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>> Mayor Reed: Good morning. I'd like to call this meeting to order. This is the oversight board to the Successor Agency to the San José Redevelopment Agency meeting for August 23rd, 2012. Do we have any changes to take up in the agenda before we get into the agenda? I don't think there are any. On the order of business you'll note that we noticed a closed session as item number 1. I think right now I don't anticipate that we will actually go into closed session but if the board desires to do that, as we get into the discussion, it's been noticed. But I don't think we'll have to do that but it's really up to the board. So we'll actually take up -- there is no closed session report. We haven't had a closed session report so we have really to start with the minutes from the August 9th meeting. Any comments, questions or discussions on the August 9th meeting minutes?

>> Board Member Gage: Chuck I don't have a question on the minutes but you know when you talk about a closed session we don't have any representation yet from an attorney.

>> Mayor Reed: That's one of the reasons -- we don't have conflict counsel yet that's one of the reasons we may not want to go into closed session but I wanted the board to have the ability to do whatever we want to do.

>> Board Member Gage: I wanted to ask how we're going with that I know San José went out for an RFP.

>> City Attorney Doyle: Today there will be a discussion among the attorneys on the panel. Hopefully we would like to get a decision made on an outside counsel as early as tomorrow. The panel includes two members of city attorney's staff, a member of the county counsel's staff and a member of the county Water District staff and then they'll make a recommendation, forward at this time to the board and the board will make a call. If the board wants to do interviews or whatever they can do that. It is occurring. It is unfortunate that it's taken this long and we apologize for that but it is something we hopefully will have in place by next week.

>> Board Member Gage: Well, we ended up hiring an attorney for Santa Clara. And Hilda Montoya is very good.

>> City Attorney Doyle: She got good reviews.

>> Board Member Gage: I don't know if she will do it because she had to be begged to do that one. We looked to other counties trying to keep -- you know there's no conflict of interest and they don't want to do it. And she might be put on the list. She may be a candidate that you want to interview.

>> City Attorney Doyle: And Mr. Gage I just want to say we did an RFP and she is not one of the proposers but again, it's up to any recommendation. If in fact they find that they want to go out again we can always revisit that.

>> Board Member Gage: Okay, thanks.

>> Mayor Reed: Emily.

>> Emily Harrison: Thank you, Mr. Mayor. I have the benefit because I have access to county counsel to have discussions that I've been privy to on some of the issues that we might discuss in closed session. In the absence of independent counsel and understanding that the board wants to have a full range of information, perhaps a way to handle it until we do have independent counsel would be to include our county council in the closed session so we would be able to hear both viewpoints. I think that's the reason we wanted independent counsel is that this city would inevitably have its own viewpoint and there might be others and the board might want to be informed by all the viewpoints on the issues in front of them.

>> Mayor Reed: Well, we'll take it up if and when we decide to go into closed session, which I don't anticipate we're going to need to do today, but it's ultimately up to the board to decide that, which is why we noticed it. So back to the minutes. Any questions or comments on the August 9th? We have a motion to approve the minutes. On the motion, all in favor? Opposed? We have none opposed, minutes are approved. And we have nothing on the consent calendar. Items scheduled for action/discussion, we have item 6.1 approve of January-June 2013 administrative budget. Richard Keit.

>> Richard Keit: Thank you. This is -- the administrative budget is a requirement. Every six months we will be bringing back, obviously a six-month period. This is for -- the interesting part is it's our January to June, we're only

one, really on the second month of this fiscal year that normally counties, cities in the state work under. So it is somewhat of a projection, we have it pretty tight and we kept it to an absolute minimum. On the -- to be -- it went to council on Tuesday. The council -- the city council and Successor Agency board unanimously approved the budget. The other component I just wanted to convey is it's all General Fund money not any trust fund money since we are all short. I wanted the board to know that we are sensitive and diligent about keeping cost down on Successor Agency side. We had two people to leave in the last quarter from the Successor Agency and only replaced one of them in the finance section because it was absolutely necessary. So essentially we only have seven full time people. One is unbenefited six are fully benefited and we have one part time person. So with that, we -- it's quite a lengthy memo. Some of the increased costs were due in part to the state, 1484, legislation that now requires due diligence audit to be placed above and beyond the first audit that is being finalized now by the county controller. And we also anticipated, we don't know, that we may have increased costs due to a regular annual audit, the CAFR, you know, the consolidated financial report that every city and the Redevelopment Agency has done for the past years. And with that, I'll be glad to answer any questions.

>> Mayor Reed: Okay. Emily.

>> Emily Harrison: First of all I do want to recognize the hard work of the Successor Agency staff. I know that you're making up for those two positions by long hours and a lot of work. And all of the agencies that we work with really have been slammed by 1484. And I know it's even more so for you, with the complexity of your transactions. So I want to thank you for that and I do appreciate it. My comment is just, it echoes supervisor Gage's from our last meeting. It is a general fund expenditure now, but it's accumulating as a receivable that eventually would be paid out of the tax increment funds so it's not -- it will be an expense. The accumulated receivable will be an expense, so it is not a General Fund sort of gift to the Successor Agency.

>> Richard Keit: Correct.

>> Mayor Reed: It will be a while before we're able to deal with that issue. Anything other comments or questions on the budget? I have no cards from the public to speak, as far as I know. Okay. Is there a motion?

>> Motion to approve.

>> Mayor Reed: We have a motion to approve the six month administrative budget.

>> Board Member Gage: I do have one question, Mr. Mayor.

>> Mayor Reed: Board member Gage.

>> Board Member Gage: Trying to go through this, there is more paperwork than I can imagine here. But I noted that part of the budget was the lease of 1404, that was for \$100,000.

>> Mayor Reed: That would be a \$100,000 a year, I think, so this is a six-month budget, so it's \$50,000, it's the bottom line of the budget items.

>> Board Member Gage: Right, and I guess the question I would have, you know, with rents and everything else, the Successor Agency might be able to find space a lot cheaper somewhere else. I know you like to keep this building, its revenue to you. But I'm just asking that question in general, because that seems that we could -- might be able to do it cheaper, I don't know.

>> Mayor Reed: Staff, you want to talk about that?

>> The only thing I would want to say is in concert with the city administration that's well reduced what it was prior to dissolution. And we have not priced alternate space. But I think even then, given the consideration that it includes electricity power phones, it's very competitive. But we can certainly look at that to do a--

>> Board Member Gage: See I don't see the detail. I just see dollar amount. I don't know that you're including electricity and all that stuff.

>> This is full service.

>> Board Member Gage: Without the detail you're going to get questions. You've answered the question. I brought this up before not on this particular issue. When you're dealing with stuff we should go out and take a look if we should do something cheaper because we're trying to return money. So probably wouldn't hurt just to take a quick look at it. You have real estate people and so forth.

>> Mayor Reed: All right, I think executive director wanted to speak.

>> Debra Figone: Absolutely and clearly, being cost conscious is a very important priority. The other priority would I say though, is the consolidation that is really evolving through the staffs, given the work they have to do with the city staff, it would be very difficult to separate that right now and really be efficient in this process. So I think that also has to bear some weight.

>> Board Member Gage: Very good. Thank you so much.

>> Mayor Reed: But Richard will look at that. I think that's a factor to consider. As you point out, board member.

>> We can look at it but the executive offers this point, there's not a single day that we're not engaged directly with either the attorneys, the finance department, the housing department so it's not like a once a week activity. It's as constant as every day and probably almost every other hour.

>> Mayor Reed: Another related question to that is, I know just from casual observation that there's a great deal of staff time on the city staff side, dealing with redevelopment issues, every day, that's not included in this administrative budget. And I don't know if we have any estimate of what that is, but it's a lot more. Because there's a lot of people in the city side that are backing up the redevelopment staff and that's not included in here as I understand it. You're talking about your --

>> Point of correction. We do have it on the support services. Now, to your point, mayor, there's some services that aren't listed in there but the everyday services of the attorneys and the clerk and finance is but it's even broader than that. So -- but the line item is the second from the bottom if you're looking at the table right above City Hall lease.

>> Mayor Reed: Okay so there's some in there. But what I'm saying is a lot more work going on than that.

>> That is true.

>> Mayor Reed: And so it's a fairly lean operation and it would be a lot leaner if we didn't have all the audits that we're trying to deal with. So there's a huge amount of work that's being generated just to get in compliance and certified and then as soon as we get that done the state changes its rules again and we got to do it over again as we're doing. If you were to look at the agency and the wind down and the real property sort of thing it would be a smaller set of facts if it weren't for the fact that everything is new and requires a lot of work. So we have a motion to approve the administrative budget on the motion all in favor, opposed, none opposed, so that's approved. okay we'll move to 6.2, recognized payment schedule we have a resolution and I don't know who's going to bring us up to speed on where we are with this. Richard's going to start. [inaudible]

>> Mayor Reed: Do we have a resolution?

>> Patricia Deignan: There will be a resolution --

>> Mayor Reed: The resolution to be prepared, after we do whatever it is we're going to do.

>> Emily Harrison: Can I just state that I'm not comfortable with that process? I know this has come up before, but I would like to see the resolutions with the items that are being discussed, rather than having them prepared afterwards.

>> Patricia Deignan: We'll do that in the future, Ms. Harrison, thank you.

>> Mayor Reed: So it would be a draft resolution based on the staff recommendations.

>> Patricia Deignan: And based on the actual actions that are taken, which is hard to predict.

>> Mayor Reed: Okay. And then we'd have to revise it.

>> Patricia Deignan: Right.

>> Mayor Reed: Okay. All right, Richard.

