



5.1

OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

CITY OF SACRAMENTO
CALIFORNIA

February 17, 2004 *CO 2004-025*
F031CJA.doc

926 J STREET
SUITE 300
SACRAMENTO, CA
95814-2709

PH 916-264-5168
FAX 916-448-3139

City Council
Sacramento, California

Honorable Members in Session:

APPROVED

MAR 09 2004

OFFICE OF THE
CITY CLERK

SUBJECT: RESOLUTION APPROVING THE ISSUANCE OF LIMITED OBLIGATION IMPROVEMENT BONDS; AWARD OF CONSTRUCTION CONTRACT TO TIM PAXIN'S PACIFIC EXCAVATION; AND OTHER ACTIONS RELATING TO CITY OF SACRAMENTO MIDTOWN STREET LIGHTING DISTRICT NO. 2003-05 LIMITED OBLIGATION IMPROVEMENT BONDS AND PROJECT

LOCATION AND COUNCIL DISTRICT: Midtown – Council District 3 (See map – Exhibit A)

RECOMMENDATION:

This report recommends that City Council adopt the attached resolutions to:

- approve the issuance of limited obligation improvement bonds; appointing a paying agent; authorizing execution and delivery of a bond purchase contract and official statement; and other actions relating to city of Sacramento Midtown Street Lighting District No. 2003-05 Limited Obligation Improvement bonds (all documents are on file in the City Clerk's office.)
- amend the Fiscal Year 2003/04 Capital Improvement Program by appropriating \$636,184 from State Jobs-Housing Balance Incentive Grant funds (Fund 512 - \$205,000) and Midtown Street Lighting District No. 2003-05 Limited Obligation Improvements Bonds (Fund 684 - \$431,184) to the budget for two Midtown Street Lighting Capital Improvement Projects (SM72/SM73).
- approve plans and specifications; accept the second low bid of Tim Paxin's Pacific Excavation, in the amount of \$392,680; and authorize the City Manager to execute a contract for the Midtown Street Lighting project (PN: SM72/SM73) contingent upon the successful close and receipt of bond funding.

CONTACT PERSON: Janelle Gray, Debt Analyst, 264-5168
Eric Yap, Senior Engineer, 808-5641

City Council
Midtown Street Lighting District 2003-05
March 9, 2004

FOR COUNCIL MEETING OF: March 9, 2004

SUMMARY:

The Office of the City Treasurer in conjunction with the Department of Public Works, recommends that City Council adopt the attached resolutions related to the Midtown Street Lighting District No. 2003-05 Limited Obligation Improvement Bonds. The purpose of the bonds is to complete the funding necessary to pay for the acquisition and installation of neighborhood streetlights in a midtown neighborhood consisting of 199 parcels. The requested action will officially authorize the issuance of approximately \$300,000 in bonds to help finance the construction of the project and award the construction contract to Tim Paxin's Pacific Excavation in an amount of \$392,680, contingent upon the successful close and receipt of bond proceeds. The total cost of the improvement project is estimated at \$740,127 with an additional \$146,057 in bond related costs. The proposed funding sources and uses for the project are shown in the table below.

Table 1 – Midtown Street Lighting District No. 2003-05, Sources and Uses

Sources

Estimated Bond Proceeds	\$295,000
City Streetlight Match Program	\$250,000
State Job-Housing Balance Incentive Grant	\$205,000
Prepaid Cash Assessment	<u>\$136,184</u>
	\$886,184

Uses

Improvement Fund	\$740,127
Bond Costs ¹	<u>\$146,057</u>
	\$886,184

(1) Bond Costs: includes Underwriter's Discount, Cost of Issuance, and Reserve Fund

The special assessment will pay debt service on the bonds. Council is also being asked to establish the revenue and expenditure budgets for the bond proceeds.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

Assessment District/Bond Sale Process

On November 18, 2003, City Council approved the Resolution of Intention to undertake the proceedings for the formation and sale of bonds with majority protest by assessment ballot, along with approving the Engineer's Report and setting the Public Hearing date. The purpose of the bonds is to

City Council
Midtown Street Lighting District 2003-05
March 9, 2004

complete the funding necessary to pay for the acquisition and installation of neighborhood streetlights in a midtown neighborhood consisting of 199 parcels.

On January 8, 2004, City Council conducted the Public Hearing in which results of the ballot process were declared and the district was approved, as well as confirmed the amended Engineer's Report and approved levying of an assessment.

Upon approval of the formation of the district, a 30-day Cash Collection Period was initiated on January 9, 2004, to be concluded on February 10, 2004. At the end of the cash collection period, approximately 32% of the parcels had prepaid their assessments for a total cash value of \$136,184, thereby reducing the amount of bonds necessary to be sold and the amount to be levied upon the remaining parcels within the district.

Construction Bid/Award Process

The total budget for the project is \$740,127. The engineer's construction estimate, not including the cost of the poles and lighting fixtures, was \$490,000. Bids were opened July 2, 2003; the following bids were received:

Contractor	Bid	ESBE Participation
Collins Electrical Company Inc.	\$381,405	20.2%
Tim Paxin's Pacific Excavation	\$392,680	100.0%
Northern Electric	\$404,730	20.3%
Steiny and Company, Inc.	\$440,965	0.0%
Tennyson Electric, Inc.	\$474,515	20.0%
Richard A. Heaps Electrical	\$477,602	12.7%
Gray Electric Company Inc.	\$477,925	0.0%
M & M Electric, Co.	\$497,350	21.3%
VCI Telcom, Inc.	\$509,573	19.6%
Royal Electric Company	\$512,145	20.0%
Golden State Utility Company.	\$534,661	20.2%

Staff recommends City Council accept the second low bid and award the construction contract to Tim Paxin's Pacific Excavation contingent upon the successful close and receipt of bonds proceeds necessary to complete the funding required. Due to the length of time that has lapsed between the bid date and award date, the bid reserve period has expired and the low bidder, Collins Electrical Company Inc., has elected to withdraw from consideration. Construction is anticipated to begin in April 2004 and be completed in late summer.

FINANCIAL CONSIDERATIONS:

The total cost of the project, including all bond costs, is \$886,184. Funding for the project will be as follows:

- \$250,000 in General Funds which were previously appropriated under the Streetlight Match Program (\$125,000 to SM 72 and \$125,000 to SM 73)

City Council
Midtown Street Lighting District 2003-05
March 9, 2004

- Appropriation of \$205,000 from the State Jobs-Housing Balance Incentive Grant (M03-185, Fund 512) as approved by City Council on November 4, 2003, for this project.
- Appropriation of \$431,184 from the sale of bonds and cash payments (Fund 684).

During the Cash Collection Period, approximately 32% of the parcels prepaid the allocated assessment for a total of \$136,184 in cash funding. Approximately \$295,000 in Limited Obligation Improvements Bonds will be sold to complete the funding needed to pay for the construction of neighborhood streetlights within the Midtown Street Lighting district. No. 2003-05 boundaries. The payment of principal and interest on the bonds is secured by special taxes and a pledge of the amounts on deposit in the funds and accounts that are established by the bond resolution.

ENVIRONMENTAL CONSIDERATIONS:

In accordance with the State Guidelines for implementation of the California Environmental Quality Act (CEQA), the Neighborhoods, Planning, and Development Services Department, Environmental Services Section, has determined that the proposed project will not have a significant effect on the environment and is categorically exempt from CEQA pursuant to Section 15301 (b) and Section 15303 (d). A notice of Exemption has been filed with the County Recorder's Office.

POLICY CONSIDERATIONS:

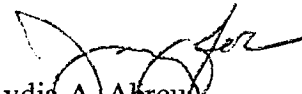
The proceedings for this district are pursuant to the provisions of the Municipal Improvement Act of 1913 and Improvement Bond Act of 1915. The request to award the construction contract is consistent with Sacramento City Code, Title 3. Both actions are consistent with the City's Strategic Plan goal to preserve and enhance the City's neighborhoods and quality of life.

ESBD CONSIDERATIONS:


To encourage small and emerging business participation, plans and specifications were sent to ESBE construction firms. Staff actively recruited available ESBE firms to participate in the bid process. The project was also announced on the Project Information Line and on the City's Internet site at www.cityofsacramento.org/bids. The recommended contractor includes certified ESBE participation of 100%.

City Council
Midtown Street Lighting District 2003-05
March 9, 2004


Respectfully Submitted,


Lydia A. Abreu
Deputy City Treasurer


Approved:


THOMAS F. FRIERY
City Treasurer

Respectfully Submitted,


Francesca Lee Halbakken
Project Delivery Manager

Approved:


THOMAS V. LEE
Deputy City Manager

RECOMMENDATION APPROVED:


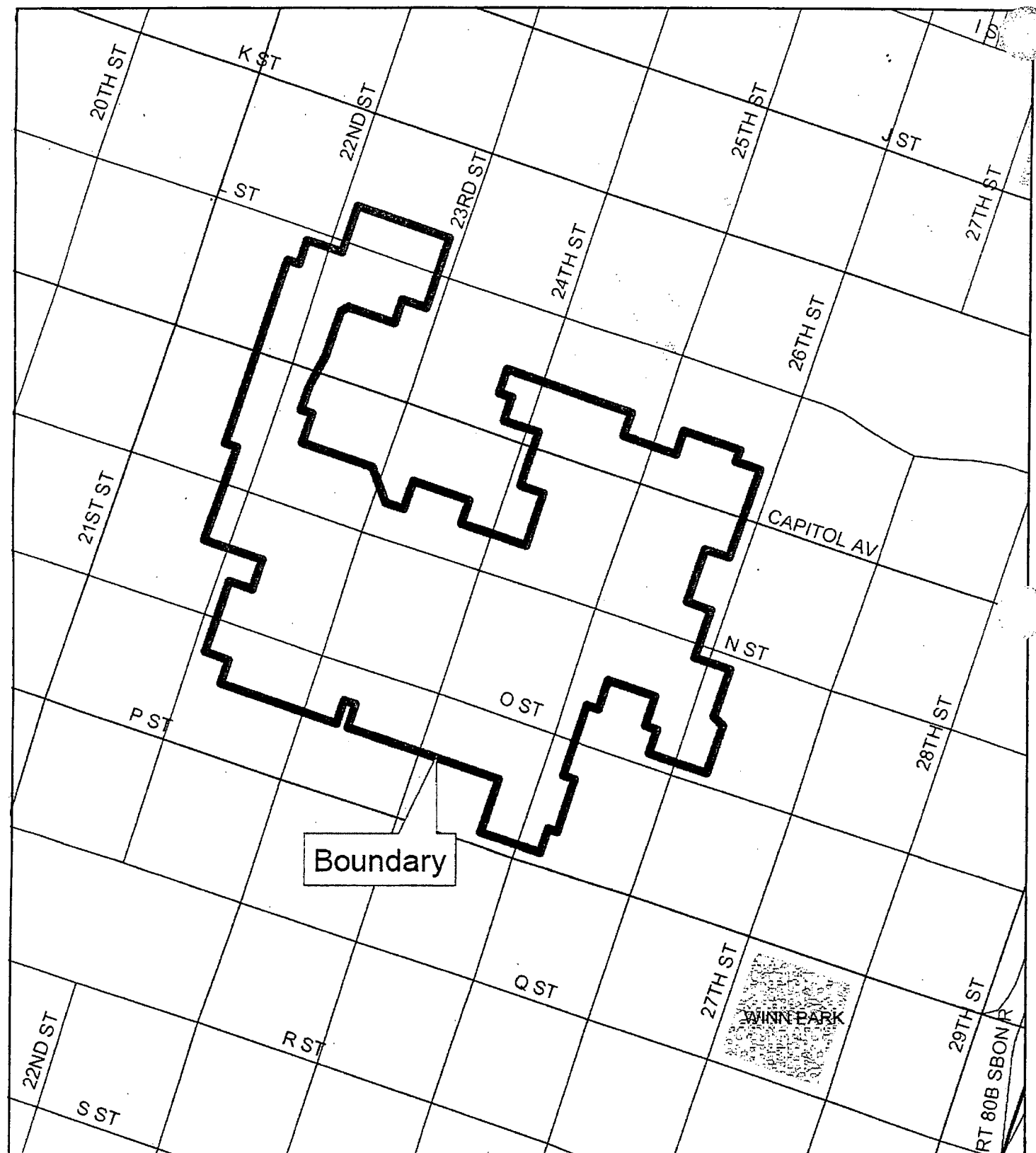

ROBERT P. THOMAS
City Manager

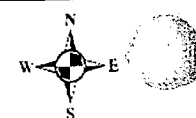
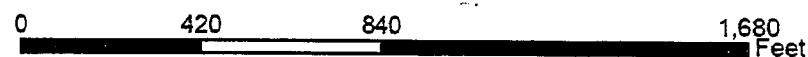
TABLE OF CONTENTS:

		<u>Page</u>
<u>ATTACHMENT A</u>	Council District 3 Map	6
<u>RESOLUTION</u>	Approve issuance of limited obligation improvement bonds.	7
<u>RESOLUTION</u>	Resolution Amending the Fiscal Year 04 Capital Improvement Program Budget For Two Midtown Street Lighting Projects (SM72/SM73)	39
<u>RESOLUTION</u>	Approve plans and specifications, accept second low bid and authorize the City Manager to execute a contract for the Midtown Street Lighting project.	41

Midtown Street Lighting Assessment District (#2003-05)



BMueller 11/5/03



RESOLUTION NO. 2004-165

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF March 9, 2004

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SACRAMENTO PROVIDING FOR THE ISSUANCE OF THE CITY OF SACRAMENTO MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05 LIMITED OBLIGATION IMPROVEMENT BONDS; PRESCRIBING THE DENOMINATIONS, DATE AND FORM OF SAID BONDS AND PRESCRIBING THE OPTIONAL REDEMPTION PROVISION THEREFOR; AUTHORIZING THE EXECUTION OF SAID BONDS AND APPOINTING A PAYING AGENT FOR SAID BONDS; PROVIDING FOR THE COLLECTION OF ASSESSMENTS TO PAY THE INTEREST ON AND PRINCIPAL OF SAID BONDS; APPROVING THE EXECUTION AND DELIVERY OF A BOND PURCHASE CONTRACT AND AN OFFICIAL STATEMENT FOR SAID BONDS; AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council (the "Council") of the City of Sacramento (the "City"), by Resolution No. 2003-806 adopted on November 18, 2003 (the "Resolution of Intention"), determined that it was necessary, convenient and desirable to undertake proceedings pursuant to the provisions of the Municipal Improvement Act of 1913 (the "1913 Act") and to issue bonds in such proceedings pursuant to the provisions of the Improvement Bond Act of 1915 (the "1915 Act", and together with the 1913 Act, the "Acts") for the acquisition and construction of those certain street lighting improvements more particularly described in Exhibit A attached hereto and incorporated herein and made a part hereof (the "Improvements")

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

in and for an assessment district in the City designated the "Midtown Street Lighting Assessment District No. 2003-05;" and

WHEREAS, in accordance with such proceedings, an assessment and a diagram were thereafter duly made and filed with the Council, which assessment was thereafter amended to reduce the amount thereof, and after a duly noticed public hearing on such amended assessment (following an approving landowner election), such amended assessment was confirmed and levied by Resolution No. 2004-013 adopted by the Council on January 8, 2004; and

WHEREAS, such amended assessment was apportioned upon the several subdivisions of land in such assessment district in proportion to the benefits to be received by such subdivisions, respectively, from the acquisition and construction of the Improvements; and

WHEREAS, such amended assessment and such diagram were duly recorded in the office of the Interim Director of Public Works of the City (the "Director"), in the office of the City Clerk of the City (the "City Clerk") and in the office of the County Surveyor of the County of Sacramento (the "County Surveyor"), and such diagram was duly recorded in the office of the County Recorder of the County of Sacramento (the "County Recorder"), and a notice of assessment was duly recorded in the office of the County Recorder, all in the time, form and manner required by the 1913 Act; and

WHEREAS, notice of recording such amended assessment and of the opportunity to pay all or portions of such amended assessment was thereafter duly given to all persons who had been assessed in such assessment district; and

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

WHEREAS, the City Treasurer of the City (the "City Treasurer") thereafter determined under the 1913 Act that the aggregate amount of the unpaid assessments in such assessment district was two hundred ninety-five thousand one hundred ninety-four dollars and sixty cents (\$295,194.60); and

WHEREAS, the City Treasurer thereafter made and filed with the City Clerk, with the County Surveyor, with the Director of Finance of the County of Sacramento (the "Director of Finance") and with the Director a complete list of all the assessments unpaid upon such amended assessment, and the Council has found and determined that the assessments so listed as unpaid in such list of unpaid assessments are unpaid and that the aggregate amount thereof is two hundred ninety-five thousand one hundred ninety-four dollars and sixty cents (\$295,194.60); and

WHEREAS, the Resolution of Intention provided that serial bonds, term bonds or both, to represent unpaid assessments and to bear interest at a maximum rate of not to exceed the maximum rate permitted by law, would be issued in the manner provided by the 1915 Act, and that such bonds would mature a maximum of fifteen (15) years from the 2nd day of September next succeeding twelve (12) months from their date, reference being hereby made to the Resolution of Intention for further particulars;

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

Section 1. The foregoing recitals are true and correct, and the Council hereby so finds and determines.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 2. The Council has reviewed all proceedings heretofore taken relative to the foregoing and has found, as a result of such review, and does hereby find and determine that all acts, conditions and things required by law to exist, to happen and to be performed under the Acts precedent to and in the issuance of improvement bonds as hereinafter provided do exist, have happened and have been performed in due time, form and manner as required by law, that the assessments listed as unpaid in such assessment district in such list of unpaid assessments are unpaid and the aggregate principal amount thereof is in excess of two hundred ninety-five thousand dollars (\$295,000), and that the City is authorized pursuant to each and every requirement of law to issue improvement bonds in the principal amount of two hundred ninety-five thousand dollars (\$295,000) secured by such unpaid assessments under the Acts in the manner and form as provided in this resolution.

Section 3. Improvement bonds in the aggregate principal amount of two hundred ninety-five thousand dollars (\$295,000) shall be issued upon and secured by such unpaid assessments in accordance with the provisions of the Acts and pursuant to the provisions of the Resolution of Intention and the proceedings taken by the City thereunder, which bonds shall be designated the "City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds" (the "Bonds"). The Bonds shall be issued as fully registered bonds, shall each be of the denomination of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) (not exceeding the principal amount of Bonds maturing at any one time), shall be dated the date of delivery thereof (which is hereby fixed and determined to be the date of issue of the Bonds), shall be issued as serial bonds or as term bonds

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

(with approximately equal annual payments of interest plus principal or minimum sinking fund account payments, as determined by the City Treasurer at the time of sale thereof), shall mature not later than September 2, 2020 and shall bear interest at the rates per annum as determined by the City Treasurer at the time of sale thereof.

