	<u>\$ 932,812</u>	<u>\$ -</u>

R. Long-term Obligations and Refunding of Debt

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 assets. Bond premiums and discounts, as well as issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 face amount of debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Effective July 1, 1993, the City implemented GASB Statement No. 23, "Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities." Consequently, amounts which previously would have been reported as an accounting "loss on defeasance of debt" are now deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

S. Use of Estimates

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

T. Allocated Costs Policy

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

NOTE 2. DEPOSITS AND INVESTMENTS

The City follows the practice of pooling cash and investments for all funds under its direct daily control. Funds held by outside fiscal agents under provisions of bond indentures are maintained separately.

Interest earned on pooled cash and investments is allocated monthly to the various funds based on the respective fund's average monthly cash balance. Interest income from cash and investments with fiscal agents is credited directly to the related funds.

Cash investments at June 30, 2003 consisted of the following:

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Pooled cash and investments		
Deposits		
Demand deposits	\$ 10,414,944	
Certificates of deposit	<u>1,600,000</u>	
Total deposits		12,014,944
Investments		<u>125,409,032</u>
Total		137,423,976
Other (non-pooled) cash and investments		
Demand deposits		268,369
Investments		<u>68,757</u>
Total		337,126
Investments with fiscal agent		39,539,684
Pension plan investments (non-pooled portion)		<u>967,132</u>
Total cash and investments		<u><u>\$ 178,267,918</u></u>
Cash and Investments at June 30, 2003, by Activity:		
Governmental Activities		110,127,077
Business-Type Activities		63,441,828
Fiduciary Funds		<u>4,699,013</u>
Total		<u><u>\$ 178,267,918</u></u>

In accordance with GASB Statement No. 3, deposits and investments, including repurchase agreements, are categorized separately to give an indication of the level of risk assumed by the City. The City's deposits and investments are categorized in the following manner:

Category 1

Includes deposits that are insured or collateralized with securities held by the City or by its agent in the City's name, and investments that are secured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2

Includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and uninsured and unregistered investments in which the securities are held by the counterparty's trust department or agent in the City's name.

Category 3

Includes deposits that are uncollateralized, and uninsured and unregistered investments for which the securities are held by the counterparty or the counterparty's trust department or agent but not in the City's name.

A. Deposits

At year-end, the City's carrying amount of deposits was \$12,283,313 and the bank balance was \$13,419,227. Of the bank balance 100% was covered by federal depository insurance or by collateral held by the City's agent in the City's name. 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

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deposits. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes equal to 150% of the City's deposits. The City may waive collateral requirements for deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

	Category			Carrying Amount at Fair Value
	1	2	3	
<u>Pooled Deposits</u>				
Demand Deposits, Bank	\$ 10,414,944	\$ -	\$ -	\$ 10,414,944
Certificates of Deposit	100,000	1,500,000	-	1,600,000
	<u>10,514,944</u>	<u>1,500,000</u>	<u>-</u>	<u>12,014,944</u>
<u>Other Deposits</u>				
Demand Deposits	-	268,369	-	268,369
Total Deposits	<u>\$ 10,514,944</u>	<u>\$ 1,768,369</u>	<u>\$ -</u>	<u>\$ 12,283,313</u>

B. Investments

California statutes and the City's investment policy govern the City's investments. The City is authorized by its investment policy, in accordance with Section 53600 of the California Government Code, to invest in the following instruments:

- Bonds issued by the City
- Securities issued or guaranteed by the Federal Government or its agencies
- Medium term notes of a maximum of five years maturity issued by corporations or depository institutions organized and operating within the United States
- Repurchase and reverse repurchase agreements of any securities authorized by the investment code subject to specific authorization by City Council
- Bankers' acceptances eligible for purchase by the Federal Reserve System
- Commercial paper, rated A-1/P-1
- Negotiable certificates of deposit issued by a nationally chartered bank, savings association, or credit union
- Certificates of deposit issued by commercial banks and savings and loan associations that are collateralized in accordance with the California Government Code
- State of California Local Agency Investment Fund
- U.S. Government money market funds
- Demand deposit accounts

Also, in accordance with the various plan documents, the City's single-employer pension fund may also invest funds in money market funds, mutual funds, and debt and equity securities. The Police and Fire Pension Commission approve investments of the pension plans.

The City's investment policy also establishes a maximum term of five years at the time an investment is purchased, with the average maturity of the portfolio not to exceed 2.5 years. The City's investments comply with the established policy.

As of June 30, 2003, the City's investment balances were as follows:

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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	Category			Not Required To Be Categorized	Carrying Amount at Fair Value
	1	2	3		
<u>Pooled Investments:</u>					
State of California LAIF	\$ -	\$ -	\$ -	\$ 15,544,117	\$ 15,544,117
State of California LAIF RDA	-	-	-	14,039,848	14,039,848
Money Market Mutual Funds	-	-	-	327,375	327,375
Corporate Notes	7,251,790	-	-	-	7,251,790
U.S. Government Securities	88,245,902	-	-	-	88,245,902
	<u>95,497,692</u>	<u>-</u>	<u>-</u>	<u>29,911,340</u>	<u>125,409,032</u>
<u>Non-Pooled Investments:</u>					
Money Market Mutual Funds	-	-	-	68,757	68,757
<u>Investments With Fiscal Agents</u>					
City Cash and Cash Equivalents	-	-	174,669	-	174,669
RDA Cash and Cash Equivalents	-	-	4,767,495	-	4,767,495
City Guaranteed Investment Contracts	-	-	4,200,518	-	4,200,518
RDA Guaranteed Investment Contracts	-	-	30,397,002	-	30,397,002
	<u>-</u>	<u>-</u>	<u>39,539,684</u>	<u>-</u>	<u>39,539,684</u>
<u>Pension Plan (Non-Pooled Portion)</u>					
Cash and Cash Equivalents	-	-	80,210	-	80,210
Guaranteed Investment Contracts	-	-	205,432	-	205,432
Stocks and Bonds	-	-	681,490	-	681,490
	<u>-</u>	<u>-</u>	<u>967,132</u>	<u>-</u>	<u>967,132</u>
Total Investments	<u>\$ 95,497,692</u>	<u>\$ -</u>	<u>\$ 40,506,816</u>	<u>\$ 29,980,097</u>	<u>\$ 165,984,605</u>

At no time during the fiscal year did the City borrow funds through the use of reverse-repurchase agreements.

The management of the State of California Local Agency Investment Fund (LAIF) has indicated to the City that, as of June 30, 2003, the carrying amount of the pool was \$55,422,506,109 and the estimated fair value of the pool (including accrued interest) was \$55,709,492,881. The City's proportionate share of that value is \$15,544,117. Included in LAIF's investment portfolio is certain derivative products in the form of structured notes, totaling \$304,000,000, and asset backed securities totaling \$985,676,000. LAIF's (and the City's) exposure to risk (credit, market or legal) is not currently available.

NOTE 3. SPECIAL ASSESSMENTS

On August 1, 1992, the City issued \$10,794,799 of seismic improvement special assessment bonds. The proceeds of the bonds were used to finance the construction and installation of seismic resistance improvements to certain commercial properties within the boundaries of the City of Santa Barbara Seismic Safety Assessment District No. 1. The bonds are limited obligations payable solely from annual assessments to be levied and collected in semi-annual installments on properties within the Assessment District. The City is not obligated to advance funds, other than the bond proceeds placed in a Reserve Fund, in the event of delinquencies in the payment of assessment installments.

Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds or the interest thereon, and no owner of the bonds may compel the exercise of the taxing power by the City or the forfeiture of any of its property. The principal of, and any interest on, the bonds are not a legal debt of the City. The City is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to the fiscal agent for payment to bondholders and initiating foreclosure proceedings, if appropriate. At June 30, 2003, the amount of bonds outstanding was \$410,000.

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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

	Beginning Balance July 1, 2002	Increases	Decreases	Ending Balance June 30, 2003	Internal Service Fund Activity	Total Governmental Capital Assets
Governmental Activities:						
Non-Depreciating Capital Assets:						
Land	\$ 47,795,017	\$ -	\$ -	\$ 47,795,017	\$ -	\$ 47,795,017
Construction in progress	4,023,610	1,990,087	(2,191,887)	3,821,810	-	3,821,810
Total Non-Depreciating Capital Assets	<u>51,818,627</u>	<u>1,990,087</u>	<u>(2,191,887)</u>	<u>51,616,827</u>	-	<u>51,616,827</u>
Depreciating Capital Assets:						
Buildings	18,134,528	16,314	-	18,150,842	105,889	18,256,731
Building improvements	2,803,740	321,535	(40,956)	3,084,319	-	3,084,319
Improvements other than buildings	31,561,501	61,698	-	31,623,199	-	31,623,199
Drainage	126,452	-	-	126,452	-	126,452
Equipment	6,204,160	636,674	-	6,840,834	15,264,740	22,105,574
Infrastructure	330,294	1,924,786	-	2,255,080	-	2,255,080
Total depreciating capital assets	<u>59,160,675</u>	<u>2,961,007</u>	<u>(40,956)</u>	<u>62,080,726</u>	<u>15,370,629</u>	<u>77,451,355</u>
Less Accumulated Depreciation:						
Buildings	8,041,275	345,553	-	8,386,828	83,388	8,470,216
Building improvements	1,855,901	98,404	-	1,954,305	-	1,954,305
Improvements other than buildings	12,609,085	1,488,147	-	14,097,232	-	14,097,232
Drainage systems	-	4,215	-	4,215	-	4,215
Equipment	4,170,183	413,256	-	4,583,439	10,414,549	14,997,988
Infrastructure	-	102,845	-	102,845	-	102,845
Total accumulated depreciation	<u>26,676,444</u>	<u>2,452,420</u>	<u>-</u>	<u>29,128,864</u>	<u>10,497,937</u>	<u>39,626,801</u>
Total capital assets, being depreciated, net	<u>32,484,231</u>	<u>508,587</u>	<u>(40,956)</u>	<u>32,951,862</u>	<u>4,872,692</u>	<u>37,824,554</u>
Total governmental capital assets, net	<u>\$ 84,302,858</u>	<u>\$ 2,498,674</u>	<u>\$ (2,232,843)</u>	<u>\$ 84,568,689</u>	<u>\$ 4,872,692</u>	<u>\$ 89,441,381</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administration	\$ 75,780
Administrative Services	32,127
Finance	1,226
Public Safety	142,976
Public works	94,909
Community Services	534,382
Community Development	<u>1,571,020</u>
General Governmental Depreciation	2,452,420
Capital assets held by the city's internal service funds are charged to the various functions based on usage of the assets	
	<u>1,329,535</u>
Total depreciation expense - governmental activities	<u>\$ 3,781,955</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

	Beginning Balance <u>July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>June 30, 2003</u>
Business Type Activities:				
Non-depreciating capital assets:				
Land	\$ 18,042,153	\$ 1,158,980	\$ -	\$ 19,201,133
Construction in progress	6,245,886	17,483,050	(2,897,192)	20,831,744
Total non-depreciating capital assets	<u>24,288,039</u>	<u>18,642,030</u>	<u>(2,897,192)</u>	<u>40,032,877</u>
Depreciating capital assets:				
Buildings	32,689,878	-	-	32,689,878
Building improvements	3,176,565	126,439	-	3,303,004
Other Improvements and Drainage	185,486,206	1,029,569	-	186,515,775
Equipment	15,982,218	1,114,252	-	17,096,470
Underground piping	67,102,463	3,129,241	-	70,231,704
Total depreciating capital assets	<u>304,437,330</u>	<u>5,399,501</u>	<u>-</u>	<u>309,836,831</u>
Less accumulated depreciation:				
Buildings	18,736,730	781,635	-	19,518,365
Building improvements	1,488,213	83,291	-	1,571,504
Other Improvements and Drainage	94,049,127	7,577,674	-	101,626,801
Equipment	10,631,733	711,366	-	11,343,099
Underground piping	32,264,780	1,365,111	-	33,629,891
Total accumulated depreciation	<u>157,170,583</u>	<u>10,519,077</u>	<u>-</u>	<u>167,689,660</u>
Net depreciating capital assets	<u>147,266,747</u>	<u>(5,119,576)</u>	<u>-</u>	<u>142,147,171</u>
Total business-type activities				
Capital assets, net	<u>\$ 171,554,786</u>	<u>\$ 13,522,454</u>	<u>\$ (2,897,192)</u>	<u>\$ 182,180,048</u>

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

Business-type activities:	
Water	\$ 3,404,879
Wastewater	2,060,217
Airport	2,344,549
Waterfront	2,159,185
Downtown parking	415,744
Golf	<u>134,503</u>
Total depreciation expense - business-type activities	<u>\$ 10,519,077</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 5. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund balances as of June 30, 2003, is as follows:

<u>Due to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
General Fund	Other Governmental Funds	\$ 1,706,491
Redevelopment Agency	General Fund	410,811
	Total Governmental Activities	<u>\$ 2,117,302</u>
Fiduciary Funds		
General Fund	California Law Enforcement	
	Telecommunications System Agency Fund	<u>\$ 43,270</u>
<u>Advances to/from other funds</u>		
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activity:	Business Type Activity:	
General Fund	Waterfront	<u>\$ 1,835,517</u>

The interfund balances at June 30, 2003 are generally short-term loans to cover temporary cash deficits in various funds, with the exception of the interfund balance between the General Fund and the Redevelopment Agency. The interfund receivable of \$410,811 in the Redevelopment Agency represents the Agency's receivable for special assessment taxes collected by the General Fund.

In addition, the City's General Fund has periodically advanced money to the Waterfront Enterprise Fund. These advances, totaling \$1,835,517 at June 30, 2003, were for the purposes of rehabilitation of the Stearns Wharf and development of a waterfront-parking program. Such advances bear no interest and are repayable as the Waterfront Fund's results of operations permit.

The net transfers of \$91,213 from the business-type activities to the governmental activities on the government-wide Statement of Activities are primarily operational subsidies to the General Fund. The net transfers of \$255,251 from the fiduciary funds to the governmental activities represents transfers from the Library Trust Fund to the General Fund and County Library Special Revenue Fund primarily to purchase library books.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

A summary of interfund transfers during the year follows:

<i>Funds Transferred From</i>	<i>Funds Transferred To</i>			Total
	General Fund	Redevelopment Agency Capital Projects	Other Governmental Funds	
Governmental Activities				
General Fund	\$ -	\$ -	\$ 5,186,274	\$ 5,186,274
Redevelopment Agency				
Special Revenue	-	3,006,618	5,308,702	8,315,320
Other Governmental Funds	2,238,123	-	897,968	3,136,091
Total Governmental Funds	2,238,123	3,006,618	11,392,944	16,637,685
Internal Service Funds	8,660	-	-	8,660
Total Governmental Activities	\$ 2,246,783	\$ 3,006,618	\$ 11,392,944	\$ 16,646,345
Business-Type Activities				
Water	\$ 28,001	\$ -	\$ -	\$ 28,001
Wastewater	9,818	-	-	9,818
Airport	8,865	-	-	8,865
Waterfront	9,425	-	-	9,425
Other Enterprise Funds	35,104	-	-	35,104
Total Business-Type Activities	\$ 91,213	\$ -	\$ -	\$ 91,213
Fiduciary Funds	\$ 183,492	\$ -	\$ 71,759	\$ 255,251
Total Transfers	\$ 2,521,488	\$ 3,006,618	\$ 11,464,703	\$ 16,992,809

The interfund transfers are generally made for the purpose of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers, and for capital projects expenditures funded by the City's General Fund. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

NOTE 6. 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 Redevelopment Agency are 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.

