



6

OFFICE OF THE
CITY TREASURER

CITY OF SACRAMENTO
CALIFORNIA

800 TENTH STREET
SUITE ONE
SACRAMENTO, CA
95814-2688

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASSISTANT TREASURER

October 22, 1987

916-449-5318
OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

916-448-3139
DEX TRANSCIEVER

Budget and Finance Committee
City Council Chambers
Sacramento, CA 95814

Re: A Resolution of the City of Sacramento
Authorizing a Tax Benefit Sale-Leaseback
Financing of Qualified Mass Commuting
Vehicles for the Sacramento Regional Transit
District and the Execution and Delivery of
Agreements Relating Thereto and Certain
Other Actions in Connection Therewith

HONORABLE MEMBERS IN SESSION:

SUMMARY

This report recommends adoption of a resolution authorizing the City Manager and City Clerk to execute a guaranty in connection with a safe harbor lease between the Sacramento Regional Transit District and the Zayre Corporation.

BACKGROUND

In January of 1987, the City Council approved a tax benefit transfer (safe harbor lease) involving 12 light rail vehicles between the Sacramento Regional Transit District and Zayre Corporation and agreed to issue a City guaranty for certain obligations undertaken by SRTD pursuant to the lease. At that time, staff reported that one additional safe harbor transaction was anticipated in late 1987, after SRTD had taken title to additional light rail vehicles. That final safe harbor transaction is now at hand. The general terms of the new transaction are the same as that which closed in January of 1987, and a City guaranty is a necessary element of the transaction.

Budget and Finance Committee
Re: Resolution Authorizing Tax
Benefit Sale-Leaseback Financing
October 22, 1987
Page Two

The proceeds of this transaction are expected to be approximately \$383,000, to be deposited in City's LRT/RACS account. City's maximum exposure on the guaranty is approximately 132% of the proceeds, which occurs some thirteen months into the 26-year lease. Subsequently, the exposure decreases gradually over the lease term. The maximum liability would accrue only if all of the light rail vehicles were destroyed beyond repair, and with no replacements available. An individual vehicle casualty would implicate only a fraction of the maximum exposure. To reduce the likelihood of any casualty resulting in a required payment to Zayre, the City and SRTD have agreed that two light rail vehicles (one 100% funded by SRTD; one funded 15% by RT, 85% by UMTA) will be held out from the safe harbor transaction to serve as potential replacements.


It should be noted that a recent casualty to an SRTD bus which was the subject of a safe harbor lease in 1985 has triggered a repayment obligation to the lessee in an approximate amount of \$4,850. The repayment is expected to be made from funds retained in the LRT/RACS account for that purpose. The Treasurer will be making recommendations about retaining funds in the LRT/RACS for potential repayments in connection with all three safe harbor leases which have helped to raise funds for the light rail project.

The attached resolution was prepared by bond counsel.

RECOMMENDATION

It is recommended that the Council approve the attached resolution authorizing the issuance of a City guaranty in connection with a tax benefit transfer to Zayre Corporation.

Respectfully submitted,



THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED:



JACK CRIST
Deputy City Manager

November 4, 1987
All Districts

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

A RESOLUTION OF THE CITY OF SACRAMENTO AUTHORIZING
A TAX BENEFIT SALE-LEASEBACK FINANCING OF QUALIFIED
MASS COMMUTING VEHICLES FOR THE SACRAMENTO REGIONAL
TRANSIT DISTRICT AND THE EXECUTION AND DELIVERY OF
AGREEMENTS RELATING THERETO AND CERTAIN OTHER ACTIONS
IN CONNECTION THEREWITH

WHEREAS, the City of Sacramento, a charter city and municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), is authorized under provisions of the Constitution and laws of the State of California to lease property as the City may determine is necessary or proper and to assist the Sacramento Regional Transit District (the "District") in providing transit services;

WHEREAS, pursuant to such power, the City has determined it is necessary to participate in a tax benefit sale-leaseback financing with the District;

WHEREAS, the Internal Revenue Code and Regulations promulgated thereunder permit transit authorities to sell tax benefits resulting from depreciation of mass commuting vehicles (which benefits the City and the District cannot themselves realize) pursuant to a tax benefit sale-leaseback financing in substantially the form before this Council (the "Financing") with a private corporation whereby such corporation may realize the tax benefits resulting from depreciation of the mass commuting vehicles; and

WHEREAS, at this time the City desires to approve the Financing and approve the execution of certain documents;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO, AS FOLLOWS:

Section 1. The City hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to municipal affairs of the City.

Section 2. The Mayor of the City, the City Manager, the Treasurer or any other appropriate City official is hereby

authorized and directed, for and in the name and on behalf of the City, to negotiate, execute and deliver such documents, including indemnifications and guaranties, in form approved by counsel, as shall be necessary or proper to accomplish the Financing, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; such documents to include but not be limited by the following:

a. Tax benefit sale and leaseback agreement with the District and Zayre Corporation or such other private party or parties with which such agreement is negotiated.

b. Indemnification or guaranty agreement or agreements relating to the Financing.

c. Such undertakings as the Urban Mass Transportation Administration may require.

Section 3. The City Clerk is hereby authorized and directed to attest the signature of the Mayor, the City Manager or the Treasurer, and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of the Financing documents.

Section 4. The City Attorney of the City and the law firm of Orrick, Herrington & Sutcliffe, which is hereby designated as special counsel to the City with respect to the Financing, are hereby authorized to prepare such documentation and such opinions as are deemed necessary or desirable to consummate the Financing. The Mayor, the City Manager or other appropriate City official is hereby authorized to execute the contract for legal services, attached hereto as Exhibit A, which contract is hereby approved.

Section 5. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things to pay the costs, fees and expenses, and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the Financing and otherwise to carry out, give effect to and comply with the terms and intent of this resolution. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 6. This resolution shall take effect immediately upon its passage.

MAYOR

ATTEST:

CITY CLERK