



THE CITY OF  
**NOVATO**  
CALIFORNIA

75 Rowland Way, #200  
Novato, CA 94945-3232  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

Mayor  
Denise Athas  
Mayor Pro Tem  
Pat Eklund  
Councilmembers  
Madeline Kellner  
Eric Lucan  
Jeanne MacLeamy

City Manager  
Michael S. Frank

**JOINT CITY COUNCIL/  
CITY COUNCIL AS SUCCESSOR AGENCY TO DISSOLVED  
REDEVELOPMENT AGENCY SPECIAL MEETING**

to be held at

**NOVATO CITY HALL  
COUNCIL CHAMBERS  
901 SHERMAN AVENUE**

**OCTOBER 30, 2012**

**6:30 PM**

**(DISCUSS ITEMS RELATED TO  
MARIN VALLEY MOBILE COUNTRY CLUB)**

**AGENDA**

**A. CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

**B. CEREMONIAL MATTERS/PRESENTATIONS**

Proclamation: Veterans Day 2012

**C. APPROVAL OF FINAL AGENDA**

**D. PUBLIC COMMENTS**

See agenda cover page for information about Public Comment periods and associated protocol.

6:45 P.M. (*Time is approximate.*)

**E. CONSENT CALENDAR**

1. ADOPT CITY COUNCIL MINUTES OF SEPTEMBER 10, 2012 (MVMCC)

2. INFORMATION ON CONSUMER PRICE INDEX PERCENTAGE CHANGE FOR CALENDAR YEAR 2013

Consider receiving information on the Consumer Price Index percentage change for calendar year 2013. There will be no impact on rents due to Council's decision to not raise rents for the 2013 Calendar Year. (Informational only.)

**Recommendation: Receive information.**

**F. GENERAL BUSINESS**

6:50 P.M. *(Time is approximate.)*

3. TRUST FOR PUBLIC LAND PROPERTY ACQUISITION OPPORTUNITY

Consider receiving information on the Trust for Public Land property acquisition opportunity. (Informational only.)

**Recommendation: Receive information.**

7:15 P.M. *(Time is approximate.)*

4. RECOMMENDATION TO CONTRACT WITH BANK OF MARIN FOR A PRIVATE PLACEMENT REFINANCING OF MVMCC BONDS

Consider providing direction to staff regarding the refinancing of the MVMCC bonds as a result of the private placement Request for Proposal and the favorable submittal provided by Bank of Marin.

**Recommendation: To contract with Bank of Marin to refinance the outstanding MVMCC bonds (1997A MVMCC Senior Revenue Bonds) by directing staff to take the following actions:**

1. ***Approve the attached Resolution approving the base parameters of the refinancing and providing Council's direction to enter into a 15 year refinancing private placement with Bank of Marin.***
2. ***Direct staff to complete the following work necessary for the placement with Bank of Marin:***
  - a. ***Obtain an appraisal to provide real property collateral; the appraiser is to be engaged by the Bank using appraisal methods and standards acceptable to the Bank. Cost estimated to be between \$5,000-\$10,000 for the appraisal.***
  - b. ***Complete an Environmental Questionnaire for the MVMCC property.***
  - c. ***Complete all legal and financial work necessary to complete the refinance.***
  - d. ***Return to Council (tentatively scheduled for December 11, 2012) to execute the loan documents and any other documents necessary to effectuate the refinancing and retirement of the existing bonds.***

8:00 P.M. *(Time is approximate.)*

5. DIRECTION ON PROCESS AND BUDGET OF LONG TERM OWNERSHIP DISCUSSION FOR THE MARIN VALLEY MOBILE COUNTRY CLUB

Consider providing direction to staff regarding the proposed process and budget for a Council and resident discussion regarding the long term ownership of MVMCC.

**Recommendation: Provide direction to staff.**

9:00 P.M. *(Time is approximate.)*

**G. REGULAR REPORTS**

6. BUCKET ANALYSIS FOR THE PERIOD ENDING SEPTEMBER 30, 2012
7. PAC UPDATE/PARK MANAGEMENT UPDATE: Jim Olson, PAC President (Al Frei unable to attend)

9:15 P.M. *(Time is approximate.)*

**H. BOARD/STAFF COMMENTS**

8. Staff Updates
9. Determine Next Quarterly Meeting Date

9:30 P.M. *(Time is approximate.)*

**I. ADJOURNMENT**

**AFFIDAVIT OF POSTING**

I, Sheri Hartz, certify that on October 25, 2012, I caused to be posted the agenda of the October 30, 2012 joint special meeting of the City Council and City Council as Successor Agency to 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](http://www.cityofnovato.org). In addition, a copy of the agenda and packet was delivered to the MVMCC Clubhouse for resident review and emailed to the PAC Webmaster for posting on the MVMCC web site.

/Sheri Hartz/  
Sheri Hartz, City Clerk

MINUTES OF SPECIAL CITY COUNCIL MEETING  
MARIN VALLEY MOBILE COUNTRY CLUB  
COUNCIL CHAMBERS  
901 SHERMAN AVENUE  
SEPTEMBER 10, 2012 – 7:00 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: City Manager Michael Frank, Assistant City Manager Cathy Capriola, Finance Manager Brian Cochran, Assistant City Attorney Veronica Nebb and Deputy City Clerk Vickie Gerber.

B. APPROVAL OF FINAL AGENDA

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

C. PUBLIC COMMENTS

1. Michael Read referred to his handout dated 1997, *Notice of Transfer of Property and Notice of Assignment of Rents*, read a portion of the document into the record. Mr. Read stated that residents had increased their rents in order to fund the sale of the park to the NFA and that no taxpayer funds had gone into park operations. He stated that the City could transfer ownership of the Park to the residents similar to the downtown theater.
2. Owen Haxton said he has been trying to have his remarks included in the minutes, the draft minutes dated July 9, 2012 did not include them, and read the following language from a Trust Agreement dated 1997 into the record: *“The owner anticipates transferring all of its right, title and interest in the project to a yet to be incorporated 501(c)3 corporation, at which time all of the duties and obligations of the owner relating to the bonds and the project will be transferred to the corporation. Assuming the project has been purchased by the Authority with the intent to hold the project for redevelopment purposes with the intent to transfer said project to a 501(c)3 the project is exempt from property taxes. Whereas, the*

*owner and the PAC expect to transfer and assign to all their respective rights, interests and obligations in the project and the various agreements entered into by the owner and the PAC with respect to the project to a nonprofit 501(c)3 corporation upon the terms and conditions set forth in the loan agreement and the insurance agreement. While any bonds are outstanding under the indenture, the owner and the PAC may assign their respective obligations under the agreement to a nonprofit corporation which has acquired the project from the owner without the consent of the City if the terms and conditions set forth in the loan agreement, the mortgage agreement and the insurance agreement are met.”* He said he had been told that people need to respect the opinion of those who were present in the beginning and read their names into the record: David Kenyon; legal counsel for the PAC; Philip Boon, financial advisor; Scott Beck, legal counsel for the City; Joe Coomes, legal counsel for the City; Chris MacFarlane, finance officer for the City; Steve Melikian, bond counsel; Sonia Seeman, former City employee; Emily Wagner, Novato Finance Authority financial counsel and Jeff Walter, City Attorney.

