

# NOVATO FINANCING AUTHORITY

75 Rowland Way #200, Novato, CA 94945-5054  
415/899-8900 • FAX 415/899-8213

## REGULAR MEETING

**Tuesday, January 25, 2011 - 10:00 A.M.**  
**(rescheduled from January 18, 2011)**  
**Marin Valley Mobile Country Club**  
**100 Marin Valley Drive, Novato, California**

## AGENDA and NOTICE

- A. Call to Order
- B. Public Comment
- C. Approval of Final Agenda
- D. Consent Calendar
  - D-1: Approve Minutes of August 23, 2010 and October 13, 2010
- E. New Business
  - E-1: Consider Extension of Delegation Agreement (attachment)
  - E-2: Receive and file of Financial Audit FY 09/10 (attachment)
  - E-3: Receive and discuss FY 10/11 Mid-Year Budget Review (attachment)
- F. General Business
  - F-1: Bucket Analysis for Periods Ending December 31, 2010
  - F-2: Park Management Update: Al Frei
  - F-3: Update from PAC: Michael Holland
- G. Board/Staff Comments
  - G-1: Discussion of Future Meeting Schedule and Meeting Time (attachment)
  - G-2: Next meeting – FY 11/12 Budget Approval

A copy of the NFA agenda packet may be viewed at the MVMCC front counter.

### AFFADAVIT OF POSTING

I, Tim Wong, certify that January 19, 2011 caused to be posted the agenda of the January 25, 2011 meeting of the Novato Finance Authority of the City of Novato, California on the City of Novato Community Service Board in the Police Department and City Hall and the Marin Valley Mobile Country Club.

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Tim Wong, Housing Coordinator

# NOVATO FINANCING AUTHORITY

75 Rowland Way #200, Novato, CA 94945-5054  
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**BOARD OF DIRECTORS  
DELEGATION WORKSHOP  
Monday, August 23, 2010 – 6:30 P.M.  
Marin Valley Mobile Country Club  
100 Marin Valley Drive**

## MINUTES

- A. CALL TO ORDER 6:38 pm**
- B. APPROVAL OF FINAL AGENDA**
- C. PUBLIC COMMENT**
- D. WORKSHOP ON DELEGATION AGREEMENT**

Staff Member Capriola gave a presentation about how residents can provide input into the negotiation of the Delegation Agreement. Individuals are welcome to send in letters to Tim Wong. Email is also acceptable since not all residents are comfortable speaking in public. Confidentiality can be done with anonymous letters or private meetings with staff are also an option. An email with name and address or signed letter is part of the public record and will be provided as part of the NFA packet.

Staff provided a review of the timeline. By 9/15, staff will provide a consolidated list of all comments, suggestions, etc. for the 9/20 meeting. At the 9/20 meeting, NFA will provide direction and appoint ad hoc committee comprised of the Chair and one other Board Member. At the January 18th meeting, the NFA board will take an action on the Delegation Agreement.

Staff Member Nebb spoke about the negotiation process of the Delegation Agreement. The Delegation Agreement is a legal document between NFA (owner) and PAC (operator). The Management Agreement is an attachment to the Delegation Agreement. The Delegation Agreement sets forth what the park manager must do as outlined in the Management Agreement. The Delegation Agreement outlines roles, duties, and various details between PAC, NFA, FSA, and the Property Manager. The Delegation Agreement is to be reviewed at certain intervals, specifically in 2010 and 2025. Staff Member Nebb provided further information of the negotiation process.

### Public Comment

Jim Harais – Brief history presentation of the park. He was the only living person left who founded the PAC. He has served on all levels on the PAC Board and believes in the PAC board. It was formed to negotiate with Paul Sade. Formed solely to acquire the park with first right of refusal. The PAC was denied by banks for lack of experience. The PAC found a bond negotiator but was denied by FSA. PAC then went to the City and established a way to purchase the park. Some

things were left out of the Delegation Agreement due to inexperience of both parties. The PAC was to hold the title to the park. He outlined some suggestions including an additional workshop for better checks and balances, changes to PAC bylaws including adherence to Brown Act and term limits for PAC Board Members.

Bill Davis – Thanked PAC and NFA. It is a difficult park to manage with complex infrastructure. As Secretary of the MVSC, speaking for the MVSC, they support the Delegation Agreement that is currently in effect. Very few changes should be made. Meetings have always been open and minutes are posted on the board. Hope to continue as is.

Peggy Hill – The PAC has done a lot of work. The Board Members serve with integrity, intelligence and transparency in serving the park. The process is set up as a republican form of government and not a direct democracy. Members are voted to represent the people. Those elected are fairly elected. Not sure if term limits would work and might be too much micromanagement.

Dave Harrington – There needs to be a way to ensure a way of verifying comments as coming from a park resident. Staff could possibly cross check with the NFA election list. All input should be available for the public so there is no question of the transparency.

Joseph De Avila – He is against releasing all comments to the public. There is a sense of some things they say might be held against them. He wants an effective PAC that can manage and not protect their office. Final goal is for PAC to purchase the park.

Valerie Barbour – She is not speaking on behalf of HOL, but the Marin Valley Concerned Residents group. This is a wonderful opportunity to comment on the PAC and contract with City. She has a few concerns and will submit comments.

Marvin Thompson – Believes the existing board members have acted in good faith and doing the best they can. Who is doing the negotiation between PAC and Frei Real Estate? He supports the PAC's actions.

Staff Member Nebb responded to Mr. Thompson's questions and explained confidentiality. If a signed letter or name is indicated on the correspondence or if the identity is obvious, the correspondence will become part of the public record. If the correspondence is anonymous, the comments will be public but not the identity. Oral comments will be taken into consideration but not their identity or individual comments. The oral comments will be summarized and consolidated to the NFA.

The Management Agreement is an attachment to the Delegation Agreement. In the original Delegation Agreement, the form of the Management Agreement was dictated by the NFA to the PAC in what was required in the Management Agreement between PAC and the park management. So as part of the Delegation Agreement negotiation, the terms in the Management Agreement will be reviewed. So the NFA may revise the Management Agreement and advise the PAC about those revisions as part of the PAC's negotiation with the park manager. Staff Member Capriola clarified, in terms of the comments received, staff will provide an aggregate of the notes and comments. Confidential comments will be put in the aggregate. Comment period ends at noon, September 15th. Staff will then prepare staff report with all comments for the 9/20 meeting. Staff report will

go out Friday previous, maybe Thursday. No way to confirm residency but if it is an anonymous comment, it will be treated as part of the aggregate comments.

Michael Holland – Negotiation process from October 1 to January 18. What restrictions will be in place in regards to communication? Are there any restrictions on any of the negotiation content? The negotiations will be done in closed session. There will not be any public meetings on the status of the negotiation until the final negotiation is completed. Both parties may agree for periodic public updates but not required. So if any PAC Board member is questioned during the negotiation period, the member should not discuss? NFA does not control what the PAC Board does but PAC should not discuss the status since it is a private discussion.

Julie Hanson – Who does the negotiations?

Staff commented that the negotiations will be done by staff members with direction from the NFA ad-hoc subcommittee. PAC will have two representatives from their Board in the negotiations.

Ray Schneider – Once negotiations are complete, is there any opportunity for residents to comment or provide input?

Staff will accept all public comment received by September 15. Based on those comments staff will prepare recommendations for NFA consideration and the public will be able to comment on the staff recommendations prior to Board approval. The 1/18 meeting is for public input prior to the Board taking final action.

Jim Harais -- He suggests that the NFA direct PAC do the same for public input on the PAC side of the negotiation process.

Julie Hanson – She did not understand the Delegation Agreement. Staff will send her the Board packet.

Joseph De Avila - Had questions about the 10/1 negotiation process with PAC. Does it need to be PAC members? When is the last time to comment?

Staff Member Nebb responded that it is up to the PAC who represents them. It is not for the NFA to choose PAC reps. September 15 is the deadline to submit comments for NFA consideration. The public has input by September 15. On September 20, at the meeting, the NFA can hear the comments and comment more at the meeting.

Ray Schneider – For the January 18 meeting, will the board packet be available a week in advance? Yes.

Miriam Spross -- Thank you. The park has benefited from the City participation.

## **E. BOARD/STAFF COMMENTS**

E-1: Confirm next meeting date: September 20, 2010 at 9 a.m.

