

City of Sacramento

Legislation Text

File #: 2019-01405, **Version:** 1

Title:

Reimbursement from Residual Construction-Fund Proceeds of Design and Related Costs that Landowners Advanced for Drainage Improvements in North Natomas Drainage Basin 5

File ID: 2019-01405

Location: District 1

Recommendation:

Pass a Motion authorizing the disbursement of residual construction-fund proceeds for North Natomas Community Facilities District No. 2 to reimburse landowners in North Natomas Drainage Basin 5 for design and related costs they advanced.

Contact: Brian Wong, Debt Manager, (916) 808-5811; Claudia Lara, Treasury Analyst, (916) 808-2267, Office of the City Treasurer

Presenter: None

Attachments:

1-Description/Analysis

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Issue Detail: On January 12, 1999, the City of Sacramento entered into City Agreement No. 99-005 with six owners of land in North Natomas Drainage Basin 5 (together, the Developers):

- Kings Arena Limited Partnership (Kings)
- Buzz Oates Group (Buzz Oates)
- Sacramento Property Holdings, Inc.
- Alleghany Properties, Inc. (Alleghany)
- AAC Arena LLC
- The Cambay Group, Inc. (Cambay)

Among other things, the agreement obligated the Developers to bear, on a fair-share basis, “all

design costs, engineering costs, and costs of plans and specifications, together with any and all costs incurred to acquire any property right necessary to construct” the drainage improvements in Basin 5 (the Advanced Design and Related Costs). Those fair-share payments are summarized in Exhibit E of City Agreement No. 99-005, in the column titled “Basin 5 Share of Costs.” The agreement further provided that if a community facilities district were formed to fund the costs of the drainage improvements by issuing bonds, then the bond proceeds remaining after construction would be used to reimburse the Developers for the Advanced Design and Related Costs.

To finance the cost of constructing the drainage improvements, the City issued special-tax bonds through North Natomas Community Facilities District No. 2 (CFD 2). The Department of Utilities (DOU) has confirmed that all drainage improvements to be funded with the bond proceeds have been completed and that any balance in the construction fund for CFD 2 (Fund 3317) can be used to reimburse the Advanced Design and Related Costs. As of June 30, 2019, there is approximately \$677,000 in Fund 3317, inclusive of interest earnings, that may be used to reimburse the Developers.

Policy Considerations: Actions recommended in this report are consistent with City Agreement No. 99-05.

Economic Impacts: None.

Environmental Considerations: Not applicable.

Sustainability: Not applicable.

Commission/Committee Action: Not applicable.

Rationale for Recommendation: DOU has determined that all drainage improvements to be constructed with the proceeds of the bonds issued for CFD 2 have been completed. In accordance with City Agreement No. 99-005, the residual balance in the construction fund for CFD 2, inclusive of interest earnings, may be used to reimburse the Developers for the Advanced Design and Related Costs.

Financial Considerations: Fund 3317 will be the source of the recommended reimbursements to the Developers and the City’s Storm Drainage Fund. The City made certain payments to Alleghany, Buzz Oates, and Cambay dating back in 1999. The City is not able to determine if the prior payments were for the partial reimbursement of the Advanced Design and Related Costs. Erring on the side of caution to avoid over-reimbursing one or more of the Developers, the City has netted the prior payments plus associated Pool A interest earnings through June 30, 2019, from the amount recommended to be reimbursed to the Developers.

Below is a summary of the allocation of recommended reimbursements or transfers.

Funding Participation	Basin 5 Share		Gross Allocation	Less Prior	Net
	Costs		CFD 2 Fund Balance	Reimbursement	Allocation
Alleghany Properties	293,544	50.72%	343,646.34	(28,482.99)	315,164.07
Buzz Oates Ent.	44,112	7.62%	51,641.07	(3,686.60)	47,954.47
The Cambay Group	53,968	9.33%	63,179.30	(47,355.19)	15,824.18
Kings Arena Lin Partnership	54,165	9.36%	63,409.93		63,409.93
City of Sacramento	132,921	122.97%	155,608.07		155,608.07
	578,710		677,484.71		597,960.72
					79,523.99 Difference
* FY19 Balance in the CFD 2 Construction Fund (Fund 3317) as of October 8, 2019.					
**Payment to Alleghany in the amount of \$15,552.00 occurred on March 24, 1999; payment to Buzz Oates on March 24, 1999; and payment to Cambay in the amount of \$25,976.06 occurred on April 23, 1999.					
*** In accordance with Section 2.04 of the Master Indenture associated with CFD 2, balance shall be used for service or other acceptable purposes.					

In addition, consistent with section 2.04 of the Master Indenture for CFD 2, staff recommends that \$79,523.99 be transferred from Fund 3317 to the CFD 2 Special Tax Fund (Fund 7420). And because the Pool A interest apportionment has not been completed for the period of July through October 2019, staff recommends that any interest earnings above the balance of \$677,484.71 also be transferred to Fund 7420.

In summary, staff recommends the following actions:

- reimbursement of \$315,164.07 to Alleghany
- reimbursement of \$47,954.47 to Buzz Oates
- reimbursement of \$15,824.18 to Cambay
- reimbursement of \$63,409.93 to the Kings
- transfer of \$155,608.07 from Fund 3317 to the Storm Drainage Fund (Fund 6011)

Local Business Enterprise (LBE): Not applicable.