

SUCCESSOR AGENCY OTHER FUND OF THE  
CITY OF NOVATO

REPORT ON APPLYING  
AGREED-UPON PROCEDURES  
TO THE  
SUCCESSOR AGENCY OTHER FUND OF THE CITY  
OF NOVATO  
IN ACCORDANCE WITH  
ABX126 AND AB1484

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INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

County of Marin Auditor-Controller  
Oversight Board of the Successor Agency  
of the City of Novato Redevelopment Agency  
Novato, California

We have performed the minimum required agreed-upon procedures enumerated in Attachment A, which were agreed to by the California State Controller's Office, Department of Finance, and Marin County Auditor-Controller, solely to assist you in ensuring that the City of Novato Redevelopment Agency's Other Fund is complying with its statutory requirements with respect to State of California Assembly bills ABX1 26 and AB1484. Management of the successor agency and the County are responsible for the accounting records pertaining to statutory compliance pursuant to Health and Safety Code section 34182(a)(1). This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the minimum required agreed-upon procedures as set forth in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion as to the appropriateness of the results summarized in Attachment A. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the County of Marin Auditor-Controller, the Board of Directors and management of the City of Novato successor agency, and applicable State agencies, and is not intended to be, and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
December 14, 2012

**Attachment A - Agreed-Upon Procedures Engagement**  
**Pursuant to ABX1 26 and AB1484, Community Redevelopment Dissolution**

*Purpose: To establish the other fund's assets and liabilities, to document and determine the unobligated balances available for transfer to the other taxing entities. [Health and Safety Code section 347179.5(c)3-6]*

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**A. UNOBLIGATED BALANCES AVAILABLE FOR TRANSFER**

1. Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

**Results: See Schedule 1 for detailed results. Assets were reconciled to the Successor Agency's accounting records.**

2. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to the city, county, or city and county that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to the city, county, or city and county that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Results: See Schedule 2 for detailed results.**

3. If the State Controller's Office has completed its review of transfers required under both Sections 34167.5 and 34178.8 and issued its report regarding such review, attach a copy of that report as an exhibit to the AUP report. If this has not yet occurred, perform the following procedures:

A. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the former redevelopment agency to any other public agency or to private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

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Attachment A

B. Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Successor Agency to any other public agency or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

C. For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required any transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

**Results: Transfers from the former redevelopment agency to the Successor Agency are reported in Schedule 2. Nothing came to our attention regarding transfers to private parties for the period of January 1, 2011 through January 31, 2012.**

4. Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency in the format set forth in the attached schedule for the fiscal periods indicated in the schedule. For purposes of this summary, the financial transactions should be presented using the modified accrual basis of accounting. End of year balances for capital assets (in total) and long-term liabilities (in total) should be presented at the bottom of this summary schedule for information purposes.

A. Ascertain that for each period presented, the total of revenues, expenditures, and transfers accounts fully for the changes in equity from the previous fiscal period.

B. Compare amounts in the schedule relevant to the fiscal year ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period.

C. Compare amounts in the schedule for the other fiscal periods presented to account balances in the accounting records or other supporting schedules. Describe in the report the type of support provided for each fiscal period.

**Results: Refer to Schedule 3 for the detailed results.**

5. Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund as of June 30, 2012 for the report that is due October 1, 2012 and a listing of all assets of all other funds of the Successor Agency as of June 30, 2012 (excluding the previously reported assets of the Low and Moderate Income Housing Fund) for the report that is due December 15, 2012. When this procedure is applied to the Low and Moderate Income Housing Fund, the schedule attached as an exhibit will include only those assets of the Low and Moderate Income Housing Fund that were held by the Successor Agency as of June 30, 2012 and will exclude all assets held by the entity that assumed the housing function previously performed by the former redevelopment agency. Agree the assets so listed to recorded balances reflected in the accounting records of the Successor Agency. The listings should be attached as an exhibit to the appropriate AUP report.

**Results: Refer to Schedule 3 for the detailed results.**

6. Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that are restricted for the following purposes:

A. Unspent bond proceeds:

- i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures, amounts set aside for debt service payments, etc.).
- ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).

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Attachment A

- iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

**Results: Nothing came to our attention regarding assets restricted for the above-noted purposes.**

- B. Grant proceeds and program income that are restricted by third parties:
  - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the grant agreement that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

**Results: Nothing came to our attention regarding assets restricted for the above-noted purposes.**

- C. Other assets considered to be legally restricted:
  - i. Obtain the Successor Agency's computation of the restricted balances (e.g., total proceeds less eligible project expenditures).
  - ii. Trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation (specify in the AUP report a description of such documentation).
  - iii. Obtain from the Successor Agency a copy of the legal document that sets forth the restriction pertaining to these balances. Note in the AUP report the absence of language restricting the use of the balances that were identified by the Successor Agency as restricted.

D. Attach the above mentioned Successor Agency prepared schedule(s) as an exhibit to the AUP report. For each restriction identified on these schedules, indicate in the report the period of time for which the restrictions are in effect. If the restrictions are in effect until the related assets are expended for their intended purpose, this should be indicated in the report.

**Results Refer to Schedules 3 and 4 for the detailed results.**

7. Perform the following procedures:

A. Obtain from the Successor Agency a listing of assets as of June 30, 2012 that are **not** liquid or otherwise available for distribution (such as capital assets, land held for resale, long-term receivables, etc.) and ascertain if the values are listed at either purchase cost (based on book value reflected in the accounting records of the Successor Agency) or market value as recently estimated by the Successor Agency.

B. If the assets listed at 7(A) are listed at purchase cost, trace the amounts to a previously audited financial statement (or to the accounting records of the Successor Agency) and note any differences.

