



REPORT TO COUNCIL

City of Sacramento 23

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

CONSENT
December 15, 2009

Honorable Mayor and
Members of the City Council

Title: Paratransit First Supplemental Paying Agent Agreement

Location/Council District: South Sacramento, Council District 5

Recommendation: Adopt a **Resolution** authorizing the execution and delivery of a First Supplemental Paying Agent Agreement and other actions that may be required related to the City of Sacramento Special Purpose Facility Revenue Bonds (Paratransit 2005) for the purpose of amending terms related to the interest rate.

Contacts: Janelle Gray, Public Finance Manager, 808-8296

Presenters: Not applicable

Department: Treasurer

Division: Public Finance

Organization No: 05001011

Description/Analysis:

Issue: In March 2005, City Council approved the conduit issuance of \$4,235,000 Special Purpose Facility Revenue Bonds (Paratransit 2005) (the "Bonds") under Chapter 3.116 of the Sacramento City Code ("Chapter 3.116"), which permits the City to provide 501(c)(3) organizations access to tax-exempt financings. The Bonds are an obligation of Paratransit solely and are not an obligation to the City. The Bonds were purchased in a private placement by All Points Public Funding, LLC, now known as Capital One Public Funding, LLC ("Capital Funding").

Pursuant to the Paying Agent Agreement, of which the City is signatory, the Bonds carry a fixed interest rate of 4.98% for the first 10 years; in year 11 the interest rate will be determined using a formula, with a cap of 9%.

Capital Funding has offered to amend the Bonds and associated documents so that the interest rate will be fixed at 4.93% through the final maturity of the Bonds. This amendment will provide certainty to Paratransit of the cost of its long-term debt obligation on the Bonds. Capital Funding and Paratransit have requested that the City and the Paying Agent, Westamerica Bank, amend the Paying Agent Agreement to reflect the new fixed interest rate.

The City Treasurer is seeking City Council authorization to execute the necessary amending documentation to effect this change. All other terms and conditions of the Paying Agent Agreement and financing would remain unchanged.

Policy Considerations: Chapter 3.116 establishes a program and procedure for the authorization, sale, and issuance of revenue bonds by the City for the purpose of making loans to participating 501(c)(3) organizations to finance and refinance their facilities through access to the tax-exempt market.

Committee/Commission Action: Not applicable

Environmental Considerations: Not applicable

California Environmental Quality Act (CEQA): Not applicable

Sustainability Considerations: Not applicable

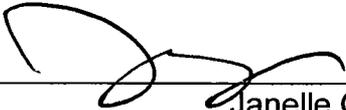
Rationale for Recommendation: This action will remove the future market risk related to the interest rate on the Bonds and provide Paratransit with cost certainty of its long-term debt obligation.

Financial Considerations:

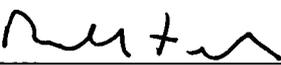
The debt service associated with the Bonds is a general obligation of Paratransit alone and is not an obligation of the City.

Emerging Small Business Development (ESBD): Not applicable

Respectfully submitted by: _____


Janelle Gray
Public Finance Manager

Recommendation Approved:



Russell T. Fehr
City Treasurer

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Attachment 1

RESOLUTION NO. 2009-XXXX

Adopted by the Sacramento City Council

December 15, 2009

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL PAYING AGENT AGREEMENT, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

