MINUTES OF A REGULAR MEETING OF THE
OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE DISSOLVED CYPRUS REDEVELOPMENT AGENCY
HELD

June 5, 2012

A regular meeting of the Oversight Board to the Successor Agency to the Dissolved Cypress Redevelopment Agency was called to order at 5:30 p.m. by Board Chair Bailey in the Executive Board Room, 5275 Orange Avenue, Cypress, California.

Board Members present:
Board Chair Doug Bailey
Board Vice Chair Leroy Mills
Board Member Matt Burton
Board Member Charles Mealey
Board Member Bruce Saltz
Board Member Fred Williams (arrived at 5:38 p.m.)
Board Member Mariellen Yarc

Staff present:
City Manager John Bahorski (Successor Agency)
Successor Agency Counsel Dan Slater
Successor Agency Treasurer Richard Storey
Redevelopment Project Manager Steve Clarke (Successor Agency)
City Clerk/Secretary Denise Basham (Successor Agency)

ORAL COMMUNICATIONS:

None.

NEW BUSINESS:


It was moved by Board Member Yarc and seconded by Board Member Mealey, that the meeting minutes of May 15, 2012, be approved.

The motion was carried by the following vote:

AYES: 6 BOARD MEMBERS: Burton, Mealey, Saltz, Yarc, Mills, and Bailey
NOES: 0 BOARD MEMBERS: None
ABSENT: 1 BOARD MEMBERS: Williams

Item No. 2: RATIFICATION OF RESTATE AND RE-ENTERED REPAYMENT AGREEMENT.

The City Manager stated that the amortization schedule was removed from the original Restated and Re-entered Repayment Agreement that was approved by the City and the Successor Agency. He indicated that the last two pages of the exhibit now include formalized notes.

Successor Agency Treasurer commented that the requested action is for the Oversight Board to affirm that the agreement is what was previously approved.

Oversight Board Chair Bailey asked about the removed amortization schedule and if the interest is due in 2025 or annually.

Successor Agency Treasurer responded that the interest would be due annually.
Board Member Saltz asked if this action is pending the State actions.

Successor Agency Treasurer responded in the affirmative.

Board Member Yarc asked if anything has been submitted since the Oversight Board’s previous meeting.

Successor Agency Treasurer responded that the ROPS approved by the Oversight Board was submitted.

It was moved by Board Chair Bailey and seconded by Board Member Yarc, that the Oversight Board ratify the revised Restated and Re-entered Repayment Agreement previously approved by the Oversight Board on May 15, 2012.

The motion was carried by the following vote:

AYES: 6 BOARD MEMBERS: Burton, Mealey, Saltz, Yarc, Mills, and Bailey
NOES: 0 BOARD MEMBERS: None
ABSENT: 1 BOARD MEMBERS: Williams

OVERSIGHT BOARD RESOLUTION NO. OB - 6

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED CYPRESS REDEVELOPMENT AGENCY
RATIFYING THE RESTATED AND RE-ENTERED REPAYMENT AGREEMENT BETWEEN THE CITY OF CYPRESS AND THE CITY OF CYPRESS
AS SUCCESSOR AGENCY PREVIOUSLY APPROVED BY THE OVERSIGHT BOARD

Item No. 3: TRANSMITTAL OF DEPARTMENT OF FINANCE AND O.C. AUDITOR-CONTROLLER LETTERS.

The City Manager informed that the ROPS approval letter was received on May 25, 2012, and that there is a concern with the re-stated agreement, however, it can be resubmitted with future ROPS. He stated that there is a trailer bill going through the Assembly that would disallow any ability for an oversight board to rework the laws. He indicated that the State agreed to pay the notes between the City and the Successor Agency related to the Senior Citizens Center.

Board Vice Chair Mills asked how much of the debt amount was approved.

Successor Agency Counsel stated that the O.C. Auditor-Controller will be dispersing monies for the approved items and taking the funds for the disputed items and distributing those monies to the taxing agencies.

Board Member Saltz asked about the logic for denying the $25 million payment versus allowing the Senior Citizen housing.

Successor Agency Counsel stated that City loans have consistently been denied by the Department of Finance and that the Senior Citizens Center loan is involved in the certificate of participation.

Successor Agency Treasurer commented that the Senior Citizens Center reimbursement agreement was part of an initial bond issuance and refinancing, and it was a document that was attached to the bond documents.

Successor Agency Counsel stated that the Department of Finance is opinion only and not a formal determination.

Board Vice Chair Mills asked if there is an option to litigate should the Oversight Board disagree or not be satisfied with the opinion of the Department of Finance.
Successor Agency Counsel responded that there is no formal appeal process and the Department of Finance's decision is final.

Board Member Williams asked if the lack of a formal appeal process is in conflict/inconsistent with the Department of Finance statement.

Successor Agency Counsel provided an update on the trailer bill to clean up AB1X26, commenting that it is an extremely one-sided piece of legislation. He stated that (1) litigation expenses paid from the Successor Agency's administrative budget would be prohibited; (2) the Successor Agency would be defined as a separate public agency that could sue and be sued; (3) if the Successor Agency owes money, the O.C. Auditor-Controller could withhold property taxes; and (4) the Department of Finance could order the State Board of Equalization to not pay sales tax if money is not turned over by the Successor Agency.

