

# REPORT TO COUNCIL City of Sacramento

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915 I Street, Sacramento, CA 95814-2604  
www.CityofSacramento.org

Consent  
August 11, 2009

**Honorable Mayor and  
Members of the City Council**

**Title:** 1993 Lease Revenue Refunding Bonds – Amend Facilities Lease

**Location/Council District:** Citywide

**Recommendation:** Adopt a 1) **City Resolution** authorizing the execution and delivery of amendments to Facilities Leases with the Sacramento City Financing Authority relating to the Series 1993 A and Series 1993 B bonds and approving certain other actions in connection therewith, and 2) **Sacramento City Financing Authority Resolution** authorizing the execution and delivery of amendments to Facilities Leases with the City of Sacramento relating to the Series 1993 A and Series 1993 B bonds and approving certain other actions in connection therewith.

**Contact:** Russell T. Fehr, City Treasurer, (916) 808-5832, Janelle Gray, Treasury Manager, (916) 808-8296.

**Presenters:** Not Applicable

**Departments:** City Treasurer

**Division:** Public Finance

**Organization No:** 05001011

## **Description/Analysis**

**Issue:** In 1993 the City issued bonds (1993 Series A) to refinance debt issued for the Convention Center and portions of other City facilities. The City did not obtain a credit rating for these bonds, but did purchase bond insurance so the bonds were sold at interest rates consistent with and AAA rating. In June 2009, the bond insurer, AMBAC Indemnity Corporation (AMBAC) was downgraded by Moody's Investor Service (Moody's) and Standard and Poors (S & P) to Ba3 and BBB, respectively. Without an underlying rating, this downgrade resulted in the Series 1993 A bonds no longer meeting the investment grade rating required of certain investment portfolios, yet unable to be divested for the same reason.



Additionally, the rating on the Series 1993 B bonds are in jeopardy of being withdrawn as certain provisions of the Facilities Lease do not meet current market standards.

The Facilities Lease for each Series require that the City carry use and occupancy insurance sufficient to pay debt service for at least 12 months, while current market standards require 24 months of use and occupancy insurance. Staff is recommending that the Facilities Leases be amended to increase the use and occupancy coverage requirement from 12 months to 24 months.

**Policy Considerations:** This action is deemed to be in the best interest of the City in that it will increase the use and occupancy insurance coverage to a level consistent with other lease revenue bond financings, ensure no withdrawal of bond ratings by the rating agencies, and maintain and foster good standings in the investment market.

The associated amendments will be executed upon approval by City Council and the Sacramento City Financing Authority.

**Environmental Considerations:** Not Applicable

**California Environmental Quality Act (CEQA):** This action is not subject to the CEQA because it is not a “project” as defined in section 15378 of the CEQA Guidelines.

**Sustainability Considerations:** None

**Commission/Committee Action:** None

**Rationale for Recommendation:** Increasing the use and occupancy insurance on the 1993 Lease Revenue Refunding Bonds Series A and Series B from a period of 12 months to a period of 24 months will result in coverage being consistent with other lease revenue bond financings of the City and Authority. Additionally, it will ensure that the rating agencies do not withdraw their rating on this series of bonds.

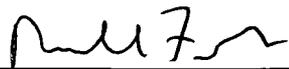
**Financial Considerations:** Per the City’s Risk Manager, an increase in use and occupancy insurance coverage for the Series 1993 A and Series 1993 B bonds will result in a slight increase in annual insurance premiums of approximately \$8,000. This additional cost will be absorbed by the Risk Fund.

**Emerging Small Business Development (ESBD): Not Applicable**

Respectfully Submitted by:

  
\_\_\_\_\_  
Janelle Gray  
Treasury Manager

Recommendation Approved:

  
\_\_\_\_\_  
Russell T. Fehr  
City Treasurer

**Table of Contents:**

	Report	Pg. 1
<b>Attachments</b>		
1	City Resolution and Exhibits	Pg. 4
2	Authority Resolution and Exhibits	Pg. 10

**Attachment 1**

**RESOLUTION NO. 2009-XXXX**

Adopted by the Sacramento City Council

**August 11, 2009**

**AUTHORIZING THE EXECUTION AND DELIVERY OF AMENDMENTS TO FACILITIES LEASES WITH THE SACRAMENTO CITY FINANCING AUTHORITY RELATING TO THE SERIES 1993 A AND SERIES 1993 B BONDS AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**BACKGROUND:**

- A.** The City Council (the “City Council”) of the City of Sacramento (the “City”) has by duly adopted prior resolution authorized the execution and delivery by the City of a Facilities Lease (Series 1993 A) and a Facilities Lease (Series 1993 B), both dated as of August 1, 1993 (together, the “Facilities Leases”), and both by and between the City and the Sacramento City Financing Authority (the “Authority”) and relating to the Sacramento City Financing Authority Lease Revenue Refunding Bonds, Series 1993 A and Series 1993 B (the “Bonds”).
- B.** The City Council has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facilities Leases be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

**Section 1.** The City Council finds and determines that the statements in paragraphs A and B of the Background are true.

