

# **Santa Barbara County Redevelopment Agency**

## *Redevelopment Restructuring Act Financial Analysis*

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A study of the financial impacts of the “Redevelopment Restructuring Act” on the Santa Barbara County Redevelopment Agency and the impacts to other Affected Taxing Entities.

**Prepared By:**

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## Executive Summary

### Summary Conclusion

The fiscal impacts of the Redevelopment Restructuring Act (“restructuring act”) and the legislative decisions before the Board of Supervisors can best be summarized using the following passage from the California State Senate Rules Committee Bill Analysis for ABX1 26:

*“It is anticipated that most cities and counties that created an existing RDA will elect to participate in the alternative voluntary redevelopment program. To the extent a community elects not to participate in the voluntary alternative program, this bill would direct the property tax otherwise available to the RDAs:*

- (1) to continue "pass-through payments" to schools and other local governments;*
- (2) to fund outstanding RDA-related debt and administration; and*
- (3) to schools and other local taxes agencies. “*

Presented in the simplest of terms, the restructuring act presents the Board of Supervisors two potential courses of action:

- 1) Dissolve the Redevelopment Agency (“the Agency”):
  - a. Lose the benefit of over \$1.2 million annually for affordable housing related activities.
  - b. Lose the benefit of approximately \$2.3 million annually for capital improvement and economic development programs in the Isla Vista Area (debt service payments reduce the available amount by approximately \$1.4 million).
  - c. Require the Auditor-Controller to distribute Property Tax Increment back to the Affected Taxing Entities that were contributing to the Agency prior to the passage of ABX1 26 (referred herein as the dissolution distribution):
    - i. Realize increased County General Fund revenue of approximately \$571 thousand.
    - ii. Realize increased County Fire District revenue of approximately \$348 thousand.
    - iii. Other Affected Taxing Entities will gain approximately \$1.45 million a year in revenue:

| <b>Agency</b>                                   | <b>Amount</b>      |
|---|--------------------|
| <b>K-12 School Districts</b>                    | \$1,030,549        |
| <b>Goleta West Sanitary District</b>            | 203,253            |
| <b>Santa Barbara Community College District</b> | 106,244            |
| <b>Other Districts</b>                          | 76,434             |
| <b>City of Goleta</b>                           | 38,091             |
| <b>Total</b>                                    | <b>\$1,454,571</b> |

- 2) Voluntary continuation of the Redevelopment Agency:

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- a. Requires a community remittance payment of approximately \$1.95 million in the first year, and \$459 thousand annually thereafter.
- b. The Agency will have a general fund operating deficit of at least \$552,683 in the fiscal year ending June 30, 2012.
- c. The Agency will have RDA General Fund uncommitted revenues of approximately \$940,659 in the following fiscal year.
- d. Other Affected Taxing Entities (County, Schools, County Districts and Independent Special Districts) will continue to contribute approximately \$3.5 million in revenue to the Agency annually after the first year (allocated among general fund and affordable housing).

These tables illustrate the financial impact of each potential course of action.

### Year 1: Summary Fiscal Impact (Agency General Fund)

|   | Dissolution   | Continuation  |
|---|---------------|---------------|
| Gross Tax Increment                                 | \$6,428,976   | \$6,428,976   |
| Less:   |               |               |
| Pass Through Payments                               | (\$2,296,523) | (\$2,296,523) |
| Enforceable Obligations and Other Required Payments | (\$1,758,875) |               |
| Housing Set Aside                                   |               | (\$1,223,429) |
| Debt Payments                                       |               | (\$1,384,187) |
| Community Remittance                                |               | (\$1,952,832) |
| Dissolution Distribution                            | (\$2,373,578) |               |
| Total left for use in Isla Vista                    | \$0           | (\$427,995)   |

### Year 2: Summary Fiscal Impact

|   | Dissolution   | Continuation  |
|---|---------------|---------------|
| Gross Tax Increment                                 | \$6,428,976   | \$6,428,976   |
| Less:   |               |               |
| Pass Through Payments                               | (\$2,296,523) | (\$2,296,523) |
| Enforceable Obligations and Other Required Payments | (\$1,758,875) | (\$124,688)   |
| Housing Set Aside                                   |               | (\$1,223,429) |
| Debt Payments                                       |               | (\$1,384,187) |
| Community Remittance                                |               | (\$459,490)   |
| Dissolution Distribution                            | (\$2,373,578) |               |
| Total left for use in Isla Vista                    | \$0           | \$940,659     |

\*\* Amounts were calculated using June 30, 2011 property tax collections, amounts for analysis were not inflated for growth in property tax and as such, actual impacts will likely be slightly larger than the results provided above.

