



CITY OF SACRAMENTO

35

DEPARTMENT OF FINANCE REVENUE DIVISION

915 I STREET
ROOM 104

SACRAMENTO, CA 95814-2696
TELEPHONE (916) 449-5454

April 21, 1983

City Council
Sacramento, California 95814

MEMBERS IN SESSION:

SUBJECT: 1983-84 Tax and Revenue Anticipation Note Sale

SUMMARY

Council action is immediately requested to approve:

- (1) Simultaneous issuance and sale of FY 1983/84 TRANS issue in an amount not to exceed \$23,000,000.
- (2) Select Bank of America as Underwriter for a negotiated financing and authorize the City Treasurer to execute the attached purchase agreement.
- (3) An expenditure of \$62,000 from the General Fund for outside consultants for the FY 1983/84 TRANS issue.

The need for immediate Council action is due to a change in abitrage regulations enacted by the U.S. Department of Treasury that becomes effective April 27, 1983. Presently, the Bank of America has secured \$1.4 billion in TRANS financings from various cities and counties in California proceeding on an advanced schedule to take advantage of existing regulations. All other cities and counties in California are receiving the same financing conditions from the Bank of America.

BACKGROUND

For the past two fiscal years, the City of Sacramento has issued TRANS to meet cash flow deficits. In prior years IRS regulations permitted local agencies to borrow the maximum amount of their cash flow deficit plus the subsequent month's disbursements to meet their cash deficit needs. Simultaneously, local agencies were able to use these proceeds not only to meet cash flow needs, but to also perform investment activities which permitted local agencies to recover the cost of borrowing.

Effective April 27, 1983 IRS regulations will limit the maximum amount of monies to be borrowed by a local agency to 105% of the largest deficit compared to the current method. The General Purpose Cash Flow Estimate for FY 1983/84 (Attachment A) indicates that the maximum cash flow deficit during FY 1983/84 will be \$13.0 million. Further, it is estimated that the following 30 days' disbursements are approximately \$11.5 million. Under current borrowing regulations, the City would be permitted to borrow up to \$24.5 million. However, under the new proposed regulations, the maximum amount the City could borrow is \$13.6 million.

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Staff negotiated a ceiling of \$23.0 million since it is not permissible to exceed the maximum borrowing. The net improvement based on early action is the ability to borrow \$9.4 million more. It is estimated that 3.30% interest will be earned on this additional amount, increasing the benefit by \$330,850 over the post April 27 borrowing.

On April 9, 1983, Orrick, Herrington & Sutcliffe, the City's Bond Counsel, informed the City of the proposed changes in arbitrage regulations affecting TRANS issued after April 27, 1983. The City staff deemed it prudent to proceed with attempting to secure a TRANS financing under the more favorable borrowing provisions in effect prior to April 27, 1983.

On April 14, 1983, the City was informed that Blyth Eastman, the City's regular financial consultant and advisor, would be unable to make a firm commitment prior to April 27, 1983 and recommended the City consider other sources.

Security Pacific National Bank and Bank of America were contacted. Only Bank of America was in a position to perform as underwriter and provide a firm bid for a July 1983 sale prior to the April 27, 1983 deadline.

FINANCIAL


Attachment A depicts the General Purpose Cash Flow estimates for FY 1983/84. Attachment B compares the costs and benefits associated with pre and post April 27, 1983 borrowing and details the determination of the \$23,000,000 borrowing ceiling.

RECOMMENDATION

It is recommended that the City Council adopt the attached resolutions which:

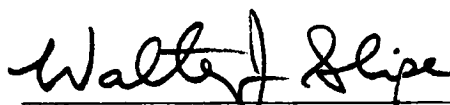
- (1) Approve simultaneous issuance and sale of FY 1983/84 TRANS issue in an amount not to exceed \$23,000,000, and
- (2) Select Bank of America as underwriter for a negotiated financing and authorize the City Treasurer to execute the attached purchase agreement, and
- (3) Authorize the Director of Finance to make expenditures up to \$62,000 for outside consultants to assist in preparing and issuing the FY 1983/84 TRANS issue.

