

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 01-2006**

**A RESOLUTION DESIGNATING AGENCY MEMBER WILL O'BRYANT TO
SERVE AS VICE CHAIRPERSON FOR THE ENSUING YEAR PURSUANT TO
SECTION 30.1 OF THE BYLAWS FOR THE REDEVELOPMENT AGENCY OF
THE CITY OF MODESTO**

BE IT RESOLVED by the Redevelopment Agency that Agency Member Will O'Bryant is hereby designated to serve as Vice Chairperson for the ensuing year pursuant to Section 30.1 of the Bylaws for the Modesto Redevelopment Agency.

The foregoing resolution was introduced at a regular meeting of the Modesto Redevelopment Agency held on the 3rd day of January 2006, by Agency Member Hawn, who moved its adoption, which motion being duly seconded by Agency Member Keating, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating, Marsh, O'Bryant, Olsen,
Mayor Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: None

Attest: Jean Zahr
JEAN ZAHR, Secretary

APPROVED AS TO FORM:

By: Richard Rudnansky
RICHARD RUDNANSKY, Interim General Counsel

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 02-2006**

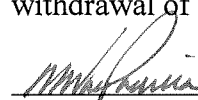
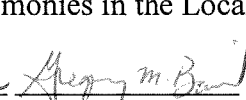
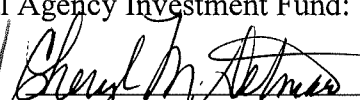

**A RESOLUTION AUTHORIZING INVESTMENT OF REDEVELOPMENT
AGENCY OF THE CITY OF MODESTO MONIES IN LOCAL AGENCY
INVESTMENT FUND**

WHEREAS, pursuant to Chapter 730 of the statutes of 1976 Section 16429.1 was added to the California Government Code to create a Local Agency Investment Fund in the State Treasury for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors does hereby find that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein as in the best interests of the Modesto Redevelopment Agency.

NOW THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize the deposit and withdrawal of Modesto Redevelopment Agency monies in the Local Agency Investment Fund in the State Treasury in accordance with the provisions of Section 16429.1 of the Government Code for the purpose of investment as stated therein, and verification by the State Treasurer's Office of all banking information provided in that regard.

BE IT FURTHER RESOLVED, that the following Modesto Redevelopment Agency officers **or their successors in office** shall be authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund:

			
Wayne Padilla Finance Dir	Gregory Baird Deputy Fin Dir	Cheryl Detmar Deputy Fin Dir	Barry Newlin Accounting Div. Manager

The foregoing resolution was introduced at a regular meeting of the Redevelopment Agency of the City of Modesto held on the 28th day of March 2006, by Agency Member Dunbar, who moved its adoption, which motion being duly seconded by Agency Member O'Bryant, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating, O'Bryant, Olsen, Mayor Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: Marsh

ATTEST: Jean Morris
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By: Richard Rudnansky
RICHARD RUDNANSKY, Interim General Counsel

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 03-2006**

**A RESOLUTION APPROVING A POLICY FOR INVESTMENT OF PUBLIC
FUNDS, POLICY NO. 1.019**

WHEREAS, pursuant to Section 2-3.401 of the Modesto Municipal Code, it is the function of the City of Modesto (“City”) Finance Department to deposit and invest funds in accordance with sound treasury management, and

WHEREAS, the City is also governed by Sections 53600 et seq. of the California Government Code, which requires that local agencies annually adopt an investment policy, and

WHEREAS, the City Council approved a contract on February 3, 2004 with Public Financial Management (PFM), an investment services advisor, to provide investment management, research and supervision of the City’s Managed Funds, and

WHEREAS, PFM has reviewed the City’s Investment Policy and is not recommending changes to the City’s general investment philosophy, and

WHEREAS, a copy of the policy is marked Attachment “A”, attached hereto and incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED that the Modesto Redevelopment Agency hereby approves the Policy for Investment of Public Funds, Policy No. 1.019.

AMENDED FOR CLERICAL ERROR

The foregoing resolution was introduced at a regular meeting of the Modesto Redevelopment Agency held on the 28th day of March 2006, by Agency Member Dunbar, who moved its adoption, which motion being duly seconded by Agency Member O'Bryant, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating, O'Bryant, Olsen, Mayor Ridenour


NOES: Agency Members: None

ABSENT: Agency Members: Marsh

ATTEST: Jean Morris
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By 
RICHARD RUDNANSKY, Interim General Counsel

		
<p>SUBJECT: INVESTMENT POLICY</p>		

PURPOSE

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

BACKGROUND

Under Section 2-3.401 of the Municipal Code, it is the function of the Finance Department to deposit and invest funds in accordance with sound treasury management. As a charter city, Modesto operates its pooled idle cash investment under the “prudent investor” rule which states that:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

The City is also governed by Sections 53600 et seq. of the California Government Code. This affords the City a broad spectrum of investment opportunities, so long as the investment is deemed prudent and allowable under current legislation of the State of California and the charter of the City of Modesto.

On an annual basis, the Finance Director/Treasurer will render to the City Council the statement of investment policy. The report will be considered, with any changes, by the City Council at a public meeting.

INVESTMENT REPORT

The Finance Director/Treasurer shall provide the City Council with a monthly report of investment transactions. In addition, the Finance Director/Treasurer shall render a quarterly report to the City Council, City Manager and the internal auditor within 30 days following the end of the quarter. The report shall contain the following:

1. The type of investment, issuer, purchase date, date of maturity, credit rating, overall portfolio yield based on cost, total par and dollar amount invested on all securities, investments

2. The weighted average maturity of the portfolio.
3. A description of any funds, investments or programs that are under management of contracted parties, including lending programs. Funds and investments held by contracted parties shall be reported at market value and the source of valuation shall be reported.
4. The market value as of the date of the report, and the source of the valuation.
5. A statement of compliance with the investment policy or manner in which the portfolio is not in compliance.
6. A statement denoting the City's ability to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall, or may, not be available.

INVESTMENT CRITERIA

Public funds are invested in the following manner in order of priority:

1. **Safety of Principal**

The duty of the Finance Director/Treasurer is to protect, preserve and maintain cash and investments on behalf of the citizens of the community. To guard against loss of principal, only prudent and safe investments will be considered.

2. **Liquidity**

The receipt of revenues and maturities of investments should be scheduled so that adequate cash will be available to meet disbursements. An adequate portion of the portfolio should be maintained in liquid short-term instruments which can be readily converted to cash if necessary.

3. **Yield**

Yield is the potential dollar earnings, or rate of return, an investment can provide. Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.

SAFEKEEPING AND CUSTODY

All security transactions entered into by the City shall be conducted on a delivery-versus payment basis. Securities will be held by third party custodian designated by the Finance Director/Treasurer and evidenced by safekeeping receipts.

The only exception to the foregoing are Local Agency Investment Pools, Certificates of Deposit, and money market funds since the purchased securities are not deliverable. In all cases, purchased securities shall be held in the City's name.

PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The City will measure the portfolio's performance against a market benchmark that is commensurate with the City's investment risk constraints and the cash flow characteristics of the portfolio.

AUTHORIZED INVESTMENTS

Commencing with Section 53601 of Article 1, Chapter 4 of the Government Code of the State of California, surplus money may be invested in the following:

- A. City of Modesto bonds.** Bonds issued by the City.
- B. U.S. Treasury securities.** United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the principal and interest.
- C. State of California securities.** Registered State of California warrants, treasury notes or bonds, provided that the securities are rated AAA by a nationally recognized statistical rating agency
- D. California municipal securities.** Bonds, notes, warrants or other evidence of indebtedness of any local agency within California, provided that the securities are rated AAA by a nationally recognized statistical rating agency
- E. Federal Agency securities.** Obligations issued by a federal agency or United States government-sponsored enterprise.
- F. Bankers' Acceptances.** Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating agency.

Purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money. The maximum amount permitted to be invested in the Banker's Acceptances of any one commercial bank is the greater of 10 percent of the City's surplus funds or \$1 million.

G. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that, issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

- (1) The entity meets the following criteria: (a) is organized and operating within the United States as a general corporation. (b) Has total assets in excess of \$500 million. (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally

recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust, or limited liability company. (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.

Investments in commercial paper are limited to a maximum of 25% of the portfolio. Purchases shall not exceed 10 percent of the outstanding paper of the issuing corporation. The maximum investment maturity is restricted to 270 days.

H. Certificates of Deposit. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California. Eligible investments are restricted to those issuing institutions that have been in business at least five years. The maximum term for deposits shall be one year. Investments in certificates of deposit are further limited to 20% of surplus funds. All time deposits must be collateralized in accordance with California Government Code section 53561. The City, at its discretion, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

I. Negotiable Certificates of Deposit. Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's. Investments in negotiable certificates of deposit are limited to 30 percent of the portfolio.

J. Repurchase Agreements. Repurchase Agreements used solely as short-term investments not to exceed 90 days.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities as described in 1 and 2 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the City's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102 percent of the total dollar value of the money invested by the City for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

Market value must be calculated each time there is a substitution of collateral.

The City or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The City may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking

institutions having assets in excess of \$1 billion and in the highest short-term rating category as provided by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

The City will have specific written agreements with each firm with which it enters into Repurchase Agreements.

K. Reverse Repurchase Agreements. The City may invest in reverse repurchase agreements only with "primary dealers" with which the City has entered into a master repurchase agreement contract. The City may invest in reverse repurchase agreements with the following conditions: The City may only use reverse repurchase agreements to (1) cover a temporary cash shortage, or (2) augment earnings. Reverse repurchase agreements may not be used to leverage the portfolio.

In addition, if a reverse repurchase agreement is authorized, it may be utilized only if the security to be sold on reverse repurchase agreement has been owned and fully paid for by the City for a minimum of 30 days prior to the sale; the total of all reverse repurchase agreements on investments owned by the City does not exceed 20% of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a reverse repurchase agreement and the final maturity date of the same security. The proceeds of the reverse repurchase agreement may not be invested in securities whose maturity exceeds the term of the Reverse Repurchase Agreement.

L. Medium-term corporate notes . Medium-term corporate notes defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term notes shall be rated in a rating category "AA-" or its equivalent or better by a nationally recognized rating service. Purchase of medium-term corporate notes may not exceed 30 percent of the City's investment portfolio.

M. Money market funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (money market funds).

N. State of California Local Agency Investment Fund (LAIF).

O. Mortgage and asset-backed securities. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable-backed bond that has been issued by a Federal Agency and has a maximum of five years maturity.

MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the City to meet all projected obligations.

Maximum maturity of an authorized investment is limited to five years.

Proceeds of sales or funds set aside for the repayment of any notes (e.g., Tax and Revenue Anticipation Notes) shall not be invested for a term that exceeds the term of the notes.

INELIGIBLE INVESTMENTS

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to,

Investment in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages is prohibited.

Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

RESTRICTIONS SET BY THE FINANCE DIRECTOR/TREASURER

A. Prior approval of the Finance Director/Treasurer is required for the following transactions:

- Sale of securities
- Swaps and trades
- Purchase of collateralized mortgage obligations (CMO)
- Purchase of mortgage-backed obligations
- Purchase of corporate notes
- Purchase transaction in excess of \$3 million

B. The following investments are not deemed appropriate for the City and will not be utilized:

- Futures and options
- Small Business Administration notes

AUTHORIZED INVESTMENT PERSONNEL

Pursuant to the Government Code, the City Council delegates the authority to invest or to reinvest funds, or to sell or exchange securities so purchased, to the Finance Director/Treasurer for a one-year period. The Finance Director/Treasurer is charged with the responsibility for carrying out the policies of the City Council and shall assume full responsibility for investment transactions until the delegation of authority is revoked or expires.

Idle cash management and investment transactions are the responsibility of the Finance Department, which is under the control of the Finance Director/Treasurer. The Finance Director/Treasurer may designate an individual(s) ["Designee"] to be responsible for the daily management of the City's portfolio of treasury investments. The Designee may also be directed to monitor and forecast the City's cash flows, and prepare periodic investment reports that are

submitted to the City Council. The Accounting Division of the Finance Department monitors all treasury transactions and prepares accounting records of all investment transactions as to type of investment, amount, yield, and maturity. No other person has authority to make investment transactions without the written authority of the Finance Director/Treasurer. Pursuant to Government Code chapter 53600, all persons investing monies are trustees and therefore fiduciaries subject to the prudent investor standard. Financial market security transactions will be executed by delivery versus payment and the securities will be held by a third party custodian.

Subject to required procurement procedures, the City may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the City's resources.

POLICY REVIEW

The investment policy shall be adopted by resolution of the City Council on, at minimum, an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to City Council for approval.

This policy and the internal controls related to the investment of City funds will be reviewed by the City's independent external auditors in the conduct of their annual audit of the City.

APPENDIX A - GLOSSARY

Bankers Acceptances (BAs)

Bankers Acceptance is a time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank “accepts” such a bill, the time draft becomes, in effect, a predated certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

Certificates of Deposit (CDS)

A certificate of deposit is issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable:

A negotiable certificate of deposit may be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit, plus earned interest, to the Bearer of the certificate at maturity.

A non-negotiable certificate of deposit is collateralized and is not a money market instrument since it cannot be traded in the secondary market. It is issued on a fixed maturity basis and often pays a higher interest rate than is permissible on other savings or time deposit accounts.

Collateralized Mortgage Obligation (CMO)

A CMO is a pool of mortgages sold as a single investment with interest paid monthly, quarterly, or semi-annually. Mortgage securities pay a higher rate than U.S. Treasury securities due to risk of prepayment and default.

Commercial Paper (CP)

This is a short-term promissory note issued by a corporation to raise working capital. The interest rates tend to be higher than other investments of similar liquidity.

Derivatives

A financial instrument with a value derived from the value of one or more underlying assets or indexes of asset values. The term “derivative products” refers to instruments or features such as collateralized mortgage obligations (CMOs), interest-only (IOs) and principal-only (POs), forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars.

Federal Agency Securities

Certain agencies created by Congress and sponsored by the federal government issue debt that is considered to be of prime quality and have a very high standing in the bond market. The major federal agencies are described as follows:

Federal National Mortgage Association (FNMA, “Fannie Mae”) provides funds to the mortgage market primarily by purchasing loans from local lenders.

Federal Home Loan Mortgage Corporation (FHLMC, “Freddie Mac”) purchases conventional mortgages and sells mortgage-backed securities.

Student Loan Marketing Association (SLMA, “Sallie Mae”) facilitates that flow of private capital into various federally-guaranteed student loan programs maintained through banks, S&Ls, educational institutions and other participating lenders.

Federal Farm Credit System (FFCB) sells securities to provide mortgage loans and short-term and intermediate-term credit to farmers, ranchers, and agricultural cooperatives.

Federal Home Loan Bank (FHLB) acts as a credit reserve system for the thrift industry to stabilize the flow of funds to member savings and loan and savings banks.

Futures

Exchange traded contracts specifying a future date of delivery or receipt of a specific product (physical commodity or financial instrument). Futures are used by business as a hedge against unfavorable price changes, and by speculators who hope to profit from such changes.

Local Agency Investment Fund (LAIF)

State of California LAIF is designed to provide a convenient and safe means of investing temporarily idle monies by the State Treasurer. LAIF provides high liquidity and generally pays higher yields than can be realized by individual local agencies (for similar maturities) due to economies of scale.

Medium-Term Notes

Issued by corporations (in the form of secured or unsecured debt) for the purpose of raising working capital and purchasing capital assets.

Options

A right to buy (call) or sell (put) a fixed amount of a given stock at a specified price within a limited period of time. The purchaser hopes that the stock’s price will go up (if he bought a call) or down (if he bought a put) by an amount sufficient to provide a profit when he sells the option. If the price is static or moves in the opposite direction, the price paid for the option is lost entirely.

