



Fort Ord Reuse Authority

920 2nd Avenue, Ste. A, Marina, CA 93933

Phone: (831) 883-3672 • Fax: (831) 883-3675 • www.fora.org

BOARD OF DIRECTORS MEETING

Friday, February 15, 2013 at 1:30 p.m.

910 2nd Avenue, Marina, CA 93933 (Carpenter's Union Hall)

AGENDA

1. CALL TO ORDER AND ROLL CALL

2. BOARD WORKSHOP POST-REASSESSMENT POLICY OPTIONS (pg. 1-9) INFORMATION/ACTION

(The Board Workshop will be held from 1:30 p.m. – 3:30 p.m.)

- a. Overview of Fort Ord Reuse Plan implementation and workshop goals; proposed “ground rules” for today’s workshop – primary conversation focused on FORA Board members
- b. Identify/discuss policy implementation factors (cost, timing, prioritization, etc.)
- c. Board workshop on potential actions arising from policy-item Categories I and II of the Base Reuse Plan (BRP) 2012 Reassessment Report. Provide early direction to implement or take action on other specific potential options for BRP modifications that do not require CEQA actions, significant staff resources, or Board deliberation. Objective: Identify concrete next steps for-
Category I: BRP Text and Figure Corrections (Typographical Errors, Minor Clarifications, etc.)
Category II:
 - i. BRP Land Use Concept Map modifications based on prior FORA Board consistency determinations (map “republication” based on prior approvals)
 - ii. Modifications based on other previous Board actions;
 - iii. Circulation-related map, text, and Capital Improvement Program modifications; and
 - iv. Modifications for consistency with regional and local plans.

3. CLOSED SESSION

(Closed session will begin at the later of: a) 3:30 p.m. or b) immediately following the Board Workshop)

- a. Conference with Legal Counsel - Existing Litigation, Gov Code 54956.9(a) – Four Cases
 - i. Keep Fort Ord Wild v. Fort Ord Reuse Authority, Case Numbers: M114961, M116438, M119217
 - ii. The City of Marina v. Fort Ord Reuse Authority, Case Number: M118566
- b. Conference with Legal Counsel – Anticipated Litigation, Gov Code 54956.9(b) – Two Cases
- c. Public Employee Performance Evaluation – Authority Counsel, Gov Code 54957

4. ANNOUNCEMENT OF ACTION TAKEN IN CLOSED SESSION

(Open session will begin at the later of: a) 4:00 p.m. or b) immediately following closed session)

5. PLEDGE OF ALLEGIANCE

6. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

7. CONSENT AGENDA

- a. Approval of the January 11, 2012 Board Meeting Minutes (pg. 10-14)

ACTION

8. OLD BUSINESS

- a. Elect 2013 Fort Ord Reuse Authority Board Officers (pg. 15-16)
 - i. Receive Nominating Committee Report
 - ii. Conduct Election
- b. Capital Improvement Program Review – Phase II Study (pg. 17-44)
 - i. Adopt a Resolution to Reinstate the Original Formulaic Approach Language in Resolution 12-5, Adopted on August 29, 2012

ACTION

ACTION

ACTION

ACTION

- ii. Authorize the Execution of Amendment #1 to the Implementation Agreements to Reinstate the Original Formulaic Approach Language
Approved on August 29, 2012 ACTION
- c. Approve Preston Park Management Contract with Alliance (2nd Vote) ([pg. 45-74](#)) INFORMATION/ACTION

9. NEW BUSINESS

- a. FORA Mid-Year Budget ([pg. 75-78](#)) ACTION
- b. FY 2011-2012 Annual Financial Audit ([pg. 79-133](#)) ACTION
- c. Confirm 2013 Chair Appointments to Fort Ord Reuse Authority Committees ([pg. 134](#)) ACTION

10. PUBLIC COMMENT PERIOD

Members of the audience wishing to address the Fort Ord Reuse Authority (“FORA”) Board on matters within the jurisdiction of FORA, but not on this agenda, may do so during the Public Comment Period. Public comments are limited to a maximum of three minutes.

11. EXECUTIVE OFFICER’S REPORT

- a. Outstanding Receivables ([pg. 135](#)) INFORMATION
- b. Administrative Committee ([pg. 136-142](#)) INFORMATION
- c. Finance Committee ([pg. 143-145](#)) INFORMATION
- d. Habitat Conservation Plan Update ([pg. 146-147](#)) INFORMATION
- e. Travel Report ([pg. 148-149](#)) INFORMATION
- f. Fort Ord Reuse Authority Veterans Issues Advisory Committee Appointments ([pg.150](#)) INFORMATION
- g. Public Correspondence to the Board ([pg. 151](#)) INFORMATION

12. ITEMS FROM MEMBERS

13. ADJOURNMENT

Persons seeking disability related accommodations should contact FORA 24 hours prior to the meeting. This meeting is recorded by Access Monterey Peninsula (AMP) to be televised Sundays at 9:00 a.m./Sundays at 1:00 p.m. on Marina/Peninsula Chanel 25. The video and full Agenda packet are available online at www.fora.org.

FORT ORD REUSE AUTHORITY BOARD REPORT

BOARD WORKSHOP

Subject: "Post-Reassessment" Policy Options Consideration – Workshop	
Meeting Date: February 15, 2013	INFORMATION/ACTION
Agenda Number: 2	

RECOMMENDATION

- i. Hold the first of three policy workshops (vision and Reassessment Report Categories I & II, **Attachment A**), selecting from and prioritizing options identified during the 2012 Base Reuse Plan reassessment process.
- ii. Provide action-item direction as warranted, based on workshop outcomes.

BACKGROUND

On December 14, 2012, the Board voted unanimously to formally receive the final Base Reuse Plan (BRP) Reassessment Report prepared by EMC Planning Group. The Reassessment Report identified a "menu" of policy options and potential BRP modifications for the FORA Board's consideration. The report grouped its main findings into five categories:

- I. Modifications and Corrections (i.e., typos, outdated references in the BRP, minor clarifications);
- II. Prior Board Actions and Regional Plan Consistency;
- III. Implementation of Policies and Programs;
- IV. Policy and Program Modifications; and
- V. FORA Procedures and Operations.

The five categories are briefly described beginning on page 1-4 of the final report, and are explored in depth in Chapter 3. The final report as received by the Board, integrating all previously identified corrections and revisions, is available on FORA's web site: <http://www.fora.org/resources.htm>. A summary of the policy topics identified in the final Reassessment Report was appended to the January 11, 2013 Board report, and is attached to this report for ease of reference (**Attachment B**). The new Attachment A breaks out and focuses more specifically on Categories I and II from the January 11 table.

On January 11, 2013, the Board reviewed staff's tentative proposed three-workshop schedule and outline, and discussed alternative workshop approaches. Jane Haines read excerpts from the BRP and 2012 Market Study illustrating why Sierra Club supports some, but not all, of the Guiding Principles. At the December Board meeting the Sierra Club also circulated a letter outlining its views on the guiding principles. Several Board members spoke in favor of structuring the workshops to address Reassessment Report categories I-V in numerical order. Board discussion also noted that it may require more than three workshops to adequately address the Reassessment Report's policy options and provide action-item direction. The possibility of scheduling the workshops to occur on days other than the customary Fridays was also discussed.

The Board voted unanimously to endorse staff's recommendation, based on previous input from the Administrative and Executive Committees, to authorize the Executive Officer to procure professional facilitation services for three workshops (not to exceed \$15,000). Staff distributed a Request for Qualifications (RFQ) to a list of facilitators on January 17, and received a submittal package from Concur, Inc. in response (the only responsive submission with availability on the scheduled dates). Staff is currently finalizing a contract with Concur, Inc.

On February 6, members of the Administrative Committee spoke in favor of focusing the first workshop on the establishment of clear expectations ("ground rules") and bringing the BRP to a correct, up-to-date "baseline" condition reflecting previously completed Board actions/decisions. The Executive Committee indicated its support for this approach, and the draft workshop agenda has been adjusted accordingly. Concur, Inc. principal facilitator Scott McCreary attended the Executive Committee meeting and gave a brief overview of his background and approach to the planned

workshops. CSUMB Interim President Eduardo Ochoa spoke on the importance of the overall process including a component of articulating and reaffirming the BRP's fundamental principles. Dr. Ochoa indicated CSUMB's willingness to organize an event for that purpose as a supplement to the three planned FORA Board workshops.

DISCUSSION

This workshop is the first of an anticipated three-session series with a goal of establishing near-term and longer-term programs for prioritizing post-reassessment action items. Subsequent workshops are planned for **March 22** and **April 19** (the Friday following the regular FORA Board meetings), from 2:00 to 5:00 pm. As noted above, depending on the amount of progress accomplished in the three workshops, the Board may wish to add a workshop (to be determined).

The following is a tentative proposed outline of the workshop discussion items. Staff has incorporated comments from Board members and other refinements into previous versions of this outline. Additional adjustments may be warranted as the workshop series progresses.

I. Friday, February 15, 2013, 1:30 PM to 3:30 PM

Agenda items for FORA Board members' consideration:

1. Overview of Fort Ord Reuse Plan implementation and workshop goals; proposed "ground rules" for today's workshop – primary conversation focused on FORA Board members;
2. Identify/discuss policy implementation factors (cost, timing, prioritization, etc.); and
3. Board workshop on potential actions arising from policy-item Categories I and II of the Base Reuse Plan (BRP) 2012 Reassessment Report. Provide early direction to implement or take action on other specific potential options for BRP modifications that do not require CEQA actions, significant staff resources, or Board deliberation. Objective: Identify concrete next steps for:

Category I: BRP Text and Figure Corrections (Typographical Errors, Minor Clarifications, etc.); and

Category II:

- i. BRP Land Use Concept Map republishing based on prior approved FORA Board consistency determinations;
- ii. BRP Land Use Concept Map modifications based on other previous Board actions;
- iii. Circulation-related map, text, and Capital Improvement Program modifications stemming from prior Board approvals; and
- iv. Modifications for consistency with current versions of regional and local plans.

Ultimate Board action (post-workshop): Approve budget for republication of documents, maps, and supporting schedules.

II. Friday, March 22, 2013, 2:00 PM to 5:00 PM

Tentative agenda item: Discuss potential action items from **Categories III and IV** of the Reassessment Report. Consider prioritizing action items that:

- a. were previously highlighted during the reassessment process as "yet-to-be-completed" prior obligations under the original 1997 BRP;
- b. received the greatest amount of public input during the reassessment process;
- c. make the greatest use of recent changes (e.g., exploration of opportunities related to the National Monument designation in 2012); and/or
- d. would be most cost-effective to implement because of a relatively short timeline and/or less need to obtain outside expertise in order to complete the action.

Ultimate Board action: Approve priority list, work plan, and schedule for review of selected Category III & IV items.

III. Friday, April 19, 2013, 2:00 PM to 5:00 PM

Tentative agenda items:

1. Discuss potential action items from **Category V** of the Reassessment Report; and
2. Discuss a conceptual Fiscal year 2013-2014 work program:
 - a. Seek consensus on a preferable policy option for each identified topic area, prior to laying out a tentative work program schedule;
 - b. Formulate a mix of selected near-term and longer-term action item goals; and
 - c. Explore grouping reassessment action items based on required environmental review.

Ultimate Board action: Approve 2013-2014 work plan.

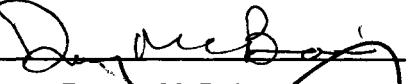
FISCAL IMPACT

Reviewed by FORA Controller 

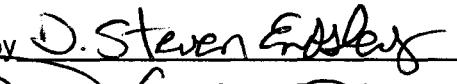
Staff time for this item is included in the approved FY12-13 budget. The approved FY 12-13 budget currently has a balance of \$68,430. If the full \$15,000 previously approved for professional facilitation services is used, then \$53,430 would remain in the FY 12-13 reassessment budget. Note: The January 2013 Board report incorrectly estimated a FY 12-13 reassessment budget remaining balance of \$43,400.

COORDINATION

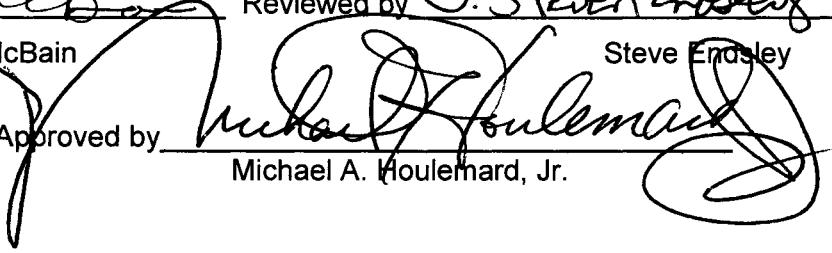
Administrative Committee, Executive Committee

Prepared by 

Darren McBain

Reviewed by 

Steve Endsley

Approved by 

Michael A. Houlehard, Jr.

Category I Policy Topics/Options

BRP Corrections and Updates (typographical errors, minor clarifications, etc.)		FINAL Reassess. Report page 101
I	I-1 Text corrections	3-3
	I-2 Figure corrections	3-13

Expanded description: A number of typographical errors, minor clarifications, minor omissions, etc., have been identified in both the BRP text and graphics. The BRP also contains a number of factual references that have become outdated due to the passage of time. The Category I corrections identified have no material effect on the purpose, intent, or guidance provided in the BRP, but are meant solely as BRP "clean-up" items.

Proposed follow-up: Bring back as an agendized item in **March 2013** to allow for possible questions, comments, or additional edits. Adopt/approve the Category I BRP corrections at that time.

Considerations:

1. These text/figure corrections would not become integrated into the main text of the BRP until a future BRP republication (to be determined). Until that time, they could be added as an errata sheet to the BRP web page and existing printed copies. The BRP was last published in 2001, using reproductions of figures and maps created mostly in the mid-1990s. No "openable"/operable digital files are known to exist for the figures. As part of a future BRP republication, it may be feasible (depending on available resources and budget) to re-create or replace some of the existing figures using current GIS software/data to incorporate the identified corrections. Alternatively, the corrections could be footnoted onto copies of the existing figures, or simply noted in an errata sheet.
2. Figure 3.5-1, Proposed 2015 Transportation Network (BRP page 114, Reassessment Report page 3-14) should be replaced by a new exhibit with a longer time horizon, possibly from the TAMC 2005 Fee Reallocation Study, at the time of a future BRP republication.

(more)

Category II Policy Topics/Options

	Prior Board Actions and Regional Plan Consistency	FINAL Reassess. Report page ref.
	<p>II-1 Land Use Concept Map Modifications Based on Prior FORA Board Consistency Determinations (map “republication” based on prior approvals)</p> <p>Primary task: Republish the BRP Land Use Concept Map (Figure 3.3-1, BRP page 95) to more closely match the jurisdictional General Plan land-use classifications previously found consistent with the BRP. A draft map update, to be further refined, was included as Figure 7.2 in the Reassessment’s scoping report.</p>	3-19
	<p>II-2 Land Use Concept Map Modifications Based on Other Actions</p> <p>Primary task: Update the BRP Land Use Concept Map to reflect:</p> <ul style="list-style-type: none"> a) The 2004-2005 East Garrison-Parker Flats Land Swap Agreement (LSA), authorized by FORA Board in Dec. 2002; and/or b) Adjustment of potential future Highway 68 bypass corridor’s westerly terminus (within City of Monterey jurisdiction) to conform to existing parcel lines. 	3-22
II	<p>II-3 Modify Circulation-Related Maps and Text in the BRP and Modify Capital Improvement Program (CIP)</p> <p>Primary task: Update BRP/CIP text and figures to reflect:</p> <ul style="list-style-type: none"> a) Realignment of a segment of the Marina Multimodal Corridor (shift from Imjin Parkway to Inter-Garrison Road) as adopted by the FORA Board in Dec. 2010 b) Deletion of BRP references to a previously planned future curvilinear realignment of Gen. Jim Moore Blvd. and 2nd Ave. at Lightfighter Drive. (i.e., the existing alignment would remain in place long-term, in keeping with the adopted FORA CIP) 	3-24
	<p>II-4 BRP Modifications Regarding Consistency with Regional and Local Plans</p> <p>Primary tasks:</p> <ul style="list-style-type: none"> a) Add or expand BRP Policies and Programs in accordance with regional plan goals developed/amended since 1997 BRP publication (primarily TAMC Monterey County Regional Transportation Plan and Monterey Unified Air Pollution Control District Air Quality Management Plan) b) Review applicable sections of City of Monterey and County of Monterey (2010 Update) General Plans for BRP consistency determination 	3-25

(more)

Expanded description: Category II options include two types of potential BRP modifications. These modifications would be outside the typographical/editorial nature of Category I, but do not raise substantive policy issues and are not anticipated to require significant CEQA actions or staff resources.

1. Map/text modifications that reflect or relate to actions the FORA Board has already taken (**II-1 through II-3**).
2. New--or expanded—BRP policies or programs to ensure consistency with regional and local plans (**II-4**).

Proposed follow-up:

1. **II-1, II-2b, and II-3:** Bring the “non-LSA related” Land Use Concept Map, Circulation-, and CIP-related revisions back as an agendized item in **May 2013**. The intervening time will allow for information-gathering and evaluation of ability to complete this item (a draft of which already exists) with in-house or outside resources.
2. **II-2a:** Defer action on LSA-related BRP map/text modifications, pending future FORA legal review of applicable agreements and potential further workshop discussion of this item in the context of Reassessment Report Category IV policy topics/options. (**July 2013 target**)
3. **II-4a:** Develop specific BRP policies and programs to enhance regional plan consistency, targeted for Board consideration in **June 2013**. The specific topic areas that would be addressed in the new/expanded BRP policies/programs were outlined in the Reassessment Report (page 3-26). Any currently pending revisions to the regional plans will be incorporated into the review. All potential modifications will be evaluated for CEQA compliance.
4. **II-4b:** To promote BRP-local plan consistency, establish a tentative schedule for FORA review of Monterey City and County General Plan consistency determinations and next steps for completion (TBD).

Cat	Topics/Policies	FINAL Reassess Report page ref.
I	BRP Corrections and Updates (typographical errors, minor clarifications, etc)	
	Text corrections	3-3
	Figure corrections	3-13
II	Prior Board Actions and Regional Plan Consistency	
	Land Use Concept Map Modifications Based on Prior FORA Board Consistency Determinations (map "republication" based on prior approvals)	3-19
	Land Use Concept Map Modifications Based on Other Actions	3-22
	Modify Circulation Related Maps and Text in the BRP and Modify Capital Improvement Program	3-24
	BRP Modifications Regarding Consistency with Regional and Local Plans	3-25
III	Implementation of "Incomplete"/Yet-to-be-Completed BRP Policies and Programs	
	Land Use, Circulation, Recreation & Open Space, Conservation, Noise, and Safety BRP elements	3-32
	Jurisdictional implementation responsibilities	3-33
	FORA implementation responsibilities	3-33
IV	Policy and Program Modifications	
	<u>Land Use/General</u>	
	1. BRP Visions and Goals	3-71
	2. Evaluation of Land Use Designations Related to the East Garrison-Parker Flats Land Swap Agreement	
	3. Specific Applicability of Programs/Policies to Del Rey Oaks and Monterey	
	4. Support for the Needs of Disadvantaged Communities	
	5. Refinement of Integrated Mixed Use Concepts	
	6. Promotion of Green Building	
	7. Climate Action and Greenhouse Gas Reduction	
	8. Policy on Development/Habitat Interfaces	
	9. Prioritization of Development within Army Urbanized Areas	
	10. Policy on Land Use Compatibility Adjacent to CSUMB Campus	
	11. Issues Relating to Gambling	

	<u>Economic Development and Jobs</u> 12. Reversal of the Loss of Middle Class Job and Housing Opportunities 13. Constraints and Uncertainties for Development on Fort Ord 14. Promotion of Economic Development through Outdoor Recreational Tourism/Ecotourism 15. Capitalization on Existing Regional Strengths to Promote Expansion of Office and Research Sectors 16. Establishment and Marketing of a Brand for Fort Ord	3-83
	<u>Urban Blight and Cleanup</u> 17. Prioritization of Funding for and Removal of Blight 18. Evaluation of Base Clean-up Efforts and Methods	3-89
	<u>Aesthetics</u> 19. Prioritization of Design Guidelines	3-92
	<u>Housing</u> 20. Effects of Changes in Population Projections 21. Policy Regarding Existing Residential Entitlements Inventory 22. Cost of Housing and Targeting Middle-income Housing Types	3-93
	<u>Transportation</u> 23. Re-evaluation of Transportation Demands and Improvement Needs 24. Capitalization on Existing Infrastructure – Consider Costs/Benefits/Efficiencies of Capital Improvement Program 25. Policy on Through Traffic at CSUMB 26. Prioritization of Multimodal (Bicycle, Pedestrian, and Transit) Transportation	3-96
	<u>Water</u> 27. Re-evaluation of the Salinas Valley Groundwater Basin Water Supply 28. Prioritization of Water Augmentation 29. Prioritization of Water Conservation	3-101
	<u>Fort Ord National Monument</u> 30. Potential for the National Monument and Tourism to be a Catalyst to Economic Growth in the Region 31. Policy on Land Use Adjacent to the National Monument 32. Integrated Trails Plan 33. Fort Ord Nat'l Monument – Fort Ord Dunes State Park Trail Connection 34. Access Points and Trailhead Development for the Fort Ord Nat'l Mon.	3-106

	<p><u>Cultural Resources</u></p> <p>35. Site for a Native American Cultural Center 36. Additional Policy on Historic Building Preservation</p>	3-111
	<p><u>Veterans' Cemetery</u></p> <p>37. Veterans' Cemetery Location 38. Veterans' Cemetery Land Use Designation 39. Policy Regarding the Veterans' Cemetery</p>	3-112
V	<p>FORA Procedures and Operations</p> <p>1. FORA Board composition, representation, and voting process 2. Oversight of the land use/development implementation decisions of local jurisdictions 3. Regularly track and report on the status of BRP policy and program implementation 4. Clarify the methodology for making consistency determinations and track and report results of consistency determinations 5. Provide regular updates on modifications to the BRP Land Use Concept map 6. Regularly monitor, update and report on status of BRP build-out constraint variables and other measures of BRP implementation status 7. Improve access to and disclosure of FORA Board decisions and fundamental data regarding the status of base reuse 8. Periodically Assess the BRP 9. Prepare a FORA Phase-Out Plan 10. Assess Infrastructure Maintenance Cost Issues</p>	3-118



Fort Ord Reuse Authority

920 2nd Avenue, Suite A, Marina, CA 93933
Phone: (831) 883-3672 • Fax: (831) 883-3675 • www.fora.org

Minutes

Friday, January 11, 2013

Meeting of the Fort Ord Reuse Authority Board of Directors
910 2nd Ave, Marina (Carpenter's Union Hall)

1. CALL TO ORDER AND ROLL CALL

Chair Potter called the meeting to order at 3:00 p.m.

Voting Members Present: (*alternates)

Chair/Supervisor Potter (County of Monterey)
Mayor Edelen (City of Del Rey Oaks)
Mayor ProTem O'Connell (City of Marina)
Councilmember Burnett (City of Carmel-by-the-Sea)
Councilmember Brown (City of Marina)
Councilmember Selfridge (City of Monterey)
Mayor Gunter (City of Salinas)

Supervisor Parker (County of Monterey)
Councilmember Cohen (City of Pacific Grove)*
Mayor Pendergrass (City of Sand City)
Mayor Rubio (City of Seaside)
Mayor Pro-Tem Oglesby (City of Seaside)

Voting Members Absent:

Supervisor Calcagno (County of Monterey) joined the meeting during closed session

2. CLOSED SESSION (FORA Conference Room)

Chair Potter asked for public comments regarding closed session items. None were received and the Board adjourned to closed session at 3:02 p.m.

- a. Conference with Legal Counsel - Existing Litigation, Gov Code 54956.9(a) – Four Cases
 - i. Keep Fort Ord Wild v. Fort Ord Reuse Authority, Case Numbers: M114961, M116438, M119217
 - ii. The City of Marina v. Fort Ord Reuse Authority, Case Number: M118566
- b. Public Employee Performance Evaluation – Authority Counsel, Gov Code 54957

3. ANNOUNCEMENT OF ACTION TAKEN IN CLOSED SESSION (Carpenters Union Hall)

The Board reconvened into open session at 3:44 p.m. Authority Counsel Jerry Bowden stated that the Board had received reports from legal counsel on each of the closed session items under 2a and had authorized Authority Counsel to defend Rabobank in an action by The City of Marina against the FORA/Rabobank. He announced no reportable action in relation to item 2b.

The following ex-officio Board members were present when the Board reconvened into open session: Alec Arago (20th Congressional District), Nicole Charles (15th State Senate District), Erica Parker (29th State Assembly District), Graham Bice (University of California), Eduardo Ochoa (California State University), Walter Tribley (Monterey Peninsula College), Dan Albert, Jr. (Monterey Peninsula School District), Mike Gallant (Monterey Salinas Transit), Debbie Hale (Transportation Agency of Monterey County), COL Clark (United States Army), Gail Youngblood (Fort Ord BRAC Office), Thomas Moore (Marina Coast Water District).

4. PLEDGE OF ALLEGIANCE

Chair Potter led the Pledge of Allegiance.

5. ACKNOWLEDGEMENTS, ANNOUNCEMENTS, AND CORRESPONDENCE

Chair Potter thanked everyone for their understanding and cooperation the previous several weeks, while FORA coped with the passing of Administrative Assistant Charlotte Ellsworth and the temporary absences of several other staff members who recently lost family members. Chair Potter welcomed Director Tom Moore and Mayor Rubio back to the Board and welcomed new Board members

Councilmember Gail Morton, Mayor Joe Gunter and Dr. Walter Tribley to their first Board meeting. He stated that item 5a would be postponed and taken out of order later in the meeting.

6. CONSENT AGENDA

- a. Approval of the December 14, 2012 Board Meeting Minutes
- b. Denise Duffy & Associates Contract Amendment #6

MOTION: Mayor Pro-Tem O'Connell moved, seconded by Mayor Edelen, to approve the consent calendar, provided that the written comments distributed at the December 14, 2012 Board meeting by Mayor Pro-Tem O'Connell and Authority Counsel Jerry Bowden be attached to the minutes.

MOTION PASSED: unanimous

7. OLD BUSINESS

- a. Post Reassessment Policy Options Consideration – Workshop

- i. Scheduling/format
- ii. Workshop facilitator Authorization

Executive Officer Michael Houlemdard and Associate Planner Darren McBain presented the item. The Board reviewed the proposed three-workshop schedule and outline, discussed alternative workshop approaches, and received comments from members of the public.

MOTION: Mayor Edelen moved, seconded by Mayor Pro-Tem O'Connell, to 1) adopt the three workshop schedule as currently proposed by staff, incorporating comments from Councilmember Morton and Supervisor Parker, and 2) to authorize the Executive Officer to procure professional facilitation services for three workshops (not to exceed \$15,000).

MOTION PASSED: unanimous

The Board considered agenda item 5a:

- 5. a. Adopt Resolution Acknowledging Gail Youngblood

Alec Arago presented Gail Youngblood with a resolution acknowledging her years of service.

MOTION: Mayor Edelen moved, seconded by Mayor Pendergrass, to adopt a resolution acknowledging Gail Youngblood.

MOTION PASSED: unanimous

Mr. Arago also presented Ken Ellsworth with a text of the recognition that was read into the United States Congressional Record by Congressman Sam Farr in honor of Charlotte Ellsworth.

The Board returned to agenda item 7:

- b. Capital Improvement Program Review – Phase II Study

- i. Consider Additional Clarifying Language to Resolution 12-5
- ii. Consider Additional Clarifying Language to Amendment #1 to the FORA-Jurisdictions Implementation Agreements
- iii. Implementing Formulaic Approach - Update

Senior Planner Jonathan Garcia presented the item. He noted that EPS was currently working on their fee calculation for the FORA Community Facilities District Special Tax and that staff anticipated returning to the Board in February or March with recommendations, noting that the FORA Administrative Committee recommended that the Board reject the proposed resolution.

MOTION: Supervisor Parker moved, seconded by Mayor Edelen, to 1) adopt Resolution 13-02, which adds clarifying language to previously adopted resolution 12-5 under sections 1.2.1 and 2.1.2, and 2) authorize the Executive Officer to execute Amendment #1 to the FORA-jurisdictions Implementation Agreements (Amendment #1 to the IA) with additional clarifying language under sections 1.2.1 and 2.1.2.

MOTION PASSED: unanimous

8. NEW BUSINESS

a. Elect 2013 FORA Board Officers

- i. **Receive Nominating Committee Report**
- ii. **Conduct Election**

Mr. Houlemard introduced the item, briefly discussing the written comments provided by Mayor Kampe, Nominating Committee Chair.

MOTION: Mayor Gunter moved, seconded by Mayor Pro-Tem Oglesby, to approve the Nominating Committee recommendations, as presented.

NOMINATION FOR SECOND VICE-CHAIR: Supervisor Parker moved, seconded by Mayor Pro-Tem O'Connell, to nominate herself to serve as Second Vice-Chair to the FORA Board of Directors.

ELECTION: *Mayor Rubio: 8 votes, Supervisor Parker: 5 votes*

NOMINATION FOR EXECUTIVE COMMITTEE MEMBER-AT-LARGE: Councilmember Morton moved, seconded by Councilmember Selfridge, to nominate Mayor Burnett to serve as Member-at-Large to the FORA Executive Committee.

ELECTION: *Mayor Pendergrass: 8 votes, Mayor Burnett: 5 votes*

MOTION PASSED: unanimous

Supervisor Potter passed the gavel to Chair Edelen.

b. Veterans Issues Ad Hoc Task Force

Mr. Houlemard presented the item, stating that all proposed committee meetings would be properly noticed and open to the public. Sid Williams, United Veterans Council, addressed the Board urging support for the proposed Committee.

MOTION: Supervisor Potter moved, seconded by Mayor Pro-Tem O'Connell, to approve the establishment of a Veterans Issues Ad Hoc Task Force (a.k.a. Veterans Issues Advisory Committee), the members of which will be appointed by the Chair and reported back to the Board as an informational item.

MOTION PASSED: unanimous

c. Presentation – Local Business/Employment

Mr. Houlemard and LeVonne Stone, Fort Ord Environmental Justice Network, provided presentations regarding regional economic growth and local employment opportunities on the former Fort Ord.

MOTION: Supervisor Parker moved, seconded by Councilmember Morton, and the motion passed unanimously to extend the meeting beyond 5:30 p.m., to a time certain of 6:00 p.m.

MOTION PASSED: unanimous

MOTION: Mayor Pro-Tem Oglesby moved, seconded by Supervisor Potter, to receive the report and direct staff to include the topic in the upcoming Board workshops.

MOTION PASSED: Unanimous.

