



# CITY OF SACRAMENTO

January 27th, 1981

30

REAL ESTATE AND STREET ASSESSMENTS DIVISION  
915 I STREET  
CITY HALL ROOM 207

SACRAMENTO, CALIFORNIA 95814  
TELEPHONE (916) 449-5626

CITY MANAGER'S OFFICE  
**RECEIVED**  
JAN 21 1981

IRVIN E. MORAES  
REAL ESTATE SUPERVISOR

City Council  
Sacramento, California

Honorable Members In Session:

SUBJECT: City Subsidized Assessment Districts, Woodbine Avenue Assessment District No. 1 and Del Paso Heights Assessment District No. 4B

### SUMMARY

Attached is a report to the Budget and Finance Committee which temporarily suspends the investment policy wherein 1915 Bonds are to be issued for the unpaid assessments in Woodbine Avenue Assessment District No. 1 and Del Paso Heights Assessment District No. 4B. The Budget and Finance Committee approved the staff recommendation as follows:

Ayes = 3      Abstain = 0      Absent = 1

### RECOMMENDATION

It is recommended that the City Council approve the Report so that these projects can get started as soon as possible.

Respectfully submitted,

R. H. Parker  
City Engineer

Recommendation Approved

Walter J. Slupe  
City Manager

RHP:IEM:bd  
Attachment

**APPROVED**  
BY THE CITY COUNCIL

JAN 27 1981

OFFICE OF THE  
CITY CLERK

January 27th, 1981  
DISTRICT NOS. 2 and 7



# CITY OF SACRAMENTO

January 13th, 1981

## REAL ESTATE AND STREET ASSESSMENTS DIVISION

915 I STREET  
CITY HALL ROOM 207

SACRAMENTO, CALIFORNIA 95814  
TELEPHONE (916) 449-5626

IRVIN E. MORAES  
REAL ESTATE SUPERVISOR

Budget and Finance Committee  
Sacramento, California

Honorable Members In Session:

SUBJECT: Temporary Suspension of Issuance and Investment Policies for Special Assessment Districts Where the City Subsidizes a Major Portion of the Cost of the District(s) - Del Paso Heights 4B and Woodbine Avenue Assessment District No. 1

### BACKGROUND INFORMATION

Starting in March, 1979, a series of reports were presented to Council apprising of the City's issuance and investment practices as they pertain to Special Assessment Bonds. In March, 1980, Council adopted policies for the future issuance and investment of Special Assessment Bonds.

Very briefly, as these policies pertain to assessment districts in areas where the City subsidizes a major portion of the cost of the district, the policies were:

- Implement proceedings under the 1913 Improvement Act
- Issue bonds under the 1915 Bond Act.
- Establish reserve accounts and fast foreclosure proceedings, and
- Require contractors to accept these bonds as payment for work as opposed to the City Treasurer's purchase of the bonds at par value

Plans and specifications have been completed for Del Paso Heights Assessment District No. 4B and Woodbine Avenue Assessment District No. 1 (major portion of cost subsidy district) and we are ready to start the Districts by adopting the necessary resolutions. However, due to continued higher interest rates, the uncertainty of the economy and continued concern by bond purchasers of Special Assessment Bonds, the major bond brokerage house in Special Assessment bonds has advised the City Treasurer that current market conditions dictate a 15% to 20% discount on bonds with 10% interest coupons for these two districts (see attached letter dated December, 1980).

The City Treasurer has advised that a discount of 15% on the bond issues with 10% coupons for these districts represent good investment value at this level. Further, there are sufficient City funds to make the approximate \$300,000 investment for these bonds if they are issued under the 1911 proceedings, contain a fast foreclosure clause, reserve account and are issued under the 1915 Act. (See attached memorandum of December 22, 1980).

The use of the 1911 proceedings will reduce the cost and time required by the City Engineer's staff to form the Districts.

It is proposed that the City Council temporarily suspend its policies relative to the issuance and investment of the above described districts.

FINANCIAL DATA

These projects are proposed to be financed jointly by the City and the property owners within the Assessment District. The source of the City funds is C. D. B. G. Funds with estimated amounts as follows:

Amount Budgeted for Del Paso Heights A. D. 4B \$550,000.00

Amount Budgeted for Woodbine Avenue A. D. #1 \$560,000.00

Del Paso Heights A. D. No. 4B

Total Estimated Project Cost \$814,049.30

Amount Assessable to Property Owners \$162,247.24

---

Estimated City Contribution \$651,180.06

Amount Budgeted \$550,000.00

---

Estimated Additional Necessary Funds \$101,180.06

Woodbine Avenue Assessment District No. 1

Total Estimated Project Cost \$644,628.91

Amount Assessed to Property Owners \$131,673.52

---

Estimated City Contribution \$512,955.39

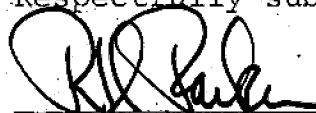
It is proposed that the City Treasurer purchase the 1915 Bonds to be issued on the unpaid assessments as this will insure that we can proceed with the proposed projects.

