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# CITY OF SACRAMENTO

## DEPARTMENT OF PUBLIC WORKS

ENGINEERING DIVISION

THOMAS M. FINLEY  
Engineering Division Manager

January 7, 1986

Budget and Finance Committee  
Sacramento, California

Honorable Members In Session:

SUBJECT: Assessment Districts - Planning and Design Engineering Funding

### SUMMARY

Several assessment district policy issues are currently being reviewed by staff. This report addresses the issue of planning/design funding and consultant selection. An overview of future key issues is also presented. The report recommends a policy establishing a range of private and City funding of planning/design for assessment districts.

### BACKGROUND

Assessment districts are an important tool in providing the basic sewer, water, drainage and street infrastructure which help provide City growth. They provide long term financing and are often the primary way of encouraging the start of an area's development.

Assessment districts are formed using the procedures specified by either the Improvement Act of 1911 (1911 Act) or the Municipal Improvement Act of 1913 (1913 Act) and result in the sale of municipal bonds under the Improvement Bond Act of 1911 (1911 Bonds) or the Improvement Bond Act of 1915 (1915 Bonds).

The choice of assessment proceedings to use (1911 Act or 1913 Act) is determined by the type of project, i.e. subdivisions, major sewer lines, etc. There are advantages and disadvantages in each act for a specific project. 1911 Act and 1913 Act proceedings may be used with either 1911 Bonds or 1915 Bonds.

The use of 1915 Bonds is universally preferred by the development community because of their lower interest rates (currently about 9.0 to 9.5 percent) and their greater flexibility and their lower cost to the developer if the parcel should be further subdivided. However, 1915 Bonds pose an implied financial obligation on the City and their use may have an effect on the City's total bonding capacity and bond rating. Past City policy has, therefore, restricted their use. A copy of that policy dated March 18, 1980 is attached. 1911 Bonds create no City financial obligation. Their interest rate is generally 0.25 to 1.0 percent higher than 1915 Bonds depending on the size of the total amount of the bonds to be issued. The property owners do incur a financial penalty if the property is subdivided.

#### POLICIES UNDER REVIEW

City assessment district policies are currently under review by City staff. The key issues of concern are:

- a. Funding of project planning/design prior to the sale of bonds.
- b. Selection of assessment district planning/design consultants.
- c. Potentially adverse effect of 1915 Bonds upon the City's total bonding capacity and credit rating. (This could raise the interest rates on future bond issues. The resolution of this issue may require further limitations on the historic use of 1915 Bonds.)
- d. City administrative procedures and cost recovery.
- e. Use of 1911 Act proceedings vs. 1913 Act proceedings.

This report makes policy recommendations only for (a) planning and design funding; and (b) assessment district consultant selection.

Future reports will make policy recommendations on the other issues.

#### CURRENT ASSESSMENT DISTRICT PLANNING AND DESIGN FUNDING PROCEDURES

Current practice is to have the developer fund the project planning and design for the normal subdivision improvements with the City using 1911 Bonds for payment for the improvements and incidental expenses.

Current practice is to have the City fund the project planning and design for the basic public infrastructure (trunk sewer, water and drainage facilities, major streets, and street lights, etc). The City then recovers the cost after the formation of an assessment district and issuance of 1915 Bonds.

The Department of Public Works has historically used the professional services portion of its operating budget to initiate the planning and design of primary infrastructure assessment districts. As those funds were expended, additional budget augmentations were requested from the General Fund through the Council to continue design. The General Fund was then reimbursed when the district was approved and bonds were sold. If the assessment district failed, which has occurred infrequently, the City absorbed the entire loss.

Under this current practice, the General Fund loses interest earnings on the money advanced for project planning and design. Table 1 summarizes this information for recent projects.

Table 1 indicates the City could have added approximately \$186,920 in City interest revenue for assessment district advance funding in recent years. This cost should be recovered on future projects.