## Background

On June 28, 2011 the State of California passed a budget that included significant modifications to California Redevelopment Law and the associated financing mechanisms for carrying out redevelopment programs under the California Health and Safety Code. These modifications were passed in two separate acts; ABX1 26 (“Dissolution Act”) and ABX1 27 (“Voluntary Program Act”). The Dissolution Act immediately suspends all redevelopment activity, prevents the incurrence of any indebtedness and dissolves the Agency. The Voluntary Program Act sets forth provisions to avoid dissolution and also prescribes contributions to certain school and special districts that are identified as remittance payments.

Redevelopment Agencies are primarily funded by capturing the growth in property tax revenue called “tax increment”, from the parcels located in a specifically defined geographic area known as a “project area.” The growth in property tax is then reallocated to the Agency away from the other taxing agencies (“Affected Taxing Entities”) in the project area. It is important to note that the existence of a redevelopment agency does not raise the amount of taxes levied; it merely reallocates a portion of taxes away from other governments.

| <b>Schedule of Tax Increment Revenue and Allocations for the Year Ended June 30, 2011</b>     |                     |
|---|---------------------|
| Base Property Tax Increment   | \$ 6,154,639        |
| Add: Supplemental Property Tax  | 274,337             |
| Less: Pre 2% Pass-through   | (311,764)           |
| Subtotal  | 6,117,211           |
| Less: 20% Housing Set Aside for Low and Moderate Income, Allocated to Isla Vista Housing Fund | (1,223,429)         |
| Less: Pass-throughs to other Government Agencies  | (1,984,759)         |
| Total Allocated to Redevelopment Agency General Fund  | <u>\$ 2,909,023</u> |

The Agency currently has only one project area, the Isla Vista Project Area, and it currently accumulates Property Tax Increment from several other taxing agencies. During the fiscal year ended June 30, 2011, the Agency collected approximately \$6,117,212 in Property Tax Increment after statutorily required pass-through payments. Of that total increment the Agency paid out an additional \$1,984,759 back to Affected Taxing Entities in the form of negotiated pass through agreements. Additionally, the Agency set aside \$1,223,429 in order to fund affordable housing programs in the project area.

**The Effect of “Pass Through” Agreements**

The Agency has entered into agreements with several affected local governments which are intended to offset the impact of agency formation. Additionally, California Health and Safety code also requires statutory payments to Affected Taxing Entities. The Net Impact column of the Schedule of Affected Taxing Entities reflects the current ongoing impacts on the Affected Taxing Entities that finance RDA capital improvement and housing activities.

**Schedule of Affected Taxing Entities  
(Amounts for the Fiscal Year ended June 30, 2011)**

| <b>Affected Taxing Entity</b> | <b>Gross Property Tax</b> | <b>Statutory Payments<br/>and Pass Through<br/>Agreements</b> | <b>Net Impact</b>   |
|-------------------------------|---------------------------|---|---------------------|
| County General                | \$ 1,071,292              | -   | \$ 1,071,292        |
| City of Goleta                | \$ 71,427                 | -   | \$ 71,427           |
| Co. Service Area #31          | \$ 30,740                 | -   | \$ 30,740           |
| S.B. Co. Fire Protectn Dist   | \$ 652,087                | -   | \$ 652,087          |
| S.B. Co. Flood Cntrl/Wtr cons | \$ 14,976                 | -   | \$ 14,976           |
| So. Coast Flood Zone          | \$ 64,019                 | -   | \$ 64,019           |
| S.B. County Water Dist.       | \$ 19,117                 | -   | \$ 19,117           |
| Goleta Cemetery Dist.         | \$ 14,821                 | 11,856  | \$ 2,965            |
| S.B. Metro Transit Dist.      | \$ 13,559                 | 10,847  | \$ 2,712            |
| S.B. Coastal Vector Control   | \$ 10,223                 | 8,179   | \$ 2,044            |
| Isla Vista Rec & Park         | \$ 241,404                | 241,404   | \$ -                |
| Goleta West Sanitary Dist.    | \$ 381,138                | -   | \$ 381,138          |
| Goleta Union School Dist.     | \$ 1,712,469              | 1,712,469   | \$ -                |
| Santa Barbara High            | \$ 828,996                | 121,242   | \$ 707,754          |
| S.B. Community College        | \$ 289,968                | 42,408  | \$ 247,560          |
| Co. School Admin CSSF         | \$ 199,228                | 29,137  | \$ 170,091          |
| ERAF                          | \$ 813,512                | 118,980   | \$ 694,532          |
| <b>Totals</b>                 | <b>\$ 6,428,976</b>       | <b>\$ 2,296,523</b>   | <b>\$ 4,132,453</b> |

## Assembly Bill 26: The Dissolution Act

As noted in the background section, the Dissolution Act if implemented would eliminate the Agency and would create a Successor Agency to allow for an orderly liquidation of the Agency’s indebtedness and its ongoing projects.

