

MINUTES OF A REGULAR MEETING OF THE  
OVERSIGHT BOARD TO THE SUCCESSOR AGENCY  
TO THE DISSOLVED CYPRESS REDEVELOPMENT AGENCY

HELD

September 17, 2013

A regular meeting of the Oversight Board to the Successor Agency to the Dissolved Cypress Redevelopment Agency was called to order at 5:00 p.m. by Board Chair Bailey in the Executive Board Room, 5275 Orange Avenue, Cypress, California.

Board Members present:

Board Chair Doug Bailey  
Board Vice Chair Leroy Mills  
Board Member Charles Mealey  
Board Member Matt Burton  
Board Member Bruce Saltz  
Board Member Fred Williams  
Board Member Mariellen Yarc

Staff present:

City Manager John Bahorski (Successor Agency)  
Successor Agency Treasurer Richard Storey  
Successor Agency Counsel Dan Slater  
Redevelopment Project Manager Steve Clarke (Successor Agency)  
City Clerk/Secretary Denise Basham (Successor Agency)

ORAL COMMUNICATIONS:

None.

NEW BUSINESS:

Item No. 1: APPROVAL OF MINUTES – MEETING OF FEBRUARY 19, 2013.

It was moved by Board Member Williams and seconded by Board Member Yarc, to adopt Resolution No. OB-17 approving the meeting minutes of February 19, 2013.

The motion was carried by the following vote:

AYES: 6 BOARD MEMBERS: Burton, Mealey, Saltz, Williams, Yarc and Bailey  
NOES: 0 BOARD MEMBERS: None  
ABSENT: 0 BOARD MEMBERS: None  
ABSTAIN: 1 BOARD MEMBERS: Mills

Board Vice Chair Mills abstained due to his absence from the meeting.

OVERSIGHT BOARD RESOLUTION NO. OB-17

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY  
TO THE DISSOLVED CYPRESS REDEVELOPMENT AGENCY  
APPROVING THE MINUTES OF THE OVERSIGHT BOARD  
MEETING OF FEBRUARY 19, 2013

Item No. 2: APPROVAL OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS)  
FOR THE PERIOD JANUARY 1, 2014 THROUGH JUNE 30, 2014.

The Successor Agency Treasurer stated that there was an error in the Recognized Obligation Payment Schedule (ROPS) formula from the State of California Department of Finance. He stated that Column H, Line 6, and Column I, Line 11 do not add up and that it is off by one number not being subtracted in an amount of approximately \$11,000 for one and approximately \$35,000 for the other. He distributed a handout that reflected the changes

and commented that he is unsure if the changes would be allowed to the online spreadsheet template. He stated that if the corrections are not allowed, then the corrections would be noted on the existing formula and submitted to the Department of Finance. He stated that the total column (Column J) is correct on the spreadsheet template.

The Successor Agency Treasurer indicated that the ROPS period is for six months, January through June 2014, with submittals including the lease purchase reimbursement payment, administrative costs, and the Restated and Reentered Repayment Agreement approved by the Oversight Board in June 2012. He stated that the promissory notes between the City and Redevelopment Agency had previously been turned down.

Board Chair Bailey asked why the Restated and Reentered Repayment Agreement is being carried on the ROPS.

The Successor Agency Treasurer responded that there is not an expectation to be paid for the Restated and Reentered Repayment Agreement at this time, however, it is shown for the record as an enforceable obligation.

The Successor Agency Counsel responded that two court decisions, one from Riverside and one from Emeryville, whereby the Superior Court ruled that restated and reentered City/Redevelopment Agency loan agreements done during the one-year period after the adoption of AB 26 and prior to the adoption of AB 1484, are enforceable obligations. He stated that the Department of Finance has appealed the two decisions, however the Restated and Reentered Repayment Agreement should be put on the ROPS and that the ROPS could be amended should it be rejected.

Board Member Saltz asked if it the Restated and Reentered Repayment Agreement had been removed one time previously.

The Successor Agency Counsel responded that it was not pressed at a meet-and-confer session and that it would continue to be shown every time.

The Successor Agency Treasurer commented that they would continue to be shown on the ROPS.

Board Vice Chair Mills asked if continuity in contacting the Department of Finance has stabilized.

The Successor Agency Counsel responded that contacting the Department of Finance continues to be unpredictable.

The Successor Agency Treasurer commented that it is hoped that there would be continuity from last time until now, as demonstrated in Item #9. He stated that funding would be requested for cash flow and subsequent reimbursement in which pass-through amounts paid prior to the Redevelopment Agency dissolution were not properly considered.

The Successor Agency Counsel stated that there is a note in the proposed ROPS confirming staff's conversation with the State.

Board Vice Chair Mills clarified that in regard to the cash flow, the City gets funding prior to paying the County.

The Successor Agency Treasurer responded in the affirmative.

