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CITY OF SACRAMENTO

OFFICE OF THE TREASURER

800 - 10TH STREET
SUITE 1

SACRAMENTO, CA 95814
TELEPHONE (916) 449-5318

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

October 23, 1985

Budget & Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Approval of Resolution for 1985/86 Tax and Revenue Anticipation Notes (TRAN) Sale Authorizing Issuance of TRANS and Award of TRAN Notes to the Firm of Paine Webber, and Approval of TRAN Official Statement

SUMMARY

Attached is the report to the full Council on the above-mentioned subject. As this report is being written prior to the TRAN sale date, the pertinent information relative to the sale is not available at this time. An amended report including the numbers in regard to the sale will be presented on the day of the November 6 meeting.

RECOMMENDATION

It is recommended that the Committee forward the attached report to the full Council for approval.

Respectfully submitted,

THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED

Solon Wisham, Jr.
Assistant City Manager



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THOMAS P. FRIERY
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DONALD E. SPERLING
ASST. TREASURER

November 6, 1985

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Approval of Resolution for 1985/86 Tax and Revenue Anticipation Notes (TRAN) Sale Authorizing Issuance of TRANS and Award of TRAN Notes to the Firm of Paine Webber, and Approval of TRAN Official Statement

SUMMARY

On November 6, 1985 the City Treasurer and Paine Webber, Inc. negotiated a coupon rate of ___% on the City's \$13.5 million 1985 TRAN Note Sale subject to Council approval this evening. However, financing costs of \$, representing Management Fee, Underwriter's Fee and Selling Commission would be deducted from bond proceeds and result in a Net Interest Cost of % on the TRAN sale to the City. Additionally, \$, representing usual and normal financing expenses (i.e., Bond Counsel Fees, Paying Agent Fees, Bond and Statement Printing, Mailing Costs, CDAC Fees, Federal Funds Charges, Rating Agency Fees, and Miscellaneous Expenses, etc.) will also be deducted from Bond Proceeds, although such expenses are not considered a component of the Net Interest Cost calculation. The financing costs and expenses described are within the Underwriting Agreement approved by City Council on July 24, 1984 relative to this financing.

I have reviewed other TRAN and short-term municipal note issues currently trading in the market place and conclude that Paine Webber's bid is favorable to the City of Sacramento. I recommend Council approve the attached Resolution providing for the borrowing of funds and issuance of 1985 TRAN Notes and award the notes to Paine Webber, Inc. as previously described and approval of the TRAN Official Statement.

BACKGROUND

On October 15, 1985 City Council approved a staff recommendation authorizing a negotiated sale of \$13.5 million TRANS with the firm of Paine Webber, Inc. Additionally, normal financing costs and expenses were included in the Investment Banking Agreement authorizing this financing arrangement as well as authorization from the City Treasurer to negotiate this financing on November 6, 1985 subject to final City Council approval that evening.

The Preliminary Official Statement describing the 1985 TRAN financing was presented and approved by the City Council on October 22, 1985 and is on file. Adoption of the attached Resolution will formally approve that action.

FINANCIAL INFORMATION

On October 15, 1985, the City Treasurer estimated the City would earn \$302 thousand as a result of accomplishing the \$13.5 million TRAN financing which will be dated November 14, 1985 and mature on November 14, 1986 after meeting City cash flow requirements. The estimate had assumed a 6% interest cost on the TRAN, financing costs and expenses not to exceed .65% and reinvestment of proceeds at 9%.

However, as a result of the interest rate on the 1985 TRAN of % and the financing costs and expenses actually totalling \$ _____, (. % of borrowing), it is now estimated that the 1985 TRAN will produce \$ thousand in net earnings after covering all costs and expenses.

The following table is a summary of the Financing Costs and Expenses and Net Interest Cost Calculation on the 1985 TRAN issue:

Summary Financial Data
 1985 TRAN
Dated November 14, 1985

Par Value	\$ 13,500,000
	=====
Interest Coupon	%
	=====
Management Fee	\$
Underwriting Fee	
Sales Credit	\$
Other Financing Costs & Expenses	\$ _____
Total Financing Costs & Expenses	\$
	=====
Net Interest Cost	%
	=====

RECOMMENDATION

It is recommended that City Council:

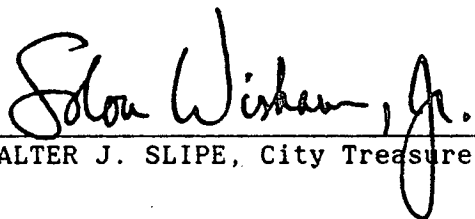
- Approve the attached Resolution providing for the borrowing of Funds and issuance of \$13.5 million of 1985 TRAN notes, and
- Award the sale of the 1985 TRAN Notes to Paine Webber, Inc. as described herein, and
- Approve the 1985 TRAN Official Statement now on file with the City Council.