3. Rick Oltman said that in 1999, as a result of concern the residents of Marin Valley had over rent increases, the City offered to help by having bonds issued; for the past 15 years park residents have paid over \$10M in principal and interest on the bonds and taxpayers residing outside the Park have paid nothing; the plan had been to eventually transfer ownership of the Park to resident control; he read from a prospectus, “The owner anticipates transferring all of its right, title and interest to a yet to be incorporated 501(c)3 corporation.” Mr. Altman spoke about the past effort to create a Marin Valley Senior Community.

Ms. Nebb responded to Council that she recalled the PAC had entered into a Purchase Agreement and had approached the City to buy the property when they could not obtain financing. As a result, Novato Finance Authority was formed and the Purchase Agreement was assigned to the City. Ms. Nebb stated that she did not believe that title of the Park was ever held by the PAC.

D. CONSENT CALENDAR

No items were listed for this section.

E. GENERAL BUSINESS

1. DRAFT MINUTES OF JULY 9, 2012

Minutes were provided for informational purposes only and were formally approved at the September 11, 2012 regular meeting of the Council.

## 2. REFINANCING – PRESENTATION AND COUNCIL DIRECTION

Provide direction to City staff regarding the refinancing of the MVMCC bonds and whether to take actions as outlined in the Recommendation shown below.

Recommendation: To move forward with refinancing the 1997A MVMCC Senior Revenue Bonds by directing staff to take the following actions:

1. Conduct a Request for Proposal for a private placement with an effort to promote this opportunity to local and regional banks and financial institutions.
2. Direct the City Manager to hire professional assistance to initiate the refinancing process for the following tasks with funding to be taken from the refinance to compensate these firms.
  - a. Enter into the next phase of a contract with PFM to manage this RFP process for a fixed fee of \$37,500, contingent upon the successful closing of the refinancing transaction; plus reimbursement of actual expenses incurred, not to exceed \$1,000.
  - b. Engage legal counsels (Walter & Pistole and Jones Hall) as needed in the review of any financial and legal issues related to the proposed transaction.
3. Direct the City Attorney's office to update and prepare any changes to the MVMCC project documents as will be required with the refinancing.

Ms. Capriola made the staff presentation and introduced Consultant Sarah Hollenbeck, PFM; Finance Manager Brian Cochran; and City Attorney Veronica Nebb, who assisted with the PowerPoint presentation, *Marin Valley Mobile Country Club 1997 A Revenue Bond Financing*, which followed.

## C. PUBLIC COMMENT

1. Jim Olson, speaking as a resident, not as President of the PAC Board, said he regretted refinancing was not being carried out as part of a transfer to Park ownership and understood why. He acknowledged staff for doing a good job preparing the private financing scenario and thanked Council for asking questions and doing all the right things. He questioned whether any requirement was anticipated with the new lender similar to what Assured Guaranty required and whether it would affect the in-lieu or property tax situation. He requested PAC Board members and residents be allowed to provide feedback into the process and, in particular, to the revision of current documents. He requested the new documents contain the same protections for residents that were contained in current documents and language should be included prohibiting the use of funds for anything other than capital work since major funds would be accumulating for infrastructure and ADA work on the clubhouse. He asked what they could do to ensure the transfer was simple and inexpensive.

2. Ray Schneider questioned several items including private financing, limited City staff time, whether the Park would continue to be charged \$25,000 per year; the cost of engaging legal counsel; the cost to make changes to project documents; and where an additional \$5,000,000 would come from if only \$4M-5M was accumulated by 2015-16 and \$10M was needed to make necessary repairs. He thought there were always strings attached to tax exemptions, even on private placement.
3. John Shelfer thanked those who prepared the documents for doing an admirable job. He said the project appeared to be on firm financial ground and asked whether it had to be tax-exempt to get the rates shown. He thought the new loan documents should contain a provision that the new owner could transfer the loan to a new entity that might be taking ownership of the park, if the ownership issue gets resolved, and that the lender should ensure the new owner could maintain the loan.
4. Larry Cohen requested a “best guess” estimate of what the net cost of refinancing would be to the residents.
5. Mike Read said Slide 5 of the presentation made it appear that the monthly payments were paid by the City when they were paid out of the Park budget. He reiterated concerns expressed by previous speakers regarding interest rates, borrowing scenarios and tax exempt status.
6. Rick Oltman asked if an appraisal had been done on the property since the 2008 subprime market debacle and, if so, what the value showed. He said \$9.7M remained outstanding on the original issue of the long-term bonds and questioned how much was being attempted beyond \$9.7M through a private placement or a bond issue.

Ms. Capriola said they did not anticipate that the new lender would require the same number of controls Assured Guaranty had required.

Ms. Nebb said there was a tax-in-lieu agreement because as a public agency owning the property the City took it off the tax rolls, but wanted to ensure that the general fund was reimbursed some amount associated with tax, so there would not be a net deficit associated with having the property off the tax rolls for the rest of the residents of Novato. Currently, the Park pays a tax-in-lieu payment to the general fund, in lieu of paying property taxes, and they did not anticipate making any changes. She also said Council could consider whether that amount bears a relationship to the tax on the property, but currently that amount was set at what the taxes were and has stayed fairly stagnant with a minor CPI increase.

After Council held a brief question-and-answer session, *Councilmember Kellner moved, Seconded by Mayor Pro Tem Eklund, to refinance now and to pursue a private placement based upon the analysis and the staff recommendation. **The motion carried unanimously.***

Mayor Pro Tem Eklund said she wanted to clarify that the motion meant there would be a private placement whether there was a bond or a loan.

*Councilmember Lucan moved that a 10-year option or a loan shorter than 15 years be considered; and, although it looked as though the assumability was out of the picture, if there was going to be a traditional loan with a bank and there was an option to include an assumability clause at the bank's discretion, he would like to have the language included.*

*Councilmember MacLeamy seconded the motion for the purpose of discussion.*

Mayor Pro Tem Eklund questioned whether interest rates could be higher with a 10-year versus a 15-year loan and how a tax exempt bond could be assumed. Ms. Hollenbeck responded that they looked preliminarily at a 10-year borrowing scenario and did make assumptions about what the deferential interest rate would be. The debt service would increase from where it currently was by approximately \$55,000 to \$56,000, depending on what the [insurance] coverage requirement would be, which could increase the overall required annual cash flow by up to \$90,000, assuming the 1.6xs coverage that could potentially create upward pressure on rates paid by the residents of the Park. If there was not sufficient coverage, they would have to pay for it. She said it was a "back of the envelope" description of what a 10-year financing could look like. Regarding assumability, they did not believe there would be lenders willing to offer that option, but there would be no harm done by asking the question. She did not expect that a new lender would provide something that Assured Guarantee was unwilling to provide, which was why they required consent for any transfer in 1997.

Ms. Nebb added that regarding the 10-year situation and in addition to Ms. Hollenbeck's comment about it placing pressure on rents, which was something Council had included in its parameters for what it did not want to have done with the transaction, it did not give the opportunity to build replacement reserves at the rate that was currently being discussed, which was the reason for staff's positive recommendation. She thought staff's reasoning for going with a 15-year borrowing scenario could start to erode a bit when looking at less of an ability to build the reserves and the potential upward pressure toward rents.

Councilmember Lucan said he was not suggesting that only a 10-year be looked at and would be very interested in comparing a 15-year to a 10-year, or a 15-year to a lesser term.