Repurchase Agreement

As authorized in Government Code Section 5360i(1), these investment vehicles are (generally short-term) agreements between the local agency and seller for the purchase of Government securities to be resold at a specific date and for a specific amount.

Reverse Repurchase Agreement

This transaction is the opposite of a repurchase agreement. The dealer buys securities with a contractual agreement to sell them back at a prearranged date. The local agency pays the dealer’s interest for the use of the funds. The money “borrowed” on a “reverse repo” can be reinvested in higher yielding instruments.

U.S. Treasury Securities

The highest quality, most liquid debt investments available in the fixed income market-place; unconditionally backed by the “full faith and credit” of the U.S. Government. Treasury bills are short-term instruments (maturity of three months to one year); Treasury notes and bonds are currently issued with maturities of two to ten years.

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 04-2006**

A RESOLUTION APPROVING THE CONTRACT WITH ARCHITECTURE PLUS, INC. FOR THE PROJECT TITLED "10TH & I STREET CORRIDORS CONCEPT PLAN", AND AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE THE CONTRACT FOR SAID PROJECT

WHEREAS, in September 2005, the Redevelopment Agency of the City of Modesto ("Agency") completed a draft version of the update to the Agency's Master Plan ("Master Plan"), and

WHEREAS, said Master Plan identified the need for streetscape improvements to complement the following goals:

1. Create a unique and recognizable image for Modesto
2. Promote the economic viability of the Redevelopment Area by attracting new development
3. Implement higher density, mixed-use development to create a balanced and vibrant downtown
4. Enhance the visual appeal of Modesto's public spaces by upgrading existing parks, plazas, and streets, and by creating new parks and plazas that offer public access
5. Develop historic 10th and I Streets as attractive, pedestrian-oriented streets.
6. Create a clear sense of arrival at Modesto's downtown by enhancing the Sixth and I Street gateway and the intersection of 10th and I Streets
7. Promote efficient automobile, bicycle, and pedestrian circulation throughout the project area, and

WHEREAS, in February 2006, after a competitive Request For Proposal, Architecture Plus, Inc. was selected to produce a Streetscape Concept Plan (“Concept Plan”) for streetscape improvements along 10th Street between J Street and S. Morton Boulevard, and I Street between 6th Street and Downey Avenue to include both sides of 10th Street and I Street, and include the radius of each street corner, and

WHEREAS, said Concept Plan will utilize said Master Plan and the adopted Downtown Modesto Streetscape Standard Specifications, including streetscape hardware and landscaping, and

WHEREAS, a project scope and budget has been agreed upon in the amount of \$41,500, and

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Modesto hereby approves a professional services contract with Architecture Plus, Inc. for completion of a Streetscape Concept Plan pursuant to the agreed-upon project scope and budget as stated above.

BE IT FURTHER RESOLVED by the Redevelopment Agency of the City of Modesto that the Executive Director is hereby authorized and directed to execute all documents required to complete said contract for the completion of said project.

The foregoing resolution was introduced at a regular meeting of the Modesto
Redevelopment Agency, held on the 2nd day of May 2006, by Agencymember Dunbar,
who moved its adoption, which motion being duly seconded by Agencymember Hawn,
was upon roll call carried and the resolution adopted by the following vote:

AYES: Agencymembers: Dunbar, Hawn, Keating, Marsh, O'Bryant, Mayor
Ridenour

NOES: Agencymembers: None

ABSENT: Agencymembers: None

ATTEST Jean Morris
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By: 
RICHARD RUDNANSKY, Interim General Counsel

MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 05-2006

A RESOLUTION APPROVING A POLICY FOR INVESTMENT OF PUBLIC FUNDS

WHEREAS, the Redevelopment Agency of the City of Modesto ("Agency") is carrying out the Redevelopment Plan for the Modesto Redevelopment Project, and

WHEREAS, pursuant to Health and Safety Code Section 33603, it is the function of the Agency to deposit and invest funds in accordance with sound treasury management, and

WHEREAS, the Agency is also governed by Section 33606 of the Health and Safety Code that requires local agencies annually adopt an investment policy, and

WHEREAS, a copy of the policy is marked Attachment "A", attached hereto and incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Modesto hereby approves the Policy for Investment of Public Funds.

The foregoing resolution was introduced at a regular meeting of the Redevelopment Agency of the City of Modesto held on the 23rd day of May 2006, by Agency Member Hawn, who moved its adoption, which motion being duly seconded by Agency Member Keating, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating, Marsh, O'Bryant, Olsen, Mayor Ridenour

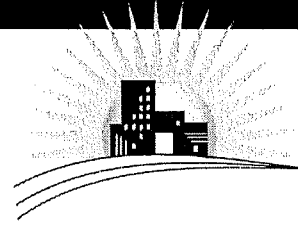
NOES: Agency Members: None

ABSENT: Agency Members: None

ATTEST: Jean Morris
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By: Richard Rudnansky
RICHARD RUDNANSKY, Interim General Counsel



SUBJECT: Redevelopment Investment Policy

PURPOSE

The purpose of this document is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities.

BACKGROUND

Under Section 33603 of the Health and Safety Code, it is the function of the Redevelopment Agency to deposit and invest funds in accordance with sound treasury management. The Agency operates its pooled idle cash investment under the “prudent investor” rule which states that:

“When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.”

The Agency considers a broad spectrum of investment opportunities, so long as the investment is deemed prudent and allowable under current legislation of the State of California.

On an annual basis, the Treasurer will render to the Agency the statement of investment policy. The report will be considered, with any changes, by the Agency at a public meeting.

INVESTMENT REPORT

The Treasurer shall provide the Agency with a monthly report of investment transactions. In addition, the Treasurer shall render a quarterly report to the Agency, Agency Executive Director and the internal auditor within 30 days following the end of the quarter. The report shall contain the following:

1. The type of investment, issuer, purchase date, date of maturity, credit rating, overall portfolio yield based on cost, total par and dollar amount invested on all securities, investments and monies.
2. The weighted average maturity of the portfolio.
3. A description of any funds, investments or programs that are under management of contracted parties, including lending programs. Funds and investments held by contracted parties shall be reported at market value and the source of valuation shall be reported.

4. The market value as of the date of the report, and the source of the valuation.
5. A statement of compliance with the investment policy or manner in which the portfolio is not in compliance.
6. A statement denoting the Agency's ability to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall, or may, not be available.

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Public funds are invested in the following manner in order of priority:

1. **Safety of Principal**

The duty of the Treasurer is to protect, preserve and maintain cash and investments on behalf of the citizens of the community. To guard against loss of principal, only prudent and safe investments will be considered.

2. **Liquidity**

The receipt of revenues and maturities of investments should be scheduled so that adequate cash will be available to meet disbursements. An adequate portion of the portfolio should be maintained in liquid short-term instruments which can be readily converted to cash if necessary.

3. **Yield**

Yield is the potential dollar earnings, or rate of return, an investment can provide. Yield becomes a consideration only after the basic requirements of safety and liquidity have been met.

SAFEKEEPING AND CUSTODY

All security transactions entered into by the Agency shall be conducted on a delivery-versus payment basis. Securities will be held by third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

The only exception to the foregoing are Local Agency Investment Pools, Certificates of Deposit, and money market funds since the purchased securities are not deliverable. In all cases, purchased securities shall be held in the City's name on behalf of the Agency.

PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The Agency will measure the portfolio's performance against a market benchmark that is commensurate with the Agency's investment risk constraints and the cash

flow characteristics of the portfolio.

AUTHORIZED INVESTMENTS

Commencing with Section 53601 of Article 1, Chapter 4 of the Government Code of the State of California, surplus money may be invested in the following:

A. City of Modesto bonds. Bonds issued by the City.

B. U.S. Treasury securities. United States Treasury notes, bonds, bills or certificates of indebtedness or those for which the faith and credit of the United States are pledged for the principal and interest.

