

**SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF SANTA BARBARA
OVERSIGHT BOARD MINUTES**

Thursday, May 3, 2012 – 2 P.M. to 4 P.M.

**David Gebhard Public Meeting Room
630 Garden Street, Santa Barbara CA 93101**

MEMBERS:

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| <u> X </u> Brian Fahnestock, Chair , California
Community Colleges | <u> X </u> Renee Bahl , Santa Barbara County
Flood Control and Water
Conservation District |
| <u> X </u> Carolle Van Sande, Vice Chair ,
Member of Public | <u> X </u> Meg Jetté , Santa Barbara County
Education Office |
| <u> X </u> Chandra Wallar , County of Santa
Barbara | <u> X </u> Paul Casey , Former Agency
Employee Representative, City of
Santa Barbara |
| <u> X </u> Jim Armstrong , City of Santa
Barbara | |

STAFF:

- X **Sarah Knecht**, Assistant City Attorney, City of Santa Barbara
- X **Bob Samario**, Finance Director, City of Santa Barbara
- X **Brian J. Bosse**, Housing Manager, City of Santa Barbara
- X **Marck Aguilar**, Community Development Supervisor, City of Santa Barbara
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ORDER OF BUSINESS

- I. CALL TO ORDER:** Meeting was called to order at 2:00 p.m.
- II. CHANGES TO THE AGENDA:** None
- III. APPROVAL OF MINUTES – Minutes of April 12, 2012**
- Motion: Renee Bahl made the motion to approve April 12, 2012 minutes, Paul Casey seconded and the motion was unanimously approved.
- IV. CONSENT CALENDAR – No Items**
- V. ITEMS SCHEDULED FOR ACTION/DISCUSSION**
- A. Report from Legal Counsel Subcommittee (Boardmembers Bahl and Casey)**
- Renee Bahl said that she and Paul Casey looked over a number of resumes and chose Mark Manion of Price Postel and Parma to serve as Oversight Board counsel. Paul Casey explained that the Board would need to recommend to the Successor Agency to approve the contract for legal services for the Oversight Board.
- Motion to recommend: (Bahl, Casey) Passed: 7-0

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B. Review, Discussion and Action on Recognized Obligation Payment Schedule (ROPS) – Binder Volume I, ROPS Nos. 1 through 17.

Public comment to proceed item by item. Brian Bosse explained the binder's contents and format. Chandra Wallar and Brian Fahnestock explained their preference for use of the State Department of Finance forms. These are four-part forms with each being a blank schedule. Sarah Knecht noted that the ROPS were formatted before the State Department of Finance Schedules came out. Use of the present format is preferred by Successor Agency staff because the extensive project documentation binders are set up to correspond to the ROPS spreadsheets.

Chandra Wallar made the motion for using State forms and start with blank forms, make tentative decisions and then decide at the end. Renee Bahl seconded. Form is new to City representatives. Jim Armstrong preferred to determine whether a project/contract is enforceable and then funding source is secondary.

Motion: (Wallar, Bahl) Passed: 5-2 (Casey, Armstrong). Brian Fahnestock wants schedules used for this meeting and future meetings emailed.

1. Tax Allocation Bond Series 2001A: Carolle Van Sande requested background on each item. Brian Bosse explained how the binders correspond to ROPS. Maybe "\$3.8 million plus" in funds. Brian Fahnestock asked for an accounting of what funds are left. Sarah Knecht said bonded debt payments come from tax increment and debt would go into the trust fund. Sarah Knecht said bonds can be redeemed by payments. Paul Casey added that there is a future project for this bond. Chandra Wallar said that there is an agreement to discuss assets at another time. \$703,000 has not been paid. About \$2 million plus has not been spent. Add the \$703,000 to Schedule A – list of Enforceable Obligations. Chandra Wallar clarified that motion to put payments onto Schedule A does not in any way approve any funds being spent out of this fund.

Motion: (Bahl, Jetté) Passed: 7-0.

2. Tax Allocation Bond Series 2003A: Carolle Van Sande asked how much is unspent. Brian Bosse responded about \$10 million remains. Chandra Wallar motioned with the same clarification that no contracts should be spent from this fund.