Mayor Pro Tem Eklund questioned how staff would handle the mechanics of a Request for Proposal (RFP) and whether it could be created to include a 10-year and a 15-year scenario, whether it would be unmanageable, or whether it was something that could have been done in the past. She said she did not want this to result in a higher interest rate or hinder the chances of a RFP by going with a 10- to 15-year term.

Ms. Hollenbeck said that once the banks responded to the RFP or request for bids and understood the credit, she expected it would be relatively straight forward for them to price a 15-year and a 10-year or shorter option. She said it could become more challenging if there were "apples and oranges and watermelons" to compare to one another in terms of responses, then how to evaluate or select among the options could be less straightforward.

Mayor Athas commented that if there were no prepayment penalties, Council could always go for a lesser amount, but it would depend on whether it would be the right thing to do at the time.



By including a restriction and trying to put a limit on when it would absolutely have to be paid off by saying the term was going to be 10 years could cause undue stress because what a 10-year was going to look like was unknown. If there was a 15-year loan and in 10 years it was decided that everything was in play and the loan was called, then it could be paid off in 10 years. She emphasized that the 15-year option provided better flexibility by not limiting the City to a 10-year call.

Councilmember Lucan said that if we were building up our reserves and \$4M was sitting in an account earning 4 percent to .8 percent interest when we could have been paying down at a 4.8 percent rate, or whatever the rate was going to be, it could be more advantageous to pay it down over 10 years.

Mayor Pro Tem Eklund said that the Park had over \$10M of capital needs that would require attention in 10 years or less. She noted that when she was a member of the Novato Finance Authority the electricity went out at the Park, there was no backup generator, and she did not want anything to fail without having money in the bank to address capital needs. She said everyone wanted to pay off the loan, but there was no money in the bank to make the improvements that have been identified. She stated that City Engineer Skinner recently gave an excellent presentation on the needs of the Park and there was an understanding that if capital improvements could be delayed ten years, there could be time to build up reserves of at least \$10M. She did not think that objective could be achieved if the loan was paid off sooner.

Councilmember Lucan said he was not suggesting that Council make a decision tonight and reiterated that he did want to review a breakdown of the two borrowing scenarios. He said he would split his motion for the purpose of clarification.

*Councilmember Lucan moved, Seconded by Councilmember MacLeamy, to look at a shorter term than only a 15-year borrowing scenario. **The motion failed 3-2, with Mayor Athas, Mayor Pro Tem Eklund and Councilmember Kellner dissenting.***

*Councilmember Lucan moved, Seconded by Councilmember MacLeamy, to include an assumability clause subject to the bank's approval. After Ms. Hollenbeck responded to Mayor Athas that doing so would not limit the number of banks responding to a RFP, **the motion carried unanimously.***

*Mayor Pro Tem Eklund moved, Seconded by Councilmember Kellner, to direct the City Manager to hire professional assistance to initiate the refinancing process with funding to be taken from the refinance to compensate the firms and to enter into the next phase of a contract with PFM to manage the RFP process for a fixed fee of \$37,000, contingent upon the successful closing of the refinancing transaction; plus reimbursement of actual expenses incurred, not to exceed \$1,000. **The motion carried unanimously.***

*Councilmember MacLeamy moved, Seconded by Mayor Pro Tem Eklund, to direct the City Manager to engage the firms of Walter and Pistole and Jones Hall, as needed, in the review of any legal and financial issues related to the proposed transaction. **The motion carried unanimously.***

F. BOARD/STAFF COMMENTS

1. Determine Next Quarterly Agenda Schedule

Assistant City Manager Capriola announced that the next quarterly meeting would be scheduled on October 29 or October 30, 2012, 6:30 p.m., in Council Chambers, and the agenda would include the ownership work plan and process. The date will be confirmed within the next week so the PAC can communicate the details to the residents.

G. ADJOURNMENT

The meeting was adjourned at 9:00 p.m.

DRAFT



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](http://www.ci.novato.ca.us)

## STAFF REPORT

DATE: October 30, 2012  
TO: City Council  
FROM: Cathy Capriola, Assistant City Manager  
Brian Cochran, Finance Manager  
Veronica Nebb, Assistant City Attorney  
SUBJECT: **INFORMATION ON 2.8% CONSUMER PRICE INDEX PERCENTAGE CHANGE FOR CALENDAR YEAR 2013; NO IMPACT ON RENTS DUE TO COUNCIL DECISION TO NOT RAISE RENTS FOR 2013 CALENDAR YEAR**

### REQUEST

Informational only.

### RECOMMENDATION

Informational only.

### DISCUSSION

During the budget process last spring, the PAC recommended and the City Council and Assured Guaranty agreed, to not increase rents for the 2013 year. The following is for informational purposes only.

Pursuant to the requirements of the Mobile Home Rent Control Ordinance No. 1475, the City provides all mobile home owners with an update on the Consumer Price Index on an annual basis. As provided by the ordinance, 100% of the increase in CPI may be passed through to tenants as a General Rent Adjustment. As required by State law, tenants are entitled to 90 days notice of any rent increase. Therefore, in order to lawfully apply this CPI increase as a General Rent Adjustment on January 1, 2013, tenants must be notified by October 1, 2012, of any proposed rent increase.

Finance staff distributed information in September to all mobile home owners and operators providing official notice that the Consumer Price Index (CPI) for All Urban Consumers (as reported by the U.S. Department of Labor) increased by **2.8%** between August 2011 and August 2012.

Based on Council's decision, there is no rent increase for 2013; however based on CPI, rents could have been increased by 2.8%.

### FISCAL IMPACT

None. There will be no rent increase for 2013.

### ALTERNATIVES

N/A

### ATTACHMENTS

None

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



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](http://www.ci.novato.ca.us)

**STAFF REPORT**

DATE: October 30, 2012  
TO: City Council  
FROM: Michael Frank, City Manager  
Veronica Nebb, Assistant City Attorney  
Cathy Capriola, Assistant City Manager  
SUBJECT: **TRUST FOR PUBLIC LAND PROPERTY ACQUISITION  
OPPORTUNITY**

---

**REQUEST**

Informational only.

**RECOMMENDATION**

Provide information to the residents and Council.

**DISCUSSION**

The City has been contacted by the Trust for Public Land ("TPL") regarding the possibility of the City purchasing 90-acres of TPL owned land that surrounds the Marin Valley Mobile Country Club ("MVMCC"). This land is best characterized as consisting of 60-acres of sloped, oak woodlands and oak savannah grassland, and 30-acres of flat grassland featuring intermittent freshwater marsh areas. A map identifying TPL's parcels is attached for reference.

TPL acquired the property as a charitable gift from the Paul and Eleanor Sade Trust in December 1996. TPL representatives have indicated to staff that Mr. and Mrs. Sade intended that TPL would sell the property in the future to generate revenue to support its charitable activities. Although not in TPL's best financial interest, a sale to a public agency is viewed as not only a means of providing funding for TPL's charitable functions, as intended by Mr. and Mrs. Sade, but would keep the property in open space consistent with TPL's mission. There is nothing preventing TPL from selling the property to a private developer.