If any of the Bonds are issued as term bonds, minimum sinking fund account payments due on September 2 of each year during the term of such term Bonds funded from the collection of assessments as provided herein shall be established at the time of sale thereof by the City Treasurer for the mandatory redemption and payment of such term Bonds, which payments shall become due during the years ending on the dates and in the amounts as thereby determined (except that if any such term Bonds have been optionally redeemed pursuant hereto, the amounts of the minimum sinking fund account payments allocable to such term Bonds shall be reduced proportionately in integral multiples of five thousand dollars (\$5,000) by the principal amount of all such term Bonds so optionally redeemed).

All such minimum sinking fund account payments funded from the collection of assessments as provided herein shall be deposited in the Redemption Fund established in Section 9 of this resolution (the "Redemption Fund"), and all money in the Redemption Fund allocable to such term Bonds may be used and withdrawn by the City at any time for the purchase of such term Bonds, at public or private sale, as and when and at such prices (including brokerage and other charges) as it may in its discretion determine, but not to exceed the principal amount of such term Bonds. All money in the Redemption Fund on September 2 of each year allocable to such term Bonds shall be used and withdrawn by the City on each such September 2

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

for the mandatory redemption or payment of such term Bonds, and the City hereby agrees and covenants with the registered owners of the term Bonds to call and redeem in accordance with this section or pay the term Bonds from such minimum sinking fund account payments funded from the collection of assessments as provided herein that are deposited in the Redemption Fund pursuant to this paragraph whenever on September 2 of any year there is money in the Redemption Fund available for such purpose.

The Bonds shall bear interest at the rates determined at the time of sale thereof from the Interest Payment Date (as that term is herein defined, and herein an "Interest Payment Date") next preceding the date of authentication and registration thereof, unless such date of authentication and registration is on a day during the period from the sixteenth (16th) day of the month next preceding an Interest Payment Date to such Interest Payment Date, both days inclusive, in which event they shall bear interest from such Interest Payment Date, or unless such date of authentication and registration is on a day on or before the fifteenth (15th) day of the month next preceding the first Interest Payment Date, in which event they shall bear interest from their dated date. Such interest shall be payable on March 2, 2005, and thereafter semiannually on March 2 and September 2 of each year (each, an "Interest Payment Date") until and at the respective maturity dates of the Bonds.

The interest on and the principal of and the redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America by U.S. Bank National Association, the Paying Agent of the City for the Bonds appointed pursuant to Section 7 of this resolution (the "Paying Agent"), at its corporate trust office in St. Paul, Minnesota. Payment of

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

the interest on the Bonds due on or before the maturity or prior redemption thereof shall be made by check mailed on each Interest Payment Date to the registered owners of the Bonds as their names appear at the close of business as of the fifteenth (15th) day of the month next preceding each Interest Payment Date on the registration books maintained by the Paying Agent at its corporate trust office in San Francisco, California, and payment of the principal of and redemption premiums, if any, on the Bonds shall be made only upon surrender thereof by the registered owners thereof on their maturity dates or on redemption prior to maturity at the corporate trust office of the Paying Agent in St. Paul, Minnesota.

Any Bond may be optionally redeemed in whole or in part in integral multiples of five thousand dollars (\$5,000) on the second day of March or September in any year on or after September 2, 2005, at the option of the City, upon payment of the principal amount thereof and interest accrued thereon to the date of redemption, together with a redemption premium, as determined by the City Treasurer at the time of sale of the Bonds; provided, that the City shall proceed pursuant to Part 11.1 of the 1915 Act in determining those Bonds or portions thereof to be redeemed and the manner of the redemption thereof; and provided further, that prior to September 2, 2013, the City may only redeem the Bonds required to be redeemed from landowner prepayments of assessments; and provided further, that notice of redemption of any Bond shall be given by the City as provided in the 1915 Act.

The Council hereby declares and determines that it does not and will not obligate itself to advance funds from the City treasury to cure any deficiency which may occur at any time in the Redemption Fund.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this section, upon receipt of all Bonds by the Paying Agent at its corporate trust office in San Francisco, California, together with a written request of the City to the Paying Agent, a new Bond for each maturity of the Bonds shall be executed by the City and authenticated and delivered by the Paying Agent in the aggregate principal amount of the Bonds, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) of this section, upon receipt of all Bonds by the Paying Agent at its corporate trust office in San Francisco, California, together with a written request of the City to the Paying Agent, a new Bond or Bonds for each maturity of the Bonds shall be executed by the City and authenticated and delivered by the Paying Agent in such denominations and shall be registered in the names of such persons as are requested in such written request of the City, subject to the limitations of Section 3 of this resolution and thereafter, the Bonds shall be transferred pursuant to Section 7 of this resolution; provided, that the Paying Agent shall not be required to deliver such new Bonds on any date prior to sixty (60) days after receipt of such written request of the City.

(c) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Paying Agent shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the City or the Paying Agent; and the City and the Paying Agent shall have no responsibility for transmitting payments to,

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the City nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except to DTC or its successor (or substitute depository or its successor) as a registered owner of the Bonds.

(d) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the City and the Paying Agent shall cooperate with Cede & Co., as sole registered owner of the Bonds, or its registered assigns, in effecting payment of the interest on and the principal of such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Section 5. The Bonds shall be in substantially the following form, the blanks in said form to be filled in with appropriate words or figures, namely:

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

[FORM OF BOND]

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

REGISTERED

NUMBER R-_____

REGISTERED

\$_____

CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BOND

INTEREST
RATE
_____%

MATURITY
DATE
September 2, _____

BOND
DATE
_____, 2004

CUSIP
NUMBER

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

Under and by virtue of the Improvement Bond Act of 1915, being Division 10 of the California Streets and Highways Code (the "Act"), the City of Sacramento (the "City") in the County of Sacramento, State of California will, out of the Redemption Fund hereinafter referred to, pay to the registered owner set forth above on the maturity date set forth above (subject to the right of prior redemption hereinafter reserved) the principal amount set forth above in lawful money of the United States of America, and in like manner will pay interest from the interest payment date next preceding the date on which this bond is authenticated and registered (unless this bond is authenticated and registered on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this bond is authenticated and registered on a day on or before the fifteenth (15th) day next preceding the first interest payment date, in which event it shall bear interest from its dated date) until

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

payment of such principal sum shall have been discharged, at the interest rate per annum set forth above, payable on March 2, 2005, and thereafter semiannually on March 2 and September 2 in each year; provided, that the City Council of the City has declared and determined that it does not and will not obligate itself to advance funds from the City treasury to cure any deficiency which may occur at any time in said Redemption Fund. Both the principal hereof and redemption premium hereon are payable by U.S. Bank National Association, the Paying Agent of the City for the bonds (the "Paying Agent"), at its corporate trust office in St. Paul, Minnesota, and the interest hereon is payable to the registered owner hereof as the registered owner's name appears at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date on the registration books maintained by the Paying Agent at its corporate trust office in San Francisco, California, such interest to be paid by check mailed on each interest payment date to the registered owner hereof at the registered owner's address as it appears on such books or at such other address as may have been filed in writing with the Paying Agent for that purpose.

This bond is one of several annual series of bonds of like date, tenor and effect, but differing in denominations, maturities and interest rates, issued by the City under the Act and Resolution No. 2004-___ adopted by the City Council of the City on March 9, 2004, providing for its issuance (the "Resolution") for the purpose of providing funds to pay for the acquisition and construction of those certain street lighting improvements described in said proceedings, and is secured by the moneys in the Redemption Fund provided in the Resolution and by the unpaid portion of assessments levied for the payment hereof, and, including principal and interest, is payable exclusively out of said fund.

This bond will continue to bear interest after maturity at the rate above stated; provided, it is presented at maturity and payment thereof is refused upon the sole ground that there are not sufficient moneys in said Redemption Fund with which to pay the same. If it is not presented at maturity, interest thereon will run until maturity.

This bond, or any portion of it in the amount of five thousand dollars (\$5,000) or any integral multiple thereof, may be redeemed and paid in advance of maturity upon the second day of March or September in any year on or after September 2, 2005, at the option of the City, by giving at least thirty (30) days' notice by registered or certified mail to the registered owner hereof at the registered owner's address as it appears on the registration books maintained by the Paying Agent, upon payment of the principal amount thereof and interest accrued thereon to the date of redemption, together with a redemption premium equal to the following percentages of such principal amount, namely:

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

<u>Redemption Date</u>	<u>Redemption Premium</u>
On or prior to September 2, 20__	_%
On March 2, 20__, or September 2, 20__	-
On March 2, 20__, or September 2, 20__	-
On or after March 2, 20__	0

*The bonds maturing on September 2, ____, are subject to mandatory redemption by the City prior to their maturity date in part on any September 2 on or after September 2, ____, to and including September 2, ____, solely from minimum sinking fund account payments deposited in the redemption fund provided in the Resolution of Issuance, by giving at least thirty (30) days' notice by registered or certified mail to the registered owner hereof at the registered owner's address as it appears on the registration books maintained by the Paying Agent, upon payment of the principal amount thereof and interest accrued thereon to the date of redemption, without a redemption premium.

The City shall proceed pursuant to Part 11.1 of the Improvement Bond Act of 1915 in determining those bonds or portions thereof to be redeemed and the manner of the redemption thereof; provided, that prior to September 2, 2013, the City may only redeem the bonds required to be redeemed from landowner prepayments of assessments; and provided further, that notice of redemption of any bond shall be given by the City as provided in the Act, which notice shall be given at least thirty (30) days' by registered mail to the registered owner of any such bond at the registered owner's address as it appears on the registration books maintained by the Paying Agent.

This bond is transferable by the registered owner hereof, in person or by the registered owner's attorney duly authorized in writing, at the above-mentioned office of the Paying Agent, subject to the terms and conditions provided in the Resolution, including the payment of certain charges, if any, upon surrender and cancellation of this bond accompanied by delivery of a duly executed written instrument of transfer in a form satisfactory to the Paying Agent. Upon such transfer, a new registered bond or bonds, of any authorized denomination or denominations, of the same maturity, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

*To be used if term bonds are issued.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Bonds shall be registered only in the name of an individual (including joint owners), a corporation, a partnership or a trust.

Neither the City nor the Paying Agent shall be required to make such exchange or registration of transfer of bonds during the fifteen (15) days immediately preceding any interest payment date.

The City and the Paying Agent may treat the registered owner hereof as the absolute owner for all purposes, and the City and the Paying Agent shall not be affected by any notice to the contrary.

This bond shall not be entitled to any benefit under the Act or the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Paying Agent.

IN WITNESS WHEREOF, the City Council of the City of Sacramento has caused this bond to be signed by the City Treasurer of the City and by the City Clerk of the City, and has caused its corporate seal to be impressed hereon, all as of _____, 2004.

CITY OF SACRAMENTO

City Treasurer

[SEAL]

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

[FORM OF AND CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the bonds described in the within-mentioned Resolution which has
been authenticated and registered on _____.

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By _____
Authorized Representative

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto
_____ the within bond and do(es)
hereby irrevocably constitute and appoint _____
attorney to transfer the same on the register of the Paying Agent, with full power of substitution
in the premises.

Date: _____.

SIGNATURE GUARANTEED:

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

NOTE: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within bond in every particular, without alteration or enlargement or any change whatsoever and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

[FORM OF DTC ENDORSEMENT]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Paying Agent or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co. has an interest herein.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 6. The City Treasurer and the City Clerk are hereby authorized and directed, respectively, as such officers to execute each of the Bonds on behalf of the City by the use of their manual or printed facsimile signatures, and the City Clerk is hereby authorized and directed to affix the official seal of the City thereto; and such signing and sealing as herein provided shall be a sufficient and binding execution of the Bonds by the City. In case either of such officers whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchaser, such signature shall nevertheless be valid and sufficient for all purposes the same as though such officer had remained in office until the delivery of the Bonds; provided, that only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form hereinabove set forth, executed and dated by the Paying Agent, shall be entitled to any benefits hereunder or be valid or obligatory for any purpose, and such certificate shall be conclusive evidence that the Bonds so authenticated have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefits hereof.

Section 7. U.S. Bank National Association is hereby appointed Paying Agent of the City for the purpose of performing the obligations imposed on it in this resolution. The Paying Agent may at any time resign, which resignation shall become effective upon the appointment of a successor Paying Agent. Upon receiving notice of such resignation, the City shall promptly appoint a successor Paying Agent, except that if no successor Paying Agent shall have been appointed by the City within thirty (30) days of receiving such notice, the resigning Paying Agent may petition any court of competent jurisdiction for the appointment of a successor Paying Agent. The City may at any time in its sole discretion remove the Paying

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Agent initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing. The Paying Agent is hereby authorized at its corporate trust office in St. Paul, Minnesota, to pay interest on the Bonds due on or before the maturity or prior redemption thereof to the registered owners thereof as their names appear at the close of business as of the fifteenth (15th) day of the month next preceding each Interest Payment Date on the registration books required to be kept by the Paying Agent at its corporate trust office in San Francisco, California, pursuant to this section as the registered owners thereof, such interest to be paid by check mailed on each Interest Payment Date to such registered owners at their addresses appearing on such books or at such other addresses as they may have filed in writing with the Paying Agent for that purpose, and to pay to such registered owners the principal of and redemption premiums, if any, on the Bonds upon presentation and surrender of the Bonds to the Paying Agent at its corporate trust office in St. Paul, Minnesota, at maturity or on redemption prior to maturity.

The Paying Agent will keep at its corporate trust office in San Francisco, California, sufficient books for the registration, transfer and exchange of the Bonds, which books shall at all times be open to inspection by the City. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or exchange Bonds on such books as hereinafter provided.

Any Bond may be transferred or exchanged on such books by the registered owner thereof, in person or by his duly authorized attorney, upon payment by the person requesting such transfer or exchange of any tax or other governmental charge required to be paid

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

with respect to such transfer or exchange and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Paying Agent. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the City shall execute and the Paying Agent shall authenticate and deliver at its corporate trust office in San Francisco, California, a new Bond or Bonds of authorized denominations and of the same maturity date aggregating the principal amount of the Bond or Bonds so surrendered. The City and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the City nor the Paying Agent shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such registered owner as above provided, which payment shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

The City shall from time to time pay the Paying Agent compensation for its services, reimburse the Paying Agent for all its advances and expenditures, including but not limited to advances to and fees and expenses of independent accountants, counsel and engineers or other experts employed by it in the exercise and performance of its rights and obligations hereunder, and indemnify and save the Paying Agent harmless against liabilities not arising from its gross negligence or willful misconduct which it may incur in the exercise and performance of its rights and obligations hereunder; provided, that the Paying Agent shall not have any lien for

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

such compensation or reimbursement against any money held by it for any purposes hereof, although it may take whatever legal actions are lawfully available to it directly against the City.

The statements, agreements, conditions, covenants and terms contained herein and in the Bonds shall be taken as statements, agreements, conditions, covenants and terms of the City, and the Paying Agent (i) does not assume any responsibility for the correctness of the same or for the observance or performance by the City of the same, and (ii) does not make any representation as to the sufficiency or validity hereof or of the Bonds, and (iii) shall not incur any responsibility in respect hereof other than in connection with the rights and obligations assigned to or imposed upon it herein or in the Bonds.

Section 8. The unpaid assessments in the aggregate principal amount of two hundred ninety-five thousand dollars (\$295,000), together with interest thereon computed at the rate specified in the Bonds (which interest shall begin to run from the date of the Bonds), shall, in accordance with and consistent with the 1915 Act, remain and constitute a trust fund for the redemption and payment of the principal of the Bonds and for the interest due thereon, and such assessments and each installment thereof and the interest and penalties thereon shall constitute a lien against the lots and parcels of land on which they are made until the same are paid. The Director of Finance shall annually make a record in his office showing the several installments of principal and interest on such assessments which are to be collected for the forthcoming year during the term of the Bonds; and an annual installment of such assessments shall be payable and shall be collected in each year corresponding in amount to the amount of Bonds unpaid and maturing or becoming subject to mandatory redemption in such year, which amount shall be

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

sufficient to pay the Bonds as the same become due or as the same become subject to mandatory redemption in such year, and an annual installment of interest on such unpaid assessments shall be payable and shall be collected in each year corresponding in amount to the amount of interest which will accrue on the Bonds outstanding for such year, which amount shall be sufficient to pay the interest thereon that shall become due on the next succeeding March 2 and September 2. The annual proportion of such assessments coming due in any year, together with the annual interest on such assessments, shall be payable in the same manner and at the same time and in the same installments as the general taxes on real property in the City are payable, and such assessment installments and the annual interest on such assessments shall be payable and become delinquent on the same dates and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in the City.

The Council hereby covenants with the registered owners of the Bonds that if and so long as the Bonds are not subject to the Teeter Plan for the County of Sacramento, it will review the records of the County of Sacramento by November 1 of each calendar year and, if it determines on the basis of such review that any assessment, or installment thereof, including any interest thereon, was not paid when due in the prior Fiscal Year, it will order and cause to be commenced by December 1 of each calendar year, and thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquent assessment or installment thereof and interest thereon against (i) any parcel in the assessment district for which the delinquent assessment in the immediately preceding Fiscal Year exceeded \$1,000; (ii) any parcels in the assessment

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

district owned by the same property owner for which the aggregate delinquent assessments on all such parcels in the immediately preceding Fiscal Year exceeded \$1,000; and (iii) all parcels in the assessment district having delinquent assessments in the immediately preceding Fiscal Year (regardless of the amount of such delinquency) if the aggregate amount of delinquencies in the assessment district in the immediately preceding Fiscal Year exceeded five per cent (5%) of the total amount actually levied on all parcels in the assessment district in such Fiscal Year.