Respectfully submitted,



JACK R. CRIST
Director of Finance

RECOMMENDATION APPROVED



WALTER J. SLIPE
City Manager



for Thomas P. Friery
City Treasurer

April 26, 1983
All Districts

RUN DATE: 4/21/83
 PROGRAM: CASH PRIOR

CITY OF SACRAMENTO
 FINANCE DEPARTMENT
 GENERAL PURPOSE FUNDS
 TRANS CASH FLOW 1983-84

ATTACHMENT A

(\$000)

	JULY	AUG	SEP	OCT	NOV	DEC	DEC	DEC	DEC	JAN	JAN	JAN	JAN	FEB	MAR	APR	MAY	JUNE	TOTAL
						1ST WEEK	2ND WEEK	3RD WEEK	4TH WEEK	1ST WEEK	2ND WEEK	3RD WEEK	4TH WEEK						
BALANCE FROM PRIOR MONTH	503	990	-5718	-8847	-8006	-10341	-13016	-12988	-2415	-1339	-4502	-7664	-2699	-496	-3649	-6043	4771	4411	503
TOTAL RECEIPTS	8317	4515	4790	8671	5496	872	398	14119	1615	401	403	5335	5851	4677	5526	18646	7472	6436	103540
TOTAL CASH AVAILABLE	8820	5505	-928	-176	-2510	-9469	-12618	1131	-800	-938	-4099	-2329	3152	4181	1977	12603	12243	10847	104043
TOTAL DISBURSEMENTS	7830	11223	7919	7830	7831	3547	370	3546	539	3564	3565	370	3648	7830	7920	7832	7832	9575	102771
MONTH END BALANCE	990	-5718	-8847	-8006	-10341	-13016	-12988	-2415	-1339	-4502	-7664	-2699	-496	-3649	-6043	4771	4411	1272	-1272
TOTAL TRANS (PRIOR TO 4/27/83)	13637	16677	15837	18343	21035	24202	10453	12486	12332	15494	10529	8326	11569	13875					

CITY OF SACRAMENTO
TRANS BORROWING COMPARISON
1983/1984

	PRE 4/27/83 <u>BORROWING</u>	POST 4/27/83 <u>BORROWING</u>
Interest Expense @ 6%	<u>\$1,380,000.</u>	<u>\$ 810,000.</u>
Borrowing Cost		
Bank of America Discount	50,000.	50,000.
Bond Counsel	5,000.	5,000.
Audit Fees	6,500.	6,500.
Other City Costs	500.	500.
	<u>\$ 62,000.</u>	<u>62,000.</u>
Total Issue Costs	<u>\$1,442,000.</u>	<u>\$ 872,000.</u>
Issue Earnings @ 9.3%	<u>\$1,771,900.</u>	<u>\$ 872,850.</u>
Net (Cost) Earnings	<u>\$ 329,900.</u>	<u>\$ (850)</u>

CALCULATION OF BORROWING AMOUNT

TRANS Prior to 4/27/83

Optimum Cash Deficit	\$12,988,000.
Next 30 Days Disbursements	<u>11,214,000.</u>
Maximum Possible Borrowing	<u>\$24,202,000.</u>

Due to the possibility of an estimating error on both the receipts and disbursements, staff recommends allowance for approximately a 5% variance. (\$24,202,000. X .95 = approximately \$23,000,000.)

