



THE CITY OF
NOVATO
CALIFORNIA

75 Rowland Way, #200
Novato, CA 94945-3232
415/899-8900
FAX 415/899-8213
www.novato.org

OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY TO THE DISSOLVED
REDEVELOPMENT AGENCY OF THE CITY OF NOVATO
SPECIAL MEETING

to be held at
NOVATO CITY HALL
COUNCIL CHAMBERS
901 SHERMAN AVENUE
AUGUST 22, 2012
12:00 P.M

AGENDA

Matthew Hymel, Chair
County Administrator,
Marin County

Michael Frank, Vice Chair
City Manager, City of
Novato

Tony Elshout,
Citizen Appointee

Al Harrison,
Vice President, College
Operations, College of
Marin

Karen Maloney,
CFO, Novato Unified
School District

Stephen Marshall,
Senior Planner, City of
Novato

Marc Revere,
Fire Chief, Novato Fire
District

A. CALL TO ORDER

B. APPROVAL OF FINAL AGENDA

C. PUBLIC COMMENT (on items within the purview of the Oversight Board and not listed on the agenda)

At this time, member of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Oversight Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. Upon being acknowledged by the Chair, please step forward and begin by stating and spelling your name.

D. CONSENT CALENDAR

No items are listed for this section.

E. REGULAR CALENDAR

1. VERBAL REPORT
2. APPROVAL OF A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD JANUARY 2013 THROUGH JUNE 2013

Consider adopting a resolution of the Oversight Board to the Successor Agency to the Dissolved City of Novato Redevelopment Agency approving the administrative budget for the Successor Agency for the period of January 2013 through June 2013.

Recommendation: Adopt resolution.

3. APPROVAL OF AN AMENDMENT TO THE REIMBURSEMENT AND OPERATING AGREEMENT BETWEEN THE CITY AND THE SUCCESSOR AGENCY

Consider adopting a resolution of the Oversight Board to the Successor Agency to the Dissolved City of Novato Redevelopment Agency approving an amendment to the Reimbursement and Operating Agreement.

Recommendation: Adopt resolution

4. APPROVAL OF A RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD JANUARY THROUGH JUNE 2013

Consider adopting a resolution of the Oversight Board to the Successor Agency to the Dissolved City of Novato Redevelopment Agency approving a Recognized Obligation Payment Schedule.

Recommendation: Adopt resolution

F. ADJOURNMENT

AFFIDAVIT OF POSTING

I, Sheri Hartz, certify that on August 16, 2012, I caused to be posted the agenda of the open session of the August 22, 2012 special meeting of the Oversight Board of the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato, California, on the City Community Service Board in the Police Department and on the City's website at www.cityofnovato.org.

/Sheri Hartz/
Sheri Hartz, City Clerk

**Oversight Board to the Successor Agency
to the Dissolved Redevelopment Agency
of the City of Novato**



STAFF REPORT

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

MEETING

DATE: August 22, 2012

TO: Oversight Board to the to the Successor Agency to the
Dissolved City of Novato Redevelopment Agency

FROM: Cathy Capriola, Assistant City Manager
Brian Cochran, Finance Manager

SUBJECT: APPROVAL OF A SUCCESSOR AGENCY ADMINISTRATIVE BUDGET
FOR THE PERIOD JANUARY THROUGH JUNE 2013

REQUEST

Consider adopting a Resolution of Oversight Board approving the administrative budget for the Successor Agency for the period January 2013 through June 2013.

RECOMMENDATION

Adopt resolution.

DISCUSSION

The Successor Agency is required to submit a proposed administrative budget to the Oversight Board for approval for each upcoming six-month fiscal period. The proposed Budget for January through June presented for Successor Agency and Oversight Board approval includes staffing costs for City employees carrying out the dissolution functions, and estimated costs for legal services, independent audit fees, and operations supplies and business expenses. The budget presented details a full-year budget of \$220,468, implying that the budget for the period January 2013 through June 2013 is \$110,234.

Staff is recommending several changes to the administrative budget at this time. First, based on the significant, detailed new audit requirements imposed on successor agencies by AB 1484, we have increased the allocation of the Accounting Supervisor from 0.20 FTE to 0.25 FTE. Second, staff has re-examined the allocations for both the City Manager and the Senior Management Analyst, and has reduced those allocations from 0.10 FTE each to 0.05 FTE each. Furthermore, staff re-examined the overhead allocation to the Successor Agency, and is recommending a reduction in overhead charges from \$65,473 to \$32,491.

Novato City Council Agenda Staff Report Date: _____ File No. _____

All administrative costs are being initially funded by the City of Novato General Fund, but are being accounted for separately from other City functions. It is anticipated the administrative costs will be reimbursed by the Administrative Cost Allowance allocated to the Successor Agency from the Real Property Tax Trust Fund.

For 2012-13, the allowance will be up to 3% of the property taxes allocated to the Successor Agency. In any fiscal year, the minimum Allowance will not be less than \$250,000, provided sufficient property tax revenues are available. Based on the amount of property tax that is estimated to be allocated to Novato, Novato would be eligible for the \$250,000 minimum Allowance, but the approval of said amount is subject to Oversight Board approval. Per new language contained in AB 1484, the Oversight Board has full authority to reduce the amount of the administrative budget.