### The Effect of Dissolution

Pursuant to the legislation certain obligations of the Agency are assumed by a Successor Agency, the Successor Agency would then retain an amount of property tax necessary to liquidate those obligations as they become due, and then distribute the rest of the funds to the Affected Taxing Entities. The Schedule of the Net Effect of Dissolution displays the impact of Dissolution on each Affected Taxing Entity. If the Agency dissolved, the Successor Agency would retain an estimated \$1,758,875 of Property Tax Increment revenue in order to meet the obligations of the Agency<sup>1</sup>. The remainder of funding would then be distributed back to the Affected Taxing Entities. Because of the retention of Property Tax Increment in order to meet the Agency’s liability payments, the Agency will continue to affect other agencies post dissolution. The estimated annual amount of this impact is displayed in the “Net Effect of Dissolution Act Distribution” column.

#### Schedule of Net Effect of Dissolution

| Affected Agency               | Agency Gross Contribution to RDA | Agency Pass Through Payments Received from RDA | Net Effect on Agency Pre AB26 Implementation | Contribution Required to meet Statutory Obligations | Net Effect of Dissolution Act Distribution |
|-------------------------------|----------------------------------|--|--|---|--|
| County General                | 1,071,292                        | -  | 1,071,292                                    | 500,030   | 571,262                                    |
| City of Goleta                | 71,427                           | -  | 71,427                                       | 33,336  | 38,091                                     |
| Co. Service Area #31          | 30,740                           | -  | 30,740                                       | 14,347  | 16,393                                     |
| S.B. Co. Fire Protectn Dist   | 652,087                          | -  | 652,087                                      | 304,343   | 347,744                                    |
| S.B. Co. Flood Cntrl/Wtr cons | 14,976                           | -  | 14,976                                       | 6,990   | 7,986                                      |
| So. Coast Flood Zone          | 64,019                           | -  | 64,019                                       | 29,879  | 34,140                                     |
| S.B. County Water Dist.       | 19,117                           | -  | 19,117                                       | 8,922   | 10,195                                     |
| Goleta Cemetery Dist.         | 14,821                           | (11,857)                                       | 2,964  | -   | 2,964                                      |
| S.B. Metro Transit Dist.      | 13,559                           | (10,847)                                       | 2,712  | -   | 2,712                                      |
| S.B. Coastal Vector Control   | 10,223                           | (8,178)  | 2,045  | -   | 2,045                                      |
| Isla Vista Rec & Park         | 241,404                          | (241,404)                                      | -  | -   | -  |
| Goleta West Sanitary Dist.    | 381,138                          | -  | 381,138                                      | 177,885   | 203,253                                    |
| Goleta Union School Dist.     | 1,712,469                        | (1,712,469)                                    | -  | -   | -  |
| Santa Barbara High            | 828,996                          | (121,242)                                      | 707,754                                      | 265,668   | 442,086                                    |
| S.B. Community College        | 289,968                          | (42,408)                                       | 247,560                                      | 92,926  | 154,634                                    |
| Co. School Admin CSSF         | 199,228                          | (29,137)                                       | 170,091                                      | 63,847  | 106,244                                    |
| ERAF                          | 813,512                          | (118,980)                                      | 694,532                                      | 260,703   | 433,829                                    |
|                               | 6,428,976                        | (2,296,523)                                    | 4,132,453                                    | 1,758,875   | 2,373,578                                  |

### The Effect on the County

The most obvious effect of dissolution is that the area serviced by the Agency would have approximately \$4.13 million less in funds available for affordable housing and capital improvement programs within the Isla Vista Project Area, of which an estimated \$1.7 million annually is committed for enforceable obligations and administration, and approximately \$1.3 million for housing set-aside and the remaining \$1.13 was available for RDA general programs. Offsetting that impact would be that the County

<sup>1</sup> Refer to Key Assumptions and Risk Appendix for information related to the estimates contained in the enforceable obligations schedule. This risk is best looked at in terms of the above table, if the enforceable obligations - under technical provisions - would not include the County’s 2008 COP repayments, the County would absorb an annual debt service of approximately 1.4 million against an approximate \$1 million dissolution distribution payment (the removal of debt increases the distribution back to the affected taxing entities).

General Fund and the County Fire District would realize additional dissolution payments of approximately \$571,262 and \$347,744 respectively. Additionally, other governments providing vital services to the Isla Vista region would receive an estimated \$1,454,572 in additional revenue, a significant portion of which would be restricted for use in the Isla Vista area.

### **The Effect on the State of California**

It is worth noting that the biggest beneficiary of the dissolution would be the State of California. This is because the formula for school funding would be affected by dissolution. In the case of certain school districts, the State of California provides funding that offsets the impacts of the Agency. For these school districts, the increase in revenues that would result from dissolution of the Agency would lessen the amount of funding that the affected school district would receive from the State. This creates a gain for the State of California and is the reason why the two pieces of legislation were proposed as part of the state budget.

