



REGULAR MEETING

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

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, NOVEMBER 13, 2012
2:00 P.M.

PEOPLE OF SAN MATEO COUNTY

You are invited to offer your suggestions. In order that you may know our method of conducting Board business, we proceed as follows:

The regular meetings of the South San Francisco Oversight Board for the Successor Agency to the City of South San Francisco Redevelopment Agency are held on the second Tuesday of each month at 2:00 p.m. in the in the Large Conference Room, Top Floor at City Hall, 400 Grand Avenue, South San Francisco, California.

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the City Clerk's Office located at City Hall. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda. The address of City Hall is 400 Grand Avenue, South San Francisco, California 94080.

In compliance with Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the South San Francisco City Clerk's Office at (650) 877-8518. Notification 48 hours in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Chairperson:

Neil Cullen

Selected by:

Largest Special District of the type in H&R
Code Section 34188

Vice Chair:

Denise Porterfield
Deputy Superintendent, Fiscal and Operational Services
San Mateo County Office of Education

Selected by:

San Mateo County Superintendent of Schools

Board Members:

Mark Addiego
Councilmember, City of South San Francisco
Alternate: Barry Nagel
City Manager, City of South San Francisco

Selected by:

Mayor of the City of South San Francisco

Gerry Beaudin
Principal Planner, City of South San Francisco

Mayor of the City of South San Francisco

Barbara Christensen
Director of Community/Government Relations,
San Mateo County Community College District

Chancellor of California Community College

Reyna Farrales
Deputy County Manager, San Mateo County

San Mateo County Board of Supervisors

Paul Scannell

San Mateo County Board of Supervisors
(Public Member)

Counsel

Craig Labadie

Advisory:

Marty Van Duyn – Assistant City Manager, City of South San Francisco
Jim Steele – Finance Director, City of South San Francisco
Steve Mattas – City Attorney, City of South San Francisco
Krista Martinelli – City Clerk, City of South San Francisco
Armando Sanchez – Redevelopment Consultant, City of South San Francisco

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA REVIEW

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.

MATTERS FOR CONSIDERATION

1. Motion to approve the respective Minutes of the Regular Meeting of October 9, 2012 and Special Meeting of October 19, 2012.
2. Discussion pertinent to scheduling a Special Meeting in January 2013 for approval of the Due Diligence Review (DDR)- Non-Housing Funds after such DDR is presented for Board review and public comment at the Regular Meeting of January 8, 2013.
3. Authorize Oversight Board Chairman to send letter to the State of California Department of Finance requesting guidance about unfunded pension and retiree health liabilities being enforceable obligations of the Successor Agency of a Redevelopment Agency.
4. Future Agenda Items.
 - a. Report on any determination by the State of California Department of Finance on unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.

ADJOURNMENT



REGULAR MEETING MINUTES

DRAFT

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

CITY HALL
LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, OCTOBER 9, 2012
2:00 P.M.

CALL TO ORDER

Time: 2:00 p.m.

ROLL CALL

Present: Boardmembers Addiego, Beaudin, Christensen
and Scannell, Vice Chairperson Porterfield and
Chairperson Cullen.

Absent: Boardmember Farrales.

PLEDGE OF ALLEGIANCE

Led by Boardmember Christensen.

At the outset of the meeting, Chairperson Cullen advised the September 12, 2012 Regular Meeting was cancelled due to lack of Agenda Items.

AGENDA REVIEW

None.

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 Regular Meeting of August 14, 2012.

Motion— Boardmember Scannell/Second— Vice Chairperson Porterfield: to approve the Minutes of the Regular Meeting of August 14, 2012 with revisions to Items 9 and 10 as recommended by Chairperson Cullen. Approved by the following voice vote: AYES: Boardmembers Beaudin, Christensen and Scannell, Vice Chairperson Porterfield and Chairperson Cullen. NOES: None. ABSTAIN: Boardmember Addiego. ABSENT: Boardmember Farrales.

