

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
June 19, 2012

CALL TO ORDER

Chair Brubaker called the meeting to order at 4:02 p.m.

ROLL CALL

PRESENT: Board Members: Fisher, Harvey, Levin, Alternate Board Member Ken Scott (for David Vierra), Vose, Chair Brubaker

ABSENT: Walker; Vierra

STAFF

MEMBERS: City Attorney/Authority Counsel for the Lancaster Successor Agency; Assistant to the City Manager; Assistant City Clerk; Finance Director; Economic Development Director

PLEDGE OF ALLEGIANCE

Board Member Fisher

AGENDA ITEMS TO BE REMOVED

None

M 1. MINUTES

On a motion by Board Member Harvey and seconded by Board Member Levin, the Lancaster Oversight Board approved the Lancaster Successor Agency Oversight Board Meeting minutes of May 17, 2012, by the following vote: 6-0-0-1; AYES: Fisher, Harvey, Levin, Scott, Vose, Brubaker; NOES: None; ABSTAIN: None; ABSENT: Walker

NB 1. CONSIDERATION AND POSSIBLE ACTION OF APPOINTING A VICE CHAIR TO THE LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD.

On a motion by Chair Brubaker and seconded by Board Member Fisher, the Lancaster Oversight Board appointed Board Member Vierra as Vice-Chair to the Lancaster Successor Agency Oversight Board, by the following vote: 6-0-0-1; AYES: Fisher, Harvey, Levin, Scott, Vose, Brubaker; NOES: None; ABSTAIN: None; ABSENT: Walker

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
JUNE 19, 2012

NB 2. DISCUSSION OF JUNE 1, 2012 PROPERTY TAX DISTRIBUTION FROM LOS ANGELES COUNTY AUDITOR/CONTROLLER TO LANCASTER SUCCESSOR AGENCY AND ISSUES RELATED TO SUCH

Board Member Walker arrived at the meeting at this time.

The Finance Director presented the report regarding this matter.

The Finance Director stated the County Auditor Controller was scheduled to make payment distributions of property taxes collected on June 1, 2012 for obligations to be paid July 1 – December 31, 2012. The Department of Finance (DOF) has completed its review of the adopted Recognized Obligation Payment Schedules (ROPS) and the Successor Agency's ROPS were approved; DOF disallowed a few 'small' items; one disallowed item is related to loan repayments for loans between the City of Lancaster and the former Redevelopment Agency; the loan was made within two years of formation of Project Area 7 and the DOF stated only loans made within two years of the creation of the Agency, not individual project areas, were eligible to be considered as enforceable obligations; 2 other items were disallowed which the Department of Finance stated should be paid for through administrative allowance and not through ROPS.

On June 1, 2012, the County Auditor Controller made a distribution of property taxes; of the \$9.2 million in obligations listed on the ROPS, the City received \$8.8 million; a portion of this distribution is related to school districts; several bond issues over the years included the school district which received partial proceeds from these bond issues for capital improvement projects at their sites; payments for those bond issues were to come through pledges from 'pass-through' agreements; pledges from the school district are in Pledge Certificates separate from the pass-through agreements; County Counsel has determined that the pledges are side agreements that the Auditor Controller should not recognize and it's up to the Successor Agency to pursue collection/receipt of funds from school districts; do not agree with the County's interpretation of the law; ABx1 26 is very clear in insuring bond contracts and covenants are adhered to and that bond holders and third parties are not to be hurt by the actions of ABx1 26. A challenge exists in that the remittance advices received from the Auditor Controller do not provide sufficient detail to determine what payments were made to school districts, the City will make every effort to collect the funds to make the obligations; did not receive sufficient funds to meet all obligations listed on ROPS; first priority is to make bond payments; can make non school bond payments in the amount of \$7.5 million, balance will be allocated to the remaining obligations listed on ROPS; continue to maintain close communication with Auditor Controller and school districts; appears Los Angeles County is interpreting ABx1 26 different than any other county in the state; their interpretation has a negative effect on the school districts.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
JUNE 19, 2012

NB 2. DISCUSSION OF JUNE 1, 2012 PROPERTY TAX DISTRIBUTION FROM LOS ANGELES COUNTY AUDITOR/CONTROLLER TO LANCASTER SUCCESSOR AGENCY AND ISSUES RELATED TO SUCH (continued)

Board Member Levin asked if the organization is aware of bond holders tracking this issue; The Finance Director stated bond holders are communicating with the City on a regular basis; the organization is doing all it can to avoid hearing from lawyers, however it is possible if the City does not have sufficient funds.