C. State of California securities. Registered State of California warrants, treasury notes or bonds, provided that the securities are rated AAA by a nationally recognized statistical rating agency

D. California municipal securities. Bonds, notes, warrants or other evidence of indebtedness of any local agency within California, provided that the securities are rated AAA by a nationally recognized statistical rating agency

E. Federal Agency securities. Obligations issued by a federal agency or United States government-sponsored enterprise.

F. Bankers' Acceptances. Bankers' Acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized statistical rating agency.

Purchases of Bankers' Acceptances may not exceed 180 days maturity or 40 percent of the City's surplus money. The maximum amount permitted to be invested in the Banker's Acceptances of any one commercial bank is the greater of 10 percent of the City's surplus funds or \$1 million.

G. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that, issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria: (a) is organized and operating within the United States as a general corporation. (b) Has total assets in excess of \$500 million. (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

(2) The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust, or limited liability company. (b) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit,

or surety bond.

Investments in commercial paper are limited to a maximum of 25% of the portfolio. Purchases shall not exceed 10 percent of the outstanding paper of the issuing corporation. The maximum investment maturity is restricted to 270 days.

H. Certificates of Deposit. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California. Eligible investments are restricted to those issuing institutions that have been in business at least five years. The maximum term for deposits shall be one year. Investments in certificates of deposit are further limited to 20% of surplus funds. All time deposits must be collateralized in accordance with California Government Code section 53561. The Agency, at its discretion, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

I. Negotiable Certificates of Deposit. Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a state or federal savings and loan association or by a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated "AA" or better by Moody's or Standard & Poor's. Investments in negotiable certificates of deposit are limited to 30 percent of the portfolio.

J. Repurchase Agreements. Repurchase Agreements used solely as short-term investments not to exceed 90 days.

The following collateral restrictions will be observed: Only U.S. Treasury securities or Federal Agency securities as described in 1 and 2 will be acceptable collateral. All securities underlying Repurchase Agreements must be delivered to the Agency's custodian bank versus payment or be handled under a tri-party repurchase agreement. The total of all collateral for each Repurchase Agreement must equal or exceed, on the basis of market value plus accrued interest, 102 percent of the total dollar value of the money invested by the Agency for the term of the investment. For any Repurchase Agreement with a term of more than one day, the value of the underlying securities must be reviewed on a regular basis.

Market value must be calculated each time there is a substitution of collateral.

The Agency or its trustee shall have a perfected first security interest under the Uniform Commercial Code in all securities subject to Repurchase Agreement.

The Agency may enter into Repurchase Agreements with (1) primary dealers in U.S. Government securities who are eligible to transact business with, and who report to, the Federal Reserve Bank of New York, and (2) California and non-California banking institutions having assets in excess of \$1 billion and in the highest short-term rating category as provided by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

The Agency will have specific written agreements with each firm with which it enters into

Repurchase Agreements.

K. Reverse Repurchase Agreements. The Agency may invest in reverse repurchase agreements only with "primary dealers" with which the Agency has entered into a master repurchase agreement contract. The Agency may invest in reverse repurchase agreements with the following conditions: The Agency may only use reverse repurchase agreements to (1) cover a temporary cash shortage, or (2) augment earnings. Reverse repurchase agreements may not be used to leverage the portfolio.

In addition, if a reverse repurchase agreement is authorized, it may be utilized only if the security to be sold on reverse repurchase agreement has been owned and fully paid for by the Agency for a minimum of 30 days prior to the sale; the total of all reverse repurchase agreements on investments owned by the Agency does not exceed 20% of the portfolio; and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a reverse repurchase agreement and the final maturity date of the same security. The proceeds of the reverse repurchase agreement may not be invested in securities whose maturity exceeds the term of the Reverse Repurchase Agreement.

L. Medium-term corporate notes . Medium-term corporate notes defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state and operating within the U.S. Medium-term notes shall be rated in a rating category "AA-" or its equivalent or better by a nationally recognized rating service. Purchase of medium-term corporate notes may not exceed 30 percent of the Agency's investment portfolio.

M. Money market funds. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (money market funds).

N. State of California Local Agency Investment Fund (LAIF).

O. Mortgage and asset-backed securities. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable-backed bond that has been issued by a Federal Agency and has a maximum of five years maturity.

MAXIMUM MATURITY

Investment maturities shall be based on a review of cash flow forecasts. Maturities will be scheduled so as to permit the Agency to meet all projected obligations.

Maximum maturity of an authorized investment is limited to five years.

Proceeds of sales or funds set aside for the repayment of any notes (e.g., Tax and Revenue

Anticipation Notes) shall not be invested for a term that exceeds the term of the notes.

INELIGIBLE INVESTMENTS

Any security type or structure not specifically approved by this policy is hereby specifically prohibited. Security types which are thereby prohibited include, but are not limited to,

Investment in inverse floaters, range notes, or interest only strips that are derived from a pool of mortgages is prohibited.

Investment in any security that could result in a zero interest accrual if held to maturity is prohibited.

RESTRICTIONS SET BY THE FINANCE DIRECTOR/TREASURER

A. Prior approval of the Treasurer is required for the following transactions:

- Sale of securities
- Swaps and trades
- Purchase of collateralized mortgage obligations (CMO)
- Purchase of mortgage-backed obligations
- Purchase of corporate notes
- Purchase transaction in excess of \$3 million

B. The following investments are not deemed appropriate for the Agency and will not be utilized:

- Futures and options
- Small Business Administration notes

AUTHORIZED INVESTMENT PERSONNEL

Pursuant to the Government Code, the Agency delegates the authority to invest or to reinvest funds, or to sell or exchange securities so purchased, to the Treasurer for a one-year period. The Treasurer is charged with the responsibility for carrying out the policies of the Agency and shall assume full responsibility for investment transactions until the delegation of authority is revoked or expires.

Idle cash management and investment transactions are the responsibility of the Finance Department, which is under the control of the Treasurer. The Treasurer may designate an individual(s) ["Designee"] to be responsible for the daily management of the Agency's portfolio of treasury investments. The Designee may also be directed to monitor and forecast the Agency's cash flows, and prepare periodic investment reports that are submitted to the Agency. The Accounting Division of the Finance Department monitors all treasury transactions and prepares accounting records of all investment transactions as to type of investment, amount, yield, and maturity. No other person has authority to make investment transactions without the written

authority of the Treasurer. Pursuant to Health and Safety Section 33603, all persons investing monies are trustees and therefore fiduciaries subject to the prudent investor standard. Financial market security transactions will be executed by delivery versus payment and the securities will be held by a third party custodian.

Subject to required procurement procedures, the Agency may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the Agency's resources.

POLICY REVIEW

The investment policy shall be adopted by resolution of the Agency on, at minimum, an annual basis. This investment policy shall be reviewed at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to Agency for approval.

This policy and the internal controls related to the investment of Agency funds will be reviewed by the Agency's independent external auditors in the conduct of their annual audit of the Agency.

APPENDIX A - GLOSSARY

Bankers Acceptances (BAs)

Bankers Acceptance is a time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

Certificates of Deposit (CDS)

A certificate of deposit is issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable:

A negotiable certificate of deposit may be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit, plus earned interest, to the Bearer of the certificate at maturity.

A non-negotiable certificate of deposit is collateralized and is not a money market instrument since it cannot be traded in the secondary market. It is issued on a fixed maturity basis and often pays a higher interest rate than is permissible on other savings or time deposit accounts.

Collateralized Mortgage Obligation (CMO)

A CMO is a pool of mortgages sold as a single investment with interest paid monthly, quarterly, or semi-annually. Mortgage securities pay a higher rate than U.S. Treasury securities due to risk of prepayment and default.

Commercial Paper (CP)

This is a short-term promissory note issued by a corporation to raise working capital. The interest rates tend to be higher than other investments of similar liquidity.

Derivatives

A financial instrument with a value derived from the value of one or more underlying assets or indexes of asset values. The term "derivative products" refers to instruments or features such as collateralized mortgage obligations (CMOs), interest-only (IOs) and principal-only (POs), forwards, futures, currency and interest rate swaps, options, floaters/inverse floaters, and caps/floors/collars.