MOTION: Supervisor Potter moved, seconded by Supervisor Parker, to extend the meeting to 6:30 p.m.

MOTION PASSED: unanimous

d. Approve Veterans Cemetery Record of Survey Budget

Mr. Houlemard presented the item and Senior Project Manager Jim Arnold responded to questions from the Board and public.

MOTION: Supervisor Potter moved, seconded by Supervisor Parker, to 1) approve the Veterans Cemetery Record of Survey Budget line items, not to exceed \$56,000, and 2) authorize the Executive Officer to select and enter into contract with a surveyor team for completion of the survey work line item, not to exceed \$30,000.

MOTION PASSED: unanimous

e. Approve Preston Park Management Contract with Alliance

Principal Analyst Robert Norris presented the item.

MOTION: Supervisor Potter moved, seconded by Mayor Pro-Tem Oglesby, to 1) authorize the Executive Officer to execute a new Alliance/FORA Preston Park Management Agreement, and 2) approve and direct staff to follow up on complaints voiced by a member of the public and report back next month.

MOTION PASSED (second vote required): Ayes: Edelen, Potter, Pendergrass, Rubio, Oglesby, Burnett, Gunter, Cohen. Noes: O'Connell, Parker, Selfridge, Morton.

MOTION: Mayor Pro-Tem Oglesby moved, seconded by Councilmember Selfridge, to extend the meeting for an additional 15 minutes, in order to allow for public comment.

MOTION PASSED: unanimous

9. PUBLIC COMMENT PERIOD

The Board received comments from members of the public.

10. EXECUTIVE OFFICER'S REPORT

- a. Outstanding Receivables
- b. Administrative Committee
- c. Public Correspondence to the Board
- d. Habitat Conservation Plan Update
- e. **Administrative Consistency Determination For Entitlement: Marina's Veterans Affairs Monterey Health Care Center Project**

Mr. Houlemard briefly discussed upcoming trip to Sacramento. Chair Edelen deemed the reports received without exception.

11. ITEMS FROM MEMBERS

Justin Wellner announced that CSUMB's Annual Economic Impact Report had been issued and agreed to distribute the Report to all Board members. He also introduced CSUMB's new Director of Government Relations, Andre Lewis.

Alec Arago discussed Congressman Farr's concerns with the Guiding Principles document.

12. ADJOURNMENT

Chair Edelen adjourned the meeting at 6:21 p.m.

Minutes prepared by Lena Spilman, Deputy Clerk

Approved by: _____
Michael A. Houlemard, Jr.

ITEM 8A – ELECT 2013 FORA BOARD OFFICERS

Due to the fact that public comment was not held on this item, Authority Counsel has recommended the Board redo the elections. The recommendation by the Nominating Committee remains the same. All voting will be conducted by a roll call vote.

FORT ORD REUSE AUTHORITY BOARD REPORT

Subject:	Elect 2013 FORA Board Officers
Meeting Date:	January 11, 2013
Agenda Number:	8a

ACTION

RECOMMENDATION:

1. Receive a report from the 2012/2013 Nominating Committee.
2. Elect three voting members of the Fort Ord Reuse Authority ("FORA") Board of Directors to serve as Board officers and members of the Executive Committee for the term of one year.
3. Elect one voting member of the FORA Board to serve on the FORA Executive Committee for a term of one year as the member-at-large.
4. Elect a past Board Chair to serve on the Executive Committee. The term of office will be January 2013 through January 2014.

BACKGROUND/DISCUSSION:

The FORA Master Resolution states that the Authority's three officers shall be elected by the Board at the end of its first regular meeting in January of each year. Serving on the 2013 Nominating Committee were Mayor Bill Kampe (Chair), Mayor David Pendergrass, Mayor Jerry Edelen, and Mayor Pro Tem Frank O'Connell. The Committee met on January 2, 2013 and recommended the following slate:

Chair:	Del Rey Oaks Mayor Jerry Edelen
1 st Vice Chair:	Marina Mayor Pro-Tem Frank O'Connell
2 nd Vice Chair:	Seaside Mayor Ralph Rubio
Past Chair:	Monterey County Supervisor Dave Potter
Member-at-Large:	Sand City Mayor David Pendergrass

The Committee was not unanimous in their recommendation for 2nd Vice Chair. Supervisor Parker was nominated for the office and received one vote.

VOTING PROCEDURE: A summary nomination covering all offices may be offered by the Nominating Committee Chair or any board member before voting for the individual offices is commenced. In the absence of this, the Chair will accept nominations for each office, starting with the Chair, and conduct an election as noted in **Attachment A**. A majority of the total number of votes cast confirms election.

The Authority officers serve for a term of one year and may be reelected for no more than one consecutive, additional term in the same office. Succession is from 2nd Vice Chair to 1st Vice Chair to Chair. The Board may appoint other officers as deemed necessary. The elected officers for the FORA Executive Committee.

FISCAL IMPACT:

Reviewed by FORA Controller M

None

COORDINATION

Nominating Committee and Executive Committee

Prepared by

Lena Spilman

Approved by

Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

OLD BUSINESS

Subject:	Capital Improvement Program Review – Phase II Study
Meeting Date:	February 15, 2013
Agenda Number:	8b

ACTION

RECOMMENDATION(S):

- i. Rescind Resolution 13-2, adopted January 11, 2013 (**Attachment A**).
- ii. Adopt Resolution 13-____, which would implement a formulaic approach to establishing the Fort Ord Reuse Authority (“FORA”) Development Fee Schedule and Community Facilities District (CFD) Special Tax (**Attachment B**). This action would reinstate the originally adopted language on August 29, 2012 through Resolution 12-5.
- iii. Authorize the Executive Officer to execute Amendment #1 to the Implementation Agreement (“IA”), which would codify the formulaic approach to establish the FORA Development Fee Schedule and CFD Special Tax rates (**Attachment C**). This action would reinstate the originally authorized language on August 29, 2012. The originally authorized language has been approved by the Cities of Marina, Del Rey Oaks, and Seaside, and is pending approval by Monterey County and City of Monterey.

BACKGROUND:

At its August 29, 2012 meeting, under item 8a “Capital Improvement Program Review – Phase II Study,” the FORA Board adopted resolution 12-5 and authorized the Executive Officer to execute Amendment #1 to the Implementation Agreement (“IA”). At its October 12, 2012 meeting, City of Seaside Mayor Bachofner withdrew his August 29, 2012 request for reconsideration of item 8a in lieu of future Board consideration of amendments proposed by Supervisor Parker and other Board members. On January 11, 2013, the Board voted to adopt resolution 13-2 and Amendment #1 to the IA, which included additional language in Sections 1.2.1 and 2.1.2 proposed by Supervisor Parker.

At the January 16, 2013 Administrative Committee meeting, the Committee passed a motion recommending the FORA Board consider adopting alternative language to section 2.1.2 at the February Board meeting. The Committee also scheduled a special meeting for January 30, 2013 to determine what the recommended alternative language would be. City of Marina and Supervisor Parker’s staff met in an effort towards resolving the proposed alternative language. Discussions were amicable but full agreement was not achieved. On January 30, 2013, the Committee reviewed the following alternative language, proposed by Marina Interim City Manager Doug Yount:

- “Section 1.2.1 – Delete newly added language (January 11, 2013) and replace with: Furthermore, FORA may substitute alternative projects within the CIP in compliance with CEQA mitigation measures and consistent with the goals of the Base Reuse Plan.
- Section 2.1.2 – Modified language to remain as presented.”

The Committee and staff considered the proposed new language and found it to be reasonable. However, in absence of a positive response from the original maker of the January 11, 2013 Board motion, the Administrative Committee voted to recommend rescission of the language the Board approved on January 11, 2013. The reasons the Committee gave for their recommendation were:

1. The language in original Amendment #1 to the IA (August 29, 2012) was sufficient, limiting Community Facilities District ("CFD") expenditures to what the law allows, and providing for appropriate flexibility for non-CFD expenditures (property taxes, grants, land sales, etc.);
2. The original Amendment #1 to the IA is the least confusing approach, given the intent of reducing uncertainty;
3. All five FORA land use jurisdictions have already amended their Implementation Agreements to reflect the August 29, 2012 approved version or are in the process of doing so; and
4. Three of five FORA jurisdictions (Cities of Marina, Seaside, and Del Rey Oaks) have voiced concerns with the language approved by the Board on January 11, 2013. The Cities of Marina and Del Rey Oaks do not accept the currently approved language. Rescinding that language would satisfy these concerns/objections.

DISCUSSION:

FORA received correspondence from South County Housing, the Building Industry Association Bay Area, and the Cities of Marina and Del Rey Oaks voicing their concerns of the consequences of the uncertainty created by the additional language in resolution 13-2 and Amendment #1 to the IA (**Attachment D**) approved on January 11, 2013.

The correspondence raised concerns that the additional language adopted by the FORA Board on January 11, 2013 would create a number of negative consequences, summarized in the list below.

- 1) Additional language raised concerns that FORA will add projects or obligations to restore FORA Fees and CFD Special Taxes to their maximum permitted rates, creating uncertainty;
- 2) Additional language would have the effect of negating or overriding very important provisions of the original 2001 Implementation Agreements and the 2012 First Amendment;
- 3) Additional language is contrary to the original intent adopted on August 29, 2013;
- 4) Additional language creates confusion in regard to what projects should be included in the CIP, sources of funding for the CIP, and how the fee would be set; and
- 5) Additional language removes the predictability achieved with original August 29, 2013 language.

FISCAL IMPACT:

Reviewed by FORA Controller 

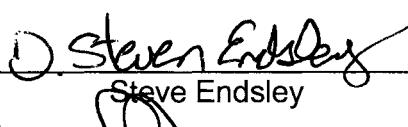
Staff time for this item is included in the approved annual budget.

COORDINATION:

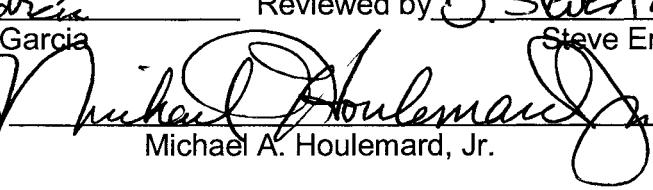
Administrative Committee, Executive Committee, and Authority Counsel.

Prepared by 

Jonathan Garcia

Reviewed by 

Steve Endsley

Approved by 

Michael A. Houlema, Jr.

Resolution 13-02

Resolution of the Fort Ord Reuse)
Authority (FORA) Board establishing a)
formula to determine FORA's annual)
basewide development fee schedule and)
Community Facilities District (CFD))
Special Tax rates)

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

- A. FORA has adopted a Basewide Community Facilities District ("CFD" or "CFD Special Tax") to fund, together with other revenues, the FORA CIP. Section 7 (ii) of the Implementation Agreement provides that the FORA development fee and CFD Special Tax to fund CEQA Mitigation Measures ("FORA CIP") are limited to the difference between the revenues needed for such purposes and the revenues otherwise reasonably available to achieve those purposes; and
- B. FORA and its member Jurisdictions have twelve years of experience with the Basewide Development Fee Policy ("Policy") and CFD Special Tax; and
- C. FORA and the Army have executed an Environmental Services Cooperation Agreement ("ESCA") providing for FORA to manage base-wide environmental remediation (including ordnance removal) funded by the Army; and
- D. The Policy and CFD Special Tax provide resources to fund CEQA Mitigation Measures (FORA CIP) identified in the 1997 FORA Base Reuse Plan and CEQA Documents; and
- E. FORA and its member Jurisdictions agree that land sales and lease proceeds, FORA property tax revenues, grant funds and the Policy and CFD Special Tax continue to be the appropriate sources to fund CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP as identified in Section 1.1; and
- F. FORA recognizes the importance of calibrating the Policy and CFD Special Tax by incorporating all available resources to fund CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP identified in Section 1.1; and
- G. FORA and its member Jurisdictions acknowledge the Policy and CFD Special Tax must be fair and equitable; and
- H. FORA has 1) achieved cost savings; 2) secured grants and other contributions to the base-wide mitigation measures from federal and state sources; and 3) loaned

monies to fund required projects that have reduced or deferred the demand for the original Policy and CFD Special Taxes; and

- I. The Base Reuse Plan emphasized the importance of job-creation and build-out of a balanced mix of community uses including commercial, residential and public facilities to achieve a desired jobs-housing balance; and
- J. FORA and its member Jurisdictions seek refinement to the list of authorized facilities that must be funded by proceeds from land sales and lease proceeds, grants, FORA property tax revenues, the Policy and CFD Special Tax; and
- K. Stakeholders recognize, given inherent uncertainties prevalent in Base Reuse Projects, that appropriate and reasonable cost contingencies are necessary and fiscally responsible; and
- L. FORA and its member Jurisdictions acknowledge the importance of adopting a formula to establish the Policy and CFD Special Tax rates. These revenue sources will fund, or partially fund, the CIP Program. That formula must account for all potential revenue sources and costs; and
- M. FORA and its member Jurisdictions agree that such a formula would reduce uncertainty to developers , increase efficiency in the FORA CIP process, and provide flexibility for FORA's fee program.

NOW THEREFORE the Board hereby resolves as follows:

1. Adjustment to the Policy and CFD special taxes.

I.1 The list of authorized CIP improvements (subject to escalation of costs through the San Francisco Construction Cost Index reported in the Engineering News Record, unless otherwise noted) to be funded by the Policy and CFD Special Taxes, after first applying all available FORA property tax revenues, grant funds, and land sales and lease proceeds, shall be limited to the following CEQA Mitigation Measures and corresponding base-wide obligations in FORA's CIP:

I.1.1 Transportation/Transit improvements, including regional improvements, off-site improvements, on-site improvements, and transit capital improvements identified in the Transportation Agency of Monterey County ("TAMC") FORA Fee Reallocation Study, dated April 8, 2005, or as subsequently updated by TAMC consistent with the FORA Fee Reallocation Study, in an amount not to exceed \$112,698,595 (as escalated) unless the obligation is otherwise reduced by TAMC and FORA.

I.1.2 Water Augmentation, which includes FORA's CEQA obligation for the approved water augmentation project and FORA's voluntary contribution to help offset water capacity charge increases. FORA's CEQA obligation is subject to annual escalation, while the voluntary contribution is not.

I.1.3 Habitat Management endowment requirements anticipated in the future Fort Ord Habitat Conservation Plan excluding costs related to an open space management plan or costs related to a regional trails system program.

I.1.4 Fire Fighting equipment (“Rolling Stock”) lease-purchase of four fire engines and one water tender.

I.1.5 Other Costs and Contingencies shall be evaluated on a periodic basis in the same manner as other CIP costs and revenues. Other Costs and Contingencies are currently limited to the following:

- A contingency amount not to exceed 15% of the costs of Transportation/Transit improvements for MEC construction support, soil management plans, right of way acquisition, CEQA/CESA/NEPA mitigations, unknown subsurface conditions, self insurance retention amounts and transportation/transit improvement phasing.
- Additional Utility and Storm Drainage Costs which provide for restoration of storm drainage sites in State Parks land and relocation of utilities.
- Other Costs for PLL insurance costs.
- CFD Administration Expenses (including staff and consultant costs).

I.2 FORA will periodically adopt a formula to monitor and update the Policy and CFD Special Tax, as follows

I.2.1 The Policy and CFD Special Tax were originally designed to fund specific CIP improvements serving the overall base and local jurisdictions based upon mitigation measures required by the California Environmental Quality Act (CEQA). These mitigation measures are described in the Base Reuse Plan Environmental Impact Report (EIR) as well as the 1998 Settlement Agreement with the Ventana Chapter of the Sierra Club. This Resolution does not limit FORA’s right or duty, or that of its member jurisdictions to raise sufficient funds to construct those CEQA Mitigation Measures. Furthermore, possible future FORA Board actions following on the Base Reuse Plan Reassessment Process may result in changes to FORA’s CIP. This Resolution does not limit FORA’s right to fund such changes through the Policy and CFD Special Taxes.

I.2.2 The FORA Board will consider adjustments to the Policy and CFD Special Tax after a comprehensive review of all potential costs and revenues. The process to consider such adjustments will be defined, predictable and transparent to all stakeholders. Adjustments to the Policy and CFD Special Tax will be approved only if they are demonstrated to be fiscally prudent and do not expose FORA or its member jurisdictions to unreasonable risk.

I.2.3 In accordance with the process set forth in part II of this resolution, commencing with Section 2.1, the FORA Board will update anticipated construction costs and revenues available to fund the facilities identified in section 1.1 above, which are eligible to be funded by the Policy and CFD Special Taxes, and corresponding adjustments to the Policy and CFD Special Taxes within 90 days of the effective date of FORA and its member Jurisdictions adopting Implementation Agreement Amendment #1, Spring 2014 as the second evaluation period, and thereafter every two years, or when an economic or other event causes a material change to a CIP cost or revenue assumption, in coordination with FORA CIP updates.

I.2.4 Adjustments to the Policy and CFD Special Tax shall be made upon receipt by the FORA Board of satisfactory, factual documentation describing the basis for the adjustment.

I.2.5 To expedite this review procedure, adjustments to the Policy and CFD Special Tax shall maintain the same relationship among land uses as the maximum annual special taxes originally documented in the CFD.

II. PROCESS

II.1 FORA shall review and update the CIP periodically to apply the formula described in this Resolution and proposed Implementation Agreement Amendment #1 and any resulting Policy and CFD Special Tax adjustments. That procedure must ensure that FORA's revenue sources, including the Policy and CFD Special Tax revenues, are adequate to carry out the Base Reuse Plan and complete required CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP identified in Section 1.1 above. The periodic process will include the following steps:

II.1.1 Determine total remaining CIP costs (including required contingencies) consistent with section 1.1 above.

II.1.2 Determine the source and amount of funds, including, without limitation: a) Fund balances; b) Grant money; c) CSU Mitigation fees; d) Loan proceeds; e) Land sales revenues/proceeds net of a required credit/offset equal to the amount of monies advanced to construct CIP improvements (this amount shall ultimately be reduced to zero once the full credit/offset has been recognized) in excess of remaining building removal program estimated costs, and lease revenues (not required for other obligations); and f) FORA property tax revenue as calculated below. FORA retains its discretion to add new projects or obligations to be paid from these sources of funds. The following assumptions and formula shall be used to calculate the FORA property tax revenues, if available:

Assumptions:

- a. Current FORA CIP build-out assumptions as shown to estimate CFD special tax revenue

- b. Current market data assumptions to estimate assessed values for each land use type.

Formula:

- a. Calculate the net present value (NPV) of 90% of the FORA property tax revenue stream for all new assessed value after July 1, 2012.
- b. The term on the FORA property tax stream shall be from the date of the current CIP (e.g., upcoming fiscal year) through the anticipated end date of FORA (or the proposed FORA extension end date if applicable).
- c. The NPV calculation shall assume a discount rate equal to the annual average Bond Buyer Revenue Bond Index plus 50 basis points using the prior fiscal year end date (e.g., use 2012 year to date annual average at the end of FY 2011-12 for the FY 2012-13 calculation) as published in The Bond Buyer.
- d. Allocate the NPV as calculated above to reduce/offset costs of CIP.
- e. Allocate 10% of the actual property tax revenues collected by FORA from all new assessed value after July 1, 2012 and generated from parcels in the Fort Ord area of the member jurisdiction to the City or County for economic development to support the reuse of Fort Ord land within the relevant City or County.

II.1.3 Subtract sources of funds available under Section 2.1.2 from CIP costs to determine net cost to be funded by the Policy and CFD Special Tax.

II.1.4 Calculate Policy and CFD Special Tax revenues using the prior year Policy and CFD Special Tax Rates and the same land use assumptions used to estimate FORA property tax revenues shown above in Section 2.1.2.

II.1.5 Compare 2.1.4 with 2.1.3 and determine the amount of adjustment, if any, to the Policy and CFD Special Tax rates. In no event shall the adjusted CFD Special Tax rates exceed the Maximum CFD Special Tax rates (as escalated annually per the special tax formula).

/

/

/

/

/

/

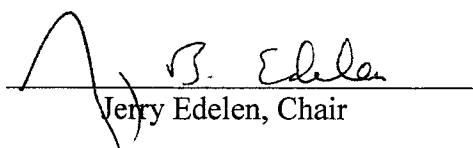
Upon motion by Supervisor Parker, seconded by Mayor Edelen, the foregoing Resolution was passed on this 11th day of January, 2013, by the following vote:

AYES: EDELEN, O'CONNELL, RUBIO, PENDERGRASS, POTTER, PARKER, CALCAGNO, MORTON, OGLESBY, BURNETT, COHEN, GUNTER, SELFRIDGE.

NOES:

ABSTENTIONS:

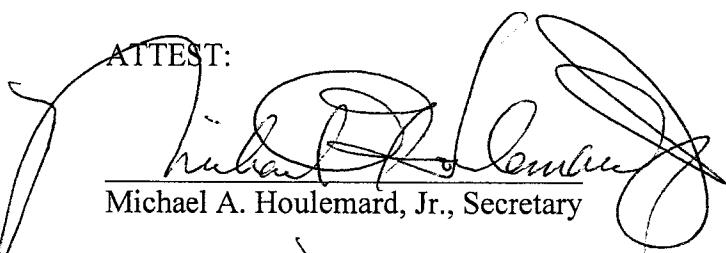
ABSENT:



Jerry Edelen

Jerry Edelen, Chair

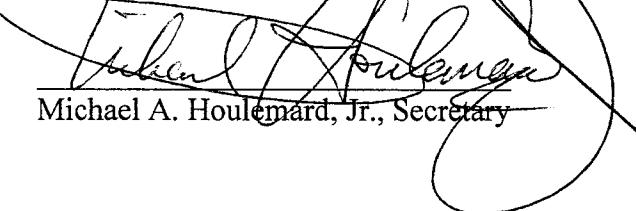
ATTEST:



Michael A. Houlemard, Jr., Secretary

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Fort Ord Reuse Authority hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 13-02 adopted January 11, 2013.



Michael A. Houlemard, Jr., Secretary

Resolution 13-__

Resolution of the Fort Ord Reuse)
Authority (FORA) Board establishing a)
formula to determine FORA's annual)
basewide development fee schedule and)
Community Facilities District (CFD))
Special Tax rates)

THIS RESOLUTION is adopted with reference to the following facts and circumstances:

- A. FORA has adopted a Basewide Community Facilities District ("CFD" or "CFD Special Tax") to fund, together with other revenues, the FORA CIP. Section 7 (ii) of the Implementation Agreement provides that the FORA development fee and CFD Special Tax to fund CEQA Mitigation Measures ("FORA CIP") are limited to the difference between the revenues needed for such purposes and the revenues otherwise reasonably available to achieve those purposes; and
- B. FORA and its member Jurisdictions have twelve years of experience with the Basewide Development Fee Policy ("Policy") and CFD Special Tax; and
- C. FORA and the Army have executed an Environmental Services Cooperation Agreement ("ESCA") providing for FORA to manage base-wide environmental remediation (including ordnance removal) funded by the Army; and
- D. The Policy and CFD Special Tax provide resources to fund CEQA Mitigation Measures (FORA CIP) identified in the 1997 FORA Base Reuse Plan and CEQA Documents; and
- E. FORA and its member Jurisdictions agree that land sales and lease proceeds, FORA property tax revenues, grant funds and the Policy and CFD Special Tax continue to be the appropriate sources to fund CEQA Mitigation Measures and Board-determined basewide obligations in FORA's CIP as identified in Section 1.1; and
- F. FORA recognizes the importance of calibrating the Policy and CFD Special Tax by incorporating all available resources to fund CEQA Mitigation Measures and Board-determined basewide obligations in FORA's CIP identified in Section 1.1; and
- G. FORA and its member Jurisdictions acknowledge the Policy and CFD Special Tax must be fair and equitable; and
- H. FORA has 1) achieved cost savings; 2) secured grants and other contributions to the base-wide mitigation measures from federal and state sources; and 3) loaned

DRAFT

DRAFT

DRAFT

monies to fund required projects that have reduced or deferred the demand for the original Policy and CFD Special Taxes; and

- I. The Base Reuse Plan emphasized the importance of job-creation and build-out of a balanced mix of community uses including commercial, residential and public facilities to achieve a desired jobs-housing balance; and
- J. FORA and its member Jurisdictions seek refinement to the list of authorized facilities that must be funded by proceeds from land sales and lease proceeds, grants, FORA property tax revenues, the Policy and CFD Special Tax; and
- K. Stakeholders recognize, given inherent uncertainties prevalent in Base Reuse Projects, that appropriate and reasonable cost commensurabilities are necessary and fiscally responsible; and
- L. FORA and its member Jurisdictions acknowledge the importance of adopting a formula to establish the Policy and CFD Special Tax rates. These revenue sources will fund, or partially fund, the CIP Program. That formula must account for all potential revenue sources and costs; and
- M. FORA and its member Jurisdictions agree that such a formula would reduce uncertainty to developers, increase efficiency in the FORA CIP process, and provide flexibility for FORA's fee program.

NOW THEREFORE the Board hereby resolves as follows:

1. Adjustment to the Policy and CFD special taxes.

I.1 The list of authorized CIP improvements (subject to escalation of costs through the San Francisco Construction Cost Index reported in the Engineering News Record, unless otherwise noted) to be funded by the Policy and CFD Special Taxes, after first applying all available FORA property tax revenues, grant funds, and land sales and lease proceeds, shall be limited to the following CEQA Mitigation Measures and corresponding base-wide obligations in FORA's CIP:

I.1.1 Transportation/Transit improvements, including regional improvements, off-site improvements, on-site improvements, and transit capital improvements identified in the Transportation Agency of Monterey County ("TAMC") FORA Fee Reallocation Study, dated April 8, 2005, or as subsequently updated by TAMC consistent with the FORA Fee Reallocation Study, in an amount not to exceed \$112,698,595 (as escalated) unless the obligation is otherwise reduced by TAMC and FORA.

I.1.2 Water Augmentation, which includes FORA's CEQA obligation for the approved water augmentation project and FORA's voluntary contribution to help offset water capacity charge increases. FORA's CEQA obligation is subject to annual escalation, while the voluntary contribution is not.

DRAFT

DRAFT

DRAFT

I.1.3 Habitat Management endowment requirements anticipated in the future Fort Ord Habitat Conservation Plan excluding costs related to an open space management plan or costs related to a regional trails system program.

I.1.4 Fire Fighting equipment (“Rolling Stock”) lease-purchase of four fire engines and one water tender.

I.1.5 Other Costs and Contingencies shall be evaluated on a periodic basis in the same manner as other CIP costs and revenues. Other Costs and Contingencies are currently limited to the following:

- A contingency amount not to exceed 15% of the costs of Transportation/Transit improvements for MEC construction support, soil management plans, right of way acquisition, CEQA/CESA/NEPA mitigations, unknown subsurface conditions, self insurance retention amounts and transportation/transit improvement phasing.
- Additional Utility and Storm Drainage Costs which provide for restoration of storm drainage sites in State Parks land and relocation of utilities.
- Other Costs for PEL insurance costs.

CFD Administration Expenses (including staff and consultant costs).

I.2 FORA will periodically adopt a formula to monitor and update the Policy and CFD Special Tax, as follows:

I.2.1 The Policy and CFD Special Tax were originally designed to fund specific CIP improvements serving the overall base and local jurisdictions based upon mitigation measures required by the California Environmental Quality Act (CEQA). These mitigation measures are described in the Base Reuse Plan Environmental Impact Report (EIR) as well as the 1998 Settlement Agreement with the Ventana Chapter of the Sierra Club. This Resolution does not limit FORA’s right or duty, or that of its member jurisdictions to raise sufficient funds to construct those CEQA Mitigation Measures. Furthermore, possible future FORA Board actions following on the Base Reuse Plan Reassessment Process may result in changes to FORA’s CIP. This Resolution does not limit FORA’s right to fund such changes through the Policy and CFD Special Taxes.

I.2.2 The FORA Board will consider adjustments to the Policy and CFD Special Tax after a comprehensive review of all potential costs and revenues. The process to consider such adjustments will be defined, predictable and transparent to all stakeholders. Adjustments to the Policy and CFD Special Tax will be approved only if they are demonstrated to be fiscally prudent and do not expose FORA or its member jurisdictions to unreasonable risk.

DRAFT

DRAFT

DRAFT

I.2.3 In accordance with the process set forth in part II of this resolution, commencing with Section 2.1, the FORA Board will update anticipated construction costs and revenues available to fund the facilities identified in section 1.1 above, which are eligible to be funded by the Policy and CFD Special Taxes, and corresponding adjustments to the Policy and CFD Special Taxes within 90 days of the effective date of FORA and its member Jurisdictions adopting Implementation Agreement Amendment #1, Spring 2014 as the second evaluation period, and thereafter every two years, or when an economic or other event causes a material change to a CIP cost or revenue assumption, in coordination with FORA CIP updates.

I.2.4 Adjustments to the Policy and CFD Special Tax shall be made upon receipt by the FORA Board of satisfactory, factual documentation describing the basis for the adjustment.

I.2.5 To expedite this review procedure, adjustments to the Policy and CFD Special Tax shall maintain the same relationship among land uses as the maximum annual special taxes originally documented in the CFD.

II. PROCESS

II.1 FORA shall review and update the CIP periodically to apply the formula described in this Resolution and proposed Implementation Agreement Amendment #1 and any resulting Policy and CFD Special Tax adjustments. That procedure must ensure that FORA's revenue sources, including the Policy and CFD Special Tax revenues, are adequate to carry out the Base Reuse Plan and complete required CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP identified in Section 1.1 above. The periodic process will include the following steps:

II.1.1 Determine total remaining CIP costs (including required contingencies) consistent with section 1.1 above.

II.1.2 Determine the source and amount of funds, including, without limitation: a) Fund balances; b) Grant money; c) CSU Mitigation fees; d) Loan proceeds; e) Land sales revenues/proceeds net of a required credit/offset equal to the amount of monies advanced to construct CIP improvements (this amount shall ultimately be reduced to zero once the full credit/offset has been recognized) in excess of remaining building removal program estimated costs, and lease revenues (not required for other obligations); and f) FORA property tax revenue as calculated below. FORA retains its discretion to add new projects or obligations to be paid from these sources of funds. The following assumptions and formula shall be used to calculate the FORA property tax revenues, if available:

Assumptions:

- a. Current FORA CIP build-out assumptions as shown to estimate CFD special tax revenue

DRAFT**DRAFT****DRAFT**

- b. Current market data assumptions to estimate assessed values for each land use type.

