



CITY OF ESCONDIDO

**201 North Broadway
Escondido, CA 92025**

Oversight Board to the Successor Agency of the Escondido Redevelopment Agency

**Tuesday
January 8, 2013**

10:00 AM

Mitchell Room

- 1. [Approval of Minutes: December 12, 2012](#)**
- 2. [Approval of Resolution No. 2012-04 approving the Due Diligence Review of the Other Funds of the Redevelopment Agency](#)**
- 3. Update on Successor Agency Activities**
- 4. [Approval of Resolution 2012-05 adopting a policy to use Rental Revenue to maintain Successor Agency Properties](#)**
- 5. Discussion regarding future Oversight Board Meeting dates**
- 6. Oral Communications**
“Under State law, all items under Oral Communications can have no action and will be referred to the staff for administrative action or scheduled on a subsequent agenda.”

This is the opportunity for members of the public to address the subcommittee on any item of business within the jurisdiction of the subcommittee.

- 7. Adjournment**



OB Agenda Item No.: 1
Date: January 8, 2013

APPROVAL

OF

MINUTES

CITY OF ESCONDIDO

MINUTES OF THE REGULAR MEETING OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE ESCONDIDO REDEVELOPMENT AGENCY

December 12, 2012

The regular meeting of the Oversight Board of the Successor Agency of the Escondido Redevelopment Agency was called to order at 10:00 a.m., by Vice-chairman Rojas in Training Room 1 at City Hall, 201 North Broadway, Escondido, California.

Board Members Present: Vice-chairman Rojas, Boardmember Masson, Boardmember Baker, Boardmember McNamara, and Boardmember Manusov.

Commissioners absent: Chairman Phillips and Boardmember Yerxa.

Staff present: Jeffrey Epp, City Attorney; Joan Ryan, Finance Manager; Christine Holmes, City Accountant; and Ty Paulson, Minutes Clerk.

MINUTES

Moved by Boardmember Masson, seconded by Boardmember Baker, to approve the minutes of the October 15, 2012, meeting as amended. Motion carried unanimously.

1. Opportunity for Public Comment on Due Diligence Review of the Other Funds of the Redevelopment Agency

Ms. Ryan referenced the staff report and noted that on January 8th another meeting would need to be held to approve the report conducted by Rich Kikuchi of Lance, Soll & Lunghard. She then introduced Rich Kikuchi who was hired to conduct the "Agreed Upon Procedures" review of the Other Funds of the Redevelopment Agency.

Rich Kikuchi, Lance, Soll & Lunghard, LLP provided an overview of the Due Diligence Review and agreed upon procedures. He explained that all of the procedures and required procedures were listed on the first six pages of the report with Page 10 being a summary snapshot of four different time periods. He then stated that he was available for questions.

Boardmember Manusov and Mr. Kikuchi discussed the differences between an audit and an agreed upon procedures review.

Vice-chairman Rojas asked Mr. Kikuchi if his understanding was that the Board would have a separate financial statement. Mr. Kikuchi noted that this would be reported on the City's financial statement in the private purpose trust fund.

Discussion ensued regarding a clarification of the loans receivable as outlined on Page 10 of the summary.

Vice-chairman Rojas provided an explanation of the Board's future role, noting that the transactions would be audited with excerpts being provided to the board periodically. He stated that some of the goals of the board members would be to ensure that the enforceable obligations were paid, ensure that any excess cash was given to the county and distributed to respective agencies, and to ensure the assets the City had were used for public purpose or sold.

Boardmember Manusov asked if a meet and confer process had occurred with the Department of Finance. Vice-chairman Rojas replied in the affirmative and noted that staff would provide an update at the January 8th meeting.

Boardmember Manusov and Mr. Epp discussed the pending lawsuits between various jurisdictions and the State Board of Equalization.

Ms. Ryan provided a meeting schedule to the Board.

Boardmember Manusov noted that she would be retiring from the School District as well as resigning from the Oversight Board.

Boardmember Manusov noted that due to a potential conflict of interest some oversight boards were hiring outside council. Mr. Epp noted that some cities were sharing legal council in order to cut costs. He also stated that he could provide more background on this in January if the Board desired. Boardmember Baker concurred.

Vice-chairman Rojas noted that the cost for hiring outside council might be an issue.

Boardmember Manusov and Vice-chairman Rojas discussed the school district pass-thru payments. Boardmember Manusov expressed her concern with the school district pass-thru payments ending, noting that the school district supported the City's 2035 date for the loan repayment.

Boardmember Manusov and staff discussed the process and background for the pass-thru agreements.

Boardmember Masson asked if the Board could obtain a copy of the pass-thru agreements. Mr. Epp replied in the affirmative.

ORAL COMMUNICATIONS: None.

ADJOURNMENT:

Chairman Phillips adjourned the meeting at 10:54 am.

Clay Phillips, Chairman

Ty Paulson, Minutes Clerk

**OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE
ESCONDIDO REDEVELOPMENT AGENCY**

Agenda Item No.: 2
Date: January 8, 2013

TO: Members of the Oversight Board
FROM: Joan Ryan, Finance Manager
SUBJECT: Approval of the Due Diligence Review of the Other Funds of the Redevelopment Agency

RECOMMENDATION:

Approve the Agreed Upon Procedure Report provided by LSL Certified Public Accountants.

FISCAL ANALYSIS:

This report makes a finding that all cash assets available in Redevelopment are being held to satisfy future obligations of the Successor Agency.

