



## City Council Report

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Sacramento, CA 95814

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**File #:** 2017-00029

January 10, 2017

**Consent Item 05**

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**Title: Intent to Reimburse Certain Expenditures from Proceeds of the Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017**

**Recommendation:** Pass a Resolution declaring the City's "official intent" to reimburse certain expenditures from bond proceeds associated with Natomas Meadows Community Facilities District No. 2007-01.

**Location:** District 1

**Contact:** Brian Wong, Debt Manager, (916) 808-5811; Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

**Presenter:** None

**Department:** Office of the City Treasurer

**Attachments:**

1-Description/Analysis

2-Resolution

## Description/Analysis

**Issue Detail:** City Staff are currently working with the developer of Natomas Meadows, GBD Communities (the “**Developer**”), to issue bonds that were approved on September 28, 2007, by the qualified electors of the Natomas Meadows Community Facilities District No. 2007-01 (the “**CFD**”). Proceeds from the bonds will be used to acquire certain public facilities from the Developer and to reimburse the Developer for certain development-impact fees.

**Policy Considerations:** The attached resolution, once adopted, will only establish compliance with Section 1.150-2 of the Treasury Regulations. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the project.

**Economic Impacts:** Approval of the recommendation is not a “project” subject to CEQA because it (a) has no potential to cause a significant effect on the environment and (b) concerns government fiscal activities that do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs. §§ 15061(b)(3) and 15378(b)(4)).

**Environmental Considerations:** Not applicable.

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Section 1.150-2 of the Treasury Regulations requires that the City Council declare its “official intent” to reimburse itself with the “proceeds of an obligation,” i.e., the bonds, for expenditures made before the bonds are issued.

**Financial Considerations:** There are no financial considerations within the proposed actions. Any reimbursement to the developer will only occur after the bonds have been issued. The principal and interest on the bonds will be secured by the special-tax lien that exists on the properties in Improvement Area No. 1 of the CFD.

**Local Business Enterprise (LBE):** Not applicable.

**Background:** The CFD was formed in 2007 and is authorized to issue special-tax bonds in the total principal amount of \$27,500,000. The next year, however, two events occurred that precluded the issuance and sale of bonds: the Great Recession began, and, more importantly, FEMA placed the Natomas Basin within a Special Flood Hazard Area (Zone AE). Because of FEMA’s action, the City had to stop issuing building permits for new construction within North

Natomas until the levees protecting the basin once again met the criteria for the A99 flood-zone designation. One consequence of this de facto moratorium on building permits was that the CFD could not issue tax-exempt bonds because the City would not be able to spend the bond proceeds within the required timeframe for maintaining tax-exempt status. The City's inability to issue tax-exempt bonds for the CFD meant that the City could not immediately pay the Developer for public facilities the Developer had constructed or reimburse the Developer for development-impact fees it paid before the de facto moratorium. Meanwhile, the City continued levying and collecting special taxes from eight homes within the CFD.

In 2013, the CFD was divided at the Developer's request into two improvement areas designated as "Improvement Area No. 1 and "Improvement Area No. 2," each with its own Rate and Method of Apportionment of Special Taxes ("**RMA**") in place of the CFD's original RMA. In 2014, again at the Developer's request, the CFD's total debt limit was reduced from \$27,500,000 to \$22,000,000 and allocated between Improvement Area No. 1 (\$14,000,000) and Improvement Area No. 2 (\$8,000,000).

On June 16, 2015, FEMA's new flood-basin maps for the Natomas Basin took effect. The City immediately resumed issuing residential building permits in North Natomas, and the Developer resumed developing its properties within the CFD. What's more, the City was again able to issue tax-exempt bonds for the CFD, because the bond proceeds could now be timely spent in accordance with IRS regulations.

## RESOLUTION NO. 2016-XXXX

Adopted by the Sacramento City Council

January 10, 2017

### DECLARATION OF OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF THE NATOMAS MEADOWS COMMUNITY FACILITIES DISTRICT NO. 2007-01 (IMPROVEMENT AREA NO. 1) SPECIAL TAX BONDS, SERIES 2017

#### BACKGROUND:

- A. The City Council has determined to construct and acquire certain public facilities that will be financed through Improvement Area No. 1 of Natomas Meadows Community Facilities District No. 2007-01. These facilities include a drainage basin and certain public facilities constructed through the use of governmental fees (collectively, the “**Project**”).
- B. To finance, on a long-term basis, the costs associated with the Project, the City reasonably expects to issue its Natomas Meadows Community Facilities District No. 2007-01 (Improvement Area No. 1) Special Tax Bonds, Series 2017 (the “**Bonds**”), the interest on which is to be exempt from income taxation under the United States Internal Revenue Code. The maximum principal amount of the Bonds is not expected to exceed \$14,000,000.
- C. The City expects to pay certain expenditures in connection with the Project before the issuance of the Bonds (the “**Original Expenditures**”) and to use a portion of the proceeds of the Bonds to reimburse the Original Expenditures.
- D. Section 1.150-2 of the United States Treasury Regulations (“**Section 1.150-2**”) requires the City to declare its reasonable “official intent” to reimburse itself with proceeds of the Bonds (i.e., the “proceeds of an obligation”) for Project expenditures it expects to pay before the Bonds are issued.
- E. The City Council is fully advised as to this matter.

#### BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1.** The City Council finds that the statements in the Background are true.
- Section 2.** The City hereby declares its official intent to use the proceeds of an obligation, i.e., the proceeds of the Bonds, to reimburse itself for the Original Expenditures.

**Section 3.** This resolution is adopted solely for purposes of establishing compliance with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

**Section 4.** This resolution takes effect when adopted.