For reference, TPL's parcels are currently designated Low Density Residential (R1) by the Novato General Plan. This land use designation offers a density range of 1.1 to 5.0 dwelling units per acre. On a gross level the maximum theoretical build-out of TPL's parcels is 450 single-family dwelling units. However, many of TPL's parcels are physically constrained by steep slopes, oak trees, wetland areas, and poor access, which make it difficult to achieve the maximum density level permitted under the R1 land use designation. The parcels would also be

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

subject to the City's Hillside and Ridgeline Protection Ordinance, which imposes standards reducing the development potential of lands with an average slope of greater than ten-percent. Nonetheless, the TPL parcels, as currently designated by the Novato General Plan, could be developed with single-family residences.

#### Interest from MVMCC In the Past

In the past, there has been interest from MVMCC residents to acquire the TPL land. As discussions with TPL continue to be explored, it is timely to gain input from MVMCC residents.

#### Benefits of Acquisition

Since initial meetings with TPL, City staff has discussed the potential benefits the City could obtain from purchasing TPL's land. The purchase of the TPL land would permit the City the opportunity to provide a clear open space buffer with no development to impact the Park. In addition, there is a potential opportunity to acquire TPL's land for the purpose of transferring the federal Lands-to-Parks Program covenants that apply to several City parcels at Hamilton Field. If this occurred, the property would be placed in open space or permanent recreation zoning and the current housing zoning would be removed.

#### Status

At this time, City and TPL staffs have held a couple of discussions including a brief tour of the property. The next step is to gain an appraisal of the TPL property in order to move to the next stage of negotiations. Any discussion regarding parameters and terms of acquisition for the property negotiations by the City would occur in a City Council closed session.

#### **FISCAL IMPACT**

The City requested TPL provide information regarding the price and terms that would be expected with respect to acquiring its land surrounding MVMCC. TPL and the City are exploring costs which would require an appraisal as part of the process.

#### **ATTACHMENTS**

1. Map of Trust for Public Land parcels



**TRUST FOR PUBLIC LAND PARCELS**  
**90-ACRES**  
**GENERAL PLAN LAND USE DESIGNATION – LOW DENSITY RESIDENTIAL (R1)**  
**ZONING CLASSIFICATION – PLANNED DISTRICT (PD)**

**STAFF REPORT**

F - 4



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](http://www.ci.novato.ca.us)

DATE: October 30, 2012  
TO: City Council  
FROM: Cathy Capriola, Assistant City Manager  
Brian Cochran, Finance Manager  
Veronica Nebb, Assistant City Attorney

SUBJECT: **RECOMMENDATION TO CONTRACT WITH BANK OF MARIN FOR A PRIVATE PLACEMENT REFINANCING OF MVMCC BONDS**

**REQUEST**

Provide direction to staff regarding the refinancing of the MVMCC bonds as a result of the private placement Request for Proposal and the favorable submittal provided by Bank of Marin.

**RECOMMENDATION**

To contract with Bank of Marin to refinance the outstanding MVMCC bonds (1997A MVMCC Senior Revenue Bonds) by directing staff to take the following actions:

1. Approve the attached Resolution approving the base parameters of the refinancing and providing Council's direction to enter into a 15 year refinancing loan with Bank of Marin.
2. Direct staff to complete the following work necessary to effectuate the refinancing with Bank of Marin:
  - a. Obtain an appraisal; the appraiser is to be engaged by the Bank using appraisal methods and standards acceptable to the Bank. Cost is estimated to be approximately \$5,000-\$10,000 for the appraisal.
  - b. Complete an Environmental Questionnaire for the MVMCC property.
  - c. Complete all legal and financial work necessary to complete the refinance.
3. Return to Council (tentatively scheduled for December 11, 2012) to execute the loan documents and any other documents necessary to effectuate the refinancing and retirement of the existing bonds.

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

## DISCUSSION

In order to consent to the transfer of the Park to the City, Assured Guaranty, the bond insurance company, required the City to either refinance the current MVMCC bonds within 18 months or pay \$150,000. Assured Guaranty has committed that as long as the City is moving forward in its refinancing process, then Assured Guaranty will see this as the City being in compliance with their requirements. Based on the City's progress, Assured Guaranty has now extended the date to February 15, 2013 to have the refinancing completed. It should be noted that if the decision is to refinance, Assured Guaranty will be entitled to receive all of the bond insurance payments that they would have received over the life of the bonds in one lump sum payment with the refinancing.

As part of the refinancing, the City will want to consider if there are any additional funds that are going to be needed based on the "Property Condition Report" which was recently completed. There were some minor interim projects needed but those could be accomplished with reserves and within the Park's annual capital investment program. The analysis did show that the additional capital investments in infrastructure would be necessary starting approximately ten years from now. The exact costs for this infrastructure project will be polished during an engineering scoping study to be completed over the next few years.

### *Prior Discussion*

To assist with the refinancing, the City engaged Public Financial Management, Inc. ("PFM") as its financial advisor for this transaction. PFM prepared preliminary results and gave a presentation for Council and MVMCC residents at the July 9<sup>th</sup> meeting. The focus of the July 9<sup>th</sup> meeting was a workshop format focused on education, background and options regarding the refinancing. The main themes from the July 9<sup>th</sup> meeting were that refinancing does save money and there are options for Council consideration. Council directed staff to complete the analysis focusing on tax-exempt options and to reach out to local banks to see if there was sufficient interest to pursue private placement. At the September 10<sup>th</sup> meeting, PFM provided an update to the Council and recommended that the City move forward to refinance the bonds through a private placement with a bank or financial institution. Based on interest rates at that time in the bond market, PFM believed the City could achieve at least a 4.3% interest rate versus the current interest rate of 5.85% on the outstanding bonds. PFM recommended, and Council concurred, that we are seeking a tax-exempt transaction which results in the lower interest rate.

### Request for Proposal (RFP)

On behalf of the City, Public Financial Management, Inc. ("PFM") conducted a Request for Proposals ("RFP") process to solicit financial institutions to provide a tax-exempt loan or act as private purchaser of tax-exempt bonds to refund the 1997 Bonds. The RFP was distributed to 25 banks active in direct lending to municipalities. Respondents were provided three weeks to submit proposals and had an opportunity prior to responding to submit questions to the City about the project or the financing and receive written answers, which were circulated to all potential proposers. The RFP outlined the following key financial terms that the City was seeking.

- 15-year term (debt fully amortized by October 1, 2027).
- Fixed interest rate through final maturity.
- Ability to prepay prior to maturity.
- Flexibility to issue parity debt (additional debt) assuming certain debt service coverage requirements are met.
- No Debt Service Reserve Fund and No Cashtrap Fund.
- Debt is to be secured by a pledge of the revenues of the Park; there will be no recourse to the City's General Fund or any tax revenues of the City.



- Bonds or loan be secured exclusively by the revenues of the Park and not to provide a Deed of Trust on the Park property as additional security for the debt.
- Opportunity to have the loan be assumed.

PFM, on behalf of the City, received two proposals prior to the RFP deadline, from Bank of Marin and Umpqua Bank. PFM, along with City staff, have reviewed both proposals.

PFM and staff concurred that Umpqua's proposal was not responsive to many of the requirements of the RFP. In addition, Umpqua Bank's proposal did not offer a fixed rate for 15 years, rather Umpqua offered 3.688% for 10 years with an interest rate adjustment in year 10.