Board Member Vose thanked the Finance Director and the Assistant Finance Director for meeting with him to give a briefing on the issues facing the Board; requested that the Oversight Board be provided with the communications received from the Department of Finance; stated he would like to avoid conflicts between the school districts and the Oversight Board. The Finance Director stated that the City has not received enough information to determine how they have allocated the pass through amounts and what they have based those amounts on; the Auditor Controller has admitted to discrepancies in the amount to be distributed.

Alternate Board Member Scott stated no receipts have been received by the school districts that he is aware of and, for the City of Palmdale, when remittance was received there was no way to differentiate the funds received especially when receiving a reduced amount.

Additional discussion took place regarding payments received by the school districts; implications of the reduced payments from the Auditor Controller and the concerns regarding default on bond obligations due to reduced payments received from the Auditor Controller; and discussion of payment of pass through agreements.

Board Member Walker requested clarification regarding the total amount of the problem; the Finance Director stated the approximate amount is \$1.3 million.

Board Member Harvey requested clarification of the shortfall from Los Angeles County; the Finance Director stated the challenge is determining the breakdown of the distribution received; it is not clear as to what was provided for pass through payments; difference can be between \$200,000.00 and \$700,000.00; the City received \$8.8 million; it is unclear how much of this was remitted for payment of pass throughs vs. funds to be used to meet former Redevelopment Agency obligations.

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
JUNE 19, 2012

NB 2. DISCUSSION OF JUNE 1, 2012 PROPERTY TAX DISTRIBUTION FROM LOS ANGELES COUNTY AUDITOR/CONTROLLER TO LANCASTER SUCCESSOR AGENCY AND ISSUES RELATED TO SUCH (continued)

Board Member Vose requested the status of assets of the Successor Agency, specifically what they are and where is the City going with them.

The Finance Director stated that currently the Successor Agency has one real property asset which is the Cedar Street Theatre; remaining real property non-housing assets were transferred to the City to satisfy debt that the former Redevelopment Agency owed to the City; some properties are public use/public purpose assets and it may be determined that these need to be transferred back to the agency currently using the property.

Additional discussion took place between the Board and the City Attorney regarding provisions in Redevelopment law regarding private vs. public use. A provision exists which allows a public entity to retain ownership of a building purchased by the Redevelopment Agency for a public purpose; language in the law is unclear if compensation is to be made to the Successor Agency for those properties; no determination has been made as to how the language is to be interpreted; language is vague; more than 300 non-housing properties were transferred to the City; the Department of Finance stated the assets should be transferred to the Successor Agency; currently the language is being sorted out; many questions to be resolved before they are transferred back. The obligation of the Successor Agency Oversight Board is to direct the Successor Agency to dispose of assets and approve the disposal.

The City Attorney stated that a policy regarding the disposal of properties is being drafted and will come to a future meeting of the Successor Agency Oversight Board for approval; there is a concern regarding dumping 300 properties on the market which can impact property values of those 300 properties as well as other properties; must determine the best way to market the properties.

Board Member Levin asked if measures are being taken to dispose of the Cedar property. The Finance Director stated this would not happen until the disposition policy has been presented.

EXECUTIVE DIRECTOR ANNOUNCEMENTS

None

CITY CLERK /AUTHORITY SECRETARY ANNOUNCEMENT

The Assistant City Clerk stated that there were no speakers from the audience.

BOARD MEMBER COMMENTS

None

LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD
MINUTES
JUNE 19, 2012

ADJOURNMENT

Chair Brubaker adjourned the meeting at 4:34 p.m. and stated that the next meeting of the Lancaster Oversight Board would take place on Tuesday, July 17, 2012 at 4:00 p.m.

PASSED, APPROVED and ADOPTED this 17th day of July, 2012, by the following vote:

AYES: Board Members: Fisher, Harvey, Levin, Vose, Walker, Scott, Chair Brubaker


NOES: None


ABSTAIN: None

ABSENT: Vice Chair Vierra

ATTEST:

APPROVED:


GERI K. BRYAN, CMC
City Clerk
Lancaster, CA


ELIZABETH BRUBAKER
Chairperson
Lancaster Successor Agency Oversight Board

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss
CITY OF LANCASTER }

CERTIFICATION OF MINUTES
LANCASTER SUCCESSOR AGENCY OVERSIGHT BOARD

I, _____, _____ of the City of Lancaster, CA, do hereby certify that this is a true and correct copy of the original Lancaster Successor Agency Oversight Board minutes, for which the original is on file in my office.

WITNESS MY HAND AND THE SEAL OF THE CITY OF LANCASTER, CA on this _____ day of _____, _____.

(seal)
