SUMMARY MINUTES

Oversight Board
Thursday, August 23, 2012
2:00 p.m. – 4:00 p.m.

City Hall
1017 Middlefield Road
Redwood City, CA 94063
Conference Room 2B – Second Floor

Members:
David Holland, Chair - Present
Mike Roberts, Vice Chair – Present
Steve Abbors – Absent
Alicia Aguirre – Present
Barbara Christensen – Present
Blake Lyon – Present
Enrique Navas – Absent
Cecily Harris – Present as an Alternate

City Staff as Successor Agency Attendees:
Bob Bell, City Manager – Absent
Bill Ekern, Community Development Director
Alison Freeman, Financial Services Manager
Brian Ponty, Finance Director/Assistant City Manager
Veronica Ramirez, Assistant City Attorney
Pamela Thompson, City Attorney
Silvia Vonderlinden, City Clerk

Craig Labadie, Counsel to the Oversight Board

1. Call to Order – Chair Holland called the meeting to order.

Chair

2. Roll Call – City Clerk Vonderlinden noted those present and absent.

Chair

3. Public Comments – There was no public comment.

Chair

4. Approval of Minutes – July 19, 2012 Meeting

Attorney Pamela Thompson had a minor edit to the minutes. City Clerk Vonderlinden said she would change the word "acquiesced" to "so noted".

Chair

M/S Christensen/Blake to approve the minutes. Motion carried unanimously.

5. Successor Agency Administrative Budget – Mr. Ponty said the staff is setting the budget at $250,000 as the Department of Finance will only approve this amount.

RESOLUTION – OB 12-01
RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDWOOD CITY REDEVELOPMENT AGENCY APPROVING THE ADMINISTRATIVE BUDGETS FOR THE PERIODS OF

M/S Navas/Roberts to Approve the budget as stipulated in the 2nd and 3rd ROPS.
Motion carried unanimously.

6. Review and Approval of the 3rd ROPS

Brian Ponty provided details on this ROPS and noted the additions as outlined on the staff report. Mr. Ponty said while the Department of Finance (DOF) has denied all appeals, staff would like to keep certain items in for consideration (items five and six). Member Christensen asked if a certificate of completion is presented to the Oversight Board once this is completed and Mr. Ponty confirmed. This Member also inquired about a specific payment which did not occur. Mr. Ponty said that items 12, 13 and 14 were zeroed out as well as item 21. He said that the request in this ROPS is for a total amount of $4.5 million. Mr. Ponty provided details on the source of funds to cover these obligations.  

Review and Approval of the 3rd ROPS  
RESOLUTION - OB -12-02  
RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDWOOD CITY REDEVELOPMENT AGENCY APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD JANUARY 1, 2013 THROUGH JUNE 30, 2013  

M/S Christensen/Blake approving the resolution for the 3rd ROPS. Motion carried unanimously.  

7. Lathrop Property Lease – License Agreement with Herrero Contractors, Inc

Mr. Ekern, Director of Community Development, provided a brief report (presentation on file) about the need for the license agreement and clarified this will also go to the City Council.

RESOLUTION- OB 12-03  
RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDWOOD CITY REDEVELOPMENT AGENCY APPROVING AND AUTHORIZING EXECUTION OF A LICENSE AGREEMENT BETWEEN THE CITY OF REDWOOD CITY AND HERRERO CONTRACTORS, INC.  

M/S Lyons/Roberts to approve resolution. Motion carried unanimously.

8. Unfunded Pension and Unfunded Retiree Health Benefit Liabilities

Mr. Ponty provided the report and spoke about legacy costs of the Agency over a period of thirty years. He said that in May or June, staff spoke with the DOF staff, and they were remarkably opaque. It was noted that approximately 10 other agencies submitted these costs under a ROPS and had the DOF agreed to fund these obligations.

Mr. Ponty asked whether the Oversight Board would consider a repayment agreement. One Member inquired about specific items and she is comfortable that there is money to be paid and the fact that the DOF is in agreement with this. Mr. Ponty made a presentation (on file). He covered the unfunded retiree pension and health benefits. He also addressed the methodology used. One Member asked about the CaPERS long term plan and Mr. Ponty responded he was not sure there was one. One Member asked if the City always made its unfunded liability payments and Mr. Ponty said that was correct.

Member Christensen asked if this was a liability for years passed and Mr. Ponty confirmed that was a fact. Another member asked what is the intent and Mr. Ponty said that the goal is to receive that money to reimburse the City for making those payments. One Member
noted that the fund could possibly perform better and the unfunded liability could be less and the second item is that the Oversight Board can make the decision if something goes wrong. Ms. Christensen asked if the 11-12 payroll was typical and Mr. Ponty confirmed it was. She would like to discuss the staff time allocations at some point. Vice Chair Roberts asked if this was added to the ROPS and Ms. Ramirez said that this was not part of the ROPS.