2. Presentation of results of County Auditor Review of ROPS III.

Finance Director Steele presented the staff report and advised this informational item concerned the results of the County Auditor Controller Review of the Recognized Obligation Payment Schedule III (“ROPS III”) for the period January through June 2013, which the Board approved at its Regular Meeting on August 14, 2012. The County did not object to any portions of the ROPS III, but noted: 1) the new obligations that were included on ROPS III; 2) the ongoing obligations specified in ROPS III; and 3) observed that the Successor Agency is staying within the Administrative Allowance. Director Steele advised the change in funding sources between the prior ROPS and ROPS III was due to shifting reliance from reserves which had been exhausted, including the Low and Moderate Income Housing Fund and bond reserves. Additionally, Redevelopment Property Tax Trust Fund (RPTTF) was identified as a source of funding.

Director Steele noted that since receipt of the County’s Review, the State Department of Finance (“DOF”) rejected four items on ROPS III. The rejected items were as follows: (1) two housing replacement units for \$900,000 (line item 32 on ROPS III); (2) \$12,000 in staff time associated with these housing units (line item 33 on ROPS III); (3) bond proceed restrictions (line item 77 on ROPS III) and (4) administrative costs (line item 78 on ROPS III). Staff was preparing to submit an appeal of DOF’s determinations.

In response to questions from Chairman Cullen and Boardmember Christensen, Director Steele and Assistant City Manager Van Duyn advised that a determination on line items 32 and 33 would depend on whether these former Redevelopment Obligations survived the changes to Redevelopment Law.

Based on various statutory time lines, Counsel Labadie opined there should be some resolution to the planned appeal by December 31, 2012.

3. Update on 2006 RDA Bonds Escrow/Trust Account.

Director of Finance Steele presented the informational staff report advising that per direction from the Oversight Board on the Recognized Obligations Payment Schedule (“ROPS”) for the period of January 1, 2012 through June 30, 2012, left-over funds from the former Redevelopment Agency as of June 30, 2012 were deposited to an escrow or trust account held by Deutsche Bank. The Board authorized up to \$60,000,000 to fund this account to pay off the 2006 RDA Bonds at their first call

date in 2016. On September 6, 2012, staff deposited \$50,216,735.58 into this account. Net bank fees, the total deposit was \$50,195,885.58. Director Steele further provided an updated estimate of the funding needed to call the bonds. The payoff amount as of August 31, 2016 is estimated at \$56,775,000. While a few factors might change this number, including a projected maximum of \$998,000 in RPTTF Funds, funds expected to be on hand after the Due Diligence Review in January 2013 should more than cover the obligation.

In response to a question from Boardmember Scannell, Director Steele explained Deutsche Bank was selected as the winning bidder pursuant to a sealed bid process approved by Bond Counsel. The lowest bid offering the highest yield was required for selection.

4. Transmittal of and Receive Public Comments on Former Low and Moderate Income Housing Fund Due Diligence Review of Cash and Cash Equivalent Available for Disbursement to Taxing Entities.

Director of Finance Steele presented the informational staff report advising that Assembly Bill 1484 required an audit of former Redevelopment Agencies to verify the unobligated balance available from the former Low to Moderate Income Housing Fund ("LMIHF") for distribution to taxing agencies. Staff contracted with Badawi and Associates, CPA, to complete the audit. On October 1, 2012, staff transmitted the LMIHF audit to the DOF, State Controller and County Auditor Controller as required under AB 1484. The audit confirmed LMIHF total assets of \$30,789,162. Of that amount, \$27,802,350 is unobligated and will be distributed to taxing agencies in November 2012. The Agency will retain \$2,986,812. This remaining \$2,986.812 in assets consists of 1999 housing bond proceeds of \$2,381,532, the bond reserve of \$326,158 and \$270,372 related to debt service and accounts payable. Pursuant to AB1484, presentation of the audit at this meeting serves as the Oversight Board's introduction of the item and triggers the five day public comment period that is required to take place before the Oversight Board meeting to vote to approve the audit. The Board has scheduled a Special Meeting for approval of the audit on October 19th- the earliest mutually convenient date for Boardmembers after expiration of the 5 day period.