Formula:

- a. Calculate the net present value (NPV) of 90% of the FORA property tax revenue stream for all new assessed value after July 1, 2012.
- b. The term on the FORA property tax stream shall be from the date of the current CIP (e.g., upcoming fiscal year) through the anticipated end date of FORA (or the proposed FORA extension end date if applicable).
- c. The NPV calculation shall assume a discount rate equal to the annual average Bond Buyer Revenue Bond Index plus 50 basis points using the prior fiscal year end date (e.g., use 2012 year to date annual average at the end of FY 2011-12 for the FY 2012-13 calculation) as published in The Bond Buyer.
- d. Allocate the NPV as calculated above to reduce/offset costs of CIP.
- e. Allocate 10% of the actual property tax revenues collected by FORA from all new assessed value after July 1, 2012 and generated from parcels in the Fort Ord area of the member jurisdiction to the City or County for economic development to support the reuse of Fort Ord land within the relevant City or County.

II.1.3 Subtract sources of funds available under Section 2.1.2 from CIP costs to determine net cost to be funded by the Policy and CFD Special Tax.

II.1.4 Calculate Policy and CFD Special Tax revenues using the prior year Policy and CFD Special Tax Rates and the same land use assumptions used to estimate FORA property tax revenues shown above in Section 2.1.2.

II.1.5 Compare 2.1.4 with 2.1.3 and determine the amount of adjustment, if any, to the Policy and CFD Special Tax rates. In no event shall the adjusted CFD Special Tax rates exceed the Maximum CFD Special Tax rates (as escalated annually per the special tax formula).

/

/

/

/

/

/

/

DRAFT**DRAFT****DRAFT**

Upon motion by Supervisor Parker, seconded by Mayor Edelen, the foregoing Resolution was passed on this _____ day of _____, 2013, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

Michael A. Houlemard, Jr., Secretary

CERTIFICATE OF SECRETARY

The undersigned Secretary of the Board of the Fort Ord Reuse Authority hereby certifies that the foregoing is a full, true and correct copy of Resolution No. 13-__ adopted

Michael A. Houlemard, Jr., Secretary

Amendment #1 to the Implementation Agreement between the Fort Ord Reuse Authority and its Member Jurisdictions

RECITALS

- A. The Fort Ord Reuse Authority ("FORA") and the *member jurisdiction* have entered into an Implementation Agreement dated as of May 1, 2001 ("Implementation Agreement") to, among other purposes, identify and provide for distribution of land sale and lease revenues, FORA property tax revenues (formerly tax increment revenues), and basewide assessments or development fees as the primary sources of funding to implement the Basewide Mitigation Measure (as defined) and to pay Basewide Costs (as defined), collectively referred to as the FORA Capital Improvement Program ("CIP"); and
- B. FORA has adopted a Base-wide Community Facilities District ("CFD" or "CFD Special Tax") to fund, together with other revenues, the FORA CIP. Section 7 (ii) of the Implementation Agreement provides that the FORA development fee and CFD Special Tax to fund CEQA Mitigation Measures ("FORA CIP") are limited to the difference between the revenues needed for such purposes and the revenues otherwise reasonably available to achieve those purposes; and
- C. FORA and the *member jurisdiction* have twelve years of experience with the Basewide Development Fee Policy ("Policy") and CFD Special Tax; and
- D. FORA and the Army have executed an Environmental Services Cooperation Agreement ("ESCA") providing for FORA to manage base-wide environmental remediation (including ordnance removal) funded by the Army; and
- E. The Policy and CFD Special Tax provide resources to fund CEQA Mitigation Measures (FORA CIP) identified in the 1997 FORA Base Reuse Plan and CEQA Documents; and
- F. FORA and the *member jurisdiction* recognize that land sales and lease proceeds, FORA property tax revenues , grant funds and the Policy and CFD Special Tax continue to be the appropriate sources to fund CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP as identified in Section 1.1; and
- G. FORA and the *member jurisdiction* recognize the importance of calibrating the Policy and CFD Special Tax by incorporating all available resources to fund CEQA Mitigation Measures and Board-determined basewide obligations in FORA's CIP identified in Section 1.1.; and

- H. FORA and the *member jurisdiction* acknowledge the Policy and CFD Special Tax must be fair and equitable; and
- I. FORA has 1) achieved cost savings; 2) secured grants and other contributions to the base-wide mitigation measures from federal and state sources; and 3) loaned monies to fund required projects that have reduced or deferred the demand for the original Policy and CFD Special Taxes; and
- J. The Base Reuse Plan emphasized the importance of job-creation and build-out of a balanced mix of community uses including commercial, residential and public facilities to achieve a desired jobs-housing balance; and
- K. FORA and the *member jurisdiction* seek refinement to the list of authorized facilities that must be funded by proceeds from land sales and lease proceeds, grants, FORA property tax revenues, the Policy and CFD Special Tax; and
- L. Stakeholders recognize, given inherent uncertainties prevalent in Base Reuse Projects, that appropriate and reasonable cost contingencies are necessary and fiscally responsible; and
- M. FORA and the *member jurisdiction* acknowledge the importance of adopting a formula to establish the Policy and CFD Special Tax rates. These revenue sources will fund, or partially fund, the CIP Program. That formula must account for all potential revenue sources and costs; and
- N. FORA and the *member jurisdiction* agree that such a formula would reduce uncertainty to developers, increase efficiency in the FORA CIP process, and provide flexibility for FORA's fee program.

AGREEMENTS

Now therefore, FORA and the *member jurisdiction* hereby agree as follows:

I. ADJUSTMENT TO THE POLICY AND CFD SPECIAL TAXES.

1.1 The list of authorized CIP improvements (subject to escalation of costs through the San Francisco Construction Cost Index reported in the Engineering News Record, unless otherwise noted) to be funded by the Policy and CFD Special Taxes, after first applying all available FORA property tax revenues, grant funds, and land sales and lease proceeds, shall be limited to the following CEQA Mitigation Measures and corresponding base-wide obligations in FORA's CIP:

1.1.1 Transportation/Transit improvements, including regional improvements, off-site improvements, on-site improvements, and transit capital improvements identified in the Transportation Agency of Monterey County ("TAMC") FORA Fee Reallocation Study, dated April 8, 2005, or as subsequently updated by TAMC consistent with the FORA Fee Reallocation Study, in an amount not to

exceed \$112,698,595 (as escalated) unless the obligation is otherwise reduced by TAMC and FORA.

1.1.2 Water Augmentation, which includes FORA's CEQA obligation for the approved water augmentation project and FORA's voluntary contribution to help offset water capacity charge increases. FORA's CEQA obligation is subject to annual escalation, while the voluntary contribution is not.

1.1.3 Habitat Management endowment requirements anticipated in the future Fort Ord Habitat Conservation Plan excluding costs related to an open space management plan or costs related to a regional trails system program.

1.1.4 Fire Fighting equipment ("Rolling Stock") lease-purchase of four fire engines and one water tender.

1.1.5 Other Costs and Contingencies shall be evaluated on a periodic basis in the same manner as other CIP costs and revenues. Other Costs and Contingencies are currently limited to the following:

A contingency amount not to exceed 15% of the costs of Transportation/Transit improvements for MEC construction support, soil management plans, right of way acquisition, CEQA/CESA/NEPA mitigations, unknown subsurface conditions, self insurance retention amounts and transportation/transit improvement phasing.

Additional Utility and Storm Drainage Costs which provide for restoration of storm drainage sites in State Parks land and relocation of utilities.

Other Costs for PLL insurance costs.

CFD Administration Expenses (including staff and consultant costs).

1.2 FORA will periodically adopt a formula to monitor and update the Policy and CFD Special Tax, as follows

1.2.1 The Policy and CFD Special Tax were originally designed to fund specific CIP improvements serving the overall base and local jurisdictions based upon mitigation measures required by the California Environmental Quality Act (CEQA). These mitigation measures are described in the Base Reuse Plan Environmental Impact Report (EIR) as well as the 1998 Settlement Agreement with the Ventana Chapter of the Sierra Club. This agreement does not limit FORA's right or duty, or that of its member jurisdictions to raise sufficient funds to construct those CEQA Mitigation Measures. Furthermore, possible future FORA Board actions following on the Base Reuse Plan Reassessment Process may result in changes to FORA's CIP. This Agreement does not limit FORA's right to fund such changes through the Policy and CFD Special Taxes.

1.2.2 The FORA Board will consider adjustments to the Policy and CFD Special Tax after a comprehensive review of all potential costs and revenues. The process to consider such adjustments will be defined, predictable and transparent to all stakeholders. Adjustments to the Policy and CFD Special Tax will be approved only if they are demonstrated to be fiscally prudent and do not expose FORA or its member jurisdictions to unreasonable risk.

1.2.3 In accordance with the process set forth in part II of this Agreement, commencing with Section 2.1, the FORA Board will update anticipated construction costs and revenues available to fund the facilities identified in Section 1.1, above, which are eligible to be funded by the Policy and CFD Special Taxes, and corresponding adjustments to the Policy and CFD Special Taxes within 90 days of the effective date of this Agreement, Spring 2014 as the second evaluation period, and thereafter every two years, or when an economic or other event causes material change to a CIP cost or revenue assumption, in coordination with FORA CIP updates.

1.2.4 Adjustments to the Policy and CFD Special Tax shall be made upon receipt by the FORA Board of satisfactory, factual documentation describing the basis for the adjustment.

1.2.5 To expedite this review procedure, adjustments to the Policy and CFD Special Tax shall maintain the same relationship among land uses as the maximum annual special taxes originally documented in the CFD.

II. PROCESS

2.1 FORA shall review and update the CIP periodically to apply the formula described in this Implementation Agreement amendment and any resulting Policy and CFD Special Tax adjustments. That procedure must ensure that FORA's revenue sources, including the Policy and CFD Special Tax revenues, are adequate to carry out the Base Reuse Plan and complete required CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP identified in Section 1.1 above. The periodic process will include the following steps:

2.1.1 Determine total remaining CIP costs (including required contingencies) consistent with Section 1.1 above.

2.1.2 Determine the source and amount of funds, including, without limitation: a) Fund balances; b) Grant money; c) CSU Mitigation fees; d) Loan proceeds; e) Land sales revenues/proceeds net of a required credit/offset equal to the amount of monies advanced to construct CIP improvements (this amount shall ultimately be reduced to zero once the full credit/offset has been recognized) in excess of remaining building removal program estimated costs, and lease revenues (not required for other obligations); and f) FORA property tax revenue as calculated below. FORA retains its discretion to add new projects or obligations to be paid

~~from these sources of funds.~~ The following assumptions and formula shall be used to calculate the FORA property tax revenues, if available:

Assumptions:

- a. Current FORA CIP build-out assumptions as shown to estimate CFD special tax revenue.
- b. Current market data assumptions to estimate assessed values for each land use type.

Formula:

- a. Calculate the net present value (NPV) of 90% of the FORA property tax revenue stream for all new assessed value after July 1, 2012.
- b. The term on the FORA property tax stream shall be from the date of the current CIP (e.g., upcoming fiscal year) through the anticipated end date of FORA (or the proposed FORA extension end date if applicable).
- c. The NPV calculation shall assume a discount rate equal to the annual average Bond Buyer Revenue Bond Index plus 50 basis points using the prior fiscal year end date (e.g., use 2012 year to date annual average at the end of FY 2011-12 for the FY 2012-13 calculation) as published in The Bond Buyer.
- d. Allocate the NPV as calculated above to reduce/offset costs of CIP.
- e. Allocate 10% of the actual property tax revenues collected by FORA from all new assessed value after July 1, 2012 and generated from parcels in the Fort Ord area of the *member jurisdiction* to the City or County for economic development to support the reuse of Fort Ord land within the relevant City or County.

2.1.3 Subtract sources of funds available under Section 2.1.2 from CIP costs to determine net cost to be funded by the Policy and CFD Special Tax.

2.1.4 Calculate Policy and CFD Special Tax revenues using the prior year Policy and CFD Special Tax Rates and the same land use assumptions used to estimate FORA property tax revenues shown above in Section 2.1.2.

2.1.5 Compare 2.1.4 with 2.1.3 and determine the amount of adjustment, if any, to the Policy and CFD Special Tax rates. In no event shall the adjusted CFD Special Tax rates exceed the Maximum CFD Special Tax rates (as escalated annually per the special tax formula).

III. ENFORCEMENT

3.1 This agreement is entered into for the benefit of FORA and the *member jurisdiction* subject to the Policy and CFD Special Tax, and may be subject

to dispute resolution and enforced by FORA or the *member jurisdiction* subject to the Policy and CFD Special Taxes in the same manner and process set forth for dispute resolution and under Section 17 of the Implementation Agreement.

3.2 The original Implementation Agreement will prevail when this Amendment #1 conflicts with the Implementation Agreement.

[Add signature pages]

[Add acknowledgments for recordation]

DRAFT



Building Community

Attachment D to Item 8b
FORA Board Meeting, 02-15-13



January 24, 2013

Jerry Edelen, Chairperson and
Board of Directors and
Michael Houlemard, Executive Director
Fort Ord Reuse Authority
920 Second Avenue, Suite A
Marina, CA 939333

Dear Ladies and Gentlemen,

South County Housing (SCH) has been designated by Marina Community Partners (MCP) - master developer of the Dunes on Monterey Bay - as the developer of the Dunes income restricted below-market rate housing components. SCH, with the cooperation of MCP and the City of Marina, has put together a financing plan for the construction of the 108 below-market income restricted apartment units which is scheduled to close in the next few weeks. This \$29.2 million dollar finance package includes State of California Multifamily Housing Program (MHP) funding, Federal Home Loan Bank Affordable Housing Program (AHP) funding , State of Calif. HOME funding and federal Low Income Housing Tax Credit financing in addition to the MCP & SCH contributions.

This will be the first housing project of any kind in the Dunes project and our feasibility analysis included not only the projected level of building costs, City and FORA fees for our project but also included an analysis of the prospects that market rate housing, parks and commercial development could be developed over time in the vicinity of our development to create a mixed use neighborhood of which our project would be a part. Important to that analysis and our decision to move forward with bidding and starting construction was our examination of the First Amendment to Implementation Agreement between FORA and the City of Marina dated as of September 13, 2012 and recorded September 14, 2012, setting forth the process for calculating future FORA fees.

MCP has provided us with a revised First Amendment to Implementation Agreement recently approved by FORA, indicating that the revisions create uncertainty over MCP's ability make the fee assumptions needed to invest in infrastructure and planning for future mixed use and market rate housing. While we hope to proceed with scheduled closing of our first 108 apartments because our financing is in place, this uncertainty if it continues will certainly be a factor in our decisions to proceed with the below-market rate components of the project in the future.

82708.00001\7785307.1

7455 Carmel Street, Gilroy, CA 95020 • 408-842-9181 • fax 408-842-0277 • TDD: 1-800-545-1833 Ext. 464 • <http://www.scounty.org>

We urge FORA to consider the consequences of allowing uncertainty to exist over the level of future FORA Fees in achieving goals for both below-market and market rate housing at Fort Ord and to do what is necessary and reasonable to mitigate that uncertainty. In addition we request that FORA adopt the updated fee as quickly as possible as outlined in the First Implementation Agreement.

Sincerely,



Dennis Lalor
President and CEO

C: Bruce Delgado, Mayor, City of Marina
 Doug Yount, City Manager, City of Marina

January 23, 2013

Chairman Edelen and Members of the Board
Michael Houlemaid, Executive Officer
Fort Ord Reuse Authority
920 2d Ave. Suites A
Marina, CA 93933

Dear Chairman and Board Members,

We respectfully request that you reconsider and rescind your Board actions on January 11, 2013 making unilateral revisions to the First Amendment to Implementation Agreements and the related FORA Resolution, as originally adopted by the FORA Board in August 2012 and submitted and approved by the Cities of Seaside, and Del Rey Oaks and approved, signed and recorded by the City of Marina.

The BIA Bay Area submits this request on behalf of the development community and those interested in the successful reuse and redevelopment of the former Fort Ord to achieve an economically feasible, balanced and environmentally sustainable community. The purpose of the original First Amendment was to achieve a workable on-going process for setting FORA Fees and CFD Special Taxes to fund CEQA basewide mitigation measures. By taking into account all sources of available revenue, the Board established a process that was "defined, predictable and transparent to all stakeholders" (sec. 1.2.2). The original First Amendment was essential to encourage the development community to support FORA's recent extension by the state legislature.

The recent revisions made by the FORA Board in the First Amendment could effectively negate the purpose and intent of the First Amendment with the effect of creating the very uncertainty over future FORA Fees and CFD Special Taxes that the First Amendment was designed to mitigate. These revisions have raised concerns that FORA will add projects or obligations to restore FORA Fees and CFD Special Taxes to their maximum permitted rates. Unless this uncertainty is removed, it will be very difficult, if not impossible, to evaluate future projects for economic feasibility because pro forma projections will have to assume the maximum level of FORA Fees and CFD Special Taxes. FORA Fee/Tax Levels which were unsustainable during the recession will remain so for the foreseeable future, even as the economy slowly recovers.

Crisand Giles
Executive Director

Mailing Address:
150 S Almaden Blvd., #1100
San Jose, CA 95113

Tel (408) 961-8133
cgiles@biabayarea.org
<http://www.biabayarea.org>

Specifically we would have you reconsider; (1) the revision made to sec. I.2.1 gives the Board the right, notwithstanding the process agreed to, to fund through the Policy and Special Taxes changes to the FORA CIP made by the Board following the Base Reuse Plan Assessment Project, and (2) the revisions to sec. II.1.2 retain in FORA the discretion to add or expand new projects or obligations to be paid from

the sources otherwise specified in that section as first level of potential available sources of funding CIP programs in calculating the annual level of FORA Fees and CFD Special Taxes.

Whether intended or not, we view the recent revisions as material and substantive, not as merely clarifying, we believe they have the effect of negating or overriding very important provisions of the original 2001 Implementation Agreements and the 2012 First Amendment, among them:

(a) From Sec.7, May/August 2001 Implementation Agreement [underlined for emphasis]:

"A Financing District is reasonably necessary to implement the Basewide Costs and Basewide Mitigation Measures if: (i) FORA's revenues from all other sources are reasonably expected to be inadequate; and (ii) the special taxes or assessments from such Financing District are limited to the gap between the revenues needed by FORA for such purposes and the revenues otherwise reasonably available to FORA for such purposes." and

(b) From the First Amendment [underlined for emphasis]:

"....Section 7 (ii) of the Implementation Agreement provides that the FORA development fee and CFD Special Tax to fund CEQA Mitigation Measures ("FORA CIP") are limited to the difference between the revenues needed for such purposes and the revenues otherwise reasonably available to achieve those purposes" (Recital B)

"FORA and [the Jurisdiction] recognize that land sales and lease proceeds, FORA property tax revenues, grant funds and the Policy and CFD Special Tax continue to be the appropriate sources to fund CEQA Mitigation Measures and Board-determined base-wide obligations in FORA's CIP as identified in Section 1.1" (Recital F)

"FORA and [the Jurisdiction] recognizes the importance of calibrating the Policy and CFD Special Tax by incorporating all available resources to fund CEQA Mitigation Measures and board-determined basewide obligations in FORA's CIP as identified in Section 1.1" (Recital G)

"FORA and [the Jurisdiction] seek refinement to the list of authorized facilities that must be funded by proceeds from land sales and lease proceeds, grants, FORA property tax revenues, the Policy and CFD Special Tax;" (Recital K)

"FORA [and the Jurisdiction] acknowledge the importance of adopting a formula to establish the Policy and CFD Special Tax...The formula must account for all potential revenue sources and costs;" (Recital M)

"FORA and [the Jurisdiction] agree that such a formula would reduce uncertainty to developers, increase efficiency in the FORA CIP process, and provide flexibility for FORA's fee program." (Recital N)

"The list of authorized CIP improvements....to be funded by the Policy and CFD Special Taxes, after first applying all available FORA property tax revenues, grant funds, and land sales and lease proceeds, shall be limited to the following CEQA Mitigation Measures and corresponding base-wide obligations in FORA's CIP" (Sec. I.1.1)

The Board action was unexpected, coming so soon after the original terms of the First Amendment to Implementation Agreement that was so thoroughly negotiated. Developer objections to the revisions were voiced strongly at the December and January FORA Administrative meetings and the FORA Administrative committee unanimously agreed that the modified language was not beneficial; unfortunately we falsely understood that our concerns were relayed to the FORA Board. In fact FORA staff continued to tell members of the development community not to worry and at the FORA Board meeting on January 11th a developer representative was told by staff he need not speak to the Board about revision concerns because the revision proposal would not pass. The FORA Board then proceeded to adopt the revisions unanimously; hardly the defined, predictable and transparent process envisioned in the original version of the First Amendment – which has already been approved by the Cities of Seaside, and Del Rey Oaks and approved, signed and recorded by the City of Marina.

We believe the Board likely acted on the revisions without awareness of the consequences outlined above, and we urge the Board to reconsider and rescind its action. By complying with the First Amendments original intent, the Board would send an important signal to the local jurisdictions and development community that FORA intends to honor the terms and spirit of the Amended Implementation Agreement.

Thank you for your time and consideration.

Sincerely,



Crisand Giles
Executive Director, South Bay
925.360.5101 Mobile



CITY OF MARINA

211 Hillcrest Avenue

Marina, CA 93933

831-884-1278; FAX 831-384-9148

www.ci.marina.ca.us

January 30, 2013

Michael Houlemaid
Fort Ord Reuse Authority
920 Second Street, Suite A
Marina, CA 93933

Re: Fort Ord Reuse Authority Request for Revisions to Implementation Agreement
Amendment #1

Dear Mr. Houlemaid:

This letter responds to your letter of January 17, 2013 requesting that the Marina City Council consider the proposed amendment to Implementation Agreement Amendment previously approved by the City Council. The Marina City Council entered into Amendment No. 1 after lengthy consideration by FORA of its policies and procedures related to the CFD Fee. The primary benefit of Amendment No. 1 to the City of Marina and to other jurisdictions was to contractually commit FORA to a methodology for determining the CFD Fee that included parameters on the projects to be funded with the CFD Fee. This contractual commitment by FORA provides a degree of certainty for future developments. Given the continuing difficult economic times that have slowed development at Fort Ord and the loss of tax increment to assist development, certainty with regard to fees is essential to attracting and retaining development opportunities at Fort Ord.

The proposed amendment to Amendment #1 approved by the FORA Board provides FORA with significant discretion with regard to setting the CFD Fees and eliminates any degree of certainty as to the amount of the CFD Fees that might be charged to developers in the future. This amendment is directly counter to the original intent of Amendment #1. Marina entered into Amendment #1 in order to contractually bind FORA to the process established by resolution. Marina views Amendment #1 in its current form, as executed by both Marina and FORA as accomplishing the parties original intent and at this time sees no advantage to proceeding with further amendment to the Implementation Agreement.

Sincerely,

Douglas A. Yount
Interim City Manager

Cc: Mayor, City Council, City of Marina
Board Members, Fort Ord Reuse Authority

Serving a World Class Community



CITY OF DEL REY OAKS

650 CANYON DEL REY RD. • DEL REY OAKS, CALIFORNIA 93940
PHONE (831) 394-8511 • FAX (831) 394-6421

February 7, 2013

Michael Houlemaid, Jr.
Executive Officer
Fort Ord Reuse Authority
920 Second Avenue, Suite A
Marina, CA 93933

Re: Revisions to Implementation Agreement Amendment #1

Dear Mr. Houlemaid:

As you know, on January 11, 2013, the FORA Board unanimously approved two items: (1) Clarifying Langauge to Resolution 12-5; and (2) Revisions to Amendment #1 to the Implementation Agreement between the Fort Ord Reuse Authority and its Member Jurisdictions. After further review of the Staff Report and talking with my staff, it has become clear that the staff report for this item was lacking in information vital to the Board making an informed decision. Significantly, potential impacts caused by the modifying language were not addressed in the Staff Report at all.

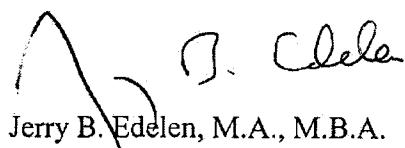
The original Amendment #1 to the Implementation Agreement between the Fort Ord Reuse Authority and its Member Jurisdictions was approved by FORA in August 2012 after significant discussion of FORA's CFD and CIP policies and procedures. The purpose of the Amendment was to provide for a predictable methodology to determine CFD and development fees. The original Amendment #1 also provided for the scope of projects to be funded by the CFD fee and provided certainty for future CIP and development projects. This certainty regarding fees is critical to attacting and retaining development opportunities at former Fort Ord and in the City of Del Rey Oaks.

After further review, it is apparent that the revisions to Amendment #1 which were approved on January 11, 2013 are contrary to the intent of the original Amendment #1. The new language creates confusion in regard to what projects should be included in the CIP, sources of funding for the CIP, and how the CFD fee would be set. Thisnew language removes the predictability that was achevied with the original Amendment #1. The City of Del Rey Oaks will not enter into the revised Implementation Agreement.

The City of Del Rey Oaks previously approved and executed the original Amendment #1 to the Implementation Agreement between the Fort Ord Reuse Authority and the City of Del Rey Oaks that was approved by the FORA board in August 2012. The City has also submitted the executed agreement to FORA staff for FORA execution and recordation. With this letter, the City is requesting that FORA (1) execute the approved document, (2) cause the document to be recorded, and (3) send us a conformed copy of the recorded document for our files.

Thank you for your attention to this matter. Please feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Edelen".

Jerry B. Edelen, M.A., M.B.A.
Mayor

FORT ORD REUSE AUTHORITY BOARD REPORT

OLDBUSINESS

Subject:	Approve Preston Park Management Contract with Alliance (2 nd Vote)	
Meeting Date:	February 15, 2013	
Agenda Number:	8c	INFORMATION/ACTION

RECOMMENDATION(S):

- i. Authorize the Executive Officer to extend the Alliance/FORA Preston Park Management Agreement (**Attachment A**) for one year. This is a 2nd vote. [The Public Comment Period for this item occurred at the January 11, 2013 FORA Board meeting.]
- ii. Receive a report from staff in response to questions posed by a member of the public at the January meeting.

BACKGROUND/DISCUSSION:

The previous 2-Party (FORA, and Alliance) Preston Park Management Agreement expired on December 31, 2012. The agreement terms will be the same as approved in the 2011-12 agreement with Alliance Management. At the January 11, 2013 meeting this item received a majority of votes in favor of the recommendation and is being returned for a second vote.

Response to January 11, 2013

A member of the public expressed five concerns. The board requested a staff/Alliance response be made at this meeting.

The following are responses to questions raised at the FORA Board Meeting:

- 1) Are employees that are residents held to the same standards as other residents? How many associates live on site? Which community do they live in?

Alliance Response:

Yes, employees that live on-site are held to the same standards as regular residents. Two employees currently live on-site in Preston Park.

- 2) The resident payment portal charges \$30 to pay rent by phone. No notice was given that this charge would apply. Residents may think this is a rent increase instead of a fee for service provided.

Alliance Response:

The Property Solutions Portal (Alliance Resident Works) was launched at Preston Park in 2012. This portal serves many purposes, one of which is a resident portal offering an on line payment program. Prior to the implementation of this platform, a similar online rental payment program was in place. Prior to the roll out of the new program, direct written communication was provided to residents which spelled out the program in detail, along with the fees associated for usage. There is a nominal fee of \$1 per bank draft for residents who set up a monthly draw from their checking account. Residents that make a "one time" payment pay a fee of \$1.95, and residents who elect to use the telephone portal pay a Credit Card or Money Gram convenience fee of approximately

\$30 (pricing varies based on actual rent amount). These fees are charged by the associated service provider/bank, and are not paid to the property.

- 3) We have been asking for a Tenant Handbook to be created and have not received.

Alliance Response:

Alliance Residential understands that a Resident Handbook was in development when management was transitioned in 2008, however, this process was not completed as the associated lease agreement for each unit provided a community guide (rules and regulations). At Ownership's direction, Alliance is happy to create and distribute a Resident handbook, and has spoken with PAPTA, who has indicated that they will try to provide documents to assist with the creation of this handbook.

- 4) FORA should provide Alliance with a format to use for the budget process.

Alliance Response:

Historically, Preston Park has followed a process which includes Resident meetings and budget handouts in order to involve and communicate with the Residents regarding the budget process. 2012's budget process did not align with the previous Year's program, as there was a change in Ownership oversight as well as budget deadlines. Alliance has prepared a proposed calendar for 2013's budget process, and will be working with the Tenants Association and FORA to formalize the associated dates.

- 5) Corinne Carmody, Regional Manager at Alliance Residential, has not been responsive to the Tenants Association, and has refused to meet with them.

Alliance Response:

As of this date we are unaware of any requests made by the Tenants Association for Corinne Carmody to be in attendance at any meetings outside of the yearly budget meetings that are held. However, Alliance has in the past requested meetings with PAPTA, of which have been declined. We propose a quarterly meeting be held with Alliance staff and the Tenants Association to broaden the lines of communication and encourage teamwork.

FISCAL IMPACT:

Reviewed by FORA Controller

Staff time for this item is included in the approved operating budget.

COORDINATION:

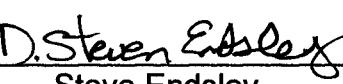
Executive Committee, Authority Counsel, and Alliance.

Prepared by

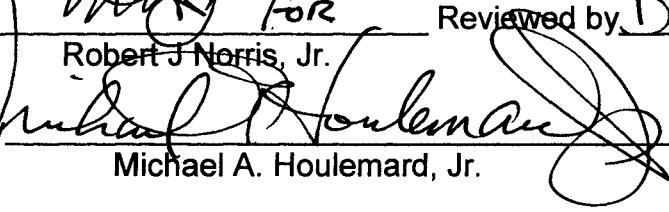
 Robert J. Norris, Jr.

FOR

Reviewed by

 Steve Endsley

Approved by

 Michael A. Houleman, Jr.

**PRESTON PARK
MANAGEMENT AGREEMENT**

THIS MANAGEMENT AGREEMENT ("Agreement") is dated for reference on _____, 2013. It is made by and between the Fort Ord Reuse Authority, a California public entity, ("Owner") and Alliance Communities, Inc., a Delaware corporation, ("Operator").

RECITALS

1. Owner holds exclusive title to certain improved real property commonly known as Preston Park consisting of 354 units ("Units") at 682 Wahl Court, Marina, CA 93933 (the "Property").
2. Owner requires the services of a professional management company to perform administrative and financial services. Owner has determined that Operator has the requisite skill, training experience and legal authority, including a California real estate brokerage license, needed to manage the Property.
3. The purpose of this Agreement is to articulate the terms under which Owner and Operator will share responsibilities for the Property.

AGREEMENT

In consideration of the promises in this Agreement and for other good and valuable consideration, the receipt of which is hereby acknowledged, Operator and Owner agree as follows:

1. **APPOINTMENT OF OPERATOR.** Owner appoints Operator and Operator hereby accepts appointment as Owner's exclusive agent to manage, operate, supervise, and lease the Property and to perform those actions necessary to fulfill Operator's obligations to the Owner except as provided herein.
2. **TERM**

2.1 **TERM.** This Agreement shall commence on January 1, 2013, and shall continue to midnight, December 31, 2013 or until the Fort Ord Reuse Authority ("FORA") transfers title to the Property except as provided in section 2.2., whichever occurs first.

