

**REGULAR MEETING OF THE OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY
TO THE COSTA MESA REDEVELOPMENT AGENCY**

MAY 17, 2012

These meeting minutes represent an "action minute" format. A copy of the meeting can be obtained at Costa Mesa Housing Authority Office located on the 2nd floor of the Costa Mesa City Hall.

The Oversight Board of the Successor Agency to the Costa Mesa Redevelopment Agency met in a regular meeting on Thursday, May 17, 2012, in Conference Room 1A of the Costa Mesa City Hall, 77 Fair Drive, Costa Mesa.

For informational purposes, Successor Agency Special Counsel Celeste Brady distributed copies of a California-oriented draft trailer bill from the Department of Finance titled "Redevelopment Agencies Dissolution Clean-up and Liquid Asset Provisions" proposed to clean-up legislation.

Chair Righeimer called the meeting to order at 2:08 p.m. and Board Member Dan Baker led in the Pledge of Allegiance.

I. ROLL CALL

Members Present:

Jim Righeimer, Chair
Jeff Trader, Vice Chair
Rick Francis, Board Member
Dan Baker, Board Member

Members Absent:

Thomas R. Hatch, Board Member
Gary Monahan, Board Member
Andy Dunn, Board Member

Officials Present:

Peter Naghavi, Economic and Development
Director / Deputy CEO
Bobby Young, Finance and I.T. Director
Colleen O'Donogue, Assistant Finance Director
Hilda Veturis, Management Analyst
Celeste Brady, Successor Agency Special Counsel
Kathe Head, Economic Consultant
Martha Rosales, Executive Secretary

II. AFFIDAVIT OF POSTING

The Agenda for the regular meeting of Oversight Board was posted at the City Council Chambers, Adams Postal Office, Headquarters Police Department, Neighborhood Community Center and the Mesa-Verde Public Library on Monday, May 14, 2012.

III. MINUTES

1. Oversight Board meeting of Thursday, April 19, 2012

MOTION: Approve Minutes. Moved by Vice Chair Jeff Trader, second by Board Member Dan Baker.

The motion carried by the following vote:

Ayes: Chair Jim Righeimer, Vice Chair Jeff Trader, Board Member Rick Francis, Board Member Dan Baker

Noes: None

Absent: Board Member Tom Hatch, Board Member Gary Monahan, Board Member Andy Dunn

IV. PUBLIC COMMENTS

Any person wishing to address the Oversight Board on any matter, whether or not it appears on this agenda, is requested to complete a "Request to Speak" form, available at the door and with the Secretary. The completed form is to be submitted to the Secretary prior to an individual agenda item being heard by the Oversight Board. No action will be taken on any item not on the agenda unless the Oversight Board makes a determination that an emergency exists or that the need to take action on the item rose subsequent to the posting of the agenda. Public comments shall be limited to a maximum of three (3) minutes per person and an overall time period of 15 minutes for items not considered on the regular agenda.

V. OLD BUSINESS

1. Finance Update regarding Correspondence with the State Department of Finance (DOF)

Finance and I.T. Director Bobby Young provided the update and presented email correspondence to and from the DOF regarding the EOPS.

Ms. Brady added that supplemental documentation pertaining to the Redevelopment Agency loan had been submitted to the DOF. The DOF had 10-business days (until Monday, 21, 2012) to review the documents but might be providing a response by today (May 17, 2012). If the DOF rejected items and the Oversight Board accepted their rejections, the matters would not have to go before the Oversight Board again. The DOF would submit the ROPS with the rejected items to the County Auditor Controller to authorize monies to be released from the Trust Fund as of June 1, 2012.

Ms. Brady spoke about a position statement put out by the DOF that directed County Auditor Controllers to distribute monies and balances from Trust Funds, on items approved on the ROPS, to taxing entities even if disputed items existed. Ms. Brady

mentioned that distributing the money as property tax could be problematic to enforceable obligations under possible dispute due to third party involvement with public entities and bondholders. Orange County Successor Agencies were preparing a letter to the Auditor Controller to notify of possible liabilities to Successor Agencies and holders of disputed enforceable obligations.

A lengthy conversation regarding the disbursement of monies and disputed enforceable obligations ensued.

Ms. Head commented that a withdrawal was not needed with regards to ROPS 1 because there were sufficient funds. She did not foresee a problem with the June 1, 2012 deadline unless the Oversight Board appealed items rejected by the DOF - ROPS 2 would be more of an issue.

Vice Chair Trader asked if the fund balance was part of the Trust Fund. Ms. Head stated that because the audits were not complete, no City fund balances had been transferred to the County as of yet. Upon completion of the audits (on July 1, 2012) and when everything was agreed upon, the unencumbered fund balances in all Successor Agencies would be transferred to the County. Assistant Finance Director Colleen O'Donoghue reported that Costa Mesa's audit was previously scheduled for May 21, 2012 but due to conflicts with the auditors it had been moved to June 4, 2012.

