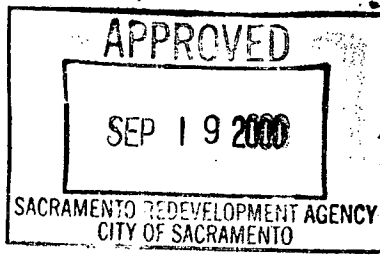




**Sacramento
Housing &
Redevelopment
Agency**



5.2

September 8, 2000

City Council and
Redevelopment Agency of the City of Sacramento
Sacramento, California

Honorable Members in Session:

SUBJECT: AUTHORIZATION TO ADVANCE REFUND THE REDEVELOPMENT AGENCY'S MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT TAX ALLOCATION BONDS, SERIES 1990A; TO ISSUE TAX ALLOCATION BONDS, SERIES 2000A; TO TERMINATE THE 1998 SWAP AGREEMENT, TO ENTER INTO AGREEMENTS RELATED TO THE BOND REFUNDING; AND TO TAKE OTHER RELATED ACTIONS.

LOCATION & COUNCIL DISTRICT – District 1

RECOMMENDATION

Staff recommends adoption of the attached resolutions by the City Council and the Redevelopment Agency of the City of Sacramento authorizing actions required to issue bonds in an amount not to exceed \$23 million and to advance refund the remaining Agency's Series 1990A Tax Allocation Bonds. At present market interest rates, the refunding will result in approximately \$1.2 million of present value savings and reduce total debt service payments by \$1.5 million.

CONTACT PERSONS

Satoshi Matsuda, Agency Director of Finance, 440-1370
Tom Friery, City Treasurer, 264-5168

FOR COUNCIL MEETING OF - September 19, 2000

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council and
Redevelopment Agency of the City of Sacramento
Sacramento, California
September 19, 2000
Page 2

SUMMARY

This report revises the financing plan approved in 1998 and recommends authorizing the issuance of fixed rate bonds not to exceed \$23 million for the Merged Downtown Sacramento Redevelopment Project Area. The financing will involve the refunding of the remaining \$21.4 million tax exempt Tax Allocation Bonds Series 1990A and terminating the swap agreement. The actions recommended should result in an estimated net present value (NPV) savings of approximately \$1.2 million instead of the \$.75 million NPV savings anticipated by the 1998 swap agreement. The recommendations are intended to maximize the NPV savings and no new project funds will result in 2000 from the recommended actions.

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BACKGROUND

During 1998, the City Council and Redevelopment Agency approved staff recommendations to advance refund a portion of the Merged Downtown Sacramento Redevelopment Area 1990 Tax Allocation bonds, to issue debt to finance redevelopment projects totaling \$18 million and to enter into a forward interest rate swap agreement. The Agency issued a total of \$68.4 million Tax Allocation Bonds in three series, saved \$3.1 million NPV in the refundings and entered into a forward interest rate swap agreement with Merrill Lynch which guaranteed the Agency an additional \$756,000 NPV savings on November 1, 2000.

The 1998 Swap agreement requires the Agency to take action to finalize the transaction by November 1, 2000. The Agency's options are detailed in the Financial Data section of this report.

Documents related to the proposed financing as identified below are on file with the City Clerk and Agency Clerk offices:

- Preliminary Official Statements
- Indenture and fiscal agent agreement
- Escrow agreement relating to the defeasance the Tax Allocation Bonds, Series 1990 A

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

City Council and Redevelopment
September 8, 2000
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- Continuing Disclosure Certificate
- Purchase contract with underwriters

Financing Team

The financing team and pricing committee members are identified below:

City	City Treasurer and Deputy City Treasurer*
Agency	Director of Finance*
Underwriters	Merrill Lynch & Co.
Bond Counsel	Brown & Wood LLP
Underwriter's Counsel	Jones Hall, A Professional Law Corporation
Fiscal Consultant	Fraser and Associates
Fiscal Agent	U.S. Bank Trust National Association

* *Identifies the pricing committee members*

FINANCIAL CONSIDERATIONS

The 1998 Swap agreement requires the Agency to finalize the transaction by November 1, 2000. The three options are as follows:

1. The parties can mutually agree to terminate the swap agreement. Based on the swap rates Merrill Lynch would pay the Agency \$140,000; or
2. The parties can proceed to finalize the swap agreement and the Agency can issue variable rate refunding bonds. This would result in a NPV savings to the Agency of \$756,000; or
3. The parties can agree to terminate the swap agreement and the Agency can take advantage of the low interest rates and advance refund the outstanding \$21.4 million 1990 Series A bonds with fixed rate bonds. This would result in estimated NPV savings of \$1.2 million.

