

UNOFFICIAL UNTIL APPROVED

**SPECIAL JOINT MEETING OF THE COSTA MESA COUNCIL
AND REDEVELOPMENT AGENCY**

January 17, 2012

These meeting minutes represent an "action minute" format with a concise summary of the meeting. A video of the meeting may be viewed on the City's website at www.ci.costa-mesa.ca.us.

The Costa Mesa City Council and Redevelopment Agency met in a Special Joint Meeting held on Tuesday, January 17, 2012, in the Council Chambers of City Hall, 77 Fair Drive, Costa Mesa. Mayor Pro Tem/Agency Chair Jim Righermer called the meeting to order at 8:18 p.m.

I. ROLL CALL

Members Present: Mayor/Agency Member Gary Monahan
Mayor Pro Tem/Agency Chair Jim Righermer
Council/Agency Member Eric Bever
Council/Agency Member Wendy Leece
Council Member/Agency Vice Chair Stephen Mensinger

Members Absent: None

Officials Present: Executive Director /CEO Tom Hatch
Assistant Executive Director Khanh Nguyen
Agency/City Attorney Tom Duarte
Interim Public Services Director Ernesto Munoz
Finance and I.T. Director Bobby Young
Neighborhood Improvement Manager Muriel Ullman
Management Analyst Alma Penalosa
Agency Special Counsel Celeste Brady
City Clerk Julie Folcik

II. CLERK'S STATEMENT

The Agenda and Notice and Call for the Special Joint Meeting of the City Council and Redevelopment Agency were posted at the City Council Chambers, Adams Postal Office, Headquarters Police Department, Neighborhood Community Center and the Mesa Verde Public Library on Friday, January 13, 2012.

III. PUBLIC COMMENTS

Mr. Humphries requested confirmation regarding the \$10 million dollar loan. He wanted to know if the loan was a protected obligation and the State could not take the money or if it was still up in the air and the City should have taken the \$1.5 million. Mr. Humphries also asked when the public would have the opportunity to respond to the earlier comments made by Mayor Pro Tem/Agency Chair Jim Righermer.

Sandra Genis asked if this would be the last meeting of the Redevelopment Agency. Ms. Brady reported the Agency could hold another Special meeting through January 31, 2012. Effective February 1, 2012, the City of Costa Mesa would be the Successor Agency to the Costa Mesa Redevelopment and the Costa Mesa Redevelopment Agency would be dissolved.

IV. NEW BUSINESS

1. Adoption of Amendments to the Agency's Enforceable Obligation Payment Schedule ("EOPS") and Initial Recognized Obligation Payment Schedule ("IROPS")

Agency Special Counsel Celeste Brady presented the staff report. She reported there was one Agency resolution and a City Council motion if the Agency resolution was approved.

Ms. Brady spoke of the August special meeting that was held to prepare and approve an enforceable obligation payment schedule. She urged members to include in their motion, if approved, allowing the Finance Director to add the housing obligations and information (included in the Housing Authority Agenda item - Attachment 7) to the EOPS and IROPS. The regulatory agreements relating to affordable housing projects in Attachment 7 were enforceable contracts that needed to be included in the schedules that were being reviewed and considered for action.

The second part of the resolution pertained to the Initial Recognized Obligation Payment Schedule (IROPS) the Agency approved on September 20, 2011. There was an opportunity for the Agency to update both schedules before dissolution of the Agency and the Finance Director had prepared the necessary modifications that were appropriate at this time.

Ms. Brady advised that unless there was another special Agency meeting before January 31, 2012, tonight would be the final action taken by the Redevelopment Agency. The appropriate action would then be for the City Council to move to accept the Initial Recognized Obligation Payment Schedule. Ms. Brady mentioned staff would be returning in February with the IROPS because as the Successor Agency to the Costa Mesa Redevelopment Agency, they would have to approve the schedule and present it to the Oversight Board.

The importance of the EOPS was emphasized because the existing assets and monies on deposit with the Agency would be assumed by the Successor Agency. The funds would be used to pay the obligations during February 1 and May when the Oversight Board was formed and approved the schedules.

Ms. Brady encouraged the Agency to amend and update the EOPS and IROPS via the resolution and accept the IROPS as the City Council.

City/Agency Member Eric Bever noticed the \$1.3 million dollar payment was not in the EOPS and asked if they were foregoing the payment. Finance Director Bobby Young said the current EOPS was for the period of January to June 2012. The Agency's \$1.3 million dollar payment had been made to the City in November 2011 and was included in the previous EOPS. Council/Agency Member Bever commented there should have been a column recognizing prior payments and noted that other

columns were not showing appropriate amounts. Mr. Young referred Council/Agency Member Bever to the IROPS and stated the \$1.3 million dollar payment appeared in the column for the period from October 1 to December 31, 2011.

Council/Agency Member Bever inquired about the 1901 Newport Housing Project and asked if the \$892,000 was an annual cost or a cost to file the project out. Ms. Brady reported that the 1901 Newport project had undergone changes and in 2011 staff took the project to the Agency for direction. Since the Agency opted not to cancel the contract, the money had been carrying in the Redevelopment Agency's budget for a couple of years. Depending on the Council's action relating to the housing functions, and if as a Successor Agency they desired to terminate and free up the money, those funds could possibly be available as existing fund balances to the new Housing Authority if one was formed.

