

STAFF REPORT*CITY OF OCEANSIDE*

DATE: June 23, 2010

TO: Honorable Mayor and City Councilmembers

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF A RESOLUTION DETERMINING ASSESSMENT DISTRICT SURPLUS AND ORDERING DISPOSITION OF THE IMPROVEMENT DISTRICT NO. 1-1986 (MORRO HILLS UPDATED) FUNDS**

SYNOPSIS

Staff recommends that the City Council adopt a resolution determining the assessment district surplus and ordering the disposition of the Improvement District No. 1-1986 (Morro Hills Updated) funds.

BACKGROUND

In September 1988, the City Council adopted resolutions under the Municipal Improvement Act of 1913 and the Improvement Bond Act of 1915 to form the Improvement District No. 1-1986 (Morro Hills Updated) (the "District"), assess levies on behalf of the District and issue bonds to finance the improvements made within the District. The improvements included the construction of various water facilities in the Morro Hills neighborhood located in the eastern portion of Oceanside adjacent to Camp Pendleton Marine Corp Base and the San Luis Rey River.

As a condition of forming the district and issuing bonds, the City entered into an agreement with five property owners in the district that held large parcels of undeveloped property. The agreement stipulated that upon residential development of the property, the owners would pay off the outstanding assessment on their parcels, plus pay an additional cost of \$1,733 per acre to ensure the District improvements were built and paid for in future years. The proceeds from the prepayments and additional cost payments would be used to redeem bonds and reduce the assessments levied for the remaining property owners in the District.

\$5.6 million in bonds were issued in January 1989, secured by the levies assessed to the property owners within the District. Subsequently, the bonds were refinanced in February 1994, lowering the interest rate on the bonds, which in turn benefited the property owners in the district. The bonds had a maturity date of September 2, 2009.

Beginning in 1999 with the development of the Wilmont Ranch subdivision, the developers paid off their assessments and the additional cost assessments as required by the

agreement. Using the proceeds from the prepayments, bonds were called in September 2000, 2001, 2004 and 2005. With the assessment prepayments and additional cost assessments that were collected for the development that occurred in the Arrowood community in Morro Hills, plus the use of the reserve funds held by the Bond Trustee, the City was able to pay the outstanding bonds in full on September 2, 2006.

ANALYSIS

The Morro Hills Debt Service Fund (Fund 452) has a balance of \$720,144 as of May 1, 2010. The balance in the fund represents a surplus of funds, primarily interest income accrued over the years. In order to close the District, there needs to be a determination of surplus funds and an ordering of disposition of the surplus funds. In accordance with Section 8784 of the Improvement Bond Act of 1915, any surplus funds may be transferred to the General Fund once the bonds have been paid in full, there are no remaining reserve funds, and all expenses related to the bonds have been paid. All three of those conditions have been met. In addition, all delinquent assessments have been collected as of the current fiscal year.

Staff recommends adoption of the resolution that determines the surplus and orders the disposition of the funds by transfer to the General Fund.

FISCAL IMPACT

The balance of the Morro Hills Debt Service Fund (Fund 452) in the amount of \$720,144 plus accrued interest through June 30, 2010, will be transferred to the General Fund (Fund 101) and has been included in the Fiscal Year 2010/2011 budget.

COMMISSION/COMMITTEE REPORT

Does not apply.

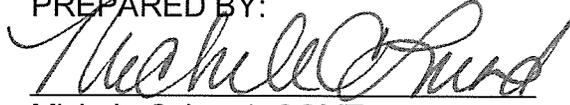
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

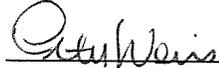
Staff recommends the City Council adopt a resolution determining the assessment district surplus and ordering the disposition of the Improvement District No. 1-1986 (Morro Hills Updated) funds.

PREPARED BY:



Michele C. Lund, CCMT
Treasury Manager

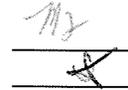
SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager
Teri Ferro, Financial Services Director



1 RESOLUTION NO. _____

2 RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
3 OCEANSIDE DETERMINING ASSESSMENT DISTRICT
4 SURPLUS AND ORDERING DISPOSITION THEREOF
5 IMPROVEMENT DISTRICT NO. 1-1986 (MORRO HILLS
6 UPDATED)

7 WHEREAS, in proceedings (the "Proceedings") conducted by the City Council of the
8 City of Oceanside pursuant to A Resolution of Intent Make Acquisitions and Improvements for
9 the Improvement District No. 1-1986 (Morro Hills Updated) under the Municipal Improvement
10 Act of 1913, Division 12, California Streets and Highways Code in and for the City's
11 Improvement District No. 1-1986 (Morro Hills Updated) (the "Improvement District"), the City
12 provided for the levy of assessments (the "Assessments") and the issuance, delivery and sale of
13 improvement bonds and making of certain acquisitions and improvements; and

14 WHEREAS, the City issued limited obligation improvement bonds secured by the
15 Assessments within the Improvement District (the "Bonds") under the Improvement Bond Act of
16 1915, Division 10 of the Streets and Highways Code of California (the "1915 Act"), in order to
17 finance the costs of the acquisitions and improvements, and all of the Bonds have been paid in
18 full and retired (whether at maturity or by early prepayment and redemption) in accordance with
19 the 1915 Act; and

20 WHEREAS, all acquisitions and improvements provided for in the Proceedings have
21 been made; all costs thereof, together with the expenses incidental thereto, have been paid; and
22 all proceeds of the Bonds deposited in the improvement funds for each Improvement District
23 have been spent; and

24 WHEREAS, there remains in the redemption fund established in the Proceedings and
25 maintained on the books of the City for the Improvement District the sum of \$720,144 (the
26 "Assessment District Funds"); and

27 WHEREAS, under Section 8784 of the 1915 Act, the City may determine that such
28 amounts are surplus and provide for their disposition;

NOW, THEREFORE, the City Council of the City of Oceanside does hereby resolve as
follows:

1 SECTION 1. Declaration of Surplus. The remaining balance in the Assessment District
2 Funds is hereby determined to be surplus within the meaning of the 1915 Act and shall be
3 disposed of as hereinafter set forth.

4 SECTION 2. Repayment of City Advances. All funds owed directly to the City of such
5 amount have been repaid to the City for any costs incurred by it under the 1915 act in connection
6 with the Assessments or the Bonds.

7 SECTION 3. Transfers to the General Fund. The amounts on hand in the Assessment
8 District Funds, equal to \$720,144, plus accrued interest through June 30, 2010, shall be
9 transferred to the General Fund of the City as authorized by the 1915 Act. After these transfers,
10 the Assessment District Funds for the Assessment District funds for the Assessment District shall
11 be closed.

12 SECTION 4. Transmittal of Resolution to the Director. The City Clerk shall furnish
13 certified copies of this resolution to the Financial Services Director of the City as authority for
14 the closing of the Redemption Fund.

15 SECTION 5. Effect. This Resolution shall take effect from and after its date of
16 adoption.

17 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this
18 day of _____, 2010, by the following vote:

19 AYES:

20 NAYS:

21 ABSENT:

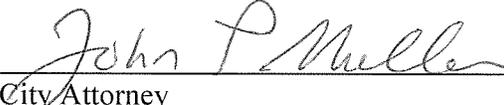
22 ABSTAIN:

23 _____
24 MAYOR OF THE CITY OF OCEANSIDE

25 ATTEST:

26 APPROVED AS TO FORM:

27 _____
28 City Clerk

29 
30 _____
31 City Attorney