**ADJOURN 7:37 p.m.**

**NOVATO FINANCING AUTHORITY**

75 Rowland Way #200, Novato, CA 94945-5054

415/899-8900 • FAX 415/899-8213

**BOARD OF DIRECTORS**

**REGULAR MEETING**

**Wednesday, October 13, 2010 – 6:30 P.M.**

**Marin Valley Mobile Country Club, 100 Marin Valley Drive**

**MINUTES**

Board Members Present: Chair Jeanne MacLeamy  
Vice Chair Phil Brown  
Board Member Don Dole  
Board Member Eric Lucan  
Board Member Peter Tiernan

Also Present: Cathy Capriola, Secretary/Treasurer  
Deborah Lauchner, Finance Manager  
Veronica Nebb, Finance Authority General Counsel  
Tim Wong, Housing Coordinator

A. Call to Order

B. Approval of Final Agenda

Board Member Tiernan moves/Board Member Lucan seconds. Passed 5-0.

C. Public Comment

D. Consent Calendar

D-1: Approve Minutes of June 21, 2010 and August 23, 2010

Board Member MacLeamy has some minor changes to the June 21, 2010 minutes.

Board Member Dole motions and Board Member Brown seconds to approve the minutes with changes. June 21, 2010 minutes passed 3-0 (Board Members Tiernan and Lucan abstain), August 23, minutes passed 5-0.

E. Old Business

E-1: Report on Redevelopment Agency Approval of No Rent Increase for MVMCC Residents for FY 10/11 at July 27, 2010 Meeting.

Staff Member Capriola gave a brief presentation. NFA supported the no rent increase from PAC. The request required approval from the Redevelopment Agency. The RDA approved the request on July 27, 2010 and has been communicated to the FSA. Board Member Tiernan asked if there was anything else required of the Board. The answer is no.

#### Public Comment

Michael Holland said that when PAC initially made the recommendation, they were not sure of CPI but the increase was a little more than estimated. It would have been \$6-\$9 per month but now the rent increase is zero based on the Board Action.

- E-2: Report on Approval from Financial Security Firm to Transfer \$28,000 from the Cash Trap to the Capital Replacement Reserve.

Staff Member Lauchner gave a short presentation. FSA approved the request from transferring the funds from the Senior Cash Trap to the Capital Fund. The \$28,000 was a result of paying off the subordinate bonds and additional \$28,000 cash flow will be used on capital projects.

#### F. New Business

- F-1: 10-Year Physical Needs Reserve Analysis – Consider and authorize/require budget amendment to appropriate up to \$25,000 as a Transfer from the Senior Cashtrap Account for the preparation of Property Condition Analyses and Report(s) with the approval of Financial Security Firm (Attachment)

Staff Member Capriola gave a brief presentation. In reviewing the Delegation Agreement documents, the Management Agreement requires a Physical Needs analysis be done in 2007. Staff is still having conversations on the formal scope of the study. The consulting firm will be hired by FSA and make sure the scope includes all infrastructure to be able to use the study for Capital planning. The recommendation is to approve up to \$25,000. The \$25,000 will cover the scope to be ready to prepare the plan and hopefully move forward with the study prior to the next Board meeting. Board Member Lucan asked how was the \$25,000 figure determined? Staff member Capriola responded that it is a placeholder, but staff knew it would be more than \$5,000. Typical studies seem to cost about \$25,000 but it may be less. She added if it is more than \$25k, staff will bring it back to Board in January. Board Member Lucan asked if the final amount become public. Staff Member Capriola explained that the way the agreement is written, FSA is initiating the study and NFA dictates the scope. Board Member MacLeamy asked if staff was discussing with Mr. Frei? Staff member Capriola responded that they have had preliminary discussions so far with some initial comments. Board Member MacLeamy commented that they may need a contingency.

#### Public Comment

Michael Holland asked why the study was not done in 2007. He asked if this a budget

amendment that required PAC approval. Staff Member Lauchner responded yes. Staff Member Nebb added that FSA will dictate when it will occur; it is not discretionary. As a formal matter, PAC should amend the budget. Mr. Holland's greater concern is that Al Frei is involved. He hopes to get a fairly detailed 10 year capital plan out of this.

Ray Schneider asked if the \$25,000 will come from the Senior Cash Trap. He continues asking what guarantee do we have that it will not come out of a line item or budget. Staff Member Lauchner responded that it is not a line item now and FSA has already approved the funds being taken out of the Senior Cash Trap.

Board Member Brown motioned/Board Member Dole seconded to authorize the budget amendment. Passed 5-0.

F-2: Delegation Agreement Negotiation – Consider and possibly take action to:

1. Appoint Chairperson MacLeamy and one other NFA Board Member to serve in an ad-hoc capacity to advise staff in negotiations as necessary;
2. Consider public comments received to date;
3. Direct the NFA staff to negotiate with PAC sub-committee on the Delegation Agreement and Management Agreement to return by mid-January with recommendations to NFA Board;
4. Provide direction to NFA staff regarding negotiation on broad issues and interests; and,
5. Direct staff to send copy of 10/13 Staff Report and Minutes to Financial Security firm and to communicate on proposed changes to the Delegation Agreement/Management Agreement during the negotiation process.

Staff Member Capriola gave a presentation about the Delegation Agreement negotiation process. Up to this point, it has been a process to gain input from the residents including the 8/23 workshop. Staff recommends that future meetings will have 2 NFA staff privately negotiating with the PAC. Staff also recommends an ad-hoc NFA committee that staff can discuss for direction. The sub-committee can only be two Board members because Brown Act requirements would apply if there were three members.

Staff Member Nebb suggested that the Board go through the recommendations for Board consideration and take separate action on the items.

1. Recommend forming an ad hoc to consult with NFA on occasion. If there is an impasse, that issue will be taken back to the full NFA Board.
2. Public Comments – In the staff report, staff has summarized the themes that have come out from the public input process.
3. Direct staff to negotiate Delegation Agreement and Management Agreement. Some requirements in the Delegation Agreement and Management Agreement are linked and need to be negotiated simultaneously.



4. Direct staff with broad items.
5. Direct staff to send staff report and minutes to FSA and following process. FSA has the right to review and approve so to keep them in the loop.

Board Member Tiernan commented that it was a well written report and excellent to put on table all the issues.

#### Public Comment

Mike Holland Read and submitted comments. Addressed the issues of the elections, vilification, posted meetings, the take over of HOL and MarVal. He believes that the staff perspective based on resident comment represents about 8% of the residents in MVMCC. What do the other 92% of the residents think? Staff has made recommendations based on small group of resident's input.

Jim Harais He asked about the involvement of Al Frei in the negotiation. Mr. Frei and PAC perspectives will differ.

Peggy Hill Reminded everyone the two PAC members were elected to represent all the residents.

Ray Schneider Submitted materials. One thing that stood out was the operation of the park needed to be separate from issues of ownership. Operator needs to treat each resident equally. Focus solely on budget, repair. Ownership cannot treat each resident equally because of the disparity of opinions. PAC board is filled by appointment and past elections has been about ownership and very little about operation. If separated, a good portion will be mitigated. PAC would continue to operate but change name like Park Operating Corporation (POC) and ownership would receive another name. PAC would negotiate DA and under bylaws but ownership would be removed from bylaws. No POC member could serve on the other committee. Separate operations from ownership.

#### Close of Public Comment

Staff Member Nebb summarized the recommendations outlined below.

1. Appoint Chairperson MacLeamy and one other NFA Board Member to serve in an ad-hoc capacity to advise staff in negotiations as necessary.

Board Member MacLeamy nominated Board Member Dole. Board Member Lucan nominated Board Member MacLeamy and Board Member Dole and second by Board Member Brown. All approved.

2. Consider public comments received to date.

No action needed. Submitted material will be included in the comments.

3. Direct the NFA staff to negotiate with PAC sub-committee on the Delegation Agreement and Management Agreement to return by mid-January with recommendations to NFA Board.

The Board also requested to include Mr. Frei and his input as part of the process and to return in mid-January for recommendations. If there are any impasses, a meeting would be scheduled prior to January. Board Member MacLeamy added if the meeting was convened, it will be a public meeting. Board Member asked Mr. Frei if he agreed to assist and Mr. Frei answered in the affirmative.

Board Member Tiernan motioned and Board Member Dole seconded. All approved.

4. Provide direction to NFA staff regarding negotiation on broad issues and interests.

NFA can add any themes not listed in the staff reports.

Board Member Tiernan commented that for full implementation of the Brown Act is a little extreme for a resident park. Staff member Nebb replied that staff will look at certain aspects and if there is any Brown Act impasse, staff will bring back to the NFA. If Brown Act requirements are agreed upon, there will be training. PAC is already adhering to the Brown Act for the past 3-4 months and will work with them. Board Member Tiernan added that Brown Act noticing and agenda is fine, but it is very difficult to adhere to all aspects of the Brown Act. Staff member Nebb stated that it is a question of training. Staff will balance it out and if impasse, the issue will return to the NFA. Board Member MacLeamy commented that the Brown Act is difficult but does provide for transparent government.

