

## **RESOLUTION NO. 2010-501**

Adopted by the Sacramento City Council

August 17, 2010

### **APPROVING THE CITY TREASURER'S USE OF UP TO \$20 MILLION TO PURCHASE STATE OF CALIFORNIA REGISTERED WARRANTS FROM CITY OF SACRAMENTO RESIDENTS AND BUSINESSES AND AUTHORIZING AN ADMINISTRATIVE FEE OF UP TO \$2.00 PER TRANSACTION**

#### **BACKGROUND**

- A. The California Legislature has not yet approved the State budget for Fiscal Year 2009/10. This delay has forced the State to issue registered warrants (commonly referred to as IOUs) instead of payment for obligations or services rendered.
- B. The U.S. Securities and Exchange Commission has determined the registered warrants are securities under federal law.
- C. Purchase of the warrants is permissible and prudent under State law applicable to City investments and under the City's Investment Policy as a short-term investment for the City's Pool A, paying an interest rate greater than other similar duration instruments. As with all investments there is risk; with the State's on-going budget crisis there is an implied risk of default.
- D. Purchase of the warrants will be limited to City residents and non-profit organizations and private businesses that are located within the City or conduct a substantial amount of its business within the City and/or employ a significant number of City residents, to best assist in mitigating the financial and economic impacts to the City and its residents and businesses from the State's issuance of these IOUs.

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

- Section 1. City Council hereby approves the City Treasurer's purchase, as an investment, of up to \$20 million in State of California registered warrants from City residents and businesses.
- Section 2. The City Treasurer is hereby authorized to charge an administrative fee of up to \$2.00 per transaction to offset the cost of processing the investment purchase. In addition, the City Treasurer is hereby authorized, but not required to charge a reduced bulk-rate fee for multiple purchases from a single person or business.

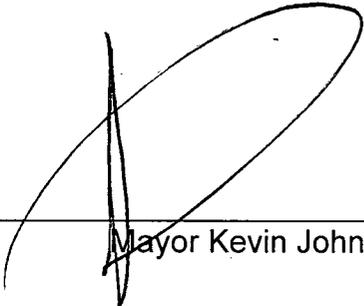
Adopted by the City of Sacramento City Council on August 17, 2010 by the following vote:

Ayes: Councilmembers Fong, Hammond, McCarty, Pannell, Sheedy, Tretheway, Waters, and Mayor Johnson.

Noes: None.

Abstain: None.

Absent: Councilmember Cohn.



\_\_\_\_\_  
Mayor Kevin Johnson

Attest:



\_\_\_\_\_  
Shirley Concolino, City Clerk