The following transcript is provided for your convenience, but does not represent the official record of this meeting.  The transcript is provided by the firm that provides closed captioning services to the City.  Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

>>> Good morning. This is the Oversight Board Successor Redevelopment Agency for April 12th. I'm pretty sure we have a quorum but I would like to start with everybody introducing themselves. We've had changes in people. We have substitutes and alternates. I'm a mayor. And so I was here last time. But let's go to my left here.

>> Hi, Debra Figone, City Manager.

>> Finance County of Santa Clara.

>> Richard Doyle, General Counsel.

>> Ken Shelton representing County Board of Education.

>> Don Gage, representing the water district.

>> Vinod Sharma, County of Santa Clara.

>> Okay. I think that's clearly a quorum. So let's get started. The changes to our agenda order that we need to discuss or anything else along the housekeeping lines, I don't think we have anyá-- any issues on that. So first item of business are the minute from the March 22nd meeting. Any comments, corrections, discussions on those?

>> Second that.

>> Okay. We have a motion to approve the minutes. You can use the button on the screen or you can use the old-fashioned just wave at me because there's not that many of us. I can usually tell if somebody wants to speak. On the minutes, everybody in favor? Oppose? None in opposition. One abstention, Mr. Shelton. Consent caller is, we have none. Five administrative actions that need oversight board action. We will start with VI A-1 and 2.

>> Mayor, I think the staff wanted me to tee up just a couple of comments very quickly.

>> Okay.

>> City staff, county have been working very well together. We do acknowledge that we're still all in kind of a start-up mode so we do regret a couple of memos got to you late. And those were certainly not our preferred approach, but in working with the county they received information late in the process in terms of the audit work, and so just wanted to point that out to you. We're going to try 20 to do better moving forward but there's still a lot of significant work as we're getting started and into a routine. With that, I'll turn it over to Aban Droughty.

>> Per A.B. 126 the successor agency is required to submit an administrative budget to the state by April 15th of 2012. Presented today is the agency's proposed admin budget for the first five months of operations as the successor agency commencing on February 1st through June 30th, 2012. Future admin budgets will cover periods of six months. Proposed budget of $1.4 million includes $760,000 in personal services for ten staff, eight full-time, and two part-time. It includes nonpersonal expenses of 298,000. As reflected in the ROTHs for supplies, contractual professional services and equipment rental. And $334,000 for city support services and city hall rent. City support services include city attorney and city clerk. Although the level of city support services have increased as a result of the dissolution of redevelopment, the budget amount has not been adjusted to reflect the true cost of city services received from city staff. The proposed level of fund for any city verses is based on the balance remaining from the 2011-'12 co-op agreement between the city and former RDA. This co-op agreement was invalidated. As a result staff request board authorization to enter into a new co-op agreement with the city for the continued support provided by city staff. In summary staff recommends approval of the proposed admin budget and your authorization to enter into a new co-op agreement with the city. That concludes my comments. Any questions?

>> All right. Any questions or comments on this? Don?

>> I don't have any questions. I'm looking at this data. It's so small I can't even read it.

>> Borrow my glasses to add on top of your glasses?

>> I probably need that. But if there's an opportunity to make it a little larger, I would greatly appreciate it. Not much, just another couple inches or so.

>> Okay.

>> Any other question or comments? Mr. Guthrie, did you want to speak on this one? You're going to do the next one. Okay. A motion on this? Do you approve both the budget and a resolution authorizing the cooperation agreement.

>> We can do it.

>> Well, we can do them individually or both in one motion.

>> City attorney?

>> Just what you said, either way.

>> Either way.

>> I'll entertain a motion on either form.

>> So moved.

>> For both?

>> For both.

>> Okay.

>> I'll second.

>> All right. We have a motion to approve both. I have no requests from the public to speak on this or anybody else on this. At least I don't have any cards. On that motion, all in favor?

>> Aye.

>> Opposed. I count none opposed. So those are approved. We move now to item VI A-3. I think John Guthrie is going to introduce that. That's on the recognized obligation payment schedule, also known as ROPS.

