

RESOLUTION NO. 2017-0458

Adopted by the Sacramento City Council

December 5, 2017

Authorizing the Submission of an Application to the California Infrastructure and Economic Development Bank for Financing the Memorial Auditorium Renovation Project (M17100103), Authorizing the Incurring of an Obligation Payable to IBank for the Financing of a Capital Improvement Project if IBank Approves the Application, Declaring the City's Official Intent to Reimburse Certain Expenditures from the Proceeds of an Obligation, and Approving Certain Other Matters in Connection Therewith

BACKGROUND

- A. The California Infrastructure and Economic Development Bank ("**IBank**") administers a financing program to assist local governments with the financing of eligible projects in accordance with the Bergeson-Peace Infrastructure and Economic Development Bank Act (Gov. Code §§ 63000–63089.98 (the "**Act**").
- B. IBank created the Infrastructure State Revolving Fund Program (the "**ISRF Program**") under the Act.
- C. IBank has instituted an application process for financing under its ISRF Program.
- D. IBank's Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the ISRF Program, dated February 23, 2016, and as amended from time to time (the "**Criteria**"), establishes requirements for the financing of projects under the ISRF Program.
- E. The City of Sacramento (the "**Applicant**") desires to submit an application (the "**Financing Application**") to IBank under the ISRF Program for financing and refinancing the costs of the Memorial Auditorium Renovation Project (the "**Project**") in an amount not to exceed \$15,000,000.
- F. The Act and the Criteria require the Applicant to make, by resolution of its governing body, certain findings before a project is selected for financing by IBank.
- G. The Applicant expects to incur or pay certain expenditures in connection with the Project from revenues of its Transient Occupancy Tax that are reimbursable with the proceeds of tax-exempt bonds or other tax-exempt securities under Federal

Tax Law (defined in section 3 below) before incurring indebtedness for the purpose of financing costs associated with the Project on a long-term basis (the “**Reimbursement Expenditures**”).

- H. The Reimbursement Expenditures include expenditures for architectural, engineering, surveying, soil testing, and similar costs that were incurred before the commencement of the acquisition, construction, or rehabilitation of the Project and constitute “preliminary expenditures” as defined in Treasury Regulation 1.150-2(f)(2) (collectively, the “**Preliminary Expenditures**”).
- I. The Preliminary Expenditures do not exceed 20% of the amount of the Obligation (defined in paragraph J below).
- J. The Applicant reasonably expects that a financing arrangement in an amount not to exceed \$15,000,000 (the “**Obligation**”) will be entered into under, and memorialized by, one or more financing agreements and related documents (collectively, the “**Financing Agreement**”) and that certain proceeds of the Obligation will be used to reimburse the Applicant for Reimbursement Expenditures incurred or paid before incurring the Obligation.
- K. The Applicant acknowledges that because IBank funds the ISRF Program, in part, with the proceeds of tax-exempt bonds, IBank has certain compliance obligations that may require it to have the Applicant enter into one or more new financing agreements to replace the Financing Agreement (collectively, the “**Replacement Agreement**”) on terms and conditions substantially identical to the original Financing Agreement.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The City Manager or his designee (collectively, the “**City Manager**”) is hereby authorized to sign and submit to the IBank a Financing Application in an amount not to exceed \$15,000,000 and any document related thereto.
- Section 2. The City Council hereby approves the filing of a Financing Application with IBank for the Project and, in connection that approval, finds and certifies that:
 - a. the Project facilitates the effective and efficient use of existing and future public resources to promote both economic development and conservation of natural resources;
 - b. the Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;

- c. the Project is consistent with the City of Sacramento 2035 General Plan and, to the extent applicable, the Sacramento County General Plan of 2005-2030;
- d. the proposed financing is appropriate for the Project;
- e. the Project is consistent with the Criteria; and
- f. it has considered (1) the impact of the Project on California's land resources and the need to preserve those resources; (2) whether the Project is economically or socially desirable; and (3) whether the project is consistent with, and in furtherance of, the State Environmental Goals and Policy Report (as defined in the Criteria).

Section 3. The Applicant hereby declares its official intent to use proceeds of the Obligation to reimburse itself for the Reimbursement Expenditures with the proceeds of tax-exempt bonds or other tax-exempt securities issued under the Internal Revenue Code of 1986, as amended, and the implementing Treasury Regulations (collectively, "**Federal Tax Law**"). This declaration is made solely for purposes of establishing compliance with applicable requirements of Federal Tax Law, and its date is controlling for purposes of reimbursement under Federal Tax Law. It does not bind the Applicant to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 4. All Reimbursement Expenditures, except for certain Preliminary Expenditures, were made no earlier than 60 days before the date of this resolution. The Applicant will allocate proceeds of the Obligation to pay Reimbursement Expenditures within eighteen months of the later of the date the Reimbursement Expenditures were paid or the date the Project was placed in service or abandoned, but in no event more than three years after the Reimbursement Expenditures were paid.

Section 5. The City Manager or the City Manager's designee is hereby authorized and directed to act on behalf of the Applicant in all matters pertaining to the Financing Application and (if IBank approves the Financing Application) the Obligation. This authorization and direction includes signing and delivering the Financing Agreement, any Replacement Agreement, any related financial documents that are needed—

- (1) to pledge to the repayment of the Obligation, on a parity basis with the Applicant's obligations in connection with any existing debt, the revenues of the Transient Occupancy Tax and all legally available amounts in the Community Center Fund;

- (2) to provide covenants relating to, among other things, maintaining the debt-service-coverage ratio required by IBank, the rates and charges to be pledged, and any other security or collateral securing the Obligation; and
- (3) to take any other action necessary or desirable to enable the Applicant to enter into the Financing Agreement and incur the Obligation.

Adopted by the City of Sacramento City Council on December 5, 2017, by the following vote:

Ayes: Members Ashby, Carr, Guerra, Hansen, Harris, Jennings, Schenirer and Warren

Noes: None

Abstain: None

Absent: Mayor Steinberg

Attest:

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.