

MINUTES OF SPECIAL CITY COUNCIL MEETING
MARIN VALLEY MOBILE COUNTRY CLUB
100 MARIN VALLEY DRIVE
MONDAY, JULY 9, 2012 – 6:30 P.M.

A. CALL TO ORDER

ROLL CALL

Present: Mayor Athas
Mayor Pro Tem Eklund
Councilmember Kellner
Councilmember Lucan
Councilmember MacLeamy

Absent: None

Also Present: Assistant City Manager Cathy Capriola, Finance Manager Brian Cochran, Assistant City Attorney Veronica Nebb and City Clerk Sheri Hartz.

B. APPROVAL OF FINAL AGENDA

*Councilmember Kellner moved, Seconded by Councilmember Lucan, to approve the Final Agenda. **The motion carried unanimously.***

C. PUBLIC COMMENTS:

1. David Harrington, spoke in favor of agendizing the discussion of long-term park ownership, made personal comments regarding past rent increases and the history of Park management and efforts toward resident ownership, citing resident contributions totaling about \$3.5 million via rent increase and rent control.

Assistant City Manager Capriola clarified the items for discussion on the evening's agenda, stating that staff, if directed by Council, would bring the item back for consideration after performing analysis, creating a budget, etc. and that this public comment session was for items not on the agenda.

2. Ed Johnson, referred to a March 10, 1997 document, which listed the NFA and RDA as the Park owners, stating that they anticipated transferring ownership to a 501(c)3 corporation and read from the document.
3. Pauline Hawkins, on behalf of Eileen Cedron, asked for information as to the Park's zoning.
4. William Crozier, a 40-year resident, discussed the history of the park, stating that residents

had been given first choice to purchase the Park, but could not obtain financing. He further stated that residents were operating under the assumption that at some time, the transfer would be made to them.

5. Warren Edgar, spoke regarding traffic hazards at the Park.
6. Paul Abbott, spoke regarding having Park costs come out of the General Fund rather than rent. He also spoke about traffic safety in the Park.
7. Jim Olson, thanked the Council for having come out to the Park to hold the meeting.
8. Chet Willett, a longtime resident, stated that his original understanding was that there was an underground movement being organized to develop a plan to buy the Park, and he hoped to see that occur.
9. Timothy Hart, reported that there was a homeless encampment at the bottom of the hill which was a fire danger, and requested that the Police Department check it out.

In response to the question about park zoning, Assistant City Attorney Nebb stated that it was zoned PD (Planned District), which meant that a plan was developed for it and was zoned in accordance with that plan.

D. CONSENT CALENDAR

1. DRAFT MINUTES OF MARCH 12, 2012
2. DRAFT MINUTES OF JUNE 4, 2012

Minutes were provided for informational purposes only and were formally approved at subsequent regular meeting of the Council. Future draft minutes will be placed on the General Business calendar.

*Mayor Pro Tem Eklund moved, Seconded by Councilmember MacLeamy, to approve the Consent Calendar. **The motion carried unanimously.***

PUBLIC COMMENT

10. Owen Haxton stated that his previous comments from a prior meeting had not been added to the minutes.

E. GENERAL BUSINESS

3. DIRECTION ON WHETHER TO CONSIDER OPTIONS FOR LONG TERM OWNERSHIP OF THE MARIN VALLEY MOBILE COUNTRY CLUB

Consider whether there is majority interest in discussing the alternatives and options for long term ownership of MVMCC and, if so, direct staff to return with

a work plan, budget and resident input process for this analysis and discussion.

Ms. Capriola made the staff presentation, stating that the action before Council was to give direction on whether they wanted to have a discussion on long-term ownership of the Park. She explained the process of adding items to the Council agenda that were not in the strategic plan and how those added items fit into the current workplan. Council discussion ensued.

Councilmember Lucan stated that his interest was in protecting the long-term affordability of the Park, and that how that was accomplished was the next point to consider. He was interested in seeing what some of the different ownership structures would look like. He said it might be helpful if staff came back with the various scenarios and the pros and cons of each and that the decision be made once all the information was known, and that they not fast-track it.

Councilmember Kellner stated that this topic had been around for a number of years, and that it was important to get an overview of what the options were, including pros and cons. She said that the discussion should be televised so that the entire community could be involved.

