

MINUTES

SANTEE CDC SUCCESSOR AGENCY OVERSIGHT BOARD SPECIAL MEETING APRIL 5, 2012

SANTEE CITY COUNCIL CHAMBERS, 10601 MAGNOLIA AVENUE

The April 5, 2012 special meeting of the Santee CDC Successor Agency Oversight Board was called to order at 3:34 p.m. Present were Board Members Sahar Abushaban, Karl Christensen, William Pommering, Tom Romstad, Warren Savage Jr., Rusty Williams, and Arnold Winston, and City Manager Keith Till, Finance Director Tim McDermott, and Senior Management Analyst Pamela White.

AGENDA ITEM #1: WELCOME AND INTRODUCTIONS

Following some brief introductory remarks, Members of the Oversight Board and the Santee CDC Successor Agency staff were introduced. All seven Oversight Board Members were present.

AGENDA ITEM #2: OVERVIEW OF ROLES AND RESPONSIBILITIES OF THE OVERSIGHT BOARD

City Manager Keith Till thanked the Board Members for accommodating this first meeting of the Oversight Board under such challenging time constraints, and enabling the CDC Successor Agency to meet the April 15, 2012 deadline imposed by the State Department of Finance. For the past several months, the Santee CDC and the City of Santee as the CDC Successor Agency have been taking steps to implement the wind-down of the City's redevelopment agency pursuant to AB 1X 26. He explained that the City's Director of Finance has been in contact with State and County offices over this period to submit the required documents and filings, provide background information, and insure the City's compliance with all provisions of this legislation.

The next step in this process is for the Oversight Board to meet and review and approve the Recognized Payment Schedule (ROPS) for submittal to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance by April 15, 2012. The review by the County Auditor-Controller will include a comprehensive review for certification by an outside audit firm.

The CDC was first required to prepare an Enforceable Obligations Payment Schedule (EOPS) in August 2011, which consisted of bond payments and related expenses for construction projects and other contractual commitments made by the CDC prior to the effective date of AB 1X 26 abolishing redevelopment agencies. The Recognized Obligations Payment Schedules (ROPS) reflect the previous EOP schedules that have been finalized and approved, and relate to specific time periods as specified by the legislation. Those prior actions will be outlined with the ROPS review.

AGENDA ITEM #3: ELECTION OF A CHAIR AND VICE CHAIR

ACTION: On a motion by Board Member Williams, seconded by Board Member Pommering, Board Member Warren Savage was nominated as Chair. The motion passed, with all Board Members voting aye.

ACTION: On a motion by Board Member Williams, seconded by Board Member Pommering, Board Member Arnold Winston was nominated as Vice Chair. The motion passed, with all Board Members voting aye.

Board Member Savage was requested to immediately assume the duties of Chair in conducting the Board meetings, and was invited to share some introductory remarks. Savage noted that the Board had significant detail to review with the Recognized Obligation Payment Schedules (ROPS) and suggested as ground rules that the group take each item line by line through the schedule, with an explanation by Finance Director McDermott, and each Board Member having the opportunity to ask questions. He further encouraged each of the Board Members to share their comments and questions, or request further clarification or information if needed.

AGENDA ITEM #4: RECOGNIZED OBLIGATION PAYMENT SCHEDULES (ROPS) FOR THE PERIODS FROM JANUARY 1, 2012 TO JUNE 30, 2012 AND JULY 1, 2012 TO DECEMBER 31, 2012

Before proceeding with the review of the ROPS, Finance Director McDermott provided a brief overview of previous steps taken to implement AB 1X 26, the state legislation that dissolved redevelopment agencies statewide. He explained that Santee's redevelopment agency, the Santee Community Development Commission (CDC), has been either frozen in initiating activities or in a wind-down mode since AB 1X 26 was signed into law June 29, 2011. Furthermore, when the California Supreme Court accepted the appeal case in late August 2011, they formally issued a stay on agencies initiating any new contracts or legally binding commitments.

With the prohibition on initiating any new fiscal obligations since June 29, 2011, there have only remained "enforceable obligations" reflecting legally binding funding obligations of the redevelopment agency/successor agency. Agencies were required to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 28, 2011 for transmittal to the State Department of Finance, and the Santee CDC adopted its EOPS on August 24, 2011 covering the period through December 2011. This listing of "Enforceable obligations" includes: bonds; loans legally required to be repaid pursuant to a payment schedule with mandatory repayment terms; payments required by the federal government, preexisting obligations to the state or obligations imposed by state law; judgments, settlements or binding arbitration decisions that bind the agency; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the CDC, including agreements to purchase or rent office space, equipment and supplies. The CDC has also been required to submit the EOPS and additional financial documents to the State

Department of Finance, the State Controller's Office, and the County Auditor-Controller's Office. These offices have been reviewing this information over the past six months.