Motion to put payments on Schedule A (Wallar, Bahl) Passed: 7-0

3. Housing Bond 2004: Brian Bosse explained that the funds were used to fund the St. Vincent's housing project and there is no balance. Chandra Wallar asked why the bonds were not being paid for out of Affordable Housing Funds. Brian Bosse said that the payments come out of Tax Increment. No funds available out of housing bond funds. Brian Bosse said there is about \$5.3 million in LMIF (Low Moderate Income Funds). Chandra Wallar made a motion that payment would come out of Schedule B and be paid out of LMIF. Carolle Van Sande seconded. Paul Casey explained that the intent was to pay the bond out of future Tax Increment. This would gut the housing funds. Jim Armstrong concurred and stated that that would make a significant impact on future affordable housing projects. Paul Casey said that this vote would be predetermining future projects and mentioned the current People's

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Self-Help project. Carolle Van Sande asked about balance of LMIF. Schedule B is not tax increment, it is a trust fund. No, all funds were spent on Villa Caridad. Carolle Van Sande asked why such a difference in debt service payment amount from other debt service payments. Question was retracted. Sarah Knecht said AB 26 LMIF are unencumbered funds. LMHF may have to be relinquished to the County auditor. Funds are in limbo. Brian Fahnestock suggested that the Board skip this item. Chandra Wallar agreed and withdrew motion. Chandra Wallar later wanted to revisit the payments. She warned that the City should not be making payments out of the LMIF. Letting the City know as a courtesy. Sarah Knecht said the payments from earlier months could be paid because they are on the EOPS. Chandra Wallar said that would be risky because the payments may be denied from this account. Chandra Wallar interrupted to say that she felt uncomfortable being advised by the City Attorney and wondered when the Board would get their own counsel. No action taken.

The Board agreed with leaving the designation of this item onto a schedule for a later date.

4. Fiscal Agent Charges: Bob Samario noted that a fiscal agent manages the bond funds and the City pays the annual fee. Chandra Wallar clarified that she was modifying the motion to put only a portion on the Schedule A. She didn't want any payments concerning the Housing Bond on Schedule A. Renee Bahl questioned putting on Schedule A or C – Administrative Budget payments.

Motion to place Fiscal Agent Charges on Schedule A (Wallar, Bahl) Passed: 7-0.

5. Annual Audit: Discussion about putting it on Schedule C. Chandra Wallar motioned to put on Schedule C. Carolle Van Sande seconded. Jim Armstrong wanted to know if it included bond fund audit. Chandra Wallar stated that in State Department of Finance FAQs that this was the type of payment that would come out of administrative schedule. Carole Van Sande asked if these payments would continue for another eight years since they are tied to the bonds. Bonds would have been paid off by 2019. Jim Armstrong asked the same question. Chandra Wallar said she would not argue the point if the State says the payments should come out of Schedule A since it really isn't much money. Paul Casey wanted this item put on Schedule A since it was tied to the bonds.

Motion to place Annual Audit charges on Schedule C (Wallar/Van Sande) Passed 5-2 (Casey, Armstrong).

6. Item 6 was blank.
7. TMP MTD Shuttle Bus: No public comment. Brian Bosse said the payment runs the life of Central City Redevelopment Project and was a mitigation required by the Environmental Impact Report. Chandra Wallar asked about the term. Brian Bosse said it runs through until 2015, the end of the Agency. Chandra Wallar then asked if there was an "out clause"; could it be terminated with notice. She said she read a *Santa Barbara News-Press* article that it would not be an Enforceable Obligation. Brian Bosse said he had not seen the article. Carolle Van Sande asked about the amount. Brian Bosse explained that the RDA pays a portion, \$300,000 a year and the City pays the remainder. Chandra Wallar asked if there was an agreement between the RDA and the MTD. Brian Fahnestock asked if there is an

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enforceable obligation with the RDA for these funds and was directed to the November 9, 1982 Council Agenda Report regarding the transportation management program. Sarah Knecht spoke as an attorney for the City that an enforceable obligation by statute is a payment required by Federal or State government under a preexisting obligation. State law required an Environmental Impact Report upon the formation of the CCRP. Chandra Wallar wanted clarification about paying as long as receiving tax increment. Sarah Knecht said the Agency has to pay the mitigation measure for duration of the project area until 2015. Complies with State law. Brian Fahnestock wanted to defer the question until the Board has counsel. Renee Bahl made a motion. Meg Jetté asked how much the City pays. Brian Bosse responded that the RDA pays 30% of total which is about \$1 million.

