

4.3

**OFFICE OF THE  
CITY TREASURER**

THOMAS P. FRIERY  
TREASURER

MICHAEL L. MEDEMA  
ASSISTANT TREASURER

DONALD E. SPERLING  
DEPUTY TREASURER/OPERATIONS

DAVID M. AFFLECK  
DEPUTY TREASURER/FINANCING

City Council  
Sacramento, California

Honorable Members in Session:

**CITY OF SACRAMENTO  
CALIFORNIA**

July 15, 1991  
A00626TF.MWH

926 J STREET  
SUITE 300  
SACRAMENTO, CA  
95814-2709

PH 916-449-5168  
FAX 916-448-3139

**APPROVED**  
BY THE CITY COUNCIL

JUL 23 1991

OFFICE OF THE  
CITY CLERK

**SUBJECT: RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A  
MASTER PROMISSORY NOTE BY AND BETWEEN THE CITY OF  
SACRAMENTO AND SECURITY PACIFIC NATIONAL BANK**

**SUMMARY**

On May 1, 1990 the City Council approved the establishment of a \$700,000.00 revolving line of credit note with the Sacramento Symphony Association. To facilitate this line of credit, the City Council also approved the execution of a \$700,000.00 line of credit between the City of Sacramento and Security Pacific National Bank which is used to fund the Symphony draws. This line of credit initially ran through June 30, 1990 and was extended, with the same terms and conditions, through June 30, 1991. It is now necessary for Council to again extend the line of credit to June 30, 1992, or the line of credit with Security Pacific National Bank will lapse.

The Symphony Association borrowed and repaid funds in accordance with their agreement with the City. The Association has requested extension of the line of credit. To complete this action requires City Council's authorization for the City Treasurer to execute and deliver a Master Promissory Note with the original terms and conditions by and between the City of Sacramento and Security Pacific National Bank. It is recommended that Council adopt the attached Resolution authorizing the City Treasurer to execute a Master Promissory Note with Security Pacific National Bank.

### BACKGROUND

On April 10, 1990 City Council took action directing the City staff to pursue a joint City/County guarantee of a line of credit for the Association. As part of this effort, the City Treasurer obtained a letter of credit commitment at 83% of prime rate. The Association was required to pay off its existing line of credit with Wells Fargo Bank and additional conditions were agreed to by the Sacramento Symphony Association as well as the Symphony Foundation Board to limit the City's financial exposure.

Extension is being requested for the line of credit negotiated previously, which commits the City's General Fund unconditionally to pay the bank for the balance drawn against the line of credit. Symphony draw requests are received by the City Director of Finance and reviewed in the context of the Symphony's business plan and cash flow projections. Each draw request must be approved (or amended) by the City Finance Director in order for the City Treasurer to authorize the approved funds to be wired to the Association's bank. In addition, certain technical administrative procedures have been established by the City Treasurer to clarify paydown due dates.

### FINANCIAL

A complete history of the Symphony's draws and payments is provided in Attachment 1. Briefly, the Symphony drew a total of \$240,000 in May 1990 and repaid the entire principal amount borrowed in mid-July, 1990. No further draws were made until mid-November 1990. This July 1990 pay-down met the line of credit requirements for renewal.

Between mid-November 1990 and mid-May 1991, the Symphony drew the entire \$700,000.00. As of July 11, 1991, the Symphony has paid \$600,000.00 of the outstanding principal leaving a balance due of \$100,000.00.

At the time the line of credit was established at .83% of prime, the prime rate was 10%. Since that time, the prime rate was adjusted downward three times to its current rate of 8.5%. The renewal/extension will be at the same favorable terms and conditions. The current interest rate charged the Symphony Association is 7.055% for monies borrowed under the line of credit.

### POLICY CONSIDERATIONS

As stated above, City Council directed the City staff on April 10, 1990 to pursue a joint City/County guarantee of a line of credit for the Association. The County Board of Supervisors voted on

City Council  
July 15, 1991  
Page 3

May 8, 1990 to join the City Council as a co-guarantor of the Symphony Association's \$700,000 line of credit. However progress has been slow in the effort to complete a mutually satisfactory agreement between the City and the County. It now appears that County legal counsel will present the latest draft agreement to the Board of Supervisors as part of a larger report for Board action some time in July 1991.