>> Richard Keit: Actually, to your point, mayor, it's a good segue of things changing and I think we mentioned this at the last oversight board meeting. We now have ROPS 3 that we're asking you for approval to adopt. It has changed since ROPS 1 and 2. Some of the things have remained the same, but it was difficult for city staff, Successor Agency staff and county staff to put their hands around this, because when we weren't sure what the state department of finance wanted in each category, some columns are very self-explanatory, like total obligations. They did some things like collapse, they took out form ABCD, and it's one form, which we think is good. They took out the monthly expenditures which is good because some things get paid, it's -- in my mind and I think in our finance people's mind it's bad enough that we have to compress it to six months instead of a fiscal year. But having said that it is -- that's collapsed too. And so we do have the columns. We do apologize for getting this out this late. But partly due for several reasons, one, working with the State, the county, city and state working together on how to -- what to put in there, what to put in the notes. Because of the complexity of, I would imagine, many agencies but certainly ours. And then so we got that out and then the memo was difficult. But I think it reads well and again and I'm sorry you received it so late, on top of that you do have a memo from the county, and controller, that just came in last night and from the City Attorney, that talks about this item. My request is that if, I would think it would be good if we could take in the technical questions first, before we get into discussion. We do

have Abe Andrade who is on the board and Sandi Shayefsky who is on the board. If there are any technical questions about the columns or what the notes mean we can do that. And again because it's so late if you have any questions we can answer at a later time we can certainly get back to you at the next meeting or through an information memo. But I know it's a lot to absorb in a very short period.

>> Mayor Reed: Board member Harrison.

>> Emily Harrison: I don't know if this is a technical question but I noticed there were some items on the ROPS that actually don't have any amounts payable. And this has come up in some other agencies where if we don't say why is that on there, then at the next ROPS, they say because you approved it last time. So I don't understand why we would put items on the ROPS that really were not obligations during the period being considered.

>> Richard Keit: Well, the whole purpose, as I see it, and anyone can jump in, the purpose of the ROPS for the six-month period is what will you pay that but we have to list all our obligations since there's no overall document like the EOPS at the beginning. If that's what you mean or does it mean something that was paid in a prior six month period that shows as paid as an obligation.

>> Emily Harrison: I need to understand if you're asking me to approve an item that doesn't have any amount payable within that period. Because I'm uncomfortable doing that. It's a different discuss. I'm fine with reviewing the ones where we're actually looking at an obligation within the period to be ahead. You but having other items on there that actually don't have that immediacy seems to me to be -- I'm a little uncomfortable because I don't want later to have an expectation from staff that that review has been done on my part, when it hasn't.

>> Patricia Deignan: Yes, if I may, we discussed with the county staff how to shows these obligations where the payment does not show within the six-month period and initially we had talked about doing an appendix to the ROPS that just showed the obligations that everybody agrees are out there and are enforceable obligations so we don't lose track of that obligation in a current year. Or a current ROPS period. We met with the county staff, and they preferred that we put everything on a single ROPS, and note that thee obligations are not due in this fiscal

year but -- or in this ROPS period but the payment will be due in a future payment. So we changed the way that we formatted it, based on county staff's request. So we can go back to the appendix, if --

>> Emily Harrison: Here's my question and I appreciate that and I was part of that discussion so I do understand that. There are items in that category that you would append size or put on this ROPS that I don't believe the county staff are in agreement with. So do we have that discussion now or do we have it when there's an actual amount payable? So you can -- I'm okay either way. I just want to make sure that I know when it's going to happen.

>> Patricia Deignan: I think we can do that now.

>> City Attorney Doyle: Yes, I think if, member Harrison, if what you're referring to is the county auditor's notice of continued review of ROPS and the objections raised there, it's probably a good time to have that discussion.

>> Mayor Reed: I was going to say, is that a technical question? I think that's a more substantive question. There are other questions on this part, Jai.

>> Jai Singh: Thank you, Mr. Mayor. I was part of the team that discussed the ROPS. And one thing the county and the Successor Agency staff agreed to disagree about the line item number 1, the 80%. That we didn't feel comfortable that it should be only the obligations that are due, that should be put on the ROPS, for six months rather than the whole amount that is going to the fiscal agent. So that is where I see also the objection letter from the auditor-controller, that we would like to see -- and there are a number of reasons that, why we disagree. First of all, the admin cost. If you look at the admin cost allowances only, certain portion, 3%, even though at this time it is a much lower amount. But at certain point, if we shift the whole money to the fiscal agent rather than listing only the six months obligation, it's going to skew your admin cost. And there is also, the possibility that the amounts are going to be double-counted. And the reason I say that, because the money first goes to the fiscal agent, and any access amount then comes back to pay the other obligations. And if you show that money as obligation from RPTTF, then it's going to be counting it double counting in certain areas. And another issue that the county had, if

you look at the total obligation due during the six months, you can put the amount that is due like, for example, interest-only, that is payable during the first six months, rather than principal. So that amount can be paid during the first six months rather than showing the total obligation. So those are my concerns, that that's why the county has objected to the line item 1. It should be shown as what is the obligations due, during the six months.

>> Mayor Reed: Okay, Ken.

>> Thank you. I have a couple of comments and questions. And I -- I recognize the limited staff that you all have. And the limited time frames, working in the public sector I've been under these kinds of pressures before. But I would be remiss in not raising the issue, that last-minute complicated reports like this make it very, very difficult for somebody that doesn't work on this on a regular basis to fully comprehend or at least comprehend to a level that I'm comfortable in supporting the direction that the ROPS has identified. I don't know how you resolve that. I realize there are statutory deadlines, state deadlines set by both statute and by the Department of Finance for the review. So again, anything that you can do as postmortem to the comments that are here, that would make it simpler would be much, much appreciated. I echo the last comments that were made. And again, I think to the extent that footnoting, for example, areas where there are not specific fees, so that it is abundantly clear that in approving the ROPS we're not blanket approving items that are not identified, at least it's clear to everyone that what we are, in fact, approving. And I think that the last comments really kind of echo that point. Having the level of specificity in the ROPS of exactly the amounts that we've got gives you flexibility for more analysis and for things coming back to the oversight board that are discrete as opposed to maybe -- maybe it's clear from a staff point of view because I mean I've been there when I think I've been real clear what it is. But when it's delivered it doesn't quite come across the same way. So that would be my comments that are there. But again I do want to echo member Harrison's comments. I understand the extreme pressure your presentation has very limited staff and I acknowledge what the mayor stated with the level of support from the city. But as you can understand, there is a little tentativeness on our part having to vote on something that is not as well understood as we'd like. Thank you.

>> Mayor Reed: Executive director.

>> Debra Figone: Yes I would just like to have the staff clarify what this does reflect. Because I completely appreciate the comments and understand the complexity. As I look at this I would say from the standpoint of a spreadsheet that could work period to period, the line items with the dashes in the yellow column are not part of the total for this period. Is that correct?

>> That's correct.

>> Debra Figone: And so the concern about blanket approvals we would say from a staff perspective is -- we're not asking for blanket approvals. We're only asking for the approval of costs and there might be disputes as to costs in line item 1 but where there's a number filled in and it rolls up to a total, is that correct?

>> Yes, that's correct.

>> Debra Figone: Okay. So again, all the comments are really appreciated. What I would just ask is that you know whether it's through footnotes or better, you know, explanations or more timely delivery that we also recognize, to pull line items in and out, period to period, is also a burden. And so how we can harmonize the interest of the board with, you know, the need to be somewhat efficient as we work through these complexities is just something that I think I would add to the mix of the feedback. And so clearly understand, though, the comments, and really want to accommodate the board's needs in order for you to be comfortable with the information in front of you.

>> Mayor Reed: Had a question, technical question about this spreadsheet. Can we deviate from what the state requires on the spreadsheet? We ultimately have to submit whatever it is, in whatever form they require us to use. But some of these questions, can we accommodate footnotes and annotations, to accommodate what they mean dashes and so forth, this is the form and we have to use it like it or not until the state changes it again? How much sway do we have?

>> Patricia Deignan: The DOF is requiring us to use the form and we can't deviate from the form. However they have encouraged us to use the footnotes to the fullest capacity. So if we need to make more clarification on the notes we can certainly do that.

>> Mayor Reed: Okay, back to Jai. Let me get to Don first.

>> City Attorney Doyle: I was going to talk about what Jai had mentioned. Here's my dilemma and I don't quite know how to solve it. Because the information for today's meeting came yesterday, by computer. So I go to look at it, and I can't print it, because it's in the -- I can't print this part because of my -- my printer only does 8 and a half by 11. Then I get the letter from the county, from Vinod which goes through and points out a whole bunch of issues on here. And then trying to correlate them and I know it was mentioned there was some yellow lines on here. The things in front of me doesn't have any yellow lines. So what I'd like to do, if we can, number one: I don't know about timing. Maybe we need to -- it seems that we end up getting pushed because of the meeting date. You know, so if we see that that's happening, in order to give us enough time to really analyze, at least ask questions of people, if we just move the date, you know, say, a few days to give us time to do that. That would be number 1. But since that didn't occur here, what I'd like to do is go down, so I have -- I can see both sides of the story. All I have, the letter, I have your document here, with no explanation, other than the information, and then I have something from the county that says, for example, line 89, it's the center for employment training. It says void because the enforceable obligation was signed on 6-28. I'd like to discuss each one of these. I know that it might take a little bit of time to do that. But if we don't do that, I'm really -- I only have the advantage of one input. The other one is, is a form that says, we put it on there. You know and do I have -- and even 80% I have a question about. Because, you know, for some of the same reasons that Jai mentioned, it becomes an issue when I read in here, it says, "the law doesn't allow that." And I'm not sure, and I don't know whether it is or it doesn't. I'm just reading one side of the story. So I would like to ask that we go through the letter that was sent 50 county, and discuss each one of those. And if everybody's okay with them, you know, void city loans, 105, 106, 107, 11, 12 and 13, that's -- I don't -- I mean if I were to make a decision just follow this, you wouldn't get anything. If I try to follow yours, you get everything. And that's not where I am. I need to know how I balance this. Because I have the responsibility of making the recommendations and trying to understand this and you know, I don't like to do what

they do up in the federal and state and say I didn't read it because it was too thick. That's my responsibility. So I have to understand this and this is only form that I have to do that. So if we could do that, I would appreciate it.