Table 2 shows a minor interest loss for one assessment district on which the developers advanced the design funds. This is typical for developer funded assessment district design. It can be seen that the cost to the City is reduced considerably.

Some public agencies require the development community to fully fund all assessment district planning and design. While this may be appropriate in some instances, in many others this may discourage orderly development and infill projects.

#### PROPOSED POLICY

It is recommended that, for the first time, the City approve a policy governing the funding of assessment district project planning and design and allow modification of the consultant selection process for these projects.

The attached policy modifies current funding practice and consultant selection for assessment districts using 1915 Bonds. It recommends that:

1. Planning/design be funded using a range of options including fully privately funded, joint private/City funded, and fully City funded;
2. City contributions be made in the form of a General Fund loan and be reimbursed with an interest rate set at the prevailing cost of City funds;
3. Private parties funding planning/design costs be allowed to participate in consultant selection.

Table 1

## ASSESSMENT DISTRICTS - CITY FUNDED DESIGN

<u>Assessment District</u>	<u>Construction Contract Amount</u>	<u>Date</u>	<u>Period</u>	<u>Planning/Design Consultant</u>	<u>Staff</u>	<u>Estimated Interest * Lost During Planning/Design</u>
Pocket Road Storm & Sanitary AD #2	\$6,992,998	7/84	1980-85	\$263,000	\$46,000	\$87,400
Morrison Creek AD	\$4,741,106	5/85	1978-85	\$223,000	\$71,000	\$69,600
Sunset Meadows AD	\$1,670,942	6/83	1979-83	\$ 48,700	\$42,500	\$13,200
Sunbeam Ave. AD	\$ 353,667	5/85	1982-85	\$ 7,600	\$26,000	\$ 5,700
Main Ave. AD	\$1,041,000	5/85	1981-85	\$ 17,400	\$31,700	\$10,500

\* Assumed cost of City money was 8% during entire period. This is very conservative.

Table 2

ASSESSMENT DISTRICTS - DEVELOPER FUNDED DESIGN

<u>Assessment District</u>	<u>Construction Contract Amount</u>	<u>Contract Date</u>	<u>Period</u>	<u>Planning/Design Consultant</u>	<u>Staff</u>	<u>Estimated Interest * Lost During Planning/Design</u>
Greenhaven No. 18 AD**	\$1,150,000	5/85	1983-85	\$25,000	\$5,000	\$520

\* Assumed cost of city money was 8% during entire period. This is very conservative.

The attached Department of Public Works policy specifies the recommended new policies to be implemented. The policies are purposely general and leave considerable discretion to the Department. This is necessary because each assessment district is unique and follows no specific pattern. Considerable latitude is necessary to develop a successful project.

We believe the approach outlined in the policy will reduce both City cost and City financial risk, and at the same time, lower the cost for the private sector through accelerated project delivery. This should, in turn, lower the cost of new businesses and new homes. The public sector and the private sector will both benefit from this new approach.

The policy also recommends actions to eliminate interest income loss on City funds. Bond counsel advises that a procedure exists whereby a General Fund loan can be made to the district, which can be repaid with interest upon district formation.

The recommended joint private/public funding for planning/design shares the risk involved in assessment district funding. Private funds are to be typically spent before City funds. This helps to assure a strong private commitment to the project, and thereby helps to diminish the City's financial risk. This also helps to assess the degree of private commitment to the project. As stated in the proposed policy, the Department of Public Works will have primary responsibility for determining the ratio of private/City funds in a project planning/design funding. This is necessary to accommodate the unique characteristics of each assessment district and its participants. Actual City funding commitments will, of course, be approved by the Budget and Finance Committee and the City Council.

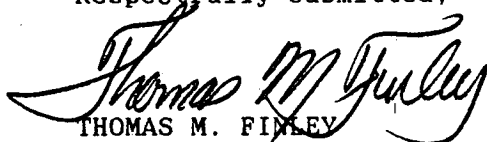
In return for funding contributions, the private sector will participate in consultant selection and will receive a City commitment to help assure fast project delivery. Together, these actions help to lower final development costs and help to minimize both the private sector risk and the City's risk. Additionally, private sector participation in consultant selection helps to minimize design and communications problems which could hinder project delivery.