RESOLUTION NO. 83-328

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SACRAMENTO PROVIDING FOR THE BORROWING OF
FUNDS AND THE ISSUANCE AND SALE OF 1983 TAX
AND REVENUE ANTICIPATION NOTES THEREFOR

WHEREAS, this City Council of the City of
Sacramento (the "City") has found and determined and does
hereby find and determine that funds in the amount of not to
exceed \$23,000,000 are needed by the City in Fiscal Year
1983-1984 for the purpose of paying lawful expenses of the
City which will become due and payable before the receipt by
the City of income and revenue (including property taxes) in
Fiscal Year 1983-1984 sufficient to discharge the same; and

WHEREAS, the total amount of income and revenue of
the City estimated to be received during or allocable to
Fiscal Year 1983-1984 (including property taxes, but
exclusive of taxes levied to pay bonded indebtedness) is not
less than \$102,690,000, and no sums have heretofore been
borrowed or will be borrowed by the City in anticipation of
the receipt of said income and revenue; and

WHEREAS, the amount herein provided to be
borrowed, when added to the estimated interest to be payable
thereon, does not exceed eighty-five per cent (85%) of the
total amount of anticipated income and revenue of the City
to be received during or allocable to Fiscal Year 1983-1984
(including property taxes, but exclusive of taxes levied to

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pay bonded indebtedness) and other City funds which will be available for the payment of the amount to be borrowed and the interest thereon; and

WHEREAS, Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (being Sections 53850-53858 thereof) authorizes the borrowing by the City of the aforesaid sum by the issuance of tax and revenue anticipation notes for the purpose of paying said lawful expenses, all as therein provided;

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

Section 1. All of the above recitals are true and correct, and this City Council so finds and determines.

Section 2. Pursuant to the provisions of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (being Sections 53850-53858 thereof) and for the purpose of paying lawful expenses of the City which will become due and payable before the receipt by the City of income and revenue (including property taxes) during or allocable to Fiscal Year 1983-1984 sufficient to discharge the same, the City hereby determines to and shall borrow the principal sum of not to exceed \$23,000,000 by the issuance of tax and revenue anticipation notes therefor, designated "City of Sacramento 1983 Tax and Revenue Anticipation Notes," to be in the denomination of \$5,000, \$25,000 or \$100,000, or any combination thereof (as

designated by the purchaser thereof prior to the delivery thereof) and to be numbered from 1 consecutively upward in order of issuance, to be issued in bearer form, to be dated the date of delivery thereof, to mature one year after their date and to bear interest (payable at maturity) at the rate specified in the purchase agreement referred to in Section 8 hereof. Both the principal of and interest on said notes shall be payable in lawful money of the United States of America to the bearers thereof only upon presentation and surrender thereof at the principal offices of First Interstate Bank of California in San Francisco or in Sacramento, California. Said notes shall be repaid from income and revenue received by the City during or allocable to Fiscal Year 1983-1984 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness) and any other income, revenue, cash receipts and moneys of the City lawfully available therefor.

Section 3. Said notes shall be issued without coupons and shall be substantially in the following form, the blanks in said form to be filled in with appropriate words or figures, to wit:

CITY OF SACRAMENTO
1983 TAX AND REVENUE ANTICIPATION NOTE

No. _____

\$ _____

For value received, the City of Sacramento (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of California and located in Sacramento County, California, acknowledges itself indebted to and hereby promises to pay to the bearer hereof, on _____, 1984, at the principal offices of First Interstate Bank of California in San Francisco or in Sacramento, California, the principal sum of

_____ DOLLARS (\$ _____)

in lawful money of the United States of America, together with interest thereon payable at maturity at the rate of ___% per annum computed on the basis of a 360-day year, in like lawful money from the date hereof until payment in full of said principal sum. Both the principal of and interest on this note shall be payable only upon surrender of this note at the maturity thereof.

This note is one of a duly authorized issue of tax and revenue anticipation notes of the City aggregating _____ Dollars

(\$ _____) in principal amount, all of like date and tenor (except for varying denominations and numbers); and it is hereby certified, recited and declared that this note is made, executed and given pursuant to and by authority of a resolution of the City Council of the City duly passed and adopted on April 26, 1983 under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

For the payment of the principal of and interest on this note and all other notes of this issue, the City has pledged all income and revenue received during or allocable to Fiscal Year 1983-1984 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness), and this note shall constitute a first lien and charge thereon and shall be payable by the City from such pledged moneys, and to the extent not so paid shall be paid from any other income, revenue, cash receipts and other funds of the City lawfully available therefor; all as further provided in and subject to said resolution.