2.2 **EARLY TERMINATION.** This Agreement is terminable on the occurrence of any of the following:

(a) If Owner fails to comply, after notice and an opportunity to cure, with any rule, order, determination, ordinance or law of any federal, state, county, or municipal authority. In that event, Operator may terminate this Agreement upon thirty (30) days written notice to Owner unless Owner is in good faith contesting same, under Section 4.2(g).

(b) If either party defaults in the performance of a material obligation and such default continues for thirty (30) days after written notice from the non-defaulting party to the defaulting party specifying such default. Notwithstanding the above, if a cure has commenced and the defaulting party is diligently pursuing said cure within said 30-day period then the party not in default shall not affect the termination.

(c) Owner or Operator may terminate this Agreement with cause upon sixty (60) days written notice to the other party. It is understood that the respective rights and obligations of the parties shall continue to be governed by this Agreement until the effective date of such termination.

2.3 DUTIES UPON TERMINATION. Upon the effective date of termination of this Agreement for any reason:

(a) Operator shall have no further right to act on behalf of Owner or to disburse any of Owner's funds;

(b) Operator will immediately deliver to Owner all Books, Records, and Documents (as herein defined) maintained under this Agreement and do all that is reasonably necessary to facilitate the orderly transition of Property management;

(c) Operator shall render to Owner an accounting of all funds (i. e. bank accounts) of Owner held by Operator relating to property and shall immediately cause such funds to be paid to Owner; and

(d) Operator shall perform all reporting and accounting functions hereunder for the period from the date of the last report or accounting to the date of termination.

3. COMPENSATION

3.1 Management Fee. In addition to other reimbursements to Operator provided for in this Agreement, Owner shall pay Operator a monthly management fee equal to 2.5% of the Gross Revenue, as defined in Section 3.2. Owner shall pay Management Fees in monthly installments at the beginning of each month. These fees shall be paid from the Trust Account as part of the operating expenses of the Property.

3.2 Gross Revenue. For purposes of computing the Management Fee, the term "Gross Revenue" means all revenue derived from the Property, determined on a cash basis, from (a) tenant rentals for each month during the Term of this Agreement; excluding tenant security deposits (except as provided below); (b) forfeited cleaning, security and damage deposits; (c) laundry and vending machines receipts; (d) other revenue from the operation of the Property received during the Term of this Agreement; (e) proceeds from rental interruption insurance, but not any other insurance proceeds or proceeds from third-party damage claims, and (f) charges collected in connection with termination of the tenant's right of occupancy. Gross Revenue does not include the proceeds of (i) sale, exchange, refinancing, condemnation, or other disposition of all or any part of the Property, (ii)

any loans to Owner whether or not secured by all or any part of the Property, (iii) any capital expenditures or funds deposited to cover costs of operations made by Owner, and (iv) any insurance policy (other than rental interruption insurance or proceeds from third-party damage claims).

3.3 Distribution of net profits to City of Marina and FORA. As provided in Government Code section 67678(b)(2), Operator shall distribute net profit from operation of the Property as follows

Fifty percent (50%) to the City of Marina, and

Fifty percent (50%) to FORA.

3.4 Capital Improvement Management Fee. *On or before March 31, 2013* Operator shall submit to Owner an annual Capital Improvement Program ("CIP"). The CIP shall describe recommended capital improvements. The Owner shall approve in writing the Capital improvement projects to be undertaken each year. Owner will pay to Operator a construction management fee for Capital Improvements managed by Operator. That fee shall be equal to six percent (6%) of the total project cost as set forth in an executed written proposal or agreement. Each project must be approved in writing by Owner. Operator's fee will be increased or decreased by all change orders approved by Owner. Operator's CIP management fee shall be computed and paid based on monthly construction invoices. Such fees and capital projects will be paid from Reserve Account. **3.5. Definitions For Section 3:**

3.5.1. Capital Improvements and Maintenance. For purposes of this Section 3.4, a capital item is distinguished from maintenance in that a capital improvement is intended to extend the useful life of a fixed asset, whereas repairs and maintenance keep the asset in its customary state of operating efficiency. Minor improvements to structures or site involving a total expenditure of less than Five Thousand Dollars (\$5,000) are not capital improvements. Replacement of structural elements, even costing more than Five Thousand Dollars (\$5,000), caused by normal wear and tear, are maintenance and not a capital improvement. "Extraordinary maintenance," referring to those emergency items that need immediate replacement prior to the capital planned schedule for replacement, are provided for in the annual budget so that urgent replacements or repairs may be addressed immediately.

3.5.2. Routine maintenance: Simple, small-scale activities (usually requiring only minimal skills or training) associated with regular (daily, weekly, monthly, etc.) and general upkeep of a building, equipment, machine, plant, or system against normal wear and tear. Examples: Those items listed in the budget classified as general Repairs and Maintenance.

3.5.3. Non-routine maintenance: Activities that require specialized skills or training that are associated with irregular or out of the ordinary upkeep of a building, equipment, machine, plant, or system. Examples: Slurry seal, carpet and flooring replacements, appliance replacements,

minor roof and gutter repairs, dryer vent cleaning.

3.5.4. Capital items/construction: Complex or larger scale activity associated with buildings, structures, or other improvements including alterations, painting, remodeling, transportation of construction and furnishing goods and material etc. Examples: Replacement of windows, exterior building repaint, interior unit remodeling or remediation, re-plumbing projects, signage development, roof replacement.

4. DUTIES AND RESPONSIBILITIES

4.1 OPERATOR'S RESPONSIBILITIES. Operator is responsible for management of the Property in accordance with the standards of practice of professional managers of similar properties in the Monterey Peninsula area. Operator will provide other customary management services related to the ordinary business affairs of the Property consistent with the standards of management, operation, leasing, and maintenance of similar property in the area. Those services shall include but not be limited to the Scope of Services described in Exhibit "A.". Operator shall also establish and implement a mutually agreeable business plan and shall operate within the annual budget as approved by Owner. Operator acknowledges and shall continue, unless given new instructions, the commingling of staff, space for maintenance and administrative staff, and equipment and supplies for property management of the Preston Park (FORA-owned property) and Abrams B (City of Marina-owned property) on a 60/40 basis.

4.2 SPECIFIC DUTIES AND RESPONSIBILITIES OF OPERATOR, Operator agrees and is hereby granted authority to undertake the functions described in this section.

4.2.1 Collections Practice. Operator shall use commercially reasonable efforts and means to collect rents and other charges due from tenants. When deemed a sound business practice, Operator will institute legal proceedings on behalf of Owner to collect unpaid debts. Owner hereby authorizes Operator to request, demand, collect, and receive funds for collection thereof in accordance with all applicable laws, regulations, ordinances or administrative grievance procedures and for the lawful dispossession of tenants, guests, and other persons from Property. Owner agrees to reimburse Operator's expenses of collection, provided such expenditures have been approved in writing by Owner.

4.2.2 Books, Records, and Documentation.

4.2.2.1. Operator shall maintain at its principal office or on the Property, complete and separate books, records and documents relating to the management and operation of the Property, including without limitation contracts, leases, amendments, extensions and agreements relating to contracts and leases, annual contributions contracts, files, correspondence with tenants and prospective tenants, documentation of tenant eligibility, computations of rental adjustments, maintenance and preventive maintenance programs, schedules and logs, tenant finish and construction records, inventories of personal property and equipment, correspondence with vendors,

job descriptions, business correspondence, brochures, and accounts held or maintained by Operator (all such books, records, and documents being referred to herein as "Books, Records, and Documentation"). Operator shall maintain all financial books and records in conformance with generally accepted accounting principles at Operator's sole expense. Owner shall have the right to examine, audit and take originals and copies of said Books, Records and Documents at Operator's principal office with two day's written advance notice to Operator.

4.2.2.2. Upon request, Operator shall make financial books and records available for examination, audit, inspection and copying by public officials with regulatory authority over the Operator or Property to the extent required by law. Since the City of Marina obtains 50% of the proceeds, the City of Marina will have the same inspection rights as FORA.

4.2.2.3. On or before fifteen (15) days following the end of each calendar month, Operator shall deliver or cause to be delivered to Owner a standard Financial Reporting Package. The Financial Reporting Package shall include an unaudited financial statements and various reports as follows: Summary of Management Activities including summary of tenant comments and complaints, and a summary of any Tenant's Association meeting that occurs during the period in question, Variance Analysis, Market Survey, Income statement showing the results of operation of the Property for the preceding calendar month and the Fiscal Year to date, and comparison of actual income and expenses with the income and expenses projected in the Budget, Balance Sheet, Trial Balance, General Ledger detail report of all transactions in all accounts, summary of Account Receivable and Account Payable, Bank Reconciliation and Bank Statements for all three bank accounts, Capital Expenditures Statement, and Request for Reserves Withdrawal. All reporting will use Operator's standard chart of accounts and the Yardi software unless otherwise stipulated and as agreed to by Owner and Operator in writing.

4.2.3 Annual Audit. At the end of the term as described in Section 2.1 herein and as of the date of termination, Operator shall arrange and coordinate an audit of the books and records of the Property made by a firm of certified public accountants as approved by Owner. Operator shall also have said accountants prepare for execution by Owner all forms, reports, and returns required by any federal, state, county, or municipal authority relating to the Property. The cost of said audit is a cost of the Property that shall be reflected in the annual budget approved by Owner. To the extent feasible, FORA shall coordinate with City of Marina to conduct an audit of Preston Park in conjunction with City of Marina's audit of Abrams B.

4.2.4 Repairs and Maintenance. Operator will use commercially reasonable efforts to maintain the condition of the Property in the condition prescribed by Owner, will regularly inspect the readily accessible areas of Property, will take commercially reasonable efforts against fire, vandalism, burglary and trespass on the Property, and will arrange to make all necessary repairs. Operator's maintenance duties shall include making all necessary repairs for the Property and trash removal. Consistent with provisions of FORA and FORA ordinances and policies on local hire, Operator may employ independent contractors and other employees necessary to properly maintain, manage and operate the Property. Any contract over \$20,000 per year for an item which is not covered within the approved annual budget shall be presented to Owner for approval in advance of

the execution of such a contract by Operator, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health, safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator. Furthermore, approval shall be required to incur any Property expense pertaining to operations that exceeds the budgeted annual amount for that line item, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health, safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator. Notwithstanding the foregoing, any increase in a Property expense which does not increase the budgeted amounts for such expense by more than 5% and which, when combined with any decreases in budgeted amounts made by Operator, does not cause an increase in the overall budget, shall not require approval. Any expense which does require approval shall be either put out to bid by Operator or Operator shall have obtained at least three quotes for the cost of such item, unless the expenditure is for emergency repairs that are immediately necessary for the preservation or safety of the Property, repairs for the health, safety or welfare of people or property, repairs to avoid suspension of necessary services to the Property, or to avoid criminal or civil liability to Owner or Operator.

4.2.5 Rental of Housing Units. Operator's renting of the Units shall conform to this Agreement and the following policies:

4.2.5.1. The Units shall be rented on a six-month lease term or month-to-month.

4.2.5.2 Rents established Exhibit "B" will be applied until changed by Owner. Any amendment to the rental rate schedule shall be approved in advance in writing by Owner.

4.2.5.3. Applicants for the Units must qualify based upon the applicant's ability to pay and maximum occupancy guidelines published by the State of California at the time of renting and applicable occupancy standards for the Units. Fifty one (51) of the Units are to be rented at below market rate affordable rents ("Affordable Rents") of which thirty two (32) of the Units shall be considered low and nineteen (19) of the units shall be considered very low, as defined in the Regulatory Agreement. The Affordable Rents are set forth in Exhibit B and may be amended annually. Any increase in the Affordable Rents shall be subject to the approval of Owner and in accordance with the terms of the Regulatory Agreement. Applicants of units to be rented at the Affordable Rents must meet the same requirements as above, as well as qualify based upon maximum income limits and minimum occupancy guidelines according to rules and regulations promulgated by the State of California.

4.2.5.4. Operator shall select tenants for available units as follows:

(A) Operator shall first offer and rent available units to applicants on the basis of the following preferences, which have been determined by Owner and for which an applicant must qualify at the time of initial occupancy of a unit. No more than a total of 35% of the housing

units shall be offered for lease at any one time on the basis of the preferences listed in (B) – (E) below. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which may be brought or claimed against Operator as a result of implementing Owner's tenant selection criteria set forth below and as may be amended by Owner. Owner agrees to promptly notify Operator of any changes to the tenant selection criteria. For all preferences, a letter from the applicant's employer verifying the applicant's eligibility will be required when submitting the application. Incomplete applications will not be accepted.

(B) **FIRST PREFERENCE:** People who work at least twenty five (25) hours per week in a business or agency with a physical location within the City of Marina. Sales people or consultants who do business in Marina, but who do not have a physical location in Marina will not be considered as working in Marina.

(C) **SECOND PREFERENCE:** Employees of public safety departments, including police, fire, and public works employees of government jurisdictions in Monterey County.

(D) **THIRD PREFERENCE:** Employees of public or private education facilities, including colleges and universities located in Marina, on the former Fort Ord, and employees of the Monterey Peninsula Unified School District.

(E) **FOURTH PREFERENCE:** Employees of entities located on property known as "the former Fort Ord." A letter from the employer stating that the physical location where the applicant works is in this area must be provided."

(F) **Affordable Units.** Notwithstanding the foregoing, preferences (B), (C), (D) and (E) will be subordinate to the affordability requirements contained in paragraph (iii) above. In addition, said preferences will be subordinate to the requirement that, on average, twenty percent (20%) of the housing units at the Property will be affordable units."

(G) **Rental Agreements.** The prior Operator prepared and submitted to Owner for its approval and Owner has approved said rental agreements which shall be used by Operator for the property. If Operator desires to change the approved rental agreements, Operator shall seek Owner's comments and approval of the terms and conditions thereof. Owner's approval of the proposed rental agreements shall not be unreasonably withheld.

4.2.6. Insurance.

4.2.6.1 **Fire Coverage.** Operator shall obtain and keep in force fire and extended coverage insurance and other customary property insurance for the Property, the cost of insurance to be paid out of the Trust Account as approved by the Budget.

4.2.6.2. **Comprehensive General Liability Coverage.** Operator shall obtain and keep in force a Comprehensive General Liability (CGL) insurance policy to cover Owner

and Operator, in amounts no less than \$1,000,000 per occurrence of bodily injury and property damage, and not less than \$2,000,000 policy general aggregate and an excess or umbrella liability policy in an amount not less than \$10,000,000 per occurrence basis, the cost of insurance to be paid out of the Trust Account as approved by the Budget. Such insurance shall name Owner as a named insured and shall provide Owner and Lender with 30-day prior written notice of cancellations or material change in coverage. Operator shall be named as an additional insured on such CGL policy.

4.2.6.3. E and O Coverage. Operator shall obtain and keep in force Error and Omission insurance in amount of at least \$1,000,000 per wrongful act and \$1,000,000 in the aggregate. Operator shall obtain such insurance within 30 days of the date of this Agreement, and notwithstanding any other provision herein, all costs of insurance under this Section 4.2(f)(iii) shall be at the expense of Operator.

4.2.6.4. Automobile Coverage. Operator shall obtain and keep in force commercial automobile liability insurance (where applicable) in an amount not less than \$1,000,000 (combined single limit), coverage shall include leased, hired and non-owned vehicles, the cost of insurance to be paid *out* of the Trust Account as approved by the Budget.

4.2.6.5. Minimizing Insurance Cost. Operator shall not knowingly permit the use of the Property for any purpose which might void any policy of insurance relating to the Property, increase the premium otherwise payable or render any loss there under uncollectible.

4.2.6.6. Workers' Comp. Operator shall cause to be placed and kept in force workers' compensation insurance up to the statutory limit, including broad form, all-states coverage and employer's liability of at least \$500,000. Such insurance shall provide Owner with 30-day prior written notice of cancellations or material change in coverage. Workers' compensation insurance expenses associated with employees employed for the direct benefit of Owner or the Property shall be included in the approved budget for the Property.

4.2.6.7. Selection of Carrier. All of the insurance policies required by this Agreement shall (a) be written by insurance companies which are licensed to do business in California, or obtained through a duly authorized surplus line insurance agent or otherwise in conformity with the laws of California, with a rating of not less than the third (3rd) highest rating category by anyone of the Rating Agencies or with an A.M. Best Company, Inc. rating of "A-" or higher and a financial size category of not less than VI; (b) specifically identify the Owner and Operator as insureds and Lender as an additional insured; mortgagee; loss payee and additional insured with the Owner as the named insured; and (c) include a provision requiring the insurance company to notify the Lender and the Owner in writing no less than thirty (30) days prior to any cancellation, non-renewal or material change in the terms and conditions of coverage. In addition, the Operator shall provide the Owner and Lender with certificates of insurance and certified copies of all insurance contracts required by this Agreement within thirty (30) days of their inception and subsequent renewals.

4.2.7 Taxes and Assessments.

4.2.7.1 Operator shall process payments of all taxes, impositions, or assessments relating to the ownership or operation of the Property, including, without limitation, improvement assessments, possessory interest and real estate taxes, personal property taxes, taxes on income or rents, or any charges similar to or in lieu of any of the foregoing. Prior to payment, Operator shall verify bills for possessory interest and real estate, personal property or other taxes, improvement assessments, and other similar charges which are due or may become due against the Property on the basis of ownership or operation of the Property. If requested by Owner, Operator shall render advice and assistance to Owner in the negotiation and prosecution of all claims for the reduction or equalization of property tax assessments and other tax assessments affecting the Property. The parties agree, however, that such advice and assistance goes beyond the ordinary management responsibilities contemplated by this Agreement and, as such, if Operator provides such services, they shall be at an additional cost to Owner.

4.2.7.2 Operator shall annually review, and submit to Owner a report on, real estate, personal property and other taxes and all assessments affecting the Property.

4.2.8 Compliance with Legal Requirements. Operator shall use reasonable means to become aware of, and shall take such actions as Operator deems prudent and necessary to comply with any laws, orders, public housing agency plans or requirements affecting the use or operation of the Property by any federal, state, county, or municipal agency of authority, including but not limited to compliance with and participation in administrative grievance procedures, provided that if the cost of compliance in any instance exceeds \$10,000.00, Operator shall not expend funds for compliance without Owner's prior written consent. Operator shall promptly notify Owner in writing of all such orders, notices, plans or requirements requiring expenditure of non-budgeted amounts. Operator, however, shall not take any action as long as Owner is contesting, or has affirmed its intention to contest and promptly institutes proceedings contesting any law, order, plan or requirement. Operator shall prepare, execute, and, after obtaining the written approval of Owner, thereby file any customary and standard reports and documents required by an applicable governmental authority. The filing of any special report or document shall not be included as part of this Agreement and shall be an additional cost to Owner. Operator covenants and agrees to obtain and maintain all licenses and permits necessary for the conduct of its business as Operator of the Property. Amounts expended by Operator for use of non-employee consultants or experts, including attorneys, in the performance of these duties shall be reimbursed by Owner provided that such amounts are approved in writing by Owner prior to Operator incurring such expenses. Operator shall comply with the terms of the Regulatory Agreement, a copy of which has been provided previously to Operator. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which may be brought or claimed against Operator based on said compliance provided that Operator is in compliance with the Regulatory Agreement.

4.2.9 Energy and Water Conservation. Operator shall use prudent and customary means to use and control utilities and water use at the Property in a manner to minimize total costs and satisfy Owner's obligations to tenants.

4.2.10 Advertising. Operator shall advertise the Property for rent at such times and by use of such media as it deems necessary subject to the annual budget approved or Owner's prior written approval.

4.2.11 Employment of Personnel.

4.2.11.1. Operator will hire, train, supervise, direct the work of, pay, and discharge all personnel necessary for operation of the Property. Such personnel shall in every instance be employees of Operator and not of Owner. Owner shall have no right to supervise or direct such employees. All costs associated with the employment of personnel necessary for the on-site operation of the Property, including, but not limited to, salaries, wages, the costs of hiring, termination, training, uniforms, educational and motivational programs, other compensation and fringe benefits will be included in the approved budget for the Property. The term "fringe benefits" as used herein shall mean and include the employer's contribution of employment taxes, worker's compensation, group life and accident and health insurance premiums, 401K contributions, performance bonuses, and disability and other similar benefits paid or payable by Operator to its employees in other apartment properties operated by Operator subject to the annual budget approved by the Owner. The expenses of the Executive personnel of Operator who are assigned to on-site Property management for twenty percent (20%) of their time or more may also be included in the approved budget. Any litigation costs or expenses, including reasonable attorneys' fees and costs and wage penalties relating to the employment of on-site personnel are reimbursable to Operator by Owner, unless Operator has been negligent in its employment practices. Operator will not discriminate against any employee or applicant for employment in violation of any applicable law. The terms "employees" or "personnel" shall be deemed to mean and include employment of a casual, temporary, or part-time nature.

4.2.11.2. Operator may treat Property-related expenses of on-site, field, or maintenance as compensable business expenses. These expenses include worker's compensation insurance, travel and training. Such management expenses must be included in the approved budget for the Property. The property related expenses of Executive personnel of Operator who are assigned to on-site Property management for twenty percent (20%) of their time or more may also be included in the approved budget. Operator shall provide to Owner, at Owner's request, payroll and time sheets for all such employees. Notwithstanding the foregoing, employee compensation of workers performing services for Operator at properties other than the Property, shall be reimbursed to Operator *pro rata* based on the portion of working hours involved in services to the Property and such other properties; provided that Operator shall be reimbursed for any roving maintenance supervisor providing services to the Property at the rate of \$50 per hour for such services (or such amount as may be reflected in the approved Budget). Operator shall solicit and receive approval from Owner to use the services of a roving maintenance supervisor prior to services being rendered.

4.2.11.3. Non-compensable Salaries. The salaries, wages, other compensation, benefits, travel, entertainment, and other expenses of Operator's executive personnel charged with general administration of this Agreement and off-site record-keeping personnel are

non-reimbursable expenses of Operator.

4.2.11.4. Leasing. Operator shall make diligent efforts to secure and/or retain tenants for the Property consistent with the character and status of the Property as outlined in the established Resident Selection Criteria. Operator shall make diligent efforts to assure that all leases and leasing practices conform to all laws, ordinances, regulations, public housing agency plans or annual contributions contracts applicable to the Property. Prior to the execution of a new lease by a tenant, Operator shall in good faith conduct such investigations of the financial responsibility and general reputation of the prospective tenant as are ordinarily and customarily performed by the managers of similar properties in the location of the Property.

4.2.11.5. Management Structure. Operator has previously provided an oral description of its management structure, roles and assurances as to the frequency of management visits to the Property and said description is attached as Exhibit "C" hereto.

4.2.11.6. Tenant Grievance Procedure. Operator has previously provided an oral description of its tenant grievance procedure and said procedure is attached as Exhibit "D."

5 OWNER'S EXPENSES

5.1 Except as otherwise provided in this Agreement, all reasonable expenses incurred by Operator in performance of its obligations under this Agreement described as reimbursable shall be reimbursed by Owner such expenses and reimbursables shall be paid with funds drawn from the Trust Account. Owner's responsibility for such expenses and reimbursables, including future attorneys' fees and costs relating to issues which arose during the term of this Agreement survive termination of this Agreement. Owner's expenses shall be limited to the amount included in the annual budget as approved by the Owner.

5.2 Operator may pay the following expenses directly from the Trust Account subject to other conditions in this Agreement:

a) Reasonable Administrative expenses of the Owner devoted to oversight of the Agreement limited to the amount included in the approved annual budget.

6. OPERATOR'S EXPENSES

6.1 Operator agrees to pay all salaries, wages and other compensation and benefits of personnel described in Section 4.2.11 of this Agreement as an Operator's expense without reimbursement by Owner, except as otherwise provided therein. Operator shall pay other expenses which are expressly (a) payable by Operator or (b) not reimbursable hereunder. Operator shall also pay (without reimbursement) any costs of providing corporate office facilities and supplies for such off-site corporate personnel and other expenses incurred by Operator which are not incurred in the performance of duties and obligations required by this Agreement.

7. BANK ACCOUNTS

7.1 ESTABLISHMENT OF ACCOUNTS.

7.1.1 Trust Account. Operator shall establish a separate bank account for the Property in such Name as Owner shall designate and at a bank selected by Operator (the "Trust Account"). Operator shall promptly deposit all rents and other funds collected by Operator at least monthly in respect of the Property, including, without limitation, any and all advance rents, into the Trust Account and shall not deposit funds attributable to any other property into the Trust Account. Operator shall inform such bank in writing that the funds deposited in the Trust Account are held in trust for Owner. Operator shall use funds in the account to pay the operating expenses of the Property and any other payments relative to the Property as allowed by the terms of this Agreement. Operator shall establish a working capital reserve equal to \$20,000 to be retained within the Trust Account to make up for operating shortfalls.

7.1.2 Security Deposit Trust Account. Operator shall establish a separate bank account for tenant security deposits at a bank designated by Operator (the "Security Deposit Trust Account") into which such security deposits shall be deposited. The Security Deposit Trust Account will be (a) maintained in accordance with applicable law and (b) used only for maintaining tenant security deposits for the Property. Operator shall inform the bank in writing that the funds are held in trust for Owner. Operator shall maintain detailed records of all security deposits deposited in the Security Deposit Trust Account, and such records will be open for inspection by Owner's employees or appointees.

7.1.3. Reserve Account. Operator shall establish a separate bank account ('Reserve Account') at a depository selected by Operator as agent for Owner, for the purpose of depositing funds for the Property in amounts Owner shall instruct and in such name as Owner shall designate. Deposits shall conform in all respects to depository and security requirements pertaining to Local Agency cash contained in California Government Code Title 5., Division 2., Part 1., Chapter 4., Article 2., Sections 53630 to 53686. To the extent sufficient funds are available, Operator shall promptly deposit funds in amounts instructed by Owner into the Reserve Account, and shall not deposit funds belonging or attributable to any other party or property into the Reserve Account. Operator shall execute and submit to Owner copies of bank documents demonstrating that funds deposited in the Reserve Account are held in trust for Owner. Operator shall not withdraw funds from the Reserve Account without express written consent of Owner.

7.1.4. Cash. Operator may also maintain a petty cash fund from money in the Trust Account and make payments therefrom in a manner consistent with the usual course of dealing with such funds in the property management business.

7.1.5. Distributions from Trust Account. Provided sufficient funds are available in the Trust Account, Operator will, on or about the fifteenth (15th) of each month, disburse funds via wire transfer to Owner to an account as stipulated by Owner to Operator in writing. On the 15th of the month, Operator will also

wire disbursement of Marina's 50% share to the City of Marina , as a continuation of current practice of simultaneous distribution.

7.1.6. **Broker / Insurance.** The designated broker for Operator shall be an authorized signer on the Trust Account, the Security Deposit Trust Account, and the Reserve Account. In addition, the designated broker may authorize any person who qualifies as an authorized signatory on such accounts. The name of the designated broker shall be communicated by Operator to Owner in writing. Authorized signatories on such accounts shall have authority to make disbursements from such accounts for the purpose of fulfilling Operator's obligations hereunder. Funds over Five Thousand Dollars (\$5,000.00) may be withdrawn from such accounts only upon the signature of at least two (2) individuals who have been granted that authority by Operator. Authorized signatories or persons who handle funds for the Property, whether on or off site, shall be insured for dishonesty in the minimum account of Three Million Dollars (\$3,000,000.00) per occurrence or loss with not more than a Twenty Five Thousand Dollars (\$25,000.00) deductible. A certificate confirming such insurance naming Operator and Owner as named insureds and confirming that it will not be modified or cancelled without at least thirty (30) days prior written notice to Owner shall be delivered to Owner prior to the Fee Commencement Date."

7.2 **FUNDS PROVIDED BY OWNER.** If the funds collected by Operator from operation of the Property are not sufficient to pay authorized expenses incurred in operation of the Property and to make all reimbursements to Operator pursuant hereto, Operator shall submit to Owner a statement showing such shortfall and identifying the bills and charges requiring payment, and Owner shall release reserve funds sufficient to pay same to the Operator.

8. ANNUAL BUDGETS

8.1 **SUBMISSION OF BUDGETS.** Operator shall prepare and submit to Owner by March 31 for Owner's approval proposed budgets of (a) the estimated income and expenses of the Property and (b) the estimated capital expenditures for the Property for the next fiscal year or other operating period as may be agreed by the parties. The proposed budgets will be maintained under accrual accounting procedures or such basis as prescribed, in writing, by Owner. Operator will provide an explanation for the numbers used in such budgets. Operator shall make available executive personnel to discuss the proposed budget at a minimum of one meeting of FORA Board of Directors and other meetings as requested.

8.2 **SUBMISSION OF OTHER REPORTS.** When submitting such proposed budgets, Operator shall also include: rental rate recommendations with analysis if appropriate; a listing of all capital improvement and all repair, maintenance, renovation and replacement expenditures (together with estimated costs for each item) anticipated to be made in the upcoming operating period; a payroll analysis including a salary or wage description for every on-site employee, including any fringe benefits reimbursable hereunder, of Operator whose compensation is reimbursable hereunder;

8.3 APPROVAL OF BUDGETS. If Operator submits a timely budget recommendation, and Owner does not disapprove it in writing before July 1, Operator's proposed budget is deemed approved. If an annual budget has not been approved by that date, Operator shall continue to operate the Property under the approved budget for the previous year until Operator and Owner can agree on the new budget or the termination of this Agreement.

8.4 COMPLIANCE WITH BUDGETS. Approved budgets shall be used by Operator as a guide for the actual operation of the Property. Approval shall be required to exceed any expense which exceeds the budgeted annual amount for that line item. Notwithstanding the foregoing, any increase in a Property expense which does not increase the budgeted amounts for such expense by more than 5% and which, when combined with any decreases in budgeted amounts made by Operator, does not cause an increase in the overall budget, shall not require approval.

8.5 SUBJECT TO IMPLEMENTATION AGREEMENT. Owner and Operator acknowledge that lease revenues from the Property are subject to the Implementation Agreement dated May 1, 2001 ("Implementation Agreement") by and between FORA and the City of Marina. Operator acknowledges the previous receipt of a copy of the Implementation Agreement. Operator shall notify Owner of changed financial conditions to allow Owner to determine compliance with the Implementation Agreement. Owner shall indemnify, defend and hold Operator, its officers, agents and employees, harmless from any cost, damage, claim, liability, suit, cause of action or other legal proceedings which may be brought or claimed against Operator as a result of the Implementation Agreement as set forth in this Section 8.5.