>> Mayor Reed: I think we will do that this morning.

>> Board Member Gage: Good.

>> Mayor Reed: That's what I anticipate we eventually get to trying to get through these and deal with them on a substantive basis on your comment about the meetings, it's really difficult to schedule a meeting. So you know, postponing it a few days is probably not feasible as an alternative. The real alternative is, we talk about it as much as we can and we postpone the decision until a date.

>> Board Member Gage: Well, we'll have to do more of that so we can have a discussion of the individual items and get the story from the county here and with the city staff here.

>> Mayor Reed: Right.

>> Board Member Gage: Because otherwise, I really -- it's an injustice to both if I don't really -- I mean what I'm doing is I'm picking and choosing and it's not that anybody's dishonest. It's that which one is correct? Because they're opposite. So --

>> Mayor Reed: One of the things we've been able to do in the past is, eventually, the city staff and the county staff sort out most of these. This isn't the first time there have been disagreements on things, and there's a very few left for us when it finally gets here for a decision. I think the City Attorney wanted to comment --

>> Board Member Gage: But if we approve the ROPS tonight and all these go on, that's an issue for me. Because there are so many of them that are objected to. This is unusual. I mean, normally it's three or four

items, and you do have a chance to work things out. But there's a whole lot of items on here and I don't -- I don't want -- I want to understand them before I make a vote.

>> Mayor Reed: I think that's reasonable. City Attorney.

>> City Attorney Doyle: And member Gage I think the city staff and county staff has been working close. But as Jai indicated, agreements to disagree I think are what's reflected here. And I just want to -- not to further complicate this. But we had prepared a memo which is also before you that you received this morning, all of this stuff is coming late, I admit. But it sort of explains at the least number 1, but not to further complicate it, but you need to know and the board needs to know that there is a lawsuit pending in Sacramento county which is -- really goes to the heart of number 1. And there's a dispute as to whether or not the existing bond indentures and the agreement, the passive agreement with the county requires the county to continue to make that 80% payment to the bond trustee, in full. As they've been doing for 20 years. Or the law changes that, and that is going to be determined by a judge. And so no matter what the board determines, or DOF determines or anything like that ultimately a judge or judges, if it goes that far, will be making a decision on that. And that case is currently, you know, we have a hearing date in February. But I think we're going to try to accelerate to get before December 31st because we have deadlines. But that's something that we'll be fully briefed and fully reviewed by the court.

>> Board Member Gage: See, I haven't had a chance to read your memo and that's good that we're going to do this. Because you know, as I read the 80% thing, the way it reads to me is that regardless of the amount of money if there's only \$1 in the account you still get the full amount into the ROPS which doesn't make a lot of -- I mean logically, my mind doesn't work that way. And I try to be very logical and try to look at this. So I really would like discussion, and if we can do that, I would appreciate it.

>> Mayor Reed: We will. Jai.

>> Jai Singh: Regarding Rick's point that the lawsuit is going on in Sacramento, I think until that is decided we ought to follow the letter of the law which is 1484. That does not require us to put 80% here. So once the courts

decide and you know that the statute is wrong until that time I think we ought to follow it says in 34183 does not have the certain order of payment. And rather than accepting to the intermediary which is the fiscal agents here, what is owed to the bond holders, that is what should be going on ROPS. That is my comment on that.

>> Mayor Reed: Rick.

>> City Attorney Doyle: I don't want to enter into a debate here but that is the question before the court what is required by the letter of the law. Because the City's argument is that the contract is to be enforced. You can harmonize the existing contract with the existing law. So I think really what I propose, I mean the important thing here is that we meet that September 1st date, we get this to DOF in a timely manner that we are able to meet our obligations. Whatever the board does, I would ask the board not to make a conclusive determination on anything, recognizing that this issue is in dispute and will be determined by a court. And whatever is done it's without prejudice or without trying to influence that decision.

>> Board Member Gage: Understand it has to go out on the ROPS and I can only work with the tools that I have. And my assumption would be, if we do it based on the law, and the law changes, that the state will go back and make that correction. I mean because I -- my authority is what I put on the ROPS has to follow if law.

>> City Attorney Doyle: Right. And the dispute is, what the law is.

>> Board Member Gage: Right, but that is not something they have told me now. I got to look at you know when I walked in today, that law is in effect. So if it changes it's up to the state to go back and say take the information from these ROPS even if it's after September 1st and adjust them according to what the new statute is going to be that they agree in the courts on.

>> City Attorney Doyle: So I would just suggest that somewhere it is just acknowledged that there's a dispute. And Patty I'll let you take the lead.

>> Board Member Gage: I can't, I don't have an attorney representing me.

>> City Attorney Doyle: I understand that. You do know you can take notice there's a lawsuit and there's a dispute.

>> Board Member Gage: I understand.

>> City Attorney Doyle: I'm not going on the merits what side's right and what side's wrong. I just want to acknowledge in a footnote and we can tinker with a schedule so the board is comfortable that we're not -- they're not saying that oh yes this is correct or not correct.

>> Patricia Deignan: Like I say the DOF encourages us to use the footnotes and we can do that. We can expand the footnote to acknowledge that there's a dispute as to show this enforceable obligation. How to show the enforceable obligation. What we don't want to do is not have it on there, and then, be subject to suits by the bond holders because the bond holders are looking to make sure that the entire amount is transferred to the trustee, as is required under our indentures. So we can look at changing the footnote to specify that this is in dispute in court, in superior court. Perhaps that might satisfy people.

>> Board Member Gage: But there's still issues that surround that. I think Jai mentioned a couple. You know as an example by putting that full 80% in there, you raise up the amount, and therefore, you're -- the amount of administration costs go up with that. So it could be a tremendous amount. Now, how are we going to footnote all of that? Are you going to take it back out afterwards and --

>> Patricia Deignan: I need some clarification as to the administrative costs. Our administrative costs that we're asking you to approve are not a percentage. They are actual costs.

>> Board Member Gage: I'm talking about the next one. We know that what you -- we just approved your administrative costs for the last ROPS. But when we put the 80% in, if we -- if we did that at this ROPS, that amount is going to increase significantly, a couple million dollars makes a big difference.

>> Patricia Deignan: Well, what it increases is what we would be allowed to charge but we wouldn't be charging that. We're only charging our actual costs. So that would -- so it would not -- our actual costs will not go up just because of a fluke in how our cash flows run. Our actual costs are based on our actual costs.

>> Board Member Gage: To some degree because the mayor even said that there's a lot of city staff that are helping on this that don't get counted. Which means you could say all of a sudden you have 15 people working on it, and there's another -- I'm just trying to keep the record straight.

>> Patricia Deignan: I understand that and in most cities, and Successor Agencies that percentage that 3% number is very important. Because they can charge -- it's a minimum. For us, we'll never reach that 3% number and we can only charge actual costs. I shouldn't say it's a minimum. It's a maximum. The 3% is a maximum of what you can charge and for us we'll never reach that 3%. That 3% is like \$5 million or something like that. We're not claiming it now, we'll not claim it in the next ROPS period we're only claiming actual cost.

>> City Attorney Doyle: I think you can condition anything on if this is not going to increase administrative cost. That could be made very clear either in a footnote or part of the resolution that ultimately gets adopted.

>> Richard Keit: There's two points I think I can make. First of all we're only at 40% of hitting that ceiling but you approved the six-month administrative cost. So you would see that if we of -- not that we would ever get to \$5 million as Patty said or close to it. But if we were, you could say -- you could vote against that. So I understand your point. But then, back to Patty's point. We -- because we have to do this legally with you every six months anyway that we could make sure that always comes before you approve the ROPS for the next six admonition. In that sequence like we did today.

>> Mayor Reed: Let me get back, I've got Emily waiting and I'll get back to you in a minute Jai and then Ken.

>> Emily Harrison: I guess just a side comment. I want to thank the mayor for our having this discussion in the open rather than in closed session. Because I think it's a difficult discussion, but one which, regardless of how we resolve it, is one that informs the public. And too often the city and the county have appeared to be at odds and in conflict with each other and people don't really understand why and draw their own conclusions and now we're able to give everybody the information to make their own decisions. Thank you very much Mr. Mayor for doing it in that manner. I hope we don't get tied up on member Singh's comment about administrative cost, because I believe the 80% issue is far broader than whether that is the basis for the calculation of the administrative cost. I wonder if in fact having an opportunity -- I am not good -- this is my personal failing -- I'm not particularly good at getting things through a written medium. I much prefer being able to listen and hear and judge the arguments. So if we could perhaps ask that on the issues in front of us, we sort of get a quick synopsis of the viewpoints, it would be helpful for me at least as a board member. I think what member Gage says works as well. Discussion is healthy. Time didn't allow it before the meeting. We have a job to do. I don't see any other way to do it than try to do our best and try to understand both sides and try to figure out what we will do next.

>> Mayor Reed: I go think we will do this here in a few minutes. We'll hear from county counsel, City Attorney, and anybody else that wants to weigh in on the substantive issue. Ken.

