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October 21, 1991

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NOV 05 1991

OFFICE OF THE
CITY CLERK

AG 91-211
AG 91-212
AG 91-213

City Council
Sacramento, California

HONORABLE MEMBERS IN SESSION:

SUBJECT: Resolution Authorizing The Execution of Legal Documents
in Connection With The Sacramento City Financing Authority 1991
Revenue Bonds.

LOCATION

Citywide: Sacramento Convention Center, Sacramento Memorial
Auditorium, Kinney Police Facility, Fire Station No. 5, Bartley W.
Cavanaugh Golf Course.

SUMMARY

This report recommends approval of a Site Lease, a Project Lease
and an Assignment Agreement in connection with issuance of 1991
Revenue Bonds by the Sacramento City Financing Authority. Copies
of these documents are on file in the City Clerk's Office. The
1991 Revenue Bonds are being issued to finance various City
projects including expansion of the Sacramento Convention Center,
renovation of the Memorial Auditorium, construction of the Kinney
Police Facility, Fire Station No. 5 replacement, reimbursement for
the acquisition of a portion of the Panattoni Building and
construction of the Bartley W. Cavanaugh Golf Course and related
facilities.

COMMITTEE ACTION

None.

CONTINUED

FROM 10-29-91
TO 11-5-91

STAFF RECOMMENDATION

It is recommended that Council approve the attached resolution authorizing the execution and delivery of legal documents in connection with issuance of the 1991 Revenue Bonds.

BACKGROUND

City Council has previously approved as part of the City's 1991-1996 Capital Improvement Program the expansion of the Sacramento Convention Center, renovation of the Sacramento Memorial Auditorium, a police substation in the north area (Kinney Police Facility), renovation of Fire Station No. 5 and construction of Bartley W. Cavanaugh Golf Course. These projects have been identified for debt financing in the CIP budget.

With interest rates at a ten year low, it was deemed advisable to determine a way to finance all of these projects at this time. However, a financing structure was needed that would easily accommodate the different timing of the projects and provide flexibility in the event actual costs prove different from estimated costs. Several conditions of a debt financing plan were identified:

- The financing must provide funds needed for those projects now ready for construction: \$2,000,000 for utility relocation and reimbursement of various costs associated with the Convention Center expansion, \$500,000 for Bartley W. Cavanaugh Golf Course, \$975,000 to reimburse the City in connection with acquisition of an office suite within the Panattoni building and \$31,000,000 to begin renovation of the Memorial Auditorium.
- A financing structure was desired which would allow project leases to be sized after construction bids have been received and costs fully known. For example, construction bids will not be received for the Convention Center expansion construction phase, the Kinney Police Facility, Fire Station No. 5 replacement and portions of the Bartley W. Cavanaugh golf course until mid 1992 or later.
- A single financing structure was desired that would provide funding for all the projects.
- The financing structure must allow funds to be transferred between projects.
- Debt service payments must be sized to coincide with anticipated future revenue sources.

It was determined that revenue bonds issued under the authority of the Marks-Roos Local Bond Pooling Act of 1985 would meet the financing conditions outlined above. Under the Act, a joint powers authority may issue revenue bonds and use the proceeds to acquire debt obligations of local issuers. These debt obligations, termed "program obligations," are defined within the context of the Marks-Roos bond indenture. The revenues received from the payment of debt service on program obligations is used to repay principal and pay interest on the Marks-Roos Revenue bonds.

Normally, a joint powers authority is used to issue the bonds. Local issuers (such as a city, county, redevelopment agency or special district) would issue a local obligation such as a lease, tax allocation bond, or special assessment bond which would then be acquired by the Authority with proceeds of the Marks-Roos Revenue bond. Debt service payments received from the issuer(s) of the local obligation are used to pay debt service on the Marks-Roos Revenue bonds. The program obligations may be acquired at the time the Marks-Roos Revenue bonds are issued or may be acquired within three years of its issuance date. This provision provides the necessary flexibility desired by the City to finance the projects identified previously.

The City of Sacramento and the Sacramento Redevelopment Agency formed the Sacramento City Financing Authority (the "Authority") in 1989 for the purpose of financing the acquisition and/or construction of real and personal property in and for the City. Since its formation, the Authority has been used as the nominal lessor in two City COPs issues. It is proposed that the Authority issue Marks-Roos Revenue bonds the proceeds of which would then acquire City leases to finance the projects previously identified.