IN WITNESS WHEREOF, the City of Sacramento has caused this note to be executed by the Treasurer of the City and countersigned by the City Clerk of the City and has caused its official seal to be affixed hereto, this ___ day of _____, 1983.

CITY OF SACRAMENTO

By _____
Treasurer

{SEAL}

Countersigned:

City Clerk

Section 4. The Treasurer of the City is hereby authorized and directed to execute said notes by his manual signature for and on behalf of the City, and the City Clerk of the City is hereby authorized and directed to countersign by her facsimile signature and seal by facsimile impression of the seal of the City said notes for and on behalf of the City, and said signing, countersigning and sealing shall constitute a valid and sufficient execution of said notes.

Section 5. For the payment of the principal of and interest on said notes, the City hereby pledges all income and revenue received during or allocable to Fiscal Year 1983-1984 (including property taxes, but exclusive of taxes levied to pay bonded indebtedness), and said notes shall constitute a first lien and charge thereon and shall be payable by the City from such pledged moneys; and to the extent not so paid shall be paid from any other income, revenue, cash receipts and other funds of the City lawfully available therefor (all as provided in Sections 53856 and 53857 of the Government Code of the State of California and as hereinafter set forth). In order to effect this pledge, the City agrees to create and establish a special fund, to be held at the principal office of First Interstate Bank of California in San Francisco, California, designated the Temporary Note, Fiscal Year 1983-1984 Repayment Fund, and to deposit directly therein from such pledged income and revenue on February 15, 1984 and on the fifteenth day of each

succeeding month one-fifth (1/5) of the total interest on and principal of said notes. All moneys on deposit in the Repayment Fund shall be used for the payment of the principal of and interest on said notes and for no other purpose until the principal of and interest on said notes have been paid in full, except that such moneys may be invested in legal investments as directed by the Treasurer of the City, and the proceeds of any such investments shall be forwarded when received to the Treasurer of the City and shall be deposited as and when received in the General Fund of the City.

Section 6. It is hereby covenanted by the City that all representations and recitals contained in this resolution are true and correct and that the City and its officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the collection and receipt of said property taxes in accordance with law.

Section 7. This City Council hereby covenants with the owners of said notes that it will make no use of the proceeds of said notes which will cause any of said notes to be an "arbitrage bond" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954. To that end, so long as said notes are outstanding, this City Council, and all officers of the City having custody or control of any proceeds of said notes, shall comply with all requirements of said Section 103(c) and of

all regulations of the United States Department of the Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Section 8. All of said notes are hereby sold to Bank of America National Trust and Savings Association at the par value thereof, less a discount of \$50,000 _____, plus accrued interest thereon, in accordance with the purchase agreement for said notes submitted by such bank and now on file with the City Council of the City, and the Treasurer of the City is hereby authorized to execute such purchase agreement on behalf of the City.

PASSED AND ADOPTED on the 26th day of April, 1983,
by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

Mayor of the City of Sacramento

[SEAL]

Attest:

City Clerk of the City of Sacramento

RESOLUTION NO.

83-329

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING THE CITY TREASURER TO EXECUTE A CONTRACT OF PURCHASE FOR A MAXIMUM OF \$23,000,000 TRANS BORROWING WITH THE BANK OF AMERICA.

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

The City Treasurer is hereby authorized to execute the attached Contract of Purchase between the City and Bank of America relating to the City's FY 1983/84 TRANS borrowing in an amount not to exceed \$23,000,000.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

APR 26 1983

OFFICE OF THE
CITY CLERK

\$23,000,000
CITY OF SACRAMENTO
STATE OF CALIFORNIA
1983 TAX AND REVENUE ANTICIPATION NOTES

CONTRACT OF PURCHASE

April 26, 1983

City Council
City of Sacramento
Sacramento, California

Ladies and Gentlemen:

The undersigned (the "Underwriter"), acting on behalf of ourselves, offer to enter into this agreement with the City of Sacramento, California (the "City"), which, upon your acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the written acceptance of this Contract of Purchase ("Contract of Purchase") by the City and the delivery of such acceptance to us at or prior to 5:00 P.M., Pacific Time, on the date hereof.