9. GENERAL PROVISIONS

9.1 RELATIONSHIP. Contracts entered into by Operator with respect to the Property as provided for, and consistent with, this Agreement shall be the obligations of Owner. Owner agrees to indemnify, defend and hold harmless Operator from any liability or claims arising from such contracts. Operator agrees that to the extent Operator deems it necessary or prudent to have separate counsel from that of Owner, Operator shall bear all fees, costs, and expenses associated therewith.

Operator and Owner shall not be construed as joint venturers or partners, and neither shall have the power to bind or obligate the other party except as set forth in this Agreement. Operator understands and agrees that the relationship with Owner is that of independent contractor working on behalf of Owner and that it will not represent to anyone that its relationship to Owner is other than that of independent contractor. Notwithstanding the foregoing, Operator acknowledges and understands that it is acting as agent of Owner and as such owes Owner the duties a reasonable investor would expect if managing his own property.

9.2 ASSIGNMENT. This agreement shall not be assigned by Operator without the prior written approval of Owner which approval may be withheld in Owner's sole and absolute discretion.

9.3 **BENEFITS AND OBLIGATIONS.** Subject to the provisions of Section 9.2 above, the covenants and agreements herein contained shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, executors, successors, and assigns.

9.4 INDEMNIFICATION.

9.4.1 Operator shall indemnify, hold harmless and defend Owner, its officers, and employees, with counsel reasonably satisfactory to Owner, for, from and against any and all liabilities, claims, causes of action, losses, demands and expenses whatsoever including, but not limited to attorneys' fees, court costs and other litigation expenses and costs arising out of or in connection with the maintenance or operation of the Property or this Agreement (collectively the "Claims"), except to the extent arising directly from the gross negligence or willful misconduct of Owner and the loss of use of property following and resulting from damage or destruction. The indemnification by Operator contained in this Section 9.4 is in addition to any other indemnification obligations of Operator contained in this Agreement. Owner shall approve the liability insurance coverage procured by Operator, and, once approved, Owner shall not be entitled to assert the inadequacy, in any respect, of the coverage. Operator's defense and indemnity obligation set forth in this Section 9.4.1 shall not apply to Claims that are not covered under the commercial general liability insurance policy procured by Operator pursuant to Section 4.2.6.2 of this Agreement unless Operator has engaged in gross negligence or willful misconduct.

9.4.2 Owner shall indemnify Operator (and Operator's affiliates, partners, directors, shareholders, officers, employees and agents) with counsel for, from and against any and all Claims which arise out of the gross negligence or willful misconduct of Owner.

9.4.3 The indemnification and hold harmless obligations of the parties in this Section 9.4 shall survive the expiration or earlier termination of this Agreement.

9.5 **NOTICES.** All notices provided for in this Agreement shall be in writing and served by registered or certified mail, postage prepaid, at the following addresses until such time as written notice of a change of address is given to the other party:

TO OWNER: FORT ORD REUSE AUTHORITY
Attention: Executive Officer
920 2nd Ave., Suite A
Marina, California 93933

TO OPERATOR: ALLIANCE RESIDENTIAL, LLC
Attn: James M. Krohn
2415 East Camelback Road, Suite 600
Phoenix, Arizona 85016

9.6 ENTIRE AGREEMENT. This Agreement represents the entire agreement between the parties with respect to the subject matter hereof. No alteration, modification, or interpretation of

this Agreement shall be binding unless in writing and signed by both parties. Titles of articles, sections and paragraphs are for convenience only and neither limit nor amplify the provisions of this Agreement.

9.7 **SEVERABILITY**. If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to any person or circumstance, other than those as to which it is so determined invalid or unenforceable, shall not be affected thereby and each provision hereof shall be valid and shall be enforced to the fullest extent permitted by law.

9.8 **DISPUTE RESOLUTION**. Disputes arising under this agreement shall be resolved as follows:

9.8.1. *Prevention of Claims: Meet and confer (10 days)*

The parties agree that they share an interest in preventing misunderstandings that could become claims against one another under this agreement. The parties agree to attempt to identify and discuss in advance any areas of potential misunderstanding that could lead to a dispute. If either party identifies an issue of disagreement, the parties agree to engage in a face-to-face discussion of the matter within ten calendar days of the initial written request. If the parties are unable to amicably resolve such disagreements or misunderstandings, they agree to enlist the informal assistance of a third party (who is mutually acceptable to both parties) to help them reach an accord. The cost of engaging any third party for the informal assistance described in the preceding sentence shall be shared equally by the parties. If any disagreement remains unresolved for ten days after delivery of the written request to engage in face-to-face discussions, the parties agree to submit it to mediation in accordance with the provisions set forth in Section 9.8.2.

9.8.2. *Mediation (60 days)*

Either party may demand, and shall be entitled to, mediation of any dispute arising under this agreement at any time after completing the meet and confer process described in subsection (a). Mediation shall commence not more than thirty (30) days after the initial mediation demand and must be concluded not more than sixty (60) days after the date of the first mediation demand. If mediation is not concluded within that time, then either party may demand arbitration.

Mediation shall be submitted first to a mediator with at least ten years experience in real estate management or related field. The mediator shall be selected by mutual agreement of the parties. Failing such mutual agreement, a mediator shall be selected by the presiding judge of the Monterey County Superior Court. The cost of the mediator shall be shared equally by the parties. In the interest of promoting resolution of the dispute, nothing said, done or produced by either party at

the mediation may be discussed or repeated outside of the mediation or offered as evidence in any subsequent proceeding. The parties acknowledge the confidentiality of mediation as required by Evidence Code 1152.5.

No mediator shall submit, and no arbitrator or court shall consider, any mediator recommendations, declarations, or findings unless the parties give their written consent to the proposed mediator statement.

9.8.3. Arbitration (90 days)

If mediation fails to resolve the dispute, the mediator shall become the arbitrator, and shall proceed to dispose of the case under such rules or procedures as he or she shall select. If the mediator is unable or unwilling to serve as arbitrator, the parties shall select an arbitrator by mutual agreement. Failing such agreement, the arbitrator shall be selected by the Presiding Judge of the Superior Court. The decision of the arbitrator shall be final and not subject to judicial litigation. The cost of the arbitrator shall be shared equally by the parties.

Arbitration shall be commenced within sixty (60) days of the arbitration demand and concluded within ninety (90) days of arbitration demand.

With respect to monetary disputes only, arbitration shall follow the so-called "baseball arbitration" rule in which the arbitrator is required to select an award from among the final offers presented by the contending parties. The arbitrator may not render an award that compromises between the final offers.

Unless the arbitrator selects another set of rules, the arbitration shall be conducted under the J.A.M.S. Endispute Streamlined Arbitration Rules and Procedures, but not necessarily under the auspices of J.A.M.S. Upon mutual agreement, the parties may agree to arbitrate under an alternative scheme or statute. The Arbitrator may award damages according to proof. Judgment may be entered on the arbitrator's award in any court of competent jurisdiction.

NOTICE: IN AGREEING TO THE FOREGOING PROVISION, YOU ARE WAIVING YOUR RIGHT TO HAVE YOUR RIGHTS UNDER THIS AGREEMENT TRIED IN A COURT OF LAW OR EQUITY. THAT MEANS YOU ARE GIVING UP YOUR RIGHT TO TRIAL BY JUDGE OR JURY. YOU ARE ALSO GIVING UP YOUR RIGHT TO DISCOVERY AND APPEAL EXCEPT AS PROVIDED IN THE ARBITRATION RULES. IF YOU REFUSE TO ARBITRATE YOUR DISPUTE AFTER A PROPER DEMAND FOR ARBITRATION HAS BEEN MADE, YOU CAN BE FORCED TO ARBITRATE OR HAVE AN AWARD ENTERED AGAINST YOU BY DEFAULT. YOUR AGREEMENT TO ARBITRATE IS VOLUNTARY.

BY INITIALING THIS PROVISION BELOW, THE PARTIES AFFIRM THAT THEY HAVE READ AND UNDERSTOOD THE FOREGOING ARBITRATION PROVISIONS AND AGREE TO SUBMIT ANY DISPUTES UNDER THIS AGREEMENT TO NEUTRAL BINDING ARBITRATION AS PROVIDED IN THIS AGREEMENT.

ALLIANCE'S INITIALS _____

FORA'S: INITIALS _____

9.8.4. Attorney's Fees.

If arbitration or suit is brought to enforce or interpret any part of this Agreement, the prevailing party shall be entitled to recover as an element of costs of suit, and not as damages, a reasonable attorneys' fee to be fixed by the arbitrator or Court. The "prevailing party" shall be the party entitled to recover costs of suit, whether or not the suit proceeds to arbitrator's award or judgment. A party not entitled to recover costs shall not recover attorneys' fees. No sum for attorneys' fees shall be counted in calculating the amount of an award or judgment for purposes of determining whether a party is entitled to recover costs or attorneys' fees.

If either party initiates litigation without first participating in good faith in the alternative forms of dispute resolution specified in this agreement, that party shall not be entitled to recover any amount as attorneys' fees or costs of suit even if such entitlement is established by statute.

9.9 APPLICABLE LAW. This agreement shall be construed and enforced in accordance with the laws of the State of California. Venue shall take place in the County of Monterey, State of California.

9.10 OPERATOR. The term "Operator" as used in this Agreement shall include any corporate subsidiaries or affiliates of Operator who perform service, in, on or about the Property in connection with this Agreement.

9.11 NON-WAIVER. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided in this Agreement.

9.12 HEADINGS. All headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

9.13 INTERPRETATION. This Agreement has been negotiated by and between representatives of the parties hereto and their staffs, all persons knowledgeable in the subject matter

of this Agreement, which was then reviewed by the respective legal counsel of each party. Accordingly, any rule of law (including Civil Code §1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose of the parties and this Agreement.

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

FORT ORD REUSE AUTHORITY

Michael A. Houlema Jr.
Executive Officer

Alliance Residential, LLC, an Arizona Limited Liability Company

By

EXHIBIT A
Preston Park Management Agreement

SCOPE OF SERVICES

Manage, direct and supervise using commercially reasonable efforts, all aspects of property management for Preston Park which includes, but is not limited to:

- 1 Placement of residents in residential apartment homes with appropriate leases and addendums as prudent or required by law.
- 2 Collect all monthly rents and fees. Institute legal action for the collection of monies owed. Administer rent increases in close cooperation with FORA.
- 3 Maintain community standards of physical and social environment, while keeping within budget guidelines. Respond to requests for maintenance by tenants and FORA promptly. Schedule and conduct annual unit inspections and follow-up annual inspections with corrective work where required.
- 4 Hire, train and supervise all staff needed to effectively manage the community and provide a description of the staffing plan to Owner. Maintain access to multilingual resources to assist with applicants and tenants of Limited English Proficiency, said access may be accomplished through a "language hotline" or similar service so long as it's responsive to the needs of Owner, applicants and tenants.
- 5 Develop and maintain a list of qualified prospective renters. Develop and maintain a list of backup renters. Accept applications for apartment homes and maintain eligibility standards. Maintain preference lists as specified. Seek to maintain full occupancy with a minimum of vacancies.
- 6 Prepare an affirmative fair housing marketing plan. Prepare and circulate marketing materials; e.g. advertisements, brochures, displays, disclosure documents, contracts and program web site. Participate in community meetings as requested.
- 7 Analyze and review financial requirements for operations with Owner; prepare annual budget recommendations for Owner. Work within the approved budget; obtain Owner authorization for variances from the budget. Analyze and prepare multi-year capital improvements plan and make recommendations to Owner about financing and implementation of the plan.
- 8 Develop and implement written office procedures; train and supervise office and leasing personnel.
- 9 Maintain financial records including, but not limited to, the tracking of receipts and deposits, journal entries, bank deposits, accounts payable and accounts receivable.

Generate monthly financial reports. Prepare required periodic reports to Owner.

- 10 Report periodically to Owner to ensure that Owner is properly informed (through regular contact and periodic formal meetings) as to the current status of all operations so that the Owner may make proper and timely decisions on all strategic matters.
- 11 Manage the selection process for outside contractors including landscaping, trash removal, pest control, custodial, etc; prepare recommendations for Board approval. Continually inspect property, recording deficiencies and taking necessary action within budgetary allocations.
- 12 Prepare tenant handbook and circulate written communications to tenants periodically, such as quarterly newsletter, in format and content approved by the Owner. Participate in meetings and events with tenants as requested.
- 13 Explore opportunities for coordination/joint programs with housing developments at California State University-Monterey Bay.
- 14 Other duties as needed.

EXHIBIT B

AFFORDABLE RENTAL RATES

Rates may be established each year.



EXHIBIT "C"

Preston Park Management Agreement

MANAGEMENT STRUCTURE

Every year on June 1, Alliance will provide the names of the people associated with the management positions as described on the organization chart.

The Senior Management Team for Preston Park:

Corinne Carmody, Regional Manager
Steve Keller, Regional Maintenance Supervisor
Amy Corcoran, Regional Training Manager
Jennifer Barrett, Regional Marketing Manager
Annette Thurman, Vice President of Operations

Corinne Carmody, Regional Manager, has an office in Walnut Creek, California. She will be at the communities at least two days a week or to the extent mutually agreed upon by Owner and Operator. Corinne will be responsible for all compliance training related to the approved below market rate rental program.

Steve Keller, Regional Maintenance Supervisor, will perform monthly site inspections in addition to overseeing any capital projects that require completion. Steve will spend no less than one day per month at the community and possibly more depending on the capital project requirements.

Amy Corcoran and Jennifer Barrett, Regional Training Manager and Regional Marketing Manager, shall provide leasing and customer service training and marketing resources. Amy and Jennifer are also available on an as needed basis for one-on-one training.

Annette Thurman, Vice President of Operations, will be at the site no less than once per month.

The team above is available to meet with FORA as needed. Owner is to provide operator with an annual calendar of expected meetings during transition period.

EXHIBIT D

Preston Park Management Agreement

TENANT GRIEVANCE PROCEDURE

Note: All resident issues will be resolved within the guidelines set by FORA, Alliance Communities Inc., and State and Federal Fair Housing Laws.

12-15-10

PRESTON PARK

GRIEVANCE PROCEDURE

I. Definitions applicable to the grievance procedure

- A. Grievance: Any dispute pertaining to a lease violation, maintenance charge or other disagreements with respect to Management's action or failure to act in accordance with the individual Tenant's lease or Management's Policies or regulations that adversely affects the individual Tenant's rights, duties, welfare or status.
- B. Elements of due process: An eviction action or a termination of tenancy in a State court in which the following procedural safeguards are required:
 - 1. Adequate notice to the Tenant of the grounds for terminating the tenancy and for eviction;
 - 2. Right of the Tenant to be represented by counsel;
 - 3. Opportunity for the Tenant to refute the evidence presented by Management, including the right to confront and cross examine witnesses and to present any affirmative legal or equitable defense which the Tenant may have;
 - 4. A decision on the merits of the case.
- C. Hearing Officer: A neutral party selected by FORA to hear grievances and render a decision. FORA has selected the Conflict Resolution and Mediation Center of Monterey County to be the Hearing Officer for grievances at Preston Park. If the Mediation Center of Monterey County is not available for the Grievance Hearing, FORA shall choose another Hearing Officer who is a neutral third party not involved in the management decisions at Preston Park and has experience and knowledge of management practices and procedures for comparable properties and has experience in mediation.
- D. Tenant: The adult person (or persons other than a live-in aide) who resides in the unit at Preston Park and who executed the lease with Alliance Residential or its predecessor(s).
- E. Management: The property management company for Preston Parks is Alliance Residential.
- F. Management Policies: Rules and/or regulations contained within the Tenant's valid and most

recent lease and any subsequent amendments thereto.

- G. Working days: For the purpose of these procedures, working days means the scheduled working days of FORA.
- H. Tenant's designated representative: A person that the Tenant has designated in writing to represent him/her in this grievance procedure or a legal document naming a person that represents the Tenant in such matters. The written designation along with the address and contact information for designated representative shall be placed in the Tenant's file. All correspondence related to this grievance procedure shall be distributed to both the Tenant and the designative representative.

II. Applicability of this grievance procedure

The purpose of this Grievance Procedure is to set forth the requirements, standards and criteria to assure that Tenants of Preston Parks have a procedure to dispute an act or failure to act by Management (see above for definition of grievance). The Grievance Procedure only applies to grievances lodged by Tenants who lived at Preston Park at the time the alleged dispute occurred.

This grievance procedure shall be applicable to all individual grievances (as defined in Section I above) between a Tenant and Management. The right to a grievance shall apply to disputes over the application of Management's policies to the detriment of a Tenant but shall not apply to the Management policies, class action lawsuits or evictions. Management policies may be discussed with the designated FORA staff representative. Class action lawsuits and evictions are heard in a court of law and receive due process in that manner.

The grievance procedure may not be used as a forum for initiating or negotiating policy changes between a group or groups of tenants and FORA. Such requests may be made to the designated FORA staff representative.

III. Filing a Grievance and Informal Meeting

Any grievance must be made in writing at the Alliance Residential Management Office, located at 682 Wahl Court, Marina, CA 93933, **within twenty (20) working calendar days after the grievable event**.

As soon as the grievance is received it will be reviewed by Management to be certain that neither of the exclusions in Paragraph II applies to the grievance. Should one of the exclusions apply, the Tenant or designated representative will be notified in writing that the matter raised is not subject to this grievance procedure, with the reason(s), that the grievance is dismissed and appropriate venue for the Tenant or designated representative to contact.

If neither of the exclusions cited above apply, the Tenant or designated representative will be contacted **within ten (10) working days** to arrange a mutually convenient time to meet so the grievance may be discussed informally and resolved. Management will assign a Staff Representative

(usually the Business Manager) to meet with Tenant or designated representative to discuss the grievance informally and attempt to resolve the matter without a further hearing. At this informal meeting the Tenant or designated representative will present the grievance and the Staff Representative will attempt to resolve the grievance to the satisfaction of both parties.

Within five (5) working days following the informal meeting, Management shall prepare and either hand deliver or mail to the Tenant or designated representative a summary of the discussion that must specify: the names of the Tenant(s) and all participants at the meeting, the date(s) of meetings, the nature of the grievance, the proposed disposition of the grievance and the specific reasons, and the Tenant's rights to a Grievance Hearing, and, if not satisfied with the disposition of the grievance, the procedure to either respond and have comments placed in the Tenants file or request a Grievance Hearing. A copy of this summary shall also be placed in the Tenant's file. A receipt signed by the Tenant or designated representative or return receipt for delivery of certified mail, whether signed or unsigned, will be sufficient proof of time of delivery for the summary of the informal discussion.

IV. Grievance Hearing

If the Tenant is dissatisfied with the proposed disposition of the grievance arrived in the informal meeting, the Tenant or designated representative may submit a written request for a Grievance Hearing no later than ten (10) working days after the summary of the informal meeting is received.

A Tenant's request for a Grievance Hearing shall be addressed to the Regional Manager c/o Alliance Residential, 682 Wahl Court, Marina, CA 93933. The written request shall specify:

- The factual basis for the grievance, including any sections of the Tenant's lease or written Management policies allegedly violated;
- The action of relief sought from Management; and
- Several dates and times in the following fifteen (15) working days when the Tenant or designated representative can attend a grievance hearing.

If the Tenant or designated representative requests a Grievance Hearing in a timely manner, Management shall schedule a hearing on the grievance at the earliest time possible for the Tenant or designated representative, Management and the Hearing Officer. A written notice specifying the time, place and procedures governing the hearing will be either hand delivered or mailed to the Tenant or designated representative.

If the Tenant or designated representative fails to request a Grievance Hearing within ten (10) working days after receiving the proposed disposition of the grievance, Management's decision rendered at the informal meeting becomes final and Management is not obligated to offer the Tenant or designated representative a Grievance Hearing unless the Tenant or designated representative can show good cause why s/he failed to proceed in accordance with the procedure. Failure to request a Grievance Hearing does not affect the Tenant's right to contest the Management's decision in court.

V. Scheduled hearing

When a or designated representative submits a timely request for a grievance hearing, Management will, **within three (3) working days**, contact the Hearing Officer to schedule the hearing on one of the dates and times indicated by the Tenant or designated representative. If the Hearing Officer is not available for one or more of the times provided by the Tenant or designated representative during those ten working days, Management will schedule a convenient time for the Grievance Hearing for all parties as soon as possible.

VI. Procedures governing the Grievance Hearing

The Tenant shall be afforded a fair hearing, which shall include:

- A. The opportunity to examine before the hearing any Management documents, including records and regulations, that are directly relevant to the hearing.
- B. The Tenant or designated representative shall be allowed to copy any such documents. If Management does not make the document available for examination, Management cannot rely on such document at the grievance hearing.
- C. The Tenant may be represented by counsel or other person chosen as the Tenant's representative, at the Tenant's expense. Management may be represented by counsel. The Tenant, or the designated representative, must be present at the scheduled hearing.
- D. The right to present evidence and arguments in support of the Tenant's complaint and to controvert evidence relied on by Management and to confront and cross examine all witnesses upon whose testimony or information Management relies; and
- E. A decision based solely and exclusively upon the facts presented at the hearing.

The hearing shall be conducted informally by the Hearing Officer. Oral or documentary evidence pertinent to the facts and issues raised by the Tenant may be received without regard to admissibility under the rules of evidence applicable to judicial proceedings provided that such information is the kind of evidence on which reasonable persons are accustomed to rely on in the conduct of serious affairs.

The Hearing Officer shall require Management, the Tenant or designated representative, counsel and other participants to conduct themselves in an orderly fashion. Failure to comply with the directions of the Hearing Officer to maintain order may result in exclusion from the proceedings.

The Hearing Officer will hear evidence provided by both the Tenant or designated representative and Management and will review appropriate policies, regulations, lease, etc.

VII. Failure to appear at the hearing

If either the Tenant or designated representative or Management fails to appear at the scheduled hearing, the Hearing Officer may postpone the hearing **for another date not to exceed five (5) working days**. In the event that Management fails to appear at the re-scheduled hearing, the Hearing Officer shall make his/her decision based on the record including anything submitted by the Tenant or designated representative. In the event that the Tenant or designated representative fails to appear at the re-scheduled hearing, the Tenant is deemed to have waived his/her right to a hearing.

Both the Tenant or the designated representative and Management shall be notified of the determination by the Hearing Officer; provided, that a determination that the Tenant has waived his/her right to a hearing shall not constitute a waiver of any right the Tenant may have to contest Management's disposition of the grievance in court.

VIII. Decision of the Hearing Officer

The Hearing Officer shall prepare a written decision, together with the reasons for the decision **within fifteen (15) working days after the hearing**. Any delay on the part of the Hearing Officer in submitting the written decision will not invalidate this process. A copy of the decision shall be sent to the Tenant or designated representative, Management and FORA. Management shall retain a copy of the decision in the Tenant's folder.

The decision of the Hearing Officer shall be binding on Management, which shall take all actions, or refrain from actions, necessary to carry out the decision unless FORA determines **within ten (10) working days** after receiving the written decision, and promptly notifies the Tenant or the designated representative of its determination that:

- A. The grievance does not involve Management's action or failure to act in accordance with the Tenant's lease or the property's policies, which adversely affect the Tenant's rights, duties, welfare or status.
- B. The decision of the Hearing Officer is contrary to applicable Federal, State or local law or FORA policy or regulation.

A decision by the Hearing Officer or FORA which denies the relief requested by the Tenant in whole or in part shall not constitute a waiver of, nor affect in any way, the rights of the Tenant to judicial review in any court proceedings which may be brought in the matter later.

This Grievance Procedure does not preclude the Tenant from exercising his/her rights, including those rights pertaining to alleged discrimination on the basis of race, color, creed, religion, sex, age, disability, sexual orientation, familial or marital status, ancestry or national origin.

I acknowledge that I have received a copy of this Grievance Procedure.

Date _____ Signature _____

Print Name Address

FORT ORD REUSE AUTHORITY BOARD REPORT

Subject:	FORA Mid-Year Budget
Meeting Date:	February 15, 2013
Agenda Number:	9a

ACTION

RECOMMENDATIONS:

Receive the FY 12-13 Fort Ord Reuse Authority (FORA) Operating Budget mid-year status report and approve additional expenditures as noted and recommended by the Finance Committee.

BACKGROUND:

The mid-year budget update is typically provided at the February Board meeting. This report covers the status of the FY 12-13 budget approved at the July 13, 2012 meeting. The Finance Committee reviewed the mid-year budget at its January 28, 2013 meeting.

DISCUSSION:

Despite the continuing recessionary economic conditions delaying development activities on the former Fort Ord, FORA has maintained financial stability. Increased Contractual Services expenditures for Legal Fees and the delay in the sale of Preston Park are the most significant changes in this report. This mid-year budget reports a net decrease in revenues and expenditures.

Revenues: Net Decrease \$28,133,385

- **Significant reductions:**

\$27,950,279 in land sale proceeds deferred due to the delay in the sale of Preston Park and \$2,069,014 in development fee revenue deferred due to delay in construction of the University Village Apartments.

- **Significant additions:**

\$1,300,000 in anticipated FORA share of the Fort Ord property tax collections.

Expenditures: Net Decrease \$20,004,452

- **Significant reductions:**

\$2,796,458 in Capital Projects due to reduction in anticipated development fee collection.

\$17,643,460 in Debt Service reflecting delayed Preston Park sale; the preliminary budget anticipated Preston Park loan principal repayment.

- **Significant additions:**

Increased funding approved by the Board since the budget approval for:

\$375,000 Legal Fees to cover increased legal representation and settlement fee.

\$35,000 Special Auditor and temporary office help.

Increased funding requested for:

\$19,466 scheduled salary step increases for eligible staff.

\$3,000 Legislative consultant due to state agency and legislative coordination increases during FY 12-13.

\$65,000 Special Counsel to provide for increased legal review of access issues, munitions contract documents and federal and state legal reviews (includes FORA Board requests for contract updates).

Attachment 1 illustrates the mid-year budget as compared to the approved budget; corresponding notes offer brief narrative descriptions of budget variances.

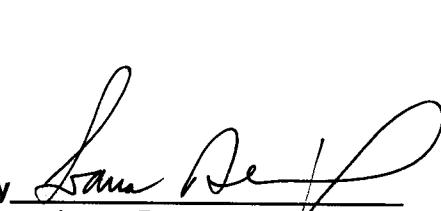
Attachment 2 itemizes updated expenditures.

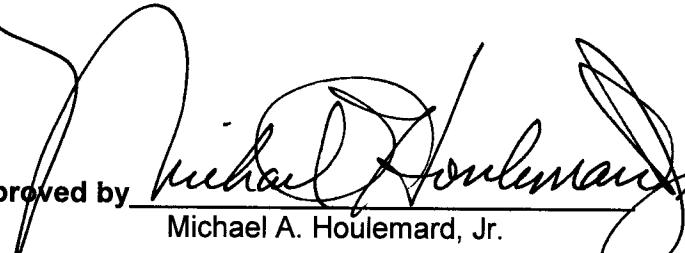
FISCAL IMPACT:

As a result of the budget adjustments and a slightly larger beginning (carryover) balance, the combined fund ending balance at June 30, 2013 is anticipated to be about \$7 million. This amount does not include non-spendable or committed funds such as pre-paid insurance or habitat management set-aside.