### **Disposition of Assets**

Another component of the Dissolution Act is to apportion the remaining equity of the Agency after liquidation to the affected governments using the similar allocation formulas identified in the Schedule of Property Tax allocations above. The following page contains a pro forma, unaudited presentation of the Agency's Balance Sheet for the fiscal year ended June 30, 2011. The Dissolution Act contains many provisions designed to protect the interests of bondholders, Affected Taxing Entities and the sponsoring community. A summary of how we interpreted these provisions follows:

1. Indebtedness Reserves would remain intact for the life of the related indebtedness obligation. The Agency currently maintains reserves of \$1.4 million in order to meet the provisions of the 2008 Reimbursement Agreement.
2. Bond proceeds are to be spent on the purpose for which they were borrowed, and as such remain for the use of the Successor Agency in winding down the Agency's obligations. The Agency currently maintains approximately \$235,000 in unspent proceeds.
3. Agency Assets created and maintained for an inherently governmental purpose may be conveyed to the Successor Agency or other affected governments with the purpose restrictions still attached. Additionally, these assets may have little to no market value in the absence of a change in use for the assets or significant development. Accordingly, the Agency likely will not be able to realize the value recorded as land held for resale on its financial statements.
4. The legislation is unclear on whether funds on deposit in the Housing fund will be distributed to Affected Taxing Entities or the Successor Housing Agency. For the purpose of this analysis we assumed the amounts on deposit would be distributed to the Affected Taxing Entities.



# Redevelopment Restructuring Act Financial Analysis

Figure 1: Fiscal Year Ending June 30, 2011 Balance Sheet (UNAUDITED)

|  | General Fund        | Isla Vista Housing Fund | Debt Service Fund   | Capital Projects Fund | Total Governmental Funds |
|--|---------------------|-------------------------|---------------------|-----------------------|--------------------------|
| <b>ASSETS</b>                            |                     |                         |                     |                       |                          |
| Cash and investments (Note 2)            | \$ 2,817,753        | \$ 1,715,406            | \$ --               | \$ --                 | \$ 4,533,159             |
| Use of money and property receivable     | 8,308               | 2,921                   | (180)               | --                    | 11,049                   |
| Other receivables                        | --                  | --                      | --                  | --                    | -                        |
| Charges for services receivable          | --                  | --                      | --                  | --                    | -                        |
| Loans receivable (Note 4)                | --                  | 6,779,266               | --                  | --                    | 6,779,266                |
| Due from other funds (Note 8)            | 825,799             | --                      | --                  | --                    | 825,799                  |
| Advances to other funds                  | --                  | --                      | --                  | --                    | -                        |
| Properties held for resale (Note 5)      | 2,338,063           | 2,700,000               | --                  | 4,477,000             | 9,515,063                |
| Restricted cash and investments (Note 3) | --                  | --                      | 1,437,884           | 1,061,432             | 2,499,316                |
| Total assets                             | <u>\$ 5,989,923</u> | <u>\$ 11,197,593</u>    | <u>\$ 1,437,704</u> | <u>\$ 5,538,432</u>   | <u>\$ 24,163,652</u>     |
| <b>LIABILITIES &amp; FUND BALANCES</b>   |                     |                         |                     |                       |                          |
| <b>LIABILITIES</b>                       |                     |                         |                     |                       |                          |
| Accounts payable                         | \$ 8,374            | \$ 700                  | \$ -                | \$ -                  | \$ 9,074                 |
| Due to other funds (Note 8)              | --                  | --                      | --                  | 825,799               | 825,799                  |
| Other Payables                           | --                  | --                      | --                  | --                    | -                        |
| Advance Payable                          | --                  | --                      | --                  | --                    | -                        |
| Customer Deposit Payable                 | --                  | 15,000                  | --                  | --                    | 15,000                   |
| Unearned revenue (Note 4)                | --                  | 6,779,266               | --                  | --                    | 6,779,266                |
| Total liabilities                        | <u>8,374</u>        | <u>6,794,966</u>        | <u>-</u>            | <u>825,799</u>        | <u>7,629,139</u>         |
| <b>FUND BALANCES</b>                     |                     |                         |                     |                       |                          |
| Restricted                               | 2,343,895           | 4,402,627               | 1,437,704           | 4,712,633             | 12,896,859               |
| Committed                                | 3,637,654           | --                      | --                  | --                    | 3,637,654                |
| Receivables                              | --                  | --                      | --                  | --                    | -                        |
| Debt service                             | --                  | --                      | 1,430,480           | --                    | 1,430,480                |
| Properties held for resale               | 2,338,063           | --                      | --                  | --                    | 2,338,063                |
| Unreserved:                              |                     |                         |                     |                       |                          |
| Designated, reported in:                 |                     |                         |                     |                       |                          |
| General fund                             | 5,832               | --                      | --                  | --                    | 5,832                    |
| Isla Vista Housing Fund                  | --                  | 2,703,550               | --                  | --                    | 2,703,550                |
| Debt service fund                        | --                  | --                      | --                  | --                    | -                        |
| Capital projects fund                    | --                  | --                      | --                  | 4,477,000             | 4,477,000                |
| Undesignated, reported in:               |                     |                         |                     |                       |                          |
| General fund                             | 3,637,654           | --                      | --                  | --                    | 3,637,654                |
| Isla Vista Housing Fund                  | --                  | 1,699,077               | --                  | --                    | 1,699,077                |
| Debt service fund                        | --                  | --                      | 7,224               | --                    | 7,224                    |
| Capital projects fund                    | --                  | --                      | --                  | 235,633               | 235,633                  |
| Total fund balances                      | <u>5,981,549</u>    | <u>4,402,627</u>        | <u>1,437,704</u>    | <u>4,712,633</u>      | <u>16,534,513</u>        |
| Total liabilities & fund balances        | <u>\$ 5,989,923</u> | <u>\$ 11,197,593</u>    | <u>\$ 1,437,704</u> | <u>\$ 5,538,432</u>   | <u>\$ 24,163,652</u>     |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|  |                     |
|--|---------------------|
| Fund balances - total governmental funds   | \$ 16,534,513       |
| Unamortized issuance cost on long-term obligation  | 157,302             |
| Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (17,000,000)        |
| Unamortized discount on long-term obligation   | 64,283              |
| Net assets of governmental activities  | <u>\$ (243,902)</u> |