Section 9. There is hereby created and established a fund to be known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Redemption Fund (the "Redemption Fund"), which fund shall be kept by the City Treasurer and shall constitute a trust fund for the benefit of the registered owners of the Bonds, and all sums received by the City which are received from the collection of such assessments (except for those amounts allocable to administrative expenses) and of the interest and penalties thereon shall upon receipt be deposited in the Redemption Fund. All sums to become due for the payment of the principal of and the interest on the Bonds shall be withdrawn from said fund and transferred to the Paying Agent for use for the payment of the principal of and the interest on the Bonds, and the Bonds and the interest thereon shall not be paid out of any other funds; provided, that in lieu of the payment of Bonds at maturity or redemption, any money in the Redemption Fund may be used and withdrawn by the City for the purchase of any outstanding Bonds (at public or private sale) as and when and at such prices (including brokerage and other charges) as the City may determine, but in no event may any Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

the date of purchase. Any surplus remaining in the Redemption Fund on September 3 in each year shall be retained in the Redemption Fund; provided, that after the payment in full of all Bonds and the interest thereon, any balance in the Redemption Fund shall be applied as directed by the City. All money in the Redemption Fund shall be invested in any lawful investments of City funds maturing not later than the date on which such money is estimated to be required for disbursement as herein provided, and all interest earned on such investments shall be credited to such fund, except as otherwise required by Section 12 of this resolution.

Section 10. There is hereby created and established a fund to be known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Improvement Fund (the "Improvement Fund"), which fund shall be kept by the City Treasurer. All proceeds of the sale of the Bonds (together with all payments of such assessment now held by the City) shall be deposited by the City Treasurer in the Improvement Fund (except for the deposit required to be made in the Reserve Fund as provided in Section 11 of this resolution) and shall be kept separate and distinct from all other City funds. All money in the Improvement Fund shall be invested in any lawful investments of City money maturing not later than the date on which such money is estimated to be required for disbursement hereunder. All interest earned on such investments shall be credited to the Improvement Fund, except as otherwise required by Section 12 of this resolution. The money in the Improvement Fund shall be applied exclusively for the purpose of paying the cost of the acquisition and construction of the Improvements, including payment of the incidental expenses in connection with the acquisition and construction of the Improvements, and the payment of the

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

costs of issuance of the Bonds (including, but not limited to, fees of bond counsel, costs of printing the official statement for the Bonds, and administrative expenses and other charges of the City in connection with the issuance of the Bonds); provided, that after completion of the acquisition and construction of the Improvements and the payment of all claims from the Improvement Fund, any surplus money remaining in said fund (as determined by the Council), or such portion thereof as is allowed by law, shall be used as a credit on the assessment in accordance with the provisions of Section 10427.1 of the Streets and Highways Code or to maintain the Improvements, as determined by the Council. The Council hereby agrees and covenants with the registered owners of the Bonds that it will proceed in good faith to complete the acquisition and construction of the Improvements in a timely manner pursuant to the 1913 Act, reserving the right to make changes and modifications as permitted by the 1913 Act.

Section 11. There is hereby created and established a fund to be known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Reserve Fund (the "Reserve Fund"), which fund shall be kept by the Paying Agent and shall constitute a trust fund for the benefit of the registered owners of the Bonds. At the time of the issuance of the Bonds, the City Treasurer shall deposit in the Reserve Fund from the proceeds of the sale of the Bonds a sum of money equal to the maximum annual debt service on the Bonds or one hundred twenty-five per cent (125%) of the average annual debt service on the Bonds or six per cent (6%) of the original principal amount of the Bonds, whichever is the least (the "Reserve Requirement"), and all money in the Reserve Fund shall be

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

paid and transferred in the following amounts and at the following times and under the following circumstances:

(a) Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal of or interest on the Bonds, an amount necessary to satisfy such deficiency shall be transferred by the Paying Agent from the Reserve Fund to the Redemption Fund, and the City agrees and covenants that if such insufficiency was caused by delinquent payment of installments of assessments, then an amount equal to the amount so transferred shall be reimbursed and deposited by the City Treasurer in the Reserve Fund from the proceeds of redemption or sale of the parcel in respect of which payment of installments of assessments was delinquent.

(b) In the event any unpaid assessments are paid in cash prior to their final due date, the Paying Agent shall (upon direction of the City Treasurer) transfer from the Reserve Fund to the Redemption Fund an amount equal to the ratio of the amount then contained in the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds multiplied by the reduction in said assessments.

(c) Whenever the balance in the Reserve Fund is sufficient to retire all the remaining outstanding Bonds, the Paying Agent shall (upon direction of the City Treasurer) transfer the balance in the Reserve Fund to the Redemption Fund and the City shall cease the collection of the assessments, and in such case, the City Treasurer shall credit such balance against the unpaid assessments in the manner set forth in the 1915 Act, with the amount apportioned to each unpaid assessment credited against the last unpaid assessment installment;

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

and if the amount apportioned to each parcel exceeds the amount of said last installment, then such excess shall be credited against the next preceding unpaid assessment installment or installments until exhausted. In the event that the balance in the Reserve Fund at the time of such transfer exceeds the amount required to retire all outstanding Bonds, then such excess shall be returned by the Paying Agent to the City Treasurer who shall apportion such excess to each parcel upon which an individual assessment remained unpaid at the time the balance in the Reserve Fund was sufficient to retire all outstanding Bonds, and such payments shall be made by the City Treasurer in cash to the respective owners of the parcels, except that if such excess is not greater than one thousand dollars (\$1,000), such excess may be transferred to the General Fund of the City.

All money in the Reserve Fund shall be invested in direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) maturing not later than five (5) years from the date of purchase. All interest earned on such investments shall be credited to the Reserve Fund, so long as the amount in said fund does not exceed an amount equal to the Reserve Requirement, but if at any time the amount of money in the Reserve Fund shall accumulate to an amount which exceeds the Reserve Requirement, such excess shall be credited by the City Treasurer upon the unpaid assessments in the manner set forth in the 1915 Act, except in either case as otherwise required by Section 12 of this resolution.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

Section 12. The City will not take or omit to take any action that would cause the interest on the Bonds to be included in gross income for federal income tax purposes.

Without limiting the generality of the foregoing:

(a) The City will not directly or indirectly use or allow the use of more than ten per cent (10%) of the proceeds of the Bonds in the trade or business of any nongovernmental persons, and the City will not allow any actions to be taken that would result in the Bonds being treated as federally guaranteed pursuant to Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code"); and

(b) The City will not directly or indirectly use or allow the use of the proceeds of the Bonds in a manner that would cause the Bonds to be arbitrage bonds described in Section 148 of the Code, and in particular, the City will not invest or allow the investment of proceeds of the Bonds in investments with a yield materially higher than the yield on the Bonds except as described in the Tax Certificate executed in connection with the issuance of the Bonds. In addition, the City will pay from time to time all amounts required to be rebated to the United States Government pursuant to Section 148(f) of the Code.

Section 13. The form of the Bond Purchase Contract (the "Bond Purchase Contract") providing for the sale of the Bonds proposed to be entered into between Stone & Youngberg (the "Underwriter") and the City, presented to this meeting and on file with the City Clerk, is hereby approved, and the City Treasurer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Underwriter the Bond Purchase Contract in substantially said form (which Bond Purchase Contract shall specify the maturity

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

schedule and the interest rates and the mandatory redemption provisions (if any) for the Bonds), with such changes thereto as the City Treasurer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the Bonds shall bear interest at a true interest cost of not to exceed six and one-half per cent (6.50%) (with no single coupon interest rate in excess of twelve per cent (12%) per annum), and the underwriter's discount for the purchase of the Bonds shall be not more than eleven and one-half per cent (11.50%) of the principal amount of the Bonds.

Section 14. The Official Statement in preliminary form relating to the Bonds (the "Official Statement"), presented to this meeting and on file with the City Clerk, is hereby approved, and the City Treasurer is hereby authorized and directed to approve the distribution of the Official Statement in preliminary form and to certify on behalf of the City that the Official Statement in preliminary form has been "deemed final" by the City pursuant to Rule 15c2-12 of the Securities and Exchange Commission, and the City Treasurer is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Underwriter the Official Statement in final form, with such changes as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, and the Underwriter is hereby authorized to distribute copies of the Official Statement to persons who may be interested in the purchase of the Bonds, including all purchasers of the Bonds.

Section 15. The City Treasurer is directed to cause the Bonds to be lithographed, printed or engraved, and to cause the blank spaces thereof to be filled in to comply with the provisions hereof, and to procure their execution by the proper officers, and thereafter to

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

deliver them, when so executed, to the Paying Agent at its corporate trust office in San Francisco, California, who shall authenticate them, and thereafter to deliver them to the purchaser thereof on receipt by the City of the purchase price thereof. The City Treasurer and the City Clerk are further authorized and directed to make, execute and deliver to the purchaser of the Bonds a signature certificate in the form customarily required by purchasers of municipal bonds, certifying to the genuineness and due execution of the Bonds, and the City Treasurer is authorized and directed to make, execute and deliver to the purchaser of the Bonds a no-litigation certificate in the form customarily required by purchasers of municipal bonds, certifying to all facts within his knowledge relative to any litigation which may or might affect the City or said officers or the Bonds, and the City Treasurer is further authorized and directed to make, execute and deliver to the purchaser of the Bonds a receipt in the form customarily required by purchasers of municipal bonds, evidencing the payment of the purchase price of the Bonds, which receipt shall be conclusive evidence that said purchase price has been paid and has been received by the City. Any purchaser or subsequent taker or holder of the Bonds is hereby authorized to rely upon and shall be justified in relying upon such signature certificate, such no-litigation certificate and such receipt with respect to the Bonds executed, sold and delivered pursuant to the authority of this resolution.

Section 16. The City Clerk is hereby authorized and directed to file a certified copy of this resolution with the Director of Finance.

Section 17. 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 and

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

contracts which they may deem necessary or advisable in order to consummate the sale, execution and delivery of the Bonds and otherwise to carry out, give effect to and comply with the terms and intent of this resolution and the Bonds; and any such actions heretofore taken by such officers in connection therewith are hereby ratified, confirmed and approved.

Section 18. This resolution shall take effect immediately upon its passage and approval.

APPROVED:

Mayor of the City of Sacramento

ATTEST:

City Clerk of the City of Sacramento

[SEAL]

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

EXHIBIT A

DESCRIPTION OF STREET LIGHTING IMPROVEMENTS

The improvements which are subject of this report are briefly described as follows:

The construction and installation of a complete high pressure sodium ornamental street lighting system together with all necessary appurtenances thereto on L St. from 22nd St. to 23rd St.; on 22nd St. from L St. to 210' south of centerline of 22nd St. and N St; on N St. from 22nd St. to 24th St; on O St. from 22nd St. to 24th St; on 23rd St from N St. to 210' south of centerline of 23rd St. and O St; on 24th St. from 210' south of centerline of 24th St. and L St to Capitol Ave; on 24th St from N St. to 210' south of centerline of 24th St. and O St; on Capitol Ave. from 24th St. to 26th St.; on 25th St. from Capitol Ave. to P St.; on N St. from 24th St. to 26th St.; on O St. from 24th St. to 25th St.; on 26th St. from N St. to O St.

FOR CITY CLERK USE ONLY

2004-165

RESOLUTION NO.:

DATE ADOPTED:

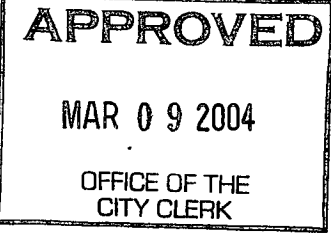
MAR 9 2004

37

RESOLUTION NO. 2004-166

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



RESOLUTION AMENDING THE FISCAL YEAR 04 CAPITAL IMPROVEMENT
PROGRAM BUDGET FOR TWO MIDTOWN STREET LIGHTING PROJECTS
(SM72/SM73)

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

1. The Midtown Street Lighting Assessment District No. 2003-05 (PN: SM72/SM73) is hereby amended to reflect the appropriations, as outlined on Exhibit A to this Resolution, herein incorporated, and will be supported by revenue from the sale of Limited Obligation Improvement Bonds, cash prepayment from property owners, General Fund Streetlight Match Program, and Jobs-Housing Balance Incentive Grant.
2. All Cost of Issuance expenditures for the bond proceeds must have written approval from the Office of the City Treasurer prior to final payment.
3. The City Treasurer is hereby authorized to modify the CIP budgets (SM72/SM73) for the bond funds as may be required after final pricing and sale of the bonds.
4. The Fiscal Year 03/04 Capital Improvement Program budget is amended as follows:

Jobs Housing Balance Grant (Fund 512)	(\$205,000)
SM72	\$102,500
SM73	\$102,500

APPROVED:

Mayor of the City of Sacramento

[Seal]

ATTEST:

City Clerk of the City of Sacramento

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO. 2004-167

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____



**RESOLUTION APPROVING PLANS AND SPECIFICATIONS, ACCEPTANCE OF
LOW BID, AND AUTHORIZING THE CITY MANAGER TO SIGN AND EXECUTE A
CONTRACT WITH TIM PAXIN'S PACIFIC EXCAVATION FOR THE MIDTOWN
STREET LIGHT INSTALLATION (PN: SM72/SM73)**

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS
FOLLOWS:**

1. Approve plans and specifications;
2. Accept second low bid of Tim Paxin's Pacific Excavation in the amount of \$392,680; and
3. Authorize the City Manager to execute a contract for the Midtown Street Lighting Project (PN:SM72/SM73) contingent upon the successful close and receipt of bond proceeds from Midtown Street Lighting Assessment District No. 2003-05.

APPROVED:

Mayor of the City of Sacramento

[Seal]

ATTEST:

City Clerk of the City of Sacramento

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

PRELIMINARY OFFICIAL STATEMENT DATED MARCH __, 2004**NEW ISSUE - FULL BOOK-ENTRY****NOT RATED**

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other federal or state tax consequences caused by the ownership of disposition of, or accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

\$295,000*

**CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS**

Dated: Date of Delivery**Due: September 2, as shown on inside cover****Authority for Issuance**

The bonds captioned above (the "Bonds") are being issued by the City of Sacramento (the "City") under the Improvement Bond Act of 1915 (Division 10, California Streets and Highways Code), and a Resolution of the City Council of the City (the "City Council") adopted on March 9, 2004 (the "Resolution"). All of the proceedings of the City undertaken to form the Midtown Street Lighting Assessment District No. 2003-05 (the "District") and to levy the assessments on property within the District (the "Assessments") were undertaken under the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code). See "THE BONDS - Authority for Issuance."

Purposes

The Bonds are being issued (i) to finance the acquisition and construction by the City of certain street lighting improvements (collectively, the "Improvements") within the District, (ii) to make a deposit into a debt service reserve fund for the Bonds, and (iii) to pay certain costs of issuing the Bonds. See "FINANCING PLAN."

Security

The Bonds are issued upon and secured by the unpaid Assessments levied on parcels within the District. Under the 1915 Act, Assessment installments of principal and interest sufficient to meet annual debt service on the Bonds are to be included on the regular county tax bills sent to owners of property against which there are unpaid Assessments. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the City and used to pay debt service on the Bonds as it becomes due. To provide funds for payment of the Bonds and the interest thereon as a result of delinquent installments, the City will establish a Reserve Fund from Bond proceeds, as described herein. See "SECURITY FOR THE BONDS." The paying agent for the Bonds is U.S. Bank National Association (the "Paying Agent").

Interest Payments

Interest with respect to the Bonds will be payable to the registered owners of the Bonds on March 2, 2005, and thereafter semiannually on March 2 and September 2 of each year, until and at the respective maturity dates of the Bonds. See "THE BONDS - General Bond Terms."

Book Entry; Denominations

Initial purchases of beneficial interests in the Bonds will be made in book-entry form and the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Initial Bond denominations are \$5,000 and any integral multiple of \$5,000 (not exceeding the principal amount of Bonds maturing at one time). Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds and will not be paid directly by the Paying Agent. See "THE BONDS - Book-Entry System" herein.

The District

The Assessments were originally levied upon 199 residential parcels in the District, the Assessments against 59 of which were prepaid during the cash payment period, leaving 140 parcels with unpaid Assessments securing the Bonds. See "THE DISTRICT."

Early Redemption

The Bonds are subject to optional and mandatory redemption as more fully described herein. Transfers of property ownership and other similar circumstances could result in prepayment of all or part of the Assessments. Such prepayment would result in redemption of a portion of the Bonds prior to their stated maturities. See "THE BONDS - Redemption."

THE BONDS ARE LIMITED OBLIGATION IMPROVEMENT BONDS AND ARE SECURED SOLELY BY THE ASSESSMENTS AND THE AMOUNTS IN THE REDEMPTION FUND AND THE RESERVE FUND. THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY, THE COUNTY OF SACRAMENTO (THE "COUNTY"), OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING INFORMATION UNDER THE HEADING "SPECIAL RISK FACTORS," SHOULD BE READ IN ITS ENTIRETY.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

**MATURITY SCHEDULE
(See inside cover)**

The Bonds are being offered when, as, and if issued by the City and received by the Underwriter, subject to prior sale and to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, and the approval of certain matters for the City by the City Attorney of the City of Sacramento. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California. It is expected that the Bonds in book-entry form will be available for delivery in New York, New York, on or about _____, 2004.

STONE & YOUNGBERG LLC

The date of this Official Statement is: _____, 2004

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE*

\$ _____ Serial Bonds
(Base CUSIP†: _____)

<u>Maturity</u> <u>(September 2)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP†</u>	<u>Maturity</u> <u>(September 2)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP†</u>
---	-----------------------------------	--------------------------------	--------------	---------------	---	-----------------------------------	--------------------------------	--------------	---------------

\$ ____ % Term Bond due September 2, 20__, Price: ____ % CUSIP† No. ____

† Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

* Preliminary; subject to change

CITY OF SACRAMENTO

CITY COUNCIL

Heather Fargo, Mayor
Ray Tretheway, Councilmember, District 1
Sandy Sheedy, Councilmember, District 2
Steve Cohn, Councilmember, District 3
Jimmie R. Yee, Councilmember, District 4
Lauren Hammond, Councilmember, District 5
Dave Jones, Councilmember, District 6
Robbie Waters, Councilmember, District 7
Bonnie J. Pannell, Councilmember, District 8

CITY STAFF

Thomas P. Friery, City Treasurer
Robert P. Thomas, City Manager
Samuel L. Jackson, Esq., City Attorney
Shirley Concolino, City Clerk
Thomas V. Lee, Deputy City Manager/Interim Director of Public Works

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Underwriter's Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Paying Agent

U.S. Bank National Association
San Francisco, California, and St. Paul, Minnesota

Assessment Engineer

City of Sacramento Department of Public Works
Sacramento, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement shall not be construed as a contract with the purchasers of the Bonds.

