Meeting Date: **6/25/2013**

Report Type: Staff/Discussion

Report ID: 2013-00460

City of SACRAMENTO

City Council Report
915 I Street, 1st Floor
www.CityofSacramento.org

Title: Issuance and Sale of the City of Sacramento 2013 Tax and Revenue Anticipation Notes

Location: Citywide

Issue: Council authorization is required for the issuance of the 2013 Tax and Revenue Anticipation Notes, and the execution of related documents and other activities to complete the financing.

Recommendation: Pass 1) a Resolution authorizing the issuance and sale of the City of Sacramento 2013 Tax and Revenue Anticipation Notes ("TRAN") in an amount not to exceed $40 million, approving the official statement relating to such notes, and authorizing other actions, including the execution of a note purchase agreement and an agreement for bond counsel services; and 2) a Resolution authorizing the City Treasurer and the Finance Director to make temporary cash transfers between unrestricted City funds during fiscal year 2013-14 and to establish and implement the necessary financial transactions, budgets, and appropriations after final pricing and sale of the TRAN as needed to carry out the terms and intent of the financing in accordance with the law and City policy.

Contact: Russell Fehr, City Treasurer, (916) 808-5832, Janelle Gray, Debt Manager, (916) 808-8296, Office of the City Treasurer

Presenter: Damien Charléty, Debt Analyst, (916) 808-5517, Office of the City Treasurer

Department: City Treasurer
Division: City Treasurer
Dept ID: 05001011
Attachments:
01-Description/Analysis
02-Resolution (2013 Tax and Revenue Anticipation Notes)
03-Resolution Approving the Revenue and Expenditure Budget
04-Preliminary Official Statement
05-Appendix A
06-Note Purchase Agreement
07-Continuing Disclosure Certification
08-Fiscal Agent Agreement
09-Agreement for Bond Counsel Services
10-Presentation

City Attorney Review

Approved as to Form
Joseph Cerullo
6/19/2013 4:02:45 PM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Janelle Gray
6/18/2013 6:18:14 PM

Approvals/Acknowledgements

Department Director or Designee: Janelle Gray - 6/19/2013 1:43:27 PM

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Description/Analysis

Issue Detail: In the General Fund, expenses are relatively constant throughout the year but the first significant disbursement of property taxes, the largest share of General Fund revenues, occurs in December, creating a "dry period" in the first half of the fiscal year.

If the cash reserves at the beginning the fiscal year are insufficient to cover this "dry period," the cash balance in the General Fund will turn negative during unless additional funds are provided.

This deficit condition is projected to occur again during the "dry period" in Fiscal Year ("FY") 2013-14. Based on the adopted FY 2013-14 budget and associated cash-flow projections, the maximum deficit in the General Fund during FY 2013-14 is projected to be $23.4 million.

For the past three fiscal years, the City has covered the projected deficit in the General Fund by issuing short-term debt in the form of Tax and Revenue Anticipation Notes ("TRANs"), and staff recommendation is to do so again for FY 2013-14.

Policy Considerations: The City needs to borrow cash because the projected balances in the General Fund at the beginning of FY 2013-14 will not be sufficient to meet the City's cash-flow requirements throughout FY 2013-14.

To meet the resulting cash-flow needs, staff recommends issuing TRANs to be repaid within the same fiscal year as they are issued, and to be supplemented by internal resources if necessary.

With prolonged financial pressures forecast in the next few years, the need for cash flow borrowings during the revenue "dry period" is expected to be needed for several more years.

Economic Impacts: None.

Environmental Considerations: This action is not subject to the CEQA because it is not a "project" as defined in section 15378 of the CEQA Guidelines.

Sustainability: None.

Commission/Committee Action: None.

Rationale for Recommendation: The City needs to maintain a positive cash balance in the General Fund during the entire fiscal year. The issuance of TRANs will provide the funds needed to maintain a positive cash balance to meet the objectives of the City's proactive cash-management program.

Financial Considerations: Based on the adopted FY 2013-14 budget, the projected cash-flow analysis for FY 2013-14 indicates a maximum negative cash balance in the General Fund of $23.4 million.

To ensure that adequate resources are on hand, staff recommends that the City issue TRANs to generate approximately $33.0 million in net proceeds, which provides an estimated $9.6-million cushion for FY 2013-14.

Interest will be earned on the borrowed funds before they are spent, thereby reducing the overall cost of borrowing so that the overall cost of issuing TRANs will be lower than the cost of internal borrowing. The actual costs will not be known until the TRANs are sold.

Repayment set-asides are structured to occur in January, April, and May 2014, with a single principal repayment in June 2014; however, based on market conditions at the time of sale, the City Treasurer may elect to modify this structure to best meet the needs of the City.

Emerging Small Business Development (ESBD): Not Applicable

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RESOLUTION NO. 2013-XXX

Adopted by the Sacramento City Council

June 25, 2013

PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2013-14 AND THE ISSUANCE AND SALE OF THE CITY OF SACRAMENTO 2013 TAX AND REVENUE ANTICIPATION NOTES, APPROVING THE OFFICIAL STATEMENT RELATING TO SUCH NOTES, AUTHORIZING THE EXECUTION OF A NOTE PURCHASE AGREEMENT FOR SUCH NOTES, AND AUTHORIZING OTHER ACTIONS IN CONNECTION THEREWITH

BACKGROUND:

A. Under Government Code Sections 53850 through 53858, and based upon staff reports, budget deliberations, and other matters presented to it, the City Council believes that the sum of not-to-exceed $40,000,000 is needed to satisfy obligations payable from the City's General Fund (the "**General Fund**") during Fiscal Year 2013-14 and that the City needs to borrow this sum by the issuance of temporary notes in anticipation of the receipt of taxes, income, revenue, cash receipts, and other moneys of the City to be received for, or accrued to, the General Fund during Fiscal Year 2013-14.

B. The City intends to borrow the sum of not-to-exceed $40,000,000 for the purposes set forth in this resolution by the issuance and sale of the temporary notes.

C. The sum of $40,000,000, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts, and other moneys of the City to be received for, or accrued to, the General Fund during Fiscal Year 2013-14 and available for the payment of the interest on, and principal of, the temporary notes.

D. The City has not previously borrowed money through the issuance of any temporary notes in anticipation of the receipt of, or payable or secured by, any taxes, income, revenue, cash receipts, or other moneys of the City to be received for, or accrued to, the General Fund during Fiscal Year 2013-14.

E. Under Government Code Section 53856, certain taxes, income, revenue, cash receipts, and other moneys of the City that will be received for, or accrued to, the General Fund during Fiscal Year 2013-14 can be pledged for the payment of the interest on, and principal of, the temporary notes.

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

Section 1. The City Council finds that the statements in the Background are true.

Section 2. For the purpose of anticipating taxes, income, revenue, cash receipts, and other moneys of the City to be received for, or accrued to, the General Fund during Fiscal Year 2013-14, the City shall borrow a not-to-exceed aggregate principal amount of $40,000,000 by the issuance and sale of temporary notes under Government Code Sections 53850 through 53858, to be designated as the "City of Sacramento 2013 Tax and Revenue Anticipation Notes" (the "**Notes**").

(a) The sale of the Notes shall be accomplished by a negotiated sale to Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**").

(b) The Notes will be issued in fully registered form in denominations of $5,000 or any integral multiple thereof and will be dated the date of original issuance thereof, as determined by the Sacramento City Treasurer (the "**Treasurer**") and provided for in the Note Purchase Agreement for the City's sale of the Notes to the Underwriter, described further in Section 11 of this resolution (the "**Note Purchase Agreement**").

(c) The Notes will mature (without option of prior redemption) on such date or dates as determined by the Treasurer and provided for in the Note Purchase Agreement, which date or dates must not be later than the date which is 13 months after the date of original issuance of the Notes.

(d) The Notes will bear interest from their date of original issuance (computed on the basis of a 360-day year of twelve 30-day months) payable at the maturity of the Notes and, if the Treasurer determines that any of the Notes will mature later than one year from the date of original issuance thereof, on a date or dates not later than the date that is one year from the date of original issuance thereof (which interest payment date or dates will be determined by the Treasurer and provided for in the Note Purchase Agreement), at the rate or rates determined at the time of the sale thereof.

(e) Both the principal of the Notes and interest due on the Notes at maturity will be payable upon the maturity thereof, in lawful money of the United States of America, only to the registered owners of the Notes upon surrender thereof at the corporate trust office of the commercial bank or trust company appointed as fiscal agent for the Notes (the "**Fiscal Agent**"). Interest will not be payable on any Note for any period after maturity during which the registered owner thereof fails to properly present the Note for payment. U.S. Bank National Association, with its corporate trust office in St. Paul, Minnesota, is hereby appointed as initial Fiscal Agent.

(f) At any time after the sale of the Notes, the Treasurer and the Sacramento City Clerk (the "**City Clerk**") shall execute the Notes for issuance hereunder and shall deliver them to the Fiscal Agent, and thereupon the Fiscal Agent shall authenticate the Notes and deliver them to the purchaser thereof upon the written request of the City and upon receipt of payment therefor from the purchaser thereof.

Section 3.

(a) The Depository Trust Company, New York, New York ("**DTC**"), is hereby appointed depository for the Notes. DTC shall act as depository pursuant to the Blanket Issuer Letter of Representations on file with the Treasurer and the Fiscal Agent. The Notes will be initially issued and registered in the name of "Cede & Co." as nominee of DTC and will be evidenced by a single Note for each maturity bearing interest at a particular per annum rate of interest. Registered ownership of each Note, or any portion thereof, may not thereafter be transferred except as set forth in Section 3(b).

(b) The Notes will be initially issued and registered as provided in Section 3(a). Registered ownership of the Notes, or any portions thereof, may not thereafter be transferred except as follows:

    (1) to any successor of Cede & Co., as nominee of DTC, or its nominee, or of any substitute depository designated under Section 3(b)(2) ("**Substitute Depository**"), provided that any successor of Cede & Co., as nominee of DTC or Substitute Depository, must be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) to any Substitute Depository not objected to by the Fiscal Agent, upon (A) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository or (B) the determination by the Fiscal Agent to substitute another depository for DTC (or its successor) because DTC (or its successor) is no longer able to carry out its functions as depository, provided that any Substitute Depository must be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) to any person as provided in Section 3(c) below upon (A) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (B) a determination by the Fiscal Agent to discontinue using DTC or a depository.

(c) In the case of any transfer under Section 3(b)(1) or 3(b)(2), upon receipt of all outstanding Notes by the Fiscal Agent (together, in the case of a successor Fiscal Agent appointed by the City under Section 12 below, with a written request of the Fiscal Agent to the successor fiscal agent designating the Substitute Depository), new Notes, which the City shall prepare or cause to be prepared, will be executed and delivered to, and registered in the name of, any such successor to Cede & Co. or such Substitute Depository, or their respective nominees, as the case may be, all as specified by the Fiscal Agent or, in the case of a successor Fiscal Agent appointed by the City under Section 12, as specified in the written request of the Fiscal Agent. In the case of any transfer under Section 3(b)(3), upon receipt of all outstanding Notes by the Fiscal Agent (together, in the case of a successor Fiscal Agent appointed by the City under Section 12, with a written request of the Fiscal Agent to the successor Fiscal Agent), new Notes, which the City shall prepare or cause to be prepared, will be executed and delivered to, and registered in the names of, such persons as specified by the Fiscal Agent or, in the case of a successor Fiscal Agent appointed by the City under Section 12, as are requested in the written request of the Fiscal Agent, subject to the limitations of this Section 3, and the Fiscal Agent shall deliver such new Notes as soon as practicable.

(d) The City and the Fiscal Agent may treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and for purposes of payment of principal of, and interest on, such Note, notwithstanding any notice to the contrary received by the Fiscal Agent or the City; and the City and the Fiscal Agent are not responsible for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes. Neither the City nor the Fiscal Agent has any responsibility or obligation, legal or otherwise, to any beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the owner of any Notes, and the Fiscal Agent may rely conclusively on its records as to the identity of the owners of the Notes.

(e) Notwithstanding any other provision of this resolution, and so long as all outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the City and the Fiscal Agent shall cooperate with Cede & Co. or its registered assigns, as sole registered owner, in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due all in accordance with the Blanket Issuer Letter of Representations, the provisions of which the Fiscal Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions in this resolution.

(f) In the case of any transfer under Section 3(b)(3), any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount in authorized denominations, upon the books required to be kept by the Fiscal Agent under the provisions of this resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of the Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed and in a form approved by the Fiscal Agent. Whenever any Note is surrendered for transfer or exchange, the City shall execute, and the Fiscal Agent shall authenticate and deliver, a new Note or Notes of authorized denominations for a like aggregate principal amount. The Fiscal Agent shall require the owner requesting the transfer or exchange to pay any tax or other governmental charge required to be paid with respect to the transfer or exchange.

(g) The Fiscal Agent shall keep or cause to be kept sufficient books for the registration and transfer of the Notes, which at all times must be open to inspection by the City upon reasonable prior notice to the Fiscal Agent. Upon the presentation of a Note for registration or transfer, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the books required to be kept by it under this paragraph, such Note as hereinbefore provided.

(h) If any Note becomes mutilated, the City, at the expense of the owner of the Note, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Fiscal Agent of the Note so mutilated. The Fiscal shall cancel every mutilated Note so surrendered to it and shall deliver the canceled Note to, or upon the order of, the City.

(1) If any Note is lost, destroyed, or stolen, evidence of the loss, destruction, or theft may be submitted to the City and the Fiscal Agent and, if the evidence is satisfactory to both and if indemnity satisfactory to them is given, the City, at the expense of the owner, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Note of like tenor and number in lieu of and in substitution for the Note so lost, destroyed, or stolen (or if a lost, destroyed, or stolen Note has matured or is about to mature, instead of issuing a substitute Note, the Fiscal Agent may pay the same without surrender thereof).

(2) The Fiscal Agent may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued under this paragraph and of the expenses incurred by the City and the Fiscal Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed, or stolen will constitute an original additional contractual obligation on the part of the City whether or not the Note so alleged to be lost, destroyed, or stolen is enforceable by anyone at any time, and will be entitled to the benefits of this resolution with all other Notes secured by this resolution.

(3) If any Note is surrendered to any person other than the Fiscal Agent, whether for payment or registration of transfer, then that person shall deliver the Note to the Fiscal Agent, and the Fiscal Agent shall promptly cancel it. The City may at any time deliver to the Fiscal Agent for cancellation any Notes previously authenticated and delivered hereunder which the City may have acquired in any manner whatsoever, and the Fiscal Agent shall promptly cancel all such Notes. No Note may be authenticated in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted under this resolution. The Fiscal Agent shall, as directed by the City, dispose of all cancelled Notes it holds.

Section 4. The City shall issue the Notes without coupons in substantially the form set forth in Exhibit A to this resolution, the blanks in the form to be filled in with appropriate words and figures before the execution, authentication, and delivery of the Notes.

Section 5. There is hereby established on the books of the City a separate fund in the General Fund, designated the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Note Fund" (the "**Note Fund**"), for the purpose of ensuring the application of the proceeds received from the sale of the Notes for the purpose for which the Notes are to be issued, specified above in Section 2. Immediately upon receiving the proceeds of the sale of the Notes (net of the amount deposited with the Fiscal Agent in the Cost of Issuance Fund established under the Fiscal Agent Agreement referred to in Section 12 below), the Treasurer shall account for all amounts representing the proceeds received from the sale of the Notes in the Note Fund. All amounts credited to the Note Fund (and the accounts therein) shall be invested as permitted by Government Code Sections 53601 and 53601.1, and the proceeds of such investments must be accounted for in the Note Fund.

(a) Amounts accounted for in the Note Fund may be expended by the City for any purpose for which the City is authorized to expend funds from the General Fund, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available. If, on the date that is six months after the date of original issuance of the Notes, by treating as unavailable amounts that otherwise would be available amounts but that are held or set aside in a reasonable working-capital reserve not exceeding the amount set forth in the Tax Certificate executed by the City in connection with the issuance of the Notes (and in any event not exceeding 5% of the City's total working capital expenditures from its available funds in Fiscal Year 2012-13), all of the amounts accounted for in the Note Fund (including investment earnings thereon) have not been so spent, then the City shall promptly notify Orrick, Herrington & Sutcliffe LLP, which firm the City hereby appoints as bond counsel for the Notes ("**Bond Counsel**"), and, to the extent of its power and authority, shall comply with instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code of 1986 (the "**Code**").

(b) For purposes of this Section 5, the "**proceeds**" of the Notes are equal to the initial offering price of the Notes to the public, as certified to the City by the Underwriter.

Section 6. The interest on, and principal of, the Notes will be payable from taxes, income, revenue, cash receipts, and other moneys of the City that are received for, or accrued to, the General Fund during Fiscal Year 2013-14 and are generally available for the payment of current expenses and other obligations of the City during Fiscal Year 2013-14 (the "**Unrestricted Revenues**"). As security for the payment of the interest on and principal of the Notes, the City hereby agrees and covenants to establish and maintain on its books a special fund, designated the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Note Deposit Fund" (the "**Note Deposit Fund**"). As additional security for the payment of the interest on and principal of the Notes, the City hereby agrees and covenants to direct the Fiscal Agent to establish and maintain in trust a special fund, designated the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Repayment Fund" (the "**Repayment Fund**").

(a) The City hereby agrees and covenants to credit to the Note Deposit Fund—

(1) one-third of the total principal amount of the Notes and one-third of the total interest to be paid on the Notes at their maturities from the Unrestricted Revenues received by the City during the monthly accounting period ending on January 31, 2014;

(2) one-third of the total principal amount of the Notes and one-third of the total interest to be paid on the Notes at their maturities from the Unrestricted Revenues received by the City during the monthly accounting period ending on April 30, 2014; and

(3) an amount from the Unrestricted Revenues received by the City during the monthly accounting period ending on May 31, 2014, that, together with the balance then credited to the Note Deposit Fund, will be sufficient to provide for payment of the interest due on the then-outstanding Notes on their interest-payment dates, if any, determined in accordance with Section 2 of this resolution, as well as to pay the principal and interest due on the then-outstanding Notes at their maturity dates.

(b) All Unrestricted Revenues accounted for in the Note Deposit Fund are hereby pledged for the payment of the interest on, and principal of, the Notes on a parity basis, and all Unrestricted Revenues accounted for in the Note Deposit Fund must be applied proportionately for the payment of the principal of, and interest on, the Notes. The City shall credit Unrestricted Revenues to the Note Deposit Fund on or before the Thursday preceding the last day of each accounting period specified above, and the payment of the interest on, and principal of, the Notes will constitute a first lien and charge thereon and the Notes will be payable ratably therefrom, and to the extent not so paid will be paid ratably from any other moneys of the City lawfully available therefor. If the City receives insufficient Unrestricted Revenues to permit the credits to the Note Deposit Fund of the full amount required to be credited to the Note Deposit Fund in any accounting period specified above by the Thursday preceding the last day of the accounting period, then the City shall satisfy and make up the amount of any deficiency from any other moneys of the City lawfully available for the payment of the interest on, and principal of, the Notes. But if the total amount required to be credited to the Note Deposit Fund by the end of any accounting period specified above is greater than the actual amount credited thereto in the accounting period, then the amount, if any, required to be credited to the Note Deposit Fund during the next succeeding accounting period specified above must be increased by the amount of such shortfall. At least one business day before the date on which any principal of or interest on the Notes is due (each a "**Payment Date**"), the City shall transfer from amounts accounted for in the Note Deposit Fund to the Fiscal Agent for deposit in the Repayment Fund an amount equal to the amount of principal of, and interest on, the Notes becoming due on the Payment Date.

(c) The Treasurer is hereby authorized to select other time periods and amounts than those designated above within Fiscal Year 2013-14, for which Unrestricted Revenues received by the City are pledged to the payment of the principal of, and interest on, the Notes if, upon the advice of the Underwriter, the pledge of Unrestricted Revenues received during such other time periods and in such other amounts would be financially advantageous to the City. Any such change must be described in the final Official Statement relating to the Notes.

(d) The City shall hold and apply the money accounted for in the Note Deposit Fund, and the Fiscal Agent shall hold and apply the money in the Repayment Fund, only for the purposes and as directed in this resolution, and all money accounted for in the Note Deposit Fund and held in the Repayment Fund will be for the benefit of the holders of the Notes until the interest on and principal of the Notes are paid or until provision has been made for the payment of the interest on and principal of the Notes as the interest and principal become due. After the interest on and the principal of the Notes have been paid in full, or provision for such payment has been made, the City shall transfer to the General Fund any money accounted for in or accruing to the Note

Deposit Fund, and the Fiscal Agent shall transfer to the City for deposit in the General Fund any money held in or accruing to the Repayment Fund. All money accounted for in the Note Deposit Fund and held in the Repayment Fund may be invested only as permitted by Government Code Section 53601 or 53601.1, and, with respect to the Repayment Fund, the Fiscal Agent shall invest the money as specified by the City in writing.

Section 7. The Treasurer is hereby authorized to execute the Notes by his manual or facsimile signature, and the City Clerk is hereby authorized to countersign the Notes by her manual or facsimile signature and to affix manually or by facsimile the seal of the City. The Notes will be valid only when the Fiscal Agent has manually authenticated them by executing the Certificate of Authentication appearing thereon.

Section 8. The City hereby covenants and warrants that all representations and recitals contained in this resolution are true and that the City and its appropriate officials have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection, and enforcement of the Unrestricted Revenues pledged under this resolution in accordance with law and for carrying out this resolution.

Section 9.