>> Thank you, Mr. Chairman. I'm my name is John Guthrie. I'm back on special assignment as the ABX 126 project management to oversee these audits that are going on right now. There have been nine audits in the county, then the final reports will be made next Monday. So it's been a real rush on staff to get all of these reports done. I'd like to start by acknowledging that the county staff that worked on this. I'll be talking about city staff in just a minute. We have our two auditors here. Let's see, Craig Voyeur and Jim Babcock from BPM and they've been doing the majority of audit work on this. And we have Steve and James from county council here who have been doing a lot of work on this also. At this point I'd like to introduce Mr. Williams who is sort of one of myá-- in my opinion, one of the county and statewide experts on ABX-126. He's going to be making a presentation we've been making to all of the oversight boards as part of this presentation. James?

>> Thank you, John. Good morning. Mr. Chairman, members of the board. My name is James Williams, Deputy County Council. I've been giving a presentation to all nine oversight boards to describe the process. You have understand what you have before you that is from the county council's office has been part of the audit team as

the legal adviser to the county auditor controller. We do have a brief power point. I'm going to cover three main topics. First is the audit process overall. This is just one phase of the entire audit to statutory mandate placed on the auditory controller. I'll talk about the process that we use in doing the certifications of the initial recognized obligation payment schedules and then discuss the certified ROPS a approval to be approved by the statue. The county auditor controller has a state mandate to conduct or cost to conducted an audit of each former redevelopment agency. This audit by law has four components. The first is to establish each former redevelopment agency's assets around lie liabilities. The third is to document to determine the amount and terms in any indebtedness of the former redevelopment agency. And the fourth is to certify the initial recognized obligation payment schedule. By law, this entire audit is due July 1st. However, because the initial recognized obligation payment schedule is due to the state on April 15th, and before it can be submitted to the state it needs to be both certified and approved the county is bifurcated the audit process to complete the certification of the initial ROPS first, and that's the process that's been completed to date. I highlight these other components because they are ongoing and still subject to audit and that audit will be completed by July 1st. So what are ROPS? I think we've all heard the term many times now. By statue the ROPS are six-month scheduled of enforceable obligation payments. And beginning May 1st, only payments that are actually listed on a ROPS can be made by a successor agency. Each ROPS has to identify the source of funds and statue is quite clear the redevelopment maintained by the county is to be the last resort of the payments. No funds available or to the extent that property tax revenues were specifically pledged or required for enforceable obligation. The property tax money that would have gone to the redevelopment agency, what was formerly tax increment, will continue to flow to trust funds maintained by the county auditor controller and from those funds twice a year amounts will be distributed to successor agencies to pay for only those items on a ROPS. It's the second priority of distribution from the trust fund. The first is pass-throughs. As I mentioned, the initial certified and approved ROPS is due by April 15th. And this initial ROPS, the document that's before this board today is certified just for payments between January 1, 2012, and June 30th, 2012. I did want to note that there is a mechanism in the statue whereby the there are estimated payment on a ROPS because they are generally forward looking schedules there's a message to the actuals with each subsequent ROPS trust funds. Future ROPS need to be certified. As I mentioned at the beginning one of the purposes of the audits is to establish the assets and liabilities to determine the indebtedness. That audit will be used with respect to subsequent ROPS. This is language straight from the statue 34177-l-2. It's a direct quote that describes what is required in order to have a valid ROPS. There are a couple of steps. The first is the successor agency has to prepare a draft. Then the auditor controller certifies that draft. That certification is submitted to the board. The board needs to approve it. That's the action before you today. And then it has to be posted and distributed to various authorities. Only then is the ROPS considered valid by law. So this audit Phase I as I mentioned was focused just on the certification of the initial ROPS. It began in Januaryá-- on January 11th with a public records act request by the county for underlying documentation. And field work began with external auditors retained by the controller in early March. This process has been very compressed because of the condensed deadline established by the Supreme Court and the state that the court issued in the earlyá-- latter part of 2011. And that has caused difficulty, I'll be quite honest, in getting everything done and meeting the statutory deadline. But we've worked very hard and city staff have also worked very hard to get through all the documents and get through this process. The actual review for the certification had two components. The first is an item review because the ROPS can only include enforceable obligations from the former redevelopment agency. Enforcement obligations is specifically defined in the law. Because of that there's a legal review by the county office to examine the underlying documentation associated with each item using a multi-step process. The office used an identical consistent process county wide with respect to every item on every ROPS from every draft ROPS prepared by L-9 successor agencies in the county. This review involves two steps. The first, does the item meet the threshold qualification. There's a statutory definition of the term. The second was just item excluded by statue. There