When AB 1X 26 was upheld by the California Supreme Court on December 29, 2011, it provided for a revised schedule for the dissolution of redevelopment agencies, and transition to successor agencies by February 1st. On January 11, 2012, the CDC adopted an amended EOPS to cover the time period from January 1, 2012 to April 30, 2012, for submittal to the State Department of Finance, the State Controller's Office, and the County Auditor-Controller's Office. The City of Santee also formally accepted its responsibilities as Successor Agency to wind down the affairs of the Santee CDC. As of February 1st, the CDC was formally dissolved, the former CDC budget was eliminated, and only the enforceable obligations remained for future disposition.

On February 25, 2011, the Santee CDC Successor Agency approved the initial draft Recognized Payment Schedule (ROPS) for the period 10/1/11 – 7/1/12 for submittal to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance. The next major step in this process is to convene the Oversight Board to review and the Recognized Payment Schedules (ROPS) for submittal to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance. The two schedules cover the period from 1/1/12 to 6/30/12 and the period from 7/1/12 to 12/31/12.

Finance Director McDermott commenced with a line by line explanation of the first Recognized Obligation Payment Schedule. He noted that the first schedule through June 30, 2012 lists 21 obligations, but the second schedule through December 31, 2012 lists only nine remaining obligations relating to ongoing bond-related commitments and other longer term obligations.

ROPS FOR THE PERIOD JANUARY 1, 2012 TO JUNE 30, 2012

1) Tax Allocation Bonds 2005 Series A – relates to remaining bond payments on a January 2005 issuance of \$23.1M, with \$9.32 M used to refund the outstanding 1993 TAB and about \$14 M to finance additional phases of Town Center Community Park (U.S. Bank as trustee). The outstanding debt is \$33,071,398, and the current fiscal year (FY) payment is \$1,431,353.

2) Tax Allocation Bonds 2011 Series A – relates to bond payments on a March 2011 issuance of \$26.84 M, primarily used to finance major street and streetscape improvements to the Prospect Avenue industrial corridor (U.S. Bank as trustee). The outstanding debt is \$60,469,551, and the current FY payment is \$1,566,489.

3) Tax Allocation Bonds 2011 Series B - relates to bond payments on a March 2011 taxable issuance of \$4.71 M to assist in the development of the 44-unit Forester Square affordable apartments project on Olive Lane (U.S. Bank as trustee). The outstanding debt is \$12,669,789, and the current FY payment is \$378,889.

- 4) Bond trustee fees – relates to bond trustee fees payable to U.S. Bank relating to the 2005 Series A TAB, 2011 Series A TAB, and the 2011 Series B TAB [see items 1-3]. The outstanding obligation is \$119,000, and the current FY payment is \$4,200.
- 5) Arbitrage rebate calculations – provides for required arbitrage rebate calculations by BLX Group Inc. for tax-exempt 2005 and 2011 issuances [see items 1-2]. The total amount due is \$135,000, and the current FY payment is \$2,000.
- 6) Continuing disclosure reporting – provides for required disclosure reporting for a specified period by KNN Public Finance for 2005 and 2011 issuances [see items 1-3]. The total amount due is \$18,000, and the current FY payment is \$3,500.
- 7) DDA - Trolley Square - relates to final payments to Vestar Development Co. for Trolley Square offsite improvements pursuant to the Disposition Development Agreement (DDA) approved in 2001. The total amount due is \$170,188, and the current year and final payment is \$170,188.
- 8) Project management agreement – this represents the project management agreement with SourcePoint that provides for contract management and fund disbursement of up to \$28.5 M for the Prospect Avenue project and Riverview improvements. This agreement was executed in March 2011. The outstanding amount is \$27,792,722 and the current FY payment is \$567,783.
- 9) DDA - Forester Square Apartments – relates to an affordable housing development loan to Wakeland Housing Development executed in March 2011 for the Forester Square affordable apartments project, representing fund disbursement of the 2011 Series B TAB [see item 3] and affordable housing funds. The total amount is \$5,494,000 and the current FY payment is \$5,494,000.
- 10) SD Contracting Opportunities Center – relates to an annual contract with the San Diego Contracting Opportunities Center for FY 10-11 Small Business Assistance Program, assisting local businesses secure contracts, with Southwest Community College District as their fiscal agent. The total amount due is \$20,000, and the current year and final payment is \$20,000.
- 11) Professional services agreement – relates to an April 2011 contract with Schmidt Design Group to complete an update to the Mast Park Master Plan (work completed by late 2011). This project was supplemented by a grant through SANDAG. The total amount payable is \$59,850, and the current FY payment is \$59,850.
- 12) Construction contract – relates to a February 2011 construction contract with Bert W. Salas Inc. Group for emergency repairs to an abandoned storm drain in Mission Gorge Road that failed (work completed in August 2011). The total amount payable is \$182,550, and the current FY payment is \$182,550.