(a) The City covenants that, if it is subject to rebate as provided in Section 5 of this resolution, then it shall (1) make all calculations in a reasonable-and-prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (2) segregate and set aside from lawfully available sources the amount the calculations may indicate may be required to be paid to the United States Treasury; and (3) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel referred to in Section 5 of this resolution, to assure that interest on the Notes will, for the purposes of federal income-taxes and California personal-income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such a calculation is required, then the City shall immediately set aside, from revenues attributable to Fiscal Year 2013-14 or, to the extent not available from those revenues, from any other money lawfully available, the amount of any rebate in a separate fund, designated as the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Rebate Fund," which the City shall establish.

(b) Notwithstanding any other provision of this resolution to the contrary, upon the City's failure to observe, or refusal to comply with, any covenants contained in this Section 9, no one other than the former or current registered owners of the Notes will be entitled to exercise any right or remedy under this resolution on the basis of the City's failure to observe, or refusal to comply with, any such covenants.

(c) The covenants contained in this Section 9 will survive the payment of the interest on and principal of the Notes.

(d) Notwithstanding any provision of this Section 9, if the City provides the Treasurer with an opinion of Bond Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income-tax purposes of interest on the Notes, then the Treasurer and the City may conclusively rely on that opinion in complying with the requirements of this section, and the covenants in this section will be deemed to be modified to that extent.

Section 10. The Official Statement in preliminary form for the Notes, in substantially the form now on file with the City Clerk, is hereby approved, and the Treasurer is authorized to certify to the Underwriter on behalf of the City that the Official Statement in preliminary form is deemed final by the City as of its date, within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (except for the omission of certain final pricing, rating, and related information as permitted by that rule). The Treasurer is hereby authorized and directed, for and in the name and on behalf of the City, to sign a copy of the Official Statement in final form, and the Underwriter is hereby authorized and directed to distribute copies of the Official Statement in final form to all ultimate purchasers of the Notes.

Section 11. The form of the Note Purchase Agreement, in substantially the form now on file with the City Clerk, is hereby approved. The Treasurer is hereby authorized to accept the offer of the Underwriter to purchase the Notes when he is satisfied with the terms of the purchase, and he is hereby further authorized to execute the Note Purchase Agreement for and on behalf of the City to evidence the sale of the Notes, subject to the following: the interest rate on any Notes may not exceed 3.00% per annum, and the underwriter's discount for the purchase of the Notes may not exceed 1.00% of the principal amount of the Notes.

Section 12. The form of Fiscal Agent Agreement relating to the Notes, in substantially the form now on file with the City Clerk, is hereby approved. The Treasurer is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Fiscal Agent Agreement, with any changes, additions, completions, and corrections therein as the Treasurer, after consulting with the City Attorney's Office, may require or approve, with approval to be conclusively evidenced by the execution and delivery thereof.

(a) The City hereby directs and authorizes the payment by the Fiscal Agent of the interest on, and principal of, the Notes, when the interest and principal become due and payable, from the Repayment Fund in the manner set forth in this resolution. Payment of the Notes must be in accordance with the terms of the Notes and this resolution.

(b) This appointment of an initial Fiscal Agent does not preclude the City from appointing one or more successors thereto, all without notice to, or the consent of, the registered owners of the Notes. The City hereby authorizes the Treasurer to appoint any successor Fiscal Agent. Any successor Fiscal Agent must have co-fiscal-agent relationships with one or more banks or trust companies that have offices in New York, New York; or Los Angeles, California; or San Francisco, California.

(c) The Fiscal Agent is also appointed as registrar and, upon the request of any registered owner, is authorized to record the transfer or exchange Notes in accordance with the provisions hereof.

Section 13. The form of an Agreement for Bond Counsel Services relating to the Notes, in substantially the form now on file with the City Clerk, is hereby approved. The City Attorney is hereby authorized, for and in the name of and on behalf of the City, to execute and deliver the Agreement for Bond Counsel Services, with any changes, additions, completions, and corrections therein as he may require or approve, with approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. The City hereby agrees and covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate (the "**Continuing Disclosure Certificate**") executed by the City and dated the date of original issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of this resolution, the failure of the City to comply with the Continuing Disclosure Certificate will not be an event of default hereunder, although any registered owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section 14.

Section 15. The Treasurer and the City Clerk are hereby authorized and directed to execute and deliver all of the Notes to the Underwriter in accordance with the Note Purchase Agreement. All actions previously taken by the officers and agents of the City or by the City Council with respect to the sale and issuance of the Notes are hereby approved, confirmed, and ratified, and the officers and agents of the City and the members of the City Council are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute any and all certificates, agreements, and other documents that they, or any of them, may deem necessary or advisable to consummate the lawful issuance and delivery of the Notes in accordance with this resolution.

Section 16. This resolution takes effect when adopted.

EXHIBIT A

[FORM OF NOTE]

REGISTERED REGISTERED

No. R-__ $_________

CITY OF SACRAMENTO
2013 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest:	Date of Original Issuance:	Maturity Date:	CUSIP No.:
____%			

Registered Owner: CEDE & CO.

Principal Amount: ___________________________DOLLARS

FOR VALUE RECEIVED, the City of Sacramento (the "**City**") acknowledges itself indebted to and promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount specified above, in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon payable [on _________ and] at the maturity thereof, at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year composed of twelve 30-day months) in like lawful money from the Date of Original Issuance specified above until payment in full of the principal sum. The principal of and interest on this Note shall be payable only to the registered owner hereof upon surrender of this Note at the corporate trust office of U.S. Bank National Association, as fiscal agent (together with any successor appointed by the City, the "**Fiscal Agent**") as the same shall fall due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails to properly present this Note for payment.

This Note is part of an authorized issue of Notes entitled "City of Sacramento 2013 Tax and Revenue Anticipation Notes" (the "**Notes**") issued in the aggregate principal amount of $__________ all of like tenor, made, executed and given pursuant to the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code, and under and pursuant to the provisions of a Resolution of the City Council of the City authorizing the issuance of the Notes, adopted on June 25, 2013 (herein called the "**Resolution**"). All acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened, and been performed in regular and due time, form, and manner as required by law, and this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California. The Notes shall be secured on a parity basis with each other.

The principal of and interest on the Notes shall be payable from Unrestricted Revenues (as that term is defined in the Resolution). As security for the payment of the principal of and interest on the Notes, the City has covenanted to credit to the Note Deposit Fund certain Unrestricted Revenues on the dates and in the amounts required by the Resolution. To the extent such funds are insufficient for the payment of the Notes, the Notes shall be paid from any other moneys of the City lawfully available therefor.

Subject to the limitations set forth in the Resolution, the registered owner of this Note or the registered owner's attorney (duly authorized in writing) may transfer this Note by surrendering it at the Fiscal Agent's corporate trust office. The Fiscal Agent shall then cancel this Note and issue a new Note to the transferee in the authorized denominations and for the same aggregate principal amount. A transfer must be done in the manner prescribed by the Resolution, and all charges specified in the Resolution must be paid.

The City and the Fiscal Agent may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary.

This Note shall not be valid or become obligatory for any purpose until the Certificate of Registration hereon shall have been signed by the Fiscal Agent.

IN WITNESS WHEREOF, the City of Sacramento has caused this Note to be executed by the Treasurer of the City, and countersigned by the City Clerk of the City, and caused its official seal to be affixed hereto, all as of this ____ day of ______, 2013.

CITY OF SACRAMENTO

By______________________________
City Treasurer

(Seal)

Countersigned:

____
City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This Note is one of the Notes described in the within-mentioned Resolution, which Note has been authenticated and registered on the date set forth below.

Date of Authentication: ________________________

By______________________________

Fiscal Agent

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign, and transfer unto ______________________________ (insert Social Security Number or taxpayer identification number) the within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) ___________________________ attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

Dated:

____

Signature

NOTE: The signature to the assignment must correspond to the name as written on the face of this Note in every particular, without any alteration or change whatsoever.

Signature Guaranteed By:

____

NOTE: The signature to the assignment must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

[FORM OF DTC LEGEND]

Unless the certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, since the registered owner hereof, Cede & Co., has an interest herein.

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RESOLUTION NO. 2013-XXX

Adopted by the Sacramento City Council

APPROVING THE REVENUE-AND-EXPENDITURE BUDGET FOR THE 2013 TAX AND REVENUE ANTICIPATION NOTES

Background:

A. The City Council believes that the City needs an amount not in excess of $40,000,000 to satisfy obligations payable from the City's General Fund during fiscal year 2013-14 and that the City needs to borrow this amount by issuing temporary notes in anticipation of the receipt of taxes, income, revenue, cash receipts, and other moneys of the City to be received for, or accrued to, the General Fund during fiscal year 2013-14.

B. On June 25, 2013, the City Council authorized the issuance of Tax and Revenue Anticipation Notes ("**TRANs**") in a principal amount not to exceed $40,000,000.

C. The City Treasurer and the Finance Director have requested authorization to use inter-fund transfers, as permitted under section 113 of the City Charter, if needed to supplement the TRANs, to mitigate the effects of the timing of the receipt of revenues and the recent depletion of General Fund cash, and to assist in the City's cash-management program.

Based on the facts set forth in the Background, the City Council resolves as follows:

Section 1. The City Treasurer and the Finance Director are hereby authorized to approve financial transactions, budgets, and appropriations that are needed, after final pricing and sale of the TRANs, to carry out the terms and intent of the financing in accordance with the law and City policy.

Section 2. The Treasurer's Office, the City Attorney's Office, and the Finance Department are hereby authorized to establish and implement the necessary financial transactions including the establishment of funds and investment portfolios, to record, track, and report the receipt, expenditures, and deposits of related transactions.

Section 3. The Treasurer's Office, the City Attorney's Office, and the Finance Department are hereby authorized to be reimbursed from TRANs proceeds for reasonable costs incurred, including staff time, in connection with issuance of the TRANs. Cost-of-issuance expenditures in connection with the TRANs may not be paid unless the Treasurer's Office has approved the expenditures in writing.

Section 4. The City Treasurer and the Finance Director are hereby authorized to implement inter-fund transfers of funds in order to supplement the TRANs, if needed to satisfy obligations of the City.

Section 5. The inter-fund transfers, if implemented, must (a) comply with provisions of section 113 of the City Charter; (b) be duly made during fiscal year 2013-2014 and recorded in the records of the City; and (c) be repaid from the General Fund to the fund that is the source of the transfer before the end of fiscal year 2013-14.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE __, 2013

NEW ISSUE – BOOK-ENTRY ONLY

Ratings:
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, 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 Notes 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. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.

$_________*

CITY OF SACRAMENTO, CALIFORNIA
2013 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: June __, 2014**

The City of Sacramento, California (the "City") 2013 Tax and Revenue Anticipation Notes (the "Notes") will be issued as fully registered notes. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. The Depository Trust Company ("DTC") will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in the principal amount of $5,000 and integral multiples thereof. Purchasers of the Notes (the "Beneficial Owners") will not receive certificates representing their interests in the Notes. Interest on the Notes will be payable to the registered owners appearing on the registration books maintained by U.S. Bank National Association, as fiscal agent for the City (the "Fiscal Agent") on the Note maturity date. So long as DTC or its nominee, Cede & Co., is the registered owner of the Notes, payments of principal of, and interest on, the Notes will be made directly to DTC, which in turn will remit such payments to its participants, which will in turn remit such payments to the Beneficial Owners of the Notes. See APPENDIX E – "BOOK ENTRY ONLY SYSTEM" herein.

The rate of interest and yield for the Notes are shown below.

Principal Amount	Interest Rate	Yield	CUSIP No.†
$__________*	____%	_____%	

The Notes, in accordance with California law, are a general obligation of the City, but payable only from money received for, or accrued to, the General Fund of the City (the "General Fund") for Fiscal Year 2013-14 (as described herein). The City has pledged all amounts accounted for in the Note Deposit Fund (as defined herein) as security for the payment of the principal of, and interest on, the Notes. The interest on, and principal of, the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys of the City which are received for, or accrued to, the General Fund of the City during Fiscal Year 2013-14 and are generally available for the payment of current expenses and other obligations of the City during the Fiscal Year 2013-14. See "SECURITY FOR THE NOTES" herein.

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* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriter and are included solely for the convenience of the registered owners of the Notes. Neither the City nor the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Notes or as included herein.

Principal of, and interest on, the Notes are payable on the maturity date in lawful money of the United States of America, and interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. The Notes are not subject to redemption prior to maturity. See "THE NOTES — General" herein.

The Notes will be offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California, and for the City by the City Attorney. It is anticipated that the Notes, in book-entry form, will be available for delivery through the facilities of DTC on or about July __, 2013.

Stifel

Dated: July __, 2013

CITY OF SACRAMENTO, CALIFORNIA

Kevin Johnson
Mayor

CITY COUNCIL MEMBERS

Angelique Ashby, Vice-Mayor
District 1

Jay Schenirer
District 5

Allen Wayne Warren
District 2

Kevin McCarty
District 6

Steve Cohn
District 3

Darrell Fong
District 7

Steve Hansen
District 4

Bonnie Pannell
District 8

CHIEF CITY ADMINISTRATIVE PERSONNEL

John F. Shirey
City Manager

Russell T. Fehr
City Treasurer

James Sanchez
City Attorney

Leyne Milstein
Finance Director

Shirley Concolino
City Clerk

FISCAL AGENT

U.S. Bank National Association

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP

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No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Notes other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Notes. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the City and from other sources that the City believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

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, 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.

In connection with the offering of the Notes, the Underwriter may overallot or effect transactions that stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Notes have not been registered or qualified under the securities laws of any state.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in Appendix A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO" in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

CUSIP data provided herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. CUSIP data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

The City maintains a website. However, the information presented therein is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Notes.

$_____________*

CITY OF SACRAMENTO, CALIFORNIA
2013 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTION

This Official Statement, which includes the attached Appendices, provides certain information concerning the sale and delivery of the 2013 Tax and Revenue Anticipation Notes (the "Notes") of the City of Sacramento, California (the "City"). The Notes (described below) are equally and ratably secured as described in the section titled "SECURITY FOR THE NOTES" herein. The Notes are general obligations of the City, but are payable only from taxes, income, revenue, cash receipts and other moneys of the City which are received for, or accrued to, the General Fund of the City (the "General Fund") during the Fiscal Year beginning on July 1, 2013 and ending on June 30, 2014 ("Fiscal Year 2013-14") and legally available for the payment thereof.

The Notes are being issued to finance the deficits in the General Fund cash flow during Fiscal Year 2013-14. The deficits occur because General Fund expenditures tend to be made in relatively level amounts throughout the year while receipts have generally followed an uneven pattern, primarily as a result of the timing of payment dates for secured property tax installments (December and April) and of reimbursements from state and federal government agencies.

THE NOTES

General

The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and a resolution adopted by the City Council of the City on June __, 2013 (the "Resolution").

The Notes, which will mature on June 27, 2014 in the amount set forth on the cover page of this Official Statement, will be dated the date of issuance and will bear interest at the rate set forth on the cover of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on the maturity date of the Notes. Principal of the Notes will be payable on the maturity date of the Notes upon surrender thereof at the corporate trust office of U.S. Bank National Association, as fiscal agent for the City (the "Fiscal Agent").

Book-Entry-Only System

The Notes will be issued in fully registered form, registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee, which will act as securities depository for the Notes. Purchasers of the Notes will not receive certificates representing the Notes that are purchased. See APPENDIX E – "BOOK-ENTRY ONLY SYSTEM."

SECURITY FOR THE NOTES

General

The interest on, and principal of, the Notes shall be payable from taxes, income, revenue, cash receipts and other moneys of the City that are received for, or accrued to, the General Fund

* Preliminary; subject to change.

during Fiscal Year 2013-14 and are generally available for the payment of current expenses and other obligations of the City ("Unrestricted Revenues") during Fiscal Year 2013-14. Pursuant to the Resolution, as security for the payment of the interest on, and principal of, the Notes, the City agrees and covenants to establish and maintain on its books a special fund, designated the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Note Deposit Fund" (the "Note Deposit Fund"). Pursuant to the Resolution, as additional security for the payment of the interest on, and principal of, the Notes the City agrees and covenants to direct the Fiscal Agent to establish and maintain in trust a special fund, designated the "City of Sacramento 2013 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Pursuant to the Resolution, the City agrees and covenants to credit to the Note Deposit Fund (a) one-third of the total principal amount of the Notes and one-third of the total interest to be paid on the Notes on the maturity date from the Unrestricted Revenues received by the City during the monthly accounting period ending on January 31, 2014; (b) one-third of the total principal amount of the Notes and one-third of the total interest to be paid on the Notes on the maturity date from the Unrestricted Revenues received by the City during the monthly accounting period ending on April 30, 2014; and (c) such amount from the Unrestricted Revenues received by the City during the monthly accounting period ending on May 31, 2014, which, together with the balance then credited to the Note Deposit Fund, shall be sufficient to provide for payment of principal and interest due on the Notes on the maturity date. Pursuant to the Resolution, all Unrestricted Revenues accounted for in the Note Deposit Fund are pledged for the payment of the interest on, and principal of, the Notes on a parity basis, and all Unrestricted Revenues accounted for in the Note Deposit Fund shall be applied proportionately for the payment of the principal of, and interest on, the Notes. Pursuant to the Resolution, the City is required to credit Unrestricted Revenues to the Note Deposit Fund on or before the Thursday preceding the last day of each accounting period specified above, and the payment of the interest on, and principal of, the Notes shall constitute a first lien and charge thereon and the Notes shall be payable ratably therefrom, and to the extent not so paid shall be paid ratably from any other moneys of the City lawfully available therefor. If the City receives insufficient Unrestricted Revenues to permit the credits to the Note Deposit Fund of the full amount required to be credited to the Note Deposit Fund in any accounting period specified above by the Thursday preceding the last day of the accounting period, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the payment of the interest on, and principal of, the Notes; provided, that if the total amount required to be credited to the Note Deposit Fund by the end of any accounting period specified above is greater than the actual amount credited thereto in the accounting period, then the amount, if any, required to be credited to the Note Deposit Fund during the next succeeding accounting period specified above shall be increased by the amount of such shortfall. At least one business day before the maturity date of the Notes, the City shall transfer from amounts accounted for in the Note Deposit Fund to the Fiscal Agent for deposit in the Repayment Fund an amount equal to the amount of principal of, and interest on, the Notes becoming due on the maturity date of the Notes.

The money accounted for in the Note Deposit Fund shall be held and applied by the City, and the money in the Repayment Fund shall be held and applied by the Fiscal Agent, only for the purposes and as directed in the Resolution, and all money accounted for the Note Deposit Fund and held in the Repayment Fund shall be for the benefit of the holders of the Notes until the interest on, and principal of, the Notes are paid or until provision has been made for the payment of the interest on, and principal of, the Notes as the interest and principal become due. Any money accounted for in or accruing to the Note Deposit Fund and held in or accruing to the Repayment Fund after the payment of the interest on, and principal of, the Notes in full, or provision for such payment has been made, shall be transferred to the General Fund. All money accounted for in the Note Deposit Fund and held in the Repayment Fund shall be invested only as permitted by Sections 53601 and 53601.1

of the Government Code. See "ESTIMATED UNRESTRICTED REVENUES AND AVAILABLE CASH BALANCE - City Investments" below.

The proceeds of the sale of the Notes (net of amounts deposited with the Fiscal Agent to pay the costs of issuance of the Notes) shall be accounted for on the books of the City by a separate fund within the General Fund of the City to be designated the "2013 Tax and Revenue Anticipation Notes Note Fund" (the "Note Fund") to be applied as directed in accordance with the Resolution. The Treasurer shall, immediately upon receiving the proceeds of the sale of the Notes, accounted for all amounts representing such proceeds received from the sale of the Notes in the Note Fund, and all amounts credited to the Note Fund shall be invested as permitted by Section 53601 and Section 53601.1 of the Government Code, and the proceeds of such investments shall be accounted for in the Note Fund.

The amount needed to repay the Notes and the interest thereon is approximately $______ million. As shown on the table on the following page, the City estimates that the total moneys to be available for payment of the principal of, and interest on, the Notes, including the Unrestricted Revenues, will be in excess of $______ million. Except for moneys accounted for in the Note Deposit Fund or held in the Repayment Fund, these moneys will be expended during the course of the Fiscal Year, and no assurance can be given that any moneys, other than the moneys accounted for in the Note Deposit Fund or held in the Repayment Fund, will be available to pay the Notes and the interest thereon. See "ESTIMATED UNRESTRICTED REVENUES AND AVAILABLE CASH BALANCE - Cash Flows" herein.

ESTIMATED UNRESTRICTED REVENUES AND AVAILABLE CASH BALANCE

Following is a table setting forth the City's projection of Unrestricted Revenues and available cash balance. The table is based on the cash flow statements for the General Fund that follow the table on the following page. The actual amount of funds available will depend on a variety of factors, and there can be no assurances that the City will have Unrestricted Revenues and available cash balance at the levels projected in the following table or in the Cash Flow Statements. See "CITY FINANCIAL PRESSURES" below.

PROJECTED UNRESTRICTED REVENUE AND AVAILABLE CASH BALANCE FOR FISCAL YEAR 2013-14

(Dollars in Thousands)

SOURCE	AMOUNT
Property Tax	
Sales & Use Tax	
Utility User Tax	
Other Taxes	
License & Permits	
Fines, Forfeitures and Penalties	
Use of Money	
Intergovernmental Revenues	
Charges for Current Services	
Contribution From Other Funds	
Miscellaneous Revenues	
Subtotal:	
Estimated Unrestricted Available Cash Balance - June 30, 2013	
TOTAL:	
Principal and Interest on the Notes	

Interfund Borrowing

City General Fund expenditures tend to occur in relatively level amounts throughout the Fiscal Year. Conversely, receipts have followed an uneven pattern primarily because secured property tax installments are paid in December and April. As a result, the General Fund cash balances were negative during parts of Fiscal Year 2008-09 and Fiscal Year 2009-10 and the negative balances were covered by interfund borrowings. In Fiscal Years 2010-11, 2011-12, and 2012-13, the negative balances were covered by proceeds of the 2010, 2011, and 2012 Tax and Revenue Anticipation Notes, respectively.

