

RESOLUTION NO. 2012-299

Adopted by the Sacramento City Council

August 9, 2012

APPROPRIATION OF INTEREST EARNINGS NORTH NATOMAS COMMUNITY FACILITIES DISTRICT NO. 4 SERIES D CONSTRUCTION FUND

BACKGROUND

- A. On October 24, 2006, by Resolution Nos. 2006-786 and 2006-787, the City Council authorized the issuance of \$26,210,000 in Mello-Roos bonds through North Natomas Community Facilities District No. 4 (the "**Series D Bonds**"). The authorized purposes for which proceeds from the Series D Bonds may be expended are the acquisition of public improvements and the funding of development-impact fees on lands to be developed by Reynen & Bardis Communities, Inc. ("**Reynen and Bardis**") and Natomas Creek, LLC ("**Natomas Creek**").
- B. Bond proceeds remaining after paying costs of issuance ("**Net Proceeds**") totaled \$22,300,204 and were allocated to the developers in proportion to the debt placed on their respective properties, as follows: \$19,375,636 to Natomas Creek and \$2,924,568 to Reynen & Bardis.
- C. The Net Proceeds were appropriated in full to a master project for each developer, to be used as construction was completed, as land was acquired, or as fees were due. These master projects are J22003300 for Natomas Creek and J22003400 for Reynen & Bardis.
- D. The use of the master projects is governed by the bond covenants and Acquisition and Shortfall Agreements with each developer: City Agreement No. 2006-1351 for Natomas Creek and City Agreement No. 2006-1352 for Reynen & Bardis. Each agreement specifies the improvements and lands to be acquired and the fees to be funded with the Net Proceeds (the "**Authorized Facilities**").
- E. Section 2(b) in each Acquisition and Shortfall Agreement provides that the funds available to the master projects are limited to the proceeds of the Series D Bonds and to any funds that may subsequently become available, such as interest earned on project-account cash balances or additional bond series. Any costs to provide the authorized facilities in excess of available funds are the responsibility of the developer.
- F. Interest earnings have been realized in both master projects, with \$1,897,070 accruing to the Natomas Creek project and \$67,495 accruing to the Reynen & Bardis project.

- G. Reynen & Bardis has been fully reimbursed for the Authorized Facilities it provided, so the interest earnings on its project must be appropriated toward a subsequent debt-service payment.
- H. Natomas Creek has not completed its remaining development (primarily the Commerce Station project) and has remaining Authorized Facilities that exceed available resources. Interest earnings thus must be appropriated to the master project for Authorized Facilities.
- I. Interest earnings from tax-exempt bonds are subject to a 100% marginal tax under the Tax Reform Act of 1986 on the interest earned in excess of the interest paid on the bonds. The City Treasurer has verified that the interest earnings on the proceeds of the Series D Bonds did not exceed the interest payable on the bonds, so there is no tax liability.

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

Section 1. The City Manager (or his designee) is hereby authorized to appropriate \$1,897,070 from interest earnings on the North Natomas Creek Project (J22003300) for authorized purposes under City Agreement No. 2006-1351.

Section 2. The City Manager (or his designee) is hereby authorized to appropriate \$67,495 from interest earnings on the Reynen & Bardis Project (J22003400) for the purpose of paying Reynen & Bardis's allocation of the debt service for the Series D Bonds.

Adopted by the City of Sacramento City Council on August 9, 2012 by the following vote:

Ayes: Councilmembers Ashby, Cohn, D Fong, McCarty, Pannell, Schenirer, Sheedy.

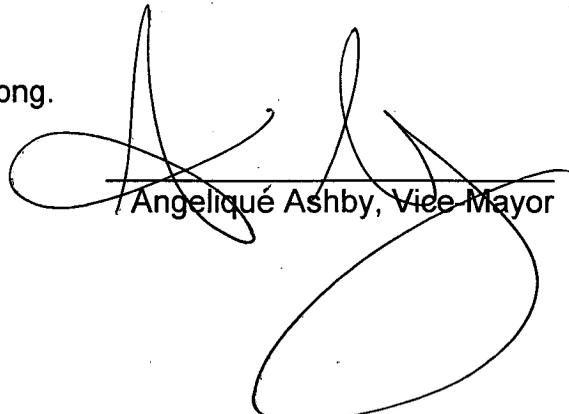
Noes: None.

Abstain: None.

Absent: Mayor Johnson and Councilmember R Fong.

Attest:


Shirley Concolino, City Clerk


Angelique Ashby, Vice Mayor