Board Member Tiernan motioned agreeing with the broad interest and issues and provide direction. Board Member Brown seconded. All approved.

5. Direct staff to send copy of 10/13 Staff Report and Minutes to Financial Security firm and to communicate on proposed changes to the Delegation Agreement/Management Agreement during the negotiation process.

Board Member MacLeamy asked if FSA was responsive or not? Staff answered that with new staff there, they will be more responsive.

Board Member Tiernan motioned to send a copy of the October 13 staff report to FSA. Board Member Dole seconded. All approved.

Mike Holland asked if NFA staff would be scheduling the negotiation meeting dates. Staff responded affirmatively.

G. General Business

G-1: Presentation of Bucket Analysis for Periods Ending June 30, 2010 (Attachment)

Staff Member Lauchner gave a short presentation. September statement will be done at next meeting.

G-2: PAC Update: Michael Holland

Peggy Hill is our newest and returned PAC member with the resignation with David Harrington. She will fulfill the last 9 months of the David Harrington's term. Because of the work done, PAC has \$158,000 additional for capital improvements.

G-3: Park Management Update: Al Frei

He has taken an interest in the candid comments from residents and is looking forward to revising the Management Agreement. MVMCC is coming together as a community. As for projects, there was an unplanned V-ditch job on Fallen Leaf. Rear deck of the Hall will be done and in November, the pool deck was improved. Asphalt work on Fallen Leaf. Seismic report has been done. East wall and seismic study so will expand the east wall job somewhat. The remodel work of the women's restroom has been completed.

Board Member MacLeamy acknowledged with appreciation the work of the MVMCC staff, Shirley and Jane.

H. Board/Staff Comments

H-1: Confirm Next Meeting Date: January 18, 2011 unless there is a prior meeting.

Board Member Lucan asked if it was going to be a day or evening meeting. Staff plans on a day meeting

I. Adjournment 7:45 p.m.

E-1



THE CITY OF  
NOVATO  
CALIFORNIA

75 Rowland Way #200  
Novato, CA 94945-3232  
(415) 899-8900  
FAX (415) 899-8213  
www.ci.novato.ca.us

**STAFF REPORT**

DATE: January 10, 2011

TO: Chair MacLeamy and Board Members  
Novato Financing Authority

FROM: Cathy Capriola, Assistant Authority Executive Director  
Veronica A. F. Nebb, Authority Counsel  
Tim Wong, Housing Coordinator

SUBJECT: Extension of Delegation Agreement

**REQUEST**

Staff is requesting that the Novato Financing Authority consider extending the existing Delegation Agreement with the Park Acquisition Corporation until June 30, 2011

**RECOMMENDATION**

Approve the extension

**DISCUSSION**

This fall, the Novato Financing Authority (NFA) and the Park Acquisition Corporation (PAC) entered into negotiations on the Delegation Agreement – a key legal document that sets the governing parameters for how the Marin Valley Mobile Country Club (MVMCC) is managed.

The current term of the Delegation Agreement began on March 1, 1997 and has been subject to automatic annual renewal each year thereafter. Pursuant to the Agreement, renegotiation of the Agreement is to take place at particularly scheduled intervals set as October 1, 2010 and October 1, 2025. During the period between October 1, 2010 and January 31, 2011, the PAC and the NFA agree to meet in order to review the Delegation Agreement and, if necessary renegotiate one or more of its terms. The current Delegation Agreement will expire on January 31, 2011.

A resident input process occurred in August and September 2010. On October 13<sup>th</sup>, the NFA held a public meeting and gave staff direction to negotiate with the PAC regarding the Delegation Agreement. During November and December, two members of the PAC Board (Michael Holland and Jim Olsen) and two NFA staff members (Cathy Capriola and Veronica Nebb) have been meeting to negotiate possible revisions to these documents. While good progress has been made, additional time is required to prepare language to be considered and ensure time for resident and NFA review.

Novato Financing Authority Agenda Staff Report Date: _____ File No. _____
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The original timeline was to hold a public NFA meeting to review and approve the Delegation Agreement on January 18<sup>th</sup>. However, since additional time is needed in the negotiation and review process, staff is requesting the NFA extend the DA so the negotiations process can be completed and revised terms drafted and considered.

**Updated Timeline for this Renegotiation Process for the Delegation Agreement.**

Date / Time	Action / Event
Monday, June 21 10:00 a.m.	NFA Regular Meeting -- Provided overview of information on the Delegation Agreement and gained initial input on process for renegotiation.
Monday, August 23 6:30 p.m.	NFA Special Meeting – Held workshop for resident input (evening session).
Wednesday, October 13 6:30 p.m.	NFA Regular Meeting – Provided direction to staff regarding negotiation of the Delegation Agreement.
October 14	Actual window opened for negotiations.
Monday, January 18 10:00 a.m.	NFA Regular Meeting – Extension of the Delegation Agreement; extend until June 30, 2010; allow time to complete negotiation and provide time for PAC, resident and NFA review.
<del>January 31</del>	<del>Deadline for an Agreement to be negotiated and approved.</del>
January – April	Complete negotiations; review draft documents with PAC, resident, and NFA Board; finalize documents; NFA Board approval of new Delegation Agreement and Management Agreement. Exact dates are yet to be determined.

**Summary of the Main Points of the Delegation Agreement**

- Scope: The Delegation Agreement outlines parameters for and delegates day-to-day park management responsibilities to the Park Acquisition Corporation (PAC) from the Novato Financing Authority (NFA).
- Parties: The parties to the Agreement are the NFA, as the Owner of the mobile home park, and the PAC. (The NFA is a joint powers agency formed between the City of Novato and the Novato Redevelopment Agency.)
- Operation of the Park: The Delegation Agreement assigns the day-to-day park management responsibilities to the PAC. Some of those PAC responsibilities include:
  - Hiring of a park management company. Frei Real Estate is the park manager. The Management Agreement between PAC and Frei Real Estate is also being reviewed and renegotiated at this time.

- Preparing an Annual Budget sufficient to cover payments to the NFA, annual operating costs, capital needs, and accumulating funds for long term maintenance and repair projects.
- Submitting required financials report to the NFA.

**ATTACHMENTS**

1. Draft First Amendment to Marin Valley Mobile Country Club Park Delegation Agreement

**FIRST AMENDMENT TO  
MARIN VALLEY MOBILE COUNTRY CLUB PARK DELEGATION  
AGREEMENT**

**between**

**NOVATO FINANCING AUTHORITY**

**and**

**PARK ACQUISITION CORPORATION OF  
MARIN VALLEY MOBILE COUNTRY CLUB**

**January 18, 2011**

**FIRST AMENDMENT TO MARIN VALLEY MOBILE COUNTRY CLUB PARK  
DELEGATION AGREEMENT**

This First Amendment to the Marin Valley Mobile Country Club Park Delegation Agreement (this "Agreement") is made and entered into as of January 18, 2011 between Novato Financing Authority (the "Owner"), a joint powers authority duly organized and existing under the constitution and laws of the State of California and the Park Acquisition Corporation of Marin Valley Mobile Country Club (the "PAC"), a California nonprofit, mutual benefit corporation duly organized and existing under the laws of the State of California.

**STATEMENT OF AGREEMENT AND PREAMBLE**

WHEREAS, on March 1, 1997, the Owner and PAC entered into a Delegation Agreement whereby Owner delegated to PAC certain management duties relating to the management of the Marin Valley Mobile Country Club (Delegation Agreement); and

WHEREAS, pursuant to paragraph 4.02 of said Delegation Agreement, the Delegation Agreement is subject to periodic renegotiation at specific intervals the first of which was scheduled to occur on October 1, 2010; and

WHEREAS, Owner and PAC began said periodic renegotiation on October 1, 2010 and have been diligently working toward preparing a renegotiated delegation agreement; and

WHEREAS, said Delegation Agreement provides that if the parties are unable to reach an agreement during the renegotiation period prior to January 31, 2011, the Delegation Agreement shall terminate; and

WHEREAS, the parties wish to extend the period to complete the renegotiation and to execute a renegotiated delegation agreement for an additional period time in order to complete negotiations.

NOW, THEREFORE, in consideration of, and in reliance upon, the covenants and conditions contained in this Agreement to be kept and performed by the respective parties, It is mutually agreed as follows:

**ARTICLE IV Section 4.02 is hereby amended to extend the date for renegotiation from January 31, 2011 to June 30, 2011. If, after good faith negotiations, the parties cannot reach agreement on the proposed changes to the Delegation Agreement by June 30, 2011, the Delegation Agreement shall terminate as of June 30, 2011.**

**In all other respects, the Delegation Agreement shall remain in full force and effect until June 30, 2011.**



IN WITNESS WHEREOF, the Owner has caused this First Amendment to Delegation Agreement to be executed by its Chairman, and the PAC has caused this Agreement to be executed by its President, all as of the 18<sup>th</sup> day of January, 2011.