The policy makes no changes in the current practice of private funding of planning/design and consultant selection for assessment districts constructing typical subdivision improvements. These typically use 1911 Bonds with either 1911 Act or 1913 Act proceedings. Design consultants are selected by the subdivider, who also provides advance funding for the consultant.

RECOMMENDATION

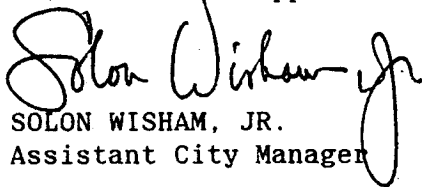
It is recommended that the Committee approve the proposed Department of Public Works policy and recommend it to the City Council for approval.

Respectfully submitted,




THOMAS M. FINLEY  
Engineering Division Manager

Recommendation Approved:



SOLON WISHAM, JR.  
Assistant City Manager

Approved:

  
MELVIN H. JOHNSON  
Director of Public Works

TMF:vr  
TF416Cd4

Attachments

January 21, 1986

ASSESSMENT DISTRICTS - PLANNING AND DESIGN FUNDING  
AND CONSULTANT SELECTION

1. Purpose and Scope

1.1 To establish the policies, procedures, and guidelines for the funding of project planning and design for assessment districts and for the selection of necessary consultants.

2. Policy for Assessment Districts Constructing Standard Subdivision Improvements

2.1 Project Planning/Design Funding - Applicant shall fully fund assessment district planning and design for standard subdivision improvements. This typically includes curb, gutter, sidewalk, street lighting, streets, sewer, water, and drainage.

2.2 Consultant Selection - The applicants shall recommend consultants for approval by the Department of Public Works. This is consistent with standard practice for subdivision consultant selection.

3. Policy for Assessment Districts Constructing Trunk Infrastructure

3.1 Project Planning/Design Funding - The planning/design of assessment districts providing trunk sewer, water or drainage facilities, collector streets, etc. shall be privately funded, City funded, or jointly funded as determined by the Department of Public Works. The ratio of private/City funding shall consider the benefit to the City, the characteristics of land ownership, and other factors as necessary.

3.1.1 Fully Privately Funded - Assessment districts which are owned or controlled by a limited number of developers/owners, or which have little land area held in small ownerships shall be fully funded by the assessment district proponents.

3.1.2 Joint Private/Public Funding - Assessment districts owned or controlled by a few developers, have significant land area held in many small ownerships and have a significant benefit to the City, shall be partially funded by the major proponents of the district and partially funded by the City. City funding shall typically not exceed 50%. Developer funding shall typically be spent in advance of City funding to help assure private commitment to the project.

The Department of Public Works shall determine the ratio of private/public funding and the form of that funding.

3.1.3 Fully City Funded - When a proposed assessment district is primarily composed of small land holdings and when the project is a substantial benefit to the City, the City may fully fund the project.

3.2 Request for City funding of assessment district planning and design shall be approved by the City Council after the review and concurrence of the Finance Department and the City Treasurer. The resolution authorizing the loan shall be approved by bond counsel to assure interest recovery.

If City funds are not available, an assessment district may be fully developer/owner funded.

3.3 Consultant Selection - The Department of Public Works shall modify the City's consultant selection process as necessary on an individual project basis to allow participation by private sponsors of the assessment district in the selection process. The Department will establish the method of participation to be used.

Private participation is necessary to help minimize private sector risk of their funds advanced and to help assure timely project completion.

3.4 In return for private project funding, the City shall work to assure timely project delivery in order to help minimize the total cost of the private development.

3.5 City funds provided for assessment district planning/design shall be made to the district as a loan in a form acceptable to the Bond Council and the Finance Department. City funds shall be reimbursed with accrued interest when the assessment district is formed and bonds are sold. The interest rate charged shall be determined by the Finance Director and the City Treasurer.