Federal Agency Securities

Certain agencies created by Congress and sponsored by the federal government issue debt that is considered to be of prime quality and have a very high standing in the bond market. The major federal agencies are described as follows:

Federal National Mortgage Association (FNMA, "Fannie Mae") provides funds to the mortgage market primarily by purchasing loans from local lenders.

Federal Home Loan Mortgage Corporation (FHLMC, "Freddie Mac") purchases conventional mortgages and sells mortgage-backed securities.

Student Loan Marketing Association (SLMA, "Sallie Mae") facilitates that flow of private capital into various federally-guaranteed student loan programs maintained through banks, S&Ls, educational institutions and other participating lenders.

Federal Farm Credit System (FFCB) sells securities to provide mortgage loans and short-term and intermediate-term credit to farmers, ranchers, and agricultural cooperatives.

Federal Home Loan Bank (FHLB) acts as a credit reserve system for the thrift industry to stabilize the flow of funds to member savings and loan and savings banks.

Futures

Exchange traded contracts specifying a future date of delivery or receipt of a specific product (physical commodity or financial instrument). Futures are used by business as a hedge against unfavorable price changes, and by speculators who hope to profit from such changes.

Local Agency Investment Fund (LAIF)

State of California LAIF is designed to provide a convenient and safe means of investing temporarily idle monies by the State Treasurer. LAIF provides high liquidity and generally pays higher yields than can be realized by individual local agencies (for similar maturities) due to economies of scale.

Medium-Term Notes

Issued by corporations (in the form of secured or unsecured debt) for the purpose of raising working capital and purchasing capital assets.

Options

A right to buy (call) or sell (put) a fixed amount of a given stock at a specified price within a limited period of time. The purchaser hopes that the stock's price will go up (if he bought a call) or down (if he bought a put) by an amount sufficient to provide a profit when he sells the option. If the price is static or moves in the opposite direction, the price paid for the option is lost entirely.

Repurchase Agreement

As authorized in Government Code Section 5360i(1), these investment vehicles are (generally short-term) agreements between the local agency and seller for the purchase of Government securities to be resold at a specific date and for a specific amount.

Reverse Repurchase Agreement

This transaction is the opposite of a repurchase agreement. The dealer buys securities with a contractual agreement to sell them back at a prearranged date. The local agency pays the dealer's interest for the use of the funds. The money "borrowed" on a "reverse repo" can be reinvested in higher yielding instruments.

U.S. Treasury Securities

The highest quality, most liquid debt investments available in the fixed income market-place; unconditionally backed by the “full faith and credit” of the U.S. Government. Treasury bills are short-term instruments (maturity of three months to one year); Treasury notes and bonds are currently issued with maturities of two to ten years.

**REDEVELOPMENT AGENCY
RESOLUTION NO. 06-2006**

**A RESOLUTION ADOPTING THE ANNUAL REDEVELOPMENT AGENCY
OPERATING AND CAPITAL IMPROVEMENT (CIP) BUDGET FOR THE
FISCAL YEAR ENDING JUNE 30, 2007**

WHEREAS, pursuant to Health & Safety Code Section 33606, a proposed budget for the 2006-2007 Fiscal Year has been submitted to the Redevelopment Agency by the Executive Director, and the Redevelopment Agency has made such revisions as it has deemed advisable and is attached hereto as Exhibit "A" and made a part hereof by this reference, and

WHEREAS, the Citizens Redevelopment Advisory Commission reviewed the proposed budget on April 5, 2006, and recommended its adoption, and

WHEREAS, the proposed budget was reviewed by the Finance Committee on April 24, 2006, and the Committee recommended the budget to the Agency for approval which approval includes, but is not limited to, the following specific recommendations more particularly described in the Budget Summary located on Page 11 of the budget document:

- A. The Tax Increment revenues for FY 06-07 are budgeted in the amount of \$5,000,000 and will be allocated between the following funds in the amount stated:
- a. Debt Service Fund 9020 (Debt Service) - \$2,112,000
 - b. Debt Service Fund 9020 (Pass-throughs) - \$600,000
 - c. Administration Fund 9050 - \$376,000
 - d. Housing Set-Aside Fund 9060 - \$1,000,000

- e. RDA Projects Fund 9080 - \$912,000
- B. No General Fund loan is needed for Fiscal Year 2006-2007
- C. For the purpose of assisting with an affordable housing project(s), transfer funds into the existing Capital Improvement Project Account Q244 (Current budget: \$4,470,190) from various Housing Set-aside revenues as follows:
 - i. Transfer the 20% Housing Set-aside tax increment allocation for FY 06-07 budgeted at \$1,000,000 from Account No. 9060-140-1491
 - ii. Transfer a portion of the interest for FY 06-07 budgeted at \$67,559 from Account No. 9060-140-1491
 - iii. Expenditures from the Housing Set-aside fund for planning and administrative costs are \$7,441 which represent 1% of the total budget of \$1,075,000.
- D. Transfer funds into the existing Capital Improvement Project Account Project Area Capital Improvements K732 for the purpose of assisting with various construction projects within the Redevelopment Project Area for the budgeted amount of \$903,447 from Account No. 9080-140-1493, and

WHEREAS, in accordance with Health & Safety Code Section 33606, public hearings were held on May 23, 2006 and on June 6, 2006 to review the proposed Agency budget and allow for public comment, and

WHEREAS, copies of the proposed budget have been and are available for inspection by the public at the office of the Agency Secretary, and

WHEREAS, the Agency has reviewed the budgetary control and authority policy report prepared by staff,

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Modesto that the Fiscal Year 2006-2007 Annual Budget is hereby adopted.

BE IT FURTHER RESOLVED that the Tax Increment Revenues for FY 06-07 budgeted in the amount of \$5,000,000 shall be allocated between the Agency funds as set forth in said budget document and this resolution.

BE IT FURTHER RESOLVED that no General Fund loan is needed for Fiscal Year 2006-2007.

BE IT FURTHER RESOLVED that for the purpose of assisting with an affordable housing project(s), funds shall be transferred into the existing Capital Improvement Project Account Q244 from various Housing Set-aside revenues as set forth in the budget document and in this resolution.

BE IT FURTHER RESOLVED that for the purpose of assisting with various construction projects within the Redevelopment Project Area, funds shall be transferred into the existing Capital Improvement Project Account K732 for the budgeted amount of \$903,447 from Account No. 9080-140-1493.

BE IT FURTHER RESOLVED that the Treasurer is hereby authorized to take the necessary steps to implement the provisions of this resolution.


BE IT FURTHER RESOLVED that the budgetary control and authority policy defined in Exhibit "B", which is attached hereto and made a part hereof by this reference, is hereby adopted for the Fiscal Year 2006- 2007.

The foregoing resolution was introduced at a special meeting of the Redevelopment Agency of the City of Modesto, held on the 6th day of June 2006, by Agencymember Olsen, who moved its adoption, which motion being duly seconded by Agencymember O'Bryant, was upon roll call carried and the resolution adopted by the following votes:

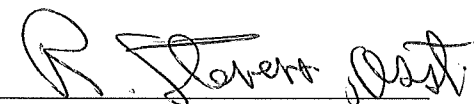
AYES: Agency Members: Dunbar, Keating, Marsh, O'Bryant, Olsen, Mayor Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: Hawn

ATTEST: 
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By: 
RICHARD RUDNANSKY, Interim General Counsel

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 07- 2006**

**A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF
MODESTO APPROVING AN AGREEMENT FOR THE ACQUISITION OF
THAT CERTAIN REAL PROPERTY IDENTIFIED AS ASSESSORS PARCEL
NUMBER 106-006-002 (17th & G STREETS – “TOWER PARK”) AND IN
ADDITION, AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE
ALL DOCUMENTS RELATED TO THE PURCHASE OF SAID PROPERTY**

WHEREAS, as a continuation of the overall downtown renovation, the Modesto Redevelopment Agency ("Agency") has set forth as a key objective the pursuit of opportunities to increase the inventory of affordable housing in the downtown area, and

WHEREAS, the Agency is carrying out the Redevelopment Plan ("Plan") for the Modesto Redevelopment Project ("Project"), and

