

MINUTES
JOINT SAND CITY COUNCIL, REDEVELOPMENT AGENCY, and
JOINT POWERS FINANCING AUTHORITY

Regular Meeting – December 18, 2007
CITY COUNCIL CHAMBERS
7:00 P.M.

Mayor Pendergrass opened the meeting at 7:01 p.m.

Invocation was led by Reverend Roy Pina

Special Chumash Prayer was led by Enekeash

The pledge of allegiance was led by Police Chief Michael Klein

Present: Council Member Carbone
Council Member Hubler
Council Member Morris
Mayor Pendergrass

Absent: Council Member Blackwelder- (excused)

Staff: Kelly Morgan, City Administrator
Jim Heisinger, City Attorney
Steve Matarazzo, Community Development Director
Richard Simonitch, City Engineer
Michael Klein, Police Chief
Linda Scholink, Administrative Services Director
Connie Horca, Deputy City Clerk

AGENDA ITEM 4, COMMUNICATIONS

- A. Written communications distributed to Council were a revised resolution for agenda item 9B, and urgency item resolutions for agenda items 9A (a) & (b).
- B. Mayor Pendergrass noted that two urgent agenda items 9A (a) & (b) were brought to the Council for consideration. Motion to add the new agenda items 9A (a) & (b) regarding the execution and delivery of an agreement for the subordination of Tax Increment Revenues payable by the Sand City Redevelopment Agency to the City of Sand City pursuant to various Agreements by and between the Sand City Redevelopment Agency and the City of Sand City, was made by Council Member Morris, seconded by Council Member Carbone. AYES: Council Members Carbone, Hubler, Morris and Pendergrass. NOES: None. ABSENT: Council Member Blackwelder. ABSTAIN: None. Motion Carried.

7:08 p.m. Floor Opened for Public Comment

There was no comment from the Public

7:09 p.m. Floor Closed to Public Comment

AGENDA ITEM 5, CONSENT CALENDAR

The Consent Agenda consists of routine items for which City Council approval can be taken with a single motion and vote. A Council member may request that any item be placed on the Regular Agenda for separate consideration.

- A. There was no discussion of November 20, 2007 Sand City Council Meeting Minutes
- B. There was no discussion of December 4, 2007 Sand City Council Meeting Minutes
- C. There was no discussion of Police Department Report, November 2007
- D. There was no discussion of Public Works Department Report, November 2007
- E. There was no discussion of donations/contributions to the request by UNICEF for \$500.

Motion to approve Consent Calendar was made by Council Member Morris, seconded by Council Member Hubler. AYES: Council Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Council Member Blackwelder. Motion Carried.

AGENDA ITEM 6, CONSIDERATION OF ITEMS PULLED FROM CONSENT CALENDAR

There were no items pulled from Consent Calendar.

AGENDA ITEM 7, PRESENTATIONS

- A. Cecil Robbins, Hayashi & Wayland presented the FY 2006-07 Audit Reports. Mr. Robbins met with the Budget Committee to review the Financial Statements, and commended the City Administrator for his December 13, 2007 memo summarizing Sand City's primary financial information for FY 2006-07. He reported that Sand City's overall financial standing is very positive; with an improvement in the year end net fund balance TO \$3.9 million, and the actual amounts depicting an excess of revenues over expenditures of \$988,533. The financial statements distributed to the Council under separate cover provides a more comprehensive and detailed report of Sand City's financial standing. Mr. Robbins introduced Ms. Sunny Wong, who will be working with the audit team of Hayashi and Wayland and Sand City for next years audit. He also announced his retirement and thanked the Council AND Staff for the many years the City has worked with Hayashi and Wayland.

- B. Cheryl Murase presented the HdL Report on "Projected Taxable Values and Anticipated Tax Increment Revenues" of Sand City's Redevelopment Projects. The City's projected tax revenues over the next five years should project a conservative growth of 10%. Within the last year there was an increase in tax revenue due to the Costco expansion and the construction of the Design Center project. The attached report reflects the current property tax information for the current fiscal year and projects the amount of tax increment revenues anticipated to be received by the Agency from the project area for the current fiscal year and nine subsequent fiscal years. The projected tax increment for Sand City does not reflect the final assessed value of the Design Center, and since the South of Tioga project is still in its design phase, this project has not been used in the projections. The data reported in the agenda packet is provided to the Council to show that the City can afford the Bond Issue, which is to be presented under New Business.