3.6 Exceptions - The Director of Public Works may authorize exceptions to this policy when required by unusual circumstances.



# CITY OF SACRAMENTO

March 18th, 1980

REAL ESTATE AND STREET ASSESSMENTS DIVISION

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CITY MANAGER'S OFFICE  
**RECEIVED**  
MAR 13 1980

IRVIN E. MORAES  
REAL ESTATE SUPERVISOR

City Council  
Sacramento, California

**SUBJECT: Report on the Use of Assessment Districts to Finance  
Public Improvements**

## SUMMARY

Attached are three reports which deal with the use of installing various types of improvement by the use of the Improvement Act of 1911 and Municipal Improvement Act of 1913 with the issuance of 1911 or 1915 bonds.

## BACKGROUND INFORMATION

In terms of overall understanding, the place to begin when discussing public improvement assessments is with definition of terms. The casual reader tends to become confused in any discussion of 1911 vs. 1915 Act/Bonds, etc. Accordingly, the following discussion is extracted word for word from a report by recognized experts in this field:

"There are two basic reasons for assessments and assessment bonds in a given project:

- (a) To insure equitable and objective distribution of costs among the properties affected and benefited.
- (b) To provide the owners of benefited properties with the means for paying their share of the cost over a period of years at reasonable rates.

The acts relating to assessment proceedings in this state are classified as:

- (a) Assessment Acts
- (b) Assessment Bond Acts
- (c) Combined Assessment Bond Acts

The Assessment Acts are the laws which set forth the procedures for accomplishing the work of a local improvement and for levying the assessment to pay for such work. The Assessment Acts available and in common use are the Municipal Improvement Act of 1913 and the Improvement Act of 1911.

Assessment Bond Acts set forth the procedures for the authorization and issuance of assessment bonds to represent any assessments which are not paid in cash. The Assessment Bond Acts in common use are the Improvement Bond Act of 1911 and the Improvement Bond Act of 1915.

The Act in common use for both the levy of the assessment and the issuance of bonds is the Improvement Act of 1911.

These Acts may be used in various combinations. There can be a 1913 Act assessment with a 1911 Act or a 1915 Act bond. There is no such things as a 1913 Act bond or a 1915 Act assessment."

It is the normal practice for assessment proceedings to be started by the following procedures:

1. Petition signed by over 60% of the property owners within a proposed district which states they waive the Special Assessment Investigation, Limitation and Majority Protest Act of 1931.
2. Constitution Act, whereby the Council declares the public convenience and necessity require the improvement which also waives the Special Assessment Investigation, Limitation and Majority Protest Act of 1931.
3. County Health Officer's Certificate declaring a health hazard.
4. Special Assessment Investigation, Limitation and Majority Protest Act of 1931. This Act is used when less than 60% of the property owners request improvements or when the City Engineer feels improvements are necessary.

With respect to the City of Sacramento, it has generally been our practice in the past to use 1911 Act improvement proceedings and 1915 bonds. However, the City on one occasion utilized the 1913 Improvement Act and in addition has to a limited extent made use of the 1911 Bond Act.

Historically, 1911 Act with 1915 bonds have been accepted by the public as sound investments. Due to the passage of Proposition 13, which stripped away the ability of public agencies to levy a 10¢ tax to cover any possible delinquencies on bonds issued under the 1915 Act and the current high interest rates being charged by lending institutions, these bonds are not as desirable as they were 2 years ago.

To replace the 10¢ tax levy removed by Proposition 13, recent legislation was passed whereby public entities, as part of the proceedings for an assessment district, could create a reserve account for each district which would cover any anticipated delinquencies that occur in a given district and also require the enactment of a fast foreclosure action to recover the City's expenses, thereby replenishing the reserve account.