5. Future Agenda Items.
 - a. Report on any determination by the State of California Department of Finance on unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.

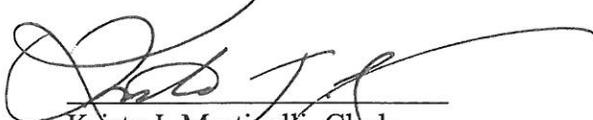
Chairperson Cullen advised he would bring a draft letter for Board authorization at the next meeting. The letter directed to DOF would request guidance about unfunded pension and liabilities being an enforceable obligation of the Successor Agency of a Redevelopment Agency.

ADJOURNMENT

Motion— Boardmember Addiego/Second— Boardmember Scannell: to adjourn the meeting.
Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Scannell, Vice Chairperson Porterfield and Chairperson Cullen. NOES: None. ABSTAIN: None. ABSENT: Boardmember Farrales.

Pursuant to the above motion, Chairperson Cullen adjourned the meeting at 2:37 p.m.

Submitted:



Krista J. Martinelli, 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



SPECIAL MEETING MINUTES

DRAFT

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:
CITY HALL
LARGE CONFERENCE ROOM, TOP
FLOOR
400 GRAND AVENUE
FRIDAY, OCTOBER 19, 2012

CALL TO ORDER

Time: 2:00 p.m.

ROLL CALL

Present: Boardmembers Addiego,
Beaudin, Christensen and Scannell
and Chairperson Cullen.

Absent: Boardmember Farrales and
Vice Chairperson Porterfield.

PLEDGE OF ALLEGIANCE

Led by Boardmember Beaudin.

AGENDA REVIEW

None.

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. Resolution No. 9-2012 certifying and approving a Due Diligence Review of the Former Low and Moderate Income Housing Fund of Cash and Cash Equivalents Available for Disbursement to Taxing Entities.

Staff advised that no public comments had been received pertaining to the Due Diligence review of the Former Low and Moderate Income Housing Fund of Cash and Cash Equivalents since its presentation to the Board at its Regular Meeting held on October 9, 2012.

Motion — Boardmember Addiego/Second— Boardmember Christensen: to approve Resolution No. 9-2012. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Scannell and Chairperson Cullen; NOES: None; ABSTAIN: None; ABSENT: Boardmember Farrales and Vice Chairperson Porterfield.

2. Closed Session: Real Property Negotiations
(Pursuant to Government Code Section 54956.8)
Related to: 1 Chestnut Avenue
Negotiating Parties: Oversight Board and Successor Agency for the former South San Francisco Redevelopment Agency and Red Cart Market Inc., dba Pet Club Stores.
Agency Negotiator: Marty VanDuyn.
Red Cart Market Inc., dba Pet Club Stores Negotiator: Vic Catanzaro.

Time entered Closed Session: 2:04 p.m.
Open Session resumed: 2:21 p.m.

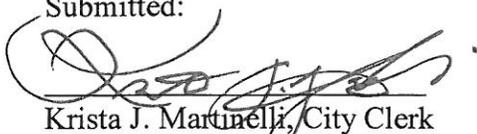
Report out of Closed Session by Chairperson Cullen: Boardmembers directed staff to bring the lease agreement to the Successor Agency and then back to the Oversight Board with recommended terms and conditions for approval.

ADJOURNMENT

Motion — Boardmember Addiego/Second— Boardmember Scannell: to adjourn the meeting. Approved by the following voice vote: AYES: Boardmembers Addiego, Beaudin, Christensen and Scannell and Chairperson Cullen; NOES: None; ABSTAIN: None; ABSENT: Boardmember Farrales and Vice Chairperson Porterfield.