The notes to the financial statements are an integral part of this statement.

## Redevelopment Restructuring Act Financial Analysis

The following schedule details the beginning equity and the adjustments to equity that would be made pursuant to provisions governing the disposition of assets.

### Schedule of Equity Adjustments

|  | General<br>Fund  | Isla Vista<br>Housing<br>Fund | Debt<br>Service<br>Fund | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|--|------------------|-------------------------------|-------------------------|-----------------------------|--------------------------------|
| Fund Equity at June 30, 2011                         | <b>5,981,549</b> | <b>4,402,627</b>              | <b>1,437,704</b>        | <b>4,712,633</b>            | <b>16,534,513</b>              |
| Adjustments for Debt Service Reserves                | -                | -                             | (1,430,480)             | -                           | (1,430,480)                    |
| Adjustments for Bond Proceeds                        | -                | -                             | -                       | (235,000)                   | (235,000)                      |
| Adjustments for Land Held for Resale*                | (2,338,063)      | -                             | -                       | (4,477,000)                 | (6,815,063)                    |
| Adjustments for Transfer to Successor Housing Agency | -                | (2,684,300)                   | -                       | -                           | (2,684,300)                    |
| Adjusted Equity for Distribution                     | <b>3,643,486</b> | <b>1,718,327</b>              | <b>7,224</b>            | <b>633</b>                  | <b>5,369,670</b>               |
| <b>Cash Available in Fund</b>                        | \$ 2,817,754     | \$ 1,718,327                  | \$ --                   | \$ --                       |                                |

\*Land Held for Resale Valued at Historical Cost

If all of the interpretations used in this analysis were correct, and no unforeseen costs were applied to the liquidation, the cumulative effect of liquidation on each taxing entity would result in a onetime distribution of approximately \$5.4 Million. If this were the realized residual amount, the allocation would be approximately as displayed in the Distribution of Equity Table.

Under this equity distribution scenario, the County would likely realize a one-time windfall payment of approximately, \$894,241 and the Fire District would receive a onetime windfall of approximately \$544,000. The remaining amount of approximately \$3.9 million would then be apportioned to other Affected Taxing Entities.

Redevelopment Restructuring Act Financial Analysis

**Distribution of Equity**

| <b>Fund</b>  | <b>District</b>               | <b>Allocation %</b> | <b>Equity Distribution</b> |
|--------------|-------------------------------|---------------------|----------------------------|
| 0001         | County General                | 16.66%              | \$ 894,728                 |
| 0632         | City of Goleta                | 1.11%               | \$ 59,659                  |
| 2220         | Co. Service Area #31          | 0.48%               | \$ 25,675                  |
| 2280         | S.B. Co. Fire Protectn Dist   | 10.14%              | \$ 544,648                 |
| 2400         | S.B. Co. Flood Cntrl/Wtr cons | 0.23%               | \$ 12,508                  |
| 2610         | So. Coast Flood Zone          | 1.00%               | \$ 53,471                  |
| 3050         | S.B. County Water Dist.       | 0.30%               | \$ 15,967                  |
| 3270         | Goleta Cemetery Dist.         | 0.23%               | \$ 12,379                  |
| 4090         | S.B. Metro Transit Dist.      | 0.21%               | \$ 11,325                  |
| 4160         | S.B. Coastal Vector Control   | 0.16%               | \$ 8,539                   |
| 4410         | Isla Vista Rec & Park         | 3.75%               | \$ 201,630                 |
| 4900         | Goleta West Sanitary Dist.    | 5.93%               | \$ 318,341                 |
| 6801         | Goleta Union School Dist.     | 26.64%              | \$ 1,430,319               |
| 8201         | Santa Barbara High            | 12.89%              | \$ 692,409                 |
| 9610         | S.B. Community College        | 4.51%               | \$ 242,192                 |
| 9801         | Co. School Admin CSSF         | 3.10%               | \$ 166,403                 |
| 9802         | ERAF                          | 12.65%              | \$ 679,476                 |
| <b>Total</b> |                               |                     | <b>\$ 5,369,670</b>        |