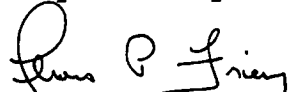
MBE/WBE EFFORTS

No impact.

RECOMMENDATION

It is requested that Budget and Council recommend the City Council adopt the attached resolution authorizing the City Treasurer to execute a \$700,000 line of credit with Security Pacific National Bank through June 30, 1992.

Respectfully submitted,



Thomas P. Friery  
City Treasurer

RECOMMENDATION APPROVED:

  
Walter J. Slipes  
City Manager

Attachment

Contact person:  
Thomas P. Friery  
City Treasurer  
449-5168

July 23, 1991  
All Districts

ATTACHMENT 1

<u>Activity Description</u>	<u>Account Balance</u>
<u>May 1990</u>	
May 2, 1990 - Draw	\$ 135,000.00
May 10, 1990 - Draw	<u>105,000.00</u>
Ending Balance	240,000.00
 <u>June 1990</u>	
June 1, 1990 - May Interest Billed	1,466.33
June 15, 1990 - May Interest Paid	<u>( 1,466.33)</u>
Ending Balance	240,000.00
 <u>July 1990</u>	
July 1, 1990 - June Interest Billed	1,660.00
July 5, 1990 - June Interest Paid	<u>( 1,604.67)</u>
July 12, 1990 - Principal Paid <sup>1</sup>	<u>(240,000.00)</u>
Ending Balance <sup>2</sup>	55.33
 <u>August 1990</u>	
August 1, 1990 - July Interest Billed	664.00
August 7, 1990 - July Interest Paid	<u>664.00</u>
	55.33
 <u>September 1990</u>	
September 24, 1990 - July Interest Billed	55.33
September 29, 1990 - July Interest Paid	<u>(55.33)</u>
Ending Balance	-0-
 <u>October 1990</u>	
Ending Balance	-0-
 <u>November 1990</u>	
November 14, 1990 - Draw	125,000.00
November 28, 1990 - Draw	<u>75,000.00</u>
Ending Balance	200,000.00
 <u>December 1990</u>	
December 6, 1990 - November Interest Billed	541.81
December 12, 1990 - November Interest Paid (	<u>541.81)</u>
December 13, 1990 - Draw	<u>95,000.00</u>
Ending Balance	295,000.00

---

<sup>1</sup> Payment in full of principal amount qualifies Symphony Association to renew letter of credit for another year.

<sup>2</sup> An erroneous interest invoice resulted in a \$55.33 balance due. This was paid in September as soon as the Symphony Association was notified of the error and billed for the correct amount.

<u>Activity Description</u>	<u>Account Balance</u>
<u>January 1991</u>	
January 7, 1991 - December Interest Billed	\$ 1,845.60
January 9, 1991 - December Interest Paid	( 1,845.60)
Ending Balance	\$ 295,000.00
<u>February 1991</u>	
February 7, 1991 - January Interest Billed	2,006.41
February 19, 1991- January Interest Paid	( 2,006.41)
February 20, 1991- Draw	<u>150,000.00</u>
Ending Balance	\$ 445,000.00
<u>March 1991</u>	
March 5, 1991 - February Interest Billed	2,011.07
March 7, 1991 - Draw	65,000.00
March 15, 1991 - February Interest Paid	<u>(2,011.07)</u>
Ending Balance	\$ 510,000.00
<u>April 1991</u>	
April 3, 1991 - Draw	75,000.00
April 4, 1991 - March Interest Billed	3,199.65
April 17, 1991 - March Interest Paid	(3,199.65)
April 17, 1991 - Draw	<u>75,000.00</u>
Ending Balance	\$ 660,000.00
<u>May 1991</u>	
May 8, 1991 - April Interest Billed	3,812.82
May 15, 1991 - Draw	40,000.00
May 17, 1991 - April Interest Paid	(3,812.82)
May 30, 1991 - Principal Payment	<u>(100,000.00)</u>
Ending Balance	\$ 600,000.00
<u>June 1991</u>	
June 7, 1991 - May Interest Billed	4,150.46
June 11, 1991 - May Interest Paid	(4,150.46)
June 11, 1991 - Principal Payment	(150,000.00)
June 21, 1991 - Principal Payment	\$ <u>(150,000.00)</u>
Ending Balance	\$ 300,000.00
<u>July 1991</u>	
July 11, 1991 - Principal Payment	\$ <u>(200,000.00)</u>
Ending Balance	\$ 100,000.00 =====