1. (a) Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, we hereby agree to purchase from the City for reoffering to the public, and the City hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$23,000,000 in aggregate principal amount of the City's 1983 Tax and Revenue Anticipation

Notes; provided, however, that such aggregate principal amount of Notes shall not exceed an amount which in the opinion of Orrick, Herrington & Sutcliffe, A Professional Corporation, ("Bond Counsel") will qualify for the temporary period investment provided in Treasury Regulation 51.103-14(c) as in effect on March 28, 1983. The Notes to be sold by the City are herein called the Notes. The Notes shall bear interest at a rate determined in accordance with Exhibit A hereto. The aggregate purchase price to be paid by the Underwriter for the Notes shall be 100% of the aggregate principal amount thereof, less a discount of \$50,000, plus accrued interest. Notwithstanding anything to the contrary herein contained, in the event that the principal amount of Notes as to which Bond counsel can render an approving opinion is less than \$10,000,000, then the City need not sell the Notes and the Underwriter need not purchase the Notes and the obligations of the City and the Underwriter hereunder shall terminate and be of no further force or effect, except with respect to the obligations of the City and the Underwriter under Section 11 hereof.

(b) Delivered to you herewith is a certified or cashier's check payable to the order of the City in the sum of \$100,000 as a good-faith deposit for the performance of the Underwriter of its obligations to accept and pay for the Notes at the Closing in accordance with the provisions of this Contract of Purchase. Such check shall be held by you uncashed until the Closing and, upon compliance with such obligations by us, such check shall be returned to us at the Closing. In the event you do not accept this offer, such check shall be immediately returned to us. In the event of your failure

to deliver the Notes at the Closing, or if you shall be unable to satisfy the conditions to our obligations contained herein (unless such conditions are waived by us), or if our obligations shall be terminated for any reason permitted herein, such check shall be immediately returned to us and such return shall constitute a full release and discharge of all claims by us against the City arising out of the transactions contemplated hereby. In the event that the Underwriter fails (other than for a reason permitted herein) to accept and pay for the Notes at the Closing as herein provided, the proceeds of such check shall be retained by you as and applied by you toward damages for such failure and for any defaults hereunder on our part.

2. The Notes. The Notes shall be as described in, and shall be issued and secured pursuant to the provisions of Resolution No. _____ of the City adopted on April 26, 1983 (the "Note Resolution") and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act").

3. Use of Documents. The City hereby authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Contract of Purchase and an Official Statement in a form to be jointly approved by the City and the Underwriter (which, together with

all appendices thereto and with such changes therein and supplements thereto as are consented to by the Underwriter, is herein called the "Official Statement"), the Note Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transactions contemplated by this Contract of Purchase.

4. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of all the Notes at the initial public offering prices or yields to be set forth on the cover page of the Official Statement. Subsequent to such initial public offering, we reserve the right to change such initial public offering price or yields as we deem necessary in connection with the marketing of the Notes.

5. Delivery of Official Statement. At least one week prior to the Closing you shall deliver to the Underwriter 3 copies of the Official Statement in the form satisfactory to the Underwriter, duly executed on behalf of the City, and as promptly as practical thereafter, such reasonable number of conformed copies as the Underwriter shall request. We agree that we will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