ATTACHMENTS

1. Resolution of the Oversight Board approving the administrative budget for the Successor Agency for January through June 2013
2. Administrative Budget for January through June 2013

DRAFT - Novato RDA Successor Agency Budget - January 2013 through June 2013

Personnel Costs				
Position	FTE	Salary	Benefits	Total \$\$
City Manager	0.05	9,300	4,799	14,099
Assistant City Manager	0.1	15,116	6,935	22,051
Finance Manager	0.2	24,434	8,676	33,110
Accounting Supervisor	0.25	24,615	8,271	32,886
Management Analyst	0.05	3,863	1,329	5,191
City Clerk	0.1	10,367	5,089	15,456
	0.8	87,695	35,098	122,793
TOTAL				

Contracts / Supplies / Materials				
Legal Counsel				37,740
Audit Contract				8,444
Continuing Disclosure Consultant				3,000
Printing / Publications				5,000
Office Supplies				5,000
Meetings / Training / Memberships				6,000
General admin overhead				32,491
Amortization of CalPERS unfunded liability for RDA				ROPS
Amortization of unfunded liability for OPEB				ROPS
Portion of Pension Obligation Bonds for former RDA employees				ROPS
TOTAL				97,675
Grand Total Successor Agency Administrative Budget				220,468
Budget for January through June 2013				110,234

Duties / Comments

- Overall policy direction and executive leadership
- Interaction with and education of oversight board members
- Primary staff liaison to oversight board
- Executive level leadership and analysis on specific oversight board agenda items
- Negotiation of any outside agreements on behalf of successor agency / oversight board
- Preparation of each six-month ROPS
- Oversight of all bond covenants and requirements
- Preparation and submittal of annual continuing disclosure documents for all bond issues
- Interaction with rating agencies and bond insurers as needed
- Analysis of re-funding opportunities
- All professional accounting work associated with successor agency activities, assets, liabilities, and debts
- Preparation for and oversight of the annual audit process
- Annual budget process for successor agency-related expenditures
- Coordination with oversight board members on meeting times / schedules
- Posting of meeting agendas and minutes
- Taking of minutes at all oversight board meetings
- Maintenance of the successor agency website
- Official record-keeping for all successor agency and oversight board actions
- General counsel services - Brown Act, litigation, negotiations, etc
- Specialized RDA law services - Legal counsel on RDA law, analysis of new legislation, etc
- Provision of annual audit services to issue required financial statements
- Specialized contract services to gather required information for annual continuing disclosures
- Noticing of agendas / agenda packets; printing of agendas, notices, agenda packets, etc.
- General office supplies and equipment
- CRA membership, successor agency training
- City of Novato HR, IT, office space, insurance services, etc.
- To be added as separate obligations in the Recognized Obligation Payment Schedule.
- To be added as separate obligations in the Recognized Obligation Payment Schedule.
- To be added as separate obligations in the Recognized Obligation Payment Schedule.

OVERSIGHT BOARD RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF NOVATO APPROVING AND ADOPTING AN ADMINISTRATIVE BUDGET FOR THE PERIOD JANUARY 2013 THROUGH JUNE 2013 PURSUANT TO THE PROVISIONS SET FORTH IN HEALTH AND SAFETY CODE SECTION 34177 (AB 1X 26)

WHEREAS, the Novato City Council (“City Council” or “City” as appropriate) approved and adopted the Redevelopment Plan for the Novato (Vintage Oaks) Redevelopment Project, the Redevelopment Plan for the Downtown Redevelopment Project, and the Redevelopment Plan for the Hamilton Field Redevelopment Project, which have been amended from time to time including on or about May 13 2003, by adoption of Ordinance No. 1472, to effect a merger of the three redevelopment project areas pursuant to the CRL to allow the use of property tax increment derived from any one of the three redevelopment project areas to be used in any of the three redevelopment project areas, subject to the applicable provisions of the CRL (collectively, the “Redevelopment Plans”); and

WHEREAS, the Redevelopment Agency of the City of Novato (the “Agency”) was responsible for implementing the Redevelopment Plans pursuant to the California Community Redevelopment Law; and

WHEREAS, as part of the 2011-12 State budget bill, the California Legislature enacted and the Governor signed, from the 2011-12 First Extraordinary Session, Assembly Bills 1X 26 and 1X 27 (“AB 1X 26” and “AB 1X 27”), requiring that each redevelopment agency be dissolved unless the community that created it enacts an ordinance committing it to making certain payments; and

WHEREAS, on December 29, 2011, the Supreme Court invalidated AB 1X 27 but upheld the constitutionality of AB 1X 26 and revised the various dates and timelines required for performance of certain tasks pursuant to the dissolution of redevelopment agencies; and

WHEREAS, on January 10, 2012 the Novato City Council adopted a resolution opting to act as the Successor Agency for the former Novato Redevelopment Agency; and

WHEREAS, Health and Safety Code section 34177 requires the Successor Agency to prepare an administrative budget for each successive six-month period; and

WHEREAS, the City has prepared the proposed administrative budget outlining the various staff costs, supplies, materials, consultant fees, legal fees, etc that are necessary to carry out the duties of the Successor Agency for the period January 2013 through June 2013; and

WHEREAS, the Oversight Board is required to approve each administrative budget;

NOW, THEREFORE, the Oversight Board to the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato resolves as follows:

1. The foregoing Recitals are incorporated herein and made a part hereof.
2. The Oversight Board, at its special meeting of August 22, 2012, reviewed and considered the administrative budget for the Successor Agency for the period January 2013 through June 2013.
2. The administrative budget for the period January 2013 through June 2013, in the form presented concurrently with this Resolution, and on file with the Acting Secretary, is hereby approved.

