

Santa Barbara Countywide Oversight Board Handbook



May 2019

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INTRODUCTION

Thank you for serving as a member on the Santa Barbara Countywide Oversight Board

The Oversight Board plays an integral role in the implementation of ABx1 26, AB 1484, and SB 107, the bills that dissolved the redevelopment agencies (RDAs) and provides for the wind-down of redevelopment activities. In September 2015, the State of California approved Senate Bill No. 107 (SB 107) in order to guide the final technical steps in the dissolution of local redevelopment agencies. The legislation amended various provisions of the existing dissolution law, including the Oversight Board consolidation into a single Countywide Oversight Board.

OVERVIEW

Background

In the budget for fiscal year 2011-12, Governor Jerry Brown proposed eliminating the state's RDAs to help address the State's ongoing budget deficit. In June 2011, the Legislature passed, and the Governor signed, two bills in response to his proposal:

1. **ABx1 26** prevented RDAs from engaging in new activities and dissolved the agencies effective October 1, 2011. This legislation also outlined a process for winding down the RDAs' financial affairs, and set forth a mechanism to distribute any net funds from the RDAs to other local taxing agencies.
2. **ABx1 27** would have allowed RDAs to opt-in to an alternative redevelopment program to avoid dissolution. The agencies would have had to agree to transfer annual payments to school and community college districts to continue their functions.

The California Redevelopment Association, the League of California Cities and other parties filed petitions with the California Supreme Court challenging both ABx1 26 and ABx1 27 on constitutional grounds. The Supreme Court imposed a partial stay on the implementation of the two pieces of legislation and reviewed the issues on an expedited basis.

On December 29, 2011, the California Supreme Court upheld the constitutionality of ABx1 26 and struck down ABx1 27 as unconstitutional. It also extended some of the deadlines and dates stipulated in ABx1 26 by four months because of the delay caused by the litigation. As a result of the Supreme Court's decision in *California Redevelopment Association v. Matosantos*, California's approximately 400 RDAs were dissolved on February 1, 2012.

The assets and liabilities (excluding housing assets) of RDAs have now been transferred to Successor Agencies pursuant to ABx1 26. A separate Successor Housing Agency manages the RDA's housing assets.

On September 23, 2015, Governor Brown signed Senate Bill No.1 07 (SB 107), a budget trailer bill that was part of the FY 2015-16 state budget package. The legislation includes regulations to guide the final technical steps in the dissolution of redevelopment agencies. Among others, noteworthy amendments include the following:

- Consolidation into Countywide Oversight Boards
- Specification of RDA wind-down activities
- Switch to annual Recognized Obligation Payment Schedule (ROPS)
- Clarification of enforceable obligations
- Clarification of administrative cost allowance
- Address issues related to the administration of Oversight Boards

OVERVIEW

Countywide Oversight Boards

SB 107 states that by July 1, 2018, all Oversight Boards will be consolidated into one Countywide Oversight Board. [Health and Safety Code (HSC) 34179(j)]

The Santa Barbara Countywide Oversight Board (SBCOB) was established on July 1, 2018.

RDAs Wind-Down Activities

The Countywide Oversight Board will guide the winding-down process of the Successor Agencies, and will cease to exist when all Successor Agencies have been formally dissolved. [HSC 34179(m)]

SB 107 specifies that RDAs wind-down activities do not include "planning, design, redesign, development, demolition, alteration, construction, construction financing, site remediation, site development or improvement, land clearance, seismic retrofits, and other similar work." The exception to this rule is work pursuant to an enforceable obligation (EO). Successor Agencies may create EOs to conduct wind-down activities, including "hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance." [HSC 34177.3(b)]

Parties Involved

The following are the parties involved in the wind-down of the Successor Agencies activities:

- Successor Agencies (SAs):
 - City of Lompoc
 - City of Goleta
 - City of Guadalupe
 - City of Santa Barbara
 - City of Santa Maria
 - County of Santa Barbara (Isla Vista)
- Santa Barbara Countywide Oversight Board
 - Auditor-Controller (staff) and Clerk of the Board (clerking services)
- Department of Finance

