



APPROVED
BY THE CITY COUNCIL

MAR 31 1998

OFFICE OF THE
CITY CLERK

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OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
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March 20, 1998
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City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: CENTER FOR AIDS RESEARCH, EDUCATION, AND SERVICES
(CARES) INSURED HEALTH FACILITY**

LOCATION / COUNCIL DISTRICT: 1500 21st Street, Council District 3

RECOMMENDATIONS:

Councilmember Steve Cohn requests that the City Council adopt the attached Resolution directing the City Treasurer to bring forward the request of the Center for Aids Research and Education Services ("CARES"), facilitate a financing not to exceed \$4 million in bonds to purchase its headquarters' building pursuant to City Code Chapter 80.

Pursuant to Section 147(f) of the Internal Revenue Code of 1986 ("the Code") conduct a public hearing regarding the issuance of Insured Health Facility Revenue Bonds (CARES), 1998 Series A and, following such hearing, adopt the attached resolution authorizing the City Treasurer to proceed with the issuance of the Bonds and approving to form the related documents, Indenture, Loan Agreement, Deed of Trust, Regulatory Agreement, Contract of Insurance, Preliminary Official Statement and Bond Purchase Contract.

CONTACT PERSON: Thomas P. Friery, City Treasurer 264-5168

FOR COUNCIL MEETING OF: March 31, 1998

AG 98-025 Indenture
AG 98-026 Loan
AG 98-027 Deed of Trust
AG 98-028 Regulatory
AG 98-029 Insurance
AG 98-030 Preliminary
AG 98-031 Bond

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SUMMARY

This report recommends that the City Council conduct the public hearing required pursuant to the Code regarding the issuance of the Bonds and, following such hearing, authorize City Treasurer to execute documents and agreements relating to the issuance of the Bonds.

COMMITTEE / COMMISSION ACTION None.

BACKGROUND INFORMATION

On September 27, 1989 the City Council adopted Ordinance No. 89-072 adding City Code Chapter 80. The purpose of City Code Chapter 80 is to provide financing to non-profit public benefit corporations that provide educational, cultural, charitable or healthcare services to residents of the City. The financings are not deemed to constitute a debt or obligation of the City and are payable solely from specified revenues, monies and/or assets of the CARES.

On February 13, 1998 a proposal was submitted on behalf of CARES requesting that we assist with the issuance of up to \$4 million in Insured Health Facilities Revenue Bonds to purchase the building at 1500 21st Street, Sacramento, California, from the owner who is currently the lessor.

On March 2 and March 5, 1998, Mayor Joe Serna Jr., and Councilmember Steve Cohn requested the City Treasurer analyze the CARES financing proposal and request Council action to proceed with steps necessary to facilitate the issuance of revenue bonds. The City Treasurer has completed the preliminary analysis and is recommending CARE'S request for assistance by the City of Sacramento to facilitate up to \$4 million in Bonds to purchase its headquarters building pursuant to City Code Chapter 80.

FINANCIAL CONSIDERATIONS

The proposed financing will be insured by the Office of Statewide Health Planning and Development ("OSHPD"), State of California, which will provide them at least an 'A+' rating by Standard and Poor's and should therefore provide for added protection to the City. The ability to provide for tax free borrowing for CARES results in gross savings of \$1.5 million and present values savings of \$802,800.00 over the 25 year life of the debt. The tax free market today is approximately 300 basis points below commercial lending rates.

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POLICY CONSIDERATIONS

Approval of these recommendations are consistent with Chapter 80 of the City Code which created Title 80 of the Sacramento City Code entitled "Nonprofit Public Benefit Corporation Facilities Financing Law". Prudent practices and standards will be followed prior to completion of this transaction.

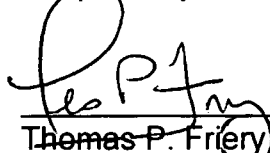
ENVIRONMENTAL CONSIDERATIONS

Ongoing administrative maintenance activities which are not for public works purposes or construction project do not constitute a "project" and are exempt from the California Environmental Quality Act (CEQA) Guidelines, Sections 1506 (b)(1), 15378(b)(3).

MBE / WBE EFFORTS


This transaction does not involve the purchase of goods or services for the City, however, these bonds will be 100% underwritten by a minority owned investment banking firm.

Respectfully submitted,



Thomas P. Friery
City Treasurer

Approved for City Council Authorization



William H. Edgar
City Manager

MAR 31 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-106

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF CITY OF SACRAMENTO INSURED HEALTH FACILITY REVENUE BONDS (CARES), 1998 SERIES A, THE EXECUTION AND DELIVERY OF AN INDENTURE, A LOAN AGREEMENT, A CONTRACT OF INSURANCE, A REGULATORY AGREEMENT, A DEED OF TRUST, A BOND PURCHASE CONTRACT, AND AN OFFICIAL, AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH, AND AUTHORIZING RELATED ACTIONS

WHEREAS, the City of Sacramento (the "City"), a charter city and municipal corporation of the State of California, has by Ordinance No. 89-072, adopted on September 27, 1989, enacted the City of Sacramento Nonprofit Public Benefit Corporation Facilities Financing Law (the "Law"), establishing a program and procedure for the authorization, sale and issuance of revenue bonds by the city for the purpose of making loans to participating parties to finance and refinance their facilities;

WHEREAS, the Center for A.I.D.S. Research, Education and Services - Sacramento, a nonprofit public benefit corporation duly organized under the laws of the State of California (the "Corporation"), now maintains and operates a community clinic providing services to HIV infected persons located in the City;