C. For any differences noted in 7(B), inspect evidence of disposal of the asset and ascertain that the proceeds were deposited into the Successor Agency trust fund. If the differences are due to additions (this generally is not expected to occur), inspect the supporting documentation and note the circumstances.

D. If the assets listed at 7(A) are listed at recently estimated market value, inspect the evidence (if any) supporting the value and note the methodology used. If no evidence is available to support the value and/or methodology, note the lack of evidence.

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Attachment A

**Results: Refer to Schedule 3 for the detailed results for A and B. Nothing came to our attention regarding differences referred to above in step C. Nothing came to our attention regarding assets listed at estimated market value referred to above in step D.**

8. Perform the following procedures:

A. If the Successor Agency believes that asset balances need to be retained to satisfy enforceable obligations, obtain from the Successor Agency an itemized schedule of asset balances (resources) as of June 30, 2012 that are dedicated or restricted for the funding of enforceable obligations and perform the following procedures. The schedule should identify the amount dedicated or restricted, the nature of the dedication or restriction, the specific enforceable obligation to which the dedication or restriction relates, and the language in the legal document that is associated with the enforceable obligation that specifies the dedication of existing asset balances toward payment of that obligation.

- i. Compare all information on the schedule to the legal documents that form the basis for the dedication or restriction of the resource balance in question.
- ii. Compare all current balances to the amounts reported in the accounting records of the Successor Agency or to an alternative computation.
- iii. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule approved by the California Department of Finance.
- iv. Attach as an exhibit to the report the listing obtained from the Successor Agency. Identify in the report any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

**Results: Refer to Schedule 4 for the detailed results.**

B. If the Successor Agency believes that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that includes a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements and perform the following procedures:

- i. Compare the enforceable obligations to those that were approved by the California Department of Finance. Procedures to accomplish this may include reviewing the letter from the California Department of Finance approving the Recognized Enforceable Obligation Payment Schedules for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012.
- ii. Compare the forecasted annual spending requirements to the legal document supporting each enforceable obligation.
  - a. Obtain from the Successor Agency its assumptions relating to the forecasted annual spending requirements and disclose in the report major assumptions associated with the projections.
- iii. For the forecasted annual revenues:
  - a. Obtain from the Successor Agency its assumptions for the forecasted annual revenues and disclose in the report major assumptions associated with the projections.

**Results: Nothing came to our attention regarding insufficient assets for future obligation payments.**

C. If the Successor Agency believes that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain from the Successor Agency a schedule demonstrating this insufficiency and apply the following procedures to the information reflected in that schedule.

- i. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement.
- ii. Obtain the assumptions for the forecasted property tax revenues and disclose major assumptions associated with the projections.

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Attachment A

- iii. Obtain the assumptions for the forecasted other general purpose revenues and disclose major assumptions associated with the projections.

**Results: Nothing came to our attention regarding insufficient assets for future obligation payments.**

D. If procedures A, B, or C were performed, calculate the amount of current unrestricted balances necessary for retention in order to meet the enforceable obligations by performing the following procedures.

- i. Combine the amount of identified current dedicated or restricted balances and the amount of forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations.
- ii. Reduce the amount of total resources available by the amount forecasted for the annual spending requirements. A negative result indicates the amount of current unrestricted balances that needs to be retained.
- iii. Include the calculation in the AUP report.

**Results: Above noted procedures A, B and C were not required to be performed due to results noted above.**

9. If the Successor Agency believes that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should add columns identifying (1) any dollar amounts of existing cash that are needed to satisfy that obligation and (2) *the Successor Agency's explanation as to why the Successor Agency believes that such balances are needed to satisfy the obligation.* Include this schedule as an attachment to the AUP report.

**Results: Refer to Schedule 4 for the detailed results.**

10. Include (or present) a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Entities. Amounts included in the calculation should agree to the results of the procedures performed in each section above. The schedule should also include a deduction to recognize amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance. The amount of this deduction presented should be agreed to evidence of payment. The attached example summary schedule may be considered for this purpose. Separate schedules should be completed for the Low and Moderate Income Housing Fund and for all other funds combined (excluding the Low and Moderate Income Housing Fund).

**Results: Refer to Schedule 4 for the detailed results.**

11. Obtain a representation letter from Successor Agency management acknowledging their responsibility for the data provided to the practitioner and the data presented in the report or in any attachments to the report. Included in the representations should be an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

**Results: Refer to Exhibit A.**



SUCCESSOR AGENCY OTHER FUND  
 OF THE CITY OF NOVATO  
 Schedule of Assets Transferred as of February 1, 2012

Schedule 1

<b>OTHER FUND</b>		Notes (Refer to explanations at the bottom of the sheet):
<b>Assets (modified accrual basis)</b>		
Cash	\$ 107,278	1, 2, 3
Cash with fiscal agent (restricted)	3,267,290	1, 2, 3
Loan to Low/Moderate Income Housing Fund	25,126,612	1, 2, 3
Prepaid items	515	1, 2, 3
Other (deferred interest)	5	1, 2, 3
<b>Total Assets</b>	<b>\$ 28,501,700</b>	

**Notes**

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1. Purpose - Transfer was required by ABX1 26.
2. Reconciled to the Successor Agency's accounting records.
3. The City of Novato (the City) did not close or execute the transfer of the former Other Redevelopment Agency Fund at 1/31/12. The City was waiting for the development of additional accounting guidance of successor agency activities. The City adopted Resolution No. 3012 dated January 10, 2012, electing to become the successor agency to the former Redevelopment Agency.