COORDINATION:

Finance Committee, Executive Committee

Prepared by 
Ivana Bednarik

Approved by 
Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY - FY 12-13 MID-YEAR BUDGET - ALL FUNDS COMBINED

CATEGORIES	FY 12-13		BUDGET ADJUSTMENTS <i>Incr/(Decrease)</i>	NOTES
	APPROVED	MID-YEAR		
REVENUES				
Membership Dues	\$ 261,000	\$ 261,000	\$ -	Collected- summer 2012
Franchise Fees - MCWD	275,000	275,000	-	Per MCWD FY 12-13 budget
Federal Grants - ESCA	787,690	787,690	-	Anticipated reimbursements in FY 12-13 from funds held in FORA account
Federal Grants - EDA	-	-	-	EDA/ARRA grant closed
PLL Loan Payments	-	-	-	PLL Loan paid off
Development Fees	6,000,000	3,930,986	(2,069,014)	Anticipated University Village Apartments plus \$400K payment from Preston Park (\$3.3M fee total)
Land Sale Proceeds	28,450,279	500,000	(27,950,279)	PP sale postponed/FORA v Marina lawsuit; potential sale LDS church in Marina
Rental/Lease Payments	840,000	1,460,908	620,908	12 month PP lease revenue reduced by 200K (FORA portion) for development fee payment
Property Taxes	-	1,300,000	1,300,000	Anticipated Property Tax payments from MoCo Auditor/Controller
CSU Deficit Payment	326,795	326,795	-	Final CSU deficit period mitigation payment (collected)
Planning Reimbursements	7,000	7,000	-	ESCA contract assistance - remaining reimbursement carried over to FY 12-13
Loan Reimbursements	-	-	-	Terms of remaining obligation negotiated with East Garrison developer/County
Investment/Interest Income	135,000	100,000	(35,000)	Anticipated income reduced due to Preston Park sale delay
TOTAL REVENUES	37,082,764	8,949,379	(28,133,385)	Decrease in Total revenues
EXPENDITURES				
Salaries & Benefits	1,959,578	1,994,044	34,466	Removal 2% COLA; additional budget for scheduled step increases, temp office help
Supplies & Services	193,050	185,050	(8,000)	Budget savings in supplies & services
Contractual Services	1,548,750	1,957,750	409,000	Additional legal expenses, Veterans Cemetery budget added, etc.
Capital Projects (CIP)	4,584,000	1,787,542	(2,796,458)	Reduced expenditures reflecting reduction in anticipated development fee collection.
Debt Service (P+I)	19,124,340	1,480,880	(17,643,460)	Decreased Debt Service due to PP sale postponement (Preston Park loan pay-off delayed).
TOTAL EXPENDITURES	27,409,718	7,405,266	(20,004,452)	Decrease in Total expenditures
NET REVENUES				
Surplus/(Deficit)	9,673,046	1,544,113	(8,128,933)	Decrease in net revenues due to PP Sale postponement
FUND BALANCES				
Budget Surplus/(Deficit) - Beginning	5,425,802	5,461,505	35,703	Audited beginning balance (spendable funds only)
Budget Surplus/(Deficit) - Ending	\$ 15,098,848	\$ 7,005,618	\$ (8,093,230)	Decrease in Ending fund balance/FORA Reserve

**FORT ORD REUSE AUTHORITY
FY 12-13 MID-YEAR BUDGET**

ITEMIZED EXPENDITURES

EXPENDITURE CATEGORIES	FY 12-13 Approved	FY 12-13 Mid-Year	Adjustments Incr/(Decr)	NOTES
SALARIES & BENEFITS				
Staff - Salaries	14 positions 1,387,046	14 positions 1,402,869	15,823	Reflects a) removal of 2% COLA as per prior Board action offset by b) scheduled step increases for eligible positions
Staff - Benefits/Employer taxes	527,532	531,175	3,643	
Temp help/Vac csh out/stipends	45,000	60,000	15,000	<u>BM 7-26-12</u> funding approved to cover PRR requests/Records Retention policy implementation.
TOTAL SALARIES & BENEFITS	1,959,578	1,994,044	34,466	Additional Expenses
SUPPLIES & SERVICES				
Communication	12,000	8,000	(4,000)	Anticipating savings based on the 6 Mo actual cost
Supplies	14,000	14,000	-	
Equipment & Furniture	10,000	10,000	-	
Travel, Auto & Lodging	26,000	20,000	(6,000)	EO expects reduced travel expenses
Meeting Expenses	8,000	6,000	(2,000)	Anticipating savings based on the 6 Mo actual cost
Building maintenance & Security	8,500	6,000	(2,500)	Anticipating savings based on the 6 Mo actual cost
Utilities	13,000	13,000	-	
Insurance	48,500	48,500	-	
Computer Support	22,050	22,050	-	
Payroll/Accounting Services	6,000	6,000	-	
Training, Conferences & Seminars	5,000	7,000	2,000	Website & other potential classes
Community Information Center	7,500	6,000	(1,500)	Anticipating savings based on the 6 Mo actual cost
Televised Meeting	5,000	10,000	5,000	More meetings (running longer)
Other (legal notices, postage, printing, etc.)	7,500	8,500	1,000	New hire advertising
TOTAL SUPPLIES AND SERVICES	193,050	185,050	(8,000)	Budget Savings
CONTRACTUAL SERVICES				
AUTHORITY COUNSEL	131,250	131,250	-	
LEGAL FEES	125,000	500,000	375,000	<u>BM 11-16-12</u> approved to cover increased legal representation
LEGAL FEES - SPECIAL PRACTICE	15,000	15,000	-	
AUDITOR	37,500	57,500	20,000	<u>BM 9-14-12</u> funding approved to cover forensic audit
SPECIAL COUNSEL (EDC-ESCA)	70,000	135,000	65,000	Increase due to trespass incident; threatened litigation (Kutak Rock)
REGULATORY RESPONSE/QUALITY ASSURANCE-ESCA	420,000	420,000	-	
VETERANS CEMETERY CONSULTANTS	-	56,000	56,000	<u>BM 01-11-13</u> Record of Survey on CCCVC area
FINANCIAL CONSULTANT	60,000	60,000	-	
LEGISLATIVE SERVICES CONSULTANT	40,000	43,000	3,000	Increase based on the current demand
PUBLIC INFORMATION/OUTREACH	25,000	25,000	-	
HCP CONSULTANTS	270,000	160,000	(110,000)	ICF budget reduced based on schedule; DDA budget remains same
BASE REUSE PLAN ASSESSMENT	325,000	325,000	-	
OTHER CONSULTING/CONTRACTUAL EXP	30,000	30,000	-	
TOTAL CONTRACTUAL SERVICES	1,548,750	1,957,750	409,000	Additional Expenses
CAPITAL PROJECTS				
ROADWAY IMPROVEMENTS	3,000,000	720,795	(2,279,205)	Reduced expenditures reflecting reduction in anticipated development fee (DF) collection
HABITAT MANAGEMENT	1,584,000	1,066,747	(517,254)	HM 25% set aside reflecting reduction in DF collection
TOTAL CAPITAL PROJECTS	4,584,000	1,787,542	(2,796,458)	Budget Savings
DEBT SERVICE (Principal and Interest)				
PRESTON PARK LOAN (PPL) DEBT SERVICE	682,440	1,364,880	682,440	Reflects 12 months of debt service
Preston Park Loan - pay off	18,325,900	-	(18,325,900)	PP sale delayed due to litigation
PLL Insurance Financing	-	-	-	PLL loan paid off
FIRE TRUCK LEASE	116,000	116,000	-	Year 9 of 10
TOTAL DEBT SERVICE	19,124,340	1,480,880	(17,643,460)	Budget Savings
TOTAL EXPENDITURES	27,409,718	7,405,266	(20,004,452)	Total Budget Decrease

FORT ORD REUSE AUTHORITY BOARD REPORT

Subject:	Fiscal Year 11-12 Annual Financial Audit
Meeting Date:	February 15, 2013
Agenda Number:	9b

ACTION

RECOMMENDATION:

Accept the Moss, Levy & Hartzheim, Certified Public Accountants (Auditor) Fort Ord Reuse Authority (FORA) Fiscal Year 11-12 Annual Financial Report (Audit Report).

BACKGROUND:

Annually, FORA staff and/or Auditor present the Audit Report to the Finance Committee (FC) for review and to the FORA Board for acceptance. Every three to five years it is prudent to evaluate the financial consultant that provides the requisite opinion, and this year a new auditor has been selected by direction of the Board. That auditor, Moss, Levy & Hartzheim, was hired in September 2012 to conduct the FY 11-12, FY 12-13, and FY 13-14 audits.

DISCUSSION:

The audit work began in mid-November. The Auditor met with the FC members and staff and the committee specifically asked for more in-depth review of the charges and complaints FORA received last year regarding its spending practices, and this was included in the analysis. The Auditor also reviewed the forensic audit that was performed by an independent auditor in 2012 and was provided full access to prior years audits and policies. The draft Audit Report was completed in mid-January and the Auditor presented the report at the January 28, 2013 Finance Committee meeting. In addition to the Audit Report, the auditor prepared a Management Report and Auditor's Communication Letter that includes findings concerning deficiencies in FORA's internal control structure. The Auditor recommends six improvements; three are considered significant and are included in the Audit Report. FORA staff concurred and provided responses that were accepted by the Auditor. The FC unanimously voted to recommend that: a) the FORA Board accept the FY 11-12 Audit Report, and b) that staff implement the Auditor's recommended improvements to the internal control structure. *Please refer to item 11c for more details regarding the FC meeting.*

The Auditor's letter expresses the opinion that, except for the effect, if any, of not having an actuarial study for other post-employment benefits as required by the Governmental Accounting Standards Board Statement No. 45, the financial statements present fairly, in all material respects, FORA's financial position as of June 30, 2012 and the results of FORA operations for the year concluded in conformity with accounting principles general accepted in the United States of America.

Attachment 1: Audit Report

Attachment 2: Management Report and Auditor's Communication Letter

FISCAL IMPACT:

Cost for the audit services is included in the approved operating budget.

COORDINATION:

Finance Committee, Executive Committee, the Auditor

Prepared by:

Ivana Bednarik

Approved by:

Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY MARINA, CALIFORNIA

Annual Financial Report

June 30, 2012

Board of Directors

<u>Voting Members</u>	<u>Representing</u>	<u>Title</u>
Supervisor Potter	County of Monterey	Chair
Mayor Edelen	City of Del Rey Oaks	1 st Vice Chair
Mayor Pro Tem O'Connell	City of Marina	2 nd Vice Chair
Supervisor Parker	County of Monterey	Director
Supervisor Calcagno	County of Monterey	Director
Mayor Burnett	City of Carmel-by-the-Sea	Director
Mayor Kampe	City of Pacific Grove	Director
Mayor Gunter	City of Salinas	Director
Council Member Selfridge	City of Monterey	Director
Mayor Pro Tem Oglesby	City of Seaside	Director
Council Member Brown	City of Marina	Director
Mayor Pendergrass	City of Sand City	Director
Mayor Bachofner	City of Seaside	Director/Member at Large

Appointed Official

**Michael A. Houlemard, Jr.
Executive Officer**

FORT ORD REUSE AUTHORITY**TABLE OF CONTENTS**

June 30, 2012

FINANCIAL SECTION

Independent Auditor's Report.....	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	8
Statement of Net Assets – Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Fund	10
Statement of Cash Flows – Proprietary Fund.....	11
Notes to Basic Financial Statements.....	13

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules:	
All Funds.....	28
Schedule of Funding Progress for Defined Benefit Pension Plan	29

SINGLE AUDIT REPORT

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	30
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct And Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	32
Schedule of Expenditures of Federal Awards	34
Note to the Schedule of Expenditures of Federal Awards.....	35
Schedule of Audit Findings and Questioned Costs	36
Summary Schedule of Prior Fiscal Year Audit Findings.....	39

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9107 WILSHIRE BLVD. SUITE 500
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fort Ord Reuse Authority
Marina, California

We have audited the accompanying financial statements of the governmental activities, and each major governmental fund, and the aggregate remaining governmental fund information of the Fort Ord Reuse Authority (Authority) as of and for the fiscal year ended June 30, 2012, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Authority's Preston Park have not been audited, and we were not engaged to audit the Preston Park financial statement as part of our audit of the Authority's basic financial statements. Preston Park's financial activities are included in the Authority's basic financial statements as the Proprietary Fund. The assets, liabilities, net assets, revenues and expenses, and cash flows, respectively, of the Authority's business-type activities and the proprietary fund financial statement may be misstated.

The Authority was not in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions due to the actuarial study having not been prepared. The liability of other postemployment benefits within its governmental activities and expenses related to this liability are not presented in the basic financial statements.

In our opinion, except for the effect, if any, of not having an actuarial study as required by the GASB Statement No. 45 for the governmental, in all material respects, the respective financial position of the governmental activities of the Authority as of June 30, 2012, and the respective changes in financial position thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund of the Authority as of June 30, 2012, and the respective changes in financial position thereof, for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 1 of the notes to basic financial statements effective July 1, 2011, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 29, and the schedule of funding progress for defined benefit pension plan on page 30, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Ord Reuse Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
February 1, 2013

Government-wide Financial Statements

FORT ORD REUSE AUTHORITY
Statement of Net Assets
June 30, 2012

	(Unaudited)		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 16,241,211	\$ 640,149	\$ 16,881,360
Cash restricted for equipment purchases		3,952,699	3,952,699
Accounts receivable	883,779		883,779
Interest receivable	10,424		10,424
Grants receivable	554,094		554,094
Tenant receivables		1,420	1,420
Prepaid expenses	13,459	92,862	106,321
Prepaid insurance, net	1,500,000		1,500,000
Capital assets, net of accumulated depreciation	113,548	1,347,277	1,460,825
Total Assets	19,316,515	6,034,407	25,350,922
LIABILITIES			
Accounts payable and accrued expenses	786,028	27,685	813,713
Deferred revenue	6,114,334	31,432	6,145,766
Long-term debt and obligations:			
Due within one year	412,976		412,976
Due in more than one year	18,407,225	454,823	18,862,048
Total Liabilities	25,720,563	513,940	26,234,503
NET ASSETS			
Invested in capital assets, net of related debt	113,548	1,347,277	1,460,825
Restricted for:			
Equipment purchases		3,952,699	3,952,699
Unrestricted	(6,517,596)	220,491	(6,297,105)
Total Net Assets	\$ (6,404,048)	\$ 5,520,467	\$ (883,581)

Government-wide Financial Statements

FORT ORD REUSE AUTHORITY
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Program Expenses	Charges for Services	Capital or Operating Grants and Fees	Governmental Activities	(Unaudited) Business-type Activities	Total
Governmental Activities						
General government	\$ 2,217,450	\$ -	\$ 77,955	\$ (2,139,495)	\$ -	\$ (2,139,495)
Capital improvements	4,778,000		4,836,932	58,932		58,932
Environmental cleanup	603,599		603,599			
Reuse planning/EDC transfers & environmental subtotal - capital improvement program	1,099,648		2,560,928	1,461,280		1,461,280
	6,481,247		8,001,459	1,520,212		1,520,212
Interest on long-term debt and short-term debt	1,093,042			(1,093,042)		(1,093,042)
Total governmental activities	9,791,739		8,079,414	(1,712,325)		(1,712,325)
Business-type Activities						
Preston Park	5,220,893	5,236,730			15,837	15,837
Total business-type activities	5,220,893	5,236,730			15,837	15,837
Total primary government	\$ 15,012,632	\$ 5,236,730	\$ 8,079,414	(1,712,325)	15,837	(1,696,488)
General revenues:						
Property tax revenue			837,683			837,683
Membership dues			261,000			261,000
Franchise fees			248,252			248,252
Investment earnings			340,335	7,143		347,478
Miscellaneous			4,000	40,688		44,688
Total general revenues			1,691,270	47,831		1,739,101
Change in net assets						
			(21,055)		63,668	42,613
Net assets (deficit) at beginning of fiscal year			(5,770,373)		5,456,799	(313,574)
Prior period adjustments			(612,620)			(612,620)
Net assets (deficit) at beginning of fiscal year, restated			(6,382,993)		5,456,799	(926,194)
Net assets (deficit) at end of fiscal year			\$ (6,404,048)		\$ 5,520,467	\$ (883,581)

Fund Financial Statements

FORT ORD REUSE AUTHORITY

Balance Sheet

Governmental Funds

June 30, 2012

	General Fund	Lease and Sale Proceeds	Developer Fees	Pollution Legal Liability	EDA Grant ARRA	Army Grant ET/ESCA	Total Governmental Funds
ASSETS							
Cash and investments	\$ 3,020,459	\$ 2,872,218	\$ 4,854,269	\$ 33,815	\$ -	\$ 5,460,450	\$ 16,241,211
Accounts receivable	104,690	49,520	34,650	694,919			883,779
Interest receivable				10,424			10,424
Grants receivable					554,094		554,094
Due from other funds	327,147						327,147
Prepaid expenses	12,328		847			284	13,459
Prepaid insurance, net				1,500,000			1,500,000
Total Assets	\$ 3,464,624	\$ 2,921,738	\$ 4,889,766	\$ 2,239,158	\$ 554,094	\$ 5,460,734	\$ 19,530,114
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 181,712	\$ 6,725	\$ 184,274	\$ -	\$ 226,947	\$ 186,370	\$ 786,028
Due to other funds	50,457	49,520	34,650	705,343		327,147	327,147
Deferred revenue					5,274,364		6,114,334
Total Liabilities	232,169	56,245	218,924	705,343	554,094	5,460,734	7,227,509
Fund Balances							
Non-spendable	12,328		847	1,500,000			1,513,175
Committed			4,669,995	33,815			4,703,810
Assigned		2,865,493					2,865,493
Unassigned	3,220,127						3,220,127
Total Fund Balances	3,232,455	2,865,493	4,670,842	1,533,815			12,302,605
Total Liabilities and Fund Balances	\$ 3,464,624	\$ 2,921,738	\$ 4,889,766	\$ 2,239,158	\$ 554,094	\$ 5,460,734	\$ 19,530,114

FORT ORD REUSE AUTHORITY**Reconciliation of the Balance Sheet of Governmental Funds****to the Statement of Net Assets****June 30, 2012**

Total fund balances - governmental funds	\$ 12,302,605
--	---------------

In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 451,051
Accumulated depreciation	<u>(337,503)</u>
Net	113,548

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

Capital lease obligations	\$ (216,182)
Preston Park Loan Payable	(18,456,588)
Compensated absences	<u>(147,431)</u>
Total	<u>(18,820,201)</u>
Total net assets (deficit), governmental activities	\$ <u>(6,404,048)</u>

Fund Financial Statements

FORT ORD REUSE AUTHORITY

Statement of Revenues, Expenditures, and Change in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2012

	General Fund	Lease and Sale Proceeds	Developer Fees	Pollution Legal Liability	EDA Grant ARRA	Army Grant ET/ESCA	Governmental Funds
REVENUE							
Membership dues	\$ 261,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261,000
Franchise fees	248,252						248,252
Property tax increment	837,683						837,683
Federal grants					2,105,770	603,599	2,709,369
Developer fees			2,231,162				2,231,162
Insurance reimbursements				727,634			727,634
Lease/Rental income	77,955	1,799,998					1,877,953
Real estate sales		28,296					28,296
CSU mitigation fees			500,000				500,000
Investment/Interest earnings	306,468			33,867			340,335
Other revenue	4,000			5,000			9,000
Total Revenue	<u>1,735,358</u>	<u>1,828,294</u>	<u>2,731,162</u>	<u>766,501</u>	<u>2,105,770</u>	<u>603,599</u>	<u>9,770,684</u>
EXPENDITURES							
Current							
Salaries and benefits	1,307,022		257,545			279,867	1,844,434
Supplies and services	207,265	5,500	25,739			16,107	254,611
Contractual services	621,012	12,723	195,057	3,084		307,625	1,139,501
Insurance				600,000			600,000
Capital improvements			615,286		4,211,540		4,826,826
Debt service		1,307,986	116,000	876,799			2,300,785
Total Expenditures	<u>2,135,299</u>	<u>1,326,209</u>	<u>1,209,627</u>	<u>1,479,883</u>	<u>4,211,540</u>	<u>603,599</u>	<u>10,966,157</u>
Excess of revenues over (under) Expenditures	<u>(399,941)</u>	<u>502,085</u>	<u>1,521,535</u>	<u>(713,382)</u>	<u>(2,105,770)</u>		<u>(1,195,473)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in		1,106,046			2,105,770		3,211,816
Transfers out	<u>(2,105,770)</u>		<u>(1,106,046)</u>				<u>(3,211,816)</u>
Total other financing sources (uses)	<u>(2,105,770)</u>	<u>1,106,046</u>	<u>(1,106,046)</u>		<u>2,105,770</u>		
Net change in net assets	<u>(2,505,711)</u>	<u>1,608,131</u>	<u>415,489</u>	<u>(713,382)</u>			<u>(1,195,473)</u>
Fund Balances - July 1, 2011	5,788,623	1,335,178	4,300,803	2,686,094			14,110,698
Prior Period Adjustments	<u>(50,457)</u>	<u>(77,816)</u>	<u>(45,450)</u>	<u>(438,897)</u>			<u>(612,620)</u>
Fund Balances, restated - July 1, 2011	<u>5,738,166</u>	<u>1,257,362</u>	<u>4,255,353</u>	<u>2,247,197</u>			<u>13,498,078</u>
Fund Balances - June 30, 2012	<u>\$ 3,232,455</u>	<u>\$ 2,865,493</u>	<u>\$ 4,670,842</u>	<u>\$ 1,533,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,302,605</u>

See accompanying notes to basic financial statements

FORT ORD REUSE AUTHORITY

**Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012**

Total net change in fund balances - governmental funds \$ (1,195,473)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay of \$70,671 is greater than depreciation expense \$(21,845) in the period. 48,826

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. 1,207,743

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (82,151)

Change in net assets of governmental activities \$ (21,055)

Fund Financial Statements

**FORT ORD REUSE AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2012**

	(Unaudited) Business-type Activities - Enterprise Fund
	Preston Park
ASSETS	
Current Assets:	
Cash and investments	\$ 640,149
Cash restricted for equipment purchases	3,952,699
Tenant receivables	1,420
Prepaid expenses	<u>92,862</u>
Total current assets	<u>4,687,130</u>
Noncurrent Assets:	
Property and equipment, net of accumulated depreciation	<u>1,347,277</u>
Total noncurrent assets	<u>1,347,277</u>
Total assets	<u>6,034,407</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	27,685
Deferred revenue	<u>31,432</u>
Total current liabilities	<u>59,117</u>
Noncurrent liabilities:	
Tenant security deposits	<u>454,823</u>
Total noncurrent liabilities	<u>454,823</u>
Total liabilities	<u>513,940</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,347,277
Restricted for:	
Equipment purchases	3,952,699
Unrestricted	<u>220,491</u>
Total net assets	<u>\$ 5,520,467</u>

Fund Financial Statements

**FORT ORD REUSE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012**

	(Unaudited) Business-type Activities - Enterprise Fund
	<u>Preston Park</u>
Operating Revenues:	
Rental income, net	\$ 5,236,730
Total operating revenues	<u>5,236,730</u>
Operating Expenses:	
Administrative	473,771
Utilities	90,972
Operating and maintenance	425,677
Taxes and insurance	280,285
Depreciation	<u>350,192</u>
Total operating expenses	<u>1,620,897</u>
Operating income (loss)	<u>3,615,833</u>
Non-Operating Revenues (Expenses):	
Interest income	7,143
Miscellaneous revenue	<u>40,688</u>
Total non-operating revenues (expenses)	47,831
Income (Loss) Before Distribution	3,663,664
Distribution	<u>3,599,996</u>
Changes in net assets	63,668
Total net assets - July 1, 2011	<u>5,456,799</u>
Total net assets - June 30, 2012	<u>\$ 5,520,467</u>

See accompanying notes to basic financial statements - 10 -

Fund Financial Statements

**FORT ORD REUSE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012**

	(Unaudited) Business-type Activities - Enterprise Fund
<u>Preston Park</u>	<u>Preston Park</u>
Cash Flows from Operating Activities:	
Cash received from tenants	\$ 5,252,006
Cash paid to suppliers for goods and services	(809,659)
Cash paid to employees for services	<u>(473,771)</u>
Net cash provided (used) by operating activities	<u>3,968,576</u>
Cash Flows from Non-Capital and Related Financing Activities:	
Miscellaneous income	40,688
Distribution	<u>(3,599,996)</u>
Net cash provided (used) by non-capital financing activities	<u>(3,559,308)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of property and equipment	<u>(178,159)</u>
Net cash provided (used) by capital and related financing activities	<u>(178,159)</u>
Cash Flows from Investing Activities:	
Interest revenue	<u>7,143</u>
Net cash provided by investing activities	<u>7,143</u>
Net increase (decrease) in cash and cash equivalents	238,252
Cash and Cash Equivalents at Beginning of Fiscal Year	<u>4,354,596</u>
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 4,592,848</u>
Reconciliation to Statement of Net Assets:	
Cash and investments	\$ 640,149
Cash restricted for equipment purchases	<u>3,952,699</u>
	<u>\$ 4,592,848</u>

(Continued)

Fund Financial Statement

**FORT ORD REUSE AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012
(Continued)**

	<u>(Unaudited) Business-type Activities - Enterprise Fund</u>
	<u>Preston Park</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 3,615,833
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	350,192
(Increase) decrease in tenant receivables	(1,025)
(Increase) decrease in prepaid expenses	(6,254)
Increase (decrease) in accounts payable and accrued expenses	(6,471)
Increase (decrease) in tenant security deposits	30,485
Increase (decrease) in deferred revenue	<u>(14,184)</u>
Total adjustments	<u>352,743</u>
Net cash provided (used) by operating activities	<u>\$ 3,968,576</u>

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

The notes to the statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Fort Ord Reuse Authority, as follows:

- Note 1 - Summary of Significant Accounting Policies
- Note 2 - Cash and Investments
- Note 3 - Interfund Activity
- Note 4 - Capital Assets
- Note 5 - Defined Benefit Pension Plan
- Note 6 - Deferred Compensation Plan
- Note 7 - Long-Term Debt Obligations
- Note 8 - Capitalized Lease Obligation
- Note 9 - Loans Payable
- Note 10 - Compensated Absences
- Note 11 - Health Care Plan
- Note 12 - Commitments and Contingencies
- Note 13 - Fund Balance Definitions
- Note 14 - Property Sales and Lease Income
- Note 14 - Contingent Receivables
- Note 15 - US Army Environmental Services Cooperative Agreement Grant
- Note 16 - Office Lease
- Note 17 – Prior Period Adjustments
- Note 18 - Subsequent Events

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Fort Ord Reuse Authority (Authority) was created under Title 7.85 of the California Government Code, Chapters 1-7, signed into law on May 10, 1994. The Authority was incorporated in the State of California as an instrumentality and is considered a quasi-governmental regional agency. The Authority has specific powers in State Law to prepare, adopt, finance and implement a plan for the future use and development of the territory formerly operated by the U.S. Army as the Fort Ord Military Reservation in Monterey County, California.

The Authority is governed by a 13-voting member board, which consists of various Monterey County's Board of Supervisors, City Mayors and/or Council Members from surrounding jurisdictions. The Authority Board has 12 non-voting ex-officio members. There are no component units, as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14 or 39 as amended, that are included in the Authority's reporting entity.

The Authority receives funding from local, state, and federal governmental sources and must comply with the accompanying requirements of these funding source entities. However, the Authority is not included in any other governmental reporting entity as defined by the Governmental Accounting Standards Board pronouncement. The Board has the authority to levy taxes, the power to designate management and the ability to significantly influence operations and primary accountability for fiscal matters.

Title 7.85 of California Government Code specifies that its terms and provisions would become inoperative when the board determines that 80% of the territory of Fort Ord (that is designated for development or reuse in the plan prepared pursuant to the bill) has been developed or reused in a manner consistent with the plan, or June 30, 2014, whichever occurs first, and would be repealed on January 1, 2015.

B. Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

C. Basis of Presentation

The financial statement presentation, required by GASB Statements No. 34, 37, and 38 provides a comprehensive, entity-wide perspective of the Authority's assets, liabilities, and expands the fund-group perspective previously required.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The Authority does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds present increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Authority meets the cash flow needs of proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items.

D. Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate. Authority resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority's accounts are organized into major funds and a proprietary fund as follows:

Major Governmental Funds

General fund is the general operating fund of the Authority and accounts for all revenue and expenditures of the Authority not encompassed within other funds. All general revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

In accordance with GASB Statement No. 34, paragraph 76, the Authority has elected to report all its special revenue funds as major funds because they believe these funds are particularly important to financial statement users, as follows:

Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund. The Authority maintains five major special revenue funds:

1. Lease and Sale Proceeds Fund is used to account for revenue from the sale/lease of real estate on the former Fort Ord.
2. Developer Fees Fund is used to account for moneys received from fees levied on developers or other agencies as a condition of approving development on the former Fort Ord.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

3. Pollution Legal Liability Fund is used to account for resources and payments made for principal and interest on long-term debt associated with the purchase of Pollution Legal liability insurance.
4. EDA Grant AARA Fund is used to account for revenue and projects funded by the U.S. Department of Commerce Economic Development Administration for the new arterial road construction.
5. Army Grant ET/ESCA Fund is used to account for revenue and projects funded by the U.S. Department of the Army for cleanup of munitions and explosives of concern.

Proprietary Fund

Preston Park Fund is used to account for the revenues and expenses of the 354 apartment units that are located at 682 Wahl Court, Marina, California.

E. Budgetary Data

The Authority is not required by state law to adopt annual budgets for the general and special revenue funds. An annual budget is however prepared, adopted by the Authority's Board, and included as a part of the general accounting record and used as a guide to controlling expenses. Each budget is prepared and controlled by the budget controller at the revenue and expenditure function/object level.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- A proposed draft budget is submitted to the Board for the fiscal year commencing July 1.
- Once the budget is approved, it can be amended only by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings.

F. Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

G. Cash and Investments

Cash and cash equivalents held by the Authority are reported as cash and investments. Funds can spend cash at any time without prior notice or penalty. Investments are stated at fair value. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

I. Capital Assets

The land and buildings that have been rehabilitated by the Fort Ord Redevelopment Project are owned by either the Authority or the City of Marina and are not included as part of the building improvements. The building improvements included herein are those associated with the rehabilitation. Repairs occurring during the rehabilitation period were expensed unless they added additional life to the building improvements. The last available appraised value of the land and buildings as of June 30, 2010, was \$57,320,000.

Equipment and furniture are stated on the actual cost basis. Capitalization level for capital assets is \$500 per unit (including installation cost). Contributed capital assets are recorded at their estimated fair value at the time received. There were no contributed capital assets during the fiscal year. Capital assets are depreciated over their estimated useful lives. In accordance with the option provided by Governmental Accounting Principles Generally Accepted in the United States of America (GASB Statement No. 34), infrastructure assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting are not recorded on the Statement of Net Assets. Management has determined that the purpose of stewardship for capital expenses is satisfied without recording these assets. In addition, depreciation is not recorded on these capital assets. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Leasehold improvements	5-20 years
Furniture and fixtures	3-7 years
Automobiles	5 years

In all cases, the infrastructure assets are owned by the Authority, as trustee, for a relatively short period of time.

During the reporting period the Authority did not receive or transfer any real property. Real property assets have been transferred from the United States Government under an agreement dated June 23, 2000. These transfers included land, buildings, and infrastructure within the Cities of Marina, Del Rey Oaks, Monterey, Seaside and the County of Monterey. As of June 30, 2012, the Authority owned approximately 3,450 acres of former Fort Ord Army Base land which included the following parcels:

- Preston Park Housing area
- EDC properties transferred in connection with the ESCA Grant

Real property assets are not recorded on the Authority's books since the Authority, as trustee, is a short-term real property holding entity. The Authority transfers property to underlying jurisdictions for disposal/development, retaining 50% interest in any future sale or leasing proceeds from any of these properties transferred for private development or for public non-institutional purposes. The ESCA Grant properties are undergoing munitions and explosives of concern remediation with covenants restricting use of these properties ("CRUPS") and have limited value until the CRUPS are lifted at the completion of remediation.

Management has determined the estimated fiscal year-end value of Authority owned properties to be in the range of \$100-\$150 million, of which the Authority is entitled to a 50% share.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Net Assets

The Authority's net assets are classified as follows:

- Investment in capital assets - This represents the Authority's total investment in capital assets.
- Restricted net assets - Restricted net assets include resources that the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or regulatory agencies that direct usage, or other impositions by contract or adopted covenants.
- Unrestricted net assets - Unrestricted net assets represent resources derived from franchise fees and membership dues. These resources are used for transactions relating the general operations of the Authority, and may be used at the discretion of the governing board to meet current expenses for any purpose.

K. Long -Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, long-term debt is not reported.

L. Fund Balance Reserves and Designations

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the Authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

M. Statement of Cash Flows

For the purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

N. New Accounting Pronouncements

GASB Statement No. 64 – Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53

For the fiscal year ended June 30, 2012, the Authority implemented GASB Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53”. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement set forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this Statement did not have an effect on these financial statements.

Note 2 - Cash and Investments

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of Net Assets:

Cash and investments	\$ 16,881,360
Cash restricted for equipment purchases	<u>3,952,699</u>
Total cash and investments	<u>\$ 20,834,059</u>

Cash and investments as of June 30, 2012 consist of the following:

Cash on hand	\$ 199
Deposits with financial institutions	7,303,922
Investments	<u>13,529,938</u>
Total cash and investments	<u>\$ 20,834,059</u>

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investments Type	Maximum Percentages	Maximum Maturity
U.S. Treasury Obligations	per approval	12 months
Other Obligations guaranteed by the U.S. Government	per approval	12 months
Obligations of U.S. Federal Agencies	per approval	12 months
Certificates of Deposit	per approval	12 months
Deposit Notes	per approval	12 months
Repurchase Obligations	per approval	30 days
Bankers Acceptances	per approval	12 months
Savings and Money Market Accounts	per approval	N/A
Money Market Mutual Funds	per approval	N/A
Local Agency Investment Fund (LAIF)	per approval	N/A

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 2 - Cash and Investments (Continued)

The Executive Officer shall consult with the Finance Committee Chair for any investment transaction exceeding 5% of the Authority's total portfolio; the Finance Committee will be routinely informed of these transactions.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
Money market mutual funds	\$ 5,076,582	Due on demand
Certificates of deposit	\$ 8,453,356	12 months

The Authority has no investments that are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Money market mutual funds	\$ 5,076,582	N/A	\$ -	\$ 5,076,582	\$ -	\$ -	\$ -
Certificates of deposit	8,453,356						8,453,356
	<u>\$ 13,529,938</u>		<u>\$ -</u>	<u>\$ 5,076,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,453,356</u>

Concentration of Credit Risk

The investment policy of the Authority contains limitations on the amount that can be invested in any type of investment or industry group beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than money market mutual funds and certificates of deposits) that represent 5% or more of total Authority investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk (Continued)

As of June 30, 2012, \$2,587,814 of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts

Cash Restricted for Equipment Purchases

As required by the City of Marina and the Fort Ord Reuse Authority, the Preston Park's Property maintains a capital reserve cash account for future capital purchases. As of June 30, 2012, the reserve balance was \$3,952,699.