BACKGROUND

- A. Chapter 3.116 of the Sacramento City Code, the City of Sacramento Nonprofit Public Benefit Corporation Facilities Financing Law, establishes a program and procedure for the authorization, sale, and issuance of revenue bonds by the City for the purpose of making loans to participating parties to finance and refinance their facilities.
- B. Paratransit Incorporated (“Paratransit”) is a nonprofit public benefit corporation that owns, maintains, and operates a public-transportation system and related facilities within in the City.
- C. In March 2005 the City and Westamerica Bank, as Paying Agent (“Westamerica”), entered into a Paying Agent Agreement to provide for the issuance of City of Sacramento Special Purpose Facility Revenue Bonds (Paratransit 2005) in the principal amount of \$4,235,000 (the “Bonds”).
- D. The City used the proceeds of the Bonds to make a loan to Paratransit under a Loan Agreement dated March 1, 2005. Section 4.1 of the Loan Agreement requires Paratransit to pay or cause Westamerica to pay the owners of the Bonds. Capital One Public Funding, LLC (“Capital Funding”) owns all of the Bonds.
- E. Under the terms of the Paying Agent Agreement, the rate on the Bonds is fixed at 4.98% until March 2015, at which time it resets based on formula with a not-to-exceed limit of 9%. Capital Funding and Paratransit have requested that the City and Westamerica amend the Paying Agent Agreement to fix the interest rate on the Bonds at 4.93% from January 1, 2010, through the final maturity of the Bond in April 2025.
- F. Section 10.2 of the Paying Agent Agreement permits the City and Westamerica to amend the Agreement with the written consent of Paratransit and a majority of the owners of the Bonds.

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

Section 1. Authorization to Execute and Deliver Documents. The City Treasurer is hereby authorized, on the City's behalf, to execute and deliver a First Supplemental Paying Agent Agreement that revises Section 2.2(c) of the original Paying Agent Agreement to read in its entirety as follows:

Date; Interest Accrual; Interest Rate. The Bonds shall be dated their date of delivery and shall bear interest from their delivery date. The Bonds shall bear interest on the unpaid principal balance thereof (a) from their date through December 31, 2009, at the rate of 4.98% per annum, and (b) from January 1, 2010, through March 31, 2025, at the rate of 4.93% per annum. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 2. General Authorization. The Mayor, City Manager, City Treasurer, and the City Clerk (the "Designated Officers") are each hereby authorized and directed to execute and deliver any documents on the City's behalf and to take any other actions that in their judgment are necessary or advisable to effect the purpose of the resolution. All actions taken by the Designated Officers or any other officers or employees of the City that conform to the purposes and intent of this resolution are hereby approved, confirmed, and ratified.

Attachment 2**Comparison of Section 2.2(C) in the original Paying Agent Agreement and the First Supplemental Paying Agent Agreement**

Section 2.2(C) in original Paying Agent Agreement:

Date; Interest Accrual; Interest Rates. The Bonds shall be dated their date of delivery and shall bear interest from their delivery date. The Bonds shall bear interest on the unpaid principal balance thereof (a) from their date through March 31, 2015, at the rate of 4.98% per annum, and (b) from April 1, 2015, through March 31, 2025, at a rate per annum equal to 0.645 times the sum of the interest rate per annum for the 10-year U.S. Treasury (constant maturity) most current as of March 4, 2015 (as reported in the Federal Reserve Statistical Release H.15) and 3.15%, but not exceeding 9% per annum. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 2.2(C) in the original Paying Agent Agreement redlined to show changes:

Date; Interest Accrual; Interest Rates. The Bonds shall be dated their date of delivery and shall bear interest from their delivery date. The Bonds shall bear interest on the unpaid principal balance thereof (a) from their date through ~~March 31, 2015~~ December 31, 2009, at the rate of 4.98% per annum, and (b) from ~~April 1, 2015~~ January 1, 2010, through March 31, 2025, at a the ~~rate per annum equal to 0.645 times the sum of the interest rate per annum for the 10-year U.S. Treasury (constant maturity) most current as of March 4, 2015 (as reported in the Federal Reserve Statistical Release H.15) and 3.15%, but not exceeding 9%~~ of 4.93% per annum. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

Amended Section 2.2(C) in the First Supplemental Paying Agent Agreement:

Date; Interest Accrual; Interest Rate. The Bonds shall be dated their date of delivery and shall bear interest from their delivery date. The Bonds shall bear interest on the unpaid principal balance thereof (a) from their date through December 31, 2009, at the rate of 4.98% per annum, and (b) from January 1, 2010, through March 31, 2025, at the rate of 4.93% per annum. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

ATTACHMENT 3

FIRST SUPPLEMENTAL PAYING AGENT AGREEMENT

This First Supplemental Paying Agent Agreement, dated December 15, 2009, for purposes of identification (the “First Supplement”), is between the City of Sacramento (the “City”) and Westamerica Bank, as paying agent (the “Paying Agent”) under the Paying Agent Agreement dated as of March 1, 2005 (the “Paying Agent Agreement”), between the City and the Paying Agent.

