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DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5454

September 15, 1987
RD:871300:ADM:MM

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Special District Information and Reporting System

SUMMARY

This report recommends the imposition of a maximum two percent (2%) fee on all special districts that provide for public improvements to provide funds to develop, maintain and operate a special district information and reporting system (SDIRS).

BACKGROUND

Special districts provide a financing source for public infrastructure. Examples of the special districts include districts formed pursuant to the following:

1. Improvement Act of 1911
2. Municipal Improvement Act of 1913
3. Improvement Bond Act of 1915
4. Landscaping and Light Act of 1972
5. Mello-Roos Community Facilities Act of 1982

The City has a long history of using special districts to provide for trunk infrastructure development and for improving existing neighborhoods. The special districts provide a low cost, long term financing alternative which encourages growth and improvements of existing neighborhoods. Unfortunately, the City has not developed a comprehensive formal process for formation and administration of special districts. Further, many of the complex processes that must be followed for the proper administration of the special districts have not been automated.

DISCUSSION

The process for formation and administration of a special district is complex, may involve five City departments, and have a forty (40) year span. The legal process that must be followed for the formation and administration of special districts is defined by State law. In addition, federal tax reforms since 1982 have placed further legal restrictions and accounting mandates on the special district administration process.

The Public Works Department is the lead entity for the formation of a special district. Early in the process, the City Attorney and City Treasurer are brought in for their professional assistance. The Finance Department is involved once a financing process is proposed. The Data Management Department assists in the preparation of billing schedules and the production of bills. Finance is the lead entity for the collection of assessments due and servicing the bond holders. The City Attorney assists Finance in the difficult collection cases. The procedures that are followed and the interactions that occur by the staff of each of these departments happens in an informal and mainly undocumented manner.

Failure between the staff involved or failure to follow a necessary procedure could result in a serious delay in the formation of the district or the proper administration of a district.

Additionally, it is difficult to determine the status of a district at any particular time. A person requesting information about a district or the status of a particular assessment may be required to make numerous inquiries before finding the proper staff to respond. In some cases, several staff members may be involved with the district at the same time and each must be contacted in order to obtain the data required.

Staff has contacted numerous other entities and determined that the City of Sacramento's state of affairs is not unique. In fact, several cities have requested we forward to them the limited documentation, procedures, and manual and automated systems that the City employs.

It is unlikely that the City can continue to successfully form and administer special districts without a major mistake or flaw occurring. Potentially, the City may elect to form special districts for a significant portion of the Natomas development. If this occurs, the number of parcels involved and the cost of improvements will be significant.

SDIRS PROJECT

The SDIRS project can be initially defined in three development phases. Each phase is envisioned to build towards the following phase or become the final phase of the project. The phases are:

- Phase I - Identify and document existing processes and procedures and develop a needs assessment report
- Phase II - Develop, issue and evaluate requests for proposals for a SDIRS
- Phase III - Develop and install a SDIRS

During Phase I, the existing City processes and procedures will be documented. This will result in a clear overview and detailed documentation of the process and procedures that the City Staff follow and utilize for special districts. The documented processes and procedures identified in Phase I will be examined for legality and methods of operation. It is unlikely, but this phase could result in the determination that the current City processes and procedures are adequate and no further effort would be beneficial.

Phase II would result in receiving proposals from qualified vendors for a SDIRS. The request for proposals would be based upon the Needs Assessment Report of Phase I. Phase II would enable the City to determine the cost of the SDIRS and make a decision regarding the feasibility of developing a complete system. Phase III would be the actual development and installation of the SDIRS. The system would be designed and installed as proposed in Phase II.

FINANCIAL

Currently, neither the staff or the resources necessary to even initiate the SDIRS project are available. In order to initiate the project, a funding source must be identified and available. Further it is likely that the City will be required to obtain the services of experienced professionals in order to successfully conduct the project in a timely fashion.