NOVATO FINANCING AUTHORITY, as Owner

By

Name: Jeanne MacLeamy

Title: Chair

PARK ACQUISITION CORPORATION OF  
MARIN VALLEY MOBILE COUNTRY CLUB

By

Name:

Title:

NOVATO FINANCING AUTHORITY  
COMPONENT UNIT FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT

\* \* \* \* \*

JUNE 30, 2010

NOVATO FINANCING AUTHORITY

COMPONENT UNIT FINANCIAL STATEMENTS

JUNE 30, 2010

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465 California Street | Phone: (415) 434-3744  
Suite 700 | Fax: (415) 788-2260  
San Francisco, CA 94104 | www.oumcpa.com

October 25, 2010

Board Members of the  
Novato Financing Authority  
Novato, California

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying basic financial statements of the Novato Financing Authority (the "Authority"), a component unit of the City of Novato, California, as of and for the fiscal year ended June 30, 2010. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying required supplementary information, such as management's discussion and analysis, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

*Odeberg Ullakko Muranishi - Co LLP*

## NOVATO FINANCING AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED JUNE 30, 2010

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This section of the Novato Financing Authority's ("Authority") Financial Statements presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2010.

#### Required Financial Statements

The Balance Sheet includes all the Authority's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). Over time, increases or decreases in fund balance may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Fund Balance. This statement measures the success of the Authority's operations over the past year and can be used to determine its profitability, credit worthiness, and whether the Authority has successfully recovered all of its costs through its rental charges and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments made during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, non-capital, capital and investing activities.

#### Financial Analysis

As illustrated below, the Authority's total assets at June 30, 2010 exceeded its total liabilities by \$8.2 million. The Authority's investment in capital assets represents the largest portion of assets (79%), and promissory notes (senior and subordinated) represent the largest portion of liabilities (98%). Fund equity increased by \$996,256 due to operating income for the fiscal year of approximately \$1.5 million, offset by net non-operating expenses of \$458,735 (primarily interest income of \$193,083 offset by interest expense of \$651,818).

The following schedule shows an analysis of the balance sheet:

	Fiscal Year Ended June 30,		Increase (Decrease)	Percent
	2010	2009	Over 2009	Increase (Decrease)
Other assets, net	\$ 4,013,679	\$ 4,565,519	(\$551,840)	-12.1%
Capital assets, net	15,099,837	15,173,170	(73,333)	-0.5%
Total assets	19,113,516	19,738,689	(625,173)	-3.2%
Other liabilities	186,990	233,419	(46,429)	-19.9%
Promissory notes	10,760,000	12,335,000	(1,575,000)	-12.8%
Total liabilities	10,946,990	12,568,419	(1,621,429)	-12.9%
Fund equity:				
Reserved fund balance	8,166,526	7,170,270	996,256	13.9%
Total liabilities and fund equity	\$ 19,113,516	\$ 19,738,689	\$ (625,173)	-3.2%

The following schedule presents the changes in the Authority's fund equity:

	Fiscal Year Ended June 30,		Increase (Decrease)
	2010	2009	Over 2009
Operating revenues	\$2,961,682	\$2,979,538	(\$17,856)
Operating expenses	(1,506,691)	(1,380,417)	126,274
Nonoperating expenses, net	(458,735)	(541,590)	(82,855)
Net income	996,256	1,057,531	(61,275)
Fund equity - beginning of period	7,170,270	6,112,739	1,057,531
Fund equity - end of period	\$ 8,166,526	\$ 7,170,270	\$ 996,256

Operating revenues decreased by \$17,856, primarily due to the timing of reimbursement to the City for city costs associated with the management of the park assets. Reimbursement comes from the funds held by the Trustee and is included in revenue.

Operating expenses increased from the prior year by \$126,274 primarily related to increased sewer expenses along with depreciation and amortization expenses related to the prepayment of the subordinate bonds.

#### Capital Assets

The Authority's investment in capital assets as of June 30, 2010 amounts to approximately \$15.1 million, net of accumulated depreciation. The investment in capital assets includes land, land improvements, buildings, equipment and mobile homes and improvements. The Authority's investment in capital assets, net of depreciation has decreased by \$73,333, a result of

depreciation expense for the fiscal year of \$211,758 offset by additions to capital assets of \$138,425 for land improvements.

#### Debt Administration

As of June 30, 2010, the Authority has an outstanding senior promissory note of \$10,760,000. The authority made principal payments of \$310,000 on the senior promissory notes. The Authority also made payments of \$1,265,000 towards its subordinated promissory note, paying off the balance.

On October 1, 2007, the trustee redeemed a portion of the bonds according to Section 4.01(f) of the Trust Indenture. This section requires a mandatory redemption of the outstanding bonds on October 1, 2007 and again on October 1, 2017. The Trust Indenture states that the amounts on deposit in the Senior Cash Trap Account as of August 1, 2007 will be used to redeem the bonds. On October 1, 2007, the Senior Cash Trap balance of \$1,495,000 was used to redeem outstanding bonds in a "strip call." A "strip call" is redemption of some of the bonds from each maturity over the remaining life of the bonds. As a result of this mandatory redemption, the annual bond payments were reduced by an average of \$130,000 per year.

#### Accounting System and Budgetary Control

Authority financial records are reported on the accrual basis of accounting. Accrual basis accounting recognizes transactions, events and circumstances when they occur, rather than when cash is received or paid.

During the development and evaluation of the Authority's accounting system, consideration was given to the adequacy of internal accounting controls. Those controls are designed to give reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparation of financial statements and maintenance of the accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The Authority approves an annual budget as a management tool, and budgetary controls are maintained to ensure compliance with this budget.

#### Request for Information

This financial report is to provide interested parties with a general overview of the Authority's finances. If you have any questions about this report or need additional information, you may submit a request in writing to:

City of Novato  
Finance Department  
75 Rowland Way, Room No. 200  
Novato, CA 94945

NOVATO FINANCING AUTHORITY

BALANCE SHEET

NON-EXPENDABLE TRUST FUND

JUNE 30, 2010

(with comparative totals as of June 30, 2009)

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash and investments	\$ 62,710	\$ 52,898
Cash and investments with fiscal agent	3,172,173	3,761,419
Accounts receivable	6,565	10,427
Due from City of Novato - RDA	130,000	-
Capital assets, net	15,099,837	15,173,170
Other assets, net	642,231	740,775
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 19,113,516</u>	<u>\$ 19,738,689</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Accounts payable	\$ 24,294	\$ 19,526
Due to City of Novato	7,490	-
Deposit held in trust	100	100
Interest payable	139,732	166,615
Deferred revenue	15,374	47,178
Senior promissory note	10,760,000	11,070,000
Subordinated promissory note	-	1,265,000
	<u>                    </u>	<u>                    </u>
Total liabilities	10,946,990	12,568,419
Fund equity:		
Reserved fund balance	8,166,526	7,170,270
	<u>                    </u>	<u>                    </u>
Total liabilities and fund equity	<u>\$ 19,113,516</u>	<u>\$ 19,738,689</u>

See accompanying notes to financial statements.



NOVATO FINANCING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

NON-EXPENDABLE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(with comparative totals for the fiscal year ended June 30, 2009)

	For the fiscal year ended	
	June 30,	
	2010	2009
Operating revenues:		
Rental charges	\$ 2,327,626	\$ 2,373,781
Utilities	620,545	593,115
Miscellaneous	13,511	12,642
	<u>2,961,682</u>	<u>2,979,538</u>
Operating expenses:		
Employee costs	102,148	104,199
General and administrative	1,093,184	1,062,799
Depreciation and amortization	311,359	213,419
Total operating expenses	<u>1,506,691</u>	<u>1,380,417</u>
Operating income	<u>1,454,991</u>	<u>1,599,121</u>
Nonoperating revenues (expenses):		
Interest income	-	2,074
Investment income	193,083	196,282
Interest expense	(651,818)	(739,946)
Net nonoperating revenues (expenses)	<u>(458,735)</u>	<u>(541,590)</u>
Net income	996,256	1,057,531
Fund balance at beginning of fiscal year	<u>7,170,270</u>	<u>6,112,739</u>
Fund balance at end of fiscal year	<u>\$ 8,166,526</u>	<u>\$ 7,170,270</u>

See accompanying notes to financial statements.

