

Certificates sold

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Supervisors finalize plan to repair roads

SANTA CRUZ — Ninety percent of the money has been raised in an \$8 million financial plan to repair and resurface storm-damaged county roads, to build a jail addition, and new Boulder Creek library.

Under the financial plan finalized by county supervisors Tuesday, certificates of participation are being sold to investors at an average 8.591 percent interest rate to raise \$8,185,000.

As of Tuesday, 90 percent of the certificates had been sold, according to Richard Clark of Security Pacific Capital Markets Group, the firm conducting the sale for the county.

Sales are booming despite a lower than expected rating of the certificates by Moody's of B-AA-1. The rating by this firm establishes the interest rate offered to investors.

Because of the less desirable rating, the interest rate came in slightly higher than that Security Pacific originally estimated. This means the county will have to pay investors more in interest payments when paying back the certificates over the next eight years.

Moody's gave the certificates a lower than expected rating because of the inclusion of road repairs, said Fred Waldeck, senior vice president of Security Pacific Capital Markets Group.

Including roads in such a financial plan — something new in the world of investments, he said. The lower rating by Moody's was "precedent setting" for rare certificate sales for road repairs, Waldeck added.

If the county only was trying to raise money for building construction, it would have received a higher rating and a better interest rate, according to Waldeck.

The county will also be issuing certificates for equipment purchases in the near future and also will get the less desirable rating for this sale, he added.

The less desirable rating also may have had something to do with Moody's concerns over Santa Cruz County.

While Moody's felt the county is in satisfactory financial shape, it is concerned over high unemployment here (9.3 percent as of June,) the county budget's dwindling unreserved fund balance and recent large reductions in county staff, Waldeck said.

If there's any problem selling the remaining 10 percent of the certificates, Security Pacific will buy up the remainder, according to Clark.

Supervisors Tuesday unanimously approved the final legal documents involving the sale.

The sale will raise \$3.4 million for repair and resurfacing of roads throughout the mid-county and north county. Resurfacing should be completed by November and repairs should be done by June.

This year's payment on the \$3.4 million will be raised through assessment charged property owners in unincorporated areas.

The assessments are \$6.90 for unimproved parcels and \$13.75 for improved properties. Each year that supervisors want to charge these assessments, a new vote must be taken after a public hearing.

Soquel resident Laurence Frommhagen is preparing to file a lawsuit against the county, claiming these and other similar assessments charged through county service areas are illegal taxes under Proposition 13.

Proposition 13, the statewide property tax reduction approved in 1978, says no property-related taxes can be raised without a two-thirds vote of the electorate.

Frommhagen says the fees are taxes, not assessments, because assessments are based on the benefit an improvement gives each individual property owner.

The money to pay back investors for the \$1.2 million for an addition to the Water Street jail will come from fines collected for traffic violations. The money to pay back the \$425,000 for a new Boulder Creek library will come from property taxes placed in the county library fund.