BACKGROUND:

In the recently enacted State legislation Assembly Bill 1484 (Chapter 26 Section 17) amending Health and Safety Code 34179.5 an "Agreed Upon Procedures" review of the Other Funds of the Redevelopment Agency must be completed by a certified public accountant on or before December 15, 2012 and submitted to the San Diego Auditor Controllers office for comments. This report was made available to the public on the City's website and the City Clerk's office. The Escondido Oversight Board received and considered all public comments at the December 12, 2012 meeting. The State Department of Finance will complete their review of the report no later than April 1, 2013.

Respectfully submitted,



Joan Ryan,
Finance Manager

RESOLUTION NO. OB 2012-04

A RESOLUTION OF THE REDEVELOPMENT
OVERSIGHT BOARD APPROVING THE DUE
DILIGENCE REVIEW OF THE OTHER
FUNDS OF THE REDEVELOPMENT
AGENCY PURSUANT TO HEALTH AND
SAFETY CODE SECTION 34179.5

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the successor agency and successor housing agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34179.5, Successor Agencies are required to conduct an Agreed Upon Procedures review of the Other Funds of the Redevelopment Agency by a certified public accountant on or before December 15, 2012; and

WHEREAS, pursuant to Health and Safety Code Section 34179.5, the Oversight Board received and considered public comments at the meeting held on December 12, 2012; and

WHEREAS, there were no comments received during the public review period; and

WHEREAS, the Oversight Board is to approve the Agreed Upon Procedures review of the Other Funds of the Redevelopment Agency and transmit to the State Department of Finance

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE CITY OF ESCONDIDO, CALIFORNIA, RESOLVES AS FOLLOWS:

1. That the above recitations are true.

2. That the Oversight Board to the Escondido Redevelopment Successor Agency, received and included public comments noted above of the Agreed Upon Procedures review of the Other Funds of the Redevelopment Agency.

3. That the Oversight Board to the Escondido Redevelopment Successor Agency, hereby approves the Agreed Upon Procedures review of the Other Funds of the Redevelopment Agency that is attached hereto as Exhibit "A" and incorporated by this reference.

**OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE
ESCONDIDO REDEVELOPMENT AGENCY**

Agenda Item No.: 4
Date: January 8, 2013

TO: Members of the Oversight Board

FROM: Joan Ryan, Finance Manager

SUBJECT: Property Management Expenses Associated with Redevelopment Successor Agency Properties

RECOMMENDATION:

Approve Oversight Board Resolution No. 2012-05 authorizing the use of rental revenue to maintain properties held by the Successor Agency.

FISCAL ANALYSIS:

Successor Agency property management expenses are estimated to be \$80,000 this fiscal year. Such expenses would be offset by the rental revenue generated by Successor Agency properties. Currently two Successor Agency properties are under lease for a combined total of \$30,403/month.

BACKGROUND:

As of January 2011 the City's Community Development Commission has been dissolved in accordance with state law. There are now a handful of real property assets that are considered to be Successor Agency assets. Two such properties are under lease and are generating a combined rental revenue of \$30,403 per month: 455 N. Quince to Wickline Bedding at \$15,613/month; and 480 N. Spruce to Hidden Valley Moving at \$14,790/month. While these properties are occupied, maintenance responsibilities rest primarily with the tenant. However, one Successor Agency asset is currently vacant and is deemed uninhabitable: 525 N. Quince (the old Cocina del Charro restaurant). This particular property is of grave concern to the City as it is a liability and continues to tap into City resources for ongoing property management issues. The property is the subject of ongoing trespass and complaints by neighboring businesses. Abatement of vagrants requires time and attention for various Real Property, Code Enforcement, City Attorney and Police personnel. The structures on site are dilapidated and blighted and the falling roof tiles present a safety concern. The property itself becomes littered with debris and overgrown weeds on a continuing basis, requiring time and attention by City Public Works personnel every few months. For these reasons, the City is seeking to capture a source of funds from the revenue stream generated by the leased Successor Agency properties in order to pay for property management expenses at the 525 N. Quince site. Staff recommends demolition of the structures in order to most effectively eliminate liability, safety and blight concerns. The estimate for demolishing the structures on 525 N. Quince is \$55,000.00. Rental revenue from the Successor Agency properties is more than sufficient to cover these expenses.

Property Management Expenses Associated with Redevelopment Successor Agency Properties

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Further, a Successor Agency Budget, once established, would be available for other property management needs on other Successor Agency properties on an as-needed basis. The City Council will also be considering the subject on January 16th.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joan Ryan".

Joan Ryan,
Finance Manager

RESOLUTION NO. OB 2012-05

**A RESOLUTION OF THE REDEVELOPMENT
OVERSIGHT BOARD APPROVING THE USE
OF RENTAL INCOME TO MAINTAIN
PROPERTIES HELD BY THE SUCCESSOR
AGENCY PURSUANT TO HEALTH AND
SAFETY CODE SECTION 34191.5**

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the successor agency and successor housing agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34191.5, Successor Agencies are to serve as the repository of the former redevelopment agency's real properties; and

WHEREAS, properties held by the Successor Agency require maintenance; and

WHEREAS, contracts for such maintenance should be considered an "enforceable obligation"; and

WHEREAS, rental income has and will be generated from leases on Successor Agency properties; and

WHEREAS, the Oversight Board is to approve the use of rental income collected by the Successor Agency to provide all maintenance of properties owned by the Successor Agency

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE CITY OF ESCONDIDO, CALIFORNIA, RESOLVES AS FOLLOWS:

1. That the above recitations are true.
2. That the Oversight Board to the Escondido Redevelopment Successor Agency, hereby approves the use of rental income collected by the Successor Agency to provide maintenance of all properties owned by the Successor Agency.