* * * * *

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Oversight Board to the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato, Marin County, California, at a meeting thereof held on the 22nd day of August, 2012, by the following vote, to wit:

AYES: Board members:

NOES: Board members:

ABSTAIN: Board members:

ABSENT: Board members:

Chair, Oversight Board

ATTEST:

Acting Secretary

**Oversight Board to the Successor Agency
to the Dissolved Redevelopment Agency
of the City of Novato**



STAFF REPORT

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

MEETING

DATE: August 22, 2012

TO: Oversight Board to the to the Successor Agency to the
Dissolved City of Novato Redevelopment Agency

FROM: Cathy Capriola, Assistant City Manager
Brian Cochran, Finance Manager

SUBJECT: APPROVAL OF AN AMENDMENT TO THE REIMBURSEMENT AND
OPERATING AGREEMENT BETWEEN THE CITY AND THE SUCCESSOR
AGENCY

REQUEST

Consider adopting a Resolution of Oversight Board approving an amendment to the Reimbursement and Operating Agreement.

RECOMMENDATION

Adopt resolution.

DISCUSSION

On May 22, 2012, the City of Novato and the City of Novato Acting as Successor Agency to the Dissolved Redevelopment Agency (“Successor Agency”) entered into a Reimbursement and Operating Agreement (“Agreement”). The agreement memorialized certain financial arrangements, namely (1) the provision of administrative and professional services and supplies to carry out the work of the Successor Agency; and (2) documenting the advances of funds that the City had made to the Successor Agency to date and providing for future repayment of said advances, as well as providing for the possibility of future advances, if necessary.

Since that time, on June 27, 2012, the Legislature enacted, and the Governor signed, AB 1484, legislation that makes significant changes and additions to the law that dissolved redevelopment agencies effective February 1, 2012. While this staff report does not attempt to outline or summarize all of the new provisions, there are several that affect the City immediately and affect the existing agreement between the City and the Successor Agency.

Novato City Council Agenda Staff Report Date: _____ File No. _____

Per a new section of the law that was added by AB 1484, all successor agencies were required, on July 12th, to remit back to the County Auditor-Controller any amounts that they were “overpaid” in December, when compared to the amounts requested on the January – June 2012 Recognized Obligation Payment Schedule (“ROPS”). Novato’s payment that was due was \$463,800. Staff previously outlined for the City Council on May 22, 2012 that the Successor Agency’s Redevelopment Obligation Retirement Fund (“RORF”) is already in a deficit situation, at that time estimated to be about -\$1.6 million through June 30, 2012. This additional payment required by AB 1484 further exacerbates that problem, such that the RORF will end June 30, 2012 around -\$2.1 million.

This negative financial position in the RORF will necessitate an inter-fund advance from other City funds, as was outlined in the May 22 staff report. The proposed amendment to the Agreement would update the amount owed to the City and establish a new repayment schedule, with the final payment being due on February 1, 2016.

Additionally, AB 1484 added language that specifically authorizes cities to loan funds to successor agencies to make payments on enforceable obligation. Health and Safety Code section 34173(h) was added to read:

“The city, county, or city and county that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city’s discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.”

This is exactly what Novato has been forced to do, since the RORF began its existence on February 1, 2012 with only \$10,518, and essentially no other funds were available to make enforceable obligation payments through June 30, 2012. As such, staff felt it was important to amend language in the Agreement to reflect AB 1484, acknowledge that the advances contemplated in the Agreement are authorized under statute, and acknowledge that the repayment of said advances is deemed to be an enforceable obligation under AB 1484.

Finally, it should be noted that the original Agreement was rejected by the California Department of Finance with Novato’s July-December 2012 ROPS, but only on the basis that every agreement entered into after June 27, 2011 is invalid. With the new provisions contained in AB 1484, staff’s position is that it is clear that the law envisions successor agencies’ ability to enter into agreements, both with public and private entities, to further the work of winding down redevelopment agencies. The Agreement as amended with the proposed amendment, staff believes, is one such type of agreement that is specifically authorized under the new law, and should be approved by the Department of Finance.

ATTACHMENTS

1. Resolution of the Oversight Board approving the Amendment #1 to the Reimbursement and Operating Agreement
2. Amendment #1 to the Reimbursement and Operating Agreement
3. Amended Exhibit A

4. Original Reimbursement and Operating Agreement
5. Original Exhibit A to the Agreement – Estimated Repayment Schedule

OVERSIGHT BOARD RESOLUTION NO. _____

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF NOVATO APPROVING AN AMENDMENT TO THE REIMBURSEMENT AND OPERATING AGREEMENT BETWEEN THE CITY OF NOVATO AND THE CITY OF NOVATO AS SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

WHEREAS, on January 10, 2012 the Novato City Council adopted a resolution opting to act as the Successor Agency for the former Novato Redevelopment Agency pursuant to AB 1x 26 (the “dissolution bill”); and

WHEREAS, on May 22, 2012, the City and the City Acting as Successor Agency to the Dissolved Redevelopment Agency (“Successor Agency”) entered in a Reimbursement and Operating Agreement (“Agreement”); and

WHEREAS, on May 24, 2012, the Oversight Board approved the agreement; and

WHEREAS, the Agreement documented the financial arrangements between the City and the Successor Agency, including, but not limited to, the interfund advances that the City was projected to make to the Successor Agency to make payments on enforceable obligations through June 30, 2012; and

WHEREAS, on June 27, 2012, the Legislature enacted and the Governor approved, AB 1484, which makes significant additions and changes to the law that dissolved redevelopment agencies; and

WHEREAS, a requirement of the bill was for the Successor Agency to repay any excess funds received when compared to the January-June 2012 Recognized Obligation Payment Schedule (“ROPS”); and

WHEREAS, the Successor Agency’s repayment amount under this provision was \$463,800, even though it was already in a negative fund balance situation in its Redevelopment Obligation Retirement Fund, thus requiring additional advances from the City; and

WHEREAS, a new provision of AB 1484, Health and Safety Code Section 34173(h), specifically authorizes these types of City-Successor Agency loans and associated repayment of said loans as enforceable obligations to be funded through future ROPS; and

WHEREAS, the parties wish to amend the Agreement to reflect the updated amount of City-Successor Agency advances made to date, amend the repayment schedule accordingly, and acknowledge that said advances and repayments are specifically authorized under AB 1484;

NOW, THEREFORE, the Oversight Board to the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato resolves as follows:

1. The foregoing Recitals are incorporated herein and made a part hereof.

2. The Oversight Board, at its special meeting of August 22, 2012, reviewed and considered the Amendment #1 to the Reimbursement and Operating Agreement between the City of Novato and the City of Novato acting as Successor Agency to the Dissolved Redevelopment Agency.

