



OFFICE OF THE  
CITY TREASURER

THOMAS P. FRIERY  
TREASURER

DONALD E. SPERLING  
ASSISTANT TREASURER

CITY OF SACRAMENTO  
CALIFORNIA

January 13, 1987

800 TENTH STREET  
SUITE ONE  
SACRAMENTO, CA  
95814-2688

916-449-5318  
OPERATIONS

916-449-5168  
INVESTMENTS &  
ADMINISTRATION

916-448-3139  
DEX TRANSCIEVER

Budget & Finance Committee  
Sacramento, California

Honorable Members in Session

SUBJECT: Recommendation to Retain Paine Webber, Inc., Stone & Youngberg  
and an Unnamed Firm to Serve as Co-Investment Bankers/Financial  
Consultants

SUMMARY

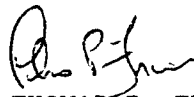
The attached report is submitted to you for review and recommendation  
prior to consideration by the full Council.

RECOMMENDATION

It is recommended that the City Council approve the attached Resolution  
which:

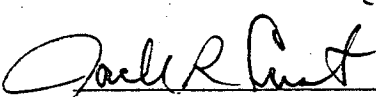
- Appoints the Investment Banking firms of Paine Webber, Inc.,  
Stone & Youngberg and an additional firm to be named by the City  
from time to time for each financing to serve as Co-Investment  
Bankers/Financial Consultants as per the attached contract, and
- Authorizes the City Manager to execute the agreement.

Respectfully submitted,

  
THOMAS P. FRIERY  
City Treasurer

Attachments

RECOMMENDATION APPROVED:

  
JACK R. CRIST  
Deputy City Manager

January 27, 1987  
All Districts



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CALIFORNIA

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Sacramento City Council  
Sacramento, California

SUBJECT: Recommendation to Retain Paine Webber, Inc., Stone & Youngberg  
and an Unnamed Firm to Serve as Co-Investment Bankers/Financial  
Consultants

Honorable Members in Session:

SUMMARY

Request is hereby made to retain the firms of Paine Webber, Inc., Stone & Youngberg and an additional firm to be named by the City from time to time for each financing to serve as Co-Investment Bankers on negotiated financings and Co-Financial Advisors on competitively bid financings for the City of Sacramento. Additionally, authorization is requested for the City Manager to execute the attached Investment Banker/Financial Consultant agreement which is in compliance with the City's DBE/WBE policy. Given changes to municipal financing as a result of the Tax Reform Act of 1986 and the potential substantial financing needs of the City over the next several years, the establishment of a financing team with expertise in traditional financing methods and special assessment financing as well as underwriting and sales distribution capability and knowledge and experience with the City of Sacramento is needed. Approval of this recommendation is requested.

BACKGROUND

On November 7, 1986 the City Treasurer submitted a report to the City Council on alternative methods to finance the Memorial Auditorium. Further, in this report we apprised Council of the impact of the Tax Reform Act of 1986 on traditional financing mechanisms. We pointed out that as a result of changes to arbitrage alone that General Obligation Bonds and Special Assessment or Mello Roos financings as well as possibly taxable bonds may be a more cost effective means of financing City capital projects in the future than COPs and Lease Revenue Bonds and that it would be advisable to establish a financing team with expertise in these disciplines.

Recently, the Deputy City Manager/Finance requested Department Managers to advise of potential financing needs. Although these potential projects

and programs have not yet been reviewed or approved by City Council, nonetheless, these needs are substantial. To implement a financing program to accomplish even one-half of these needs if prioritized and approved by City Council, careful planning of the entire program is required to permit the City to maintain its credit worthiness in the market place and permit the financings to occur.