No Unauthorized Representations. No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

No Unlawful Offers or Sales. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Involvement of Underwriter. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Information Subject to Change. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the City or the District since the date hereof.

Summaries. All summaries of provisions of the Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

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

NO REGISTRATION. THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TABLE OF CONTENTS

INTRODUCTION	1	PROPERTY OWNERSHIP	14
THE FINANCING PLAN	3	VALUE OF PROPERTY IN THE DISTRICT	14
THE IMPROVEMENTS	3	DIRECT AND OVERLAPPING GOVERNMENTAL	
ESTIMATED SOURCES AND USES OF FUNDS	4	OBLIGATIONS	15
THE BONDS	5	SPECIAL RISK FACTORS	16
AUTHORITY FOR ISSUANCE	5	GENERAL	16
GENERAL BOND TERMS	5	COLLECTION OF THE ASSESSMENT	17
DEBT SERVICE SCHEDULE	6	OWNERS NOT OBLIGATED TO PAY BONDS OR	
REDEMPTION	7	ASSESSMENTS	17
IMPROVEMENT FUND	7	BANKRUPTCY AND FORECLOSURE DELAYS	18
REGISTRATION AND EXCHANGE	8	AVAILABILITY OF FUNDS TO PAY DELINQUENT	
SECURITY FOR THE BONDS	9	ASSESSMENT INSTALLMENTS	18
GENERAL	9	LIMITED OBLIGATION UPON DELINQUENCY	18
TEETER PLAN	9	ENVIRONMENTAL CONDITIONS THAT COULD AFFECT	
LIMITED OBLIGATION	10	FUTURE PARCEL VALUES	19
COVENANT TO COMMENCE SUPERIOR COURT		FUTURE OVERLAPPING INDEBTEDNESS	20
FORECLOSURE	10	NO ACCELERATION PROVISION	20
PRIORITY OF LIEN	11	PROPOSITION 218	20
REDEMPTION FUND	11	CONCLUDING INFORMATION	22
RESERVE FUND	12	ABSENCE OF MATERIAL LITIGATION	22
THE DISTRICT	14	TAX MATTERS	22
GENERAL DESCRIPTION AND LOCATION	14	APPROVAL OF LEGALITY	25
CASH PREPAYMENTS	14	UNDERWRITING	25

APPENDIX A	- Excerpts from Engineer's Report
APPENDIX B	- Unpaid Assessment List
APPENDIX C	- The City of Sacramento and the County of Sacramento
APPENDIX D	- Form of Bond Counsel Opinion
APPENDIX E	- Book-Entry System

OFFICIAL STATEMENT

\$295,000*
CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and attached appendices, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Purpose of Official Statement. The purpose of this Official Statement, which includes the cover page and attached appendices (the "Official Statement"), is to provide certain information concerning the sale and issuance of the bonds captioned above (the "Bonds") being issued by the City of Sacramento (the "City").

Authority for Issuance. The Bonds are issued under the Improvement Bond Act of 1915, being Division 10 of the California Streets and Highways Code (the "1915 Act"), and a Resolution (the "Resolution") approving the issuance of the Bonds adopted by the City Council of the City on March 9, 2004. All of the proceedings of the City undertaken to form the Midtown Street Lighting Assessment District No. 2003-05 (the "District") and to levy the assessments (the "Assessments") were undertaken under the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act"). See "THE BONDS – Authority for Issuance."

The District. The District, which is primarily residential and built out, comprises 199 parcels originally subject to the Assessment, of which 140 parcels have unpaid Assessments securing the Bonds. See "THE DISTRICT" for a description of the parcels, property owners and estimated value of the assessed property in the District.

Purpose of the Bonds. The proceeds of the Bonds will be used (i) to finance the acquisition and construction by the City of certain street lighting improvements (collectively, the "Improvements") within the District, (ii) to make a deposit into a debt service reserve fund for the Bonds, and (iii) to pay certain costs of issuing the Bonds. See "FINANCING PLAN."

* Preliminary; subject to change.

Security for the Bonds. The Bonds are issued upon and secured by the unpaid Assessments levied on parcels within the District. Under the 1915 Act, Assessment installments of principal and interest sufficient to meet annual debt service on the Bonds are to be included on the regular County of Sacramento (the "County") tax bills sent to owners of property against which there are unpaid Assessments. These annual Assessment installments are to be paid into the Redemption Fund, to be held by the City and used to pay debt service on the Bonds as it becomes due. The unpaid Assessments represent fixed liens on the parcels of land with unpaid Assessments, and failure to pay the Assessments could result in proceedings to foreclose title to the delinquent property. The Assessments do not constitute the personal indebtedness of the owners of assessed parcels and no proceedings to collect directly from an owner are permitted. See "SECURITY FOR THE BONDS." The paying agent for the Bonds is U.S. Bank National Association (the "Paying Agent").

Value of Property in the District. The 2003-04 Sacramento County assessed valuation of property in the District subject to the unpaid Assessments is approximately \$34.7 million. Based upon this assessed valuation and an aggregate principal amount of Bonds of \$295,000, the aggregate value-to-lien ratio for property in the District subject to unpaid Assessments exceeds 117 to 1. See "THE DISTRICT – Value to Lien Ratios."

Reserve Fund. The City will establish a Reserve Fund (the "Reserve Fund") with a portion of the proceeds of the Bonds, to be held by the Paying Agent. Amounts in the Reserve Fund will be transferred to the Redemption Fund to the extent of delinquencies in the payment of the Assessment installments. The Reserve Fund will be maintained from available Assessment payments, in an amount equal to the Reserve Requirement, as defined herein. See "SECURITY FOR THE BONDS – Reserve Fund."

Limited Obligation of the City. THE BONDS ARE LIMITED OBLIGATION IMPROVEMENT BONDS AND ARE SECURED SOLELY BY THE ASSESSMENTS AND THE AMOUNTS IN THE REDEMPTION FUND AND THE RESERVE FUND. THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY, THE COUNTY, OR THE STATE OF CALIFORNIA (THE "STATE") OR ANY POLITICAL SUBDIVISION OF THE STATE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.

Summary of Information. There follow brief descriptions of the Bonds, the District, the Improvements, the City, the Resolution, and certain other matters. Such descriptions and the discussions and information do not purport to be comprehensive or definitive, and are qualified in their entirety by references to the actual documents

THE FINANCING PLAN

The Improvements

The Improvement Project. The District has been formed and the Bonds are being issued to finance most of the cost of the construction and installation of the Improvements, which consist of a complete high pressure sodium ornamental street lighting system, together with all necessary appurtenances thereto. The Improvements are described in the Engineer's Report for the District (the "Engineer's Report") as follows:

The construction and installation of a complete high pressure sodium ornamental street lighting system together with all necessary appurtenances thereto on L St. from 22nd St. to 23rd St.; on 22nd St. from L St. to 210' south of centerline of 22nd St. and N St.; on N St. from 22nd St. to 24th St.; on O St. from 22nd St. to 24th St.; on 23rd St. from N St. to 210' south of centerline of 23rd St. and O St.; on 24th St. from 210' south of centerline of 24th St. and L St. to Capitol Ave.; on 24th St. from N St. to 210' south of centerline of 24th St. and O St.; on Capitol Ave. from 24th St. to 26th St.; on 25th St. from Capitol Ave. to P St.; on N St. from 24th St. to 26th St.; on O St. from 24th St. to 25th St.; on 26th St. from N St. to O St.

An excerpt from the Engineer's Report, including the Assessment Diagram, is attached as APPENDIX A.

Other Uses of Proceeds. Proceeds of the Bonds will also be used to make a deposit into a debt service reserve fund for the Bonds, and pay certain costs of issuing the Bonds, as set forth below.

Estimated Improvement Costs. The estimated sources of funds to construct the Improvements, and the estimated costs of the Improvements, are summarized as follows:

<u>Sources of Funds</u>	
Net Bond Proceeds [1]	\$148,943
City Contributions [2]	455,000
Prepaid Assessments	<u>136,184</u>
Total Sources:	\$740,127

<u>Uses of Funds</u>	
Material Acquisition	\$244,151
Construction Engineering	52,876
Improvements	392,680
Contingency	<u>50,420</u>
Total Improvement Costs	740,127

[1] Represents the proceeds of the Bonds net of the Underwriter's discount, Reserve Fund deposit and amounts estimated to be used to pay costs of issuance. See "— Estimated Sources and Uses of Funds" below.

[2] Includes City funds and State grant funds received by the City for the Improvements. Source: City of Sacramento.

Method of Assessment Spread. The objective of the assessment spread is to distribute costs over the area within the District in proportion to the special benefits that are derived by each parcel from the construction and installation of the Improvements. Under the Engineer's Report, the costs of the Improvements are assessed to each benefited parcel in proportion to the lineal feet of street lighting system constructed facing each parcel. Corner lots

that benefit from both sides will be assessed the same as a typical (40 by 80 foot) interior lot for the long side of the property. Up to an 80-foot credit will be given to each corner lot.

Construction of the Improvements. Construction of the Improvements is expected to be performed by Tom Paxin's Pacific Excavation, under a contract with the City resulting from a bidding process. Construction is expected to commence in April 2004 and to be complete within 8 months after commencement (including lead time for ordering materials). Following the issuance of the Bonds, all of the moneys in the Improvement Fund will be used to pay for the cost of the Improvements.

Estimated Sources and Uses of Funds

A summary of the estimated sources and uses of funds associated with the sale of the Bonds follows:

Estimated Sources of Funds:
Principal Amount of Bonds
Less: Underwriter's Discount
Total

Estimated Uses of Funds:
Deposit to Improvement Fund [1]
Deposit to Reserve Fund
Total

[1] Includes the payment of the costs of issuance of the Bonds, including (among other expenses) fees of Bond Counsel, costs of printing this Official Statement, administrative expenses of the City, and other charges of the City in connection with the issuance of the Bonds.

THE BONDS

Authority For Issuance

The Bonds are issued under the 1915 Act and the Resolution. The Bonds are issued upon and primarily secured by the unpaid Assessments, which are a lien against the parcels within the District against which they have been levied, together with interest thereon. See "SECURITY FOR THE BONDS."

In addition, as required by the 1913 Act, the City Council has taken the following actions with respect to establishing the District and authorizing issuance of the Bonds:

Resolution of Intention to Make Acquisitions and Improvements: On November 18, 2003, the City Council adopted Resolution No. 2003-806 declaring the intention of the City to acquire and construct the Improvements.

Resolution Preliminarily Approving Engineer's Report: On November 18, 2003, the City Council adopted Resolution No. 2003-807 declaring the City Council's preliminary approval of the Engineer's Report and taking related actions.

Resolution Adopting Amended Engineer's Report: On January 8, 2004, the City Council adopted Resolution No. 2004-013 adopting the Engineer's Report, as amended, confirming the Assessment, ordering the work and acquisitions and directing related actions.

Resolution Authorizing the Issuance of the Bonds: On March 9, 2004, the City Council adopted Resolution No. 2004-___ authorizing the issuance of the Bonds in the maximum principal amount of \$295,000.

General Bond Terms

Denominations and Maturity. The Bonds will be issued only as fully registered bonds without coupons, in denominations of \$5,000 or any integral multiple of \$5,000 (not exceeding the principal amount of Bonds maturing at any one time). The Bonds will be dated their date of original delivery, will be issued as serial bonds or term bonds (as shown on the inside cover page of this Official Statement), and will mature on the dates shown on the inside cover page of this Official Statement.

Interest. Interest with respect to the Bonds will be payable to the registered owners of the Bonds on March 2, 2005, and thereafter semiannually on March 2 and September 2 of each year (each, an "Interest Payment Date") until and at the respective maturity dates of the Bonds. The Bonds will bear interest at the rates set forth on the inside cover of this Official Statement.

The Bonds will bear interest from the Interest Payment Date next preceding the date of its authentication and registration, unless that date is on a day during the period from the 16th day of the month next preceding an Interest Payment Date to such Interest Payment Date, both days inclusive, in which event they will bear interest from such Interest Payment Date, or unless the date of authentication and registration is on a day on or before the 15th day of the month next preceding the first Interest Payment Date, in which event they will bear interest from their dated date.

Method of Payment. The interest on and the principal of and the redemption premiums, if any, on the Bonds are payable in lawful money of the United States of America by the Paying Agent at its corporate trust office in St. Paul, Minnesota. Payment of the interest on the Bonds

due on or before the maturity or prior redemption thereof will be made by check mailed on each Interest Payment Date to the registered owners of the Bonds as their names appear at the close of business as of the 15th day of the month next preceding each Interest Payment Date on the registration books maintained by the Paying Agent at its corporate trust office in San Francisco, California, and payment of the principal of and redemption premiums, if any, on the Bonds will be made only upon surrender thereof by the registered owners thereof on their maturity dates or on redemption prior to maturity at the corporate trust office of the Paying Agent in St. Paul, Minnesota.

Book-Entry Only System. The Bonds will be registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers under the book-entry system maintained by DTC. See "APPENDIX E – DTC and the Book-Entry Only System."

As long as Cede & Co. is the registered owner of the Bonds, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described in APPENDIX E.

Debt Service Schedule

The following table presents the debt service schedule for the Bonds, assuming no optional redemptions are made:

<u>Year Ending September 2</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2005		\$	\$
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			

Redemption

Optional Redemption. Any Bond may be optionally redeemed in whole or in part in integral multiples of \$5,000 on the second day of March or September in any year, at the option of the City, upon payment of the principal amount thereof and interest accrued thereon to the date of redemption, together with a redemption premium equal to the following percentages of such principal amount, namely:

<u>Redemption Dates</u>	<u>Redemption Premium</u>
On or before September 2, 20__	__%
On March 2, 20__ or September 2, 20__	__%
On March 2, 20__ or September 2, 20__	__%
On or after March 2, 20__	0%

The City will proceed under Part 11.1 of the 1915 Act in determining those Bonds or portions thereof to be redeemed and the manner of their redemption thereof. In addition, prior to September 2, 2013, the City may only redeem the Bonds required to be redeemed from landowner prepayments of assessments. Notice of redemption of any Bond shall be given by the City as provided in the 1915 Act.

Mandatory Sinking Fund Redemption. If any of the Bonds are issued as term bonds, minimum sinking fund account payments due on September 2 of each year during the term of such term Bonds funded from the collection of Assessments will be established at the time of sale of the Bonds by the City Treasurer for the mandatory redemption and payment of such term Bonds. These payments will become due during the years ending on the dates and in the amounts as thereby determined and set forth below (except that if any such term Bonds have been optionally redeemed under the Resolution, the amounts of the minimum sinking fund account payments allocable to such term Bonds will be reduced proportionately in integral multiples of \$5,000 by the principal amount of all such term Bonds so optionally redeemed).

<u>Sinking Fund Redemption Date (September 2)</u>	<u>Principal Amount</u>
---	-----------------------------

Improvement Fund

Establishment. Under the Resolution the City has established a fund known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Improvement Fund (the "Improvement Fund"). The Improvement Fund will be kept by the City Treasurer.

Deposits. All proceeds of the sale of the Bonds (together with all cash prepayments of the Assessments held by the City at the time the Bonds are issued) will be deposited by the City

* Preliminary; subject to change.

Treasurer in the Improvement Fund (except for the deposit required to be made in the Reserve Fund as provided in the Resolution) and will be kept separate and distinct from all other City funds.

Investment. All money in the Improvement Fund will be invested in any lawful investments of City money maturing not later than the date on which such money is estimated to be required for disbursement under the Resolution. All interest earned on such investments will be credited to the Improvement Fund, except as otherwise required by the covenants in the Resolution regarding the payment of rebate to the United States government.

Disbursement. The money in the Improvement Fund will be applied exclusively for the purpose of paying the cost of the acquisition and construction of the Improvements, including payment of the incidental expenses in connection with the acquisition and construction of the Improvements and the payment of the costs of issuance of the Bonds (including, but not limited to, fees of bond counsel, printing, administrative expenses of the City, and other charges of the City in connection with the issuance of the Bonds).

However, after completion of the acquisition and construction of the Improvements and the payment of all claims from the Improvement Fund, any surplus money remaining in the Improvement Fund (as determined by the City Council), or such portion thereof as is allowed by law, will be used as a credit on the Assessment in accordance with the provisions of Section 10427.1 of the Streets and Highways Code or to maintain the Improvements, as determined by the City Council.

Completion of Improvements. Under the Resolution the City Council has covenanted with the registered owners of the Bonds that it will proceed in good faith to complete the acquisition and construction of the Improvements in a timely manner under the 1913 Act, reserving the right to make changes and modifications as permitted by the 1913 Act.

Registration and Exchange

Registration. Bonds will be registered on the books of the Paying Agent only in the name of an individual (including joint owners), a corporation, a partnership or a trust.

Exchange. Any Bond is transferable by its registered owner, in person or by the registered owner's attorney duly authorized in writing, at the office of the Paying Agent, subject to the terms and conditions provided in the Resolution, including the payment of certain charges, if any, upon surrender and cancellation of that Bond accompanied by delivery of a duly executed written instrument of transfer in a form satisfactory to the Paying Agent. Upon such transfer, a new registered bond or bonds, of any authorized denomination or denominations, of the same maturity, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

Neither the City nor the Paying Agent is required to make such exchange or registration of transfer of bonds during the 15 days immediately preceding any Interest Payment Date.

SECURITY FOR THE BONDS

General

Lien of the Assessments. The Bonds are secured by a pledge of all of the unpaid Assessments and all moneys deposited in the Redemption Fund and the Reserve Fund established under the Resolution. The unpaid Assessments, together with interest thereon, will (in accordance with and consistent with the 1915 Act), remain and constitute a trust fund for the redemption and payment of the principal of the Bonds and for the interest due thereon, and the unpaid Assessments and each installment thereof and the interest and penalties thereon will constitute a lien against the lots and parcels of land on which they are made until paid.

Annual Collection of Assessment Installments. The County Director of Finance will annually make a record in his office showing the several installments of principal and interest on the Assessments that are to be collected for the forthcoming year during the term of the Bonds; and an annual installment of such Assessments will be payable and will be collected in each year corresponding in amount to the amount of Bonds unpaid and maturing or becoming subject to mandatory redemption in such year, which amount will be sufficient to pay the Bonds as they become due or as they become subject to mandatory redemption in such year. An annual installment of interest on such unpaid Assessments will be payable and will be collected in each year corresponding in amount to the amount of interest which will accrue on the Bonds outstanding for such year, which amount will be sufficient to pay the interest thereon that will become due on the next succeeding March 2 and September 2.