NOVATO FINANCING AUTHORITY

STATEMENT OF CASH FLOWS

NON-EXPENDABLE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

(with comparative totals for the fiscal year ended June 30, 2009)

	For the fiscal year ended	
	June 30,	
	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Rental and utility charges	\$ 2,933,740	\$ 2,993,854
Cash payments to employees	(102,148)	(104,199)
Cash payments to suppliers for goods and services	(1,088,416)	(1,185,966)
Net cash provided by operations	<u>1,743,176</u>	<u>1,703,689</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Increase (decrease) in bank overdraft	-	(64,674)
Principal payments on long-term debt	(1,575,000)	(340,000)
Interest payments on long-term debt	(679,646)	(744,598)
Due from City of Novato - RDA	(130,000)	-
Due to City of Novato	7,490	-
Purchase of capital assets	(138,537)	(322,334)
Net cash used by capital and related financing activities	<u>(2,515,693)</u>	<u>(1,471,606)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received on investments	193,083	198,356
Net cash provided by investing activities	<u>193,083</u>	<u>198,356</u>
Net change in cash and cash equivalents	(579,434)	430,439
Cash and cash equivalents at beginning of fiscal year	3,814,317	3,383,878
Cash and cash equivalents at end of fiscal year	<u>\$ 3,234,883</u>	<u>\$ 3,814,317</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 1,454,991	\$ 1,599,121
Adjustments to reconcile net income from continuing operations to net cash provided (used) by operating activities:		
Depreciation and amortization	311,359	213,419
Changes in assets and liabilities:		
Accounts receivable	3,862	(8,585)
Accounts payable	4,768	(123,167)
Deferred revenue	(31,804)	22,901
Net cash provided by operations	<u>\$ 1,743,176</u>	<u>\$ 1,703,689</u>

See accompanying notes to financial statements.

## NOVATO FINANCING AUTHORITY

### NOTES TO COMPONENT UNIT FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

#### **NOTE 1 - Description of organization and summary of significant accounting policies:**

##### Description of component unit

The Novato Financing Authority (the "Authority") is a separate government entity that was created by a Joint Exercise of Powers Agreement between the City of Novato and the Redevelopment Agency of the City of Novato. It is reported as a component unit of the City of Novato because the City Council, although acting in a different capacity, is the controlling authority. All accounting and administrative functions are performed by the property management company and fiscal agents in a trustee capacity. The purpose of the Authority was to finance the acquisition, operation and maintenance of mobile home parks (the "Project") in the City. The Authority has agreed to assign certain duties and obligations (operation of the Project) to the Park Acquisition Corporation of Marin Valley Mobile Country Club Park, a nonprofit, mutual benefit corporation, pursuant to a Delegation Agreement dated as of March 1, 1997. Based on the nature of operations and the fact that the Authority cannot freely dispose of the Project, the activities of the Authority are reported as a Non-expendable Trust within the Fiduciary Funds of the City of Novato.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governments. Following is a summary of the more significant policies.

##### Basis of accounting

The accounts of the Authority are organized as a Non-expendable Trust Fund. Non-expendable Trust Funds are accounted for in essentially the same manner as proprietary funds. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-expendable Trust Funds account for assets of which the principal may not be spent.

##### Revenue recognition

Revenue from rental activities is recognized as it is earned.

##### Cash and investments

The Authority is required to maintain its cash with a Trustee. The Trustee invests according to allowable investments as detailed in the Trust Agreement. For purposes of the statement of cash flows, all cash with fiscal agent are considered cash equivalents.

Capital assets

The Authority's policy is to capitalize all capital assets with a useful life of one year or greater and a historical cost of \$5,000 or greater. All fixed assets are recorded at historical cost or, if historical cost is not available, at estimated historical cost. Donated assets are recorded at the estimated fair market value on the date donated. Depreciation is charged as an expense of operations annually and accumulated depreciation is reported on the balance sheet. Depreciation is based on the estimated useful lives of the assets using the straight-line method.

Other assets

Other assets include certain costs of acquiring the Marin Valley Mobile Country Club Park and costs associated with issuing the Senior Revenue Bonds, Series 1997 A (Senior Promissory Note) and Subordinate Revenue Bonds, Series 1997 (Subordinate Promissory Note). The issuance costs are being amortized over a periods of 30 to 40 years. In fiscal 2010, the remaining unamortized issuance costs related to the Subordinate Promissory Note were written off upon repayment of that note.

Fund equity

Reserved fund balances represent that portion of a fund balance that is not appropriable for expenditure or is legally segregated for a specific future use.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - Cash and investments:**

The Authority's cash and investments are comprised of the following at June 30, 2010:

Cash and investments	\$ 62,710	
Cash and investments with fiscal agent	3,172,173	
	<u>\$ 3,234,883</u>	
	Carrying Value	Fair Value
Cash in bank	\$ 62,710	\$ 62,710
Money market	354,974	354,974
Guaranteed Investment Contracts	2,817,199	2,817,199
	<u>\$ 3,234,883</u>	<u>\$ 3,234,883</u>

Market investments to fair value (GASB 31)

The Authority adopted Government Accounting Standards Board Statement 31 ("GASB 31"), which requires that the Authority's investments be carried at fair value instead of cost. Under GASB 31 the Authority must adjust the carrying values of its investments to reflect their fair values at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year.

GASB 31 applies to all the Authority's investments, even if they are held to maturity and redeemed at full face value. Since the Authority's policy is to hold all investments to maturity, the fair value adjustments required by GASB 31 result in accounting gains or losses (called "recognized" gains or losses) which do not reflect actual sales of the investments (called "realized" gains or losses). Thus, recognized gains or losses on an investment purchased at par will now reflect changes in its fair value at each succeeding fiscal year end, but these recognized gains or losses will net to zero if the investment is held to maturity. Recognized gains or losses are reported as investment income. By following the requirements of GASB 31, the Authority is reporting the amount of resources that would actually have been available had the Authority been required to liquidate all its investments at any fiscal year end.

*Interest Rate Risk.* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's maturity of investments at June 30, 2010 was as follows:

Investment Type	Fair Value	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Money market	\$ 354,974	\$ 354,974	\$ -	\$ -	\$ -
Investment agreements	2,817,199	-	-	-	2,817,199
Total	\$ 3,172,173	\$ 354,974	\$ -	\$ -	\$ 2,817,199

*Credit Risk.* This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of a rating by a nationally recognized credit rating organization. Presented below is the actual rating as of year end for each investment type.

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End	
			AAA	Not Rated
Money market	\$ 354,974	\$ 354,974	\$ -	\$ -
Investment agreements	2,817,199	-	-	2,817,199
Total	\$ 3,172,173	\$ 354,974	\$ -	\$ 2,817,199

**NOTE 3 - Capital assets:**

The changes in capital assets for the fiscal year ended June 30, 2010 are as follows:

	June 30, 2009	Additions	Retirements/ Transfers	June 30, 2010
Land	\$ 11,840,000	\$ -	\$ -	\$ 11,840,000
Land improvements	3,935,138	138,425	(19,768)	4,053,795
Buildings and improvements	853,825	-	19,656	873,481
Equipment	26,119	-	3,600	29,719
Mobile Homes and improvements	177,635	-	(3,488)	174,147
	<u>16,832,717</u>	<u>138,425</u>	<u>-</u>	<u>16,971,142</u>
Less accumulated depreciation	1,659,435	211,870	-	1,871,305
	<u>\$ 15,173,282</u>	<u>\$ (73,445)</u>	<u>\$ -</u>	<u>\$ 15,099,837</u>

Substantially all of the capital assets serve as collateral for certain promissory notes (see Note 5).

**NOTE 4 - Other assets:**

The changes in other assets for the fiscal year ended June 30, 2010 are as follows:

	June 30, 2009	Additions	Deletions	June 30, 2010
Acquisition costs	\$ 597,452	\$ -	\$ -	\$ 597,452
Bond issuance costs	548,438	-	(116,416)	432,022
	<u>1,145,890</u>	<u>-</u>	<u>(116,416)</u>	<u>1,029,474</u>
Less accumulated amortization	405,115	98,543	(116,416)	387,242
	<u>\$ 740,775</u>	<u>\$ (98,543)</u>	<u>\$ -</u>	<u>\$ 642,232</u>

**NOTE 5 - Long-term debt:**Promissory notes - Senior and Subordinate

The Authority has two promissory notes with the California Local Government Financing Authority. On March 1, 1997 the California Local Government Financing Authority issued Senior Revenue Bonds, Series 1997 A in the amount of \$15,485,000 and Subordinate Revenue Bonds, Series 1997 B in the amount of \$1,585,000 for the benefit of the Authority. The proceeds from the Senior Promissory Note (\$15,485,000) and the Subordinate Promissory Note (\$1,585,000) were received by the Authority on March 1, 1997. The proceeds were used to permanently finance the acquisition of certain real property constituting the Marin Valley Mobile Country Club Park and any structures, site improvements, facilities and fixtures on the site. The Subordinate Promissory Note was paid off in October 2010. The real property serves as collateral for the promissory notes (see Note 3).