Annual ROPS

SB 107 creates the process to switch from a bi-annual to an annual Recognized Obligations Payment Schedule (ROPS), starting on July 1, 2016. Each Successor Agency will submit a Countywide Oversight Board-approved annual ROPS on February 1st. The ROPS will cover the period beginning on July 1st of the current year and ending on June 30th of the following year. The Department of Finance (DOF) will make its determination regarding the validity of EOs no later than April 15th. A Successor Agency may request additional review within five business days, as well as an opportunity for a meet and confer on any reviewable items of dispute. If a ROPS is not submitted on time, it may result in a meet and confer period of less than 30 days. Further, a \$10,000 civil penalty will be imposed per day for every day the ROPS is not submitted. The DOF will make its final determination at least 15 days before the current period's property tax distribution. [HSC 34177(o)(1)]

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A Successor Agency may also submit one amendment to the ROPS annually; this amendment must be submitted no later than October 1st. In order to submit, the Countywide Oversight Board must make a finding that an amendment is necessary to satisfy payment of an approved EO due during the period of January 1st to June 30th. The DOF will make its final determination at least 15 days before the current period's property tax distribution. [HSC 34177(o)(1)(E)]

Administrative Cost Allowance

SB 107 redefines and clarifies the definition of administrative cost allowance as "the maximum amount of administrative costs that may be paid by a Successor Agency from the Redevelopment Property Tax Trust Fund in a fiscal year." The legislation also provides the following new calculations for administrative costs:

- Starting on July 1, 2016 administrative costs are capped at three percent of the property tax allocated for payment of approved EOs during the previous fiscal year, but not less than \$250,000. Administrative costs cannot exceed 50 percent of the total Redevelopment Property Tax Trust Fund (RPTTF) distribution. [HSC 34171(b)]
- Legal expenses must be paid from the administrative cost allowance. The City or County may loan funds to pay legal expenses, but if the agency does not prevail, then the loan is ineligible for repayment.

Countywide Oversight Board Administration

SB 107 addresses administrative aspects of the Countywide Oversight Board, including establishing or specifying the following:

- Resolutions, meeting minutes, meeting agendas, administrative budgets, changes in membership, and certain other administrative documents and actions no longer need to be submitted to the DOF for approval. [HSC 34179(h)]
- Actions to implement real property disposition pursuant to an approved Long Range Property Management Plan (LRPMP) are no longer subject to DOF review. [HSC 34179(h)(1)]
- Bond proceed expenditures for pre-2011 bonds require only approval by the Countywide Oversight Board and not the DOF. [HSC 34191.4(c)(1)(A)]
- The Countywide Oversight Board shall be staffed by the county Auditor-Controller (AC), or designee, with associated costs recovered through RPTTF. [HSC 34179(j)]
- The Countywide Oversight Board will cease to exist when all Successor Agencies within the county have been dissolved pursuant to Section 34187. [HSC 34179(m)]

BOARD DUTIES

This section provides an overview of the Countywide Oversight Board general role and responsibilities. SB 107 contains four key elements that provide a framework for winding-down the Successor Agencies:

Approve the Annual and Last & Final ROPS

In addition to the annual ROPS, SB 107 creates a Last & Final ROPS process that may take place beginning January 1, 2016. To submit a Last & Final ROPS, the Successor Agency must meet the following conditions:

- The Agency's remaining debt is limited to administrative costs and payments for EOs with defined payment schedules, including but not limited to, debt service, loan agreements, and contracts.
- All remaining obligations have been previously listed on a ROPS and approved by the DOF.

A Successor Agency that meets these conditions may submit a Last & Final ROPS for Countywide Oversight Board approval at any time. The Last & Final ROPS will not be effective until approved by the DOF, which must act within 100 days of receipt. The DOF may make any amendments, provided they are agreed to by the Successor Agency in writing. If the Last & Final ROPS is approved less than 15 days before that period's property tax distribution, it will not be effective until the subsequent distribution period. [HSC 34191.6(a-b)]

Direct Successor Agencies to Dispose of Real Property Assets

The Countywide Oversight Board will direct the Successor Agencies to expeditiously liquidate or dispose of real property assets in accordance with the approved LRPMP. By now, the LRPMPs should have been amended to include allow Successor Agencies to retain and transfer public parking facilities. Countywide Oversight Boards no longer need to submit the following actions for DOF approval: (1) transfers of government property in accordance with the LRPMP, or (2) transfers of property to be retained for future development in accordance with the LRPMP. [HSC 34191.3(b-c)]

Oversee and Direct Successor Agency Wind-Down Activities

The Countywide Oversight Board's role is to supervise the Successor Agency's work and direct the Successor Agency to take actions necessary to wind down the former RDA. The Redevelopment Dissolution Act contains two key sections that delineate the roles and responsibilities of the Countywide Oversight Board. HSC section 34180 lists the actions of the Successor Agency that require Countywide Oversight Board approval, while the HSC section 34181 lists the actions that the Countywide Oversight Board must direct the Successor Agency to do.