3. The Amendment #1 to the Reimbursement and Operating Agreement between the City of Novato and the City of Novato acting as Successor Agency to the Dissolved Redevelopment Agency, in the form presented concurrently with this resolution, a copy of which is on file with the Acting Secretary, and by this reference incorporated herein, is hereby approved by the Oversight Board.

* * * * *

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Oversight Board to the Successor Agency to the Dissolved Redevelopment Agency of the City of Novato, Marin County, California, at a meeting thereof held on the 22nd day of August, 2012, by the following vote, to wit:

AYES: Board members:

NOES: Board members:

ABSTAIN: Board members:

ABSENT: Board members:

Chair, Oversight Board

ATTEST:

Acting Secretary

AMENDMENT #1 TO REIMBURSEMENT AND OPERATING AGREEMENT

This Amendment #1 to the Reimbursement and Operating Agreement dated May 22, 2012 is entered into as of this 24th day of July, 2012, by and between the **CITY OF NOVATO**, a municipal corporation, hereinafter called "City" and **The City of Novato Acting as Successor Agency to the Dissolved Redevelopment Agency**, hereinafter called "Successor Agency."

RECITALS

WHEREAS, the City and Successor Agency entered into the Reimbursement and Operating Agreement ("Agreement") dated May 22, 2012; and

WHEREAS, on June 27, 2012, the Legislature enacted, and the Governor signed, Assembly Bill 1484, which makes significant changes and additions to the redevelopment dissolution law; and

WHEREAS, one requirement contained within AB 1484 required the Successor Agency to remit back to the Auditor-Controller any property tax monies that it received over and above the amount shown to be paid from the Real Property Tax Trust Fund on the January – June 2012 Recognized Obligation Payment Schedule by July 12, 2012; and

WHEREAS, the above-mentioned requirement for Novato meant sending funds totaling \$463,800 to the Auditor-Controller; funds that the Successor Agency did not have in its Redevelopment Obligation Retirement Fund, thus requiring an interfund advance from City funds in order to make the payment; and

WHEREAS, another provision of AB 1484 specifically authorizes the advance of funds from the City to the Successor Agency, with Oversight Board approval, and authorizes the repayment of those advances to be placed on future Recognized Obligation Payment Schedules ("ROPS") as an enforceable obligation; and

WHEREAS, in light of some of the changes made by AB 1484, the parties desire to amend that Agreement;

AGREEMENTS

NOW, THEREFORE, the Reimbursement and Operating Agreement is hereby amended as set forth herein.

1. Recital "E" is hereby added to the Agreement and shall read as follows:
 - E. It has been necessary, and may be necessary in the future, for the City to advance the Successor Agency funds for the purposes of making payments on enforceable obligations, administrative expenses, or project-related expenses. Furthermore,

AB 1484, by adding Health and Safety Code Section 34173(h), specifically authorizes these types of advances between a City and Successor Agency, with Oversight Board approval, and provides for their repayment on future ROPS as an enforceable obligation. It is the intent of this agreement to document these advances in accordance with Section 34173(h), and to ensure the repayment of said advances to the City.

2. Section 4 of the Agreement is hereby struck and replaced with the following:

Section 4. City Advances to Successor Agency to Pay Enforceable Obligations. The Successor Agency began its operations on February 1, 2012 with an estimated cash balance of \$10,518. As of June 8, this balance was confirmed by the Draft Agreed Upon Procedures Report being prepared by an outside accounting firm under contract with the County Auditor-Controller. From the period February 1, 2012 through June 30, 2012, the Successor Agency will make payments on Enforceable Obligations listed on the Recognized Obligation Payment Schedule totaling an estimated \$1,622,584.38. Additionally, Health and Safety Code Section 34183.5(b)(2)(A) required the Successor Agency to remit back to the Auditor-Controller an amount equal to \$463,800. Because of timing issues created by AB 1x 26 and the Supreme Court decision, and in order to avoid defaulting on any bond covenants or other agreements, the City has been required to fund all of the above payments with interfund advances to the RORF, totaling an estimated \$2,075,866.38 (or other such amount as determined at year-end by the City's 2011/12 audited financial statements).

The Successor Agency shall repay the City for all amounts advanced to the RORF per the repayment schedule attached as Exhibit A to this agreement, and agrees to place said repayment amounts on the corresponding Recognized Obligation Payment Schedule for approval by the Oversight Board and Department of Finance. Amounts advanced under this section shall accrue interest at a rate equal to the average rate earned on the overall City investment portfolio each fiscal year, compounded annually.

The City may advance additional funds to the Successor Agency at any time to pay enforceable obligations. If such an advance occurs, the parties will re-approve a new repayment schedule to update the total loan amount and the timeline for repayment.

3. Exhibit A of the Agreement is hereby replaced by a new Exhibit A, attached to this Amendment.

All other terms and conditions of said Agreement shall remain the same.

IN WITNESS WHEREOF, the City and the Successor Agency have executed this Amendment as of the date first above written.

