



CITY OF SACRAMENTO

23

OFFICE OF THE TREASURER

800 - 10TH STREET SACRAMENTO, CA 95814
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THOMAS P. FRIERY
TREASURER

DONALD E. SPERLING
ASST. TREASURER

December 6, 1984

Sacramento City Council
Sacramento, California 95814

Honorable Members in Session:

SUBJECT: City of Sacramento 1985 COP Financing - Approval of Legal Forms,
Official Statement and Sale of Certificates of Participation

RECOMMENDATION

Transmitted herewith is a copy of the report to the Budget and Finance Committee recommending approval of the attached Resolution which requires:

- City Council approval of the Form of Legal Documents in substantially the form presented and on file with the City Clerk and,
- Approves the Official Statement in substantially the form presented and,
- Approves the language and terms of the sale of the Certificates of Participation and,
- Authorizes the Mayor to execute and deliver the Legal Documents and Official Statement relative to the COP Financing.

City Council reserves the final right to accept or reject the terms of sale which will be performed by the City Treasurer on December 10, 1984 and will be forthcoming in an addendum report for Council action on December 11, 1984.

TPF/lv:copmem3

APPROVED
BY THE CITY COUNCIL

DEC 11 1984

OFFICE OF THE
CITY CLERK

RECOMMENDATION APPROVED:

WALTER J. SLIPE, City Manager

Respectfully submitted,

THOMAS P. FRIERY
City Treasurer

All Districts
December 11, 1984

1957-1958

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CITY OF SACRAMENTO

RESOLUTION NO. ~~107~~ 84-1013a

A RESOLUTION OF THE CITY OF SACRAMENTO AUTHORIZING THE EXECUTION AND DELIVERY OF A SITE LEASE, A REAL PROPERTY LEASE, A TRUST AGREEMENT, AN AGENCY AGREEMENT, A CERTIFICATES OF PARTICIPATION PURCHASE CONTRACT AND AN OFFICIAL STATEMENT IN CONNECTION WITH THE CITY OF SACRAMENTO 1985 SOLID WASTE DISPOSAL PROJECT AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

APPROVED
BY THE CITY COUNCIL
DEC 11 1984
OFFICE OF THE
CITY CLERK

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 as the City may determine is necessary or proper; 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;

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

Section 1. 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 2. The form of Site Lease, dated as of January 1, 1985, between the City and Security Pacific National Bank (the "Corporation"), as lessee, 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 3. The form of Real Property Lease, dated as of January 1, 1985, between the City and the Corporation, as lessor, 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 Real Property 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 Trust Agreement, dated as of January 1, 1985, among the City, the Corporation and First Interstate Bank of California, 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 5. The form of Agency Agreement, dated as of January 1, 1985, 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 6. The form of Certificates of Participation Purchase Contract between the City, the Trustee and Paine Webber 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 Trustee 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 7. 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 Real Property 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 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 Real Property Lease, said Trust Agreement, said Agency Agreement, said Certificates of Participation Purchase Contract and said Official Statement.

Section 9. 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 Real Property 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 10. This resolution shall take effect immediately upon its passage.

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PASSED AND ADOPTED this ____ day of December, 1984,

by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

Mayor of the City of
Sacramento

[Seal]

Attest:

City Clerk of the City of
Sacramento

23 *current as of 12/7/84*
Lorraine Magana

PRELIMINARY OFFICIAL STATEMENT

RATINGS:
 Moody's:
 Standard & Poor's:
 (See "Ratings" herein)

In the opinion of Special Counsel, Orrick, Herrington & Sutcliffe, A Professional Corporation, San Francisco, California, under existing statutes, regulations and court decisions the interest component of each Rental Payment made by the City under the Lease and received by the Certificate owners is exempt from all present federal income taxes and State of California personal income taxes.

**\$5,000,000
 CERTIFICATES OF PARTICIPATION
 CITY OF SACRAMENTO
 1985 SOLID WASTE DISPOSAL PROJECT**

**Evidencing a Proportionate Interest
 of the Owners Thereof in Rental Payments
 to be Made by the**

CITY OF SACRAMENTO

to

**Security Pacific National Bank
 Los Angeles, California**

Dated: January 1, 1985

Due: July 1, as shown below

The Certificates are being issued to finance the acquisition and improvement of a solid waste disposal site which will be leased to and operated by the City.

Interest is payable semiannually on July 1 and January 1 of each year, commencing July 1, 1985 at the principal office of First Interstate Bank of California, San Francisco, the Trustee. The certificates are issuable only as fully registered Certificates in the denomination of \$5,000 or any integral multiple thereof (not exceeding the principal amount maturing in any one year). The Certificates are subject to prepayment prior to their stated maturities as described herein.

The City has covenanted in the Lease to make all Rental Payments provided for therein to Security Pacific National Bank of Los Angeles, California, the Lessor, subject to complete or partial abatement of such Rental Payments resulting from loss of all or any portion of the Project. The City has also covenanted in the Lease to take such action as may be necessary to include such Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. The obligation of the City of Sacramento to make such Rental Payments does not constitute a debt of the City, the State of California, or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the City to pay Rental Payments does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

PAYMENT SCHEDULE

Due (July 1)	Principal Amount	Coupon Rate	Price or Yield	Due (July 1)	Principal Amount	Coupon Rate	Price or Yield
1986	\$330,000	-	100%	1991	\$505,000	-	100%
1987	360,000	-	100	1992	555,000	-	100
1988	390,000	-	100	1993	600,000	-	100
1989	425,000	-	100	1994	655,000	-	100
1990	465,000	-	100	1995	715,000	-	100

The Certificates are offered when, as and if issued and received by the Underwriter, subject to approval of Special Counsel, Orrick, Herrington & Sutcliffe, A Professional Corporation, San Francisco, California, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe, A Professional Corporation, and for the City by the City Attorney. It is anticipated that the Certificates will be available for delivery in definitive form in San Francisco, California, on or about January 7, 1985.

Paine Webber Incorporated

November 20, 1984

**CITY OF SACRAMENTO
CALIFORNIA**

City Council

Anne Rudin, Mayor

**David M. Shore, District No. 1
Grantland Johnson, District No. 2
Douglas N. Pope, District No. 3
Thomas Chinn, District No. 4
Joe Serna, Jr., District No. 5
Bill Smallman, District No. 6
Terry Kastanis, District No. 7
Lynn Robie, District No. 8**

City Staff

**Walter J. Slipe, City Manager
James P. Jackson, City Attorney
Thomas P. Friery, City Treasurer
Lorraine Magana, City Clerk
Solon Wisham, Jr., Assistant City Manager
Jack R. Crist, Director of Finance
Robert C. Leland, Assistant Director of Finance
Theodore H. Kobey, Jr., Assistant City Attorney
Donald E. Sperling, Assistant City Treasurer
Phil E. Ezell, Accounting Officer
Michael L. Medema, Revenue Officer**

SPECIAL SERVICES

Special Counsel

**Orrick, Herrington & Sutcliffe, A Professional Corporation
San Francisco**

Independent Accountants

**Price Waterhouse
Sacramento**

Trustee

**First Interstate Bank of California
San Francisco**

Lessor

**Security Pacific National Bank
Los Angeles**

No dealer, broker, salesperson or other person has been authorized by the City of Sacramento (the "City") or Paine Webber Incorporated (the "Underwriter") to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been furnished by the City and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY STATEMENT

The following summary is subject in all respects to the more complete information as set forth in this Official Statement and the offering of the certificates to potential investors is made only by means of the entire Official Statement.

- Purpose of Issue**..... To finance the costs of expanding the City of Sacramento's solid waste disposal site. See "The Project".
- The Certificates**..... Fully registered form only in denominations of \$5,000 each or any integral multiple thereof (not exceeding the principal amount maturing in any one year), each representing a direct and proportionate interest of the Owners thereof in Rental Payments to be made by the City of Sacramento in exchange for use of the Project under the Lease. See "The Certificates".
- Security for the Certificates**.... The City has covenanted in the Lease to make all Rental Payments provided for therein to the Lessor, subject to complete or partial abatement of such Rental Payments due to loss of all or any portion of the Project, and to include such Rental Payments in its annual budgets. See "The Certificates".
- Reserve Fund**..... A Reserve Fund equal to the lesser of (i) \$_____, or (ii) the maximum annual Rental Payments will be established pursuant to the Lease and will be held by the Trustee. Moneys in the Reserve Fund shall be used for Rental Payments when such payments have been abated in whole or in part or when other monies of the City are not otherwise available to make such Rental Payments. See "The Certificates".
- Prepayment**..... The Certificates are subject to prepayment on any date, in whole or in part, from the net proceeds of condemnation deposited with the Trustee. If less than all of the Certificates are prepaid, there shall be prepaid Certificates in a principal amount as nearly proportional as practicable to the aggregate annual amounts of principal represented by the then unpaid certificates within each remaining maturity.

\$5,000,000
CERTIFICATES OF PARTICIPATION
(City of Sacramento 1985 Solid Waste Disposal Project)

Evidencing a Proportionate Interest of the
Owners Thereof in Rental Payments to be Made by the
CITY OF SACRAMENTO
to
Security Pacific National Bank

INTRODUCTION

The purpose of this Official Statement, including the cover page, the summary statement and the appendices, is to set forth certain information in connection with the offering of Certificates of Participation for the City of Sacramento 1985 Solid Waste Disposal Project (the "Certificates") in the aggregate principal amount of \$5,000,000, representing the direct and proportionate interests of the registered owners (the "Owners") thereof in base rental payments (the "Rental Payments") to be made by the City of Sacramento (the "Lessor"), as rental for certain real property to be used as an expansion of the City's solid waste disposal site and thereafter the City's solid waste disposal operation including an organic leaf composting operation, organic waste to fuel conversion plant, methane mining facility, heavy equipment maintenance facility and sanitary services operation office for City use (the "Project") pursuant to a Real Property Lease, dated as of January 1, 1985 (the "Lease") between the City and the Lessor. The rights of the Lessor to receive Rental Payments under the Lease will be assigned without recourse to First Interstate Bank of California, San Francisco, as Trustee (the "Trustee") under an Assignment Agreement dated as of January 1, 1985 (the "Assignment Agreement"), whereby the Lessor shall assign to the Trustee for the benefit of the Owners its rights (i) to amounts payable by the City under the Lease and (ii) to enforce amounts payable upon default. In addition, under the Trust Agreement dated as of January 1, 1985 (the "Trust Agreement") among the City, the Trustee and the Lessor, the Rental Payments are irrevocably pledged to the payment of the principal and interest represented by the Certificates. The Certificates are being issued pursuant to the Trust Agreement and represent undivided interests in the Rental Payments payable pursuant to the Lease. The City is authorized to enter into the Lease and the Trust Agreement and to undertake the other actions of the City concerning the Certificates by a resolution adopted by the City Council of the City on November 20, 1984.

The City has leased the site of the Project to the Corporation by a Site Lease dated as of January 1, 1985. The City is entering into the Lease to provide financing for the acquisition and improvement of the Project. The Project will be acquired and improved by the City as the agent of the Lessor and installed either by independent contractors or by the City. Upon completion of the full term of the Lease, title to the Project will vest in the City (see "The Project").

In general, the City is required to pay all of the Rental Payments to the Trustee required under the Lease, subject to complete or partial abatement of such Rental Payments resulting from loss of all or any portion of the Project. See "Appendix B - Summary of Principal Legal Documents". Under the Lease, the City is also required to pay any taxes, assessments, insurance premiums or maintenance and repair costs in connection with the Project. The City has also

convenanted in the Lease to take such action as may be necessary to include the Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. For certain financial information with respect to the City, see "The City of Sacramento" and Appendix A.

THE CERTIFICATES

General Provisions

The Certificates are being executed and delivered in the aggregate principal amount of \$5,000,000. The interest represented thereby will be calculated from January 1, 1985, at the rates per annum set forth on the cover page hereof, payable semiannually on July 1 and January 1 of each year, commencing July 1, 1985, and the principal represented by the Certificates will be payable on July 1 in each of the years and in the amounts shown below:

<u>Payment Due Date (July 1)</u>	<u>Payment Principal Amount</u>	<u>Payment Due Date (July 1)</u>	<u>Payment Principal Amount</u>
1986.....	\$330,000	1991.....	\$505,000
1987.....	380,000	1992.....	555,000
1988.....	390,000	1993.....	600,000
1989.....	425,000	1994.....	655,000
1990.....	465,000	1995.....	715,000

The Certificates are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof (not exceeding the principal amount maturing in any one year). Interest and principal is payable at the principal corporate trust office of the Trustee by check or draft mailed to the Owners of the respective Certificates at the addresses shown on the registration books of the Trustee, First Interstate Bank of California, San Francisco.

Prepayment

The Certificates are subject to prepayment on any date, in whole or in part by lot, from prepaid rental payments made by the City from funds received by the City due to a governmental taking of the Project or portions thereof by eminent domain proceedings, at a prepayment price equal to the sum of the principal amount represented by the Certificates to be so prepaid plus accrued but unpaid interest represented thereby to the date fixed for prepayment, without premium. If less than all of the Certificates are prepaid, there shall be prepaid Certificates in a principal amount as nearly proportional as practicable to the aggregate annual amounts of principal represented by the then unpaid Certificates within each remaining maturity.

Notice of such prepayment shall be given, after the moneys therefor have been deposited in the Prepayment Fund created under the Trust Agreement, by mailing such notice to the Underwriter and to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books.

Insurance

The City will maintain or cause to be maintained during the term of the Lease, a comprehensive public liability and property damage insurance policy or policies insuring the City, the Lessor, and its directors, officers and employees and the Trustee against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by use and operation of the Project, with minimum liability limits of \$1,000,000 for personal injury or death for each person and \$3,000,000 for personal injury or deaths for two or more persons in each accident or event, and in a minimum amount of \$200,000 (subject to a \$100,000 deductible maximum) for property damage. The City may also self-insure under certain circumstances.

Security for the Certificates

Each Certificate represents a proportionate interest in Rental Payments to be made by the City to the Trustee under the Lease. The Lessor, pursuant to the Assignment Agreement and the Trust Agreement, has assigned all its rights under the Lease to the Trustee for the benefit of the Owners of the Certificates, including its right to receive Rental Payments thereunder. Additionally, under the Trust Agreement, the Rental Payments are irrevocably pledged to the payment of the principal and interest represented by the Certificates. Rental payments shall be abated completely or partially, however, in the event of loss of all or any portion of the Project. Additional rental payments due from the City to the Trustee include amounts sufficient to pay certain taxes and assessments charged with respect to the Project, and administrative costs of the Lessor. The City is also responsible for repair and maintenance of the Project during the term of the Lease. See "Appendix B - Summary of Principal Legal Documents".

The City has covenanted in the Lease to take such action as may be necessary to include all such Rental Payments in its annual budgets and to make the necessary annual appropriations therefor. Such obligation and the obligation to make Rental Payments do not constitute debts of the City, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory limitation nor obligations of the City for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

A Reserve Fund is established by the City with the Trustee pursuant to the Lease and is required to be funded from proceeds of the Certificates in an amount equal to the lesser of (i) \$ _____, or (ii) the maximum annual Rental Payments. Amounts in the Reserve Fund are to be used for the payment of Rental Payments when such Rental Payments have been abated in whole or in part or when other moneys of the City are not otherwise available to make such Rental Payments. See "Appendix B - Summary of Principal Legal Documents".

Rental Payment Schedule

Rental Payments, commencing January 1, 1986, and on each January 1 and July 1 thereafter, are required to be paid by the City under the Lease on the preceding June 15 and December 15, commencing December 15, 1985. See "Appendix B - Summary of Principal Legal Documents". Pursuant to the Trust Agreement, the Rental Payments will be deposited in the Interest Fund and the Principal Fund, and applied to pay the principal and interest represented by the Certificates in accordance with the following schedule:

<u>Rental Payment Dates</u>	<u>Principal Component</u>	<u>Interest Component(1)</u>	<u>Total Payments</u>
July 1, 1985.....	\$ -0-	\$225,000(2)	\$225,000
January 1, 1986.....	-0-	225,000	225,000
July 1, 1986.....	330,000	225,000	555,000
January 1, 1987.....	-0-	210,150	210,150
July 1, 1987.....	360,000	210,150	570,150
January 1, 1988.....	-0-	193,950	193,950
July 1, 1988.....	390,000	193,950	583,950
January 1, 1989.....	-0-	176,400	176,400
July 1, 1989.....	425,000	176,400	601,400
January 1, 1990.....	-0-	157,275	157,275
July 1, 1990.....	465,000	157,275	622,275
January 1, 1991.....	-0-	136,350	136,350
July 1, 1991.....	505,000	136,350	641,350
January 1, 1992.....	-0-	113,625	113,625
July 1, 1992.....	555,000	113,625	668,625
January 1, 1993.....	-0-	88,650	88,650
July 1, 1993.....	600,000	88,650	688,650
January 1, 1994.....	-0-	61,650	61,650
July 1, 1994.....	655,000	61,650	716,650
January 1, 1995.....	-0-	32,175	32,175
July 1, 1995.....	715,000	32,175	747,175
Total.....	\$5,000,000	\$3,015,450	\$8,015,450

(1) Assumes interest rate of 9%.

(2) Funded from Certificate proceeds.

Source: Paine Webber Incorporated

Underwriting

The Certificates are being purchased for reoffering by Paine Webber Incorporated, San Francisco, California (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at par less a discount equal to \$_____ to cover the underwriting discount and costs of issuance. The Contract of Purchase between the City and the Underwriter provides that the Underwriter will purchase all the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase. The Underwriter may offer and sell the

Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The price may be changed from time to time by the Underwriter.

Lessor

Security Pacific National Bank (the "Lessor"), founded in 1871, is the tenth largest commercial bank in the United States, with total assets of \$42.7 billion at September 30, 1984. It is the second largest commercial bank in the Western United States and has the second largest branch banking system in the United States and California. The Lessor is a wholly-owned subsidiary of Security Pacific Corporation ("SPC"), a bank holding company registered under the Bank Holding Company Act of 1956. The capital stock of the Lessor is the principal asset of SPC, which also has domestic and international subsidiaries in the banking-related businesses of leasing, consumer and commercial finance, mortgage banking, venture capital, employee benefit fund management, and other financial services. Requests for copies of annual reports, and 10-K and 10-Q reports for SPC should be directed to Jay S. Gould, Vice President, H52-22, P.O. Box 2097, Terminal Annex, Los Angeles, California 90051.

Ratings

As noted on the cover page, Moody's Investor's Service, Inc. and Standard & Poor's Corporation have given the Certificates ratings of _____ and _____, respectively. Any desired explanation of the significance of such ratings should be obtained from the respective rating agency. There is no assurance that a rating will continue for any period of time, and it is subject to being withdrawn or revised. The City undertakes no responsibility to bring to the attention of the Certificate Owners either downward revision or withdrawal of such rating or to oppose any such revision or withdrawal. Such a revision or withdrawal may have an adverse impact on the market price of the Certificates.

Tax Exemption

In the opinion of Special Counsel, Orrick, Herrington & Sutcliffe, A Professional Corporation, San Francisco, California, under existing statutes, regulations and court decisions, the interest component of each Rental Payment made by the City under the Lease and received by the Certificate Owners is exempt from all present federal income taxes and State of California personal income taxes. No opinion is expressed by Special Counsel with respect to any other amounts received by the Certificate Owners.

Validation Proceeding

Special Counsel initiated a validation proceeding on behalf of the City seeking judicial confirmation of the validity of the City's acts in connection with the offering of the Certificates, and delivery of the Certificates is contingent upon receipt of a favorable judgment in such proceedings.

Litigation

Upon the delivery of the Certificates, the City will provide its certificate that based upon reasonable inquiry, there is no litigation of any nature now pending against the City or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the execution or delivery of the

Lease or the issuance or sale of the Certificates or in any way contesting the validity of the Lease or the Certificates or any proceedings of the City taken with respect to such execution, delivery, issuance or sale, or the application of any moneys or security provided for the payment of the Rental Payments or the use of the Certificate proceeds.

Approval of Legality

At the time of the delivery of the Certificates, Special Counsel will deliver its final approving opinion, substantially in the form attached hereto as Appendix C.

ESTIMATED USES OF FUNDS

The proceeds to be received from the sale of the Certificates (including accrued interest as described below) are anticipated to be applied as follows:

Costs of Project.....	\$3,870,400	
Funded Interest (including accrued interest)....	250,000	(1)
Reserve Fund.....		(2)
Underwriter's Discount.....		(3)
Costs of Issuance.....		
Gross Requirement.....	\$	
Less: Allowance for Interest Income.....	()	
(assumed at 10% per annum)		
Total Principal Component of Certificates..	<u>\$5,000,000</u>	

- (1) Interest is funded from the date of the Certificates (January 1, 1985) to July 1, 1985, at assumed rate of 9%.
- (2) Assumed equal to maximum annual Rental Payments.
- (3) Includes, among others, printing costs and fees for Special Counsel, the California Debt Advisory Commission, rating agencies, municipal bond insurance, Trustee and Lessor fees, actuarial report and accounting fees.

Source: Paine Webber Incorporated

THE PROJECT

The Project consists of a 32 acre expansion on the northeast border of the City's existing 131 acre multi-purpose Solid Waste Facility complex located at 28th and "B" Streets in the City of Sacramento. The City currently owns four acres of the expansion site and will be purchasing the remaining 28 acres from the State of California. The City owns and operates the landfill site and no private individuals use the facility.

