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**OFFICE OF THE
CITY TREASURER**

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASSISTANT TREASURER

CITY OF SACRAMENTO
CALIFORNIA

October 24, 1989

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SUITE 400
SACRAMENTO, CA
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OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

FAX 916-448-3139

TO: B & F Agenda Recipients
FROM: Thomas P. Friery, City Treasurer
RE: B & F Agenda Item #8C for October 26, 1989

Budget & Finance agenda item #8C, "Business Terms of the National Football League Franchise Fee, Agreement with the County of Sacramento, and the Financial Impact on the City of Sacramento" is the same as Council agenda item #34A and is available for your inspection at the office of the City Treasurer, Finance Director or City Clerk.


Thomas P. Friery
City Treasurer



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October 20, 1989

FAX 916-448-3139

Sacramento City Financing Authority
Sacramento, California

SUBJECT: Resolution Approving Legal Documents and an Official Statement in Connection with 1989 City of Sacramento Certificates of Participation.

Honorable Members in Session:

SUMMARY

This report requests the Sacramento City Financing Authority's ("Authority") approval of the legal documents and preliminary Official Statement ("POS") of the 1989 Certificates of Participation including approval to act as nominal lessor for this financing. These documents have been completed and are on file in the City Clerk's Office. The Authority's approval of these documents is necessary to proceed with the financing. After approval, the legal documents and POS will be released to rating agencies for the purpose of obtaining a credit rating on the COP. The POS will also be released publicly as part of the marketing of the COP.

BACKGROUND

On August 22, 1989 City Council approved the legal documents in their preliminary form, the action plan and financing team for the 1989 COP. Since that time bond counsel, the underwriters, underwriter's counsel and city staff, including the City Treasurer and City Attorney, have produced the legal documents and POS in connection with the 1989 COP. These documents are on file with the City Clerk and include: an Acquisition Agreement, a Project Lease, a Trust Agreement and a preliminary Official Statement.

The release of legal documents and the POS to rating agencies is required in order to obtain a credit rating on the COP. Credit ratings indicate the creditworthiness of the financing and ultimately become a critical factor in determining the interest rate of the COP. A brief synopsis of the legal documents and the preliminary Official Statement is presented below:

- The Acquisition Agreement permits the sale of the Executive Airport and the Community Center by the City to the Sacramento City Financing Authority for an amount equal to the value of certificates sold.
- The Project Lease is an extensive financial document outlining in detail the terms of the lease between the City and the Sacramento City Financing Authority for the Executive Airport and Community Center.
- The Trust Agreement specifies the manner in which registration and payment of the COP will occur and instructs the trustee regarding distribution and investment of bond proceeds. It is an agreement between the City, the Sacramento City Financing Authority and the trustee. The trustee selected for this financing is Security Pacific National Bank. The Treasurer will act for the trustee by holding the construction/acquisition funds within the City's pooled funds.
- The Official Statement is the primary marketing document of the City and discloses information that an investor in the certificates would require. The Official Statement is currently in preliminary form. Upon sale of the certificates, a final Official Statement will be issued.

Our current Action Plan anticipates selling the certificates on November 14, 1989, subject to final City Council approval on that date. Thereafter, the COP will close and proceeds will be delivered on or about November 28, 1989.

FINANCIAL DATA

City projects to be financed through the COP total \$75.35 million and consist of the following:

Civic Center Plaza Parking Garage	\$21,100,000
Downtown Plaza Parking Garage	10,000,000
George Sim Community Center Expansion	1,250,000
Central Library Construction Additions	835,725
So. Natomas Park Land Acquisition	1,600,000
Meadowview Community Center, Phase I	200,000
NFL Franchise Fee	40,000,000
Contingency	<u>364,275</u>
Total Project Funding	<u>\$75,350,000</u>

In addition to these projects, the following is a list of alternate projects which have been identified in the POS which could be partially or totally funded from proceeds in the event one of the former projects were delayed.

Memorial Auditorium Remodel	\$ 40,000,000
Community Center Expansion	75,000,000
Animal Control Facility	2,916,000
Belle Cooleedge Library	3,140,000
Meadowview Community Center	4,497,000
Clunie Community Center	2,055,000
So. Natomas Park Land - Phase II	3,400,000
SHRA Projects	20,000,000
Capitalized Interest	<u>6,400,000</u>
Total	<u>\$157,408,000</u>

Council previously approved the concept of using the Community Center's Exhibit Hall and Activities Building as collateral for a sale leaseback financing. An appraisal of those buildings revealed a replacement value of \$35.35 million. Because of inclusion of a NFL Franchise Fee to the projects financed, it is proposed that the Executive Airport also be used. An appraisal of the land comprising the Airport is underway, and preliminary estimates reveal that it may have a value exceeding \$65 million. The COP requires a value of at least \$75.35 million. In the event that the value of the Airport equals or exceeds that amount, it would not be necessary to include the Community Center as collateral. However, should the Airport be valued at less than \$75.35 million, it will be necessary to include all or part of the Community Center as collateral for the financing.

The Community Center and Executive Airport are proposed to be sold to the Sacramento City Financing Authority and leased back through a 20 year lease. Investors in the COP have a proportionate interest in the annual lease payments, which also constitute the debt service. At the conclusion of the lease, the assets revert back to the City. However, in the event of default, normally the trustee would, on behalf of the certificate holders, sue for annual payments. If these could not be obtained, then the trustee could, in theory, relet the asset and collect the annual rent for the benefit of the certificate holders. In the case of the Executive Airport, it would not be possible for the trustee to relet the facility because of the lease with the County to run the Airport. However, the trustee could sue for annual lease payments in the unlikely event of default by the City.


MBE/WBE EFFORTS

City Council approved and named on August 22, 1989 the MBE firms of Arnelle & Hastie as co-bond counsel and Grigsby Brandford Powell Inc. as the third co-manager and underwriter of the 1989 COP financing.


RECOMMENDATION

It is recommended that the Sacramento City Financing Authority adopt the attached Resolution authorizing the execution and delivery of the Acquisition Agreement, Project Lease, Trust Agreement and Official Statement.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED:


WALTER J. SKIPE, City Manager

October 26, 1989
All Districts

Contact Person: David Affleck, Treasury Operations Officer II
449-5168

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF October 26, 1989

RESOLUTION OF THE SACRAMENTO CITY FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF AN ACQUISITION AGREEMENT, A PROJECT LEASE, A TRUST AGREEMENT AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE CITY OF SACRAMENTO CERTIFICATES OF PARTICIPATION (COMMUNITY CENTER AND EXECUTIVE AIRPORT PROJECTS)

WHEREAS, the Sacramento City Financing Authority (the "Authority") desires to act as nominal lessor for the 1989 City of Sacramento Certificates of Participation (Community Center and Executive Airport Projects);

NOW, THEREFORE, BE IT RESOLVED by the Authority as follows:
The form of Acquisition Agreement, Project Lease and Trust Agreement dated as of November 1, 1989, between the City and the Authority presented to this meeting and on file with the City Clerk, is hereby approved.

The form of Official Statement relating to certificates of participation in the base rental payments to be made by the City pursuant to said Project Lease presented to this meeting and on file with the City Clerk, is hereby approved.

PASSED AND ADOPTED this 26th day of October, 1989, by the following vote:

AYES: COUNCILMEMBERS

NOES:

ABSENT:

Chairman, Sacramento City Financing Authority

[Seal]

ATTEST:

Secretary

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____