



Thursday, April 26, 2012

A Special Meeting of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency was held in the Council Chamber, Pico Rivera City Hall, 6615 Passons Boulevard, Pico Rivera, California.

Chairperson Faustinos called the meeting to order at 5:00 p.m.

**PLEDGE OF ALLEGIANCE:** Led by Belinda Faustinos, Chairperson

**PUBLIC COMMENTS:** None.

**AGENDA ITEMS:**

**1. Minutes**

Boardmember Kreimann had a question regarding clarification of the ROPS, and after a brief discussion the item in question was clarified.

Motion by Vice Chairperson Archuleta, seconded by Boardmember Bates to approve Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency minutes of April 12, 2012. Motion carries by the following roll call vote:

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Faustinos

**NOES:** None

**ABSTAIN:** Moreno

**2. Oversight Board Counsel.**

Director of Finance Matsumoto stated that after speaking with several law firms that it would be difficult to find a qualified independent attorney who knows governments who is not conflicted and does not represent another taxing entity. He stated the law firms are recommending using the counsel for the bodies that appointed the members.

Boardmember Bates added that staff does not feel strongly about this recommendation but strongly agrees that it will be difficult to find a good qualified independent counsel who knows this area of the law. He stated that there are some possible inherent

differences between the position of the county, the city, and other taxing agencies on different issues. The challenge he stated, is to find counsel that is really independent and who could give an honest evaluation when the process has been setup to put different perspectives in conflict and at different points.

Chairperson Faustinos stated that the county counsel has responded that they plan to address this issue and make recommendations but do not have any specific names at this time to submit.

Boardmembers further discussed other counsel options, Errors & Omission Insurance, what constitutes an enforceable negotiation, interest in hearing all sides of testimony and legal advice on both sides of the arguments, if any, maintaining integrity and neutrality, providing requested documentation and to look outside the immediate area for law firms that may not be conflicted but are familiar with redevelopment laws.

Chairperson Faustinos recommended tabling the recommendation from staff and to go back to the original direction that this Board made to staff to seek independent counsel prior to the next meeting.

Director of Finance Matsumoto stated that in regard to counsel, the Board does not have to make a final determination at this point but may continue to look into the matter.

Motion by Boardmember Bates, seconded by Boardmember Moreno to continue the process set out at the prior meeting for selecting independent counsel, direct staff to work with the Chair on the selection of an attorney, and that one more option be brought back to the Oversight Board.

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Faustinos

**NOES:** None

**ABSTAIN:** None

### **3. Errors and Omissions Insurance.**

Director of Finance Matsumoto stated that the city's insurer confirmed that the city's appointees were covered by the city's insurance policy. The staff recommendation, he stated, is that the board members should ask the body that appointed them if they are already covered. County appointee board members indicated that they still want separate insurance and would prefer not to check with the county.

Motion by Vice Chairman Archuleta, seconded by Boardmember Moreno to continue from last meeting with getting three to four quotes for Errors and Omissions Insurance. Motion carries by the following roll call vote:

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Faustinos

**NOES:** None

**ABSTAIN:** None

#### **4. Administrative Budget.**

Jim Simons, RSG Consultant, working with the city stated that the Administrative Budget identifies the direct cost associated with the operation of the Pico Rivera Successor Agency. As required under the law, he stated, the Administrative Budget is being presented for approval. The law, he stated, establishes that the Administrative Budget must be reviewed and approved by the Oversight Board. Additionally, he stated, the law identifies an Administrative Allowance. This allowance, he stated, is determined as a percentage of the total cost that are identified on the ROPS, 5% in the first fiscal year or \$250,000 and the second year and every year thereafter is 3% or a minimum of \$250,000 a year. He further stated there is a question in the law as to whether or not the Administrative Allowance and the Administrative Budget is the same thing.

Boardmember Kreimann asked why there is a difference in the Administrative Budget and the ROP.

