



CITY OF SACRAMENTO

CITY MANAGER'S OFFICE
RECEIVED
JUL 8 1986

THOMAS P. FRIERY
TREASURER
DONALD E. SPERLING
ASST. TREASURER

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July 8, 1986
860202:TPFlv:86trco3

Sacramento City Council
Sacramento, California 95814

SUBJECT: Approval of Resolution for Approval of Legal Documents and Sale of \$14.490 City of Sacramento 1986/87 Certificates of Participation (COP), Award of COPS to Firm of Paine Webber, Inc., and Approval of Official Statement

Honorable Members in Session:

APPROVED
BY THE CITY COUNCIL

JUL 8 1986

SUMMARY



OFFICE OF THE
CITY CLERK

On July 8, 1986 the City Treasurer and Paine Webber, Inc. negotiated a Net Interest Cost (NIC) based on normal financing costs and expenses of 7.375% on the \$14.490 million COP. The COPs have a weighted average life of 7 years, 5 months. Finally, the COPs have been rated Con A-1 by Moody's.

The NIC can be calculated on both normal as well as necessary financing costs and expenses. Normal financing costs which are generally paid for by an issuer from bond proceeds totalled \$333,402.00 for the City's issue. Necessary financing costs and expenses, which are those expenses generally paid for by an issuer from cash reserves as opposed to bond proceeds, totalled \$127,568.00 for the City's issue. The reason for separating these two calculations is to provide for comparability with other issuers who may have paid such costs from reserves as opposed to bond proceeds.

Normal financing costs and expenses totalled \$333,402, equivalent to \$23.00 per \$1,000 of COPs issued and resulted in a NIC calculation of 7.375% on the COP. The necessary financing costs and expenses totalled \$127,568 and added \$8.81 per \$1,000 of COPs issued and increased the NIC for all costs and expenses to be 7.493%. The normal financing costs and expenses are within the underwriter contract limits and all expenses are both reasonable and in proximity to other issues in the market place.

The price negotiated is favorable in the market place and the Treasurer recommends award of the COPs to Paine Webber, Inc. Finally, the Preliminary Official Statement for this financing is on file with the City Clerk.

BACKGROUND

On June 10, 1986 the Sacramento City Council authorized proceeding with a COP financing. On July 8 the City Treasurer negotiated the financing with the firm of Paine Webber, Inc. who are underwriters on the COP issue. The sale of the COPs occurred during the period when the credit rating on the City's Light Rail COP was suspended. The credit rating suspension on the Light Rail COPs did not affect the City's credit rating on these financings.

FINANCIAL

The following is a recapitulation of the financing costs and expenses of the COP financing:

Normal Financing Costs and Expenses

Management Fee to Paine Webber	\$ 72,450.00
Underwriting Risk	19,561.50
Sales Commission	161,563.50
<u>1/ Normal Financing Out of Pocket</u>	<u>79,827.00</u>
Total Estimated Normal Financing Costs & Expenses	\$ 333,402.00
	=====
Total Cost per \$1,000 of Certificates Issued	\$ 23.00
	=====

Necessary Financing Costs and Expenses Associated with the COP:

Printing of Official Statement	\$ 12,000.00
Bond Counsel Fee	50,000.00
Legal Expenses (Bond Printing, Out of Pocket & Legal Documents	7,000.00
Moody's	15,000.00
Audit Fee	10,000.00
Actuary Fee	20,000.00
Trustee & Paying Agent	12,068.00
Messenger & Delivery Service	<u>1,500.00</u>
Total Estimated Necessary Financing Costs & Expenses	\$ 127,568.00
	=====
Total Cost per 1,000 of Certificates Issued	\$ 8.81
	=====

1/ Includes bond handling and printing, underwriter's counsel, CDAC fees, computer and out of pocket costs associated with the COP.

The debt service schedule and the breakdown of costs and expenses by project relating to this financing are on file with the City Clerk.

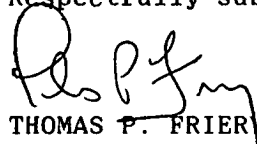
According to the terms of the contract with the Underwriter, financing costs and expenses of \$360,402 were incurred with the financing. The maximum allowable costs under the terms of the contract would have been \$434,700.00. Finally, at time of closing only \$345,402 will be paid to the Underwriter as the City will take \$15,000 from bond proceeds. This amount of money is estimated to be the maximum payable to Moody's Investors Service for the rating.

