

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

REGULAR MEETING MINUTES

**Tuesday, June 5, 2012, 3:30 p.m.**

City Council Chambers, 333 Civic Center Plaza

Web Site: [www.ci.tracy.ca.us](http://www.ci.tracy.ca.us)

1. Chair Sensibaugh called the meeting to order at 3:30 p.m., and led the Pledge of Allegiance.
2. Roll call found Board Members Borwick, Khan, Miller, Thomas, Vice Chair Ives and Chair Sensibaugh present.
3. Items from the Audience – Moved to the end of the agenda.
4. Minutes Approval – Chair Sensibaugh indicated he had not received the information requested on page 3 under item 9 of the minutes. Chair Sensibaugh stated the second sentence that states “Agency” should reflect “Successor Agency”. It was moved by Board Member Khan and seconded by Board Member Thomas to approve the minutes of May 1, 2012, as amended. Voice vote found all in favor; passed and so ordered.
5. **ADOPT A RESOLUTION APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND THE ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY**

Zane Johnston provided the staff report. Mr. Johnston stated that the State of California through the passage of ABX1 26 dissolved redevelopment agencies effective February 1, 2012 and replaced them with successor agencies. The City of Tracy previously elected to serve as the successor agency of its former redevelopment agency. Previously the Oversight Board approved a Recognized Obligations Payment Schedule (ROPS) for the period of January 1, 2012 through June 30, 2012. A ROPS for the period of July 1, 2012 to December 31, 2012 must also be approved.

The ROPS lists all outstanding enforceable obligations of the former Tracy Community Development Agency. The largest obligation is the outstanding bonds issued by the Agency. The City is statutorily entitled to \$250,000 per year in administrative expenses and as such, the administrative budget has been set at this amount. The amounts due for the period of July 1, 2012 to December 31, 2012 have been noted. It is imperative this ROPS be approved as the County needs an approved ROPS to release funds – funds that are needed to pay upcoming debt service payments.

Although the approval of this ROPS was scheduled for the June 5, 2012 meeting of the Oversight Board, the State requested a copy in advance. The State reviewed this ROPS and approved it. This is noteworthy because the State has rejected many of the ROPS that have been submitted. The State’s approval indicates that Tracy’s ROPS is acceptable and conforms with State law in this regard.

Staff recommended that the Board of Directors of the Oversight Board of the Successor Agency to the Tracy Community Development Agency approve the Recognized

Obligations Payment Schedule (ROPS) and approve the \$250,000 administrative budget.

Board Member Khan referred to the \$820,000 asking if that was a payment made twice per year. Mr. Johnston stated it was an annual principal payment due in the spring. Chair Sensibaugh asked what the intent was with the asterisk over the column heading "FY 12/13". Mr. Johnston indicated the form came from the State and that he was not able to change any heading on the form.

Board Member Thomas indicated he recalled the last version of the ROPS the Oversight Board approved and the pass through to the schools appeared on the report. Board Member Thomas asked if those payments were gone because they were coming off the top by the Auditor/Controller. Mr. Johnston stated yes. Board Member Thomas asked regarding lease revenue bonds that have been paid that he remembers there was some discussion regarding challenges as to whether the successor agency can make payments back to the city for loans and debts. Mr. Johnston stated the State rejected some of those state-wide where they were not debt involved. Mr. Johnston stated in this instance, the City of Tracy issued bonds in 2008 and a portion of those proceeds were provided to the Redevelopment Agency that went to a project fund and those monies were spent. Mr. Johnston indicated this money supports the debt service. Mr. Johnston further indicated he received an e-mail from Chris Lynch who serves as bond counsel which they provided to the State of California and gave them the opinion that these were all recognized obligations under the law that was passed. Mr. Johnston stated that the State approved the ROPS. Board Member Thomas asked if this particular ROPS had gone to the State. Mr. Johnston stated yes, and that it had been approved by the State.

Board Member Yatooma joined the Board at 3:40 p.m.

Board Member Thomas asked if the audit included an audit of the ROPS. Mr. Johnston stated the audit has to do with the assets of the agency which includes cash.

Mr. Thomas asked who actually made the arrangements for the audit. Mr. Johnston indicated the County Auditor.

Chair Sensibaugh stated it was important that in the future the approval sequence is right regarding the Successor Agency approving the ROPS prior to the Oversight Board approval. Chair Sensibaugh indicated it would be a different story regarding assets.

Chair Sensibaugh asked for clarification regarding the staff report under Discussion, paragraph two, sentence two, that states "the City is statutorily entitled to \$250,000" when it should actually be "the Successor Agency". Mr. Johnston agreed it should be the Successor Agency.