OTHER FUNDS OF THE SUCCESSOR AGENCY  
OF THE CITY OF NOVATO  
Schedule of Transfers

Schedule 2

Notes (Refer to  
explanations at the  
bottom of the sheet):

<b>Transfers (modified accrual basis)</b>	Date		
Transfer to City for RDA's overhead allocation	1/1/11-6/30/11	\$ 137,472	1
Transfer to City to pay interfund loans	3/31/2011	21,455,600	2
RDA's share of pension obligation bonds	7/1/2011	18,766	3
Transfer to City for RDA's overhead allocation	7/1/11-1/31/2012	148,131	4
<b>Total Transfers</b>		<b>\$ 21,759,969</b>	

**Notes**

1. Purpose was for the Redevelopment Agency's share of the City-Wide overhead allocation for January 2011 to June 2011. Agrees to the Agency's accounting records and City-Wide Audited Basic Financial Statements.
2. On March 1, 2011, the Agency Board adopted Resolution No. 4-11 repaying not less than \$6,100,000 to the City for various Promissory Notes effective immediately and placing the repaying funds in a General Fund holding account. Accordingly, the Agency deposited \$6,100,000 to the General Fund holding account. Also on March 24, 2011, the Agency issued Hamilton Field Redevelopment Project 2011 Tax Allocation Bonds, Series A in the amount of \$17,000,000, of which \$14,563,041 was deposited in the Series 2011 Account of Redevelopment Fund to repay the loans from the City and Finance redevelopment activities. As of June 30, 2011, assets were transferred from the Agency to the City whereby the City applied the funds held in the General Fund Holding account of \$6,100,000, bond proceeds held in the Series 2011 Account of Redevelopment Fund of \$14,500,000, as well as additional funds from the Agency of \$855,600 and paid off all of the 2003 Promissory Notes and a majority of the 2011 Promissory Notes. At June 30, 2011 the remaining balance was \$116,463.
3. \$18,766 was for the Agency's share of pension obligation bonds listed on the Enforceable Obligation Payment Schedule - updated January 24, 2012. See attached Schedule 5.
4. \$148,131 was for the Agency's allocation and share of the City Wide overhead costs listed on the Enforceable Obligation Payment Schedule - updated January 24, 2012. See attached Schedule 5.

**SUCCESSOR AGENCY OTHER FUND  
OF THE CITY OF NOVATO  
Listing of All Assets & Summary of Financial Transactions**

V. 8-27-12

	Redevelopment Agency 12 Months Ended 6/30/2010	Notes	Redevelopment Agency 12 Months Ended 6/30/2011	Notes	Redevelopment Agency 7 Months Ended 1/31/2012	Notes	Successor Agency 5 Months Ended 6/30/2012	Notes
<b>Assets (modified accrual basis)</b>								
Cash (unrestricted)	\$ 6,763,687	1,2	\$ 406,102	2	\$ 107,278	2	\$ (817,146)	2
Cash with fiscal agent (restricted)	1,553,449	1,2	3,267,291	2	3,267,290	2	3,253,739	2
Property taxes receivable	16,393	1,2	29,311	2	-		-	
Loan to Low and Moderate Income Housing Fund	25,274,409		25,126,612	2	25,126,612	2	24,736,381	2
Prepaid items	-		521	2	515	2	-	
Other (deferred interest)	7,425,707	1,2	-	2	5	2	7	2
<b>Total Assets</b>	<b>\$ 41,033,645</b>		<b>\$ 28,829,837</b>		<b>\$ 28,501,700</b>		<b>\$ 27,172,981</b>	<b>2</b>
<b>Liabilities (modified accrual basis)</b>								
Accounts payable	\$ 200,427	1,2	\$ 171,982	2	\$ 6,297	2	\$ 474,590	2
Deposit payable	1,000	1,2	238,244	2	1,000	2	1,000	2
Deferred revenue	3,473,507	1,2	3,566,509	2	3,566,509	2	3,566,509	2
Loans from the City of Novato	20,707,176	1,2	116,468	2	116,468	2	116,470	2
Special assessments payable	209,321	1,2	-		251,284	2	251,284	2
<b>Total Liabilities</b>	<b>24,591,431</b>		<b>4,093,203</b>		<b>3,941,558</b>		<b>4,409,853</b>	
<b>Equity</b>	<b>16,442,214</b>		<b>24,736,634</b>	<b>2</b>	<b>24,560,142</b>	<b>2</b>	<b>22,763,128</b>	<b>2</b>
<b>Total Liabilities + Equity</b>	<b>\$ 41,033,645</b>	<b>1,2</b>	<b>\$ 28,829,837</b>		<b>\$ 28,501,700</b>		<b>\$ 27,172,981</b>	<b>2</b>
<b>Total Revenues:</b>	<b>\$ 4,917,997</b>	<b>1,2</b>	<b>\$ 4,468,382</b>	<b>2</b>	<b>\$ 2,397,890</b>	<b>2</b>	<b>\$ -</b>	
<b>Total Expenditures:</b>	<b>\$ 6,074,067</b>	<b>1,2</b>	<b>\$ 12,403,953</b>	<b>2</b>	<b>\$ 2,406,485</b>	<b>2</b>	<b>\$ 1,797,014</b>	<b>2</b>
<b>Total Transfers:</b>	<b>\$ (376,941)</b>	<b>1,2</b>	<b>\$ (274,945)</b>	<b>2</b>	<b>\$ (167,897)</b>	<b>2</b>	<b>\$ -</b>	
<b>Other Financing Sources-Debt Issuance</b>			<b>\$ 17,000,000</b>	<b>2</b>				
<b>Bond Issuance Discount</b>			<b>\$ (495,064)</b>	<b>2</b>				
<b>Net change in equity</b>	<b>(1,533,011)</b>	<b>1,2</b>	<b>8,294,420</b>	<b>2</b>	<b>(176,492)</b>	<b>2</b>	<b>(1,797,014)</b>	<b>2</b>
<b>Beginning Equity:</b>	<b>17,975,225</b>	<b>1,2</b>	<b>16,442,214</b>	<b>2</b>	<b>24,736,634</b>	<b>2</b>	<b>24,560,142</b>	<b>2</b>
<b>Ending Equity:</b>	<b>\$ 16,442,214</b>	<b>1,2</b>	<b>\$ 24,736,634</b>	<b>2</b>	<b>\$ 24,560,142</b>	<b>2</b>	<b>\$ 22,763,128</b>	<b>2</b>

