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OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASSISTANT TREASURER

CITY OF SACRAMENTO
CALIFORNIA

September 29, 1987

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SUITE ONE
SACRAMENTO, CA
95814-2688

916-449-5318
OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

916-448-3139
DEX TRANSCEIVER

Budget and Finance Committee
City Council Chambers
Sacramento, CA 95814

Re: Safe Harbor Lease of RT Buses
Indemnification Event

HONORABLE MEMBERS IN SESSION:

SUMMARY

This report requests Committee approval of a Council resolution authorizing the Director of Finance and the Treasurer to pay a sum not to exceed \$5,000 to Harris Bank Hinsdale on account of a casualty to a bus subject to a Safe Harbor Lease.

BACKGROUND

On December 30, 1985, the Sacramento Regional Transit District entered into a tax benefit transfer agreement (Safe Harbor Lease) with Harris Bank Hinsdale relating to 50 previously purchased Gillig buses. The transaction resulted in receipt of proceeds by RT totalling \$146,144.38. A second Safe Harbor Lease of light rail vehicles to Zayre Corporation in January, 1987 generated proceeds of \$1,582,551.80 to the City. A third and final Safe Harbor Lease with Zayre Corporation is expected to close before the end of 1987 with proceeds to the City of approximately \$400,000.

A Safe Harbor Lease is the sale of depreciation deductions to a taxpayer (the lessor) who can make use of such deductions. The ongoing validity of the transaction requires that each vehicle being depreciated remains in actual use. The Safe Harbor Lease calls for a repayment to the lessor in the event of a casualty requiring retirement of a vehicle. The repayment is designed to make the taxpayer/lessor whole for the tax benefits lost on that vehicle.

Budget and Finance Committee
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Page Two

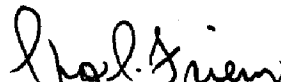
In early September, 1987, it was determined by Regional Transit that Gillig bus No. 4711, previously damaged in a fire, could not be returned to service. This determination triggers a repayment obligation to Harris Bank Hinsdale of roughly \$4,850.

In structuring the safe harbor leases and the light rail system financing, funds were retained in the City's LRT/RACS account to cover any eventual repayment obligation which might arise. Funds are available in the LRT/RACS account to repay Harris Bank Hinsdale (or reimburse Regional Transit for doing so).

RECOMMENDATION


It is recommended that the Committee approve for forwarding to the full Council the attached resolution authorizing the Director of Finance and the Treasurer to pay from the LRT/RACS a sum not exceeding \$5,000 to Harris Bank Hinsdale in repayment of tax benefits previously purchased.

Respectfully submitted,



THOMAS P. FRIERY
Treasurer

RECOMMENDATION APPROVED:



JACK CRIST
Deputy City Manager

October 13, 1987
All Districts

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

A RESOLUTION AUTHORIZING THE DIRECTOR OF
FINANCE AND TREASURER TO MAKE REPAYMENT
TO HARRIS BANK FROM THE LRT/RACS ACCOUNT
IN AN AMOUNT NOT TO EXCEED \$5,000.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. The Director of Finance and the City Treasurer are authorized to repay to Harris Bank Hinsdale (or to reimburse the Sacramento Regional Transit District) from the LRT/RACS account a sum not exceeding Five Thousand Dollars (\$5,000) due to a casualty to Gillig bus No. 4711 which was subject to a safe harbor lease between Sacramento Regional Transit District and Harris Bank Hinsdale dated December 30, 1985.

MAYOR

ATTEST:

CITY CLERK