WHEREAS, the City and the Paying Agent entered into the Paying Agent Agreement to provide for the issuance of \$4,235,000 aggregate principal amount of City of Sacramento Special Purpose Facility Revenue Bonds (Paratransit 2005) (the “Bonds”);

WHEREAS, the City used the proceeds of the Bonds to make a loan to Paratransit, Incorporated (“Paratransit”), pursuant to the Loan Agreement dated as of March 1, 2005 (the “Loan Agreement”), between the City and Paratransit;

WHEREAS, Section 4.1 of the Loan Agreement provides that Paratransit shall pay or cause the Paying Agent to pay to the owners of the Bonds all of the principal and interest that is payable on the Bonds;

WHEREAS, under the current terms of the Paying Agent Agreement, interest on the Bonds is fixed at the rate of 4.98% per annum until March 31, 2015, at which time it resets to a rate equal to 64.5% of the then-current 10-year U.S. Treasury Note rate plus 3.15% (but not more than 9%);

WHEREAS, all of the Bonds are currently owned by Capital One Public Funding, LLC (“Capital One”);

WHEREAS, Capital One and Paratransit have requested the City and the Paying Agent to amend the Paying Agent Agreement to fix the interest rate on the Bonds at 4.93% now for their remaining term and have consented to the execution of this First Supplement;

WHEREAS, Section 10.2 of the Paying Agent Agreement permits the City and the Paying Agent to amend the Paying Agent Agreement with the written consent of Paratransit and a majority of the owners of the Bonds;

WHEREAS, the City and the Paying Agent have agreed to amend the Paying Agent Agreement as requested by Paratransit and Capital One.

NOW, THEREFORE, THIS FIRST SUPPLEMENT WITNESSETH THAT the parties hereto agree, as follows:

Section 1. Amendment. Section 2.2 (C) of the Paying Agent Agreement is amended to read as follows:

(C) Date; Interest Accrual; Interest Rate. The Bonds shall be dated their date of delivery and shall bear interest from their delivery date. The Bonds shall bear interest on the unpaid principal balance thereof (a) from their date through December 31, 2009, at the rate of 4.98% per annum, and (b) from January 1, 2010, through March 31, 2025, at the rate of 4.93% per annum. Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 2. Replacement Bond. Pursuant to Section 10.6 of the Paying Agent Agreement, the City shall execute and the Paying Agent shall authenticate and deliver to Capital One a new Bond modified to conform to the amendment made by this First Supplement.

Section 3. Provisions of the Paying Agent Agreement. Except as in this First Supplement expressly provided, every term and condition contained in the Paying Agent Agreement shall remain in full force and effect.

Section 4. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 5. Effective Date. This First Supplement is effective on the date as of which both the City and the Paying Agent have signed it, as indicated by the dates in the signature blocks below.

IN WITNESS WHEREOF, the parties hereto have executed this First Supplement by their officers thereunto duly authorized.

CITY OF SACRAMENTO

WESTAMERICA BANK, as Paying Agent

By: _____
Russell Fehr, City Treasurer
Date: December __, 2009

By: _____
Authorized Officer
Date: December __, 2009

Attest:

By: _____
City Clerk

Approved as to Form

By: _____
Senior Deputy City Attorney

CONSENTS TO FIRST SUPPLEMENT

The undersigned hereby consent to the execution of the above First Supplemental Paying Agent Agreement by the City and the Paying Agent.

PARATRANSIT, INCORPORATED

By _____
Executive Director
Date: December ____, 2009

Attest:

Secretary

CAPITAL ONE PUBLIC FUNDING, LLC

By _____
Senior Vice President
Date: December ____, 2009