The investment firm of Stone & Youngberg has informed City staff that due to the current market and the maximum interest rate of 10% allowed on 1915 Act bonds, these bonds are not a salable item at par value. Even with the reserve account available for 1915 bonds, these bonds will be discounted approximately 13%. They also informed us that bonds that mature in more than 15 years are no longer acceptable by the sophisticated bond buyer.

To see how the current market affects the various types of districts, see attached reports, as conditions change due to the type of improvements, whether there is a City Contribution or not, which Improvement Act is used and the type of bonds issued.

#### FINANCIAL DATA

No matter which Act or Bonds are used, there will be a financial impact on the City due to the increased cost caused by the additional administrative cost required to administer the proposed reserve accounts or servicing of 1911 Bonds. This cost increase will require the City Contributions to be increased for those districts where the City is to subsidize approximately 75% of it's cost.

#### RECOMMENDATION

After analyzing the three reports which are attached, it is our recommendation we proceed as follows:

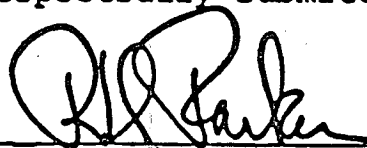
1. On districts where the City is paying 75% of the cost (Del Rio Junction Street Assessment District No. 2, Del Paso Heights Assessment District No. 3, Del Paso Heights Assessment District No. 4A, Mascot and Warwick Avenues Assessment District and Southside Street Lighting Assessment District)
  - (a) Use Minicipal Improvement Act of 1913 and issue 1915 Bonds
  - (b) Establish a Reserve Account recommended by Stone & Youngberg
  - (c) Establish a fast foreclosure procedure for delinquent assessments

2. On districts where little or no City Contributions are involved and the property is 60% to 100% developed with homes or businesses (Brentwood and Freeport Village Street Lighting Assessment District and Kennedy Acres Sewer Assessment District)
  - (a) Use of the Improvement Act of 1913 and issuance of 1911 or 1915 Bonds
  - (b) Establish a Reserve Account for the 1915 bonds as recommended by Stone & Youngberg
  - (c) Establish a fast foreclosure procedure for delinquent assessments
  
3. On districts where trunk sanitary and storm sewers and water mains are to be installed in areas of very little or no development
  - (a) Use of the Improvement Act of 1911 and issuance of 1915 Bonds
  - (b) Establish a Reserve Account recommended by Stone & Youngberg
  - (c) Establish a fast foreclosure procedure for delinquent assessments

These recommendations are based on current market conditions, current 10% ceiling on 1911 and 1915 Bonds and advice from the investment firm of Stone & Youngberg.


It is further recommended that none of these bonds be purchased by the City but that the contractor be required to take them as payment for this work.

Respectfully submitted,



R. H. Parker  
City Engineer

Recommendation Approved

Walter J. Slope  
City Manager



# CITY OF SACRAMENTO

Report No. 1

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IRVIN E. MORAES  
REAL ESTATE SUPERVISOR

## Budget and Finance Committee

Report: Use of Assessment Districts to Provide Various Improvements and the Issuance of 1915 Bonds Where the City is Subsidizing the District

### BACKGROUND INFORMATION

The City currently has 5 assessment districts ready to go (Del Rio Junction Street Assessment District No. 2, Del Paso Heights Assessment District No. 3, Del Paso Heights Assessment District No. 4A, Mascot and Warwick Avenues Assessment District and Southside Street Lighting Assessment District) but has not started proceedings because of the uncertainty of the market on the salability of the bonds to be issued for these districts.

The investment firm of Stone & Youngberg has informed City staff that 1915 Bonds issued to cover any unpaid assessments for improvements installed by either the 1911 or 1913 Act are not a salable item at par value. Even with the reserve account available for 1915 bonds, these bonds will be discounted approximately 13%. They also informed us that bonds which mature in more than 15 years are no longer acceptable by the sophisticated bond buyer.

