

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF TRACY
COMMUNITY DEVELOPMENT AGENCY

REGULAR MEETING MINUTES

Tuesday, February 4, 2014, 3:30 p.m.

City Council Chambers, 333 Civic Center Plaza

Web Site: www.ci.tracy.ca.us

1. CALL TO ORDER - Chair Sensibaugh called the meeting to order at 3:30 p.m.
2. ROLL CALL - Roll call found Chair Sensibaugh, Board Members Borwick, Maciel, Thomas, Miller, and Khan present; Board Member Puentes-Griffith absent. Also present were Robert Harmon, Senior Accountant, and Adrienne Richardson, Recording Secretary.
3. ITEMS FROM THE AUDIENCE – None
4. APPROVAL OF MINUTES – It was moved by Board Member Maciel and seconded by Board Member Borwick to approve the regular meeting minutes of September 3, 2013, and November 5, 2013. All in favor; passed and so ordered.
5. OVERSIGHT BOARD OF THE SUCCESSOR AGENCY FOR THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS) - Robert Harmon, Senior Accountant, presented the staff report. Effective February 1, 2012, the State of California dissolved redevelopment agencies through the passage of ABX1 26 and replaced them with successor agencies. The Tracy City Council elected to serve as the Successor Agency for the former City of Tracy Community Development Agency (CDA). The City Council previously approved an Enforceable Obligation Payment Schedule (EOPS) which listed various financial obligations of the City's former CDA. The law now requires that successor agencies adopt a Recognized Obligation Payment Schedule (ROPS) twice a year listing all enforceable obligations proposed for payment and the Oversight Board approve the ROPS.

The State Department of Finance (DOF), once again, revised the forms used for submission of the ROPS in January 2014, and the forms were received by the Successor Agency on January 16, 2014. Due to notification requirements of the Brown Act Open Meeting Law, the earliest that the ROPS can be presented to the Successor Agency is February 4, 2014, following the meeting of the Oversight Board. The request includes the minimum \$125,000 allowed for Successor Agency administration costs reduced by \$7,762 in prior period adjustments for unspent funds. Any unspent administrative cost allowance is used to offset future requests. The remaining \$1,576,993 is for outstanding debt obligations of the former CDA including \$655,522 for 2003 Tax Allocation Bond A payments, \$521,471 for 2003 Tax Allocation Bond B payments, and \$400,000 for a 2008 Lease Revenue Bond obligation. These bond payments will continue through 2034 for the Tax Allocation Bonds and 2038 for the Lease Revenue Bonds.

At the November 5, 2013, meeting the Oversight Board had to approve the revised forms because a reconciliation of fund balances form was added, which had not been

required in the past. The addition of the form caused confusion and late filings throughout the state. The DOF has again revised the forms. The DOF eliminated the reconciliation of fund balances and replaced it with a report of cash balances. This is significant because the DOF has a mechanism to reconcile the actual expenditures from the earliest closed ROPS period. The DOF can look back at requested amounts, which in the City of Tracy's case was \$125,000 for administrative cost allowance. The City actually incurred approximately \$118,000 in administrative costs for that period, leaving extra funds sitting there. The City cannot keep the difference. The form carries forward the unused funds and reduces the City's request for the period. Mr. Harmon added that will be the process going forward. The DOF will look back 12 months to the closed ROPS period, which was ROPS 13-14A, July through December 2013. Because of this and anticipated higher legal costs as litigation versus the DOF moves through the court system, the City has chosen to maintain the request at the minimum \$125,000 amount knowing that the DOF will carry forward any remaining funds on future requests.

Additionally, the DOF released the forms at 8:38 pm on January 15, 2014. January 16, 2014, was the date that these forms became available. It took a couple of days to complete the cash balance reconciliation to compare to prior reports that had been sent for the City's Comprehensive Annual Financial Statement and determine the request amount. Unfortunately January 16, 2014, was the agenda posting date as required by the Brown Act to get it to the Successor Agency, and the City Council prior to the meeting date of January 21, 2014. In order to meet the Brown Act requirements and the DOF submission requirements without calling a special meeting, it became necessary to submit this to the Oversight Board before going to the Successor Agency. The action is before the Successor Agency at the February 4, 2014, meeting.

There is no fiscal impact. Recognized obligations are paid from property tax revenue previously allocated to the City of Tracy CDA.

Staff recommended that the Oversight Board adopt a resolution approving the Recognized Obligation Payment Schedule 14-15A of the former Tracy Community Development Agency for the period July 1, 2014, through December 31, 2014, contingent upon approval by the Successor Agency.

Board Member Khan asked if legal costs exceed the \$125,000 administrative cost, where would the money come from.

Mr. Harmon responded that the legal costs can be listed as a separate line item. The \$125,000 administrative cost is for six months, so essentially that is \$250,000 per year. Staff does not see needing the funds. Mr. Harmon added there is not a lot of activity and it will diminish in the future.

Chair Sensibaugh stated he did not have a problem with the administration, but would rather budget the monies appropriately instead of having to come back. Chair Sensibaugh further stated it was unusual that the Oversight Board was acting on the item before the Successor Agency and had this not needed to be as fast tracked, it could become a problem in the future if there is disposable property. Chair Sensibaugh stated he felt the board would rather have the Successor Agency act before the Oversight Board, but in this case he did not see a problem.