Pursuant to the above motion, Chairperson Cullen adjourned the meeting at 2:22 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

November 5, 2012

TO: Members of the Oversight Board

FROM: Neil Cullen, Chairman of the Oversight Board

SUBJECT: Authorization for the Chairman of the Oversight Board to Send a Letter to the State of California Department of Finance Requesting Direction Regarding the Inclusion of Past Unfunded Pension and Benefit Liabilities as Part of the South San Francisco Recognized Obligations Payment Schedule

RECOMMENDATION

Review the draft letter, make changes as your Board may approve and then authorize the Chairman of the Oversight Board to send the letter to the State of California Department of Finance (DOF).

BACKGROUND/DISCUSSION

The Successor Agency (SA) to the South San Francisco Redevelopment Agency (RDA) had requested that an item be included in its Recognized Obligations Payment Schedule (ROPS) to reimburse the City for unfunded CalPERS pension and retiree health benefit costs associated with staff time charged in the past to the RDA by City employees. City staff opined that City employees should be considered as employees of the RDA within the meaning of applicable statutes, and therefore, unfunded pension and benefit costs associated with staff that provided services to the RDA prior to its dissolution should be considered enforceable obligations.

The OB deferred including payment for such costs in past ROPS pending an opinion from DOF because of the legal uncertainty regarding whether AB1x 26 allowed reimbursement for unfunded liabilities associated with City employees who performed services for the former RDA, as compared to direct RDA employees. AB1x 26 defined the term "enforceable obligation" for former redevelopment agencies to include: "legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement." (Health & Safety Code Section 34171(d)(1)(C).)

AB 1484, enacted in June 2012, added language to Health & Safety Code Section 34171(d)(1)(C) that modified the definition of "enforceable obligation" to include "costs to fulfill collective bargaining agreements for layoffs or terminations of city employees who performed work directly on behalf of the former redevelopment agency." This language seems to cover only those employees whose services were no longer needed following the agency's dissolution.

However, the statutory changes did not unambiguously address the situation presented in South San Francisco, where City employees supported the RDA and typically had a portion of their salaries funded by RDA revenues, but were also doing regular city business.

My understanding is that the DOF may review all actions of the oversight boards and then has 40 days to approve, reject, or modify these actions. Our OB has several options to consider:

- a) wait for a decision by the DOF on the inclusion of unfunded obligations in another successor agency's ROPS that may or may not be similar to South San Francisco's situation;
- b) make a determination to include or exclude past unfunded obligations in a ROPS and wait for DOF's review or the SA's appeal if the OB's action is contrary to their position; or
- c) request DOF's direction "upfront" and then proceed accordingly.

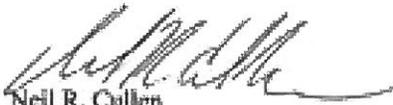
I believe requesting direction "upfront" is the most appropriate option as:

- a) there appears to be variations in the way Redevelopment Agencies were staffed- full time RDA employees, full time city staff, part time city staff, etc.; and therefore a decision by DOF to include or exclude payments on a ROPS of another SA may or may not provide sufficient direction for your OB to determine if or if not unfunded costs should or should not be included in the RDA's ROPS.
- b) there were differing opinions expressed by members of the OB regarding if unfunded costs should be included in the ROPS, and then what methodology should be used to calculate unfunded costs should these be considered as obligations of the ROPS. If the OB agrees that unfunded costs of the RDA should be included, then the methodology needs to be determined and approved prior to the obligations being included. This would be a fruitless effort if DOF determines that unfunded costs are not obligations that can be included in a ROPS.

FISCAL IMPACT

There is no fiscal impact by authorizing the Chairman to send the letter to the DOF, as DOF has the authority to make this determination as provided by State statutes, and the proposed letter may just hasten their decision with respect to South San Francisco's situation.

Counsel for the Oversight Board has reviewed the draft letter.