Note 3 – Interfund Activity

Due To/From Other Funds

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

	<u>Due From</u>	<u>Due To</u>
Major Governmental Funds:		
General Fund	\$ 327,147	\$ -
EDA Grant ARRA Special Revenue Fund		327,147
Totals	<u>327,147</u>	<u>327,147</u>

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2011-2012 fiscal year are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
Lease and Sale Proceeds Special Revenue Fund	\$ 1,106,046	\$ -
EDA Grant ARRA Special Revenue Fund	2,105,770	
General Fund		2,105,770
Developer Fees Special Revenue Fund		1,106,046
Totals	<u>\$ 3,211,816</u>	<u>\$ 3,211,816</u>

Note 4 - Capital Assets

Capital asset activity, for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities

Capital assets, being depreciated:	Balance at			Balance at
	July 1, 2011	Additions	Deletions	
Equipment and furniture	\$ 380,380	\$ 70,671	\$ -	\$ 451,051
Less - accumulated depreciation	(315,658)		(21,845)	(337,503)
Total capital assets, net	<u>\$ 64,722</u>	<u>\$ 70,671</u>	<u>\$ (21,845)</u>	<u>\$ 113,548</u>

Depreciation expense was \$21,845 for the fiscal year ending June 30, 2012, and charged to the general government function.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 4 - Capital Assets (Continued)

Business-type Activities

Preston Park	(Unaudited) Balance at July 1, 2011	(Unaudited) Additions	(Unaudited) Deletions	(Unaudited) Balance at June 30, 2012
Capital assets, being depreciated:				
Improvements	\$ 3,792,045	\$ 178,159	\$ -	\$ 3,970,204
Furniture and fixtures	435,172			435,172
Automobile	35,563			35,563
Less - accumulated depreciation	(2,743,470)		(350,192)	(3,093,662)
Total capital assets, net	<u>\$ 1,519,310</u>	<u>\$ 178,159</u>	<u>\$ (350,192)</u>	<u>\$ 1,347,277</u>

Depreciation expense was \$350,192 for the fiscal year ending June 30, 2012, and charged to functions/programs of the Authority's business-type activities as Preston Park.

Note 5 - Defined Benefit Pension Plan

Plan Description

All eligible full-time employees participate in the Authority's defined benefit pension plan, administered through the California Public Employee's Retirement System, which provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The California Public Employees' Retirement System (CalPERS) is an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provision as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local resolution (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California, 95814.

Funding Status and Progress

Participants are required to contribute 7% of their annual covered salary. The Authority makes the contributions required of its employees on their behalf and for their account. The Authority's required contribution is based upon an actuarially determined rate. The current 2011-12 fiscal year employer rate was 13.019% of annual covered payroll. The projected 2012-2013 fiscal year employer rate is 13.5% of annual covered payroll. The contribution requirements of plan members, and the Authority, are established and may be amended by CalPERS.

Annual Pension Cost

The Authority's total annual pension cost of \$244,182 to CalPERS was equal to the Authority's required and actual employer contributions of \$158,799 and the employee share of \$85,383. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions included:

- a 7.75% investment rate of return (net of administrative expenses).
- projected annual salary increases of 3.55% to 14.45% depending on age, service and type of employment.
- an inflation rate of 3.0%.
- a payroll growth rate of 3.25%.
- individual salary growth merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0% and an annual production growth of 0.25%.

The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The Schedule of Funding Progress on page 34 shows that the plan was underfunded as of June 30, 2011. Information for the fiscal year ending June 30, 2012 has not been released by the Plan Actuary.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 5 - Defined Benefit Pension Plan (Continued)

The contribution rate for normal cost is determined using the entry-age normal actuarial cost method, a projected benefit cost method. It takes into account those benefits that are expected to be earned in the future as well as those already accrued. Significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described above.

Historic Trend Information

Three-year trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 132,215	100%	\$ -0-
6/30/2011	\$ 135,110	100%	\$ -0-
6/30/2012	\$ 158,799	100%	\$ -0-

Note 6 - Deferred Compensation Plan

The Authority offers its full-time employees a deferred compensation plan in accordance with Internal Revenue Code §457. The plan permits the employee to defer until future years up to 25% of annual gross earnings not to exceed \$16,500; this amount increases to \$22,000 for employees 50 years and older. Assets are not available to participants for disbursement until termination, retirement, death, or an emergency.

The Authority does not fund the compensation deferred under the Plan except for \$833 per month contributed on behalf of the Executive Officer per the employment agreement. The contributions are held in investments that are underwritten by ICMA Retirement Corporation. Periodic contributions are made through payroll deductions of the employees and all plan fees associated with the accounts are the responsibility of the individual employee.

The participants' accounts are not subject to claims of the Authority's creditors. The Authority has no liability for losses under the plan but does have the duty of due care that would be required of any ordinary prudent investor.

Note 7 - Long-Term Debt Obligations

Long-term debt activity for the fiscal year was comprised of the following:

	July 1, 2011			June 30, 2012		Due Within One Year
	Balance	Additions	Reductions	Balance		
Capital lease	\$ 316,847	\$ -	\$ 100,665	\$ 216,182		\$ 105,537
PLL Insurance loan	857,143		857,143			
Preston Park loan	18,706,523		249,935	18,456,588		268,382
Compensated absences	65,280	108,263	26,112	147,431		39,057
Totals	<u>\$ 19,945,793</u>	<u>\$ 108,263</u>	<u>\$ 1,233,855</u>	<u>\$ 18,820,201</u>		<u>\$ 412,976</u>

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 8 - Capitalized Lease Obligation

The Authority entered into a lease purchase agreement to acquire fire fighting equipment that was distributed to local jurisdictions for fire suppression on the former Fort Ord Army Base.

Scheduled Payments

Future minimum lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	
2013	\$ 116,000
2014	<u>116,000</u>
Total gross lease payments	232,000
Less amount representing interest	<u>15,818</u>
Net minimum lease payments	<u><u>\$ 216,182</u></u>

Note 9 - Loans Payable

Basewide Pollution Legal Liability Insurance Policy Loan

In 2005, the Authority entered into a long-term financing agreement to purchase a ten-year Basewide Pollution Legal Liability insurance policy. Financing was provided by a local bank through two separate credit line loans, and is secured by real estate (RE) and certificates of deposit (COD). Interest accrues at 4.5% on the RE secured loan and at 3.5% on the COD secured loan, and is paid monthly. Funding to the Authority to repay the loans is being provided by member municipalities that benefit from legal liability protection of the insurance policy.

During the fiscal year, the Authority paid off the outstanding balance of \$857,143.

Preston Park Loan

In March 2010, the Authority borrowed \$19 million from Rabobank. In June 2009, the Board of Directors authorized the new loan to 1) provide stimulus grant local matching funds and 2) retire certain existing debts (2002 Revenue Bonds and \$9M Line of Credit).

The new loan has a fixed interest rate of 5.98% for five years and matures in June 2014. The monthly debt service (principal and interest) of \$113,740 is being funded by the Authority's 50% share of Preston Park lease revenue.

As of June 30, 2012, the amount of outstanding principal was \$18,456,588.

Note 10 - Compensated Absences

The leave policy was revised in June 2011 to limit vacation accrual and include a vacation cash out provision. Authority employees are allowed to accrue up to 10 days of sick leave and up to 20 days of vacation per year, depending on length of employment. Employees are permitted to accrue an unlimited amount of sick leave; vacation accrual is limited to 240 hours. Employees may elect to cash out up to 80 hours of accrued vacation one time during a fiscal year. In the event of separation of employment, an employee is reimbursed for any unused vacation leave, and a portion of their unused sick leave (limited to 174 hours). Reimbursement is based on the employee's regular salary rate at the date of termination or resignation. Vacation leave becomes vested immediately and sick leave becomes vested after 5 years of continuous service. Effective July 1, 2006, the Authority management employees are provided 5 days of management leave per year. There is no cash pay-off for unused management leave time.

The Authority's liability for accrued vacation and sick pay at June 30, 2012 was \$147,431.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 11 - Health Care Plan

During the year ended June 30, 2012, employees of the Authority were covered by a third party medical insurance plan, the California Public Employees Retirement System (CalPERS) Medical Benefits Program, and by the Principal Financial Group for dental, vision, and life insurance. The Authority contributes to the employee medical premium and to eligible dependents medical premiums up to \$1,323 per month per family. In addition, employees receive monthly cash allowances of \$145 per employee to be applied towards premiums of the optional dental, vision, and life insurance benefits under an Internal Revenue Code Section 125 Flexible Benefit Plan.

Note 12 - Commitments and Contingencies

A. Litigation

As of June 30, 2012 the Authority was involved in several potential litigations.

Appropriate insurance policies protect the Authority from most potential litigation effects. In addition, the Authority requires indemnification and contract provisions with its vendors and contractors that also guard against, and redirect, litigation costs and potential impact to the Authority's assets. The Authority retains authority and special counsel to defend any such actions.

B. Grant Payments

The Authority participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies. Current year grant information is as follows:

1. Environmental Remediation Project

The \$99.3 million federal grant was paid to the Authority in three phases: \$40 million in FY 06-07, \$30 million in FY 07-08, and \$27.7 million in FY 08-09. The Army provided their payments ahead of schedule and secured a \$1.6 million credit for early payments. With the last payment received in December 2008, the grant paid for all contracted expenditures through the end of the remediation project (June 2014).

o Deferred Revenue

The Authority's share of unspent, unearned Army grant revenue at June 30, 2012 is classified as revenue collected in advance of the earnings process and is recorded as deferred revenue, a liability account, for financial statement purposes. It will be recognized as revenue when earned.

2. Road Construction and the Veteran Cemetery Projects

The Authority collects payments for these two projects on a cost reimbursement basis, therefore, there is no deferred revenue liability recorded, and grant expenditures are reported as grants receivable on the financial statements.

Note 13 - Property Sales and Lease Income

California Law requires that all net lease or property sale proceeds generated on the former U.S. Army Base are to be shared equally between the Authority and the governmental entity with jurisdiction over subject property. This state law is affirmed under contract implementation agreements between the Authority and its underlying jurisdictions. The Authority's share of property sale and lease income activity for the fiscal year was as follows:

Lease income

Preston Park Housing	\$ 1,877,953
----------------------	--------------

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 14 - Contingent Receivables

Contingent receivables are those for which there is some uncertainty of the legal obligation but have a prospect of a favorable settlement. Generally, a contingency involves some future determination, e.g., judgment or settlement.

1. \$50,457 - The City of Del Rey Oaks (DRO)

In 2002, DRO participated in a construction project funded by the EDA grant and local matching funds. On April 23, 2002, the DRO Council affirmed the City's commitment to provide the 25% local match or \$50,457 to pave a portion of South Boundary Road within the DRO city limits. DRO never paid this obligation citing insufficient resources. The Authority reports this debt as a long-term receivable on its financial statements and intends to collect payment as a deduction from the future land sale proceeds of DRO real property. The amount of \$50,457 is recorded as deferred revenue.

2. \$4.1 million – East Garrison Partners (EGP)

Monterey County (County) approved the EGP project in 2005, postponing land sale revenues to future years. A portion of these land sale revenue was due to the Authority under State law and the terms of the Authority/County 2001 Implementation Agreement. As a consequence, the Authority did not collect the deferred \$4.1M in land sale revenue and issued debt of the same amount to fund its ongoing building removal responsibilities. EGP, County and the Authority entered into a Memorandum of Understanding (MOU), which required EGP to: a) pay the Authority monthly interest payments on the \$4.1M loan that Authority acquired in lieu of the land sale proceeds and b) repay the \$4.1M principal due in 2011 or upon termination of the MOU. In 2009, EGP defaulted on the project. A new developer, Union Community Partners (UCP) purchased the rights and property associated with the project. UCP retired interest obligations in December 2011; the principal repayment is still outstanding.

Note 15 - US Army Environmental Services Cooperative Agreement Grant

Removal of munitions and explosives of concern (MEC) at the former Fort Ord has been in progress by the U.S. Army since 1992. Several areas formerly used for military training at the former base have been cleared over the years, but approximately 3,340 acres must still undergo specific MEC removal activities before they can be reused for key elements of the Fort Ord Base Reuse Plan. In the spring of 2005 the U.S. Army and the Authority entered into negotiations to execute an Army funded Environmental Services Cooperative Agreement (ESCA) leading to the transfer of former Fort Ord 3,340 acres prior to regulatory environmental sign-off. In early 2007, the Army awarded the Authority \$99.3 million to perform munitions cleanup on the ESCA parcels. The Authority also entered into an Administrative Order on Consent (AOC) with U.S. Environmental Protection Agency (EPA) and California Department of Toxic Substance Control (DTSC), defining conditions under which the Authority assumes responsibility for the Army remediation of the ESCA parcels. In order to complete the AOC defined work; the Authority entered into a Remediation Services Agreement (RSA) with Arcadis, Inc. to provide MEC remediation services and executed a Cost-Cap insurance policy for this remediation work through the American International Insurance Group (AIG).

The ESCA Remediation Program (RP) has been underway for approximately 4.5 years. The ESCA property was transferred to Authority ownership on May 8, 2009. The FY 2011 ESCA RP field work focused in the Parker Flats, future East Garrison and interim action ranges areas of the former Fort Ord.

On December 17, 2008, the Authority received the fourth and final ESCA Grant fund payment of approximately \$28.6 million. Per the AOC, the majority of these funds have been transferred to AIG (now "Chartis" company) for payment to LFR, Inc. under the terms of the insurance policies and related agreements. The Authority's administrative costs and oversight responsibility, including third-party quality assurance work, are also funded by the ESCA grant.

Note 16 - Office Lease

On July 2, 2009, the Authority entered into a lease agreement for office space, with occupancy to commence on the date that a certificate of occupancy for the premises is delivered to the Authority, and shall terminate on midnight of the last day of the fifty-seventh (57th) month, thereafter. Monthly rent for the initial lease term, as determined by a current, independent appraisal, shall be one dollar seventy cents (\$1.70) per square foot, per month, for a total of \$988,000 over the 57 month period. The transaction is part of an exchange agreement whereby the Authority is exchanging land, with a value of \$988,000, as determined by an independent appraisal, for rent and tenant improvements. The Authority is responsible for a pro-rata share of the common area maintenance. The office lease agreement is scheduled to terminate with the sunset provisions of the Authority.

FORT ORD REUSE AUTHORITY
Notes to Basic Financial Statements
June 30, 2012

Note 17 – Prior Period Adjustments

Government-wide and fund financial statements

Fund	Reason for adjustment	Amount
General Fund	Understatement of deferred revenue	\$ 50,457
Lease and Sale Proceeds Special Revenue Fund	Understatement of deferred revenue	77,816
Developer Fees Special Revenue Fund	Understatement of deferred revenue	45,450
Pollution Legal Liability Special Revenue Fund	Understatement of deferred revenue	438,897
		<u>\$ 612,620</u>

Note 18- Subsequent Events

The Authority management has reviewed the results of operations for the period from June 30, 2012 through February 1 2013, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

The management, however, feels that it is important to disclose the following information as it may affect the Authority's financial position as of June 30, 2012, and cause prior period adjustments in its financial statements, as follows:

- Several significant receivables are under collection by the Authority. If not collected, year end fund balances may be reduced.
- There are three pending litigations as of February 1, 2013:
 1. Keep Fort Ord Wild v Fort Ord Reuse Authority concerning Eastside Parkway environmental review (limited financial liability).
 2. Keep Fort Ord Wild v Fort Ord Reuse Authority concerning Conflict of Interest (limited financial liability).
 3. City of Marina v Fort Ord Reuse Authority regarding ownership of Preston Park Housing Complex (liability unknown).

REQUIRED SUPPLEMENTARY INFORMATION

FORT ORD REUSE AUTHORITY
Budgetary Comparison Information
Budget and Actual - All Funds
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (Inflows)				
Membership dues	\$ 261,000	\$ 261,000	\$ 261,000	\$ -
Franchise fees	195,000	195,000	248,252	53,252
Property tax increment	1,500,000	779,250	837,683	58,433
Federal grants	3,073,639	3,007,468	2,709,369	(298,099)
Developer fees	34,000	2,224,200	2,231,162	6,962
Planning reimbursements	12,500	12,500		(12,500)
Interest payments	287,000	287,000		(287,000)
Insurance reimbursements	727,634	727,634	727,634	
Lease/Rental income	1,592,858	1,872,858	1,877,953	5,095
Real estate sales			28,296	28,296
CSU mitigation fees	500,000	500,000	500,000	
Investments/Interest earnings	62,500	104,195	340,335	236,140
Other revenue			9,000	9,000
Amounts available for appropriation	<u>8,246,131</u>	<u>9,971,105</u>	<u>9,770,684</u>	<u>(200,421)</u>
Charges to Appropriations (Outflows)				
Salaries and benefits	1,902,101	1,767,040	1,844,434	(77,394)
Supplies and services	227,550	276,219	254,611	21,608
Contractual services	1,493,250	1,670,650	1,139,501	531,149
Capital improvements	5,081,208	5,628,759	4,826,826	801,933
Debt service	2,360,423	2,360,423	2,300,785	59,638
Insurance			600,000	(600,000)
Total charges to appropriations	<u>11,064,532</u>	<u>11,703,091</u>	<u>10,966,157</u>	<u>736,934</u>
Surplus (Deficit)	\$ (2,818,401)	\$ (1,731,986)	\$ (1,195,473)	\$ 536,513

FORT ORD REUSE AUTHORITY
Schedule of Funding Progress
Defined Benefit Pension Plan
For the Fiscal Year Ended June 30, 2012

Pooled Report Format

Since the Authority has less than 100 active members, it is required by CalPERS to participate in a risk pool. The following valuation reports the activity of the risk pool as a whole, and not the specific activity of individual members such as the Authority.

Miscellaneous Plan - 2% at 55 Risk Pool	Actuarial Valuation Date - Fiscal Year Ended		
	June 30, 2009	June 30, 2010	June 30, 2011
Accrued Liabilities (AL)	\$ 3,104,798,222	\$ 3,309,064,934	\$ 3,619,835,876
Actuarial Value of Assets (AVA)	\$ 2,758,511,101	\$ 2,946,408,106	\$ 3,203,214,899
Unfunded Liabilities (UL)	\$ 346,287,121	\$ 362,656,828	\$ 416,620,977
Funded Ratio (AVA/AL)	88.9%	89.0%	88.5%
Annual Covered Payroll	\$ 742,981,488	\$ 748,401,352	\$ 759,263,518
UL as a Percentage of Payroll	46.6%	48.5%	54.9%

Note - Details of the defined benefit pension plan can be found in Note 5 of the basic financial statements. Information for the fiscal year ended June 30, 2012 has not been released by the Plan Actuary.

FORT ORD REUSE AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2012



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9107 WILSHIRE BLVD. SUITE 500
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Fort Ord Reuse Authority
Marina, California

We have audited the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information of the Fort Ord Reuse Authority (Authority) as of and for the fiscal year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no deficiencies that we considered to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, as items 2012-01 through 2012-03 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Authority in a separate letter February 1, 2013.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, member agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
February 1, 2013



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9107 WILSHIRE BLVD. SUITE 500
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Fort Ord Reuse Authority
Marina, California

Compliance

We have audited the Fort Ord Reuse Authority's (Authority) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, member agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
February 1, 2013

FORT ORD REUSE AUTHORITY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Description and Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF COMMERCE ECONOMIC DEVELOPMENT ADMINISTRATION Direct Program: ARRA - Economic Adjustment Assistance Project grant for new arterial road construction EDA Award No. 07-79-73004	11.307	\$ 2,105,770
U.S. DEPARTMENT OF THE ARMY Direct Program: U.S. Army Corp of Engineers, HTRW Center of Expertise, Project grant for Environmental Services Cooperative Agreement Project grant for clean up of munitions and explosives of concern Agreement No. W9128F-07-2-0162	12.000	<u>603,599</u>
Total Expenditures of Federal Awards		<u>\$ 2,709,369</u>

See accompanying notes to the schedule of expenditures of federal awards

FORD ORD REUSE AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Fort Ord Reuse Authority (Authority) presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Authority's basic financial statements.

Note 2 – Summary of Significant Accounting Policies

1. Expenditures reported on the Schedule is reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. All federal grants were direct programs.
3. There were no subrecipients of federal awards.
4. The Catalog of Federal Domestic Assistance (CFDA) numbers included in the accompanying Schedule were determined based upon program name, review of grant contract information and the Office of Management and Budget's CFDA.

FORD ORD REUSE AUTHORITY
Single Audit Report
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Qualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input checked="" type="checkbox"/>	Yes <input type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)	<input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No
--	--------------------------	--

Identification of major programs:

CFDA Number(s)

11.307

Name of Federal Program Cluster

ARRA-Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee:

Yes No

FORT ORD REUSE AUTHORITY
Single Audit Report
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

Section II – Findings – Financial Statement Audit

Significant Deficiencies

2012-01 **Finding – Bank reconciliations are not prepared on a monthly basis:**

During our fieldwork, we noted that bank reconciliations are prepared quarterly instead of monthly.

Effect:

With the lack of frequency in preparing reconciliations, there is an increased risk of misappropriation of funds because management cannot determine as frequently if cash in the bank matches the general ledger.

Recommendation:

We recommend bank reconciliations are prepared on a monthly basis for the bank accounts that issue checks, specifically, the General checking and On-line checking accounts.

Management's Response:

Management agrees with the auditor.

2012-02 **Finding – Deficiencies in expense authorization requests:**

During our test of expenditures, we noted that the Executive Officer approves his/her own purchase authorization request.

Effect:

With the lack of review of expense authorization requests, there is a serious weakness of the system of internal controls and this opens the way for the possibility of not only unapproved but also fraudulent purchases.

Recommendation:

We recommend that all purchase authorization requests are approved by the proper authority.

Management's Response:

Management agrees with the auditor. This is being addressed with the revised Business Expense Reimbursement policy which has been provided to the auditor.

2012-03 **Finding – Noncompliance with GASB 45:**

During our audit, we noted that the Authority has not performed a Governmental Accounting Standards Board (GASB 45) actuarial study for Other Postemployment Benefits.

Effect:

The liability for other post-employment benefits is not presented in the basic financial statements.

Recommendation:

We recommend the Authority conduct a GASB statement No. 45 valuation study by using the Alternative Measurement Method.

Management's Response:

Management has already discussed with the Auditor that FORA will obtain the OPEB valuation in fiscal year 2012-13.

**FORT ORD REUSE AUTHORITY
Single Audit Report
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012**

Section III – Findings and Questioned Costs – Major Federal Awards Program Audit

None

**FORT ORD REUSE AUTHORITY
Single Audit Report
Status of Prior Fiscal Year Findings
For the Fiscal Year Ended June 30, 2012**

Prior Fiscal Year's Findings – Financial Statement Audit

None

Prior Fiscal Year's Findings – Major Federal Award Programs Audit

None

**FORT ORD REUSE AUTHORITY
MARINA, CALIFORNIA**

**MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER**

June 30, 2012

Fort Ord Reuse Authority
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2012

Transmittal / Management Letter.....	1
Communication with Those Charged with Governance	3
Current Year Recommendations	6
Status of Prior Year Recommendations	8



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9107 WILSHIRE BLVD. SUITE 500
BEVERLY HILLS, CA 90210
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 E. HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Transmittal / Management Letter

February 1, 2013

To the Honorable Board of Directors
Fort Ord Reuse Authority
Marina, California

To the Honorable Board of Directors:

In planning and performing our audit of the financial statements of the Fort Ord Reuse Authority (Authority), as of and for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no deficiencies that we considered to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the current year recommendations section as items 2012-01 through 2012-03 to be significant deficiencies in internal control.

During our audit we noted certain other matters involving internal controls and their operations, and are submitting for your consideration, related recommendations designed to help the Authority make improvements and achieve operational efficiencies. These recommendations are described in the current year recommendation section as items 2012-04 through 2012-06. Our comments reflect our desire to be of continuing assistance to the Authority.

The Authority's written responses to the findings identified in our audit are described in the current year recommendations section. We did not audit the Authority's responses and, accordingly, we express no opinion on them. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the Board of Directors as required by professional auditing standards. We would like to thank the Authority's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the Board of Directors, and others within the Authority, and are not intended to be, and should not be, used by anyone other than these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9107 WILSHIRE BLVD. SUITE 500
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

Communication with Those Charged with Governance

February 1, 2013

To the Honorable Board of Directors
Fort Ord Reuse Authority
Marina, California

We have audited the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining governmental fund information of the Fort Ord Reuse Authority (Authority) for the fiscal year ended June 30, 2012, and have issued our report thereon dated February 1, 2013. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and, if applicable, Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 9, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management of the Authority is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 of the Notes to the basic financial statements. As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2011 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." The implementation of GASB Statement No. 64 had no effect on the financial statements. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

Management's estimate of the historical cost of capital assets and the useful life of the capital assets; the estimated receivables from grants which is based on historical data and internal estimates calculated by Authority personnel; the funding progress for CalPERS which is based on CalPERS' estimate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. \$954,259 of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The \$612,620 journal entry was for the prior period adjustment on net assets, \$9,323 journal entry was for the prepaid expenses, \$56,870 journal entry was for the interest payable, and \$266,446 journal entry was for the deferred revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. During the fiscal year 2011-12, we presented management with our formal audit plan and we discussed the following matter: We did not issue an opinion on the Authority's business type activities on the financial statement due to the audit of Preston Park as of June 30, 2012, which had not been completed. The result of those discussions was not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Authority's management, the Board of Directors, and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA

CURRENT YEAR RECOMMENDATIONS

Significant Deficiencies

2012-01 Finding – Bank reconciliations are not prepared on a monthly basis:

During our fieldwork, we noted that bank reconciliations are prepared quarterly instead of monthly.

Effect:

With the lack of frequency in preparing reconciliations, there is an increased risk of misappropriation of funds because management cannot determine as frequently if cash in the bank matches the general ledger.

Recommendation:

We recommend bank reconciliations are prepared on a monthly basis for the bank accounts that issue checks, specifically, the General checking and On-line checking accounts.

Management's Response:

Management agrees with the auditor.

2012-02 Finding – Deficiencies in expense authorization requests:

During our test of expenditures, we noted that the Executive Officer approves his/her own purchase authorization request.

Effect:

With the lack of review of expense authorization requests, there is a serious weakness of the system of internal controls and this opens the way for the possibility of not only unapproved but also fraudulent purchases.

Recommendation:

We recommend that all purchase authorization requests are approved by the proper authority.

Management's Response:

Management agrees with the auditor. This is being addressed with the revised Business Expense Reimbursement policy which has been provided to the auditor.

2012-03 Finding – Noncompliance with GASB 45:

During our audit, we noted that the Authority has not performed a Governmental Accounting Standards Board (GASB 45) actuarial study for Other Postemployment Benefits.

Effect:

The liability for other post-employment benefits is not presented in the basic financial statements.

Recommendation:

We recommend that the Authority conduct a GASB statement No. 45 valuation study by using the Alternative Measurement Method.

Management's Response:

Management has already discussed with the Auditor that FORA will obtain the OPEB valuation in fiscal year 2012-13.

CURRENT YEAR RECOMMENDATIONS (Continued)

Other Matters

2012-04 Finding – Lack of verification of packing slips and invoices:

During our audit, we noted there was lack of receiver's signatures or verification on the packing slips and invoices when goods were received.

Effect:

Without verification or authorization of goods received, it is difficult to determine whether goods received match the order for goods purchased.

Recommendation:

We recommend the Authority establish policies and procedures to ensure that all items purchased have packing slips and that these packing slips are matched against purchase orders and signed by the receiver indicating so.

Management's Response:

This procedure was already implemented. Front desk staff is required to sign and date receipts of supplies and equipment.

2012-05 Finding – Checks are not deposited in a timely manner:

During our fieldwork, we noted that checks are not deposited in a timely manner.

Effect:

With checks not being deposited in a timely manner, there is an increase chance of misappropriation of funds.

Recommendation:

We recommend that there be an increased effort to deposit checks timely. Available cash would be increased and overall cash controls would be strengthened if funds were deposited immediately.

Management's Response:

The Finance Committee recommended and the auditor agreed that all check will be deposited within a week.

2012-06 Finding – Misappropriation of Authority expenses:

During our review of cell phone monthly statements, we noted that there were charges for text messages and ringtone purchases. In addition, the Executive Officer's home DSL internet charges were paid for by the Authority.

Effect:

The area of personal expenses can open up analysis and scrutiny in the event of an audit by IRS or other such inquiry or investigation. Personal expenses paid for by a public entity are considered an abuse or misuse of public funds.

Recommendation:

We highly recommend, for all future years, all personal items should not be allowed. If it occurs, they should be immediately paid back to the Authority.

Management's Response:

Management agrees with the auditor. This is being addressed with the new Cell Phone policy which has been provided to the auditor. DSL reimbursement was discontinued. Personal charges are reimbursed to FORA.

STATUS OF PRIOR YEAR RECOMMENDATIONS

None

FORT ORD REUSE AUTHORITY BOARD REPORT

NEW BUSINESS

Subject:	Confirm 2013 Chair Appointments to Fort Ord Reuse Authority Committees
Meeting Date:	February 15, 2013
Agenda Number:	9c

ACTION

RECOMMENDATION:

Confirm Fort Ord Reuse Authority ("FORA") Board of Directors Chair Jerry Edelen's 2013 appointments to the Finance Advisory Committee (aka Finance Committee) and the Legislative Advisory Committee (aka Legislative Committee).

BACKGROUND/DISCUSSION:

Each year at the February Board meeting the FORA Chair recommends appointees to FORA's Finance and Legislative Committees for Board confirmation. Appointees serve for a term of one year and must be chosen from among the ex-officio, voting, or alternate Board members.