Councilmember MacLeamy stated that she knew that residents wanted affordability to be maintained, along with open, transparent governance and a fiscally responsible approach to maintaining the status quo and quality of life at the Park. She cautioned, however, that the City cannot give away assets that have a public benefit. She said that timing was critical for the City, that its fiscal sustainability conversations have been delayed by state actions, and that this work must fit in among other priorities. She agreed that the ownership discussion should be recorded in the Council Chambers and televised, and asked staff to bring back various ownership scenarios.

Mayor Pro Tem Eklund asked what the estimated staff costs would be for this work, and what the source of funds would be. Ms. Capriola stated that the first phase would likely not be that extensive but that further investigation would require experts and attorneys. She said the financing would be at the pleasure of the Council, but that in the past this type of expenditure has been from Park proceeds. She stated that staff would put together the process to report when the item comes back and that fiscal sustainability would take a significant amount of staff's time from August through November.

Mayor Pro Tem Eklund said that her interest was in making sure the Park never got into private hands, and that not just affordability but long-term affordability was her concern. She said that no option should be eliminated without having been fully explored.

Mayor Athas stated that she was anxious to discuss the topic, which has gone on so long. While she agreed that Council and staff had heavy workloads, she felt that the time had come for this discussion. She said the Park needed to remain a senior community, that affordability must be maintained, public benefit discussed and that Council must look at the pros and cons of all the different scenarios.

PUBLIC COMMENTS:

Jack Brandon asked whether the Park could function as a community service district and relayed

a story from childhood.

Dave Harrington stated he liked what he had heard regarding transparency of the process and commented that, during a time when many California cities had mismanaged their money, Novato had done well. He asked that, as staff faces a heavy workload, they use the Park resources.

Mike Read spoke regarding public benefit, stating that the Novato theatre was purchased for \$500,000 and sold for \$50,000 and that the Park should have the same benefit.

Paul Abbott spoke regarding maintaining affordability, and stated that Park residents can run the Park themselves. He said that Councils change and are not always competent, so ownership will change and may not always be competent. He said the original intent was that the Park be owned by residents and that the City was not in jeopardy since the residents pay for everything.

Mike Holland stated that the discussion of the Council's views on ownership had not gone on in public and that the right thing to do was to keep process for title transfer moving forward and to do it in a way that did not create a financial burden for residents. He said the Park was not purchased or maintained with tax money, but with resident rents.

Jan Thomas spoke on behalf of a neighbor, stating that she expected lower rents after the bonds were paid off. She said there should be a meeting and a vote by mail on the topic of ownership.

Phil Davis thanked the Council for considering the affordability and longevity of the park, as there were concerns of the consequences if the City sold to another owner.

John Shelfer stated there was a lot of fear among residents around this issue, mainly about affordability and security and what effect there might be on their quality of life. He asked the Council to make sure that the Park remained the way it was in perpetuity.

Susanne Dyby stated that she loved the Park, thanked the City for its work on their behalf, and expressed appreciation for the idea of maintaining affordability.

Owen Haxton stated that one requirement of the PAC was to relieve the burden of oversight from the Council and City at the earliest opportunity and that the residents could self-govern. Regarding public benefit, he said this was not previously a big issue, and spoke of taxes being paid by residents that go to the City, as well as license fees.

Henry Frummer supported the way the Park was being run, stating that the PAC/City partnership worked well, and that the City had kept a lid on rents. He said he was interested in maintaining status quo and that residents should have input into the options.

Warren Edgar also supported the status quo, stating that the City had done a lot to allay residents' fears, but there were threats still lurking.

Timothy Hart thanked the Council and PAC for their hard work, stating that residents had been paying for bonds for 16 years, and were not new to assuming risk. He spoke in support of long-term affordability and said that the residents were paying their way.

Carol Joy Harris said she was happy that the discussion was occurring in public and referred to a previous study a law firm (possibly Goldfarb Lipman) had been hired to do on the possible forms of Park ownership. She said all residents had received a copy.

Art Rosvold asked, if the Park went away, what would be done for low income housing.

Miriam Dvorin Spross, former PAC board president, stated that the NFA had been extremely supportive, and was interested in infrastructure and transparency.

Warren Edgar spoke about the aforementioned study, stating that their charge was to investigate the 501(c)3 and nothing else.

