

November 6, 2015

Mr. Brian J. Bosse, Waterfront Business Manager
City of Santa Barbara
132 Harbor Way A
Santa Barbara, CA 93109

Dear Mr. Bosse:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m) (1) (A), the City of Santa Barbara Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period January 1 through June 30, 2016 (ROPS 15-16B) to the California Department of Finance (Finance) on September 24, 2015. Finance has completed its review of the ROPS 15-16B.

Based on a sample of line items reviewed and application of the law, Finance made the following determination:

- Item No. 7 – Lower State Street Sidewalk Renovation requested for ROPS 15-16B and total outstanding obligation amount of \$335,000 is not eligible for funding at this time. Section 204 of the original Owner Participation Agreement (OPA) dated April 13, 2004 between the Agency, the City of Santa Barbara, and S.B. Beach Properties, L.P. (owner), requires the Agency to reimburse the owner for the reasonably pro-rated costs of the State Street Sidewalk improvements made by the owner. The reimbursement cannot occur until the issuance of a City Public Works acceptance and certificate of completion.

The OPA was amended on December 10, 2013; however, it is not evident the Oversight Board approved the amendment, nor that the amendment complies with HSC section 34181 (e). Therefore, the amendment is not an enforceable obligation. As a result, Finance's review of the enforceability of this line item was based on the original OPA.

While Finance agrees the original OPA constitutes an enforceable obligation, the funding request is premature. According to Agency staff, the required improvements are ongoing. Hence, the owner has yet to receive a City Public Works acceptance or certificate of completion. Until completion of the improvements, it is unclear what reasonably pro-rated costs the Agency is responsible for. To the extent the Agency can provide proof of a City Public Works acceptance, certificate of completion, and evidence of the amounts owed, this funding request may be placed on a future ROPS.

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (2). However, Finance notes the oversight board has approved an amount that appears excessive given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the oversight board to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the oversight board to use adequate discretion when evaluating the administrative resources required to successfully wind-down the Agency.

Pursuant to HSC section 34186 (a) (1), the Agency was required to report on the ROPS 15-16B form the estimated obligations versus actual payments (prior period adjustment) associated with the January through June 2015 period (ROPS 14-15B). HSC section 34186 (a) (1) also specifies the prior period adjustment self-reported by the Agency is subject to review by the county auditor-controller (CAC). Proposed CAC adjustments were not received in time for inclusion in this letter; therefore, the amount of approved in the table on the next page only reflects the Agency's self-reported prior period adjustment.

Except for the item denied in whole, Finance is not objecting to the remaining items listed on your ROPS 15-16B. If you disagree with Finance's determination with respect to any items on your ROPS 15-16B, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$7,007,169 as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of January through June 2016	
Total RPTTF requested for non-administrative obligations	7,259,521
Total RPTTF requested for administrative obligations	125,000
Total RPTTF requested for obligations on ROPS 15-16B	\$ 7,384,521
Total RPTTF requested for non-administrative obligations	7,259,521
<u>Denied Item</u>	
Item No. 7	(335,000)
Total RPTTF authorized for non-administrative obligations	\$ 6,924,521
Total RPTTF requested for administrative obligations	125,000
Total RPTTF authorized for administrative obligations	\$ 125,000
Total RPTTF authorized for obligations	\$ 7,049,521
ROPS 14-15B prior period adjustment	(42,352)
Total RPTTF approved for distribution	\$ 7,007,169

On the ROPS 15-16B form, the Agency reported cash balances and activity for the period January 1 through December 31, 2015. Finance will perform a review of the Agency's self-reported cash balances on an ongoing basis. Please be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined

the Agency possesses cash balances that are available to pay approved obligations, HSC section 34177 (l) (1) (E) requires these balances be used prior to requesting RPTTF.

Please refer to the ROPS 15-16B schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for January 1 through June 30, 2016. This determination only applies to items when funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Wendy Griffe, Supervisor, or Erika Santiago, Lead Analyst, at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Ms. Sue Gray, Community Development Business Manager, City of Santa Barbara
Mr. Ed Price, Division Chief Property Tax Division, Santa Barbara County