Respectfully submitted,



THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED:


For: WALTER J. SLIPE, City Treasurer

November 6, 1985
All Districts

CITY OF SACRAMENTO

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SACRAMENTO PROVIDING FOR THE BORROWING OF
FUNDS AND THE ISSUANCE AND SALE OF 1985 TAX
AND REVENUE ANTICIPATION NOTES THEREFOR

WHEREAS, this City Council of the City of Sacramento (the "City") has found and determined and does hereby find and determine that funds in the amount of \$13,500,000 are needed by the City in Fiscal Year 1985-1986 for the purpose of paying lawful expenses of the City which will become due and payable before the receipt by the City of taxes, income, revenue and cash receipts (including property taxes, but exclusive of taxes levied to pay bonded indebtedness) during or allocable to Fiscal Year 1985-1986 sufficient to discharge the same; and

WHEREAS, the total amount of uncollected taxes, income, revenue and cash receipts of the City estimated to be received during or allocable to Fiscal Year 1985-1986 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness) is not less than \$137,917,000, and no sums have heretofore been borrowed or will be borrowed by the City in anticipation of the receipt of said uncollected taxes, income, revenue and cash receipts; and

WHEREAS, the amount herein provided to be borrowed, when added to the estimated interest to be payable thereon, does not exceed eighty-five per cent (85%) of the

total amount of uncollected taxes, income, revenue and cash receipts of the City anticipated to be received during or allocable to Fiscal Year 1985-1986 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness); and

WHEREAS, Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (being Sections 53850-53858 thereof) authorizes the borrowing by the City of the aforesaid sum by the issuance of tax and revenue anticipation notes for the purpose of paying said lawful expenses, all as therein provided;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sacramento as follows:

Section 1. All of the above recitals are true and correct, and this City Council so finds and determines.

Section 2. Pursuant to the provisions of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (being Sections 53850-53858 thereof) and for the purpose of paying lawful expenses of the City which will become due and payable before the receipt by the City of taxes, income, revenue and cash receipts (including property taxes, but exclusive of property taxes levied to pay bonded indebtedness) during or allocable to Fiscal Year 1985-1986 sufficient to discharge the same, the City hereby determines to and shall borrow the principal sum of \$13,500,000 by the issuance of tax and

revenue anticipation notes therefor, designated "City of Sacramento 1985 Tax and Revenue Anticipation Notes" (the "Notes"), to be issued in bearer form, to be dated November 14, 1985, to mature on November 14, 1986, and to be numbered, to be in the denomination and to bear interest as follows, to wit:

<u>Note Numbers (inclusive)</u>	<u>Denomination</u>	<u>Interest Rate</u>
_____	\$ 5,000	_____%
_____	25,000	_____
_____	100,000	_____

Both the principal of and interest on the Notes shall be payable in lawful money of the United States of America to the bearers thereof at the maturity thereof only upon presentation and surrender thereof at the principal corporate trust office of First Interstate Bank of California in San Francisco, California. The Notes shall be repaid from uncollected taxes, income, revenue and cash receipts received by the City during or allocable to Fiscal Year 1985-1986 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness) and any other moneys of the City lawfully available therefor.

Section 3. The Notes shall be issued substantially in the following form, the blanks in said form to be filled in with appropriate words or figures, to wit:

CITY OF SACRAMENTO
1985 TAX AND REVENUE ANTICIPATION NOTE

No. _____

\$ _____

For value received, the City of Sacramento (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of California and located in Sacramento County, California, acknowledges itself indebted to and hereby promises to pay to the bearer hereof, on November 14, 1986, at the principal corporate trust office of First Interstate Bank of California in San Francisco, California, the principal sum of

_____ DOLLARS (\$ _____)

in lawful money of the United States of America, together with interest thereon payable at maturity at the rate of ___% per annum computed on the basis of a 360-day year, in like lawful money from the date hereof until payment in full of said principal sum. Both the principal of and interest on this note shall be payable only upon surrender of this note at the maturity thereof.