They have further informed us that if we were to issue 1911 Act Bonds for these districts, they are not sure they could find buyers for the bonds and if they did, the discount would be substantially greater than 13%. To see how the discount, reserve account and administrative cost affect these districts, see attached sheet marked Exhibit "A".

It has been past policy to issue 20 year bonds with level payments for districts where the City has installed complete new streets and lights and subsidizes the Assessment District approximately 75%. These bonds are not acceptable on today's market according to Stone & Youngberg. To make the bonds for these Assessment Districts acceptable will require that the duration be for 15 years with one-fifteenth of the principal being paid each year and a reserve account established to cover any delinquent installments. Changing to 15 year bonds, as mentioned above, will cause some confusion on proposed assessment districts not yet under way as neighborhood meetings have been held in the proposed districts with payment

schedules distributed to the property owners stating that we were proposing 20 year bonds with level payments at an annual rate of 8%. Also, to implement and maintain the reserve account required to make the bonds salable will require considerable staff time by the Attorney's Office, Treasurer's Office and Finance Department. The City of San Jose has informed us that to administer the few reserve accounts they have takes 30 minutes for each parcel per year.

There is a second possibility. Instead of using the Improvement Act of 1911, we could use the Municipal Improvement Act of 1913. This will allow the City to pay the contractor for work as it is completed by making progress payments to him until all of the work is completed and hopefully it will virtually eliminate any financing cost the contractor would incur.

#### ANALYSIS

To proceed as we have in the past for subsidized districts, there is only 8.3% difference between the City Contribution (\$635,811.00) in an Assessment District where the property owner is paying \$25.00 per foot, and installing the improvements at no cost to the property owner (\$693,165.00). If we were to continue to use the 1911 Act Proceedings and make progress payments to the contractor in the amount of the City Contribution (\$588,811.00), the difference between the City paying the entire cost (\$635,165.00) and charging the property owner \$25.00 per foot is 15%.

All indications are that it is possible to further reduce the City Contribution if we were to start these proceedings by use of the Municipal Improvement Act of 1913, whereby the assessments are levied prior to any work starting and the bonds are sold prior to the award of the contract to provide funds for making progress payments to the contractor for work as it is completed. The disadvantage to the Act is the property owner is required to pay for work not yet performed if he wishes to pay his assessment in full and not let it go to bond. If he allows it to go to bond, there is still a possibility that his first installment on the assessment will become due prior to the work being completed. It is estimated that 17.6% would be the difference between the property owner paying \$25.00 per foot with the City contributing \$570,811.00 and the City paying the entire cost of \$693,165.00.

RECOMMENDATION

To continue to upgrade the environment in areas where the City is paying approximately 75% of the cost, it is recommended that we use the Municipal Improvement Act of 1913 and issue 1915 Bonds with a reserve account established. It is further recommended that the maximum interest rate of 10% be charged on the bonds. The reserve accounts are going to create an additional work load on the Attorney's Office, Treasurer's Office and Department of Finance due to their administration of this account.

**EXHIBIT "A"**

A typical Assessment District where the City is paying a majority of the cost and is proposing to issue 1915 Bonds.

	(1)	(2)			
	Prior to the Current Market (Imp. Act of 1911)	Based on Current Market (Imp. Act of 1911)	Based on Current Market With Pro- gress Payments (Imp. Act of 1911)	Based on Current Market with Pro- gress Payments (Muni. Imp. Act of 1913)	No cost to Property Owners
Est. Contract Cost	\$727,473.00	\$727,473.00	\$680,473.00	\$662,473.00	\$662,473.00
Est. Engineering	30,692.00	30,692.00	30,692.00	30,692.00	30,692.00
Est. Bond Counsel Fee	3,986.00	3,986.00	3,986.00	3,986.00	-0-
Est. Bond Printing Cost	2,300.00	2,300.00	2,300.00	2,300.00	-0-
Est. Discount on Bonds (13%)	-0-	24,960.00	24,960.00	24,960.00	-0-
Est. Reserve Account (5%)	-0-	9,600.00	9,600.00	9,600.00	-0-
Est. Admin. Cost (15%)	-0-	28,800.00	28,800.00	28,800.00	-0-
<b>Est. Total Cost</b>	<b>\$764,451.00</b>	<b>\$827,811.00</b>	<b>\$780,811.00</b>	<b>\$762,811.00</b>	<b>\$693,165.00</b>
<b>Est. City Contribution</b>	<b>572,451.00</b>	<b>635,811.00</b>	<b>588,811.00</b>	<b>570,811.00</b>	<b>693,165.00</b>
<b>Est. Amount to be Assessed</b>	<b>\$192,000.00</b>	<b>\$192,000.00</b>	<b>\$192,000.00</b>	<b>\$192,000.00</b>	<b>-0-</b>