**All numbers presented in this report are subject to change since they are based upon market rates as of September 6, 2000. Actual numbers will not be known until the bond pricing date.*

Based on the currently favorable bond market, staff is recommending the third option. Attachment I provide a detailed debt service schedule for the proposed financing. The debt service savings resulting from this advanced refunding will help increase the size of the Agency's next new bond issue anticipated next year.

POLICY CONSIDERATIONS

The City Council and Redevelopment Agency have previously approved tax increment revenue-based debt financing and advance refundings. No new policy is proposed.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

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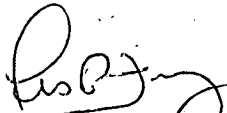
ENVIRONMENTAL REVIEW

The project areas were subject to environmental review at the time of their adoption. Projects undertaken within the project areas are subject to environmental review individually.

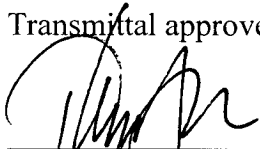
Per CEQA Guidelines, Section 15180, the actions recommended by this report are pursuant to and in furtherance of the adopted redevelopment plans, and do not result in new environmental impacts which require further environmental documentation.

Respectfully submitted,


ANNE M. MOORE
Executive Director


THOMAS FRIERY
City Treasurer

Transmittal approved,


ROBERT P. THOMAS
City Manager

Sep 6, 2000 12:06 pm Prepared by Merrill Lynch & Co.

SOURCES AND USES OF FUNDS

Redevelopment Agency of the City of Sacramento
 Series 2000A Current Refunding
 November 1, 2000 Swap Value = \$136,000
 Mark to Market Pricing as of Wednesday, September 6, 2000
 Assumes Non-Callable Bonds

Dated Date 10/01/2000
 Delivery Date 10/01/2000

Sources:

Bond Proceeds:

Par Amount 22,215,000.00

Other Sources of Funds:

1998 Swap Termination 136,000.00

22,351,000.00

Uses:

Refunding Escrow Deposits:

Cash Deposit 21,828,000.00

Delivery Date Expenses:

Cost of Issuance 100,000.00

Underwriter's Discount 222,150.00

Insurance Premium (59 bps) 156,132.52

DSRF Surety (2.00%) 44,430.00

522,712.52

Other Uses of Funds:

Available for Project Fund 287.48

22,351,000.00

Note: Escrow now Gross Funded (Deposit set equal to Escrow Requirement)

Sep 6, 2000 12:06 pm Prepared by Merrill Lynch & Co.

SUMMARY OF REFUNDING RESULTS

Redevelopment Agency of the City of Sacramento
 Series 2000A Current Refunding
 November 1, 2000 Swap Value = \$136,000
 Mark to Market Pricing as of Wednesday, September 6, 2000
 Assumes Non-Callable Bonds

Dated Date	10/01/2000
Delivery Date	10/01/2000
Arbitrage yield	4.389230%
Escrow yield	
Bond Par Amount	22,215,000.00
True Interest Cost	4.647009%
Net Interest Cost	4.397889%
Average Coupon	4.179336%
Average Life	4.576
Par amount of refunded bonds	21,400,000.00
Average coupon of refunded bonds	6.631458%
Average life of refunded bonds	4.700
PV of prior debt to 10/01/2000 @ 4.389230%	23,223,833.07
Net PV Savings	1,209,395.59
Percentage savings of refunded bonds	5.651381%
Percentage savings of refunding bonds	5.444049%

Sep 6, 2000 12:06 pm Prepared by Merrill Lynch & Co.

SAVINGS

Redevelopment Agency of the City of Sacramento
 Series 2000A Current Refunding
 November 1, 2000 Swap Value = \$136,000
 Mark to Market Pricing as of Wednesday, September 6, 2000
 Assumes Non-Callable Bonds

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 10/01/2000 @ 4.3892298%
11/01/2001	4,341,182.50	4,335,238.75	5,943.75	9,714.89
11/01/2002	4,346,212.50	4,337,735.00	8,477.50	12,440.40
11/01/2003	4,341,287.50	4,333,505.00	7,782.50	10,625.36
11/01/2004	4,342,525.00	3,872,157.50	470,367.50	396,895.00
11/01/2005	4,343,575.00	3,871,557.50	472,017.50	380,445.26
11/01/2006	778,425.00	303,795.00	474,630.00	365,339.80
11/01/2007	777,875.00	769,695.00	8,180.00	6,645.12
11/01/2008	775,375.00	771,040.00	4,335.00	3,587.52
11/01/2009	780,925.00	776,050.00	4,875.00	3,729.13
11/01/2010	778,875.00	769,487.50	9,387.50	6,409.04
11/01/2011	779,550.00	771,752.50	7,797.50	5,075.45
11/01/2012	782,625.00	776,715.00	5,910.00	3,665.64
11/01/2013	782,775.00	774,410.00	8,365.00	4,822.97
	27,951,207.50	26,463,138.75	1,488,068.75	1,209,395.59

