

Reclamation District funds levee improvements

Reclamation District No. 17, established in 1863, serves a large geographic area in San Joaquin County, including the Cities of Stockton, Lathrop, and Manteca. RD 17 recently instituted a \$3MM (approximate) annual assessment, approved by a majority protest process. The assessment is collected on the county tax roll. In May 2009, they raised \$16MM in an initial bond sale to fund needed levee improvements, and perform work to comply with FEMA standards. The bonds obtained a BBB rating and the net interest rate is approximately 7%. Given the relatively high rate of delinquencies and foreclosure activity in the area and the current state of the financial markets, this rating and interest rate are worthy accomplishments.

The bond payments, as well as a significant amount of “pay as you go” improvements, are funded by the \$3MM annual assessment. This assessment is somewhat unusual in that the authority is found in State Water Code. Code section 51200 *et seq.* allows reclamation districts to levy assessments for such facilities and services.

One could consider it a benefit that such assessments are not subject to the more cumbersome judicial foreclosure process, but rather a special and more expedient foreclosure process. In any case, the assessments are now collected via the County of San Joaquin’s Teeter Plan whereby the County forwards 100% of the levied assessments to the Reclamation District in exchange for retaining the penalties and interest.

Given the current state of many of the levees in California as well as the financial markets, this type of assessment is worth considering.

By Tim Seufert, NBS

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