Alternatively, Bank of Marin's submittal is a strong proposal with 2.805% fixed term interest rate and offers very attractive terms to the City for the refinancing of the 1997 Bonds. Additionally, the Bank of Marin has experience providing direct loans of comparable size to several public entities in Marin County. As a side note, while there had been hope for one or two more proposals, MVMCC is an unique refinancing and Bank of Marin's proposals shows that a local institution has a greater comfort and understanding with this transaction.

#### Bank of Marin Proposal

The key features of Bank of Marin's proposal are outlined below.

- 2.805% interest rate fixed for the 15-year term of the financing (or after 12/31/12, 2.54% over the 10-year Treasury);
- Prepayment flexibility beginning in Year 1 at a premium of 5%, declining to 1% in Year 5, with the ability to prepay up to 20% of principal each year without penalty;
- Security consisting of a pledge of MVMCC revenues and a negative pledge on the Park property (no Deed of Trust required);
- Annual Debt Service Coverage requirement of 2.00 times debt service;
- Ability to issue parity debt secured by MVMCC revenues, subject to certain customary limitations;
  - 2.00 times coverage on existing and proposed debt;
  - Total loan to value ratio not to exceed 65%;
- No requirement to maintain a Debt Service Reserve Fund or a Cashtrap Account, both of which are currently required under the 1997 Bond indenture; and,
- Bank of Marin's outlined costs of refinancing include a loan fee of \$21,250 (0.25%) and transaction costs estimated to be no more than \$12,500.

PFM views both the interest rate and the primary business terms of the proposed Bank of Marin loan as very attractive to the City. As you will recall, last month when we presented an analysis of the public bond offering and private placement options to the City Council, we were using an assumed interest rate for a 10-year call feature of approximately 4.30%. The existing rate on the 1997 Bonds is 5.98%. At the 4.29% rate, the assumed debt service on a privately placed transaction would have been about \$716,000. Based upon the Bank of Marin's proposal, the annual debt service is estimated to be about \$677,000 (assuming a loan amount of \$8,130,000). The City will also have the flexibility to prepay the loan beginning in the first year of the financing, at a premium as noted above. The attractive borrowing cost proposed by the Bank, as well as the ability to avoid funding a Debt Service Reserve Fund or maintain a Cashtrap Account, results in considerable savings. Gross debt service savings is estimated at \$5.71 million. Annual debt service savings from 2014 through 2027 is estimated at about \$365,000 per year. Even after taking into account the loss of investment income from the guaranteed investment contracts, there is still positive savings (see Table 2 below).

**TABLE 1 -- Private Placement (Tax-Exempt) Cost Summary**

<b>Original Estimate &amp; Bank of Marin Proposal 15 Years from 2014-2028</b>	<b>Current Bonds</b>	<b>Estimate 09-10-2012 Public Offering Rate</b>	<b>Bank of Marin Proposal</b>
<b>Bond Summary</b>			
Total Debt Service	\$15,180,455	\$10,927,000	\$10,015,566
Average Annual Debt Service	\$952,000	\$716,125	\$677,193
Borrowing Cost	5.98%	4.29%	2.805%
<b>Refunding Results (As Compared to Current Bonds)</b>			
Gross Savings	n/a	\$4,814,207	\$5,713,641
Average Annual Cashflow Savings	n/a	\$245,321	\$365,035
Present Value Savings	n/a	\$1,396,040	\$2,251,889

Investment Earning Analysis

While the City does save debt service savings annually, there is a loss of investment earnings due to the loss of the Guaranteed Investment Contract (GIC) with the German bank which reduces this savings. Table 2 below shows the current investment earnings, the interest earnings after refinancing, the annual debt service after refinancing and the net difference. This analysis is difficult since assumptions have to be made for investment earnings for the next five years. It is important to note that there is a mandatory call in October 2017 at which time the Cash Trap will be emptied completely and investment earnings from the current bonds will decrease at that time. Based on the lower interest rate set forth in the Bank of Marin proposal, the net cash flow savings is small, but positive, over the next five years after taking into account the loss of investment earnings from the GIC.

**Table 2 – Interest Earnings Comparison  
and Debt Service Impact on Refunding**

<b>Fiscal Year</b>	<b>GIC Interest Earnings (6.4 - 6.8%)</b>	<b>Interest Earnings after Refunding (0.4 – 1.2%)</b>	<b>Debt Service Savings</b>	<b>Net Cash Flow Impact</b>
2014	308,867	23,403	375,004	89,540
2015	338,537	38,735	321,611	21,809
2016	368,207	57,506	332,655	21,954
2017	397,877	84,842	317,294	4,259
2018	277,741	118,456	315,953	156,668
<b>Total</b>	<b>1,691,229</b>	<b>322,942</b>	<b>1,662,517</b>	<b>294,230</b>

Debt Service Coverage Ratio Analysis (DSCR)

One of the key questions regarding Bank of Marin’s proposal is the higher Debt Service Coverage Ratio requirement of 2.00 to 1.00 on an annual basis. Staff has analyzed the finances to see if this coverage ratio is workable without impacting the current level of maintenance and other expenses of the park. We are projecting coverage between 2.6 and 3.0, fluctuating a little bit each year, for each of the first 7 years, and expanding thereafter. We will need to have a well-defined definition in the documents outlining what is / is not included in the coverage calculation. Staff believes that this DSCR requirement can be met and will further review and discuss this with Bank of Marin as we move forward.

**Table 3 – Debt Service Coverage Calculations (Forecasted Estimates)**

<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>	<b>FY 17-18</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>
2.77	2.65	2.76	2.81	2.91	2.96	3.04	3.15

Rationale for Refinancing

Staff recommends that the Council move forward with Bank of Marin’s proposal for the following reasons.

1. Lock in Low Interest Rate and Save Money -- Regardless of Assured Guaranty’s ultimatums; it is clearly an excellent time to refinance with some of the lowest interest rates in years. Bank of Marin’s fixed interest rate of 2.805% is very attractive and this refinancing saves the Park money in the short and long run.

Alternatively, if the Council decided to not refinance, the bonds may be paid off in 9-10 years, however, there would be limited funding held in reserves for the major infrastructure investments which would then be needed. Under this scenario, the Council would be forced to bond or find a private loan in ten years for this funding and it is unknown what interest rates will be at that time. The risk of a higher interest rate in 10 years is a significant risk.

2. Need for Long Term Reserves -- The recently completed Property Condition Report for the Park indicated that the underground infrastructure (water, sewer, electricity, etc.) is holding up well, despite its age. However, the City should look at a comprehensive replacement beginning approximately 10 years from now which will require additional reserve funds. One of the key benefits of refinancing is the desire and need to build funds for these important infrastructure investments. If we refinance under Bank of Marin’s proposal, we can build close to \$5 million in reserves for this key project by FY 16/17. If we don’t refinance, the majority of the unspent earnings will be placed in the Cash Trap which will be called in 2017 and used to buy down some of the bonds. While staff believes that Assured Guaranty will allow some increase in reserves for the future infrastructure, Assured Guaranty also has an interest in placing as much cash in the Cash Trap in order to reduce the bonds in October 2017 when the next mandatory call will occur.

Staff believes that ensuring future reserve funding to replace the Park's underground infrastructure is a key interest and priority to be addressed in this refinancing. The infrastructure is 40 years old and while not at a critical point now, the Property Condition Reports show that a plan for funding these improvements to being in approximately 10 years should be anticipated.