A description of long-term obligations outstanding at June 30, 2003, by category follows:

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

	Amount Outstanding <u>June 30, 2003</u>
Revenue Bonds	
<i>Water Fund:</i>	
<i>\$9,780,000</i> – 1994A water revenue refunding serial bonds, remaining annual installments range from \$420,000 to \$510,000 through September 1, 2008, term bonds of \$3,835,000 due on September 1, 2014, interest at 4.4% to 5.1% due semi-annually. Bonds maturing on or after September 1, 2004, shall be subject to redemption, at the option of the City, upon at least 45 days prior written notice to the Trustee specifying the date and amount of such redemption, on or after September 1, 2003 in whole or part on any date (by lot within any maturity and among maturities as specified by the City). Bonds maturing on September 1, 2014 shall be subject to mandatory redemption, on each date which a sinking installment payment for such Term Bonds is payable from sinking installment, by lot, in an amount equal to such sinking installment payments, plus accrued interest to the redemption date and without premium.	\$ 6,675,000
<i>Wastewater Fund:</i>	
<i>\$3,890,000</i> – 1994A wastewater revenue refunding serial bonds, a remaining annual installment of \$450,000 through July 1, 2003, interest at 3.75% to 4.0%, due semi-annually.	<u>450,000</u>
Total revenue bonds	<u><u>\$ 7,125,000</u></u>
Tax Allocation Bonds	
<i>Redevelopment Agency:</i>	
<i>\$38,855,000</i> - 2001 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$2,785,000 to \$4,340,000 beginning March 1, 2009 through March 1, 2019. Interest rates range from 4.00% to 5.00% payable semi-annually on September and March 1st.	\$ 38,305,000
<i>\$28,170,000</i> - 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series A. Remaining annual principal installments on serial bonds range from \$1,935,000 to \$2,330,000 through March 1, 2005. Term bonds of \$7,235,000 are due March 1, 2008. Interest rates range from 3.65% to 6.0% payable semi-annually.	11,585,000
<i>\$6,845,000</i> – 1995 Redevelopment Agency Tax Allocation Refunding Bonds, Series B. \$2,545,000 term bonds are due March 1, 2007. Interest rates range from 4.375% to 6.35% payable semi-annually.	2,545,000
<i>\$14,605,000</i> – 1993 Redevelopment Agency tax allocation bonds, remaining annual installments range from \$1,070,000 to \$2,200,000 through March 1, 2007. Interest rates range from 5.1% to 8.5%, payable semi-annually. Bonds maturing on or after March 1, 2004, are subject to redemption, at the option of the Agency, as a whole, or in part in inverse order of maturity, and by lot within a maturity, from any source of available moneys at a specified redemption price at any interest payment date on or after March 1, 2003.	<u>7,240,000</u>
Total tax allocation bonds	<u><u>\$ 59,675,000</u></u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

Certificates of Participation

General Fund:

\$4,184,400 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from \$204,600 to \$339,900 beginning August 1, 2003 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

\$ 3,930,300

Waterfront Fund:

19,405,000 - 2002 Waterfront Refunding Certificates of Participation, remaining annual installments range from \$490,000 to \$1,230,000 beginning October 1, 2002 through 2027. Term certificates of \$16,090,000 are due on October 2027. Interest rates range from 3.75% to 6.75% payable semi-annually. Certificates maturing on or after October 1, 2004, are subject to optional prepayment prior to maturity on or after October 1, 2003. The Certificates are subject to mandatory prepayment prior to maturity on any date, in inverse order of maturity and by lot within a maturity, from the net proceeds of insurance or condemnation awards.

18,685,000

Golf Fund:

\$2,155,600 - 2002 Refunding Municipal Certificates of Participation, remaining annual installments range from \$105,400 to \$175,100 beginning August 1, 2003 through 2017. Interest rates range from 3.0% to 4.625% payable semi-annually.

2,024,700

Water Fund:

\$15,535,000 - 2002 Refunding Water Certificates of Participation, remaining annual installments range from \$380,000 to \$675,000 beginning September 1, 2003 through September 1, 2027. Interest rates range from 3.0% through 4.750% payable semi-annually.

15,000,000

Total certificates of participation

\$ 39,640,000

Loans Payable

Water Fund:

\$2,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of \$150,894 each on April 30. Interest is 4.0128% per annum. The final payment is due April 30, 2009.

\$ 802,923

\$5,000,000 - State Department of Water Resources Loan. Due in 20 annual payments of \$342,477 on April 30. Interest is 3.1% per annum. The final payment is due November 30, 2011.

2,550,406

\$5,110,456 - State Department of Water Resources Loan. Due in semiannual payments commencing January 1, 2006. Interest is 2.5132% per annum. The final payment is due July 1, 2025.

5,110,456

Total loans

\$ 8,463,785

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

Long-term liability activity for the year ended June 30, 2003, is as follows:

	Beginning Balance July 1, 2002	Additions	Deductions	Ending Balance June 30, 2003	Due Within One Year	Due in More Than One Year
<u>Governmental Activities</u>						
Certificates of participation	\$ 4,184,400	\$ -	\$ 254,100	\$ 3,930,300	\$ 204,600	\$ 3,725,700
Tax allocation bonds	63,660,000	-	3,985,000	59,675,000	4,195,000	55,480,000
Long-term debt of governmental activities	<u>67,844,400</u>	<u>-</u>	<u>4,239,100</u>	<u>63,605,300</u>	<u>4,399,600</u>	<u>59,205,700</u>
<u>Business-Type Activities</u>						
Revenue Bonds	7,955,000	-	830,000	7,125,000	870,000	6,255,000
Certificates of participation	35,295,600	19,405,000	18,990,900	35,709,700	975,400	34,734,300
Loans	4,267,919	5,110,456	914,590	8,463,785	382,089	8,081,696
Long-term debt of business-type activities	<u>47,518,519</u>	<u>24,515,456</u>	<u>20,735,490</u>	<u>51,298,485</u>	<u>2,227,489</u>	<u>49,070,996</u>
Total debt activity	<u>\$ 115,362,919</u>	<u>\$ 24,515,456</u>	<u>\$ 24,974,590</u>	<u>\$ 114,903,785</u>	<u>\$ 6,627,089</u>	<u>\$ 108,276,696</u>

As discussed in Note 1Q, long-term obligations due in one year on the government-wide Statement of Net Assets for Governmental Activities of \$16,730,145 include \$4,300,093 and \$8,030,452 representing the current portion of accrued compensated absences and actuarial liability, respectively. Long-term obligations due in one year for Business Activities of \$3,160,301 include \$932,812 representing the current portion of accrued compensated absences.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

The annual requirements to amortize all long-term debt outstanding, as of June 30, 2003, are as follows:

Fiscal Year Ending	Principal Payments				Total
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Other Loans	
2004	\$ 870,000	\$ 4,195,000	\$ 1,180,000	\$ 382,089	\$ 6,627,089
2005	435,000	4,365,000	1,210,000	395,017	6,405,017
2006	460,000	4,630,000	1,250,000	607,867	6,947,867
2007	480,000	4,915,000	1,275,000	626,743	7,296,743
2008	510,000	3,265,000	1,330,000	646,222	5,751,222
2009 - 2013	2,960,000	15,115,000	7,165,000	2,439,833	27,679,833
2014 - 2018	1,410,000	18,850,000	8,675,000	1,281,149	30,216,149
2019 - 2023	-	4,340,000	8,135,000	1,451,553	13,926,553
2024 - 2028	-	-	9,420,000	633,312	10,053,312
Principal payments outstanding	<u>7,125,000</u>	<u>59,675,000</u>	<u>39,640,000</u>	<u>8,463,785</u>	<u>114,903,785</u>

Fiscal Year Ending	Interest Payments				Total
2004	319,320	3,034,365	1,577,281	111,283	5,042,249
2005	289,800	2,812,907	1,550,956	98,355	4,752,018
2006	268,320	2,546,219	1,523,956	212,172	4,550,667
2007	245,760	2,262,254	1,493,506	193,296	4,194,816
2008	222,000	1,960,754	1,458,686	173,815	3,815,255
2009 - 2013	708,000	7,622,730	6,690,497	590,741	15,611,968
2014 - 2018	68,400	3,503,450	5,409,796	352,187	9,333,833
2019 - 2023	-	217,000	3,543,369	181,782	3,942,151
2024 - 2028	-	-	1,130,381	20,020	1,150,401
Interest payments outstanding	<u>2,121,600</u>	<u>23,959,679</u>	<u>24,378,428</u>	<u>1,933,651</u>	<u>52,393,358</u>
Total Debt Service Obligation	<u>\$ 9,246,600</u>	<u>\$ 83,634,679</u>	<u>\$ 64,018,428</u>	<u>\$ 10,397,436</u>	<u>\$ 167,297,143</u>

Current Year's Defeasance of Debt

2002 Waterfront Revenue Refunding Certificates of Participation (COP's)

On July 9, 2002, the City issued \$19,405,000 City of Santa Barbara Waterfront Revenue Refunding Certificates of Participation (COP's), Series 2002 with an average coupon interest rate of 4.62% to advance refund \$17,605,000 of outstanding City of Santa Barbara Waterfront Revenue Refunding Certificates of Participation, Series 1992, with an average remaining coupon interest rate of 6.72% and to repay \$545,000 on a U.S. Department of Commerce loan. The net proceeds of \$18,892,358 (including an original issue premium of \$198,562, less payment of \$711,204 in underwriting fees, bond insurance, and other issuance costs) plus an additional \$1,511,247 of 1992 COP's reserve fund monies and a \$38,625 contribution from the City General Fund were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 COP's. As a result, the 1992 COP's are considered defeased and the liability for those bonds has been removed from the financial statements of the Water Enterprise Fund.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of \$1,045,670. 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 2002 Refunding COP's of October 1, 2028 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments over the next 26 years by \$3,242,489 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$974,937.

Prior Year's Defeasance of Debt

In prior years, the City defeased certain debt issues by placing the proceeds of new debt in irrevocable trusts to provide for all future debt service payments on the defeased debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements.

The City has complied with all revenue bond covenants.

NOTE 7. CONTINGENCIES

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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 8. SEGMENT INFORMATION

Summary financial information, as of and for the fiscal year ended June 30, 2003 for the City's enterprise funds is presented below:

Condensed Statement of Net Assets:

	<u>Downtown Parking</u>	<u>Golf Course</u>
Assets:		
Current assets	\$ 7,077,680	\$ 1,021,888
Capital assets	8,132,610	2,951,950
Other non-current assets	-	159,958
Total assets	<u>15,210,290</u>	<u>4,133,796</u>
Liabilities:		
Current liabilities	228,114	232,862
Non-current liabilities	-	1,919,300
Total liabilities	<u>228,114</u>	<u>2,152,162</u>
Net assets:		
Invested in capital assets, net of related debt	8,132,610	1,087,208
Unrestricted	6,849,566	894,426
Total net assets	<u>\$ 14,982,176</u>	<u>\$ 1,981,634</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	<u>Downtown Parking</u>	<u>Golf Course</u>
Charges for services pledged		
-against bonds	\$ -	\$ 1,951,903
-not pledged against bonds	3,722,466	-
Depreciation expense	(415,745)	(134,502)
Other operating expenses	<u>(4,639,841)</u>	<u>(1,509,162)</u>
Operating income (loss)	(1,333,120)	308,239
Non-operating revenues (expenses):		
Investment earnings	266,317	49,509
Taxes	696,828	-
Interest expense	-	(97,397)
Transfers	<u>(34,071)</u>	<u>(1,033)</u>
Change in net assets	(404,046)	259,318
Beginning net assets	<u>15,386,222</u>	<u>1,722,316</u>
Ending net assets	<u>\$ 14,982,176</u>	<u>\$ 1,981,634</u>

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

Condensed Statement of Cash Flows:

	Downtown Parking	Golf Course
Net cash provided (used) by:		
Operating activities	\$ (933,187)	\$ 453,183
Noncapital financing activities	662,757	(1,033)
Capital and related financing activities	49,542	(879,789)
Investing activities	266,317	49,509
Net increase (decrease)	45,429	(378,130)
Beginning cash and equivalents	7,014,236	1,396,353
Ending cash and equivalents	\$ 7,059,665	\$ 1,018,223

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 report 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 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 10% of the net unamortized gain or loss will be amortized each year. 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.

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

Funding Policy

PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. 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, 2002 to June 30, 2003 has been determined by an actuarial valuation of the plan as of June 30, 2000. Contribution rates for each of the City's three (3) retirement plans is as follows: the miscellaneous, non-safety, members rate is 0.0%, the safety police plan rate is 18.793%, and the safety fire plan rate is 10.899% of payroll. Miscellaneous, non-safety, members contribute 7% and safety members contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. 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, 2003, the City's annual pension costs, for all of the retirement plans, in the amount of \$7,805,022 for PERS was equal to the City's required and actual contributions. The required contribution for fiscal year 2003 was determined as part of the June 30, 2000, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include:

(a) valuation date	June 30, 2000
(b) amortization method	level percent of payroll
(c) average remaining period	32 years as of the valuation date – safety police 7 years as of the valuation date – safety fire 18 years as of the valuation date – non-safety miscellaneous
(d) asset valuation method	3 years smoothed market
(e) actuarial assumptions:	
-investment rate of return	8.25% (net of administrative expenses)
-projected salary increases	4.27%% to 11.59% depending on age, service and type of employment – safety 3.75% to 14.20% depending on age, service, and type of employment – non-safety
-inflation	3.50%
-payroll growth	3.75%
-individual salary growth	a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.50% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends 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. Three-year trend information for the City's Annual Pension Cost for all plans follows:

Three-year Trend Information (all Plans):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/01	\$ 4,535,141	100%	\$0
06/30/02	5,485,044	100%	\$0
06/30/03	7,805,022	100%	\$0

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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.

Schedule of Funding Status at June 30, 2003 (unaudited) (in \$000's):

Miscellaneous Plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
06/30/99	\$ 127,722	\$ 161,859	\$ (34,138)	126.70%	\$ 32,689	-104.43%
06/30/00	140,200	175,208	(35,008)	125.00%	35,864	-97.61%
06/30/01	155,406	180,581	(25,175)	116.20%	43,651	-57.70%

Safety Fire Plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
06/30/99	\$ 65,076	\$ 69,466	\$ (4,390)	106.70%	\$ 6,298	-69.71%
06/30/00	71,328	75,063	(3,735)	105.20%	6,666	-56.03%
06/30/01	79,282	76,975	2,307	97.10%	7,612	30.31%

Safety Police Plan:

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability/ (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded (Over-funded) Liability as a % of Payroll
06/30/99	\$ 68,165	\$ 78,899	\$ (10,734)	115.70%	\$ 9,624	-111.54%
06/30/00	88,812	90,054	(1,242)	101.40%	10,768	-11.54%
06/30/01	97,931	92,470	5,461	94.40%	11,639	46.92%

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 hired between May 1937 and May 1965, and who were disabled due to job related injuries. A total of twenty-six (24) 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

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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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, 2003, fourteen (14) retirees (or beneficiaries) are receiving benefits from the Safety Retirement Pension Trust Fund, and ten (10) retirees (or beneficiaries) are receiving benefits from the Service Retirement Pension Trust Fund.

Funding Policy

All of the pensioners are retirees. Accordingly, the City has had no annual pension cost, as no annual required contributions (ARC) have been required for more than three years. In addition, the City has had no net pension obligation (NPO) in any of the three years ended June 30, 2003.

Information regarding these plans is as follows:

	Safety Retirement Plan	Service Retirement Plan
Authority	Charter	Charter
Date of valuation	June 30, 2003	June 30, 2003
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*	Aggregate	Aggregate
Number of participants	14	10
Actuarial assumptions:		
Discount Rate	7%	7%
Cost of Living Adjustment	4%	4%
Mortality	1983 Group Annuity Mortality Table	

*The aggregate actuarial cost method does not identify or separately amortize un-funded actuarial liabilities.

A separate stand-alone financial report is not issued for the Pension Trust Fund. All members of the plan are retired. The plans were closed as of 1965 therefore; there has been no funding of these plans or any employer or employee contributions for more than the past six years.

Deferred Compensation Plan

The City offers two deferred compensation plans for regular employees and one for temporary 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 thirty three percent (33%) of salary or \$11,000 per year, whichever is less. Amounts so deferred may be withdrawn or directed for future payment at separation of employment but may not be paid to the employee during employment with the City except for a catastrophic circumstance creating an undue and unforeseen financial hardship for the employee.