CITY OF NOVATO

By: _____
Denise Athas, Mayor

ATTEST:

Sherie Hartz
City Clerk

APPROVED AS TO FORM:

Jeffrey A. Walter
City Attorney

CITY OF NOVATO, AS SUCCESSOR AGENCY
TO THE DISSOLVED REDEVELOPMENT
AGENCY OF THE CITY OF NOVATO

By: _____
Denise Athas, Mayor, for City of Novato As
Successor Agency

ATTEST:

Sherie Hartz
Secretary

APPROVED AS TO FORM:

Jeffrey A. Walter
Successor Agency Counsel

Exhibit A (as amended by Amendment #1 approved on 7/24/2012)

Estimated Repayment Schedule for Reimbursement and Operating Agreement

Initial Estimated Advance Balance: \$ 2,075,866.38
Date of Initial Loan: 6/30/2012
Assumed Interest Rate (current City portfolio rate): 0.39%

<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2/1/2013	\$200,000	\$195,209	\$4,791	\$1,880,657
8/1/2013	\$200,000	\$196,363	\$3,637	\$1,684,295
2/1/2014	\$200,000	\$196,689	\$3,311	\$1,487,606
8/1/2014	\$200,000	\$197,123	\$2,877	\$1,290,483
2/1/2015	\$400,000	\$397,463	\$2,537	\$893,020
8/1/2015	\$400,000	\$398,273	\$1,727	\$494,747
2/1/2016	\$495,720	\$494,747	\$973	\$0 *

* Payments, principal amounts, and interest amounts are estimates and will vary depending on both the actual earnings rate of the City's portfolio and the actual beginning balance of the advance. As such, the final payment on 2/1/2016 will be adjusted to be whatever amount is required to pay off the remaining amount of the advance.

REIMBURSEMENT AND OPERATING AGREEMENT

This Reimbursement and Operating Agreement (“Agreement”) is made and entered this _____ day of _____, 2012, by and between the CITY OF NOVATO, a municipal corporation (“City”), and the CITY OF NOVATO AS SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF NOVATO, a public body, acting under the authority of Part 1.85 of the California Health and Safety Code (“Successor Agency”).

RECITALS

- A. The City Council of the City of Novato, acting pursuant to the provisions of Part 1.85 of the Health and Safety Code (Part 1.85), has declared itself as the Successor Agency within the meaning of Part 1.85. Any capitalized terms that are not specifically defined in this Agreement shall have the same meaning as set forth in Part 1.85.
- B. In accordance with Section 34171 of Part 1.85, the Successor Agency is entitled to an Administrative Cost Allowance that is payable from property tax revenues allocated to the Redevelopment Obligation Retirement Fund (RORF) by the County Auditor-Controller.
- C. In order to ensure the effective implementation of Part 1.85, City and Successor Agency desire to enter into this Agreement to allow the Successor’s Agency’s utilization of City staff, facilities, and administrative resources (collectively, “City Services”) in consideration for the Successor Agency’s timely payment to City of the Administrative Cost Allowance. The Successor Agency’s payment for City Services shall not include the City’s project management or staff costs associated with specified Enforceable Obligations listed on either the Enforcement Obligation Payment Schedule or Recognized Obligation Payment Schedule (collectively, “Project Costs”), which shall be charged separately to the Successor Agency and reimbursed separately by the Successor Agency from the property taxes deposited into the RORF.
- D. Although the Successor Agency is not a separate public agency from the City, the City As Successor Agency, has established accounts for the Successor Agency separate from City accounts, including separate from the City’s General Fund, and therefore this Agreement is intended to document the financial relationship between the City and the Successor Agency.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter contained, City and Successor Agency agree as follows:

Section 1. Access to City Personnel and Facilities. Effective February 1, 2012, the Successor Agency shall be authorized to use City Services to implement the Successor Agency’s

duties under Part 1.85. City shall maintain an accounting of the costs of providing such services to the Successor Agency.

Section 2. Reimbursement for Use of City Services. In consideration for the Successor Agency's utilization of City Services, Successor Agency shall pay to the City the Administrative Cost Allowance allocated to the Successor Agency under Part 1.85. The Administrative Cost Allowance shall be paid to the City no later than ten (10) business days from the deposit of property taxes into the RORF by the County Auditor-Controller.

Section 3. Project Costs. Project Costs shall be charged separately to the Successor Agency and reimbursed separately by the Successor Agency from the property taxes deposited into the RORF.

Section 4. City Advances to Successor Agency to Pay Enforceable Obligations. The Successor Agency began its operations on February 1, 2012 with an estimated cash balance of \$10,518. From the period February 1, 2012 through June 30, 2012, the Successor Agency will make payments on Enforceable Obligations listed on the Recognized Obligation Payment Schedule totaling an estimated \$1,622,584.38. Because of timing issues created by AB 1x 26 and the Supreme Court decision, and in order to avoid defaulting on any bond covenants or other agreements, the City has been required to fund these payments with interfund advances to the RORF, totaling an estimated \$1,612,066.38 (or other such amount as determined at year-end by the City's 2011/12 audited financial statements).

The Successor Agency shall repay the City for all amounts advanced to the RORF per the repayment schedule attached as Exhibit A to this agreement, and agrees to place said repayment amounts on the corresponding Recognized Obligation Payment Schedule for approval by the Oversight Board and Department of Finance. Amounts advanced under this section shall accrue interest at a rate equal to the average rate earned on the overall City investment portfolio each fiscal year, compounded annually.

The City may advance additional funds to the Successor Agency at any time to pay enforceable obligations. If such an advance occurs, the parties will re-approve a new repayment schedule to update the total loan amount and the timeline for repayment.

Section 5. Notice of Default. If either party defaults with regard to the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured by the defaulting party within ninety (90) days after service of the notice of default, or if the default is not commenced to be cured within thirty (30) days after service of the notice of default and is not cured promptly within a reasonable period of time after commencement, the defaulting party shall be liable to the other party in accordance with applicable law; provided, however, that nothing herein shall obligate the City to make any payments or transfer of any assets from the City's General Fund, except in the form of City Services provided to the Successor Agency, and nothing herein shall obligate the Successor Agency to make any payments or transfer of assets from any source other than the RORF.