WHEREAS, on May 16, 2005, the Agency received a notification of the sale of surplus property from the City of Modesto (“City”) regarding a City-owned parcel (the “Parcel”) at the northwest corner of 17th Street and G Street in Modesto, California which is more particularly described in attached Exhibit A which is made a part hereof by this reference, and

WHEREAS, in accordance with the Health & Safety Code, the Agency is authorized to use Agency’s Housing Set-Aside funds for, among other things, the purchase of land for the construction of affordable housing (“Housing Project”), and

WHEREAS, at their meeting on June 1, 2005, the Citizens Redevelopment Advisory Commission reviewed this proposal and recommended that the Agency notify the City of their interest in purchasing said Parcel for the purpose of constructing affordable housing, and

WHEREAS, at their meeting on June 7, 2005, the Agency directed staff to send an expression of interest to the City to enter into exclusive negotiations with the City for the eventual Parcel purchase, and

WHEREAS, at the direction of the Agency, Agency staff has completed their negotiations with City which negotiations included a review of the fair market appraisal provided by the City as well as a review of land market values in proximity to said Parcel, and

WHEREAS, City and Agency staffs have mutually agreed and are recommending that the Agency purchase said Parcel from the City for the fair market value of Seven hundred, seventy thousand dollars and no cents (\$770,000), and

WHEREAS, the Modesto Redevelopment Agency did conduct a public hearing on June 27, 2006 to receive input on said acquisition,

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Modesto, as follows:

Section 1. The Agreement for the acquisition of said Parcel is hereby approved

Section 2. The purchase of said Parcel by the Agency is intended for the purpose of constructing the Housing Project. The Agency reserves final discretion and approval of any future Disposition and Development Agreement for said Housing Project and all proceedings and decisions in connection therewith.

Section 3. The Executive Director and Secretary of the Agency or their designees are hereby authorized and directed to act on behalf of the Agency for said Parcel purchase. The Executive Director and Secretary, or their designees, are hereby further

authorized and directed to take such further actions and execute such documents as are necessary to carry out said Parcel purchase on behalf of the Agency

Section 4. This action by the Agency requires supporting environmental analysis under the California Environmental Quality Act (CEQA) because the Agency is committing itself to said Housing Project using Agency Housing Set-aside funding. As such, on June 27, 2006, the City of Modesto adopted an Initial Study/Mitigated Negative Declaration (SCH No. 2006052134) which evaluated the proposed Housing Project as it relates to the City's General Plan Master EIR and said Initial Study determined that the property acquisition alone would have no direct effects, but that the subsequent development of said Housing Project proposed by the Agency would have new impacts, which impacts could be reduced to less-than-significant levels by new or additional mitigation measures as set forth in said Mitigated Negative Declaration (SCH No. 2006052134) which is available in the office of the Agency Secretary.

The foregoing resolution was introduced at a special meeting of the Modesto Redevelopment Agency held on the 27th day of June 2006, by Agency Member Hawn, who moved its adoption, which motion being duly seconded by Agency Member Dunbar, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating, Marsh, O'Bryant, Olsen, Mayor Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: None

ATTEST: Jean Morris
JEAN MORRIS, Secretary

APPROVED AS TO FORM:

By Susana Alcala Wood
SUSANA ALCALA WOOD, General Counsel

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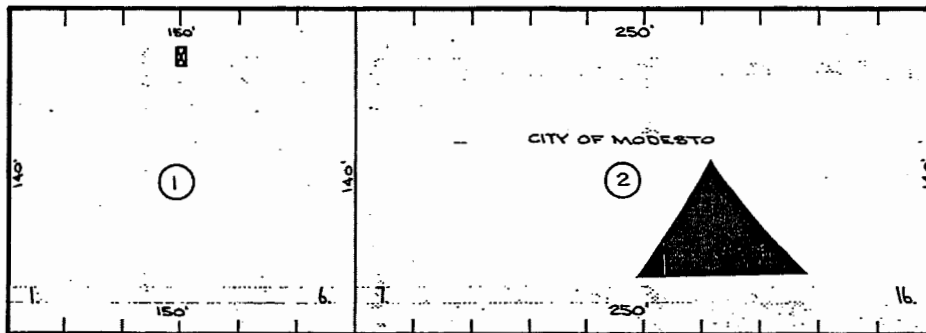
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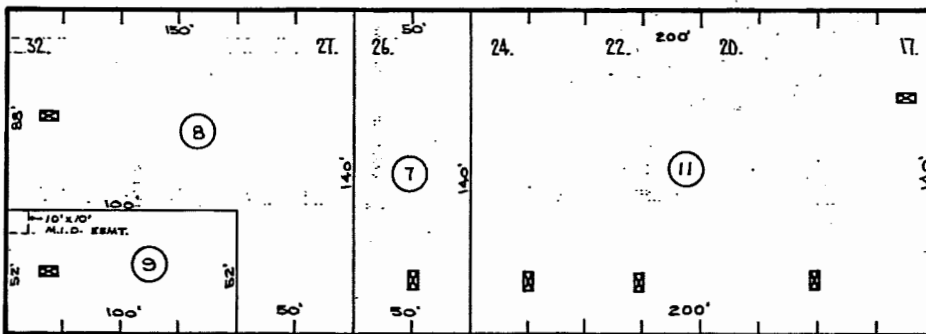
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80' 17th ST. 80'



20' ALLEY



80' 16th ST. 80'

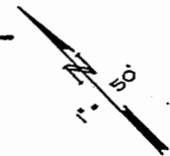
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EXHIBIT A



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**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 08-2006**

**A RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO
EXECUTE THE ACCEPTANCE FORM FOR A GRANT DEED FOR THE
ACQUISITION OF THAT CERTAIN REAL PROPERTY IDENTIFIED AS
ASSESSORS PARCEL NUMBER 106-006-002 (17th & G STREETS – “TOWER
PARK”)**

WHEREAS, Section 27281 of the Government Code requires a public agency to accept real property prior to the recordation of a deed or adopt a resolution accepting real property, and

WHEREAS, the Redevelopment Agency of the City of Modesto desires to acquire a parcel for purposes of an affordable housing project (APN: 106-006-002),

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Modesto that the Executive Director, or his designee, is hereby authorized to sign an acceptance form on behalf of the Redevelopment Agency of the City of Modesto for a Grant Deed for the acquisition of a property owned by the City of Modesto (APN: 106-006-002).

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 9-2006**

A RESOLUTION APPROVING A POLICY FOR INVESTMENT OF PUBLIC FUNDS

WHEREAS, the Redevelopment Agency of the City of Modesto ("Agency") is carrying out the Redevelopment Plan for the Modesto Redevelopment Project, and

WHEREAS, pursuant to Health and Safety Code Section 33603, it is the function of the Agency to deposit and invest funds in accordance with sound treasury management, and

WHEREAS, the Agency is also governed by Section 33606 of the Health and Safety Code that requires local agencies annually adopt an investment policy, and

WHEREAS, a revision has been made to the policy and a copy of the policy is marked Attachment "A", attached hereto and incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Modesto hereby approves the Policy for Investment of Public Funds.