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

CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2003

NOTE 10. CLASSIFICATION OF NET ASSETS

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

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. 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 Assets* – 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, Debt Service, and Specific Projects and Programs as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the Fund financial statements, reserves and designations segregate portions of the fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The components of the City's fund balances at June 30, 2003, consist of the following:

	General Fund	Special Revenue Funds		Capital Projects Fund	Other Governmental Funds	Total
		Redevelopment Agency	Community Development Block Grant	Redevelopment Agency		
Reserved:						
Encumbrances	\$ 806,458	\$ 1,022,933	\$ -	\$ 2,102,679	\$ 4,285,495	\$ 8,217,565
Loans receivable	1,675,359	26,609,007	2,347	-	-	28,286,713
Advance receivable	1,835,517	-	-	-	-	1,835,517
Investments market value adjustment	743,913	-	-	-	-	743,913
Due from other agencies	160,210	-	-	201,279	11,799	373,288
Assets available for resale	-	433,952	-	-	-	433,952
Redevelopment projects	-	2,578,958	-	35,866,989	-	38,445,947
Low and moderate income housing	-	7,412,114	-	-	-	7,412,114
Debt service	-	-	-	-	5,342,703	5,342,703
Parks	-	-	-	-	138,500	138,500
Library	-	-	-	-	1,246,500	1,246,500
Public safety	-	-	-	-	369,367	369,367
Community development	-	-	-	-	2,309	2,309
Future projects	-	-	-	-	126,100	126,100
Street improvements	898,082	-	-	-	4,458,033	5,356,115
Total reserved	6,119,539	38,056,964	2,347	38,170,947	15,980,806	98,330,603
Designated:						
Capital	1,000,000	-	-	-	-	1,000,000
Vacation and overtime	4,144,269	-	-	-	-	4,144,269
Continuing appropriations	896,217	-	-	-	-	896,217
Contingencies	20,218,950	-	-	-	-	20,218,950
Total designated	26,259,436	-	-	-	-	26,259,436
Unreserved - undesignated	3,600,315	-	-	-	7,926,440	11,526,755
Total fund balances	\$ 35,979,290	\$ 38,056,964	\$ 2,347	\$ 38,170,947	\$ 23,907,246	\$ 136,116,794

CITY OF SANTA BARBARA
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NOTE 11. SELF-INSURANCE TRUST 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.

Insurable property is covered for all risks by policies with a pooled aggregate limit of \$500,000,000. Earthquake and flood coverage with limits of \$50 million on a shared basis is included as well. Various unique risks such as airport liability, marine hull protection and indemnity, and boiler and machinery are fully insured. The City also maintains a full-faith performance bond.

In May 1986, the City joined the Authority of California Cities Excess Liability (ACCEL). ACCEL is a public entity risk pool created for the purpose of pooling various public sector risks. ACCEL began its thirteenth program year with membership totaling eleven (11) 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 and an investment policy adopted by the ACCEL members.

ACCEL settlements have not exceeded coverage in any of the past fiscal years. ACCEL now passes through its risk sharing exposures through the purchase of a commercial policy with American Insurance Group (AIG).

A Memorandum of Coverage acts as the instrument by which member cities are protected against covered losses above their self-insured retention (SIR). 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 and finance. 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 pool losses above their self-insured retention. Losses are paid from a pool of funds comprised of member deposits. Deposits are actuarially determined to insure that funds are available to pay pool losses. 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.

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 fiscal years.

The City's self-insured retention for liability is \$500,000. ACCEL members now jointly purchase \$19,500,000 in limits above their SIRs from commercial markets. The City's self-insured retention for workers' compensation is \$500,000. An indemnity policy underwritten by Employers Reinsurance Company provides a \$25,000,000 limit in excess of the City's self-insured retention and \$5,000,000 in Employers' Liability.

The City's self-insurance fund is financed through contributions made by the City's General and Enterprise Funds. Actuarially determined liabilities in the fund include provisions for "incurred but not reported" claims. As of June 30, 2003, the estimated outstanding liabilities are \$9,824,000 for workers' compensation and \$818,000 for general and automobile

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liability. These liabilities are based on an actuarial valuation as of June 30, 2002. There are no unpaid claims for which annuity contracts have been purchased.

The City is self-insured for unemployment claims. At June 30, 2003, the liability for unemployment claims was \$25,595.

The City also maintains a self-insured plan for vision coverage offered to employees. The rates for the dental and vision coverage are set in accordance with the results of an actuarial study performed for the City. Rates are established at a level sufficient to fund current claims as well as maintain reserves for claims incurred but not reported.

A summary of changes in claims liabilities is shown below:

	2003	2002
Claims liabilities, July 1	\$ 7,587,957	\$ 4,805,640
Incurred claims	5,844,480	5,322,437
Payments on claims attributable to events of current and prior years	(2,790,437)	(2,540,120)
Claims liabilities, June 30	<u>\$ 10,642,000</u>	<u>\$ 7,587,957</u>

NOTE 12. 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 7.7%. Operating and capital expenses are allocated among the members based upon various formulas recognizing the benefits of the various project components to each member.

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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.

In November 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.

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 in the table below:

Fiscal Year	DWR Costs		CCWA Costs			Total CCWA Cost	Total CCWA and DWR Costs
	Fixed	Variable (1)	Fixed	Variable (1)	Debt Service (2)		
2003-04	2,386,907	106,978	91,809	(31)	1,698,752	1,790,530	4,284,415
2004-05	2,477,544	154,945	112,102	53,509	1,772,690	1,938,301	4,570,790
2005-06	2,343,088	95,550	118,509	54,608	1,771,387	1,944,504	4,383,142
2006-07	2,317,377	87,671	128,099	55,798	1,770,005	1,953,902	4,358,950
2007-08	2,160,654	-	131,941	-	1,772,853	1,904,794	4,065,448
Thereafter	55,463,403	-	5,834,301	-	26,417,386	32,251,687	87,715,090
Total	\$ 67,148,973	\$ 445,144	\$ 6,416,761	\$ 163,884	\$ 35,203,073	\$ 41,783,718	\$ 109,377,835

(1) Variable costs only shown through fiscal year 2006-07 because delivery information is not available thereafter.

(2) Net of debt service reserve fund interest earnings.

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 8:00 am and 5:00 p.m., Monday through Friday.

NOTE 13. DUE FROM OTHER AGENCIES

On December 6, 1994, the County of Orange (Orange County) and the Orange County Investment Pools (Pool) filed petitions for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. The City was one of over 180 participants in the Pool (Pool Participants). As of December 6, 1994, the City's Pool investment principal balance was \$37,513,262 according to the records of Orange County.

A Comprehensive Settlement Agreement (Settlement) for the Pool was offered to Pool Participants in March 1995. Pool Participants were offered a choice of two settlement options (Option A or Option B). In April 1995, the City Council selected Option B that provided for the return of approximately \$29.3 million and the reservation of all rights to recover the remaining balance from all potential sources, including Orange County and third parties. In September 1995, the City, along with other Option B agencies, filed a complaint for damages against Merrill Lynch.

In October 1995, the City along with other Option B agencies filed a complaint for damages against Orange County. The complaint for damages against Orange County was settled for a cash distribution totaling \$1,941,268, received in fiscal years 1996 and 1997; and warrants amounting to \$1,603,200, payable in ten equal annual installments of \$160,320, plus interest at

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the rate of 6.5% on the unpaid balance. As of June 30, 2003, outstanding warrants receivable totaled \$641,276, which has been classified on the balance sheet as "due from other agencies."

NOTE 14. PROPOSITION 218 IMPACTS

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

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

NOTE 15. CONDUIT DEBT

On January 1, 1996, the City of Santa Barbara issued \$16,805,000 in Insured Revenue Certificates of Participation for the benefit of FACT Retirement Services, a nonprofit public benefit corporation organized and existing under the laws of the State of California to provide care to persons over 62 years of age. The Certificates were issued to enable FACT Retirement System to purchase certain real property and improvements located within the City of Santa Barbara.

The Certificates do not constitute a debt or liability of the City of Santa Barbara. Neither the execution and delivery of the Certificates, nor the execution of the related trust agreement or installment agreement, shall directly, indirectly or morally obligate the City to levy or to pledge any form of taxation whatever, or to make any appropriation for their payment.

As of June 30, 2003, the outstanding balance on the Certificates is \$14,985,000.

NOTE 16. 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 is 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 include establishing a more stable workforce and, by promoting local homeownership, reducing commuting distances and times. The program is 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 is structured using a combination of an employee down payment, traditional bank mortgage financing, and City-provided financing as follows:

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

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Under the terms of the EMLAP, City participation is limited to a purchase price of \$750,000. Therefore, the maximum second deed of trust loan available to an employee is \$112,500 (15% of \$750,000). 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"). 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 will also pay up to four (4) points to the bank on the employee's first deed of trust loan up to \$24,000 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, 2003, the City has \$1,675,358 in employee loans outstanding. A total of \$2,500,000 is authorized for employee mortgage loans.

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Required Supplementary Information
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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 all governmental 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 early January 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 early April, the City Administrator presents a recommended budget to the City Council. From April through late June, public hearings are held and the recommended budget is reviewed in detail with the Council 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 lines as long as they are within the same major object category (i.e., Salaries & Benefits, Supplies & Services, Capital, etc.). All other adjustments to appropriations that change the total of a department (within the General Fund) or fund must be approved by Council. 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	\$ 80,919,300
Re-appropriated Prior Year Encumbrances	767,287
Amendments	<u>2,032,813</u>
Amended Budget	<u>\$ 83,719,400</u>

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Budget appropriations for governmental funds lapse at year-end unless they are encumbered. Budget appropriations for capital projects and other multi-year projects do not lapse at fiscal year-end and are carried forward through completion of the project.

Deficit Fund Equity

The FEMA Reimbursement Storm Fund and the Self-Insurance Fund have deficit fund balances of \$1,016,086 and \$5,397,614, respectively, as of June 30, 2003. These deficits will be eliminated through reimbursements from other funds.

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GENERAL FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 52,226,700	\$ 52,581,700	\$ 53,503,290	\$ 921,590
Intergovernmental	6,039,333	6,444,333	6,101,665	(342,668)
Fines and forfeitures	1,921,921	2,024,921	2,267,558	242,637
Use of money and property	2,517,295	2,517,295	2,208,505	(308,790)
Charges for services	10,967,220	10,983,220	12,195,766	1,212,546
Other revenues	<u>5,235,354</u>	<u>5,219,354</u>	<u>5,284,075</u>	<u>64,721</u>
Total revenues	<u>78,907,823</u>	<u>79,770,823</u>	<u>81,560,859</u>	<u>1,790,036</u>
Expenditures:				
Current:				
Mayor and Council	460,524	463,851	431,135	32,716
City Attorney	1,663,096	1,746,927	1,452,184	294,743
Administration	1,380,499	1,503,891	1,309,732	194,159
Administrative Services	2,980,493	3,217,681	3,038,636	179,045
Finance	3,215,155	3,644,650	3,430,861	213,789
Fire	12,671,713	13,162,911	13,126,940	35,971
Police	22,977,805	23,506,212	23,325,404	180,808
Public Works	9,049,471	9,370,857	8,852,715	518,142
Parks and Recreation	10,540,529	10,758,854	10,448,121	310,733
Library	3,459,700	3,568,292	3,343,287	225,005
Community Development	6,778,165	7,757,421	6,746,341	1,011,080
General Government	<u>5,742,150</u>	<u>5,017,853</u>	<u>4,411,364</u>	<u>606,489</u>
Total expenditures	<u>80,919,300</u>	<u>83,719,400</u>	<u>79,916,720</u>	<u>3,802,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,011,477)</u>	<u>(3,948,577)</u>	<u>1,644,139</u>	<u>5,592,716</u>
Other financing sources (uses):				
Operating transfers in	2,365,347	2,547,722	2,521,488	(26,234)
Operating transfers out	<u>(4,883,012)</u>	<u>(5,125,722)</u>	<u>(5,186,274)</u>	<u>(60,552)</u>
Total other financing sources (uses)	<u>(2,517,665)</u>	<u>(2,578,000)</u>	<u>(2,664,786)</u>	<u>(86,786)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(4,529,142)	(6,526,577)	(1,020,647)	5,505,930
Fund balances, beginning of fiscal year	<u>36,999,937</u>	<u>36,999,937</u>	<u>36,999,937</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 32,470,795</u>	<u>\$ 30,473,360</u>	<u>\$ 35,979,290</u>	<u>\$ 5,505,930</u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2003

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
REDEVELOPMENT AGENCY SPECIAL REVENUE FUND
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 12,100,000	\$ 12,100,000	\$ 12,850,918	\$ 750,918
Use of money and property	981,200	981,200	999,971	18,771
Other revenues	-	-	1,200	1,200
Total revenues	<u>13,081,200</u>	<u>13,081,200</u>	<u>13,852,089</u>	<u>770,889</u>
Expenditures:				
Current:				
Community development	<u>14,426,700</u>	<u>17,048,235</u>	<u>4,435,095</u>	<u>12,613,140</u>
Total expenditures	<u>14,426,700</u>	<u>17,048,235</u>	<u>4,435,095</u>	<u>12,613,140</u>
Excess (deficiency) of revenues over (under) expenditures	(1,345,500)	(3,967,035)	9,416,994	13,384,029
Other financing uses:				
Operating transfers out	<u>(8,330,500)</u>	<u>(8,330,500)</u>	<u>(8,315,320)</u>	<u>15,180</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(9,676,000)	(12,297,535)	1,101,674	13,399,209
Fund balances, beginning of fiscal year	<u>36,922,590</u>	<u>36,955,290</u>	<u>36,955,290</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 27,246,590</u>	<u>\$ 24,657,755</u>	<u>\$ 38,056,964</u>	<u>\$ 13,399,209</u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2003

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
COMMUNITY DEVELOPMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,471,000	\$ 2,045,818	\$ 1,236,186	\$ (809,632)
Program income	450,000	461,482	662,621	201,139
Total revenues	<u>1,921,000</u>	<u>2,507,300</u>	<u>1,898,807</u>	<u>(608,493)</u>
Expenditures:				
Current:				
Community development	1,921,000	2,507,300	1,898,807	608,493
Total expenditures	<u>1,921,000</u>	<u>2,507,300</u>	<u>1,898,807</u>	<u>608,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of fiscal year	<u>2,347</u>	<u>2,347</u>	<u>2,347</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ 2,347</u>	<u>\$ -</u>

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2003

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB 34 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 system can be divided into subsystems. For example, the street system 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 236 miles of paved surfaces, comprised of 125 miles of residential streets, 40 miles of principal arterial and arterial streets and 71 miles of collector streets. This equates to almost 40,000,000 square feet of pavement.