(1) and (2) above is where the City is not making any progress payments to the Contractor with a lump sum payment upon completion of the work.



# CITY OF SACRAMENTO

Report No. 2

**REAL ESTATE AND STREET ASSESSMENTS DIVISION**  
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IRVIN E. MORALES  
REAL ESTATE SUPERVISOR

## Budget and Finance Committee

**Report: Use of Assessment Districts to Provide Various  
Improvements and Issuance of 1915 or 1911 Bonds  
Where There is Little or no City Contribution**

### BACKGROUND INFORMATION

The background information is basically the same as that for issuance of 1915 Bonds as stated in the report for subsidized districts only the discount percentage on the bonds would change.

In this report we will talk about improvements in areas where 60% to 100% of the parcels are improved with homes or businesses. Two examples are Brentwood and Freeport Village Street Lighting Assessment District and Kennedy Acres Sanitary Sewer Assessment District. These projects can be done by either of the following methods: Improvement Act of 1911 and issuance of 1911 or 1915 bonds, Municipal Improvement Act of 1913 and issuance of 1911 or 1915 Bonds. See attached Exhibit "B" for how the various Acts and Bonds affect the cost of the Districts.

### FINANCIAL DATA

The financial impact to the City for these projects will be the additional work load of administering the Reserve Account for 1915 Bonds or processing 1911 Bonds which will hopefully be borne by the property owner through an increase in their assessment.

### RECOMMENDATION

It is recommended that we use both the 1911 Impr. Act or 1913 Impr. Act for this type of district with a determination being based on the type of improvement district and what the current market dictates at the time the proceeding is started.

CONTINUED EXHIBIT "B"

60% Developed

Kennedy Acres Sewer Assessment District (48 parcels)

	1911 Act with 1915 Bonds	1911 Act with 1911 Bonds	1913 Act with 1915 Bonds	1913 Act with 1911 Bonds
Est. Contract Cost	\$209,924.00	\$209,924.00	\$193,130.00	\$193,130.00
Est. Engineering	18,628.00	18,628.00	17,033.00	17,033.00
Est. Bond Council Fee	1,424.00	1,424.00	1,340.00	1,340.00
Est. Bond Printing Cost	940.00	240.00	940.00	240.00
Est. Discount on Bonds (13%)	35,480.00	(20%) 46,620.00	(13%) 35,670.00	(20%) 46,925.00
Est. Reserve Account (5%)	10,500.00	-0-	10,500.00	-0-
Est. Administrative Cost (15%)	31,500.00	2,880.00	31,500.00	2,880.00
Est. Contingency	-0-	-0-	20,000.00	20,000.00
	<u>\$308,396.00</u>	<u>\$279,716.00</u>	<u>\$310,113.00</u>	<u>\$281,548.00</u>

Analysis

Even though 1911 Act with 1911 Bonds represents the most inexpensive way to proceed, there is some doubt that the Contractor could find a buyer for the 1911 Bonds, therefore, the possibility no bid would be received. It is therefore recommended that we proceed on the type district with the use of 1911 Act with 1915 Bonds.