>> Kenneth Shelton: Thank you, I'm not going to waste time being redundant. I liked the comments and would like to hear more discussion and I think you'll take us where we need to go. I have to boil this down for me. Because it becomes real simple that the law says one thing and I realize there are interpretive differentials. And I need to understand, I run across a lot where the statute is there. It's given an interpretation, and there are pushes to push policy rather than interpretation and legal interpretation. So the clearer the distinctions can be made and I recognize that this may be ultimately decided with case law as opposed to statutory law and I hear you on that one. But I have to feel comfortable. And as a former bureaucrat, so to speak, I like to stay within what I know is the legal boundaries and let others deal with the policy push. And I just need to understand the difference between the two. And it may be just a series of interpretations. And I'm getting to feel

that this is an interpretive within the statute itself but yet to be resolved. So the clearer you can make it the simpler for me that you can make it the more I'll be able to feel comfortable with the direction that I lean. Thank you.

>> Mayor Reed: Jai did you have anything else? Okay. So those were the technical questions. I think we now can get into some more substantive questions. And so I think let's just go through this ROPS using the county's letter dated yesterday. As a -- we don't need to talk about everything on the ROPS, but I think we should try to talk about these items which the county thinks they will have objections. So that would be -- line item number 1 which you've already started talking about is the first item in that list. So let's just talk about that. I think I'd just like to sort of frame up the question that I have in my mind for the board, is given the statute and the language and the interpretation, how can we do -- how can we approve a ROPS, that will avoid breaching the covenants that we have with our bond holders? Because if we get sued by the bond holders and the insurers, the fact that the statute says one thing, I don't know that that helps us. So is there a way to do this, whether it's by footnotes or whatever, that we can avoid breaching those covenants? Because I don't think that's a good thing. And sometimes, the state makes us do things in a way that you know, aren't good. But is there a way to finesse this so we can move forward with the ROPS and not be in breach of the covenants. And then that's where perhaps a closed session discussion comes into play, is if we're going to put ourselves in a -- potentially put ourselves in an area where we are in breach of covenants, what are the down sides and the defenses and all that sort of stuff. Maybe that needs to go into closed session I don't know. But maybe that can be done in open session. Let staff explain, city staff and I'll let council counsel explaining that or county staff. Line number 1 the 80% issue as it has been described earlier. I don't know who's going to take, take that one. Looks like Arn is getting ready.

>> Patricia Deignan: Looks like Arn will take this issue from an accounting point of view.

>> Arn Andrews: Well, then I will just start with an overview. Chair and board, thank you for your comments. And I think the chair summed it up correctly. From a staff perspective we're being asked to create an illustration and the illustration can take one or two paths. It can follow a path that the county advocates which they believe follows the interpretation of the legislation. I think the county says there are some differences on that but that's the path they're recommending. The other path and the one that's illustrated here today is the path that staff feels follows

our bond covenants to the conversations that you've heard. And so from a staff perspective we realize that this is going to be a bit of a conundrum for the board. Because whichever one you decide on today is going to mean you have chosen in a public format one law interpretation over another law interpretation. And we're very aware of that conundrum. But from a staff perspective, we are more comfortable following what we believe is the illustration of how the money flows. And so let me just explain that for a second. The Successor Agency does not make a single senior bond payment, which is why, after line 1, for purposes of capturing the context of what happens, behind the scenes, we've listed all the bond series. But we have dashes. We have zeros because in reality the Successor Agency does not make a single bond payment. What happens is the Successor Agency has one enforceable obligation and that obligation is to transfer money to the trustee. And so from a cash flow perspective that is the illustration before you today. And that is why we've done it that way. We realize, you know, the county will speak well to why they feel the legislation should form another illustration. In the past when we've followed that format it actually created significant complications for the Successor Agency and the board. We still have the outstanding issue if there was a \$39 million overpayment. And it's because of the way the cash actually moves is in this format, and when we've tried to illustrate it in different formats that perhaps follow the legislation in a more constructionist fashion, it has created problem for us. And I would just echo the comments of the chair. What comes out of here today, since we're not in closed session is going to be a very public statement to a lot of stakeholders. Those stakeholders will include representatives at the state and those stakeholders will include bond holders. The decision today will also require staff to meet with our external counsel, bond counsel, to determine if this is something that can be disclosable to the market. And so I just want everybody to realize that the conversation here today isn't anything because there's a policy dispute necessarily between us and the county. It's because there are these two paths we can take that both have legal implications, and that's the genesis of this conversation and why it eventually might have to be settled through case law. So with that being said illustratively, that's why you're being presented with two different options.

>> Mayor Reed: Okay, we have a question of board member Gage.

>> Board Member Gage: Tell me the reason of putting the 80% in there, knowing that you are going to end up giving it back?

>> Arn Andrews: Correct. The way it has traditionally happened per the master indenture and through the understanding with the trustee is we would get payments throughout the year. The payments would flow to the trustee per the master indenture and then after roughly a June time frame when the trustee is confident that enough moneys have been accumulated to make all senior debt service, then they would release the residual. At times, when you know tax increment was higher that release would then be utilized to pay off other existing debt in a senior and subordinate structure. Currently, I mean, the board is well aware that we have a unique situation here where we are a Successor Agency with an insufficiency of funds. So the release of moneys from the trustee is not necessarily significant anymore. But in the future, when assessed value does increase, those moneys were always released by the trustee after they had confidence that they had enough funds on hand for the senior bond holders.

>> City Attorney Doyle: And member Gage if I can just add on top of that, because those bonds are only secured by property tax moneys, property tax revenues and the property tax revenues come in two times during the year, essentially, the trustee had to make sure it had sufficient funds for the protection of bond holders, that was -- that's just the way the bonds are structured.

>> Board Member Gage: Okay, well the reason I'm asking those questions is because, if the money is going in there, it's kind of like you buy a house and they put funds aside, so that they can pay your taxes and everything else. If we're going to use footnotes, why don't -- I mean I'm asking this as a question because I don't know. Is it possible for us to not put in the 80%, but flag that money where it sits now, so that it can't be spent until it's asked for? That way, you know, it's there, it's not going anywhere. If it's needed by your bonding company then they can -- we can figure out how to move that money in there and then that satisfies the need. I mean, I -- because we're - - you're asking us to decide whether we should go bun way or the other. And you could win or lose this and then you're going to end up in some kind of predicament.

>> Councilmember can I introduce?

>> Board Member Gage: Yes.

>> The statute actually says that the recognized obligation schedule will show payments made. And I guess what you just said is a good point. When you make your reserve payment to the lender, even though he will pay it later, are you -- do you think you're making that as a payment? That's the real issue here. The issue is, when we -- when that money goes to the trustee, is that a payment recognized? And so I guess back to you, the question, when you write that check, for impound on your house that's a payment from you to the lender, right?

>> Board Member Gage: No, the payment from me to the impound fee.

>> Correct.

>> Board Member Gage: The impound fee doesn't always equal -- they'll come back and say I want more money just in case. So I'm issuing a bigger check that's going to be spent. It comes out of my pocket with no interest being paid or anything else, that's the difference.

>> And my point is, it's still a payment from you to the impound account.

>> Board Member Gage: That's correct.

>> And I guess when the question is what is the law, the law reads payments for the period are to be shown on the ROPS. Our position is that that money going from the tax, the fund to the trustee is a payment. That's how we've interpreted. The county is saying it's not a payment. They're saying it's not a payment. It's the check the trustee writes to our individual bonds that is the payment. So that's -- in a nutshell that's the disagreement. And we feel it's more accurate --

>> Board Member Gage: So setting the money aside wouldn't solve that problem?

>> Pardon me?

>> Board Member Gage: If you flag the money and say, we're not spending this amount of money, because we did that in Santa Clara where the 49ers were there. We had to leave the money set aside, we could not disburse that money, and it could only be disbursed after the issue was settled whether it be through court action or through a settlement.

>> Well, I don't think we're disagreeing, there's not enough money there so I don't think we're disagreeing with the county on where that money goes. The money actually, when it flows to the trustee, flows out to all the bonds. There is not at this point anything left over.

>> City Attorney Doyle: If I understand your question right, member Gage, it's could we hold the amount, and should the trustee be satisfied that the money is either sequestered or it's sitting in the account with the county of Santa Clara. We can't unilaterally do that. The contract doesn't -- the bond indenture which is the contract doesn't allow us to do that. We're required to get the entire amount to the trustee. So without the consent of the trustee we couldn't do it.

>> Board Member Gage: Well I'd like to hear from the county, unless you're still -- if you guys still have more.

>> Patricia Deignan: If I may can I also clarify one other opponent? It is true that once the -- the trustee has filled up the -- all of the different accounts, they send residual back to the agency. And then the agency out of that money will pay their subordinate debt. That is not shown on the ROPS as coming out of the trust fund. It's shown on the ROPS as coming out of other funds. So we're accounting for the acknowledgment that there will be some residual coming back to pay other debt service for the subordinate bonds.

>> Emily Harrison: May I ask a question about that because --

>> Mayor Reed: Sure.

>> Emily Harrison: I think -- this is not my forte, but my understanding is that the whole dissolution process was set up so that the tax increment would flow into the RPTTS, and then through the ROPS would be disbursed, any residual then going to the underlying taxing agencies. Your proposal because the 80% goes to the fiscal agent means that that residual then comes back to you, rather than to the -- and so you would make the decision about from that process what to do which is as you say not relevant right now, because there's so much debt that there's not going to be a process. But at some point, instead of the decision being how to allocate those funds remaining through the RPTTF process, you the Successor Agency would get to make that call. And as you know in the past the county and the city have somewhat disagreed about the order of priority.

>> Mayor Reed: But isn't that subject to us, as an oversight board, whenever that day comes, that there's a discretionary decision to be made? That has to come through us.

>> Emily Harrison: That would --

>> Mayor Reed: Correct?

>> Emily Harrison: That's what I'm getting to. Maybe there is an answer that's not up front with the 80 but it's back here with the residual.

>> Patricia Deignan: Sorry, I may have used the wrong term. I'm not talking about the residual that gets disbursed at the end of the waterfall. I'm talking about when all of the senior bond funds for the fiscal year have been filled, the trustee then returns money to the agency to pay the next set of subordinate debt.