In 2001, the City commissioned the development of a Pavement Management System to inventory and document the physical condition assessment of the City's street network, and to develop a preservation program. Over a period of two years, the study identified and recorded the condition assessment of all of the City's streets. The streets, primarily concrete and asphalt pavements, 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 annually 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 and 2002, which were 74 and 75 ("Very Good"), respectively. 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. 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. As of June 30, 2003, the City's street system was rated an average PCI index of 75 ("Very Good") with the detail condition as follows:

CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2003

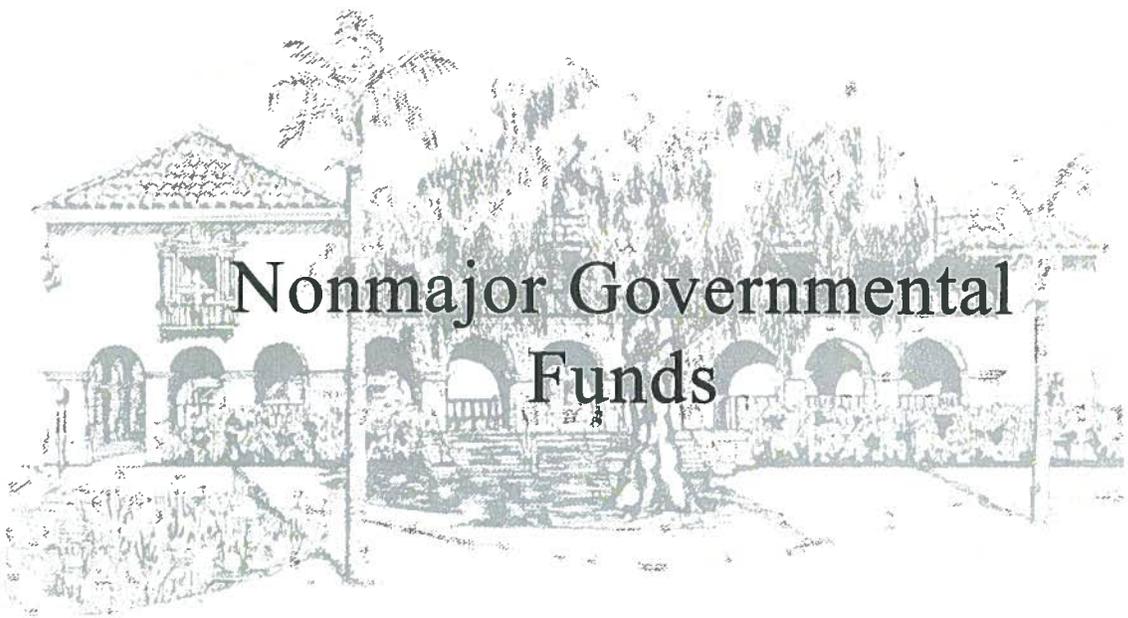
<u>Condition</u>	<u>Approximate % of Streets</u>
Excellent to Good	86%
Fair	8%
Poor to Substandard	6%

In general, streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching. The City expended \$4,738,635 on street maintenance for the fiscal year ended June 30, 2003. The City has estimated that the average amount of annual expenditures required for fiscal 2004 to maintain the City's streets at an average PCI rating of at least 70 is approximately \$3,350,000. 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 three years is presented below:

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>PCI Rating</u>
2000-2001	\$ N/A *	\$ 4,517,058	N/A *
2001-2002	3,533,457	3,485,010	74
2002-2003	2,063,928	4,738,635	75

* Preservation study commenced fiscal year 2002

The City's on-going street preservation program is also designed to improve 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 reduce the backlog of street preservation work over the next 6 years and increase 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.



Nonmajor Governmental Funds

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.

Gas Tax Fund - To account for the receipt and disbursement of the City's share of state gasoline taxes. State law requires that these funds be used to maintain streets.

Creek Restoration/Water Quality - 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.

Solid Waste Fund- To account for franchise fees paid by trash haulers used for funding recycling programs in the City .

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.

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

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

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.

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

Police – Local Law Enforcement Block Grant Fund - To account for Federal grants funds received for local law enforcement activities.

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 - To account for resources received from various granting agencies.

FEMA Reimbursement Storm Fund - To account for costs incurred as a result of the two federally declared disasters in January and March, 1995, and the federally declared storm of February, 1998.

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

Street Capital Improvements Fund - To account for street improvements funded by Federal and State grants and 50% of the Utility Users Tax (UUT) pursuant to City ordinance.

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

1993 Municipal Refunding Certificates of Participation - To accumulate funds for the payment of the General Fund's portion of the 1993 municipal improvement certificates of participation.

1993 Redevelopment Agency Tax Allocation Bonds - To accumulate funds for the payment of the 1993 Tax Allocation Bonds.

1995 Redevelopment Agency Refunding Tax Allocation Bonds - To accumulate funds for the payment of the 1995 Refunding Tax Allocation Bonds.

2002 Municipal Refunding Certificates of Participation - 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, 2003**

	Special Revenues					
	Traffic Safety	Gas Tax	Creek Restoration/ Water Quality	Solid Waste Fund	Transpor- tation Develop.	HOME Program
Assets						
Cash and investments	\$ -	\$ -	\$ 1,471,338	\$ 130,883	\$ 175,845	\$ -
Accounts receivable	-	167,098	188,679	3,846	-	-
Loans receivable	-	-	-	-	-	3,188,267
Due from other agencies	-	-	-	-	697	84,089
Cash and investments with fiscal agents	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 167,098</u>	<u>\$ 1,660,017</u>	<u>\$ 134,729</u>	<u>\$ 176,542</u>	<u>\$ 3,272,356</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 391	\$ 1,760	\$ 174	\$ -
Other accrued liabilities	-	-	7,033	4,255	-	-
Interfund payables	-	167,098	-	-	-	84,089
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	3,188,267
Total liabilities	<u>-</u>	<u>167,098</u>	<u>7,424</u>	<u>6,015</u>	<u>174</u>	<u>3,272,356</u>
Fund balances:						
Reserved	-	-	149,579	104,966	176,368	-
Unreserved - undesignated	-	-	1,503,014	23,748	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>1,652,593</u>	<u>128,714</u>	<u>176,368</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 167,098</u>	<u>\$ 1,660,017</u>	<u>\$ 134,729</u>	<u>\$ 176,542</u>	<u>\$ 3,272,356</u>

County Library	Special Revenues						Capital Projects	
	Measure D Road Maintenance	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	Police - Asset Forfeiture	Miscell- aneous Grants	FEMA Reimbursement Storm Fund	General Capital Improvements	Street Capital Improvement
\$ 1,167,828	\$ 5,023,882	\$ 45	\$ 114,142	\$ 558,511	\$ 212,531	\$ -	\$ 3,411,187	\$ 5,986,866
127,018	419,218	-	-	95	79	-	-	-
-	-	-	-	-	-	-	-	-
-	11,799	-	-	-	127,348	446,077	-	21,716
-	-	-	-	-	-	-	-	-
<u>\$ 1,294,846</u>	<u>\$ 5,454,899</u>	<u>\$ 45</u>	<u>\$ 114,142</u>	<u>\$ 558,606</u>	<u>\$ 339,958</u>	<u>\$ 446,077</u>	<u>\$ 3,411,187</u>	<u>\$ 6,008,582</u>
\$ 21,109	\$ 212,193	\$ -	\$ 2,251	\$ 28,142	\$ 9,361	\$ -	\$ 47,090	\$ 213,814
26,037	-	-	-	32,941	-	-	-	-
-	-	-	-	-	-	1,455,304	-	-
-	-	-	-	235,437	21	6,859	-	-
-	-	-	-	-	-	-	-	-
<u>47,146</u>	<u>212,193</u>	<u>-</u>	<u>2,251</u>	<u>296,520</u>	<u>9,382</u>	<u>1,462,163</u>	<u>47,090</u>	<u>213,814</u>
1,247,700	5,242,706	45	111,891	262,086	330,576	-	359,820	1,927,333
-	-	-	-	-	-	(1,016,086)	3,004,277	3,867,435
<u>1,247,700</u>	<u>5,242,706</u>	<u>45</u>	<u>111,891</u>	<u>262,086</u>	<u>330,576</u>	<u>(1,016,086)</u>	<u>3,364,097</u>	<u>5,794,768</u>
<u>\$ 1,294,846</u>	<u>\$ 5,454,899</u>	<u>\$ 45</u>	<u>\$ 114,142</u>	<u>\$ 558,606</u>	<u>\$ 339,958</u>	<u>\$ 446,077</u>	<u>\$ 3,411,187</u>	<u>\$ 6,008,582</u>

(continued)

**CITY OF SANTA BARBARA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2003
(continued)**

	Capital Projects	Debt Service			Total Nonmajor Governmental Funds	
	Creeks Restoration Capital Improvement	1993 Municipal Refunding Certificates	1993 Tax Allocation Bonds	1995 Refunding Tax Allocation Bonds		2002 Municipal Refunding Certificates
Assets						
Cash and investments	\$ 1,279,678	\$ -	\$ -	\$ -	\$ -	\$ 19,532,736
Accounts receivable	-	-	-	-	-	906,033
Loans receivable	-	-	-	-	-	3,188,267
Due from other agencies	-	-	-	-	-	691,726
Cash and investments with fiscal agents	-	-	1,465,085	3,302,323	575,295	5,342,703
Total assets	<u>1,279,678</u>	<u>\$ -</u>	<u>\$ 1,465,085</u>	<u>\$ 3,302,323</u>	<u>\$ 575,295</u>	<u>\$ 29,661,465</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	10,593	\$ -	\$ -	\$ -	\$ -	\$ 546,878
Other accrued liabilities	-	-	-	-	-	70,266
Interfund payables	-	-	-	-	-	1,706,491
Deposits	-	-	-	-	-	242,317
Deferred revenue	-	-	-	-	-	3,188,267
Total liabilities	<u>10,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,754,219</u>
Fund balances:						
Reserved	725,033	-	1,465,085	3,302,323	575,295	15,980,806
Unreserved - undesignated	544,052	-	-	-	-	7,926,440
Total fund balances	<u>1,269,085</u>	<u>-</u>	<u>1,465,085</u>	<u>3,302,323</u>	<u>575,295</u>	<u>23,907,246</u>
Total liabilities and fund balances	<u>\$ 1,279,678</u>	<u>\$ -</u>	<u>\$ 1,465,085</u>	<u>\$ 3,302,323</u>	<u>\$ 575,295</u>	<u>\$ 29,661,465</u>



CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2003

	Special Revenues					
	Traffic Safety	Gas Tax	Creek Restoration/ Water Quality	Solid Waste Fund	Transpor- tation Develop.	HOME Program
Revenues:						
Taxes	\$ -	\$ 1,698,393	\$ 1,972,878	\$ 280,132	\$ 52,242	\$ -
Intergovernmental	-	-	-	27,107	-	634,986
Fines and forfeitures	511,685	-	-	-	-	-
Use of money and property	-	-	93,125	-	9,054	-
Other revenues	-	-	109	17,496	-	12,205
Total revenues	<u>511,685</u>	<u>1,698,393</u>	<u>2,066,112</u>	<u>324,735</u>	<u>61,296</u>	<u>647,191</u>
Expenditures:						
Current:						
Public safety	29,505	-	-	-	-	-
Public works	-	-	905,032	222,731	158,862	-
Community services	-	-	-	-	-	-
Community development	-	-	-	-	-	647,191
Capital Outlay:						
Capital improvements	-	-	-	-	-	-
Debt Service:						
Principle retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>29,505</u>	<u>-</u>	<u>905,032</u>	<u>222,731</u>	<u>158,862</u>	<u>647,191</u>
Excess (deficiency) of revenues over (under) expenditures	482,180	1,698,393	1,161,080	102,004	(97,566)	-
Other financing sources (uses):						
Operating transfers in	-	-	-	26,710	-	-
Operating transfers out	(482,180)	(1,698,393)	(813,004)	-	-	-
Total other financing sources (uses)	<u>(482,180)</u>	<u>(1,698,393)</u>	<u>(813,004)</u>	<u>26,710</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	348,076	128,714	(97,566)	-
Fund balances, beginning of fiscal year	-	-	1,304,517	-	273,934	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,652,593</u>	<u>\$ 128,714</u>	<u>\$ 176,368</u>	<u>\$ -</u>

County Library	Special Revenues						Capital Projects	
	Measure D Road Maintenance	Police - Supplemental Law Enforcement	Police - Local Law Enforcement Block Grant	Police - Asset Forfeiture	Miscell- aneous Grants	FEMA Reim- bursement Storm Fund	General Capital Improvements	Street Capital Improvements
\$ -	\$ 4,120,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,062,531	-	181,498	169,613	123,279	453,249	92,604	30,000	2,382,929
144,739	-	-	-	-	-	-	-	-
-	212,517	-	2,234	5,331	-	-	-	-
55,016	-	-	-	-	378,940	-	-	-
<u>1,262,286</u>	<u>4,332,899</u>	<u>181,498</u>	<u>171,847</u>	<u>128,610</u>	<u>832,190</u>	<u>92,604</u>	<u>30,000</u>	<u>2,382,929</u>
-	-	181,916	76,303	132,276	461,993	-	-	-
-	4,592,057	-	-	-	25,214	7,268	-	-
1,401,020	-	-	-	-	566,988	-	-	-
-	-	-	-	-	34,458	-	-	-
-	-	-	-	-	-	-	2,455,080	5,763,399
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,401,020</u>	<u>4,592,057</u>	<u>181,916</u>	<u>76,303</u>	<u>132,276</u>	<u>1,088,653</u>	<u>7,268</u>	<u>2,455,080</u>	<u>5,763,399</u>
(138,734)	(259,158)	(418)	95,544	(3,666)	(256,463)	85,336	(2,425,080)	(3,380,470)
71,759	-	-	12,719	5,085	99,375	-	2,233,728	2,484,948
-	-	-	-	(12,719)	(5,085)	-	(124,710)	-
<u>71,759</u>	<u>-</u>	<u>-</u>	<u>12,719</u>	<u>(7,634)</u>	<u>94,290</u>	<u>-</u>	<u>2,109,018</u>	<u>2,484,948</u>
(66,975)	(259,158)	(418)	108,263	(11,300)	(162,173)	85,336	(316,062)	(895,522)
1,314,675	5,501,864	463	3,628	273,386	492,749	(1,101,422)	3,680,159	6,690,290
<u>\$ 1,247,700</u>	<u>\$ 5,242,706</u>	<u>\$ 45</u>	<u>\$ 111,891</u>	<u>\$ 262,086</u>	<u>\$ 330,576</u>	<u>\$ (1,016,086)</u>	<u>\$ 3,364,097</u>	<u>\$ 5,794,768</u>

(continued)

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2003
(continued)

	Capital Projects	Debt Service				Total Nonmajor Governmental Funds
	Creeks Restoration Capital Improvements	1993 Municipal Refunding Certificates	1993 Tax Allocation Bonds	1995 Re- funding Tax Allocation Bonds	2002 Municipal Refunding Certificates	
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,124,027
Intergovernmental	70,927	-	-	-	-	5,228,724
Fines and forfeitures	-	-	-	-	-	656,424
Use of money and property	-	-	39,186	34,880	29,015	425,342
Other revenues	-	-	-	-	-	463,766
Total revenues	70,927	-	39,186	34,880	29,015	14,898,283
Expenditures:						
Current:						
Public safety	-	-	-	-	-	881,993
Public works	-	-	-	-	-	5,911,164
Community services	596,849	-	-	-	-	2,564,857
Community development	-	-	-	-	-	681,649
Capital Outlay:						
Capital improvements	-	-	-	-	-	8,218,479
Debt Service:						
Principle retirement	-	-	985,000	3,000,000	254,100	4,239,100
Interest	-	306	512,123	962,488	109,930	1,584,847
Total expenditures	596,849	306	1,497,123	3,962,488	364,030	24,082,089
Excess (deficiency) of revenues over (under) expenditures	(525,922)	(306)	(1,457,937)	(3,927,608)	(335,015)	(9,183,806)
Other financing sources (uses):						
Operating transfers in	880,164	-	1,399,800	3,908,902	341,513	11,464,703
Operating transfers out	-	-	-	-	-	(3,136,091)
Total other financing sources (uses)	880,164	-	1,399,800	3,908,902	341,513	8,328,612
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	354,242	(306)	(58,137)	(18,706)	6,498	(855,194)
Fund balances, beginning of fiscal year	914,843	306	1,523,222	3,321,029	568,797	24,762,440
Fund balances, end of fiscal year	<u>\$ 1,269,085</u>	<u>\$ -</u>	<u>\$ 1,465,085</u>	<u>\$ 3,302,323</u>	<u>\$ 575,295</u>	<u>\$ 23,907,246</u>