are several categories of specific exclusions under the law. Under the first threshold qualification, and this power presentation is generic to '09 but there are some issues that tended to arise, the biggest one was that the documentation shows the obligation was a city obligation, not a redevelopment agency obligation or described the contract had already expired or obligation was a past obligation. Under the exclusions there are three major categories of statutory exclusions. The first was initiated after June 28, 2011. Subject to the freeze provisions of the statue. Those provisions were -- remained intact while the Supreme Court reviewed the legislation. This was not the issue in most jurisdictions. The second exclusion is a very broad one. It's important to understand this language comes straight from the statue. Agreements between the city and its own RDR are invalid and shall not be binding on the successor agency. There's a broad category of exclusions that it wipes out, like the one the board just voted to re-enter, that was the last agenda item. There are some limited exceptions but there are relatively narrow exceptions to this broad exclusion. But as the board did moments ago, that same section, 3417846-A does allow them to enter or re-enter agreements with the city but the oversight board must approve those actions. The last category of exclusions are certain agreement or contracts with other public agencies. They concern service or funding for governmental or private service or capital projects outside our project areas. These agreements didn't arise during our review by and large. The next step of the certification process is a payment review. This is conducted primarily by the external auditors. Documentation was examined to ensure obligation dollar amounts for the six-month period were accurate. And adjustments were occasionally made to account for reserves to match underlying documentation to assure estimates were reasonable and in some cases obligations were only partially certifiable. In that case, only the obligation was certified. I want to emphasize that what is not part of this certification of the initial ROPS is the verification of the total obligation amounts. You will see on all these schedules there's a column that lists the total obligation amount. That is part of the audit for establishing the assets and liabilities and determining the former RDA's indebtedness. It's not subject to this six-month payment schedule and is not part of this certification. A couple of things you will notice. One big category of reclassification. These are items that don't belong on the ROPS or they belong somewhere else and they were moved. The biggest category of pass-through payments. I know this is something that's important, especially to the education entities. Pass-through payments will be paid but do not belong the ROPS. They are not an enforceable obligation that go through the ROPS. They are in the obligation to the county controller to make those payments directly from the trust funds for each former redevelopment agency. The county auditor controller makes those payments twice a year as a first priority of payment out from the trust fund. The other category of reclassifications or exclusions are amounts not currently payable in this six-month period. Those are, again, subject to audit for the determination of liabilities but the ROPS is a schedule for payments of this six-month period. The final category, administrative costs. These have to be listed separately for a number of reasons. One is there a an administrative cost allowance. The second point is they're distributed as a lower priority payment after the ROPS payments by statue. The third is the oversight board must first approve the administrative budget which this board has now done so the administrative budget can be certified and included on the amounts going to the state. But until an administrative budget is approved they are not included, which is why they were not included in the initial certification here and many other agencies have not yet received administrative budgetsá-- sent the administrative budgets to the oversight board. Related to those administrative costs the board must approve the budget but there is a cost allowance. This is the cap on the amount paid out from the trust funds, from property tenants towards administrative costs. That amount is 5% for this fiscal year, 3% thereafter, with a minimum cap of $250,000 each fiscal year. And this amount that administrative cost allowance is subject to state board approval. I already mentioned that point. So before you now as a certified ROPS approval, the auditor control is presented a certified ROPS and is requesting the oversight board to approve that. Not withstanding the fact that item is certified, certification means the obligation is valid, it's an enforceable obligation of the agency. Oversight boards have the power to termination or renegotiate contracts. Oversight boards can't provide if they're not enforceable obligations, however. But as I noted previously there is a provision to allow successor agencies in host cities to enter or he-enter into agreements like the cooperation agreement that was before the board a little while ago. There are dispute, I believe, staff here is in agreement with the county with respect to the audit findings but we do recommend that to be continued discussions in the event there are disputed items. That concludes the overview presentation. We do have our audit team here. I'm going to turn it back over to John Guthrie and he'll deal with the specifics related to some of this.

>> Quite frankly, this was the least controversial ROPS we've looked at. I'm really proud of my former colleague that I used to work with, out of 160 plus items, only 7 were considered nonenforceable in city and successor agency staff totally agreed with them. So this is a very noncontroversial presentation. And, in fact, we're just going to beá-- I would alert you to schedule a which really shows the trail of the audit process of what was submitted, what was excluded by the auditor. It's a very boring schedule because there are very few exclusions on it and the final amounts of the last column that are certified and we are available to any questions you may have.