AGENDA ITEM 8, OLD BUSINESS

- A. City Engineer Richard Simonitch reported that at a meeting with CDM and Cal-Am representatives on Thursday, December 13, Cal-Am was satisfied with the progress Sand City is making on the desalination project. Architect, David Martin reviewed the cost analysis on the design work of the building, and researched alternatives on the possibility of lowering the added cost. Cal-Am expressed their agreement with the plans to improve the building. Staff was also in contact with the drilling and pipeline contractor, and is negotiating to lower the cost to \$50,000 for the mobilization of the project. Staff further initiated verbal conversations with the contractor for the horizontal drilling and discharge wells. They are willing to work out a favorable contract for the City. A bid is scheduled for a future date in January, for re-stripping the crosswalks in the City.

Community Development Director Steve Matarazzo reported that at a meeting with FORA Representatives and an aide to Sam Farr on December 6, there was a consensus that Sand City should not be included in the Scenic Highway Designation at this time. On the December 10 meeting of the Water District Board, the Water Board voted to continue the ordinance on the Sand City Water Project to their January 2008 meeting.

AGENDA ITEM 9, NEW BUSINESS

- A. City Attorney Jim Heisinger presented the City and Redevelopment Agency Resolutions authorizing execution and delivery of an agreement for the subordination of tax increment revenues payable by the Sand City Redevelopment Agency to the City of Sand City pursuant to various agreements by and between the Sand City Redevelopment Agency and the City of Sand City. The City "loans" sales tax revenues to the RDA to satisfy obligations of the Redevelopment Agency which creates RDA debt to the City. The previous Agreements state that after the Agency pays its debts, the City will receive the remainder of the sales tax revenue. In the new Agreements, it is necessary to state that the City debt is subordinate to other obligations to the County's pass

through agencies. As part of the bond program and the pass through agreement, the County is entitled to receive their share of the increment tax revenues first, and then the remainder will be paid out for the City debt. Staff recommends the approval of the attached resolutions.

- (a) Motion to approve City **Resolution** authorizing execution and delivery of an Agreement for the subordination of tax increment revenues payable by the Sand City Redevelopment Agency to the City of Sand City pursuant to various Agreements by and between the Sand City Redevelopment Agency and the City of Sand City was made by Council Member Morris, seconded by Council Member Carbone. AYES: Council Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Council member Blackwelder. Motion Carried.
- (b) Motion to approve Redevelopment Agency **Resolution** authorizing execution and delivery of an Agreement for the subordination of tax increment revenues payable by the Sand City Redevelopment Agency to the City of Sand City pursuant to various Agreements by and between the Sand City Redevelopment Agency and the City of Sand City was made by Agency Member Hubler, seconded by Agency Member Morris. AYES: Agency Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Agency Member Blackwelder. Motion Carried.

- A. (1) Bond Counsel Brian Quint presented a review of the Preliminary Official Statement and the purpose of the bond program. The bonds would refinance the 1996 Bonds currently outstanding. It would generate new money for the use of projects in the redevelopment project areas of Sand City with the issuance of the Tax B Bonds to be used towards financing the water project. The proposal is for a Series A, Tax Exempt Bond and Series B, Taxable Bonds. If approved, the Bonds can be sold in January 2008 making funds available some time in early February.

Elena Zaretsky, from Wedbush Morgan Securities, distributed an overview of Sand City's financial report. The Agency plans to issue debt commencing in FY 2007-08, and extending to FY 2026-27. The projected tax increment available to pay debt service is anticipated to grow from \$1.2 million in FY 2007-08 to \$1.9 million in FY 2026-27. The 2008 Bond Debt Service will range from \$316,000 in FY 2007-08 to \$810,000 in FY 2026-27, with the highest payment occurring in FY 2024-25 of \$836,000. These payments incorporate the Agency's Refunding of the outstanding 1996 Bonds with the Agency, with sufficient remaining tax increment in each year to cover additional costs and expenditures. Ms. Zaretsky summarized the financial analysis for each fiscal year, and pointed out the remaining tax increment available to the Agency after the debt service and County pass through payments have been disbursed. In conclusion, Ms. Zaretsky briefly explained the cost of issuance noting that the figures may change several more times during the various iterations of the deal sizing process. In general, the economic news is a mixed bag and investors tend to move towards safer investment such as

municipal investments.

City Administrator Kelly Morgan commented that this bond team was recommended by Mr. Jim Dudick, Financial Advisor. The bond payment reflected for the first year is low, so funds can be released for Sand City Redevelopment Projects.

Mayor David Pendergrass added that Sand City's new improved bond rating shows that the City is in good fiscal standing.

Staff recommends approval of the attached resolutions authorizing the issuance and sale of Tax Allocation Bonds to Finance and Refinance Redevelopment Activities within or for the benefit of the Agency's Sand City Redevelopment Project, and approving related documents and actions.