A permit covering use of the operating landfill as a Class II solid waste disposal facility is currently in effect. The City has adopted an environmental impact statement covering the acquisition and use of the expansion site and the solid waste facility permit for this location has been approved.

Development of the expanded acreage will extend the useful life of the existing landfill site by approximately three years given current City usage and no alternative landfill site development. Should an alternative landfill site be selected during this time frame, the City is still proposing to actively use this site for various solid waste programs. Once active landfill operations cease, the state's operating requirements call for the city to submit a "closure plan" for approval and implementation. The implementation of such a plan may require up to five years to complete. The City has estimated the closure costs to be approximately \$3 million and will separately reserve monies annually over the next 5 years to finance these closure costs. In addition to the aforementioned project description, the following operations and activities are being conducted or will be conducted on the Solid Waste Facilities Complex:

A landfill "methane gas extraction" process of 111 acres of the complex should start in early 1985, and would be operated for 10 to 15 years depending upon the recovery rate. Such a process would consist of a series of pipes, valves and pumps buried in the landfill which would serve to aspirate gases created by waste decomposition. These gases would then be "scrubbed" to extract true methane gas and sold to a local utility to be used as a fuel source for electric power generation.

The City currently operates an organic (leaf) composting operation on approximately six acres of the site where there are separated lawn and garden clippings from the solid waste disposal collection. The City picks up approximately 1,500 tons of garden waste annually, shreds it, and stores it in 18 foot mounds. The leaves are periodically turned and watered to insure aerobic action necessary for odor free composting, and are then sold as mulch. The program has operated for five years and will remain in operation.

The City currently owns a \$2,000,000 vegetal waste processing facility which converts separately collected garden refuse material into a bio-mass fuel which is sold to the California State Department of General Services to be used in the heating and cooling of 21 state office buildings. This process covers four acres of the complex. The facility consists of a personnel/controls building, a series of conveyors and a shredder which processes the material. The City has a 15 year contract with the State of California for the purchase of the bio-mass fuel.

The City currently operates a ten bay heavy equipment maintenance garage and a sanitation services facility at this solid waste location. The heavy equipment garage is fully equipped to service and maintain all City vehicles. The sanitation services facility contains a dispatch office with clothing change lockers, portable water toilets and on site parking for 150 vehicles. Both of these services are envisioned to remain in operation for at least the next 10 years.

ESTIMATED PROJECT COST

Excavation	\$382,500
Berm	239,000
Initial Clay Liner	775,000
Leachate Control	131,000
Storm Drainage	220,000
Dewatering	400,000
Inspection/Odor Assessment/Misc Engr	290,000
Perimeter Fencing	29,000
Landscaping	130,000
Sound Wall	33,000
Well Drilling/Capping	6,500
SPRR Inspections	4,400
City Engineering	150,000
Contingency	400,000
Land	680,000

Total	\$3,870,400
	=====

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

The taxing powers of California public agencies are limited by Article XIII A of the California Constitution, added by an initiative amendment approved by the voters on July 6, 1978, and commonly known as Proposition 13.

Article XIII A limits the maximum ad valorem tax on real property to 1% of "full cash value" which is defined as "the County Assessor's valuation of real property as shown on the fiscal year 1975/76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction, or other factors.

The validity of Article XIII A as a whole has been upheld against challenge, but the California Supreme Court has left for future decision many other questions regarding detailed interpretation and implementation of Article XIII A.

State and local government agencies in California and the State of California itself are subject to annual "appropriation limits" imposed by Article XIII B, an initiative constitutional amendment approved by the voters on November 6, 1979, which prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are authorizations to spend "proceeds of taxes", which consist of tax revenues, certain State subventions and certain other funds, including proceeds from regulatory licenses, user revenues, certain State subventions and certain or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product, or service." No limit is imposed on appropriation of funds which are not "proceeds of taxes", on debt service for indebtedness existing or authorized by January 1, 1979, or subsequently authorized by the voters, on appropriations required to comply with mandates of courts or the federal government, on user charges or fees which don't exceed the cost of the service provided, and on certain other non-tax funds.

In general terms, the City's appropriations limit is based on its fiscal year 1978/79 authorization to expend "proceeds of taxes" and is adjusted annually to reflect changes in cost of living, population, and transfer of financial responsibility for providing services from one government unit to another. Revenues in any fiscal year which exceed the amount appropriated in compliance with Article XIII B must be returned by a revision of tax rate or fee schedule within the two subsequent fiscal years.

Legislation enacted to implement Article XIII B (Statutes of 1980, Chapter 1205, adding Government Code Section 7900 et seq.) defined certain terms used in Article XIII B and set forth the methods for determining the appropriations limits for local jurisdictions. Relying on these definitions, the City has determined that its appropriations limit for "proceeds of taxes" for the 1984/85 fiscal year, based upon Approved Budget estimates, is \$161,611,000. Pursuant to the 1984/85 Approved Budget estimates, appropriations subject to limitation are \$94,511,000, substantially below the appropriations limit for "proceeds of taxes" for that year.

There have been no reported court decisions regarding the validity of the legislative determinations contained in Section 7900 et seq. of the Government Code. Although the City believes that these code provisions reasonably express the intent of the voters in enacting Article XIII B, the constitutionality of the legislation has not been determined at this time.

THE CITY

General

With a 1984 estimated population of 303,400, the City of Sacramento is located at the confluence of the Sacramento and American Rivers in the southcentral portion of the broad and fertile Sacramento Valley, a part of the Great Central Valley. It lies between the Cascade and Sierra Nevada mountains to the east and the Salmon Mountains on the west. Although Sacramento is approximately seventy-five air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees F. in January to 75 degrees F. in July. Average elevation of the City is 30 feet above sea level.

Population

A comparison of Sacramento's population growth to that of Sacramento County and the State of California is provided by the following table.

Table 1

POPULATION COMPARISON

<u>Year</u>	<u>City of Sacramento</u>	<u>County of Sacramento</u>	<u>State of California</u>
1960	191,667	502,778	15,717,204
1970	257,105	643,373	19,935,134
1980	275,741	783,381	23,667,837
1981	281,100	796,600	23,992,900
1982	285,400	818,600	24,469,500
1983	292,640	840,100	24,944,700
1984	303,400	858,500	25,415,300

Sources: U. S. Bureau of Census; State of California Department of Finance
Population Research Unit

Government

Sacramento was incorporated as a city in 1849, although it had been settled in the 1830's during which time Captain John A. Sutter acquired a 50,000-acre land grant. It was on Sutter's farm that the City was planned in 1848. The discovery of gold on the American River during that same year triggered the Forty-Niner gold rush which led to the development of Sacramento as the supply center for the northern mines of the Mother Lode. However, the agricultural potential of the Sacramento Valley, which has not received the extensive historical publicity that gold mining activity has, was just as important to the future of the City. Another significant development occurred in 1854 when Sacramento became the State Capitol. Today State government employees and governmental-related activities contribute substantially to the City's economy.

In 1856 Sacramento was the western terminus of California's first railroad, which ran a distance of approximately twenty-five miles to Folsom. Shortly thereafter it provided the starting point for the first transcontinental railroad, the Central Pacific, which later became the Southern Pacific. Prior to completion of that railroad, Sacramento was the western-most station for the Pony Express.

By 1921 the City had grown to a population of over 66,000 and in that year adopted a City Charter, which currently provides for a nine-member elected City Council. There are no other elected City Officials. The Council appoints the City Manager, City Attorney, City Clerk and City Treasurer to carry out its adopted policies. Sacramento was one of the first cities to utilize the Council-Manager form of government which has since become recognized as an efficient and effective method of providing municipal services.

Sacramento City Council members serve terms of four years. The Mayor sits as Chairperson of the Council and is elected in at-large City elections. Council members are elected by eight individual districts.

At present, the Mayor is Anne Rudin. Mrs. Rudin was elected Mayor in November 1983, the first woman to be elected to this position. Prior to her election as Mayor, she had served on the Sacramento City Council for 12 years. Mrs. Rudin, a registered nurse, is a graduate of Temple University with degrees in nursing and education. She also holds a Master of Arts degree in Public Administration from the University of Southern California.

Councilmember David M. Shore, elected in 1981, represents District 1 and currently serves as Vice-Mayor. Mr. Shore received his LLB degree from Lincoln Law School in Sacramento and has been an attorney in private practice since 1978.

Councilmember Grantland Johnson, elected in 1983, represents District 2. Prior to becoming a City Councilmember, Mr. Johnson served for seven years as a member of the Sacramento Regional Transit District Board of Directors and twice during that period served as the Board's Chairperson. He is a graduate of California State University, Sacramento, with a Bachelor of Arts degree in government.

Councilmember Douglas N. Pope, reelected for a second term in 1981, represents District 3. Mr. Pope, an attorney, is a graduate of Hillsdale College of Michigan and the University of the Pacific, McGeorge School of Law. Mr. Pope is a real estate broker employed by Coldwell Banker. He currently serves as Chair of the Council's Law and Legislative Committee.

Councilmember Thomas Chinn, elected in 1983, represents District 4. Mr. Chinn, the Chief Mechanical Engineer with the Office of the State Architect, received a Bachelor of Science degree in Mechanical Engineering at the University of California, Berkeley, and a Juris Doctor degree from the McGeorge School of Law.

Councilmember Joe Serna, Jr., elected in 1981, represents District 5. Mr. Serna, a Political Science Professor at California State University, Sacramento, is a graduate of Sacramento State College and attended graduate school at the University of California at Davis, School of Political Science. He currently serves as Chair of the Personnel and Public Employees Committee.

Councilmember Bill Smallman, elected in 1983, represents District 6. Mr. Smallman attended the University of Tennessee and the University of Wyoming, and is employed by the Pacific Gas and Electric Company's District Marketing Division.

Councilmember Terry Kastanis, elected in 1981, represents District 7. Mr. Kastanis, the Assistant Dean of Learning Resources at Cosumnes River College, received a Bachelor of Science degree from the University of Utah and Master of Arts degree in Secondary Education and Library Science from Sacramento State University and San Jose State University, respectively. He currently serves as Chair of the Council's Planning and Community Development Committee.

Councilmember Lynn Robie, elected in 1979, and reelected in 1983, represents District 8. Mrs. Robie, a registered nurse, is a graduate of

Sacramento City College and the Kaiser School of Nursing, and is the Coordinator of the Occupational Health Program of the Sacramento Lung Association. She currently serves as Chair of the Council's Budget and Finance Committee.

The City Manager, Mr. Walter J. Slipe, was appointed to that position in March 1976. Prior to that appointment, he served as Assistant City Manager for Community Development from 1969 to 1976. He also served the City of Fresno, California, as Deputy City Manager for Community Development and as Senior Planner from 1962 to 1969.

The City Attorney, Mr. James P. Jackson, was appointed to that position in 1968. Prior to that appointment, he served as Assistant City Attorney of Sacramento from 1965 to 1968 and he also served as Assistant City Attorney of Santa Rosa from 1962 to 1965. He also has served as an attorney for the State of California.

The City Treasurer, Mr. Thomas P. Friery, was appointed to that position in December 1978. Prior to that appointment, Mr. Friery was the Assistant Treasurer of the Washington Public Power Supply System from April 1976 to December 1978, a financial consultant to the California Legislature from March, 1974 to April, 1976, Senior Investment Officer for the Regents of the University of California from December 1969 to March 1974, Assistant Investment Officer for the State of California from January 1968 until December 1969, and Senior Systems Programming Analyst for the Federal Reserve Bank of Cleveland from December 1962 to January 1968.

The City Clerk, Ms. Lorraine Magana, was appointed to that position in February 1977. Prior to that appointment, she served as Deputy City Clerk of Sacramento from 1974 to 1977. Ms. Magana also served the City for more than nine years in various other administrative positions.

Labor Relations

Under the terms of the Meyers-Miliias-Brown Act the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in fourteen bargaining units by ten labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 50% of all City Employees in a variety of classifications. The following is a listing of the bargaining units, recognized employee organizations, and the expiration dates of current agreements.

<u>Bargaining Unit</u>	<u>Employee Organization</u>	<u>Expiration Date</u>
Operations and Maintenance, Office and Technical, Professional, Supervisory, and Plant Operator	Stationary Engineers, Local 39	July 3, 1987
Police	Sacramento Police Officers Association	July 3, 1987
Fire	Sac Area Firefighters, Local 522	July 3, 1987
Building Trades and Craft	Sacramento-Sierra Building and Construction Trades Council	June 29, 1985
Water and Sewer	Plumbers and Pipefitters Union Local 477	July 3, 1987
Traffic Engineering	Auto, Marine and Specialty Painters Union, Local 1176	July 3, 1987
Engineering	Western Council of Engineers	July 3, 1987
Automotive/Equipment Mechanics	International Association of Machinists	July 3, 1987
Police Management	Sacramento Police Deputy Chiefs and Captains Association	July 3, 1987
General Management	Sacramento City Management Assn.	Jan 26, 1985

Since the adoption of the City Employer-Employee Relations Resolution in April 1970, the City had had a successful and positive employee relations program, including successful negotiations of cost-effective agreements over the years. There have been no major work stoppages by City employees during this period, except for a 14-day strike by firefighters in October 1970. There are approximately 3,850 City positions authorized for FY 1984/85 (3,175.65 Full Time Equivalents), and about 94% of all City employees are covered under negotiated agreements. During FY 1984/85, negotiations were successfully concluded which resulted in 3-year labor agreements with 12 out of 14 bargaining units.

Property Taxation

Prior to the 1981/82 fiscal year, property was assessed at 25% of full cash value, which under Article XIII A (Proposition 13) resulted in a maximum tax rate of \$4.00 per \$100 of taxable value, except for taxes to meet debt service on indebtedness approved by the electorate prior to July 1, 1978. Beginning in FY 1981/82, property is assessed at 100% of cash value and the maximum property tax rate is \$1.00 per \$100 of taxable value.

The taxable value reflects homeowner's and business inventory exemptions. Tax revenues lost as a result of the homeowner's exemption are reimbursed by the State based on the total taxes which would be due on the taxable value of the property qualifying for the exemption, without allowance for delinquencies. The homeowner's exemption is \$7,000 of the taxable value of an owner-occupied dwelling, provided the owner files for the exemption.

In 1979, the California Legislature increased the business inventory exemption beginning in FY 1980/81, from 50% to 100% of the value of such property, and reimbursed property tax revenues lost as a result of the exemption on a formula basis. The formula was based on the revenue loss resulting only from the 1% general property tax rate on business inventories, not for the revenue loss resulting from the tax rates levied for indebtedness, approved by the voters prior to July 1, 1978.

Beginning in FY 1980/81, the reimbursement was twice the amount of the FY 1979/80 reimbursement (less than amount corresponding to the tax rates levied for indebtedness), increased by the State Reimbursement for Inventory Tax Factor. In computing this adjustment between fiscal years 1979/80 and 1980/81, the actual rate of Statewide inflation (based on CPI) was used. In adjusting between fiscal years 1980/81 and 1981/82, however, the Legislature mandated an inflation adjustment of only 2.92%. Further, the Legislature mandated that there be no increase in business inventory subventions for FY 1982/83, which totalled \$1,300,000.

Beginning in FY 1984/85, the business inventory subvention was repealed. In its place vehicle license fee subventions were increased and a special subvention was added to ensure that no city would incur a net loss in FY 1984/85. The latter subvention will phase out over a five-year period.

For assessment and collection purposes, property is classified either as "secured" or "unsecured", and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property the taxes on which are a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll".

Table 2 provides a summary of assessed valuations in the City for fiscal years 1979/80 through 1983/84.

Table 2
CITY OF SACRAMENTO
GROSS ASSESSED VALUES, TAX ALLOCATIONS AND TAX COLLECTIONS
FOR ALL TAXABLE PROPERTY
(dollars in thousands)

Fiscal Year	Assessed Value(1)				Tax Allocation		
	Secured Roll	Unsecured Roll	Public Utility	Total	Total	Collected	Percent
1979/80	\$1,058,036	\$154,753	\$ 89,816	\$1,302,605	\$14,765	\$14,447	97.8%
1980/81	1,175,036	81,115	88,201	1,344,464	16,854	16,315	96.8
1981/82	5,457,422	426,453	384,313	6,268,188	19,534	18,765	96.1
1982/83	5,941,127	462,938	470,221	6,874,286	21,549	20,700	96.1
1983/84	6,408,158	488,240	535,751	7,432,149	24,312	23,167	95.3

(1) Assessment ratio increased from 25% to 100% and tax rate decreased from \$4.00 to \$1.00 per \$100 assessed valuation, effective FY 1981/82. Unsecured values dropped in FY 1980/81 due to exemption of business inventories. Includes redevelopment tax increments.

Source: City of Sacramento

Debt Statement

Table 3 on the following page has been prepared by California Municipal Statistics, Inc., showing direct and overlapping debt as of October 1, 1984.

**Table 3
CITY OF SACRAMENTO
DIRECT AND OVERLAPPING BONDED DEBT STATEMENT**

1983/84 Assessed Valuation: \$6,839,151,341 (after deduction of \$592,997,466 redevelopment tax allocation increment)

Direct and Overlapping Bonded Debt	<u>Percent Applicable</u>	<u>Debt as of Dec. 1, 1984</u>
Sacramento County	33.918%	\$2,733,790
Sacramento County Parking Authority	33.918	780,114
Sacramento-Yolo Port District	32.619	3,077,602
Sacramento Municipal Utility District (SMUD)	36.525	2,503,423
Sacramento County Regional Sanitation District	36.237	27,630,712
Los Rios Community College District	26.969	500,307
Elk Grove Unified School Dist. (Various issues)	23.622-23.986	2,867,209
Sacramento City Unified School District	78.383-78.948	9,010,204
San Juan Unified School District	3.852	326,071
Grant Joint Union High School District	47.013	65,817
Other School Districts	Various	46,216
City of Sacramento	100.000	8,780,000
City of Sacramento Authority Bonds	100.000	29,045,000
City of Sacramento Certificates of Participation 1915 Act Bonds	100.000	8,160,000
Fulton-El Camino Recreation & Park District	13.545	12,732

TOTAL GROSS DIRECT AND OVERLAPPING BONDED ACT		\$122,584,197(1)
Less: SMUD (100% self-supporting)		2,503,423
Sacramento-Yolo Port District (1966-72 issues, 100% self-supporting)		1,906,580

TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		\$118,174,194(1) =====

(1) Excludes revenue, mortgage revenue and tax allocation bonds, non-bonded capital lease obligations, and tax and revenue anticipation notes.

<u>Ratios to Assessed Valuations</u> :	<u>Per Capita (1984 State Est. 303,400):</u>		
Direct Debt (\$45,985,000)	0.67%	Assessed Valuation	\$22,542
Total Gross Debt	1.79%	Total Gross Debt	404
Total Net Debt	1.73%	Total Net Debt	389

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/84: \$17,706,852

Source: California Municipal Statistics, Inc.

THE ECONOMY

Economic Structure

Three major job categories comprise 77.9 percent of the Sacramento SMSA's work force. They are government (33.9 percent), wholesale and retail trade (23.3 percent), and services (20.7 percent). During the past five years from 1980 through 1984, services was the fastest growing job category, increasing by 18.7 percent, followed by a 13.8 percent increase in financing, insurance and real estate. In contrast, construction employment decreased by 5.8 percent. Table 10 provides a breakdown of the 349,500 wage and salary jobs located in Sacramento County in 1984 as estimated by the California Employment Development Department.

Table 4
WAGES AND SALARY JOBS LOCATED IN
SACRAMENTO COUNTY BY INDUSTRY
Annual Averages
(in thousands)

Industry	1980	1981	1982	1983	1984 (1)
Total All Industries	323.7	330.0	329.3	336.3	349.5
Agriculture	3.2	3.3	3.1	3.0	3.2
Nonagriculture	320.5	326.7	326.2	333.3	346.3
Government	114.6	117.0	117.8	118.0	118.5
Federal	24.3	24.5	25.6	25.4	26.4
State & Local	90.3	92.5	92.2	92.6	92.1
Services	61.1	64.0	65.6	67.9	72.5
Retail Trade	60.9	60.8	61.1	62.9	64.9
Finance, Insurance					
Real Estate	18.8	19.2	19.5	20.1	21.4
Wholesale Trade	14.5	15.5	15.0	15.6	16.5
Transportation &					
Public Utilities	14.9	15.9	15.6	14.9	16.2
Construction	15.5	14.1	12.3	13.5	14.6
Manufacturing	19.9	19.8	18.8	19.9	21.3
Durable Goods	10.6	10.3	9.7	10.5	11.5
Nondurable Goods	9.3	9.5	9.1	9.4	9.8
Mineral Extraction	.3	.4	.5	.5	.4

(1) Forecast

Source: California Employment Development Department

Approximately 6 percent of the civilian labor force in the Sacramento area is involved in manufacturing. Food processing accounts for a major portion of nondurable goods employment. Lumber and wood products, and fabricated metals employment are predicted to grow at a moderate rate. Employment in the electronics industry is expected to grow at a rapid rate as major electronics manufacturers move into the area.