## **Assembly Bill 27: The Continuation Act**

### **Background**

The Continuation Act would allow the County of Santa Barbara to continue the Agency's existence for the amount of time specified in the Redevelopment Plan (currently until 2042). However the Continuation Act contains a provision that would require the sponsoring community (the County of Santa Barbara) to make a "community remittance" payment to other Affected Taxing Entities. This payment is calculated by the California Department of Finance using a methodology prescribed in the legislation. Generally, the remittance is determined by calculating a financial ratio based on information filed with the California State Controller's Office for the fiscal year ending June 30, 2009. The ratio is a function of the amount of debt payments an individual Agency makes relative to the amount of tax increment received by the Agency. The ratio is then adjusted based on the statewide average for the same ratio. Once the final ratio for the Agency is determined, it is multiplied by \$1.7 billion to determine the amount of the Agency's community remittance for the first year. In subsequent years, the amount of the remittance is then reduced by another ratio (approximately 23.5/100).

For the fiscal year ending June 30, 2012, the California Department of Finance estimated that the community remittance payment related to the Santa Barbara County Redevelopment Agency would be approximately \$1,952,832. For the subsequent year we estimated that the remittance payment would be approximately \$459,490. The Community Remittance is then provided to the County Auditor-Controller. Once the Auditor-Controller collects the remittance payments, the amounts are then distributed to Affected Taxing Entities as prescribed by the legislation.

### **The Effect of Continuation**

The effects of continuation are different in the first year than the second and subsequent years. The financial impact of continuation on the Agency for each of the next two years is described in the table on the subsequent page. In the first year, the size of the community remittance payment results in the Agency's general fund having a projected operating deficit of approximately \$552,683 for the fiscal year ending June 30, 2012. Thus, continuation would require the use of Agency General Fund Balance as source of payment for the community remittance.

Since the amount of the Community Remittance declines significantly in the second year, the Agency projects to have funds available for further general program related activities in the amount of approximately \$940,659. It is also worth noting that under the Continuation Act the Agency would retain the full use of housing set aside revenues in both of the two years studied and also in future years. This means that the Agency would still be able to use the full amount of the Housing Set Aside funds accumulated by the Agency.

## Redevelopment Restructuring Act Financial Analysis

### The Financial Impacts of Continuation

AB 27 Remittance Calculation

| <b>A: Calculation of Impacts in FY 2012</b>           | <b>RDA General Fund</b> | <b>RDA Housing Fund</b> | <b>Total</b>        |
|---|-------------------------|-------------------------|---------------------|
| <b>Determination of Gross Tax Increment</b>           | \$ 6,428,976            | \$ -                    | \$ 6,428,976        |
| <b>Less:</b>  |                         |                         |                     |
| Property Tax Administration                           | (124,688)               |                         | (124,688)           |
| Negotiated Pass Through Amounts                       | (2,296,523)             |                         | (2,296,523)         |
| Community Remittance                                  | (1,952,832)             |                         | (1,952,832)         |
| Housing Set Aside                                     | (1,223,429)             | 1,223,429               | -                   |
| Total Statutory Deductions/Allocations                | <u>(5,597,472)</u>      | <u>1,223,429</u>        | <u>(4,374,043)</u>  |
| Amount Available for Programs                         | <u>831,504</u>          | <u>1,223,429</u>        | <u>2,054,933</u>    |
| <b>Less:</b>  |                         |                         |                     |
| Debt Service Payment                                  | 1,384,187               | -                       | 1,384,187           |
| <b>Total Available for Programs</b>                   | <u>\$ (552,683)</u>     | <u>\$ 1,223,429</u>     | <u>\$ 670,746</u>   |
| <b>Financial Impact of AB 27 Legislation on IVRDA</b> | <b>(1,952,832)</b>      | <b>-</b>                | <b>(1,952,832)</b>  |
| <b>A(1): Calculation of Impacts in FY 2013</b>        | <b>RDA General Fund</b> | <b>RDA Housing Fund</b> | <b>Total</b>        |
| <b>Determination of Gross Tax Increment</b>           | \$ 6,428,976            | \$ -                    | \$ 6,428,976        |
| <b>Less:</b>  |                         |                         |                     |
| Property Tax Administration                           | (124,688)               |                         | (124,688)           |
| Negotiated Pass Through Amounts                       | (2,296,523)             |                         | (2,296,523)         |
| Community Remittance                                  | (459,490)               |                         | (459,490)           |
| Housing Set Aside                                     | (1,223,429)             | 1,223,429               | -                   |
| Total Statutory Deductions/Allocations                | <u>(4,104,130)</u>      | <u>1,223,429</u>        | <u>(2,880,701)</u>  |
| Amount Available for Programs                         | <u>2,324,846</u>        | <u>1,223,429</u>        | <u>3,548,275</u>    |
| <b>Less:</b>  |                         |                         |                     |
| Debt Service Payment                                  | 1,384,187               | -                       | 1,384,187           |
| <b>Total Available for Programs</b>                   | <u>\$ 940,659</u>       | <u>\$ 1,223,429</u>     | <u>\$ 2,164,088</u> |
| <b>Financial Impact of AB 27 Legislation on IVRDA</b> | <b>(459,490)</b>        | <b>-</b>                | <b>(459,490)</b>    |