Neil R. Cullen

Chairman- South San Francisco Redevelopment Successor Agency Oversight Board

Encl: Draft Letter

November ___, 2012

Mr. Steve Szalay
Local Government Unit
Department of Finance
915 L Street
Sacramento, CA 95814-3706

RE: Request for Direction from the Department of Finance Regarding the Inclusion of Past Unfunded Pension and Benefit Liabilities as Part of the South San Francisco Recognized Obligations Payment Schedule

Dear Mr. Szalay:

I am the current chairman of the Oversight Board (OB) to the Successor Agency of the former South San Francisco Redevelopment Agency (RDA) and am writing on behalf of the OB to request your assistance in clarifying the Department of Finance's (DOF) position on including past unfunded pension and benefit liabilities as part of a Recognized Obligations Payment Schedule (ROPS).

The Successor Agency (SA) has requested that an item be included in its ROPS to reimburse the City for unfunded CalPERS pension and retiree health benefit costs associated with staff time charged in the past to the SSFRDA by City employees. The City's argument is that City employees should be considered as employees of the RDA within the meaning of applicable statutes; and therefore unfunded pension and benefit costs associated with staff that provided services to the RDA prior to its dissolution should be considered enforceable obligations.

The OB deferred including payment for such costs in past ROPS because of the legal uncertainty regarding whether AB1x 26 allowed reimbursement for unfunded liabilities associated with City employees who performed services for the former RDA, as compared to direct RDA employees. AB1x 26 defined the term "enforceable obligation" for former redevelopment agencies to include: "legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement." (Health & Safety Code Section 34171(d)(1)(C).) Other provisions in AB1x 26 also referenced employees of former redevelopment agencies without clearly stating whether or not these references were intended to apply to City employees who were assigned to provide services to a redevelopment agency and whose time was charged to the agency, or just direct agency employees. (See Health & Safety Code Section 34179(a)(7) and Section 34190.) Earlier this year, the Department of Finance posted information on its website regarding this issue, but did not provide clear guidance regarding the question whether unfunded liabilities associated with city employees who supported former redevelopment agencies can be treated as enforceable obligations.

AB 1484, enacted in June 2012, added language to Health & Safety Code Section 34171(d)(1)(C) that modified the definition of "enforceable obligation" to include "costs to fulfill collective bargaining agreements for layoffs or terminations of city employees who performed work directly on behalf of the former redevelopment agency." However, this language seems to cover only those employees whose services were no longer needed following the agency's dissolution. Section 34179(a)(7) also was

amended to expressly recognize a distinction between employees of the former redevelopment agency and city employees who performed administrative duties for the former redevelopment agency, in the context of qualifications for the employee representatives appointed to oversight boards. However, these statutory changes did not unambiguously address the situation presented in South San Francisco, where City employees supported the RDA and typically had a portion of their salaries funded by RDA revenues, but were also doing regular city business.

My understanding is that the DOF may review all actions of the oversight boards and then has 40 days to approve, reject, or modify these actions. Our OB has several options to consider:

- a) wait for a decision by the DOF on the inclusion of unfunded obligations in another successor agency's ROPS that may or may not be similar to South San Francisco's situation;
- b) make a determination to include or exclude past unfunded obligations in a ROPS and wait for DOF's review or the SA's appeal if the OB's action is contrary to their position; or
- c) request DOF's direction "upfront" and then proceed accordingly.

Requesting direction "upfront" appears to the OB to be the most appropriate option as past comments by the DOF lead the OB to believe that you are looking for statewide consistency.

In closing, I believe both the South San Francisco OB and the City's Successor Agency have worked cooperatively in meeting the intent of the legislation that dissolved redevelopment agencies statewide. I believe that requesting DOF direction regarding the issues presented in this letter is the most appropriate course of action to facilitate an expeditious wind-down of the affairs of this Redevelopment Agency for the benefit of all the affected local taxing entities.

Thank you in advance for considering my request and look forward to any direction that you can provide the Oversight Board.

Very truly yours,

Neil R. Cullen
Chairman Oversight Board of the Successor Agency to the South San Francisco Redevelopment Agency

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