Director of Finance stated that the Administrative Budget is what the cost would actually be when looking at the various categories. He further stated that the city may be capped at the statutory minimum of \$250,000. In preparing the ROPS, he stated that he was not sure if the first year was 5% in 2011-2012 or 2012-2013 so he went with the higher number. The County Auditor Controller, he stated has confirmed that the first year is 2011-2012.

Boardmember Kreimann asked for further clarification with Director of Finance stating that the \$250,000 is for a 12 month period.

Chairperson Faustinos inquired if there are sufficient funds to cover the cost of the benefits and payroll taxes amount. Director of Finance Matsumoto stated that staff will recalculate the actual severance of those employees who were laid off due to the loss of redevelopment after they are off payroll.

Boardmember Moreno asked what the contracted services are for and if the contracted services includes the insurance premiums for property that is owned by the city or the redevelopment agency with Director of Finance Matsumoto stating it does not, that the city has contracted with RSG to provided assistance with administering the Successor Agency and all the filings that the city has to do and with the Oversight Board.

Boardmember Bates stated that there is money for legal services and special departmental expenses that can be reviewed for Errors & Omission Insurance that will be taken into consideration.

Boardmember Moreno asked if there is an attorney on board at this point with Mr. Matsumoto responding in the affirmative. Director Matsumoto clarified that this is the Successor Agency's budget not the Oversight Board.

Motion by Councilmember Bates, seconded by Vice Chairperson Archuleta to adopt the Resolution No. OB-01-12 of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency approving the Administrative Budget. Motion carries by the following roll call vote:

Resolution No. OB-01-12 A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34177, APPROVING THE ADMINISTRATIVE BUDGET

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Faustinos

**NOES:** None

##### **5. Second Recognized Obligation Payment Schedule.**

Director of Finance stated that at the prior Oversight Board meeting the ROPS were brought before the Board for May and June and also July through December. He stated that the Oversight Board wanted to take the minimum action possible so the May and June ROPS were approved and this is the second ROPS with a due date of April 27, 2012. He further stated that this due date is a matter of interpretation, and that the only date specified in the law is the due date for the first ROPS which was December 15, 2011 for a payment from the county, January 16, 2012. The second payment he stated will be June 1, 2012 and this will be the basis for the June 1 property taxes.

Boardmembers asked questions and held discussion regarding principle and interest, the city loan and sales tax loan, clarification regarding loan determination and draw down schedules, 1972 agreement enforceable loan and terms, difference in interest rate between 7% and 12%, when was debt obligation incurred, cited statutory Health & Safety Code 34171d(2), city's intent at time of loan agreement, what is an enforceable obligation, county's tax deferral loan, legitimate city loans, 67% county stipend, differences in the interpretation of the law, need for independent counsel and economic development of the city.

Boardmember Kreimann amended the motion to remove the payments of loans, line items 4 and 5, until the Board is able to review all the documentation in order to make a determination if the loan is part of the 1972 agreement and to recalculate the interest rate to reflect the 7% interest rate.

Director of Finance Matsumoto stated that the city's attorney was available to answer any questions that the Board may have.

City Attorney Scott Nichols stated that he has reviewed all the documents and looked at the statute. He stated the statute reads "loan agreement entered into" it doesn't say funded or loan made or money borrowed. He further stated that his interpretation of that, the plain meaning of the statute, is that you entered into the agreement to make a loan; it doesn't have anything to do when the loan is made. The 1972 agreement, he stated, was within the two year time limit, the loan agreement was entered into between the parties and in his opinion feels that it is sufficient to cover all the loans that were made. He further explained that there are two exceptions to the enforceable obligation. If the city agency agreements are deemed invalid, he stated, and there are two exceptions, the one is entered into at the time the bonds are issued and used to pay the bonds or security to pay the bonds. The other exception, he stated, which is the one the Board is talking about, is with a loan agreement entered into within two years of the formation of the agency. The debt, he stated, that the Board is talking about qualifies under that section. City Attorney Nichols read the statute from AB26.