The investment banking firm of Paine Webber, Inc. as well as the professionals of that office assigned to the City's account, have extensive expertise and experience with Sacramento issues and the City of Sacramento. In 1952 the first SMUD Revenue Bond issue was underwritten by Paine Webber, Inc. and Stone & Youngberg. In 1956, the first Tax Allocation Bond in the State of California was issued by the Sacramento Housing and Redevelopment Agency and underwritten by Paine Webber, Inc. The Dormitory Revenue Bonds of CSUS were and still are underwritten by Paine Webber, Inc. In 1968, Paine Webber, Inc. underwrote the Sacramento Community Center Bond issue. In recent years the firm of Paine Webber, Inc. has underwritten every public financing undertaken by the City of Sacramento including COP for City expansion, equipment and the Light Rail project. Further, Paine Webber, Inc. has been instrumental in working with City staff to develop a debt management policy and assisted greatly in re-securing and upgrading the City's credit rating following Proposition 13. Finally, Paine Webber, Inc. in a competitive bid process in 1984 was awarded the SHRA Financial Advisor's contract.

The firm of Stone & Youngberg is recognized as the leader in expertise and experience in Assessment District Financing in California. They have virtually underwritten or purchased every Assessment Bond issued by the City of Sacramento and have been a major underwriter of County of Sacramento bonds over the last 40 years and substantially all Special Assessment Bonds issued in the State of California including the largest assessment bond issue in the State with the \$105 million City of Pleasanton issue which was closed in December, 1986.

In an effort to provide an opportunity for other investment banking firms to gain experience with the City's financing program as well as providing the opportunity for the City to assess the capabilities of other investment banking firms firsthand, the attached Investment Banker/Financial Advisor contract allows for the City to name a third firm for each financing to participate as an "equal" and "co" banker/advisor. Such third firm(s) will be named and presented to the Budget & Finance Committee and full City Council at the initial request to proceed with a financing. Although all firms will comply with the City DBE/WBE policy, nonetheless, care will be taken in naming the third firm(s) so that underwriting and financial advisor capability exists. Also, reports on the results of these third firm(s) will be made following each financing.

#### FINANCIAL

The attached Investment Banker - Financial Consultant Services Contract with Paine Webber, Inc./Stone & Youngberg is for a duration of 3 years. The contract may be terminated by either party with 60 days notice.

However, the contract provides that the City may from time to time name an additional firm which will serve as an equal, co-investment banker/financial advisor for a financing. Further, the contract is in compliance with the City's DBE/WBE policy.

In addition, the contract provides for the firms to perform as Investment Bankers on negotiated bond sales and Financial Consultant on competitive bid sales. Although no initial or annual fee is paid for the services under the contract, fees are provided for if and when financings occur. When performing as Investment Banker, the minimum fee is \$20,000 and the maximum fee is \$50,000. However, should a single issue exceed \$40 million, a mutually agreed upon fee in excess of \$50,000 may be charged. In any event, a mutually agreed upon fee within the minimum and maximum will be performed on each sale. This fee arrangement is beneficial to the City of Sacramento in the market place.

On negotiated bond sales, all fees and expenses will be set forth at the time of program development. However, in no event will fees and expenses be greater than 3%, exclusive of any property appraisals or credit enhancement costs. On larger bond issue sizes, i.e., \$15 million and up, the fees should be less than 3%, being substantially smaller as issue size increases.

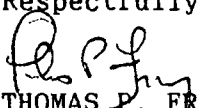
Finally, the firms have indemnified the City, its officers, employees and agents against any actions arising from their providing services under the contract by agreeing to defend any action or actions and paying any judgments rendered against the City.

RECOMMENDATION

It is recommended that the City Council approve the attached Resolution which:

- Appoints the Investment Banking firms of Paine Webber, Inc., Stone & Youngberg and an additional firm to be named by the City from time to time for each financing to serve as Co-Investment Bankers/Financial Consultants as per the attached contract, and
- Authorizes the City Manager to execute the agreement.