Pursuant to Section 113 of the Charter of the City, the City Manager may borrow funds from various accounting funds established by the City to assure adequate cash flow, including repayment of the Notes. With certain exceptions, such borrowings may be for periods overlapping Fiscal Years. The City has identified certain accounting funds (the "Funds") from which it may borrow for periods overlapping Fiscal Years. Amounts available in these Funds (primarily consisting of portions of the Workers Compensation/Risk Fund, the Parking Fund, and the Community Center Fund) were approximately $110 million in Fiscal Year 2012-13, and are projected by the City to be approximately $102 million by the end of Fiscal Year 2013-14.

The actual amount available to be borrowed at any given time depends on a variety of factors, including the actual and projected expenses and revenues attributable to such Funds over the course of the Fiscal Years, and any intervening borrowings that the City may undertake. The City may only borrow from such Funds to the extent that such funds are not expected to be required by those Funds during the period of the borrowing. There can be no assurances that amounts will be available for borrowing in Funds at the time and in the amounts necessary to make payments with respect to the Notes, if moneys accounted for in the Note Deposit Fund and on deposit in the Repayment Fund are insufficient for such purpose.

Cash Flows

The City has prepared the following cash flow statements for the General Fund showing actual Fiscal Year 2012-13 amounts through the accounting period ended on May 31, 2013, projected amounts through June 30, 2013 and projected cash flow for Fiscal Year 2013-14. Without the issuance of the Notes, the City projects that it would experience an estimated peak cash flow deficit of approximately $23.2 million on or about December 15, 2013.

The cash flow statements are based on a variety of assumptions, including the following:

1. City revenues, including sales and property taxes, and amounts payable by the State and federal government remain fairly stable as projected by the City in connection with the adoption of the Fiscal Year 2013-14 Budget, as more particularly described below under "CITY FINANCIAL PRESSURES".

2. The State does not defer payments owed to the City more than it historically has done during previous fiscal years.

3. For Fiscal Year 2013-14, the City will continue to make required contributions to the State of California's Public Employees' Retirement System ("CalPERS") on a bi-weekly basis and to the Sacramento City Employees' Retirement System ("SCRES") on a monthly basis.

4. The cash flows for Fiscal Year 2012-13 reflect the fact that the City utilized tax and revenue anticipation notes, as had been the case in Fiscal Years 2010-11 and 2011-12. Prior to Fiscal Year 2010-11, the City had not issued tax and revenue anticipation notes since 1995.

5. Continuing for Fiscal Year 2013-14, the General Fund's share of in-lieu tax on utilities will be transferred to the General Fund on a monthly basis.

Actual cash flows for the remainder of Fiscal Year 2012-13 and Fiscal Year 2013-14 may differ significantly from the cash flow statements presented in the following tables. Such differences may be the result of one or more of a variety of factors, including weak national, state or local economic conditions; declines in City revenues (including property tax revenues); declines in State funding to the City; increases in City costs as a result of reductions in State programs; or other reasons. There can be no assurances that any such differences will not materially adversely affect the amount of Unrestricted Revenues available for credits to the Note Deposit Fund and deposit in the Repayment Fund pursuant to the Resolution. See "CITY FINANCIAL PRESSURES" below.

CITY OF SACRAMENTO
ESTIMATED CASH FLOW STATEMENT – GENERAL FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2013
($ in 000's)

	July	August	September	October	November	December 1-15	December 16-31	January	February	March	April	May	Projected June	Total
Beginning Cash Balances	$55,937	$83,375	$74,276	$64,673	$42,500	$16,853	$9,094	$40,802	$51,729	$42,194	$31,743	$40,004	$45,510	
Receipts														
Property Taxes	9	1,312	2	12	3	53	32,536	10,893	40	7	26,798	9,434	8	81,107
Property Taxes In Lieu VLF	-	-	-	-	-	-	-	15,846	-	-	-	15,846	-	31,692
Property Taxes in Lieu ST (Triple Flip)	-	-	-	-	-	-	-	8,057	-	-	-	8,057	-	16,114
Sales and Use Tax	3,218	4,291	4,535	3,283	4,378	-	4,071	3,348	4,262	3,903	3,044	4,059	4,612	47,004
Public Safety Sales Tax	344	442	374	353	361	-	-	790	345	528	287	325	471	4,621
Utility Users Tax	5,801	3,675	5,360	5,958	3,982	2,080	2,219	4,850	5,059	5,115	5,311	4,602	5,077	59,090
Transient Occupancy Tax	445	-	161	315	287	275	-	185	255	247	174	342	765	3,451
Other Taxes	1,607	986	1,419	1,234	611	514	468	1,516	1,018	1,368	1,659	997	1,384	14,781
Licenses and Permits	879	1,159	830	939	736	751	192	983	1,172	1,073	1,044	1,054	1,112	11,924
Fines, Forfeitures, & Penalties	646	704	418	1,055	591	439	2	1,231	300	1,094	793	1,829	1,389	10,490
Interest, Rents, Concessions	42	38	105	76	44	39	-	43	40	36	44	177	60	744
Intergovernmental	123	3,091	2,433	853	856	190	89	1,684	330	822	549	685	1,075	12,780
Charges, Fees, & Services	2,875	2,640	2,325	2,770	2,806	1,701	1,799	3,541	3,331	2,704	5,216	4,262	8,077	44,047
Contributions From Other Funds	2,272	2,276	2,266	2,267	2,127	2,127	-	2,127	2,127	2,127	2,127	2,230	2,230	26,303
Miscellaneous	5	-	10	5	1	-	-	4	5	2,822	8,476	10	10	11,349
Receivables	26	(2)	880	(18)	(8)	24	-	12	66	(23)	(11)		(250)	696
TRAN Proceeds	37,000													37,000
Total Receipts	$55,292	$20,612	$21,118	$19,102	$16,775	$8,193	$41,376	$55,110	$18,350	$21,823	$55,511	$53,910	$26,021	$413,192
Disbursements														
Employee Services (Salary & Benefits)														
PERS Retirement	17,553	17,356	14,263	23,267	15,264	8,324	5,324	16,642	14,840	16,477	21,737	13,918	(2,929)	182,036
SCERS Retirement Contribution	4,291	4,551	4,464	6,760	6,707	2,248	2,244	4,479	4,549	4,515	4,512	6,700	4,450	60,470
Other Services & Supplies	652	653	652	652	652	653	-	653	652	652	653	e	653	7,829
Property/Capital Outlay	5,174	5,917	10,257	7,711	7,045	4,077	1,693	9,576	6,473	10,195	6,147	7,990	9,695	91,950
Debt Service	306	117	152	160	180	652	374	579	774	462	2,710	134	2,448	9,048
Operating Transfers	(42)	-	856	2,796	12,689	-	-	-	63	284	(202)	6,384	704	23,532
Payables & Prepaid Items	-	-	144	(9)	(21)	(10)	-	-	138	(48)	-	202	202	598
TRANs Repayment	(80)	1,117	(67)	(62)	(94)	8	33	(171)	396	(263)	(732)			85
Total Disbursements								12,425			12,425	12,424		37,274
	$27,854	$29,711	$30,721	$41,275	$42,422	$15,952	$9,668	$44,183	$27,885	$32,274	$47,250	$48,403	$15,224	$412,822
Ending Cash Balance														

CITY OF SACRAMENTO
PROJECTED CASH FLOW STATEMENT – GENERAL FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2014 ($ in 000's)

	July	August	September	October	November	December 1-15	December 16-31	January	February	March	April	May	June	Total
Beginning Cash Balances	$56,897	$47,516	$39,640	$29,104	$7,314	$(15,845)	$(23,157)	$9,465	$34,482	$25,774	$12,592	$24,276	$42,743	
Receipts														
Property Taxes	9	1,354	2	12	3	55	33,565	12,403	41	7	26,481	9,733	8	83,673
Property Taxes In Lieu VLF	-	-	-	-	-	-	-	15,807	-	-	-	15,806	-	31,613
Property Taxes in Lieu ST (Triple Flip)	-	-	-	-	-	-	-	8,165	-	-	-	8,164	-	16,329
Sales and Use Tax	3,353	4,471	4,725	3,421	4,562	-	4,242	3,488	4,441	4,067	3,172	4,229	4,805	48,976
Public Safety Sales Tax	331	426	360	340	348	-	-	761	332	509	277	313	455	4,452
Utility Users Tax	5,790	3,668	5,350	5,947	3,975	2,076	2,215	4,841	5,050	5,106	5,301	4,594	5,069	58,982
Transient Occupancy Tax	424	-	153	300	273	262	-	176	243	235	166	326	729	3,287
Other Taxes	1,496	918	1,321	1,149	569	479	436	1,411	948	1,274	1,545	928	1,288	13,762
Licenses and Permits	852	1,123	804	910	713	728	186	952	1,135	1,040	1,011	1,021	1,078	11,553
Fines, Forfeitures, & Penalties	780	850	505	1,274	714	530	2	1,487	362	1,322	959	1,570	1,680	12,035
Interest, Rents, Concessions	60	54	151	109	69	37	-	62	57	52	63	254	85	1,053
Intergovernmental	109	2,747	2,162	758	761	169	79	1,496	293	730	488	1,333	956	12,081
Charges, Fees, & Services	2,961	2,719	2,394	2,852	2,890	1,752	1,853	3,646	3,430	2,784	5,370	5,046	8,317	46,014
Contributions From Other Funds	2,336	2,336	2,337	2,336	2,336	2,337	-	2,336	2,336	2,337	2,336	2,336	2,337	28,036
Miscellaneous	10	10	11	10	10	11	-	10	10	11	10	10	11	124
Receivables	250												(250)	-
Measure U Revenues	1,848	2,465	2,605	1,886	2,515	-	2,338	1,923	2,448	2,242	1,749	2,332	2,649	27,000
TRANs Proceeds														-
Total Receipts	$20,609	$23,141	$22,880	$21,304	$19,738	$8,436	$44,916	$58,964	$21,126	$21,716	$48,928	$57,995	$29,217	$398,970
Disbursements														
Employee Services (Salary & Benefits)	17,153	16,961	13,938	22,737	14,916	8,134	5,203	16,263	14,502	16,102	21,242	13,601	(2,863)	177,889
PERS Retirement	4,462	4,462	4,461	6,692	4,462	2,231	2,231	4,461	4,462	4,462	4,461	6,692	4,461	58,000
SCERS Retirement Contribution	595	595	596	595	595	596	-	595	596	595	596	595	596	7,145
Other Services & Supplies	5,235	5,987	10,378	7,802	7,128	4,125	1,713	9,689	6,549	10,315	6,219	8,084	9,808	93,032
Property/Capital Outlay	311	119	154	162	183	662	380	588	786	469	2,751	1,421	2,231	10,217
Debt Service	(42)	-	855	2,792	12,670	-	-	-	63	284	(202)	6,374	702	23,496
Operating Transfers	428	428	429	428	428	-	429	428	428	429	428	429	429	5,141
Payables & Prepaid Items														-
Measure U Expenses	2,038	2,015	1,656	2,701	1,772	966	618	1,932	1,723	1,913	2,523	1,616	(339)	21,134
Measure U Set-aside Reserve	(190)	450	949	(815)	743	(966)	1,720	(9)	725	329	(774)	716	2,988	5,866
TRANs Repayment														-
Total Disbursements	$29,990	$31,017	$33,416	$43,094	$42,897	$15,748	$12,294	$33,947	$29,834	$34,898	$37,244	$39,528	$18,013	$401,920
Ending Cash Balance	$47,516	$39,640	$29,104	$7,314	$(15,845)	$(23,157)	$9,465	$34,482	$25,774	$12,592	$24,276	$42,743	$53,947	

City Investments

Per the City Charter, the authority for the deposit and investment of all City funds is the responsibility of the City Treasurer. The City's General Fund and trust fund account balances are invested in the City's Investment Pool A ("Pool A"). Pool A is governed by the investment policy of the City Treasurer (the "Investment Policy") which is annually presented to the City Council for approval. This policy requires the City Treasurer to conform to Government Code sections 53600, et seq., with the primary objectives, in order of priority, of safety, liquidity, and yield. Quarterly, the City's investment committee (the "Investment Committee") consisting of representatives of the various entities which are investors in Pool A (including various City, Sacramento City Employees' Retirement System, Sacramento Housing and Redevelopment Agency, Capital Area Development Authority, American River Flood Control District, The Natomas Basin Conservancy, Sacramento Public Library Authority, and several endowment funds representatives) convenes to audit and review the investments to assure that they are in compliance with Government Code and the Investment Policy. The Investment Committee also reviews the investment strategy and guidelines in relation to the changing financial markets. The City Treasurer submits an investment activity report monthly for review by the City Council.

A basic investment strategy for Pool A is to provide adequate liquidity. This is achieved by covering the expected cash disbursements with revenues and maturities for the next rolling six-month period. After satisfying liquidity, any idle cash is used to prudently maximize yield. Longer term strategies are developed and followed, after considering long-term cash flow needs, current and projected economic conditions and the prudent diversification of maturities.

As of May 31, 2013, Pool A was invested in securities with an original cost of $993,997,584 with an average of life of 1.91 years and an average weighted yield of 1.05%. As of May 31, 2013, the market value of the investments in Pool A was $994,846,934.

Bankruptcy Law Matters

The opinion of Bond Counsel is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Because an issuer of tax and revenue anticipation notes could invest moneys set aside to pay registered owners of the tax and revenue anticipation notes in a pooled investment fund, should the issuer go into bankruptcy, a court might hold that the registered owners of the tax and revenue anticipation notes do not have a valid lien on the set-aside funds. In that case, unless the registered owners could trace the moneys, the registered owners would be merely unsecured creditors. The Resolution provides that certain Unrestricted Revenues pledged for the repayment of the Notes will be credited periodically to the Note Deposit Fund (until transfer to the Repayment Fund held by the Fiscal Agent) and held in trust for the benefit of the Owners of the Notes with the intent that the amounts accounted for therein will be traceable.

CITY FINANCIAL INFORMATION

Certain financial, economic and demographic information regarding the City of Sacramento is contained in APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO" and APPENDIX B - "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012." Each contains important information concerning the City and should be read in its entirety. In particular, Appendix A describes certain factors that have affected the City's financial condition in the past and that could materially affect the financial condition of the City in future fiscal years, including variations in property tax growth rates, retirement and other labor costs, and the financial condition of the State. See also "CITY FINANCIAL PRESSURES."

CITY FINANCIAL PRESSURES

The Adopted Budget for Fiscal Year 2013-14 projects that overall General Fund revenues will be $372.0 million, as compared to $369.3 million in the Fiscal Year 2012-13 Amended Budget. In connection with the adoption of the Fiscal Year 2013-14 Adopted Budget, the City addressed a projected $8.9 million funding gap. The five year forecast for the City's General Fund shows the on-going gap between expenditures and revenues will continue to grow through FY 2017-18.

Property Tax

Revenues related to property taxes are affected by fluctuations in the real estate market, levels of new construction activity, and the corresponding changes to the assessed value of those properties on the tax roll. The majority of current secured property tax revenues are received in mid-December and mid-April, while the balance of current secured, current unsecured, supplemental, and miscellaneous property tax revenues are received in late January and late May.

After several years of rapid price appreciation, home prices in the Sacramento area fell sharply beginning in 20__. The overall decline in the real estate market resulted in substantial reductions in the number and value of both the sale of new homes and the resale of existing homes. This is especially significant as property taxes are the single largest discretionary revenue in the General Fund. Over the last six years, the market value of both residential and commercial properties has declined significantly, reducing the City's property tax revenues from a high of $138.7 million in Fiscal Year 2008-09 to an estimated $114.5 million in Fiscal Year 2013-14 (a 17.4% decline). Property values in many hard-hit markets, including Sacramento, remain well short of their pre-recession peak prices.

Based on early indications from the Sacramento County Assessor ("Assessor"), the City could see fiscal year 2013-14 property tax roll closes in June, the City could see property values increase. However, any potential increase may be tempered by pending Proposition 8 appeals, which if approved, will not only reduce the roll by the annual value of the reduction, but by as much as the value of two additional fiscal years as property owners are allowed to appeal the property tax assessment for the prior three years. The Sacramento County Assessor's 2012 Annual Report stated that the City's fiscal year 2012-13 Proposition 8 reductions could total $1.3 billion.

While the Proposed Budget for Fiscal Year 2013-14 projects no growth in property taxes, the City's estimates for Fiscal Year 2014-15 to Fiscal Year 2017-18 project a 2% growth rate assumption annually. One of the major barometers used to gauge property tax trends is the Property Transfer Tax, which tracks real estate transaction activity and value of those transactions. Through the first nine months of Fiscal Year 2012-13, transaction activity is up 5% while revenue has increased by 25% when compared to the same nine months in Fiscal Year 2011-12.

See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Property Taxation Within the City."

Sales Tax

As a result of the economic recession, the City's sales tax revenues declined by almost 25% over a three year period between Fiscal Years 2007-08 and 2009-10. However, in Fiscal Year 2010-11 and in Fiscal Year 2011-12 sales tax revenues increased by approximately two percent on a year-over-year basis.

Sales tax revenues for Fiscal Year 2013-14 are projected to increase by __% (or $2.5 million) over the amount expected to be received in Fiscal Year 2012-13.

When compared to statewide data, the City continues to lag in sales of automobiles (a significant source of sales taxes) because of lack of dealerships within the City limits and no central auto mall location, resulting in sales tax leakage to surrounding jurisdictions; and in the construction segment, likely due to the building moratorium in the Natomas Basin.

Based on the most recent information from the City's sales tax consultant, sales taxes are projected to increase 3-4% annually from Fiscal Year 2014-15 to Fiscal Year 2017-18.

Measure U

In November 2012, City of Sacramento voters approved the City of Sacramento Essential Services Protection Measure ("Measure U") authorizing the implementation of an additional one-half cent transaction-and-use tax effective April 1, 2013 through March 31, 2019. Measure U is expected to generate approximately $27 million in revenues annually. Measure U funds will provide the resources to protect vital services and begin to restore, on a limited basis, some programs and services.

The Proposed Budget for Measure U resources reflects the annual costs of programs and services Council approved on March 12, 2013, as well as the addition of substantial resources to the Fire, Police, and Parks and Recreation Departments. The chart below summarizes the proposed funding and associated FTE (full time employee) restorations for Fiscal Year 2013-14.

PROPOSED FISCAL YEAR 2013-14 MEASURE U RESTORATION PLAN

Department/Agency	**FTE**	**FY2013-14 ($ in thousands)**
Fire(1)	46.00	$8,569
Police(2)	20.00	11,870
Parks and Recreation	74.90	4,730
General Services	1.00	85
Sacramento Public Library Authority	-	506
Total Proposed Restorations	**141.90**	**$25,760**
Reserve		1,240
Total Allocation		**$27,000**

(1) Includes $1,503 grant-funded FTEs.
(2) Includes $2,734 grant-funded FTEs.

See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES – City Budget."

Prior Fiscal Year Budgets

The City began to experience financial pressure in Fiscal Year 2006-07, due primarily to increasing labor costs and, later, exacerbated by the impact of the recession on revenues. The "structural budget deficit" has resulted as revenue growth has been insufficient to keep pace with compounding expenditure growth caused by increasing service demands, escalating personnel costs, and the ongoing operations and maintenance of aging infrastructure. Each fiscal year since then, a projected budget deficit had to be closed before a budget could be adopted. As shown in the table below, the strategy for closing that budget deficit has shifted from the sole use of one-time resources in Fiscal Year 2006-07, to a blend of position reductions and structural improvements, to eliminating the use of one-time resources since Fiscal Year 2012-13.

Reduction Strategy	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	Total
Projected General Fund Deficit ($ in 000s)	**$29,000**	**$58,000**	**$50,000**	**$43,000**	**$38,900**	**$15,700**	**$234,600**
One-Time Funding	$29,543	$19,000	$8,300	$17,511	$4,600	-	$78,954
New/Increased Revenues	-	3,700	5,100	1,000	2,400	-	12,200
Labor Reductions	-	30,200	28,900	12,367	27,100	15,700	114,267
Other Reductions/ Reimbursements	-	5,100	7,700	12,400	4,800	-	30,000
Budget Reductions	**$29,543**	**$58,000**	**$50,000**	**$43,278**	**$38,900**	**$15,700**	**$235,421**
FTE Reductions	**-**	**359.01**	**360.26**	**207.50**	**302.70**	**41.70**	**1,271.17**

Fiscal Year 2013-14 General Fund Budget

As the Sacramento region continues to struggle to emerge from recession, the City's General Fund expenditures are forecast to exceed projected revenues for the seventh year in a row. Despite significant expenditure reductions in prior years, including the elimination of a significant number of positions, department consolidations, and renegotiated labor agreements.

The General Fund budget funds the delivery of most common programs and services to the community. Because the primary function of the City is to provide services, the largest portion of the budget is tied to the cost of City employees. Currently, 70.9% of the General Fund budget is dedicated to funding employee services. Aside from the outright elimination of funded positions and employee layoffs, the City has a very limited ability to reduce the cost of labor absent the cooperation of the City's employee unions.

In addition, there are several areas of expense that have pre-determined payment schedules and that Council is highly unlikely to reduce, including debt service, payments for taxes and services to the County of Sacramento, and contributions to CalPERS and SCERS. These "required'' expenditures effectively limit the discretionary portion of the budget.