At the time the Marks-Roos Revenue bonds are issued, a lease would be executed for the Convention Center Activity Building and acquired from bond proceeds. This lease would be structured as an equity take out financing. The appraised value of the Activity Building has been established as \$15,765,000 by David E. Lane, Inc. Proceeds from the lease would be used to finance Phase I Convention Center expansion (utility relocation \$2,000,000), Bartley W. Cavanaugh Golf Course and related improvements (\$7,633,860, excluding interest earnings), reimbursement of the acquisition cost of the 1421 K Street Building (\$975,000), contingency (\$59,906), costs of issuance and underwriter's discount related to the Marks-Roos Revenue bonds (\$1,943,005), capitalized interest (\$900,000) and approximately \$2,252,901 which will be set aside to guarantee the payment of debt service on the Marks-Roos Revenue bonds until all of the proceeds are used to acquire program obligations.

It is expected that three other leases will be executed by no later than September 1992: the Memorial Auditorium renovation (\$31,000,000), the Convention Center expansion Phase II (\$64,200,000) and a Public Safety Improvements lease consisting of the Kinney Police Facility and Fire Station No. 5 replacement (\$10,701,000).

Provisions have been included in the Marks-Roos Revenue bond indenture that protect the Authority, the City and the bondholder in the event that program obligations are not acquired with bond proceeds. First, monies set aside for future leases will be invested in an undesignated program account in either a structured portfolio or an investment agreement. These investments will be maintained prior to acquiring program obligations. The investments will be sufficient to make debt service payments on the portion of the bonds not supported by program obligations. As leases are executed, money will be moved into designated program accounts. Once a program obligation is executed, payments received from the program obligation are in turn used to pay debt service on the bonds. A cash flow certificate will be issued by a Certified Public Accounting firm at the time of closing and at the time a program obligation is acquired showing that sufficient funds will be available to pay debt service.

The bonds will have a redemption feature providing for a mandatory bond call from remaining undesignated funds within three years of bond issuance. If circumstances occur which prevent one or more of the anticipated leases to occur, there will be sufficient money remaining in the undesignated program account to call the amount of bonds originally represented by the anticipated project lease(s).

Following are brief descriptions of the documents being approved by the City in connection with issuance of the Sacramento City Financing Authority 1991 Revenue Bonds and the Convention Center Activity Building Lease.

A **Site Lease** is the means by which the City leases to the Authority the Activity Building site together with the building thereon. The duration of the site lease coincides with the term of the Project Lease.

A **Project Lease** is an extensive financial document outlining in detail the terms of the lease between the City and Sacramento City Financing Authority for the Activity Building of the Sacramento Convention Center.

The **Assignment Agreement** assigns to the Trustee, Security Pacific National Bank, the Authority's rights to receive the Base Rental Payments scheduled to be paid under the Project Lease. The Trustee accepts the assignment for the benefit of the owners of the bonds.

It is anticipated that the 1991 Revenue Bonds will be ready for sale on or about November 5, 1991. The City Treasurer, acting as Treasurer of the Authority, will be authorized and directed as part of the actions taken by the Authority, to execute and deliver a Purchase Contract providing for the issuance by the Authority of bonds in the aggregate principal amount not to exceed \$165,000,000 at a maximum interest rate not to exceed 7.5%, a maximum term not extending beyond November 1, 2020, and underwriter's discount not to exceed 1.3 percent. After completion of sale, the City Treasurer will report back to the Council with the results of the sale.

FINANCIAL DATA

It is estimated that \$148,455,000 of Marks-Roos Revenue bonds will be issued. The estimated distribution of proceeds from the 1991 Revenue Bonds are shown below. Program Accounts (i.e. construction accounts) have been discounted for expected interest earnings. Amounts are shown in thousand dollars.

	<u>Activity Bldg</u>	<u>Conv. Center</u>	<u>Memorial Aud.</u>	<u>Public Safety</u>	<u>Total</u>
Program Accounts	\$12,922	\$59,680	\$29,278	\$10,263	\$112,143
Reserve Accounts	1,375	6,765	3,107	1,085	12,332
Capitalized Int	900	14,100	5,200	1,732	21,932
Discount	1,633	-0-	-0-	-0-	1,633
Issue Costs	<u>310</u>	<u>35</u>	<u>35</u>	<u>35</u>	<u>415</u>
Total	\$17,140	\$80,580	\$37,620	\$13,115	\$148,455
	=====	=====	=====	=====	=====

The following table shows the project costs, the funds supporting the debt service and the expected average annual debt service for each project. Amounts shown are gross debt service and do not include a reduction for expected interest earnings. The expected

debt service is shown below for fiscal year 1997/98 and will remain at these approximate levels through November 1, 2020, the final bond maturity date.