Section 6. No Waiver of Reservation of Rights or Limitation of Liability.
Notwithstanding anything to the contrary herein, nothing herein shall be deemed as a waiver by City or Successor Agency of any reservation of rights to challenge the application or effectiveness of Assembly Bill No. 26 (2011-2012 1st Ex. Sess.), or any portions thereof, or as a waiver of any limitations of liability granted to City and Successor Agency under AB 1x 26.

IN WITNESS THEREOF, the parties have executed this Agreement as of the date first above written.

CITY OF NOVATO

By: _____
Denise Athas, Mayor

ATTEST:

Sherie Hartz
City Clerk

APPROVED AS TO FORM:

Jeffrey A. Walter
City Attorney

CITY OF NOVATO, AS SUCCESSOR AGENCY
TO THE DISSOLVED REDEVELOPMENT
AGENCY OF THE CITY OF NOVATO

By: _____
Denise Athas, Mayor, for City of Novato As
Successor Agency

ATTEST:

Sherie Hartz
Secretary

APPROVED AS TO FORM:

Jeffrey A. Walter
Successor Agency Counsel

Exhibit A

Estimated Repayment Schedule for Reimbursement and Operating Agreement

Initial Estimated Advance Balance: \$ 1,612,066.38
Date of Initial Loan: 6/30/2012
Assumed Interest Rate (current City portfolio rate): 0.39%

<u>Date</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
2/1/2013	\$400,000	\$396,279	\$3,721	\$1,215,787
8/1/2013	\$100,000	\$97,649	\$2,351	\$1,118,138
2/1/2014	\$400,000	\$397,802	\$2,198	\$720,337
8/1/2014	\$100,000	\$98,607	\$1,393	\$621,730
2/1/2015	\$400,000	\$398,778	\$1,222	\$222,952
8/1/2015	\$223,383	\$222,952	\$431	\$0 *

* Payments, principal amounts, and interest amounts are estimates and will vary depending on both the actual earnings rate of the City's portfolio and the actual beginning balance of the advance. As such, the final payment on 8/1/2015 will be adjusted to be whatever amount is required to pay off the remaining amount of the advance.

**Oversight Board to the Successor Agency
to the Dissolved Redevelopment Agency
of the City of Novato**



STAFF REPORT

MEETING

DATE: August 22, 2012

TO: Oversight Board to the to the Successor Agency to the
Dissolved City of Novato Redevelopment Agency

FROM: Cathy Capriola, Assistant City Manager
Brian Cochran, Finance Manager

SUBJECT: APPROVAL OF A RECOGNIZED OBLIGATION PAYMENT SCHEDULE
FOR THE PERIOD JANUARY THROUGH JUNE 2013

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

REQUEST

Consider adopting a Resolution of the Oversight Board approving a Recognized Obligation Payment Schedule.

RECOMMENDATION

Adopt resolution.

DISCUSSION

General ROPS Information

Pursuant to H&S Code §34177(l), the successor agency to the former redevelopment agency is required to prepare a draft Recognized Obligation Payment Schedule (“ROPS”) for each six month fiscal period which sets forth the nature, amount, and source(s) of payment for all “enforceable obligations” of the Agency (as defined by law) to be paid by the Successor Agency after the Agency’s dissolution.

The ROPS is a permanent schedule of obligations that must be approved by the oversight board and the State Department of Finance. Only payments required pursuant to the ROPS may be made by the successor agency. The county auditor-controller will allocate property tax increment to successor agencies to pay debts listed on the ROPS. A new ROPS must be adopted for each successive six-month period.

Novato City Council Agenda Staff Report Date: _____ File No. _____

AB 1484, which was approved by the Legislature and Governor on June 27, 2012 made some changes to the ROPS submittal and approval process. Namely, successor agencies must now submit an Oversight Board-approved ROPS to the Department of Finance no later than 90 days prior to the date of property tax distribution for a given period. The Department of Finance has a longer period during which it can question or challenge an item on a ROPS, and the new legislation provides for a meet-and-confer process to resolve such disputes. Additionally, failure to comply with the submittal requirements as outlined results in significant financial penalties to successor agencies. The current ROPS, January through June 2013, must be submitted to the Department of Finance and approved by the Oversight Board before September 1, 2012.

Enforceable obligations are generally defined as:

1. Bonds;
2. Loans, to the extent they are legally required to be repaid pursuant to a required repayment schedule or other mandatory loan terms;
3. Payments required by the federal government, the state, payments associated with employees, pensions, pension obligation bond debt, and unemployment payments;
4. Judgments or settlements entered by a competent court of law or binding arbitration decisions against the former redevelopment agency;
5. Legally binding and enforceable agreements and contracts; and
6. Contracts or agreements necessary for the continued administration or operation of the redevelopment agency (e.g. office space, materials, supplies, insurance costs, payroll, etc).

New Department of Finance ROPS Format

Another change made by AB 1484 is the use of a Department of Finance-prescribed format for submitting all future ROPS. This format, released in early August, is significantly different than the past template used for the ROPS, and requests additional information. There are now five tabs, or sections, of the ROPS.

1. Successor Agency contact information
2. Summary – This tab pulls in dollar amounts from the other pages of the ROPS to summarize what amounts are being requested by the Successor Agency and how much property tax will be available to fund payments on enforceable obligations.
3. ROPS – This is the actual ROPS page itself, listing all obligations that need to be paid during the six-month period, and relevant information and dollar amounts.
4. Notes – This is an optional page for the Successor Agency to accumulate any notes or comments that relate to ROPS items.
5. Reconciliation Page – This pages asks for data on actual payments made during the same ROPS period in the prior year, and reconciles that data to what was estimated on the ROPS. This information is then used to adjust either up or down the amount allocated to the Successor Agency in the current period, based on the actual usage of funding from the prior period.