Budget Balancing

The proposed General Fund budget for Fiscal Year 2013-14 includes revenues of $372.0 million and expenditures of $380.9 million resulting in a projected $8.9 million deficit.

The General Fund budget for Fiscal Year 2013-14 will be balanced through a combination of expenditure reductions and the use of Measure U resources to maintain public safety positions that would otherwise be eliminated because of loss of grant funding. The table below illustrates the components used to balance the General Fund budget.

PROPOSED GENERAL FUND BUDGET FOR FISCAL YEAR 2013-14
DEFICIT ELIMINATION

Proposed FY2013-14 Deficit		**$(8,950)**
Employee Contributions to CalPERS paid by Employees		5,000
Other Sources/Uses – Arts Stabilization		(286)
Measure U – Restoration of Grant-funded FTEs		
	Police Officers	$2,734
	Firefighters	$1,503
	Contribution to Fund Balance	**$1**

The Adopted Budget does not reflect any changes resulting from State and/or County budget actions. Further budget adjustments may be necessary depending on the outcome of those budget processes.

The Five-Year Forecast

The five-year forecast for the General Fund is an important fiscal planning tool. The forecast is based on the current budget and projects future expenditures, revenues, and other funding sources over a multi-year period. Under the sustainable budget policy of the City Council, proposed fiscal actions are evaluated in a longer-term, rather than a short-term context.

The five-year forecast is based on a set of point-in-time assumptions. Revenues are derived from economically sensitive sources and the five-year revenue forecasts are subject to the same uncertainty and downside risk surrounding national economic forecasts and will be subject to revision. It is important to note that the City's major tax revenues, property and sales taxes, trail economic trends. Even while national and statewide economic conditions are improving, Sacramento's tax revenue growth continues to lag.

The City believes that the projected expenditure growth assumptions are reasonable, particularly through the term of the current labor contracts. However, the impact of recent change in CalPERS policies are not yet reflected in these estimates. See APPENDIX A – "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Employees' Retirement Plans."

The following table projects an ongoing gap in the General Fund, and the growth of such gap over the five-year forecast period, in the absence of further policy initiatives. Actual results will depend on a variety of factors, including local economic conditions, and there can be no assurances actual results will not materially differ from the projections.

GENERAL FUND REVENUES AND EXPENSES
5-YEAR FORECAST
($ in Thousands)

	FY 2013–14	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**	**FY 2017-18**
Total Revenue/Resources	$371,971	$379,486	$386,044	$392,451	$399,049
Total Expenditures	380,921	386,761	394,888	402,293	409,246
Budget Reductions (40.0) FTE	5,000	-	-	-	-
Other Sources and Uses	(286)	(1,379)	(1,379)	(1,379)	(1,379)
Measure U – Grant Retention (Police/Fire)	4,237	7,891	8,391	8,391	8,391
Annual Operating Surplus/(Deficit)	**$1**	**$(764)**	**$(1,831)**	**($2,830)**	**(3,185)**

“Other Sources and Uses” in the table above consists primarily of the projected growth in the 11% general tax on the utility funds resulting from the rate increase approved by Council in March 2012. The City Council directed that these funds be used for a life-line program to offset the rate increases for low-income customers. From Fiscal Year 2014-15 on, these revenues are expected to be approximately $1.4 million per fiscal year.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues requires that annual base operating cost increases be held to a level below annual revenue growth. The City continues to face challenges in returning to a long-term structurally balanced General Fund budget. The fiscal reality is that given the lack of significant revenue growth in the forecast, current expenditure commitments and anticipated growth are unsustainable. The forecast reflects a cumulative deficit of $8.2 million through Fiscal Year 2017-18.

As a result, the City will need to continue to reduce expenditures or implement long-term revenue growth strategies in order to account for anticipated expenditure growth not supported by revenues.

Additional Financial Pressures

As the largest employer in the region, the State’s employment and employee compensation changes, as well as the dampening impact on local consumer confidence, have disproportionate impacts on the City’s finances. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Impact of State Budget on City.”

Increasing pension and retiree medical benefit costs place additional pressure on the City. See APPENDIX A - “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Employees’ Retirement Plans.”

CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City. For a description of other factors relating to the revenues of the City, see APPENDIX A — GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO."

Article XIIIA of the State Constitution

Section 1(a) of Article XIIIA of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the Voters prior to June 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two thirds of the votes cast by the voters voting on the Proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIIIA. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first $1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIIIA. This amendment could serve to reduce the property-tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residences and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIIIA to permit the State Legislature to exclude from the definition of "newly constructed" the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIIIA has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — CITY FINANCES — Property Taxation Within the City."

Article XIIB of the State Constitution

Article XIIIB of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior Fiscal Year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The "base year" for establishing this appropriations limit is the 1978-79 Fiscal Year. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIIIB generally include authorizations to expend during a Fiscal Year the "proceeds of taxes" levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include but are not limited to, all tax revenues, certain State subventions received by the local governmental entity and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost of providing the service or regulation) and (2) the investment of tax revenues. Article XIIIB provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIIIB does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIIIB was amended in 1990 to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds $100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long term general fund lease obligations are generally excluded from the City's appropriations limit.

The City's appropriation limit for Fiscal Year 2013-14 is estimated to be $643,056,000, for which expenditures subject to the appropriation limitation are $307,781,000.

Articles XIIIC and XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax the City imposed, extended or increased without voter approval after December 31, l994 may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIIIC reduce the flexibility of the City to raise revenues for the general fund, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: business-operations tax, utility-users tax, real-property-transfer tax and transient-occupancy tax. Since all of these taxes (except the utility users tax, as described below) were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIIIC. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIIIC. See APPENDIX A - "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – Other Taxes – Utility Users Tax" for a discussion of Measure O, approved by the voters in November 2008, which reduced the utility user tax on telephonic services from 7.50% to 7.00% and expanded the scope of the tax to include new communication technologies.

Article XIIID also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred; (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties, and (iv) a prohibition against fees and charges used for general governmental services, including police, fire and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural marketing orders, and for the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this

Official Statement, the City is unaware of any fees that would have to be reduced or eliminated because of Proposition 26.

The City currently levies more than 39 service districts, maintenance districts and property and business improvement districts. These levies are in excess of $37.9 million for Fiscal Year 2012-13, including $2.3 million from two capital acquisition, pay-as-you-go districts. The City believes that each of such assessments and districts complies with the requirements of Article XIIID, unless otherwise exempt. Subsequent increases of such levies, if any, would be required to comply.

The City also levies assessments for 14 improvement districts under the California improvement district acts, which assessments were approximately $15.6 million in Fiscal Year 2012-13. Each of such assessments secures bonded indebtedness that is payable solely from such assessments and has no claim on the City's General Fund.

Article XIIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's general fund. If such repeal or reduction occurs, the City's operations could be adversely affected.

See Appendix A – "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO – CITY FINANCES - Limitations on Taxes; Proposition 218 Matters" for a discussion of certain litigation based on alleged Proposition 218 violations described, which was settled in 2010.

Statutory Spending Limitations

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (1) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (2) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (3) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (4) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIIIA; (5) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (6) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the California Legislature adopted Assembly Bill 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5, of the California Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

The City does not believe that it imposes any tax or fee that is subject to Proposition 62.

Proposition lA

As part of former Governor Schwarzenegger's agreement with local jurisdictions, Senate Constitutional Amendment No. 4 was enacted by the Legislature and subsequently approved by the voters as Proposition 1A at the November 2004 election. Among other things, Proposition 1A amended the State Constitution to reduce the Legislature's authority over local government revenue sources by placing restrictions on the State's access to local governments' property, sales and vehicle-license fee revenues as of November 3, 2004, and by providing that the State may not reduce any local sales-tax rate, limit existing local government authority to levy a sales-tax rate or change the allocation of local sales-tax revenues, subject to certain exceptions. See "APPENDIX A – GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO—CITY FINANCES—Impact of State Budget on City" for additional information regarding Proposition 1A and the circumstances in which allocations may be changed.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting the City's revenues or the City's ability to expend revenues.

LEGAL MATTERS

The validity of the Notes and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the City ("Bond Counsel"). A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix C hereto. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriter by Stradling

Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California. Bond Counsel, the City Attorney and underwriter's counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the City, 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 Notes 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 of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix C hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on debt obligations such as the Notes that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity, or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of the Notes if original issue discount treatment is elected.

Notes purchased, whether at original issuance or otherwise, for an amount higher than the principal amount payable at maturity ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Note holder's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Note holder. Holders of Premium Notes 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 income tax purposes of interest on obligations such as the Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and 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), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

One of the covenants of the City referred to above requires the City to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to ensure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the City spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The City expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during Fiscal Year 2013-14. To the extent that any rebate cannot be paid from such moneys, California law is unclear as to whether such covenant would require the City to pay any such rebate. This would be an issue only if it were determined that the City's calculation of expenditures of Note proceeds or of rebatable arbitrage profits, if any, was incorrect.

Although Bond Counsel is of the opinion that interest on the Notes 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 Notes may otherwise affect a Note holder's federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Note holder or the Note holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Note holders from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration's proposed 2014 budget includes a legislative proposal which, for tax years beginning after December 31, 2013, would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express 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 Notes for federal income tax purposes. It is not binding on the 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 Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Note holders regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Note holders, 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 the IRS's positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Notes 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 Notes, and may cause the City or the Note holders to incur significant expense.

RATINGS

The Notes have been assigned a rating of "______" by Moody's Investors Service ("Moody's") and "____" by Fitch Ratings ("Fitch"). An explanation of the significance of such rating may be obtained from the rating agencies furnishing the same. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any such rating agencies if, in their respective judgments, circumstances so warrant. Any revision or withdrawal of a credit rating could have an effect on the market prices and marketability of the Notes. The City cannot predict the timing or impact of future actions by the rating agencies.

LITIGATION

The City is not aware of pending or threatened litigation concerning the validity of the Notes and an opinion of the City Attorney to that effect will be furnished at the time of the original delivery of the Notes. The City is not aware of any pending or threatened litigation questioning the political existence of the City or contesting the City's ability to levy and collect ad valorem taxes or to collect or receive the Unrestricted Revenues or contesting the City's ability to issue or retire the Notes.

There are a number of lawsuits and claims pending against the City, including personal injury and property damage suits, for which the City is either self-insured or insured in varying degrees by commercial insurance.

UNDERWRITING

The Notes are being purchased for offering by Stifel, Nicolaus & Company, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Notes for an aggregate purchase price of $_______ (consisting of the principal amount of the Notes plus original-issue premium of $__________, less an underwriter's discount of $_______). The public offering price set forth on the cover may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes to certain dealers and others at a price lower than the initial public offering price. The Underwriter will purchase all of the Notes if any are purchased. The obligation to make such purchase is subject to certain terms and conditions as set forth in the note purchase agreement with respect to the Notes.

AUDITED FINANCIAL STATEMENTS

Audited financial statements of the City for the Fiscal Year ended June 30, 2012, are attached hereto as Appendix B. The City's financial statements were audited by the independent accounting firm of Macias Gini & O'Connell LLP of Sacramento, California (the "Auditors"). The Auditors have not reviewed or audited this Official Statement and the City has not sought the consent of the Auditors to the inclusion of the Auditor's report in this Official Statement.

CONTINUING DISCLOSURE

The City has agreed, in a Continuing Disclosure Certificate executed by the City in connection with the issuance of the Notes, to report the occurrence of specified "Material Events" to the Municipal Securities Rulemaking Board through its EMMA system. Pursuant to the Continuing Disclosure Certificate, the City is required to give notice of the occurrence of certain specified events with respect to the Notes in a timely manner not more than ten (10) business days after the event, including but not limited to principal and interest payment delinquencies; issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB); and rating changes.

The City has entered into a number of prior continuing disclosure undertakings under the Rule in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City substantially complied with the requirements of its continuing disclosure undertakings, but with certain minor or technical exceptions. For example, in certain continuing disclosure filings the City provided links to the City's website where documents could be downloaded, instead of submitting the documents as part of the filing itself; with respect to certain bonds of the Sacramento City Financing Authority ("SCFA") involving the Sacramento Housing and Redevelopment Agency ("SHRA"), and also with respect to bonds of SHRA itself, the posting of the SHRA's audited financial statements occurred after the due date; and certain filings related to the SCFA's bonds and SHRA's bonds did not expressly include all the required information (including in one instance unaudited financial statements). In addition, certain filings were made after the required filing date.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Notes. Summaries and explanations of the Notes, the Resolution and statutes and documents contained herein do not purport to be complete, and reference is made to those documents and statutes for a full and complete statement of their provisions.

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the City.

The execution and delivery of this Official Statement has been duly authorized by the City. This Official Statement is not to be construed as a contract or an agreement between the City and the purchasers or owners of any of the Notes.

EXECUTION AND DELIVERY

The City has authorized the preparation and distribution of this Official Statement.

CITY OF SACRAMENTO

By:_________________________________
Russell T. Fehr
City Treasurer

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

APPENDIX B

CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

DOCSOC/1614313v12/022245-0269

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this section regarding DTC and its book-entry system has been obtained from DTC's website, for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof or for the absence of material changes in such information after the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Notes. The Notes 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 certificate will be issued for the Notes, in the aggregate principal amount of such issue and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 A Standard & Poor's rating of AA+. 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 and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 and Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such securities 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Notes 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 City or the Fiscal 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 Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

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

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

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

Introduction

The City of Sacramento (the "City") is located at the confluence of the Sacramento and American Rivers in the Northern part of California's Central Valley. The City is approximately 75 air miles northeast of San Francisco, and benefits from a mild climate with many days of sunshine each year and with daily average temperatures ranging from 54 degrees Fahrenheit in January to 92 degrees Fahrenheit in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and was incorporated in 1849. In 1854, the City became the location of the capital of the State of California (the "State"), a position made permanent by the State's Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City's economy.

Government

The City operates under a City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, and the City Treasurer to carry out its adopted policies. The Mayor is chairperson of the City Council, serves a four-year term and is elected in at-large City elections. The other members of the City Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

Key Personnel

John F. Shirey, City Manager. Mr. Shirey has over 35 years of experience from a variety of government positions. Most recently, Mr. Shirey was the Executive Director of the California Redevelopment Association. Mr. Shirey has also served in senior executive positions as City Manager of Cincinnati, Assistant City Manager of Long Beach, California, and Assistant Chief Administrative Officer of Los Angeles County. Mr. Shirey holds a Bachelor of Science degree in industrial engineering from Purdue University and a Master's degree in public administration from the University of Southern California.

Russell T. Fehr, City Treasurer. Mr. Fehr was appointed City Treasurer in May 2008. As Treasurer, he is responsible for investing City funds, banking, and debt management. Before being appointed City Treasurer, Mr. Fehr was the City's Finance Director. Prior to joining the City Mr. Fehr was the Budget and Debt Officer in the Sacramento County Executive's Office for nineteen years. During his career, Mr. Fehr has managed and participated in a wide variety of debt financings including facility issues, revenue-anticipation notes, redevelopment issues, and a tobacco-settlement securitization. The facilities financed include a Triple-A baseball park, a musical theater in the round, libraries, parks, an art museum, a golf course, a jail, a juvenile courthouse, health clinics, and office buildings. Mr. Fehr holds a Bachelor's Degree in Classics from Dartmouth College and a Master's Degree in Anthropology from the University of Arizona.

Leyne Milstein, Director of Finance. Ms. Milstein was appointed Finance Director in October 2008, bringing over fourteen years of experience in government management, policy and finance at the state and local level. Prior to becoming the Finance Director, Ms. Milstein was the Manager of the Budget, Policy and Strategic Planning Division. Prior to joining the City, Ms. Milstein worked for the State of California as Director of the Information Technology and Support Management Division for the California Commission on Teacher Credentialing; as an analyst at the California Department of Finance; and as staff to the State Public Works Board. Ms. Milstein holds a Bachelor's degree in Political Science from the University of California at Davis and a Master's degree in Public Administration from California State University Hayward.

James Sanchez, City Attorney. In October 2012, James Sanchez was appointed City Attorney effective December 2012. Mr. Sanchez has practiced municipal law for over twenty five years holding various positions. His prior positions include City Attorney for the City of Fresno, Chief Assistant City Attorney for the City of Fresno, City Attorney for the City of Salinas, Deputy County Counsel for the County of Fresno. He received a B.A. from Pepperdine University in 1981 graduating Magna Cum Laude (High Honors), and a law degree from the University of California Hastings College of Law in 1984.

Shirley Concolino, City Clerk. Ms. Concolino was appointed City Clerk in December 2003. Before that appointment, she was the Mayor-and-Council Operations Manager for the Sacramento City Council from 1990 to 2003. Prior to her positions with the City, Ms. Concolino was the Administrative Assistant to the County Executive Officer in Solano County from 1985 to 1990, and before that was Assistant to the City Manager in Davis, California.

Employee Relations

Under the terms of the Meyers-Milias-Brown Act (California Government Code section 3500 *et seq.*), the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in 16 bargaining units by nine labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 34% of all City employees in a variety of classifications. The most recent recognized employee organization, the Sacramento City Exempt Employee Association (SCXEA), was formed in 2011 and is the recognized employee organization of employees in the Exempt Management Unit, the Exempt Management Support Unit and the Confidential/Administrative Unit. These three units represent approximately 15% of the City's labor force.

There have been no major work stoppages by City employees since 1970. Approximately 99% of all City employees are covered under negotiated agreements. Salary and benefits for all units are defined until the agreements expire.

Agreements for seven of the nine labor organizations expire in June 2013. The agreement for Plumbers and Pipefitters expires in June of 2016. The agreement for SCXEA, ratified in June 2012, expires in June 2014. Generally, the provisions of the expiring contracts will continue until expiring contracts are renegotiated.

There are three unrepresented employee units consisting of Executive Management, Mayor/Council Support, and Non-career employees. Remaining employees not currently represented include the Charter Officers: the City Manager (and key staff), the City Attorney, the City Clerk and the City Treasurer; the Fire Chief, Fire Deputy Chiefs, Police Chief, and Police Deputy Chiefs, Department heads, and a few employees that deal directly with negotiations, such as the Budget Manager and the Labor Relations Manager.

Employees Retirement Plans

Plans Description. The City provides defined benefit retirement benefits through the State of California's Public Employees' Retirement System ("CalPERS") and the Sacramento City Employees' Retirement System ("SCERS"). CalPERS is a multiple employer public-employee defined-benefit pension plan while SCERS is a single-employer defined-benefit pension plan.

All full time and certain part-time City employees hired after January 28, 1977, and City safety employees regardless of the date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City Ordinance. Copies of the CalPERS annual financial report and a separate report for the City's plans within CalPERS may be obtained from the CalPERS-Executive Office at 400 Q Street, Sacramento, California 95814.

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This financial report may be obtained by writing to the City of Sacramento, Department of Finance, 915 I Street, 4th Floor, Sacramento, California 95814.

CalPERS Details. The tables below summarize the funded status of the City's retirement plans as of the most recent actuarial valuation dates. The funded status information presented from the June 30, 2011 actuarial valuation takes into account the impact of CalPERS' decision to lower its assumed investment earnings by 0.25% to 7.50%, which impacts contribution rates commencing in Fiscal Year 2013-14. Additional information regarding the City's employee-retirement plans, annual pension costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 8 to the City's audited financial statements attached as Appendix B to the Official Statement.

CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Miscellaneous Employees
($ in Millions)

Valuation Date (June 30)	Market Asset Value	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Actuarial Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2006	$ 418	$ 487	$ 398	$ 89	82%	$ 153	58%
2007	521	549	457	92	83	173	53
2008	510	617	510	107	83	178	60
2009	403	696	556	140	80	175	80
2010	477	751	607	144	81	171	84
2011	590	819	660	159	81	165	96

Source: CalPERS actuarial valuations through June 30, 2011. The actuarial valuation for the City through June 30, 2012 is expected to be available later in 2013.

CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Safety Employees
($ in Millions)

Valuation Date (June 30)	Market Asset Value	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Actuarial Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2005	$ 751	$ 823	$ 730	$ 93	89%	$ 83	111%
2006	834	908	787	121	87	92	131
2007	989	971	853	118	88	100	118
2008	928	1,048	908	140	87	110	127
2009	687	1,135	946	189	83	110	172
2010	770	1,183	987	196	83	111	178
2011	917	1,249	1,035	214	83	109	196

Source: CalPERS actuarial valuations through June 30, 2011. The actuarial valuation for the City through June 30, 2012 is expected to be available later in 2013.

CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
($ in Millions)

Valuation Date (June 30)	Market Asset Value	Actuarial Accrued Liability (AAL) – Entry Age	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2006	$ 365	$ 395	$ 365	$ 30	92%	$ 10	292%
2007	378	395	365	30	92	10	313
2008	355	392	360	32	92	9	356
2009	273	398	314	84	79	6	1,406
2010	280	395	297	98	75	5	1,848
2011	304	397	297	100	75	4	2,420
2012	296	389	294	95	76	3	3,211

Source: SCERS actuarial valuations through June 30, 2012.

Recent CalPERS Developments. CalPERS notified its members that as a result of the investment loss at the end of Fiscal Year 2008-09 it requires local-government employers to increase the percentage of employee salary they contribute to CalPERS in Fiscal Year 2011-12. This is in addition to annual rate adjustments, and adjustments due to the change in assumed investment earnings, as described above. The City's increase related to the investment loss was approximately $5 million in Fiscal Year 2011-12 and is expected to increase further in future fiscal years. This increase is expected to be offset in part by the fact that the number of employees with respect to which the City must contribute has declined as a result of the labor-force reductions implemented by the City in recent years to address the financial stress described herein. There are currently 4,001 active employees and 6,625 retirees and other beneficiaries participating in the City's CalPERS plan.