Ms. Brady clarified she could not provide answers relating to the City-Agency loan as staff was still researching it. Mayor Pro Tem/Agency Chair Jim Righheimer asked if the City had confirmed it had back-up documentation proving they were owed \$10 million dollars. Mr. Brady responded that as of today the City had not yet confirmed.

Council/Agency Member Leece asked what the acronym "TAB" Refunding 2003 stood for. Ms. Brady explained it stood for outstanding "tax allocation bonds" the Agency had that would be honored as enforceable obligations.

Council/Agency Wendy Leece referred to the EOPS and asked if the \$19 million dollars (line item #6) was the total amount of the outstanding debt. Mr. Young explained it was the total debt with interest and principal factored in. Prior to the State's action, the loan was to be amortized in 2023-24, which was supposed to be the sunset of the Agency.

Council Member/Agency Vice-Chair Stephen Mensinger asked Agency Special Counsel Brady if she could answer Jay Humphries' questions. Ms. Brady believed Mr. Humphries' question pertained to the City-Agency loan and reiterated that she did not have a definitive answer because she needed supporting documentation.

Council Member/Agency Vice-Chair Mensinger asked how documentation was lost. Ms. Brady, with all due respect, said she had not received the actual promissory notes that supported listing of the notes. Council Member/Agency Vice-Chair Mensinger asked how recorded documentation was lost. Ms. Brady clarified that a promissory was not a recorded document – a promissory note was usually kept in a vault and held as a negotiable instrument. Ms. Brady was still waiting to receive and review the formalistic loan agreements.

Finance Director Young mentioned that the documentation that was being researched dated back to 1970's. The loan was not a lump sum loan and had been amended many times. Staff was compiling paperwork and bringing it together to verify if it qualified under the statue of the law. Member Mensinger asked if staff had found the amendments and not the loan. Mr. Young said staff was pulling it together to make sure they had one complete package. Member Mensinger asked if staff had found any of the documents – Mr. Young responded in the affirmative. Member Mensinger asked how long it was going to take before staff could provide one complete package. Mr. Young did not have an answer and added staff wanted to ensure they had all the documentation so that when they returned and made a

declaration on it they could support it. Ms. Brady mentioned the ultimate decision would be up to the County Auditor Controller, the Department of Finance, the State Controller's Office and the Oversight Board. Mr. Young added the City-Agency loan was on the EOPS and IROPS until a determination could be made.

Mayor Pro Tem/Agency Chair Jim Righeimer requested an explanation regarding the \$1.5 million dollars Mr. Humphries had referenced earlier. Mr. Young and Ms. Brady provided an explanation regarding AB X1 26 and possible applicability to the claw back provision.

MOTION: Voting as the Redevelopment Agency, adopt a resolution of the Costa Mesa Redevelopment Agency, City of Costa Mesa, California ("Agency") amending the Enforceable Obligation Payment Schedule ("EOPS") pursuant to Section 34169(g) of the Health and Safety Code, including the housing obligations (Attachment 7 to Housing Authority report). Moved by Agency Member Gary Monahan, second by Agency Vice Chair Stephen Mensinger.

A RESOLUTION OF THE COSTA MESA REDEVELOPMENT AGENCY AMENDING THE ENFORCEABLE OBLIGATION PAYMENT SCHEDULE AND THE INITIAL RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND TRANSMITTING SCHEDULE TO THE CITY, ACTING AS SUCCESSOR AGENCY (RDA Resolution 01-2012).

The motion carried by the following roll call vote:

Ayes: Agency Chair Jim Righeimer, Agency Vice Chair Stephen Mensinger, Agency Member Eric Bever, Agency Member Wendy Leece, Agency Member Gary Monahan.

Noes: None.

Absent: None.

MOTION: Voting as the City Council and acting as Successor Agency, by minute order, accept transmittal of the amended Initial Recognized Obligation Payment Schedule from the Agency. Moved by Mayor Gary Monahan, second by Council Member Wendy Leece.

The motion carried by the following roll call vote:

Ayes: Mayor Gary Monahan, Mayor Pro Tem Jim Righeimer, Council Member Eric Bever, Council Member Wendy Leece, Council Member Stephen Mensinger.

Noes: None.

Absent: None

Council/Agency Member Wendy Leece asked if the Oversight Board could look at the \$19.4 million loan differently and scale it back to \$10 million if they were to pay it. Mr. Young advised the Oversight Board was entrusted with authorizing payments and ensuring that all debts were paid off. A payment schedule was set forth as \$1.3 million up to a certain time period. Adjusting the payment schedule would require a coordinated effort between the Oversight Board and the City. Ms. Brady mentioned the Oversight Board had veto and modification powers. They would look at what they could recognize as a loan that was validly formed within 2 years of the

formation of the Agency and whether those provisions connected to current principal due and make a determination.

V. REPORTS

1. City/Agency Attorney – None
2. Chief Executive Officer/Executive Director - None

VI. ADJOURN – Mayor Pro Tem/Agency Chair Jim adjourned the Special Joint City Council/Redevelopment Agency meeting at 8:41 p.m.