**RESOLUTION NO. 91-565**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**APPROVED**  
BY THE CITY COUNCIL

**JUL 23 1991**

OFFICE OF THE  
CITY CLERK

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER PROMISSORY NOTE BY AND BETWEEN THE CITY OF SACRAMENTO AND SECURITY PACIFIC NATIONAL BANK

WHEREAS the City of Sacramento ("City") desires to provide short term cash flow borrowing from its General Fund to the Sacramento Symphony Association ("Association"); and

WHEREAS such borrowing by the Association may create temporary short term cash flow shortages in the City's General Fund; and

WHEREAS the City desires to extend a Line of Credit from Security Pacific National Bank which may be drawn upon from time to time in order to alleviate any cash flow shortages;

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS FOLLOWS:

1. The Master Promissory Note in the amount of seven

**FOR CITY CLERK USE ONLY**

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

hundred thousand dollars (\$700,000) attached hereto and incorporated by reference constituting a full faith and credit obligation of the City of Sacramento is hereby approved.

2. The City Treasurer is hereby authorized to execute and deliver said Master Promissory Note to Security Pacific National Bank.

PASSED AND ADOPTED this 23rd day of July, 1991 by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

\_\_\_\_\_  
Mayor of the City of Sacramento

[Seal]

Attest:

\_\_\_\_\_  
City Clerk of the City of Sacramento

---

FOR CITY CLERK USE ONLY

RESOLUTION NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

MASTER PROMISSORY NOTE

June 26 , 1991

FOR VALUE RECEIVED, the undersigned hereby promises to pay to the order of Security Pacific Bank ("Lender") at its office at 333 So. Beaudry Avenue, Los Angeles, CA 90017, in lawful money of the United States of America, the

lesser of (a) the sum of Seven Hundred Thousand Dollars (\$ 700,000.00 ), or (b) the aggregate unpaid principal amount of all advances ("Advances") made by Lender at the rate hereafter provided ON DEMAND. Without waiving Lender's right to make demand at any time, if Lender has not demanded payment of the principal and interest represented by this Note, such principal and interest must be paid on June 30, 1992.

The unpaid principal balance hereon at any time shall not exceed (\$ 700,000.00 ) Seven Hundred Thousand Dollars and shall be equal to the aggregate amount of all payments then made thereon. The minimum amount to be advanced hereunder is \$ 25,000.00.

All requests for Advances shall be made, in writing, to Lender by 12:00 p.m. on the date the Advance is needed. The undersigned may borrow, repay in whole or in part and reborrow, on a revolving basis, up to the amount of the Line. This note may be prepaid without premium or penalty after the expiration of sixty days following the date of the first Advance. Lender shall maintain in its records the amount and date of each Advance and of each payment of principal and interest thereon. All such records shall be conclusive evidence of the amounts owed hereunder absent manifest error and the aggregate unpaid amount of Advances set forth on such records shall be conclusive evidence of the unpaid principal amount hereof.

Any Advances shall be conclusively presumed to have been made to and for the benefit and at the request of the undersigned when (i) deposited or credited to an account of the undersigned with the Bank, Notwithstanding that such advance was requested, orally or in writing, by someone other than the undersigned or that someone other than the undersigned is authorized to draw on such account and may or does withdraw the whole or any part of such advance, or (ii) made in accordance with the oral or written instructions of the undersigned or of any one signing below for or on behalf of the undersigned.