Additionally, in June 2009, the CalPERS Board of Administration adopted changes to the asset-smoothing method and its policy on the amortization of investment gains and losses in order to phase in over a three-year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. The changes adopted were as follows:

- Increase the corridor limits for the actuarial value of assets from 80%-120% of market-value to 60%-140% of market-value on June 30, 2009. Increasing the corridor limits defers and amortizes the large losses incurred in Fiscal Year 2008-09.

- Reduce the corridor limits for the actuarial value of assets to 70%-130% of market-value on June 30, 2010.

- Return to the 80%-120% of market-value corridor limits for the actuarial value of assets on June 30, 2011, and thereafter.

- Isolate and amortize all gains and losses during Fiscal Year 2008-09, 2009-10, and 2010-11 over fixed and declining 30-year periods (as opposed to the prior policy of a rolling 30-year amortization).

In February 2010, the CalPERS Board of Administration adopted a resolution requiring additional contributions for any plan or pool that, based on a market-value of assets basis, is not expected to increase its funded status by 15% by June 30, 2043, or reach a level of 75% funded status by June 30, 2043.

At its April 16 and 17, 2013 meetings, the CalPERS Board of Administration approved a plan to replace the current 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the current 30-year rolling amortization of unfunded liabilities with a 30-year fixed amortization period. The approach provides a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants' plans (including the City's) in the near term. The new methods will be included in the June 30, 2012 valuation for rate projections, but actual rates will not be set using the new methods until fiscal year 2014-15, reflected in the June 30, 2013 valuation. On a preliminary basis, the City anticipates that its contributions to CalPERS could increase by 44% for miscellaneous employees and 35% for safety employees by Fiscal Year 2019-20.

SCERS Details. In the early 1980s, safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There are currently approximately 50 active members and 1,237 retirees and other beneficiaries participating in the SCERS plan.

The SCERS pension plan has been closed to new members since 1977. Because SCERS is closed to new members and has less than 100 remaining active members, the Actuarial Value of Assets is a 3-year smoothed market-value. Gains and losses are recognized over a three-year period. The Actuarial Value of Assets is limited by a 15% corridor, meaning the Actuarial Value of Assets will be no greater than 115% of Market Value of Assets and no less than 85% of Market Value of Assets.

Overall Contributions. Pursuant to new collective bargaining arrangements signed in 2012, the City does not pay the employee contribution to CalPERS for most employee organization members. However, the City is still currently paying the employee contribution for the following employee organization members, Sacramento Police Officers Association ("SPOA"); Auto Marine and Specialty Painters, Local 1176; International Association of Machinists and Aerospace Workers; Sacramento Sierra Building Trades and Construction Trades Council; and Western Council of Engineers.

The following table summarizes the City's contributions to its defined benefit pension plans.

CITY OF SACRAMENTO
ANNUAL CONTRIBUTION TO RETIREMENT PLANS
($ in Millions)

Fiscal Year	CalPERS	SCERS	Total City Employer Contribution (1)	Total City-Paid Employee Contribution(2)	Total General Fund Contribution
2008-09	$41.7	$3.2	$44.9	$17.1	$52.3
2009-10	44.6	3.4	48.0	16.7	54.6
2010-11	44.3	10.5	54.8	16.1	58.9
2011-12	49.5	10.4	59.9	15.4	63.3
2012-13	48.9	10.6	59.5	12.7	59.8
2013-14(3)	54.3	9.6	63.9	5.7	57.5

(1) Includes contributions payable from special funds.
(2) Employee contribution amount paid by the City pursuant to collective bargaining arrangements.
(3) Estimate. If concessions are achieved, City-paid employee contribution is expected to be zero in Fiscal Year 2013-14.
Source: The City of Sacramento.

The City also provides defined contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the "Plan"). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by the City Council. Exempt and certain represented employees may elect to participate in the Plan. Participating exempt employees are required to contribute 5% of covered salary and the City contributes 4% while participating non-exempt employees are required to contribute 2% of covered salary and the City contributes 2%. For the year ended June 30, 2012, employees contributed $2,304,000 and the City contributed $1,865,000 to the Plan.

On June 25, 2012, the Governmental Accounting Standards Board ("GASB") approved two new standards ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, will replace Statement No. 27 and most of Statements No. 25 and No. 50. The changes will impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: 1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); 2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; 3) lower actuarial discount rates will be required to be used for underfunded plans in certain cases for purposes of the financial statements; 4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and 5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans will take effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the City, will take effect for the fiscal year beginning July 1, 2014.

Annual OPEB Cost and Net OPEB Obligation

The City provides health and dental-care insurance benefits for all retirees and their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for these benefits, an employee must retire with a minimum of ten full years of active service and be 55 years of age for miscellaneous employees or 50 years of age for safety employees. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit while participants with less than twenty years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental-care benefits range from $300 and $694 per month per participant, which covers between 16% and 100% of the benefit cost, depending on the choice of plan and number of dependents.

City retiree health benefits are defined by labor agreements and resolutions approved by the City Council. Benefit costs are recorded on a pay-as-you-go basis. The City's financial statements assume that pay-as-you-go funding will continue. The City's annual OPEB cost is calculated based on the Annual Required Contribution ("ARC") of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30-years. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2011-12, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

In February 2013, the City Council voted to establish an OPEB trust fund and begin funding a portion of its OPEB liability with a one-time investment of $2,000,000. The following table [does/does not] reflect this $2 million contribution to the OPEB trust fund.

CITY OF SACRAMENTO
ANNUAL OPEB COST COMPONENTS
FISCAL YEAR 2011-12
($ in Thousands)

Annual required contribution (ARC)	$39,740
Interest on beginning OPEB liability	3,409
Adjustment to the ARC	(5,958)
Annual OPEB cost	$37,191
Contributions made	(12,191)
Increase in net OPEB obligation	$25,000
Net OPEB obligation - Beginning of year	80,203
Net OPEB obligation - End of year	$105,203

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five fiscal years were as follows:

CITY OF SACRAMENTO
ANNUAL OPEB COST, ACTUAL CONTRIBUTIONS,
ANNUAL COST CONTRIBUTED, AND NET OBLIGATION
($ in Millions)

Fiscal Year	Annual OPEB Cost	Contributions	% of OPEB Cost Contributed	Net OPEB Obligation
2007-08	$ 31.5	$ 10.5	33%	$ 21.0
2008-09	32.6	11.4	35	42.2
2009-10	29.5	11.0	38	60.7
2010-11	31.4	11.9	38	80.2
2011-12	37.2	12.2	33	105.2

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

The City has projected on a preliminary basis, that, by the end of Fiscal Year 2014-15, its annual OPEB costs will increase to $37.5 million, its annual contribution will increase to $14.9 million, and its net OPEB obligation will increase to $145.1 million.

The following table summarizes the funded status of the City's OPEB plan as of the most recent biennial actuarial-valuation dates, June 30, 2011. Additional information regarding the City's OPEB plan, annual OPEB costs, the funding status thereof and significant accounting policies related thereto is set forth in Note 9 to the City's audited financial statements attached as Appendix B hereto. The June 30, 2013 actuarial valuation will be available by Spring 2014.

CITY OF SACRAMENTO
OPEB TREND INFORMATION
($ in Millions)

Actuarial Valuation Date (June 30)	Actuarial Accrued Liability (AAL)	Actuarial Asset Value	(Overfunded) Unfunded AAL	Funded Ratio	Annual Covered Payroll	(Overfunded) Unfunded AAL as % of Covered Payroll
2007	$ 380	--	$ 380	0.00%	$ 266	142.9%
2009	376	--	376	0.00	275	136.7
2011	440	--	440	0.00	234	173.4

Source: The City's biennial OPEB actuarial valuations.

CITY FINANCES

City Budget

The City Council annually adopts an operating and capital budget for a single fiscal year beginning July 1 and ending June 30 in the subsequent calendar year.

To establish the annual budget, department fund managers, in coordination with the Budget Division of the Finance Department, review actual revenue receipts, economic and revenue forecasts from an outside consultant, and internal revenue forecasts developed by the Finance Department from estimates of tax revenues and other discretionary revenues, to determine what resources will be available to support operating requirements, Departments are then tasked with developing a plan for expenditure of projected available resources for the coming fiscal year. Similarly, capital-improvement program priorities are matched with available funds from multiple funding sources. Labor costs are updated to reflect salary and benefit changes called-for in negotiated agreements and estimates for any unrepresented employees are also updated.

A base budget reflecting the estimated costs of providing programs and services in the new budget year is then prepared. This base budget also includes the estimates of revenues and other financing sources and also contains the operating and capital budgets which are prepared and are transmitted to the Mayor and City Council by the City Manager, as required by City Charter, at least 60 days before the start of the fiscal year. The Mayor and Council review the proposed operating and capital-improvement budgets in public hearings held in May and/or June.

Following the public hearing process, changes from the Mayor and City Council are incorporated into an amended budget. The budget is then formally adopted by the vote of the City Council on or before June 30 of each year. The budget for Fiscal Year 2013-14 was adopted on June 11, 2013, and is available on the City's website at cityofsacramento.org/finance/budget/. Information on the City's website is not incorporated into this Official Statement.

The following table shows the adopted budgets for Fiscal Year 2012-13 and Fiscal Year 2013-14.

CITY OF SACRAMENTO - GENERAL FUND BUDGET
($ in Thousands)

AVAILABLE FUNDS:	Fiscal Year 2012-13 Adopted	Fiscal Year 2013-14 Adopted
Property Taxes	$ 114,482	$114,482
Sales and Use Taxes	62,794	65,305
Utility Users Tax	58,982	58,982
Other Taxes	21,162	22,307
Licenses and Permits	11,885	11,553
Fines, Forfeitures and Penalties	13,007	12,035
Use of Money	1,115	1,053
Intergovernmental Revenue	13,044	12,081
Charges, Fees and Services	45,904	46,014
Other Revenues	124	124
Transfers from Other Funds	26,761	28,036
Total Resources:	$ 369,260	371,971
REQUIREMENTS:		
Current Operations:		
Employee Services	$ 338,114	331,120
Other Services and Supplies	92,271	93,032
Equipment	3,245	6,103
Debt Service	23,269	23,496
Labor/Supply Offset	(96,175)	(88,086)
Use of Contingency	1,075	1,000
Operating Transfers	2,421	5,141
Subtotal Current Operations:	$ 364,220	371,807
Capital Improvements:		
General Government	$ 1,733	1,714
Public Safety	2,207	2,400
Subtotal Capital Improvement:	3,940	4,114
Total Requirements:	$ 368,160	375,921
Operational Surplus (Deficit)	$1,100	
Other Financing Sources:		
Beginning Undesignated Fund Balance:	$ --	--
Other	(980)	4,342
Total Other Sources:	$ (980)	4,342
Ending Undesignated Fund Balance:	$ 120	392
Fund Balance Reserve for Economic Uncertainty:	$ 20,200	24,400

Source: City of Sacramento.

General Fund Financial Summary

The information contained in the table on the following page is summarized from audited financial statements for Fiscal Years 2007-08 through 2011-12 of the City.

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
($ in Thousands)

	Actual 2007-08	Actual 2008-09	Actual 2009-10	Actual 2010-11	Actual 2011-12
REVENUES:					
Property Taxes	$ 150,901	$ 151,551	$ 140,013	$ 133,099	$ 130,287
Sales and Use Taxes	54,821	48,905	45,670	47,680	50,683
Utilities Use Tax	57,561	57,775	58,700	58,887	58,787
Other Taxes	20,539	17,495	15,937	14,461	16,386
Licenses and Permits	18,785	15,263	12,709	13,582	12,124
Fines, Forfeitures and Penalties	8,597	10,999	11,131	10,134	11,020
Interest, Rents and Concessions	3,173	861	(88)	1,927	1,702
Intergovernmental Revenues	16,039	16,833	15,294	15,516	12,021
Charges, Fees and Services	32,841	44,153	41,737	41,486	38,157
Other Revenues	831	180	142	411	2,090
Total Revenues:	$ 364,088	$ 364,015	$ 341,245	$ 337,183	$ 333,257
EXPENDITURES:					
General Government	$ 32,946	$ 29,014	$ 24,009	$ 22,453	$ 21,250
Public Safety	225,263	229,653	230,225	218,984	210,124
Public Works	22,713	22,846	19,425	15,204	16,082
Neighborhood Services	83,593	72,116	56,493	51,499	46,334
Non-Departmental	26,993	25,336	26,330	32,247	31,957
Capital Improvements	16,839	9,005	4,918	6,068	2,151
Debt Service	1,736	9,746	1,189	1,970	1,839
Total Expenditures:	410,083	397,716	362,589	348,425	329,737
Excess of Revenues over Expenditures	$ (45,995)	$ (33,701)	$ (21,344)	$ (11,242)	$ 3,520
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds	$ 24,814	$ 33,540	$ 23,948	$ 31,937	$ 28,679
Transfers to Other Funds	(32,281)	(28,776)	(24,136)	(22,878)	(24,055)
Proceeds from Long-Term Debt	2,155	-	4,551	-	-
Proceeds from Sale of Property	-	2,992	-	-	-
Special Items	18,791	(929)	-	-	-
Total Other Financing Sources (Uses):	$ 13,479	$ 6,827	$ 4,363	$ 9,059	$ 4,624
Net Change In Fund Balance	(32,516)	(26,874)	(16,981)	(2,183)	8,144
Fund Balance, beginning of year	131,478	98,962	$ 72,088	55,107	52,924
Fund Balance, end of year	$ 98,962	$ 72,088	$ 55,107	$ 52,924	$ 61,068
Less Reserves and Commitments:					
Reserved / Nonspendable	$ 11,000	$ 6,474	$ 7,119	$ 308	$ 94
Restricted	-	-	-	86	64
Designated / Committed:					
Economic Uncertainty	33,100	10,540	10,540	14,340	20,263
Capital Projects	28,942	25,925	24,157	19,612	21,542
Balanced Budget	492	11,339	3,800	-	-
Other Programs	24,428	16,935	9,491	12,468	9,349
Assigned:					
Next Year's Budget	-	-	-	5,138	9,354
Unrealized Investment Gains	-	-	-	972	402
Fund Balance Available for Appropriation	$ 1,000	$ 875	$ -	$ -	$ -

Certain amounts in years prior to Fiscal Year 2010-11 have been reclassified for presentation in order to be consistent with the GASB Statement No. 54 presentation.

Source: City of Sacramento.

Financial Schedules

A copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the Fiscal Year ended June 30, 2012 is attached as Appendix B to this Official Statement. Prospective investors are encouraged to read the City's CAFR, including the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements, because it includes important information concerning the City and its financial condition.

Audited financial statements for prior years are available upon request from the City's Finance Department or may be obtained from the City's website at www.cityofsacramento.org/finance/accounting/reporting.cfm. Information on the City's website is not incorporated into this Official Statement. Macias Gini & O'Connell LLP, headquartered in Sacramento, California, performed the financial statement audit for the City for the fiscal year ended June 30, 2012.

Property Taxation within the City

Property taxes make up the largest source of City discretionary revenue. The City lost the ability to set a property-tax rate with the adoption of Proposition 13 in 1978, which added Article XIIIA to the State Constitution.

As a result, beginning with Fiscal Year 1981-82, property has been assessed at 100% of cash value and the maximum property-tax rate is $1.00 per $100 of taxable value. See the forepart of the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS – Article XIIIA of the State Constitution" for discussion of the constitutional limitations on the City's ability to issue general obligation debt payable from an increase in the tax rate.

Additionally, the taxable value reflects homeowners and business-inventory exemptions. Tax revenues lost as a result of each homeowner's exemption are reimbursed by the State based on the total taxes that would be due on the taxable value of the property qualifying for that exemption, without allowance for delinquencies. Provided the owner files for the exemption, an individual homeowner's exemption is $7,000 of the taxable value of an owner-occupied dwelling, corresponding to $70 in taxes.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed real property and property on which the taxes are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Personal property is assessed on the "unsecured roll."

The following table provides a summary of assessed valuations in the City for Fiscal Years 2001-02 through 2012-13.

GROSS ASSESSED VALUES
FOR ALL TAXABLE PROPERTY[1]
($ in Thousands)

Fiscal Year	Secured Roll	Unsecured Roll	Public Utility	Total
2001-02	$ 19,718,191	$ 1,717,368	$ 57,292	$ 21,492,851
2002-03	21,855,519	1,157,123	66,428	23,079,070
2003-04	23,859,347	1,168,917	60,909	25,089,173
2004-05	27,010,976	1,343,104	57,800	28,411,880
2005-06	31,112,448	1,374,566	56,950	32,543,964
2006-07	35,687,712	1,441,042	54,611	37,183,365
2007-08	39,286,839	1,548,914	15,371[2]	40,851,124
2008-09	40,360,550	1,691,096	11,948	42,063,594
2009-10	37,446,222	1,819,726	11,937	39,277,885
2010-11	36,388,660	1,742,828	11,977	38,143,465
2011-12	35,267,406	1,711,462	12,132	36,991,000
2012-13	34,332,037	1,626,943	13,157	35,972,137

(1) Stated at full value; exclude property subject to redevelopment tax increments.
(2) The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller.

The City receives only a portion of the property taxes collected within the City, sharing the revenue with school districts, successors to redevelopment agencies, special districts, and County of Sacramento. The sharing of property-tax revenue is based on formulae set in State law and regulation, and annual changes in tax revenue are proportional to changes in the tax roll values within the City. Property taxes are billed, collected, and allocated by the County of Sacramento. The table below summarizes property-tax revenues derived from the Secured Rolls from Fiscal Year 2001-02 to Fiscal Year 2012-13.

PROPERTY TAX REVENUES RECEIVED BY THE CITY

Fiscal Year	Property Tax Revenues Current Secured
2001-02	$47,856,588
2002-03	49,975,253
2003-04	56,252,512
2004-05	59,130,256
2005-06	67,732,223
2006-07	80,513,714
2007-08	86,512,564
2008-09	88,326,770
2009-10	82,698,410
2010-11	78,787,724
2011-12	80,731,000
2012-13	78,309,000

Source: City of Sacramento Revenue Division.

Until the recent economic downturn, particularly acute in the Sacramento area and its housing market, the assessed values in the City had grown each year from Fiscal Year 2000-01 through Fiscal Year 2008-09. Notices of default and foreclosures of property within the City significantly increased beginning in Fiscal Year 2006-07, before ebbing in recent years. The table below shows the historical data of the notices of default and foreclosures of property within the City.

NOTICES OF DEFAULT AND FORECLOSURES OF PROPERTY WITHIN THE CITY

Fiscal Year	Number of Notices
2001-02	219
2002-03	130
2003-04	78
2004-05	57
2005-06	517
2006-07	2,858
2007-08	6,971
2008-09	4,838
2009-10	4,343
2010-11	3,842

Source: County of Sacramento, Office of the Assessor 2012 Annual Report.

In addition, the assessed values of a large number of properties in the City have been reduced pursuant to Proposition 8, which generally provides for reductions in assessed valuations of properties to reflect current market values. The table below shows the recent historical impact of those reductions.

PROPOSITIONS 8 REDUCTIONS WITHIN THE CITY

Fiscal Year	Number of Parcels	Aggregate Amount of Reevaluations ($ in million)
2010-11	51,331	$ 774
2011-12	59,945	1,270
2012-13	71,243	1,270

HISTORICAL ASSESSED VALUATIONS WITHIN THE CITY

Fiscal Year	Asessed Valuation (change from prior Fiscal Year)
2009-10	(6.6%)
2010-11	(2.9)
2011-12	(3.0)
2012-13	(3.0)
2013-14*	-0.0

* projected

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The following table lists the City's largest local secured taxpayers for the fiscal year ending June 30, 2012. Many of the largest taxpayers are owners of commercial office space in downtown Sacramento.

CITY OF SACRAMENTO
LARGEST LOCAL SECURED TAXPAYERS
AS OF JUNE 30, 2012
($ in Thousands)

Property Owner	Assessed Valuation	Rank	% of Total
Hines Sacramento Wells Fargo	$ 391,849	1	1.07%
CIM Sacramento LLC	227,866	2	0.62
Verizon	160,723	3	0.44
Arden Fair Associates	131,865	4	0.36
Comcast Cable	127,309	5	0.35
621 Capitol Mall LLC	115,137	6	0.32
300 Capitol Association NF LP	114,727	7	0.31
Downtown Plaza LLC	97,565	8	0.27
1415 Meridian Plaza LLC	81,818	9	0.22
Sacramento Equities REIT	81,806	10	0.22
Net Assessed Value Total:	$1,530,665		4.19%
Net Assessed Value Total:	$36,502,112		100.00%

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012.

Other Taxes

Sales and Use Tax. In 1956, the City adopted a Bradley-Burns Sales Tax Ordinance that allows the City to be allocated a percentage of the overall sales tax imposed in the City. The level of that sales tax has been set at one percent since April 1, 1969. The State Board of Equalization collects and distributes sales and use tax for the State, cities, counties, and other entities receiving sales-tax revenue.

Proposition 172 was approved by voters to permanently extend an additional one-half percent sales tax beyond December 21, 1993. The legislation requires that this sales tax continues to be deposited to the Public Safety Augmentation Trust Fund for distribution to counties and cities based on sales-tax-allocation percentages previously calculated. The City receives approximately 4% of this Proposition 172 sales tax revenue allocated to jurisdictions within Sacramento County.