>> Emily Harrison: I think we're talking about the same thing.

>> Patricia Deignan: Okay.

>> Emily Harrison: At some point in the future all of the money will not be absorbed by the debt obligations. Long in the future.

>> Mayor Reed: Sometime.

>> Emily Harrison: Long in the future. If in fact some agreement could be crafted at that point that in fact those funds then went back up to the auditor-controller to disburse according to the waterfall, perhaps a comfort level could be achieved about how the whole process might work. Because I don't think any of us up here certainly myself, we do not want to send a message Arn to any bond holder that their full faith and credit or the debt that they purchased is in any way imperilled. I don't know how that happens. But I think the issue is more that we also -- I also, representing the county, want to be sure that the intent of the law which was that after the debt obligations were fulfilled, that there was a precise, under the law distribution of the residual funds can be honored and having all of it go to the fiscal agent and then anything come back to the agency somehow isn't quite the same thing.

>> Arn Andrews: Thank you board member. And I think staff has the same understanding you have. To echo Patty's point, the residual that we're talking about from the trustee then does come back into the waterfall. And once all obligations have been taken care of, then any residual left does go to the taxing entities per the legislation. I don't believe we're in disagreement on that. I think --

>> Emily Harrison: I think in the past perhaps we've been in disagreement about where the county pass-through and other obligations have fallen in the waterfall.

>> Arn Andrews: Correct. I believe there still has to be a discussion at the board level as to the priority of what gets paid before we reach any residual amounts. But at the end of the day if there are residual amounts I believe staff is in agreement that those moneys flow to the taxing entities and that is the intent of the law.

>> Emily Harrison: So is there way to ensure and I appreciate Mr. Mayor if there's a way to ensure that in fact it is the oversight board that will see and will approve the distribution, I think that would -- that would help give the assurances that we don't have right now that in fact the processes will work well.

>> Patricia Deignan: Well, the waterfall is in the statute. I think the only dispute we have at this point, and that is also part of this pending litigation, is where does the county agreement fall within that waterfall.

>> Emily Harrison: Yes.

>> Mayor Reed: But under any scenario, I believe, whatever is owed to the county gets paid before we get into the residual money going to the taxpayers.

>> Patricia Deignan: Correct.

>> Mayor Reed: Under all the scenarios, that's in the waterfall somewhere before you getting to distributing the residual.

>> Patricia Deignan: That's correct.

>> Mayor Reed: I think under any scenario, unless the county wants to forgive the debt, which is unlikely.

>> Emily Harrison: I appreciate the discussion because it helps me understand better, thank you.

>> Mayor Reed: When we're making the decision to distributing the residual to the taxing entities, and my understanding is probably Don Gage could be sitting on one of these boards. But because it could be a while out there, and so I think it's important for us to figure out how we are going to do this. So that if we have an understanding, city, county and oversight board approves it as to the process and how we're going to do it, that

somehow we have documented it in a way that we don't set off an argument ten years from now when we're all gone about what we were trying to do. And I won't be here, but I'd like to avoid that argument, anyway. Jai.

>> Jai Singh: Mr. Mayor, I'd like to hear from the county counsel their opinion on this.

>> Mayor Reed: Okay, I think so. Unless anybody had any other questions for the city staff on this, I think we were done with what city staff comment. So I understand county counsel would like to comment on this so let's do that now.

>> Good morning, board members. My name is Steve Neitra, I'm deputy county counsel and I represent the county auditor-controller. So a lot has been discussed already. I'll just clarify a few positions of the county auditor-controller. You have the objection letter in front of you. But in essence, what the Successor Agency has done in line item 1 is to require a diversion of 80% of the property tax, the tax increment, property tax to the Successor Agency for delivery to its fiscal agent, the trustee, to cut the checks for the debt service. They would require this on an ongoing basis regardless of the amount of the debt service and until the debt is fully paid off. So even if the debt is going down, down, down, down, down, the full 80% goes to the fiscal agent. Now, to understand the objections from the county auditor-controller's perspective, one has to go back to ABX 126, and I'd like you to think back to the presentation that my colleague James Williams made a few months ago on ABX 126 when he talked about the waterfall. As you all know the waterfall sets up a very specific priority of payment. First you've got the admin fees, the PTAF, the pass-throughs to be paid then you get to the tax allocation bonds you get to the revenue bonds and so on so forth until you get to the residual. So what this line item 1 does is put all that aside, and say 80% of the money goes straight to the Successor Agency for delivery to its fiscal agent. Completely takes aside, shoves aside the waterfall concept in ABX 126. The second point to be made is that you know, what's been said in the supplemental memo is that the indenture requires it. Now if you read the quotation about the indenture, that's on page 2 of the supplemental memo, and it talks about taxes eligible for allocation to the issuer pursuant to the law. And as I've just explained the law has just changed, ABX 126 has changed. That's the law of the land now and I agree with Mr. Doyle that there is a disagreement between the city, as Successor Agency and the county auditor-controller and as to the interpretation of the law. But the question is, in the pendency of the

litigation which, you know, is continuing in superior court right now, what do we do, do we change courts? The status quo right now, the way the Successor Agency did it last time around, ROPS 1, ROPS 2, was to list individual debt service payment, and where a reserve was required to move it forward, to park an amount in reserve, the \$39 million that was referred to before. The other problem with the approach of the ROPS in line item 1 is that it takes control of 80% of the RPTTF, the real property tax trust fund, and it transfers it from the auditor-controller which is, by statute, required to look out for all the interests of the taxing entities and all the enforceable obligation and takes that away from the auditor-controller and puts it in the hands of the Successor Agency and the fiscal agent. That's not what's contemplated in the law. The whole idea of the law is to have transparency in this process, to have a neutral party, the auditor-controller, distribute the -- administer the RPTTF. The other point I want to make is that the bond holders will get paid. Whether they get paid through fiscal agent or they get paid through county auditor-controller's distribution, administration of the RPTTF, they will get paid. The question is who in the statute is required or required to administer the RPTTF. That is the big issue before you. Finally, this is an issue as Mr. Doyle also mentioned, this is being litigated. The question is what to do during the pendency of the litigation. I don't think the stakes are as high as Mr. Andrews pointed out. It's not -- you're not choosing one of the forks in the road. What you are doing is deciding something in the pendency of the litigation, and what I think is the appropriate course is for the oversight board to follow the same course that it followed in ROPS 1 and ROPS 2. And you know, park an amount for reserve if that's what's required. Now one thing that hasn't been made clear is that the legislation specifically allows the creation of reserves. So if there's any cash flow issue, in other words uneven payments or if there's any issue or any thought of the bond holders not getting paid, the Successor Agency could place a reserve amount on the ROPS as a line item and that item would be carried forward. That's precisely what they did in the July ROPS. What they do with the cash flow in the end is not really the big concern here. The big concern is accounting transparency and all the other issues I've raised before. So that's our issue with respect to line item 1 for now.

>> Mayor Reed: I have a question for you, and that is, do you have any comments or thoughts on whether or not that is a breach of the bond agreements that we have? Because I understand the mechanics of what you've described. And the bond holders eventually get paid and it's not an issue of them getting paid unless of course the state takes the money which is another argument, of course. But what do they think is important in terms of their

interpretation of their rights under the bond agreements? And you know, how do we deal with the fact that they've got rights and they don't have to agree with our interpretation of their rights?

>> Right. For the July ROPS you know that you approved, the way the Successor Agency set up the ROPS was to create a reserve amount and park it. I don't -- I mean the bond holders haven't sued anyone on that account open those ROPS. And second if you look at the indentures, as I said there's a disagreement about as far as the litigation on the interpretation of the indentures, that will be decided in the litigation between San José and the county auditor-controller which is ongoing.

>> Mayor Reed: Yeah but the bond holders are not a party to that so it's not going to be decided as to them I think necessarily.

>> Right. So I concede that there are differences in viewpoint between what the Successor Agency apparently believes the indentures say and what the county auditor-controller believes. All I will tell you is ROPS 1 and 2 have been approved, the bond holders have not said anything about it. So I'm not clear the bond holders have anything to say but or they disagree with our viewpoint.

>> Mayor Reed: Well, I know they haven't sued us, but I think they do have an opinion, and maybe Arn could talk about what conversations we'd have. Because really, one of the solutions to this would be let's just go talk to the bond holders and make sure they're okay with this, because they're going to get paid anyway. But that's the simple approach that hardly ever works with bond holders. But Arn, could you talk about that?

>> Arn Andrews: Thank you, Chair. And if I might just add one point of clarification, what ROPS 1 did was, it illustrated what had already occurred, that what we were trying to do was capture history. What we're trying to do with ROPS 3 is capture what should be going forward. So the moneys that were represented in the reserve were represented that way because they already resided with the trustee, the transfer had happened. And so the question before the board, and I don't mean to sound alarmist but the term has been used, the bond holders will get paid. We are an agency in this state with an insufficiency of funds. We have done everything at the staff level

to ensure the bond holders get paid. I just caution the board that that may not always be the case. And so the record will reflect the types of decisions that were made, if we're ever in the unfortunate event that bond holders don't get paid.

>> Well, I'd just like to point out that the insufficiency doesn't change, whether the payment is made by the fiscal agent or it's made by the county auditor-controller. That makes -- the RPTTF is funded with the tax increment. That doesn't change based on who makes the payment.

>> Arn Andrews: And I'm just speaking to the fact that no assumption is that no bond holders have sued yet and I'm saying that is the current status but there's no telling what could happen in the future if tax increment continues to be insufficient to make all the payments within the confines of the portfolio of the Successor Agency.

