



SPECIAL MEETING

MINUTES

OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

Meeting held at:
MUNICIPAL SERVICES BUILDING
COMMUNITY ROOM
33 ARROYO DRIVE
SOUTH SAN FRANCISCO, CA

FRIDAY, APRIL 13, 2012

CALL TO ORDER

Time: 1:00 p.m.

ROLL CALL

Present: Boardmembers Beaudin, Christensen, Farrales, Nagel (as alternate for Boardmember Addiego), and Scannell, Vice Chairperson Porterfield and Chairperson Cullen.

Absent: Boardmember Addiego.

PLEDGE OF ALLEGIANCE

Led by Boardmember Christensen.

AGENDA REVIEW

Chairperson Cullen stated this item was permanently added to allow for setting of the Agenda when necessary.

No review was needed.

PUBLIC COMMENTS

Comments from members of the public on items not on this meeting agenda. The Chair may set time limit for speakers. Since these topics are non-agenda items, the Board may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the Board may refer items to staff for attention, or have a matter placed on a future agenda for a more comprehensive action report.

None.

MATTERS FOR CONSIDERATION

1. Motion to approve the Minutes of the April 10, 2012 Special Meeting.

Motion— Boardmember Scannell/Second— Vice Chairperson Porterfield: to approve the Minutes of the April 10, 2012 Special Meeting. Unanimously approved by voice vote.

2. Resolution No. 1-2012 appointing State of California Department of Finance contact person pursuant to California Health & Safety Code Section 34179(h).

At Chairperson Cullen's suggestion, Boardmembers agreed the Resolution should be amended to include language encompassing the Finance Director's designee.

Motion— Boardmember Scannell/Second— Boardmember Farrales: to approve Resolution 1-2012 as amended to include language encompassing the Finance Director's designee. Unanimously approved by voice vote.

3. Presentation and consideration of the draft Amended Recognized Obligations Payments Schedule (ROPS) for the period January through June 2012.
 - a. Presentation on responses to questions from Oversight Board.

Director of Economic and Community Development Van Duyn began a line by line summary of the final proposed ROPS highlighting changes to the "Six Month Total" column based upon actual invoices through April when available. Upon discussion of Item No. 26, which discussion is summarized below, Boardmembers requested that the ROPS review focus on line items reflecting a discrepancy between the Auditor's and Successor Agency's proposed final numbers. Boardmembers further indicated they would inquire as to individual line items about which they respectively had questions.

Before addressing specific line items, City Attorney Mattas, Director of Finance Steele and Redevelopment Consultant Sanchez provided a summary of discussions with and work product of MGO, the accounting agency hired by the County Auditor. Staff relayed that MGO: (1) declined to consider pertinent information provided to it on April 2, 2012 regarding the obligations; (2) made legal conclusions regarding the enforceability of the obligations that were outside the scope of the audit and, in any event, not based on all available pertinent information; and (3) conducted the audit pursuant to a surface level scope of work. Due to the nature of the Auditor's conclusions, staff believed the Successor Agency's proposed numbers most accurately reflected certain obligations.

Before discussion of specific ROPS line items ensued and in response to inquiry by Boardmember Scannell, Counsel Labadie explained that any numbers agreed upon for inclusion in the "Total Remaining Debt or Obligations" column would be informational only. The "Six Month Total" column would be binding.

- ROPS Line Items 2 and 3 Debt Service Principal COPS and Interest COPS.

Staff recommended the Six Month Total for these items be funded at \$165,000 and \$115,250 respectively. The Auditors' Schedule did not include this funding but invited the Oversight Board's discretion on the point. Staff explained the Auditor had made a legal determination that the 2004 Resolutions pursuant to which the Redevelopment Agency assumed the obligations were non-binding. Counsel Labadie noted that without evidence to the contrary, the information presented lead him to conclude that these were enforceable obligations of the Redevelopment Agency.

Boardmember Christensen stated she believed items 2 and 3 reflected a legitimate expense of the Redevelopment Agency based on a 2004 obligation. Boardmembers Beaudin and Nagel agreed.

Chairperson Cullen solicited objection to including the obligations set forth at items 2 and 3 in the Six Month Total. Boardmembers did not object.

- ROPS Line Item 18 Oyster Point Ventures DDA- payable to Oyster Point Ventures, LLC.

Chairperson Cullen questioned whether the tiered funding structure suggested by the Board at previous meetings required approval.