Other Information (show year end balances for all three years presented):

Capital assets, as of end of year	Nothing came to our attention.							
Long-term debt, as of end of year:								
2005 Bond Principal	\$ 22,350,000	1,2	\$ 21,810,000	2	\$ 21,810,000	2	\$ 21,255,000	2
2005 Bond Interest	\$ 14,251,134	1,2	\$ 13,325,510	2	\$ 12,867,075	2	\$ 12,418,012	2
2011 Bond Principal			\$ 17,000,000	2	\$ 17,000,000	2	\$ 17,000,000	2
2011 Bond Interest			\$ 25,868,994	2	\$ 25,395,042	2	\$ 24,851,658	2
CEIDB Loan Principal	\$ 3,169,116	1,2	\$ 3,069,845	2	\$ 1,771,997	2	\$ 2,967,209	2
CEIDB Loan Interest	\$ 1,378,361	1,2	\$ 1,270,925	2	\$ 1,218,894	2	\$ 1,166,857	2
OPA Note Principal	\$ 2,673,718	1,2	\$ 2,084,946	2	\$ 3,069,845	2	\$ 1,445,982	2
OPA Note Interest	\$ 526,282	1,2	\$ 315,054	2	\$ 228,003	2	\$ 154,018	2
Loan from City Funds								
Principal	\$ 13,281,469	1,2	\$ 116,463	2	\$ 116,463	2	\$ 116,463	2
Deferred Principal/Interest	\$ 7,425,707	1,2	\$ 5	2	\$ 5	2	\$ 7	2
Loan from Agency Fund:								
Principal	\$ 21,800,902	1,2	\$ 21,560,103	2	\$ 21,560,103	2	\$ 21,169,872	2
Interest (accrued and unpaid interest)	\$ 3,473,507	1,2	\$ 3,566,509	2	\$ 3,566,509	2	\$ 3,566,509	2

**Notes**

1. Reconciles with the California State Controller's Office Report.
2. Agrees or reconciles with the Successor Agency's accounting records.

**SUCCESSOR AGENCY OTHER FUND  
OF THE CITY OF NOVATO  
Summary Of Balances Available For Allocation To Affected Taxing Entities**

Schedule 4

V. 8-27-12	Successor Agency Other Fund	Notes
Total amount of assets held by the successor agency as of June 30, 2012 (procedure 5)	\$ 27,172,981	1
Add the amount of any assets transferred to the City or other parties for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist (procedures 2 and 3)	-	-
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments (procedure 6)	(3,253,739)	2
Less assets that are not cash or cash equivalents (e.g., physical assets) - (procedure 7)	(24,736,388)	3
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (procedure 8)	-	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year (procedure 9)	-	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-	-
Amount to be remitted to County for disbursement to taxing entities	<u>\$ (817,146)</u>	4

NOTES: For each line shown above, an exhibit should be attached showing the composition of the summarized amount. If the review finds that there are insufficient funds available to provide the full amount due, the cause of the insufficiency should be demonstrated in a separate schedule.

**Notes**

1. Agrees with Schedule 3 total assets row as of 6/30/12.
2. Cash reserves with fiscal agent US Bank related with the 2005 Bonds and 2011 Hamilton Field Bonds.
3. In 2004 the former Redevelopment Agency loaned the Low/Moderate Income Housing Fund approximately \$24.8 million dollars. On March 1, 2011 a Resolution No. 3-11 reaffirming the interfund debt between the former Other Redevelopment fund and the Low/Mod Housing Fund was established. The resolution authorized the Executive Director of the Former Agency to sign a Promissory note and repayment schedule. See attached Attachment B.
4. The Successor Agency other fund ended 6/30/12 with a negative cash balance, which will be backfilled with a loan from the City pursuant to the amended Reimbursement and Operating Agreement. See Attachment C.

ENFORCEABLE OBLIGATION PAYMENT SCHEDULE updated January 24, 2012  
Per AB 26 Section 34169 and 34177

Schedule 5

Name of Redevelopment Agency: Redevelopment Agency of the City of Novato  
Project Area(s): Merical Project Area