Table 5
SACRAMENTO METROPOLITAN AREA
MAJOR MANUFACTURING EMPLOYERS

Name of Employer	Type of Business	Employment(1)
A. Teichert & Sons, Inc.	Construction & Concrete	400-2,100
California Almond Growers Exchange	Almonds- Wholesale	2,000
Campbell Soup Company	Food Processing	1,750
Aerojet Liquid Rocket Co.	Research & Development	1,396
Aerojet Strategic Propulsion Co.	Research & Development	1,101
Aerojet Solid Prop. Systems	Research & Development	631
American Forest Products	Wood Products	600
Hewlett Packard	Electronics Instruments	600
Blue Anchor	Food Processing	60-600
Proctor & Gamble Mfg. Co.	Detergents & Food Products	415

Table 6
SACRAMENTO METROPOLITAN AREA
MAJOR NON-MANUFACTURING EMPLOYERS

Name of Employer	Type of Business	Employment(1)
State of California	Government Services	39,000
McClellan Air Force Base	Military Installation	17,500
County of Sacramento	Government Services	7,302
Mather Air Force Base	Military Installation	7,022
Pacific Bell	Telephone Services	6,834
Southern Pacific Transportation Co.	Railroad	3,900
City of Sacramento	Government Services	3,850
Sutters Hospitals	Medical Services	3,200
Sacramento Army Depot	Military Installation	3,108
University of California, Davis Medical Center	Medical Services	2,800
Mercy Hospitals of Sacramento	Medical Services	2,513
Kaiser Medical Center	Medical Services	2,100
McClatchy Newspapers	Newspapers, Radio & TV	1,500
Pacific Gas & Electric Co.	Public Utilities	1,025
Army Corp of Engineers	Military	685

(1) Includes City of Sacramento and adjacent communities.

Source: Sacramento Metropolitan Chamber of Commerce, 1983 Economic Profile

Employment

In the past five years total employment overall rose 11 percent while the labor force increased 12 percent. As of July 1984, based on unadjusted data, unemployment in the County was 8.3 percent compared to 8.4 percent for the State and 7.5 percent for the United States. Estimated County unemployment for all of 1984 is 8.2 percent.

Table 7
SACRAMENTO COUNTY
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(in thousands)

	1980	1981	1982	1983	1984(1)
Civilian Labor Force (2)	366,900	380,400	397,600	405,500	409,300
Employment	338,800	348,000	353,800	366,200	375,700
Unemployment	28,100	32,400	43,800	39,300	33,600
Unemployment Rate	7.7%	8.5%	11.0%	9.7%	8.2%

(1) Forecast

(2) Labor force by place of residence. Employment includes self-employed persons and persons involved in labor-management trade disputes.

Source: California Employment Development Department

Income

Effective Buying Income of City of Sacramento residents totaled \$3,174,592,000 during 1983, an increase of 49% since 1979. Table 8 shows a comparable record of effective buying income over the past five years.

Table 8
1983 EFFECTIVE BUYING INCOME
(dollars in thousands)

Year	City of Sacramento	County of Sacramento	State of California	United States
1979	\$2,127,627	\$6,074,503	\$188,288,064	\$1,618,642,884
1980	2,622,473	7,516,624	216,459,459	1,814,166,899
1981	2,664,977	8,134,219	240,060,169	2,012,118,899
1982	2,907,946	8,875,913	261,868,372	2,169,679,437
1983	3,174,592	9,543,249	284,288,701	2,329,209,922

Source: Sales & Marketing Management Magazine "1984 Survey of Buying Power."

The following table provides a comparative per-household income grouping for 1983.

Table 9
1983 COMPARATIVE PER-HOUSEHOLD
EFFECTIVE BUYING INCOME

Income	City of Sacramento	County of Sacramento	State of California	United States
\$50,000 and over	8.7%	10.4%	14.2%	10.1%
\$35,000 to 49,999	15.5	19.0	19.0	16.9
\$20,000 to 34,999	28.0	30.6	29.1	30.7
\$10,000 to 19,999	25.0	23.2	21.8	23.5
under \$10,000	22.8	16.8	15.9	18.8
	-----	-----	-----	-----
	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====

Source: Sales & Marketing Management Magazine "1984 Survey of Buying Power."

Commercial Activity

Commercial activity is an important contributor to the City of Sacramento's economy. Between 1979 and 1983, taxable retail sales increased 26.7 percent from \$1,093,164 to \$1,385,445 while total taxable sales rose by 20.3 percent from \$1,686,759 to \$2,029,564. The following table shows the City's taxable transactions for 1979 to 1983.

Table 10
CITY OF SACRAMENTO
TAXABLE TRANSACTIONS
(in thousands)

	1979	1980	1981	1982	1983
RETAIL STORES					
Apparel Store	\$ 34,282	\$ 33,974	\$ 40,123	\$ 44,046	\$ 43,430
General Merchandise stores	133,524	146,019	151,366	161,249	182,326
Drug stores	14,708	16,844	28,662	32,620	34,064
Food stores	101,685	107,604	136,235	141,058	147,998
Package liquor stores	13,750	14,201	14,010	16,246	18,912
Eating & drinking places	146,031	156,667	167,817	180,031	190,748
Home furnishings/appliances	56,821	51,391	55,980	56,591	64,349
Bldg materials/farm implemts	117,100	113,005	112,905	103,573	123,260
Auto dealers & auto supplies	167,346	145,077	140,290	163,755	232,505
Service stations	118,229	149,612	159,906	146,122	139,825
Other retail stores	189,688	187,454	196,088	205,078	208,028
	-----	-----	-----	-----	-----
Total retail stores	1,093,164	1,121,848	1,203,382	1,250,369	1,385,445
ALL OTHER OUTLETS	593,595	554,883	586,201	559,144	644,119
	-----	-----	-----	-----	-----
Total, all outlets	\$1,686,759	\$1,676,731	\$1,789,583	\$1,809,513	\$2,029,564
	=====	=====	=====	=====	=====

Source: State Board of Equalization

Building and Construction

Table 11 presents building permit valuation for the City of Sacramento for the years 1979 through 1983. Total building permit valuation for 1983 exceeds that of 1982 by nearly 74 percent. Most of this increased valuation was in the residential sector which exceeded its 1982 valuation by over 104 percent. Commercial valuation increased by approximately 44 percent, with industrial valuation increasing by about 50 percent.

Agriculture

Agriculture continues to be an important factor in Sacramento's economy. Agricultural production and processing have been continually improved by the application of modern technological methods, keeping the industry's need for labor relatively low. This is demonstrated by the fact that although agricultural production and processing is a major factor in Sacramento's economic base, it ranks only ninth in terms of the number of people employed, even when the highest seasonal employment figures are used. The area's agricultural production is important on a national basis, with one or more of the nearby nine counties leading the nation in the production of various crops. These crops have traditionally been almonds, apricots, honeydew and Persian melons, olives, peaches, persimmons, plums, dried basis prunes, safflower, ladino clover seed, sugar beets, tomatoes for processing, rice and walnuts.

Table 12 provides a record of the value of agricultural production for the last five years in Sacramento by product classification. The decreases in value in recent years were due to weak agricultural markets nationwide.

Table 11

**CITY OF SACRAMENTO
BUILDING PERMIT VALUATION AND NEW DWELLING UNITS
(dollars in thousands)**

	1979	1980	1981	1982	1983
Residential Permit Value					
New single dwelling	\$117,922	\$ 55,364	\$ 27,200	\$ 31,314	\$ 69,596
New multi dwelling	40,037	14,836	13,177	13,954	35,473
Additions, alterations	10,878	13,872	13,293	13,377	14,950
	-----	-----	-----	-----	-----
Total Residential	168,837	84,072	53,610	58,645	120,019
	-----	-----	-----	-----	-----
Nonresidential Permit Value					
New commercial	64,165	50,986	37,528	60,823	87,884
New industrial	32,001	8,652	17,733	4,343	6,513
Other	18,923	4,948	6,685	3,985	37,768
Additions, alterations	11,098	29,748	45,005	46,157	50,324
	-----	-----	-----	-----	-----
Total Nonresidential	126,187	94,334	106,951	115,308	182,489
	-----	-----	-----	-----	-----
Total Valuation	\$295,024	\$178,406	\$160,561	\$173,953	\$302,508
	=====	=====	=====	=====	=====
Percent Change in Value	N/A	(39.5%)	(10.0%)	8.3%	73.9%
Number of New Dwelling Units					
Single Dwelling	3,959	1,908	934	1,158	2,463
Multi Dwelling	1,718	669	584	547	1,317
	-----	-----	-----	-----	-----
Total Units	5,677	2,577	1,518	1,705	3,780
	=====	=====	=====	=====	=====

Source: City of Sacramento, Inspections Division

Table 12

SACRAMENTO COUNTY
 AGRICULTURAL PRODUCTION
 (in thousands)

	1979	1980	1981	1982	1983
Field crops	\$ 60,876	\$ 94,442	\$ 81,953	\$ 65,005	\$ 55,381
Livestock and poultry products	31,669	36,301	39,177	39,924	40,484
Livestock and poultry	28,177	28,012	28,441	27,771	27,509
Vegetable crops	24,678	25,360	12,836	14,367	14,732
Fruit and nut crops	17,742	18,670	23,272	15,147	13,793
Nursery products	11,801	13,324	17,420	15,756	12,082
Seed crops	5,562	5,121	5,399	3,730	3,454
Dairy products	295	370	348	385	337
Total	\$180,800	\$221,600	\$208,846	\$182,085	\$167,772

Source: Sacramento County Department of Agriculture

Community Facilities

The 3-county Sacramento Metropolitan Area offers 95 parks, 78 playgrounds, 45 theaters, 15 public golf courses and 5 private golf courses. Recreational activities offered along the American and Sacramento rivers include: fishing, swimming, boating, biking, horseback riding, and hiking. Varied cultural opportunities include 33 art galleries and museums, two major symphonies, three ballet companies, scores of movie theatres showing first run films and many theatre groups offering live stage plays year around.

The area has excellent medical facilities, including 11 hospitals with a licensed bed capacity of 2,554. There are 1,850 non-federal physicians, 582 dentists, 126 optometrists, 113 chiropractors, 507 pharmacists and 5,317 registered nurses.

Media outlets in the 3-county area consist of 25 newspapers (2 offer daily delivery), 7 television stations (3 network, 4 independents), and 29 radio stations (10 FM, 19 AM).

Education

Public school education within the City of Sacramento is available through 8 elementary, 2 high school and 6 unified school districts. There are approximately 83 private schools in the County and 70 industrial, technical and

trade schools. School enrollment during 1983 was approximately 41,000 in city public schools.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The District maintains three campuses in the County: American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in the City of Sacramento; and Cosumnes River College, located in the southern area of the City. Spring 1984 enrollment at the three campuses totaled 38,560.

California State University, Sacramento, offers four year programs in business administration, liberal arts, engineering, education, nursing, and master's degree in various fields. Spring 1984 enrollment totaled 21,381. Other higher education facilities located in Sacramento are McGeorge School of Law, a branch of the University of the Pacific; the Medical Center of the University of California, Davis; National University; Lincoln Law School; Golden Gate University; the University of Southern California (for public administration); and University of Northern California (law).

Transportation

The City's strategic location and broad transportation network have contributed to the City's economic growth. The City is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. U.S. 99 parallels Interstate 5 through central California and passes through Sacramento.

The Southern Pacific and Union Pacific railroads, both transcontinental lines, have a junction in Sacramento and are connected to the Atchison, Topeka, and Santa Fe via the Central California Traction Company. Transfers can also be made to the Sacramento Northern Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound, Trailways, and Sacramento Regional Transit. An 18.3 mile "light rail" interurban streetcar system is under construction with operations scheduled to start in FY 1985/86. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean freight service to all major United States and world ports. Via a deep-water channel, ships can reach Sacramento from San Francisco in less than 8 hours. The major rail links serving Sacramento connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of sixteen interstate common carriers operating terminals in the area and by over 500 contract carriers of general commodities. Greyhound Bus Lines and Continental Trailways Bus Company also provide passenger and package service through stations located in Sacramento.

The Sacramento Metropolitan Airport, commissioned in 1967, is located approximately 12 freeway miles north of downtown Sacramento. Air Cal, American Airlines, Frontier Airlines, Pacific Southwest Airlines, Republic Airlines,

United Airlines and Western Airlines are the major airlines which serve the airport. These, along with several commuter airlines, offer numerous scheduled flights daily to all principal cities on the West Coast as well as direct flights to other major U. S. cities, including New York and Chicago. During 1983 more than 2,590,000 revenue passengers were recorded at the Sacramento Metropolitan Airport, representing a 5.7 percent increase from the previous year. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation.

Utilities

The City is unique among large California cities in that it has an abundant water supply delivered by two rivers within its boundaries. The City has rights to approximately 900 cubic feet per second from the Sacramento and American Rivers through permits from the State Water Rights Board. These rights are supplemented with storage in Folsom Reservoir obtained by contract with the United States Bureau of Reclamation. The available supply is adequate to furnish the peak summer water demand for the population estimated to be within the service area by the year 2030. Currently, 101,230 water accounts are being served by the City through a 1,180 mile system of water mains. During 1983, over 31 billion gallons of water were provided for domestic and industrial consumption. Two plants supply treated water to the service area south of the American River, portions of North Sacramento and the Natomas area. Water obtained from wells in the area north of the American River is of high quality and needs no treatment except for chlorination. Additionally, the City provides sewage collection services for most of the area. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The Sacramento Municipal Utility District supplies electricity throughout Sacramento County. Rates are the fifth lowest in the nation.

Pacific Gas & Electric Company (PG&E) supplies natural gas throughout Sacramento County from sources in California, the Southwest and Canada. PG&E is one of the oldest public utility companies in California and is the largest in the United States. For many years it has provided adequate natural gas for the continually growing population in its area. Rates charged natural gas users in Sacramento are economical and special lower rates are available for industrial users under an interruptible service arrangement. Such users must have emergency facilities and a fuel supply available in the event an interruption in service is necessary.

The City is served by Pacific Bell, which is the principal telephone utility in Sacramento County. However, several telephone firms are active in the area, including General Telephone of California, Citizens Utilities Company of California and the Roseville Telephone Company.

FINANCIAL INFORMATION

City Budget

The Fiscal Year 1983/84 Budget was adopted by the City Council on June 28, 1983, and the 1984/85 Budget was adopted on June 26, 1984. Table 13 shows the Approved Budgets for each year. (See Table 14 for estimate of actual 1983/84.)

Table 13

**CITY OF SACRAMENTO
GENERAL FUND APPROVED BUDGET
FISCAL YEARS 1983/84 AND 1984/85
(dollars in thousands)**

<u>Available Funds:</u>	1983/84	1984/85
	-----	-----
Beginning Available Fund Balance	\$ 5,041	\$ 547
Property Taxes	21,950	25,827
Other Taxes	44,176	53,149
Licenses and Permits	2,511	3,777
Fines, Forfeitures and Penalties	1,016	1,310
Use of Money and Property	3,506	3,388
Intergovernmental Revenue (1)	4,215	12,094
Charges for Current Services	5,407	6,412
Other Revenues	754	645
Transfers from Other Funds	17,906	16,294
Equity Transfers In	3,493	500
	-----	-----
Total Available Funds	109,975	123,943
	-----	-----
<u>Requirements:</u>		
General Government	10,332	12,051
Public Safety	58,286	58,946
Public Facilities and Development	12,349	15,859
Culture and Leisure	17,808	19,297
Non-departmental	3,061	3,833
Debt Service	1,363	2,201
Capital Improvements	925	3,824
Additions to Reserves	3,811	1,100
Equity transfers Out	1,493	1,787
	-----	-----
Total Requirements	109,428	118,898
	-----	-----
Ending Fund Balance	\$ 547	\$ 5,045 (2)
	=====	=====

- (1) Increase due to legislation restoring state subventions to local agencies.
(2) Includes reserve for labor agreements, which is in addition to an existing 4% reserve for economic uncertainty (\$4,911,000 - See Additions to Reserves

Source: City of Sacramento

General Fund Financial Summary

The information contained in Table 14 is summarized from audited financial statements for fiscal years 1979/80 through 1982/83; the 1983/84 figures are unaudited estimates.

Table 14

**CITY OF SACRAMENTO
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FISCAL YEARS 1979/80 THROUGH 1983/84
(dollars in thousands)**

	1979/80	1980/81	1981/82	1982/83	(unaudited) 1983/84
Revenues:					
Property Taxes	\$14,324	\$17,686	\$18,765	\$22,333	\$24,133
Other Taxes	28,857	30,019	33,325	34,640	47,901 (1)
Licenses and Permits	3,168	2,891	2,482	3,131	3,449
Fines, Forfeitures and Penalties	549	765	899	1,140	1,070
Use of Money and Property	2,313	1,467	2,746	2,203	4,817
Intergovernmental Revenues	10,449	11,816	7,644	5,598	4,388
Charges For Current Services	6,791	7,627	6,576	3,849	6,758
Other Revenues	724	2,401	1,953	1,518	763
Total Revenues	67,175	74,672	74,390	74,412	93,277
Expenditures:					
General Government	6,526	7,444	8,130	5,881	9,463
Public Safety	39,327	43,437	48,159	50,847	53,376
Public Facilities and Development	7,767	8,106	9,242	5,856	11,309
Culture and Leisure	12,139	13,968	12,500	13,703	16,311
Non-Departmental	3,242	3,429	3,754	3,582	2,917
Capital Improvements	3,020	2,260	872	1,090	4,746
Total Expenditures	72,021	78,644	82,857	80,959	98,122
Excess (Deficiency) of Revenues Over Expenditures	(4,846)	(3,972)	(8,207)	(6,547)	(4,845)
Other Financial Sources (Uses):					
Transfers From Other Funds	1,226	1,227	2,150	5,367	9,661 (2)
Transfers to Debt Service Fund	(918)	(854)	(1,399)	(854)	(1,607)
1983 Certif of Partic Proceeds	0	0	0	0	5,674
Excess (Deficiency) of Revenues and Other Financial Sources (Uses) Over Expenditures	(4,538)	(3,599)	(7,516)	(2,034)	8,883
Fund Balance Previously Reported Beginning Funs Balance Adjustments	17,579 529	13,555 0	9,919 0	8,677 717	5,041 0
Beginning Fund Balance, Restated	18,108	13,555	9,919	7,394	5,041
Equity Transfers In (Out)	(17)	(37)	4,274	(319)	(1,727)
Ending Fund Balance	\$13,555	\$9,919	\$6,677	\$5,041	\$12,197 (3)(4)

- (1) Increase largely due to raising Utility Users Tax rate from 5% to 9% effective 9/1/83.
- (2) Increase reflects greater use of Type 3 transfers (resources) over Type 2 (decrease in expenditures) - actual amount of transfers was comparable in prior years. 1983-84 includes \$8,496 from Revenue Sharing (Special Revenue) Fund.
- (3) Amount available for contingency is \$4,268, after deducting economic uncertainty reserve (\$3,850), encumbrances (\$1,680), CIP carryover (\$1,137), and Certificate of Participation restricted cash (\$1,262).
- (4) It should be noted that the City intends to transfer approximately \$3,300 to the Risk Management (Internal Service) Fund in 1984-85 to remedy a fund deficit condition.

Source: City of Sacramento Finance Department 11/29/84 1:COPGFSUM

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Mayor have been duly authorized by the City of Sacramento, California.

CITY OF SACRAMENTO

/s/ Anne Rudin
Mayor

APPENDIX A

CITY OF SACRAMENTO, CALIFORNIA

**AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS
July 1, 1983**

The Financial Statements contained in the following section include the combined statements for all fund types and account groups of the City of Sacramento, California, for the year ended July 1, 1983. The Financial Statements of the various individual Special Revenue, Capital Projects, Trust and Agency, Special Assessment, Enterprise and Internal Service Funds have not been included. Copies of the entire City of Sacramento Financial Reports for FY 1982/83 and prior years, which include the above mentioned omitted funds, may be obtained by submitting a written request to the Director of Finance, City of Sacramento, 915 I Street, Sacramento, California 95814.



655 CAPITOL MALL
SACRAMENTO, CALIFORNIA 95814
916 441 2370

July 20, 1984

To the Honorable Mayor and the
City Council of the City of Sacramento

We have examined the accompanying general purpose financial statements, as listed in the table of contents, of the City of Sacramento for the 52 weeks ended July 1, 1983. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other tests as we considered necessary in the circumstances. We did not examine the financial statements of the Sacramento Housing and Redevelopment Agency for the year ended December 31, 1982, which statements are included in these financial statements as described in Note B. These statements were examined by other auditors whose report thereon dated July 22, 1983 expressed an adverse opinion on the enterprise fund types because of the omission of depreciation expense and accumulated depreciation in the conventional housing enterprise funds of the Sacramento Housing and Redevelopment Agency as described in Note A to these general purpose financial statements under the caption property, plant and equipment.

In our opinion, because of the effect of the omission of depreciation expense and accumulated depreciation as discussed in the preceding paragraph, the financial statements of the enterprise fund types of the City of Sacramento included herein do not present fairly, in conformity with generally accepted accounting principles, the financial position of such enterprise fund type at July 1, 1983, or the results of their operations and changes in their financial position for the year then ended.

In our opinion, the financial statements of the other fund types (other than the enterprise fund types) and the account groups of the City of Sacramento as listed in the table of contents present fairly the financial position of such fund types and account groups of the City of Sacramento at July 1, 1983, and the results of operations of such fund types for the year then ended and the changes in financial position of the internal service type funds, nonexpendable trust type funds and the pension trust for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, for the inclusion of additional component units of the City of Sacramento in accordance with Statement J of the National Council on Governmental Accounting as described in Note B to the general purpose financial statements.