Respectfully submitted,

  
THOMAS P. FRIERY  
City Treasurer

Attachments (2)

RECOMMENDATION APPROVED:

\_\_\_\_\_  
WALTER J. SLIPE, City Manager

January 27, 1987  
All Districts

# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION APPROVING INVESTMENT BANKING/  
FINANCIAL CONSULTANT SERVICES CONTRACT  
AND AUTHORIZING EXECUTION BY  
CITY MANAGER

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

- 1) The attached Investment Banking/Financial Consultant Services contract with Paine Webber, Inc., Stone & Youngberg and a firm to be named be approved
- 2) The City Manager be authorized to execute the agreement.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

Capital Markets

PaineWebber Incorporated  
100 California Street  
San Francisco, CA 94111  
415 362-8000

**PaineWebber**

January 9, 1987

Mr. Tom Friery, Treasurer  
City of Sacramento  
800 10th Street  
Sacramento, CA 95814

RECEIVED  
JAN 12 1987

CITY  
TREASURER

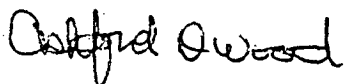
Dear Tom:

As you requested we have enclosed four copies of our proposed joint Investment Banking/Financial Consultant Contracts between PaineWebber Incorporated and Stone & Youngberg and the City of Sacramento. This revised contract includes the changes which you at the City of Sacramento have requested.

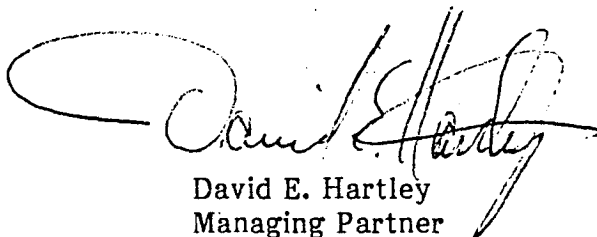
We have both received copies of the City of Sacramento City Council Resolution #86-426 regarding the City's policy for implementing a City-wide Disadvantaged Business Enterprise (DBE) and Woman-Owned Business Enterprise (WBE) program. We have reviewed this resolution and policy statement and hereby jointly agree that we can now and in the future will, during the term of the attached Joint Financial Services Contract, comply with the City's DBE/WBE policy.

On behalf of PaineWebber Incorporated and Stone & Youngberg we wish to express our appreciation to the City of Sacramento for appointment as your Investment Bankers/Financial Consultants, and we look forward to working with the Council and City Staff on your financing needs.

Very truly yours,



Ashford D. Wood  
Vice President  
PaineWebber, Incorporated



David E. Hartley  
Managing Partner  
Stone & Youngberg

ADW:erl  
Enclosures

Capital Markets

PaineWebber Incorporated  
100 California Street  
San Francisco, CA 94111  
415 362-8000

**PaineWebber**

December 2, 1986

Tom Friery, City Treasurer  
City of Sacramento  
800 10th Street  
Suite 1  
Sacramento, CA 95814


Dear Tom:

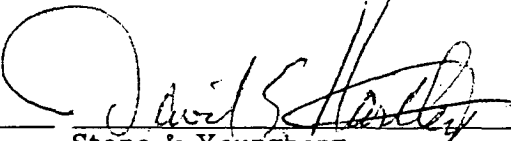
Pursuant to your request it is a pleasure for us at PaineWebber Incorporated and Stone & Youngberg to submit the attached joint investment banking contract to serve the City of Sacramento. We have received the list of proposed projects currently being discussed by the City for financing over the next five years. The financing program being considered by the City includes many different types of projects with which our two organizations have had substantial experience.

Because both PaineWebber Incorporated and Stone & Youngberg have previously served the City as Investment Bankers and Financial Consultants we are jointly familiar with all of the City's recent financings and have individually participated in a substantial percentage of all City financings during the past twenty five years.

Therefore, it is with a great deal of pleasure that our two organizations submit this joint Investment Banking contract for approval by the City of Sacramento. We both look forward to a continuation of the same fine relationship we have each shared separately with the City in the past.