13) Project management/inspection – relates to reimbursement to City of Santee for project management/inspection services to complete the Mission Gorge Road Storm Drain repair project [see item 12]. The total amount payable is \$5,236, and the current FY payment is \$5,236.

14) Professional services agreement - represents final payment to Community Housing Works to administer the CDC's First Time Home Buyer Program. This program was slated to be eliminated with the loss of funding, but the City is continuing this program on a limited basis through federal HOME funding. The total amount payable is \$8,200, and the current FY payment is \$8,200.

15) Mobile home rehabilitation contract – represents payment to Frazier Mobile Home Service on one final rehabilitation loan under the CDC's Mobile Home Rehabilitation Program, which has been eliminated with the loss of funding. The total amount payable is \$470, and the current FY payment is \$470.

16) Loan to city for professional services agreement – provides for a loan to the City to fund a contract with NewPoint Group Inc. to complete a mobile home space rent adjustment analysis. This relates to the Manufactured Home Fair Practices Ordinance previously administered by the CDC, and the contract was approved prior to June 2011. The total amount of the loan is \$30,000, and the current FY payment is \$30,000.

17) Professional services agreement – provides for Helix Environmental to conduct required habitat monitoring of Town Center Community Park, with payments due through the end of 2012. The total amount of the contract is \$34,820, and the current FY payment is \$12,948.

18) Rental assistance payments – represents final quarterly rental assistance payments to participating mobile home parks under the CDC's Mobile Home Rental Assistance Program, which has been eliminated with the loss of funding. The total amount payable is \$216,500, and the current FY payment is \$216,500.

19) Reimbursement agreement – represents the final payment of CDC personnel, legal, and administrative reimbursement expenses to City of Santee through January 31, 2012. The total amount payable is \$1,668,698, and the current FY payment is \$1,668,698.

20) Audit services – provides for the final Santee CDC financial audit through January 31, 2012 by auditors Teaman, Ramirez & Smith Inc. The total amount due is \$8,000, and the current FY payment is \$8,000.

21) Successor agency administration – provides for City of Santee's administrative cost reimbursement as successor agency. Administrative costs may be allowed based on a minimum allocation of \$250,000 annually (which applies to Santee), or a formula allocation of up to 5% of the property tax allocated to the successor agency for Fiscal Year 2011-2012 and up to 3% of the property tax allocated to the successor agency for

succeeding fiscal years. The total amount payable is \$104,167, which represents a pro-ration of the \$250,000 annual amount for the period 2/1/12 through 6/30/12. The current FY payment is \$104,167 as well.

Finance Director McDermott responded to questions and provided clarifications on specific items. Vice Chair Winston asked if the audit and financial documents of the Santee CDC are available for review by Board Members for additional background information. Finance Director McDermott responded that the CDC's Annual Financial Report through 6/30/11 is posted on the City's website in the Financial Reports section of the Finance Department. Staff was requested to send a direct link to this document to the Board Members. It was further noted that all of the agenda items and schedules for the previously approved EOPS have been posted on the City's website as well.

It was noted that Form A of the ROPS lists each obligation, the payee and description, with the outstanding obligation and amount due during the fiscal year (FY) for that period. Form B details each payment by month, and Form C specifies the source of each payment, such as the Redevelopment Property Tax Trust Fund (RPTTF), the Low & Moderate Income Housing Fund, Bond Proceeds, Reserve Balances or other revenue sources. The RPTTF will provide for payment of redevelopment funding that will only be released through the ROP schedules.