Price Waterhouse

CITY OF SACRAMENTO
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET

JULY 1, 1983

(000's OMITTED)

	Governmental Fund Type			Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
Assets									
Cash and investments	\$ 5,180	\$26,548	\$1,420	\$ 18,132	\$10,695	\$ 31,894			\$ 93,869
Receivables (net of allowances for uncollectibles):									
Taxes	3,074								3,074
Accounts	1,313	4,679	123	6,465	388	8,804			21,772
Notes		2,934	404			5,124			8,462
Special assessments	587								587
Accrued interest	285	198		100	255	1,818			2,656
Other	165								165
Investments at amortized cost						155,302			155,302
Due from other funds	1,675	562		333	1,293				3,863
Inventories	232	45		803	492				1,572
Prepaid expenses		9		213	58				288
Advances to other funds		2,983							2,983
Equity in Community Center Authority				2,554					2,554
Restricted assets:									
Cash and investments		1,703	532	13,772					16,015
Accrued interest				449					449
Due from other agencies		2,259		9,496					11,755
Property, plant and equipment, net				210,231	9,160		\$72,928		292,319
Amount to be provided for accrued vacation and sick leave								\$ 8,153	8,153
Amount to be provided for retirement of general long-term obligations								15,622	15,622
Amount to be provided for capital leases								867	867
Total assets	<u>\$12,511</u>	<u>\$41,920</u>	<u>\$2,479</u>	<u>\$262,548</u>	<u>\$22,341</u>	<u>\$202,958</u>	<u>\$72,928</u>	<u>\$24,642</u>	<u>\$642,327</u>

	Governmental Fund Type			Proprietary Fund Type		Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special	Capital	Enterprise	Internal Service	Trust and Agency	General	General	
		Revenue	Projects				Fixed Assets	Long-term Obligations	
Liabilities and Fund Equity									
Liabilities:									
Accounts payable and accrued expenses	\$ 7,461	\$ 4,118	\$ 39	\$ 5,542	\$ 9,125	\$ 12,685		\$ 8,153	\$ 47,123
Due to other funds	9	241	400	3,191					3,841
Due to other agencies		860		2		6,133			6,995
Due to bond holders						4,607			4,607
Revenue bond interest payable				432					432
Deposit and trust liabilities			138	89					227
Deferred revenues				86		687			773
Advances from other funds			819	2,114		942			3,875
Serial bonds payable								9,265	9,265
Revenue bonds/mortgage notes payable				82,504				6,357	88,861
Lease obligations payable				17,023	164			867	18,054
Contingent liabilities		611							611
Total liabilities	7,470	5,830	1,396	110,983	9,289	25,054		24,642	184,664
Fund equity:									
Cumulative HUD annual contribution				30,835					30,835
Contributed capital				109,335	6,997				116,332
Investment in general fixed assets							\$72,928		72,928
Retained earnings:									
Reserved for replacements				120					120
Reserved for restricted cash and investments				12,181					12,181
Operating reserve				580					580
Reserved for self-insurance					3,300				3,300
Unreserved (deficit)				(1,486)	2,755				1,269
Fund balances:									
Reserved for encumbrances	2,305	88							2,393
Reserved for notes receivable		1,841							1,841
Reserved for noncurrent assets	2,027	541							2,568
Reserved for employee retirement system							171,248		171,248
Reserved for debt service		2,208							2,208
Reserved for restricted assets		1,703	532						2,235
Reserved for CDBG programs			490						490
Reserved for trust purposes						6,656			6,656
Unreserved:									
Designated for capital projects in progress	1,180	21,069	567						22,816
Designated for contingencies	(471)	8,640	(506)						7,663
Total fund balances/retained earnings	5,041	36,090	1,083	11,395	6,055	177,904			237,568
Total fund equity	5,041	36,090	1,083	151,565	13,052	177,904	72,928		457,663
Total liabilities and fund equity	\$12,511	\$41,920	\$2,479	\$262,548	\$22,341	\$202,958	\$72,928	\$24,642	\$642,327

See accompanying notes to financial statements.

CITY OF SACRAMENTO
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE FIFTY-TWO WEEKS ENDED JULY 1, 1983
 (000's OMITTED)

	Governmental Fund Type			Debt Service	Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects			
Revenues:						
Taxes	\$56,973	\$ 6,944				\$ 63,917
Licenses and permits	3,131					3,131
Intergovernmental	5,598	30,452	\$ 473			36,523
Charges for services	3,849					3,849
Fines and forfeits	1,140	1,139				2,279
Revenue from use of money and property	2,203	4,023	387		\$ 800	7,413
Miscellaneous	1,320	798	519		5,710	8,347
Settlement of traffic fine litigation		3,000				3,000
Assessment levies		1,677				1,677
Expenditure recovery from other funds	198	11				209
Total revenues	74,412	48,044	1,379		6,510	130,345
Expenditures:-						
Operating:						
General government	5,881	6,153			1,385	13,419
Public safety	50,847	437				51,284
Public works	5,856	14,193				20,049
Community services	10,327	9,471				19,798
Library	3,376					3,376
Capital improvement projects:						
General government	50		1,608			1,658
Public works	488	11,779				12,267
Community services	552	1,029				1,581
Nondepartmental	3,582					3,582
Debt service:						
Principal retirement				\$ 465		465
Interest charges			46	389		435
Total expenditures	80,959	43,062	1,654	854	1,385	127,914
Excess of revenues over (under) expenditures	(6,547)	4,982	(275)	(854)	5,125	2,431
Other financing sources (uses):						
Operating transfers in	5,367			854		6,221
Operating transfers out	(854)	(4,407)	(299)			(5,560)
Payable to other governments		(2)			(1,669)	(1,671)
Proceeds from loans		2,000				2,000
Total other financing sources (uses)	4,513	(2,409)	(299)	854	(1,669)	990
Excess revenues and other sources over (under) expenditures and other uses	(2,034)	2,573	(574)	-0-	3,456	3,421
Fund balance beginning, restated	7,394	39,032	1,657	-0-	2,096	50,179
Equity transfers in	43	17			4	64
Equity transfers (out)	(362)	(5,532)			(8)	(5,902)
Fund balance ending	\$ 5,041	\$36,090	\$1,083	\$ -0-	\$5,548	\$ 47,762

See accompanying notes to financial statements.

CITY OF SACRAMENTO
GENERAL AND SPECIAL REVENUE FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FIFTY TWO WEEKS ENDED JULY 1, 1983
(000's OMITTED)

	General Fund			Special Revenue Funds			Capital Projects			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
Taxes	\$59,029	\$56,973	\$(2,056)	\$ 5,598	\$ 6,944	\$ 1,346	\$ -0-	\$ -0-	\$ -0-	\$ 64,627	\$ 63,917	\$ (710)
Licenses and permits	3,194	3,131	(63)	-0-	-0-	-0-	-0-	-0-	-0-	3,194	3,131	(63)
Intergovernmental	5,705	5,598	(107)	29,778	30,452	674	1,511	473	(1,038)	36,994	36,523	(471)
Charges for services	5,236	3,849	(1,387)	-0-	-0-	-0-	-0-	-0-	-0-	5,236	3,849	(1,387)
Fines and forfeits	990	1,140	150	918	1,139	221	-0-	-0-	-0-	1,908	2,279	371
Interest on investments	3,635	2,203	(1,432)	3,700	4,023	323	301	387	86	7,636	6,613	(1,023)
Miscellaneous	781	1,320	539	156	798	642	-0-	519	519	937	2,637	1,700
Settlement of traffic fine litigation	-0-	-0-	-0-	-0-	3,000	3,000	-0-	-0-	-0-	-0-	3,000	3,000
Assessment levies	-0-	-0-	-0-	-0-	1,677	1,677	-0-	-0-	-0-	-0-	1,677	1,677
Expenditure recovery from other funds	-0-	198	198	-0-	11	11	-0-	-0-	-0-	-0-	209	209
Total revenues	78,570	74,412	(4,158)	40,150	48,044	7,894	1,812	1,379	(433)	120,532	123,835	3,303
Expenditures:-												
Operating:												
General government	5,998	5,881	117	5,875	6,153	(278)	-0-	-0-	-0-	11,873	12,034	(161)
Public safety	50,667	50,847	(180)	439	437	2	-0-	-0-	-0-	51,106	51,284	(178)
Public works	7,085	5,856	1,229	16,188	14,193	1,995	-0-	-0-	-0-	23,273	20,049	3,224
Community services	9,075	10,327	(1,252)	15,287	9,471	5,816	-0-	-0-	-0-	24,362	19,798	4,564
Library	3,359	3,376	(17)	-0-	-0-	-0-	-0-	-0-	-0-	3,359	3,376	(17)
Capital improvement projects:												
General government	310	50	260	-0-	-0-	-0-	-0-	-0-	-0-	310	50	260
Public works	2,488	488	2,000	22,587	11,779	10,808	-0-	-0-	-0-	25,075	12,267	12,808
Community services	362	552	(190)	2,426	1,029	1,397	-0-	-0-	-0-	2,788	1,581	1,207
Nondepartmental	7,939	3,582	4,357	-0-	-0-	-0-	3,500	1,608	1,892	11,439	5,190	6,249
Interest	-0-	-0-	-0-	-0-	-0-	-0-	-0-	46	(46)	-0-	46	(46)
Debt service	-0-	-0-	-0-	-0-	-0-	-0-	1,511	-0-	1,511	1,511	-0-	1,511
Total expenditures	87,283	80,959	6,324	62,802	43,062	19,740	5,011	1,654	3,357	155,096	125,675	29,421
Excess of revenues over (under) expenditures	(8,713)	(6,547)	2,166	(22,652)	4,982	27,634	(3,199)	(275)	2,924	(34,564)	(1,840)	32,724
Other financing sources (uses)												
Operating transfers in	5,367	5,367	-0-	-0-	-0-	-0-	2,300	(299)	(2,599)	7,667	5,068	(2,599)
Operating transfers out	(854)	(854)	-0-	(5,992)	(4,407)	1,585	-0-	-0-	-0-	(6,846)	(5,261)	1,585
Payable to other governments	-0-	-0-	-0-	-0-	(2)	(2)	-0-	-0-	-0-	-0-	(2)	(2)
Proceeds of loans	-0-	-0-	-0-	-0-	2,000	2,000	-0-	-0-	-0-	-0-	2,000	2,000
Total other financing sources (uses)	4,513	4,513	-0-	(5,992)	(2,409)	3,583	2,300	(299)	(2,599)	821	1,805	984
Excess of revenues and other sources over (under) expenditures and other uses	(4,200)	(2,034)	2,166	(28,644)	2,573	31,217	(899)	(574)	325	(33,743)	(35)	33,708
Fund balance beginning, restated	7,394	7,394	-0-	39,032	39,032	-0-	1,657	1,657	-0-	48,083	48,083	-0-
Equity transfers in	-0-	43	43	17	17	-0-	-0-	-0-	-0-	17	60	43
Equity transfers (out)	-0-	(362)	(362)	-0-	(5,532)	(5,532)	-0-	-0-	-0-	-0-	(5,894)	(5,894)
Fund balance ending	\$ 3,194	\$ 5,041	\$ 1,847	\$10,405	\$36,090	\$25,685	\$ 758	\$ 1,083	\$ 325	\$ 14,357	\$ 42,214	\$27,857

See accompanying notes to financial statements.

CITY OF SACRAMENTO
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 FOR THE FIFTY-TWO WEEKS ENDED JULY 1, 1983
 (000's OMITTED)

	Proprietary Fund Type		Fiduciary Fund Type		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust	
Operating revenues:-					
Charges for services	\$37,434	\$21,883			\$ 59,317
Operating subsidy	1,377				1,377
Rents and concessions	4,316				4,316
Interest on investments			\$ 1	\$ 20,653	20,654
Rent supplement payments	312				312
Contributions:					
Employees				3,783	3,783
City				12,519	12,519
Miscellaneous	118		207	13	338
Total operating revenues	<u>43,557</u>	<u>21,883</u>	<u>208</u>	<u>36,968</u>	<u>102,616</u>
Operating expenses:					
Employee services	20,584	7,105			27,689
Services and supplies	17,891	5,299			23,190
Depreciation	3,343	1,627			4,970
Insurance premiums		5,678			5,678
Claims		3,502			3,502
Benefit payments				9,672	9,672
Refunds of contributions				400	400
Miscellaneous				460	460
Total operating expenses	<u>41,818</u>	<u>23,211</u>		<u>10,532</u>	<u>75,561</u>
Operating income (loss)	<u>1,739</u>	<u>(1,328)</u>	<u>208</u>	<u>26,436</u>	<u>27,055</u>
Nonoperating revenues (expenses):					
Interest revenue	2,474	1,381			3,855
Insurance claims recovery		34			34
Revenue from other agencies	1,660				1,660
Internal service fund dividend		2			2
Miscellaneous revenue	357	150			507
Increase in equity in Community Center Authority	429				429
Interest expense	(4,316)				(4,316)
Operating transfers out	(676)				(676)
Sale of real or personal property		37			37
Total nonoperating revenues (expenses)	<u>(72)</u>	<u>1,604</u>			<u>1,532</u>
Net income	1,667	276	208	26,436	28,587
Add depreciation on contributed assets	318				318
Net increase to retained earnings	1,985	276	208	26,436	28,905
Retained earnings/fund balance beginning, restated	9,696	5,170	900	144,812	160,578
Equity transfers in	16	631			647
Equity transfers (out)	(302)	(22)			(324)
Retained earnings/fund balance ending	<u>\$11,395</u>	<u>\$ 6,055</u>	<u>\$ 1,108</u>	<u>\$171,248</u>	<u>\$189,806</u>

See accompanying notes to financial statements.

CITY OF SACRAMENTO
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
 COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
 FOR THE FIFTY-TWO WEEKS ENDED JULY 1, 1983
 (000's OMITTED)

	Proprietary Fund Type		Fiduciary Fund Type		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Pension Trust	
Sources of working capital:-					
Operations:					
Net income	\$ 1,667	\$ 276	\$ 208	\$26,436	\$ 28,587
Add depreciation not requiring working capital	<u>3,343</u>	<u>1,627</u>			<u>4,970</u>
Working capital provided by operations	5,010	1,903	208	26,436	33,557
Contributions from HUD	2,182				2,182
Contributions of property, plant and equipment	<u>6,684</u>	<u>44</u>			<u>6,728</u>
Decrease in restricted assets	880				880
Decrease in amount due from other agencies	331				331
Increase in short term liabilities	60				60
Equity transfers from other funds		583			583
Transfers of assets from other funds	21				21
Increase in long term debt	<u>9,857</u>				<u>9,857</u>
Total sources of working capital	<u>25,025</u>	<u>2,530</u>	<u>208</u>	<u>26,436</u>	<u>54,199</u>
Uses of working capital:					
Acquisition of property, plant and equipment	15,284	2,171			17,455
Decrease in long-term liabilities	<u>1,989</u>				<u>1,989</u>
Increase in amount due from other agencies	311	77			388
Decrease in amount payable from restricted assets	300				300
Transfers of assets to other funds	22				22
Change in investment in Community Center Authority	<u>406</u>				<u>406</u>
Total uses of working capital	<u>18,312</u>	<u>2,248</u>			<u>20,560</u>
Net increase in working capital	<u>\$ 6,713</u>	<u>\$ 282</u>	<u>\$ 208</u>	<u>\$26,436</u>	<u>\$33,639</u>
Elements of net increase (decrease) in working capital:					
Cash and investments	\$ 5,141	\$(1,217)	\$ 208	\$27,347	\$31,479
Accrued interest	24			(221)	(197)
Receivables	1,578	1,301		(367)	2,512
Inventory	(99)	492			393
Prepaid expenses	119	(49)			70
Payables and accrued expenses	(14)	(244)		(323)	(581)
Current portion of long-term liabilities	35	(1)			34
Deferred Revenue	<u>(71)</u>				<u>(71)</u>
Net increase in working capital	<u>\$ 6,713</u>	<u>\$ 282</u>	<u>\$ 208</u>	<u>\$26,436</u>	<u>\$33,639</u>

See accompanying notes to financial statements.

CITY OF SACRAMENTO
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The City of Sacramento (the City) was founded in 1849. Its present system of government was established in 1921. The City Charter sets the form of government, states the powers and duties of the City Council and establishes boards, commissions, and other offices. The City operates under a council-manager form of government, whereby the people elect a Mayor at large and eight district councilpersons who serve a term of four years and who, in turn, appoint a city manager, city clerk, city attorney and city treasurer. Services provided by the City include public safety (police and fire), highways and streets, water, sanitation, public improvements, parking, community center, library, culture-recreation, parks, building inspection, planning and zoning, animal control, housing, redevelopment and general administration.

Reporting Entity

The National Council on Governmental Accounting (NCGA) has issued NCGA Statement 3, entitled "Defining the Governmental Reporting Entity". This statement requires that the accounts of certain separate but related legal entities (component units) be included in the City's general purpose financial statements. Component units are included in the City's combined financial statements when significant control or dependence exists.

Control or dependence is determined on the basis of oversight responsibility. Oversight responsibility is derived from the City's power and includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying combined financial statements:

- o Parking Authority of the City of Sacramento
- o Sacramento Housing and Redevelopment Agency (SHRA)

The following independent organizations are not controlled by or dependent on the City of Sacramento and are therefore excluded from the accompanying financial statements:

- o The Sacramento Community Center Authority
- o Sacramento Convention & Visitors Bureau
- o Capitol Area Development Authority
- o Mountain Valley Library System
- o Sacramento Regional Transit System
- o Sacramento Transit Development Agency
- o Sacramento Regional Sanitation District, and
- o Various School Districts.

The City serves as fiscal agent for various other independent agencies and their resources are reported in trust or agency funds.

Description of Principal Funds and Account Groups

Governmental Funds are used to account for the acquisition, use, and balances of the City's expendable financial resources (excluding proprietary fund resources). Governmental funds include the following:

- 1) The General Fund is used to account for all activities of the City which are not accounted for in other funds. Financial transactions of most City departments are included herein.
- 2) Special Revenue Funds are used to account for assets and liabilities and revenues and expenditures related to activities supported by specific taxes or other designated revenue sources. These funds are generally required by statute, charter, or ordinance to finance specific government functions.

Proprietary Funds or "commercial-type" funds (Enterprise and Internal Service) are used to account for those activities of the City which are similar to those found in the private sector. Proprietary funds include the following:

- 3) Enterprise Funds are used to account for self-supporting activities such as water, parking, etc., for which services are rendered primarily on a user-charge basis to the general public.
- 4) Internal Service Funds are used to account for special activities and services performed by a designated organization unit (within City government) for other funds of the City, such as Vehicle Fleet Management and Risk Management.

Fiduciary Funds are trust and/or agency funds used to account for assets held by the City in a trustee capacity or as an agent for others. Each fiduciary fund is further classified as one of the following:

- 5) Expendable Trust, wherein the trust corpus can be expended.
- 6) Nonexpendable Trust, wherein the trust corpus cannot be expended.
- 7) Pension Trust, used to account for the Employees' Retirement System.
- 8) Agency Fund, used to account for funds when the City is acting as an agent for others.

Account Groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term obligations. These account groups are not funds and as such are memorandums in nature:

- 9) The General Fixed Assets Account Group is used to account for those fixed assets of the City which are not accounted for in an Enterprise or Internal Service Fund.
- 10) The General Long-term Obligation Account Group includes the amount of unmatured long-term indebtedness which is backed by the full credit of the City, certain capital lease obligations and the long term portion of accrued vacation and sick pay. Long term debt which is related to an Enterprise Fund is recorded in the Enterprise Fund.

Combined Financial Statement Presentation

The Combined Financial Statements include total columns labeled "Memorandum Only". These totals are for informational purposes only and are not comparable to a consolidation. The "Memorandum Only" totals do not represent consolidated financial information because the individual fund types included in the total are prepared on different bases of accounting.

Basis of Accounting

- 1) The accrual basis of accounting is followed for Enterprise, Internal Service, Nonexpendable Trust and Pension Trust Funds. All other funds utilize the modified accrual basis of accounting. Modifications from the accrual basis are as follows:
 - a) Revenues are recorded when received in cash except for material revenues susceptible to accrual which are recognized in the accounting period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.
 - b) Expenditures are recorded when the current liability is incurred except for interest and principal on long-term obligations which are recorded when paid.
- 2) Inventories are stated at weighted average cost. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed.
- 3) Unbilled utility revenue at year-end is recognized as revenue and recorded as an unbilled receivable.

Fiscal Year

The City fiscal year begins on the first Saturday of each July. This results in an even 52 week fiscal year, except for every sixth year which contains 53 weeks. The Sacramento Housing and Redevelopment Agency's fiscal year is January 1 to December 31. The Agency's December 31, 1982 financial information was utilized in the preparation of this report.

Budgetary Principles

By Charter, the City Manager is required to submit the Proposed Budget to the City Council "not later than 60 days prior to the commencement of each fiscal year". The Council holds public hearings in May and June, modifies the Manager's recommendations and adopts a final budget in the third or fourth week in June. The budget adoption resolution specifies that budgets will be controlled by major expenditure categories within departments and divisions.

Budget information is presented for General and Special Revenue Funds. This budgetary data is prepared on the modified accrual basis consistent with the comparative actual amounts.

Budgetary revenue estimates are established by the Council at the time the budget is initially approved. Estimated revenue is modified only when "new" sources are identified. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and appropriation amendments.

City Council policy requires reappropriation of carryover Capital Improvement Project budgets on an annual basis after review of each individual project status.

The City Manager is authorized to administratively amend the budget during the year for transaction amounts up to \$10,000. All other appropriation adjustments, either transfers or increases/decreases require City Council approval. Supplemental appropriations are adopted throughout the year as necessary.

The budgetary principles of the Sacramento Housing and Redevelopment Agency are the same as the City except that the Agency budget is adopted and controlled on a calendar year.