Very truly yours

  
PaineWebber Incorporated  
Ashford D. Wood, Vice President

  
Stone & Youngberg  
David E. Hartley, Managing Partner

AGREEMENT FOR  
Investment Banking/Financial Consultant Services

This Agreement, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1986, by and between the CITY OF SACRAMENTO, Sacramento County, a municipal corporation (hereinafter referred to as "City"), and PAINWEBBER, INCORPORATED a Delaware corporation, and STONE & YOUNGBERG, a California limited partnership (hereinafter referred to as "Investment Bankers' ");

RECITALS

A. City requires investment banking services on negotiated bond sales and financial consulting services on competitive bond sales to assist the City in developing and implementing comprehensive financing plans for the preparation, execution, sale and marketing of municipal bonds and other municipal securities for capital projects and other financing needs during the period ending January 20, 1990.

B. City desires to engage the Investment Bankers to render certain assistance in connection with the City's implementation of this aforementioned financing program.

THE PARTIES TO THIS AGREEMENT MUTUALLY AGREE AS FOLLOWS:

SECTION I. Scope of Services

(a) The Investment Bankers shall develop a comprehensive long term financing plan, and on a project-by-project basis, shall assist City in achieving its financing objectives by developing and recommending the most appropriate financing method for



implementing each approved City project including:

(1) Reviewing the overall financial and fiscal status of City to determine resources available for the implementation and payment for each specific project.

(2) Analysis of various financing options, to achieve optimal leverage to City resources through public/private partnerships, lease and/or bond or other forms of debt proceeds. Such analysis will cover such items as advantages and disadvantages of each financing option, risk analysis and legal constraints.

(3) Identification of the appropriate vehicle(s) for financing, including, but not limited to, general obligation bonds, leasing, short-term debt, project or system revenue bonds, lease revenue bonds, certificates of participation, assessment bonds, special tax bonds (Mellow-Roos) and grants, or private developer participation where appropriate. Such debt, where appropriate, may take the form of taxable as well as tax exempt financing.

(4) Identification of appropriate level of public subsidy, including, but not limited to, assessments of project feasibility and credit worthiness of each recommended form of financing.

(b) Investment Bankers will review leases and other agreements, construction contracts, insurance provisions, covenant requirements and similar matters so as to provide City with the greatest degree of flexibility compatible with sound financing procedures.

(c) In connection with issuance of bonds to finance specific projects, Investment

Bankers will design and prepare for sale City bonds or other form of debt under conditions best suited to secure the lowest practicable interest rate and where appropriate, widest competition for bond purchase. Such design and preparation will include:

(1) Advice on the best way to structure the bonds so as to obtain the lowest interest rate such as incorporating a floating rate, fixed rate, put options or zero coupons and practical advice on, maturity schedules, redemption features, covenants as to establishment of reserve funds (if applicable), investment procedures and other matters as appropriate in the judgement of Investment Bankers, City and bond counsel.

(2) Preparation of all necessary reports and documents to support issuance of debt (e.g., cash flows, debt service projections, substantiation of revenue estimates, verification of cash flows, and project or market feasibility studies).

(3) Assess benefits of having the debt rated, and if deemed appropriate, and approved by City, obtain such rating.

(4) Assess benefits of credit enhancements (letter of credit, surety, or bond insurance) and if deemed appropriate and approved by City, arrange for such enhancement.

(5) Preparation of Official Statement (O.S.) for adoption by the City. The O.S. will include among other things a detailed description of the project, the debt to be offered, the financing plan for said project, and such statistical and other matters as are desirable in securing a favorable analysis from investment services.

(6) Review of all debt related documents.

(7) Arrange for printing and distribution of O.S. and take whatever actions are necessary and reasonable to successfully market debt. Investment Bankers will be entitled to bid on competitively bid issues in which they have served as financial consultant with the prior approval of the City and in conformance with Municipal Securities Rulemaking Board guidelines and will provide such follow up services as is customary for the closing and delivery of proceeds to the City.

(d) Investment Bankers will on an informal basis and as a matter of course on each individual project, fully explain their methodologies, rationales and assumptions to the staff responsible for the project or debt application.