Mr. Harmon responded staff has placed this item on the agenda for discussion regarding meeting dates so future problems can be avoided.

It was moved by Board Member Maciel and seconded by Board Member Khan to adopt Resolution OB2014-001 approving the Recognized Obligation Payment Schedule (ROPS) of the Tracy Community Development Agency. All in favor; passed and so ordered. Board Member Puentes-Griffith absent

6. LITIGATION UPDATE – Robert Harmon, Senior Accountant, presented the staff report. At the November 5, 2013, meeting Chair Sensibaugh asked for a standing item regarding litigation. Staff will be adding the litigation update to every agenda until the issue is resolved. However, staff did not have any updates since the last meeting. A hearing is still scheduled on July 18, 2014. Mr. Harmon added there have been some favorable decisions that have come down for some other agencies on similar points.

Board Member Maciel asked if the hearings were being held in Sacramento or different regions throughout the state. Mr. Harmon responded AB1X 26 required that all litigation go through Sacramento. Mr. Harmon added there are approximately three judges handling the litigation and there are close to 100 cases. Some cases have preliminary rulings.

Board Member Maciel asked if the Sacramento County court system was handling it. Mr. Harmon responded yes.

7. DISCUSSION ON FUTURE MEETING DATES – Robert Harmon, Senior Accountant, presented the staff report. Mr. Harmon stated there will continue to be a conflict with the Department of Finance (DOF) regarding the release of their documents. In order to meet City Council calendar requirements, items have to be sent to the City Manager's office approximately three weeks prior to the meeting for review. Mr. Harmon stated it was almost impossible to submit a report last minute, which can make it prone to errors. The Oversight Board set the meetings for the first Tuesday of each month. Mr. Harmon added there are two issues 1) meetings would occur before the City Council meetings, and 2) the Oversight Board does not have a lot of action. Mr. Harmon further stated the Oversight Board has previously discussed whether a standing monthly meeting was necessary. At this time there will only be two actions until completion of the litigation phase and requesting a finding of completion and disposition of the parking lots that remain in the Successor Agency. There will be no other action except for the Recognized Obligation Payment Schedule (ROPs). Additionally there has been some discussion in Sacramento about changing the adoption of ROPs to annually instead of a semi-annually. Mr. Harmon stated it makes a lot of sense to change the adoption of the ROPs to annually because the obligations are known far enough in advance. Mr. Harmon stated he wanted the Oversight Board to discuss whether or not to change the meeting from the first Tuesday to the second or third Tuesday of each month, or meet quarterly on the second Tuesday, or call a special meeting.

Chair Sensibaugh stated it would be good to have advance notice of when the Successor Agency would need to act on items and at that time see if the board could meet.

Board Member Thomas stated he preferred to have the meeting scheduled as it is easier to cancel than to arrange a meeting.

Board Member Khan suggested having a scheduled meeting quarterly.

Board Member Maciel stated he has meetings at City Hall on the first and third Tuesday and would prefer to come in early on the first or third Tuesday, rather than the second and fourth Tuesday.

Board Member Khan stated he had no problem with the first and third Tuesday.

Chair Sensibaugh asked if the third Tuesday was preferred instead of the first Tuesday.

Board Member Miller stated he has another meeting on the third Tuesday of each month.

Chair Sensibaugh asked if staff could foresee having the same conflict as occurred today, if the meetings remained on the first Tuesday of the month.

Mr. Harmon responded yes. There may be only a couple more times where conflict could occur before it is transferred to the County. Items could be dealt with as needed through a special meeting.

Chair Sensibaugh stated obviously the City's attorney was agreeable in this particular case. Chair Sensibaugh further stated he wanted to make sure that the Oversight Board's attorney does not have any problems with the board acting prior to the Successor Agency. Chair Sensibaugh indicated he would contact the attorney but in the meantime suggested keeping the meetings to the first Tuesday of the month at 3:30 p.m., and cancel if the meeting is not required.

Board Member Maciel stated he was expressing a preference, but if the meetings were changed to the second Tuesday of the month, he could attend.

Chair Sensibaugh stated the Oversight Board could continue the same way. Chair Sensibaugh indicated he was not available for the March 2014, meeting and suggested canceling the March 2014, meeting since there were no items to place on an agenda.

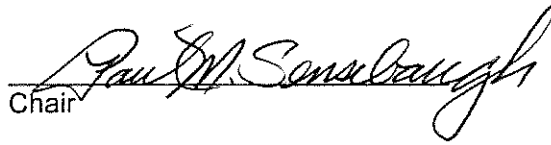
Mr. Harmon stated the next ROPS would be due September 1, 2014, which is a holiday. The first Tuesday is September 2, 2014, so the Oversight Board could meet on September 2, 2014. There would be plenty of time to get the forms to the Successor Agency for their action.

Chair Sensibaugh asked if staff anticipated the Oversight Board needing to meet before September, 2014.

Mr. Harmon suggested cancelling the meetings each month just in case items come up that require action. Mr. Harmon stated he did not anticipate a meeting being required until September, 2014, unless the ROPs is not accepted by the Department of Finance.

8. ITEMS FROM THE AUDIENCE - None

9. ADJOURNMENT – It was moved by Board Member Maciel and seconded by Board Member Khan to adjourn at 3:55 p.m. All in favor; passed and so ordered.


Chair


Successor Agency Secretary