6. Closing. At 10:00 A.M., Pacific Time, on the later of (a) July 5, 1983 or (b) the tenth business day following the date on which the rating referred to in Clause (4) of Section 9 (E) hereof shall have been obtained, or at such other time or on such later date (but not later than July 28, 1983 and not sooner than one business day following the issuance by the City of its 1983 Notes pursuant to Resolution No. ___ adopted April 26, 1983) as shall have been mutually agreed upon by you and us (the "Closing"), you will deliver to us, at the office of Bond Counsel in San Francisco, California or at such other place as we may mutually agree upon, the Notes in definitive form duly executed, together with the other documents hereinafter mentioned; and we will accept such delivery and pay the purchase price thereof in immediately available funds to the order of the City. The Notes will be made available for checking and packaging at the place of Closing, one business day prior to the Closing. The Notes shall be in bearer form in denominations designated by us at least five business days prior to the Closing. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Notes shall not have been delivered by the City to the Underwriter prior to the close of business, California time on July 28, 1983, then the obligation of the Issuer to sell Notes hereunder and of the Underwriter to purchase the Notes hereunder shall terminate and be of no further force or effect except with respect to the obligations of the City and the Underwriter under Section 11 hereof.

7. Representations, Warranties and Agreements of the City.

The City hereby represents, warrants and agrees with the Underwriter that:

(A) The City is validly existing as a political subdivision of the State of California, with the power to issue the Notes pursuant to the Act.

(B) (i) At or prior to the Closing, the City will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the City has full legal right, power and authority to enter into this Contract of Purchase and to adopt the Note Resolution and full legal right, power and authority to issue and deliver the Notes to the Underwriter and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Contract of Purchase and the Note Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in, the Notes, the Note Resolution and this Contract of Purchase have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Contract of Purchase has been duly executed and delivered and constitutes a valid and legally binding obligation of the City; and (v) the City has duly authorized the consummation by it of all transactions contemplated by this Contract of Purchase.

(C) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to be taken to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(D) The City has complied in all respects with the Act.

(E) The issuance of the Notes, the execution, delivery and performance of this Contract of Purchase, the Note Resolution and the Notes, and compliance with the provisions hereof and thereof do not conflict with or constitute on the part of the City a violation of or default under, the constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(F) As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or (to the knowledge of the City) threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the City pledged or to be pledged or available to pay the principal of and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Contract of Purchase or the Note Resolution, or contesting the powers of the City or its authority with respect to the Notes, the Note Resolution or this Contract of Purchase; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the City or the consummation of the transactions contemplated by this Contract of Purchase or the Note Resolution, (b) declare this Contract of Purchase to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exemption of the interest paid on the Notes from Federal income and California personal income taxation.

(G) Between the date hereof and the Closing, without the prior written consent of the Underwriter, the City will not have issued any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(H) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.

(I) Any certificate signed by any officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter as to the statements made therein but not of the person signing the same.

8. Covenants of the City. The City covenants and agrees with the Underwriter that:

(A) The City will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as it may reasonably request in order (i) to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for distribution of the Notes; and

(B) The City will apply the proceeds from the sale of the Notes to the Underwriter for the purposes specified in the Note Resolution; and

(C) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the City will (a) not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter shall object in writing or which shall be disapproved by the Underwriter and (b) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish (at the expense of the City) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

(9) Conditions of Closing. The Underwriter has entered into this Contract of Purchase in reliance upon the representations and warranties of the City contained herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Contract of Purchase are and shall be subject, at the option of the Underwriter, to the following further conditions as of the Closing:

(A) The representations and warranties of the City contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in any material respects on the date of the Closing; and the City shall be in compliance with each of the agreements made by it in this Contract of Purchase;

(B) At the time of the Closing, (i) this Contract of Purchase and the Note Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by us; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby shall have been duly taken and shall be in full force and effect; and (iii) the City shall perform or have performed all of its obligations required under or specified in the Note Resolution, this Contract of Purchase or the Official Statement to be performed at or prior to the Closing.

(C) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside) or, to the best knowledge of the City, pending or threatened which has any of the effects described in clauses (i), (ii) or (iii) of Section 7F hereof or contesting in any way the completeness or accuracy of the Official Statement.

