



# City of Sacramento City Council

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915 I Street, Sacramento, CA, 95814  
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**Meeting Date:** 11/15/2011

**Report Type:** Consent

**Title:** Collection Actions for Delinquent Assessment and Special Tax Levies

**Report ID:** 2011-00957

**Location:** Citywide

**Recommendation:** Adopt a Resolution ordering judicial foreclosure of delinquent special assessment installments pursuant to the Improvement Bond Act of 1915 and special taxes pursuant to the Mello-Roos Community Facilities Act of 1982 and making related authorizations.

**Contact:** Janelle Gray, Public Finance Manager, (916) 808-8296, Office of the City Treasurer

**Presenter:** None

**Department:** City Treasurer

**Division:**

**Dept ID:**

**Attachments:**

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- 1-Description/Analysis
- 2 Background
- 3 Resolution

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#### **City Attorney Review**

Approved as to Form  
Jeffrey C. Heeren  
11/2/2011 5:01:23 PM

#### **City Treasurer Review**

Reviewed for Impact on Cash and Debt  
Russell Fehr  
11/1/2011 11:35:03 AM

#### **Approvals/Acknowledgements**

Department Director or Designee: Russell Fehr - 11/1/2011 3:40:49 PM



## Description/Analysis

**Issue:** The City of Sacramento (“City”) entered into various agreements, which authorized the issuance of 1915 Act and Mello-Roos Bonds. Each bond issue sets forth requirements for the City as it relates to delinquency management for property owners that become delinquent in property tax payments. The City is required to monitor annually any delinquencies and commence foreclosure action in accordance with the requirements of the respective bond issue.

This resolution authorizes the City Treasurer, or designees, to remove delinquent assessments and special tax levies from the tax rolls in order to pursue judicial foreclosure for this year and all future years. In April 2000, City Council approved a similar resolution; the requested action provides administrative clean-up to reflect a change in assignment from the former Administrative Department to the Office of the City Treasurer.

**Policy Considerations:** Active collection of delinquent assessment installments pursuant to 1915 Act and Mello-Roos bond covenants is consistent with policies of the City of Sacramento and requirements of bond documents.

**Environmental Considerations:** This action is not subject to the CEQA because it is not a “project” as defined in section 15378 of the CEQA Guidelines.

**Sustainability:** None

**Commission/Committee Action:** None

**Rationale for Recommendation:** The City is required by covenant with bondholders to institute judicial foreclosure proceedings on delinquent assessments and special tax levies. This resolution orders the filing of judicial foreclosure lawsuits to collect delinquent assessments and special taxes; authorizes and directs the Office of the City Treasurer to pursue collection and authorizes the City Attorney or outside counsel under City Attorney direction to file and prosecute foreclosure actions on delinquent installments and special taxes; and authorizes attorneys to require payment of all costs and attorneys’ fees prior to and in a judgment of foreclosure.

**Financial Considerations:** The cost of delinquency management and subsequent judicial foreclosure process is recovered from the delinquent parcels.

**Emerging Small Business Development (ESBD):** Not Applicable

## **BACKGROUND:**

- The City has a long history of conducting special assessment or tax proceedings resulting in the issuance and sale of improvement bonds pursuant to the provisions of the Improvement Bond Act of 1915 (“1915 Act”) and Mello-Roos Community Facilities Act of 1982 (“Mello-Roos Act”) to finance a variety of projects.
- Both are payable in the same manner and at the same time as secured property taxes and may be billed and collected on behalf of the City by the County of Sacramento (“County”).
- In conjunction with bondholder covenants, annually, at a minimum, the City removes from the County Tax Roll:
  - delinquencies in the amount of \$1,000 or greater, either individually or in aggregate by property owner, and
  - all delinquent properties in Districts that have more than 5% delinquency rate (or as required by respective bond issues)
- Removal of delinquencies from the County tax rolls returns the responsibility of collection to the City. The City applies the penalty and interest rate - equivalent to the current rates by the County - to all outstanding delinquencies. As a courtesy to property owners, upon removal from the tax rolls, the City sends final collection letters to property owners requesting payment.
- If the City does not receive payment, the account is referred to either an outside counsel or to the City Attorney’s Office for collection and possible judicial foreclosure.



## **RESOLUTION NO.**

Adopted by the Sacramento City Council

### **RESOLUTION ORDERING JUDICIAL FORECLOSURE OF DELINQUENT SPECIAL ASSESSMENT INSTALLMENTS PURSUANT TO THE IMPROVEMENT BOND ACT OF 1915 AND SPECIAL TAXES PURSUANT TO THE MELLO-ROOS COMMUNITY FACILITIES ACT OF 1982 AND MAKING RELATED AUTHORIZATIONS**

#### **BACKGROUND**

- A. The CITY OF SACRAMENTO occasionally issues bonds under the Improvement Bond Act of 1915 (Sts. & Hy. Code § 8500 et seq. “1915 Act”) and bonds or debt under the Mello-Roos Community Facilities Act of 1982 (Gov.Code § 53311 et seq. “Mello-Roos Act”). Consistent with the 1915 Act and Mello-Roos Act, the City covenants to file judicial foreclosure actions to collect delinquent special assessment installments and special taxes.
- B. The City Council has previously ordered such judicial foreclosures, authorized City administration to collect delinquencies and outside counsel under direction of the City Attorney to prosecute judicial foreclosures and collect fees and costs incurred, as provided in Resolution No. 2000-182.
- C. The City Treasurer requests that the City Council renew ordering judicial foreclosure and related authorizations.

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

- Section 1. Resolution No. 2000-182 is rescinded. The City Council orders judicial foreclosures on assessment or special tax delinquencies, as authorized by the 1915 Act and Mello-Roos Act.
- Section 2. The City Treasurer is authorized and directed to review delinquent special assessment and special taxes; record notice of intent to remove delinquencies from the County tax rolls; take steps the Treasurer determines are likely to result in collection; transmit unpaid delinquencies to the City Attorney for judicial foreclosure. The Treasurer may delegate this power to Office of the Treasurer personnel. The City Attorney is authorized to file and prosecute such judicial foreclosures, or use outside counsel, and to require payment of interest, penalties, costs, and attorney fees as a condition of pre-judgment redemption, and request that the court include interest, penalties, costs, and attorney fees in any judgments.