### **The Distribution of the Community Remittance**

As noted previously, once the community remittance is made, the Auditor-Controller then is to apportion the remittance out to the Affected Taxing Entities in a manner prescribed by the legislation. The allocation of the remittance has two primary beneficiaries. The allocation of the SDAF is statutorily set to benefit only Fire Protection and Transit related special districts. As a result of its size relative to the Santa Barbara Metropolitan Transit District, the County Fire District is a beneficiary of almost all the funds deposited in the SDAF for the use of affected special districts.

The portion of the community remittance to ERAF is set to benefit only K-12 school districts. The beneficiaries of the community remittance allocation ERAF funds are the Santa Barbara High School District and the Goleta Union School District. The table on the opposite page describes the impacts of continuation on each Affected Taxing Entity.

## Redevelopment Restructuring Act Financial Analysis

### B: Distribution of Community Remittance for FY 2012

| District                      | Gross Allocation | Pass Through Payments | Net Effect on Agency Pre - |                 |                  | Total Impact Post- |
|-------------------------------|------------------|-----------------------|----------------------------|-----------------|------------------|--------------------|
|                               |                  |                       | AB26                       | SDAF Allocation | ERAF Allocation  | AB27               |
| County General **             | 1,071,292        | -                     | 1,071,292                  | -               | -                | 1,071,292          |
| City of Goleta                | 71,427           | -                     | 71,427                     | -               | -                | 71,427             |
| Co. Service Area #31          | 30,740           | -                     | 30,740                     | -               | -                | 30,740             |
| S.B. Co. Fire Protectn Dist   | 652,087          | -                     | 652,087                    | 4,858           | -                | 647,229            |
| S.B. Co. Flood Cntrl/Wtr cons | 14,976           | -                     | 14,976                     | -               | -                | 14,976             |
| So. Coast Flood Zone          | 64,019           | -                     | 64,019                     | -               | -                | 64,019             |
| S.B. County Water Dist.       | 19,117           | -                     | 19,117                     | -               | -                | 19,117             |
| Goleta Cemetery Dist.         | 14,821           | 11,857                | 2,964                      | -               | -                | 2,964              |
| S.B. Metro Transit Dist.      | 13,559           | 10,847                | 2,712                      | -               | -                | 2,712              |
| S.B. Coastal Vector Control   | 10,223           | 8,178                 | 2,045                      | -               | -                | 2,045              |
| Isla Vista Rec & Park         | 241,404          | 241,404               | -                          | -               | -                | -                  |
| Goleta West Sanitary Dist.    | 381,138          | -                     | 381,138                    | -               | -                | 381,138            |
| Goleta Union School Dist.     | 1,712,469        | 1,712,469             | -                          | -               | 543,859          | (543,859)          |
| Santa Barbara High            | 828,996          | 121,242               | 707,754                    | -               | 1,404,115        | (696,360)          |
| S.B. Community College        | 289,968          | 42,408                | 247,560                    | -               | -                | 247,560            |
| Co. School Admin CSSF         | 199,228          | 29,137                | 170,091                    | -               | -                | 170,091            |
| ERAF                          | 813,512          | 118,980               | 694,532                    | -               | -                | 694,532            |
|                               | <b>6,428,976</b> | <b>2,296,523</b>      | <b>4,132,453</b>           | <b>4,858</b>    | <b>1,947,974</b> | <b>2,179,621</b>   |