Motion to set aside a determination at this time (Bahl, Jetté) Passed: 7-0. Counsel will be consulted about the legality according to State law.

8. Ground water monitoring. State obligation to perform groundwater monitoring on various formerly Agency-owned land. Chandra Wallar motioned and seconded by Carolle Van Sande to setaside until counsel onboard. Ongoing. Carolle Van Sande asked about purchase order for a well at Helena Parking Lot in January 2012. Brian Bosse said that the well has not been drilled.

Motion to defer determination (Bahl, Van Sande) Passed: 7-0.

9. Paseo Nuevo Property Management Obligations: Public Comment: Trey Lindle from Paseo Nuevo Shopping Center. Two separate refuse easement agreements (trash storage areas) to run through to 2064. Chandra Wallar asked if it was a commitment with the RDA or the City. Brian Bosse explained that it's on Disposition Development Agreement entered into on November 23, 1982 that the RDA pays, not the City. Chandra Wallar wanted to know if there's an acceleration clause. Trey Lindle will provide developer statement to show CPI that will show why the amount has increased. Chandra Wallar made motion to decide once Board receives developer documents. Renee Bahl seconded. Paul Casey wanted to propose a substitute motion to put it on Schedule A. Chandra Wallar reminded the Board that Robert's Rules Order said one has to take the vote on the first motion on the table. Jim Armstrong wanted item to be approved on Schedule A and if the documentation does not justify it, this item can always be moved to Schedule C. Brian Fahnestock wanted clarification when the Board was due to submit their recommendation. Nothing will be submitted until all ROPS have been voted on. Not put on schedule until later. Paul Casey wanted to approve on Schedule A.

Motion to defer until additional documentation supplied (Wallar, Bahl) Passed: 5-2 (Casey, Armstrong)

10. Administrative Budget: Chandra Wallar requested more detail ("granularity"), and questioned staffing numbers. Overhead Allocation of \$250,000. The total represents five months – February through June. Some overlap from first budget from Bob Samario explained that it overlaps by 2 months. Meg Jetté wanted year to date figures on what has been spent and what remains. Bob Samario agreed to provide. Renee Bahl observed that the State has put out some clarification about how to calculate administration costs. Brian Fahnestock said it is either 5% or \$250,000 of Schedule A.

Motion to defer the Administrative Budget until determinations on all other ROPS projects have been made (Bahl, Wallar) Passed: 7-0.