>> See if there are any questions. I want to compliment the auditor on getting a huge amount of work done very quickly. I know we weren't the only topic you have to deal with, so that's obviously a big task given to us by the legislature. We are used to having people walking over our shoulders so I'm not surprised there weren't very many things disputed. So that's good. There is a memorandum that got circulated from the executive director indicating the agreement with the audit and recommendations. I don't think there are any disputed items in this at all. That's good. We up here on this side appreciate it that you've got it all worked out before it gets here. Makes our life easier. Nivod?

>> Just a couple of comments. Thank you. Just one correction. It is not a boring schedule. It's actually really exciting. Thank you. The staff worked really hard. The county's team, the finance team, the legal team worked really hard. So did the city team for finance and legal operations worked to the and worked hard. And I'll really encouraged by that. I would also like to thank our auditors for producing the report in a timely manner. Thank you.

>> Anyone else have comments or questions? We need to A. Motion to approve the certification.

>> Approval.

>> Let me just double-check. The city attorneyá--

>> I just want to note that as the county council indicated, the administrator costs have been approved, certified today. The motioná--

>> Should include after the ROPS?

>> The board wants to.

>> Add that to my motion.

>> Second.

>> Okay. Any discussion on the motion?

>> Just one quick question. Of the seven disputed items, there is no controversy between the county's audit report and city on this?

>> That's correct. I think one of them was $15 or something. I forget the other. They weren't really big. It was all about classification. On the motion, all in favor?

>> Aye.

>> Opposed? None opposed. That is approved. Thank you very much. Congratulations on getting the first phase of your work done. I know you've got a lot left to do, but with the cooperation and collaboration, I think you will get it all done on the schedule even though the state has not given us much time. We will move now to the next item, which is a return to the rules of order for the conduct for the oversight board business and some other things we have before. We adopted some temporary rules and procedure last time and there were some recommendations and recommendations for changes. I'll turn it over to Rick Doyle to talk about those.

>> At the last meeting the board preliminarily adopted the rules and board member Sharma asked the board come back with changes. In your packet is some proposed modifications to the rules of conduct. Really the two outstanding deal with how to get items on the agenda. There are really two ways. In future agendas we will have an item that will be under the topic "Future Agenda Items" and any board member can request a item be put on and majority of vote can direct staff to add that to a future agenda. In addition, the rules have been amended that any two members can request that an item be added and that they so do the item will be automatically added to the agenda. And that will be done outside of any meetings requirement that just two members making a request and we would follow that protocol. And then separately the issue of outside council has been discussed. It's been discussed probably statewide quite a bit. We've had various discussions with city attorneys office, county council's office, and there are going to be cases where the board may want do use outside counsel, whether it is is a perceived conflict or whatever reason. We are in the process of going through an RFP process to look at and retain an outside counsel. A lot of these items are, in my view, housekeeping matters and need for outside counsel there are not any conflicts but there may be cases where we do actually need to get that advice. We're not process of going through seeking consultation of proposals to retain outside counsel, working with the county council's office. They will be included in the process, what our protocol or what we would propose is that

we would look at proposals. We come back with a recommendation after we've jointly looked at the various proposals and then the board would take appropriate action or give us further direction. In terms of the rules of conduct, what weá-- where this will come into play when the board requesting it, majority of the board requests the outside counsel advice and/or where there is an actual conflict, under state bar rules we have an obligation to recuse ourselves based on a conflict. So that's sort of the long and the short of it. And we're here to answer any questions.

>> There is one addition to the rules of conduct, selection of outside counsel procedure in addition as well, the very last section.

>> Yeah, all the changesá-- I've highlighted the two that are the most significant but there's a black line version in your packet that outlines where the proposed changes are.

>> Mr. Mayor?

>> Yes, sir.

>> I did have a couple of questions. When you're dealing with positions here, it will be you and then county counsel that will make this determination?

>> Yes. And we're working on the protocol. We have sent overdraft RFP to the county counsel office. We have had phone calls at various levels to discussá--

>> We're not ready to approve that?

>> No. I think what we recommend is give us the authority to workå-- do a process with the county counsel's office to find that selection. The idea is to make sure that we're all in agreement that we bring in a firm that is clearly independent and capable.