The annual proportion of such Assessments coming due in any year, together with the annual interest on such Assessments, will be payable in the same manner and at the same time and in the same installments as the general taxes on real property in the City are payable, and such Assessment installments and the annual interest on such Assessments will be payable and become delinquent on the same dates and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do general taxes on real property in the City.

Teeter Plan

Background. In June 1993, the Board of Supervisors of the County approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter plan became effective for each fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan the County purchased all delinquent receivables (comprising delinquent taxes, penalties, and interest) that had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts.

Distribution of Property Taxes under Teeter Plan. Under the Teeter Plan, the County distributes tax collections on a cash basis to taxing entities during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts (and individual parcels within each district) that the County determines are eligible to participate in the Teeter Plan. The County may make such eligibility determinations annually, and may exclude a district or individual parcel that had previously been included in the plan. The County has the discretion to

determine which delinquent assessments will be paid through the Teeter Plan on a case-by-case basis.

There can be no assurance that the County will decide that any given delinquent assessment is eligible for the Teeter Plan. If the County determines that delinquent Assessments are not eligible for the Teeter Plan, the City retains the authority to collect such delinquencies by way of informal collection efforts and judicial foreclosure actions.

Effect on Foreclosure Actions by the City. The City need not pursue foreclosure against any delinquent property for which it has received Assessment installments under the Teeter Plan. See "– Covenant to Commence Superior Court Foreclosure" below.

Typically, in September of each year, the County determines which delinquent assessments are eligible for payment under the Teeter Plan. Prior to this eligibility determination, the City may remove any delinquent parcels in the District from the County's delinquent secured tax roll in order to engage in collection efforts under the City's policies and foreclosure covenants.

If the City delays its removal of delinquent parcels in the District until after the County makes its determination of Teeter Plan eligibility, and the County determines that such parcels are not eligible for payment under the Teeter Plan, the City, in order to pursue its collection and foreclosure actions, will be obligated to pay the County sums representing processing fees, interest and penalties.

Limited Obligation

The Bonds are not secured by the general taxing power of the City, the County, or the State or any political subdivision of the State, and neither the City, the County, the State nor any political subdivision of the State has pledged its faith and credit for the payment thereof.

Although the unpaid Assessments constitute fixed liens on the parcels assessed, they do not constitute the personal indebtedness of the owners of those parcels. Furthermore, there can be no assurance as to the ability or the willingness of such owners to pay the unpaid Assessments. In addition, there can be no assurance that any present owners will continue to own their respective parcels in the District.

The City Council has declared and determined in the Resolution that it does not and will not obligate itself to advance funds from the City treasury to cure any deficiency that may occur at any time in the Redemption Fund.

Covenant to Commence Superior Court Foreclosure

Under the Resolution the City Council has covenanted with the registered owners of the Bonds that, if and so long as the Bonds are not subject to the County's procedure for distribution of assessments under the Teeter Plan (see "– Teeter Plan" above), it will review the records of the County by November 1 of each calendar year and, if it determines on the basis of such review that any Assessment, or installment thereof, including any interest thereon, was not paid when due in the prior Fiscal Year, it will order and cause to be commenced by December 1 of each calendar year, and thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquent assessment or installment thereof and interest thereon against the following categories delinquent parcels:

(i) any parcel in the District for which the delinquent Assessment in the immediately preceding Fiscal Year exceeded \$1,000;

(ii) any parcels in the District owned by the same owner for which the aggregate delinquent Assessments in the immediately preceding Fiscal Year exceeded \$1,000; and

(iii) all parcels in the District having delinquent Assessments in the immediately preceding Fiscal Year (regardless of the amount of such delinquency) if the aggregate amount of delinquencies in the District in the immediately preceding Fiscal Year exceeded 5% of the total amount actually levied on all parcels in the District in such Fiscal Year.

Priority of Lien

The lien of the Assessments is subordinate to all fixed special assessment liens previously imposed upon the parcels in the District, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the parcels in the District. This lien is co-equal to and independent of the lien for general property taxes and special taxes, including, without limitation, special taxes levied under the Mello-Roos Community Facilities Act of 1982 (being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California), whenever created against the property.

Redemption Fund

Establishment. Under the Resolution the City has established a fund known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Redemption Fund (the "Redemption Fund"). The Redemption Fund will be kept by the City Treasurer and constitute a trust fund for the benefit of the registered owners of the Bonds.

Deposits. All sums received by the City from the collection of the Assessments (except for those amounts allocable to administrative expenses) and of the interest and penalties thereon will, upon receipt, be deposited in the Redemption Fund.

Disbursements. All sums to become due for the payment of the principal of and the interest on the Bonds will be withdrawn from the Redemption Fund and transferred to the Paying Agent for use for the payment of the principal of and the interest on the Bonds, and the Bonds and the interest thereon will not be paid out of any other funds.

However, in lieu of the payment of Bonds at maturity or redemption, any money in the Redemption Fund may be used and withdrawn by the City for the purchase of any outstanding Bonds (at public or private sale) as and when and at such prices (including brokerage and other charges) as the City may determine, but in no event may any Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Any surplus remaining in the Redemption Fund on September 3 in each year will be retained in the Redemption Fund; provided, that after the payment in full of all Bonds and the interest thereon, any balance in the Redemption Fund will be applied as directed by the City.

Investment. All money in the Redemption Fund will be invested in any lawful investments of City funds maturing not later than the date on which such money is estimated to be required for disbursement as provided in the Resolution, and all interest earned on such investments will be credited to the Redemption Fund, except as otherwise required by the covenants in the Resolution regarding the payment of rebate to the United States government.

Reserve Fund

Establishment. Under the Resolution the City has established a fund known as the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds Reserve Fund (the "Reserve Fund"). The Reserve Fund will be kept by the Paying Agent and constitutes a trust fund for the benefit of the registered owners of the Bonds.

Deposits. At the time of the issuance of the Bonds, the City Treasurer will deposit in the Reserve Fund from the proceeds of the sale of the Bonds a sum of money equal to the least of the following (the "Reserve Requirement"):

- (i) the maximum annual debt service on the Bonds, or
- (ii) 125% of the average annual debt service on the Bonds, or
- (iii) 6% of the original principal amount of the Bonds.

Disbursements. All money in the Reserve Fund will be paid and transferred in the following amounts and at the following times and under the following circumstances:

(a) Whenever there are insufficient funds in the Redemption Fund to meet the next maturing installment of principal of and/or interest on the Bonds, an amount necessary to satisfy such deficiency will be transferred by the Paying Agent from the Reserve Fund to the Redemption Fund, and the City agrees and covenants in the Resolution that if such insufficiency was caused by delinquent payment of installments of Assessments, then an amount equal to the amount so transferred will be reimbursed and deposited by the City Treasurer in the Reserve Fund from the proceeds of redemption or sale of the parcel in respect of which payment of installments of assessments was delinquent.

(b) If any unpaid assessments are paid in cash prior to their final due date, the Paying Agent will (upon direction of the City Treasurer) transfer from the Reserve Fund to the Redemption Fund an amount equal to the ratio of the amount then contained in the Reserve Fund to the total amount originally assessed in the proceedings for the Bonds multiplied by the reduction in the Assessments.

(c) Whenever the balance in the Reserve Fund is sufficient to retire all the remaining outstanding Bonds, the Paying Agent will (upon direction of the City Treasurer) transfer the balance in the Reserve Fund to the Redemption Fund, and the City will cease the collection of the assessments. In such case, the City Treasurer will credit such balance against the unpaid assessments in the manner set forth in the 1915 Act, with the amount apportioned to each unpaid Assessment credited against the last unpaid Assessment installment. If the amount apportioned to each parcel exceeds the amount of the last installment, then such excess will be credited against the next preceding unpaid Assessment installment or installments until exhausted. If the balance in the Reserve Fund at the time of such transfer exceeds the amount required to retire all outstanding Bonds, then the Paying Agent will return such excess to the City Treasurer, who will apportion the excess to each parcel upon which an individual Assessment remained unpaid at the time the balance in the Reserve Fund was sufficient to retire all outstanding Bonds, and such payments will be made by the City Treasurer in cash to the respective owners of the parcels, except that if such excess is not greater than \$1,000, such excess may be transferred to the General Fund of the City.

Investment. All money in the Reserve Fund will be invested in direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) maturing not later than 5 years from the date of purchase. All interest earned on such investments will be credited to the Reserve Fund, so long as the amount in the Reserve Fund does not exceed an amount equal to the Reserve Requirement, but if at any time the amount of money in the Reserve Fund accumulates to an amount that exceeds the Reserve Requirement, such excess will be credited by the City Treasurer upon the unpaid assessments in the manner set forth in the 1915 Act; except in either case as otherwise required by the covenants in the Resolution regarding the payment of rebate to the United States government.

THE DISTRICT

General Description and Location

The District is located in the central portion of the City, approximately 8 blocks east of Capitol Park in the City's downtown area. The District is primarily residential, with a number of local retailers and restaurants nearby.

For additional information about the City and the County, see "APPENDIX C – The City of Sacramento and the County of Sacramento." The boundary map of the District is included in the excerpts from the Engineer's Report attached as APPENDIX A.

The District contains 199 parcels that were originally subject to the lien of the Assessment (a number of which have prepaid their respective Assessments, as discussed below). Property in the District is fully built out, and ownership is well diversified.

Cash Prepayments

The statutory cash collection period for the District began on January 9, 2004 and ended on February 9, 2004. As of the end of the cash collection period, the Assessments with respect to 59 parcels in the District were prepaid, leaving 140 parcels with unpaid Assessments. The amounts in the tables below are based on the net outstanding Assessment amount as of February 9, 2004, which is \$295,194.60 (i.e., the full amount of the Assessment as originally levied (\$452,855.43), less cash prepayments of \$136,183.74, and less a credit of \$21,477.09 representing a proportionate reduction in ancillary Bond costs (including the reserve fund deposit and Underwriter's discount) resulting from the cash prepayments). The Bonds are secured only by the unpaid Assessments levied within the District.

Although the net outstanding Assessment amount is \$295,194.60, the Bonds have been sized in the principal amount of \$295,000, with the remaining amount of \$194.60 to be paid from the contingency contained in the costs of issuance portion of the Improvement Fund deposit to be made at Closing.

Property Ownership

The ownership of the property in the District is well diversified, and primarily consists of single-family homeowners. The 140 parcels in the District with unpaid Assessments are owned by 123 different property owners. The ten largest owners of property with unpaid Assessments represent approximately 20% of the Fiscal Year 2003-04 assessed valuation of the property in the District with unpaid Assessments.

Neither the Bonds nor the Assessments are personal obligations of any person or entity owning property within the District or having any interest in such property at the present time or at any time in the future, including the homeowners. An owner of land in the District can elect at any time to not pay Assessments and allow the property to be foreclosed and in doing so, such owner will incur no personal liability for the Assessments.

Value of Property in the District

Assessed Valuation. The valuation of real property in the City is established by the County Assessor. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. Article XIII A of the California Constitution defines "full cash value" as the appraised value as of March 1, 1975, plus adjustments not to exceed 2% per year to reflect inflation, and requires assessment of "full cash value" upon

change of ownership or new construction. Accordingly, the gross assessed valuation presented in this Official Statement may not necessarily be representative of the actual market value of certain property in the District.

General Information Regarding Value-to-Lien Ratios. The value-to-lien ratio on bonds secured by assessments will generally vary over the life of such bonds as a result of changes in the value of the property which is security for the assessments and the principal amount of the bonds.

In comparing the aggregate assessed value of the real property within the District and the principal amount of the Bonds, it should be noted that only real property upon which there is a delinquent assessment can be foreclosed, and the real property within the District cannot be foreclosed upon as a whole to pay delinquent assessments unless all of the real property within the District is subject to a delinquent assessment. In any event, individual parcels may be foreclosed upon to pay delinquent installments of the assessments levied against such parcels. The principal amount of the Bonds is not allocated pro-rata among the parcels within the District; rather, the total assessment for the District has been allocated among the parcels within the District according to the method of assessment apportionment shown in the Assessment Report. The value to lien ratio does not include the liens of special taxes and other assessments affecting property in the District. See "SECURITY FOR THE BONDS – Priority of Lien."

Economic and other factors beyond the property owners' control, such as economic recession, deflation of land values, financial difficulty or bankruptcy by one or more property owners, or the complete or partial destruction of taxable property caused by, among other possibilities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District. See "SPECIAL RISK FACTORS – Environmental Conditions that Could Affect Future Parcel Values."

Ranges of Value-to-Lien Ratios. The following value-to-lien ratios are comparisons between Assessments on parcels as they are configured for the current and future tax years. The amounts in this table are based on the full amount of the Assessment as originally levied, less the cash prepayments received by the City.

TABLE 1
Value to Lien Ratios
Fiscal Year 2003-04

Value to Lien Category	Number of Parcels	2003-04 Assessed Valuation	Amount of Assessment	Percent of Total Assessment	Average Value to Lien Ratio
Greater than 200:1	22	\$12,018,912	\$46,036	16%	264.83:1
Greater than 100:1 but Less than 200:1	48	13,304,403	95,166	32	141.31:1
Greater than 75:1 but Less than 100:1	27	4,348,133	49,742	17	87.01:1
Greater than 50:1 but Less than 75:1	23	3,679,074	61,381	21	59.85:1
Greater than 25:1 but Less than 50:1	14	1,206,279	32,034	11	38.11:1
Greater than 10:1 but Less than 25:1	6	204,792	10,837	4	18.68:1
Less than 10:1	-0-	n/a	n/a	n/a	n/a
Totals:	140	\$34,761,593	\$295,195	100%	117.76:1

Source: City of Sacramento.

Direct and Overlapping Governmental Obligations

Other public agencies whose boundaries overlap those of the District could, without the consent of the City and in certain cases without the consent of the owners of the land within the

District, impose additional taxes or assessment liens on the land within the District. The purpose would be to finance additional regional or local public improvements or services. The lien created on the land within the District through the levy of such additional taxes or assessments may be on a parity with the lien of the Assessment. See "SECURITY FOR THE BONDS - Priority of Lien."

As of the date of this Official Statement, a number of overlapping districts exist with liens on all or portions of the property in the District, but none of those liens secure outstanding bonded debt.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

General

Under the 1913 Act, Assessment installments, from which funds for the payment of annual installments of principal of and interest on the Bonds are derived, will be billed to properties against which there are unpaid Assessments on the regular property tax bills sent to owners of such properties. Such Assessment installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. Assessment installments billed will be in aggregate amounts equal to debt service on the Bonds. See "SECURITY FOR THE BONDS."

Payments of Assessment installments made by the owners of parcels will be applied on a pro-rata basis to all Bonds for which the Assessment installments are due and could result in a lesser amount being applied to the Bonds if the amount paid by the property owners is less than the total Assessment installment. It should also be noted that the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and Assessment installment payments in the future.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of Assessments on land within the District are paid in a timely manner. Should the installments not be paid on time, the City has established a Reserve Fund from the proceeds of the Bonds to cover delinquencies. The Assessments are secured by a lien on the parcels within the District and the City has covenanted in certain circumstances to institute foreclosure proceedings to sell parcels with delinquent installments to cover such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay installments of Assessments when due, depletion of the Reserve Fund, delay in foreclosure proceedings, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of Assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds and Owners of the Bonds would therefore be adversely affected.

Collection of the Assessment

Collections. In order to pay debt service on the Bonds it is necessary that the Assessment be paid in a timely manner. Should the installments of Assessments not be paid on time, funds in the Reserve Fund and Redemption Fund may be utilized to pay debt service on the Bonds to the extent other funds are not available therefor.

The Assessments are to be collected in the same manner as ordinary ad valorem real property taxes are collected and, except as provided in the special covenant for foreclosure described herein and in the Act, are to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for ad valorem real property taxes. Under these procedures, if taxes are unpaid for a period of five years or more, the property may sold to recover amounts due.

Covenant to Foreclose. Under the 1915 Act, in the event of any delinquency in the payment of the Assessment occurs, the City may commence an action in superior court to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Such judicial foreclosure action is not mandatory. The City has covenanted to commence foreclosure actions under certain circumstances, and if and so long as the Bonds are not subject to the County's procedure for distribution of assessments under the Teeter Plan. See "SECURITY FOR THE BONDS – Covenant to Commence Foreclosure Proceedings" and "– Teeter Plan."

Amendments to the 1915 Act enacted in 1988 and effective January 1, 1989 provide that under certain circumstances property may be sold upon foreclosure at a lesser Minimum Price or without a Minimum Price. "Minimum Price" as used in the 1915 Act is the amount equal to the delinquent installments of principal or interest of the Assessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the 1915 Act. The court may authorize a sale at less than the Minimum Price if the court determines that sale at less than the Minimum Price will not result in an ultimate loss to the Owners of the Bonds, or, under certain circumstances, if holders of 75% or more of the outstanding Bonds consent to such sale.

Possibility of Foreclosure Delays. There can be no assurance that foreclosure proceedings will occur in a timely manner so as to avoid a delay in payments of debt service on the Bonds. The City has covenanted for the benefit of the owners of the Bonds that under certain circumstances, and if and so long as the Bonds are not subject to the County's procedure for distribution of assessments under the Teeter Plan, the City will commence an action in the superior court to foreclose the lien of the delinquent installments of the Assessment against each parcel of land in the District for which such installment has been billed but has not been paid, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale. If sales or foreclosures of property are necessary, there could be a delay in payments to holders of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the City of the proceeds of sale if the other sources of payment for the Bonds, as set forth in the Resolution, are depleted. See "SECURITY FOR THE BONDS – Covenant to Commence Foreclosure Proceedings" and "– Teeter Plan," and "SPECIAL RISK FACTORS - Bankruptcy and Foreclosure."

Owners Not Obligated to Pay Bonds or Assessments

Unpaid Assessments do not constitute a personal indebtedness of the owners of the parcels within the District and the owners have made no commitment to pay the principal of or interest on the Bonds or to support payment of the Bonds in any manner. There is no assurance that the owners have the ability to pay the Assessment installments or that, even if they have the

ability, they will choose to pay such installments. An owner may elect to not pay the Assessments when due and cannot be legally compelled to do so. If an owner decides that for any other reason it does not want to retain title to the property, such owner may choose not to pay Assessments and to allow the property to be foreclosed. Such a choice may be made due to a decrease in the market value of the property, or for other reasons.