Chair Sensibaugh indicated it was the Board's charge to see that as much money as possible goes to the State and was therefore still worried about the possibility of liability due to serving on the Board. Mr. Sodergren stated it may be a good question to ask once oversight counsel was obtained. Board Member Thomas asked if the Board needs separate counsel. Mr. Sodergren indicated he would be advising the Successor Agency regarding control of the \$250,000. Mr. Johnston added that it is his opinion that the Successor Agency is entitled to the \$250,000.

Vice Chair Ives asked if it was Chair Sensibaugh's opinion that the Oversight Board is to get as much money out of the Successor Agency as possible to go to the State. Chair Sensibaugh stated he believed that was the Board's charge. Board Member Khan indicated he believed that was correct as well.

Board Member Thomas stated it would be unfortunate to start off with a confrontational attitude with staff, noting that the Oversight Board has to figure it out as they go with a balanced approach. Board Member Thomas added that as a representative of schools he wanted to ensure that schools receive the funds they are entitled to, along with public works and other entities, while staying on the right side of the law. Board Member Thomas suggested that the conversation be held when counsel gets on board and until that time the more benefit of a doubt that we can give each other, the better.

Board Member Yatooma referred to row 8, property tax administration of \$195,000, and asked what it represented. Mr. Johnston stated the County was allowed to charge property tax administration to cities, special districts, redevelopment agencies, etc., which helps support the auditors office, tax collectors office, and administration. Mr. Johnston added that the monies are divided up and billed to each agency.

Board Member Yatooma asked if the ROPS would show the money that goes to K-12 districts and community colleges. Mr. Johnston stated not anymore; that it was being done automatically. Mr. Johnston added that Sandra Chan of the Auditor's office was tracking and paying those obligations.

Chair Sensibaugh indicated it wasn't that the board doesn't want cities to succeed, but they are charged with maximizing what goes to the State.

Chair Sensibaugh asked Mr. Sodergren if he was working with the City of Stockton on obtaining legal counsel. Mr. Sodergren stated he did have a separate agenda item to discuss that issue.

Chair Sensibaugh asked if the ROPS had to be approved today. Mr. Johnston stated yes, otherwise it would jeopardize payments to bond holders. Chair Sensibaugh stated it was putting the Board in a difficult position by getting the ROPS approved by the State before the Oversight Board has an opportunity to review the ROPS. Mr. Malik provided an option for the Oversight Board to only approve the \$125,000 of the \$250,000, leaving the Oversight Board six months to discuss the remainder. Chair Sensibaugh suggested special meetings may be necessary to get the approvals in sync.

Board Member Khan asked about the ROPS that were approved at the previous meeting which included a \$250,000 administrative fee. Mr. Johnston indicated it was for FY 11/12.

Chair Sensibaugh asked for clarification regarding the name of the Redevelopment Agency. Mr. Johnston indicated the Agency was referred to as Community Development Agency and the Redevelopment Agency and they are one in the same.

Board Member Thomas asked Chair Sensibaugh if he was simply trying to get details on what the funds were being spent on. Chair Sensibaugh stated yes. Board Member Thomas asked if there was an accounting as to where the \$250,000 was being spent.

Board Member Thomas asked that the Oversight Board be provided with an accounting of the administrative budget. Mr. Johnston stated the Successor Agency can do it differently and the outcome will be the same.

Board Member Thomas stated the question then becomes is this a grant for which no accounting is expected and then legal counsel may have to answer that question.

Chair Sensibaugh asked the City Attorney to look at 341771(b) and decide where you stand. Chair Sensibaugh stated he would like to have it documented. Mr. Johnston stated he would make the overture to do what is asked. Board Member Thomas indicated that is what the Oversight Board was asking for.

Vice Chair Ives indicated the Oversight Board does not know what the entitlement is yet and doesn't necessarily want staff time spent on it. Mr. Thomas stated he doesn't need anything elaborate but would like to see where the \$250,000 is being spent.

It was moved by Board Member Thomas and seconded by Board Member Khan to adopt Resolution OB 2012-0003 approving the Recognized Obligation Payment Schedule and the administrative budget of the Successor Agency of the Tracy Community Development Agency. Voice vote found all in favor; passed and so ordered.