Page 1 of 1 Pages

Project Name / Debt Obligation	Payee	Description	Total Outstanding Debt or Obligation	Total Due During Fiscal Year	Payments by month												Total	
					Aug 2011	Sept 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2012	Apr 2012	May 2012	Jun 2012			
1 2005 Tax Allocation Bonds	US Bank	Bonds issued to fund housing proj.	35,135,503.17	1,462,490.63	1,013,428.13	-	-	-	-	-	-	449,062.50	-	-	-	-	-	\$ 1,462,490.63
2 2005A Tax Allocation Housing Bonds	US Bank	Bonds issued to fund housing proj.	14,231,237.58	588,497.50	400,955.00	-	-	-	-	-	-	187,542.50	-	-	-	-	-	\$ 588,497.50
3 2011 Tax Allocation Bonds	US Bank	Bonds issued to repay City loans	42,868,993.53	1,017,336.31	473,951.93	-	-	-	-	-	-	543,384.38	-	-	-	-	-	\$ 1,017,336.31
4 Vantage Oaks Owner Particip. Agrmt	Bank of America	OPA for infrastructure improvements	2,400,000.00	800,000.00	-	-	-	400,000.00	-	-	-	-	-	-	-	400,000.00	-	\$ 800,000.00
5 CLED Loan	Wells Fargo MN, N.A.	Downtown streetscape work	4,340,772.73	206,703.45	-	-	-	-	-	-	154,669.58	-	-	-	-	-	-	\$ 154,669.58
6 Contract- Novato Human Needs	Novato Human Needs	Homeless services	1,050,000.00	105,000.00	26,250.00	-	26,250.00	-	-	-	26,250.00	-	-	26,250.00	-	-	-	\$ 105,000.00
7 Contract Wayfinding	Merje Environmental	Downtown signage program	460,800.00	418,800.00	47,400.00	-	18,000.00	-	-	-	-	-	353,400.00	-	-	-	-	\$ 418,800.00
8 B Contract- Economic Analysis	Keyser Marston	Various economic analyses	5,500.00	1,625.00	1,625.00	-	-	-	-	-	-	-	-	-	-	-	-	\$ 1,625.00
9 Contract- IT Services	Berkeley Microdesign	Housing Server Support	50,400.00	16,800.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	\$ 15,400.00
10 Contract- Financial Audit	Mann, Urrutia, Nelson CPAs	Annual audit/financial statements	13,188.00	13,188.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	1,099.00	\$ 12,089.00
11 Contract- Financial Audit	Mann, Urrutia, Nelson CPAs	Annual audit/financial statements	7,440.00	7,440.00	-	-	-	-	7,440.00	-	-	-	-	-	-	-	-	\$ 7,440.00
12 Contract- Legal Services	Rutan & Tucker	Specialized RDA legal services	30,000.00	30,000.00	30,000.00	-	-	-	-	-	-	-	-	-	-	-	-	\$ 30,000.00
13 Contract- Legal Services	Walter & Pistole	RDA General Counsel	20,000.00	20,000.00	20,000.00	-	-	-	-	-	-	-	-	-	-	-	-	\$ 20,000.00
14 Contract- Appraisal Services	Tattersall Advisory	Appraisal of Hamilton Hospital	3,850.00	3,850.00	-	-	-	-	-	-	3,850.00	-	-	-	-	-	-	\$ 3,850.00
15 County Property Tax Admin Fee	County of Marin	Fee for administration of prop. Tax	5,906,010.00	126,178.00	-	-	-	-	-	63,089.00	-	-	-	-	63,089.00	-	-	\$ 126,178.00
16 Overhead to General Fund	City of Novato	Office space, HR services, etc.	384,513.00	384,513.00	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	32,042.75	\$ 352,470.25
17 Employee Costs	Employees	Salaries and benefits for employees	588,840.00	588,840.00	-	67,943.08	45,295.38	45,295.38	45,295.38	45,295.38	45,295.38	45,295.38	67,943.08	45,295.38	45,295.38	45,295.38	45,295.38	\$ 498,249.20
18 Employee Retirement Costs	CalPERS	Pension payments to PERS	83,580.00	83,580.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	6,965.00	\$ 76,615.00
19 Payments on Pension Obl. Bonds	City of Novato	RDA's share of POBs	23,651.00	23,651.00	23,651.00	-	-	-	-	-	-	-	-	-	-	-	-	\$ 23,651.00
20 Miscellaneous Services /Supplies	City of Novato	Supplies, training, printing, etc.	69,700.00	69,700.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	5,808.00	\$ 63,888.00
21 Pass Through Agreement	Flood Control Zone #1	MOU with District in Downtown Area	1,221,729.00	24,439.00	-	-	-	-	-	12,219.50	-	-	-	-	12,219.50	-	-	\$ 24,439.00
22 Settlement Agreement	County of Marin	Payments per Settlement Agreement	17,391,261.00	167,555.00	-	-	-	-	-	-	-	-	-	-	-	-	167,555.00	\$ 167,555.00
23 Library District MOU	Mann Co. Public Lib. District	Payment of MOU Tax Increment	78,399.89	78,399.89	-	-	-	-	-	-	78,399.89	-	-	-	-	-	-	\$ 78,399.89
24 Flood District MOU	Mann Co. Flood Cant. Dist.	Payment of MOU Tax Increment	158,844.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
25 Loan from City Dev. Impact Fee Fund	City of Novato	Payment of Remaining Loan Amt.	116,463.00	116,463.00	-	-	-	-	-	-	-	116,463.00	-	-	-	-	-	\$ 116,463.00
Totals - This Page			\$ 126,640,675.90	\$ 6,355,049.78	\$ 2,084,575.81	\$ 115,257.83	\$ 136,860.13	\$ 492,610.13	\$ 175,358.63	\$ 355,779.60	\$ 1,389,062.51	\$ 468,657.83	\$ 194,168.63	\$ 492,610.13	\$ 260,165.13	\$ 6,165,106.36		
Grand total - All Pages			\$ 126,640,675.90	\$ 6,355,049.78	\$ 2,084,575.81	\$ 115,257.83	\$ 136,860.13	\$ 492,610.13	\$ 175,358.63	\$ 355,779.60	\$ 1,389,062.51	\$ 468,657.83	\$ 194,168.63	\$ 492,610.13	\$ 260,165.13	\$ 6,165,106.36		

\* Please see Note 1  
\*Please see Note 2

NOTE:  
1. Overhead allocation  
2. Pension obligation bond payment allocation

REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

RESOLUTION NO. R-3-07

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO APPROVING YEAR-END TRANSFER OF AVAILABLE FUND BALANCE AND REPAYMENT SCHEDULE FOR INTER-FUND LOAN

WHEREAS, in 2004, the Agency issued bonds to fund construction of affordable housing at Hamilton; and

WHEREAS, the RDA Housing Fund, did not generate enough increment revenue to finance the bonding; and

WHEREAS, the RDA Project Fund financed \$24.8M of the bond and a loan was established between the Housing and the Project Funds; and

WHEREAS, the Housing Fund generates sufficient increment revenue to begin repayment of this loan.