In November 2004, voters approved Measure A to extend the sales-and-use tax rate in Sacramento County by one-half percent for a period of 30 years (i.e., extending the end-date from 2009 to 2039). The proceeds of this Measure A tax are administered by the Sacramento Transportation Authority and are used to fund a comprehensive program of roadway and transit improvements, including highway, street, and road construction; highway, street, and road maintenance; bus and light-rail capital and operations; improved transportation services for elderly and handicapped persons; and transportation-related air-quality programs.

As part of the Fiscal Year 2003-04 budget for the State that was signed by the Governor of the State on July 31, 2004, and of the State's economic-recovery plan, a bond initiative formally known as the "California Economic Recovery Act" was approved by the voters on March 2, 2004. This act authorized the issuance of $15 billion in economic-recovery bonds which were to be used to finance the State's Fiscal Year 2002-03 and Fiscal Year 2003-04 budget deficits, and which are payable from a fund established by the redirection to the State of one-quarter of local governments' one percent share of the sales tax imposed on taxable transactions within their jurisdictions, commencing on July 1, 2004.

As a result, the portion of the sales-and-use tax amounts that otherwise would have been allocated to local governments, including to the City, would have decreased by a commensurate amount. However, commencing in Fiscal Year 2004-05, the local governments' share of local property-tax revenues was restored by an amount equal to the one-quarter percent reduction in the local sales-and-use tax, creating a revenue-neutral effect on local governments tax revenues for Fiscal Year 2004-05 and subsequent fiscal years. This system will remain in effect until the State's economic-recovery bonds have been retired. See also "Impact of State Budget on City" below.

As a result of the recent economic recession, sales tax revenues to the City declined by almost 25% over a four year period between Fiscal Years 2007-08 and 2010-11. However, in Fiscal Year 2011-12 sales tax revenues began to increase and this stabilizing trend has continued. The adoption of Measure U will bolster sales tax revenues through 2019.

Utility Users Tax. On November 8, 1988, Measure C was approved by voters. The Measure was presented in the form of an advisory vote asking the question: "Should the utility users tax rate be maintained at 7.50% in order to provide additional General Fund revenues to augment City services such as public safety?" On November 4, 2008, Measure O was approved by voters, reducing the utility users tax on telephonic services from 7.50% to 7.00% and expanding the scope of the tax to include new communication technologies. All other utility users tax rates remained unchanged at 7.50%.

There are some possible upcoming challenges to the utility users tax revenue stream. Changes to the taxation and franchise-fee structure for telecommunications and cable television are being proposed at the federal level, and legislation related to such changes was recently approved at the State level. Some of the proposed changes, if and when implemented, could reduce the utility users tax imposed on telephone and cable television use. The utility user taxes are projected to remain flat when compared to Fiscal Year 2012-13 projected receipts of $59.0 million. The lack of growth is due to wired phone customers that continue to switch from the traditional, standalone wired phone "landline" service to wireless or Voice over Internet Protocol (VoIP). In addition, wireless usage peaked in 2011 nationwide and total minutes/usage has been declining since then.

Transient Occupancy Tax. Since 1990, the City has imposed a transient-occupancy tax, the level of which is currently set at 12.00%. The revenues from this transient-occupancy-tax are currently designated for the City's Community Center Fund (10%) and the General Fund (2%).

The General Fund component of transient occupancy tax is projected to increase by $95,000, compared to expected Fiscal Year 2012-13 receipts of $3.2 million for projected receipts total of $3.3 million for Fiscal Year 2013-14.

Measure U. On November 6, 2012, the voters of the City of Sacramento passed Measure U, authorizing a temporary ½-cent sales tax to restore and protect City services, to become effective on April 1, 2013 and to terminate on March 31, 2019. Estimates for Measure U revenues are approximately $27 million per year.

Limitations on Taxes; Proposition 218 Matters

As described in the forepart of the Official Statement under the caption "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS," the State Constitution limits the City's ability to raise taxes without a vote of the electorate.

In addition, Proposition 218, which added Articles XIIIC and XIIID to the State Constitution in 1996, imposes significant limitations relating to the imposition of rates, fees, and charges for various enterprises of the City

Similarly, Proposition 26, which amended Articles XIIIA and XIII C of the State Constitution in 2010, extends some of the limitations of Proposition 218 to additional charges, fees, and fines.

<u>Litigation Relating to Proposition 218</u>. A lawsuit was filed against the City on January 15, 2010, seeking declaratory relief and a writ of mandate based on certain Proposition 218 violations. In June 2010 this lawsuit was settled and dismissed subject to the following requirements, among others: the City must charge all City departments the City's standard rates for water and solid-waste-collection services provided by DOU, with a three-year phase-in for rates paid by City parks; all public events for which the City collects and disposes or recycles solid waste must pay the City's standard rates; the City may not use rate revenues paid by solid-waste customers to fund the collection and disposal of trash from City trash containers located on City sidewalks and other City rights-of-way; and DOU must continue its pre-existing policy requiring reimbursement for the cost of providing employees or equipment to perform maintenance and repair work for non-DOU facilities.

Finally, the City and the County of Sacramento currently have sued each other over the County's repeated failure to pay City storm-drainage charges for the Executive Airport property (*City of Sacramento v. County of Sacramento*, Sacramento County Superior Court, Case No. 34-2009-00054835; *County of Sacramento v. City of Sacramento*, et al., Sacramento County Superior Court, Case No. 34-2009-00054635). The County's complaint against the City includes allegations that the City's storm-drainage charges do not comply with Proposition 218. These two lawsuits may result in additional fiscal impacts, but at this time those impacts are unknown.

Impact of State Budget on City

<u>Educational Revenue Augmentation Fund ("ERAF") Contributions.</u> Starting in Fiscal Year 1992-93, the State has required counties, cities, and special districts to shift property-tax revenues to school districts by contributing to the ERAF in lieu of direct payments to school districts from the State General Fund. These property-tax shifts were increased in Fiscal Year 1993-94. The City's ERAF contribution changes annually in proportion to changes in the annual equalized property-tax roll. For Fiscal Year 2011-12, the ERAF contribution amount was $27.2 million.

<u>Vehicle License Fee ("VLF") revenues.</u> Prior to Fiscal Year 2004-05, annual vehicle-license fees were generally to be calculated at 2.00% of the market value of the applicable vehicle and that the net fee proceeds were to be distributed to cities and counties, subject to an offset of 67.50% of 2.00%. Additionally, the amount of that offset was to be backfilled to cities and counties by the State from monies in the State's General Fund.

Senate Bill No. 1096 (Chapter 211, Statutes of 2004) ("SB 1096") repealed the offset, and instead provided that annual vehicle-license fees were to be calculated at 0.65% of the market value of the applicable vehicle. SB 1096 also repealed the obligation for the State to backfill the offset from the State's General Fund, and instead compensated cities and counties for the reduced vehicle-license-fee revenues by providing for a "vehicle license fee adjustment" commencing in Fiscal Year 2004-05 and continuing in every fiscal year thereafter. The replacement revenues for direct State backfill payments are generated through an increased allocation of local property taxes. In Fiscal Year 2004-05 the property-tax backfill was based on an estimate from the State Controller. Starting in Fiscal Year 2005-06, the property-tax backfill had been based on an increased share of base and growth of property taxes.

In the Fiscal Year 2011-12, SB89 was included State budget and resulted in the loss of vital City General Fund revenues. Statewide $130 million of local Vehicle License Fee (VLF) funds were diverted to finance the realignment of state public safety programs to counties. For the City of Sacramento, this amounted to a loss of $1.3 million in on-going revenues.

Proposition 1A. Proposition 1A was approved by the voters on November 2, 2004 and amended the State Constitution to (1) prohibit the shift of property-tax revenues from cities, counties, and special districts, except to address a "severe state financial hardship" (and then only if (a) such amounts were agreed to be repaid with interest within three years, (b) the State had repaid certain other borrowed amounts, and (c) certain other conditions were met including that such borrowing could not occur more often than twice within ten fiscal years) and except voluntary exchanges of local sales-tax and property-tax revenues among local governments within a county; (2) protect the property-tax backfill of sales-tax revenues diverted to pay the economic-recovery bonds, and the reinstatement of the sales-tax revenues once the bonds are repaid; and (3) protect local agency vehicle-license-fee revenue (or a comparable amount of backfill payments from the State). Backfill payments are now in the form of property-tax shifts from schools to cities.

The State's Fiscal Year 2009-10 budget included a shift of local property taxes as allowed under Proposition 1A. However, the State legislation provided for a mechanism by which local governments could "sell" their right to repayment to a joint-powers agency that could then issue bonds. The City followed this course of action, received a share of proceeds from a debt issue which resulted in no net loss of financing for Fiscal Year 2009-10. Pursuant to the provisions of Proposition 1A, the State cannot shift again local property taxes until the 2009-10 take is repaid and then only once more until the end of Fiscal Year 2018-19.

State Budgets. Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at http://www.dof.ca.gov/budget/historical_ebudgets, while the proposed budget can be found at http://www.ebudget.ca.gov. Additionally, budget analyses are regularly posted at www.lao.ca.gov.

The information referred to above is prepared by the respective State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses and/or for the accuracy, completeness, or timeliness of information posted there. Information on these websites is not incorporated by reference into this Official Statement.

In recent years the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of recent economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances state financial pressures will not adversely affect the City.

The City cannot predict what actions will be taken with respect to Fiscal Year 2013-14 and in future years by the State Legislature and the Governor to address the State's chronic budget deficits.

There can be no assurances that financial pressures on the State will not materially adversely impact the City's financial condition. In addition, future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced sources of funds available to the City, the City will be required to make necessary adjustments to its budget.

Amendments to Funding Mechanism for Redevelopment Agencies

As described in the footnotes of the table detailing the City's General Fund obligations below, the City receives significant funding from other sources that it uses to make payments with respect to several financings that otherwise would be payable from the City's General Fund. One such source of funding was the Redevelopment Agency of the City (the "City RDA") which, as described herein, has been dissolved. The City entered into a number of agreements with the City RDA, under which the City RDA was obligated to make payments to the City from tax increment revenue from several redevelopment project areas (the "RDA Agreements"). (The RDA Agreements do not include bonds issued directly by the City RDA, which are not payable from the City's General Fund.) The aggregate amount of the payments payable to the City pursuant to the RDA Agreements is approximately $5.5 million annually through 2018, declining afterwards to average annual payments of $2.56 million through 2037.

Pursuant to Assembly Bill No. 1x 26 ("AB 26"), which was enacted in June 2011, most redevelopment agency activities in California were suspended and redevelopment agencies were prohibited from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB 26 also dissolved all existing redevelopment agencies and specified procedures for establishment of "successor agencies" and "oversight boards" to insure that payments for "enforceable obligations" of the dissolved redevelopment agencies and to administer the dissolution and wind down of the dissolved redevelopment agencies. Certain provisions of AB 26 are described further below.

On February 1, 2012, AB 26 dissolved all redevelopment agencies in existence in the State and authorized establishment of "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the dissolved redevelopment agencies and to administer dissolution and wind down of the agencies. On January 31, 2012, the City elected to become the City RDA's successor agency under AB 26 (the "City RDA Successor Agency") for the City RDA's non-housing assets and functions. On the same date, the Housing Authority of the City of Sacramento (the "Authority") elected to become the successor agency for the City RDA's housing assets and functions under AB 26. However, the City RDA Successor Agency is responsible for managing payment of all of the City RDA's "enforceable obligations." AB 26 requires an oversight board for each successor agency to be established no later than May 1, 2012. The Oversight Board for the City RDA Successor Agency was formed on April 16, 2012.

<u>Obligation Payment Schedules.</u> AB 26 requires a successor agency to continue to make payments on enforceable obligations of the dissolved redevelopment agency with funds received from the City RDA, which were deposited into the Redevelopment Obligation Retirement Fund ("RORF") and with tax increment proceeds received from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund ("RPTTF").

As required by AB 26, the City RDA Successor Agency prepared the Initial Draft Recognized Obligation Payment Schedule ("IDROPS") (which includes payments on the RDA Agreements) by March 1, 2012, which was based on the initial Enforceable Obligation Payment Scheduled ("EOPS") adopted by the City RDA on January 31, 2012. On March 20, 2012, the City

Council acting as the board of directors for the City RDA Successor Agency, approved the IDROPS and submitted it to the State Department of Finance ("DOF") and the County Auditor-Controller. Thereafter, the City RDA Successor Agency prepared the Recognized Obligation Payment Schedule ("ROPS") for the period January 1, 2012 through June 30, 2012 ("ROPS I") based on the IDROPS, for the period July 1, 2012 through December 31, 2012 ("ROPS II"), and for the period January 1, 2013 through June 30, 2013 ("ROPS III") and submitted them to Oversight Board for approval. The Oversight Board approved the ROPS I on April 30, 2012, ROPS II on May 21, 2012, and ROPS III on August 20, 2012. The DOF approved the actions of the Oversight Board and approved ROPS I and ROPS II on May 30, 2012, and approved ROPS III on December 18, 2012. DOF disallowed items on the ROPS for liabilities of the City RDA for which contracts had not yet been issued (primarily environmental remediation), and for City infrastructure projects to be funded from City RDA remaining bond funds because DOF had not yet issued a Finding of Completion, and payment of City loans made to the City RDA because such payments cannot commence before July 1, 2013. All City RDA bond debt payments were approved by DOF. Pursuant to these DOF approved ROPS, the City RDA Successor Agency received funding from the County from the RPTTF to pay the enforceable obligations. On February 25, 2013, the Oversight Board approved the ROPS for the period July 1, 2013 through December 31, 2013 ("ROPS IV") which is currently under review by DOF.

Although the City RDA Successor Agency is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under AB 26 (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, the actions of the Oversight Board are subject to review by DOF as described later in this section.

<u>RDA Agreements.</u> AB 26 generally provides that agreements between a redevelopment agency and the city or county that established the agency are not "enforceable obligations;" however, certain agreements for "indebtedness obligations" will be deemed "enforceable obligations" if entered into before December 31, 2010, as well as loans for start-up funds entered into within two years of the formation of an agency or project area, or the agreements are otherwise approved by the Oversight Board.

The City believes that the RDA Agreements meet the AB 26 criteria for "indebtedness obligations" and therefore constitute "enforceable obligations" that will remain in effect. However, there can be no assurances that, if the validity of the RDA Agreements is challenged, the RDA Agreements will ultimately be determined to constitute "enforceable obligations" under AB 26.

<u>State Department of Finance and/or State Controller review.</u> AB 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the DOF. In addition, the State Controller was authorized to conduct audits of the transfer of prior redevelopment agency assets. DOF's review and approval authority is for the preparation and adoption of the ROPS and the transfer of the dissolved redevelopment agency's assets. As described in this Official Statement, the City believes, for itself and as the City RDA Successor Agency, that the RDA Agreements are enforceable obligations under AB 26. But no assurances can be given that such a review of various actions of the City RDA, the City RDA Successor Agency, the Oversight Board, or the Sacramento County Auditor-Controller, and DOF—particularly a review of actions involving future ROPS—will not have an adverse effect on the timing of payments under the RDA Agreements.

There can be no assurances that agreements listed on the ROPS as approved by the Oversight Board and DOF in prior periods will not be challenged in future when subsequent ROPS are prepared and submitted for approval. However, DOF has not, to-date, disallowed payments to the City under the RDA Agreements when it approved each of the ROPS, and AB 26 specifically provides that it is the intent of the law that "pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored."

Administrative Costs. AB 26 allows a limited amount of tax-increment revenue to be used to pay certain administrative expenses of the City RDA Successor Agency, on a subordinate basis to debt service and other enforceable obligations of the City RDA. The amount is based on 3% of the total property tax increment that the Sacramento County Auditor-Controller is to pay to the City RDA Successor Agency to make payments of enforceable obligations, or a minimum of $250,000 per fiscal year. For Fiscal Year 2012-13, this amount was $1,105,534.

Additional Legislation and Audits. On June 27, 2012, the State Legislature enacted AB 1484 to "clean up" various inconsistencies contained in AB 26, to clarify successor agency duties with regard to implementing the RDA's enforceable obligations, and to require certain audits or "due diligence reviews" (DDRs) of the prior RDA's assets and liabilities. The State Controller conducted an audit of the transfer of the prior RDA's assets by the City RDA and the City RDA Successor Agency and found with one exception that all of the City RDA assets were properly transferred and held by the City RDA Successor Agency. The one exception was a non-housing property which the Authority subsequently transferred to the City RDA Successor Agency; this action was ratified by the Oversight Board on December 3, 2012.

The County Auditor-Controller arranged for the preparation of the DDR reports for the City RDA's housing and non-housing assets by an independent auditing firm. These DDR reports were approved by the Oversight Board on January 28, 2013 and are under review by DOF. After DOF approves the DDR reports and the City RDA Successor Agency transmits the unobligated housing and non-housing cash and cash equivalent funds (the "RDA Cash") to the County for distribution to the taxing entities, DOF is to issue a Finding of Completion to the City RDA Successor Agency. This Finding of Completion will allow for City loans to the City RDA for start-up costs for the Railyards project area to be repaid, and for the City RDA Successor Agency to spend the remaining unencumbered bond proceeds on planned infrastructure and development improvement projects. AB 1484 also required preparation of a Long Range Property Management Plan regarding the sale or transfer of the City RDA property assets, which is subject to Oversight Board and DOF approval. Once that plan is approved and DOF issues the Finding of Completion, the City RDA Successor Agency can proceed with the disposal of the City RDA properties.

Under AB 1484, if the City as the City RDA Successor Agency does not comply with its obligations to remit to the County Auditor-Controller the unencumbered RDA Cash it holds and to make diligence efforts to recover funds and other assets that were impermissibly transferred to public agencies by the RDA prior to the enactment of AB 26, the amount owed may be recovered by the State by directing the Board of Equalization and the County to withhold a portion of the sales and property taxes owed to the City. However, the City RDA Successor Agency is only holding non-housing RDA Cash, which will be transferred after DOF completes its review of the non-housing DDR report, and the only DOF directive to recover other assets "impermissibly transferred" is for the City RDA Successor Agency to hold the encumbered housing bond proceeds rather than the Authority

There may be additional legislation proposed and/or enacted in the future affecting the winding up of the affairs of the dissolved redevelopment agencies under AB 26 and AB1484. No assurances can be given about the effect of any such future proposed and/or enacted legislation on the RDA Agreements.

General Fund Obligation Debt Service Payments

The following table sets forth a summary of the City's total annual General Fund Obligation debt-service payments as of June 30, 2012. Obligations set forth on the following table are payable from the City's General Fund; however, the City utilizes amounts budgeted from certain enterprise and other funds as indicated in the following table. To the extent such other sources were to be unavailable, the General Fund would be responsible for such payments.

The following table does not include obligations of the City payable solely from tax increment revenues.