RECOMMENDATION

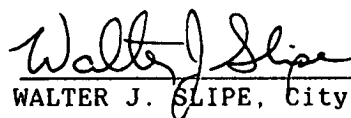
It is recommended that the City Council:

- Approve legal documents associated with the COP financing,
- Adopt the Resolution of Sale awarding the COPs to Paine Webber, Inc. at a Net Interest Cost of 7.375%, and other matters relating to the sale of the Certificates.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

RECOMMENDATION APPROVED:


WALTER J. SLIPE, City Manager

July 8, 1986
All Districts

CITY OF SACRAMENTO

RESOLUTION NO. 16-520

A RESOLUTION OF THE COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING THE EXECUTION AND DELIVERY OF A SITE LEASE, A PROJECT LEASE, A TRUST AGREEMENT, AN AGENCY AGREEMENT, A CERTIFICATES OF PARTICIPATION PURCHASE CONTRACT AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE CITY OF SACRAMENTO 1986 PUBLIC FACILITIES PROJECT AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Sacramento, a charter city and municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), is authorized under provisions of the Constitution and laws of the State of California to lease real property and personal property as the City may determine is necessary or proper for municipal purposes; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing 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 financing for the purpose, in the manner and upon the terms herein provided;

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

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

Section 2. The City hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to municipal affairs of the City and that the statements, findings and determinations of the City set forth in the preambles of the documents approved herein are true and correct.

Section 3. The form of Site Lease, dated as of July 1, 1986, between the City and the Sacramento City Public Facilities Financing Corporation (the "Corporation") presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver to the Corporation said Site Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Project Lease, dated as of July 1, 1986, between the City and the Corporation presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to

execute, acknowledge and deliver to the Corporation said Project Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form of Trust Agreement, dated as of July 1, 1986, among the City, the Corporation and Security Pacific National Bank, as trustee (the "Trustee"), presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation and the Trustee said Trust Agreement in substantially said form, 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 form of Agency Agreement, dated as of July 1, 1986, between the Corporation and the City, presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver to the Corporation said Agency Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The form of Certificates of Participation Purchase Contract between the City, the Corporation and PaineWebber Incorporated (the "Underwriter"), presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation and to the Underwriter said Certificates of Participation Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The form of Official Statement relating to certificates of participation (the "Certificates") in the base rental payments to be made by the City pursuant to said Project Lease, presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor of the City is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Underwriter said Official Statement in substantially said form, with such changes as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of said Official Statement to persons who may be interested in the purchase of the Certificates and is hereby

directed to deliver such copies to all actual purchasers of the Certificates.

Section 8. The City Clerk is hereby authorized and directed to attest the signature of the Mayor, and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of said Site Lease, said Project Lease, said Trust Agreement, said Agency Agreement, said Certificates of Participation Purchase Contract and said Official Statement.

Section 10. 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 which they may deem necessary or advisable in order to consummate the sale, execution and delivery of the Certificates by the Trustee and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the Certificates, said Site Lease, said Project Lease, said Trust Agreement, said Agency Agreement, said Certificates of Participation Purchase Contract and said Official Statement. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 11. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED on July 8, 1986, by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

Mayor of the City of Sacramento

[SEAL]

Attest:

City Clerk of the City of Sacramento

AMENDED

RESOLUTION NO. 86-520

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

JUL 8 1986

A RESOLUTION OF THE COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING THE EXECUTION AND DELIVERY OF A SITE LEASE, A PROJECT LEASE, A TRUST AGREEMENT, AN AGENCY AGREEMENT, A CERTIFICATES OF PARTICIPATION PURCHASE CONTRACT AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE CITY OF SACRAMENTO 1986 PUBLIC FACILITIES PROJECT AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Sacramento, a charter city and municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "City"), is authorized under provisions of the Constitution and laws of the State of California to lease real property and personal property as the City may determine is necessary or proper for municipal purposes; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing 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 financing for the purpose, in the manner and upon the terms herein provided;

RESOLUTION No. 86-520

JUL 8 1986

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

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

Section 2. The City hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to municipal affairs of the City and that the statements, findings and determinations of the City set forth in the preambles of the documents approved herein are true and correct.

Section 3. The form of Site Lease, dated as of July 1, 1986, between the City and the Sacramento City Public Facilities Financing Corporation (the "Corporation") presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver to the Corporation said Site Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Project Lease, dated as of July 1, 1986, between the City and the Corporation presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to

execute, acknowledge and deliver to the Corporation said Project Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The form of Trust Agreement, dated as of July 1, 1986, among the City, the Corporation and Security Pacific National Bank, as trustee (the "Trustee"), presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation and the Trustee said Trust Agreement in substantially said form, 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 form of Agency Agreement, dated as of July 1, 1986, between the Corporation and the City, presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver to the Corporation said Agency Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The form of Certificates of Participation Purchase Contract between the City, the Corporation and PaineWebber Incorporated (the "Underwriter"), presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation and to the Underwriter said Certificates of Participation Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The form of Official Statement relating to certificates of participation (the "Certificates") in the base rental payments to be made by the City pursuant to said Project Lease, presented to this meeting and on file with the City Clerk, is hereby approved. The City Manager is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Underwriter said Official Statement in substantially said form, with such changes as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized to distribute copies of said Official Statement to persons who may be interested in the purchase of the Certificates and is hereby

directed to deliver such copies to all actual purchasers of the Certificates.