SB 107 further clarifies the criteria for winding-down Successor Agencies. HSC Section 34187 lists the criteria for dissolution of a Successor Agency; they include ensuring that all enforceable obligations are retired, all real property assets are properly liquidated or disposed of, and all outstanding litigation is resolved.

BOARD DUTIES

The Countywide Oversight Board will cease to exist when all Successor Agencies within its purview have been formally dissolved. [HSC 34179(m)]

Act as a Fiduciary

The Countywide Oversight Board has a fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from the distribution of property tax and other revenue as a result of the dissolution of the RDAs. [HSC 34179(i)] This requires a balance that mirrors the goals of the Redevelopment Dissolution Act. The Countywide Oversight Board will help ensure that EOs of the former RDA are honored while making any remaining revenue available to taxing entities. It is imperative that the Countywide Oversight Board act as an independent entity. It is possible that disputes will arise regarding the approval of enforceable obligations, expenditures, or the disposition of assets. The Countywide Oversight Board members will need to uphold their fiduciary responsibilities according to the law.

MEMBER ROLES

Board Composition

SB 107 requires each Countywide Oversight Board to consist of seven members. The Board must elect one of its members as the chairperson. [HSC 34179(j)(1-7)]

A majority of the total membership of the Countywide Oversight Board constitutes a quorum; a quorum is required for the Countywide Oversight Board to take action. [HSC 34179(e)]

The Countywide Oversight Board may have the following appointees:

- One Board of Supervisors appointee
- One City selection committee appointee
- One Independent Special District selection committee appointee
- One County Superintendent of Education or county board of education appointee
- One Chancellor of the California Community Colleges appointee
- One member of the public appointed by the Board of Supervisors
- One Successor Agency employee organization appointee

Voluntary Appointment & Immunity

The Countywide Oversight Board members cannot be compensated or reimbursed for their expenses. However, Countywide Oversight Board members "are protected by the immunities applicable to public entities and public employees." [HSC 34179(c)]

Decision-Making Authority

On matters within the purview of the Countywide Oversight Board, decisions made by the members supersede those made by the Successor Agency or the staff of the Successor Agency. [HSC 34179(p)]

Brown Act

The Countywide Oversight Board is subject to the requirements of the Brown Act (open meeting law), the Public Records Act, and the Political Reform Act.

Time Commitment

The time commitment for serving on a consolidated Countywide Oversight Board will vary based on the size and complexity of the affairs of each Successor Agency. Most Successor Agencies will require periodic meetings. Over time, as Successor Agencies continue to wind down their activities and dispose of assets, the frequency of meetings may decrease.

MEMBER ROLES

What to Expect

Additionally, the Countywide Oversight Board members will be required to conduct the following wind-down activities:

- Attend annual meetings and other periodic meetings as needed
- Per the Brown Act, all meetings will be public meetings
- All actions of the Countywide Oversight Board require a quorum, so attendance will be necessary
- Review and approve the administrative cost allowance
- Conduct detailed review and approval of the annual and Last & Final ROPS
- Expeditiously liquidate unencumbered real property assets in accordance with the approved LRPMP
- Transmit resolutions to the DOF for any annual ROPS, annual ROPS amendments, and initial approval of the Last & Final ROPS
- Oversee and direct all wind-down activities of the Successor Agencies

KEY DECISIONS

As a member of the Countywide Oversight Board you will be reviewing contracts, agreements, financial documents and lists of enforceable obligations. You will be asked to consider whether and how to unwind transactions and how to dispose of property in order to maximize the return to the taxing entities.

The following framework outlines the order in which the Countywide Oversight Board should consider the most significant decisions or actions.