NOW THEREFORE BE IT RESOLVED that the Board of the Redevelopment Agency of the City of Novato does hereby approve the transfer of available fund balance in the Housing Fund at June 30, 2007 as a partial repayment of this inter-fund loan.

BE IT FURTHER RESOLVED that the Board of the Redevelopment Agency does hereby approve repayment of this loan in the amount of the annual surplus realized in the Housing Fund to be not less than \$500,000 annually.

\* \* \* \* \*

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Redevelopment Agency of the City of Novato, Marin County, California, at a meeting thereof, held on the 26<sup>th</sup> day of June, 2007, by the following vote, to wit:

AYES:	Agency Members	Dillon-Knutson, Eklund, Gray, Leland, MacLeamy
NOES:	Agency Members	None
ABSTAIN:	Agency Members	None
ABSENT:	Agency Members	None

Vickie Gerber  
Vickie Gerber, Deputy City Clerk



E-2

THE CITY OF  
NOVATO  
CALIFORNIA

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

**STAFF REPORT**

MEETING DATE: March 1, 2011  
TO: Redevelopment Agency Board  
FROM: Michael S. Frank, Executive Director  
Cathy Capriola Assistant Executive Director  
PRESENTER: Deborah Lauchner, Finance Manager

**SUBJECT: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN A PROMISSORY NOTE ACKNOWLEDGING THE AGENCY'S HOUSING FUND OBLIGATION TO REPAY THE AGENCY'S PROJECT FUND FOR AMOUNTS PREVIOUSLY ADVANCED, APPROVING REPAYMENT SCHEDULE FOR THE PROMISSORY NOTE, AND AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN AN ASSIGNMENT OF FUNDS TO THE CITY OF NOVATO**

**REQUEST**

Consider adopting a Resolution reaffirming the interfund debt of the Agency Housing Fund to the Agency Project Fund, authorizing the Executive Director to sign Promissory Notes and authorizing the Executive Director to sign an Assignment of amounts payable to under the Promissory Note to the City and approving a repayment schedule for the Promissory Note.

**RECOMMENDATION**

Adopt Resolution and Authorize the Executive Director to sign the Promissory Note and Assignment.

**DISCUSSION**

The Redevelopment Agency Housing Fund currently owes the Redevelopment Agency Project Fund \$25.4 Million. The funds were loaned in 2004 in order to finance the construction of affordable housing at Hamilton. In 2007, the Agency board passed a Resolution R-3-07 which adopted a repayment schedule for this debt. The current repayment schedule does not adequately repay these funds over the life of the redevelopment area.

Novato City Council  
Agenda Staff Report  
Date: \_\_\_\_\_  
File No. \_\_\_\_\_

In order for the Redevelopment Agency Housing Fund to reaffirm this loan and begin repaying the debt, a Promissory Note has been prepared. The Promissory Notes will include interest accrual at the current rate which is the average annual rate earned on the City of Novato's investment portfolio and is consistent with the current terms of the interfund loan. Interest will accrue from December 31, 2010 going forward.

The total debt owed by the Redevelopment Agency Housing Fund to the Redevelopment Agency Project Fund as of December 31, 2010 is \$25,367,410.36. This balance will continue to accrue interest from December 31, 2010 until fully paid under the proposed repayment schedule.

On February 8, 2011, the Agency Board passed Resolution R-1-11 which authorized the execution of Promissory Notes to reaffirm debt with various City Funds. In order to ensure repayment of these obligations, an Assignment of the amounts payable under the above Promissory Note to the City of Novato is required.

**ATTACHMENTS**

1. Resolution
2. Promissory Note to Redevelopment Agency Project Fund
3. Sample of Amortization Schedule
4. Assignment



In order for the Redevelopment Agency Housing Fund to reaffirm this loan and begin repaying the debt, a Promissory Note has been prepared. The Promissory Notes will include interest accrual at the current rate which is the average annual rate earned on the City of Novato's investment portfolio and is consistent with the current terms of the interfund loan. Interest will accrue from December 31, 2010 going forward.

The total debt owed by the Redevelopment Agency Housing Fund to the Redevelopment Agency Project Fund as of December 31, 2010 is \$25,367,410.36. This balance will continue to accrue interest from December 31, 2010 until fully paid under the proposed repayment schedule.

On February 8, 2011, the Agency Board passed Resolution R-1-11 which authorized the execution of Promissory Notes to reaffirm debt with various City Funds. In order to ensure repayment of these obligations, an Assignment of the amounts payable under the above Promissory Note to the City of Novato is required.