Section 8. The City Clerk is hereby authorized and directed to attest the signature of the City Manager, and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of said Site Lease, said Project Lease, said Trust Agreement, said Agency Agreement, said Certificates of Participation Purchase Contract and said Official Statement.

Section 10. 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 which they may deem necessary or advisable in order to consummate the sale, execution and delivery of the Certificates by the Trustee and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the Certificates, said Site Lease, said Project Lease, said Trust Agreement, said Agency Agreement, said Certificates of Participation Purchase Contract and said Official Statement. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 11. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED on July 8, 1986, by the

following vote:

AYES: Councilmembers Shore, Johnson, Pope, Chinn, Serna, Smallman,
Kastanis, Robie and Mayor Rudin

NOES:

ABSENT:



Mayor of the City of Sacramento

[SEAL]

Attest:



City Clerk of the City of Sacramento

13-1



CITY OF SACRAMENTO

OFFICE OF THE TREASURER
800 . 10TH STREET SACRAMENTO, CA 95814
SUITE 1 TELEPHONE (916) 449-5318

THOMAS P. FRIERY
TREASURER
DONALD E. SPERLING
ASST. TREASURER

July 2, 1986
860202:TPFlv:86trco3

This report will be updated on July 8, 1986 when the financing is estimated to occur.

Sacramento City Council
Sacramento, California 95814

SUBJECT: Approval of Resolution for Approval of Legal Documents and Sale of \$14.490 City of Sacramento 1986/87 Certificates of Participation (COP), Award of COPs to Firm of Paine Webber, Inc., and Approval of Official Statement

Honorable Members in Session:

SUMMARY

On July 8, 1986 the City Treasurer and Paine Webber, Inc. negotiated a Net Interest Cost (NIC) of _____ on the \$14.490 million COP. The COPs have a weighted average life of _____ years, _____ months. Finally, the COPs have been rated _____ by Moody's. The annual debt service payments are approximately \$ _____ thousand.

The NIC considers normal as well as necessary financing costs and expenses which totalled approximately \$ _____ thousand. Normal financing costs which are generally paid for by an issuer from bond proceeds totalled approximately \$ _____. Necessary financing costs and expenses, which are those expenses generally paid for by an issuer from cash reserves as opposed to bond proceeds, totalled approximately \$ _____.

Necessary financing costs and expenses which are those financing expenses generally paid for by an issuer from internal funds totalled approximately \$ _____ thousand. These expenses are equivalent to \$ _____ per \$1,000 of COPs issued. The normal financing costs and expenses totalled \$ _____ thousand and are equivalent to \$ _____ per \$1,000 of COPs issued. These expenses are within the underwriter contract limits and are both reasonable and in proximity to other issues in the market place.

The price negotiated is favorable in the market place given consideration to the recent action by the rating agency pertaining to the credit rating suspension on the Light Rail COPs. The Preliminary Official Statement for the financing is on file with the City Clerk.

Sacramento City Council
July 2, 1986
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BACKGROUND

On June 10, 1986 the Sacramento City Council authorized proceeding with a COP financing. On July 8 the City Treasurer negotiated the financing with the firm of Paine Webber, Inc. who are underwriters on the COP issue. The sale of the COPs occurred during the period when the credit rating on the City's Light Rail COP was suspended. Although the credit rating suspension on the Light Rail COPs did not affect the City's credit rating on these financings, nonetheless, market conditions caused an increase in the relative cost that City of Sacramento issues historically have sold to market averages. In spite of this occurrence, it is the Treasurer's recommendation to award the sale of the COPs to Paine Webber, Inc.

FINANCIAL

The following is a recapitulation of the financing costs and expenses of the COP financing:

Normal Financing Costs and Expenses

Management Fee to Paine Webber	\$
Underwriting Risk	
Sales Commission	
<u>1/ Normal Financing Out of Pocket</u>	_____
 Total Estimated Normal Financing Costs & Expenses	 \$ =====

Necessary Financing Costs and Expenses Associated with the COP:

Printing of Official Statement	\$
Bond Counsel Fee	
Legal Expenses (Bond Printing, Out of Pocket & Legal Documents	
Moody's	
Audit Fees	
 Total Estimated Necessary Financing Costs & Expenses	 \$ =====

1/ Includes bond handling and printing, underwriter's counsel, CDAC fees, computer and out of pocket costs associated with the COP.

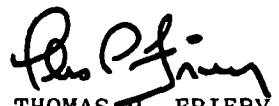
Sacramento City Council
July 2, 1986
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RECOMMENDATION

It is recommended that the City Council:

- Approve legal documents associated with the COP financing,
- Adopt the Resolution of Sale awarding the COPs to Paine Webber, Inc. at a Net Interest Cost of _____, and other matters relating to the sale of the bonds.

Respectfully submitted,


 THOMAS P. FRIERY
 City Treasurer

RECOMMENDATION APPROVED:


 WALTER J. SLIFE City Manager

July 8, 1986
All Districts