Member Navas said that his present inclination is to address this every year. He said because of the uncertainty on the percentage to pay he likes the year by year approach. Vice Chair Roberts asked Legal Counsel to look at the fairness issue associated with this and the legal perspective on this issue. Mr. Labadie said that there are a couple approaches: 1) to lock in for five years, 2) develop a payment schedule and update it via each ROPS, 3) address it as part of an agreement. Ms. Ramirez said that another option is to just ask for the unfunded liability. Ms. Thompson said that cities have been experiencing the brunt of the risk as the State takes the funds away from the cities, and she does see this as a risk because it could be disallowed should the law change. Ms. Christensen said that as a commitment the Oversight Board could just pay it each year from the residual, this would be an agreement through the ROPS. Ms. Labadie said that this could be done but it would be complicated.

Mr. Lyon thanked Mr. Ponty for his leadership and his conservative approach and he would prefer a "solid ground" approach. Chair Holland said that one approach is more certain and the other is just a bet. Ms. Christensen asked about the "freshness" of the numbers and he said these are for 2010. There were different points made and the risk was discussed on all fronts and approaches.

Vice Chair Roberts made a recommendation to accept this recommendation and wrap this up now. One Member asked for a 10-year average and Mr. Ponty said staff could do it but the 10-year data will not tell the full story because the benefits changed in the last five years. Mr. Labadie said that there is a little time to resolve this because this will only be on the 4th ROPS. Mr. Lyon asked if there is a conflict of interest for him since he is a recipient of the retirement packages. Mr. Labadie said he did not think Mr. Lyon should be disqualified.

The Chair summarized the consensus which was to table this item and have staff review the numbers since 2006 and look at those averages, across those years, and bring back this original recommendation with the addition of such research.

Mr. Ponty said that pushing this out another month is not a problem.

Member Navas suggested making the payments and keep the money in a trust. Mr. Ponty said that the clearer approach would be to bring back an agreement to review each year and base that years' payment on that year's actuarial information. Vice Chair Roberts said that he prepared to vote either way but he is concerned with the "the pay as you go" approach since it might have a higher risk and he likes a decision that is binding for a five year period. The Chair concurred that there is a risk with the "pay as you go" approach.

The final consensus was to have staff come back with: 1) a five-year plan that looks at the existing data (as presented today), 2) include a "pay as you go" alternative, and 3) the option to look at an average which goes back to 2006.

Mr. Ponty covered details on unfunded retiree health benefits. He explained the computations supporting the figures of $3.2 million. One Member asked if the unfunded liabilities are coming down and Mr. Ponty said this has not been observed here. Questions were asked about vesting levels and Mr. Ponty provided details. One Member questioned the allocation of staff and how the City Manager spent 30% of his time on Redevelopment Agency matters. Mr. Ponty said that there is a lot of daily business including negotiations and legal work the City Manager and City Attorney had to do for the Redevelopment Agency. Ms. Christensen inquired if there wasn't a Community Development Manager that handled much of the work. Mr. Ponty said that there were a lot of high level matters. The Board thanked Mr. Ponty for all that work.

9. Set Date and Agenda for Next Board Meetings

Brian Ponty
a. Due diligence review of LMIHF balances per AB1484
b. Set date for public comment session and public meeting to consider to
due diligence review of LMIHF balances

Mr. Ponty said that there is a deadline of October 1 for the due diligence to be submitted to the Board, but the guidelines will not be released until after August 31, 2012. This means it will be a tight deadline. Then once the due diligence is done, the Oversight Board must meet and have a Public Comment session on the due diligence review time, and then within five days have the board meet again and approve the due diligence. The approved due diligence review must then be submitted to the State Department of Finance no later than October 15, 2012.

There was some discussion about schedules. The Board agreed to place three dates on hold October 1, 8 and 15. The packet would go out Sept. 27, 2012. Mr. Ponty said this is not ideal but there is a tight timeline. This would mean no meeting in September. The time suggested was 2 p.m. Mr. Labadie said he would have a conflict on October 8, 2012. Mr. Labadie said that the first meeting is to hold a public comment session and the second meeting is to review, approve and transmit. There was a quorum for the 1st date of 8 and the 2nd date of October 15 for meetings at 2:00 p.m. at City Hall.

10. Oral Communications from the Successor Agency Contact
Mr. Labadie informed the Board that City Clerk Vonderlinde and he had worked on a
Conflict of Interest Code, per the Fair Political Practices Commission, and this will be before the City Council on September 10, 2012 for approval.

11. Adjourn – the meeting adjourned at 3:15 p.m.

Respectfully submitted,

Silvia Vonderlinden,
City Clerk

Approved at the Oversight Board meeting of October 15, 2012