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# CITY OF SACRAMENTO

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January 8, 1981

City Council  
City Hall  
Sacramento, California 95814

RE: Amicus Curiae participation--case involving validity of Industrial Development Revenue Bonds

Honorable Members in Session:

### SUMMARY

The Law and Legislation Committee recommends that the City of Sacramento participate, as amicus curiae, in the case of City of Napa vs. Thrope. This case would determine the validity of Industrial Development Revenue Bonds. There will be no cost to the City of Sacramento if the City joins in this case.

### BACKGROUND INFORMATION

The City of Sacramento's bond counsel, Orrick, Herrington & Sutcliffe, has asked us whether we wish to join, as amicus curiae, in the case of City of Napa vs. Thrope. This test case involves the validity of Industrial Development Revenue Bonds. Industrial Development Revenue Bonds are issued for the construction or improvement of certain industrial facilities within a local government jurisdiction. A City, after planning an industrial project with a private developer, issues bonds to finance the program. The bonds are secured solely by the revenues from the industrial enterprise. They are not a general debt of the City. In the Napa situation, bonds will be issued in the amount of three million dollars for a 20 year term to construct a manufacturing plant and to purchase needed equipment. It is estimated that the project will create 157 new jobs within the next three years.

No California court has yet ruled on the validity of Industrial Development Revenue Bonds. However, we are informed that 48 states allow Industrial Development Revenue Bonds and most of these jurisdictions have approved the bonds by court decisions. The legal question is whether the bonds serve a public purpose. Most jurisdictions have held that it is a public purpose to expend public funds to improve the economy of the community. There is also California authority for this proposition.

**APPROVED**  
BY THE CITY COUNCIL

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The Law and Legislation Committee thought that we should join as amicus curiae in this case to increase the financial authority of cities and give the City the option of using this type of bond if we wish to do so in the future.

FINANCIAL IMPACT

There is no financial cost to the City since the law firm of Orrick, Herrington & Sutcliffe will assume all legal fees and out of pocket expenses incurred in filing the amicus brief.

RECOMMENDATION

The Law and Legislation Committee recommends that the City join, as amicus curiae, in the case of City of Napa vs. Thrope.

Very truly yours,



JAMES P. JACKSON  
City Attorney

JPJ:KMF