A foreclosure of the property will result in such owner's interest in the property being transferred to another party. Neither the City nor any Owner of the Bonds will have the ability at any time to seek payment from the owners of property within the District of any Assessment or any principal or interest due on the Bonds, or the ability to control who becomes a subsequent owner of any property within the District.

Bankruptcy and Foreclosure Delays

Bankruptcy. The payment of Assessments and the ability of the City to foreclose the lien of a delinquent unpaid Assessment, as discussed in "SECURITY FOR THE BONDS - Covenant to Commence Foreclosure Proceedings," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to lengthy local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Assessments to become extinguished, bankruptcy of a property owner, or anyone else who claims an interest in the property, could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent Assessment installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

Availability of Funds to Pay Delinquent Assessment Installments

The City will establish a Reserve Fund to be held by the Paying Agent and deposit and maintain therein a portion of Bond proceeds in the amount required under the Resolution. There is no assurance that the balance in the Reserve Fund will be adequate to pay the debt service on the Bonds in the event of delinquent Assessment installments. If, during the period of delinquency, there are insufficient funds in the Reserve Fund to pay delinquent installments, a delay may occur in payments to the owners of the Bonds.

Limited Obligation upon Delinquency

As discussed in the section herein entitled "SECURITY FOR THE BONDS," if a delinquency occurs in the payment of any Assessment, the City has the duty to cause the transfer of the amount of such delinquent Assessment from the Reserve Fund into the Redemption Fund. If there are additional delinquencies after depletion of the Reserve Fund, the City has no direct or contingent liability for payment of the Bonds in the event of default in the payment of an Assessment installment, but has covenanted to commence judicial foreclosure actions under certain circumstances if and so long as the Bonds are not subject to the County's procedure for distribution of assessments under the Teeter plan. See "- Collection of the Assessment" above.

The City obligation to advance monies to pay Bond debt service in the event of delinquent Assessment installments will not exceed the balance in the Reserve Fund. During the period of

delinquency if there are insufficient funds in the Reserve Fund, a delay may occur in payments to Owners of the Bonds.

Environmental Conditions that Could Affect Future Parcel Values

The value of the parcels subject to unpaid Assessments is a critical factor in determining the investment quality of the Bonds. If a property owner defaults in the payment of the Assessments, the City's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Assessments. Land values could be adversely affected by economic and other factors beyond the City's control, such as a general economic downturn, shortages of water, electricity, natural gas or other utilities, destruction of property caused by earthquake, flood, wildfire or other natural disasters, environmental pollution or contamination, or unfavorable economic conditions.

The City has not evaluated any risks to the future assessed value of the parcels subject to unpaid Assessments, and the creation of the District and the issuance of the Bonds in no way implies that the City has evaluated these risks or the reasonableness of these risks.

The following is a discussion of specific risk factors that could affect the future value of the parcels subject to unpaid Assessments.

Natural Disasters. The value of the parcels subject to unpaid Assessments in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements and private improvements on the parcels subject to unpaid Assessments and the continued habitability and enjoyment of such private improvements. The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity such as earthquakes and liquefaction.

According to the Federal Emergency Management Agency Flood Insurance Rate Maps ("FIRMs") for the City of Sacramento dated July 6, 1998, as revised by a Letter of Map Revision effective May 22, 2000, the District is located within an area that is designated as "Zone A99," which is defined as an area to be protected from the 100-year flood by a Federal Flood Protection System under construction. Within the A99 zone there are no base flood elevations determined and no construction requirements to elevate or flood proof structures.

Other natural disasters could include, without limitation, landslides, floods, droughts or wildfires. One or more natural disasters could occur and could result in damage to improvements of varying seriousness. The damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost, or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances there could be significant delinquencies in the payment of the Assessments, and the value of the parcels subject to unpaid Assessments may well depreciate or disappear.

Hazardous Substances. While governmental taxes, assessments and charges are a common claim against the value of a taxed parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel within the District may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with

creating or handling the hazardous substance. The effect therefore, should any of the parcels within the District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it.

All of these possibilities could significantly affect the value of a property that is realizable upon a delinquency and foreclosure. Although the City is not aware that the owner (or operator) of any of the land within the District has such a current liability with respect to such land, the City has not undertaken any independent investigation into the existence of any such liabilities and it is possible that such liabilities do currently exist and that the City is not aware of them.

Future Overlapping Indebtedness

The ability of an owner of land within the District to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property subsequent to the date of issuance of the Bonds. In addition, other public agencies whose boundaries overlap those of the District could, without the consent of the City, and in certain cases without the consent of the owners of the land within the District, impose additional taxes or assessment liens on the property within the District to finance public improvements to be located inside of or outside of the District.

The Assessments and each installment thereof and any interest and penalties thereon constitute a lien against the parcels on which they were imposed until paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general taxes and any lien imposed under the Mello-Roos Community Facilities Act of 1982, as amended.

No Acceleration Provision

The Resolution does not contain a provision allowing for the acceleration of the principal of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Resolution.

Proposition 218

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Over past years, the voters have exercised this power through the adoption of Proposition 13 and similar measures, including the approval of Proposition 218 in the general election held on November 5, 1996.

Proposition 218 added Articles XIIC and XIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Proposition 218 states that all taxes imposed by local governments shall be deemed to be either general taxes or special taxes. Special purpose districts, including school districts, have no power to levy general taxes. No local government may impose, extend or increase any general tax unless and until such tax is submitted to the electorate and approved by a majority vote. No local government may impose, extend or increase any special tax unless and until such tax is submitted to the electorate and approved by a two-thirds vote.

Proposition 218 also provides that no tax, assessment, fee or charge shall be assessed by any agency upon any parcel of property or upon any person as an incident of property ownership except: (i) the ad valorem property tax imposed pursuant to Article XIII and Article XIII A of the California Constitution, (ii) any special tax receiving a two-third vote pursuant to the California Constitution, and (iii) assessments, fees and charges for property related services as provided in Proposition 218. Proposition 218 then goes on to add voter requirements for assessments and fees and charges imposed as an incident of property ownership, other than fees and charges for sewer, water, and refuse collection services.

Proposition 218 also removed any constitutional or other limitation on the exercise of the initiative power to reduce or repeal any local taxes, assessments, fees and charges. This provision with respect to the initiative power is not limited to taxes imposed on or after November 6, 1996, the effective date of Proposition 218, and could result in retroactive repeal or reduction in any existing taxes, assessments, fees and charges, subject to overriding federal constitutional principles relating to the impairments of contracts.

The foregoing discussion of Proposition 218 should not be considered an exhaustive or authoritative treatment of the issues. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity in this regard. Interim rulings, final decisions, legislative proposals and legislative enactments may all affect the impact of Proposition 218 on the Bonds as well as the market for the Bonds. Legislative and court calendar delays and other factors may prolong any uncertainty regarding the effects of Proposition 218.

The interpretation and application of Proposition 218 may ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

CONCLUDING INFORMATION

Absence of Material Litigation

Prior to the Closing, the City Attorney of the City of Sacramento will opine that, except as disclosed in this Official Statement or in Bond Counsel's legal opinion, the City has not been served with, or overtly threatened with, any legal or equitable action, suit, proceeding, or investigation that:

- (a) challenges the creation, organization, or existence of the City or the District;
- (b) challenges the validity of the Resolution, the Bonds, or the Bond Purchase Contract; or
- (c) seeks an order restraining or enjoining any of the transactions referred to in, or contemplated by, the Resolution, the Bonds, or the Bond Purchase Contract.

This opinion will be based solely on the City Attorney's current, actual knowledge after a reasonable investigation, which will not include a search of federal, state, or other court or forum records.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that such interest is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observe that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in APPENDIX D hereto, subject to the matters discussed below.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel express no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel are of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondowner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondowner or the Bondowner's other items of income or deduction. Bond Counsel express no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement

thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Proposed Regulations: Change in Form of Bond Counsel Opinion

The U.S. Department of the Treasury has proposed regulations, contained in Circular 230, governing the practice of attorneys and other tax advisors before the Internal Revenue Service. These proposed regulations classify all opinions regarding federal tax treatment of interest on state or local government bonds as tax shelter opinions and, consequently, subject to certain mandatory requirements applicable to tax shelter opinions. The proposed regulations provide that the final regulations will apply to opinions delivered on or after the date the final regulations are published in the Federal Register, which could occur in time to apply to the Bonds.

If the final regulations are adopted in their present form with an effective date that is applicable to Bond Counsel's opinion relating to the Bonds, Bond Counsel expects to deliver an opinion that contains the same overall conclusion regarding the exclusion of interest on the Bonds from federal gross income as described above but which differs from the form set forth in APPENDIX D in order to comply with the requirements of the new regulations. Among other largely technical changes Bond Counsel expects to add to the opinion a paragraph substantially similar to the following:

The opinion set forth herein with respect to federal income tax may not be sufficient for an owner of the Bonds to use for the purpose of avoiding penalties relating to a substantial understatement of income tax under section 6662(d) of the Internal Revenue Code of 1986. Owners of the Bonds should seek advice based on their individual circumstances with respect to any material federal tax issue relating to the Bonds from their own tax advisors. The federal tax opinion represents Bond Counsel's best judgment, based on the matters referred to herein, that there is no federal tax issue for which the Internal Revenue Service has a reasonable basis for a successful challenge and the resolution of which could have a significant adverse impact on the opinion regarding federal tax treatment of interest on the Bonds. Bond Counsel expects to be paid for this opinion and related services from proceeds of the Bonds.

There can be no assurance that the market value of the Bonds will not be adversely affected if the opinion of Bond Counsel delivered at the time of issuance of the Bonds includes language substantially similar to the language immediately above. In addition, there can be no assurance that final regulations will be promulgated with provisions that are similar to those included in the proposed regulations. Bond Counsel expects that its opinion will be delivered to conform with the requirements of the final regulations if applicable to Bond Counsel's opinion relating to the Bonds.

Approval of Legality

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in APPENDIX D hereto, subject to the matters discussed above. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

Certain matters will be passed upon for the City by the City Attorney of the City of Sacramento, and for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California.

Underwriting

Stone & Youngberg LLC (the "Underwriter") has agreed to purchase the Bonds (if and when issued) under at a purchase price of \$_____ (representing the aggregate principal amount of the Bonds, less an underwriter's discount of \$_____), and less an original issue discount of \$_____. The purchase contract under which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Execution

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF SACRAMENTO

By: _____
City Treasurer

APPENDIX A
EXCERPTS FROM ENGINEER'S REPORT

APPENDIX B
UNPAID ASSESSMENT LIST

APPENDIX C
THE CITY OF SACRAMENTO AND THE COUNTY OF SACRAMENTO

General

The City is located at the confluence of the Sacramento and American Rivers in the south central portion of the Sacramento Valley, a part of the State's Central Valley. Although the City is approximately 75 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 Fahrenheit in January to 95 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

Population

A comparison of the City's population to that of the County and the State is provided in the table below. Population estimates are as of January 1 in each year.

**CITY OF SACRAMENTO, COUNTY OF SACRAMENTO AND
STATE OF CALIFORNIA
Population Estimates**

<u>Calendar Year</u>	<u>City of Sacramento</u>	<u>County of Sacramento</u>	<u>State of California</u>
1999	400,600	1,185,100	33,140,000
2000	406,500	1,217,600	33,753,000
2001	412,800	1,247,000	34,367,000
2002	424,400	1,280,900	35,000,000
2003	433,400	1,309,600	35,591,000

Source: State Department of Finance estimates (as of January 1).

Government

The City was incorporated in 1849, although it had been settled in the 1830s 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. Although less publicized, the agricultural potential of the Sacramento Valley was just as important to the future of the City. In 1854, Sacramento became the capital of the State. Today, State government employees and governmental-related activities contribute substantially to the City's economy.

In 1856, the City was the western terminus of the State's first railroad, which ran a distance of approximately 25 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.

The City operates under a Charter, adopted in 1921, that currently provides for a nine-member elected Council, including an elected Mayor. 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 been recognized as an efficient and effective method of providing municipal services.

Members of the Council serve terms of four years. The Mayor is chairperson of the Council and is elected in at-large City elections. Councilmembers are elected by eight individual districts.

Industry and Employment

The unemployment rate in Sacramento County was 5.9 percent in January 2004. This compares with an unadjusted unemployment rate of 6.7 percent for California and 6.3 percent for the nation during the same period.

The table below provides information about employment rates and employment by industry type for the Sacramento Metropolitan Statistical Area (which includes Sacramento, Placer and El Dorado Counties) for calendar years 1998 through 2002.

SACRAMENTO COUNTY Civilian Labor Force, Employment and Unemployment Calendar Years 1999 through 2002 Annual Averages

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Civilian Labor Force ⁽¹⁾	568,700	586,300	602,900	619,300
Employment	540,300	561,600	577,400	593,200
Unemployment	28,400	24,700	25,500	26,100
Unemployment Rate	5.0%	4.2%	4.2%	4.2%
<u>Wage and Salary Employment ⁽²⁾</u>				
Agriculture	3,000	3,200	3,200	3,300
Natural Resources and Mining	200	200	300	300
Construction	26,000	30,200	32,200	36,100
Manufacturing	32,600	32,300	31,300	31,500
Wholesale Trade	15,100	16,000	16,500	17,600
Retail Trade	55,500	58,500	60,200	60,100
Transportation, Warehousing and Utilities	12,000	12,800	12,900	11,900
Information	13,800	14,700	14,400	18,100
Finance and Insurance	33,300	33,400	31,400	31,000
Real Estate and Rental and Leasing	8,800	9,100	8,900	8,800
Professional and Business Services	68,100	74,000	78,100	71,500
Educational and Health Services	47,400	48,900	51,300	54,900
Leisure and Hospitality	40,200	41,500	43,900	44,700
Other Services	18,200	18,800	19,000	20,000
Federal Government	15,500	13,300	11,300	8,900
State Government	75,900	79,200	81,000	85,100
Local Government	<u>56,300</u>	<u>60,400</u>	<u>62,500</u>	<u>66,500</u>
Total, All Industries	521,700	546,600	558,100	570,200

⁽¹⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽²⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of 2002 in the community area are shown below.

SACRAMENTO COUNTY MAJOR EMPLOYERS 2002

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Apple Computer Inc	Sacramento	Computer & Office Equipment
California State University	Sacramento	Colleges & Universities
Campbell Soup Co	Sacramento	Preserved Fruits & Vegetables
Catholic Healthcare West (Mercy Hospitals)	Rancho Cordova	Hospitals
City of Sacramento	Sacramento	Public Administration (Government)
County of Sacramento	Sacramento	Public Administration (Government)
EDS Corp	Rancho Cordova	Computer & Data Processing Services
Intel Corporation	Folsom	Electronic Components & Accessories
Kaiser Foundation Hospitals	Sacramento	Hospitals
Los Rios Community College	Sacramento	Vocational Schools
McClatchy Co (Sacramento Bee Newspaper)	Sacramento	Newspapers
Sacramento City Unified School District	Sacramento	Elementary & Secondary Schools
San Juan Unified School District	Carmichael	Elementary & Secondary Schools
SMUD	Sacramento	Electric Services
State of California (Various Depts.)	Sacramento	Public Administration (Government)
Sutter Health	Sacramento	Hospitals
Teichert Inc	Sacramento	Engineering & Architectural Services
UC Davis Medical Center	Sacramento	Hospitals
USAA	Sacramento	Insurance Agents, Brokers, & Service
Vision Service Plan	Rancho Cordova	Insurance Agents, Brokers, & Service

Source: State of California Employment Development Department.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the County of Sacramento, the State and the United States for the period 1998 through 2002.

COUNTY OF SACRAMENTO Effective Buying Income 1998 through 2002

		Total Effective Buying Income (000s' Omitted)	Median Household Effective Buying Income
1998	City of Sacramento	\$ 5,852,461	\$30,733
	Sacramento County	18,925,291	34,891
	California	551,999,317	37,091
	United States	4,621,491,730	35,377
1999	City of Sacramento	\$ 6,097,550	\$31,986
	Sacramento County	20,192,052	37,152
	California	590,376,663	39,492
	United States	4,877,786,658	37,233
2000	City of Sacramento	\$ 6,851,758	\$35,757
	Sacramento County	22,895,128	40,970
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	City of Sacramento	\$ 6,604,013	\$34,715
	Sacramento County	22,127,827	40,690
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	City of Sacramento	\$ 6,596,088	\$33,949
	Sacramento County	22,645,845	39,879
	California	647,879,427	42,484
	United States	5,340,682,818	38,035

Source: Sales & Marketing Management Survey of Buying Power.

Commercial Activity

During calendar year 2002, total taxable transactions in the City were reported to be \$4,999,595,000 a 0.3% decrease over the total taxable sales of \$5,012,383,000 that were reported in the City during calendar year 2001. A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

CITY OF SACRAMENTO Taxable Transactions (figures in thousands)

Business	1998	1999	2000	2001	2002
Retail stores:					
Apparel stores	\$ 142,944	\$ 152,414	\$ 167,352	\$ 165,051	\$ 184,332
General merchandise	523,635	599,235	617,303	620,208	603,027
Food Stores	205,723	227,300	240,227	248,401	244,110
Eating & Drinking places	379,813	406,778	438,164	460,409	476,009
Home furnishings, appliances	86,036	105,430	119,200	114,345	118,964
Building matl., farm implements	233,013	292,725	328,469	375,303	386,656
Auto dealers, auto supplies	376,532	439,714	476,485	500,189	499,827
Service stations	169,667	183,304	233,059	233,932	206,977
Other retail stores	520,761	601,665	642,159	642,037	659,864
Retail Stores Total	2,638,124	3,008,565	3,262,418	3,359,875	3,379,766
All Other Outlets	1,476,000	1,575,630	1,687,758	1,652,508	1,619,829
TOTAL ALL OUTLETS	\$4,114,124	\$4,584,195	\$4,950,176	\$5,012,383	\$4,999,595

Source: State Board of Equalization.

Building and Construction

Provided below are the building permits and valuations for the City for calendar years 1998 through 2002.