GENERAL FUND OBLIGATION DEBT SERVICE

Fiscal Year	1993[(1)] Lease Revenue Bonds Series A, B	1997[(2)] Lease Revenue Bonds (2007 Remarketing)	1999 CFD 2A Lease Portion	1999[(3)*] Capital Impr. Revenue*	2002[(4)*] Capital Impr. Revenue*	2002[(5)] COP	2003 [(6)] Capital Impr. Revenue	2005[(7)*] Ref. Rev. Bonds*	2006 [(8)] Capital Impr. Revenue Series A, B	2006 [(9)] Capital Impr. Rev. Series C,D,E	Total [(10)] Equip. Leases & Loans	Total Debt Service Obligations	% of Budgeted FY 13-14[(11)] General Fund Rev.	Total Offset Debt Service	Total General Fund Debt Service	% of Budgeted FY General Fund Rev.
2014	15,479,208	5,485,417	246,406	-	5,525,656	1,117,712	2,281,039	15,346,775	10,816,758	11,093,892	6,327,069	73,719,933	19.8%	46,419,166	27,300,767	7.3%
2015	15,468,171	5,599,302	243,438	-	1,217,019	1,115,678	3,356,096	19,623,150	10,812,511	11,091,126	5,503,460	74,029,950	19.9%	46,697,122	27,332,827	7.3%
2016	15,437,935	5,767,979	245,000	-	302,400	1,117,448	3,510,934	20,530,025	10,805,696	11,091,683	5,165,602	73,974,702	19.9%	46,799,277	27,175,425	7.3%
2017	15,430,735	5,758,070	245,938	-	291,275	1,117,938	3,559,381	20,509,400	10,799,388	11,091,855	4,858,199	73,662,179	19.8%	46,854,352	26,807,828	7.2%
2018	15,408,975	5,953,976	251,094	-	792,825	1,117,108	3,612,686	19,994,775	9,225,313	11,090,825	2,800,551	70,248,127	18.9%	45,595,901	24,652,226	6.6%
2019	15,391,035	6,086,638	255,313	-	-	1,114,918	3,762,761	16,591,000	9,229,575	11,540,000	1,939,519	65,910,759	17.7%	41,780,917	24,129,842	6.5%
2020	15,369,890	6,209,110	253,750	-	-	1,116,215	2,591,754	16,533,475	9,212,048	11,573,525	1,696,441	64,556,207	17.4%	41,170,491	23,385,715	6.3%
2021	15,348,515	6,400,018	256,406	-	-	1,044,958	2,168,896	16,470,100	9,210,746	11,042,000	1,036,665	62,978,304	16.9%	40,818,478	22,159,826	6.0%
2022	-	6,446,610	262,969	-	-	1,047,831	279,601	16,337,475	9,198,629	12,755,675	1,036,665	47,365,456	12.7%	29,382,334	17,983,121	4.8%
2023	-	6,648,342	263,438	-	-	1,043,975	277,395	5,685,600	9,191,481	22,593,150	967,336	46,670,716	12.5%	28,228,832	18,441,884	5.0%
2024	-	6,796,051	262,969	-	-	1,043,000	279,754	5,537,225	9,182,750	22,126,169	898,006	46,125,923	12.4%	28,146,176	17,979,747	4.8%
2025	-	6,956,041	-	-	-	1,044,625	271,772	5,538,688	9,181,265	22,027,794	898,006	45,918,190	12.3%	28,255,655	17,662,535	4.7%
2026	-	7,124,005	-	-	-	1,044,500	273,375	5,527,644	9,171,351	22,043,856	898,006	46,082,737	12.4%	28,402,423	17,680,314	4.8%
2027	-	7,305,017	-	-	-	1,042,625	274,375	5,533,631	9,162,435	22,035,025	898,006	46,251,114	12.4%	28,563,854	17,687,260	4.8%
2028	-	7,461,356	-	-	-	1,039,000	274,875	5,537,250	9,163,419	22,039,475	898,006	46,413,381	12.5%	28,715,501	17,697,880	4.8%
2029	-	-	-	-	-	1,038,500	284,625	5,517,000	9,158,354	22,132,225	898,006	39,028,710	10.5%	21,263,911	17,764,799	4.8%
2030	-	-	-	-	-	1,036,000	288,500	5,514,500	9,146,692	22,135,788	898,006	39,019,486	10.5%	21,231,277	17,788,208	4.8%
2031	-	-	-	-	-	1,036,375	291,625	-	9,132,759	22,135,044	898,006	33,493,808	9.0%	16,845,786	16,648,023	4.5%
2032	-	-	-	-	-	1,034,500	289,125	-	9,130,306	22,137,375	898,006	33,489,312	9.0%	16,831,962	16,657,350	4.5%
2033	-	-	-	-	-	1,035,250	291,000	-	9,113,362	22,144,775	898,006	33,482,393	9.0%	16,805,361	16,677,031	4.5%
2034	-	-	-	-	-	-	292,125	-	9,106,001	5,639,300	898,006	15,935,432	4.3%	4,621,810	11,313,622	3.0%
2035	-	-	-	-	-	-	-	-	9,096,828	2,005,000	898,006	11,999,834	3.2%	3,099,345	8,900,489	2.4%
2036	-	-	-	-	-	-	-	-	9,074,993	2,004,250	897,980	11,977,223	3.2%	3,092,327	8,884,897	2.4%
2037	-	-	-	-	-	-	-	-	9,069,174	2,003,875	790,925	11,863,974	3.2%	2,986,846	8,877,128	2.4%
2038											790,839	790,839	0.2%	790,839	-	0.0%
2039											634,389	634,389	0.2%	634,389	-	0.0%
2040											634,389	634,389	0.2%	634,389	-	0.0%
2041											634,389	634,389	0.2%	634,389	-	0.0%
2042											634,368	634,368	0.2%	634,368	-	0.0%
Total	123,334,464	95,997,933	2,786,719	-	8,129,175	21,348,153	28,511,694	206,327,713	226,391,831	357,573,681	47,124,859	1,117,526,221		665,937,477	451,588,745	
Offset	73.7%	100.0%	0.0%	0.0%	24.7%	100.0%	14.7%	78.5%	23.6%	46.7%	91.8%	62.3%				

* Does not include amounts payable solely from tax increment revenues.

(1) 1993 Lease A: 80.5% Community Center Fund, 11.5% General Fund, 8.0% Golf Fund
1993 Lease B: 47.8% General Fund, 30.2% Parking Fund, 13.0%, Drainage Fund, 9.0% Community Center Fund

(2) 1997 Lease (ARCO Arena Sublease): Assumes the fixed rate established in the 2007 remarketing is in effect for the remaining term of the bonds.

(3) 1999 Capital Improvement Revenue Bonds: amounts remaining supported solely from tax increment revenues

(4) 2002 Capital Improvement Revenue Bonds: 55.7% General Fund, 24.7% RASA Master Lease, 19.6% North Natomas Fund

(5) 2002 COP: payable from H Street Theatre Revenues (obligation of General Fund if insufficient)

(6) 2003 Capital Improvement Revenue Bonds: 85.3% General Fund, 14.7% - North Natomas Fund

(7) 2005 Refunding: 40.1%Water Fund, 19.6% Solid Waste Fund, 17.3% Parking Fund, 12.6% RASA (Del Paso Heights, Merged Downtown, North Sacramento, Oak Park, River District), 8.7% General Fund, 1.4% North Natomas Fund, 0.3% Golf Fund

(8) 2006 Capital Improvement Revenue Bonds Series A and B: 76.9% General Fund, 17.9% RASA Master Lease (65th Street, Army Depot, North Sacramento, River District), 5.2% Haggin Oaks Bridge Loan

(9) 2006 Capital Improvement Revenue Bonds, Series C, D and E: 50.4% General Fund, 42.0% Water Fund, 6.4% North Natomas Fund, 0.7% Golf Fund, 0.5% RASA Master Lease (Stockton Boulevard)

(10) Total Leases and Loans:, 59.4% Marina, 18.5% Solid Waste, 1.5% Wastewater

(11) Data based on Fiscal Year 2013-14 General Fund Revenue Budget.

Source: City of Sacramento

Interest Rate Swap

In 2007, the City entered into an interest-rate swap with Goldman Sachs Capital Markets, L.P. (the "Counterparty") in connection with remarketing the Sacramento City Financing Authority's (the "Authority") $73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-interest-rate bonds (the "Arena Bonds"). The Arena Bonds carry an interest rate equal to the 3-month London Interbank Offered Rate ("LIBOR") plus 0.25% (with total rate not-to-exceed 14.00%), payable quarterly, until July 19, 2017. The swap agreement terminates on July 19, 2017, and has a notional amount as of July 18, 2013, of $62,015,000. Under the swap, the Authority pays the Counterparty a fixed payment of 5.607% and receives a variable payment equal to the interest rate payable on the Arena Bonds. See Note 7 in Appendix B – "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012."

The City's interest-rate swap entails risk to the City. Actual interest rates may vary from assumptions made at the time the swap was executed, and the City may not realize the expected financial benefits from the swap. In addition, the potential future exposure to the City relating to the difference in payments between the amount the City receives in connection with any swap and pays pursuant to that swap, including termination payments or other non-scheduled payments, cannot be predicted. The Counterparty may terminate the swap upon the occurrence of certain termination events or events of default, which may include failure of either the City or the Counterparty to maintain credit ratings at specified levels. If either the Counterparty or the City terminates the swap, the City may be required to make a termination payment to the Counterparty (even if such termination is due to an event affecting the Counterparty, including the Counterparty's failure to maintain credit ratings at specified levels), and there is no assurance that such payment by the City would not have a material adverse impact on its financial position. The current estimated amount of such termination payment that would be payable by the City, as of June 3, 2013, is approximately $11.1 million. The valuation of the swap or any future swaps is volatile and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the City will not significantly increase. The City may enter into additional interest-rate swaps in the future.

Debt Statement

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. as of June 30, 2013. The Debt Report is included for general-information purposes only. The City makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public-credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long term obligations generally are not payable from revenues of the City (except as indicated) nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

CITY OF SACRAMENTO
DIRECT AND OVERLAPPING BONDED DEBT
AS OF JUNE 30, 2013

2012-13 Assessed Valuation: $35,972,136,738

OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt 6/30/13	% Applicable (1)	City's Share of Debt 6/30/13 (2)
Los Rios Community College District	$297,395,000	25.422%	$ 75,603,757
Natomas Unified School District	177,849,033	86.933	154,609,500
Sacramento Unified School District	313,677,966	83.400	261,607,424
San Juan Unified School District	355,755,134	3.074	10,935,913
Twin Rivers Unified School District	87,799,616	48.209	42,327,317
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	185,252,240	47.665	88,300,480
Robla School District	23,881,349	51.697	12,345,941
City of Sacramento Community Facilities Districts	156,030,000	100.	156,030,000
Elk Grove Unified School District Community Facilities District No. 1	185,189,881	11.665	21,602,400
Sacramento City Unified School District Community Facilities District No. 1	595,000	100.	595,000
City of Sacramento 1915 Act Bonds	12,290,000	100.	12,290,000
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	196,895,000	80.334	158,173,629
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,350,000	42.554	1,425,559
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			$995,846,920

Ratios to 2012-13 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 2.77%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Sacramento County General Fund Obligations	$317,356,921	31.090%	$ 98,666,267
Sacramento County Pension Obligations	959,632,708	31.090	298,349,809
Sacramento County Board of Education Certificates of Participation	8,740,000	31.090	2,717,266
Los Rios Community College District Certificates of Participation	5,890,000	25.422	1,497,356
Sacramento Unified School District Certificates of Participation	80,160,000	83.400	66,853,440
Sacramento Unified School District Pension Obligations	2,255,000	83.400	1,880,670
San Juan Unified School District Certificates of Participation	1,246,189	3.074	38,308
Twin Rivers Unified School District Certificates of Participation	129,825,000	47.665	61,881,086
City of Sacramento General Fund Obligations	690,377,500	100.	690,377,500
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			$1,222,261,702
Less: Sacramento County supported obligations			2,072,926
City of Sacramento supported obligations			405,295,927
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			$ 814,892,849
OVERLAPPING TAX INCREMENT DEBT:			$210,109,136
GROSS TOTAL DIRECT DEBT			$690,377,500
NET TOTAL DIRECT DEBT			$285,081,573
GROSS TOTAL OVERLAPPING DEBT			$1,737,840,258
NET TOTAL OVERLAPPING DEBT			$1,735,767,332
GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT			$2,428,217,758 (3)
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT			$2,020,848,905

(1)Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2)Report prepared 5/21/13. Excludes any bonds sold between 5/21/13 and 6/30/13.
(3)Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2012-13 Assessed Valuation:
Gross Combined Total Direct Debt ($690,377,500) 1.92%
Net Combined Total Direct Debt ($285,081,573) 0.79%
Gross Combined Total Direct and Overlapping Debt 6.75%
Net Combined Total Direct and Overlapping Debt 5.62%

Ratios to Redevelopment Increment Valuation ($4,561,181,319):
Total Overlapping Tax Increment Debt....................... 4.61%

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No Default

The City has no record of having ever defaulted in the payment of principal or interest on any of its loans, bonds, notes, or other debt obligations or on any of its lease obligations.

CITY ECONOMICS

Population

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

POPULATION ESTIMATES[1]
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 1970 THROUGH 2013

Year	City of Sacramento	Average Annual % Change	County of Sacramento	Average Annual % Change	State of California	Average Annual % Change
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2009	481,356	1.35	1,440,500	0.84	38,476,724	0.98
2010[2]	466,279	-3.09	1,417,259	-1.61	37,223,900	-3.26
2011[2]	469,477	0.69	1,427,961	0.76	37,427,946	0.55
2012[2]	470,437	0.20	1,433,525	0.39	37,668,804	0.64
2013[2]	473,509	0.65	1,445,806	0.86	37,966,471	0.79

(1) Totals are estimates and may not add due to rounding.
(2) The population estimates for 2010 forward incorporate the 2010 Census Population Benchmark.
Source: State of California, Department of Finance. http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php

Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services, and healthcare employers to the City.

As a result of the recent recession, unemployment levels throughout the country (including in the City) have significantly increased since Fiscal Year 2007-08. The table below shows historical unemployment rates for the City, the County of Sacramento and the State of California.

UNEMPLOYMENT RATES
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA

Year	City of Sacramento	Average Annual % Change	County of Sacramento	Average Annual % Change	State of California	Average Annual % Change
2003	7.0		5.9		6.8	
2004	6.7	(4.3%)	5.6	(5.1%)	6.2	(8.8%)
2005	5.9	(11.9)	5.0	(10.7)	5.4	(12.9)
2006	5.6	(5.1)	4.8	(4.0)	4.9	(9.3)
2007	6.4	14.3	5.4	12.5	5.4	10.2%
2008	8.5	32.8	7.2	33.3	7.2	
2009	13.3	55.3	11.3	56.9	11.4	
2010	14.9	12.9	12.8	12.4	12.4	
2011	14.1	(5.4)	12.1	(4.7)	11.7	
2012	12.4	(12.1)	10.6	(12.4)	10.5	(11.0)
2013(1)	9.8		8.3		8.5	

(1) April 2013

Source: Source: State of California. Employment Development Department.
http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce

Set forth below are data reflecting the County's civilian labor force, employment, and unemployment. These figures are County-wide and may not necessarily accurately reflect employment trends in the City.

SACRAMENTO COUNTY METROPOLITAN STATISTICAL AREA (MSA)
CIVILIAN LABOR FORCE, EMPLOYMENT AND
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
FOR YEARS 2008 THROUGH 2012

LABOR FORCE (COUNTY):	2008	2009	2010	2011	2012
Labor force[1]	680,000	681,400	674,600	675,600	680,200
Employment	631,400	604,500	588,300	594,100	608,400
Unemployment	48,600	76,900	86,300	81,500	71,800
Unemployment Rate	7.1%	11.3%	12.8%	12.1%	10.6%
EMPLOYMENT INDUSTRY (MSA):					
Total All Industries[2]	890,200	839,800	817,900	816,800	831,100
Total Farm	8,200	8,300	8,100	8,300	8,600
Total Non-farm	882,100	831,500	809,900	802,000	822,500
Goods Producing	95,600	78,400	71,600	69,500	71,600
Natural Resources & Mining	700	400	400	400	400
Construction	56,200	43,500	38,400	36,200	37,300
Manufacturing	38,700	34,400	32,800	32,800	33,900
Service Providing	786,500	753,100	738,300	732,600	750,800
Trade, Transportation & Utilities	146,600	134,900	132,500	132,700	138,800
Wholesale Trade	26,500	24,100	22,800	23,000	25,300
Retail Trade	95,100	87,600	88,000	88,900	91,600
Transportation, Warehousing & Utilities	25,100	23,200	21,700	20,900	21,900
Information	19,200	18,300	17,200	16,700	15,300
Financial Activities	57,200	52,900	48,300	46,600	47,600
Professional & Business Services	110,100	101,100	102,200	101,400	110,600
Education & Health Services	99,700	99,800	99,400	102,700	105,500
Leisure & Hospitality	85,900	81,900	80,200	79,800	83,300
Other Services	29,600	28,800	28,100	28,000	28,200
Total Government	238,200	235,300	230,300	224,600	221,400
Federal Government	12,500	13,300	14,600	13,900	13,700
State and Local Government	225,800	222,100	215,600	210,700	207,700

(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: Labor Market Information Division of the California State Employment Development Department. http://www.labormarketinfo.edd.ca.gov/

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The two tables below represent the Sacramento Region Major Private Sector Employers for the greater Sacramento area (including, Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties) and the major public-sector employers. Major private employers in the Sacramento area include those in health care, electronics, telecommunications, retail and financial services. Major public-sector employers include the State and the County. The data provided is through December 2012 and may not reflect subsequent changes in work force.

GREATER SACRAMENTO AREA
2012 MAJOR PRIVATE SECTOR EMPLOYERS

Company	Type of Business	No. of Full-Time Employees
Dignity Health	Health care	7,069
Intel Corp.	Researches and develops computer chips and chipsets, including desktop, mobile and server processor products	6,515
Kaiser Permanente	Health care	6,360
Sutter Health Sacramento Sierra Region	Health care	5,765
Raley's Inc.	Retail grocery chain	3,694
Health Net of California	Managed health care	2,522
Wells Fargo & Co.	Financial Services	2,160
VSP Global	Vision health care insurance, eyewear, ophthalmic products and lab services sales systems for the optical industry optical medical record software	2,070
Aerojet	Design, develop and manufactures solid waste rocket motors, and liquid and electric in-space propulsion systems	1,740
Delta Dental of California	Dental benefits	1,300

Source: Sacramento Business Journal Book of Lists 2012, December 2012.

COUNTY OF SACRAMENTO
2012 MAJOR PUBLIC SECTOR EMPLOYERS

Name of Employer	No. of Full-Time Employees
State of California	69,763
Sacramento County	11,450
UC Davis Health System	9,584
Elk Grove Unified School District	5,021
Sacramento City Unified School District	5,000
San Juan Unified School District	4,700
City of Sacramento	4,083
Los Rios Community College District	3,269
California State University Sacramento	2,936
Folsom Cordova Unified School District	1,850

Source: Sacramento Business Journal Book of Lists 2012, December 2012.

Commercial Activity

The following table shows a summary of historic taxable sales within the City.

CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2008 THROUGH 2011
($ in Thousands)

Type of Business	2008	2009	2010	2011
Apparel	$279,933	$314,415	$319,555	$331,037
General Merchandise	635,959	486,181	484,713	500,631
Food	265,079	272,980	282,078	291,616
Eating & Drinking	690,946	675,035	687,669	718,749
Household Furnishings	155,001	245,042	232,782	223,797
Building Materials	274,463	222,703	249,593	304,603
Automotive	367,082	285,724	259,294	282,738
Service Stations	535,786	424,739	484,980	574,763
Other Retail	576,099	444,823	455,716	475,042
Retail Stores Total	$3,780,349	$3,371,643	$3,456,380	$3,702,978
All Other Outlets	1,924,068	1,577,522	1,491,067	1,588,997
TOTAL:	$5,704,418	$4,949,165	$4,947,448	$5,291,975

Note: Detail may not compute to total due to rounding.
Source: State Board of Equalization, Taxable Sales in California, 2012 Annual Report

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CITY OF SACRAMENTO, CALIFORNIA
2013 TAX AND REVENUE ANTICIPATION NOTES

NOTE PURCHASE AGREEMENT

________, 2013

Mayor and City Council
City of Sacramento
915 I Street, Fifth Floor
Sacramento, California 95814

Ladies and Gentlemen:

The undersigned, Stifel Nicolaus and Company, Incorporated (the "Underwriter"), hereby offers to enter into this Note Purchase Agreement with the City of Sacramento, California (the "City"). Upon acceptance of this offer by the City, this Note Purchase Agreement will be binding upon the City and the Underwriter. This offer is made subject to acceptance by the City of this Note Purchase Agreement, by the execution and delivery of this Note Purchase Agreement to the Underwriter at or prior to 5:00 p.m. Pacific Standard Time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice to the City at any time prior to acceptance hereof by the City.

The undersigned represents that it is authorized to enter into this Note Purchase Agreement.

1. Purchase and Sale of Notes.

(a) Subject to the terms and conditions hereinafter 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 City's $________ aggregate principal amount of 2013 Tax and Revenue Anticipation Notes (the "Notes") at the aggregate purchase price of $__________ (consisting of the principal amount of the Notes plus original-issue premium of $__________, less an underwriter's discount of $_________).

(b) The Notes will be dated _________, 2013 and will mature ______, 2014. The Notes will bear interest (payable at maturity) at 2.000% per annum; must be as described in the Official Statement (as hereinafter defined); and must be executed, delivered, and secured under and pursuant to a resolution adopted by the City Council (the "Council") on _____, 2013 (the "Resolution"). The Underwriter agrees to make a public offering of the Notes at the initial offering price or prices established by the Underwriter and set forth in the Official Statement (as defined herein), which may be changed from time to time by the Underwriter after the initial date of offering.

(c) Pursuant to the Resolution, the City has approved the form and distribution of the Preliminary Official Statement dated ______, 2013, (the "Preliminary Official Statement") relating to the Notes and the distribution of an Official Statement, dated ____, 2013 (together with any amendment or supplement authorized by the City, the "Official Statement"), consisting of the Preliminary Official Statement with such changes as are necessary to reflect the principal amount, maturity date or dates, interest rates, redemption provisions, and other information relating to the sale of the Notes, with the approval of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"); Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter; and the Underwriter. By signing this Note Purchase Agreement, the City confirms that the City has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"), except for the omission of certain information permitted to be omitted therefrom in accordance with Rule 15c2-12. It is a condition of the offer of the Underwriter made hereby that the City deliver a reasonable number of copies of the final Official Statement, in a form deemed to be final for purposes of Rule 15c2-12, within seven business days of the date hereof.

(d) The City hereby ratifies any prior use of, and authorizes the future use by, the Underwriter, in connection with the offering and sale of the Notes, of the Resolution, the Preliminary Official Statement, and the Official Statement, and all information contained therein.

(e) The Underwriter shall give notice to the City on the date after which no participating underwriter, as such term is defined in Rule 15c2-12, remains obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule. Prior to the earlier of (1) such receipt of notice from the Underwriter that the Official Statement is no longer required under the Rule or (2) the 25th calendar day after the Closing Date (as defined herein), the City shall provide the Underwriter with such information regarding the City, its current financial condition, and its ongoing operations as the Underwriter may reasonably request.

(f) Unless otherwise notified in writing by the Underwriter on or before the Closing Date, the City may assume that the "end of the underwriting period" for the Notes for all purposes of Rule 15c2-12 under the Securities and Exchange Act of 1934 is the Closing Date. If such notice is given, then the Underwriter shall notify the City in writing following the occurrence of the "end of the underwriting period" as defined in Rule 15c2-12 for the Notes. The "end of the underwriting period" as used in this Note Purchase Agreement means the Closing Date or such later date as to which notice is given by the Underwriter in accordance with the preceding sentence.

2. Closing. At 8:00 a.m., California time, _____, 2013, or at such other time or on such earlier or later date as the City and the Underwriter agree upon, the City shall deliver or cause to be delivered to the Underwriter the Notes, together with the other documents hereinbefore or hereinafter mentioned; the Underwriter shall accept such delivery and pay the purchase price of such Notes as set forth in Section 1 by wire transfer to the City in federal or other immediately available funds to the order of the City. Delivery and payment as aforesaid must be made at the offices of Orrick, Herrington & Sutcliffe LLP, Sacramento, California, or at such other place as the City and the Underwriter agree upon; provided that the Notes must be delivered through the facilities of the Depository Trust Company, New York, New York, or its F.A.S.T. agent. Such time of payment and delivery is herein defined as the "Closing Date."