- 2) Motion to approve Redevelopment Agency **Resolution** authorizing the issuance and sale of Tax Allocation Bonds to finance and refinance redevelopment activities within or for the benefit of the Agency's Sand City Redevelopment Project and approving related documents and actions was made by Agency Member Pendergrass, seconded by Agency Member Hubler. AYES: Agency Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Agency Member Blackwelder. Motion Carried.
- 3) Motion to approve City **Resolution** approving the issuance and sale by the Sand City Redevelopment Agency of Tax Allocation Bonds to finance and refinance redevelopment activities within or for the benefit of the Agency's Redevelopment Project was made by Council Member Carbone, seconded by Council Member Hubler. AYES: Council Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Council Member Blackwelder. Motion Carried.
- 4) Motion to approve Sand City Joint Powers Financing Authority (JPFA) **Resolution** authorizing the purchase and sale of Tax Allocation Bonds of the Sand City Redevelopment Agency issued to finance and refinance Redevelopment activities within or for the benefit of the Agency's Sand City Redevelopment Project, and approving related documents and actions was made by Joint Powers Financing Authority Member Carbone, seconded by Joint Powers Financing Authority Member Hubler. AYES: Joint Powers Financing Authority Members Carbone, Hubler, Morris, Pendergrass. NOES: None. ABSTAIN: None. ABSENT: Joint Powers Financing Authority Member Blackwelder. Motion Carried.

{Council Member Hubler stepped down from the dais due to a possible conflict by residing/working within 500' of the project area}

- B** Community Development Director Steve Matarazzo presented the consideration of the City Resolution conditionally approving the final map for the Design Center Mixed Use project located at 600 Ortiz Avenue. The subdivision ordinance contained in the Municipal Code requires that the City Council review and approve any subdivision final maps prior to

recordation, and to insure that the conditions of tentative map approval are satisfied. The City Engineer has reviewed the final map and has found it in conformance with the tentative map and related conditions. Staff finds this consistent with the tentative map, subject to certain conditions regarding the property's rail frontage to be addressed in a separate agreement, with the exception of the City Attorney who still needs to review and approve the covenants, conditions and restrictions (CC&Rs) related to maintenance of common areas and the provision of 10 "affordable housing units" for a minimum of 55 years as required under previous City approvals.

City Attorney Jim Heisinger added that a fourth condition be added to the resolution which states *"Prior to recordation of the final map, the developer shall enter into an amendment to the agreement regarding affordable housing, which identifies the affordable residential units within the project and provides that the affordable residential units shall be continuously held in a single ownership for the term of the agreement regarding affordable housing"*

8:23 P.M. Mayor Pendergrass opened the floor to the public to address this resolution.

Mr. Al Saroyan, developer of the Design Center, thanked the Council and Staff for their cooperation in the development of the construction of the building. Mr. Saroyan expressed his interest in participating in the parking design for the TAMC right-of way. The current design submitted does not reflect the best possible solution for the public parking area and expressed his opinion that a joint use would be the best use of the property. He would like to start marketing efforts for the rental units of the building this week; however it will take an additional ten days for the State to approve the elevator. The residential units should be ready in early 2008, with some units allowing beautiful views of the ocean. Mr. Saroyan concluded that he is in agreement with the conditions of the resolution.

Mayor Pendergrass added that Staff will work with Mr. Saroyan in regards to the TAMC right-of-way.

Motion to approve City **Resolution** conditionally approving the final map for the Design Center Mixed Use project located at 600 Ortiz Avenue with changes to include condition number 4, was made by Council Member Carbone, seconded by Council Member Morris. AYES: Council Members Carbone, Morris, Pendergrass. NOES: None. ABSTAIN: Council Member Hubler. ABSENT: Council Member Blackwelder. Motion Carried.

{Council Member Hubler returned to the dais}


C. The Deputy City Clerk brought to the Council's attention the upcoming meetings and events. The January 1, City Council Meeting has been cancelled due to the New Year's Day Holiday.

AGENDA ITEM 10, CLOSED SESSION

- A. The City Attorney Jim Heisinger commented that the City Council did not need to adjourn to Closed Session to confer with Legal Counsel regarding anticipated litigation pursuant to §54956.9(b) of the Ralph M. Brown Act.

AGENDA ITEM 11, ADJOURNMENT

Motion to adjourn the meeting was made by Council Member Hubler, seconded by Council Member Carbone, to the next regularly scheduled City Council meeting on January 15, 2008, 7:00 p.m. There was unanimous consensus of the Council to adjourn the meeting at 8:30 p.m.



Connie Horca, Deputy City Clerk