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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 575,000	\$ 575,000	\$ 511,685	\$ (63,315)
Expenditures:				
Current:				
Protection of persons and property	50,000	50,000	29,505	20,495
Excess (deficiency) of revenues over (under) expenditures	525,000	525,000	482,180	(42,820)
Other financing sources (uses):				
Operating transfers out	(525,000)	(525,000)	(482,180)	42,820
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
GAS TAX
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,650,000	\$ 1,650,000	\$ 1,698,393	\$ 48,393
Other financing sources (uses):				
Operating transfers out	(1,650,000)	(1,650,000)	(1,698,393)	(48,393)
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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,994,900	\$ 1,994,900	\$ 1,972,878	\$ (22,022)
Use of money and property	50,000	50,000	93,125	43,125
Other revenues	-	-	109	109
Total revenues	<u>2,044,900</u>	<u>2,044,900</u>	<u>2,066,112</u>	<u>21,212</u>
Expenditures:				
Current:				
Public works	<u>1,301,900</u>	<u>1,468,905</u>	<u>905,032</u>	<u>563,873</u>
Excess (deficiency) of revenues over (under) expenditures	743,000	575,995	1,161,080	585,085
Other financing sources (uses):				
Operating transfers out	<u>(743,000)</u>	<u>(813,004)</u>	<u>(813,004)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(237,009)	348,076	585,085
Fund balances, beginning of fiscal year	<u>-</u>	<u>1,304,517</u>	<u>1,304,517</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 1,067,508</u>	<u>\$ 1,652,593</u>	<u>\$ 585,085</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR FUNDS
SOLID WASTE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 260,000	\$ 260,000	\$ 280,132	\$ 20,132
Intergovernmental	226,000	507,000	27,107	(479,893)
Other revenues	17,500	17,500	17,496	(4)
Total revenues	<u>503,500</u>	<u>784,500</u>	<u>324,735</u>	<u>(459,765)</u>
Expenditures:				
Current:				
Public works	<u>503,500</u>	<u>811,210</u>	<u>222,731</u>	<u>588,479</u>
Excess (deficiency) of revenues over (under) expenditures	-	(26,710)	102,004	128,714
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>26,710</u>	<u>26,710</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	128,714	128,714
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>\$ 128,714</u>	<u>\$ 128,714</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, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 50,000	\$ 52,000	\$ 52,242	\$ 242
Use of money and property	5,000	8,700	9,054	354
Total revenues	<u>55,000</u>	<u>60,700</u>	<u>61,296</u>	<u>596</u>
Expenditures:				
Current:				
Public works	<u>55,000</u>	<u>158,929</u>	<u>158,862</u>	<u>67</u>
Excess (deficiency) of revenues over (under) expenditures	-	(98,229)	(97,566)	663
Fund balances, beginning of fiscal year	<u>-</u>	<u>273,934</u>	<u>273,934</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 175,705</u>	<u>\$ 176,368</u>	<u>\$ 663</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 824,000	\$ 2,104,044	\$ 634,986	\$ (1,469,058)
Program income	9,000	9,000	12,205	3,205
Total revenues	833,000	2,113,044	647,191	(1,465,853)
Expenditures:				
Current:				
Community development	833,000	2,113,044	647,191	1,465,853
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
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
COUNTY LIBRARY
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 970,700	\$ 970,700	\$ 1,062,531	\$ 91,831
Fines and forfeitures	119,000	119,000	144,739	25,739
Other revenues	60,000	60,000	55,016	(4,984)
Total revenues	<u>1,149,700</u>	<u>1,149,700</u>	<u>1,262,286</u>	<u>112,586</u>
Expenditures:				
Community services	<u>1,373,065</u>	<u>1,583,335</u>	<u>1,401,020</u>	<u>182,315</u>
Excess (deficiency) of revenues over (under) expenditures	(223,365)	(433,635)	(138,734)	294,901
Other financing sources (uses):				
Operating transfers in	<u>-</u>	<u>71,759</u>	<u>71,759</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(223,365)	(361,876)	(66,975)	294,901
Fund balances, beginning of fiscal year	<u>-</u>	<u>1,314,675</u>	<u>1,314,675</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ (223,365)</u>	<u>\$ 952,799</u>	<u>\$ 1,247,700</u>	<u>\$ 294,901</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, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	4,350,000	4,350,000	\$ 4,120,382	\$ (229,618)
Use of money and property	225,000	225,000	212,517	(12,483)
Total revenues	<u>4,575,000</u>	<u>4,575,000</u>	<u>4,332,899</u>	<u>(242,101)</u>
Expenditures:				
Public works	<u>4,575,000</u>	<u>9,058,849</u>	<u>4,592,057</u>	<u>4,466,792</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,483,849)	(259,158)	4,224,691
Fund balances, beginning of fiscal year	<u>-</u>	<u>5,501,864</u>	<u>5,501,864</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 1,018,015</u>	<u>\$ 5,242,706</u>	<u>\$ 4,224,691</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 336,717	\$ 30,000	\$ (306,717)
Other revenues	-	8,000	-	(8,000)
Total revenues	-	344,717	30,000	(314,717)
Expenditures:				
Capital outlay	2,017,730	6,098,958	2,455,080	3,643,878
Excess (deficiency) of revenues over (under) expenditures	(2,017,730)	(5,754,241)	(2,425,080)	3,329,161
Other financing sources (uses):				
Operating transfers in	2,017,730	2,233,728	2,233,728	-
Operating transfers out	-	(124,710)	(124,710)	-
Total other financing sources (uses)	2,017,730	2,109,018	2,109,018	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(3,645,223)	(316,062)	3,329,161
Fund balances, beginning of fiscal year	-	3,680,159	3,680,159	-
Fund balances, end of fiscal year	\$ -	\$ 34,936	\$ 3,364,097	\$ 3,329,161

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR FUNDS
STREETS CAPITAL IMPROVEMENTS
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	1,490,000	4,434,510	\$ 2,382,929	\$ (2,051,581)
Other revenues	-	75,000	-	(75,000)
Total revenues	<u>1,490,000</u>	<u>4,509,510</u>	<u>2,382,929</u>	<u>(2,126,581)</u>
Expenditures:				
Capital outlay	<u>3,974,948</u>	<u>13,413,524</u>	<u>5,763,399</u>	<u>7,650,125</u>
Excess (deficiency) of revenues over (under) expenditures	(2,484,948)	(8,904,014)	(3,380,470)	5,523,544
Other financing sources (uses):				
Operating transfers in	<u>2,484,948</u>	<u>2,484,948</u>	<u>2,484,948</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(6,419,066)	(895,522)	5,523,544
Fund balances, beginning of fiscal year	<u>-</u>	<u>6,690,290</u>	<u>6,690,290</u>	<u>-</u>
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ 271,224</u>	<u>\$ 5,794,768</u>	<u>\$ 5,523,544</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, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 1,020,500	\$ 70,927	\$ (949,573)
Expenditures:				
Current:				
Community services	743,000	2,774,923	596,849	2,178,074
Excess (deficiency) of revenues over (under) expenditures	743,000	(1,754,423)	(525,922)	1,228,501
Other financing sources (uses):				
Operating transfers in	743,000	880,164	880,164	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	(874,259)	354,242	1,228,501
Fund balances, beginning of fiscal year	-	914,843	914,843	-
Fund balances, end of fiscal year	\$ -	\$ 40,584	\$ 1,269,085	\$ 1,228,501

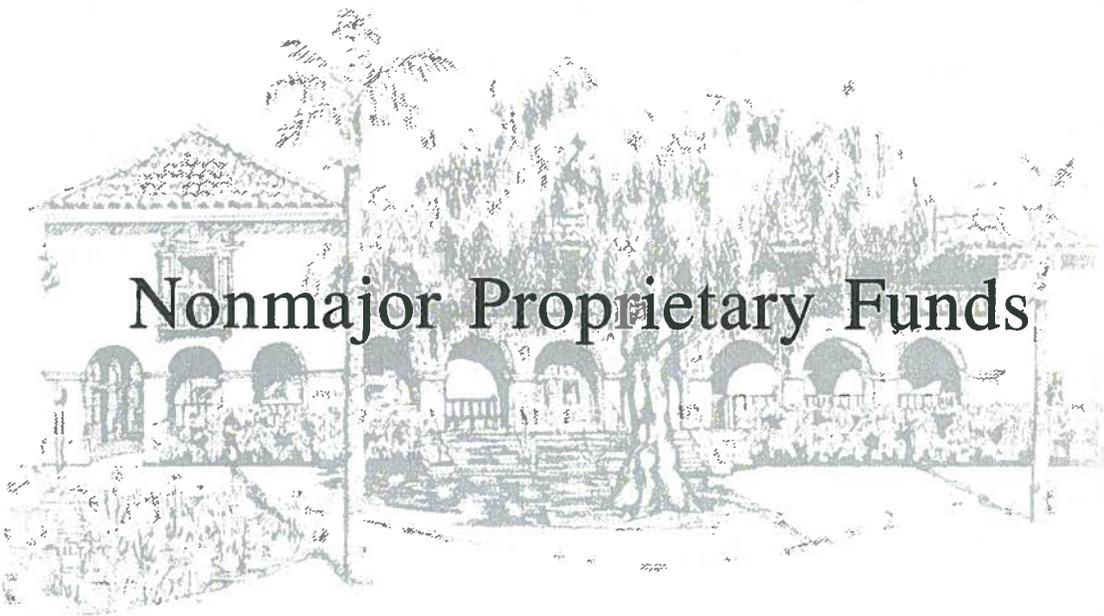
CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR FUNDS
POLICE - SUPPLEMENTAL LAW ENFORCEMENT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 188,398	\$ 188,398	\$ 181,498	\$ (6,900)
Expenditures:				
Current:				
Protection of persons and property	188,398	188,861	181,916	6,945
Excess (deficiency) of revenues over (under) expenditures	-	(463)	(418)	45
Fund balances, beginning of fiscal year	-	463	463	-
Fund balances, end of fiscal year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>

CITY OF SANTA BARBARA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR FUNDS
POLICE - LOCAL LAW ENFORCEMENT BLOCK GRANT
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ 169,613	\$ 169,613	\$ -
Use of money and property	-	-	2,234	2,234
Total revenues	-	169,613	171,847	2,234
Expenditures:				
Current:				
Protection of persons and property	-	182,332	76,303	106,029
Excess (deficiency) of revenues over (under) expenditures	-	(12,719)	95,544	108,263
Other financing sources (uses):				
Operating transfers in	-	12,719	12,719	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	-	-	108,263	108,263
Fund balances, beginning of fiscal year	-	3,628	3,628	-
Fund balances, end of fiscal year	\$ -	\$ 3,628	\$ 111,891	\$ 108,263





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 ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2003

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Assets			
Current Assets:			
Cash and investments	\$ 7,059,665	\$ 1,018,222	\$ 8,077,887
Accounts receivable, net	7,979	-	7,979
Due from other agencies	10,036	3,666	13,702
Total current assets	<u>7,077,680</u>	<u>1,021,888</u>	<u>8,099,568</u>
Capital Assets:			
Land	4,943,771	342,302	5,286,073
Buildings	3,069,599	1,150,524	4,220,123
Building improvements	-	90,749	90,749
Improvements other than buildings	4,259,364	2,289,067	6,548,431
Equipment	440,851	793,763	1,234,614
Construction in progress	42,570	331,462	374,032
Less accumulated depreciation	(4,623,545)	(2,045,917)	(6,669,462)
Total capital assets, (net)	<u>8,132,610</u>	<u>2,951,950</u>	<u>11,084,560</u>
Other Assets:			
Deferred charge-loss on defeasance, net	-	159,958	159,958
Total assets	<u>15,210,290</u>	<u>4,133,796</u>	<u>19,344,086</u>
Liabilities			
Current liabilities:			
Accounts payable	46,253	38,276	84,529
Accrued interest payable	-	33,000	33,000
Accrued salaries payable	70,565	19,183	89,748
Deposits	25,048	-	25,048
Current portion compensated absences	86,248	37,003	123,251
Current portion long term debt	-	105,400	105,400
Total current liabilities	<u>228,114</u>	<u>232,862</u>	<u>460,976</u>
Non-current liabilities:			
Long-term debt, net of current portion	-	1,919,300	1,919,300
Total liabilities	<u>228,114</u>	<u>2,152,162</u>	<u>2,380,276</u>
Net Assets:			
Invested in capital assets net of related debt	8,132,610	1,087,208	9,219,818
Unrestricted	6,849,566	894,426	7,743,992
Total net assets	<u>\$ 14,982,176</u>	<u>\$ 1,981,634</u>	<u>\$ 16,963,810</u>

CITY OF SANTA BARBARA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2003

	Downtown Parking	Golf Course	Total Nonmajor Proprietary Funds
Operating Revenues:			
Service charges	\$ 3,708,707	\$ 1,702,437	\$ 5,411,144
Leases and rents	-	248,369	248,369
Other revenues	13,759	1,097	14,856
Total revenues	<u>3,722,466</u>	<u>1,951,903</u>	<u>5,674,369</u>
Operating Expenses:			
Salaries, wages and benefits	2,607,609	856,551	3,464,160
Materials, supplies and services	2,032,232	652,611	2,684,843
Depreciation	415,745	134,502	550,247
Total operating expenses	<u>5,055,586</u>	<u>1,643,664</u>	<u>6,699,250</u>
Operating income (loss)	<u>(1,333,120)</u>	<u>308,239</u>	<u>(1,024,881)</u>
Non-operating revenues (expenses):			
Taxes	696,828	-	696,828
Investment income	266,317	49,509	315,826
Interest expense	-	(97,397)	(97,397)
Total non-operating revenues (expenses)	<u>963,145</u>	<u>(47,888)</u>	<u>915,257</u>
Income (loss) before transfers	(369,975)	260,351	(109,624)
Transfers out	<u>(34,071)</u>	<u>(1,033)</u>	<u>(35,104)</u>
Change in net assets	(404,046)	259,318	(144,728)
Net assets, beginning of fiscal year	15,386,222	1,722,316	17,108,538
Net assets, end of fiscal year	<u>\$ 14,982,176</u>	<u>\$ 1,981,634</u>	<u>\$ 16,963,810</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2003

	<u>Downtown Parking</u>	<u>Golf Course</u>	<u>Total Nonmajor Proprietary Funds</u>
Cash flows from operating activities:			
Cash received from services	\$ -	\$ 1,702,437	\$ 1,702,437
Cash received from rents and leases	3,717,431	248,369	3,965,800
Cash payments for goods and services	(2,077,210)	(653,031)	(2,730,241)
Cash payments to employees for services	(2,584,885)	(846,605)	(3,431,490)
Cash returned for deposits	(4,791)	-	(4,791)
Other operating receipts	16,268	2,012	18,280
Net cash provided (used) by operating activities	<u>(933,187)</u>	<u>453,182</u>	<u>(480,005)</u>
Cash flows from noncapital financing activities			
Transfers to other funds	(34,071)	(1,033)	(35,104)
Cash received from taxes and assessments	696,828	-	696,828
Net cash provided (used) by non-capital financing activities	<u>662,757</u>	<u>(1,033)</u>	<u>661,724</u>
Cash flows from capital and related financing activities:			
Payments on long term debt	-	(130,900)	(130,900)
Sale of capital assets	49,542	-	49,542
Acquisition of capital assets	-	(695,156)	(695,156)
Interest paid on debt	-	(53,733)	(53,733)
Net cash provided (used) by capital and related financing activities	<u>49,542</u>	<u>(879,789)</u>	<u>(830,247)</u>
Cash flows from investing activities:			
Cash received on investments	266,317	49,509	315,826
Net increase (decrease) in cash and cash equivalents	45,429	(378,131)	(332,702)
Cash and cash equivalents, beginning of fiscal year	7,014,236	1,396,353	8,410,589
Cash and cash equivalents, end of fiscal year	<u>\$ 7,059,665</u>	<u>\$ 1,018,222</u>	<u>\$ 8,077,887</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,333,120)	\$ 308,239	\$ (1,024,881)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	415,745	134,502	550,247
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	8,724	-	8,724
(Increase) decrease in due from other agencies	2,509	916	3,425
Increase (decrease) in accounts payable	(44,978)	(421)	(45,399)
Increase (decrease) in accrued salaries payable	4,399	2,036	6,435
Increase (decrease) in accrued compensated absences	18,325	7,910	26,235
Increase (decrease) in deposits	(4,791)	-	(4,791)
Net cash provided (used) by operating activities	<u>\$ (933,187)</u>	<u>\$ 453,182</u>	<u>\$ (480,005)</u>



Internal Service Funds

INTERNAL SERVICE FUNDS

Intra-City Service Fund - To account for the costs of operating a City maintenance facility for automotive equipment used by all City departments. This fund also accounts for a City-wide building maintenance operation.