Savings Summary

PV of savings from cash flow	1,209,395.59
Plus: Refunding funds on hand	-135,712.52
Other adjustments	135,712.52
Net PV Savings	1,209,395.59

Note: Value of Swap NOT Added or Subtracted from Net PV Savings

Sep 6, 2000 12:06 pm Prepared by Merrill Lynch & Co.

BOND PRICING

Redevelopment Agency of the City of Sacramento
 Series 2000A Current Refunding
 November 1, 2000 Swap Value = \$136,000
 Mark to Market Pricing as of Wednesday, September 6, 2000
 Assumes Non-Callable Bonds

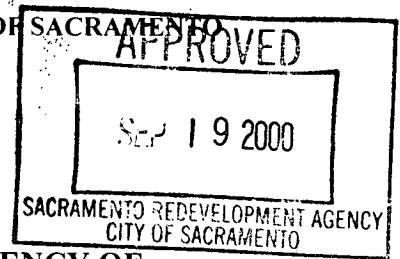
Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Refunding Bonds:					
	11/01/2001	3,365,000	3.800%	3.800%	100.000
	11/01/2002	3,570,000	3.900%	3.900%	100.000
	11/01/2003	3,705,000	3.950%	3.950%	100.000
	11/01/2004	3,390,000	4.000%	4.000%	100.000
	11/01/2005	3,525,000	4.050%	4.050%	100.000
	11/01/2006	100,000	4.100%	4.100%	100.000
	11/01/2007	570,000	4.150%	4.150%	100.000
	11/01/2008	595,000	4.200%	4.200%	100.000
	11/01/2009	625,000	4.250%	4.250%	100.000
	11/01/2010	645,000	4.300%	4.300%	100.000
	11/01/2011	675,000	4.450%	4.450%	100.000
	11/01/2012	710,000	4.550%	4.550%	100.000
	11/01/2013	740,000	4.650%	4.650%	100.000
		22,215,000			

Dated Date	10/01/2000	
Delivery Date	10/01/2000	
First Coupon	05/01/2001	
Par Amount	22,215,000.00	
Original Issue Discount		
Production	22,215,000.00	100.000000%
Underwriter's Discount	-222,150.00	-1.000000%
Purchase Price	21,992,850.00	99.000000%
Accrued Interest		
Net Proceeds	21,992,850.00	

RESOLUTION NO. 2000-061

ADOPTED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

ON DATE OF



A RESOLUTION OF THE REDEVELOPMENT AGENCY OF CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$23,000,000 PRINCIPAL AMOUNT OF THE AGENCY'S MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT TAX ALLOCATION BONDS, SERIES 2000 A; AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE AND FISCAL AGENT AGREEMENT, A PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE AND AN OFFICIAL STATEMENT WITH RESPECT TO SUCH BONDS; AND AUTHORIZING AND APPROVING RELATED ACTIONS

WHEREAS, the Agency is a redevelopment agency (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California) (the "Law") and the powers of the Agency include the power to issue bonds and notes; and

WHEREAS, a redevelopment plan for a redevelopment project known and designated as the "Merged Downtown Sacramento Redevelopment Project", including amendments thereto (the "Redevelopment Plan"), has been adopted and approved, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Agency has previously issued \$78,435,000 principal amount of its Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1990 A (the "1990 Bonds"), of which \$23,210,000 principal amount is outstanding; and

WHEREAS, the Agency has determined that it is in the Agency's best interests to issue its Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 2000 A (the "2000 A Bonds") for the purpose of current refunding the outstanding 1990 Bonds; and

WHEREAS, the Agency has determined that it is in the Agency's best interest to sell the 2000 A Bonds to the Underwriter (the "Underwriter") named in the Purchase Contract (as hereinafter defined), by and between the Underwriter and the Agency; and

WHEREAS, the Agency has had submitted to it and has considered the following:

- (1) A form of an Indenture and Fiscal Agent Agreement related to the 2000 A Bonds, dated as of October 1, 2000 (the "Indenture"), by and between the Agency and U.S. Bank Trust National Association, as fiscal agent (the "Fiscal Agent");

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RESOLUTION NO.: _____

DATE ADOPTED: _____

(2) A form of a Purchase Contract, to be dated its date of execution (the "Purchase Contract"), by and between the Underwriter and the Agency related to the purchase of the 2000 A Bonds by the Underwriter;

(3) A form of a Continuing Disclosure Certificate related to the 2000 A Bonds (the "Continuing Disclosure Certificate"), to be executed and delivered by the Agency on the date of original issuance of the 2000 A Bonds; and

(4) A form of a Preliminary Official Statement related to the 2000 A Bonds; and

WHEREAS, all acts, conditions and things required by the Law and all other laws of the State of California to exist, to have happened, and to have been performed precedent to and in connection with the issuance of the 2000 A Bonds exist, have happened, and have been performed as required by law, and the Agency is now duly authorized and empowered, pursuant to each and every requirement of law, to issue the 2000 A Bonds for the purpose, in the manner and upon the terms herein provided;

BE IT RESOLVED BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO:

Section 1. Recitals True and Correct. The Agency does hereby find and declare that the above recitals are true and correct.

Section 2. Approval of Indenture; 2000 A Bonds Constitute Special Obligations of the Agency. The Indenture, in substantially the form submitted to this meeting, is hereby approved, and the Executive Director of the Agency (the "Executive Director") or any designee of the Executive Director is hereby authorized and directed to execute and deliver, for and in the name of and on behalf of the Agency, the Indenture in substantially said form, with such additions, changes and corrections as said officers may approve upon consultation with Agency Counsel and Bond Counsel, such approval to be conclusively evidenced by the execution of the Indenture with such additions, changes or corrections.

The Executive Director and the Clerk of the Agency are hereby authorized and directed to execute, and the Fiscal Agent is hereby authorized and directed to authenticate, the 2000 A Bonds in substantially the form set forth in the Indenture as finally executed, and the Fiscal Agent is hereby authorized and directed to deliver the 2000 A Bonds in accordance with the Purchase Contract. The dated dates, maturity dates, interest rate or rates, interest payment dates (including provisions for capital appreciation bonds (if any), manner and place of payment, registration privileges, manner of execution, terms of redemption, and other terms of the 2000 A Bonds shall be as provided in the Indenture as finally executed; provided, however, that (a) the aggregate principal amount of the 2000 A Bonds shall not exceed \$23,000,000, the true interest cost on the 2000 A Bonds shall not exceed 6.00% per annum, and the final maturity of any 2000 A Bond shall not be later than November 1, 2013.

The 2000 A Bonds shall be the special obligation of the Agency secured by an irrevocable pledge of, and payable as to principal and interest from, Pledged Tax Revenues (as defined in the Indenture) and other funds as provided in the Indenture. Neither the 2000 A Bonds nor the interest thereon, nor any redemption premiums payable with respect thereto, shall constitute a debt of the City of Sacramento, the State of California or any of its political

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RESOLUTION NO.: _____

DATE ADOPTED: _____

subdivisions and neither the City of Sacramento, the State of California nor any of its political subdivisions is liable thereon, nor in any event shall the principal, premium or interest with respect to the 2000 A Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indenture. Neither the members of the Agency nor any persons executing any 2000 A Bond are liable personally on any 2000 A Bond by reason of their execution or delivery.

The validity of the 2000 A Bonds is not and shall not be dependent upon the completion of the Redevelopment Plan or upon the performance by anyone or his or her obligation relative to the Redevelopment Plan.

Section 3. Appointment of Underwriter; Approval of Purchase Contract. Merrill Lynch & Co. is hereby appointed to act as Underwriter in connection with the delivery and negotiated sale of the 2000 A Bonds. The Purchase Contract, in substantially the form submitted to this meeting, is hereby approved. The sale and delivery of the 2000 A Bonds is hereby authorized and approved, subject to the conditions set forth below, and the Executive Director or any designee of the Executive Director is hereby authorized and directed to effect such sale and delivery in accordance with this Resolution and the Purchase Contract. The Executive Director or any designee of the Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver to the Underwriter the Purchase Contract in substantially said form, with such changes therein as such official may approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that (i) the underwriting discount with respect to the 2000 A Bonds (exclusive of any original issue discount) shall not exceed 3.0% and (ii) the other limitations set forth in Section 2 of this Resolution shall be satisfied.

