

Oversight Board for the Successor Agency
To the Loma Linda Redevelopment Agency

Minutes

Regular Meeting of May 8, 2012

A regular meeting of the Oversight Board for the Successor Agency to the Loma Linda Redevelopment Agency Rhodes Rigsby, Mayor of the City of Loma Linda, at 4:03 p.m., Tuesday, May 8, 2012 in the Community Room of the Civic Center, 25541 Barton Road, Loma Linda, California.

Board Members Present:	Rhodes Rigsby, Chairman Konrad Bolowich Edward Gonzales Victoria Ostermann Steve Sutorus
Agency Members Absent:	Cameron Brown Doug Headrick
Others Present:	T. Jarb Thaipejr, City Manager Mark Huebsch, Special Counsel to the Loma Linda Housing Authority and the former Loma Linda Redevelopment Agency

Business Items

OB-2012-015 – Approval of April 10, 2012 Minutes

Motion by Bolowich, seconded by Ostermann to approve the Minutes of March 20, 2012 as presented.

The Secretary called the roll with the following results:

Ayes:	Rigsby, Bolowich, Gonzales, Ostermann, Sutorus
Noes:	None
Abstain:	None
Absent:	Brown, Headrick

OB-2012-016 - Resolution consenting to and authorizing the City and Successor Agency to enter or re-enter into agreements:

- a. Explanation of Health & Safety Code Section 34178a.
- b. Agreements:
 1. May 1979 Cooperation Agreement when the Redevelopment Agency was activated.
 2. September 1983 Amendment to the 1979 Cooperation Agreement between the City and RDA which allows the RDA to borrow money from the City.
 3. November 2005 Amended and Restated Cooperation Agreement which was an update of the previous agreements.
 4. March 2011 Cooperation Agreement updating the previous agreements.

City Manager Thaipejr introduced the item and asked Special Counsel to the Loma Linda Housing Authority and the Successor Agency to the former Loma Linda Redevelopment Agency Huebsch to present the item. Mr. Huebsch noted that the item consisted of a series of agreements that were between the City and the RDA. He explained that Health & Safety Code Section 34178(a) which provides that agreements between the City that created the Agency and the Agency are invalid and not binding; however, the Section also provided that a Successor Agency wishing to enter or re-enter into the agreements with the City may do so upon approval of the Oversight Board.

Mr. Huebsch went on to say that pursuant to Section 34178(a), the request is that the Successor Agency, which is the City, wishes to re-enter into certain agreements which are set forth on the agenda as Items one through four. He then reviewed each agreement:

- 1) The May 1979 Cooperation Agreement was activated under Health and Safety Code 33000 which allowed the Agency to reimburse the City for actions undertaken as cost and expenses incurred by it for and on behalf of the Agency. At that time the interest rate was 8 percent
- 2) The September 1983 Amendment to the May 1979 Cooperation Agreement, pursuant to Section 33670, the RDA was authorized to pay the City.

- 3) Under the November 2005 Amended and Restated Cooperation Agreement updated the previous agreements; the total amount owed by the Agency to the City was \$18,390,071.
- 4) The March 2011 Cooperation agreement accumulates the loans between the City and the RDA; at that time, the principal was \$10 million and the interest of \$9 million was accrued.

Mr. Huebsch confirmed that State Law was followed relating to interest and loans between the City and the Agency at the time the respective agreements were entered into. He then stated that staff recommended the Oversight Board re-approve the agreements so the Successor Agency could pay back the loans to the City.

City Manager Thaipejr reviewed each agreement in-depth and responded to questions.

Discussion ensued.

Mr. Huebsch stated that one issue is the enforceability of agreements between the City and the RDA, which ABx1 26 says are unenforceable with few exceptions. One of the items not called out by number is the Site Lease which was contemporaneous with the issuance of bonds by the City. Without regard to the validity of the agreements between the City and the Agency, the Successor Agency proposes to enter into the agreements. The Code Section provides for the Successor Agency to re-enter into the agreements provided it obtains approval of the Oversight Board. Conceptually, the agreements are similar with the exception of the 1987 Site Lease, which is supportable because it is an indebtedness obligation with the Certificates of Participation by the City.

In response to questions, Mr. Thaipejr stated that at the first meeting of the Oversight Board, the Board approved ROPS one which were the loans between the City and the Successor Agency; the DOF over-ruled; the City disagrees with the DOF because the money loaned to the Agency were legitimate loans. In addition, there may litigation between cities and the State because the cities are being forced to lose millions of dollars that was loaned pursuant to State Law to their respective redevelopment agencies.

Extensive discussion ensued.

Motion by Bolowich, seconded by Rigsby to adopt the resolution consenting to and authorizing the City and Successor Agency to enter or re-enter into the listed agreements.

Board Member Ostermann asked that DOF be requested to offer an opinion on the agreements. Staff responded that the cities have experienced erratic responses from DOF, depending upon the person or persons reviewing the issue.

Ms. Ostermann again stated that in light of DOF's previous opinion that the agreements were not enforceable, she would request that an opinion be requested prior to the Board taking action on the agreements.

Board Member Rigsby commented that the DOF was relying on their former interpretation, which will be subject to litigation; the action requested will allow the Successor Agency to enter into the dispute. He also stated that redevelopment agencies were required to be in debt in order to receive tax increment, so the cities loaned money and created a situation between the RDA and the City wherein money was loaned back and forth. Then the State cancelled RDA's.

Finance Director DeAnda confirmed that the loans were made from Water Acquisition Funds which were used for infrastructure; some loans were made from the Special Projects Fund which could be used for fire vehicles, as an example. The payback of the loans would be scheduled.

Staff confirmed that the subject agreements consisted of the outstanding loans. The interest rate established by LAIF or 2 percent was also discussed.

Motion by Bolowich, seconded by Rigsby to adopt the resolution consenting to and authorizing the City and Successor Agency to enter or re-enter into the listed agreements; that the interest rate be established at 2 percent.

The secretary called the roll with the following results:

Ayes:	Bolowich, Gonzales, Rigsby, Sutorus
Noes:	Ostermann
Absent:	Brown, Headrick

Resolution No. OB 2012-008

A Resolution of the Oversight Board of Successor Agency to Loma Linda Redevelopment Agency approving certain arrangements between the City of Loma Linda as a Municipal Corporation and the City of Loma Linda as Successor Agency to the Loma Linda Redevelopment Agency

CC-2012-017 - Resolution approving the Final Recognized Obligation Payment Schedule (ROPS) for the period of 7-1-2012 to 12-31-2012.

Finance Director DeAnda stated that the ROPS was the same as that presented at the last meeting, but in the new format, including the approved loans. She noted that DOF did have questions and \$60 million was removed from the previous ROPS per DOF. There is discussion with DOF as to what is administrative versus project costs. It is Staff's position that some of the costs are project costs rather than administrative in that they supported bonded indebtedness such as annual reporting and arbitrage calculations.

Motion by Bolowich, seconded by Sutorus to adopt the Resolution approving the Final Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 to December 31, 2012.

The secretary called the roll with the following results:

Ayes: Bolowich, Gonzales, Ostermann, Rigsby, Sutorus
Noes: None
Absent: Brown, Headrick.

Resolution No. OB 2012-009

A Resolution of the Oversight Board of the Successor Agency to the Loma Linda Redevelopment Agency approving a Final Recognized Obligation Payment Schedule for the period of July 1, 2012 through December 31, 2012

The meeting adjourned at 4:56 p.m.

Approved at the meeting of

Secretary