Duplicating Services Fund - To account for the operations of the City print shop.

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

CITY OF SANTA BARBARA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2003

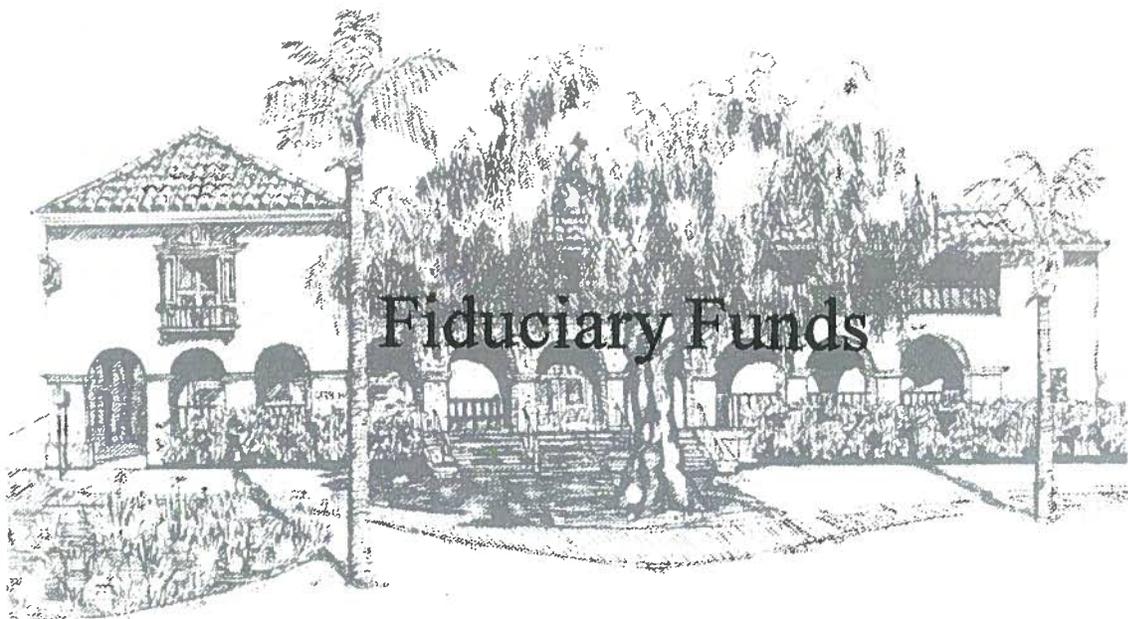
<u>Assets</u>	Intra-City Service	Duplicating Services	Self- Insurance	Total
Current Assets:				
Cash and investments	\$ 4,159,016	\$ 80,222	\$ 3,838,672	\$ 8,077,910
Accounts receivable	19,592	-	-	19,592
Due from other agencies	-	-	37,506	37,506
Inventory, at cost	936,579	27,215	-	963,794
Prepaid assets	-	-	1,496,222	1,496,222
Total current assets	<u>5,115,187</u>	<u>107,437</u>	<u>5,372,400</u>	<u>10,595,024</u>
Capital assets:				
Buildings	105,889	-	-	105,889
Equipment	15,067,078	197,661	-	15,264,739
Less accumulated depreciation	(10,351,608)	(146,328)	-	(10,497,936)
Total capital assets, net	<u>4,821,359</u>	<u>51,333</u>	<u>-</u>	<u>4,872,692</u>
Total assets	<u>9,936,546</u>	<u>158,770</u>	<u>5,372,400</u>	<u>15,467,716</u>
Liabilities				
Current Liabilities:				
Accounts payable	\$ 231,872	\$ 6,466	\$ 104,749	\$ 343,087
Accrued salaries payable	49,016	3,474	5,216	57,706
Current portion compensated absences liability	130,131	7,830	18,049	156,010
Current portion claims liability	-	-	3,937,540	3,937,540
Total current liabilities	<u>411,019</u>	<u>17,770</u>	<u>4,065,554</u>	<u>4,494,343</u>
Non-current Liabilities:				
Estimated claims liability, net of current portion	-	-	6,704,460	6,704,460
Total liabilities	<u>411,019</u>	<u>17,770</u>	<u>10,770,014</u>	<u>11,198,803</u>
Net Assets				
Invested in net assets, net of related debt	4,821,359	51,333	-	4,872,692
Unrestricted	4,704,168	89,667	(5,397,614)	(603,779)
Total net assets	<u>\$ 9,525,527</u>	<u>\$ 141,000</u>	<u>\$ (5,397,614)</u>	<u>\$ 4,268,913</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2003

	Intra-City Service	Duplicating Services	Self- Insurance	Total
Operating Revenues:				
Service charges	\$ 7,302,085	\$ 341,175	\$ 6,260,814	\$ 13,904,074
Other revenues	180,721	-	335,840	516,561
Total operating revenues	<u>7,482,806</u>	<u>341,175</u>	<u>6,596,654</u>	<u>14,420,635</u>
Operating Expenses:				
Salaries, wages and benefits	2,199,790	167,940	414,320	2,782,050
Materials, supplies and services	3,722,353	146,645	8,710,708	12,579,706
Depreciation	1,316,702	12,833	-	1,329,535
Other expenses	935	-	-	935
Total operating expenses	<u>7,239,780</u>	<u>327,418</u>	<u>9,125,028</u>	<u>16,692,226</u>
Operating income (loss)	243,026	13,757	(2,528,374)	(2,271,591)
Non-operating Revenues and Expenses:				
Investment income	-	-	54,390	54,390
Income (loss) before transfers	243,026	13,757	(2,473,984)	(2,217,201)
Transfers Out	<u>(6,838)</u>	<u>(848)</u>	<u>(974)</u>	<u>(8,660)</u>
Change in net assets	236,188	12,909	(2,474,958)	(2,225,861)
Net assets, beginning of fiscal year	<u>9,289,339</u>	<u>128,091</u>	<u>(2,922,656)</u>	<u>6,494,774</u>
Net assets, end of fiscal year	<u>\$ 9,525,527</u>	<u>\$ 141,000</u>	<u>\$ (5,397,614)</u>	<u>\$ 4,268,913</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Fiscal Year Ended June 30, 2003

	Intra-City Service	Duplicating Services	Self- Insurance	Total
Cash flow from operating activities:				
Cash received from services	\$ 7,305,219	\$ 341,175	\$ 6,267,439	\$ 13,913,833
Cash payments for goods and services	(3,706,495)	(155,562)	(5,468,353)	(9,330,410)
Cash payments to employees for services	(1,956,137)	(165,009)	(422,455)	(2,543,601)
Other operating receipts	180,721	-	335,840	516,561
Net cash provided by operating activities	<u>1,823,308</u>	<u>20,604</u>	<u>712,471</u>	<u>2,556,383</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(6,838)	(848)	(974)	(8,660)
Received from other agencies	-	-	9,030	9,030
Net cash provided (used) by non-capital financing activities	<u>(6,838)</u>	<u>(848)</u>	<u>8,056</u>	<u>370</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	<u>(1,428,826)</u>	<u>-</u>	<u>-</u>	<u>(1,428,826)</u>
Cash flows from investing activities:				
Cash received on investments	<u>-</u>	<u>-</u>	<u>54,390</u>	<u>54,390</u>
Net increase in cash and cash equivalents	387,644	19,756	774,917	1,182,317
Cash and cash equivalents, beginning of fiscal year	<u>3,771,372</u>	<u>60,466</u>	<u>3,063,755</u>	<u>6,895,593</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 4,159,016</u>	<u>\$ 80,222</u>	<u>\$ 3,838,672</u>	<u>\$ 8,077,910</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 243,026	\$ 13,757	\$ (2,528,374)	\$ (2,271,591)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,316,702	12,833	-	1,329,535
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	3,134	-	6,625	9,759
(Increase) decrease in inventories	91,818	(13,453)	-	78,365
(Increase) decrease in prepaid assets	-	-	196,433	196,433
Increase (decrease) in accounts payable	(75,025)	4,536	(8,121)	(78,610)
Increase (decrease) in accrued claims	-	-	3,054,043	3,054,043
Increase (decrease) in accrued salaries payable	243,653	2,931	(8,135)	238,449
Net cash provided by operating activities	<u>\$ 1,823,308</u>	<u>\$ 20,604</u>	<u>\$ 712,471</u>	<u>2,556,383</u>



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.

Russ Morrison Fund - To account for contributions from the Santa Barbara Athletic Roundtable for the sole purpose of promoting junior golf.

H. Bayer Sculpture Fund - To account for funds dedicated to the repair and maintenance of the Herbert Bayer sculpture, located on City park property.

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).

Browning Ferris Industries Fund - To account for the collection and disbursement of utility billings for refuse collection service provided under a franchise agreement.

Cachuma Conservation Fund - To account for moneys received from various participating agencies for the operation of the Cachuma Conservation Resources Board.

Revolving Rehabilitation Loan Fund - To account for rehabilitation loans made by the City through the use of various funding sources.

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 ASSETS
 PENSION TRUST FUNDS
 June 30, 2003**

	Safety Retirement	Service Retirement	Total
Assets			
Cash and short-term investments	\$ 401,728	\$ 673	\$ 402,401
Due from other agencies	11,050	-	11,050
Total current assets	<u>412,778</u>	<u>673</u>	<u>413,451</u>
Investments, at fair value			
Equity share in city investment pool	-	80,211	80,211
Investment with fiscal agent	-	886,921	886,921
Total investments	<u>-</u>	<u>967,132</u>	<u>967,132</u>
Total assets	<u>412,778</u>	<u>967,805</u>	<u>1,380,583</u>
Net assets			
Held in trust for pension benefits	<u>\$ 412,778</u>	<u>\$ 967,805</u>	<u>\$ 1,380,583</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS
Fiscal Year Ended June 30, 2003

	<u>Safety Retirement</u>	<u>Service Retirement</u>	<u>Total</u>
Additions			
Investment Income:			
Net appreciation (depreciation) in fair value of investments	\$ (1,699)	\$ (42,335)	\$ (44,034)
Interest	21,513	36,767	58,280
Dividends	-	12,791	12,791
Total investment income	<u>19,814</u>	<u>7,223</u>	<u>27,037</u>
Less investment expenses:			
Banking, interest and fiscal agent expenses	<u>-</u>	<u>(11,868)</u>	<u>(11,868)</u>
Net investment income (loss)	<u>19,814</u>	<u>(4,645)</u>	<u>15,169</u>
Deductions			
Benefits	<u>215,719</u>	<u>172,753</u>	<u>388,472</u>
Total deductions	<u>215,719</u>	<u>172,753</u>	<u>388,472</u>
Net decrease	(195,905)	(177,398)	(373,303)
Net assets held in trust for pension benefits:			
Beginning of fiscal year	<u>608,683</u>	<u>1,145,203</u>	<u>1,753,886</u>
End of fiscal year	<u>\$ 412,778</u>	<u>\$ 967,805</u>	<u>\$ 1,380,583</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
June 30, 2003

	<u>Library Gifts</u>	<u>Canine Unit</u>	<u>Russ Morrison Trust</u>	<u>Total</u>
Assets				
Cash and investments	\$ 1,292,683	\$ 76,661	\$ 44,639	\$ 1,413,983
Liabilities				
Accounts payable	<u>-</u>	<u>125</u>	<u>-</u>	<u>125</u>
Net Assets				
Held in trust	<u>\$ 1,292,683</u>	<u>\$ 76,536</u>	<u>\$ 44,639</u>	<u>\$ 1,413,858</u>

CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
Fiscal Year Ended June 30, 2003

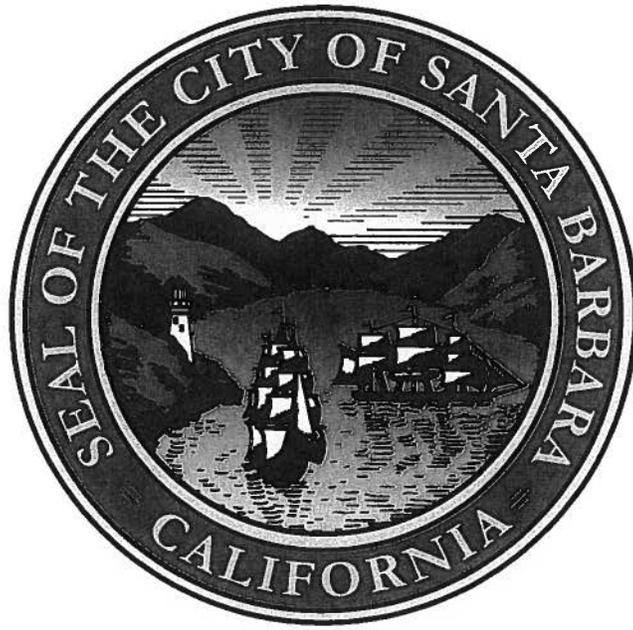
	<u>Library Gifts</u>	<u>Canine Unit</u>	<u>Russ Morrison Trust</u>	<u>Total</u>
Additions				
Use of money and property	\$ 25,959	\$ 1,777	\$ 974	\$ 28,710
Contributions	486,118	-	13,117	499,235
Total additions	<u>512,077</u>	<u>1,777</u>	<u>14,091</u>	<u>527,945</u>
Deductions				
Operating transfers out	255,251	-	-	255,251
Community services	10,180	13,724	12,769	36,673
Total deductions	<u>265,431</u>	<u>13,724</u>	<u>12,769</u>	<u>291,924</u>
Net increase (decrease)	246,646	(11,947)	1,322	236,021
Net assets, beginning of fiscal year	<u>1,046,037</u>	<u>88,483</u>	<u>43,317</u>	<u>1,177,837</u>
Net assets, end of fiscal year	<u>\$ 1,292,683</u>	<u>\$ 76,536</u>	<u>\$ 44,639</u>	<u>\$ 1,413,858</u>