6. SUPPLEMENTAL INFORMATION REGARDING ASSETS OF THE FORMER TRACY COMMUNITY DEVELOPMENT AGENCY (CDA)

Andrew Malik, Development Services Director, provided the staff report. Mr. Malik stated that at the last meeting there was a request to provide additional financial information to better understand the fiscal health of the former Community Development Agency (CDA) of the City of Tracy. Staff also e-mailed financial information directly to the board members after the last meeting. This agenda item deals primarily with reviewing assets of the former Tracy CDA. At the present time, the former Tracy CDA does not own any physical assets. The issue of asset transfers from redevelopment agencies to cities has been a key focus of the State. The City of Tracy has received assets from the former Tracy CDA.

Mr. Malik indicated there were a few physical assets such as remnant pieces, parking lots and an approximate 1-acre side next to Texas Roadhouse which has been for sale for some time.

Chair Sensibaugh thanked Mr. Malik for providing the Board with the information. However, he was still confused about the transfer of assets into the City of Tracy.

Mr. Malik stated this was all done before the law was enacted. Mr. Malik added that the highlighted properties (parking lots, etc.) weren't sold or committed to by a third party. Mr. Sodergren added that the Successor Agency still has a question as to whether or not the State law will allow them to reach back or not.

7. ADOPT A RESOLUTION AMENDING THE BY-LAWS.

Mr. Malik provided the staff report. Mr. Malik stated that at the May 1, 2012 Oversight Board meeting, it was suggested that the meetings be governed by the procedures contained in Rosenberg's Rules of Order. Rosenberg's Rules of Order are a simplified

version of the rules of parliamentary procedure. Alternatively, the Oversight Board could choose to adopt Robert's Rules of Order, which are more complex. Staff recommended that the Oversight Board adopt Rosenberg's Rules of Order.

Mr. Malik stated that AB x1 26 was silent as to the appointment of Alternate Board Members. Under ABx1 26, each oversight board member shall serve at the pleasure of the entity that appointed such member. Therefore, the decision to appoint an Alternate Board Member or Members is within the discretion of each entity that makes an appointment.

Mr. Sodergren stated it was up to the Agency to decide if they wanted to have an alternate.

It was moved by Board Member Yatooma and seconded by Vice Chair Ives to adopt Resolution OB2012-0004, amending the By-Laws of the Oversight Board of the Successor Agency to the Tracy Community Development Agency to specify the rules of procedure at meetings and the appointment of alternates. Voice vote found all in favor; passed and so ordered.

#### 8. OVERSIGHT BOARD LEGAL COUNSEL

Mr. Sodergren stated that the City Attorney's Office currently serves as legal counsel to the Successor Agency to the former City of Tracy Community Development Agency. As was pointed out at the May 1, 2012 Oversight Board meeting, there may be times when the interests of the Oversight Board and the Successor Agency will differ. When such a conflict arises, the Oversight Board should be represented by separate legal counsel.

Mr. Sodergren added that staff was exploring the possibility of having one attorney who would be available to serve as legal counsel for all oversight boards in the County. Although each successor agency would contract separately with the attorney, this arrangement would provide uniformity of advice. This arrangement would also allow for some types of legal advice and training to be consolidated and, therefore, may result in some cost savings.

Mr. Sodergren stated that he has talked to the Stockton City Attorney and that while their issues are greater there, it may result in an inequity if cost sharing. Mr. Sodergren suggested that after Stockton makes their decision, the Tracy Oversight Board could enter into a separate contract with that attorney or he could bring back a couple of recommended names that were separate from Stockton.

Chair Sensibaugh stated that Stockton would have a decision by Thursday and suggested that once Stockton's situation had been decided, that maybe there could be an agenda item for the Oversight Board to hire an attorney.

Chair Sensibaugh stated it was essential that the Oversight Board spend the money on an attorney now to avoid penalties later.

9. CANCEL THE JULY 3 MEETING

Mr. Malik stated that the next regular meeting of the Oversight Board is scheduled for July 3, 2012. Given the July 4<sup>th</sup> holiday, the Oversight Board may wish to consider cancelling this meeting.

It was moved by Board Member Yatooma and seconded by Board Member Thomas to cancel the July 3, 2012 Oversight Board meeting.

10. Items from the audience – None.

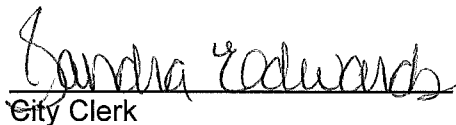
11. Board Member Items – None.

12. Adjournment

It was moved by Vice Chair Ives and seconded by Board Member Yatooma to adjourn. Voice vote found all in favor; passed and so ordered.

Time: 4:29 p.m.

  
Chair

  
City Clerk