**ATTACHMENTS**

1. Resolution
2. Promissory Note to Redevelopment Agency Project Fund
3. Sample of Amortization Schedule
4. Assignment

REDEVELOPMENT AGENCY OF THE CITY OF NOVATO

RESOLUTION NO. R-3-11

RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF NOVATO APPROVING PROMISSORY NOTE, ASSIGNMENT OF AMOUNTS PAYABLE, YEAR END TRANSFER OF AVAILABLE FUND BALANCE AND REPAYMENT SCHEDULE FOR INTERFUND LOAN

WHEREAS, on June 26, 2007, the Redevelopment Agency Board passed Resolution R-3-07 adopting repayment of interfund debt within the Redevelopment Agency of the City of Novato; and

WHEREAS, this Resolution is intended to amend and restate Resolution R-3-07; and

WHEREAS, the Redevelopment Agency of the City of Novato executed and delivered various Promissory Notes to the City as authorized by Resolution R-1-11; and

WHEREAS, in 2005, the Redevelopment Agency of the City of Novato issued bonds to fund construction of affordable housing at Hamilton; and

WHEREAS, the Redevelopment Agency's Housing Fund did not generate sufficient tax increment revenue to finance the bonding; and

WHEREAS, the Redevelopment Agency's Project Fund financed \$24.8 Million of the bonds and a loan was established obligating the Redevelopment Agency's Housing Fund to repay the Redevelopment Agency's Project Fund; and

WHEREAS, the Redevelopment Agency's Housing Fund now generates sufficient tax increment to begin repayment of this loan; and

WHEREAS, the present indebtedness of the Redevelopment Agency's Housing Fund to the Redevelopment Agency's Project Fund under this loan, together with accrued interest, calculated through December 31, 2010, is \$25,367,410.36; and

WHEREAS, in order to evidence its obligation to repay the Redevelopment Agency's Project Fund, the Redevelopment Agency's Housing Fund desires to execute and deliver to the Redevelopment Agency of the City of Novato a promissory note (the "Promissory Note") evidencing the Redevelopment Agency's Housing Fund debt to the Redevelopment Agency's Project Fund in the cumulative amount of \$25,367,410.36 (as calculated through December 31, 2010); and

WHEREAS, the Redevelopment Agency of the City of Novato intends to assign amounts payable to the Redevelopment Agency of the City of Novato under the attached Promissory Note to the City of Novato in order to repay obligations evidenced by Promissory Notes to various City of Novato funds.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

**Section 1. Approval of Promissory Note.** The Redevelopment Agency of the City of Novato hereby authorizes the execution and delivery of the Promissory Note in substantially the form herein provided. The execution of the Promissory Note shall be deemed conclusive evidence of the Redevelopment Agency's Housing Fund indebtedness to the Redevelopment Agency's Project Fund as of December 31, 2010.

**Section 2. Repayment Terms.** The Redevelopment Agency of the City of Novato does hereby approve repayment of this loan in the amount of not less than all funds not otherwise obligated to bond indebtedness, loans and contracts in the Redevelopment Agency's Housing Fund and further to be as follows:

1. For fiscal years 2010-11 through 2015-16; Not less than \$500,000 annually
2. For fiscal years 2016-17 through 2020-21; Not less than \$505,000 annually
3. For fiscal years 2021-2022 through 2048-49; Not less than the principal balance as of June 30, 2021 amortized over the remaining 28 years together with accrued interest.

**Section 3. Assignment of Amounts Payable.** The Agency hereby authorizes the execution and delivery of the Assignment in substantially the form herein provided.

**Section 3. Effective Date.** This resolution shall take effect from and after the date of approval and adoption thereof.

\* \* \* \* \*

I HEREBY CERTIFY that the foregoing resolution was duly and regularly adopted by the Redevelopment Agency Board, Marin County, California, at a meeting thereof, held on the 1<sup>st</sup> day of March, 2011, by the following vote, to wit:

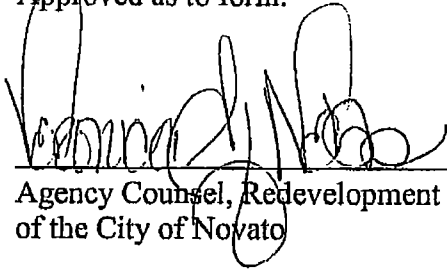
AYES: Agency Members Athas, Dillon-Knutson, Eklund, MacLeamy, Kellner  
NOES: Agency Members None  
ABSTAIN: Agency Members None  
ABSENT: Agency Members None



---

Sheri Hartz, City Clerk

Approved as to form:



---

Agency Counsel, Redevelopment Agency  
of the City of Novato

**REDEVELOPMENT AGENCY HOUSING FUND OF THE CITY OF NOVATO**

**PROMISSORY NOTE**

\$25,367,410.36

March 1, 2011

FOR VALUE RECEIVED, the Redevelopment Agency Housing Fund of the City of Novato (the "Agency Housing Fund") acknowledges itself indebted to and promises to pay the Redevelopment Agency of the City of Novato (the "Agency") the principal sum of Twenty Five Million Three Hundred Sixty Seven Thousand Four Hundred Ten Dollars and Thirty Six Cents (\$25,367,410.36) in lawful money of the United States of America, together with interest thereon, including interest on unpaid interest, at the interest rate equal to the average annual rate earned on the City of Novato's ("City") investment portfolio. Interest on this Promissory Note shall accrue beginning December 31, 2010. Interest shall be payable on June 30 of each year, and to the extent not paid, shall be added to the principal amount hereof and thereafter treated as principal hereunder. Interest shall be computed on the basis of a 365/366-day a year for the actual number of days elapsed.

It is hereby certified, recited and declared that this Promissory Note is made, executed and given pursuant to authority of the Resolution under and by authority of Articles 1 and 5 of Chapter 6 of Part 1 of Division 24 of Title 1 of the California Health and Safety Code (commencing with Section 33640), and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Promissory Note have existed, happened and been performed in regular and due time, form and manner as required by law.