Council gave direction to staff, stating that the primary interest was affordability. They agreed that they would like to look at an overview first, and then, if deemed appropriate, eliminate some options from further investigation. They stated that other topics they wished to be reported on included governance, public benefit and the effect of costs on affordability. They directed staff to come back with a workplan and schedule and said that the meetings regarding ownership should be held in the Council Chambers so they could be televised and streamed live on the Web.

4. MVMCC REFINANCING PRELIMINARY RESULTS –
PRESENTATION BY PFM

Consider providing initial direction to staff regarding the preliminary refinancing results in order to finalize options for final decision at a subsequent meeting.

Ms. Capriola opened item, stating that staff worked with Sarah Hollenbeck from PFM in providing the analysis for the item. She said that preliminary research and analysis had been done, and that this item was being presented for information only, with no action other than initial direction to be given at this time.

She reported that staff had been examining this issue because Assured Guaranty (AG) had, in order to give its consent to the transfer of the Park to the City, required the City to either refinance the current MVMCC bonds within 18 months or pay \$150,000.

Ms. Hollenbeck gave a presentation, providing background information and education regarding bond financing and an overview of refinancing alternatives and considerations. She explained the various types of municipal debt, including tax-exempt, taxable, fixed rate and variable rate. She listed the types of entities that buy municipal bonds, including municipal bond funds, money managers/trust departments, individuals and financial institutions, stating that different types of investors buy different types of bonds.

She described the various methods of sale, such as public offering, which can take the form of either a competitive or a negotiated sale, and private placement, and said that, when choosing a method of sale, the type of bond/security, structure, call feature and credit rating must be considered. She discussed credit ratings and explained the circumstances of the 1997A Revenue

Bonds bond insurance, stating that, since AG wished to be refinanced out of the 1997A transaction, and they were the only bond insurer currently writing new policies, bond insurance would not be available to the City if it refinanced and the refunding bonds would be rated based on the credit quality of the Park, its ownership and management.

Ms. Hollenbeck said that the Park's credit quality would be evaluated by Standard & Poor's based on a number of considerations, including the number of spaces owned, experience of the board and officers in real estate management, and the track record of the owner, property manager and oversight agent. She stated that, according to S & P's criteria, transactions with owners lacking previous experience in owning mobile home parks would usually not qualify for 'BBB' or higher ratings.

She went on to describe funds which were invested in a Guaranteed Investment Contract (GIC) with WestLB bank, stating that, in the event of a refinancing, it was expected that the GIC would be terminated and the City's funds returned with accrued interest. She said that current reinvestment rates were substantially lower than those currently received under the GIC.

Ms. Hollenbeck reported on the assumptions that were used by PFM as part of its refinancing analysis, and the projected use of current cash available and needs for cash in the coming years. She outlined the structuring options for refunding bonds, providing the pros and cons for tax-exempt bonds with a 10-year call, tax-exempt bonds with a 5-year call and taxable bonds, stating that in a tax-exempt transaction, bond proceeds raised for capital projects must be expended within three years of issuance, but that there no such timing restriction with a taxable transaction. After reporting on the various refunding scenarios evaluated by PFM, Ms. Hollenbeck discussed private placement considerations stating that some banks will directly purchase municipal debt, that the borrowing cost may or may not be comparable to public offering, that the maximum fixed rate term was generally 7 to 12 years and that private placements can provide benefits for certain types of financing. She said PFM would provide details about private placement costs at the next meeting after refining the scenarios.

Ms. Capriola provided a summary of what staff was looking for in terms of direction, stating that they would follow up at the next meeting. She said that Council had the option to not refinance, thereby retaining the higher rate, and to pay AG the fee. She pointed out that, if they did elect to refinance, the City could do future debt issuances. She asked Council to indicate which scenarios they were interested in pursuing, and which they were not.

Councilmember MacLeamy asked, regarding private placement, if there would be a prepayment penalty, to which Ms. Hollenbeck responded that would be a condition of the purchase, but that it should not be more restrictive than a public offering. Councilmember MacLeamy then asked what would be the ramifications of keeping the funding as it was and Ms. Hollenbeck answered that the rate we were getting was extremely high compared to what we would get in the current market, but it would be difficult to determine appropriate assumptions of interest earnings. Councilmember MacLeamy concluded by asking, if we found out our savings would be a wash, what would we pay AG to stay the course, in response to which Ms. Hollenbeck stated that if we did nothing, the estimated cost would be approximately \$551,000 vs. \$300,000 if we refinanced.