The addition of the Reconciliation Page to the ROPS format means that items will remain on the ROPS for a longer period of time, until the obligation is completely paid off – even if the obligation has been “fully funded” on prior ROPS worksheets.

Changes on this ROPS

The first five items on the January through June ROPS presented for approval encompass the five major debt issuances of the former RDA – three tax allocation bond issues, the Vintage Oaks Owner Participation Agreement, and the loan from the California Infrastructure and Economic Development Bank.

Item #6 on this ROPS is the contract with Novato Human Needs for the provision of homeless services, pursuant to the contract that the former RDA entered into with that organization.

Item #7 on this ROPS is the administrative budget for Successor Agency administrative expenses.

Item #8 is a new item on this ROPS. Because of the structure of the former RDA's debt issuances, principal on the three tax allocation bond issues is all paid in August, with interest only payments in February. This means that required debt service payments for the bonds are much higher in the second half of the year than in the first half. With the twice-yearly allocation of property taxes to successor agencies (and the subsequent distribution of any excess to the other taxing entities), it is highly possible that there will not be enough money in the second distribution to cover all of the debt service and other payments on enforceable obligations if all money from the first allocation is distributed.

The above-mentioned debt structure is common for RDA bond issues. AB 1484 recognizes this fact by adding the following language in Health and Safety Code section 34171(d)(1)(A):

"A reserve may be held when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the calendar year."

Thus, staff has added item #8 to the ROPS to fund a debt reserve that will essentially equalize the bond payments between the two bi-annual allocations from the Real Property Tax Trust Fund.

Item #9 reflects the amended Reimbursement and Operating Agreement that is also recommended for approval on tonight's agenda. Repayment of the advances under the agreement would begin in February 2013 and continue through February 2016.

Items #10, 11, and 12 reflect the obligations of the former RDA with respect to payment of pension obligation bonds, unfunded pension liability for former RDA employees, and unfunded liability for retiree medical benefits for former RDA employees. These items are identical to the comparable items that the Successor Agency placed on the July – December 2012 ROPS. However, it should be noted that the Oversight Board, on May 24, 2012, declined to approve these three enforceable obligations; thus, the ROPS that was sent to the Department of Finance did not include them.

Staff believes that there was general support and understanding for these obligations, but the lack of clarity in the law and lack of clear guidance from the Department of Finance caused the Oversight Board to decline approval on these three items. Staff believes that the Department of Finance would approve these obligations if placed on the ROPS, and thus has proposed adding

them to this January through June 2013 ROPS as well. Health and Safety Code Section 34171(d)(1)(C) includes in the definition of “Enforceable Obligation”: “...*legally enforceable payments required in connection with the agencies’ employees, including, but not limited to, pension payments, pension obligation bond debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement.*”

Additionally, anecdotal evidence suggests that the Department of Finance will approve these obligations. An informal listserv survey of other agencies revealed at least 11 instances in which the Department of Finance expressed no issues with pension liabilities, OPEB liabilities, and pension obligation bond debt service. This is consistent with prior guidance issued by the Department of Finance indicating that it did consider these types of obligations to be enforceable obligations.

Finally, items #13, 14, and 15 are all items that have appeared on past ROPS. They appear on the current ROPS because of the new reconciliation worksheet mentioned above. The direction from the Department of Finance indicates that any obligations that are not fully paid should remain on the ROPS indefinitely. Even after they are fully satisfied, those obligations will remain, showing \$0 due. The reconciliation and “true-up” process ensures that Successor Agencies are not over-allocated funds to pay a specific obligation.

ATTACHMENTS

1. Resolution of the Oversight Board approving the ROPS
2. ROPS – January through June 2013

OVERSIGHT BOARD
TO THE SUCCESSOR AGENCY
RESOLUTION NO.

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF NOVATO APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE FOR THE PERIOD JANUARY THROUGH JUNE 2013

WHEREAS, the Oversight Board to the Successor Agency to the dissolved Redevelopment Agency of the City of Novato has been appointed pursuant to the provisions of Health & Safety Code Section 34179; and

WHEREAS, pursuant to Health and Safety Code Section 34180(g), the Oversight Board is required to review and approve the Recognized Obligation Payment Schedule prepared by the Successor Agency covering the six month period January 1, 2012 through June 30, 2012, and for each six month period thereafter; and

WHEREAS, the Successor Agency to the dissolved Redevelopment Agency of the City of Novato has approved the Recognized Obligation Payment Schedule for the six month period July 1, 2013 through December 31, 2013; and

WHEREAS, the Successor Agency has presented the foregoing described Recognized Obligation Payment Schedule to the Oversight Board for its review and approval; and

WHEREAS, at its meeting of August 22, 2012, the Oversight Board reviewed and considered the Recognized Obligation Payment Schedule presented by the Successor Agency;

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

SECTION 1. The Oversight Board hereby approves the Recognized Obligation Payment Schedule for the period January 1, 2013 through June 30, 2013, in the form presented concurrently with this resolution, and on file with the Acting Secretary.

SECTION 2. The Board Secretary, or the City Finance Manager (as the person appointed by action of the Oversight Board at its meeting of April 9, 2012, to be the designated contract person to the Department of Finance), shall transmit the approved Recognized Obligation Payment Schedule to the County Administrative Officer, Department of Finance, State Controller, and County Auditor-Controller in compliance with the requirements of Part 1.85 of Division 24 of the California Health and Safety Code. The staff of the Successor Agency shall take such other and further actions and sign such other and further documents as appropriate to effectuate the intent of this Resolution and to implement the Recognized Obligation Payment Schedule approved hereby on behalf of the Successor Agency.