>> That, but I'm talking about if there's conflict here, it will be you and James, correct? Is that the plan?

>> Or whoever on the staff.

>> Whoever is on the staff.

>> Again, county counsel or one of the deputies, yes.

>> Because the other thing is that we discussed this at the Santa Clara. And they're going to want to piggyback because they would like to do that, also. So you will probably be getting a call from them. And the other thing I wanted to mention, I do appreciate you doing this. I know there's a cost involved, but two of the agencies I've worked with we have had issues with the city's county counsel where they were saying, yes, I think you should put this back on and it clearly to me was a conflict of interest because they shouldn't be, you know, trying to advocate for the city. They should be dealing with the issue is whether it's valid, whether it should be removed or not removed, and not whether or not they think they should do it. That's happened in two cities. I just want to mention that to you so I do appreciate having outside counsel if necessary.

>> And board member, we are sensitive to that. We have experience with our retirement boards where for the last 15 years we've had conflict of counsel. And the board was free in those cases when they had them on retention.

>> If you do have a conflict here and we're under a deadline and you have to go to outside counsel to do that, how quickly will that be done? I mean, I'm sure because they're on retainer they're not going to be sitting here waiting for you to ask them something.

>> That's a good thing about having them on retainer, but I think we will be able to identify those conflicts pretty soon. I mean, we're working pretty close together with the county counsel's office. I think we will have a heads up. There may be an indication whereá--

>> Something could come up in a meeting. If you know there's a conflict prior to the meeting you will Bing them to the meeting?

>> Yes.

>> Cool. Thank you.

>> I do have one question. I noticed in the budget there were a number of law firms that were already identified as part of the budget. Are they automatically excluded from providing proposals because they may already have an interest in the operation or is that something that you would approach as the issue came forward?

>> We're working with county counsel's office on that. The short answer is probably yes. There are occasions where a firm may haveá-- because of the size of the firm and the ability to put up ethical walls, that they caná-- if there is a conflict that they can either get a waiver of the conflict or there isn't a real conflict. But the likelihood is that they would not be included. I think theá-- we're really looking to get some independent. These former firms or other firms are really more redevelopment counsel have some background in redevelopment law. We still have a need for that expertise and I wouldn't envision them being players.

>> That's fine. And Mr. Sharma?

>> I just want to make a comment that I'm really encouraged by this cooperation between the city and the county. And we have an opportunity to set best practices which will be emulated by other city and counties statewide in this area. Thank you.

>> We do need action on the rules of conduct and the report.

>> I'll move approval.

>> Okay. Second? All right. We do have a motion to approve the rules and the report. Any further discussion on these? All in favor?

>> Aye.

>> Opposed. None opposed. I didn't have any cards from the public so I assume nobody wanted to speak. That is approved. Those two items are approved. We'll move thená-- looks like the overview of the successor agency finances, JPMorgan Letter of Credit. And some recommendations for other things is the next item. I think Julia Cooper is going to take that.

>> Yes. Good morning, Julia Cooper, acting Director of Finance for the city. This brief presentation is kind of accompanies the staff report that's in your packet. It will cover items VI B-D that's in your packet. It piggybacks the brief presentation we did three weeks ago and will provide additional detail. This first slide here is just kind of giving you an overview of what we're working on from a planning and budgetary purposes in terms of looking attacks increment projections going forward for the next five years. As you can see here, they're very modest projections in terms of increment growth. In developing these projections we've utilized historical data to determine if the CPI adjustments feasible. Looking to see adjustments that are slowly coming back into play over a four-year period, kind of the historical retention of appeals, having the successor kind of maintain those at the same level. And valuation assumptions for known projects in the pipeline that are either under construction or do we expect to be under construction and will hit the property tax rolls during this period of time. We've been very conservative at looking at these growth assumptions and only assuming a very modest improvement over the next five years. We've been working closely with county staff and they concur that these are probably conservative assumptions, too. Next is a slide that kind of shows the annual debt service for the redevelopment agency. And as you can see, it equates to over $200 million in annual obligations for the