Elect a chairperson

Each Countywide Oversight Board must have a chairperson to facilitate proper functioning of the board, full participation during meetings, discussion of relevant matters, and effective decision making and implementation. The chairperson will be responsible for planning meetings, coordinating with board members to ensure that appropriate policies and procedures are in place for effective management of the board, and may be called upon to be the spokesperson for the board at functions or meetings. The names of all Countywide Oversight Board members and the Chairperson of the Countywide Oversight Board will be reported to the Department of Finance.

Establish Countywide Oversight Board rules and procedures

Establish the rules and procedures and the methods by which the Countywide Oversight Board will operate. The Countywide Oversight Board should put policies in place to govern the following:

- Appoint legal counsel independent of the Successor Agencies
- Set meeting times and dates.
- Provide direction to the Successor Agencies as to the types of support and documentation the Countywide Oversight Board will require to consider matters presented to the Board.

Review and Approve Annual/Last & Final ROPS

The appointees should consider the review, analysis and consideration of the ROPS their highest priority task after electing a chairperson, designating a point of contact for the DOF, and establishing rules and procedures.

The ROPS lists all enforceable obligations claimed by the Successor Agencies. In many cases, the list will not provide sufficient detail for the Countywide Oversight Board to determine whether or not an item is "enforceable." As such, the Board may find it necessary for the Successor Agency to submit staff reports that explain each claimed enforceable obligation on the ROPS. The reports do not need to be lengthy, but they should explain the background for the obligation and the source(s) of funding. The reports should also include attachments that substantiate the item's status as an "enforceable obligation."

KEY DECISIONS

Approve Successor Agency Administrative Budget

Appointees should carefully scrutinize the Successor Agencies budget to ensure that the 3% allowable funding cap is used efficiently and includes the cost of supporting the activities of the Countywide Oversight Board.

Dispose of assets

The Countywide Oversight Board should develop a strategy, in consultation with real estate and transactional experts, to dispose of the former RDA's assets in a manner that maximizes the value for the taxing entities. At a minimum, the Countywide Oversight Board should ensure that the revenues generated from existing assets are maximized, collected, and secured for purposes of paying enforceable obligations, if necessary. Then, if funds remain, they must be returned to the taxing entities.

KEY DATES AND DEADLINES

The following are key dates and deadlines related to the formal dissolution of Successor Agencies:

- Feb. 1, 2016 and each Feb. 1 thereafter: Successor Agencies must submit an Countywide Oversight Board approved ROPS to the DOF and the AC
- Oct. 1, 2016 and each Oct.1 thereafter: Successor Agencies may submit one amendment to the ROPS
- Oct. 1, 2018 and each Oct.1 thereafter: Successor Agencies must submit report to the AC noting difference between actual payments and past estimates on the DOF approved annual ROPS
- Feb. 1, 2019 and each Feb. 1 thereafter: The AC provides the DOF a review of reports noting difference between actual payments and past estimates on the DOF approved annual ROPS
- Date to be determined: Final dissolution of Countywide Oversight Board

SBCOB Meetings

The Countywide Oversight Board will adopt the annual meeting schedule at its first meeting and subsequently each year.

The tentative meeting dates have been scheduled through September 2019 (Exhibit A).

- Annual Meetings
 - Due to the required Annual ROPS submittal to DOF by February 1st, SBCOB meetings have been scheduled in the month of January.
 - Due to the required Amended ROPS submittal to DOF by October 1st, SBCOB meetings have been scheduled in the month of September.
- Special Meetings
 - Successor Agencies can request Special Meetings to bring items to the SBCOB that require board action.

DISSOLUTION PROCESS

The Countywide Oversight Board will guide the winding-down process of the Successor Agencies, and will cease to exist when all Successor Agencies have been formally dissolved.

SB 107 clarifies the criteria for dissolving the state's remaining Successor Agencies; they include the following:

- All enforceable obligations are retired or paid off
- All real property assets are sold, transferred, or liquidated
- All outstanding litigation is resolved [HSC 34187(b)]

Within 30 days of satisfying the criteria for dissolution, the Successor Agency must submit to its Countywide Oversight Board a request to formally dissolve, as well as submit a copy of said request to the CAC. The Countywide Oversight Board must approve the request within 30 days and then submit to the DOF for approval. The DOF must approve or deny the request within 30 days.