Vice Chair Trader requested the fund balance and asked if the funds had been encumbered before the audit. Ms. O'Donoghue reported there were approximately \$3 to \$4 million dollars of combined encumbered and unencumbered funds and of the combined totals, \$1 million dollars were unencumbered. She also advised that the funds were not encumbered before the audit. Ms. Head stated the \$1 million dollars of unencumbered funds in the housing fund would be transferred to the County if everything remained status quo.

2. Discussion of Bond Defeasement

Mr. Young reported that he, along with Ms. Head and Ms. Brady, had compiled a staff report pertaining to the practicality of defeasement and advised the Board that October 2013 would be the first opportunity to defease the bonds without penalty.

Chair Righeimer commented there were 2 parts to defeasement – 1) the ability to pay and the cost to defease and 2) where the funds would come from. Chair Righeimer asked if they had the ability how would the money be paid. Mr. Young explained they would have to refinance to get the lump sum and since bonds were normally defeased to obtain a lower rate, the proceeds from the issuance of the new debt at a lower rate would be used to defease the bonds.

Chair Righeimer requested the length of time for payback and asked if they would be allowed to defease. Ms. Head stated the current bonds had a very low interest rate and there was no opportunity to get the interest rate reduced on a refinancing. She provided a history of the bond and recommended the Board consider repaying the outstanding bonds in October 2013.

Chair Righeimer asked if the County had to allow the defeasement. Ms. Head stated the State and County would both have to allow the defeasement and there had to be sufficient funds. Mr. Young added the ROPS would have to be redone in order to get the lump sum in that time period and make the payment - 6 years were left on the current debt.

A conversation regarding refinancing took place.

Chair Righeimer asked when the DOF's decision to accept or reject debts would be known. Ms. Brady reiterated staff would possibly know today (May 17, 2012). Ms. O'Donoghue mentioned the DOF's 10-day review period ended on Monday, May 21, 2012; they may have told her they would respond today in the event follow-up information was needed. She added that once the DOF rejected an item, a new 10-day review period began. Ms. Brady said staff had made the presumption that once the DOF approved an item and placed it on subsequent ROPS, the item was fine. However, the DOF announced they would be reviewing and making a decision every time regarding whether or not to continue an item as an enforceable obligation (something problematic especially for third-party contracts). Chair Righeimer made a request that staff provide the Board with a copy of the DOF's response and reminded Board Members of the Brown Act.

VI. NEW BUSINESS - None

VII. CHAIR AND BOARD MEMBER'S COMMENTS AND SUGGESTIONS

Vice Chair Trader inquired about property mentioned in the April Oversight Board meeting that needed to be dealt with. Ms. Brady reported that staff's research determined that the parking lots in the Vehicle Parking District were not owned by the Costa Mesa Redevelopment Agency. They were public parking lots - all in fee interest of the City of Costa Mesa and would remain as such.

Staff also discovered a transaction from the early 1980's - Shappell Housing Project (aka: Costa Mesa Family Village) - a 3-parcel multi-family affordable housing project that was ground leased and had 55-60 year affordability covenants in place. Because the Costa Mesa Family Village project was a housing asset, the yearly \$90,000 ground lease payment would go to the Costa Mesa Housing Authority and the Housing Authority would own the underlying fee title.

Chair Righeimer asked if the affordability covenants were for 55 years. Ms. Brady thought the affordability covenants were for 60 years because the project involved HUD money. She added that aside from the deeds of trust, the Agency did not own land.

Vice Chair Trader commented there was nothing to dispose of. Ms. Brady concurred and reported that staff had not prepared disposition procedures because there was nothing to sell off.

Vice Chair Trader inquired about the City-Agency loan and asked if Ms. Brady had mentioned that only \$100,000 of the loan qualified. Ms. Brady clarified stating she

had mentioned that \$100,000 had been entered into within 2 years of the Agency (loan was a revolving loan).

Mr. Young distributed a color-coded flow chart titled “Costa Mesa Promissory Notes” that depicted a breakdown of the Agency’s transactions regarding the loan. Mr. Young explained the complexity of the loan, provided background history and summarized the 36 promissory notes that the Redevelopment Agency had entered into from 1971 through 1993. Mr. Young also distributed copies of an “Amortization Table” that showed a repayment schedule and gave an explanation of the payment periods.

VIII. ADJOURN – Chair Righeimer adjourned the meeting at 2:44 p.m. to the next regularly scheduled meeting on Thursday, June 21, 2012.