SECTION 3. The adoption of this Resolution by the Oversight Board shall not impair the right of the Successor Agency to assert any claim or pursue any legal action challenging the constitutionality of Assembly Bill 26 from the 2011-12 First Extraordinary Session of the California Legislature (“AB 1x26”) or challenging any determination by the State of California or any office, department or agency thereof with respect to the Recognized Obligation Payment Schedule approved hereby.

SECTION 4. The approval of the ROPS through this Resolution does not commit the Successor Agency to any action that may have a significant effect on the environment. As a result, it does not constitute a project subject to the requirements of the California Environmental Quality Act (“CEQA”) in that pursuant to CEQA Guidelines Section 15061(b)(3), it is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment; and where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

SECTION 5. If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portions of this Resolution. The Board hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, or phrase thereof irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared invalid.

* * * * *

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Oversight Board of the City of Novato, Marin County, California, at a meeting thereof, held on the 22nd day of August, by the following vote, to wit:

AYES: Board Members

NOES: Board Members

ABSTAIN: Board Members

ABSENT: Board Members Harrison,

Chair, Oversight Board

ATTEST:

ACTING SECRETARY

Successor Agency Contact Information

Name of Successor Agency:	City of Novato acting as Successor Agency to the Dissolved Redevelopment Agency of the City of Novato
County:	<u>Marin</u>
Primary Contact Name:	Brian Cochran
Primary Contact Title:	Finance Manager
Address	75 Rowland Way, Suite 200, Novato, CA 94952
Contact Phone Number:	415-899-8912
Contact E-Mail Address:	<u>bcochran@novato.org</u>
Secondary Contact Name:	<u>Cathy Capriola</u>
Secondary Contact Title:	<u>Assistant City Manager</u>
Secondary Contact Phone Number:	<u>415-899-8906</u>
Secondary Contact E-Mail Address:	<u>ccapriola@novato.org</u>

SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE
 Filed for the January 1, 2013 to June 30, 2013 Period

Name of Successor Agency: City of Novato acting as Successor Agency to the Dissolved Redevelopment Agency of the City of Novato

Outstanding Debt or Obligation	Total Outstanding Debt or Obligation
	\$ 104,812,618
Current Period Outstanding Debt or Obligation	
A Available Revenues Other Than Anticipated RPTTF Funding	92,441
B Anticipated Enforceable Obligations Funded with RPTTF	2,793,955
C Anticipated Administrative Allowance Funded with RPTTF	110,234
D Total RPTTF Requested (B + C = D)	2,904,189
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be the same amount as ROPS form six-month total</i>	\$ 2,996,630
E Enter Total Six-Month Anticipated RPTTF Funding <i>(Obtain from county auditor-controller) *Estimate based on prior year</i>	2,552,436
F Variance (E - D = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ (351,753)
Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments (as required in HSC section 34186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the lesser of Finance's approved RPTTF amount including admin allowance or the actual amount distributed)</i>	2,684,403
H Enter Actual Obligations Paid with RPTTF	2,218,124
I Enter Actual Administrative Expenses Paid with RPTTF	125,000
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	341,279
K Adjusted RPTTF (The total RPTTF requested shall be adjusted if actual obligations paid with RPTTF are less than the estimated obligation amount.)	\$ 2,562,910

Certification of Oversight Board Chairman:
 Pursuant to Section 34177(m) of the Health and Safety code,
 I hereby certify that the above is a true and accurate Recognized
 Obligation Payment Schedule for the above named agency.

 Name

 Title

 Signature

 Date

Pursuant to Health and Safety Code section 34188 (a)
PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)
January 1, 2012 through June 30, 2012

Page/Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	L.M.H.F.		Bond Proceeds		Reserve Balance		Admin Allowance		RFTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
		Grand Total				\$ -	\$ -	\$ -	\$ -	\$ 237,244	\$ 158,844	\$ 125,000	\$ 125,000	\$ 2,459,003	\$ 2,218,174	\$ -	\$ -
Page 1	1	2005 Tax Allocation Bonds***	US Bank	Bonds issued to fund housing proj.													
Page 1	2	2005A Tax Allocation Housing Bonds	US Bank	Bonds issued to repay City bonds													
Page 1	3	2011 Tax Allocation Bonds***	US Bank	Bonds issued to repay City bonds													
Page 1	4	Village Oaks Owner Particip. Agrmt.	Bank of America	OPA for infrastructure improvements													
Page 1	5	CEEDL Loan	Wells Fargo MW, N.A.	Downtown streetscape work													
Page 1	6	Contract - Noronto Human Needs	Noronto Human Needs	Homeless services													
Page 1	7	Contract - Wayfinding	Merja Environmental	Downtown signage program													
Page 1	8	Contract - IT Services	Berkley Microdesign	Housing Server Support													
Page 1	9	Contract - IT Services	TSG Networks	Housing Server Support													
Page 1	10	Contract - Architectural Services	Palazzini Advisory	Appraisal of Hamilton Hospital													
Page 1	11	Contract - Architectural Services	Palazzini Advisory	Appraisal of Hamilton Hospital													
Page 1	12	Fixed Obligation	Mem Co. Public Lib. Distric	Payment of Existing MCOU Fund Balance						78,389.89							
Page 1	13	Fixed Obligation	Mem Co. Public Lib. Distric	Payment of Existing MCOU Fund Balance						158,844.00							
Page 1	13	Successor Agency Administration	City of Noronto as Succ. Ag.	Admin costs: staff, util, legal, office space, etc.								125,000	125,000.00				