WHEREAS, the Corporation has applied to the city for the issuance of its revenue bonds on behalf of the Corporation in an aggregate principal amount not to exceed four million dollars (\$4,000,000) for the purpose of acquiring the facility currently leased by the Corporation (the "Project");

WHEREAS, the Project qualifies for assistance under the Law and the refinancing of the Prior Bonds being in the public interest, alleviating a financial hardship of the Corporation and being in connection with the financing of the Project, also qualifies for assistance under the Law;

WHEREAS, the City Council of the City has authorized proper officers of the City to proceed to prepare or cause to be prepared the documentation necessary for the issuance of bonds to fund a loan to the Corporation to finance the Project;

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WHEREAS, the pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the bonds requires approval, following a public hearing, by the elected legislative body of the issuer of the bonds and of the governmental unit having jurisdiction over the area in which the project financed by the bonds is located;

WHEREAS, the Corporation's facilities are located wholly within the geographical jurisdiction of the City;

WHEREAS, the City Council is the elected legislative body of the City;

WHEREAS, a notice of a public hearing with respect to the proposed issuance of the bonds was published in a newspaper of general circulation in the City;

WHEREAS, the City Council of the City held the said public hearing, at which time an opportunity was provided to present arguments both for and against the issuance of the bonds and the nature and location of the project financed by the bonds;

WHEREAS, final approval of the terms of the issuance and sale of such revenue bonds is now sought;

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California and the Charter of the City to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sacramento as follows:

Section 1. The City Council of the City finds and determines that the financing of the Project will be in furtherance of the public purposes set forth in the Law by assisting the Corporation in providing health services to the residents of the City through the Corporation's community clinic, and by alleviating financial and operating hardships of the Corporation; and that it is necessary and essential and a proper public purpose that the Project be financed at the earliest possible date.

Section 2. Pursuant to the Law, revenue bonds of the City designated as the "City of Sacramento Insured Health Facility Revenue Bonds (CARES), 1998 Series A" (the "Bonds"), in an aggregate principal amount not to exceed four million dollars

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(\$4,000,000) are authorized to be issued in order to fund a loan to the Corporation to finance the Project. The City hereby finds that the Corporation is a "participating party" and the community clinic maintained and operated by the Corporation constitutes a "facility" as such terms are defined in the Law.

Section 3. The proposed form of Loan Agreement between the City and the Corporation, as presented to this meeting, is hereby approved. The City hereby specifically finds and declares that the findings of the City set forth in Section 2.1 of said form of Loan Agreement are true and correct. The Mayor, the City Manager, and the City Treasurer of the City are hereby jointly and severally authorized and directed, for and on behalf of the City, to execute and deliver to the Corporation the Loan Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 4. The proposed form of Indenture relating to the Bonds, between the City and U.S. Trust Company of California as trustee, as presented to this meeting, is hereby approved. The Mayor, the City Manager and the City Treasurer of the City are hereby jointly and severally authorized and directed, for and on behalf of the City, to execute and deliver to said trustee the Indenture in substantially the form presented to this meeting with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture as finally executed.

Section 5. The proposed form of Bond Purchase Contract, to be dated as of the date of the sale of the Bonds, between E.J. De La Rosa & Co., Inc., (the "Underwriter"), and the City, and approved by the Corporation, as presented to this meeting, is hereby approved. The Mayor, the City Manager and the City Treasurer of the City are hereby jointly and severally authorized and directed, for and on behalf of the City, to approve the final terms of the sale of the Bonds, provided that the net interest cost of the Bonds shall not exceed seven and one-half percent per annum (7.5%), and to evidence the City's acceptance of the offer made thereby by executing and delivering the Bond Purchase Contract in substantially the form presented at this meeting with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of the Official Statement (the "Official Statement") relating to the Bonds and to be used in connection with the offer and sale of the Bonds, presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor, the City Manager and the City Treasurer of the City are hereby approved. The Mayor, the City Manager and the City Treasurer of the City are hereby jointly and

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severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Official Statement in substantially said form, with such changes therein as such councilmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The Underwriter is hereby authorized to distribute the Official Statement in preliminary form to persons who may be interested in the purchase of the Bonds and to deliver the Official Statement in final form to the purchasers of the Bonds.

Section 8. The Bonds in an aggregate principal amount not to exceed four million dollars (\$4,000,000) shall be executed by the facsimile signature of the Mayor or the City Manager, a facsimile of the seal of the City shall be reproduced thereon and attested by the facsimile signature of the City Clerk, in the form set forth in and otherwise in accordance with said Indenture.

Section 9. The Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the purchaser thereof in accordance with written instructions executed on behalf of the City by the Mayor or the City Manager, which instructions said officers are hereby authorized and directed, for and on behalf of the City, to execute and deliver to the Trustee. Said instructions shall provide for the delivery of the bonds to the purchaser thereof upon payment of the purchase price thereof.

Section 10. The City Clerk is hereby authorized and directed to attest the signature of the Mayor or the City Manager and to affix and attest the seal of the City as may be required in connection with the execution and delivery of the Indenture, the Loan Agreement, the Bond Purchase Contract, and the Bonds in accordance with this Resolution.

Section 11. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents that they deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the transactions contemplated thereby.

Section 12. It is the purpose and intent of the City Council that this resolution constitutes approval of the issuance of the Bonds by the applicable elected legislative body in accordance with Section 147(f) of the Code.

This Resolution shall take effect immediately upon its passage.

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MAYOR

ATTEST:

CITY CLERK

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