Motion by Boardmember Bates, seconded by Vice Chairperson Archuleta to adopt the resolution of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency establishing the Second Recognized Obligation Payment Schedule (ROPS) subject to the approval by the Los Angeles County Auditor and the State Department of Finance, and bring back at a subsequent meeting with additional information including the information supplied by the Department of Finance or the

County Controller with the original principal of the amount, and the original date, and based upon the legal representation of City Attorney Scott Nichols. Motion failed.

Resolution No. OB-05-12 A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PICO RIVERA REDEVELOPMENT AGENCY, PURSUANT TO CALIFORNIA HEALTH AND SAFETY CODE SECTION 34180, ESTABLISHING THE SECOND RECOGNIZED OBLIGATION PAYMENT SCHEDULE

**AYES:** Archuleta, Bates, Gutierrez-Lohrman

**NOES:** Kreimann, Moreno, Faustinos

Motion by Boardmember Kreimann, seconded by Boardmember Moreno to approve the ROPS with the additions that have been suggested and eliminate the payment of loan line items 4 and 5, but leave 4 and 5 as line items.

Director of Finance Matsumoto suggested approving the ROPS as is, subject to the approval by the Department of Finance and the Los Angeles County Controller, and direct staff to only pay the bonds, the administrative cost, and the insurance without further direction from the Oversight Board. Chairperson Faustinos added that the Oversight Board not authorize payment until such time that the Board has determined that a loan agreement was constituted.

Boardmember Bates made a substitute motion to add Chairperson Faustino's suggestion.

Boardmember Kreimann directed his comments to City Attorney Nichols stating that when the Board submits the ROP to the Department of Finance and they approve it, and the Auditor Controller approves it, at that point there will be a distribution. The obligation and the conditions that are being set are irrelevant, he stated, because it won't come back to the Board, because once we approve it, it moves forward. City Attorney Nichols stated that the ROPS is approved by the Board but it is reviewed by the Department of Finance and audited by the County Auditor Controller, so if the Board imposes a condition, your own condition on the ROPS it is valid. Mr. Nichols stated that it is really the Boards ROPS but is subject to review by other agencies. Boardmember Kreimann stated that the motion is that once it goes through the process, how does it get back to the Board to approve that particular payment. City Attorney Nichols stated when the ROPS is approved, the county if they have no questions, will then distribute the tax trust fund into the city's tax fund, but the Board has composed a

condition that staff is not authorized to spend any of the money for the city obligations. Other than the debt service payment, the administrative expenses and so forth, he stated, there is no authorization to make expenditures; the Board has the authority to do that.

Motion by Boardmember Bates, seconded by Vice Chairperson Archuleta to approve as is subject to the approval of the State Department of Finance and the County Auditor Controller of Los Angeles and direct staff to only pay the bonds, the administrative cost and insurance without further approval by this Oversight Board, based upon legal representation of City Attorney Nichols and that the Oversight Board not authorize payment until such time that the Board has determined that a loan agreement was constituted. Motion carries by the following roll call vote:

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Faustinos

**NOES:** Kreimann

**ABSTAIN:** Moreno

**ADJOURNMENT:**

Chairperson Faustinos adjourned the meeting at 7:30 p.m. There being no objection is was so ordered.

**AYES:** Archuleta, Bates, Gutierrez-Lohrman, Kreimann, Moreno, Faustinos

**NOES:** None

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Chairperson, Belinda Faustinos

**ATTEST:**

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Anna M. Jerome, Assistant City Clerk

I hereby certify that the foregoing is a true and correct report of the proceedings of the Oversight Board of the Successor Agency to the Pico Rivera Redevelopment Agency special meeting dated April 26, 2012 and approved by the Oversight Board on July 19, 2012.

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Anna M. Jerome, Assistant City Clerk