CITY OF SACRAMENTO Total Building Permit Valuations (valuations in thousands)

Permit Valuation	1998	1999	2000	2001	2002
New Single-family	\$44,201.5	\$171,483.0	\$290,919	\$399,498.1	\$479,627.8
New Multi-family	4,094.8	27,116.2	54,747.6	61,143.3	96,733.3
Res. Alterations/Additions	43,843.6	52,962.4	52,250.4	67,105.1	75,538.1
Total Residential	92,139.9	251,561.6	397,916.9	527,746.5	651,899.2
New Commercial	102,394.5	87,923.8	119,309.8	66,545.8	97,108.8
New Industrial	12,142.6	15,343.2	10,734.4	32,124.7	30,088.1
New Other	11,750.6	19,376.7	17,929.4	18,461.3	24,527.3
Com. Alterations/Additions	55,971.7	64,176.2	92,584.4	71,294.9	80,310.5
Total Nonresidential	182,259.4	186,819.8	240,557.9	188,426.7	232,034.8
 New Dwelling Units					
Single Family	350	1,294	2,059	2,745	3,227
Multiple Family	74	405	803	881	1,328
TOTAL	424	1,699	2,862	3,626	4,555

Source: Construction Industry Research Board, Building Permit Summary.

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 tenth in terms of the number of people employed, even when the largest 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, prunes, safflower, ladino clover seed, sugar beets, tomatoes for processing, rice and walnuts.

Community Facilities. The four-county Sacramento metropolitan area offers over 125 public parks, 200 tennis courts, 45 theaters and 53 golf courses. The Sacramento area's Mediterranean climate encourages use of the many recreational opportunities along the American and Sacramento rivers including fishing, swimming, biking along the 22 mile bicycle trail, horseback riding and hiking. The area supports an equally impressive arts community. Professional symphony, opera, theater and ballet companies perform to sizable crowds. Scores of multi-screen cinemas showing first-run films, museums, live theaters, and more than 100 traditional and modern art galleries, host hundreds of thousands of patrons year round.

ARCO Arena, a 17,300-seat privately-owned sports arena located in the North Natomas area of the City adjacent to Interstate 5, is currently the home of the Sacramento Kings of the National Basketball Association, the Sacramento Monarchs of the Women's National Basketball Association, and the Sacramento Knights of the World Indoor Soccer League.

Media outlets in the four-county area consist of more than 30 newspapers, nine television stations (four network, four independents and one public) and 30 radio stations.

Education. Public school education within the City is available through eight elementary, two high school and six unified school districts. There are approximately 84 private schools in the County and 70 industrial, technical trade schools.

The Los Rios Community College District serves the majority of the County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The Los Rios Community College District maintains three campuses in the County: American River College, located in Carmichael (northeast of the City of Sacramento); Sacramento City College located in the City of Sacramento; and Cosumnes River College, located in the southern area of the City. The Los Rios Community College District also maintains two education centers, the El Dorado Center, located in Placerville, and the Folsom Lake Center, located in Folsom.

California State University, Sacramento, offers four-year program in business administration, liberal arts, engineering, education and nursing, and masters degree programs in various fields. Other higher education facilities located in Sacramento are: McGeorge School of Law branch of the University of the Pacific; the Medical Center of the University of California, Davis; National University, Lincoln Law School; Golden Gate University; University of Phoenix; the University of Southern California (for public administration); and the University of Northern California (law).

Transportation. Sacramento'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, running from Mexico to Canada. State 99 parallels Interstate 5 through central California and passes through Sacramento.

The Southern Pacific and Union Pacific railroads, both transcontinental lines, each have a junction in Sacramento and are connected to the Burlington Northern and Santa Fe via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound, Trailways, the Sacramento Regional Transit District, and the Yolo County Transit District. The Sacramento Regional Transit District also provides light rail service within the City. 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 eight 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 interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also provides passenger and package service stations located in Sacramento.

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by eight major carriers, two regional carriers and three commuter carriers. Executive Airport, located in Sacramento is a full-service, 680-acre facility serving general aviation. In addition to Sacramento International Airport and Mather Air Field, there are two other County-operated general airports and numerous private airports.

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 issued by the State Water Resources Control Board. These water rights are supplemented with storage in Folsom Reservoir obtained through 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. Two plants supply treated water to the service area south of the American River, portions of North Sacramento and the Natomas area. Ground 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 service for most of the area. Sewage treatment is provided by the Sacramento Regional County Sanitation District.

The Sacramento Municipal Utility District ("SMUD") generates, transmits and distributes electric power to a 900 square-mile service area that includes the County and a small portion of Placer County. SMUD generates about half the electricity used by its customers and purchases the balance on the open market through short-term and long-term contracts (in equal proportions). Although SMUD has been able to keep electric rates stable for over ten years, sharply increasing costs for wholesale electricity and natural gas in California have caused SMUD to propose an increase in electric rates.

Pacific Gas and Electric Company ("PG&E") supplies natural gas and electricity throughout the County from sources in California, the southwestern United States 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 and electricity for the continually growing population in its service area. However, PG&E has recently been adversely affected by the sharply increasing cost of wholesale electricity and natural gas, resulting in financial difficulty and power shortages in many parts of the State.

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

APPENDIX D
FORM OF BOND COUNSEL OPINION

APPENDIX E THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be. Neither the issuer of the Bonds (the "Issuer") nor the paying agent appointed with respect to the Bonds (the "Paying Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial

relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Book-Entry Only System. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's

receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuer or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Paying Agent to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the Bonds. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution executed in connection with the Bonds. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds will no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums, if any, on, the Bonds will be payable upon surrender thereof at the corporate trust office of the Paying Agent, (iii) interest on the Bonds will be payable by check mailed by first-class mail or, upon the written request of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds received by the Paying Agent on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the Bonds will be transferable and exchangeable as provided in the Resolution executed in connection with the Bonds.

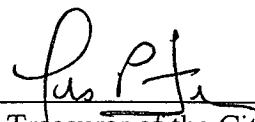
CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05

LIST OF PAID AND UNPAID ASSESSMENTS

WHEREAS, pursuant to Resolution No. 2004-013 adopted by the City Council of the City of Sacramento on January 8, 2004, the undersigned was designated to collect and receive the money paid pursuant to the assessment levied for the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 in and by said resolution within thirty (30) days after the date of recording such assessment;

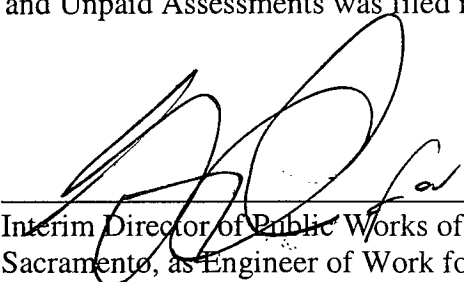
NOW, THEREFORE, I, Thomas P. Friery, City Treasurer of the City of Sacramento, hereby certify that the list attached hereto, marked Exhibit A and incorporated herein, is a true and complete list of all assessments paid upon such assessment within the time allowed, and I do further certify that the total aggregate amount of such paid assessments in such assessment district is \$157,660.83, and I do hereby further certify that the list attached hereto, marked Exhibit B and incorporated herein, is a true and complete list of all assessments unpaid upon such assessment within the time allowed, and I do further certify that the total aggregate amount of such unpaid assessments in such assessment district is \$295,194.60.

IN WITNESS WHEREOF, I have hereunto set my hand this 26 day of February, 2004.



City Treasurer of the City of Sacramento

I, Interim Director of Public Works of the City of Sacramento, as the Engineer of Work for the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05, do hereby certify that the foregoing List of Paid and Unpaid Assessments was filed in my office on the 26th day of February, 2004.


Interim Director of Public Works of the City of
Sacramento, as Engineer of Work for the Midtown
Street Lighting Assessment District No. 2003-05

I, City Clerk of the City Council of the City of Sacramento, do hereby certify that the foregoing List of Paid and Unpaid Assessments was filed in my office on the 26th day of February, 2004.

City Clerk of the City of Sacramento

I, Program Specialist, Special Districts, Department of Public Works of the City of Sacramento, do hereby certify that the foregoing List of Paid and Unpaid Assessments was filed in the office of the Director of Finance of the County of Sacramento on the ____ day of _____, 2004.

Program Specialist, Special Districts, Department
of Public Works of the City of Sacramento

EXHIBIT A
Midtown Street Lighting Assessment District No. 2003-05
Paid

Assessment Number	Parcel Description	Cash Paid	Amount Credited
1	007-0094-024	748.84	866.96
4	007-0094-018	1,497.68	1,733.92
5	007-0094-017	1,497.68	1,733.92
7	007-0094-015	1,497.68	1,733.92
10	007-0153-010	1,497.68	1,733.92
12	007-0153-008	1,497.68	1,733.92
14	007-0153-006	1,497.68	1,733.92
15	007-0153-005	1,497.68	1,733.92
16	007-0153-004	1,497.68	1,733.92
18	007-0151-009	1,497.68	1,733.92
20	007-0151-011	1,497.68	1,733.92
25	007-0251-011	1,497.68	1,733.92
33	007-0253-007	3,931.40	4,551.53
34	007-0253-008	2,059.30	2,384.13
40	007-0253-013	1,497.68	1,733.92
42	007-0253-015	1,497.68	1,733.92
48	007-0254-006	1,497.68	1,733.92
50	007-0254-008	1,235.58	1,430.48
51	007-0254-009	1,235.58	1,430.48
58	007-0256-004	1,497.68	1,733.92
59	007-0256-005	1,497.68	1,733.92
63	007-0255-012	1,497.68	1,733.92
64	007-0255-013	1,497.68	1,733.92
66	007-0255-015	1,497.68	1,733.92
68	007-0255-017	1,497.68	1,733.92
69	007-0255-018	1,497.68	1,733.92
70	007-0255-001	4,493.03	5,201.75
71	007-0255-002	1,497.68	1,733.92
72	007-0255-003	1,497.68	1,733.92
81	007-0156-015	1,198.14	1,387.13
83	007-0156-024	2,396.29	2,774.27
93	007-0154-003	1,497.68	1,733.92
96	007-0153-002	1,497.68	1,733.92
97	007-0155-026	1,497.68	1,733.92
99	007-0155-009	1,497.68	1,733.92
100	007-0161-021	1,497.68	1,733.92
103	007-0161-018	1,497.68	1,733.92
104	007-0161-017	1,497.68	1,733.92
105	007-0161-016	1,497.68	1,733.92
107	007-0161-014	2,246.51	2,600.87
115	007-0163-012	2,995.35	3,467.83
121	007-0164-005	1,497.68	1,733.92
128	007-0164-021	1,497.68	1,733.92
129	007-0164-020	1,497.68	1,733.92
135	007-0164-014	1,497.68	1,733.92
138	007-0265-018	2,995.35	3,467.83

Midtown Street Lighting Assessment District No. 2003-05

Paid

Assessment Number	Parcel Description	Cash Paid	Amount Credited
144	007-0263-011	2,695.82	3,121.05
145	007-0263-010	1,797.21	2,080.70
146	007-0263-009	1,497.68	1,733.92
147	007-0263-008	1,497.68	1,733.92
149	007-0263-006	195.00	221.57
150	007-0263-005	1,123.26	1,300.44
152	007-0263-003	1,497.68	1,733.92
153	007-0263-002	1,497.68	1,733.92
154	007-0263-001	1,497.68	1,733.92
160	007-0264-023	1,497.68	1,733.92
179	007-0261-001	37,441.50	43,347.43
189	007-0162-011	1,872.09	2,167.39
193	007-0162-020	1,497.68	1,733.92
196	007-0162-005	2,620.93	3,034.35
		136,183.74	157,660.83

EXHIBIT B
Midtown Street Lighting Assessment District No. 2003-05
Unpaid List

Assessment Number	Parcel Description	Cash Paid	Amount Credited	Unpaid Balance
2	007-0094-025	-	-	866.96
3	007-0094-026	-	-	866.96
6	007-0094-016	-	-	1,733.92
8	007-0094-014	-	-	1,733.92
9	007-0094-013	-	-	1,733.92
11	007-0153-009	-	-	1,733.92
13	007-0153-007	-	-	1,733.92
17	007-0153-003	-	-	1,733.92
19	007-0151-010	-	-	1,733.92
21	007-0151-022	-	-	6,935.66
22	007-0152-008	-	-	6,935.66
23	007-0152-021	-	-	3,467.83
24	007-0152-010	-	-	1,733.92
26	007-0251-012	-	-	3,467.83
27	007-0253-001	-	-	5,201.75
28	007-0253-002	-	-	1,733.92
29	007-0253-003	-	-	1,733.92
30	007-0253-004	-	-	1,820.61
31	007-0253-005	-	-	1,733.92
32	007-0253-006	-	-	1,647.22
35	007-0253-009	-	-	1,733.92
36	007-0253-010	-	-	1,733.92
37	007-0253-011	-	-	1,733.92
38	007-0253-021	-	-	866.96
39	007-0253-020	-	-	866.96
41	007-0253-014	-	-	866.96
43	007-0253-016	-	-	1,733.92
44	007-0253-017	-	-	3,467.83
45	007-0254-003	-	-	1,733.92
46	007-0254-004	-	-	1,733.92
47	007-0254-005	-	-	2,600.87
49	007-0254-007	-	-	1,733.92
52	007-0254-010	-	-	1,473.83
53	007-0254-011	-	-	1,733.92
54	007-0254-012	-	-	1,733.92
55	007-0256-001	-	-	1,733.92
56	007-0256-002	-	-	1,733.92
57	007-0256-003	-	-	1,733.92
60	007-0256-007	-	-	1,733.92
61	007-0256-008	-	-	1,733.92
62	007-0256-009	-	-	1,733.92
65	007-0255-014	-	-	1,733.92
67	007-0255-016	-	-	3,424.48
73	007-0255-004	-	-	1,733.92
74	007-0255-005	-	-	1,733.92
75	007-0255-006	-	-	1,733.92
76	007-0255-007	-	-	2,297.44

Midtown Street Lighting Assessment District No. 2003-05

Unpaid List

Assessment Number	Parcel Description	Cash Paid	Amount Credited	Unpaid Balance
77	007-0255-008	-	-	1,603.87
78	007-0156-012	-	-	1,387.13
79	007-0156-013	-	-	1,387.13
80	007-0156-014	-	-	1,387.13
82	007-0156-026	-	-	2,774.27
84	007-0156-020	-	-	1,387.13
85	007-0156-021	-	-	1,387.13
86	007-0154-013	-	-	5,201.75
87	007-0154-014	-	-	1,733.92
88	007-0154-015	-	-	1,733.92
89	007-0154-016	-	-	1,733.92
90	007-0154-017	-	-	6,935.66
91	007-0154-001	-	-	1,733.92
92	007-0154-002	-	-	1,733.92
94	007-0153-017	-	-	6,068.70
95	007-0153-001	-	-	1,733.92
98	007-0155-008	-	-	1,733.92
101	007-0161-020	-	-	1,690.57
102	007-0161-019	-	-	1,777.26
106	007-0161-015	-	-	2,167.39
108	007-0161-013	-	-	2,167.39
109	007-0163-017	-	-	2,167.39
110	007-0163-016	-	-	1,733.92
111	007-0163-015	-	-	2,167.39
112	007-0163-014	-	-	2,167.39
113	007-0163-019	-	-	2,167.39
114	007-0163-020	-	-	1,733.92
116	007-0164-010	-	-	1,733.92
117	007-0164-009	-	-	1,733.92
118	007-0164-008	-	-	1,733.92
119	007-0164-007	-	-	1,733.92
120	007-0164-006	-	-	1,733.92
122	007-0164-004	-	-	1,733.92
123	007-0164-003	-	-	1,733.92
124	007-0164-002	-	-	1,733.92
125	007-0164-001	-	-	1,733.92
126	007-0164-023	-	-	1,733.92
127	007-0164-022	-	-	1,733.92
130	007-0164-019	-	-	1,733.92
131	007-0164-018	-	-	1,733.92
132	007-0164-017	-	-	1,733.92
133	007-0164-016	-	-	1,733.92
134	007-0164-015	-	-	1,733.92
136	007-0265-002	-	-	1,733.92
137	007-0265-001	-	-	3,467.83
139	007-0265-019	-	-	1,733.92
140	007-0265-020	-	-	1,733.92
141	007-0263-014	-	-	1,733.92

Midtown Street Lighting Assessment District No. 2003-05

Unpaid List

Assessment Number	Parcel Description	Cash Paid	Amount Credited	Unpaid Balance
142	007-0263-013	-	-	1,733.92
143	007-0263-012	-	-	1,733.92
148	007-0263-007	-	-	2,600.87
149	007-0263-006	195.00	221.57	1,078.87
151	007-0263-004	-	-	1,733.92
155	007-0263-024	-	-	3,467.83
156	007-0263-021	-	-	1,733.92
157	007-0264-003	-	-	1,733.92
158	007-0264-002	-	-	1,733.92
159	007-0264-001	-	-	1,733.92
161	007-0264-022	-	-	1,603.87
162	007-0264-021	-	-	2,210.74
163	007-0262-011	-	-	1,733.92
164	007-0262-010	-	-	1,733.92
165	007-0262-009	-	-	3,467.83
166	007-0262-008	-	-	6,935.66
167	007-0262-007	-	-	3,467.83
168	007-0262-006	-	-	1,733.92
169	007-0262-005	-	-	1,733.92
170	007-0262-004	-	-	1,733.92
171	007-0262-003	-	-	1,733.92
172	007-0262-002	-	-	1,733.92
173	007-0262-001	-	-	1,733.92
174	007-0256-030	-	-	1,387.13
175	007-0256-029	-	-	1,387.13
176	007-0256-012	-	-	1,387.13
177	007-0256-011	-	-	1,408.81
178	007-0256-010	-	-	1,365.46
180	007-0255-011	-	-	6,935.66
181	007-0255-010	-	-	1,517.18
182	007-0255-009	-	-	1,517.18
183	007-0162-017	-	-	1,733.92
184	007-0162-016	-	-	1,733.92
185	007-0162-015	-	-	1,733.92
186	007-0162-014	-	-	1,733.92
187	007-0162-013	-	-	1,733.92
188	007-0162-012	-	-	1,733.92
190	007-0162-010	-	-	2,600.87
191	007-0162-009	-	-	2,167.39
192	007-0162-021	-	-	1,647.22
194	007-0162-007	-	-	5,288.44
195	007-0162-006	-	-	1,733.92
197	007-0162-004	-	-	2,167.39
198	007-0162-003	-	-	1,733.92
199	007-0094-023	-	-	866.96
		195.00	221.57	295,194.60

BOND PURCHASE CONTRACT

\$ _____
CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS

March __, 2004

City of Sacramento
926 J Street, Suite 300
Sacramento, California 95814
Attention: Office of the City Treasurer

The undersigned, Stone & Youngberg LLC, as underwriter (the "Underwriter"), offers to enter into this agreement (this "Bond Purchase Contract") with the City of Sacramento (the "City") which, upon acceptance, will be binding upon the City and upon the Underwriter. This offer is made subject to the City's acceptance hereof on the date hereof, and if not so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the City at any time prior to the acceptance hereof by the City.