Chair Savage asked if the City of Santee is handling the pass-through of funding to the other agencies and special districts. Finance Director McDermott responded that the County Auditor-Controller handles all those distributions instead.

With no further questions, Finance Director McDermott proceeded with an explanation of the next Recognized Obligation Payment Schedule.

ROPS FOR THE PERIOD JULY 1, 2012 TO DECEMBER 31, 2012

1) Tax Allocation Bonds 2005 Series A – relates to remaining bond payments on a January 2005 issuance of \$23.1M, with \$9.32 M used to refund the outstanding 1993 TAB and about \$14 M to finance additional phases of Town Center Community Park (U.S. Bank as trustee). The outstanding debt is \$31,640,052, and the current fiscal year (FY) payment is \$1,432,990. [Same as item 1 of 6/30/12 ROPS]

2) Tax Allocation Bonds 2011 Series A – relates to bond payments on a March 2011 issuance of \$26.84 M, primarily used to finance major street and streetscape improvements to the Prospect Avenue industrial corridor (U.S. Bank as trustee). The outstanding debt is \$58,903,063, and the current FY payment is \$2,187,525. [Same as item 2 of 6/30/12 ROPS]

3) Tax Allocation Bonds 2011 Series B - relates to bond payments on a March 2011 taxable issuance of \$4.71 M to assist in the development of the 44-unit Forester Square affordable apartments project on Olive Lane (U.S. Bank as trustee). The outstanding

debt is \$12,290,900, and the current FY payment is \$485,988. [Same as item 3 of 6/30/12 ROPS]

4) Bond trustee fees – relates to bond trustee fees payable to U.S. Bank relating to the 2005 Series A TAB, 2011 Series A TAB, and the 2011 Series B TAB [see items 1-3]. The outstanding obligation is \$114,800, and the current FY payment is \$4,200. [Same as item 4 of 6/30/12 ROPS]

5) Arbitrage rebate calculations – provides for required arbitrage rebate calculations by BLX Group Inc. for tax-exempt 2005 and 2011 issuances [see items 1-2]. The total amount due is \$132,500, and the current FY payment is \$5,000. [Same as item 5 of 6/30/12 ROPS]

6) Continuing disclosure reporting – provides for required disclosure reporting for a specified period by KNN Public Finance for 2005 and 2011 issuances [see items 1-3]. The total amount due is \$14,500, and the current FY payment is \$500. [Same as item 6 of 6/30/12 ROPS]

7) Project management agreement – this represents the project management agreement with SourcePoint that provides for contract management and fund disbursement of up to \$28.5 M for the Prospect Avenue project and Riverview improvements. The outstanding amount is \$26,724,939 and the current FY payment is \$5,020,000. [Same as item 8 of 6/30/12 ROPS]

8) Professional services agreement – provides for Helix Environmental to conduct required habitat monitoring of Town Center Community Park, with payments due through the end of 2012. The outstanding amount due is \$21,873, and the current FY and final payment is \$21,873. [Same as item 17 of 6/30/12 ROPS]

9) Successor agency administration – provides for City of Santee's administrative cost reimbursement as successor agency, based on the minimum allocation of \$250,000 annually. The total amount payable is \$250,000, and the current FY payment is \$250,000. [Same as item 21 of 6/30/12 ROPS]

ACTION: It was moved by Board Member Christensen, and seconded by Board Member Winston to approve the two Recognized Payment Schedules (ROPS) for the periods 1/1/12 to 6/30/12 and 7/1/12 to 12/31/12 for submittal to the County Auditor-Controller, the State Controller's Office, and the State Department of Finance. The motion passed, with all Board Members voting aye.

AGENDA ITEM #5: DISCUSSION OF FUTURE MEETING SCHEDULE

Chair Savage suggested that the Board tentatively set a time for their next meeting. Upon further discussion it was decided that the next meeting of the Santee CDC Successor Agency Oversight Board be tentatively set for Thursday, October 25, 2012 at 3:30 p.m. Staff would contact the Board members closer to that date to reconfirm schedules and availability.

AGENDA ITEM #6: COMMUNICATION FROM THE PUBLIC

There was no communication from the public.

AGENDA ITEM #7: ADJOURNMENT

ACTION: On a motion by Chair Savage, seconded by Vice Chair Winston, the Board voted to adjourn the meeting, with all Members voting aye.

Meeting was adjourned at 5:11 p.m.



Pamela A. White
Senior Management Analyst
Santee CDC Successor Agency