Councilmember Kellner stated that a benefit of going with taxable bonds was that it wouldn't matter who we sold to, and asked what other benefits might be. Ms. Hollenbeck stated there

were none, and that even that benefit was somewhat speculative. Councilmember Kellner asked whether, if the Council gave direction to not consider taxable bonds, would that speed up the process, to which Ms. Nebb responded that, if Council eliminated that issue, more time could be spent analyzing other options.

Councilmember Lucan asked for clarification on timing since we were required to make payment to AG by September and Council would not have met again until then. Ms. Capriola stated that AG had been advised that the decision was pending, and it was likely they would extend the deadline by a month or two. He then asked some follow-up questions regarding the pros and cons of taxable bonds, and ultimately recommended that the option of going with taxable bonds not be examined any further.

Mayor Pro Tem Eklund asked whether private placement funding was a taxable bond, to which Ms. Nebb responded that they can be either taxable or tax exempt. Mayor Pro Tem Eklund then asked what criteria would be applied in the case of private placement to which Ms. Hollenbeck responded that there would not be a rating, but that the financial institution would have its own criteria. In response to a question about the viability of taxable bonds, Ms. Nebb responded that the Council would need to evaluate the cost of the issue, and that there was a high cost associated with taxable bonds. Mayor Pro Tem Eklund stated that she would like to see private placement explored in more depth.

Mayor Athas stated she was not interested in further investigation of the taxable option. She added that there was more information to come about private placement, which had fewer restrictions, and stated that she was concerned that the more time spent exploring the issue, the greater the risk of interest rates going up.

PUBLIC COMMENTS:

John Shelfer agreed with Councilmember Lucan, stating that interest income would disappear if we refinanced, and that the current fund gain could be used to pay the AG fee. He felt it would be foolish to refinance now and then have to do it again when ownership was transferred.

Adele Waller asked for confirmation that AG was the only agency currently writing bond insurance for mobile home parks.

Anila Manning stated it was clear that if we decide to refinance \$200,000 would be lost.

Mike Holland supported investigating private placement and regarding the repurposing of \$1.8M of cash trap funds as capital reserve, asked whether that assumption came from staff. He also inquired why it was implied that the replacement reserve fund of \$970,000 was at risk and must be used.

Mike Read stated that Sonoma Bank had offered a 20 year fixed-rate loan for purchase, or we could stay with AG and pay off within 7 or 8 years.

Paul Abbott recommended refinancing on the basis of the value of the homes and transfer ownership at the same time.

Rick Oltman stated tax free bonds would provide best value, but was opposed to refinancing. He said it would allow a future Council to sell more bonds based on a higher appraisal, drain the equity, and keep the debt on the Park, but residents wouldn't have the title.

Henry Frummer said it was hard to understand the numbers, commenting that if AG wants to get rid of us, they would figure out a way and that the \$150,000 fee was arbitrary.

Ms. Hollenbeck in response to Ms. Waller's question, stated that it was true that AG was the only bond insurer actively writing insurance for municipal debt, that there was no insurer on mobile home parks and that all options would be uninsured.

Regarding Mr. Holland's questions, Ms. Capriola responded that staff thought of the cash trap as an emergency reserve or upfront money for capital improvements and that the intent would be to build up the balance to fund capital improvements. She stated that, for the current capital reserve account, having \$1M to \$1.5 M on hand would be optimal. To the second part of his question, Ms. Nebb responded that these were tax-exempt bonds and there were limits on what the money could be spent on. She said that staff needed to know from bond and tax counsel what can and can't be used, which would be helpful in looking at a 15-year cash flow.

*Mayor Pro Tem Eklund moved, Seconded by Councilmember Lucan, to direct staff to provide further analysis of the tax-exempt option and not look at taxable debt, to explore private placement and provide information about not refinancing. **The motion was approved unanimously.** The seconder, Councilmember Lucan, stated that a decision about whether to refinance must be made before ownership transfer was discussed and requested that a column be added to the chart to show the impacts of ownership transfer.*

F. BOARD/STAFF COMMENTS

5. The next meeting was set for Monday, September 10, 2012 at the Council Chambers, 901 Sherman Avenue.

G. ADJOURNMENT

The meeting was adjourned at 9:27 p.m.

I HEREBY CERTIFY that the foregoing minutes were duly and regularly adopted at a regular meeting of the Novato City Council.

Sheri Hartz, City Clerk