### B(1): Distribution of Community Remittance for FY 2013

| District                      | Gross Allocation | Pass Through Payments | Net Effect on Agency Pre - |                 |                 | Total Impact Post- |
|-------------------------------|------------------|-----------------------|----------------------------|-----------------|-----------------|--------------------|
|                               |                  |                       | AB26                       | SDAF Allocation | ERAF Allocation | AB27               |
| County General **             | 1,071,292        | -                     | 1,071,292                  | -               | -               | 1,071,292          |
| City of Goleta                | 71,427           | -                     | 71,427                     | -               | -               | 71,427             |
| Co. Service Area #31          | 30,740           | -                     | 30,740                     | -               | -               | 30,740             |
| S.B. Co. Fire Protectn Dist   | 652,087          | -                     | 652,087                    | 67,788          | -               | 584,299            |
| S.B. Co. Flood Cntrl/Wtr cons | 14,976           | -                     | 14,976                     | -               | -               | 14,976             |
| So. Coast Flood Zone          | 64,019           | -                     | 64,019                     | -               | -               | 64,019             |
| S.B. County Water Dist.       | 19,117           | -                     | 19,117                     | -               | -               | 19,117             |
| Goleta Cemetery Dist.         | 14,821           | 11,857                | 2,964                      | -               | -               | 2,964              |
| S.B. Metro Transit Dist.      | 13,559           | 10,847                | 2,712                      | -               | -               | 2,712              |
| S.B. Coastal Vector Control   | 10,223           | 8,178                 | 2,045                      | -               | -               | 2,045              |
| Isla Vista Rec & Park         | 241,404          | 241,404               | -                          | -               | -               | -                  |
| Goleta West Sanitary Dist.    | 381,138          | -                     | 381,138                    | -               | -               | 381,138            |
| Goleta Union School Dist.     | 1,712,469        | 1,712,469             | -                          | -               | 109,360         | (109,360)          |
| Santa Barbara High            | 828,996          | 121,242               | 707,754                    | -               | 282,342         | 425,412            |
| S.B. Community College        | 289,968          | 42,408                | 247,560                    | -               | -               | 247,560            |
| Co. School Admin CSSF         | 199,228          | 29,137                | 170,091                    | -               | -               | 170,091            |
| ERAF                          | 813,512          | 118,980               | 694,532                    | -               | -               | 694,532            |
|                               | <b>6,428,976</b> | <b>2,296,523</b>      | <b>4,132,453</b>           | <b>67,788</b>   | <b>391,702</b>  | <b>3,672,963</b>   |

## **Appendix: Key Assumptions and Risk**

Several subjective factors could potentially affect the financial outcomes of the legislation. Including but not limited to property tax growth, changes in the indebtedness of redevelopment agencies, clarifications of the legislation, court proceedings and policy determinations made by the State Department of Finance.

### **Key Assumptions:**

- Throughout this analysis we used the results from operations for the fiscal year ending June 30, 2011 and did not inflate the amount of property tax to be received when analyzing the impacts of continuation or dissolution. As a result, actual amounts are likely to be higher than reported in this report.

### **Valuation Risk:**

The reimbursement agreement for the 2008 COP debt payments is the single most significant transaction entered into by the Agency and it does not fit within the plain English definition of indebtedness as it relates to either Act. For the purposes of this analysis we viewed this as an eligible form of indebtedness when calculating both the Enforceable Obligations Payment Schedule and amounts eligible for distribution to affected entities under the Dissolution Act. As discussed in the footnote on page 7, if this were determined to not be an enforceable obligation payment, then the county General Fund upon dissolution would be required to pay the \$1.4 million annual debt payment without reimbursement from the Agency. This in turn would make available an addition \$1.4 million in RDA funds to distribute to all of the agencies, of which, the County would receive a portion.

Tax Allocation Bond payments and other Interest Payments were included as part of the recent Community Remittance payment calculation by the California Department of Finance. Since our certificates are not technically Tax Allocation Bonds, the calculation included only the interest component of the Debt payments in the Community Remittance calculation but not the principal portion of the COP reimbursement payment. The balance of this liability is \$17 Million as June 30, 2011. Depending on further clarification, a change in this assumption to eliminate non tax allocation bond interest payments would result in significant increases to the amount of the Community Remittance Payment.

Notwithstanding the above, it is the view of the Auditor-Controller that the Reimbursement Agreement constitutes a liability to the County of Santa Barbara and it has been reported as such on the Agency's financial statements and Statement of Indebtedness since issuance. It is the Auditor-Controller's opinion that the original intent of the legislation was that the 2008 COP reimbursement agreement should be treated as Tax Allocation Bonds for the purposes of the Enforceable Obligations Schedule and the Community Remittance Calculation should include both interest and principle payments.



**Contingency Risk:**

Both acts are subject to continuing legislative efforts and may be modified. Additionally, a lawsuit has been filed before the California Supreme Court requesting a stay. On August 11<sup>th</sup> California Supreme Court granted a partial stay of the legislation. Accordingly, the lawsuit may result in modifications to one or both of the acts, or the total repeal of both acts.