>> And I agree we can't tell what's in the future. Anyone can sue, but a reasonable interpretation of the indentures if you look at the language that's even quoted in supplemental memo it incorporates the law and the law is ABX 126 which sets up a specific priority. So you know, I'd just like to -- I'd just like to state that there's an alternative view to the fact that you know, the bond holders will sue the bond holders will sue. They may, they may not, the suit may not have any merit. That doesn't mean that ABX 126 is completely ignored by the county auditor-controller.

>> Mayor Reed: City Attorney.

>> City Attorney Doyle: Mr. Mayor, I just want to point out on a page of history, we had a discussion last June where we had to struggle to get sufficient funds and I can say that while the bond holders didn't threaten to sue many of these bonds are insured and the bond insurer did try to sue and tried to urge the state controller to make a quick decision to chime in on this issue, and fortunately, we were able to avert that. I'm going to ask Patty to chime in, though, on the agreement.

>> Patricia Deignan: I was also going to point out that there is a lawsuit brought by Sincora, which is a bond insurer, who also insures some of the agency bonds. They've brought a suit in Sacramento Superior Court suing the state, claiming that the way that the law has been set up is unconstitutional because it impairs their security. I'm -- I think there would be a very similar situation if we did not deposit the funds according to our indenture. I think finally understanding what the county is saying, I think what they're saying is, they want to be the trustee instead of our trustee be the trustee and hold the funds.

>> I think the law says that.

>> Patricia Deignan: Well and that it's in direct conflict with our enforceable obligation. That is it in a nutshell, that's where we are.

>> To the extent that you -- if there is a belief that it's in conflict with your enforceable obligation the problem that the Successor Agency has is with ABX 126. It's not with the county auditor-controller following the mandate of ABX 126.

>> Mayor Reed: Well, whatever the problem is, it's putting us in a bad position with our bond holders which we'd like to figure out a way to fix. Emily.

>> Emily Harrison: Just a question. I believe if I were a bond holder, is it not true now that 100% of the tax increment fund goes into the RPTTF and is, in fact, my security on my bond, as opposed to the 80% because there's no longer a 20% set aside requirement? So don't I have more security for my bond than I would have had otherwise?

>> That is correct. If you were a rational bond holder that's how you would see it.

>> Emily Harrison: If you oar rational bond holder, I see.

>> Mayor Reed: That's a clarification.

>> Patricia Deignan: If I can correct that the bond holders only have the -- have a pledge on the 80%. They don't have a pledge on the 20%.

>> Emily Harrison: No, no, no, I understand that. I think the words rational and irrational are very appropriate to my question.

>> Arn Andrews: And if I may add one more point of clarification.

>> Mayor Reed: Go ahead.

>> Arn Andrews: Bond holders do not have all the property tax funds currently, because we still have the outstanding issue of the PERS levy, and the bond holders are acutely aware of the fact that there is money being held in abeyance that they may perceive as rightfully theirs.

>> Again, these are questions that too, you know, may or may not be the subject of a litigation, and in fact has been raised by the City of San José in its litigation. So you know I don't -- the bond holders have not intervened. They are not part of that lawsuit. You know, you -- they might be a disagreement, about what the indentures say what's required but in the pendency of the litigation, I think the appropriate course is to follow what the Successor Agency did in ROPS 1 and ROPS 2 in terms of listing the items on ROPS 1 and ROPS 2. They created a reserve, carried it forward to ROPS 2 and that's the appropriate course to follow because that's what ABX 126 requires.

>> Mayor Reed: City Manager.

>> Debra Figone: Question for staff, what I'm hearing in part of the county counsel's concerns is the issue of transparency. So short of the who becomes the fiscal agent question as opposed to a lump sum here on the

ROPS. And if it's not a reserve in our minds, whatever you transfer to the fiscal agent, is there a breakout of that from an accounting perspective that can show what goes towards the actual payment and what might end up in a residual?

>> Arn Andrews: Thank you, executive. That's the reason why we decided to proceed, right after line 1, with all the itemized indebtedness that would need to be paid by the trustee in the future. We put zero on the right-hand column but we actually showed the outstanding payments in the payments section but we thought it important to understand why was the trustee receiving these moneys' and what would be the expected expenditures that these moneys would be utilized for. So that's why we have that sequence of line items after line 1.

>> Mayor Reed: Yes. 'Em Liz.

>> Emily Harrison: Because I do think that the City Manager's question is a thoughtful way perhaps to approach this, if you were to show on the ROPS the individual debt service payments and then the next line was, the reserve that we're talking about, and the footnote in fact would be the assurance to the bond holders that that equals the amount that would be required to make sure that they're not in danger of having a default, does that not meet both our needs?

>> Arn Andrews: Perhaps. Because what we currently do on line 1 is we just show all the moneys, and then we don't actually do a total of the itemized bonds. We could do a total of the itemized bonds and then show what the residual is that's currently being held with the trustee for future debt service. I think staff would still recommend showing the transfer to the trustee in total, since that is the only expenditure that comes out of the Successor Agency. But we could probably total the line items and then show the residual that is still being maintained with the trustee for future debt service payments until they're all paid up on an annual basis.

>> Emily Harrison: Well I understand your concern. But given the desire to try to find a way that can reassure the bond holders and also create a situation where we're having to pick between two boring legal opinions. If you

were able to handle the 80% transfer in the footnote as opposed to showing it on the ROPS, would that not do what you want to do?

>> Arn Andrews: I think we would have to consult with our outside attorneys to see if that illustration in any way could jeopardize us in the future, but if there weren't concerns I mean we're open to suggestions.

>> Patricia Deignan: I think as long as the trustee is physically holding the funds, how we show it open the ROPS is definitely flexible.

>> Well, the way to -- well then, since you've said that you know, in the first ROPS period, the trustee got the full amount but the way they were reflected on the ROPS was to list individual debt service payments, plus the reserve, to carry forward, that's the appropriate way to put it on the ROPS. Not as a -- you know 80% diversion to the fiscal agent which doesn't make sense from ABX 126.

>> Arn Andrews: I would say that perhaps we could do both. I mean since what's before the board today is the fact that we're making it clear as staff that they have these two paths they can follow. And I do not in any way contend that the county's contention that ABX 126 does have its own parameters, our indentures have their parameters. And so perhaps we illustrate both. We illustrate the entire transfer over to the trustee, so that we can show that illustration and show why we illustrated it that way. But then we can do a pert job of itemizing all the residual moneys and what's actually handled by the trustee.

>> I think the way to do it is to potentially list all the debt service items, put an item on the reserve so that everything is completely transparent, we know exactly what we're doing from ROPS 3 to ROPS 4 or from ROPS 2 to ROPS 3, and then in a footnote say that as a practical matter, the fiscal agency gets this month. That's not part of the ROPS. The ROPS is supposed to reflect the actual payments that are made to the third parties.

>> Mayor Reed: Okay, do we have something else? Abe did you have something else?

>> Yes, Steve just a point of clarification, are you okay, are you saying that by stating that there is a reserve line on the ROPS that that money can be held by the fiscal agent?

>> Well, if there's a reserve amount it would be treated like any other reserve, ROPS line item. It would be you know it would follow the ABX 126 priority and be paid in that priority.

>> Emily Harrison: I think I understand your question, so let me -- you don't care, the fact that it -- I mean the ROPS doesn't care where the money resides, right?

>> The ROPS doesn't care where the money resides, but the ROPS does care that the order is followed.

>> Emily Harrison: Understood, understood.

>> Patricia Deignan: So if we list it as a reserve, you're saying we cannot pay it to the trustee, if it doesn't come within the waterfall? Because you're saying that it's not debt service payment?

>> Well, if it's listed as a reserve on the line item on the ROPS, it's going to be -- just like ROPS 2, it would be treated just like ROPS 2, it would be a line item.

>> Patricia Deignan: And ROPS 2 got us in a lot of trouble. I don't want to repeat that.

>> Well, the reason we got into trouble was because there was no mechanism to carry forward a reserve. There was a lot of debate. I don't know if anyone's aware of that, but that was fixed in AB 1484, and the reserve was created specifically for this reason.

>> Arn Andrews: May I ask one question? The reserve was there because initially we transferred 100% of the 80%. That's what created the reserve. If we're capable of still transferring 100% of the 80% and showing it as line-item indebtedness with a reserve, and then we footnote what the actual entire transfer was to the trustee, that is

something we can probably discuss at the staff level. If the reserve was created only because 100% of the 80% was transferred, if the transfer is not going to be allowed, there will not be a reserve in the future, in which case this is going to be a moot point, and so if --

>> I think we need to look at specifically what you're proposing on a ROPS item and talk about it. And I think we can probably reach agreement. It could be that the board conditionally approves the ROPS, assuming, you know, like we've done before, and we can work out what needs to happen. But as I said, we're going to -- our position isn't going to change. It's laid out very clearly in the objection letter. And we've also recommended putting in a reserve, that is in the objection letter too so maybe we can work this out.

>> Arn Andrews: I believe staff has worked with the county successfully in the past and if the board is comfortable approving this on a conditional basis, we'd be happy to work with the county again and see if we can come to a resolution. But otherwise, if we don't by September 1st, we still have an issue. But I think we're comfortable working with the county.

>> City Attorney Doyle: If I understand that conditional approval, you're saying conditioned on the respective staffs getting together and reaching agreement, that's the proposal?

>> That's right.

>> City Attorney Doyle: And in the event, in the absence of an agreement though do we have to call a special meeting of everybody to make a final resolution?

>> I believe that's true.

>> City Attorney Doyle: Well, okay.

>> Emily Harrison: I'll make my calendar available for me to do it but I have a lot of confidence and I appreciate Arn voicing his confidence so we can work that out.

>> Board Member Gage: I think that's a good compromise and it goes along the way I was thinking initially without following, you know pushing it on, I was just guessing, saying it seems like there's a way in resolving this and protecting both entities and making this board feel comfortable.