#### SECTION II. Time of Performance

This Agreement shall commence on \_\_\_\_\_, 1986, subsequent to contract approval by City and shall terminate January 20, 1990, unless sooner terminated as hereinafter set forth.

#### SECTION III. Service Authorization

Individual written agreements and authorizations from the City Treasurer or his designee must be obtained prior to the Investment Bankers' commencing on specific tasks or financing activities as set forth in this Agreement. Such authorization and agreement shall identify specific services to be provided and a maximum cost for providing such services.

SECTION IV. Compensation

(a) COMPENSATION will be as follows:

(1) All payment for services will be contingent on debt sale and negotiated on a project-by-project basis. Estimates of all costs and services will be set forth and approved by City at the time of program development. Final costs will be based on actual expenditures, subject to prior approval by the City. See Sections (2), (3) and (4) below for further details.

(2) City will pay directly or provide for reimbursement to Investment Bankers all costs and expenses (upon prior approval) in connection with issuance of the City bonds, including legal or underwriters counsel fees, rating service and credit enhancement fees, feasibility and market studies, appraisals, the cost of statistical services, costs of printing and distribution of the O.S., Notice of Sale and Resolution of Issuance, travel outside California approved by the City, and expenses of publication, advertising and information meetings. City will pay or reimburse to Investment Bankers any additional expenses incurred by Investment Bankers on behalf of City at its specific request, other than those enumerated above.

(3) Investment Bankers' fee for services on a competitive bond sale, exclusive of refunding bonds, will be:

A minimum of \$20,000 and a maximum of \$50,000. The maximum fee may be exceeded where mutually agreed upon in cases where the financing is very complex and requires extraordinary amounts of Investment Banker's time or where the amount financed

is very large (e.g. more than \$40,000,000). This compensation will cover costs of travel within California, communication, preparation (but not printing or mailing) of Official Statements, and overhead expenses in connection with Investment Bankers' work for City.

(4) In the case of a negotiated bond sale, all fees will be mutually agreed upon at time of program development, but in no event will such total fees be greater than 3%, exclusive of appraisals and credit enhancement costs.

(b) If fees cannot be mutually agreed upon at the time of program development, the City shall have the right to employ other investment bankers or financial advisors to provide the services called for on that particular program without any requirement that the City give notice of termination as set forth in Section V below.

#### SECTION V. Right of Termination

This Agreement may be terminated by either party for any reason on sixty (60) days written notice to the other, the effective date of cancellation being the 60th day of said written notice without further action by either party. Termination by one of the Investment Bankers does not necessitate termination of the other member.

In the event that termination of this Agreement by either party shall occur, all finished or unfinished documents, data, studies, surveys, computer runs, financial or cash flow analysis, and reports prepared by Investment Bankers shall, at the option of City, become the property of City and Investment Bankers shall be entitled to receive compensation for all costs and expenses which are reimbursable under Section 1(a) and (2) above, and have been incurred to date of notice of termination. Notwithstanding the above, Investment Bankers shall not be relieved of liability to City for damages sustained

by City by virtue of any breach of the Agreement by Investment Bankers, and City may withhold any payments to Investment Bankers terminated, for the purpose of setoff until such time as the exact amount of damages due City from Investment Banker is determined. Investment Banker(s) hereby expressly waive any and all claims for damages for compensation arising under this Agreement except as set forth in this section in the event of such termination.

SECTION VI. Indemnification of City

Investment Bankers individually agree to indemnify City, its officers, employees and agents, against, and will hold and save them and each of them harmless from, any and all actions, claims, damages to persons or property, penalties, obligations or liabilities, known or unknown, that may be asserted or claimed by any person, firm, entity, corporation, political subdivision or other organization arising out of the acts of Investment Bankers, their agents, employees, subcontractors, or invitees, arising from the provision of services as provided for herein.