	<u>Project Requirement</u>	<u>Supporting Fund</u>	<u>Debt Service</u>
Convention Center, Phase I	\$ 2.000 mm	Com Ctr	\$ 174,133
Convention Center, Phase II	64.200 mm	Com Ctr	6,759,833
Memorial Auditorium	31.000 mm	Com Ctr	3,104,653
1421 K St. (Panattoni) Bldg	0.975 mm	Com Ctr	85,009
Cavanaugh Golf Course	8.092 mm	Golf	663,624
Kinney Police Facility	8.300 mm	Measure G	839,960
Fire Station No. 5	2.401 mm	Measure G	242,462
Other	<u>5.156 mm</u>	--	<u>448,358</u>
Total	<u>\$122.124 mm</u>		<u>\$12,318,032</u>

POLICY CONSIDERATIONS

The bond indenture provides that bonds will be called on November 1, 1994 with money remaining in the undesignated program account. If one or more anticipated program obligations are not acquired because of project delays or other reasons, the amount of original bond proceeds intended for the project will be used to call bonds.

One of the anticipated projects is renovation of the Memorial Auditorium as a fixed seat theater. A local citizens group has filed with the City a notice of its intention to circulate a petition to have placed on the June 1992 ballot an initiative requiring the City to maintain the existing Auditorium multi-purpose arena style configuration. If the initiative does qualify and is successful, execution of a project lease for the Memorial Auditorium would likely be delayed beyond September 1, 1992.


MBE/WBE

The MBE firms of Grigsby Brandford Powell Inc. and W.R. Lazard, Laidlaw & Mead, Inc. along with the WBE firms of The Knight Group and Smith, Mitchell & Associates, Inc. have been included on the

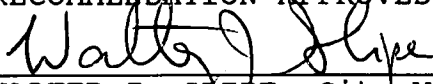
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underwriting team. The MBE firm of Ochoa & Sillas has been included as co-bond counsel. The MBE firm of Arnelle & Hastie has been included as co-underwriter's counsel.

Respectfully Submitted,


Thomas P. Friery,
City Treasurer

RECOMMENDATION APPROVED:


WALTER J. SLIPE, City Manager

CONTACT PERSON

David Affleck, Deputy City Treasurer
449-5168

FOR COUNCIL MEETING OF:

October 29, 1991

F00395TF.mwj

RESOLUTION NO. 91-897

ADOPTED BY THE SACRAMENTO CITY

APPROVED
BY THE CITY COUNCIL

NOV 05 1991

ON DATE OF _____

OFFICE OF THE
CITY CLERK

A RESOLUTION OF THE COUNCIL OF THE CITY OF SACRAMENTO AUTHORIZING THE EXECUTION AND DELIVERY OF A SITE LEASE, A PROJECT LEASE AND AN ASSIGNMENT AGREEMENT IN CONNECTION WITH THE SACRAMENTO CITY FINANCING AUTHORITY, 1991 REVENUE BONDS AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, 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"), is authorized pursuant to its Charter and the laws of the State of California to lease real and personal property which is necessary and proper for municipal purposes and to conduct municipal operations thereon; and

WHEREAS, the Sacramento City Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority") has determined to assist the City in furtherance of the City's municipal purposes; and

WHEREAS, the City intends to lease to the Authority certain real property and the facilities thereon comprising a convention center activity building (the "Project"), which Project the Authority intends to lease back to the City; and

WHEREAS, the Project serves a necessary and proper municipal purpose as a convention center activity building operated by the City; and

WHEREAS, the City desires to consent to the assignment of said leases by the Authority to Security Pacific National Bank in order to assist in the issuance by the Authority of its 1991 Revenue Bonds (the "Bonds") and the financing by the Authority of certain improvements beneficial to the City; and

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

RESOLUTION NO.: _____

DATE ADOPTED: _____

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

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

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

Section 3. The form of Site Lease (the "Site Lease"), proposed to be executed and entered into as of November 1, 1991, by and between the Authority 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 and deliver to the Authority the Site Lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Project Lease (the "Project Lease"), proposed to be executed and entered into as of November 1, 1991, by and between the Authority and the City,

RESOLUTION NO.: _____

DATE ADOPTED: _____

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

Section 5. The form of Assignment Agreement (the "Assignment Agreement") proposed to be executed and entered into as of November 1, 1991, by and among the Authority, the City and 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 Authority and the Trustee the Assignment 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 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 the Site Lease, the Project Lease and the Assignment Agreement.

RESOLUTION NO.: _____

DATE ADOPTED: _____

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Section 7. 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, including agency agreements, which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the Bonds, the Site Lease, the Project Lease and the Assignment Agreement. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 8. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this 5th day of November, 1991.

Mayor of the
City of Sacramento

[Seal]

Attest:

City Clerk of the
City of Sacramento

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____