Board Member Williams asked about mixing City finances.

Successor Agency Counsel stated that the trailer bill would be a violation of Proposition 22 and that the Successor Agency has a limited purpose.

Board Member Williams stated that the original legislation has limited liability for the individual Board Members.

Successor Agency Counsel stated that the legislation would eliminate the ability of the Oversight Board to approve the reentered agreement and shifts control to the Department of Finance.

Board Member Mealey asked who approves the legislation.

The City Manager responded that the focus is on the due process portion.

Successor Agency Counsel stated that, once approved by the Oversight Board, the ROPS gets submitted to the Department of Finance for their review then they have three business days to decide if they want to review it then 10 calendar days to review it and make a determination. He stated that under the budget trailer bill, the three-day process would be eliminated, 10 days would be extended to 20 days, and there could never be a point of finality that the ROPS was approved if the O.C. Auditor-Controller decides to dispute ROPS items.

Board Member Saltz asked if the Successor Agency has funds for operating expenses and commented on the possibility of unreimbursed expenses.

Successor Agency Counsel stated that he would advise against paying Enforceable Obligations prior to receiving payment from the O.C. Auditor-Controller. He indicated that some cities have fronted the administrative costs for Successor Agencies on the assumption that they would get the administrative budget fully paid. He commented that more expenses have occurred beyond what the administrative budget for the Successor Agency will cover. He stated that unsuccessful attempts have been made to have the City and the Successor Agency enter into a reimbursable agreement and put that agreement into the ROPS.

Board Chair Bailey commented that the County of Santa Clara downgraded themselves to just above senior debt due to the redevelopment agency bonds.

The City Manager indicated that there would be a penalty provision as well.

Board Chair Bailey asked if the Oversight Board could direct the Successor Agency to pay the Department of Finance.

Successor Agency Counsel stated that the Oversight Board could direct the Successor Agency on certain matters and that it is specific in law of the Oversight Board functions. He stated that there could be issues if the Oversight Board becomes contentious.
Board Member Williams asked if the Successor Agency has a cash flow.

Successor Agency Counsel stated that $1.4 billion is being taken from the low/moderate income housing money from Successor Agencies.

Successor Agency Treasurer indicated that there are Successor Agency funds that are not related to housing due to the O.C. Auditor-Controller paying the first six months of property tax to redevelopment agencies. He indicated that nearly $2 million could be pulled back by the County of Orange and that is what is currently being used for administrative costs.

Board Vice Chair Mills asked if the trailer bill is driven to a point to be voted on.

Successor Agency Counsel responded that the trailer bill most likely would come up at the last minute as part of the budget adoption, or soon thereafter.

Board Member Yarc asked if what the Oversight Board sends in today is rejected if it then becomes dead.

The City Manager stated that the debt issue will remain due to the existing litigation with the City of Cerritos or action from the League of California Cities, and that if it reverses then the debt becomes an Enforceable Obligation. He indicated that restructuring would allow one year before putting it on the EOPS.

Successor Agency Counsel stated that this exercise is about preserving rights.

Board Chair Bailey asked about refunding of debt.

Successor Agency Counsel responded that there would be a right to refund the debt at a lower interest rate.

Board Member Williams asked if there would be anything to address in two years.

Successor Agency Counsel responded that there would be nothing to address in two years, and that with AB 1585 in its current form everything would be dead within two years.

Board Member Saltz asked about the logic of the cities/ agencies being the same.

Successor Agency Counsel stated that they would be legally separate entities but controlled by the same governing body and there is a huge amount of tax increment.

Board Member Mealey commented that based upon the tone of the legislation, cities could lose everything.

Board Member Williams asked about the status of the City of Cerritos lawsuit.

Successor Agency Counsel responded that the City of Cerritos lawsuit is at the court of appeal and that the opening brief is due in a couple of weeks and opposition brief and reply brief, thereafter, then a court hearing.

Board Member Williams commented on the courts/ rulings on pensions.

Successor Agency Counsel commented that the Superior Court judge that heard the case said that he fully expected his courtroom to be flooded with lawsuits making broad and constitutional attacks on ABx1 26 and multiple lawsuits about specific impairments of contracts.

It was moved by Board Vice Chair Mills and seconded by Board Member Yarc, that the Oversight Board receive and file the letters from the Department of Finance and O.C. Auditor-Controller.
The motion was unanimously carried by the following vote:

AYES: 7 BOARD MEMBERS: Burton, Mealey, Saltz, Williams, Yarc, Mills, and Bailey
NOES: 0 BOARD MEMBERS: None
ABSENT: 0 BOARD MEMBERS: None

OVERSIGHT BOARD ITEMS:

No items.

ADJOURNMENT: Board Chair Bailey adjourned the meeting at 6:34 p.m. to Tuesday, June 19, 2012, beginning at 5:30 p.m. in the Executive Board Room.

[Signature]
OVERSIGHT BOARD CHAIR

ATTEST:

[Signature]
CITY CLERK AS SECRETARY
TO THE OVERSIGHT BOARD