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, shall have been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes, as contemplated hereby and no legislation shall have been enacted, or a bill favorably reported for adoption, or a decision by a court established under Article III of the Constitution of the United States rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or issued, to the effect that the Notes or any securities of the City or any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then effect, or of the Trust Indenture Act of 1939, as amended and as then effect;

(E) At or prior to the date of the Closing, the Underwriter shall receive three copies of the following documents in each case dated on and as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel, as to the Notes, addressed to the City and the Underwriter;

(2) A certificate signed by an appropriate City official to the effect that (i) the representations, agreements and warranties of the City herein are true and correct in all material respects as of the date of Closing; (ii) the City has complied with all the terms of the Note Resolution and this Contract of Purchase to be complied with by the City prior to or concurrently with the Closing and such documents are in full force and effect; (iii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or to his or her knowledge, threatened against the City which has any of the effects described in clauses (i), (ii) or (iii) of Section 7(F) hereof or contesting in any way the completeness or accuracy of the Official Statement (but in lieu of or in conjunction with such certification the Underwriter may, at its sole discretion, accept certificates or opinions of the Counsel of the City or Bond Counsel, that in their opinion the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit); and (iv) such official has

reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading;

(3) An arbitrage certificate of the City, in form satisfactory to Bond Counsel, signed by the City Treasurer;

(4) Evidence satisfactory to the Underwriter that the Notes shall have been rated MIG-1 or MIG-2 by Moody's Investors Services, Inc., that such rating has not been revoked or downgraded and that such rating is the same rating as was used to determine the interest rate for the Notes pursuant to Exhibit A;

(5) A certificate, together with a fully executed copy of the Note Resolution, of the Clerk of the City Council of the City to the effect that:

(i) such copy is a true and correct copy of such Note Resolution; and

(ii) that the Note Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of Closing; and

(6) Such additional legal opinions certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the City with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the City herein contained and the Official Statement and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Contract of Purchase or if the Underwriter's obligations shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the City in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

The Underwriter shall also have the right to cancel its obligation to purchase the Notes, by written notice to the City, if between the date hereof and the Closing: (i) any event occurs or

information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (ii) the market for the Notes or the market price of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of the Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State of California ("State"), or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final or temporary) made by the Treasury Department of the United States or the Internal Revenue Service or other Federal or State authority, which would have the effect of changing, directly or indirectly, the Federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any new outbreak of hostilities or other national or international calamity or crises, the effect of such outbreak, calamity or crises on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter,

would affect materially and adversely the ability of the Underwriter to market the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either Federal or State of California or New York authorities having jurisdiction; or (iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the reasonable opinion of the Underwriter, materially adversely affect the market price for the Notes.

10. Conditions to Obligations of the City. The performance by the City of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the City and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the City.

11. Expenses. (a) If the Underwriter accepts delivery of and pays for the Notes as set forth herein, the Underwriter shall then be obligated to pay expenses including

(i) Fiscal agent and or paying agent fees for redeeming such notes; (ii) the cost of the preparation, printing and delivery of the Notes; (iii) the fees, if any, for Note ratings; (iv) the cost of the printing and distribution of the Official Statement; (v) any costs or expenses incurred with any signature company incident to signing the Notes; (vi) the fees payable to the California Debt Advisory Commission; (vii) costs of preparation and reproduction of this Contract of Purchase; and (viii) other miscellaneous costs associated with the issuance of the Notes including, but not limited to, travel expenses of City officials; and the Underwriter shall pay all costs and disbursements incurred by them in connection with the transaction.

(b) If the Underwriter defaults, then the Underwriter shall pay all the expenses referred to in Section 11(a) hereof.

(c) The City is responsible for all fees, charges and expenses of Bond Counsel.

12. Notices. Any notice or other communication to be given under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the City to the City Treasurer at 800-10th Street, Suite 1, Sacramento, California 95808, or if to the Underwriter, to Bank of America NT&SA, 555 California Street, Tenth Floor, San Francisco, California 94104, attn: Arnold F. Mazotti.