Pooled Cash and Investments

A pooled cash and short-term investment system is used for all funds except the Employees' Retirement System and specified federal funds which by law must be segregated. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly based on the relationship of its daily balance to the total of pooled cash and investments. Investments other than the Employees' Retirement System are stated at cost which approximates market in the aggregate.

The total cash and equity in pooled investments reported in the combined balance sheet are detailed as follows (000's omitted):

	Cost	Market Value
Cash in Bank	\$ 4,404	
Cash with Fiscal Agents	8,875	
Equity in Treasurer's Pooled Investments:		
Pool A - City-Unrestricted	51,039	
Pool B - City-Restricted	13,996	
Pool C - Sacramento Housing & Redevelopment-Unrestricted	14,772	
Pool D - Sacramento Housing & Redevelopment-Restricted	16,798	
Pension Fund Investments	155,302	
Total	\$ 265,186	
Combined balance sheet reference		
Cash and investments	\$ 93,869	
Investments at amortized cost	155,302	
Restricted assets	15,015	
Total	\$ 265,186	\$264,701

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The Sacramento Employees' Retirement System investments represent corporate and municipal bonds, corporate stock, hard assets and real estate mortgages which are recorded at amortized cost (defined as cost net of premium and discount amortization) of \$155.3 million with an approximate market of \$154.2 million. Cost exceeds market value by approximately \$1.0 million for certain corporate bonds and mortgage backed certificates included in pension fund investments, however, adjustments to market value have not been reflected on the combined balance sheet since the City generally intends to hold these investments to maturity.

Taxes and Liens Receivable

The County of Sacramento assesses, bills, and collects property taxes annually and remits a prorata amount to the City. Taxes and liens receivable represent:

- 1) Property taxes collected by the County but not remitted to the City at July 1, and
- 2) Estimates of delinquent property taxes and liens to be received in the next fiscal year.

Secured property taxes attach as an enforceable lien on property as of March 1 and are due and payable in two equal installments on the following November 1 and February 1. Secured taxes become delinquent on December 10 and April 10.

Property, Plant and Equipment

Fixed assets are generally stated at historical cost. Reconstructed historical cost is used in the case of certain older fixed assets whose original cost was not available at the time the City formalized its fixed asset accounting system in 1978. These reconstructed values were developed by an outside consulting firm experienced in such procedures. Donated fixed assets are stated at estimated fair market value at the date received.

Depreciation has been provided for Enterprise Fund and Internal Service Fund fixed assets using the straight-line method over the following estimated useful lives:

Structures and improvements	5 to 92 years
Water transmission and distribution system	11 to 75 years
Machinery and equipment	2 to 30 years

With respect to the Sacramento Housing and Redevelopment Agency, it is the Agency's policy to prepare its financial statements for conventional housing project enterprise funds on the basis of accounting practices prescribed or permitted by the U.S. Department of Housing and Urban Development; therefore, depreciation is not recorded for assets in the conventional housing project enterprise funds as required by generally accepted accounting principles. SHRA property, plant and equipment at December 31, 1982 amounted to \$46 million and included \$36 million of buildings and improvements.

Depreciation is not recorded on the General Fixed Assets account group.

It is the policy of the City to capitalize all costs except:

- 1) Structures and improvements related to the street and/or roadway system;
- 2) Equipment costing less than \$500; and
- 3) Structures and improvements costing less than \$5,000.

Costs of assets sold or retired (and the related amount of accumulated depreciation for Enterprise Fund and Internal Service Fund assets) are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is included in the operating statement of the affected Fund.

Capitalized Lease Obligations Payable

The lease obligations identified in Note 8 are carried as liabilities in the applicable Fund or account group at the discounted present value of the total lease contract. The related assets are capitalized in the appropriate Fund or account group and are classified as property, plant and equipment.

Vacation and Sick Pay

1) Employee Vesting Rights

An employee may accumulate vacation time up to a maximum of two years. Sick pay vests and may be accumulated until retirement. Upon termination or retirement an employee may receive a cash payment of one-third of the accumulated sick leave vested. In addition, an employee with sixty days of accumulated sick leave at the end of a calendar year may receive a 25% payment of one year's sick leave.

2) Governmental Funds

The estimated current portion of the accrued vacation and sick pay liability is recorded as an expenditure and related liability in the General Fund at the end of each year with the non-current portion of the liability recorded in the General Long Term Obligation Account Group.

Actual vacation and sick pay expenditures during the year are charged to the General Fund liability account.

3) Enterprise and Internal Service Funds

Vacation and sick pay is recorded as an expense and related liability in the year earned. Accrued but unpaid liabilities at July 1, 1983, are included in accrued expenses in the accompanying combined balance sheet.

Due From Other Funds

Noncurrent portions of long-term interfund loans receivable in governmental funds are offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable are considered "available spendable resources" (see Note F).

Interfund Transactions

Following is a description of the four basic types of interfund transactions made during the year and the related accounting policies:

1) Quasi-External (Charges for current services)

Transactions for services rendered or facilities provided. These transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.

2) Reimbursements (Expenditure Transfers)

Transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund.

3) Operating Transfers

Transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. These transactions are recorded as transfers in and out in the same accounting period.

4) Equity Transfers

Transactions recording equity contributions between funds. The receiving fund records such transactions as transfers in and additions to fund balance, or in the case of an Enterprise Fund, to a contributed capital account. The disbursing fund records the transactions as transfers out and a reduction of fund balance, or in the case of an Enterprise Fund as a reduction of equity.

Long Term Liabilities

General Obligation Bond Debt service described in Note D is paid semiannually from taxes levied and collected in the applicable fund.

Revenue Bond Debt Service described in Note D is paid semiannually from taxes, user fees and charges collected by the applicable Enterprise Fund.

NOTE B - ACCOUNTING CHANGES AND FUND BALANCE/RETAINED EARNINGS RESTATEMENT

- Effective July 2, 1982, the City adopted National Council of Governmental Accounting (NCGA) Statement 3, entitled "Defining the Governmental Reporting Entity," which establishes criteria for determining the organizations, activities and functions that should be included in the General Purpose Financial Statements (GPFS) of a governmental unit. In accordance with this pronouncement and the determination that the Sacramento Housing and Redevelopment Agency was substantially controlled by the City, financial data of the Sacramento Housing and Redevelopment Agency, which is the fiscal agent/administrator for the Housing Authority of the City of Sacramento, Housing Authority of the County of Sacramento, Redevelopment Agency of the City of Sacramento and Redevelopment Agency of the County of Sacramento, have been included in the City's GPFS for fiscal year 1983. This change in reporting entity was made on a retroactive basis by including the January 1, 1982 fund balances of the SHRA as an adjustment to the fiscal year 1983 beginning fund balances of the various City funds. The December 31, 1982 financial statements of the SHRA were utilized in the preparation of this report.

The SHRA is governed by a thirteen-member Commission and is managed by an executive director, who reports to the City Council. The SHRA has 275 employees, including its own administrative staff.

The activities of SHRA are included in the City's general purpose financial statements as Special Revenue Fund, Capital Projects Fund, Enterprise Fund, Internal Service Fund, Trust Fund, General Fixed Assets and Long-term Obligation Account Groups as appropriate. The activities of the County in SHRA are not significant and its involvement is primarily that of a passive sponsor which avails itself of federal funding sources. Under the circumstances, the revenues and expenditures and assets and liabilities of SHRA related to the County of Sacramento sponsorship have not been eliminated from these financial statements nor

has recognition been given to the County's minority interest in the fund balances.

The effects of this change in the reporting entity on the City's fund equity at July 2, 1982, results of operations for fiscal year 1983, and total assets, liabilities and fund equity at July 1, 1983 are summarized as follows (000's omitted).

Combined Fund Type or Account Group

	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust	General Fixed Assets	General Long-Term Obligations
Increase (decrease) in Total Fund Equity at July 2, 1982	\$20,187	\$1,657	\$ 14,495	\$ (454)	\$ -0-	\$ -0-	\$ -0-
Increase in Operating Statement Components for the year Ended July 1, 1983:							
Revenues and Other Sources	26,356	1,379	6,246	5,234	2,119	-0-	-0-
Expenditures and Other Uses	(26,986)	(1,953)	(6,472)	(5,528)	(2,119)	-0-	-0-
Difference	(590)	(574)	(226)	(294)	-0-	-0-	-0-
Increase in Balance Sheet Components							
Assets	23,412	2,479	70,307	67	6,637	30,718	6,357
Liabilities	3,815	1,396	51,995	815	6,637	30,718	6,357
Equity	19,597	1,083	18,312	(746)	-0-	-0-	-0-

SHRA as a percentage of combined reported amounts as of July 1, 1983:

Combined Fund Type or Account Group

	Special Revenue	Capital Projects	Enterprise	Internal Service	Expendable Trust	General Fixed Assets	General Long-Term Obligations
Assets	55.8%	100.0%	26.8%	3.0%	14.4%	42.1%	25.8%
Liabilities	65.4	100.0	22.5	9.8	16.4	42.1	25.8
Fund balance	54.3	100.0	12.1	100.0	-0-	-0-	-0-
Revenues	50.7	100.0	12.4	22.3	32.5	-0-	-0-
Expenditures	49.7	100.0	14.1	23.8	32.5	-0-	-0-

2) Effective July 2, 1982, the following fund reclassifications were made:

Fund Title	From	To
Park Development Tax	Special Revenue	General
Comprehensive Employment and Training Act	Special Revenue	General
Community Services	General	Expendable Trust

As a result of these reclassifications and the adoption of NCGA Statement 3, the total fund balances/retained earnings for the respective fund types at July 2, 1982 have been restated as follows:

	General	Special Revenue	Capital Projects	Expendable Trust	Enterprise	Internal Services
Total Fund Balances/Retained Earnings, July 2, 1982	\$6,677	\$19,565	\$ -0-	\$2,093	\$26,581	\$5,624
Fund reclassifications - increase (decrease)	117	(720)	-0-	3	-0-	-0-
Effect of NCGA Statement 3 adoption - increase (decrease)	-0-	20,167	1,657	-0-	(16,885)	(454)
Total Fund Balance/Retained Earnings, July 1, 1983	\$7,394	\$39,032	\$1,657	\$2,096	\$9,696	\$5,170

NOTE C - DUE FROM OTHER AGENCIES

The City of Sacramento has entered into an agreement with the Sacramento Regional County Sanitation District whereby the City has conveyed to the District its entire interest in certain sanitation facilities. In consideration for the transfer of the facilities, the District is required to make annual debt service payments to the City, which in turn pays the bondholders. The amount receivable from the District related to this debt service was \$5.2 million at July 1, 1983.

The City of Sacramento sold certain real property to the Redevelopment Agency of the City of Sacramento in September 1979. A portion of the consideration was a note payable to the City secured by real property with an original face value of \$664,930 to be repaid in annual installments of \$88,000, including interest at the rate of 5% per annum through 1989. The principal due from the Redevelopment Agency at July 1, 1983 was \$492,321.

NOTE D - SERIAL BONDS PAYABLE AND REVENUE BONDS/MORTGAGE NOTES PAYABLE

At July 1, 1983 City bonded indebtedness consisted of the following (000's omitted):

Type of Debt	Debt Issued	Interest Rate		Issue Year	Maturity Year	1982-83 Debt Service	7/1/83 Principal Outstanding	Fund Type	
		Min.	Max.					Enterprise	General Long-Term Obligation
CITY GENERAL OBLIGATION:									
Series A	\$ 5,500	3.00%	3.25%	1965	1995	\$285	\$2,840		
Series B	5,000	4.00	4.20	1965	1916	287	2,880		
Series C	4,500	4.00	6.00	1965	2001	282	3,545		
TOTAL	15,000					854	9,265		\$9,265
CITY REVENUE:									
WATER 1960									
Series A	6,000	3.75	3.90	1960	2000	304	3,790		
Series B-I	8,000	3.50	4.00	1960	2000	389	4,935		
Series B-II	7,905	3.25	3.60	1960	2000	383	4,930		
Series C	3,095	5.25	6.50	1960	2000	198	2,870		
WATER 1962	2,500	3.63	5.00	1962	1992	147	1,185		
SEWER	8,000	4.00	6.00	1968	1998	546	5,830		
PARKING A	8,000	4.50	6.00	1968	1998	559	5,830		
PARKING B	5,950	6.50	8.00	1975	2000	481	4,610		
TOTAL	48,950					3,007	33,980	\$33,980	
CITY BONDS SUBTOTAL									
	63,950					3,861	43,245	33,980	9,265

NOTE D - Continued

At December 31, 1982, Sacramento Housing & Redevelopment Agency's (SHRA) indebtedness consisted of the following (000's omitted):

Type of Debt	Debt Issued	Interest Rate		Issue Year	Maturity Year	1982 Debt Service	12/31/82 Principal Outstanding	Fund Type	
		Min.	Max.					Enterprise	General Long-Term Obligation
SHRA NOTES	\$2,553	12.00%		1982	1989	\$144	\$2,362		\$2,362
SHRA PROJECT NOTES DUE HUD				-----Various-----			30,093	\$30,093	
SHRA MORTGAGE NOTES									
Local Sec. 8 Ping Yuan	263	8.00		1976	2016	54	841		
Local Sec. 8 Kennedy Ests.	850	8.50		1977	2017	71	932		
Local Sec. 8 San Jose/Broadway	---	7.87		--	2019	69	784		
Local Sec. 8 Larabmont Wildflower	427	7.75		1979	2009	4	413		
Less Current Portion							(17)		
SHRA DEL PASO HEIGHTS LIBRARY NOTE	207	4.25		--	1988	23	80	2,853	80
SHRA HOUSING AUTHORITY REVENUE BONDS:									
County 1961 SF-175	1,275	3.50		1961	--	59	620		

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NOTE D - Continued

Type of Debt	Debt Issued	Interest Rate		Issue Year	Maturity Year	1982 Debt Service	12/31/82 Principal Outstanding	Fund Type		
		Min.	Max.					Enterprise	General Long-Term Obligation	
City SF-391										
-1st Issue	4,073	2.13		1951	1991	154	1,170			
-2nd Issue	7,560	5.00		1972	2011	439	6,610			
-3rd Issue	3,055	5.44		1972	2011	187	2,770			
-4th Issue	4,930	6.00		1974	2001	335	4,575			
							15,945			
							(361)			
Less Current Portion								15,578	15,578	
SHRA TAI ALLOCATION BONDS:										
City Series A										
	2,800	3.90		1963	1993	-Various-	1,390			
SHRA LEASE REVENUE BONDS										
	2,700	5.00	6.50	1977	2005	220	2,505			
							3,895		3,895	
SUBTOTAL SHRA						1,759	54,881	48,524	6,357	
GRAND TOTAL						\$95,243	\$5,620	\$98,126	\$82,504	\$15,622

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NOTE E - LEASE OBLIGATIONS PAYABLE

At July 1, 1983 City lease obligations consisted of the following (000's omitted):

Lease	Total Leases	Interest Rates		Issue Year	Maturity Year	1982-83 Debt Service	7/1/83 Principal Outstanding	Fund Type		
		Min.	Max.					Enterprise	Internal Service	General Long-Term Obligation
Univac Computer	\$ 860			1983	1988	\$154	\$796			\$796
Del Paso Library	207	6.37%	6.37%	1979	1987	23	71			71
Waste Removal Equip	117	11.70	11.70	1981	1986	31	73	\$73		
K2 Minicomputer	221	10.00	10.00	1982	1986	58	164		\$164	
Com. Cntr. Bldg.	19,100	5.70	6.00	1971	2006	1,364	16,950	16,950		
TOTAL LEASES						\$1,630	\$18,054	\$17,023	\$164	\$867

NOTE F - INTERFUND DEBT

From 1970 to 1978, the General Fund advanced funds to the Community Center Enterprise Fund to support operations. A formal repayment schedule from the Community Center to the City General Fund was adopted June 30, 1979 by Resolution No. 79-393, Section 5. The accumulated advances of \$2,467,500 were recorded as a receivable in the General Fund and a payable in the Community Center Fund. Terms call for a ten-year repayment beginning in fiscal year 1979-80 with equal annual payments of \$351,316 due each June 30, including interest at the rate of 7%. The outstanding balance as of July 1, 1983 is \$1,440,000.

NOTE G - CAPITALIZED LEASE OBLIGATIONS

Proprietary Funds:-

Enterprise Funds:

Community Center Fund - Under the lease agreement with the Sacramento Community Center Authority, a base rental ranging from \$1.4 million in 1983 to \$1,467,188 in 2004 and a final payment of \$1,460,930 in 2005 is payable annually to the Authority on August 15. The Community Center Fund is also required to pay all operating costs of the Community Center Authority including taxes and assessments, administrative costs and insurance premiums.

Waste Removal Fund - Under the lease agreement with Cen-Val Leasing Co., the City of Sacramento (Waste Removal Fund) is purchasing two side loading refuse packers. The lease terms require monthly payments of \$2,591 for the 60 month period from April 1981 through March 1986. The capitalized cost is recorded in the Fleet Management Fund.

Internal Service Funds:

Fleet Management Fund - Under the lease agreement with Celco Equipment Leasing Co. (K-Square Systems) the City of Sacramento (Fleet Management Fund) is purchasing the equipment and software for an Equipment Management Information System. The terms of the lease require annual payments of \$58,332; the final payment is due June 2, 1986.

**General Fixed Asset Account Group
General Long-term Obligation Account Group:**

Computer Lease Purchase - the City leases a Univac 90-80 computer from Sperry Corporation. The terms of the lease require monthly payments of \$16,465 to June 1, 1988. The City General Fund is also required to pay all operating costs except insurance premiums and taxes.

Library Building Lease Purchase - The City leases a library building from the Sacramento Housing and Redevelopment Agency. The terms of the lease require monthly payments of \$1,900 to March 20, 1987. The City General Fund is also required to pay all operating costs.

Upon expiration of the above described capitalized leases, title to the related assets will vest to the City.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of July 1, 1983.

**General Fixed Assets
and
General Long-Term Obligations
Account Group
(000's Omitted)**

Year Ending July	Proprietary Fund			Univac Computer	Del Paso Boights Library Building	Totals (Memorandum Only)
	Community Center Building	Waste Removal Equipment	Mini Computer			
1984	\$ 1,374	\$24	\$ 58	\$154	\$23	\$ 1,633
1985	1,379	49	58	162	23	1,671
1986	1,384	-0-	58	162	23	1,627
Later Years	28,408	-0-	58	318	13	28,791
Total Minimum Lease Payments	32,545	73	232	796	82	33,728
Less Amount Representing Interest	15,595	-0-	68	-0-	11	15,674
Present Value of Net Minimum Lease Payment	\$16,950	\$73	\$164	\$796	\$71	\$18,054
	*****	**	***	***	**	*****

NOTE H - DEBT SERVICE TO MATURITY

1) **City of Sacramento:**

The annual requirement to amortize all outstanding bonded debt of the City of Sacramento as of July 1, 1983, including interest payments of \$21,275 is as follows (000's omitted):

Fiscal Year	General Obligation Bond	Water Revenue Bond	Sewer Revenue Bond	Parking Authority Revenue Bond	Total
1984-85	850	1,421	539	1,034	3,844
1985-90	4,276	6,727	2,156	5,156	18,315
1990-95	4,329	7,406	2,728	5,158	19,621
1995-00	2,385	7,125	2,192	4,615	16,317
2000-03	322	2,258	-0-	-0-	2,576
Total	\$13,012	\$26,356	\$8,155	\$16,997	\$64,520
	*****	*****	*****	*****	*****

2. Sacramento Housing and Redevelopment Agency (principal only) (000's omitted).

<u>Year Ending Dec. 31</u>	<u>Notes</u>	<u>Mortgage Notes</u>	<u>Bonds</u>	<u>Total</u>
1983	\$ 186	\$ 36	\$ 412	\$ 634
1984	394	39	440	873
1985	407	41	458	906
1986	420	41	470	931
1987	436	23	494	953
Later Years	30,248	2,770	17,566	50,584
	\$32,091	\$2,950	\$19,840	\$54,881
	*****	*****	*****	*****

NOTE I - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows (000's omitted):

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Sacramento Housing and Redevelopment Agency	Total
General fixed assets, beginning of year	\$7,781	\$21,383	\$5,785	\$9,983	\$29,796	\$69,234
Additions:						
Acquisitions		154	1,151		1,057	2,362
Projects completed	17	881				898
New projects				3,014		3,014
Current year cost of on-going projects				457		457
Transfer From Other Fund		5				5
Transfer From Buildings & Improvements	65					65
Total additions	82	1,040	1,151	3,471	1,057	6,801
Deletions:						
Projects completed				898		898
Transfers to Other Funds		406				406
Transfer to Land		65				65
Equipment sold and retired	22	169	1,143		135	1,469
Reimbursement/capitalized in-house cost				269		269
Total deletions	22	640	1,143	1,167	135	3,107
General fixed assets, end of year	\$7,847	\$21,783	\$5,793	\$6,707	\$30,718	\$72,928

NOTE J - SEGMENTS OF ENTERPRISE ACTIVITIES

As detailed below, there are ten services provided by the City which are financed by user charges. Key financial data for the year ended July 1, 1983 for these services are as follows (000's omitted):