The principal of and interest on this Promissory Note shall be payable from tax increment revenue received by the Agency Housing Fund. Notwithstanding the foregoing, this Promissory Note and the interest to accrue thereon may also be repaid from any other available funds of the

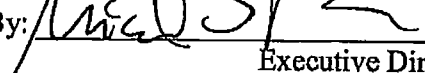
Agency Housing Fund lawfully available therefor. Neither this Promissory Note nor any interest thereon may be transferred in any way without the consent of the Agency, which consent shall not be unreasonably withheld.

This Promissory Note is subject to repayment in whole or in part, on any date, without premium or penalty but in no event later than June 30, 2049.

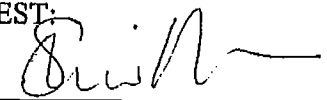
This Promissory Note restates in full the obligations owing to the Agency by the Agency Housing Fund with respect to Agency redevelopment housing activities as of the date hereof. The Agency, by signing below, hereby accepts the restatement contained in this Promissory Note.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Novato has caused this Promissory Note to be executed by its Executive Director on this 1st day of March, 2011.

REDEVELOPMENT AGENCY OF THE  
CITY OF NOVATO

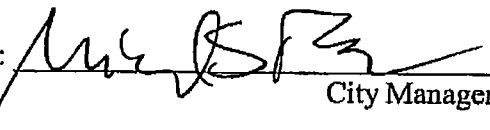
By:  \_\_\_\_\_  
Executive Director

ATTEST:

By:  \_\_\_\_\_  
Secretary

ACCEPTED


CITY OF NOVATO

By:  \_\_\_\_\_  
City Manager

ASSIGNMENT

The Agency hereby assigns its rights to receive the amounts payable to the Agency under the attached Promissory Note to the City of Novato (the "City"), subject to the need of the Agency to use such amounts to pay debt service on its bonds heretofore issued and hereafter issued. The City acknowledges that its right to receive such amounts shall be subordinated to the payment of debt service on the bonds of the Agency for which such amounts are pledged.

REDEVELOPMENT AGENCY OF THE CITY  
OF NOVATO

  
Executive Director

Accepted and Acknowledged:

CITY OF NOVATO

  
City Manager

**REIMBURSEMENT AND OPERATING AGREEMENT**

*22<sup>nd</sup>* This Reimbursement and Operating Agreement ("Agreement") is made and entered this day of *May*, 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 1<sup>st</sup> 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  
Denise Athas, Mayor

ATTEST:

Sheri Hartz

Sheri Hartz  
City Clerk

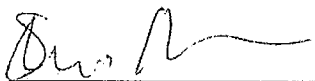
APPROVED AS TO FORM:

Jeffrey A. Walter  
Jeffrey A. Walter  
City Attorney

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

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

ATTEST:



\_\_\_\_\_  
Sheri Hartz  
Secretary

APPROVED AS TO FORM:



\_\_\_\_\_  
Jeffrey A. Walter  
Successor Agency Counsel

**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 24<sup>th</sup> 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  
Denise Athas, Mayor

ATTEST:

Sheri Hartz  
Sheri Hartz  
City Clerk

APPROVED AS TO FORM:

Denise Athas  
City Attorney

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

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

ATTEST:

Sheri Hartz  
Sheri Hartz  
Secretary

APPROVED AS TO FORM:

Denise Athas  
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.



Exhibit A

December 14, 2012

THE CITY OF  
**NOVATO**  
CALIFORNIA

R. J. Ricciardi, Inc.  
Certified Public Accountants  
1000 Fourth Street, Suite 400  
San Rafael, CA 94901

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

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

City Manager  
Michael S. Frank

In connection with your engagement to apply agreed-upon procedures which were agreed to by the California State Controller's Office, Department of Finance, and Marin County Auditor-Controller, solely to assist the Successor Agency of the City of Novato in ensuring that the dissolved redevelopment agency's Other Fund is complying with its statutory requirements with respect to State of California Assembly bills ABX1 26 and AB1484, we confirm, to the best of our knowledge and belief, the following representations made to you during your engagement. We are also responsible for adopting sound operational policies, establishing and maintaining internal control, and preventing and detecting fraud.

1. We are responsible for the data provided to the practitioner and the data presented in the report or in any attachments to the report.
2. Management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in the AUP report and its related exhibits.
3. We have disclosed to you all known matters contradicting the agreed-upon procedures which were agreed to by the California State Controller's Office, Department of Finance, and Marin County Auditor-Controller, noted above, as of June 30, 2012 and through the date of this letter.
4. There have been no communications from regulatory agencies, internal auditors, and other independent practitioners or consultants relating to the agreed-upon procedures which were agreed to by the California State Controller's Office, Department of Finance, and Marin County Auditor-Controller, noted above, including communications received up to the date of this letter.
5. We have made available to you all information that we believe is relevant to the scope of work noted above as of June 30, 2012 and through the date of this letter.
6. We have responded fully to all inquiries made to us by you during the engagement.
7. Your report is intended solely for the information and use the Marin County Auditor-Controller, the Board of Directors and management of the City of Novato



successor agency, and applicable State agencies, and should not be used by anyone other than the specified parties.

8. There has been no fraud involving management or employees who have significant roles in internal control. There has been no fraud involving others that could have a material effect on the agreed-upon procedures as of June 30, 2012 and through the date of this letter.

9. All copies of original documents the City of Novato has provided to you have not been improperly altered or changed.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to June 30, 2012 and through the date of this letter that would require adjustment to or disclosure in the aforementioned agreed-upon procedures.

Signature: 

Title: Finance Manager

Date: 12/14/2012