1. Purchase, Sale and Delivery of the Bonds.

(a) Purchase and Sale. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the bonds captioned above (the "Bonds"), dated their date of delivery, bearing interest (payable commencing March 2, 2005, and semiannually thereafter on September 2 and March 2 in each year) at the rates of interest, and maturing on the dates and in the amounts, as set forth in Exhibit A attached hereto. The purchase price for the Bonds shall be \$ _____, which is the principal amount of the Bonds, less the underwriting discount of \$ _____[, and less an original issue discount of \$ _____].

(b) Bond Terms. The Bonds shall be substantially as described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in Resolution No. _____ approving the issuance of the Bonds adopted by the City Council of the City on March 9, 2004 (the "Resolution"). The paying agent for the bonds is U.S. Bank National Association (the "Paying Agent").

(c) Preliminary and Final Official Statement. The City has authorized the use of the Preliminary Official Statement, dated March __, 2004, relating to the Bonds, which, together with the cover page and all appendices thereto, is herein called the "Preliminary Official Statement." The City hereby ratifies the use by the Underwriter of the Preliminary Official Statement and deems it final within the meaning of Rule 15c2-12 under the Securities Act of 1934 ("Rule 15c2-12"). The City shall approve a final Official Statement (the "Official Statement"), which will consist of the Preliminary Official Statement with such changes as may be made thereto, with the approval of the City and the Underwriter, and to provide copies thereof to the Underwriter as

set forth in Section 2(h) hereof. The City authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement, the Resolution and the other documents or contracts to which the City is a party, including this Bond Purchase Contract, and all information contained therein.

(d) Closing. At 8:00 o'clock A.M., Pacific Daylight Time, on March ____, 2004, or at such other time or date as are agreed upon by the Underwriter and the City (such time and date being herein referred to as the "Closing Date"), the City will deliver to the Underwriter, at a location or locations to be designated by the Underwriter, the Bonds in definitive form (all Bonds having had the CUSIP numbers assigned to them typed or printed thereon), duly executed as provided in the Resolution, and the other documents herein mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this section in immediately available funds (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter, or its designee, not later than one business day before the Closing Date for purposes of inspection. The Bonds shall be in fully registered form, with such persons as designated by the Underwriter as registered owner.

(e) Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on the inside cover page of the Official Statement with respect to the Bonds. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

2. Representations, Warranties and Covenants of the City. The City hereby represents and warrants to and agrees with the Underwriter as of the date of this Bond Purchase Contract that:

(a) Due Organization and Existence. The City is duly organized and validly existing as a charter city and municipal corporation organized and existing under and by virtue of the laws of the State of California (the "State").

(b) Right and Authority. The City has full legal right, power and authority to adopt the Resolution and enter into this Bond Purchase Contract, to issue and deliver the Bonds to the Underwriter, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Bond Purchase Contract and the Resolution.

(c) Due Authorization and Approval of Resolution. By all necessary official action of the City, the City has duly adopted the Resolution, and as of the date hereof, the Resolution is in full force and effect and has not been amended, modified or rescinded.

(d) Due Execution and Delivery; Enforceability. This Bond Purchase Contract, and the Bonds have been, or on or before the Closing Date will be, duly executed and delivered by the City, and on the Closing Date, the Bonds, when authenticated and delivered to the Underwriter in accordance with the Resolution and this Bond Purchase Contract, will constitute legally valid and binding obligations, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating or limiting creditor's rights generally.

(e) No Violation of Law. To the current, actual knowledge of the City, after reasonable investigation (which did not include the review or search of federal, state or other court records, or the review or search of City records other than those directly and immediately connected with the financing contemplated by this Bond Purchase Contract), and except as otherwise disclosed in the Preliminary Official Statement, the adoption of the Resolution, the issuance of the Bonds, the execution, delivery and performance of this Bond Purchase Contract and the Bonds, and compliance with the provisions of each of such documents or instruments, do not constitute on the part of the City a violation of any existing law, charter, ordinance, regulation, decree, order or resolution of the City.

(f) Absence of Litigation. To the current, actual knowledge of the City, after reasonable investigation (which did not include the review or search of federal, state or other court records), as of the time of acceptance of this Bond Purchase Contract, the City has not been served with, or overtly threatened with, any action, suit, proceeding, hearing, or investigation (other than those that have been previously disclosed to the Underwriter and set forth in the Preliminary Official Statement) that:

(i) challenges the creation, organization, or existence of the City or the District;

(ii) challenges the validity of the Resolution, the Bonds, or the Bond Purchase Contract; or

(iii) seeks an order restraining or enjoining any of the transactions referred to in, or contemplated by, the Resolution, the Bonds, or the Bond Purchase Contract.

(iv) in which a final adverse decision could adversely affect the exemption of the interest paid on the Bonds from federal taxation by the United States of America or by the State for income tax purposes.

(g) Application of Proceeds. The City will apply the proceeds from the sale of the Bonds for the purpose specified in the Resolution.

(h) Delivery of Final Official Statement. The City shall deliver or cause to have delivered to the Underwriter prior to the execution of this Bond Purchase Contract or the first sale of the Bonds, whichever first occurs, copies of the Preliminary Official Statement relating to the Bonds deemed final by the City for purposes of Rule 15c2-12 and to satisfy Municipal Securities Rulemaking Board ("MSRB") Rule G-32 or any other rules adopted by the MSRB; and within seven business days after the date hereof, and in sufficient time to accompany any confirmation that requests payment from a customer, the City will deliver or cause to be delivered and available to the Underwriter an Official Statement for distribution to purchasers of the Bonds.

(i) Preliminary and Final Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain and up to and including the Closing will contain no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(j) City Certificates. Any certificate signed by an officer or official of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City as to the statements made therein, but not of the person signing the same.

(k) Underwriter's Consent to Amendments and Supplements to Official Statement. The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not make or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(l) Agreement to Amend or Supplement Official Statement. The City shall promptly notify the Underwriter in writing if, at any time prior to the earlier of receipt of notice from the Underwriter that a final Official Statement is no longer required to be delivered under Rule 15c2-12 or the Closing Date, any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Bonds to reflect such event. The City promptly will prepare at its expense an amendment or supplement that will correct such statement or omission and the City shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. Any information supplied by the City for inclusion in any amendments or supplements to the Official Statement will not contain any untrue or misleading statement of a material fact relating to the City or omit to state any material fact relating to the City necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) Further Cooperation; Blue Sky. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

3. Conditions to the Obligations of the City. The obligations of the City hereunder, including the obligation to sell and deliver the Bonds to the Underwriter, are subject to the conditions stated herein, together with receipt of a certificate of the Underwriter containing the statements set forth in Exhibit D.

4. Conditions to the Obligations of the Underwriter. The obligations of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City and other persons and entities made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be

performed hereunder at or prior to the Closing Date and to the following additional conditions (any of which may be waived by the Underwriter):

(a) Validity of Documents and Proceedings. At the Closing Date, the Resolution and this Bond Purchase Contract shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Contract, all such actions as, in the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel for the City, are necessary and appropriate;

(b) Termination Events. Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices pursuant to the Preliminary Official Statement may not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(i) Legislation enacted (or resolution passed) by the Congress of the United States of America or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest that would be received by the holders of the Bonds, or which, in the reasonable opinion of the Underwriter, would materially and adversely affect the ability of the Underwriter to market the Bonds.

(ii) Legislation enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Bonds, or of the Bonds, including any or all underwriting arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities laws as amended and then in effect.

(iii) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income or securities (or interest therein), the validity or enforceability of the Assessments or the ability of the City to issue the Bonds as contemplated by the Resolution and the Preliminary Official Statement.

(iv) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any

statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The imposition of additional material restrictions not in force as of the date hereof upon trading in securities generally by any governmental authority or by any national securities exchange.

(vi) The establishment of a general banking moratorium by federal or California authorities, or the general suspension of trading on the New York Stock Exchange.

(vii) The United States becomes engaged in hostilities that result in a declaration of war or a national emergency or any other outbreak of hostilities or a national or international calamity or crisis occurs, or any escalation of existing hostilities, calamity or crisis occurs, financial or otherwise, the effect of which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would materially and adversely affect the ability of the Underwriter to market the Bonds.

(viii) Any action, suit or proceeding described in Section 2(f) is commenced with respect to either the District or the City.

(c) Closing Documents. On or prior to the Closing Date, the Underwriter shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) City Documents. One counterpart original or copy certified by a duly authorized officer of the City, of the Resolution, this Bond Purchase Contract, the Preliminary Official Statement and the Official Statement.

(ii) Final Bond Counsel Opinion. The approving opinion, dated the Closing Date and addressed to the City, of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it.

(iii) Supplemental Bond Counsel Opinion. A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter and its counsel, to the effect that the statements contained in the Official Statement on the cover and under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," and "CONCLUDING INFORMATION – Tax Matters," insofar as such statements purport to summarize certain provisions of the Resolution, the Bonds and Bond Counsel's opinion concerning certain federal and state tax matters relating to the Bonds, are accurate in all material respects.

(iv) City Closing Certificate. A certificate of an authorized officer of the City, dated the Closing Date, addressed to Bond Counsel and the Underwriter, in form acceptable to the Underwriter, containing the matters attached as Exhibit B.

(v) Opinion of City Attorney. An opinion of the City Attorney addressed to the City and the Underwriter, dated the date of Closing, in form and with such qualifications as are acceptable to Bond Counsel and the Underwriter, containing the opinions contained in Exhibit C.

(vi) Opinion of Underwriter's Counsel. A letter of Jones Hall, a Professional Law Corporation, dated the Closing Date, addressed to the City and the Underwriter, to the effect that based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, information regarding DTC and its book-entry only system, and the information included in the Appendices thereto, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to the effect that the Bonds are exempt from the registration requirements of the Securities Act of 1933 and the Bonds therefor do not require registration, and that the Resolution is exempt from qualification under the Trust Indenture Act of 1939.

(vii) Tax Certificate. A Tax Certificate in form and substance satisfactory to Bond Counsel.

(viii) CDIAC Report. A copy of the Report of Proposed Debt Issuance and the Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to section 8855, subsection (g) of the Government Code.

(ix) Form 8038-G. A copy of a completed Internal Revenue Service form 8038-G, together with a certificate of mailing of the form to Internal Revenue Service.

(x) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter or its counsel may reasonably deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations of the City and the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

If the City is unable to satisfy the conditions contained in this Bond Purchase Contract, or if the obligations of the Underwriter are terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligation hereunder, except as set forth in Section 8 hereof.

5. Expenses.

(a) The City shall pay, solely out of Bond proceeds, any expenses incident to the City's obligations hereunder, including, but not limited to (i) the fees and disbursements of any accountants and other experts, consultants or advisers retained; (ii) the cost of preparation, printing and mailing or delivery of the definitive Bonds; (iii) the cost of preparation, printing and distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of the Paying Agent and its counsel; (vi) the cost of any appraisals used in connection with the marketing of the Bonds; and (vii) the costs of publication or mailing of notices as required by the Resolution.

(b) The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds, (ii) California Debt and Investment Advisory Commission fees, (iii) the fees and disbursements of Underwriter's Counsel, and (iv) all other expenses incurred by it in connection with the public offering and distribution of the Bonds.

6. Undertakings of the City. The City agrees, at its expense, to make available to the Underwriter sufficient copies of its audited financial statements, if any, resolutions and ordinances of the City with respect to the Bonds, the Resolution, this Bond Purchase Contract, and any amendments or supplements thereto and other documents related to the Bonds and pertaining to the City, to the extent such documents are publicly available, as may reasonably be required from time to time for the prompt and efficient performance by the Underwriter of its obligations hereunder (except for all or any portions of any such documents which, by contract, are not subject to disclosure).

7. Parties in Interest. This Bond Purchase Contract is made solely for the benefit of the City and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

8. Survival of Representations and Warranties. The representations and warranties of the City set forth in or made under this Bond Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of delivery of and payment for the Bonds.

9. Effective. This Bond Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

10. Applicable Law; Nonassignability. This Bond Purchase Contract shall be governed by the laws of the State of California. This Bond Purchase Contract shall not be assigned by the City or the Underwriter.

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

12. No Prior Agreements. This Bond Purchase Contract supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the purchase and sale of the Bonds, and represents the entire agreement of the parties as to the subject matter herein.

13. Partial Unenforceability. Any provision of this Bond Purchase Contract which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Bond Purchase Contract or affecting the validity or enforceability of such provision in any other jurisdiction.

14. Capitalized Terms. Terms with initial capital letters not otherwise defined herein shall have the meanings assigned to them in the Preliminary Official Statement.

Very truly yours,

STONE & YOUNGBERG LLC

By _____
Managing Director

Terms and conditions of this Bond Purchase Contract are approved and accepted as of the date above written.

CITY OF SACRAMENTO

By: _____
Thomas P. Friery,
City Treasurer

EXHIBIT A

DESCRIPTION OF THE BONDS TO BE PURCHASED

Maturity September 2	Principal Amount	Interest Rate
-------------------------	---------------------	---------------

EXHIBIT B

**CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS**

FORM OF CITY CLOSING CERTIFICATE

A certificate of an authorized officer of the City, dated the Closing Date, addressed to Bond Counsel and the Underwriter, in form and substance acceptable to the Underwriter, to the following effect:

(i) The Bond Purchase Contract dated March _____, 2004, by and between the City and Stone & Youngberg LLC, has been duly authorized, executed and delivered by the City and constitutes the valid, legal and binding agreement of the City enforceable in accordance with its terms.

(ii) No consent, waiver or any other action of any person, board of body, public or private is required as of the Closing Date, for the City to enter into the Bond Purchase Contract or to perform its obligations under it.

(iii) That to the extent of the authorized officer's current, actual knowledge after a reasonable investigation, which did not include a search of federal, state, or other court or forum records, the City has not been served with any action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, governmental agency, public board or body or, to the best of my knowledge is such event threatened against the City, challenging the creation, organization or existence of the City or the District, or the validity of the Bonds, or the Bond Purchase Contract, seeking to restrain or enjoin any of the transactions referred to therein or contemplated thereby.

(iv) That nothing has come to the attention of the authorized officer of the City which would lead him or her to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(v) The City ratifies the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offering and sale of the Bonds, and certifies that to the best of his or her knowledge, the representations and warranties of the City contained in Section 2 of the Bond Purchase Contract are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date.

EXHIBIT C

CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS

FORM OF OPINION OF CITY ATTORNEY

An opinion of the City Attorney of the City of Sacramento (the "City") addressed to the City and the Underwriter, dated the date of Closing, to the following effect:

(i) the City is a charter city duly organized and validly existing under the Constitution and laws of the State of California, with full power and authority to establish the Midtown Street Lighting Assessment District No. 2003-05 (the District), to issue the Bonds, and to execute the Bond Purchase Contract and perform its obligations under that contract.

(ii) The resolution that approved the issuance of the Bonds (the "Resolution") was duly adopted by the City Council of the City during a public meeting on March 9, 2004, which was called and held in accordance with law. The Resolution has not been rescinded, amended, or modified.

(iii) The Bond Purchase Contract was duly authorized, executed and delivered by the City and is a valid, legal, binding and enforceable agreement.

(iv) 4. Except as disclosed in the Official Statement or in the legal opinion of Orrick, Herrington & Sutcliffe LLP, the City has not been served with any legal or equitable action, suit, proceeding, or investigation that would do any of the following, nor has such an action, suit, proceeding, or investigation been overtly threatened against the City:

(a) challenge the creation, organization or existence of the City or the District;

(b) challenge the validity of the Resolution, the Bonds or the Bond Purchase Contract; or

(c) seek an order restraining or enjoining any of the transactions referred to in, or contemplated by, the Resolution, the Bond Purchase Contract or the Bonds.

The opinion in this paragraph is based solely on my current, actual knowledge after a reasonable investigation, which did not include a search of federal, state, or other court or forum records.

(v) To my current, actual knowledge, the Bonds have been duly authorized, executed and delivered by the City and, assuming due execution by the Paying Agent, constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforceability may be limited by bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally; by equitable principles, if equitable remedies are sought; or by the limitations on legal remedies imposed on actions by or against public agencies in the State of California.

(vi) The City's authorization, execution and delivery of the Bonds and its compliance with the provisions of the Bonds do not and will not conflict in any material way with, or constitute on the part of the City a breach of or default under, any agreement or instrument to which the City is a party or by which the City is bound, or any law, administrative regulation, court decree, resolution, ordinance, or agreement to which the City is subject or by which it is bound. **The opinion in this paragraph is based solely on my current, actual knowledge after a reasonable investigation, which did not include a review of or search through the city's records other than those directly and immediately connected with the District or the Bonds.**

EXHIBIT D

**CITY OF SACRAMENTO
MIDTOWN STREET LIGHTING ASSESSMENT DISTRICT NO. 2003-05
LIMITED OBLIGATION IMPROVEMENT BONDS**

FORM OF UNDERWRITER'S CERTIFICATE

The undersigned, Stone & Youngberg LLC, as underwriter (the "Underwriter") of the City of Sacramento Midtown Street Lighting Assessment District No. 2003-05 Limited Obligation Improvement Bonds (the "Bonds") authorized to be issued by the City of Sacramento (the "City") pursuant to Resolution No. 2004-___ adopted by the City Council of the City on March 9, 2004 (the "Resolution"), does hereby certify as follows:

(1) To the best knowledge of the Underwriter, the City has responded fully to all requests for information requested by the Underwriter for inclusion in the Official Statement for the Bonds dated March ____, 2004 (the "Official Statement").

(2) The Underwriter has reviewed the information in the Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Dated: March __, 2004.

STONE & YOUNGBERG LLC,
as purchaser of the City of Sacramento Midtown
Street Lighting Assessment District No. 2003-05
Limited Obligation Improvement Bonds

By _____
Managing Director