	Water	Sewer	Waste Removal	Lawn and Garden	Golf	Parking	Community Center	Boat Harbor	Sacramento Housing & Redevelopment Agency	Camp Sacramento
Operating revenues	\$ 9,097	\$ 6,589	\$ 9,685	\$ 2,323	\$ 1,740	\$ 4,841	\$ 4,171	\$ 332	\$ 4,622	\$ 157
Operating expenses, exclusive of depreciation	(7,920)	(7,050)	(8,081)	(3,283)	(1,456)	(2,986)	(2,346)	(268)	(4,875)	(210)
Other income (expense)	323	859	51	-0-	104	72	(754)	63	(121)	7
Operating transfers in (out)			(1,421)	1,421		(975)			299	
Earnings (loss) before depreciation	1,500	398	234	461	388	952	1,071	127	(75)	46
Depreciation expense	(1,229)	(1,049)	(13)		(25)	(404)	(446)	(24)	(152)	(1)
Net income (loss)	\$ 271	\$ (651)	\$ 221	\$ 461	\$ 363	\$ 548	\$ 625	\$ 103	\$ (227)	\$ (47)
Assets	\$67,951	\$76,865	\$ 3,944	\$ 234	\$1,322	\$ 21,094	\$20,058	\$ 727	\$70,307	\$ 46
Lease Obligations Payable	\$ -0-	\$ -0-	\$ 73	\$ -0-	\$ -0-	\$ -0-	\$16,950	\$ -0-	\$ -0-	\$ -0-
Bonds payable	\$17,710	\$5,830	\$ -0-	\$ -0-	\$ -0-	\$ 10,440	\$ -0-	\$ -0-	\$15,578	\$ -0-
Bond coverage ratio	1.6:1	1.3:1	-	-	-	2.5:1	-	-	-	-
Bond coverage required ratio	1.3:1	1.3:1	-	-	-	1.3:1	-	-	-	-
Fund equity (deficit)	\$48,628	\$69,682	\$ 1,797	\$ (90)	\$ 1,142	\$ 10,229	\$ 1,151	\$ 688	\$18,312	\$ 26
Acquisition of property, plant, and equipment (net)	\$ 2,973	\$ 3,272	\$ 1,153	-	\$ 35	\$ 565	\$ 31	\$ 92		\$ 5
Total property, plant and equipment, net of accumulated depreciation	\$59,020	\$62,173	\$ 2,379	-	\$ 395	\$ 16,103	\$16,232	\$ 381	\$53,530	\$ 18

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NOTE K - GENERAL LONG-TERM OBLIGATIONS:

A summary of changes in general long-term obligations follows (000's omitted):

General long-term obligations beginning of year		\$28,758	
Increase in long-term obligations:			
Mortgage notes - SHRA	\$2,000		
Long-term portion of sick leave and vacation liability	61		
Computer lease	<u>796</u>		
Less retirements:		2,857	
Serial bonds	(465)		
Equipment lease	(345)		
Library building lease	(17)		
Mortgage notes - SHRA	<u>(6,186)</u>	<u>(6,973)</u>	
General long-term obligations, end of year			\$24,642

General long-term obligations comprises the following:			
Mortgage notes - SHRA		\$ 6,357	
General obligation bonds		9,265	
Library building lease		71	
Long-term portion of sick leave and vacation liability		8,153	
Computer lease		<u>796</u>	
Total general long-term obligations			\$24,642

NOTE L - UNRECORDED GRANT ENTITLEMENTS

The City records the amount of Federal and State of California grant entitlements as revenue when the related expenditures are incurred. The difference between the total grant entitlement and expenditures to date is detailed by grant as follows (000's omitted).

	Grant Year	Total Entitlement	Expenditures to Date	Unrecorded Revenue
Federal Grants:				
Community Development				
Block Grant:	1975	\$ 4,005	\$ 4,005	\$ -0-
	1976	3,824	3,824	-0-
	1977	4,246	4,246	-0-
	1978	4,152	4,152	-0-
	1979	4,098	3,674	424
	1980	4,528	3,994	534
	1981	5,573	3,764	1,809
	1982	3,289	1,384	1,905
	1983	<u>6,358</u>	<u>-0-</u>	<u>6,358</u>
		\$40,069	\$29,043	\$11,026
		*****	*****	*****
State Grants:				
Recreation and Parks fund		\$ 3,768	\$ 2,605	\$1,163
		*****	*****	*****

NOTE M - COMMITMENTS AND CONTINGENCIES

1) **Litigation.** Various actions and proceedings are pending against the City of Sacramento and the Sacramento Housing and Redevelopment Agency in which claims for substantial damages are asserted based on alleged violations of various laws. Management, after consultation with legal counsel, is of the opinion that the ultimate liability in pending cases is adequately provided for in the financial statements.

2) **Retirement plans**

A. Sacramento City Plan (a local plan)

The City sponsors and administers a defined benefit contributory pension plan known as the Sacramento City Employees' Retirement System (SCERS). It is a single employer plan and is accounted for as a separate pension trust fund and covers all City employees hired before January 1977 (approximately 68% of employees). Employee contributions under this plan are generally frozen (with minor exceptions) and the City, pursuant to a 1976 ballot measure, is responsible for the actuarially determined unfunded obligation of the plan.

The plan periodically receives an actuarial report from the actuary of record. The latest actuarial valuation, as of June 30, 1982 (dated December 2, 1982) provided the following actuarial information.

	July 2, 1982	Projection to July 1, 1983
a) Unfunded obligation	\$135.6 Million	\$138.5 Million
	*****	*****
b) Present value of accrued benefits:		
--Vested	\$224.8 Million	Not Available
--Non-Vested	<u>3.0 Million</u>	Not Available
Present value of accrued benefits	\$227.8 Million	Not Available

c) Net assets available for benefits	\$144.8 Million	\$171.2 Million
	*****	*****

The City, based on Charter requirements as a result of the 1976 ballot measure mentioned above, is amortizing the unfunded obligation by contributions of 9.5% of total payroll through December 31, 1982, increasing uniformly to 10.42% in 1983 and thereafter to June 30, 2007. Significant actuarial assumptions are as follows:

- o Actuarial method--entry age normal--unfunded supplemental present value is being amortized over the period ending June 30, 2007.
- o Interest on investments at 7%.
- o Compensation increases of 5% per annum.
- o City normal cost contribution rates: 6.1% for miscellaneous, 17.1% for safety.

The total actual contributions made by the City to the City pension plan for the year ended July 1, 1983 were \$12,519,400. This contribution was in accordance with actuarial requirements and included \$6,473,397 toward the system's unfunded obligation.

All administrative costs except for investment advisor fees are borne by the City General Fund.

B. Public Employees' Retirement System (a statewide plan) PERS

The City also contributed \$1,615,073 during fiscal year 1982-83 to the California State PERS as its actuarially determined pension contribution covering all permanent career City employees hired after January 1977 (approximately 32% of employees). Employee and employer contributions are determined by the PERS system's actuary.

The City periodically receives an actuarial report from PERS. The latest actuarial valuation, as of June 30, 1983, provided the following actuarial information.

	June 30, 1983
o Unfunded Obligation	\$2,312,579

o Present Value of Accrued Benefit Vested and Non-Vested	Not Available
o Net Assets Available for Benefits	\$10,755,857

The City is currently making contributions to PERS at the following rates:

	<u>Percent of Covered Payroll</u>	
	<u>Miscellaneous</u>	<u>Safety</u>
Normal Cost	8.396%	16.377%
Unfunded Obligation	0.09%	0.021
	<u>8.486%</u>	<u>16.398%</u>

Significant PERS actuarial assumptions are as follows:

- o Actuarial method is the entry aged normal method and the unfunded supplemental present value is being amortized over the period ending June 30, 2009.
- o Interest on investments at 8.5%.
- o Salary scale increases of 8% first 5 years of employment and 7% thereafter.

C. Sacramento Housing and Redevelopment Agency Retirement Plan

The Agency participates in two employee benefit plans. Most employees are covered within the State of California's Public Employees' Retirement System (PERS). The Agency's total contributions to PERS for the year were \$602,620.

The net assets available for benefits, actuarial present value of accumulated plan benefits and the assumed rates of return used in determining the actuarial present value of plan benefits are not available.

- 3) **Deferred Compensation Plan.** The City and the Sacramento Housing and Redevelopment Agency have entered into trust agreements with the International City Management Association (ICMA Retirement Corporation) whereby any permanent employee may voluntarily elect to defer and invest a part of his or her current salary, thereby also deferring State and Federal income taxes on this salary.

Under the terms of the agreements, the assets of the trust funds are owned by the City and the Agency. Deposits made by the City and the Agency are determined under the terms of deferred compensation employment agreements between the City and participating employees.

At July 1, 1983, the City has 315 employees participating in the deferred compensation plan. Assets held related to the deferred compensation plan for the City total \$2,945,680. At December 31, 1982, the Agency had 24 employees participating in the plan. Assets held related to the deferred compensation plan for the Agency totaled \$232,439.

- 4) **Commitment of Revenues.** All revenues of the Water and Sewer Enterprise Funds are irrevocably pledged to the punctual payment of principal and interest on revenue bonds (Note D). All amounts remaining are to be apportioned for such purposes as are expressly permitted by the terms of the applicable bond resolutions.

In addition, pursuant to a lease agreement dated April 1, 1977, and certain other agreements between the Redevelopment Agency of the City of Sacramento (lessor) and the City of Sacramento Parking Enterprise Fund (lessee), revenues net of operating expenses from the operation of the Old Sacramento parking garage will be paid to the Agency as the primary source of funds for the payment of debt service on \$2,700,000 of revenue bonds issued by the agency. To the extent that such net revenues are insufficient for the payment of such bonds, and other sources of

repayment are not available to the agency, the City would be obligated for the payment of such debt service.

5) Insurance/Risk Management. A Risk Management Fund (an Internal Service Fund) was established in fiscal year 1977 to consolidate the City's insurance programs. Fund revenues are primarily premium charges to other funds and are planned to match expenses of insurance premiums for coverage in excess of self-insured amount, estimated payments resulting from self-insurance programs and operating expenses. The activities of the fund consist of risk management programs related to the following:

- o Employee benefit insurance program
- o Workers' compensation insurance program
- o Unemployment insurance program
- o Automobile and general liability insurance program
- o Property - Fleet: comprehensive, boiler & pressure vessel, public official bonds, employee faithful performance and honesty blanket bonds.

The City is self-insured for the first \$1 million of its workers' compensation insurance with losses in excess of \$1 million up to \$10 million covered by insurance. Also, the City is self-insured for the first \$1 million of any automobile or general liability claim with losses in excess of \$1 million up to \$50 million covered by insurance. The City fully self insures its unemployment insurance.

It is the City's policy to charge to expense the estimated liability for claims in cases where such amounts are reasonably determinable and where the likelihood of liability exists. In addition, the City has established contingency reserves by appropriating fund equity. Such contingency reserves (which are not charges to expense) are established to provide for claims where liability amounts, if any, are not determinable. The accrued liability for estimated claims and the contingency reserve for unknown claims are as follows at July 1, 1983:

Program	Authorized Contingency Reserves (000's Omitted)	Accrued Liability For Open Cases (000's Omitted)
Automobile and General Liability - \$1,000,000 self-insured retention	\$1,000	\$2,502
Workers' Compensation - \$1,000,000 self-insured retention	1,500	3,556
Unemployment Insurance - \$365,000 self-insured retention	500	231
Money and Securities - fully self-insured	100	-0-
Other Programs	200	332
Workers' Compensation incurred but not reported	-0-	758
Total	\$3,300	\$7,371

6) Purchase Order Commitments. The City has the following outstanding purchase order commitments at July 1, 1983, for which services have yet to be received (000's omitted):

Proprietary funds:-

Enterprises:	
Community Center	\$ 86
Water	1,033
Sewer	520
Waste Removal	40
Golf	30
Parking	124
Boat Harbor	34
Camp Sacramento	31
	<u>1,904</u>

Internal Service:
 Risk Management 30
 Fleet Management 1,919
 Central Services 6
1,955
 \$3,859

NOTE E - NATURE AND PURPOSE OF REPORTED RESERVES AND DESIGNATIONS
 OF FUND BALANCES (000's omitted):

	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise and Internal Service Funds	Trust and Agency Funds
7) Contractual Obligations. In addition to the purchase order commitments, the City has outstanding contractual obligations at July 1, 1983, in the following amounts (000's omitted):					
Governmental Funds:-					
General \$1,523					
Proprietary funds:-					
Enterprise:					
Parking 43					
Water 132					
Waste Removal 70					
Sacramento Housing & Redevelopment Agency 1,791					
Total \$3,559					

8) Continuing Proprietary Funds Capital Improvement Project Appropriations					
These amounts represent the unexpended and unencumbered portion of previously approved capital improvement appropriations.					
Enterprise:					
Waste Removal \$ 54					
Boat Harbor 228					
Golf 137					
Community Center 373					
\$792					

Internal Service:					
Fleet Management \$186					

9) Contingent Liabilities. The City participates in a number of Federally-assisted grant programs, principal of which are the General Revenue Sharing, and Community Development Block Grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City does not expect such amounts, if any, to materially affect the financial position of the City. Federal grant revenues are not assured in the future.					
1) Non-current assets not available for appropriation in the following fiscal year:					
a) Delinquent special assessments \$ 587					
b) Due from other funds, as explained in Note F 1,440					
c) SBRA \$ 541					
2) Reservation of retained earnings - represents the excess of restricted assets over restricted liabilities			1,703	\$532	\$12,181
3) Reservation of retained earnings - represents the conventional housing operating reserve					580
4) Reservation of retained earnings - represents Council approved self-insurance reserves as detailed in Note M					3,300
5) Reservation of governmental fund balance to meet commitments represented by encumbrances outstanding at year end.	2,305	68			

	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise and Internal Service Funds	Trust and Agency Funds
6) Reservation of retained earnings—represents reserves for replacements				\$ 120	
7) Reservation of fund balance for retirement assets belonging to City Employees' Retirement System					\$171,248
8) Reserved for CDBG programs			\$ 490		
9) Reserved for trust purposes					6,656
10) Reserved for debt service	\$ 2,208				
11) Reserved for notes receivable	1,841				
Designations of Fund Balance					
12) City Council authorized designations to finance specific capital improvement projects in progress at year end	\$1,180	21,069	567		
13) City Council authorized designations related to future contingencies and future capital improvement projects	(471)	3,194	(506)		
14) City Council authorized designations related to street construction commitments to sub-division developers		5,446			
Total	\$5,041	\$36,090	\$1,083	\$16,181	\$177,904

NOTE O - TRANSACTIONS WITH RELATED PARTIES

The City of Sacramento provides certain engineering services to the Sacramento Housing and Redevelopment Agency on a contractual basis. These contracts primarily relate to public improvement projects within the Redevelopment Area. These contractual public improvement projects are accounted for in the Housing and Redevelopment Agency Fund, a Special Revenue Fund.

NOTE P - LABOR CONTRACTS

City employees are represented in 15 bargaining units by 11 labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers is the largest labor organization, representing approximately 50% of all City employees in a variety of classifications.

The City has had a successful and positive employee relations program, including successful negotiations of cost effective agreements over the years. During the past five years there have been no major work stoppages by City of Sacramento employees.

Most City employees received no salary increases in 1982-83, but received an 8 percent increase in 1983-84 pursuant to cost-of-living adjustment provisions in multi-year negotiated agreements which were effective in 1982-83 and 1983-84. Most of these agreements expired in June 1984.

NOTE Q - INTERFUND TRANSFERS

The following schedules indicate the various types and amounts of interfund transfers transactions recorded by the City of Sacramento for the 1982-83 fiscal year (see Note A for transfer definition).

Transfer From	REIMBURSEMENTS (000's Omitted)				Totals (Memorandum Only)
	General Fund	Water Fund	Lawn and Garden Fund	Waste Removal Fund	
Revenue Sharing Fund	\$ 3,054				\$ 3,054
Gas Tax Fund	2,868			\$ 176	3,044
Traffic Safety Fund	728				728
CDBG Fund	69				69
Operating Grants Fund	218				218
Sewer Fund		\$ 129			129
Waste Removal Fund	8		\$ 15		23
Lawn & Garden Fund				125	125
Fleet Mgmt. Fund	39				39
Risk Management Fund	89				89
Central Services Fund	2				2
Interdpt. Supt. Fund	3,079				3,079
Community Services Trust	150				150
Housing & Redev. Fund	96				96
Total	\$10,400	\$ 129	\$ 15	\$ 301	\$10,845

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OPERATING TRANSFERS
(000's Omitted)

	Transfers From				Transfers To			
	General Fund	Debt Service Fund	Lawn and Garden Fund	Sacramento Housing & Redevelopment Agency Enterprise	Total			
Revenue Sharing Fund	\$3,692				\$3,692			
Gas Tax Funds	660				660			
General Fund		\$ 854			854			
Parking Fund	975				975			
Waste Removal Fund			\$1,421		1,421			
Transportation Development Fund	40				40			
SHRA Capital Projects				\$ 299	299			
Total transfers in	\$5,367	\$ 854	\$1,421	\$ 299	7,941			
	=====	=====	=====	=====				
Total transfers out reported by SHRA with different year ends					15			
Total transfers out					\$7,926			
					=====			

EQUITY TRANSFERS
(000's Omitted)

	Transfers From						Transfers To					
	General Fund	Water Fund	Fleet Mgmt.	Central Services	Operating Grants	Sports Fund	Total					
General Fund			\$ 318	\$ 44			\$ 362					
Cultural Arts	\$ 2						2					
Sports Fund	2						2					
Water Fund			34				34					
Sewer Fund		\$ 16	123				139					
Waste Removal Fund			12				12					
Lawn & Garden Fund			100				100					
Golf Fund	10						10					
Boat Harbor Fund	5						5					
Fleet Management Fund	4						4					
Risk Management Fund	18						18					
Aquatics Fund						\$ 4	4					
Camp Sacramento	2						2					
Capital Grants					\$ 17		17					
Total transfers in	\$ 43	\$ 16	\$ 587	\$ 44	\$ 17	\$ 4	711					
	=====	=====	=====	=====	=====	=====						
Total transfers out reported by SHRA with different year ends							5,515					
Total transfers out							\$6,226					
							=====					

NOTE B - DEFICITS IN FUNDS

There were no funds with material fund equity deficits at July 1, 1983.

NOTE C - EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year 1982-83 expenditures did not exceed appropriations in any fund.

NOTE Y - INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables at July 1, 1983 were as follows (000's omitted):

Due to (Receivables)		Due from (Payables)	
Risk Mgmt. Fund	\$1,293	Community Center Fund	\$1,700
General Fund	1,675	General Fund	9
Parking Fund	9	SHRA	839
SHRA	861	Waste Removal Fund	1,293
Boat Harbor Fund	<u>25</u>		<u>3,841</u>
	\$3,863		
	=====		
		Total interfund receivables/ payables reported by SHRA with different year ends	22
			\$3,863
			=====

NOTE U - PROPRIETARY FUND ASSETS

A summary of proprietary fund type property, plant and equipment at July 1, 1983 (000's omitted):

	Enterprise	Internal Service
Land	\$ 9,514	\$ 25
Buildings and plant	33,451	1,432
Machinery and equipment	1,116	17,306
Transmission and distribution systems	141,966	
Construction in progress Sacramento Housing & Redevelopment Agency	7,129	155
	<u>53,530</u>	<u> </u>
Total	246,706	18,918
Less accumulated depreciation	<u>(36,475)</u>	<u>(9,758)</u>
Net	\$210,231	\$ 9,160
	=====	=====

NOTE V - SUBSEQUENT EVENTS

1983 Tax and Revenue Anticipation Notes

On July 5, 1983, the City of Sacramento issued 1983 Tax and Revenue Anticipation Notes amounting to \$23,000,000. The notes were issued at 6:60% coupon rate and mature July 5, 1984. The notes are by statute a general obligation of the City but are "payable solely from taxes, revenues, cash receipts and other moneys of the City attributable to the fiscal year 1983-84 and legally available for payments thereof."

The City has pledged to repay the notes in monthly installments ranging from \$8 million in December 1983 to \$3 million in June 1984.

1983 Certificate of Participation Municipal Improvement Program

On September 1, 1983, the City of Sacramento issued 1983 Certificates of Participation amounting to \$8,160,000. The certificates were issued with interest rates ranging from 6.24% to 8.75% and mature in 1994. The certificates were issued to finance various City capital improvements including a Police and Fire computer aided dispatch system (\$2,103,582), a Public Safety Communications Building (\$1,144,552), an automated Library Circulation System (\$749,000) and Vegetal Waste Processing Facility which converts wood waste and plant life collected by the City into a biomass fuel for sale to the State of California (\$1,845,000).

The certificates require the City to make annual rental payments to a master trustee who in turn pays certificate principal and interest payments. Legally, these certificates do not constitute City debt. In the event of default, the related assets are pledged to the certificate holders.

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

DEFINITIONS

The following are definitions of certain terms used in this Summary of Principal Legal Documents.

"Agency Agreement" means that certain Agency Agreement by and between the Corporation and the City, dated as of January 1, 1985.

"Assignment Agreement" means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of January 1, 1985.

"Certificate of the City" means an instrument in writing signed by the Mayor of the City, or by any other officer of the City duly authorized by the City Council of the City for that purpose, and by the City Clerk of the City, with the seal of the City affixed.

"Certificates of Participation Purchase Contract" means that certain Certificates of Participation Purchase Contract by and among the Purchaser, the Trustee and the City relating to \$5,000,000 Certificates of Participation for the City of Sacramento 1985 Solid Waste Disposal Project.

"Certificates" means the certificates of participation executed and delivered by the Trustee pursuant to the Trust Agreement.

"City" means the City of Sacramento, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Corporation" means Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America.