Long-term obligations at June 30, 2010, are as follows:

**Senior Promissory Note:** Bearing annual interest rates ranging from 3.9% to 5.85%, maturing in fiscal year 2028 \$ 10,760,000

Changes in long-term debt for the fiscal year ended June 30, 2010 are as follows:

	Balance, June 30, 2009	Additions	Payments	Balance, June 30, 2010	Due Within One Year
Senior Promissory Note	\$ 11,070,000	\$ -	\$ (310,000)	\$ 10,760,000	\$ 325,000
Subordinated Promissory Note	1,265,000	-	(1,265,000)	-	
	<u>\$ 12,335,000</u>	<u>\$ -</u>	<u>\$ (1,575,000)</u>	<u>\$ 10,760,000</u>	<u>\$ 325,000</u>

The annual debt service for the promissory notes is as follows is as follows:

Fiscal year ending June 30,	Senior Promissory Note		
	Principal	Interest	Total
2011	\$ 325,000	\$ 615,218	\$ 940,218
2012	345,000	596,955	941,955
2013	365,000	577,248	942,248
2014	385,000	555,863	940,863
2015	405,000	532,953	937,953
2016-2020	2,410,000	2,271,088	4,681,088
2021-2025	3,200,000	1,461,773	4,661,773
2026-2028	3,325,000	350,267	3,675,267
Total payments	<u>\$ 10,760,000</u>	<u>\$ 6,961,362</u>	<u>\$ 17,721,362</u>

In addition to principal and interest payments, the promissory notes also have scheduled bond expenses through the fiscal year 2028. These bond expenses are fees expected to be paid to fiscal agents and for insurance costs. Anticipated payments are as follows:

Fiscal year ending June 30,	Annual Payments
2011	\$ 71,970
2012	69,690
2013	67,290
2014	64,755
2015	62,070
2016-2020	264,225
2021-2025	169,410
2026-2028	40,470
Total	<u>\$ 809,880</u>

**NOTE 6 - Transactions with the City of Novato:**

Due from City of Novato - RDA

The Authority had \$130,000 which had been held in a pledged funds account in conjunction with the Authority's Subordinated Promissory Note (see Note 5). When the Subordinated Promissory Note was retired by the Authority in fiscal 2010, the funds were transferred to the City of Novato Redevelopment Agency (RDA). In September 2010, the RDA transferred the \$130,000 back to the Authority which will be used for capital projects within the park.

Due to City of Novato

The Authority had an amount due to the City of Novato totaling \$7,490 at June 30, 2010 related to costs incurred by the City for management of the park assets.

**NOTE 7 - Subsequent events:**

The Authority has evaluated events and transactions that have occurred after June 30, 2010 through October 25, 2010, the date of this report. As discussed in Note 6, the Authority received the \$130,000 due from the City of Novato - RDA in September 2010.

The Authority is in the process of renegotiating the Delegation Agreement with the Park Acquisition Corporation (PAC). The Delegation Agreement delegates daily management of the park asset to the PAC. The PAC is required to hire a property manager to provide for management of daily operations and maintain best practices within the operation. The negotiations and renewal of the Delegation Agreement must be completed by January 2011.




# FREI REAL ESTATE SERVICES

8340 AUBURN BLVD. • SUITE 100 • CITRUS HEIGHTS, CA 95610 • (916) 722-8110 • FAX (916) 722-8111

DATE: January 14, 2011

TO: Novato Financing Authority  
Park Acquisition Corporation

FROM: Al Frei 

RE: Marin Valley Mobile Country Club  
Mid Year Budget Review – FY 6/30/11

### Summary

Our mid-year budget review ending 12/31/10 shows a total deviation of 3.81% under-budget in operating costs (middle of page 4).

### Significant Budget Deviations

#### Expenses

- Wages-Manager – There were two people being paid while the retiring office manager trained her replacement.
- Garbage – Additional temporary bins were brought in for resident use/park clean up.
- Trees – Several dead or leaning trees that were in danger of causing property damage were removed.
- Legal – There is a court action in which the Park is seeking a court injunction for a rules violation with a resident.
- Licenses & Permits – The most expensive fee, HCD annual permit (\$4,383) has already been paid.
- Telephone – The Park added Wi-Fi access in the library.

### RECOMMENDATIONS:

#### OPERATING BUDGET

Because of the under-budget deviation at mid-year, Management recommends no revision to the operating budget.

#### CAPITAL PLAN

##### Major Completed Projects:

- Asphalt Overlay, Repairs, Seal Coat, and Restripe
- Driveways and Cul de sacs Seal Coat
- Retaining Walls
  - 199 Marin Valley Drive      1 Falling Leaf
  - 179 Marin Valley Drive      57 Club View
  - 19 Marin View                  121 Sunrise Lane
  - 39 Scenic Drive                10 Falling Leaf
  - 13 View Ridge
  - 2 additional to be completed this year
- Women's Restroom Remodel
- Clubhouse Deck and Dryrot Repairs – nearing completion
- Pool Deck – in progress

Marin Valley Mobile Country Club  
Mid Year Budget Review  
as of 12/31/10

ACCOUNT	DESCRIPTION	Trial Balance 12/31/2010	Reverse Prior Year Payables - 6/30/10	Payables/Adjustments 12/31/2010	Adjusted Balance 12/31/2010	Year to Date Budget 12/31/2010	Difference	Percent
41100	MOBILE HOME SPACE RENT	1,158,593			1,158,593	1,158,594	(1)	
41300	LATE FEES	380			380	180	200	
41400	LAUNDRY	799			799	840	(41)	
41500	MANAGERS MOBILE HOME RENT	5,988			5,988	5,988	-	
41700	VEHICLE PARKING FEES	5,770			5,770	5,490	280	
	<b>TOTAL RENT INCOME</b>	<b>1,171,530</b>			<b>1,171,530</b>	<b>1,171,092</b>	<b>438</b>	<b>0.04%</b>
42100	CABLE TV	54,234			54,234	58,068	(3,835)	
42200	ELECTRIC	70,589			70,589	77,794	(7,205)	
42300	GARBAGE	40,100			40,100	40,098	2	
42400	GAS	44,768			44,768	39,263	5,505	
42500	SEWER	86,300			86,300	88,673	(2,372)	
	<b>TOTAL UTILITY INCOME</b>	<b>295,991</b>	-	-	<b>295,991</b>	<b>303,896</b>	<b>(7,905)</b>	<b>-2.60%</b>
	<b>TOTAL RENT/UTILITIES</b>	<b>1,467,520</b>	-	-	<b>1,467,520</b>	<b>1,474,988</b>	<b>(7,467)</b>	<b>-0.51%</b>
43100	INTEREST INCOME	2				-	-	
43200	INVESTMENT INCOME	95,805				70,000	(70,000)	
43300	OTHER INCOME	150				-	-	
	<b>TOTAL OTHER INCOME</b>	<b>95,957</b>	-	-	<b>95,957</b>	<b>70,000</b>	<b>25,957</b>	<b>37.08%</b>
	<b>TOTAL PROJECT REVENUE</b>	<b>1,563,478</b>	-	-	<b>1,563,478</b>	<b>1,544,988</b>	<b>18,490</b>	<b>1.20%</b>