>> Patricia Deignan: And if I may as a matter of process, if the board approves this but the county still doesn't agree with the way it goes --

>> Board Member Gage: We would have to have a special meeting.

>> Patricia Deignan: They also have-they're able to bring it to the DOF and the DOF is the ultimate decider of any disagreements.

>> Board Member Gage: Both parties could do that; correct?

>> And the oversight board can refer the objection to the DOF.

>> Board Member Gage: Right. I mean, our determination may be, look, we're still not in agreement, and we need -- we need the DOF to make a decision on this. And then that would be the response, is to send it to them. I don't think your September 1 date would then be in jeopardy, because we'll have something on there. It works out either way. If we have to have a special meeting, you know, so be it. You can have it down in Gilroy, we have chambers there too.

>> Mayor Reed: We have to get a quorum.

>> Board Member Gage: Yeah, that's true.

>> Mayor Reed: Any more questions on this -- line item 1 out of several hundred line items? Only one out of 11 I think of the items in question. So -- I think we're done discussing that item. The next item on the county's letter is seven different line items regarding CRAF loans and other loan agreements with the City of San José. So staff, city staff.

>> Patricia Deignan: I think I can address that one. This is the issue that was brought up by Ms. Harrison previously. We put on the ROPS everything that we expect to be coming, coming up, not necessarily items that are due in the six-month period. We footnoted the fact that the CRAF loans and the other loans between the city and the agency will have to come back to be reapproved by the oversight board, after the finding of completion. So depending on how we want to show these potential future obligations we can take them off now, or we can leave them on, with the footnotes that explain that we recognize that they're not enforceable right now but we intend to come back once we get a finding of completion.

>> Mayor Reed: Emily.

>> Emily Harrison: Will there be information in the certificate of completion that will inform us in terms of making a call on this? Should we wait to have that?

>> Patricia Deignan: You know, I have no idea what this finding of completion is going to look like. It might be cleaner just to take them off the ROPS now and put them back on.

>> Emily Harrison: Okay.

>> Patricia Deignan: Yeah.

>> Mayor Reed: Any other questions on this particular category of items? Any other comments? From anybody on that one? Okay, let's move then to the next item which is the line item 116, reimbursement agreement currently not finalized, objection from the county staff.

>> City Attorney Doyle: If -- I just think this ask an agreement that we've been trying to work with and get agreement with the county staff. The agreement is between the city and the Successor Agency but the county staff we've been trying to get their consensus or their signoff per the direction of this board. My practical concern is I don't know if we are going to get there because it really gets down to prioritization of payment and again it is part of the litigation in Sacramento, will help I think maybe determine what the final outcome is on this agreement. And I would suggest that we can take this off, with the understanding that when we get to a reimbursement agreement, again I'm assuming we have to wait for a decision of the court. And once that decision is made, wherever it goes, we will be able to reach agreement, effective whatever advance July 1, 2012. That was the intent that the board was willing to go with, really gets down to prioritization of payment. I think we can deal with that take it off with that understand being.

>> Mayor Reed: With a footnote. Because we -- I think it's important that we not lose track of all these things. It's a question of how we track them. Questions or comments on in?

>> Board Member Gage: When they do come back if you could make note that these were items that we discussed and footnoted. So we don't have to end up asking the staff, I don't remember this one or that kind of stuff because we're going to be back doing a lot more talking.

>> City Attorney Doyle: Plus people change and it's good to keep a track.

>> Board Member Gage: Yes, you will. It keeps everybody informed.

>> Mayor Reed: Ken.

>> Kenneth Shelton: I appreciate all those comments. I may have missed it at the very beginning, because I was a few minutes late. Is there any -- and I realize you don't have a crystal ball. Is there any target expectation of when the resolution of the Sacramento case will occur?

>> City Attorney Doyle: Well, the Superior Court has set a date in February. We're trying to get that advanced before the end of the year. We think it's important we get a decision at least at the trial court before 12/31. At that point, whatever the decision is, then whether things go on appeal or not, it's anybody's guess. But hopefully by the end of the year.

>> Mayor Reed: We have another comment from county counsel.

>> Thank you, chair Reed. I just want to clarify, I agree with Mr. Doyle's suggestion that this item be taken off for now. But I just want to clarify, because things get lost in translation as when they actually get executed. There is no need for a footnote, because this item would be taken off. It would not be part of this ROPS. For now, it would be off, and you would have an explanatory footnote. When the reimbursement agreement is reached, you would come back and explain it. I don't, I mean, it doesn't make sense --

>> City Attorney Doyle: I don't have a problem with that, if we can put in the resolution noting what that is to be deferred pending a decision by the court and final agreement being reached, and that the effective date of any advances would be July 1, 2012. That's my prior --

>> Yes, is in the resolution, but not in the ROPS, that's -- I think we're in agreement.

>> City Attorney Doyle: Then we have a paper trail to address member Gage's concern.

>> Arn Andrews: If I may just -- if I may add one point. There will be general fund moneys expended on these items in this ROPS period. And so while the reimbursement agreement may not have reached full resolution, I

still think we should capture dollar amounts somewhere similar to other dollar amounts we're trying to capture for future payment.

>> Mayor Reed: But it doesn't have to be on the ROPS to do that, correct?

>> It's not a payment that's made by the Successor Agency unless there is a vehicle to do it, which there isn't for now.

>> Mayor Reed: Arn, are you saying we need to put it on the ROPS, or it gets captured some other way?

>> Arn Andrews: In the notes I was suggesting just knowing that there is going to be a dollar amount out there, that at some point when there's resolution on the reimbursement agreement is an expense that the city hopes to recoup one day.

>> Mayor Reed: One day, but --

>> Arn Andrews: Yes.

>> Mayor Reed: -- not in the ROPS period?

>> Arn Andrews: No.

>> City Attorney Doyle: No. It's pending finalization of an agreement, and that's what needs to be noted. So I think we can do it by resolution.

>> Mayor Reed: Okay. Any other questions ton reimbursement agreement item? On the low moderate income fund loan, it's line item number 108.

>> Leslye Corsiglia: I was going to take this. Is John going to go first?

>> Mayor Reed: Go ahead, Leslye.

>> Leslye Corsiglia: I just wanted to clarify that the information in the county memo is not accurate. The housing department has a total of over \$600 million in debt including the \$322 million that is reflected in the county's write-up. There is one loan of \$12 million from the City's commercial paper program which was used for home buyer loans. The \$40 million loan that was cash from the housing fund that went to specific housing projects. And then we have on line 108 a loan with Wells Fargo bank, and that, that project is the additional \$250 million. So you have to add all of those together to the \$322 million and that's the total obligation. We have -- we are owed the money, this \$52 million in cash that we -- that is here, from the commercial paper and from the housing fund. So there's a confusion between what was paid for CRAF and what was paid for projects is what I'm trying to say. So the \$12 million in commercial paper was just used for projects. The \$40 million from the housing fund was used for projects, and it was cash that was used to pay CRAF. So -- and then in addition we have another \$250 million loan with Wells Fargo.

>> Mayor Reed: Okay. Comment from county staff.

>> Thank you, Mr. Mayor. This is an item that was brought up in our ABX 26 audit, where we're establishing assets and liabilities of the Successor Agency and also looking at transfer assets to the housing agency. I would tell you right now this is an item on our draft report that fully 25% of our report issues deals with, because it's a huge issue. Basic questions that are asked are, should the Successor Agency be required to list two separate debts as enforceable obligation and paid twice for what is one CRAF loan to the RDA. In other words, pay once to the housing authority for a CRAF loan which is line 108 for \$82 million, and also pay separately to variable rate note holders for debts transferred from the housing agency, which underwrote the loan in the first place, and those are lines 48 and 56. The second related question: Should the city housing authority retain and receive payable by the Successor Agency, when they have a separate amount payable that was taken over and passed on to the Successor Agency payable to the note holders. Which underwrote that loan. These items will be brought

back to you when we bring the audit to you. This does not have to be decided today, it is a very complex issue. We will bring to you a PowerPoint presentation explaining the full transaction, laying it out piece by piece so you have a full understanding of the transaction at that time.

>> Mayor Reed: What has to be decided today I guess is the question that the board needs to know.

>> Patricia Deignan: I am wondering if these items are being disputed as to whether they are enforceable obligations or not? It's hard to tell from this letter.

>> Yes, they will be.

>> City Attorney Doyle: Do we -- I think -- I think it's fair to say that the Successor Agency has no intention of paying twice for a debt. And maybe we just have a different interpretation or I don't know if it requires --

>> Leslye Corsiglia: I think there's a concern there's double counting and a disagreement with that. Because again the city used cash to pay the CRAF payment, and the county is, as I understand, believing that we used debt to pay that obligation. And that is not accurate. The debt was used to pay for projects. We used 20% cash to pay for the CRAF obligation, and according to AB 1484 loans to the low mod fund are due to the low mod funds, or loans from the low mod fund are due to the low mod fund. So that \$52 million obligation are loans that need to be repaid to the low mod fund.

>> Mayor Reed: Let me go back to my question. What do we need to decide today? For this oversight board to decide today?

>> Patricia Deignan: Can I -- one more clarification. So this line item 108 which is the low mod fund, that -- the loan, that is not due in this CRAF payable period.

>> As I see your report, there's nothing payable.

>> Patricia Deignan: Right. So that we can put these in the same category as the others that are not payable in this period and we can -- and it can come off the ROPS.

>> Right.

>> Patricia Deignan: So line 108. Now the 56 and the 48 are due in this.

>> Those are due in our report would be left on.

>> Patricia Deignan: We can take 108 off, does that solve it?