Staff has determined that the imposition of a maximum two percent (2%) on all special assessment districts will provide a funding base for the development, maintenance and operation of a special assessment district information and reporting system. The monies received would be deposited into a special account and the use restricted to this purpose. The fee would be a one time charge imposed at the formation of the special district. As is current practice for special district bond registration and paying agent fees, the fee for each district will be determined based upon the complexity, size, and number of parcels within the district. Fees of this nature must pass the bond attorney's test of reasonableness for each special district.

Exhibit A summarizes the number of special districts formed and the cost of the improvements for FY 1983-84 through 1986-87. If the maximum two percent (2%) fee had been imposed during FY 1985-86 and FY 1986-87, approximately \$44,000 and \$20,500 respectively would have been generated. At this level of funding, the Phase I of the SDIRS project could be completed within one year.

RECOMMENDATION

It is requested that the Budget and Finance Committee recommend that the City Council adopt the attached resolution that imposes a maximum two percent (2%) fee on all special districts formed after November 1, 1987 for the purpose of developing, maintaining and operating a special district information and reporting system.

Respectfully submitted,



MICHAEL L. MEDEMA
Revenue Officer

RECOMMENDATION APPROVED:



JACK R. CRIST
Deputy City Manager

All Districts
September 23, 1987



DEPARTMENT OF
FINANCE

REVENUE DIVISION

CITY OF SACRAMENTO
CALIFORNIA

September 16, 1987
RD: 871359-ADM:MLM:ldm

CITY HALL
ROOM 104
915 I STREET
SACRAMENTO, CA
95814-2696

916-449-5454

City Council
Sacramento, California

Honorable Members in Session:

Subject: SPECIAL DISTRICT INFORMATION AND REPORTING SYSTEM

SUMMARY

The Budget and Finance Committee recommends that the City Council adopt the attached resolution which provides a funding source for the development, maintenance, and operation of a Special District Information and Reporting System (SDIRS).

DISCUSSION

The attached Budget and Finance Committee report discusses the need for a SDIRS. The report concludes that a maximum two percent (2%) fee should be imposed on all special districts that provide for public improvements to fund the SDIRS.

RECOMMENDATION

The Budget and Finance Committee recommends that the City Council adopt the attached resolution which:

1. Imposes a maximum two percent (2%) fee on all special districts formed on or after November 1, 1987 to provide funds to develop, maintain, and operate a Special District Information and Reporting System; and
2. Specifies that all funds collected pursuant to the fee be used exclusively for this purpose.

Respectfully submitted,

Michael L. Medema
Revenue Officer

RECOMMENDATION APPROVED:

WALTER J. SLIPE, City Manager

Attachment

October 6, 1987
All Districts

CITY OF SACRAMENTO
1911 AND 1915 SPECIAL DISTRICTS FORMED
FY 1983-84 THROUGH FY 1986-87

<u>FISCAL YEAR</u>	<u>1911 DISTRICT</u>		<u>1915 DISTRICT</u>	
	<u>NO.</u>	<u>AMOUNT</u>	<u>NO.</u>	<u>AMOUNT</u>
1983-84	0	0	12	\$ 4,693,760
1984-85	0	0	6	14,439,753
1985-86	4	\$ 3,549,326	0	0
1986-87	2	1,286,034	3	841,370

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION IMPOSING A MAXIMUM TWO PERCENT (2%) FEE ON ALL
SPECIAL DISTRICTS TO PROVIDE FUNDS TO
DEVELOP AND MAINTAIN A SPECIAL
DISTRICT INFORMATION AND REPORTING SYSTEM

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO, THAT:

1. A maximum two percent (2%) fee is hereby imposed on all special districts formed on or after November 1, 1987 to provide funds to develop, maintain, and operate a special district information and reporting system and
2. All funds collected shall be deposited to a special account and used exclusively for the development, maintenance and operation of the special district information and reporting system.

Mayor

Attest:

City Clerk