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11. Restorative Policing and Safety Program: Brian Bosse explained that this was the first of a three year program. Recession has increased the numbers of people on the street, particularly downtown. Nine people: one police officer, six social service workers. Public Comment: Dave Lombardi, from Fast Frame, Chair of Downtown Safety Committee, says that he sees that this program is working. Bill Collyer from the Downtown Organization spoke in favor and said problems are now being addressed. Chief Cam Sanchez, brought statistics, more names than numbers of clients being helped. Characterized the project as a model program assisting “clients” and business owners. Fighting crime and helping people feel safe and the program helps clients. It is not always about incarceration. Renee Bahl expressed that she thought that a Cooperative Agreement with the City is not an enforceable obligation and requested that the question be posed to Board counsel. Brian Fahnstock said that an enforceable agreement is not one between a City or a County that created the RDA. Sarah Knecht says there’s an exception which is a written agreement that was entered into before December 31, 2010 for securing the debt and referenced the City/RDA Multi-Year Agreement from 2003. The City agreed to carry-out all projects that are listed in Schedule A and the RDA agreed to pay with Tax Increment. That agreement is an enforceable obligation. Cooperation Agreements are specific to each project. The City believes these are enforceable projects. Brian Fahnstock said the Board is bound by cutoff dates. He stated that it looks like the City could enter into Cooperative Agreements at any time, even today, and obligate funds. Brian Fahnstock wondered if these Cooperative Agreements are considered legal as filtered through Multi-year agreement. Sarah Knecht stated that it’s ultimately a decision of the Board. Chandra Wallar asked what year the RDA was established. She then stated that the way she understands the dissolution law, any cooperation agreement not made within the first two years is void, noting that 2003 falls well out of that time frame. Chandra Wallar asked Sarah Knecht to investigate further. Chandra Wallar wanted Board counsel to provide ruling on the issue. Sarah Knecht said that Chandra Wallar’s information comes from a different section of the code, a different sentence. Motion was made to defer decision. Jim Armstrong said State law validates contracts and he thinks that breaking these contracts is unconstitutional. Chandra Wallar thinks that it’s too big a question for this Board and counsel. Carolle asked about Multi-Year agreement.
- Motion to defer determination until Board Counsel can be consulted (Wallar, Bahl) Passed: 6-1(Armstrong).
12. Chase Palm Park Lighting and Electrical Upgrade: Brian Fahnstock asked with whom is the contract. Brian Bosse offered that typically, Public Works or Parks Departments hire via a contract and this contract is with the City. Carolle Van Sande added up the purchase orders. Brian Bosse explained that this project is coming in under budget, so there is a surplus. Chandra Wallar asked why this project needed a Cooperation Agreement on June 21, 2011. She said it is the same issue in that this agreement is covered by the 2003 Multi-Year agreement. She thought it is curious that that the Cooperation Agreements all came within nine days before things blew up (referring to the passage of AB 26), and that there is a plethora of cooperation agreements. Brian Fahnstock inquired about the project status.

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Brian Bosse responded that the project will be finished in May 2012. Brian Fahnestock questioned when the construction contract was entered into and was told June 20, 2011. Paul Casey made a motion to put on Schedule A. Jim Armstrong seconded. Carole Van Sande asked how much was going on the Schedule A. The answer was \$230,000 with Imperial Electric. Chandra Wallar wanted this one to be analyzed the same as those needing to wait for 2003 Multi-Year agreement decision and she will be voting no. Meg Jetté wanted to know where surplus goes. Carolle Van Sande was struggling with when construction began. She wondered about starting a construction contract after the end of June 2011. Brian Fahnestock said he has no issue with agreements or purchase orders entered into before cutoff date. They are clear to him. He has questions about any agreement that flows through a Cooperation Agreement. Jim Armstrong stated that most of the project was before freeze date and done in good faith. Meg Jetté referred to getting the answer about the cooperative agreement. Paul Casey said that it's clear that project was in progress.

Motion to place project on Schedule A (Casey, Armstrong): Failed 5 to 2.

Motion to defer action until the Board attorney can be consulted (Wallar, Bahl): Passed: 5-2 (Casey, Armstrong).

13. Plaza del Mar Restroom Renovation: Brian Bosse reviewed the project noting it is completed. Chandra Wallar asked why the agreements were not in order by date and that there was no contract before the freeze date. Chandra Wallar made a motion to not put it on list because it was after the freeze date. Renee Bahl seconded. Paul Casey wanted to wait until determination the Cooperation Agreement is valid. Jim Armstrong concurred.

Motion to exclude the project from placement on the payment schedule (Wallar, Bahl): Passed 4-3 (Armstrong, Casey, Van Sande).

14. Pershing Park Restroom Renovation: Brian Bosse explained that the project is complete. Chandra Wallar made a motion to not put it on Schedule A as the construction contract was entered into after the freeze date. Jim Armstrong repeated that the Board should wait for the decision about Cooperation Agreements and Multi-Year agreement. Jim Armstrong said the Board should wait to decide until Board hears from attorney about the validity of cooperation agreements.

Motion to exclude the project from the payment schedule (Wallar, Bahl): Passed 4-3 (Armstrong, Casey, Van Sande)

15. Police Department Headquarters: Brian Bosse described the project. Chandra Wallar made the motion to exclude the project from the payment schedule because there is not a construction contract in place. Renee Bahl seconded and asked if there were any construction contracts. Staff responded that there were not. Carolle Van Sande asked if the Police Department was in Project Area. Brian Bosse said findings were made per State law which allow funding for projects outside the Project Area and which provide benefit to the Project Area. Jim Armstrong stated that the Police Building is blighted and funds have been saved for years in a good faith effort to address address a critical need and the funds should be allowed to stay there. Funds would really only be a down payment on project's overall cost. Chandra Wallar reminded the Board that their responsibility is to do, not what they believe is the right thing, but to follow the law. She thinks the law is very clear about what to do about contracts that were not yet entered into for

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projects. Paul Casey agreed with Jim Armstrong. Jim Armstrong reminded them of Cooperation Agreement and the need to wait for legal counsel. It is almost irresponsible.