The Successor Agency Counsel commented that the Department of Finance could have made the correction by simple journal entries, however they refused.

Board Member Williams clarified that there is agreement on everything except for the Restated and Reentered Repayment Agreement.

The Successor Agency Treasurer responded in the affirmative.

Board Member Williams commented that the biggest issue is the Restated and Reentered Repayment Agreement/promissory note and asked for clarification of the partial settle up of \$18.6 million.

The Successor Agency Treasurer stated that there is another item outside of the ROPS being discussed which involves transfers and the City's sale of land that was owned by the Redevelopment Agency. He commented that the Department of Finance has not accepted the \$18 million worth of land because it is not part of the ROPS system and that it is up to the State Controller's determination on whether or not it is an appropriate transfer/sale which is part of the lawsuit.

Board Chair Bailey clarified the tax increment and debt service process and stated that the land transaction was a check from the City to the Redevelopment Agency for the purchase of the land.

The Successor Agency Counsel indicated that when the land got sold/transferred, the payment was immediately used to repay a portion of the Promissory Note as noted in the Promissory Note. He stated that the City originally purchased the land but the land was taken in the name of the Redevelopment Agency and used for redevelopment purposes rather than in the name of the City. He commented that when it looked like redevelopment may be dissolved, the City and the Redevelopment Agency entered into a transaction whereby the Redevelopment Agency sold the land to the City through a journal entry the City paid the Redevelopment Agency and then repaid a portion of the Promissory Note to reduce it from \$42 million to \$23 million.

Board Member Williams asked about the lawsuit amount.

The Successor Agency Treasurer indicated that the lawsuit amount is \$42 million.

The Successor Agency Counsel stated that the State Controller is auditing all undefined asset transfers that occurred by redevelopment agency's to their host city for the period January 1, 2011 through January 31, 2012. He indicated that if there was an asset transfer, the State Controller is ordering the Successor Agency to cause the return of that asset to the Successor Agency so that the value of that asset could be disposed of, with the proceeds distributed to the taxing agencies. He stated that the original source of money to buy the property was not redevelopment money, it was City money, but taken in the name of the Redevelopment Agency, and that the sale/transfer of the land to the City and reduction of the outstanding note amount, occurred prior to AB 26 being enacted. He stated that the litigation argument is that it was a lawful and valid sale/transfer when it occurred and that the State cannot reverse it.

Board Chair Bailey commented that it is not uncommon for developers to purchase land through the Redevelopment Agency to get a two-year gains deferral tax on the land.

Board Member Williams asked if the \$42 million is not on the ROPS because it is assumed that the sale/transfer of land was a legal transaction.

The Successor Agency Counsel responded in the affirmative and indicated that the transfer is valid and should be recognized.

The Successor Agency Treasurer commented that the Reentered and Restated Repayment Agreement was based on the land being an allowed transfer purchase and the reported Reentered and Restated Repayment Agreement was at a lower amount.

The City Manager indicated that the ROPS could be modified with the next payment schedule, if necessary.

Board Vice Chair Mills asked if there is an advantage to either scenario.

The Successor Agency Treasurer responded that it would be advantageous to have the land as opposed to the promissory note as 20% would have to be given to housing.

It was moved by Board Vice Chair Mills and seconded by Board Member Yarc, that the Oversight Board to the Dissolved Cypress Redevelopment Agency adopt the Resolution approving and adopting the Recognized Obligation Payment Schedule for the period January 1, 2014 through June 30, 2014.

The motion was unanimously carried by the following vote:

AYES: 7 BOARD MEMBERS: Burton, Mealey, Saltz, Williams, Yarc, Mills and Bailey  
NOES: 0 BOARD MEMBERS: None  
ABSENT: 0 BOARD MEMBERS: None

OVERSIGHT BOARD RESOLUTION NO. OB-18

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY  
TO THE DISSOLVED CYPRESS REDEVELOPMENT AGENCY  
APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE  
FOR THE PERIOD JANUARY 1, 2014 THROUGH JUNE 30, 2014

OVERSIGHT BOARD INFORMATIONAL ITEMS & ANNOUNCEMENTS:

Board Member Williams requested an update on the lawsuit and its impact to the Successor Agency and Oversight Board.

The Successor Agency Counsel responded that the lawsuit has been filed, awaiting further action by the court. He indicated that 150 lawsuits have been filed statewide and not more than five have progressed to the final disposition at the Superior Court level. He stated that the City is waiting on a hearing date.

ADJOURNMENT: Board Chair Bailey adjourned the meeting at 5:30 p.m. to Tuesday, October 1, 2013, beginning at 5:30 p.m. in the Executive Board Room.

  
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OVERSIGHT BOARD CHAIR

ATTEST:

  
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CITY CLERK AS SECRETARY  
TO THE OVERSIGHT BOARD