

SACRAMENTO AREA FLOOD CONTROL AGENCY

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May 24, 1990

Budget and Finance
of the City Council
Sacramento, CA

Honorable Members in Session:

**SUBJECT: RESOLUTION AUTHORIZING A \$10,000,000 LOAN AGREEMENT
THE CITY AND SACRAMENTO AREA FLOOD CONTROL AGENCY**

SUMMARY

The attached report is submitted to you for review and recommendation prior to consideration by the City Council. The repayment agreement is being finalized and will be available prior to the City Council meeting.

RECOMMENDATION


The staff recommends approval of the attached resolution approving the funding repayment agreement.

Respectfully submitted,

William H. Edgar

WILLIAM H. EDGAR
Executive Director

TRANSMITTAL TO COMMITTEE:



JACK R. CRIST
Deputy City Manager

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SACRAMENTO AREA FLOOD CONTROL AGENCY

Agenda Date June 5, 1990

City Council
Sacramento, California

Honorable Members in Session

**SUBJECT: RESOLUTION AUTHORIZING A \$10,000,000 LOAN AGREEMENT
BETWEEN THE CITY AND SACRAMENTO AREA FLOOD CONTROL
AGENCY**

SUMMARY:

On April 10, 1990, the City Council approved the concept of a City loan up to \$10,000,000 to the Sacramento Area Flood Control Agency (SAFCA) to be used for the Sacramento Urban Area Levee Reconstruction Project. On April 13, 1990, Reclamation District No. 1000 also approved the concept of the loan and adopted a resolution postponing the assessment hearing until September 21, 1990 pending a resolution of the loan repayment details. Finally, on April 30, 1990, the SAFCA Board of Directors also approved the concept of receiving the loan. This City loan will be used to guarantee repayment of the \$11,000,000 SAFCA 1990 Notes (i.e. bridge loan).

City and SAFCA staffs have reviewed the implications of the loan with bond counsel (Orrick, Herrington, and Suttcliff). Based on these discussions, the proposed repayment agreement was drafted.

Approval of the resolution authorizing the City Manager to execute the agreement is recommended.

BACKGROUND:

On April 10, 1990, the City Council approved the concept of using the 1989 Certificates of Participation proceeds for flood control. The staff report to the City Council described in detail (1) the background including the project description, existing financing plan, and equity concerns between those that live in Natomas and in the rest of the City, and (2) the proposed plan with the project costs, repayment methodology, benefits and potential liabilities. After much discussion, the City Council approved a resolution authorizing the City Manager and City Treasurer to negotiate the necessary documents and conditions for the loan with SAFCA and report back at a later date.

On April 13, 1990, staff presented the City's action to the RD1000 Board of Trustees. Staff discussed with the RD1000 Board the concept of the City loan to SAFCA and how the funds could be used. Based on the information, the RD1000 Board postponed the assessment district formation until September 21, 1990. This postponement permits staff the time needed to finalize the terms and conditions for the loan.

FINANCIAL DATA:

The City loan totalling \$10,000,000 will be made available to SAFCA for a forty (40) month period beginning on July 1, 1990 and extending to November 1, 1993. These funds will be used for the local share and related expenses of the Sacramento Urban Area Levee Reconstruction Project. SAFCA will repay the total amount of the loan during 1993 when SAFCA forms an assessment district and when proceeds of public debt financing is available for the levee reconstruction project and for the American River Watershed project.

The loan would be used in the following manner.

<u>DESCRIPTION</u>	<u>ESTIMATE</u>
Natomas	
Project costs	\$ 4,214,000
Incidentals	\$ 1,919,000
South Sacramento	
Project costs	\$ 969,000
Capitalized interest (16 months)	\$ 960,000
Contingency	<u>\$ 1,938,000</u>
TOTAL REQUIREMENTS	\$10,000,000

The incidental costs include the items related to the bridge loan, acquisition of necessary rights-of-way, and RD1000 assessment district formation activities. The contingency provides for cash flow requirements and potential costs overruns that may be encountered.

The City loan would be made available to SAFCA on July 1, 1990 and the proceeds would be used to partially defease the 1990 SAFCA Notes. SAFCA anticipates that only about \$2.0 million of the \$11.0 million SAFCA Notes will be used by June 30, 1990. The \$9.0 million remaining from the 1990 SAFCA Notes and approximately \$2.0 million of the City loan proceeds will be used to defease the total \$11.0 million SAFCA Notes. By defeasing the Notes effective July 1, 1990, SAFCA and RD1000 will be guaranteed that the Notes will not go into default. This action will discharge RD1000 from the obligation of forming an assessment district as required by the 1990 SAFCA Notes Repayment Agreement. Staff anticipates that if the defeasance is completed on July 1, 1990, that the RD1000 Board of Trustees will abandon its assessment district formation process during its regular Board meeting of July 13, 1990.

The following summarizes the terms of the loan:

- (1) The interest rate that the City will charge is 7.19%. This is a rate that the City is permitted to charge by Federal regulations. This rate is lower than the net interest rate of 7.65% that SAFCA is presently paying for its 1990 SAFCA Notes.
- (2) City agrees to make available the sum of \$10,000,000 from July 1, 1990 to November 1, 1993.
- (3) The interest payments will be made semi-annually commencing November 1, 1990, and on each May 1 and November 1 thereafter, until the outstanding balance is paid in full.
- (4) SAFCA will be able to make partial repayment of the loan without penalty as SAFCA determines that available proceeds are in excess of project costs.
- (5) SAFCA will keep accurate records of the use of the funds and will permit the City to audit its records at any time.
- (6) SAFCA will make every reasonable effort (a) to obtain necessary State legislation, (b) to form an assessment district and (c) to issue public debt financing by November 1, 1993.
- (7) SAFCA will keep the City informed of the status of the project, legislation, assessment district formation and other pertinent information.

MBE/WBE:

Not applicable.

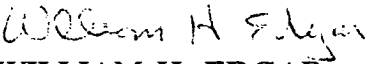
POLICY IMPLICATIONS

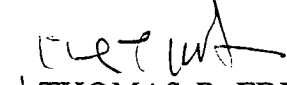
The actions recommended are consistent with the City Council's actions of April 10, 1990. If SAFCA is unable to repay the loan, the debt service required for the \$10.0 million will be the obligation of the storm drainage fund.

RECOMMENDATION

It is recommended that the attached resolution authorizing the \$10 million loan repayment agreement between the City of Sacramento and the Sacramento Area Flood Control Agency be approved.

Respectfully submitted,


WILLIAM H. EDGAR
Executive Director


+ THOMAS P. FRIERY
City Treasurer

Approval Recommended

WALTER J. SLIPE
City Manager

CONTACT PERSON: Satoshi Matsuda
SAFCA Director of Administration
440-7606

David Affleck
Deputy City Treasurer
449-5168

WHE:SM:d
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June 5, 1990
All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

A RESOLUTION AUTHORIZING A \$10,000,000 LOAN AGREEMENT BETWEEN THE CITY AND SACRAMENTO AREA FLOOD CONTROL AGENCY

WHEREAS, the City Council approved the concept of a \$10,000,000 City loan to the Sacramento Area Flood Control Agency (SAFCA) on April 30, 1990; and

WHEREAS, the City Manager and City Treasurer were directed to negotiate a repayment agreement with SAFCA;

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

1. The City Manager be hereby authorized to execute the repayment agreement with the Sacramento Area Flood Control Agency for a loan of \$10,000,000.

ATTEST:

MAYOR

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____