The foregoing resolution was introduced at a regular meeting of the Redevelopment Agency of the City of Modesto held on the 26th day of September, 2006, by Agency Member Hawn, who moved its adoption, which motion being duly seconded by Agency Member Dunbar, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agency Members: Dunbar, Hawn, Keating,, Marsh, O'Bryant, Olsen,
Chairman Ridenour

NOES: Agency Members: None

ABSENT: Agency Members: None

ATTEST:


JEAN MORRIS, Secretary

(SEAL)

APPROVED AS TO FORM:

By 
SUSAN ALCALA WOOD, General Counsel

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 10-2006**

**A RESOLUTION APPROVING THE SECOND AMENDMENT TO
OPTION AGREEMENT BY AND BETWEEN THE REDEVELOPMENT
AGENCY OF THE CITY OF MODESTO AND FMC CORPORATION,
INC. AND AUTHORIZING THE EXECUTIVE DIRECTOR TO
EXECUTE SAID SECOND AMENDMENT**

WHEREAS, the Redevelopment Agency of the City of Modesto (the "Agency") is carrying out the Redevelopment Plan for the Modesto Redevelopment Project, and

WHEREAS, on November 6, 2002, the Agency approved an Option Agreement (the "Agreement") with FMC Corporation, Inc., a Delaware corporation, (the "Owner") with respect to the acquisition of that certain real property located in the City of Modesto and more particularly described as Stanislaus County Assessors Parcel Number 029-1313, containing 45 acres, more or less, (the "Property"), and

WHEREAS, on September 13, 2005, the Agency approved a First Amendment to said Agreement to extend the term of said Agreement by one year with an termination date of November 6, 2007, and

WHEREAS, the Agency is desirous of encouraging the development of a Business Park (also known as "Kansas Woodland Business Park") on said Property for the benefit of the Agency and the City of Modesto, and

WHEREAS, said First Amendment to said Agreement is scheduled to terminate on the fourth (4th) anniversary of the Agreement Effective Date which termination date is November 6, 2006, and

WHEREAS, the Agency and the Owner have been working with the State of California to complete a remediation plan to remediate the contamination on said Property, and

WHEREAS, the Agency has also been working with Terrence Rose, Inc., a California corporation (the "Developer") to create a plan to develop and construct said Business Park on said Property, and

WHEREAS, the Agency desires to extend the term of said Agreement for one (1) additional year in order to facilitate said Business Park development and ensure the success of the remediation plan in partnership with the Owner and the Developer,

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Modesto that the Second Amendment to Option Agreement by and between the Redevelopment

Agency of the City of Modesto, a public body, corporate and politic, and FMC Corporation, Inc., a Delaware corporation, is hereby approved and said Option Agreement term is hereby extended to November 6, 2007.

BE IT FURTHER RESOLVED that the Redevelopment Agency of the City of Modesto does hereby authorize and direct its Executive Director to execute on behalf of the Agency said Second Amendment to Option Agreement with Owner for purchase of Owner's property located on Kansas Avenue, which Second Amendment is attached as **Exhibit A** and incorporated herein by this reference.

The foregoing resolution was introduced at a regular meeting of the Redevelopment Agency on the City of Modesto held on the 24th day of October, 2006, by Agencymember Marsh, who moved its adoption, which motion being duly seconded by Agencymember Hawn, was upon roll call carried and the resolution adopted by the following vote:

AYES:	Agencymember	Dunbar, Hawn, Keating, Marsh, O'Bryant, Olsen, Chairperson Ridenour
NOES:	Agencymember	None
ABSENT:	Agencymember	None

ATTEST: Jean Morris
JEAN MORRIS, Secretary

(SEAL)

APPROVED AS TO FORM:

By Susana Alcala Wood
SUSANA ALCALA WOOD, General Counsel

EXHIBIT A

The project scope has been expanded to include the following tasks:

Task A: Specific Plan **Cost: Time & Materials Not-to-Exceed: \$10,000**

1. Receive and incorporate preliminary comments from the Agency, the City, the Developer and Team (including State agencies, the FMC Corporation and associated consultants and attorneys for each entity) in regard to the Preliminary Administrative Draft
2. Create a Final Color Digital PDF for the Final Administrative Draft for distribution among the Agency, the City, the Developer and the Team (including State agencies, the FMC Corporation and associated consultants and attorneys for each entity)
3. Incorporate final comments from the Agency, the City, the Developer and the Team into the Final Administrative Draft Specific Plan

Task B: Subdivision Map **Cost: Time & Materials Not-to-Exceed: \$3,000**

1. Coordinate Final Administrative Draft of Tentative Subdivision Map with Developer and Civil Engineer

Task C: Charrette and Agency Presentation
Cost: Time & Materials Not-to-Exceed: \$5,000

1. Facilitate two (2) Charrettes for Team and public
2. Assist with facilitation of one (1) Agency presentation

Task D: Tele-conference calls **Cost: Time & Materials Not-to-Exceed: \$1500**

1. Attend via teleconference monthly team conference calls

Compensation: Based on Time & Materials, with total cost Not-to-Exceed: \$19,500

**MODESTO REDEVELOPMENT AGENCY
RESOLUTION NO. 11-2006**

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF MODESTO (“AGENCY”) APPROVING A FIRST AMENDMENT TO THE CONTRACT FOR AC MARTIN PARTNERS, INC AND A SECOND AMENDMENT TO THE CONTRACT FOR IRIS ENVIRONMENTAL TO COMPLETE THE SPECIFIC PLAN AND ENVIRONMENTAL DOCUMENTS, RESPECTIVELY, FOR DEVELOPMENT OF THE KANSAS WOODLAND BUSINESS PARK AND AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE SAID CONTRACT AMENDMENTS.

WHEREAS, on November 6, 2002, the Agency approved the terms and conditions of an Option Agreement for the 45-acre FMC property, located in the center of the proposed Kansas-Woodland Business Park (“Business Park”), and

WHEREAS, staff has been working concurrently on the following tasks in order to move the proposed Business Park development forward:

- a. Environmental Mitigation
- b. Specific Plan
- c. Subdivision Map
- d. Traffic study and traffic mitigation measures
- e. Completion of the Environmental Impact Report (EIR), and

WHEREAS, as part of said Business Park project, Agency has also authorized and directed its Executive Director to contract with certain outside service providers to complete said Business Park project tasks listed above, and

WHEREAS, in order to complete said Business Park project tasks, the following contract amendments are recommended:

1. AC Martin Partners, Inc. – First Amendment: \$19,500
 - Create Preliminary Administrative Draft of Specific Plan
 - Create Final Color Digital PDF for the Final Administrative Draft for distribution
 - Incorporate final comments into the Final Administrative Draft of Specific Plan
 - Coordinate Final Administrative Draft of Tentative Subdivision Map
 - Facilitate two (2) Charrettes for Team and public: Facilitate one (1) Agency presentation
 - Participate in and facilitate team meetings and work product completion
2. Iris Environmental, Inc. – Second Amendment: \$25,000
 - Review, provide comments & options for FMC’s final remediation plans for RAP/RAW
 - Review and Revise Deed Restrictions; Draft Soil Management Plan
 - Prepare evaluations of environmental risks and recommend management of risks
 - Assist in procuring environmental insurance

- Facilitate environmental regulatory negotiations with FMC and State agencies

NOW, THEREFORE, BE IT RESOLVED that the Redevelopment Agency of the City of Modesto does hereby approve the Contract Amendments which are attached hereto as “**Exhibit A**” and made a part hereof by this reference for the following service providers in the amounts shown below:

1. AC Martin Partners, Inc. - \$19,500
2. Iris Environmental - \$25,000

BE IT FURTHER RESOLVED that the Redevelopment Agency of the City of Modesto does hereby authorize and direct its Executive Director to execute said Contract Amendments for the development of the Kansas-Woodland Business Park project.

The foregoing resolution was introduced at a regular meeting of the Redevelopment Agency of the City of Modesto, held on th 24th day of October, 2006, by Agencymember Marsh, who moved its adoption, which motion being duly seconded by Agencymember Hawn, was upon roll call carried and the resolution adopted by the following vote:

AYES: Agencymembers Dunbar, Hawn, Keating, Marsh, Olsen, O’Bryant,
Chairperson Ridenour

NOES: Agencymembers None

ABSENT: Agencymembers None

ATTEST Jean Morris
Jean Morris, Secretary

APPROVED AS TO FORM:

By Susana Alcala Wood
Susana Alcala Wood, General Counsel

**FIRST AMENDMENT TO
STANDARD CONSULTANT AGREEMENT**

This Amendment to Agreement, made and entered into in the City of Modesto, State of California, this _____ day of _____, 2006, by and between the REDEVELOPMENT AGENCY OF THE CITY OF MODESTO, a public body, corporate and politic, hereinafter referred to as "AGENCY", and AC MARTIN PARTNERS, INC., a California Corporation, hereinafter referred to as "CONSULTANT".