>> Mayor Reed: If we don't have to decide it today, 108 could come off, I guess would be did decision today, that can come off pending the audit and everything else that was discussed. Any other comments on the line 108 issue? County counsel would you add anything to that? Anything else on the ROPS? Those were the oops I'm sorry one more page to turn over. Line item 89, center for employment training item. County counsel has comment on that one.

>> James Williams, special assistant to the county executive. I just wanted to explain this issue which is we recently learned that the effective cutoff date for the freeze purposes under the bill is the 28th, not the 29th. And so with respect this is June 28th of 2011. And that contracts entered into on that date are void. This was clarified in 1484 in section 34177.3. It's also been the subject of litigation, Sacramento superior court, where the court ruled that a contractual signed the morning of June 28th, 2011, was void. This item is listed open the ROPS as having been entered into on the 28th. And therefore, it violates the freeze provisions of the statute.

>> Mayor Reed: So after 6-27 means 12:01 a.m., right?

>> City Attorney Doyle: The governor signed the bill I believe the afternoon of the 28th, and the law becomes effective upon signing. But that is part of the litigation in Sacramento.

>> Mayor Reed: Oh, so there's a --

>> Well, that litigation concluded.

>> City Attorney Doyle: I don't know if there's an appeal in that case or not.

>> I don't believe it's the subject of an appeal, at least that's not what the attorney general's office told me.

>> City Attorney Doyle: At this point.

>> Patricia Deignan: At this point.

>> so at this point, both the statute, 34177.3, and that case where it stands right now is that contracts signed on the 28th are void.

>> City Attorney Doyle: This agreement was approved by the redevelopment board I believe on the 28th. And the one concern is the officer for employment training, in reliance on that has gone out and at least secured a commitment from the federal government, a grant of approximately \$3 million and these are funds that are necessary to help fund their project. I don't know anything more than that. Other than, we don't have the money to pay it anyway at this point. But that's sort of a separate issue as to whether or not it's a recognized obligation. Patty is there anything more or Tom?

>> Patricia Deignan: No, that's --

>> Richard Keit: My suggestion is that we take it off the ROPS now. We don't have any evidence that they can meet even our contractual component as written. They have to have secured other matching funds for the federal grant. The general counsel's right, it -- there is a \$3 million EDA grant on the line for them, but our grant clearly says they have to meet that. And we don't have evidence they would even do it in this six-month period. So for now, maybe we take it off, and then when we get that final dispute resolved on the date, we put it on the next ROPS.

>> City Attorney Doyle: If there's a final dispute resolved.

>> Richard Keit: If there's a final.

>> Mayor Reed: So if we take it off the ROPS, means why don't think we're going to pay it in the six-months period for whatever reason. If they, because they have a contract, believe that the interpretation is wrong, they could file a lawsuit and get some determination that this is an enforceable obligation, and in which case, then, I guess we'd put it back on the ROPS, once you reach that point. So taking it off the ROPS this time doesn't actually determine whether or not they're going to get paid. It's just we don't think they're going to get paid in this six-month period for a variety of reasons perhaps, including the fact that it might be void.

>> That's right.

>> Mayor Reed: Okay, that one can come off the ROPS that's the short-term solution. That was line item 89. Anyone else have any questions on 89? Are there any other questions on the ROPS technical or substantive or otherwise?

>> Board Member Gage: I think with all those changes that I'm ready to make a motion to move to approve the ROPS. I think we've gone through every issue that I had a concern with. And I'm -- that we had on the list and that the county had so I think I'm ready to move to approve the ROPS with the changes.

>> Mayor Reed: And that's a conditional approval, I forget exactly what the language was.

>> Board Member Gage: There are a couple of conditions. It will have to go back to the city and the county and the city will look at those, if they can't reach agreement we come back here in a special meeting and make a decision and probably, you know, if -- to save bringing everybody back here, if you say that you cannot agree, maybe the action ought to be to send a letter to DOF rather than come back here and say, send a letter to DOF. I don't know if that's going to save us any time. If we could do that, because that's ultimately where it's going to go. And it could be a joint letter stating both sides and send it to DOF and then that way, whatever answer they give back, it either gets on the ROPS or doesn't. Does that make sense? Can that happen or if we have to have a special meeting fine, we'll have a special meeting.

>> City Attorney Doyle: So member Gage you're basically saying let DOF be the final arbiter if we can't agree?

>> Board Member Gage: Right, if you can't agree. And you -- it makes sense to negotiate to the best of your abilities. But if there's still a disagreement, come back here and then say we can't agree, and then we say, okay, let's send to it DOF. Why don't we just put that in the stipulation --

>> City Attorney Doyle: Noting the dispute.

>> Board Member Gage: And just let it go to that, because that's where it's going to end up.

>> City Attorney Doyle: If I can just maybe add a caveat to that, if that is doable and we -- that would be preferable. But if we can't then we might have to set a special meeting.

>> Board Member Gage: That's fine. I'm not ruling out a special meeting. I'm just trying to expedite the process and not have to bring everybody back together in here. I know you're all busy, and staff is busy, and we're burning time and money here. So -- not my salary, but the rest of yours.

>> Mayor Reed: You're not expensive.

>> Board Member Gage: I'm not very expensive because I don't get anything. That would be my motion and recommendation.

>> Mayor Reed: I think we have a motion with a second here.

>> Emily Harrison: If I may also ask pursuant to our prior conversation which shows clearly why it's difficult to wry resolution prior to coming to a meeting since we've had some good work in changing whatever you would have done, could we have county counsel and the city staff agree to the wording of the resolution as well that would accompany it?

>> City Attorney Doyle: Yes.

>> Emily Harrison: Thank you.

>> City Attorney Doyle: When I say yes, it's similar to getting two sides agree a judgment and let the court sign off on it. If we can't get agreement -- we'll get agreement, yes.

>> Emily Harrison: Thank you.

>> Mayor Reed: If we can't, we might have a special meeting. Okay, Ken.

>> Kenneth Shelton: Yeah, just in addition to supervisor Gage, I'm cheating out, too. But I did want to say I'll support the motion and I realize that this is not the normal governance process. But I do not philosophically like kicking the can down the road to DOF it is for a whole host of reasons but in this particular case I do think it expedites and I do understand it would be the exception rather than the rule so I do support the motion.

>> Mayor Reed: We do have a motion, any further discussion on that motion all in favor, opposed, I have none opposed, so the motion carries. That concludes our work on ROPS. That was item 6.2. We have some reports, perhaps, a verbal report on solicitations and a report on outstanding audits and reporting requirements.

>> Richard Keit: This is much easier to put your hands around. The, quickly, what, and I think we mentioned last time what the state decided in 1484, laid out several obstacles to actually completing our solicitation process. Originally, the first property, real properties that were going to go out, we were going to get bids in, offering in on August 16th. We quickly when we found out about the state requirement that they will not allow the sales of property assets until this final completion that was mentioned earlier is approved and also when we have an asset management plan which we virtually do by virtue of that chart that the oversight board approved several months ago now. But having said that, we quickly put out via our Website, we sent it electronically, we made calls that that offer date is not going to work, and we're going to extend a new date hopefully sometime in October with the caveat that it could be as late as April 2013, which they, the state has indicated that they would make all findings at completion. So we will certainly lay that out before you, before we go out and solicit a process. It would be very similar to the one we outlined originally and which properties and in which order. We intend to keep the same prioritization. Because unfortunately, this -- we were counting on cash in the several millions of dollars, hopefully in the four or \$5 million range in the first solicitation to help offset our enforceable obligations, whether that's bond diffusement or other obligation. With that said, I wanted to let the board know we'll come back and let you know when we send it out and which properties again, in September we'll probably do that in one of the meetings. If it's okay with you Mr. Chair, we go into 7.2 and it is just a very handy outline of the outstanding audit. And what it does is it gives ten items that not only shows the administrative requirements that we and the county finance and even the state need to go through in the next, I don't know, going through March of 2013, how many items we have to address. Some of which have been, some of which are still waiting for like the county controllers, that first audit. What I can point to is, if you look at item number 6, on the sheet, it says, the due diligence report. And that puts us in an interesting bind. That is the first one, part of it, the housing funds due October 1st, and the firms this we intend to hire with the blessing of the county auditor controller and the financing agency, they vice president put together, the state hasn't put together the final procedures for that audit. So it's another case of hurry up and wait, I think. But obviously, we'll do our best, in working with the county and just

making this go forward. And relying on the firm, we're going to -- we're all in agreement of hiring BPM that is doing our first audit, to get this work done and they'll essentially have a month on the housing part of it. On the nonhousing fund, we have a little more time on the Successor Agency side of December 15th, but that's -- that report is so important to get that notice of findings, so we can sell our properties. So it's an interesting couple of months ahead.

>> Mayor Reed: Any questions or comments on those two reports? I think the list of work, I mentioned earlier there's a lot of work being done that really isn't managing the property. And liquidating it is just doing the paperwork. And you can see from these ten audits and plans to do work on top of the actual work that has to be done is a lot of it administrative time and it is what it is. Because that's the law of it. There is a lot of work that has to be done, and staff is doing a great job trying to do it all in these short time frames. I agree with everybody getting this late and having to make decisions without a lot of time is not the usual way we do it. But the deadlines are such that you can't do it in the usual way if you are going to meet the state deadlines. Discussion, any future agenda items anybody wanted to bring up? Nobody's mentioned anything during the meeting particularly, other than some comments about how things are presented, we've got those. Open forum, I have no requests to speak during the open forum. I don't see anybody waving at me, so I'm getting there's nobody here that wants to speak in open forum. Our next meeting is set for September 14th, right here. If we have to organize a special meeting, we'll try to figure out how we might want to do it. Getting a quorum might be a challenge. As you know, everybody's got busy schedules. But at least we'll be here September 14th. I think that concludes our meeting, so we're adjourned.