After supplemental property tax estimate information pertaining to the project was provided by Director Van Duyn, staff acknowledged the Board's preference to satisfy the \$29,463,230 obligation over time to be completely funded by 2016.

Upon inquiry by staff, Boardmembers agreed to fund \$6,000,000 in the current ROPS' Six Month Total and \$3 Million in every ensuing ROPS through 2016, unless the project commenced sooner— in which case the entire amount would be presented for funding approval.

- ROPS Line Item 20 Oyster Point Ventures DDA-Legal/Staff Costs.

Boardmember Christensen questioned the need for legal and staff costs in April while the project was not yet underway.

Staff explained costs were incurred to address issues related to mandatory dealings with the State Lands Commission. Future ROPS might include costs for the required property conveyances.

Chairperson Cullen solicited agreement to inclusion of the obligation on the Six Month Total. Boardmembers agreed.

- ROPS Line Item 21-23 Harbor District Agreement.

Staff recommended that \$ 2,635,000 (Item 21) and \$1,793,248 (Item 22) be respectively maintained on the Total Remaining Debt or Obligations column. It was further recommended that \$13,605.16 be reflected in the Six Month Total Column to fund staff and legal costs related to project management. In the present six (6) month period, this included dealing with reimbursements for wave attenuators as well as docks at the Harbor. City Attorney Mattas explained staff's analysis concluding the underlying agreement represented an enforceable obligation of the Agency based on one or more of the following: (1) the Successor Agency is obligated to uphold the obligations of the Agency by AB 26; (2) Section 6.1 of the agreement indicates "the city with funding provided by the agency"; (3) the intent of the parties in the

context of the agreement entered in March 2011, was that the RDA would fund the obligation and the City would never be at risk. The Auditors' Schedule did not recognize this obligation because it reached a legal conclusion that Section 2 of the underlying agreement with the Harbor District automatically assigned the Redevelopment Agency's obligations to the City. The Auditor's report further invited a legal determination or subsequent approval by the Oversight Board.

Counsel Labadie advised that for the purposes of the Boards' decision making on the present ROPS, maintaining the \$2,635,000 and \$1,793,248 in the Total Remaining Debt or Obligations column would not obligate the board, but rather continue to note the obligations for informational purposes and present the issue for potential Department of Finance resolution.

Boardmembers agreed to leave the recommended amounts reflected as Total Remaining Debt or Obligations at number 21 and 22 and to fund item 23 at \$13,605.16 as a present Six Month Total obligation.

At Boardmember Beaudin's suggestion, the Board agreed to agendize consideration of its position on the enforceability of the Harbor District Agreement upon receipt of further legal analysis.

- ROPS Line Item 24 Miller Parking Structure.

Upon inquiry by Boardmember Christensen, staff explained the Six Month Total costs related to existing purchase orders for design, an electrical contractor and the closing out of a project manager. Since the garage was a valid Redevelopment Agency expense in a Redevelopment Area and the loan forgiveness was reported to the State in a timely manner, City Attorney Mattas opined it was an enforceable obligation. Counsel Labadie explained the loan forgiveness issue would be submitted to the State Controller for review.

Boardmembers agreed to maintain the obligation in the Six Month Total column.

- ROPS Line Item 26 418 Linden Housing Development.

Based on current invoices and estimates through June 30, 2012, the auditor calculated a \$119,711 total obligation payable as of January 1, 2012, but recognized only \$12,753.50 as an enforceable obligation. Consultant Sanchez explained the auditor recognized the \$12,753.50 payment made in January 2012, but refused to validate payments going forward because it concluded the contract could be terminated. Consultant Sanchez explained the subject contract pertained to consultant work for a fully entitled project located at 418 Linden Avenue. The consultant's work was 95% complete. Terminating the contract would stall the project and projected tax revenue generation.

The Board supported reflecting the Six Month Total obligation on the present ROPS at \$119,711.

Recess: 2:54 p.m.
Meeting Resumed: 3:01 p.m.

- ROPS Line Item No. 32 Two Housing Replacement Units and 33 Related Staff Costs.
Staff recommended maintaining the \$900,000 obligation on the Total Remaining Debt or Obligations column. The Auditor's comments stated no binding agreement for two housing units

existed and invited additional information or other approval. City Attorney Mattas advised that a statutory obligation to replace exists under California law because the two units were removed as part of a Redevelopment project in a Redevelopment area.