This First Amendment to Agreement is made with reference to the following recitals:

A. An Agreement was entered into by and between AGENCY and CONSULTANT on the January 25, 2005, for Kansas-Woodland Business Park project.

B. In accordance with said Agreement, the AGENCY with the assistance of CONSULTANT, has prepared a Draft Specific Plan and a Tentative Subdivision Map for the development of a high quality commercial/industrial Business Park on the FMC Corporation site and adjacent properties. Said FMC site is generally bounded on the South by Kansas Avenue, on the East by 9th Street, on the North by Woodland Avenue and on the West by State Route 99. Included in the Draft Specific Plan are standards to establish the project image, land uses, vehicular circulation, parking, corporate landscape, graphic concepts and financial development.

C. The AGENCY has determined that it needs additional architectural and urban planning work to be performed in conjunction with completion of the Draft Specific Plan and the development of said Business Park.

CITY and CONSULTANT desire to amend the provisions of said Agreement to provide the following description of services and associated costs as described in Exhibit "A" attached hereto.

NOW, THEREFORE, the parties hereto mutually agree that paragraph 3 of said Agreement be amended to include the following:

3. COMPENSATION.

CONSULTANT agrees to accept an additional sum not to exceed \$19,500 for a total contract price of \$66,500 as full remuneration for performing all services and furnishing all staffing and materials called for in Exhibit "A" and for performance by CONSULTANT of all of its duties and obligations under this Amendment and under the original Agreement.

The compensation shall be paid pursuant in the manner and at the times as follows: Within ten (10) days after delivery and approval of the acceptance of the work performed. Payment may be made in phases as the project progresses.

Section 3. Force and Effect

Except as modified and amended by this Amendment to Agreement, all other provisions of the Consultant's Agreement and previous Amendment(s), if any, shall remain unchanged and in full force and effect.

///

IN WITNESS WHEREOF, the Modesto Redevelopment Agency, a public body, corporate and politic, has authorized the execution of this First Amendment in duplicate by its Executive Director and attestation by its Secretary under authority of Resolution No. _____, adopted by the Modesto Redevelopment Agency on the ____ day of _____, 2006, and has caused this agreement to be duly executed.

“AGENCY”

Redevelopment Agency of the City of Modesto

By _____
GEORGE W. BRITTON
Executive Director

APPROVED AS TO FORM:

By _____
SUSANA ALCALA WOOD
General Counsel

APPROVED AS TO FORM:

By _____
JEAN MORRIS
Agency Secretary

APPROVED AS TO FORM:

By _____
DAVID RAWE
Assistant Risk Manager

“CONSULTANT”

AC MARTIN PARTNERS, INC.

By _____

By _____

FEDERAL
ID# _____

(SEAL)

**SECOND AMENDMENT TO
STANDARD CONSULTANT AGREEMENT**

This Amendment to Agreement, made and entered into in the City of Modesto, State of California, this _____ day of _____, 2006, by and between the REDEVELOPMENT AGENCY OF THE CITY OF MODESTO, a public body, corporate and politic, hereinafter referred to as "AGENCY", and IRIS ENVIRONMENTAL, INC., a California Corporation, hereinafter referred to as "CONSULTANT".

This Second Amendment to Agreement is made with reference to the following recitals:

A. An Agreement was entered into by and between AGENCY and CONSULTANT on the July 7, 2005, for Kansas-Woodland Business Park project, which Agreement was amended pursuant to the First Amendment that was entered into on October 17, 2005.

B. The AGENCY, with the assistance of CONSULTANT, has completed a portion of the evaluation of the site environmental conditions and continues to manage the site development as it relates to the environmental requirements for the redevelopment of the "brownfield" (contaminated property) that is currently owned by the FMC Corporation and which is also referred to as the "Kansas-Woodland Business Park".

C. The AGENCY has determined that it needs additional environmental evaluation work to be performed in conjunction with the development of said Business Park.

CITY and CONSULTANT desire to further amend the provisions of said Agreement and said First Amendment to provide the following description of services and associated costs as described in Exhibit "A" and Exhibit "B" attached hereto and made a part hereof by this reference.

NOW, THEREFORE, the parties hereto mutually agree that paragraph 3 of said Agreement be amended to include the following:

3. COMPENSATION.

CONSULTANT agrees to accept an additional sum not to exceed \$25,000 for a total contract price of \$65,000 as full remuneration for performing all services and furnishing all staffing and materials called for in Exhibit "A" and for performance by CONSULTANT of all of its duties and obligations under this Amendment, under the original Agreement and under previous Amendment(s), if any, approved by the City.

The compensation shall be paid pursuant to the rates set forth in Exhibit "B" and in the manner and at the times as follows: Within ten (10) days after delivery and approval of the acceptance of the work performed. Payment may be made in phases as the project progresses.

Section 3. Force and Effect

Except as modified and amended by this Amendment to Agreement, all other provisions of the Consultant's Agreement and previous Amendment(s), if any, shall remain unchanged and in full force and effect.

///

NOW, THEREFORE, the parties hereto mutually agree that paragraph 3 of said Agreement be amended to include the following:

3. COMPENSATION.

CONSULTANT agrees to accept an additional sum not to exceed \$25,000 for a total contract price of \$65,000 as full remuneration for performing all services and furnishing all staffing and materials called for in Exhibit "A" and for performance by CONSULTANT of all of its duties and obligations under this Amendment, under the original Agreement and under previous Amendment(s), if any, approved by the City.

The compensation shall be paid pursuant to the rates set forth in Exhibit "B" and in the manner and at the times as follows: Within ten (10) days after delivery and approval of the acceptance of the work performed. Payment may be made in phases as the project progresses.

Section 3. Force and Effect

Except as modified and amended by this Amendment to Agreement, all other provisions of the Consultant's Agreement and previous Amendment(s), if any, shall remain unchanged and in full force and effect.

///

IN WITNESS WHEREOF, the Modesto Redevelopment Agency, a public body, corporate and politic, has authorized the execution of this Second Amendment in duplicate by its Executive Director and attestation by its Secretary under authority of Resolution No. _____, adopted by the Modesto Redevelopment Agency on the ____ day of _____, 2006, and has caused this agreement to be duly executed.

“AGENCY”

Redevelopment Agency of the City of Modesto

By _____
GEORGE W. BRITTON
Executive Director

APPROVED AS TO FORM:

By _____
SUSANA ALCALA WOOD
General Counsel

APPROVED AS TO FORM:

By _____
JEAN MORRIS
Agency Secretary

APPROVED AS TO FORM:

By _____
DAVID RAWE
Assistant Risk Manager

“CONSULTANT”

IRIS ENVIRONMENTAL, INC.

By _____
ADRIENNE LaPIERRE, President

By _____
NICK LOIZEAUX, Vice-President

FEDERAL ID# 94-333 6865

(SEAL)

EXHIBIT A

Scope of Work

Evaluation and Management of environmental site conditions, prior to and during the redevelopment of the FMC site bounded by Kansas Street, 9th Street, Woodland Avenue and State Route 99. Iris Environmental will provide additional services as listed below:

- Review and comment on FMC's final remedial action plans for soil and groundwater remediation for the site including the final comprehensive Remedial Action Plan (RAP) and the Remedial Action Workplan (RAW).
- Review, comment and provide language for deed restrictions for the site, working with the site developer, so that the development is safe and appropriate given remediation strategies adopted and implemented by FMC.
- Provide strategic technical counsel to Modesto RDA for realizing a successful redevelopment project.
- Prepare evaluations of environmental risks and recommendations for managing the identified risks
- Assist in procuring environmental insurance
- Facilitate environmental regulatory interactions and negotiations with FMC, the developer and State enforcement agencies, and prepare revisions to a soil management plan (or Risk Management Plan) for the site.

Exhibit B

Professional Billing Rates Year 2006

Hourly Rates:

Principal I	\$175
Principal II	\$150
Senior Manager	\$135
Manager	\$120
Senior Scientist	\$105
Scientist	\$ 95
Staff Scientist	\$ 85
Drafting/Tech	\$ 75