Once the DOF has approved the request, a Successor Agency has 100 days to dispose of all remaining assets, per Countywide Oversight Board direction. The proceeds from any remaining assets must be remitted to the CAC for distribution to affected taxing entities. Once notified of the compliance, the Countywide Oversight Board must then verify that the criteria has been satisfied. Upon verification, the Countywide Oversight Board must adopt a final resolution of dissolution within 14 days. A copy of the final resolution of dissolution must be submitted to the CAC, State Controller's Officer, the DOF, and the Sponsoring Community.

Once all Successor Agencies are terminated, the Countywide Oversight Board will be dissolved. Due to the complex nature of dissolution, and the varying characteristics of each Successor Agency, the timeline for dissolution is unknown. Therefore, Countywide Oversight Board members must be aware of potentially serving for a long-term period without a firm end date.

DISSOLUTION PROCESS

SA REQUEST TO DISSOLVE TO GOVERNING BOARD (CITY)

The Successor Agency (SA) shall submit a Request to Dissolve Resolution to the SA's Governing Board (City), and submit substantial evidence that the SA has met the following:

- HSC 34187(b): When...
 - all of the enforceable obligations have been retired or paid off,
 - all real property has been disposed of pursuant to Section 34181 or 34191.4, and
 - all outstanding litigation has been resolved,

SA REQUEST TO DISSOLVE TO OVERSIGHT BOARD

Upon the City's approval, the SA shall submit a Request to Dissolve Resolution to the OB and submit substantial evidence that the SA has met the HSC 34187(b) requirements.

- HSC 34187(b): the SA shall, within 30 days of meeting the aforementioned criteria, submit to the OB a request, with a copy of the request to the County Auditor-Controller (CAC), to formally dissolve the SA.
- The OB shall approve the request within 30 days, and shall submit the request to the Department of Finance (DOF)

SA REQUEST TO DISSOLVE TO DEPARTMENT OF

Upon the OB's approval, the SA shall submit the Request to Dissolve to the DOF.

- HSC 34187(d): The DOF shall have 30 days to approve or deny a request submitted pursuant to subdivisions (b) or (c)

SA REQUEST FINAL DISSOLUTION TO GOVERNING BOARD (CITY)

Upon the DOF's approval, the SA shall submit a request for Final Dissolution Resolution to the City and upon approval dispose of all remaining assets.

- HSC 34187(e): When the DOF has approved a request to formally dissolve a SA, the SA shall take both of the following steps within 100 days of the DOF's notification:
 - (1) Dispose of all remaining assets as directed by the OB. Any proceeds from the disposition of assets shall be transferred to the CAC for distribution to the affected taxing entities pursuant to HSC 34183.
 - (2) Notify the OB that it has complied with paragraph (1).

SA REQUEST FINAL DISSOLUTION TO OVERSIGHT BOARD

Upon the City's approval, the SA shall submit a request for Final Dissolution Resolution to the OB and submit substantial evidence that all remaining assets have been disposed of and proceeds transferred to CAC.

- HSC 34187(f): Upon receipt of the notification required in paragraph (2) of subdivision (e), the OB shall verify all obligations have been retired or paid off, all outstanding litigation has been resolved, and all remaining assets have been disposed of with any proceeds remitted to the CAC for distribution to the affected taxing entities.
- Within 14 days of verification, the OB shall adopt a final resolution of dissolution for the SA, which shall be effective immediately.
- This resolution shall be submitted to the sponsoring entity, the CAC, the State Controller's Office, and the DOF by electronic means and in a manner of each entity's choosing.

RESOURCES

For additional information visit the Santa Barbara Countywide Oversight Board website at SBCOversightBoard.org.

Auditor Controller's Office

Advanced Accounting Division
105 E Anapamu St, Room 301
Santa Barbara, CA 93102
Phone 805.568.2100
Fax 805.568.2016
SBCOversightBoardStaff@co.santa-barbara.ca.us

Clerk of the Board

105 E. Anapamu Street, Room 407
Santa Barbara CA, 93101
Phone 805.568.2240
Fax 805.568.2249
sbcob@co.santa-barbara.ca.us

DOF Countywide Oversight Boards

http://www.dof.ca.gov/Programs/Redevelopment/Countywide_OB