"Interest Payment Date" means January 1 or July 1 of each year to which reference is made, but not later than July 1, 1995.

"Permitted Investments" means any of the following to the extent then permitted by law:

(a) United States Treasury bills, notes, bonds or certificates of indebtedness, or those for which the full faith and credit of the United States of America are pledged for the payment of interest and principal.

(b) Obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or the Tennessee Valley Authority, or obligations, participations or other instruments of, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association, or guaranteed portions of Small Business Administration notes, or obligations, participations, or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise.

(c) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee and the Corporation), otherwise known as bankers acceptances, which are eligible for purchase by members of the Federal Reserve System; provided, that purchases of eligible bankers acceptances may not exceed two hundred seventy (270) days' maturity.

(d) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody's Investors Service or Standard and Poor's Corporation, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars (\$500,000,000) and that have an "A" or higher rating for the issuer's debentures, other than commercial paper, as provided by Moody's Investors Service or Standard and Poor's Corporation; provided, that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten per cent (10%) of the outstanding commercial paper of an issuing corporation.

(e) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Trustee and the Corporation), provided, that such certificates of deposit shall be purchased directly from such bank and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by such obligations as are described above in clauses (a) through (d), inclusive, which shall have a market value (exclusive of accrued interest) at all

times at least equal to the principal amount of such certificates of deposit and which shall be lodged with the Trustee, as custodian, by the bank issuing such certificates of deposit, and the bank issuing each such certificate of deposit required to be so secured shall furnish the Trustee with an undertaking satisfactory to it that the aggregate market value of all such obligations securing each such certificate of deposit will at all times be in an amount at least equal to the principal amount of each such certificate of deposit and that the Trustee shall be entitled to rely on each such undertaking.

(f) Any repurchase agreement with any state or national bank (including the Trustee and the Corporation) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described above in clauses (a) through (c), inclusive, if the Trustee shall have received a perfected first security interest in such securities securing such agreement and the Trustee or its appointed agent shall hold such obligations free and clear of the claims of third parties.

"Principal Payment Date" means July 1 of each year to which reference is made, but not later than July 1, 1995.

"Purchaser" means Paine Webber Incorporated, as managing underwriter of the syndicate constituting the purchaser of the Certificates pursuant to the Certificates of Participation Purchase Contract.

"Real Property" means those certain contiguous parcels of real property which have been leased by the City pursuant to the Real Property Lease.

"Real Property Lease" means that certain Real Property Lease by and between the City and the Corporation, dated as of January 1, 1985, as originally executed and as it may from time to time be amended or supplemented in accordance with the Real Property Lease and the Trust Agreement.

"Rental Payments" means the base rental payments of interest components and principal components payable by the City under and pursuant to the Real Property Lease.

"Site Lease" means that certain Site Lease by and between the City and the Corporation, dated as of January 1, 1985.

"Trust Agreement" means that certain Trust Agreement by and among the Trustee, the Corporation and the City, dated as of January 1, 1985, as originally executed and as it may from time to time be amended or supplemented in accordance with the Trust Agreement.

"Trustee" means First Interstate Bank of California, a state banking corporation duly organized and existing under and by virtue of the laws of the State of California and having a principal corporate trust office in San Francisco, California, and its successors and assigns, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

SUMMARY OF THE SITE LEASE

Pursuant to the Site Lease, the City has leased the Real Property to the Corporation for a term one day longer than the term of the Real Property Lease, which term will terminate when the Certificates shall have been paid, or provision therefor made.

SUMMARY OF CERTAIN PROVISIONS OF THE REAL PROPERTY LEASE

The Real Property Lease sets forth the terms of the Rental Payments, the nature and extent of the security therefor and various rights and obligations of the Corporation and the City. Certain provisions of the Real Property Lease are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Real Property Lease.

Purpose and Term

Under the Real Property Lease, the Corporation leases the Real Property to the City and the City hires the Real Property from the Corporation on the terms and conditions set forth in the Real Property Lease and subject to all easements, encumbrances, and restrictions that existed at the time the Corporation obtained title to and a leasehold interest in the Real Property. The City agrees and covenants during the term of the Real Property Lease that, except as provided in the Real Property Lease, it will use the Real Property for public and municipal purposes as a solid waste disposal site and for other municipal and public purposes so as to afford the public the benefits contemplated by the Real Property Lease and so as to permit the Corporation to carry

out its agreements and covenants contained in the Trust Agreement, and the City further agrees that it will not abandon or vacate the Real Property.

The term of the Real Property Lease commences on January 1, 1985, or the date the Real Property Lease is recorded, whichever is later, and ends on June 30, 1995, unless such term is extended or sooner terminated. If on June 30, 1995, the Certificates shall not have been paid, or provision therefor made, or if the rental payable under the Real Property Lease shall have been abated at any time and for any reason, then the term of the Real Property Lease shall be extended until 10 days after all the Certificates shall have been paid, or provision therefor made, except that the term of the Real Property Lease shall in no event be extended beyond June 30, 2000. If prior to June 30, 1995, the Certificates shall have been paid, or provision therefor made, the term of the Real Property Lease shall end 10 days thereafter or 10 days after written notice by the Corporation to the City, whichever is earlier.

Rental

The City agrees to pay to the Corporation, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Real Property, the following amounts at the following times:

(a) Base Rental. The City shall pay to the Corporation as base rental Rental Payments with principal and interest components in accordance with the base rental payment schedule attached as an exhibit to the Real Property Lease. Each base rental payment shall be payable on the 15th day of the month immediately preceding its due date and any interest or other income with respect thereto accruing prior to such due date shall belong to the City and shall be returned by the Corporation to the City. The interest components of the base rental payments shall be paid by the City as and constitute interest paid on the principal components of the base rental payments to be paid by the City.

(b) Additional Rental. The City shall pay to the Corporation as additional rental such amounts in each year as shall be required by the Corporation for the payment of all costs and expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Real Property Lease or any assignment thereof, of the Trust Agreement and of the ownership of the Real Property and the lease of the Real Property to the City, including but not limited to

payment of all fees, costs and expenses and all administrative costs of the Corporation in connection with the Real Property, the Real Property Lease, the Assignment Agreement and the Trust Agreement, and all taxes, assessments and governmental charges of any nature whatsoever levied or imposed by any governmental authority against the Corporation or the Real Property or the rentals and the other payments required to be made by the City under the Real Property Lease. Such additional rental shall be billed to the City by the Corporation from time to time, together with a statement certifying that the amount so billed has been paid by the Corporation for one or more of the items described above, or that such amount is then payable by the Corporation for such items. Amounts so billed shall be due and payable by the City within thirty (30) days after receipt of the bill by the City.

Each payment of base rental and additional rental for each rental payment period during the term of the Real Property Lease shall constitute the total rental for such rental payment period, and shall be paid by the City in each rental payment period for and in consideration of the right to the use and occupancy, and the continued quiet enjoyment, of the Real Property during the rental payment period for which such rental is paid. The City and the Corporation have agreed and determined that such total rental represents the fair rental value of the Real Property.

Each installment of base rental payable shall be paid in lawful money of the United States of America to or upon the order of the Corporation at the principal office of the Trustee, and each installment of additional rental shall be paid in lawful money of the United States of America to or upon the order of the Corporation at its principal office. Any installment of base rental accruing under the Real Property Lease which shall not be paid when due shall bear interest at the rate of twelve per cent (12%) per annum from the due date until paid, and all such delinquent installments of base rental and the interest thereon shall be deposited in the Reserve Fund. Notwithstanding any dispute between the Corporation and the City, the City shall make all rental payments when due without deduction or offset of any kind and shall not withhold any rental payments pending the final resolution of such dispute.

The City covenants in the Real Property Lease to take such action as may be necessary to include all such rental payments in its annual budgets and to make the necessary annual appropriations for all such rental payments. The City will furnish to the Corporation and the

Trustee copies of each annual budget of the City within sixty (60) days after the final adoption thereof. The agreements and covenants on the part of the City contained in the Real Property Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the agreements and covenants in the Real Property Lease agreed to be carried out and performed by the City.

All base rental payments received shall be applied first to the interest components of the base rental and then to the principal components of the base rental, but no such application of any payments which are less than the total base rental due and owing shall be deemed a waiver of any default under the Real Property Lease.

The rental shall be abated proportionately during any period in which, for any reason (other than by condemnation which is described below), there is substantial interference with the use and occupancy of the Real Property, or any part thereof, by the City.

Financing the Acquisition and Improvement of the Real Property

The Corporation agrees to use the proceeds of the Certificates to finance its costs of the acquisition and improvement of the Real Property, including making reimbursements for any of such costs paid for the account of the Corporation by the City.

The Corporation further agrees to pay to the City the sum of \$_____ for deposit with the Trustee in a separate special fund, to be held by the Trustee for and on behalf of the City, known as the "City of Sacramento 1985 Real Property Lease Reserve Fund" (the "Reserve Fund"). The City agrees to maintain the Reserve Fund in an amount equal to the lesser of \$_____ or the maximum annual base rental payment scheduled to be made by the City pursuant to the Real Property Lease, but in any event not greater than the unpaid base rental payments scheduled to be paid by the City pursuant to the Real Property Lease (such amount to be known as the "Reserve Fund Requirement"). Amounts on deposit in the Reserve Fund in excess of the Reserve Fund Requirement shall be returned to the City by the Trustee on July 2 of each year. The City further agrees to apply the moneys on deposit in the Reserve Fund solely for the payment of base rental payments due and payable by the City if and when rental shall be abated in accordance with the Real Property

Lease or if and when other moneys of the City are not otherwise available to make such base rental payments or for the purpose of making the final payments of base rental scheduled to be paid under the Real Property Lease. The City pledges and grants a lien on and a security interest in the Reserve Fund to the Corporation in order to secure the City's obligation to pay the base rental payments. At the termination of the Real Property Lease in accordance with its terms, any balance remaining in the Reserve Fund shall be released from such pledge, lien and security interest and may be transferred to such other fund or account of the City, or otherwise used by the City for any other lawful purposes, as the City may direct. Any money held by the Trustee in the Reserve Fund may be invested (and, upon the written request of the City, shall be invested) by the Trustee in Permitted Investments which will, as nearly as practicable, mature not later than five (5) years after their purchase, but in any event not later than the last scheduled base rental payment.

Maintenance and Utilities

During such time as the City is in possession of the Real Property, all maintenance and repair, both ordinary and extraordinary, of the Real Property shall be the sole responsibility of the City, which shall at all times maintain or otherwise arrange for the maintenance of the Real Property for the purpose intended, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Real Property. In exchange for the rentals, the Corporation agrees to provide only the Real Property to the City.

Insurance

The City will maintain, or cause to be maintained, at all times during the term of the Real Property Lease, a comprehensive public liability and property damage insurance policy or policies insuring the City, the Corporation and its directors, officers and employees and the Trustee against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the use and operation of the Real Property, with minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$200,000 (subject to a deductible clause of not to exceed \$100,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering

all such risks. These public liability insurance coverages may be effected by blanket policies covering the Real Property issued to the parties required to provide such insurance.

The City shall have the right, exercisable at any time, to provide other kinds of insurance or methods or plans of protection, including self-insurance, against risk of loss which shall be in substitution for any of the foregoing types of insurance, provided such other insurance, plans or methods or self-insurance shall afford reasonable protection to the Corporation, its directors, officers and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and plans or methods of protection or self-insurance adopted by California cities other than the City. Before another method or plan may be provided by the City, there shall be filed with the Trustee a certificate of an actuary, an independent insurance consultant or other qualified persons acceptable to the Trustee, stating that, in the opinion of the signer, the substitute method or plan of protection or self-insurance is in accordance with the foregoing requirements and, when effective, would afford adequate protection to the City, the Corporation and its directors, officers and employees and the Trustee against loss and damage from hazards and risks covered thereby.

Breach and Remedies

(a) If default shall be made by the City in the performance or observance of any agreement or covenant in the Real Property Lease, or upon the happening of any of the events specified in paragraph (b) below, then it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Real Property Lease. Upon the breach of any agreement and covenant to be performed or observed by the City, the Corporation may exercise any and all rights of entry upon or possession of the Real Property, and also, at its option, with or without such entry, may terminate the Real Property Lease; provided, however, that no termination shall be effected either by operation of law or acts of the City or the Corporation except upon express written notice from the Corporation to the City terminating the Real Property Lease, as described below. In the event of such default and notwithstanding any entry by the Corporation, the Corporation may at any time thereafter, with or without notice and demand and without limiting any other rights or remedies the Corporation may have:

(1) Maintain the Real Property Lease in full force and effect and recover rent and other monetary charges as they become due, without terminating the City's right to possession, regardless of whether or not the City has abandoned the Real Property. In the event the Corporation elects not to terminate the Real Property Lease, it shall have the right to attempt to relet the Real Property at such rent, upon such conditions and for such term, and to do all other acts to maintain or preserve the Real Property, including the removal of persons or property therefrom or taking possession thereof, as the Corporation deems necessary or desirable, provided however that no such actions shall be deemed to terminate the Real Property Lease. All property removed from the Real Property may be stored by the Corporation at the City's sole cost and expense.

(2) Terminate the City's right to possession by giving a written notice of termination to the City. On the date specified in such notice (which shall be not less than 3 days after giving such notice) the City's right to possession and the Real Property Lease shall terminate and the City shall surrender possession of the Real Property to the Corporation, unless on or before such date all arrears of rental and all other sums payable by the City under the Real Property Lease, and all costs and expenses incurred by or on behalf of the Corporation under the Real Property Lease, including attorney's fees incurred in connection with such defaults, shall have been paid by the City and all other defaults under or breaches of the Real Property Lease by the City at the time existing shall have been fully remedied to the satisfaction of the Corporation. Upon such termination, the Corporation may recover, in addition to all other damages available by contract or at law, from the City: (i) the worth at the time of award of the unpaid rental which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rental which would have been earned after termination until the time of award exceeds the amount of such rental loss that the City proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rental for the balance of the term of the Real Property Lease after the time of award exceeds the amount of such rental loss that the City proves could be reasonably avoided; and (iv) any other amount necessary to compensate the Corporation for all the detriment proximately caused by the City's failure to perform its obligations under the Real Property Lease or which in the ordinary course of things would be likely

to result therefrom. The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the rate of 12% per annum. The worth at the time of award of the amount referred to in clause (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

Each and all of the remedies given to the Corporation hereunder or by any law now existing or hereafter enacted are cumulative and the exercise of any one right or remedy shall not impair the right of the Corporation to any or all other remedies.

(b) In addition to any default resulting from breach by the City of any term or covenant of the Real Property Lease, if (1) the City's interest in the Real Property Lease be assigned, sublet or transferred without the written consent of the Corporation, either voluntarily or by operation of law, or (2) the City or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of the City's debts or for any other similar relief, or if the City shall make a general or any assignment for the benefit of the City's creditors, or (3) the City shall abandon or vacate the Real Property or any part thereof, then the City shall be deemed to be in default under the Real Property Lease.

(c) The Corporation shall in no event be in default in the performance of any of its obligations under the Real Property Lease unless and until the Corporation shall have failed to perform such obligations within 30 days or such additional time as is reasonably required to correct any such default after notice by the City to the Corporation properly specifying wherein the Corporation has failed to perform any such obligation.

Eminent Domain

If the whole of the Real Property or so much thereof as to render the remainder unusable for the purposes

for which it was used by the City shall be taken under the power of eminent domain, the term of the Real Property Lease shall cease as of the day that possession shall be so taken. If less than the whole of the Real Property shall be taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of such taking, then the Real Property Lease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the base rental due under the Real Property Lease in an amount equivalent to that proportion of the base rental due under the Real Property Lease which the fair market value of the portion taken bears to the fair market value of the Real Property as a whole. So long as any of the Certificates shall be outstanding any award made in eminent domain proceedings for taking the Real Property or any portion thereof shall be applied to the prepayment of base rental payments as described below. Any such award made after all of the Certificates have been fully paid and retired shall be paid to the Corporation and to the City as their respective interests may appear.

Prepayment

The City shall prepay on any date from the eminent domain proceeds, to the extent described above, all or any part (in an integral multiple of \$5,000) of the principal amount of the unpaid base rental payments at a prepayment amount equal to the sum of the principal component prepaid plus accrued interest thereon to the date of prepayment. Before making any such prepayment, the City shall, within five (5) days following the event creating such obligation to prepay, give written notice to the Corporation describing such event and specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) nor more than sixty (60) days from the date such notice is given.

Right of Entry

The Corporation shall have the right to enter the Real Property during reasonable business hours (and in emergencies at all times) to inspect the Real Property for any purpose connected with the City's or the Corporation's rights or obligations under the Real Property Lease and for all other lawful purposes.

Liens

In the event the City shall at any time during the term of the Real Property Lease cause any additions to the Real Property to be constructed upon or attached to the Real Property, the City shall pay or cause to be paid when due all sums that may become due for any labor, services, materials, supplies or equipment furnished to the City upon or relating to the Real Property and shall keep the Real Property free of any and all mechanics' or materialmen's liens or other liens against the Real Property or the Corporation's interest therein.

Disclaimer of Warranties

The Corporation makes no agreement, warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Real Property, or any other warranty with respect thereto. In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Real Property Lease.

SUMMARY OF THE ASSIGNMENT AGREEMENT

Pursuant to the Assignment Agreement, the Corporation has assigned without recourse all its rights to receive the Rental Payments from the City under the Real Property Lease to the Trustee for the benefit of the owners of the Certificates and, effective upon default by the City, all other rights of the Corporation under the Real Property Lease and the Corporation's leasehold title to the Real Property as may be necessary to enforce payment of such Rental Payments when due or otherwise protect the interests of the owners of the Certificates.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the Certificates, the nature and extent of the security therefor, various rights of the Certificate owners, rights, duties and immunities of the Trustee and rights and obligations of the Corporation and the City. Certain provisions of the Trust Agreement are summarized below; this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

Pledge of Rental Payments

The Rental Payments have been irrevocably pledged to and shall be used for the punctual payment of the interest and principal represented by the Certificates, and the Rental Payments shall not be used for any other purpose while any of the Certificates remain outstanding. The pledge shall constitute a first and exclusive lien on the Rental Payments.

All Rental Payments shall be paid directly by the City to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one business day after the receipt thereof. All Rental Payments shall be held in trust by the Trustee in the Rental Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are outstanding, for the benefit of the City until deposited in the funds described below, whereupon they shall be held in trust by the Trustee in such funds for the benefit of the owners of the Certificates.

The Trustee shall deposit the Rental Payments contained in the Rental Payment Fund at the times and in the manner hereinafter provided in the following respective funds, each of which the Trustee will establish and maintain so long as any Certificates are outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses hereinafter authorized.

(a) Interest Fund. The Trustee, on each Interest Payment Date of each year (commencing on January 1, 1986), shall deposit in the Interest Fund that amount of money representing the portion of the Rental Payments designated as interest components coming due on such Interest Payment Date. Money in the Interest Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest represented by the Certificates when due and payable.

(b) Principal Fund. The Trustee, on each Principal Payment Date of each year (commencing on July 1, 1986,) shall deposit in the Principal Fund that amount of money representing the portion of the Rental Payments designated as the principal component coming due on such Principal Payment Date. Money in the Principal Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal represented by the Certificates when due and payable.

(c) Prepayment Fund. The Trustee, on the prepayment date specified in the Written Request of the City filed with the Trustee pursuant to the Real Property Lease at the time that any prepaid Rental Payment is paid to the Trustee, shall deposit in the Prepayment Fund that amount of money representing the portion of the Rental Payments designated as prepaid Rental Payments. Money in the Prepayment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal represented by the Certificates to be prepaid.

The Trust Agreement authorizes the Trustee to execute and deliver the Certificates to the Purchaser pursuant to the Certificates of Participation Purchase Contract upon receipt of a Written Request of the City and upon receipt of the proceeds of sale thereof. These proceeds, except for an amount equal to the Reserve Fund Requirement (as that term is defined in the Real Property Lease), which shall be transferred to the City for deposit by it in the Reserve Fund, and except for the interest represented by the Certificates accruing to and including July 1, 1985, which shall be deposited in the Interest Fund) shall be deposited by the Trustee in the Real Property Fund, which fund the Trustee will establish and maintain until the completion of the acquisition and improvement of the Real Property.

All money in the Real Property Fund shall be held by the Trustee in trust and applied by the Trustee to the payment of the costs of the acquisition and improvement of the Real Property (including reimbursement to the City for any such costs theretofore paid by it) and the expenses incidental thereto, including the payment of the costs of the execution and delivery of the Certificates and the initial fees and expenses of the Trustee in connection therewith. Before any payment is made from the Real Property Fund by the Trustee, the City shall file with the Trustee a Written Request of the City showing with respect to each payment to be made: (a) the name of the person to whom payment is due; (b) the amount to be paid; and (c) the purpose for which the obligation to be paid was incurred.

Each such Written Request of the City shall state and shall be sufficient evidence to the Trustee: (a) that obligations in the stated amounts have been incurred under and pursuant to the Real Property Lease and that each such obligation is a proper charge against the Real Property Fund; (b) that there has not been filed with or served upon the Corporation or the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive

payment of, any of the moneys payable to any of the persons named in such Written Request of the City which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law; and (c) that there is enough money remaining in the Real Property Fund to complete the improvement of the Real Property. Upon receipt of each such Written Request of the City, the Trustee shall pay the amount set forth therein as directed by the terms thereof, except that the Trustee need not make any such payment if it has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid which has not been released or will not be released simultaneously with such payment.