13. Parties in Interest; Survival of Representations and Warranties. This Contract of Purchase when accepted by the City in writing as heretofore specified shall constitute the entire agreement between the City and the Underwriter (including the successors or assigns of any Underwriter). No person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements of the City in this Contract of Purchase shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Contract of Purchase.

14. Execution in Counterparts. This Contract of Purchase may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute one and the same document.

15. Applicable Law. The Contract of Purchase shall be interpreted, governed and enforced in accordance with the law of the State of California.

Very truly yours,

BANK OF AMERICA, NT & SA

By _____

The foregoing is hereby agreed to and accepted as of the date first above written:

THE CITY OF SACRAMENTO,
CALIFORNIA

By _____

Treasurer

Paul P. Fry April 25, 1983

April 26, 1983

EXHIBIT A

The Method for establishing the interest rate on the 1983-84 Tax or Tax and Revenue Anticipation Notes shall be as follows:

- 1) The Moody's Investors Service, Inc. rating in effect on the date of it's release must be the same rating as the rating in effect on the date of delivery.
- 2) The interest rate for the Notes shall be established by applying the percentage shown below of U.S. Treasury Bills having a comparable maturity date to the Notes being sold.
- 3) The interest rate for the Notes shall be established on the second business day following the date the Moody's rating is released utilizing the quotations reported in The Wall Street Journal, subject to verification, under the section entitled "Treasury Issues -- Bonds, Notes, & Bills". This section lists the daily discount bid Rates for U.S. Treasury Bills. The Note interest rate will be established by matching the maturity date for a Treasury Bill to a Tax and Revenue Anticipation Note of the closest maturity, then applying the percentage shown in Table 1, rounding up to the nearest one hundredth of one percent. If The Wall Street Journal quotations do not list a Treasury Bill with a maturity comparable to the Notes, then the rate shall be established by using the Treasury Bill with the nearest maturity to the Note as the "Base".

- 4) Once the basic interest rate is established by the procedure outlined above, then the final interest rate can be adjusted downward to reflect improved market conditions at the sole discretion of the Underwriter. The downward adjustment cannot exceed ten percent (10%) of the original total. The final adjustment will reflect the Underwriter's calculation of a new interest rate which will give effect to: a) the prevailing reoffered level of similarly rated Notes of like maturities, and b) an appropriate spread reflecting prevailing market conditions but not to exceed the amounts in Table 2 below. Any such adjustments is subject to the approval of an Independent Marketing Consultant acceptable to both the Underwriter and the City. If both parties, do not agree upon the Independent Marketing Consultant, then the original pricing formula shall remain in effect for the Notes being sold.

TABLE 1

INTEREST RATE FORMULA
FOR 1983-84 TAX OR TAX AND REVENUE ANTICIPATION NOTES
TO BE DELIVERED ON AND AFTER JULY 1, 1983

	<u>MIG 1</u>	<u>MIG 2</u>	<u>MIG 3</u>	<u>MIG 4</u>
1 year	75	80	-	-

TABLE 2

	<u>MIG 1</u>	<u>MIG 2</u>
1 year	\$4.50 per \$1,000	\$5.50 per \$1,000

RESOLUTION NO.

83-330

Adopted by The Sacramento City Council on date of

APRIL 26, 1983

A RESOLUTION AUTHORIZING THE DIRECTOR OF FINANCE
TO MAKE EXPENDITURES UP TO \$62,000.00 FOR THE 1983/1984
TRANS ISSUE.

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

The Director of Finance is hereby authorized to make expenditures up to a maximum of \$62,000.00 from the General Fund for the purpose of engaging outside consultants to assist City staff in preparing and issuing the fiscal year 1983/1984 TRANS issue.

MAYOR

ATTEST:

CITY CLERK

APPROVED
BY THE CITY COUNCIL

APR 26 1983

OFFICE OF THE
CITY CLERK