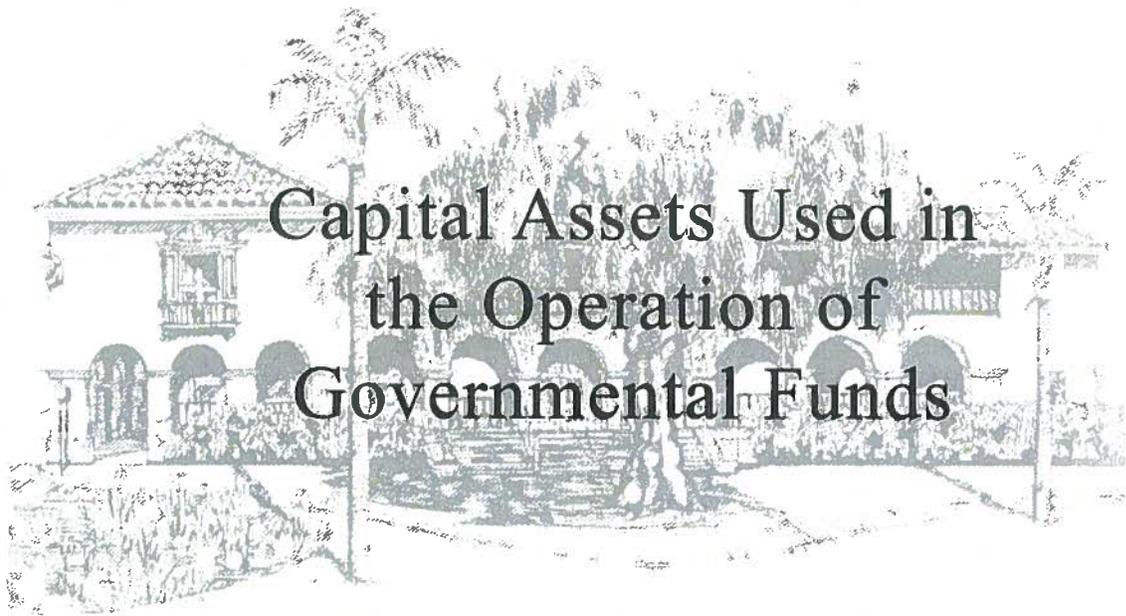
CITY OF SANTA BARBARA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Fiscal Year Ended June 30, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
CALIFORNIA LAW ENFORCEMENT TELECOMMUNICATIONS SYSTEM:				
Assets:				
Cash and investments	\$ -	\$ 103,048	\$ 103,048	\$ -
Accounts receivable	39,328	148,851	132,291	55,888
Equipment	120,000	-	18,000	102,000
Total assets	\$ 159,328	\$ 251,899	\$ 253,339	\$ 157,888
Liabilities:				
Accounts payable	\$ 2,964	\$ 73,072	\$ 73,507	\$ 2,529
Due to General Fund	24,048	19,222	-	43,270
Trust liability	132,316	-	20,227	112,089
Total liabilities	\$ 159,328	\$ 92,294	\$ 93,734	\$ 157,888
BROWNING-FERRIS INDUSTRIES:				
Assets:				
Cash and investments	\$ 957,785	\$ 13,421,174	\$ 13,320,307	\$ 1,058,652
Accounts receivable	947,841	13,483,892	13,486,766	944,967
Total assets	\$ 1,905,626	\$ 26,905,066	\$ 26,807,073	\$ 2,003,619
Liabilities:				
Trust liability	\$ 1,905,626	\$ 13,518,614	\$ 13,420,621	\$ 2,003,619
Total liabilities	\$ 1,905,626	\$ 13,518,614	\$ 13,420,621	\$ 2,003,619
CACHUMA CONSERVATION:				
Assets:				
Cash and investments	\$ 43,832	\$ 74,828	\$ 118,660	\$ -
Total assets	\$ 43,832	\$ 74,828	\$ 118,660	\$ -
Liabilities:				
Accounts payable	\$ 43,832	\$ 172,379	\$ 216,211	\$ -
Trust liability	-	115,853	115,853	-
Total liabilities	\$ 43,832	\$ 288,232	\$ 332,064	\$ -
REVOLVING REHAB LOAN:				
Assets:				
Cash and investments	\$ 589,578	\$ 208,639	\$ 124,352	\$ 673,865
Accounts receivable	1,366	1,639	-	3,005
Loans receivable	2,439,254	-	65,764	2,373,490
Total assets	\$ 3,030,198	\$ 210,278	\$ 190,116	\$ 3,050,360
Liabilities:				
Accounts payable	\$ 1,522	\$ 6	\$ -	\$ 1,528
Contributions	3,028,676	20,156	-	3,048,832
Total liabilities	\$ 3,030,198	\$ 20,162	\$ -	\$ 3,050,360

CITY OF SANTA BARBARA
 ALL AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Fiscal Year Ended June 30, 2003
 (continued)

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
SEISMIC SAFETY ASSESSMENT FUND:				
Assets:				
Cash and investments	\$ 118,170	\$ 105,277	\$ 141,006	\$ 82,441
Accounts receivable	14,332	-	14,332	-
Cash and investments held by fiscal agent	321,475	141,980	362,916	100,539
Total assets	\$ 453,977	\$ 247,257	\$ 518,254	\$ 182,980
Liabilities:				
Trust liability	\$ 453,977	\$ 81,368	\$ 352,365	\$ 182,980
Total liabilities	\$ 453,977	\$ 81,368	\$ 352,365	\$ 182,980
 TOTAL - ALL AGENCY FUNDS:				
Assets:				
Cash and investments	\$ 1,709,365	\$ 13,912,966	\$ 13,807,373	\$ 1,814,958
Accounts receivable	1,002,867	13,634,382	13,633,389	1,003,860
Loans receivable	2,439,254	-	65,764	2,373,490
Equipment (net)	120,000	-	18,000	102,000
Cash and investments held by fiscal agent	321,475	141,980	362,916	100,539
Total assets	\$ 5,592,961	\$ 27,689,328	\$ 27,887,442	\$ 5,394,847
Liabilities:				
Accounts payable	\$ 48,318	\$ 245,457	\$ 289,718	\$ 4,057
Interfund payable	24,048	19,222	-	43,270
Trust liability	2,491,919	13,715,835	13,909,066	2,298,688
Contributions	3,028,676	20,156	-	3,048,832
Total liabilities	\$ 5,592,961	\$ 14,000,670	\$ 14,198,784	\$ 5,394,847





Capital Assets Used in the Operation of Governmental Funds

**CITY OF SANTA BARBARA
 CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 AS OF JUNE 30, 2003**

	Total
Governmental Funds Capital Assets	
Land	\$ 47,795,017
Construction in progress	3,821,810
Building	18,256,731
Building Improvements	3,084,319
Improvements	31,623,199
Drainage Systems	126,452
Equipment	22,105,574
Infrastructure	2,255,080
Total governmental funds capital assets	\$ 129,068,182
Accumulated Depreciation	
Building	8,470,216
Building Improvements	1,954,305
Improvements	14,097,232
Drainage Systems	4,215
Equipment	14,997,988
Infrastructure	102,845
	\$ 39,626,801

This schedule presents the capital asset balances related to governmental funds and capital assets of governmental activities reported in the Internal Service funds. Generally, the capital assets of Internal Service funds are included in governmental activities in the Statement of Net Assets.

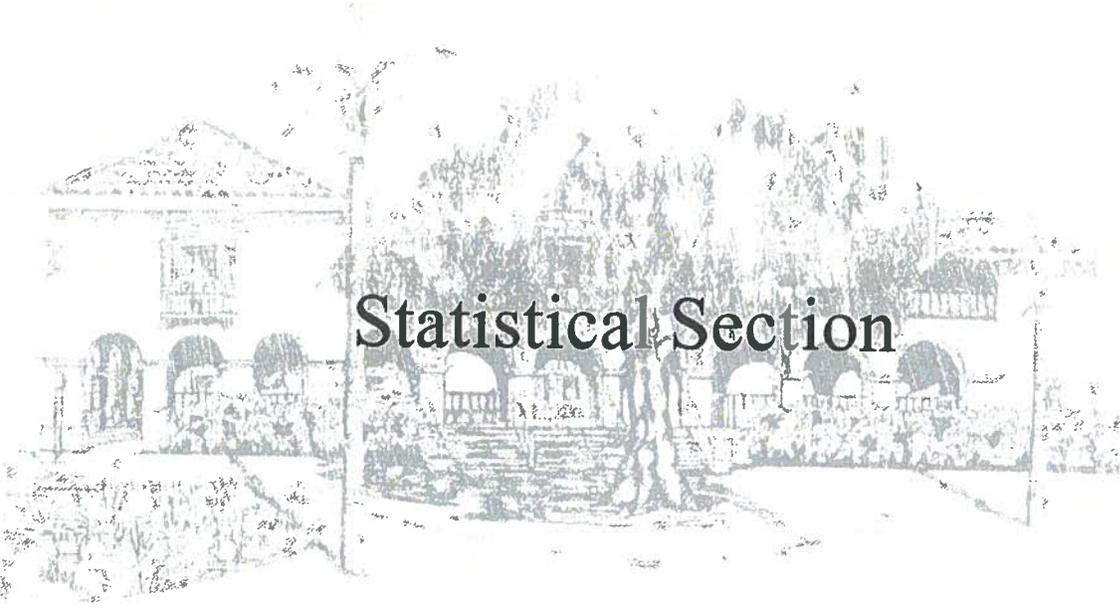
CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2003

Function:	<u>Land</u>	<u>Construction in Progress</u>	<u>Buildings</u>	<u>Building Improvements</u>	<u>Improvements</u>
City Attorney	-	-	-	-	-
City Administrator's Office	1,473,424	-	158,716	-	-
Administrative Services	-	-	-	-	-
Finance	-	-	-	170,589	-
Public Safety	558,158	17	3,595,496	-	146,828
Public Works	-	1,423,022	1,431,368	125,446	2,045,397
Community Services	6,891,746	425,325	9,031,387	2,788,284	4,628,352
Community Development	38,871,689	1,973,446	4,039,764	-	24,802,622
Total governmental funds capital assets	<u>47,795,017</u>	<u>3,821,810</u>	<u>18,256,731</u>	<u>3,084,319</u>	<u>31,623,199</u>

<u>Drainage Systems</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Total</u>
-	32,883	-	32,883
-	1,771,005	-	3,403,145
-	1,456,732	-	1,456,732
-	257,822	-	428,411
-	1,729,326	-	6,029,825
126,452	15,887,935	330,294	21,369,914
-	860,831	-	24,625,925
-	109,040	1,924,786	71,721,347
<u>126,452</u>	<u>22,105,574</u>	<u>2,255,080</u>	<u>129,068,182</u>

CITY OF SANTA BARBARA
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2003

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Function:				
City Attorney	\$ 32,883	\$ -	\$ -	\$ 32,883
City Administrator's Office	3,384,174	47,566	(28,595)	3,403,145
Administrative Services	1,456,732	69,703	(69,703)	1,456,732
Finance	257,822	170,589	-	428,411
Public Safety	5,743,824	486,164	(200,163)	6,029,825
Public Works	19,534,270	2,216,704	(381,060)	21,369,914
Community Services	24,179,726	701,609	(255,410)	24,625,925
Community Development	71,096,134	2,495,019	(1,869,806)	71,721,347
Total governmental funds capital assets	<u>125,685,565</u>	<u>\$ 6,187,354</u>	<u>\$(2,804,737)</u>	<u>\$ 129,068,182</u>



Statistical Section

TABLE 1
CITY OF SANTA BARBARA
MISCELLANEOUS STATISTICS
June 30, 2003
(Unaudited)

Date of incorporation	August 26, 1850
Form of Government	Council-Administrator
Area	23 square miles
Miles of streets	280
Police protection:	
Number of stations	1
Number of police officers and other sworn personnel	159
Fire protection:	
Number of stations	8
Number of firefighters and officers	99
Municipal Water Department:	
Number of water services - active	25,527
Gallons of potable water treated and distributed a year	3,687,078,701
Gallons of reclaimed water treated and distributed a year	183,441,614
Reservoirs	13
Pump stations	12
Treatment plants	3
Wells	8
Reclamation facility	1
Municipal Wastewater Department:	
Number of services	23,651
Treatment plant	1
Lift stations	13
Gallons of wastewater treated per year	3,083,270,000
Parks and Recreation:	
Number of open-space parks	11
Number of passive parks	9
Number of neighborhood parks	13
Number of community parks	9
Number of sports facilities	10
Number of community buildings	13
Number of beach parks	3
Number of regional parks	2
Libraries:	
Number of City libraries	2
Number of volumes (books, tapes, periodicals, etc.)	272,042
Number of County libraries	5
Number of volumes (books, tapes, periodicals, etc.)	165,420
Employees:	
Permanent	1,066
Part-time, temporary and seasonal (varies)	545

TABLE 2
CITY OF SANTA BARBARA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
Last Ten Fiscal Years
(Unaudited)

<u>Year ended June 30</u>	<u>General government</u>	<u>Protection of persons and property</u>	<u>Public works</u>	<u>Community services</u>	<u>Community development</u>	<u>Debt service</u>	<u>Capital projects</u>	<u>Total</u>
1994	\$ 7,921,229	\$ 25,965,868	\$ 9,140,207	\$ 12,167,647	\$ 6,596,193	\$ 341,318	\$ 2,778,849	\$ 64,911,311
1995	8,434,112	26,434,449	12,834,901	12,634,220	6,232,645	388,610	4,181,977	71,140,914
1996	7,668,141	26,821,772	12,818,977	13,687,440	6,246,683	383,697	6,537,132	74,163,842
1997	8,058,399	27,679,036	10,013,258	12,959,715	5,804,710	380,325	6,137,491	71,032,934
1998	8,802,415	27,819,578	13,209,609	14,164,235	7,734,058	375,380	5,844,275	77,949,550
1999	8,849,818	29,463,624	11,127,640	14,832,596	7,217,853	379,975	5,231,513	77,103,019
2000	9,740,787	30,743,295	11,995,002	15,495,150	7,621,581	378,980	5,611,660	81,586,455
2001	10,644,235	33,419,133	12,463,559	16,869,164	8,448,304	377,485	8,157,963	90,379,843
2002	13,477,823	35,678,754	14,522,102	15,926,833	8,688,734	380,340	7,181,880	95,856,466
2003	14,073,912	37,334,337	14,763,879	16,356,265	9,326,797	364,336	8,218,479	100,438,005

Sources: General, Special Revenue, Debt Service, Capital Projects and Private Purpose Trust Funds, excluding Redevelopment Agency.

TABLE 3
CITY OF SANTA BARBARA
GENERAL REVENUES BY SOURCE
Last Ten Fiscal Years
(Unaudited)

<u>Year ended June 30</u>	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Fines and forfeitures</u>	<u>Use of money and property</u>	<u>Program income</u>	<u>Other</u>	<u>Total</u>
1994	\$ 40,136,713	\$ 7,771,710	\$ 1,817,590	\$ 2,624,383	\$ 11,275,537	\$ 1,891,096	\$ 65,517,029
1995	39,883,037	11,494,592	1,702,020	2,322,022	11,870,022	2,024,776	69,296,469
1996	41,384,958	12,140,853	1,616,650	1,406,824	12,089,424	3,111,663	71,750,372
1997	44,637,479	11,313,354	1,645,155	2,720,718	12,147,479	3,366,660	75,830,845
1998	47,034,729	11,689,221	1,895,337	2,822,584	12,771,735	2,152,792	78,366,398
1999	49,485,363	10,783,960	2,153,178	2,274,341	13,559,208	2,613,936	80,869,986
2000	52,790,540	9,793,137	2,348,050	2,896,929	14,289,561	3,967,120	86,085,337
2001	57,974,296	16,843,650	2,304,365	5,008,626	15,069,572	1,991,138	99,191,647
2002	59,533,617	12,754,376	2,648,995	3,846,600	11,780,778	5,813,998	96,378,364
2003	61,627,317	12,566,575	2,923,982	2,633,847	12,858,387	5,747,841	98,357,949

Sources: General, Special Revenue, Debt Service, Capital Projects and Private Purpose Trust Funds, excluding the Redevelopment Agency.

TABLE 4
CITY OF SANTA BARBARA
TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Sales and use tax	Utility user's tax	Real Property taxes	Business License tax	Transient occupancy tax	Transportation tax	Gas tax	Franchise taxes	Total
1994	\$ 14,117,678	\$ 6,885,763	\$ 6,426,671	\$ 1,210,979	\$ 5,740,177	\$ 2,669,813	\$ 1,518,857	\$ 1,566,775	\$ 40,136,713
1995	12,703,453	7,032,135	6,614,433	1,313,562	6,445,357	2,821,311	1,523,663	1,429,123	39,883,037
1996	13,241,364	7,332,679	7,013,561	1,308,767	6,662,365	2,867,700	1,559,740	1,398,782	41,384,958
1997	14,554,225	8,115,001	6,939,575	1,400,159	7,428,651	2,993,288	1,581,535	1,625,045	44,637,479
1998	15,342,753	8,600,222	7,285,936	1,520,716	7,845,572	3,327,789	1,598,226	1,513,515	47,034,729
1999	16,363,586	8,329,708	7,898,801	1,566,037	8,685,055	3,439,922	1,619,795	1,582,459	49,485,363
2000	17,325,587	8,910,837	8,498,844	1,666,096	9,392,028	3,744,688	1,618,372	1,634,088	52,790,540
2001	18,237,202	9,736,580	9,038,546	1,681,549	11,098,990	4,587,220	1,810,879	1,783,330	57,974,296
2002	17,216,055	9,995,605	9,821,072	1,768,599	11,805,225	5,192,305	1,667,888	2,066,866	59,533,615
2003	17,903,527	11,166,141	11,247,794	1,831,973	11,837,281	4,172,624	1,698,393	1,769,584	61,627,317

Sources: General, Special Revenue and Capital Projects, Debt Service and Private Purpose Trust Funds, excluding the Redevelopment Agency.