Motion to exclude project from payment schedule: Passed 5-2 (Armstrong, Casey).

16. Police Department Annex Lease Cost: Council approved lease dated December 7, 2010 and ends June 30, 2012. Paul Casey recommended approval to Schedule A. Lease is with the City. Jim Armstrong seconded. Chandra Wallar asked was lease for construction period also. Renee Bahl asked if there is an inflationary factor. Does have a CPI. Will get a Statement about CPI from landlord. Carolle Van Sande asked what is going to happen to staff at end of lease. Captain Gil Torres said that the Police Department will continue with a new 5-year lease funded by the City's General Fund.

Motion to include on Schedule A with additional supporting cost information to be supplied (Casey, Armstrong, Jetté): Passed 4-3.

17. Fire Station Lease of 925 de la Vina: Administration staff was moved out for Fire Station No. 1 renovation and also for the development of the administrative office annex building renovation. This was a multi-phase project over several years. Lease runs through October 31, 2012. Chandra Wallar questioned the lease payment amount. Wanted CPI for lease payment. Chandra Wallar motioned not to put it on schedule A until adequate additional documentation is provided (CPI clause). Renee Bahl seconded. Jim Armstrong thought we should approve now because sure will get information to validate it. Chandra Wallar said it was her opinion that Board should wait.

Motion to defer consideration until additionally requested information is supplied to the Board (Wallar, Bahl) Passed 4-3 (Armstrong, Casey, Van Sande).

C. Administrative Budget Review and Approval

Refers back to number 9. No action

VI. TOPICS FOR FUTURE AGENDAS

Renee Bahl wants to get counsel advice on today's decisions and before next meeting. Brian Fahnestock asked when Board counsel will be hired. Brian Bosse said that Council would be voting on the recommendation at their May 15, 2012 meeting.

Carole Van Sande wanted to know when the Board would get to review assets.

Brian Fahnestock wants Board members to be able to add items to the agenda. He stated that he tried to get several items on the agenda and wasn't successful. He had questions about some documents they were given at the first meeting and how they relate to financial statements. Chandra Wallar asked for clarification about a possible issue relating to Successor Agency staff refusing to honor the Chair's request to place items on the Board Agenda. Chandra Wallar went on to make a motion that the Chair would have the ultimate authority about the agenda and that Board members would utilize the Chair to have items added to the agenda. Renee Bahl seconded. Jim Armstrong questioned whether this action was prohibited by the Brown Act. Chandra Wallar withdrew her motion and asked that it would become an action item for the next agenda. Jim Armstrong

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asked what Brian Fahnestock wants on the agenda. Brian Fahnestock wants to know how much funds and assets, from where was transferred and to where they were transferred and why. Wanted know what happened to the \$25 million that was spent up until the end of March. He also wanted to know if the City Attorney thought cooperation agreements were legal. He also wanted to use State forms. Brian Fahnestock expressed displeasure about not placing these items on today's agenda. Carole Van Sande also asked about financial statements. Brian Fahnestock also wants a definition of an enforceable agreement.

Meg Jetté wants to know the process as they have already gone through Binder 1 will be working out of Binder 2. She wanted to clean up Book 1 before working on Book 2 at the next meeting. It will be easier to make decisions once the Board has counsel.

Motion for the next agenda to include a list of assets, the transfer of assets and a breakout of expenditures in fiscal year 2012 (Wallar, Bahl) Vote was unanimous.

Next Meeting: Thursday, May 17th, 2:00 p.m. to 3:30 p.m. for the above items: assets and transfer of cash.

The forth meeting was set for June 7th, 2:00 p.m. to 3:30 p.m.

VII. ADJOURNMENT

Meeting adjourned at 4:20 pm.