Marin Valley Mobile Country Club  
Mid Year Budget Review  
as of 12/31/10

ACCOUNT	DESCRIPTION	Trial Balance 12/31/2010	Reverse Prior Year Payables - 6/30/10	Payables/Adjustments 12/31/2010	Adjusted Balance 12/31/2010	Year to Date Budget 12/31/2010	Difference	Percent
50100	WAGES-MANAGER	14,781	(1,113)	936	14,604	13,158	1,446	
50150	WAGES-MAINTENANCE MANAGER	14,900	(1,232)	1,233	14,900	14,790	110	
50200	WAGES-ASST. MAINTENANCE	11,210	(925)	925	11,210	11,100	110	
50500	TRAVEL	-			-	300	(300)	
50400	MANAGERS MOBILEHOME RENT	5,988			5,988	5,988	-	
51100	P/R TAXES	4,249	(295)	527	4,481	4,500	(19)	
51200	INSURANCE - HEALTH	2,100	(175)	175	2,100	2,400	(300)	
51300	INSURANCE - WORKERS COMP	2,878	(201)	316	2,993	2,700	293	
	<b>TOTAL EMPLOYEE COSTS</b>	<b>56,105</b>	<b>(3,942)</b>	<b>4,111</b>	<b>56,274</b>	<b>54,936</b>	<b>1,338</b>	<b>2.44%</b>
52100	CABLE TV	59,666			59,666	62,700	(3,034)	
52200	ELECTRIC	51,384	(8,332)	11,055	54,107	56,875	(2,569)	
52300	GARBAGE	46,565			46,565	44,850	1,715	
52400	GAS	33,182	(3,614)	17,715	47,283	47,824	(541)	
52500	SEWER	88,673			88,673	88,674	(2)	
52700	WATER	32,572			32,572	32,400	172	
	<b>TOTAL UTILITIES</b>	<b>312,041</b>	<b>(11,946)</b>	<b>28,770</b>	<b>328,865</b>	<b>333,123</b>	<b>(4,258)</b>	<b>-1.28%</b>
53100	CONCRETE MAINTENANCE	426			426	252	174	
53200	FIRE ABATEMENT	3,480			3,480	3,750	(270)	
53300	LANDSCAPE MAINTENANCE	9,585	(4,150)	790	6,225	7,500	(1,275)	

Marin Valley Mobile Country Club  
Mid Year Budget Review  
as of 12/31/10

ACCOUNT	DESCRIPTION	Trial Balance		Reverse Prior Year		Payables/Adjustments		Adjusted Balance		Year to Date Budget		Difference	Percent
		12/31/2010	983	Payables - 6/30/10	Payables - 6/30/10	12/31/2010	12/31/2010	12/31/2010	12/31/2010				
53400	MANAGER HOME REPAIRS		983					983		500	483		
53500	OPERATING SUPPLIES & EQUIP.		1,044	(82)		220		1,182		2,400	(1,218)		
53600	POOL SUPPLIES & EQUIPMENT		1,712	(142)				1,569		1,800	(231)		
53700	REPAIRS & MAINTENANCE		12,437	(1,160)		98		11,375		14,500	(3,125)		
53900	STREET/PARKING LOT MAINT.		-					-		3,648	(3,648)		
54000	SYSTEM MAINTENANCE - GAS		997					997		6,250	(5,253)		
54030	SYSTEM MAINTENANCE-ELECTRIC		1,672			476		2,148		7,500	(5,352)		
54050	SYSTEM MAINT - GENERATOR		-			1,968		1,968		1,650	318		
54100	SYSTEM MAINT - SEWER		6,628					6,628		9,000	(2,372)		
54200	SYSTEM MAINT - WATER		-					-		300	(300)		
54300	TOOL & EQUIPMENT REPAIR		-					-		1,000	(1,000)		
54400	TREES		8,555	(680)				7,875		4,750	3,125		
54500	UNIFORMS		149	(56)				93		150	(57)		
54600	UTILITY MAINTENANCE		1,350					1,350		1,200	150		
54700	VEHICLE MAINTENANCE		1,049	(151)				947		1,500	(553)		
54800	CONTINGENCY		-					-		4,000	(4,000)		
	<b>TOTAL REPAIRS &amp; MAINTENANCE</b>		<b>50,066</b>	<b>(6,421)</b>		<b>3,603</b>		<b>47,247</b>		<b>71,650</b>	<b>(24,403)</b>		<b>-34.06%</b>
55100	ADVERTISING & PROMOTION		-					-		300	(300)		
55200	BANK CHARGES		999					999		900	99		
55400	COMPUTER & COPY SUPPLIES		288					288		600	(312)		
55500	DUES & SUBSCRIPTIONS		-					-		150	(150)		
55600	EDUCATION & SEMINARS		-					-		426	(426)		

Marin Valley Mobile Country Club  
Mid Year Budget Review  
as of 12/31/10

ACCOUNT	DESCRIPTION	Trial Balance 12/31/2010	Reverse Prior Year Payables - 6/30/10	Payables/Adjustments 12/31/2010	Adjusted Balance 12/31/2010	Year to Date Budget 12/31/2010	Difference	Percent
55700	LEGAL	9,339	(184)	4,962	14,117	6,000	8,117	
55800	LICENSES & PERMITS	5,146		40	5,186	2,946	2,240	
56100	OFFICE SUPPLIES & EQUIPMENT	3,063	(397)	108	2,774	3,420	(646)	
56200	OTHER EXPENSES	-			-	252	(252)	
56300	OUTSIDE SERVICES	4,822	(469)		4,353	4,950	(597)	
56600	TELEPHONE	3,114		29	3,144	1,950	1,194	
	<b>TOTAL OFFICE &amp; ADMINISTRATION</b>	<b>26,771</b>	<b>(1,050)</b>	<b>5,139</b>	<b>30,860</b>	<b>21,894</b>	<b>8,966</b>	<b>40.95%</b>
	<b>TOTAL OPERATING COSTS</b>	<b>444,983</b>	<b>(23,359)</b>	<b>41,622</b>	<b>463,247</b>	<b>481,603</b>	<b>(18,356)</b>	<b>-3.81%</b>
57050	RESEARCH OWNERSHIP	3,030			3,030	12,498	(9,468)	
57100	FSA INSURANCE PREMIUM	30,015			30,015	30,015	-	
57200	IN-LIEU OF TAX FEES - NOVATO	32,934			32,934	32,934	-	
57220	RESIDENT HUMANITARIAN SERVICE	3,500			3,500	6,000	(2,500)	
57300	INSURANCE-PROPERTY & LIABILITY	26,212	(1,946)	4,369	28,635	37,500	(8,865)	
57400	ISSUER	-			-	3,750	(3,750)	
57500	TRUSTEE FEES	9,875			9,875	4,050	5,825	
57600	MANAGEMENT FEES	26,502	(4,417)	4,417	26,502	26,502	-	
57700	CAPITAL EXPENSES	239,323	(841)		238,482	275,000	(36,518)	
57800	ARBITRAGEFEE/REBATE	-			-	3,750	(3,750)	
	<b>TOTAL PROJECT FEES COSTS</b>	<b>371,391</b>	<b>(7,204)</b>	<b>8,786</b>	<b>372,973</b>	<b>431,999</b>	<b>(59,026)</b>	<b>-13.66%</b>

Marin Valley Mobile Country Club  
Mid Year Budget Review  
as of 12/31/10

ACCOUNT	DESCRIPTION	Trial Balance 12/31/2010	Reverse Prior Year Payables - 6/30/10	Payables/Adjustments 12/31/2010	Adjusted Balance 12/31/2010	Year to Date Budget 12/31/2010	Difference	Percent
	<b>NET OPERATING INCOME</b>	747,103	(30,562)	50,408	727,258	631,386	95,872	15.18%
57750	AUDIT	-	-	-	-	4,500	(4,500)	
59900	MOBILE HOME RENT CONTROL FEE	-	-	-	-	9,450	(9,450)	
	<b>TOTAL AUDIT/RENT CONTROL FEE</b>	-	-	-	-	13,950	(13,950)	-100.00%
61100	SENIOR BOND INTEREST EXPENSE	311,996			311,996	307,608	4,388	
61300	CITY OF NOVATO	-			-	-	-	
	<b>TOTAL INTEREST EXPENSE</b>	311,996	-	-	311,996	307,608	4,388	1.43%
71000	PAC EXPENSES	1,928			1,928	2,000	(72)	
71500	REDEVELOPMENT AGENCY	(130,000)			(130,000)	-	(130,000)	
72000	OWNER EXPENSES	16,499			16,499	12,500	3,999	
	<b>TOTAL MISC EXPENSES</b>	(111,573)	-	-	(111,573)	14,500	(126,073)	-869.47%
	<b>NET</b>	546,680	(30,562)	50,408	526,835	295,328	231,507	78.39%