successor agency. If you refer back to the previous chart, there's not $200 million coming in. So we'll start to talk about that in a couple of slides. So as of June 2011, the outstanding and bonded indebtedness was just under $2.4 million, of which $1.7 billion is senior tax allocation bonds and $93 million is subordinate variable rate bonds. These are represented by the big blue bar and the yellow bar which is the subordinate JPMorgan debt. Also on the 20% housing program they had a total indebtedness of $338 million, which their representatives are the green bars on that chart. They also included in that about $90 million of subordinate variable rate debt that was a private placement with Wells Fargo that matures in 2013. Also included we have $223 million of additional subordinate debt for two financings issued through the financing authority and we do have agreements in place that are described in detail in the staff report. One is the 2000 F bonds in which $137 million is outstanding and that's represented by the orange bars and the final maturity of those bonds is 2023. The pink which is really relatively small is the 2001 a bonds which we used to finance the four street parking garage adjacent to this facility and there's about $36.7 million outstanding. And those final maturity is 2027. Also included in this are an additional $223 million in subordinate obligations that have agency loan repayments. We have the 2005 and 2006 SERAF loans which are the purple piece there which final maturity is 2016 at $7 million outstanding and HUD section 108 loan which are represented by red with the final maturity of 2026. As you can see, the agency has quite a bit of debt outstanding that we need to work diligently to repay all of the way up until 2037. This is what we are charged at doing. This graph right here is kind of just provides an illustration of kind of how things stack up in paying based on projected revenues and expenses and showing that imbalance. The line is our projected revenue which we were showing on the first slide. And then theá-- kind of the bars stacking up with respect to the obligations that we have to pay with the county pass-throughs, all the senior debt that we talked about, and we haven't bought administrative costs, other obligations, and we also have the SERAF loan repayment which exists between the agency and the housing funds in which the housing loaned money to the agency in order to make those obligation payments to the state in 2010 and 2011. So those need to start to be repaid as well. And as you can see in 2018, we start to see some repayment of those obligations. So in terms of looking at our projected imbalance, our cash flows are not static, so there's a lot of refinement we go through on a regular basis. And but we also need to look out for planning and budgetary purposes since part of the action that we're asking today is for the oversight board to approve a reimbursement agreement so that the city in terms of advancing any of these funds can be reimbursed in the future. As you can see, there's a summary starting in 2013 ranging from 16 million to $18 million. So while we believe tax increment projections are conservative, we do think that we need to plan for these deficits out into the future and how we're going to meet the obligations of the redevelopment agency. So when you look at the projected structural deficit for 2013, fiscal year 1213, this is on a month-by-month basis. Without oversight, without oversight board approval of our mitigation strategy, there will be insufficient tax increments to pay all of the enforceable obligations. As I mentioned, we're estimating that shortfall to be between $16 million and $18 million. So part of the action today is we're recommending that the oversight board direct us to negotiate reimbursement agreement with the city for the purposes of establishing enforceable obligations to repay the city for any advances that we would make on behalf of the successor agency. So by doing that, we think that it helps make sure that all the debt obligations are met and it's also consistent with the legislation which places highest priority on the debt repayment. So as you can see here, basically we have a little bit of a surplus at the beginning of the fiscal year, but as you can see, we start the year at about $15 million and end the year at about $15 million in deficits. So the decrease happens when the tax increment comes in twice a year. So in terms of looking at a way that this can be solved is we will be met by the city with an intra-yeará-- in terms of cure that. Prior to implementation of abx-126 the county advanced increment funds to us ten times a year but the legislation limits that distribution to twice a year, in January 10th and June 1st of each year. So this change in timing causes this inter-year cash flow. The legislation anticipated that so it allows the county to low pressure us funds to ensure prompt payment of redevelopment agency debt but only to the extent that they're sufficient tax increment to repay within that 12-month period of time. So we've had preliminary discussions with the county regarding advancing funds of an intra-year basis and netting them out that were borrowed against our June 1st property tax distribution. So what you see in this graph is you see the blue bar which is essentially the city funding the shortfall at the beginning of the year and marking the debt obligations and then essentially the red is what happens essentially paying the other obligations and then by the end of June, we're a net zero in terms of cash flow. And then just kind of briefly moving on to Item C on the agenda, which is the overview of the JPMorgan Letter of Credit, it expires on Julyá--

>> Sorry. Before you move on. Questions?

>> Sorry, board member.

>> That's quite all right. I just have some questions here. There are some loans between the city and the RDA that I see in the financial statement.

>> Okay.

>> I'm curious if those are beingá-- why they're still being booked as liability when they're actually not allowed under ab-26.