Boardmembers agreed to continue reflecting this obligation.

At Boardmember Christensen's inquiry, City Attorney Mattas advised current staff costs reflected in Line Item No. 33 related to work being done to meet the obligation, including options for buying down equity, etc.

- ROPS Line Item No. 53 Reserve for Existing Claims.

City Attorney Mattas explained staff recommended \$70,275.07 for inclusion on the Six Month Total because the claim was presently being defended in court. The Auditor did not validate the obligation because the litigation was not yet resolved.

Boardmembers agreed to maintain the item on the Six Month Total.

- ROPS Line Item 60 Maintenance of Non-housing Properties.

Boardmember Christensen reminded staff of her preference for outsourcing property management. Staff acknowledged her request that this be considered in the future.

- ROPS Line Items 63 and 64 Costs of Successor Agency Administration.

Boardmembers directed that the administrative costs not exceed the legally allowable level.

- ROPS General Consideration of Paying off Debt including Bonds and other Obligations.

At Boardmember Farrales suggestion the Board entertained a discussion related to allocating Six Month Total funding to pay down debt including bonds and other obligations. Finance Director Steele presented a cash flow analysis providing an estimate of the funds that would be available for this purpose.

Recess: 3:58 p.m.

Meeting resumed: 4:09 p.m.

The Board directed staff to have the final January 1, 2012- June 30, 2012 ROPS reflect related bond calling, bond defeasance and other actions satisfying debt obligations, subject to consultation with bond and other counsel.

b. Consideration of motion to approve draft ROPS.

Motion— Boardmember Christensen/Second— Chairman Cullen: to approve the draft ROPS as presented to the Oversight Board at its Special Meeting on April 13, 2012 with modifications as follows: line 21 Total Remaining Debt and Obligations \$2,600,000; line 26 Six Month Total \$119,711; and line 35 Total Remaining Debt and Obligations \$100,000. In addition, the Board directs its Counsel and the Successor Agency's Counsel to consult with Bond Counsel as appropriate to confirm calling of bonds and defeasance are appropriate and within the authority of the Oversight Board to direct, and report back to the Chairperson and in written correspondence to the entire Board. Further, the following 3 lines will be added to the ROPS: (1) line 73 for a total of \$1,950,000 as set aside money from the current housing reserve to call

the 1999 housing revenue bonds on the next bond call date; (2) line 74 set aside \$5,300,000 of the former 80% reserve to be placed in a bond escrow account to call the following bonds at the next bond call dates and meet the following other obligation: 1999 COPS and the HUD loan; and (3) line 75 setting aside the remaining 80% reserves to be placed in a bond escrow account for the purpose of defeasing the 2006 tax allocation bonds of the Redevelopment Agency in an amount up to, but not exceeding \$60,000,000 even. Unanimously approved by roll call vote.

4. Future Agenda Items.

- a. Administrative Budget: (i) consideration of need for audit/RDA financial consulting assistance; (ii) identification of staffing and salaries in connection with the Successor Agency's proposed staffing of the Oversight Board.
- b. Consideration of Regular meeting dates of the Oversight Board.
- c. Report on Properties previously held by the Redevelopment Agency and recommendations for demolition where appropriate.
- d. Request for a determination of the State of California Department of Finance on unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.

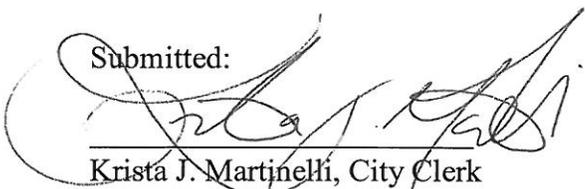
Future Agenda Items discussed and referenced during the course of the meeting included: (1) submission of staff recommendations for disposition/demolition of Redevelopment Agency properties; and (2) report on legal analysis pertaining to Harbor District Agreement and consideration of Motion approving Harbor District Agreement as enforceable obligation of the Successor Agency.

ADJOURNMENT

Motion — Boardmember Beaudin /Second— Boardmember Scannell: to adjourn the meeting. Unanimously approved by voice vote.

Pursuant to the above motion, Chairman Cullen adjourned the meeting at 4:22 p.m.

Submitted:



Krista J. Martinelli, City Clerk
City of South San Francisco

Approved:



Neil Cullen, Chairperson
Oversight Board for the Successor Agency
to the City of South San Francisco
Redevelopment Agency