This note is one of a duly authorized issue of tax and revenue anticipation notes of the City aggregating Thirteen Million Five Hundred Thousand Dollars (\$13,500,000) in principal amount, all of like date and tenor (except for varying numbers and denominations); and it is hereby certified, recited and declared that this note is made, executed and given pursuant to and by authority of a resolution of the City Council of the City duly passed and adopted on November 6, 1985, under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

For the payment of the principal of and interest on this note and all other notes of this issue, the City has pledged all uncollected taxes, income, revenue and cash

receipts received during or allocable to Fiscal Year 1985-1986 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness), and this note shall constitute a first lien and charge thereon and shall be payable by the City from such pledged moneys, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor; all as further provided in and subject to said resolution.

IN WITNESS WHEREOF, the City of Sacramento has caused this note to be executed by the Treasurer of the City and countersigned by the City Clerk of the City and has caused its official seal to be affixed hereto, all as of November 14, 1985.

CITY OF SACRAMENTO

By _____
Treasurer

[SEAL]

Countersigned:

City Clerk

Section 4. The Treasurer of the City is hereby authorized and directed to execute the Notes by ~~his~~ manual signature for and on behalf of the City, and the City Clerk of the City is hereby authorized and directed to countersign by ~~her~~ facsimile signature and seal by facsimile impression of the seal of the City the Notes for and on behalf of the City, and said signing, countersigning and sealing shall constitute a valid and sufficient execution of the Notes.

Section 5. For the payment of the principal of, and interest on, the Notes, the City hereby pledges all uncollected taxes, income, revenue and cash receipts received during or allocable to Fiscal Year 1985-1986 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness), and the Notes shall constitute a first lien and charge thereon and shall be payable by the City from such pledged moneys; and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor (all as provided in Sections 53856 and 53857 of the Government Code of the State of California and as hereinafter set forth). In order to effect this pledge, the City agrees to create and establish a special fund, to be held at the principal corporate trust office of First Interstate Bank of California in San Francisco, California, designated the 1985 Tax and Revenue Anticipation Note Repayment Fund, and to deposit directly therein from such pledged moneys or legal investments thereof on each of the following dates, namely,

on February 15, 1986, on March 15, 1986, and on April 15, 1986, the sum of \$2,000,000, and to deposit therein from such pledged moneys on May 30, 1986, the sum of \$7,500,000 (together with an amount sufficient to pay the interest to become due on the Notes at maturity); provided, that if any such deposit is not made when due, then it shall be made from any other moneys of the City lawfully available therefor, and if not so made at that time then the next scheduled deposit shall be increased by the amount of such insufficiency.

All moneys on deposit in the Repayment Fund shall be used for the payment of the principal of, and interest on, the Notes and for no other purpose until the principal, of and interest on, the Notes have been paid in full, except that such moneys may be invested in any legal investments (except reverse repurchase agreements) as directed by the Treasurer of the City, and the proceeds of any such investments shall be forwarded when received to the Treasurer of the City and shall be deposited as and when received in the General Fund of the City.

Section 6. It is hereby covenanted by the City that all representations and recitals contained in this resolution are true and correct and that the City and its officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the collection and receipt

of the taxes, income, revenue and cash receipts pledged for the repayment of the Notes in accordance with law.

Section 7. This City Council hereby covenants with the owners of the Notes that it will make no use of the proceeds of the Notes which will cause any of the Notes to be an "arbitrage bond" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954. To that end, so long as the Notes are outstanding, this City Council, and all officers of the City having custody or control of any proceeds of the Notes, shall comply with all requirements of said Section 103(c) and of all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Section 8. All the Notes are hereby sold to Paine Webber Incorporated at the par value thereof, less a discount of \$ _____, plus accrued interest thereon, in accordance with the note purchase agreement for the Notes submitted by ^{Paine Webber} ~~such firm~~ and now on file with the City Council of the City, and the City Manager of the City is hereby authorized to execute such purchase agreement on behalf of the City.

Section 9. The copy of the Official Statement for the Notes, in substantially the form submitted and now on file with the City Council of the City, is hereby approved,

and the Mayor of the City is hereby authorized to execute such Official Statement on behalf of the City.

PASSED AND ADOPTED on November 6, 1985, by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

Mayor of the City of Sacramento

[SEAL]

Attest:

City Clerk of the City of Sacramento