Chair Edelen recommends the following to serve through February 2014:

Finance Committee:

Councilmember Bill Kampe, City of Pacific Grove (Committee Chair)
Councilmember Ian Oglesby, City of Seaside
Nick Chiulos, County of Monterey
Graham Bice, UCMBEST
Gail Morton, City of Marina

Legislative Committee:

Supervisor Dave Potter, Monterey County (Committee Chair)
Councilmember Frank O'Connell, City of Marina (1st Vice-Chair)
Mayor Ralph Rubio, City of Seaside (2nd Vice-Chair)
Mayor Edelen, City of Sand City (Board Chair)
Mayor David Pendergrass, City of Sand City (Member-at-Large)

FISCAL IMPACT:

Reviewed by FORA Controller

Staff time for this item is included in the approved annual budget.

COORDINATION:

Executive Committee

Prepared by

Lena Spilman

Approved by

Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject: Outstanding Receivables

Meeting Date: February 15, 2013

Agenda Number: 11a

INFORMATION

RECOMMENDATIONS:

Receive a Fort Ord Reuse Authority (FORA) outstanding receivables update as of January 31, 2012.

BACKGROUND/DISCUSSION:

There remains one outstanding receivable as noted below. The Late Fee policy adopted by the FORA Board requires receivables older than 90 days be reported to the Board.

	Item Description	Amount Owed	Amount Paid	Amount Outstanding
City of Del Rey Oaks	PLL Loan Payment 09-10	182,874	-	182,874
	PLL Loan Payment 10-11	256,023	-	256,023
	PLL Loan Payment 11-12	256,023	-	256,023
<i>DRO Total</i>				694,920

City of Del Rey Oaks (DRO)

- PLL insurance annual payments: In 2009, DRO cancelled agreement with its project developer who made PLL loan payments. The FORA Board approved a payment plan for DRO and the interim use of FORA funds to pay the premium until DRO finds a new developer (who will be required by the City to bring the PLL Insurance coverage current). DRO agreed to make interest payments on the balance owed until this obligation is repaid, and they remain current.

Payment status: First Vice Chair/Mayor Edelen informed both the Board and Executive Committee that DRO has selected a new development partner to meet this obligation. DRO is currently negotiating this item with the development entity, which is expected to be signed this month. The remaining obligation is expected to be repaid early this calendar year.

FISCAL IMPACT:

FORA must expend resources or borrow funds until receivables are collected. The majority of FORA revenues come from member/jurisdiction/agencies and developers. FORA's ability to conduct business and finance its capital obligations depends on a timely collection of these revenues.

COORDINATION:

Executive Committee

Prepared by

Ivana Bednarik

Approved by

Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Administrative Committee Report
Meeting Date:	February 15, 2013
Agenda Number:	11b

INFORMATION

RECOMMENDATION:

Receive a report from the Administrative Committee.

BACKGROUND/DISCUSSION:

The approved minutes from the January 2, 2013, January 16, 2013, and January 30, 2013 Administrative Committee meetings are attached for your review (**Attachments A, B, and C**).

FISCAL IMPACT:

Reviewed by the FORA Controller

Staff time for the Administrative Committee is included in the approved annual budget.

COORDINATION:

Administrative Committee

Prepared by Lena Spelman Approved by Michael A. Houlemard, Jr.
Lena Spelman Michael A. Houlemard, Jr.



Fort Ord Reuse Authority

920 2nd Avenue, Suite A, Marina, CA 93933

Phone: (831) 883-3672 • Fax: (831) 883-3675 • w

Attachment A to Item 11b
FORA Board Meeting, 2/15/13

ADMINISTRATIVE COMMITTEE MEETING

8:15 A.M. WEDNESDAY, January 2, 2013

920 2nd Avenue, Suite A, Marina CA 93933 (FORA Conference Room)

MINUTES

1. CALL TO ORDER

Co-Chair Houlemard called the meeting to order at 8:22 a.m. The following were present, as indicated by signatures on the roll sheet:

Doug Yount, City of Marina*
Elizabeth Caraker, City of Monterey*
Diana Ingersoll, City of Seaside*
Bob Rensch, CSUMB
Bob Schaffer
David Zehnder, EPS
Jane Haines

Anya Spear, CSUMB
Chuck Lande, Marina Heights
Scott Hilk, MCP
Sid Williams, UVC

* Voting Members

FORA Staff:
Michael Houlemard
Steve Endsley
Jonathan Garcia
Stan Cook
Jim Arnold
Crissy Maras
Lena Spilman

2. PLEDGE OF ALLEGIANCE

John Dunn led the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

Co-Chair Houlemard announced that long-time FORA employee Charlotte Ellsworth had passed away and that her services would be held that week.

4. PUBLIC COMMENT PERIOD

Bob Schaeffer announced that he was no longer employed by Marina Community Partners.

5. APPROVAL OF NOVEMBER 7, 2012 MEETING MINUTES

MOTION: Graham Bice moved, seconded by Elizabeth Caraker, to approve the December 19, 2012 Administrative Committee meeting minutes as presented.

MOTION PASSED: unanimous

6. JANUARY 11, 2013 FORA BOARD MEETING – AGENDA REVIEW

Mr. Houlemard reviewed the items on the upcoming January 11, 2013 Board meeting agenda.

7. OLD BUSINESS

a. Master Resolution/Settlement Agreement Compliance – Deed Notifications Update

Real Property and Facilities Manager Stan Cook provided a status update regarding outstanding deed notifications required to be completed by the jurisdictions.

b. Post Reassessment Policy Options Consideration – Workshop/Retreat

- i. Scheduling
- ii. Format

Co-Chair Houlemard presented the item. Jane Haines addressed the Committee, requesting they rescind their recommendation for Board adoption of the Guiding Principles, since principles 2c, 2, 3b, and 3d conflicted with the Base Reuse Plan. She distributed materials (attached).

The Committee recommended the Board engage in a strongly facilitated series of workshops to consider the policy options resulting from the Base Reuse Plan Reassessment and that staff amend their report on the item to reflect the Committee's comments. The Committee also indicated that the Guiding Principles should be among other items discussed for proceeding with the policy discussion.

8. NEW BUSINESS

a. CIP Review – Phase II Study

i. Implementing Formulaic Approach - Update

FORA Senior Planner Jonathan Garcia presented the item. David Zehnder, Economic and Planning Systems, discussed their work on the implementation of the formulaic approach for development fees. It was agreed that every effort would be made to get the update to the Board in February.

b. Regional Urban Design Guidelines – Proposed Work Program

Assistant Executive Officer Steve Endsley presented the item and the Committee discussed the best way to move forward with the Regional Guidelines. Jane Haines addressed the Committee and distributed a letter regarding the item (attached).

9. ITEMS FROM MEMBERS

Co-Chair Houlemard announced that the Committee would consider nominating its 2013 Committee Co-Chair in February. Mr. Dunn requested staff distribute the 2013 Committee Roster, when appropriate. Staff agreed.

10. ADJOURNMENT

Co-Chair Houlemard adjourned the meeting at 10:10 a.m.

*Minutes Prepared by:
Lena Spilman, Deputy Clerk*

Approved by:

Michael A. Houlemard, Jr., Executive Officer



Fort Ord Reuse Authority

920 2nd Avenue, Suite A, Marina, CA 93933

Phone: (831) 883-3672 • Fax: (831) 883-3675 • www.fora.org

Attachment B to Item 11b

FORA Board Meeting, 2/15/13

ADMINISTRATIVE COMMITTEE MEETING

8:15 A.M. WEDNESDAY, January 16, 2013

920 2nd Avenue, Suite A, Marina CA 93933 (FORA Conference Room)

MINUTES

1. CALL TO ORDER

Co-Chair Houlemard called the meeting to order at 8:17 a.m. The following were present, as indicated by signatures on the roll sheet:

Doug Yount, City of Marina*
Elizabeth Caraker, City of Monterey*
John Dunn, City of Seaside*
Carl Holm, County of Monterey*
Diana Ingersoll, City of Seaside
Heidi Burch, City of Carmel-by-the-Sea
Rob Robinson, BRAC
Bob Schaffer
Anya Spear, CSUMB
Graham Bice, UC MBEST
Vicki Nakamura, MPC

Todd Muck, TAMC
Sid Williams, UVC
Patrick Breen, MCWD
Jane Haines
Tim O'Halloran, City of Seaside
Kathleen Lee, Sup. Potter's Office
Chuck Lande, Marina Heights
Scott Hilk, MCP
Sid Williams, UVC
Crisand Giles, BIA

FORA Staff:
Michael Houlemard
Steve Endsley
Jonathan Garcia
Darren McBain
Jim Arnold
Crissy Maras
Lena Spilman

* Voting Members

2. PLEDGE OF ALLEGIANCE

Anya Spear led the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

Co-Chair Houlemard noted that Jane Haines had requested several items be distributed to the Committee, copies of which were available to the public.

a. Resolution Acknowledging Rob Robinson

MOTION: Carl Holm moved, seconded by Elizabeth Caraker, to adopt Administrative Committee Resolution A13-01 acknowledging the service of Rob Robinson.

MOTION PASSED: unanimous.

4. PUBLIC COMMENT PERIOD

The Committee received comments from members of the public.

5. APPROVAL OF JANUARY 2, 2012 MEETING MINUTES

Jane Haines asked that her comments under of item 7b of the January 2, 2013 minutes be amended to replace "since several of the principles contradicted state law" with "since principles 2c, 2d, 3b, and 3d conflict with the Base Reuse Plan." The Committee agreed.

MOTION: Doug Yount moved, seconded by Graham Bice, to approve the January 2, 2013 Administrative Committee meeting minutes as amended.

MOTION PASSED: Ayes: Doug Yount, Elizabeth Caraker, John Dunn. Abstained: Carl Holm

6. JANUARY 11, 2013 FORA BOARD MEETING FOLLOW UP

Mr. Houlemard provided an overview of the January 11, 2013 Board meeting. The Committee and members of the development community raised concerns regarding the amendments proposed by Supervisor Parker and adopted unanimously by the Board with Resolution 13-02 and Amendment #1 to the Implementation Agreement.

MOTION: Doug Yount moved, seconded by John Dunn, to; 1) schedule a special Administrative Committee meeting on January 30, 2013 to develop alternative language to section 2.1.2 of Resolution 13-02 and Amendment #1 to the Implementation Agreement for Board consideration, 2) recommend the FORA Board consider adopting the Administrative Committee's recommended alternative language at the next FORA Board meeting.

MOTION PASSED: unanimous.

7. OLD BUSINESS

a. Post Reassessment Policy Options Consideration – Workshop/Retreat

i. Workshop Scheduling and Format

The Committee discussed alternatives for scheduling and format of the upcoming Board workshops and Associate Planner Darren McBain distributed a draft Request for Qualifications for a workshop facilitator. Co-Chair Houlemard requested that Committee members submit their comments to staff by Thursday, January 17, 2013.

ii. Regional Urban Design Guidelines

Co-Chair Houlemard presented the item. Jane Haines distributed materials to the Committee on behalf of the Sierra Club Ventana Chapter.

b. Capital Improvement Program

i. Phase II Study Update

Senior Planner Jonathan Garcia provided an update and discussed an upcoming meeting between FORA staff and the California Department of Finance.

ii. Confirm Jurisdictions' Development Forecasts

Mr. Garcia reviewed the development forecasts submitted by the jurisdictions and received input from members of the Committee and the development community.

8. ITEMS FROM MEMBERS

Co-Chair Houlemard asked that any members interested in serving as 2013 Committee Chair should inform staff prior to the next regular Committee meeting in February.

9. ADJOURNMENT

Co-Chair Houlemard adjourned the meeting at 10:31 a.m.

*Minutes Prepared by:
Lena Spilman, Deputy Clerk*

Approved by:

Michael A. Houlemard, Jr., Executive Officer



Fort Ord Reuse Authority

920 2nd Avenue, Suite A, Marina, CA 93933

Phone: (831) 883-3672 • Fax: (831) 883-3675 • w

Attachment C to Item 11b
FORA Board Meeting, 2/15/13

ADMINISTRATIVE COMMITTEE MEETING

8:15 A.M. WEDNESDAY, January 30, 2013

920 2nd Avenue, Suite A, Marina CA 93933 (FORA Conference Room)

MINUTES

1. CALL TO ORDER

Chair Dawson called the meeting to order at 8:20 a.m. The following were present, as indicated by signatures on the roll sheet:

Dan Dawson, City of Del Rey Oaks*
Doug Yount, City of Marina*
Elizabeth Caraker, City of Monterey*
Carl Holm, County of Monterey*
Diana Ingersoll, City of Seaside*
Bob Schaffer
Tim O'Halloran, City of Seaside
Kathleen Lee, Sup. Potter's Office

Anya Spear, CSUMB
Bill Collins, BRAC
Sid Williams, UVC
Patrick Breen, MCWD
Brian Boudreau, Monterey Downs
Beth Palmer, Monterey Downs
Scott Hilk, MCP

FORA Staff:
Steve Endsley
Jim Arnold
Crissy Maras
Lena Spilman

* Voting Members

2. PLEDGE OF ALLEGIANCE

Senior Project Manager Jim Arnold led the Pledge of Allegiance.

3. ACKNOWLEDGEMENTS, ANNOUNCEMENTS AND CORRESPONDENCE

None.

4. PUBLIC COMMENT PERIOD

None.

5. APPROVAL OF JANUARY 16, 2012 MEETING MINUTES

Doug Yount asked that the January 16, 2013 minutes be amended to reflect the Committee's stated concerns regarding the amendments proposed by Supervisor Parker and adopted unanimously by the Board with Resolution 13-02 and Amendment #1 to the Implementation Agreement.

MOTION: Doug Yount moved, seconded by Carl Holm, to approve the January 16, 2013 Administrative Committee meeting minutes, as amended.

MOTION PASSED: unanimous.

6. OLD BUSINESS

a. Capital Improvement Program Review – Phase II Study

- i. Consider Recommended Revisions to Additional Language Adopted with Resolution 13-2 and Amendment #1 to the Implementation Agreement

- ii. Review Authority Counsel Legal Opinion

The Committee and members of the development community repeated concerns raised in previous meetings regarding the amendments proposed by Supervisor Parker and adopted unanimously by the Board with Resolution 13-02 and Amendment #1 to the Implementation Agreements. Mr. Yount distributed draft proposed clarifying language to the January 11, 2013 Board adopted language. The Committee discussed how best to move forward. Members of the development community and the United Veterans Council urged rapid resolution to the matter in order to enable development to move forward as scheduled.

MOTION: Chair Dawson moved, seconded by Doug Yount, to: 1) recommend Board reconsideration of Item 7b from the January 11, 2013 Board agenda at the earliest date possible and 2) recommend that the Board rescind the language amendments adopted by the Board with Resolution 13-02 and Implementation Agreement Amendment #1.

MOTION PASSED: Ayes: Chair Dawson, Doug Yount, Diana Ingersoll, Elizabeth Caraker, Noe: Carl Holm.

Mr. Holm voiced support for the removal of Supervisor Parker's amendments, but stated his vote was based on his desire to see continuing efforts to reach a compromise with Supervisor Parker on the draft alternate language provided by Mr. Yount.

8. ITEMS FROM MEMBERS

None.

9. ADJOURNMENT

Chair Dawson adjourned the meeting at 9:25 a.m.

*Minutes Prepared by:
Lena Spilman, Deputy Clerk*

Approved by:

Michael A. Houlemard, Jr., Executive Officer

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Finance Committee Report
Meeting Date:	February 15, 2013
Agenda Number:	11c

INFORMATION

RECOMMENDATION(S):

Receive minutes from the January 28, 2013 Finance Committee (FC) meeting.

BACKGROUND/DISCUSSION:

The FC met on January 28, 2013 to discuss the FY 11-12 draft Audit Report and the FY 12-13 mid-year budget update. Please refer to the attached minutes (**Attachment A**) from this meeting for more details and the FC recommendations.

FISCAL IMPACT:

Reviewed by FORA Controller

Staff time for this item is included in the approved annual budget.

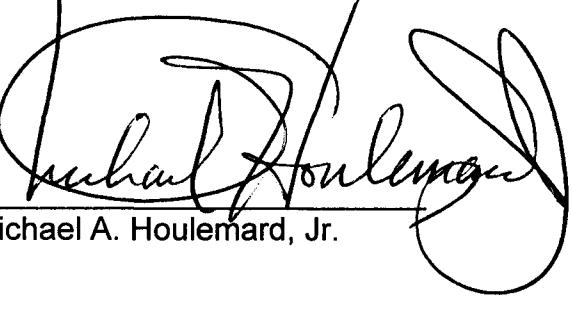
COORDINATION:

Finance Committee

Prepared by


Marcela Fridrich

Approved by


Michael A. Houlema, Jr.



Fort Ord Reuse Authority

920 2nd Avenue, Suite A, Marina, CA 93933
Phone: (831) 883-3672 • Fax: (831) 883-3675 • www.fora.org

Finance Committee Meeting Monday, January 28, 2013 at 2:00 pm

ACTION MINUTES

Present: Chair Bill Kampe, Members: Graham Bice, Nick Chiulos
Absent: Ian Oglesby
Staff: Michael A. Houlemard, Jr., Steve Endsley, Marcela Fridrich, Jonathan Garcia
Consultant: Hadley Hui, CPA, Moss, Levy & Hartzheim
Public: Jane Haines, Scott Hilk, Bob Schaffer

AGENDA

The Finance Committee (FC) discussed the following agenda items:

1. Roll Call
A quorum was achieved at 2:02 PM.
2. Acknowledgements, Announcements, and Correspondence
None
3. Public Comment Period
Jane Haines posed several questions to FC Members/Executive Officer. Committee members/Executive Officer Houlemard responded.
4. August 27, 2012 Minutes
Approved 2:0; (Motion Graham Bice, Second Bill Kampe, Abstention by Nick Chiulos).
5. FY 11-12 Draft Annual Financial Reports (Audit Report)
FC Members received the draft Audit Report prior to the meeting. FORA Auditor, Hadley Hui, was present and provided a detailed presentation. FC members reviewed the financial statements and notes to basic financial statements. Auditor explained prior period adjustments. Members asked questions regarding subsequent events. Michael Houlemard updated members on the status of pending litigation cases and their effect on the budget. FC members discussed findings #2012-01 through #2012-06: #1 - Bank reconciliations should be prepared on a monthly basis; the FC agreed with Auditor's recommendation to reconcile the payment processing accounts on a monthly basis. #2 - Deficiencies in expense authorization requests; FC agreed with the Auditor's recommendation, the revised draft Business Expense Reimbursement policy has been provided to the Annual Auditor for review. #3 - Incompliance with GASB 45; Management agreed that Authority will obtain a GASB No. 45 actuarial study this FY. FC members continued reviewing findings 4-6 described under other matters in the management report. #4 - Lack of verification of packing slips and invoices; the procedure as recommended by the Auditor was already implemented. #5 - Checks not deposited in a timely manner; Chair Kampe recommended and Auditor agreed on depositing checks within a week. #6 - Misappropriation of Authority expenses; cell phone charges will be covered in the new cell phone policy, resolution of DSL charges will be reviewed by the Executive Committee. Member Bice asked the Auditor to insert a subject line to the attached letters. FC recommended approval of the FY 11-12 Audit Report to FORA Board as modified. Approved 3:0; (Motion Graham Bice, Second Nick Chiulos).
6. FY 12-13 Mid-Year Budget Update
During the public comment period Scott Hilk spoke regarding the need for the FORA Board to reconsider the additional language added to the developer fee resolution and Amendment #1 to the IA that they approved at the January 11, 2013 meeting. FC Members received the draft mid-year tables prior to the meeting, Executive Officer Houlemard summarized major revenue and expenditures variances. He explained that the major revenue decrease results from Preston Park sale postponement and consequently on the expense side by debt service (loan pay-off delay). FC members discussed the CFD revenue projection and the property tax projection. FC members asked about additional expenses in the contractual services category. Executive Officer Houlemard explained that additional budget for increased legal representation,

forensic audit as well as for veteran cemetery consultants was already authorized by FORA Board prior to the mid-year budget update. Under the salaries and benefits category, Executive Officer Houlemaid pointed out, that the additional budget allows: 1) salary step increase for eligible employees, and 2) funding to cover PRR requests already authorized by the FORA Board. FC recommended approval of the FY 12-13 mid-year budget to the FORA Board. Approved 3:0; (Motion Graham Bice, Second Nick Chiulos).

7. Next Meeting Date

FC Members agreed to a meeting on March 25, 2013 at 2:00 pm. No motion was made on this matter.

8. Adjournment

Meeting adjourned at 3:50 pm.

Minutes prepared by Marcela Fridrich.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Habitat Conservation Plan Update
Meeting Date:	February 15, 2013
Agenda Number:	11d

INFORMATION

RECOMMENDATION(S):

Receive an Habitat Conservation Plan ("HCP") and State of California 2081 Incidental Take Permit ("2081 permit") preparation process status report.

BACKGROUND/DISCUSSION:

The Fort Ord Reuse Authority ("FORA"), with the support of its member jurisdictions and ICF International (formerly Jones & Stokes), FORA's HCP consultant, is on a path to receive approval of a completed basewide HCP and 2081 permit in 2014, concluding with US Fish and Wildlife Service ("USFWS") and California Department of Fish and Wildlife ("CDFW") (formerly known as California Department of Fish and Game) issuing federal and state permits.

ICF completed an administrative draft HCP on December 4, 2009. FORA member jurisdictions completed a comment and review period, which ended February 26, 2010. In April 2011, USFWS finished their comments on all draft HCP sections, while CDFW provided limited feedback. These comments by the regulatory agencies required a substantial reorganization of the document. To address this, ICF completed a 3rd Administrative Draft HCP for review (dated September 1, 2011). The 12 Permit Applicants (County, Cities of Marina, Seaside, Del Rey Oaks, and Monterey, Monterey Peninsula Regional Park District, Marina Coast Water District, State Parks, Monterey Peninsula College, California State University Monterey Bay, University of California Santa Cruz, and FORA) and Cooperating Entity (Bureau of Land Management) reviewed this draft document and submitted their comments in October 2011. That review included the draft HCP Implementing Agreement and Ordinance/Policy, which are appendices to the draft HCP and are being prepared separately by FORA. ICF addressed the comments received and submitted the draft document to USFWS/CDFW the week of March 19, 2012.

FORA received comments from USFWS in July 2012 and CDFW staff in August 2012, and held in-person meetings on October 30 and 31, 2012 to discuss specific comments; however, a legal review by these wildlife agencies is not yet complete and several policy-level issues must be resolved between CDFW and BLM, CDFW and State Parks/UC before a public review draft can be issued. **Update: After meeting with CDFW Chief Deputy Director Kevin Hunting on January 30, 2013, FORA was told that CDFW and BLM assurances issues require a Memorandum of Understanding ("MOU") between CDFW and BLM, resulting in an estimated additional timeframe of six months, the most protracted issue. Other policy issues and completion of the public review draft HCP should be completed in less than six months. If a six-month schedule can be maintained, FORA staff expects a Public Draft HCP available for public review in Summer 2013.**

At the September 7, 2011 FORA Administrative Committee meeting, Jamie Gomes, Principal, from EPS presented information related to Economic and Planning Systems' ("EPS") review of HCP costs and endowment investment strategy. EPS provided an HCP endowment investment strategy that was incorporated into the draft HCP. According to CDFW, final approval of an endowment holder no longer rests with CDFW (due to passage of SB 1094 [Kehoe]). However, CDFW must review the anticipated payout rate of the HCP endowment holder to verify if the rate assumption is feasible.

FISCAL IMPACT:

Reviewed by FORA Controller 

ICF and Denise Duffy and Associates' (FORA's/USFWS's NEPA/CEQA consultant) contracts have been funded through FORA's annual budgets to accomplish HCP preparation and environmental review. Staff time for this item is included in the approved FORA budget.

COORDINATION:

Executive Committee, Administrative Committee, Legislative Committee, HCP working group, FORA Jurisdictions, USFWS, CDFW, ICF, Denise Duffy & Associates, UC Natural Reserve System, State Parks, and Bureau of Land Management.

Prepared by



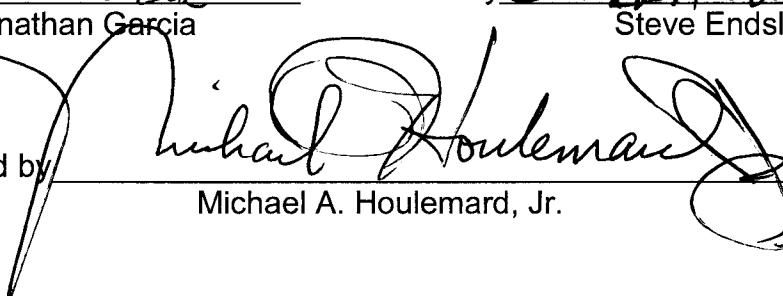
Jonathan Garcia

Reviewed by



Steve Endsley

Approved by



Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Travel Report
Meeting Date:	February 15, 2013
Agenda Number:	11e

INFORMATION

RECOMMENDATION(S):

Receive an informational travel report from the Executive Officer.

BACKGROUND:

The Executive Officer regularly submits reports to the Executive Committee providing details of his travel requests, including those by the Fort Ord Reuse Authority ("FORA") staff and Board members. Travel expenses may be paid or reimbursed by FORA, outside agencies/ jurisdictions/ organizations, or a combination of these sources. The Executive Committee reviews and approves these requests, and the travel information is reported to the Board as an informational item.

Completed Travel

Destination: Sacramento, CA
Date: January 29-30, 2013

Executive Officer Houlemard, Assistant Executive Officer Steve Endsley, Principal Analyst Robert Norris, Senior Planner Jonathan Garcia, and Authority Counsel Jerry Bowden met with representatives from the California State and Consumer Services Agency ("CSCSA"), the Department of Toxic Substances Control, Senator Monning's office, Assemblymember Stone's office, and the California Departments of Fish and Wildlife ("CDFW"), General Services ("CDGS"), Veterans Affairs ("CDVA"), and Finance ("CDoF"). The meeting topics related to the California Central Coast Veterans Cemetery ("CCVVC"), the draft Habitat Conservation Plan ("HCP"), and the FORA Environmental Services Cooperative Agreement ("ESCA").

During the course of the trip, FORA reps also engaged the following individuals in one or more of the meetings: CDoF Assistant Program Budget Manager Greg Rogers, CDoF Assistant Program Budget Manager Chris Lief, CDoF Principal Program Budget Analyst Theresa Gunn, CDoF Program Budget Analyst Randy Katz, Central Coast Veterans Cemetery Foundation Board member Greg Nakanishi, Marina Community Partners, LLC, Managing Director Scott Hilk, Congressional Aide to Congressman Farr Sonja Arndt, Legislative Aide to State Senator Monning Kathy Smith, Assemblymember Mark Stone, Chief of Staff to Assemblymember Stone Rebecca Marcus, to Legislative Aide to Assemblymember Stone Craig Scholer, CSCSA Secretary Anna Caballero, CSCSA Undersecretary Willie Armstrong, DTSC Project Manager Roman Rocca, CDVA Deputy Secretary Lee Gutierrez, CDVA Assistant Deputy Secretary David Gerard, CDVA Senior Architect Jack Striegel, CDVA Assistant Deputy Secretary Stephen Jorgensen, CDFW Chief Deputy Director Kevin Hunting, University of California Natural Reserve System Coordinator Violet Nakayama, DTSC Representative Noel Shrum, CDGS Real Property Services Section Chief Michael Butler, and CDGS Supervising Real Estate Officer Jerry Leong. The outcomes of the meetings were positive. Concerning the CCCVC-related meetings, FORA established working relationships with CDVA, CDoF, CDVA, and CDGS representatives and identified critical milestones. Concerning the draft HCP, CDFW Chief Deputy Director Kevin Hunting committed to addressing outstanding policy issues. Concerning the ESCA, FORA discussed anticipated program work in the coming year.

Upcoming travel

Destination: Sacramento, CA
Date: March 11-12, 2013

Purpose: The Executive Committee has approved Executive Officer Houlemard, Senior Planner Jonathan Garcia, and others as needed, to travel to Sacramento for the purpose of conducting follow-up meetings with CDGS, CDFW, and CDVA. At the January meetings with these entities, participants identified tasks to complete on draft HCP and CCCVC items. It was agreed that these tasks could reasonably be accomplished within five to six weeks, necessitating follow up meetings.

FISCAL IMPACT:

Reviewed by FORA Controller *[Signature]*

Staff time for this item was included in the approved annual budget. Travel expenses are reimbursed according to the FORA Travel Policy.

COORDINATION:

Executive Committee

Prepared by

Lena Spilman

Approved by

Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Fort Ord Reuse Authority Veterans Issues Advisory Committee Appointments
Meeting Date:	February 15, 2013
Agenda Number:	11f

INFORMATION

RECOMMENDATION:

Receive Report regarding Chair Edelen's Appointments to the Fort Ord Reuse Authority (FORA) Veterans Issues Advisory Committee.

BACKGROUND/DISCUSSION:

At the January 11, 2013 Board meeting, the Board approved the creation of an Veteran's Issues Advisory Committee (VIAC), to meet on a quarterly basis over the course of the next calendar year. All meetings will be open to the public and noticed in accordance with the Brown Act. The Board agreed that the Committee members would be appointed by the Chair and that the Board would be informed of the appointments at the next Board meeting.

The following individuals will serve on the FORA Veterans Issues Advisory Committee:

Mayor Jerry Edelen, City of Sand City (Chair)

Director Tom Moore, Marina Coast Water District

Mayor Joe Gunter, City of Salinas

Mayor Pro-Tem Ian Oglesby, City of Seaside

Colonel Clark or his designee, U.S. Army

James Bogan, United Veterans Council

Sid Williams, Monterey County Military & Veterans Advisory Commission

Tom Griffin, Monterey County Veterans Services Officer

Edith Johnsen, Veterans Families/Fund Raising

**The Task Force may also include a local military appointee and a representative from the California Central Coast Veterans Foundation. This information is pending and will be included in the final Board packet.*

FISCAL IMPACT:

Reviewed by FORA Controller _____

None. Staffing support can be absorbed by current employees.

COORDINATION

Executive Committee, United Veterans Council

Prepared by _____
Lena Spilman

Approved by _____
Michael A. Houlemard, Jr.

FORT ORD REUSE AUTHORITY BOARD REPORT

EXECUTIVE OFFICER'S REPORT

Subject:	Public Correspondence to the Board
Meeting Date:	February 15, 2013
Agenda Number:	11g

INFORMATION

Public correspondence submitted to the Board is posted to FORA's website on a monthly basis and is available to view at <http://www.fora.org/Board/PublicComm.html>.

Correspondence may be submitted to the Board via email to board@fora.org or mailed to the address below:

FORA Board of Directors
920 2nd Avenue, Suite A
Marina, CA 93933