3. Removal of Assured Guarantee as an Interested Party – While Assured Guaranty's mortgage insurance allowed a lower interest rate when the original bonds were purchased, there is no added value to their involvement any longer. Gaining Assured Guaranty's approval or input on decisions at the park removes some local control and adds complexity and time delays. By refinancing, Assured Guaranty would be paid as required and would be removed from the MVMCC financial and decision making picture.

Based on the above, staff recommends that the City Council move forward with the refinancing via a private placement loan with Bank of Marin.

#### Next Steps

Based on Council's prior direction at the September 10<sup>th</sup> meeting, the City Manager has already engaged the following firms to initiate, and now complete, this refinancing process.

1. PFM – to manage the completion of the refinancing process and complete the negotiations with Bank of Marin.
2. Legal Assistance -- Engage legal counsels (Walter & Pistole and Jones Hall) as needed in the review of any financial and legal issues related to the proposed transaction.
3. City Attorney – to update and prepare any changes to the MVMCC project documents as will be required with the refinancing. This will include an update of the Delegation Agreement and Management Agreement.

With the selection of Bank of Marin, there are a number of actions required to move forward and enter into contract with Bank of Marin to refinance the outstanding MVMCC bonds (1997A MVMCC Senior Revenue Bonds):

1. Approve the attached Resolution approving the base parameters of the refinancing and providing Council's direction to enter into a 15 year refinancing private placement with Bank of Marin.
2. Direct staff to complete the following work necessary for the placement with Bank of Marin:
  - a. Obtain an appraisal; the appraiser is to be engaged by the Bank using appraisal methods and standards acceptable to the Bank. Cost is estimated to be between \$5,000-\$10,000 for the appraisal.
  - b. Complete an Environmental Questionnaire for the MVMCC property.
  - c. Complete all legal and financial work necessary to complete the refinance.
3. Authorize the City Manager to execute the loan documents and any other documents necessary to effectuate the refinancing and retirement of the existing bonds.

## **FISCAL IMPACT**

The refinancing will have fiscal impacts which have been outlined above. The Bank of Marin proposal creates a positive refinancing opportunity.

## **ALTERNATIVES**

Do not refinance, stay with current bond transaction and pay \$150,000 to Assured Guaranty.

## **ATTACHMENTS**

1. Resolution
2. Bank of Marin proposal



CITY COUNCIL OF THE CITY OF NOVATO

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NOVATO DIRECTING STAFF TO COMPLETE THE WORK NECESSARY TO REFINANCE THE MVMCC SENIOR REVENUE BONDS WITH BANK OF MARIN AND TO RETURN TO COUNCIL TO AUTHORIZE EXECUTION OF THE LOAN DOCUMENTS AND OTHER NECESSARY DOCUMENTS RELATED THERETO

WHEREAS, the City Council has initiated a process to determine the financial viability of refinancing the 1997A MVMCC Senior Revenue Bonds, and

WHEREAS, the City engaged Public Financial Management, Inc. ("PFM") as its financial advisor for this transaction, and

WHEREAS, PFM prepared and distributed a Request for Proposals to 25 financial organizations to seek private placement bond/loan proposals for the refinancing of MVMCC bonds, and

WHEREAS, through a competitive Request for Proposal process, Bank of Marin submitted an attractive private placement loan proposal with a fixed rate 2.805% for 15 years and other financing parameters, and

WHEREAS, the City Council is pleased to have a refinancing proposal that significantly reduces the short term and long term costs of debt associated with the Marin Valley Mobile Country Club and to be able to enter into this business transaction with a local community-based financial institution, Bank of Marin.

NOW, THEREFORE, the City Council of the City of Novato resolves as follows:

1. That it is in the best interest of MVMCC and the City of Novato to refinance the 1997A MVMCC Senior Revenue Bonds by entering into a 15-year refinancing private placement with Bank of Marin.
2. The City Council of the City of Novato hereby directs staff to complete the following work necessary to effectuate the refinancing with Bank of Marin:

- a. Obtain an appraisal; the appraiser is to be engaged by the Bank using appraisal methods and standards acceptable to the Bank. Cost is estimated to be between \$5,000-\$10,000 for the appraisal.
  - b. Complete an Environmental Questionnaire for the MVMCC property.
  - c. Complete all legal and financial work necessary to complete the refinance.
3. Return to Council (tentatively scheduled for December 11, 2012) to execute the loan documents and any other documents necessary to effectuate the refinancing and retirement of the existing bonds.

\*                    \*                    \*                    \*                    \*                    \*

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

AYES:            Councilmembers  
 NOES:            Councilmembers  
 ABSTAIN:       Councilmembers  
 ABSENT:        Councilmembers

\_\_\_\_\_  
 Sheri Hartz, City Clerk

Approved as to form:

\_\_\_\_\_  
 City Attorney of the City of Novato





**345 California Street, Suite 1150**  
**San Francisco, California 94104**  
 Phone (415) 403-5583  
 Fax (415) 677-9141

October 24, 2012

Sara Hollenbeck  
 Public Financial Management, Inc.  
 50 California Street, Suite 2300  
 San Francisco, CA 94111

Dear Sara:

In response to your request, Bank of Marin ("Bank") is pleased to express our interest in pursuing the following lending facility based upon the following primary terms. Please understand that some additional terms and/or conditions may be required by us before a formal commitment is extended and credit documents signed:

- 1) Borrower: The City of Novato (the "City")
- 2) Type of Facility: Bank Qualified Tax-Exempt Loan
- 3) Facility Amount: \$8,500,000, but not to exceed 65% of the appraised value of the real property Collateral.
- 4) Purpose of Facility: To refinance tax-exempt Senior Revenue Bonds, finance tax-exempt issuance fees and loan costs.
- 5) Loan Term: 15 years
- 6) Interest Rate: Fixed at a tax-exempt rate of 2.805% (tax equivalent rate of 4.25%) for one-hundred eighty (180) months. If the Facility closes after 12/31/12, the rate will be adjusted to an equivalent spread of 2.54% over the 10-year Treasury Constant Maturity.

Interest on each facility will accrue daily on the basis of a 365/360 day year.

- 7) Loan Fee: One quarter percent (0.25%) of the loan amount or \$21,250.
- 8) Repayment: Quarterly or semi-annual interest and principal payments are available, based on a 15-year amortization schedule, with all accrued Interest and unpaid principal due at maturity.
- 9) Collateral:
  - a) Pledge of the revenues of the Marin Valley Mobile Country Club Park (the "Park");

b) Negative pledge on the real property and improvements located at 100 Marin Valley Drive, Novato, CA.

10) Prepayment Penalty: If the loan is prepaid prior to maturity, Lender will be entitled to the following prepayment fee based on the amount prepaid: Year 1) 5%; Year 2) 4%; Year 3) 3%; Year 4) 2%; and Year 5 to Year 10) 1%. Prepayment penalty shall not apply if the prepayment occurs after the tenth anniversary date.

Borrower is allowed to make principal reductions up to 20% of the outstanding principal balance per year without a penalty.