>> Are those the SERAF loans?

>> There's two pages here. The statement of revenue and expenses where it talks about the City of San José and the former redevelopment agency entered into a fund or the agency state mandate payments supplemental education and then there was another one over here. I'má-- I'm not sure on the city financing authority for some bonds.

>> Yeah, the financing authority, the convention center jet was originally sold in 1986 and has been refunded several times since then. And ever since the original bonds were issued in 1986 there's been a reimbursement agreement in place between the city and redevelopment agency. Those are recognized as enforceable under the legislation as an indebtedness.

>> So those were actually agreed to, I guess? Rick or James, what we just passed? Because I know other agencies, they are rejected. So I mean, I don't know how that goes back to '86.

>> It goes back in time. But I'll let John address the specific question.

>> Under the law those are enforceable obligations. They require under the law, with that said, I know city staff is well aware of the fact that it is predominantly a city obligation. In the event there is any ability to pay the city may have to step in and pay some of that debt. But this is an obligationá--

>> That's the cutoff, is if they don'tá-- if they can'tá-- if the RDA can't afford it, then the city has to be responsible for that?

>> Right.

>> Yes.

>> Sorry for the interruption. I was just getting a little confused with all this paperwork here.

>> And part of the actions that we're asking you to take is the fact that they are recognized obligations, enforceable obligations to the extent the city does advance the money, we can get repaid in the future for those advances to the extent tax increment comes in and it's more than sufficient to pay the obligation.

>> Thank you. This may be a little off topic, but I see the linkage and I just want to make sure. The enforceable obligations that we're signing off on are exclusive of the pass-through agreements. All of the tax increments, the payments to schools will still continue and that's before we get to this obligation here, is that correct?

>> Yes.

>> I just wanted to comment.

>> Okay. Anybody else?

>> I just would like to make a comment here. For what we are approving is only six months obligation. So the auditors have not looked at if the obligation was not due within the next six months and it is there, that will be completed during the audit that is to be completed. So we will find out whether those obligations are true obligations or not.

>> All right. Go ahead then to the JPMorgan section.

>> We have started to work on terms of an extension with them. We did receive their initial term sheet earlier in the week that we're working through and valuation of. The key date for the time line of renewal are on page 2 of the staff report. JPMorgan's hold $5 million cash collateral in their own account to protect them against insufficient tax increment revenue. They also have the first lien on 17 properties of the former redevelopment agency. And just if JPMorgan, if we have a failure to renew or replace a Letter of Credit by that July 1st expiration date, the full amount is due and payable. So that means the JPMorgan will be looking for $93 million to pay them off, which, as you can tell, we don't have. So it would become senior to all other obligations after senior debt is paid. So we're working very diligently and believe we will be able to bring back recommendation within the next one or two board meetings. So in summary, the recommendation that staff has before you today is to prepare reimbursement agreement with the city for the purpose of establishing enforceable obligation to repay the city for future expenditures it makes on behalf of the successor agency and to return to the oversight board to approve an agreement. And then also to work on a reimbursement agreement with the county for the purpose of advancing funds to cover any future intra-year cash flow deficiencies and then return to the oversight board to approve an agreement as such. With that, I'm available for any other questions.

>> Any additional questions or comments on the recommendations, reimbursement agreement. Those will come back to us for approval? This is a direction to negotiate, correct? Is there a motion?

>> So moved.

>> A motion to approve the recommendations. No requests from the public to speak. None. All in motion, all in favor in opposed. None opposed. Those are approved. I think we're ready to go to regular reports, whatever those are since we haven't had any. Haven't been here too regularly yet.

>> Thanks a lot, sir. The monthly financial reports are included in your packet. We have no formal presentation scheduled, but are available to answer any questions. I'd also like to mention in the future we will include along with the monthly financial statements, a cash flow projection as well.

>> All right. Any questions on that? Then the next item would be future agenda items. Anything the board would like to talk about, adding to future agendas that we don't already have on future agendas. I think not at this time. After we have the rules of conduct that provide a way to add things to the agenda that's been approved. So are there any requests from the public to speak on, any matter that wasn't on the agenda? I have no requests. So we have no public comment. Anything else the board needs to take up? I think not. Are we done, staff? Did I get it all? Okay. We are finished with our work so we're going to adjourn. Thank you all for your cooperation. And good work by the staff working together to get us here. Thank you.