TABLE 5
CITY OF SANTA BARBARA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

<u>Year ended June 30</u>	<u>Current tax collections</u>	<u>Percent of levy collected</u>	<u>Delinquent tax collections</u>	<u>Total tax collections</u>	<u>Total collections as a percent of current levy</u>	<u>Outstanding delinquent taxes</u>	<u>Delinquent taxes as percent of current levy</u>	<u>Current levy</u>
1994	\$ 5,499,542	85.57%	\$ 927,129	\$ 6,426,671	96.07%	\$ 263,130	3.93%	\$ 6,689,802
1995	5,678,676	88.43%	743,069	6,421,745	97.31%	177,339	2.69%	6,599,084
1996	6,383,168	100.00%	-	6,383,168	100.00%	-	-	6,383,168
1997	6,526,342	100.00%	-	6,526,342	100.00%	-	-	6,526,342
1998	6,777,217	100.00%	-	6,777,217	100.00%	-	-	6,777,217
1999	7,291,667	100.00%	-	7,291,667	100.00%	-	-	7,291,667
2000	7,797,472	100.00%	-	7,797,472	100.00%	-	-	7,797,472
2001	8,262,133	100.00%	-	8,262,133	100.00%	-	-	8,262,133
2002	8,867,991	100.00%	-	8,867,991	100.00%	-	-	8,867,991
2003	9,526,284	100.00%	-	9,526,284	100.00%	-	-	9,526,284

Source: County of Santa Barbara.

TABLE 6
CITY OF SANTA BARBARA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years
(Unaudited)
(per \$100 of assessed value)

<u>Year ended June 30</u>	<u>County</u>	<u>City</u>	<u>Schools</u>	<u>Sanitation and water</u>	<u>State water</u>	<u>Total</u>
1994	1.0000	-	0.00156	-	-	1.00156
1995	1.0000	-	0.00102	-	-	1.00102
1996	1.0000	-	0.00761	-	-	1.00761
1997	1.0000	-	0.01223	-	-	1.01223
1998	1.0000	-	0.00420	-	-	1.00420
1999	1.0000	-	0.03480	-	-	1.03480
2000	1.0000	-	0.02950	-	-	1.02950
2001	1.0000	-	0.02670	-	-	1.02670
2002	1.0000	-	0.01602	-	-	1.01602
2003	1.0000	-	0.01467	-	-	1.01467

Article XIII A of the California Constitution (Proposition 13) limits what can be included in property tax rates

Sources: County of Santa Barbara: Tax Rates and Assessed Valuations
Assessor's Role.

TABLE 7
CITY OF SANTA BARBARA
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE AND
GENERAL BONDED DEBT PER CAPITA AND LEGAL DEBT LIMIT
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Population (1)	Gross assessed value (2)	General bonded debt	Legal debt limit (3)	Ratio of general bonded debt to assessed value	General bonded debt per capita
1994	89,200	6,305,282,358	-	630,528,236	-	-
1995	90,218	6,394,321,449	-	639,432,145	-	-
1996	89,370	6,497,018,207	-	649,701,821	-	-
1997	89,926	6,671,177,945	-	667,117,795	-	-
1998	91,223	6,970,240,734	-	697,024,073	-	-
1999	91,909	7,517,528,949	-	751,752,895	-	-
2000	92,826	7,986,828,416	-	798,682,842	-	-
2001	94,154	8,629,458,602	-	862,945,860	-	-
2002	90,696	9,278,889,667	-	927,888,967	-	-
2003	90,464	9,965,554,390	-	996,555,439	-	-

Sources: (1) California Department of Finance, Population Research Unit.
(2) Santa Barbara County, "Tax Rates and Assessed Valuation."
(3) Legal debt limit is 10% of gross assessed value.
Part III, Assessed valuation by district

TABLE 8
CITY OF SANTA BARBARA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)
(in thousands)

<u>Year ended June 30</u>	<u>Real assessed value</u>	<u>Net property estimated actual value</u>	<u>Personal assessed value</u>	<u>Property estimated actual value</u>	<u>Gross assessed value</u>	<u>Less other exemptions</u>	<u>Assessed value (less other exemptions)</u>
1994	\$ 5,962,773	\$ 5,962,773	\$ 342,509	\$ 342,509	\$ 6,305,282	\$ 365,878	\$ 5,939,404
1995	6,070,968	6,070,968	323,354	323,354	6,394,322	385,973	6,008,349
1996	6,189,193	6,189,193	307,825	307,825	6,497,018	383,313	6,113,705
1997	6,362,382	6,362,382	308,796	308,796	6,671,178	424,550	6,246,628
1998	6,606,474	6,606,474	363,766	363,766	6,970,240	449,000	6,521,240
1999	7,085,198	7,085,198	432,253	432,253	7,517,451	461,743	7,055,708
2000	7,560,260	7,560,260	426,567	426,567	7,986,827	490,116	7,496,711
2001	8,191,548	8,191,548	437,910	437,910	8,629,458	489,045	8,140,413
2002	8,827,568	8,827,568	451,322	451,322	9,278,890	532,372	8,746,518
2003	9,465,721	9,465,721	499,834	499,834	9,965,554	572,863	9,392,691

Source: County of Santa Barbara, "Tax Rates and Assessed Valuations."

<u>Exemptions</u>		<u>Total Net</u>		Ratio gross assessed value to total estimated actual value
<u>Assessed value</u>	<u>Estimated actual value</u>	<u>Assessed value</u>	<u>Estimated actual value</u>	
\$ 87,056	\$ 87,056	\$ 5,852,348	\$ 5,852,348	1:1
87,730	87,730	5,920,619	5,920,619	1:1
88,484	88,484	6,025,221	6,025,221	1:1
89,218	89,218	6,157,410	6,157,410	1:1
89,620	89,620	6,431,620	6,431,620	1:1
90,297	90,297	6,965,411	6,965,411	1:1
90,652	90,652	7,406,059	7,406,059	1:1
90,887	90,887	8,049,526	8,049,526	1:1
90,142	90,142	8,656,376	8,656,376	1:1
90,163	90,163	9,302,527	9,302,527	1:1

TABLE 9
CITY OF SANTA BARBARA
COMPUTATION OF LEGAL DEBT LIMIT
June 30, 2003
(Unaudited)

Net assessed value		\$ 9,465,720,804
Plus exempt property		<u>499,833,586</u>
Total assessed property		<u>\$ 9,965,554,390</u>
Debt limit - 10% of total assessed values		<u>\$ 996,555,439</u>
Amount of debt applicable to debt limit- total bonded debt		\$ -
Less assets in Debt Service Fund available for payment of principal		<u>-</u>
Total amount of debt applicable to debt limit		<u>\$ -</u>
Legal debt margin		<u>\$ 996,555,439</u>

Source: City of Santa Barbara, Finance Department.

TABLE 10
CITY OF SANTA BARBARA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2003
(Unaudited)

Jurisdiction	Net debt outstanding	Percentage applicable to City of Santa Barbara	Less exclusions (1)	Amount applicable to City of Santa Barbara
Direct debt:				
City of Santa Barbara:				
General Fund	\$ 3,930,300	100.00%	\$ -	\$ 3,930,300
Water Fund	30,138,785	100.00%	30,138,785	-
Wastewater Fund	450,000	100.00%	450,000	-
Redevelopment Agency - Tax Allocation Bonds	59,675,000	100.00%	59,675,000	-
Waterfront	18,685,000	100.00%	18,685,000	-
Golf	<u>2,024,700</u>	100.00%	<u>2,024,700</u>	-
Total direct debt	<u>114,903,785</u>		<u>110,973,485</u>	<u>3,930,300</u>
Total overlapping and direct debt	<u>\$ 114,903,785</u>		<u>\$ 110,973,485</u>	<u>\$ 3,930,300</u>

Sources: City of Santa Barbara.

(1) Exclusions represent all bonds which are not general obligations of the City.

TABLE 11
CITY OF SANTA BARBARA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL DEBT TO GENERAL EXPENDITURES
Last Ten Fiscal Years
(Unaudited)

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>	<u>Total general expenditures (1)</u>	<u>Ratio of debt service to expenditures</u>
1994	\$ 65,000	\$ 276,318	\$ 341,318	\$ 64,911,311	0.53
1995	110,000	278,610	388,610	71,140,194	0.55
1996	110,000	269,802	379,802	74,161,208	0.51
1997	115,000	265,325	380,325	71,032,934	0.54
1998	115,000	260,380	375,380	77,949,550	0.48
1999	125,000	254,975	379,975	77,103,019	0.49
2000	130,000	248,980	378,980	81,586,455	0.46
2001	135,000	242,485	377,485	90,379,843	0.42
2002	145,000	235,340	380,340	95,846,466	0.40
2003	254,100	109,930	364,030	100,438,005	0.36

Source: City of Santa Barbara, Finance Department.

(1) Includes General, Special Revenue, Debt Service and Capital Projects Funds, excluding the Redevelopment Agency.

TABLE 12
CITY OF SANTA BARBARA
SCHEDULE OF WATER FUND DEBT SERVICE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Gross revenues	Operating expenses (1)	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1994	\$ 24,711,126	\$ 10,638,204	\$ 14,072,922	\$ 6,563,752	\$ 4,043,778	\$ 10,607,530	1.33
1995	25,292,552	11,579,210	13,713,342	6,848,419	3,468,985	10,317,404	1.33
1996	26,279,051	11,532,629	14,746,422	7,671,292	3,011,963	10,683,255	1.38
1997	26,646,383	13,424,618	13,221,765	8,233,048	2,323,533	10,556,581	1.25
1998	21,662,821	13,458,745	8,204,076	2,122,533	2,007,903	4,130,436	1.99
1999	23,207,547	14,332,680	8,874,867	925,493	1,967,671	2,893,164	3.07
2000	26,280,897	12,429,225	13,851,672	974,414	1,924,826	2,899,240	4.78
2001	25,733,439	15,072,214	10,661,225	1,015,709	1,945,538	2,961,247	3.60
2002	25,161,922	17,930,829	7,231,093	1,062,393	2,753,191	3,815,584	1.90
2003	24,217,862	18,149,041	6,068,821	1,299,590	1,331,062	2,630,652	2.31

Source: City of Santa Barbara, Finance Department.

(1) Excludes depreciation and interest.

TABLE 13

CITY OF SANTA BARBARA
SCHEDULE OF WASTEWATER FUND DEBT SERVICE COVERAGE
Last Ten Fiscal Years
(Unaudited)

Year ended June 30	Gross revenues	Operating expenses (1)	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
1994	\$ 9,548,237	\$ 5,444,320	\$ 4,103,917	\$ 280,000	\$ 233,093	\$ 513,093	8.00
1995	9,145,465	5,545,963	3,599,502	285,000	181,196	466,196	7.72
1996	9,506,835	5,435,802	4,071,033	355,000	164,070	519,070	7.84
1997	9,835,217	5,297,742	4,537,475	365,000	113,855	478,855	9.48
1998	9,650,997	5,356,550	4,294,447	380,000	99,415	479,415	8.96
1999	9,731,233	5,681,796	4,049,437	385,000	84,400	469,400	8.63
2000	9,940,535	6,670,427	3,270,108	400,000	68,800	468,800	6.98
2001	10,368,749	6,639,561	3,729,188	410,000	52,400	462,400	8.06
2002	9,704,473	8,176,560	1,527,913	425,000	41,146	466,146	3.28
2003	9,997,664	8,423,115	1,574,549	435,000	21,228	456,228	3.45

Source: City of Santa Barbara, Finance Department.

(1) Excludes depreciation and interest.

TABLE 14

**CITY OF SANTA BARBARA
BUILDING PERMITS AND BANK DEPOSITS
TAXABLE SALES - CITY AND COUNTY
Last Ten Calendar Years
(Unaudited)**

Year	Building Permits (1)		City Bank Deposits (2)	Sales Tax (3)			City as percent of County
	Number	Value		Number of City Tax Permits	City Taxable Transactions	County Taxable Transactions	
1993	1,169	31,295,200	2,424,468,000	4,579	1,033,998,000	3,076,825,000	33.6
1994	941	29,997,500	2,408,376,000	4,718	1,085,045,000	3,177,546,000	34.1
1995	1,154	44,700,000	2,397,912,000	4,829	1,104,519,000	3,226,206,000	34.2
1996	1,221	40,500,000	3,405,559,000	4,971	1,175,157,000	3,466,195,000	33.9
1997	2,898	71,864,802	2,400,073,000	4,996	1,253,902,000	3,614,586,000	34.7
1998	3,064	74,763,741	4,957,343,000	4,939	1,354,183,000	3,927,578,000	34.7
1999	3,133	76,267,301	5,114,390,000	4,961	1,439,155,000	4,195,291,000	34.3
2000	2,722	90,268,504	5,556,265,000	4,881	1,542,213,000	4,629,350,000	33.3
2001	2,998	64,170,362	5,727,730,000	4,869	1,578,420,000	4,953,412,000	31.9
2002	3,277	97,297,284	6,303,235,000	4,780	1,551,762,000	5,032,285,000	30.8

Sources: (1) Information provided by City of Santa Barbara Building Inspection Division.

(2) California State Banking Department - Research and Statistics. 1996 includes Santa Maria and Lompoc.

(3) Taxable Sales in California - State Board of Equalization - Research and Statistics Division.

TABLE 15

**CITY OF SANTA BARBARA
POPULATION ESTIMATES,
INCOME AND UNEMPLOYMENT FIGURES
Last Ten Calendar Years
(Unaudited)**

Year	Population Estimates (1)		Personal Income (1) County	Per Capita Income (1) County	County Unemployment Rate (%)
	City	County			
1994	89,200	391,600	N/A	N/A	7.8
1995	90,218	396,871	N/A	N/A	6.3
1996	89,370	394,580	N/A	N/A	5.8
1997	89,926	397,954	N/A	N/A	4.1
1998	91,223	405,502	N/A	N/A	3.7
1999	91,909	409,048	N/A	N/A	3.6
2000	92,826	414,155	N/A	N/A	3.1
2001	94,154	408,855	N/A	N/A	3.1
2002	90,696	407,867	N/A	N/A	3.5
2003	90,464	410,277	N/A	N/A	3.6

Source: (1) California Department of Finance, Population Research Unit.

TABLE 16
CITY OF SANTA BARBARA
TEN LARGEST EMPLOYERS - SOUTH SANTA BARBARA COUNTY (1)
June 30, 2003
(Unaudited)

<u>Entity Name</u>	<u>Activity</u>	<u>Number employed</u>
University of California, Santa Barbara	Education	9,528
County of Santa Barbara	Government	4,141
Raytheon/ E-Systems	Manufacturer	1,939
Santa Barbara Cottage Hospital	Health Care	1,927
Santa Barbara School District Admsintration	Education	1,708
Santa Barbara Community College	Education	1,700
U. S. Postal Service	Postal Service	1,183
Sansum-Santa Barbara Medical Foundation Clinic	Health Care	1,150
Santa Barbara Elementary School District	Education	1,132
City of Santa Barbara	Government	1,066

Source: Santa Barbara Chamber of Commerce

(1) With the adoption of Article XIII A of the California Constitution in 1978, property tax as an indicator of economic stability/dependency diminished in importance. Accordingly, the Agency has elected to depict the ten largest employers in Santa Barbara County as a measure of overall economic stability of the City.

TABLE 17

**CITY OF SANTA BARBARA
FIDELITY BONDS OF PRINCIPAL OFFICIALS
Year ended June 30, 2003
(Unaudited)**

	Title of Official	Amount of fidelity bond
James Armstrong	Administrator/Clerk/Treasurer	\$ 5,000,000
Robert D. Peirson	Finance Director	5,000,000
All other employees handling money working for the City of Santa Barbara	-	5,000,000

Source: City of Santa Barbara, Finance Department.