Section 4. Official Statement. The Preliminary Official Statement, in substantially the form submitted to this meeting, is hereby approved, and the Executive Director or any designee of the Executive Director is hereby authorized to approve the distribution of the Preliminary Official Statement in substantially said form and to certify to the Underwriter on behalf of the Agency that the Preliminary Official Statement is, as of its date, "deemed final" by the Agency within the meaning of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by such rule). The Executive Director or any designee of the Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver to the Underwriter the final Official Statement, which shall be in substantially the form of the Preliminary Official Statement with such additions thereto or changes therein as such official shall approve, such approval to be conclusively evidenced by the execution and delivery thereof, and the Underwriter is hereby authorized to distribute the Official Statement to persons who may be interested in the purchase of the 2000 A Bonds, and the Underwriter is directed to deliver a copy of the Official Statement to all actual purchasers of the 2000 A Bonds.

Section 5. Approval of Continuing Disclosure Certificate Related to the 2000 A Bonds. The Continuing Disclosure Certificate, in substantially the form submitted to this meeting, is hereby approved, and the Executive Director or any designee of the Executive Director is hereby authorized and directed to execute and deliver, for and in the name of and on behalf of the Agency the Continuing Disclosure Certificate in substantially said form, with such additions,

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RESOLUTION NO.: _____

DATE ADOPTED: _____

changes and corrections as said official may approve upon consultation with Agency Counsel and Bond Counsel, such approval to be conclusively evidenced by the execution thereof with such additions, changes or corrections.

Section 6. Municipal Bond Insurance Policy; Reserve Fund Surety. Financial Security Assurance Inc. has delivered to the Agency a commitment for the delivery of a municipal bond insurance policy and a reserve fund surety policy for the 2000 A Bonds. The Executive Director or any designee of the Executive Director is hereby authorized to execute and deliver a reimbursement agreement or guaranty agreement in connection with such municipal bond insurance policy and reserve fund surety policy. The Executive Director or such designee, upon consultation with Agency Counsel and Bond Counsel, is hereby authorized to negotiate such additional covenants and agreements to be observed by the Agency as may be required by the provider of such municipal bond insurance policy, reserve fund surety policy, or commitment, and such covenants and agreement shall be reflected in the Indenture or in such other documents as may be necessary or appropriate.

Section 7. Additional Actions. The officers of the Agency are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to constitute the issuance, sale and delivery of the 2000 A Bonds and otherwise to effectuate the purposes of this resolution, including without limitation, executing and delivering documents required to be delivered pursuant to the Purchase Contract and the obtaining of the municipal bond insurance policy and reserve fund surety policy with respect to the 2000 A Bonds, and such actions previously taken by such officers are hereby ratified and approved.

Section 8. Effective Date. This resolution shall take effect immediately upon its passage.

CHAIR

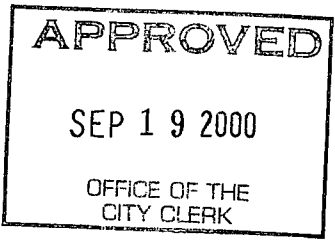
ATTEST:

SECRETARY

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



RESOLUTION NO. 2000-557

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO APPROVING THE ISSUANCE BY THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO OF ITS MERGED DOWNTOWN SACRAMENTO REDEVELOPMENT PROJECT TAX ALLOCATION BONDS, SERIES 2000 A AND MAKING CERTAIN DETERMINATIONS RELATED THERETO

WHEREAS, the Redevelopment Agency of the City of Sacramento (the "Agency") is a redevelopment agency duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Community Redevelopment Law (Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California) and the powers of the Agency include the power to issue bonds for any of its corporate purposes; and

WHEREAS, a redevelopment plan for a redevelopment project known and designated as "Merged Downtown Sacramento Redevelopment Project," including amendments thereto (the "Redevelopment Plan"), has been adopted and approved, and all requirements of law for and precedent to the adoption and approval of the Redevelopment Plan have been duly complied with; and

WHEREAS, the Agency has authorized the issuance and sale of its Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 2000 A in an aggregate principal amount not exceeding \$23,000,000 (the "Bonds").

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

Section 1. Approval of Issuance of Bonds. The issuance of the Bonds for the purpose of providing for the refinancing of certain parts of the Redevelopment Plan and for other purposes related thereto, all of which constitute a "redevelopment activity," as such term is defined in Health and Safety Code Section 33640, is hereby approved.

Section 2. Effective Date. This Resolution shall take effect upon adoption.

MAYOR

ATTEST:

CITY CLERK

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RESOLUTION NO.: _____

DATE ADOPTED: _____