Special Provisions to include, but are not limited to, the following:

- Financial statements, audited by a certified public account, to be furnished within 180 days of each fiscal year-end.
- The Park shall generate sufficient income to maintain a minimum Debt Service Coverage Ratio of 2.00:1.00. The Debt Service Coverage Ratio will be tested annually upon receipt of the financials statements as required above.
  1. The Debt Service Coverage Ratio will be calculated as follows: Annual Net Operating Income of the Park divided by Annual Principal and Interest payments for all indebtedness of the Park.
  2. Net Operating Income will be calculated as rents plus expense reimbursement payments plus depreciation expense plus interest expense less operating expenses.
- Facility is assumable with written consent of Bank.
- Additional unsecured indebtedness is permitted subject to the following:
  - i. Existing and pro-forma compliance with the minimum Debt Service Coverage Ratio of 2.00x.
  - ii. Aggregated Loan to Value not to exceed 65%.
  - iii. Execute an Intercreditor Agreement satisfactory to Bank.
- No secured indebtedness permitted.
- The Park is required to maintain its primary operating accounts (excludes the City's general funds and reserve accounts) with Bank of Marin.

Other Provisions

- 1) Transaction Costs: Borrower will reimburse Bank for all out-of-pocket costs incurred in regard to this transaction, including but not limited, to its legal expenses associated with preparing and reviewing the Credit Facility documentation. Costs are estimated to be no more than \$12,500.
- 2) Opinion of Borrower's Counsel: Bank shall receive an opinion of Borrower's counsel who is acceptable to Bank stating that Borrower is duly authorized to enter into and perform under the Credit Facility Documents, the Credit Facility Documents are valid and binding obligations of Borrower and enforceable in accordance with their terms subject only to equitable principles and the bankruptcy laws, and the Credit Facility qualifies under IRS guidelines for tax-exempt financing.

Conditions Precedent Include:

1. Tax Indemnification: Loan documentation will provide for Borrower to indemnify Bank in the event tax exempt status changes or is revoked.
2. Borrower to provide a copy of a resolution or a copy of the Board meeting minutes verifying the Novato City Counsel's approval to enter into the Credit Facility.
3. The real property must be appraised by an appraiser engaged by Bank, using appraisal methods and standards acceptable to Bank.
4. Borrower to provide a completed Environmental Questionnaire for the Park.

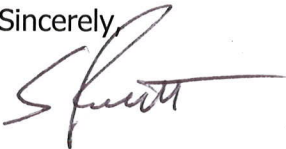
You will have to pay for the appraisal fee(s) prior to ordering the appraisal. Additionally, you will pay the costs for all the title and lien searches, filing, title insurance and escrow fees, flood determination certification, tax service fees or the like that may be incurred in connection with perfection of our rights as to these loans. If we are concerned that there could be any environmental liability risks, we may consult with an environmental specialist and may require an environmental audit. While your cost reimbursement obligations will include such consulting and audit expenses, we will obtain your approval before proceeding with such an audit.

The foregoing outlines the primary terms of the Credit Facility. Additional terms and conditions will need to be negotiated in the loan documents. The Bank's commitment hereunder shall not become a binding commitment unless and until all of the loan documents required by us to evidence the Credit Facility have been agreed upon, signed and delivered.

If these terms and conditions are acceptable, please so indicate by signing the consent section below and returning this letter to us by the close of business on October 31, 2012.

Thank you for providing us the opportunity to be of service to you. Please call me at 415-403-5583 if you have any questions or we can be of additional assistance.

Sincerely,



Sterling Burnett  
Vice President  
(415) 403-5583



Tim Myers  
Senior Vice President  
(415) 403-5581

ACCEPTED AND AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 2012

The City of Novato

BY: \_\_\_\_\_





**STAFF REPORT**

F-5

**MEETING**

**DATE:** October 30, 2012

**TO:** City Council

**FROM:** Cathy Capriola, Assistant City Manager  
Veronica Nebb, Assistant City Attorney

**PRESENTER:** Cathy Capriola, Assistant City Manager

**SUBJECT: DIRECTION ON PROCESS AND BUDGET OF LONG TERM OWNERSHIP DISCUSSION OF THE MARIN VALLEY MOBILE COUNTRY CLUB**

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

**REQUEST**

Provide direction to staff regarding the proposed process and budget for a Council and resident discussion regarding the long term ownership of MVMCC.

**RECOMMENDATION**

Provide direction to staff.

**BACKGROUND**

On April 10, 2012, the Council held its quarterly agenda planning session and the City Council voted unanimously to schedule a time to determine if there was interest to have a more comprehensive conversation regarding the long term ownership of MVMCC. At the July 9<sup>th</sup> meeting, the Council met and unanimously agreed to have a discussion regarding the long term ownership of MVMCC. As with any significant policy discussion that is not an initiative on the City's current Strategic Plan, the Council then asked staff to return with a work plan, process, and budget for consideration and input by the Council.

The purpose of this agenda item is for the Council and residents to comment on a proposed process and budget that staff has prepared. This process has been created to take into account staff's time commitment to other strategic initiatives already set by the City Council.

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

### Council's Interests and Direction

When discussing Long Term Ownership of MVMCC, the Council expressed the following key interests:

1. Protect long term affordability of the Park for residents;
2. Process
  - a. Prepare a process that is educational and methodical;
  - b. Begin the analysis and process at a higher overview level and then move into details;
  - c. Outline a process that takes into consideration the prioritized need for Council and staff to focus on fiscal sustainability for a majority of 2012 and 2013; and,
3. Understand the governance structure of alternatives.

### Work Plan / Budget / Process

Attached is a one page summary that outlines a work plan, process and estimated budget. This process segments the Long Term Ownership discussion into a series of steps. This process will allow the Council and residents to make decisions methodically starting with the larger policy and fiscal decisions and then transitioning into more detailed analysis. The process is also laid out with "Go or Stop" at key steps in order to ensure Council majority direction as we move forward. As the process shows, the steps require different time components and various budget amounts are estimated. Staff has not prepared a detailed budget for the components; these are budget estimates at this time and can be further refined as the process moves forward.

Staff will review this process at the meeting and take comments from residents and Council. Staff is asking the Council for any modifications to this process at the October 30<sup>th</sup> meeting.

### **FISCAL IMPACT**

As outlined in the attached process/budget summary. The exact budget will depend on the parameters of each step and the steps that are completed.

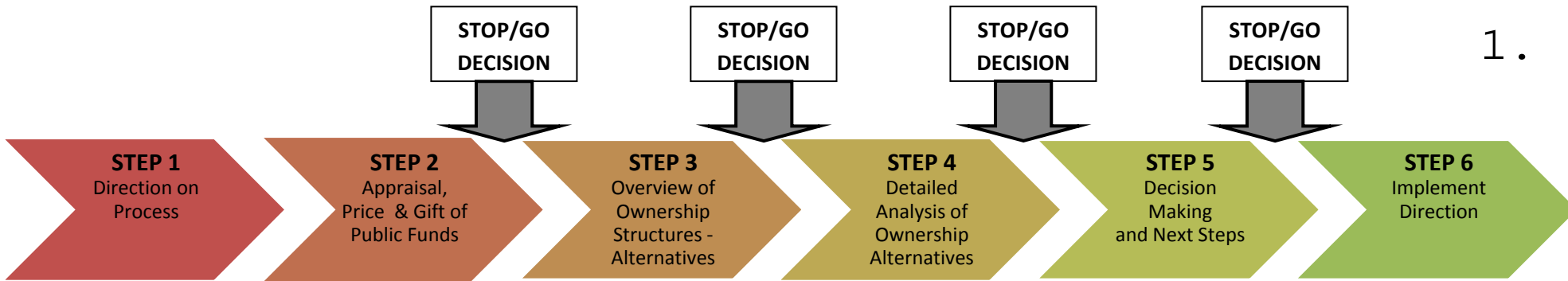
### **ALTERNATIVES**

1. Do not initiate a process to discuss long term ownership of MVMCC.
2. Postpone the initiation of a process to discuss long term ownership of MVMCC until a specific date.