Interest shall be payable on the first day of each month beginning August 1, 1991 and continuing until maturity on which date all principal and interest remaining unpaid shall be due and payable and shall be computed daily at a rate equal to eighty-three, (83) percent of prime. Said prime rate may change from time to time with any changes in said prime rate becoming effective herein on the effective date of the change in said prime rate. As used herein, the term "prime rate" shall mean the floating commercial loan rate of the Bank, announced from time to time as its "prime rate." The Bank's prime rate in effect on June 26, 1991 is 8.50 percent. Interest shall be calculated on the basis of the actual number of days elapse divided by a 360 day year.

THIS NOTE CONSTITUTES A FULL FAITH AND CREDIT OBLIGATION OF THE GOVERNMENT PAYABLE FROM ANY AND ALL AVAILABLE FUNDS.

THIS NOTE SHALL NOT BE CONSTRUED AS A REVENUE ANTICIPATION NOTE OR INSTRUMENT OF LIKE IMPORT.

a. This note is given upon and subject to the following representations, warranties, covenants, terms and conditions:

1. The undersigned is a State or political subdivision thereof within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended.

2. The execution, delivery and performance of this note or other instrument or document at any time given in respect hereof are within the powers of the undersigned and not in contravention of any federal, state, or local statute or ordinance and each instrument and document represents a binding obligation of the undersigned and is enforceable according to its terms.

3. All amounts advanced from time to time hereunder shall be used for current operating expenses.

4. The Issuer will not take or permit to be taken any action which would cause this note to be deemed a private activity bond under the Internal Revenue Code of 1986, as amended (the "Code"). This note will be considered a "private activity bond" if (1) more than 10% of the proceeds of this note is used directly or indirectly in the business of a nongovernmental use in a private business or (b) derived from payments made with respect to property used in a private business. No more than 5% of any such private use and any such private security may be unrelated to the governmental purpose for which draws hereunder are expended. This note will be considered a "private activity bond" if more than 5% of proceeds of this note as loaned to non-exempt persons.

5. This note will not and shall not become directly or indirectly federally guaranteed. This note will be considered to be "federally guaranteed" if the payment of principal or interest with respect hereto is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) or 5% or more of the proceeds hereof is used in making loans the payment of principal or interest with respect hereto is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) or 5% or more of the proceeds hereof is used in making loans the payment of principal or interest with respect to which is guaranteed or invested (directly or indirectly) in federally insured deposits or accounts.

8



6. The Government shall not issue any other obligations within 30 days of the execution hereof or any request any Advance hereunder pursuant to a common plan of financing with this note and payable from the same source of funds or having substantially the same claim to the same source of funds used to pay the sums owed hereunder.

7. This note shall, at the option of the holder hereof, become immediately due and payable, without notice on demand, upon the happening of any one of the following specified events: (a) the failure to pay any amount as herein set forth: (b) the default in the performance of any other obligation to the holder or (c) any warranty, representative or covenant made by the undersigned hereunder proves to be false or misleading.

8. The Government shall reimburse Lender for all fees, costs and expenses incurred in enforcing or collecting under this note.

9. The undersigned hereby waives presentment, demand for payment, notice of dishonor, and any or all other notices or demands in connection with delivery, acceptance, performance, default or enforcement of this note.

10. This note is delivered in and shall be construed under the laws of the State of California, and in any litigation in connection with or enforcement of this note, the undersigned waives trial by jury.

11. In the event any one or more provisions of this note shall for any reason be held to be invalid, illegal or enforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this note operate or would prospectively operate to invalidate this note, then in either of those events, such provisions or provisions only shall be deemed null and void and shall not affect any other provision of this note and the remaining provisions shall remain operative and in full force and effect and shall in no way be affected, prejudiced or disturbed thereby.

12. The Government may not assign its interest or rights under this note. Lessor, without the consent of the Government may assign all or any portion of its rights and interest in and to this note, in whole or in part to various assignees, their agents or trustees.

13. In the case of any waiver by Lender hereunder or under the Line Letter, the Government and Lender shall be restored to their former position and rights hereunder and under the Line Letter, and any default waived shall be deemed to be cured and no continuing; but no such waiver shall extend to any subsequent or other default, or impair any right subsequent thereon.

City of Sacramento

By: \_\_\_\_\_  
Tom P. Friery, City Treasurer