**Section 2.** The City is authorized to execute and deliver an amendment to each of the Facilities Leases that shall provide that the use and occupancy insurance coverage required by Section 6.03 of the Facilities Leases be increased from a period of twelve (12) months to a period of twenty-four (24) months. Such amendments are attached hereto as Exhibits A and B.

**Section 3.** The Treasurer of the City (the “Treasurer”) or his designee is hereby authorized and directed to execute the amendments attached hereto as Exhibits A and B, and the City Clerk of the City (the “City Clerk”) is hereby authorized and directed to

attest the execution and to affix the seal of the City thereto and to deliver such amendments.

**Section 4.** The Treasurer, the City Clerk and the other officers of the City are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including without limitation, a request to the trustee for the Bonds to approve the amendments authorized in this resolution, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, and any actions heretofore taken by the officers are hereby ratified, confirmed and approved.

**Section 5.** Exhibits A and B are part of this resolution.

**Table of Contents:**

Exhibit A – First Amendment to Facilities Lease (Series 1993 A)

Exhibit B – First Amendment to Facilities Lease (Series 1993 B)

**Exhibit A**

**FIRST AMENDMENT TO FACILITIES LEASE (SERIES 1993 A)  
BY AND BETWEEN THE SACRAMENTO CITY FINANCING AUTHORITY AND THE  
CITY OF SACRAMENTO, DATED AS OF AUGUST 1, 1993**

**RECITALS**

- C.** The City of Sacramento (“City”) and the Sacramento City Financing Authority (the “Authority”) previously entered into a Facilities Lease (Series 1993 A), dated as of August 1, 1993 (the “Facility Lease”), relating to the Sacramento City Financing Authority Lease Revenue Refunding Bonds, Series 1993 A (the “Bonds”).
- D.** The City has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facility Lease be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 6.03 of the Facilities Lease is amended as follows:

In line 10, “twelve (12) months” is amended to “twenty-four (24) months”.

**SIGNATURE PAGE FOLLOWS**

IN WITNESS WHEREOF, the parties hereto have executed and entered into this First Amendment to the Facilities Lease by their officers thereunto duly authorized as of this \_\_\_\_ day of \_\_\_\_\_, 2009.

SACRAMENTO CITY FINANCING AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF SACRAMENTO

By \_\_\_\_\_  
Treasurer

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By \_\_\_\_\_  
City Attorney

The undersigned hereby approves this First Amendment to the Facilities Lease (Series 1993 A):

BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
As trustee

By \_\_\_\_\_  
Authorized Signatory

**Exhibit B**

**FIRST AMENDMENT TO FACILITIES LEASE (SERIES 1993 B)  
BY AND BETWEEN THE SACRAMENTO CITY FINANCING AUTHORITY AND THE  
CITY OF SACRAMENTO, DATED AS OF AUGUST 1, 1993**

**RECITALS**

- E.** The City of Sacramento (“City”) and the Sacramento City Financing Authority (the “Authority”) previously entered into a Facilities Lease (Series 1993 B), dated as of August 1, 1993 (the “Facility Lease”), relating to the Sacramento City Financing Authority Lease Revenue Refunding Bonds, Series 1993 B (the “Bonds”).
- F.** The City has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facility Lease be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 6.03 of the Facilities Lease is amended as follows:

In line 9, “twelve (12)” is amended to “twenty-four (24)”.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have executed and entered into this First Amendment to the Facilities Lease by their officers thereunto duly authorized as of this \_\_\_\_ day of \_\_\_\_\_, 2009.

SACRAMENTO CITY FINANCING AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF SACRAMENTO

By \_\_\_\_\_  
Treasurer

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By \_\_\_\_\_  
City Attorney

The undersigned hereby approves this First Amendment to the Facilities Lease (Series 1993 B):

BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
As trustee

By \_\_\_\_\_  
Authorized Signatory

**Attachment 2**

**RESOLUTION NO. FA2009-XXXX**

Adopted by the Sacramento City Financing Authority

**August 11, 2009**

**AUTHORIZING THE EXECUTION AND DELIVERY OF AMENDMENTS TO FACILITIES LEASES WITH THE CITY OF SACRAMENTO RELATING TO THE SERIES 1993 A AND SERIES 1993 B BONDS AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**BACKGROUND:**

- A. The Sacramento City Financing Authority is a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").
- B. The Authority has by duly adopted prior resolution authorized, sold and issued its Lease Revenue Refunding Bonds, Series 1993 A and Series 1993 B (the "Bonds") and in that connection has entered into a Facilities Lease (Series 1993 A) and a Facilities Lease (Series 1993 B), both dated as of August 1, 1993 (together, the "Facilities Leases"), and both by and between the Authority and the City.
- C. The City Council (the "City Council") of the City of Sacramento (the "City") has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facilities Leases be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE SACRAMENTO CITY FINANCING AUTHORITY RESOLVES AS FOLLOWS:**

**Section 1.** The Authority finds and determines that the statements in paragraphs A through C of the Background are true.