### **ATTACHMENTS**

1. Chart – Long Term Ownership Process Discussion

# MVMCC Long Term Ownership Process – DRAFT 10/30/2012



STEP 1 October 30, 2012	STEP 2 Nov. 2012 – Feb. 2013	STEP 3 March 2013 – June 2013	STEP 4 July 2013 – July 2014	STEP 5 July 2014 – Dec 2014	STEP 6 Timeline - TBD
<p><u>Work Prior to Step 1:</u></p> <ul style="list-style-type: none"> <li>-Summary of Council’s interests from July 9<sup>th</sup> Council Meeting.</li> <li>-Staff prepares process and budget estimates for discussion and consideration.</li> <li>-Obtain cost estimate for appraisal for Step 2 actions.</li> </ul>	<p><u>Work Prior to Step 2:</u></p> <ul style="list-style-type: none"> <li>-Obtain appraisal for Park.</li> <li>-Evaluation of legal issues arising from “Gift of Public Funds” parameters.</li> <li>-Preliminary analysis on rents, Park finances, and overall affordability.</li> <li>-Review of Council’s interests based on analysis.</li> </ul>	<p><u>Work Prior to Step 3:</u></p> <ul style="list-style-type: none"> <li>-Provide overview of options for ownership structures and alternatives.</li> <li>-Include pros/cons, and implications (financial, affordability, governance, etc.).</li> <li>-Integrate financial analysis from Step 2.</li> </ul>	<p><u>Work Prior to Step 4:</u></p> <ul style="list-style-type: none"> <li>-Investigation and analysis of selected alternatives for detailed review.</li> <li>-Detailed analysis of rent impacts and Park finances.</li> <li>-Preparation of budget for each alternative and financing alternatives.</li> <li>-Identification of implications and choices from a resident perspective.</li> <li>-Education and outreach process.</li> </ul>	<p><u>Work Prior to Step 5:</u></p> <ul style="list-style-type: none"> <li>-Provide summary of analysis</li> <li>-Outline steps for implementation</li> </ul>	<p><u>Work After Step 6:</u></p> <ul style="list-style-type: none"> <li>-Dependent on decision</li> <li>-Any sale or transfer requires numerous actions, including environmental review, Planning Commission consistency determination, etc.</li> </ul>
<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Discussion and direction on process and budget estimates</li> <li>-Direction to obtain appraisal for MVMCC</li> </ul>	<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Review and discuss appraisal and financial impacts.</li> <li>-Review “Gifts of Public Funds” legalities.</li> <li>-<i>Direction on whether to proceed to Step 3.</i></li> </ul>	<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Review and discuss options and costs.</li> <li>-<i>Direction on whether to proceed to Step 4.</i></li> <li>-Identify options for detailed review.</li> <li>-Approve budget for costs for Step 4.</li> </ul>	<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Review of refined analysis for selected organization structures of the Park.</li> <li>-Direct educational efforts based on analysis.</li> <li>-<i>Direction on whether to proceed to Step 5</i></li> </ul>	<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Direction on whether to proceed to Step 6 and with what alternative structure, if any.</li> <li>-<i>Direction on whether to proceed to Step 6</i></li> </ul>	<p><u>Council Actions:</u></p> <ul style="list-style-type: none"> <li>-Approve implementation measures as necessary</li> </ul>
<p><u>Budget – \$5,000</u></p> <ul style="list-style-type: none"> <li>-Staff time</li> </ul>	<p><u>Budget – \$25,000</u></p> <ul style="list-style-type: none"> <li>-Staff time</li> <li>-Appraisal</li> <li>-Financial analysis on rents, park finances, etc.</li> </ul>	<p><u>Budget - \$20,000</u></p> <ul style="list-style-type: none"> <li>-Staff time</li> <li>-Financial analysis</li> <li>-Legal analysis</li> </ul>	<p><u>Budget –Est \$200,000</u></p> <ul style="list-style-type: none"> <li>-Project management</li> <li>-Financial consultant</li> <li>-Legal analysis</li> </ul>	<p><u>Budget –To Be Determined</u></p>	<p><u>Budget –To Be Determined</u></p>





**MEMORANDUM**

G-6



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](http://www.ci.novato.ca.us)

October 30, 2012

TO: City Council

FROM: Brian Cochran, Finance Manager

SUBJECT: **MVMCC Bucket Analysis for the Period Ending  
September 30, 2012**

Attached is a copy of the Bucket Analysis Report for the period ending September 30, 2012. According to the analysis, the Cash Trap balance is as follows:

**Senior Cash Trap balance \$ 1,854,115**

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 the cash trap.

The outstanding bond debt as of September 30, 2012 is as follows:

**Senior Revenue Bonds Outstanding \$ 10,090,000**

In the past, some members of the public and the Council expressed interest in knowing the balances and interest rates on the long-term guaranteed investment contracts for certain Marin Valley Mobile Country Club funds. Here are the accounts currently invested in guaranteed investment contracts:

Account Name	Balance as of 9/30/2012	Interest Rate
Cash Trap Fund	\$1,670,645.31	6.46%
Debt Service Reserve	\$1,000,000.00	6.86%
Float / Capital Fund	\$1,097,740.32	6.86%

City of Novato  
 Marin Valley Mobile Country Club "Bucket" Analysis  
 Through ..... 9/30/2012

<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	293,733	293,740	7	293,733
2	Senior Bonds Principal	6062	365,000	365,004	4	365,000
3	Senior Debt Service Reserve	6065	1,000,000	1,000,000	0	1,000,000
4	Utility Account	6077	51,767	167,251	115,484	51,767
5	Replacement Reserve Fund-Capital Plan	6064	1,215,649	1,175,250	(40,399)	1,215,649
6	Escrow (Insurance) Fund (Reserve costs)	6063	293	16,812	16,519	293
7,8	Expense Fund	6066	3,900	24,984	21,084	3,900
11	Property Manager Account	6072	583	583	0	583
12	Operating Expenses	6078	36,154	258,777	222,623	36,154
13	Arbitrage Rebate Account	6068	6,250	6,250	0	6,250
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	386	5,955	5,568	386
	Owner's Expense Account	6076	6,250	84,328	78,078	6,250
	<b>Subtotal required Balances</b>		<b>2,979,965</b>		<b>418,980</b>	
21	Senior Cash Trap	6067	2,105,802	1,770,469	(335,333)	
	<b>Total Cash Trap Balances</b>			<b>1,770,469</b>	<b>83,646</b>	<b>1,854,115</b>
	<b>TOTAL CASH HELD BY TRUSTEE</b>	<b>9/30/2012</b>		<b>5,169,414</b>		

Debt as of September 30, 2012

Senior Loan principal outstanding is \$ 10,090,000  
 Subordinate Loan principal outstanding is \$ 0

**Senior Cash Trap Balance**

1,670,646	Prior month's balance
99,823	Trustee allocation September
83,646	Distribution at 09/30/12
<b>1,854,115</b>	<b>Balance</b>