RECOMMENDATION

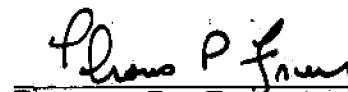
That the City Council temporarily suspend its policies for the issuance and investment of the bonds for the Del Paso Heights Assessment District No. 4B and Woodbine Avenue Assessment District No. 1 by:

- Permitting proceedings under the 1911 Improvement Act, including recommended reserve accounts and fast foreclosure proceedings, and
- Approval of City Treasurer's purchase of the bonds as outlined herein, including a 15% discount as opposed to a 15% to 20% discount that contractors would bear by accepting the bonds as payment, and
- Approve the additional funds required for Del Paso Heights Assessment District No. 4B to be appropriated after the contractors bids are received as we will then know the exact amount necessary.

Respectfully submitted,

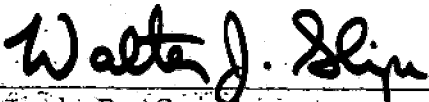


R. H. Parker  
City Engineer



Thomas P. Emery  
City Treasurer

Recommendation Approved



FOR  
Jack R. Crist  
Director of Finance

RHP:TPF:IEM:bd

January 20, 1981  
DISTRICT NOS. 2 & 7



# CITY OF SACRAMENTO

## OFFICE OF THE TREASURER

800 - 10TH STREET  
SUITE 1

SACRAMENTO, CA 95814  
TELEPHONE (916) 449-5318

THOMAS P. FRIERY  
TREASURER

DONALD E. SPERLING  
ASST. TREASURER

December 22, 1980

TO: Ronald H. Parker, City Engineer  
FROM: Thomas P. Friery, City Treasurer  
SUBJECT: SPECIAL ASSESSMENT BOND BIDS BY THE CITY TREASURER'S OFFICE


At the present time, the City of Sacramento will bid a 15 point discount for 10% coupon bonds for the two upcoming City of Sacramento assessment projects. However, such bonds should be issued under the 1911 proceedings and 1915 bond act with a 5% bond reserve fund, 15-year equal annual installment maturity and a prompt foreclosure covenant.

Such bid is offered in consideration of the distressed level of fixed income markets and the fact that outside underwriters are bidding as much as a 20 point discount (see Attachment A); whereas the described bonds represent equivalent investment value to the City of Sacramento at only a 15 point discount.

Further, such bid should be considered valid for other similar issues that may be coming up. However, not knowing the fiscal impact we may be facing as a result of the State's announced impending fiscal crisis, as well as the generally weak economy, we could not commit to purchase more than \$5 million in total of such bonds.

Obviously, I have considered the investment value of these issues alone. I have made no judgment as to whether the projects are needed at this time or could be postponed. Further, I cannot give you a firm estimate as to when interest rates might decline to more favorable levels for a borrower; although I believe over the next 12 months, the general level of interest rates will be down from current historically high levels.

Possibly, it would be advisable to schedule this matter before the Budget and Finance Committee before implementation since it is a deviation from recent practice. Please advise.

  
\_\_\_\_\_  
THOMAS P. FRIERY  
City Treasurer

TPF:rp  
Attachment

cc: Irvin Moraes

# STONE & YOUNGBERG

MEMBERS: PACIFIC STOCK EXCHANGE

December 4, 1980

Mr. Thomas P. Friery  
915 I Street  
City Hall  
Sacramento, California 95814

Re: Bond Discount and Reserve Fund Requirements for City of  
Sacramento 1915 Act Bonds

Dear Tom:

You have asked us to indicate what, in our opinion, the bond discount and reserve fund requirements would be in order to successfully finance two upcoming City of Sacramento assessment projects.

The reserve fund and bond discount cited below assume the following:

- 1) Bonds have a 10% coupon
- 2) Bonds will mature over a fifteen year period in equal annual installments.
- 3) The City adopts a prompt foreclosure covenant.

In our opinion both projects should allow for a bond reserve fund of at least 5% and a bond discount ranging between 15-20%. The seemingly large discount requirement results primarily from the overall rise in interest rate levels throughout the bond markets and the substantial delay between the time an underwriter makes his purchase commitment (i.e. quotes the contractor) and the time bonds are delivered.

Please call if we can be of further assistance.

Very truly yours,

STONE & YOUNGBERG



Scott Clinton  
Partner