Marin Valley Mobile Country Club  
Capital Plan approved Reconciliation

Capital Projects Expenses	Budgeted and Actual	Total Budgeted	Actual Paid 7/1/10-12/31/10	Projected Funds Balance 6/30/11
<b>ASPHALT/STREETS</b>				0
Overlay		38,000	61,156	-23,156
Repairs		6,000	6,700	-1,700
Seal Coat/Restripe/			1,850	-1,850
Crack Fill				0
Driveways & Cul de sacs		40,000	24,000	16,000
<b>CLUBHOUSE</b>				0
Earthquake Proof				0
Exterior Paint		25,000		25,000
HVAC				0
Air Conditioning(2) - great hall		20,000		20,000
Heat (5)				0
Deck/Rails & Dryrot Repair (rear deck)		25,000	48,487	-23,487
Water Heaters (2)				0
Kitchen Remodel - stove				0
New Ballroom Floor				0
New East Wall		80,000		80,000
New East Wall Windows		30,000		30,000
Bathroom Remodel for Disabled (H/C) - womens			27,775	-27,775
Windows and Doors		50,000		50,000
Insulation				0
Ballroom Floor				0
Bathroom (Women's)				0
Clubhouse Flat Roof, Laundry Room Roof & Misc Repairs				0
Photovoltaic System				0
Emergency Generator		40,000		40,000
Clubhouse Seismic Assessment			6,083	
<b>POOL LANAI</b>				0
<b>POOL/SPA</b>				0
Pool Deck			16,000	-16,000
<b>PARK IMPRV-STREET LIGHTS</b>				0
<b>GEO TECHNICAL</b>				0
Slopes/Drains/V-ditches		40,000		40,000
Retaining Walls		75,000	47,273	27,727
Kleinfelder Recommendations				0
<b>SEWER</b>				0
Remedy Excessive Water Intrusion / Las Gallinas		40,000		40,000
<b>GAS REPAIRS</b>		12,000		12,000
<b>ELECTICAL REPAIRS</b>		10,000		10,000
Park Vehicle (truck)				0
Disaster Planning				0
St. Vincents Runoff Issue		7,500		7,500
Capital Projects		\$547,500	\$239,323	\$308,177
Emergency Slope Repairs		\$46,113	\$0	\$46,113
Contingency		\$30,000	\$0	\$30,000
Infrastructure		\$214,500	\$0	\$214,500
<b>Current Funds Available</b>				
Emergency Slope Reserves				
Emergency Slope Reserves Balance 7/1/10		132,049		
Budgeted Contribution 2010-11		46,113		
Contributions to be made \$3842.75 p/mo		-23,057		
Actual Paid thru 12/31/10		0		
Emergency Slope Reserve Funds Avail.			\$155,106	
Contingency Reserves				
Contingency Reserves Balance 7/1/10		70,000		
Budgeted Contribution 2010-11		30,000		
Contributions to be made \$2500.00 p/mo		-15,000		
Actual Paid thru 12/31/10		0		
Contingency Reserve Funds Avail.			\$85,000	
Infrastructure Reserves				
Infrastructure Reserves Balance 7/1/10		64,000		
Budgeted Contribution 2010-11		214,500		
Contributions to be made \$17875.00 p/mo		-107,250		
Actual Paid thru 12/31/10		0		
Infrastructure Reserve Funds Avail.			\$171,250	
Capital Reserves				
Capital Reserves Balance 7/1/10		211,742		
Budgeted Contribution 2010-11		259,387		
Contributions to be made (21,815.58 p/mo)		-129,694		
Actual Paid thru 12/31/10		-239,323		
Bucket Analysis transfer 8/1/10		12,846		
Transfer from City (Pledge Fund)		67,771		
Transfer per midyear budget 12/2009		28,000		
Capital Reserve Funds Available 12/31/10			\$210,729	
Balance per Trustee			\$622,085	

**MEMORANDUM**

DATE: January 11, 2011  
TO: Novato Financing Authority Board of Directors  
FROM: Deborah Lauchner, Finance Manager  
SUBJECT: **Bucket Analysis for the Month of December 2010**

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Attached is a copy of the Bucket Analysis Report for the period ending December 31, 2010. According to the analysis, the Cash Trap balances are as follows:

**Senior Cash Trap balance** **\$ 1,322,954**

The purpose of this analysis is to determine available amounts in the cash trap fund. The analysis is used to determine how much of the actual funds are needed to fund each bucket. The remaining funds are distributed to each cash trap.

The outstanding bond debt as of December 31, 2010 is as follows:

**Senior Revenue Bonds Outstanding** **\$ 10,435,000**



Novato Financing Authority  
 Marin Valley Mobile Country Club "Bucket" Analysis  
 Through ..... 12/31/2010

<u>Bucket No.</u>	<u>Description</u>	<u>US Bank No.</u>	<u>Required Balance</u>	<u>US Bank Balance</u>	<u>Due To (From) Cash Trap</u>	<u>Adjusted Balance</u>
	Revenue Fund	95436060	0	0	0	0
1	Senior Bond Interest	6061	151,611	151,611	0	151,611
2	Senior Bonds Principal	6062	86,250	86,250	0	86,250
3	Senior Debt Service Reserve	6065	1,000,000	1,000,000	0	1,000,000
4	Utility Account	6077	48,732	50,901	2,169	48,732
5	Replacement Reserve Fund-Capital Plan	6064	615,974	622,083	6,109	615,974
6	Escrow (Insurance) Fund (Reserve costs)	6063	11,288	11,288	(0)	11,288
7,8	Expense Fund	6066	7,319	7,559	241	7,319
11	Property Manager Account	6072	0	0	0	0
12	Operating Expenses	6078	75,855	87,396	11,541	75,855
13	Arbitrage Rebate Account	6068	3,750	3,750	0	3,750
19	In Lieu of Tax-City of Novato	6059	0	0	0	0
	Deferred Costs Fund-Consultant Account	6074	0	12	12	0
	PAC Expense Account	6075	2	0	(2)	2
	Owner's Expense Account	6076	75,730	69,469	(6,262)	75,730
	<b>Subtotal required Balances</b>		<b>2,076,511</b>		<b>13,808</b>	
21	Senior Cash Trap	6067	1,349,289	1,329,218	(20,071)	
	<b>Total Cash Trap Balances</b>			<b>1,329,218</b>	<b>(6,264)</b>	<b>1,322,954</b>
	<b>TOTAL CASH HELD BY TRUSTEE</b>	<b>12/31/2010</b>		<b>3,419,537</b>		

Debt as of December 31, 2010

Senior Loan principal outstanding is \$ 10,435,000  
 Subordinate Loan principal outstanding is \$ 0

**Senior Cash Trap Balance**

1,329,218	Prior month's balance
-	Trustee allocation December
(6,264)	Distribution at 12/31/10
<u>1,322,954</u>	<b>Balance</b>

Amount available for Distribution to Cash trap  
 One half to Senior Cash Trap, and one half to bucket requirements  
 for Owners, PAC & CGLFA and remaining to senior cash trap.

-\$6,264  
 6,264 due from Subordinate Cash Trap

## INFORMATION FOR FUTURE MEETINGS

### Regularly Scheduled Meetings

The NFA Board has three regularly scheduled day meetings each year. Those meetings are usually in late January, late May and mid-October.

Each NFA meeting has the following agenda items:

1. Consent Calendar
  - a. Approval of Meeting Minutes
2. General Business
  - a. Bucket Analysis
  - b. Park Management Update: Al Frei
  - c. Update from PAC: Michael Holland
3. New Business Items:

For New Business Items, there are annual items for each meeting. They are as follows:

#### January

- Mid-Year Budget Review
- Receipt of Annual Audit

#### May

- Review and Approval of Fiscal Year Budget and Capital Plan

#### October

- Annual Rent Increase for MVMCC Residents

### Special NFA Meetings

For 2011, the NFA is renegotiating the Delegation Agreement. Staff anticipates two meetings for this process. They are as follows:

- Tentative Workshop in April
- NFA Decision in May

### Recommendation

Staff recommends that the Board schedule NFA regular meetings on the third Tuesday of May, October and January.

If the Board approves the staff recommendation, the next regular NFA meetings would be scheduled for May 17, 2011 and October 18, 2011.

2011																					
January							February							March							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
						1			1	2	3	4	5			1	2	3	4	5	
2	3	4	5	6	7	8	6	7	8	9	10	11	12	6	7	8	9	10	11	12	
9	10	11	12	13	14	15	13	14	15	16	17	18	19	13	14	15	16	17	18	19	
16	17	18	19	20	21	22	20	21	22	23	24	25	26	20	21	22	23	24	25	26	
23	24	25	26	27	28	29	27	28						27	28	29	30	31			
30	31																				
April							May							June							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
					1	2	1	2	3	4	5	6	7				1	2	3	4	
3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11	
10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18	
17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25	
24	25	26	27	28	29	30	29	30	31					26	27	28	29	30			
July							August							September							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
					1	2			1	2	3	4	5	6					1	2	3
3	4	5	6	7	8	9	7	8	9	10	11	12	13	4	5	6	7	8	9	10	
10	11	12	13	14	15	16	14	15	16	17	18	19	20	11	12	13	14	15	16	17	
17	18	19	20	21	22	23	21	22	23	24	25	26	27	18	19	20	21	22	23	24	
24	25	26	27	28	29	30	28	29	30	31				25	26	27	28	29	30		
31																					
October							November							December							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
						1			1	2	3	4	5					1	2	3	
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10	
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17	
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24	
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31	
30	31																				
2010																				2012	