**Section 2.** The Authority is authorized to execute and deliver an amendment to each of the Facilities Leases that shall provide that the use and occupancy insurance coverage required by Section 6.03 of the Facilities Leases be increased from a period

of twelve (12) months to a period of twenty-four (24) months. Such amendments are attached hereto as Exhibits A and B.

**Section 3.** The Treasurer of the Authority (the “Treasurer”) is hereby authorized and directed to execute the amendments attached hereto as Exhibits A and B, and the Secretary of the Authority (the “Secretary”) is hereby authorized and directed to attest the execution and to deliver such amendments.

**Section 4.** The Treasurer, the Secretary and the other officers of the Authority are hereby each authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including without limitation, a request to the trustee for the Bonds to approve the amendments authorized in this resolution, which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution, and any actions heretofore taken by the officers are hereby ratified, confirmed and approved.

**Section 5.** Exhibits A and B are part of this resolution.

**Table of Contents:**

Exhibit A – First Amendment to Facilities Lease (Series 1993 A)

Exhibit B – First Amendment to Facilities Lease (Series 1993 B)

**Exhibit A**

**FIRST AMENDMENT TO FACILITIES LEASE (SERIES 1993 A)  
BY AND BETWEEN THE SACRAMENTO CITY FINANCING AUTHORITY AND THE  
CITY OF SACRAMENTO, DATED AS OF AUGUST 1, 1993**

**RECITALS**

- G.** The City of Sacramento (“City”) and the Sacramento City Financing Authority (the “Authority”) previously entered into a Facilities Lease (Series 1993 A), dated as of August 1, 1993 (the “Facility Lease”), relating to the Sacramento City Financing Authority Lease Revenue Refunding Bonds, Series 1993 A (the “Bonds”).
- H.** The City has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facility Lease be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 6.03 of the Facilities Lease is amended as follows:

In line 10, “twelve (12) months” is amended to “twenty-four (24) months”.

**SIGNATURE PAGE FOLLOWS**

IN WITNESS WHEREOF, the parties hereto have executed and entered into this First Amendment to the Facilities Lease by their officers thereunto duly authorized as of this \_\_\_\_ day of \_\_\_\_\_, 2009.

SACRAMENTO CITY FINANCING AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF SACRAMENTO

By \_\_\_\_\_  
Treasurer

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By \_\_\_\_\_  
City Attorney

The undersigned hereby approves this First Amendment to the Facilities Lease (Series 1993 A):

BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
As trustee

By \_\_\_\_\_  
Authorized Signatory

**Exhibit B**

**FIRST AMENDMENT TO FACILITIES LEASE (SERIES 1993 B)  
BY AND BETWEEN THE SACRAMENTO CITY FINANCING AUTHORITY AND THE  
CITY OF SACRAMENTO, DATED AS OF AUGUST 1, 1993**

**RECITALS**

- I. The City of Sacramento (“City”) and the Sacramento City Financing Authority (the “Authority”) previously entered into a Facilities Lease (Series 1993 B), dated as of August 1, 1993 (the “Facility Lease”), relating to the Sacramento City Financing Authority Lease Revenue Refunding Bonds, Series 1993 B (the “Bonds”).
- J. The City has determined that it is in the best interests of the City and its citizens and is necessary and proper for City purposes that the use and occupancy insurance coverage required by Section 6.03 of the Facility Lease be increased from a period of twelve (12) months to a period of twenty-four (24) months, which use and occupancy insurance coverage will then be consistent with other lease revenue bond financings of the Authority and the City.

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SIGNATURE PAGE FOLLOWS

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SACRAMENTO CITY FINANCING AUTHORITY

By \_\_\_\_\_  
Treasurer

CITY OF SACRAMENTO

By \_\_\_\_\_  
Treasurer

(SEAL)

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

By \_\_\_\_\_  
City Attorney

The undersigned hereby approves this First Amendment to the Facilities Lease (Series 1993 B):

BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
As trustee

By \_\_\_\_\_  
Authorized Signatory