When the improvement of the Real Property has been completed, the City shall deliver a Certificate of the City to the Trustee stating the fact and date of the completion of such improvement and stating that all the costs of the acquisition and improvement thereof and the expenses incidental thereto have been determined and paid (or that all such costs have been paid less specified claims which are subject to dispute and for which a retention in the Real Property Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such certificate, the Trustee shall transfer any remaining balance in the Real Property Fund (but less the amount of any such retention) to the City.

Investments

Any moneys held by the Trustee in the Rental Payment Fund or in the Real Property Fund shall be held in demand or time deposits of any bank, except that such moneys may be invested (and, upon the Written Request of the City, shall be invested) by the Trustee in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Trust Agreement. All such moneys invested by the Trustee shall be invested so as to obtain the highest yield which the Trustee deems practicable, having due regard for the safety of such moneys, and the Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the foregoing. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment

sold or presented for redemption. Any interest or profits on such investments shall be paid to the City semiannually.

Selected Covenants

Compliance with Legal Documents; Amendment of Real Property Lease. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the Corporation and the City will not suffer or permit any default by them to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Trust Agreement required to be complied with, kept, observed and performed by them. The Corporation and the City will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Real Property Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Real Property Lease against the other party thereto in accordance with its terms.

The Corporation and the City will not alter, amend or modify the Real Property Lease without the prior written consent of the Trustee, which consent shall be given only: (a) if, in the opinion of the Trustee (which opinion may, in the discretion of the Trustee, be based upon an Opinion of Counsel or a Certificate of the City), such alterations, amendments or modifications will not result in any material impairment of the security given or intended to be given for the payment of the Rental Payments.

Other Liens. The City will keep the Real Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which, in the judgment of the Trustee (and its determination thereof shall be final), might embarrass or hamper the City in conducting its business or utilizing the Real Property, and the Trustee at its option (after first giving the City 10 days' written notice to comply therewith and failure of the City to so comply within such 10-day period) may defend against any and all actions or proceedings in which the validity of the Trust Agreement is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, that in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the City from liability for

or on account of any of its agreements and covenants contained in the Trust Agreement.

So long as any Certificates are outstanding, neither the Corporation nor the City will create or suffer to be created any pledge of or lien on the Rental Payments other than the pledge and lien of the Trust Agreement.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Rental Payments, and such accounting records shall be available for inspection by the Corporation, the City or any owner or his agent duly authorized in writing at reasonable hours and under reasonable conditions. Not later than the fifteenth (15th) day of each July, commencing on July 15, 1985, and continuing so long as any Certificates are outstanding, the Trustee will furnish to the Corporation, the City and any owner who may so request (at the expense of such owner) a complete statement covering the receipts, deposits and disbursements of the Rental Payments for the preceding year.

Default and Limitations of Liability

If an event of default (as described in the Summary of Certain Provisions of the Real Property Lease) shall happen, then such event of default shall constitute a default under the Trust Agreement, and in each and every such case during the continuance of such event of default the Trustee or the owners of not less than a majority in aggregate principal amount represented by the Certificates at the time outstanding shall be entitled, upon notice in writing to the City and the Corporation, to exercise the remedies provided to the Corporation in the Real Property Lease.

The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the City or any councilmember, officer or employee thereof, and to compel the Corporation or the City or any such councilmember, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Trust Agreement to require the Corporation and the City and its councilmembers, officers and employees to account as the trustee of an express trust.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the owners with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Real Property Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement. Except for the payment when due of the Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Real Property Lease or in the Trust Agreement, the City shall not have any obligation or liability to the owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Rental Payments by the Trustee to the owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the owners with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Real Property Lease or in the Trust Agreement.

The Trustee

First Interstate Bank of California, San Francisco, California, is the Trustee. The Corporation and the City, or the owners of a majority, in aggregate principal amount represented by the Certificates at the time outstanding, may by an instrument in writing remove the Trustee and any successor thereto and may appoint a successor Trustee, but any such successor Trustee shall be a bank or trust company doing business and having a principal corporate trust office in San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least five hundred million dollars (\$500,000,000) and subject to supervision or examination by federal or state authorities. The Trustee may at any time resign by giving written notice of such resignation to the Corporation and the City and to the owners. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an

instrument in writing; provided, that in the event the Corporation does not appoint a successor Trustee within 60 days following receipt of such notice of resignation, the resigning Trustee may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

The City shall indemnify and hold harmless the Trustee to the extent and in the amounts provided by the laws of the State of California from and against all claims, damages and losses, including legal fees and expenses, arising out of: (a) the condition, management, maintenance or use of or from any work or thing done in connection with the Real Property by the City, (b) any act of negligence of the City or of any of its agents, contractors, employees, invitees, licensees or officers in connection with the Real Property, or (c) the authorization of payment of any costs of the acquisition or improvement of the Real Property by the City; provided that no indemnification will be made for willful misconduct or gross negligence by the Trustee.

Amendment of or Supplement to the Trust Agreement

The Trust Agreement and the rights and obligations of the Corporation, the City, the owners of the Certificates and the Trustee under the Trust Agreement may be amended or supplemented at any time by an amendment which shall become binding when the written consents of the owners of a majority in aggregate principal amount of the Certificates then outstanding and of MBIA are filed with the Trustee. No such amendment or supplement shall: (a) extend the fixed payment date of any Certificate, or reduce the rate of interest represented thereby, or extend the time of payment of such interest, or reduce the amount of principal represented thereby, without the prior written consent of the owner of the Certificate so affected, or (b) reduce the percentage of owners whose consent is required for the execution of any amendment of the Trust Agreement, or (c) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

The Trust Agreement may also be amended or supplemented at any time by an amendment to the Trust Agreement which shall become binding upon execution without the written consents of any owners of the Certificates or of MBIA, but only to the extent permitted by law and after receipt of an approving opinion of counsel and only for certain purposes set forth in the Trust Agreement which do

not adversely affect the interests of the owners of the Certificates.

Defeasance

If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the owners of the outstanding Certificates the interest and principal represented thereby at the times and in the manner stipulated in the Trust Agreement and the Certificates, then such owners shall cease to be entitled to the pledge of and lien on the Rental Payments as provided in the Trust Agreement, and all agreements and covenants of the Corporation, the City and the Trustee to such owners under the Trust Agreement shall thereupon be discharged and satisfied.

Summary of the Agency Agreement

Pursuant to the Agency Agreement, the Corporation appoints the City as its agent for the acquisition and improvement of the Real Property in accordance with the plans and specifications and bid documents and pursuant to such procedures, including competitive bidding, as shall be approved by the City.

APPENDIX C

FORM OF LEGAL OPINION

City Council
City of Sacramento
Sacramento, California

Certificates of Participation in Rental Payments
to be made under and pursuant to the Real
Property Lease for the City of Sacramento
1985 Solid Waste Disposal Project
(Final Opinion)

Dear Councilmembers:

We hereby certify that we have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$5,000,000 principal amount of Certificates of Participation in Rental Payments to be made under and pursuant to the Real Property Lease for the City of Sacramento 1985 Solid Waste Disposal Project (the "Certificates"), each evidencing and representing a proportionate interest of the registered owner thereof in the rights to receive certain Rental Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Real Property Lease (the "Lease") for the City of Sacramento 1985 Solid Waste Disposal Project executed and entered into as of January 1, 1985, by and between Security Pacific National Bank, a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Corporation"), and the City of Sacramento, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), all of which rights to receive such Rental Payments having been assigned without recourse by the Corporation to First Interstate Bank of California, a state banking corporation duly organized and existing under and by virtue of the laws of the State of California, at its principal corporate trust office in San Francisco, California, as trustee (the "Trustee"), or any other bank or

trust company at its principal corporate trust office which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned, pursuant to an Assignment Agreement (the "Assignment Agreement") executed and entered into as of January 1, 1985, by and between the Corporation and the Trustee, which Certificates have been executed by the Trustee pursuant to the terms of a Trust Agreement (the "Trust Agreement") executed and entered into as of January 1, 1985, by and among the Trustee, the Corporation and the City.

The Lease has been executed and entered into by the City pursuant to the laws of the State of California for the purpose of leasing the City of Sacramento 1985 Solid Waste Disposal Project to the City, which will be acquired and improved as provided in the Lease.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in the denomination of five thousand dollars (\$5,000) each or any integral multiple thereof, except that no Certificate shall evidence and represent principal becoming due and payable in more than one year. The Certificates are dated the interest payment date next preceding the date of delivery thereof by the Trustee, unless such date of delivery is an interest payment date, in which case they shall be dated such interest payment date, or unless such date of delivery is prior to July 1, 1985, in which case they shall be dated January 1, 1985. The interest evidenced and represented by the Certificates is payable on January 1 and July 1 in each year. The principal evidenced and represented by the Certificates is payable on July 1 in the years and in the amounts, with an interest component with respect thereto at the rates, as set forth in the following schedule:

<u>Principal Payment Date (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1986	\$ _____	____%
1987	_____	_____
1988	_____	_____
1989	_____	_____
1990	_____	_____
1991	_____	_____
1992	_____	_____
1993	_____	_____
1994	_____	_____
1995	_____	_____

The interest evidenced and represented by the Certificates is payable by check mailed by the Trustee to the registered owners thereof at their addresses shown on the registration books required to be kept by the Trustee pursuant to the Trust Agreement. The principal evidenced and represented by the Certificates is payable on their payment dates or on prepayment prior thereto upon surrender thereof at the principal corporate trust office of the Trustee. All such amounts are payable in lawful money of the United States of America.

The Certificates are subject to prepayment prior to their payment dates at the times and subject to the conditions and terms set forth in the Certificates and in the Lease and in the Trust Agreement.

The Lease and the rights and obligations of the City and of the Corporation thereunder may be amended or modified in the manner and subject to the conditions and terms set forth therein. The Trust Agreement and the rights and obligations of the City, of the Corporation, of the Trustee and of the registered owners of the Certificates may be amended or supplemented in the manner and subject to the conditions and terms set forth in the Trust Agreement.

In our opinion such proceedings show lawful authority for the execution and delivery by the City of the Lease and the Trust Agreement under the laws of the State of California now in force, and the Lease and the Trust

Agreement have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Corporation and the Trustee as appropriate, are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally, and the obligation of the City to make the Rental Payments under the Lease is valid and binding in accordance with the terms of the Lease, subject to the limitations on legal remedies against municipal corporations in the State of California, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

We are further of the opinion that, under existing statutes, regulations and court decisions, the portion of each Rental Payment designated as and evidencing and representing interest paid by the City under the Lease and received by the registered owners of the Certificates is exempt from all present federal income taxes and State of California personal income taxes.

We remain, dear councilmembers,

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE

per

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CITY OF SACRAMENTO

23

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

December 11, 1984

Sacramento City Council
Sacramento, California 95814

CITY MANAGER'S OFFICE
RECEIVED
DEC 11 1984

Honorable Members in Session:

SUBJECT: Recommendation to Approve Sale of Certificates of Participation

SUMMARY


Transmitted herewith is a full report presented to the Budget and Finance Committee recommending sale of the City's \$5,000,000 par value issue of Certificates of Participation to Paine Webber, Inc. at a net interest cost of 9.843%. Representatives of Paine Webber, Inc. and my staff are here to respond to any questions you may have regarding this issue.

RECOMMENDATION

It is recommended that:

- The actions contained in the City Treasurer's report to Council dated December 6, 1984 be approved, and
- The sale of the \$5,000,000 Certificates of Participation be awarded to Paine Webber, Inc. at a net interest cost of 9.843% to the City which allows for payment of all expenses and costs associated with this financing.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

TPF/lv:copmem4

RECOMMENDATION APPROVED:


WALTER J. SLIPE, City Manager

December 18, 1984
All Districts



CITY OF SACRAMENTO

OFFICE OF THE TREASURER
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THOMAS P. FRIERY
TREASURER
DONALD E. SPERLING
ASST. TREASURER

December 11, 1984

Budget & Finance Committee
Sacramento, California 95814

Honorable Members in Session:

SUBJECT: Recommendation to Approve Sale of Certificates of Participation
(COP)

SUMMARY

The City Treasurer recommends Council approval of the actions contained in the Preliminary Report dated December 6, 1984 and sale of the \$5,000,000 of 1985 City of Sacramento COPs to the firm of Paine Webber, Inc. at a Net Interest Cost to the City of 9.843%. The Certificates have been rated "A-1" by Moody's and "A+" by Standard & Poor's which is higher (better) than the "A" rating received from both rating agencies last year. In today's market environment, there was no cost benefit to insuring the issue with Municipal Bond Insurance as was the case last year. The Certificates have a weighted average life of approximately 6 years, 7 months.

The Net Interest Cost (NIC) of the issue excluding normal and necessary financing costs and expenses is 9.172%. Including normal financing costs and expenses of \$149,877.50, the NIC is 9.6213%. Finally, also including the necessary financing costs and expenses of \$74,000, the NIC is 9.843% to the City. This final NIC compares favorably to other new issues and secondary municipal market bonds being offered for sale. Further, the total financing cost and expenses of the 1985 COP is approximately \$44.78 per \$1,000 Certificate as opposed to the 1983 COP cost of \$46.74 per \$1,000 Certificate.

As of this date, only \$1 million of the \$5 million City of Sacramento COP have been sold by Paine Webber, Inc. However, acceptance of their bid guarantees the City of Sacramento they have sold all the bonds.

It is recommended that the Committee recommend to the full Council:

- Approval of the action of the report dated December 6, 1984, and
- Award sale of the Certificates of Participation to Paine Webber, Inc. at a Net Interest Cost of 9.843% to the City and allows for payment of all expenses and costs as detailed on the financial section of this addendum.

BACKGROUND

During the period December 5 through December 7, 1984 the City Treasurer reviewed new issue and secondary issue municipal financing vehicles available for sale in the market place as well as the tone of the municipal market in general. On December 10, 1984, the City Treasurer authorized the firm of Paine Webber, Inc. to preliminarily offer for sale the 1985 COPs at the rate scale shown in Column 1 of the Financial Section (Average Coupon) of this report.

On December 11, 1984, the firm of Paine Webber advised the 1985 COPs could be marketed at the rate scale schedule as shown in Column 2 of the Financial Section (Average Coupon) of this report. However, as of December 11, 1984, only \$1 million of the \$5 million of the City's 1985 Certificates had been preliminarily agreed to be purchased by investors.

During the period December 5 through December 7, 1984, the tone of the municipal market as well as all other markets deteriorated somewhat. The primary reasons for the deterioration were:

- Money supply being up in excess of estimates,
- Housing starts on single family houses were reported up 2.1% for October, stronger than estimated,
- Federal Reserve intervention to drain funds from banking system,
- General concern as to both what and how Congress would deal with the Federal Budget Deficit.

In spite of the general weakness that occurred in the market place, the final pricing schedule presented to the City Treasurer on December 11, 1984 was slightly better than preliminary indications of the City Treasurer from December 5 through 7 of the previous week. Since the market place deteriorated from preliminary pricing ideas and the actual pricing of the City's COP issue was slightly better, the City Treasurer concludes the pricing on the 1985 COP is favorable for the City.

FINANCIAL

Average Coupon

The following table provides a comparison of the interest coupons for the various 1985 COP maturities as preliminarily authorized by the City Treasurer on December 10, 1984 and then subsequently changed on December 11, 1984 when the issue was priced by Paine Webber, Inc.:

1985 COP Coupon & Maturity Schedule

<u>Maturity</u>	<u>Par Value</u>	(<u>Column 1</u>)	(<u>Column 2</u>)
		Coupon Prelim. Apprvd. by City Treas. <u>Dec. 10, 1984</u>	Coupon Amended By City Treasurer <u>Dec. 11, 1984</u>
July 1986	\$ 345,000.00	7%	7%
1987	370,000.00	7.25%	7.25%
1988	395,000.00	7.75%	7.75%
1989	425,000.00	8.25%	8.25%
1990	460,000.00	8.75%	8.75%
1991	500,000.00	9.00%	9.00%
1992	545,000.00	9.25%	9.20%
1993	595,000.00	9.45%	9.40%
1994	650,000.00	9.65%	9.60%
1995	<u>715,000.00</u>	<u>9.75%</u>	<u>9.75%</u>
Totals & Average Coupon	\$5,000,000.00 =====	9.204% =====	9.172% =====

From the above table it can be determined the actual pricing of the 1985 COP issue was slightly better than estimated in spite of the general level of interest rates deteriorating.

Municipal Ratings and Municipal Bond Insurance

Moody's Investors Service and Standard & Poor's credit rating agency rated the City's 1985 COP A-1 and A+ respectively, higher (better) than the "A" rating both rating agencies assigned on last year's 1983 COP. These higher credit ratings were described by both firms as "indicative of improving financial ratios of the City of Sacramento".

On the sale of the City's 1983 COP issue it was determined that present value savings of \$30,000 could be achieved by acquiring Municipal Bond Insurance at a cost of \$79,000. The present value savings resulted from a higher credit rating as a result of the enhancement of insurance which reduced the interest cost on the City's 1983 COP issue. However, it was determined that in today's market that insignificant if any present value savings would occur as a result of acquiring municipal insurance. Therefore, staff did not pursue nor would the City Treasurer recommend acquiring Municipal Bond Insurance for the City's 1985 COP issue.

Financing Costs and Expenses

Municipal financing costs and expenses are divided into two (2) broad categories. These two categories are referred to as Normal Financing Costs and Expenses and Necessary Financing Costs and Expenses.

Very briefly, Normal Financing Costs and Expenses are those financing costs that generally speaking all municipal issuers deduct (pay for) from Bond Proceeds, whereas, Necessary Financing Costs and Expenses

Financing Costs and Expenses (cont.)

may be paid by a municipal bond issuer from either Bond Proceeds or from the issuing entity's General Fund appropriated and budgeted expenses. Since the City of Sacramento is paying for all Financing Costs and Expenses (both normal and necessary) from Bond Proceeds it is appropriate to both separate and identify all financing costs and expenses for comparison purposes. The following is an itemization of the financing costs and expenses of the City's 1985 COP issue.

The Normal Financing Costs and Expenses associated with the City's 1985 COP issue are:

Management Fee to Paine Webber, Inc.	\$ 50,000.00
Underwriting Risk	12,500.00
Sales Commission	62,837.50
<u>1/ Normal Financing Out of Pocket Expenses</u>	<u>24,540.00</u>
Total Normal Financing Costs & Expenses	\$149,877.50
	=====

The Necessary Financing Costs and Expenses associated with the City's 1985 COP issue are:

Bond Counsel Fee	\$ 35,000.00
Legal Expenses (Bond Printing, Legal Documents, etc.)	6,000.00
Standard & Poor's	5,500.00
Moody's Investors Service	4,500.00
Price Waterhouse	3,000.00
First Interstate Bank (Trustee)	10,000.00
Security Pacific Bank (Lessor)	<u>10,000.00</u>
Total Necessary Financing Costs & Expenses	\$ 74,000.00
	=====

1/Includes CDAC fee, printing and mailing costs, MUNIPAX, CUSIP, Municipal Rule Making Board, travel, etc.

To assist the Committee in evaluating all financing costs and expenses associated with the 1985 COP issue that will be paid for from bond proceeds, the following table is presented. Further, this table will illustrate on a per \$1,000 bond basis the cost being incurred as a result of this financing:

City of Sacramento - 1985 COP
Financing Costs & Expenses
Per \$1,000 of COP Financed

<u>Normal Financing Costs</u>	<u>Total Amount</u>	<u>Net Spread or Cost Per \$1,000 Bond Financed</u>
Management Fee	\$ 50,000.00	\$ 10.00
Underwriting Risk	12,500.00	2.50
Sales Commission	62,837.50	12.57
Normal Out of Pocket Financing Costs	<u>24,540.00</u>	<u>4.91</u>
Total Normal Financing Costs	<u>\$149,877.50</u>	<u>\$ 29.98</u>
Necessary Financing Costs and Expenses	<u>\$ 74,000.00</u>	<u>\$ 14.80</u>
Total Financing Costs and Expenses	<u>\$223,877.50</u>	<u>\$ 44.78</u>
	=====	=====

From the above table it can be determined that the cost of financing the City's 1985 COP issue of \$5,000,000 is equivalent to a cost of \$44.78 per \$1,000 bond issued. On the City's 1983 COP issue of \$8,160,000, the cost per bond issued was \$46.74 per \$1,000 bond issued or approximately \$2.00 per \$1,000 bond issued greater.

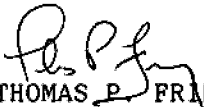
Further, it is brought to your attention that the City's Normal Financing Cost was \$22.62 per \$1,000.00 bond for the City's 1983 Bond issue and \$24.12 per \$1,000 bond for Necessary financing costs and expenses. These two costs per \$1,000 bond issued were \$29.98 and \$14.80 respectively on the 1985 COP issue. The reason for the 1985 COP's higher Normal financing costs was that the management fee is effectively a fixed cost whether \$5 million or \$8.2 million in bonds are issued. The primary reasons for the necessary costs being less this year were that the City saved \$21,000 in printing costs by the City's Finance Department preparing the Official Statement and the City not acquiring Municipal Bond Insurance which cost \$79,000 on the 1983 COP.

RECOMMENDATIONS

It is recommended that the Budget and Finance Committee:


- Forward the report of December 6, 1984 to the full Council for approval and
- Recommend the sale of the COPs to Paine Webber, Inc. as contained in this amended report.

Respectfully submitted,


THOMAS P. FRIERY
City Treasurer

TPF/lv

RECOMMENDATION APPROVED:


For SOLON WISHAM, JR., Assistant City Manager