EXHIBIT "B"

100% Developed

Brentwood & Freeport Village Street Lighting Assessment District (288 units)

	1911 Act 1915 Bonds	1911 Act 1911 Bonds	1913 Act 1915 Bonds	1913 Act 1911 Bonds
Est. Contract Cost	\$100,000.00	\$100,000.00	\$ 92,000.00	\$ 92,000.00
Est. Engineering	8,725.00	8,725.00	8,725.00	8,725.00
Est. Bond Council Fee	875.00	875.00	835.00	835.00
Est. Printing Cost	1,350.00	1,300.00	1,350.00	1,300.00
Est. Discount on Bonds	(10%) 12,995.00	(20%) 25,300.00	(10%) 12,499.00	(20%) 24,612.00
Est. Reserve Account (4%)	4,000.00	-0-	3,680.00	-0-
Est. Administrative Cost (15%)	15,000.00	15,600.00	13,800.00	15,600.00
Est. Contingency (5)	-0-	-0-	4,600.00	4,600.00
	<u>\$142,945.00</u>	<u>\$151,800.00</u>	<u>\$137,489.00</u>	<u>\$147,672.00</u>
	\$496.00 per lot or unit	\$527.00 per lot or unit	\$477.00 per lot or unit	\$513.00 per lot or unit

Analysis

Because of the smallness of the Assessments, ranging from \$477.00 to \$527.00 for a lot, it seems that the 1911 Act, 1915 Bonds would be the best way to proceed.



# CITY OF SACRAMENTO

Report No. 2

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REAL ESTATE SUPERVISOR

### Budget and Finance Committee

Report: Use of Assessment Districts to Install Trunk Sanitary and Storm Sewers and Water Transmission Mains into Areas Where There is Little or no Development

### BACKGROUND INFORMATION

The background information is basically the same as that for issuance of 1915 Bonds as stated in the prior two reports. Again, only the discount percentage and reserve account for the bonds will change. This report deals with areas that are basically undeveloped and have no trunk sewers or water main in the area.

The installation of trunk sewer and water mains is the first step to enable raw land to become developed for either residential or industrial use. Because these areas generally are not in one ownership, it is virtually impossible for developers or individuals to install these improvements by themselves.

This is the reason for the various Improvement Acts that are available to public agencies to use for installing various types of public improvements. The City currently has two such districts either under design (Morrison Creek Storm, Sanitary and Water Main Assessment District), or ready to start (Florin Road Storm and Sanitary Sewer Assessment District). Both of these districts have several owners involved and you cannot install trunk facilities to a parcel without providing benefit to it's surrounding parcels.

On these types of districts, Stone & Youngberg has suggested that we use the Improvement Act of 1911 and 1915 Bonds and create a 7% Reserve Account with an estimated 13% discount being given to the bonds and that we also provide for the fast foreclosure proceedings.

### FINANCIAL DATA

No City funds are involved in these type projects, but again, there is the additional administrative cost to handle the Reserve Account which we hopefully will recover by including this cost in the Assessment District.

RECOMMENDATION

Continue as we have in the past for these type districts with 1911 Act and issuance of 1915 Bonds.

EXHIBIT "C"

A typical Assessment District, where there is no City Contribution, the property is virtually vacant and we are providing trunk facilities only (Florin Road Storm and Sanitary Sewer Assessment District)

	Based on the current Market 1911 Act 1915 Bonds	Based on current Market 1913 Act 1915 Bonds
Est. Contract Cost	\$1,133,650.00	\$1,042,958.00
Est. Engineering	103,755.00	95,706.00
Est. Bond Council Fee	6,610.00	5,590.00
Est. Bond Printing Cost	3,000.00	3,000.00
Est. Discount on Bonds (13%)	186,428.00	188,665.00
Est. Reserve Account (7%)	100,384.00	101,590.00
Est. Administrative Cost (15%)	187,052.00	189,296.00
Est. Contingency (10%)	-0-	114,725.00
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	\$1,720,879.00	\$1,741,530.00