(a) Investment Bankers will defend any action or actions filed in connection with any of said claims, damages, penalties, obligations or liabilities and will pay all costs and expenses, including attorneys' fees incurred in connection therewith;

(b) Investment Bankers will pay any judgment rendered against City its officers, agents or employees for any such claims, damages, penalties, obligations or liabilities resulting from the judgement of a court of competent jurisdiction after all appeals have been completed.

(c) Investment Bankers waive any rights they may have under Civil Code 1542.

## SECTION VII. Underwriting accounts and/or Selling groups

A. The parties hereto mutually understand and agree that the Investment Bankers will be those listed in this Contract. It is specifically understood by the Investment Bankers that one or more Investment Banker/Financial Consultant may be named from time to time by the City to serve as an equal co-manager Investment Banker/Financial Consultant on negotiated or competitively bid financing issues. Nothing herein shall prevent Investment Bankers from forming underwriting accounts and/or selling groups to participate in specific negotiated debt financing projects managed by them, where deemed appropriate, and Investment Bankers will consider requests from the City from time to time to add specific investment firms in any underwriting or selling groups formed by Investment Bankers to aid and assist in the distribution of City debt.

## SECTION VIII. Publication, Reproduction, and Use of Material

No material produced in whole or in part under this Agreement shall be subject to copyright in the United States or in any other country. City shall have the exclusive and unrestricted authority to publish, disclose, distribute, and otherwise use, in whole or in part, any reports, data or other materials except computer software prepared under this Agreement. All reports, data, and other materials prepared under this Agreement that are submitted to City shall become the exclusive property of City upon completion of this Agreement.

## SECTION IX. Severability of Provisions

If any provisions of this Agreement are held invalid, the remainder of this Agreement shall not be affected thereby if such remainder would then continue to conform to the terms

and requirements of applicable law.

SECTION X. Amendments

This Agreement may be amended at any time by mutual written agreement of the parties hereto.

SECTION XI. Equal Opportunity

Investment Bankers will not discriminate against employee, or against any applicant for such employment, because of race, color, religion, sex, national origin, marital status, physical handicap, age, pregnancy or sexual orientation. This provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; selection for training, including apprenticeship; and any other terms or conditions of employment.

SECTION XII. Notice

Any notice, or notices, required or permitted to be given pursuant to this Agreement, may be personally served on the other party by the party giving such notice, or may be served by certified mail, return receipt requested, to the following addresses:



City: Thomas P. Friery, City Treasurer  
City of Sacramento  
800 10th Street  
Suite 1  
Sacramento, CA 95814

PaineWebber: Ashford D. Wood, Vice President  
PaineWebber Incorporated  
100 California Street  
San Francisco, CA 94111

Stone & Youngberg: David E. Hartley, Managing Partner  
Stone & Youngberg  
One California Street, Suite 2800  
San Francisco, CA 94111

SECTION XIII. Interest of Members of City and Investment Bankers

No member of the governing body of City, and no other officer, employee or agent of City or Investment Bankers who exercises any functions or responsibilities in connection with the carrying out of a project to which this Agreement pertains, shall have any personal interest, direct or indirect, in this Agreement.

the carrying out of a project to which this Agreement pertains, shall have any personal interest, direct or indirect, in this Agreement.

SECTION XIV. Findings Confidential

All reports, information, data, etc., prepared or assembled by the Investment Bankers under this Agreement are confidential and the Investment Bankers agree that they shall not be made available to any individual or organization without the prior written approval of the City.

IN WITNESS WHEREOF, City and the Investment Bankers have executed this Agreement as of the date set forth in Section II, above.

PAINWEBBER INCORPORATED

CITY OF SACRAMENTO

By Ashford D Wood  
Ashford D. Wood, Vice President

Received By Chris P. Frey  
City Treasurer

STONE & YOUNGBERG

Approved By \_\_\_\_\_  
City Manager

By David E. Hartley  
David E. Hartley, Managing Partner

Approved as  
to Form By William P. Langley  
City Attorney