The Notes must be delivered in the form of a single fully registered Note, registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the Notes may be purchased in book-entry form only in denominations of five thousand dollars ($5,000) and any integral multiple thereof as specified by the Underwriter five calendar days before the Closing Date.

3. Representations, Warranties, Covenants, and Agreements of the City. The City, by its acceptance hereof, represents, warrants, covenants, and agrees with the Underwriter as follows:

(a) The City is a municipal corporation and charter city, duly organized and existing under the laws of the State of California and its charter. The City is empowered to issue the Notes and has full power and authority to take all actions required or permitted to be taken by the City by or under, and to perform and observe the covenants and agreements on its part contained in, this Note Purchase Agreement, the Notes, the Resolution, the Continuing Disclosure Certificate (as defined in the Official Statement), and the Fiscal Agent Agreement, dated as of _____, 2013 (the "Fiscal Agent Agreement"), by and between U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"). The Note Purchase Agreement, the Notes, the Resolution, the Continuing Disclosure Certificate, and the Fiscal Agent Agreement are collectively referred to herein as the "City Documents."

(b) On or before the date hereof, the City has duly taken all action necessary to be taken by it prior to such date for (1) the execution, delivery, and performance of the City Documents; (2) the distribution of the Official Statement; and (3) the carrying out, giving effect to, consummation, and performance of the transactions and obligations contemplated hereby and by the Official Statement; provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.

(c) The Resolution has been duly adopted by the City, is in full force and effect, and has not been modified or supplemented, and this Note Purchase Agreement has been duly executed and delivered by the City and, assuming the due execution and delivery by the Underwriter, is the legal, valid, and binding obligation of the City, enforceable against the City in accordance with its terms, except that the binding effect and enforceability thereof may be limited by (1) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California.

(d) When executed and delivered by the City, the Continuing Disclosure Certificate and the Fiscal Agent Agreement will have been duly executed and delivered by the City and will be the legal, valid, and binding obligations of the City, enforceable against the City in accordance with their terms, except that the binding effect and enforceability thereof may be limited (1) by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California.

(e) To the actual knowledge of the City as of the date hereof, and except as otherwise disclosed in the Official Statement, the adoption of the Resolution and the execution and delivery of this Note Purchase Agreement, the Notes, the Fiscal Agent Agreement, and the Continuing Disclosure Certificate and the compliance with the terms, conditions, or provisions hereof and thereof and the consummation of the transactions herein and therein contemplated do not and will not in any material way (1) conflict with, or constitute a violation of, the City Charter or any constitutional provision or any law (or any regulations, order, writ, injunction, or decree of any court or governmental instrumentality applicable to the City); or (2) result in a breach of any of the terms, conditions, or provisions of, or constitute a default on, any resolution, agreement, or instrument to which the City is a party; or (3) result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the City pursuant to any resolution, agreement, or instrument to which the City is a party or by which it or any of its properties is bound other than the lien created by the Resolution.

(f) To the actual knowledge of the City as of the date hereof, and except as described in the Official Statement, all authorizations, consents, and approvals of, notices to, registrations or filings with, or actions in respect of any governmental body, agency, or other instrumentality or court required in connection with the execution, delivery, and performance by the City of this Note Purchase Agreement, the Notes, the Fiscal Agent Agreement, and the Resolution have or will have been obtained, given, or taken and will be in full force and effect as of the Closing Date; provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States.

(g) To the actual knowledge of the City as of the date hereof, and except as described in the Official Statement, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (1) seeking to restrain or enjoin the execution, sale, or delivery of the Notes; (2) in any way contesting or affecting the validity of enforceability of the City Documents; (3) contesting in any way the completeness or accuracy of the Official Statement; (4) contesting the authority of the City with respect to the City Documents; or (5) affecting the City wherein an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition or solvency of the City or affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the City Documents.

(h) The City shall cooperate with the Underwriter in the qualification of the Notes for offering and sale and the determination of the eligibility of the Notes for investment under the laws of such jurisdictions as the Underwriter designates and shall continue any such qualification in effect so long as required for the distribution of the Notes by the Underwriter; provided that the City is not required to consent to service of process in any jurisdiction or to expend any funds in connection with such qualification. The City is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws.

(i) At the time of the City's acceptance hereof, the Preliminary Official Statement and, as of the date hereof, the Official Statement (excluding the statements and information relating to DTC and the book-entry system, as to which no opinion need be expressed) did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(j) If at any time from the date hereof to and including 25 days after the Closing Date, any event occurs of which the City has actual knowledge, as a result of which the Official Statement would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, then the City shall cooperate with the Underwriter in the preparation and furnishing of an amendment or supplement to the Official Statement.

(k) If the information contained in the Official Statement is amended or supplemented pursuant to the Section 3(j), then at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to Section 3(j)) at all times subsequent thereto up to and including 25 days from the Closing Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained herein) will be true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the information therein, in light of the circumstances under which it was made, not misleading.

(l) When the Notes are issued, authenticated, and delivered in accordance with the Resolution and paid for by the Underwriter as provided for herein, the Notes will be legally valid and binding obligations of the City, enforceable in accordance with their terms, except as such enforceability may be limited by (1) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance law); or (2) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (3) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (4) by the exercise of judicial discretion in appropriate cases or the limitations on legal remedies against public entities in the State of California. The Notes will be entitled to the benefits of, and secured by, the Resolution.

(m) Any certificate signed by any official of the City and delivered in connection with the transactions contemplated by the Official Statement and this Note Purchase Agreement will be deemed to be a representation and warranty by the City to the Underwriter as to the statements made therein.

(n) Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, the City will not have issued any bonds, notes, or other obligations for borrowed money except for such borrowing as may be described in or contemplated by the Official Statement.

(o) Except as disclosed in the Official Statement, there has not been any material adverse change in the financial condition of the City since June 30, 2011, and there has been no occurrence, circumstance, or combination thereof that is reasonably expected to result in any such material adverse change. The financial statements of, and other financial information regarding the City in, the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth, and (1) the audited financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied, and (2) the other financial information in the Official Statement has been determined on a basis substantially consistent with that of the City's audited financial statements included in the Official Statement.

(p) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is an issuer whose arbitrage certificates may not be relied upon.

4. Conditions to the Underwriter's Obligations. The obligations of the Underwriter under this Note Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the City of its obligations and agreements to be performed hereunder and to the accuracy of and compliance with the respective representations, warranties, covenants, and agreements of the City contained herein, in each case on and as of the date of delivery of this Note Purchase Agreement and on and as of the Closing Date. The obligations of the Underwriter hereunder are also subject, in the discretion of the Underwriter, to the following further conditions:

(a) On the Closing Date, (1) the City Documents must be in full force and effect and must not have been rescinded, amended, modified, or supplemented, except as may have been agreed to in writing by the Underwriter, and the City must have adopted, and there must be in full force and effect, such additional resolutions, agreements, opinions, and certificates (including such certificates as may be required by regulations of the Internal Revenue Service to establish the tax exempt character of interest on the Notes), which resolutions, agreements, opinions, and certificates must be satisfactory in form and substance to Bond Counsel and the Underwriter and its counsel, and there must have been taken in connection therewith and in connection with the issuance of the Notes all such actions as are, in the opinion of each, necessary in connection with the transactions contemplated hereby; (2) the Notes must have been duly authorized, executed, authenticated, and delivered; (3) the Official Statement must not have been amended, modified, or supplemented, except as may have been agreed to in writing by the Underwriter; and (4) the City must perform or have performed all of its obligations under, or specified in, each City Document to be performed at or before the Closing Date, and the Underwriter must have received evidence, in appropriate form, of such actions.

(b) On or before the Closing Date, the Underwriter must have received the following documents, in each case satisfactory to the Underwriter:

(1) this Note Purchase Agreement and the Continuing Disclosure Certificate duly executed and delivered by the City and the Underwriter, and the Fiscal Agent Agreement duly executed and delivered by the City and the Fiscal Agent, and a certified copy of the Resolution, each with such amendments, modifications, or supplements as may have been agreed to by the Underwriter;

(2) an unqualified approving opinion, dated the Closing Date and addressed to the City and the Underwriter, of Bond Counsel in substantially the form attached as Appendix C to the Official Statement, together with a supplemental opinion in a form acceptable to the Underwriter, dated the Closing Date and addressed to the Underwriter, to the effect that:

(i) this Note Purchase Agreement and the Fiscal Agent Agreement have been duly executed and delivered by the City and (assuming due authorization, execution, and delivery by and validity with respect to the Underwriter and the Fiscal Agent) constitute valid and binding agreements of the City subject to (A) bankruptcy or other laws affecting creditors' rights and (B) the application of equitable principles, and no opinion need be expressed with respect to any indemnification or contribution provisions therein;

(ii) the Continuing Disclosure Certificate has been duly executed and delivered by the City and constitutes a valid and binding agreement of the City subject to (A) bankruptcy or other laws affecting creditor's rights and (B) the application of equitable principles, and no opinion need be expressed with respect to any indemnification or contribution provisions therein;

(iii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939, as amended; and

(iv) the statements contained in the Official Statement under the caption "THE NOTES", SECURITY FOR THE NOTES", TAX MATTERS", and APPENDIX C – FORM OF BOND COUNSEL OPINION (excluding any material that may be treated as included under such captions by cross-reference) insofar as such statements expressly summarize certain provisions of the Resolution and the form and content of Bond Counsel's opinion concerning the Notes, are accurate in all material respects;

(3) The opinion of the City Attorney or her designee, dated the Closing Date and addressed to the Underwriter, to the effect that

(i) the City is a charter city duly organized and validly existing under its charter, the Constitution, and the laws of the State of California;

(ii) the Official Statement relating to the Notes has been duly approved by the City;

(iii) the Resolution was duly adopted at a meeting of the City Council called and held according to law with all public notice required by law and at which a quorum was present and acting throughout, and the Resolution is in full force and effect and has not been amended, modified, or rescinded;

(iv) the City has full right and lawful authority to deliver the Official Statement and to execute and deliver the Notes, this Note Purchase Agreement, the Fiscal Agent Agreement, and the Continuing Disclosure Certificate, and the City has duly authorized, executed, and delivered the Official Statement, the Notes, this Note Purchase Agreement, the Fiscal Agent Agreement, and the Continuing Disclosure Certificate;

(v) the Notes, this Note Purchase Agreement, the Fiscal Agent Agreement, and the Continuing Disclosure Certificate are legally valid and binding obligations of the City enforceable against the City in accordance with their terms, except as enforcement may be limited by (A) bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent-conveyance laws); or (B) by general principles of equity including, without limitation, concepts of materiality, reasonableness, and good faith and fair dealing; or (C) by the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law; or (D) by the exercise of judicial discretion in appropriate cases or to the limitations on legal remedies against public entities in the State of California, and provided that no opinion need be expressed with respect to any indemnification or contribution provision contained in the Notes, this Note Purchase Agreement, the Fiscal Agent Agreement, or the Continuing Disclosure Certificate, or with respect to the state or federal laws that pertain to the tax-exempt status of the Notes;

(vi) to the actual knowledge of the City Attorney or her designee as of the date of the opinion, the adoption of the Resolution and the execution and delivery of the Notes, the Fiscal Agent Agreement, this Note Purchase Agreement, and compliance with the provisions hereof and thereof, under the circumstances contemplated thereby and hereby, do not and will not in any material way (A) conflict with or constitute on the part of the City a breach of, or default on, any agreement or other instrument applicable to, or binding upon, the City or any of its properties; or (B) violate the City Charter; or (C) violate any existing law, regulation, court order, or consent decree to which the City or any of its properties are subject; and

(vii) except as described in the Official Statement, to the actual knowledge of the City Attorney or her designee as of the date of the opinion, the City has not been served with process in, and has not been overtly threatened with, any action, suit, proceeding, inquiry, or investigation before or by any court, public board, or body (A) that contests in any way the completeness or accuracy of the Official Statement; or (B) in which an unfavorable decision, ruling, or finding is likely to have a material adverse effect on the financial condition of the City or on the transactions contemplated by the Note Purchase Agreement or the Official Statement; or (C) that is likely to adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, the Notes, the Note Purchase Agreement, the Resolution, the Continuing Disclosure Agreement, or the Fiscal Agent Agreement;

in each case subject to the exceptions and limitations described in the Legal Opinion Accord included in the Third-Party Legal Opinion Report of the ABA Section of Business Law (1991) and the "California Provisions" as defined in the Business Law Section of the State Bar of California Report on the Third-Party Legal Opinion Report of the ABA Section of Business Law (dated May 1992), and certain other standard exceptions and limitations specified in the opinion of the City Attorney or her designee.

(4) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter.

(5) An opinion of counsel to the Fiscal Agent, to the effect that (i) the Fiscal Agent has duly authorized, executed, and delivered the Fiscal Agent Agreement; and (ii) the Fiscal Agent Agreement constitutes a legally valid and binding obligation of the Fiscal Agent, enforceable against the Fiscal Agent in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(6) A certificate, dated the Closing Date, signed by the appropriate City officials and in form and substance satisfactory to the Underwriter, to the effect that, to the current actual knowledge of such official as of the Closing Date:

(i) the representations and warranties of the City contained in this Note Purchase Agreement are accurate on and as of the Closing Date as if made on such date;

(ii) the City has complied or is then in compliance with all agreements and has satisfied all conditions on its part to be observed or satisfied under each City Document at or before the Closing;

(iii) between the date of the Official Statement and the date of the certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising from transactions in the ordinary course of business, as described in the Official Statement; and

(iv) the officials have examined the Official Statement, and in their opinion the Official Statement as of its date and as of the Closing Date did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(7) A tax certificate for the Notes in form satisfactory to Bond Counsel and the Underwriter.

(8) Evidence satisfactory to the Underwriter to the effect that the Notes have received a rating of "MIG 1" from Moody's Investors Service and "F1+" from Fitch.

(9) Any additional legal opinions, certificates, proceedings, instruments, and other documents the Underwriter, Bond Counsel, the City Attorney, or counsel to the Underwriter may reasonably request to evidence (A) compliance by the City with legal requirements; (B) the truth and accuracy, as of the Closing Date, of the representations of the City; and (C) the due performance or satisfaction by the City at or before such time of all agreements then to be performed and all conditions then to be satisfied by the City.

5. Termination of Agreement.

(a) If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to be satisfied by it pursuant to this Note Purchase Agreement, then this Note Purchase Agreement will terminate with the effect stated in Section 5(c) hereof.

(b) The Underwriter may terminate this Note Purchase Agreement, with the effect stated in Section 5(c) below, at any time after the date of this Note Purchase Agreement and at or before the Closing by notifying the City in writing of its election so to do, if, in the reasonable judgment of the Underwriter, between the date hereof and the Closing, the marketability of the Notes at the initial offering prices set forth in the Official Statement has been materially adversely affected by reason of any of the following:

(i) an amendment to the Constitution of the United States or the State of California is passed; or legislation is introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter, or legislation pending in the Congress of the United States is amended; or legislation is recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice, or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives; or legislation is proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States; or legislation is favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration; or a decision is rendered by a court of the United States or of the State of California or the Tax Court of the United States; or a ruling is made or a regulation or temporary regulation is proposed or made or any other release or announcement is made by the Treasury Department of the United States, the Internal Revenue Service, or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the City or upon interest received on obligations of the general character of the Notes which, in the reasonable judgment of the Underwriter, may have the purpose or effect, directly or indirectly, of affecting the tax status of the City, its property or income, its securities (including the Notes) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or, in the reasonable judgment of the Underwriter, materially and adversely affecting the market for the Notes or the market price generally of obligations of the general character of the Notes;

(ii) legislation is enacted, introduced in the Congress, or recommended for passage by the President of the United States; or a decision is rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States; or an order, ruling, regulation (final, temporary or proposed) or official statement is 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 Notes, or the Notes themselves, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Resolution is not exempt from qualification under the Trust Indenture Act of 1939, as amended

(iii) the declaration of war or engagement or significant escalation in major military hostilities by the United States or the occurrence of any other national emergency or calamity relating to the effective operation of the government of, or the financial community in, the United States;

(iv) the declaration of a general banking moratorium by federal, New York, or California authorities, or the general suspension of trading on any national securities exchange;

(v) the imposition by the New York Stock Exchange or other national securities exchange, or by any governmental authority, of any material restrictions not now in force with respect to the Notes or obligations of the general character of the Notes or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(vi) an order, decree, or injunction of any court of competent jurisdiction, or an order, ruling, regulation, or official statement by the Securities and Exchange Commission or by any other governmental agency having jurisdiction of the subject matter is issued or made to the effect that the issuance, offering, or sale of obligations of the general character of the Notes, or the issuance, offering, or sale of the Notes themselves, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(vii) any rating agency rating the Notes downgrades, suspends, or withdraws (or announces its intent to downgrade, suspend, or withdraw) any rating of the Notes, or issues any negative qualification with respect to the Notes (such as being placed on “credit watch” with negative implications or “negative outlook” or any similar qualification); or

(viii) any event occurs, or information becomes known that, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of 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.

(c) If this Note Purchase Agreement is terminated as herein provided, then the parties hereto will have no obligations to each other except as provided in Section 6.

6. Expenses.

(a) The Underwriter shall pay all expenses incurred by it in connection with the offering of the Notes, including (1) the fees and disbursements of its counsel, and (2) the cost of qualifying the Notes for sale in various states chosen by the Underwriter and the cost of preparing or printing any "Blue Sky" or legal investment memoranda to be used in connection with such sale. If the Underwriter purchases the Notes, then the Underwriter shall pay costs and disbursements incurred by it in connection with the transactions contemplated herein and hereby, including the costs of travel by the Underwriter's personnel, the California Debt and Investment Advisory Commission Fee, and related out-of-pocket expenses.

(b) Whether or not the Underwriter purchases the Notes, the Underwriter will not be obligated to pay, and the City shall pay, all expenses incident to the performance by the City of its obligations hereunder (other than as set forth in Section 6(a)), including but not limited to (1) the fees and expenses of Bond Counsel; (2) charges made by rating agencies for the rating of the Notes; (3) the fees and expenses of the personnel and staff of the City designated to cooperate in the issuance and sale of the Notes; (4) printing and distribution of the Official Statement; (5) fees and expenses of The Depository Trust Company; and (6) the fees and expenses of any fiscal agent.

7. Miscellaneous.

(a) Except as otherwise specifically provided in this Note Purchase Agreement, all notices, demands, and formal actions under this Note Purchase Agreement must be in writing and given by first-class mail (postage prepaid) or by personal delivery to the Underwriter and the City at the following addresses:

(i) City of Sacramento
915 "I" Street
Historic City Hall, Third Floor
Sacramento, California 95814
Attn: City Treasurer

(ii) Stone & Youngberg, a Division of Stifel Nicolaus
One Ferry Building, Suite 275
San Francisco, CA 94111

(b) This Note Purchase Agreement inures to the benefit of, and is binding upon, the City and the Underwriter and their successors and assigns.

(c) All of the representations, warranties, and covenants of the City and the Underwriter in this Note Purchase Agreement will remain operative and in full force and effect regardless of (1) any investigation made by or on behalf of the Underwriter or the City, or (2) delivery of any payment for the Notes hereunder.

(d) Section headings have been inserted in this Note Purchase Agreement as a matter of convenience of reference only. They are not a part of this Note Purchase Agreement and are not to be used when interpreting it.

(e) If any non-material provision of this Note Purchase Agreement is held or deemed to be or is invalid, inoperative, or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, or rule of public policy, or for any other reason, such circumstances shall not have the effect rendering any other provision or provisions of this Note Purchase Agreement invalid, inoperative, or unenforceable to any extent whatsoever.

(f) This Note Purchase Agreement may be executed in several counterparts, each of which will be regarded as an original and all of which will constitute one and the same document.

(g) This Note Purchase Agreement is governed by, and is to be construed in accordance with, the law of the State of California.

8. Relationship of the Parties.

The City acknowledges and agrees that (a) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction between the City and the Underwriter; (b) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City (c) the Underwriter has not assumed a fiduciary responsibility in favor of the City with respect to the offering of the Notes or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City on other matters) or any other fiduciary or contractual obligation to the City except the obligations expressly set forth in this Agreement; and (d) the City has consulted with its own legal advisors to the extent it deemed appropriate in connection with the offering of the Notes.

Stifel Nicolaus and Company, Incorporated,
as Underwriter

By: ________________________________
Title:

Accepted By:

CITY OF SACRAMENTO, CALIFORNIA

By:________________________________
Russell T. Fehr
Treasurer

Time of Execution: _____, 2013
______ P.M. PST

[SIGNATURE PAGE NOTE PURCHASE AGREEMENT]

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Sacramento (the "City") in connection with the issuance of its 2013 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code and Resolution No. 2013-___ adopted by the City Council of the City on ____, 2013, (the "Resolution"). In connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule l5c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings.

"Beneficial Owner" means any person or entity that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Notes (including persons or entities holding Notes through nominees, depositories, or other intermediaries).

"Dissemination Agent" means the person or entity acting as Dissemination Agent hereunder in accordance with Section 5.

"EMMA System" means the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Listed Event" means any of the events listed in Section 3(a) or Section 3(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Official Statement" means the official statement relating to the Notes, dated _____, 2013.

"Participating Underwriter" means Stifel Nicolaus and Company, Incorporated.

"Rule" means Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of California.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes; or

9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

1. Unless described in paragraph 3(a)(5), adverse tax opinions or other notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other events affecting the tax status of the Notes;

2. Modifications to rights of Note holders;

3. Optional, unscheduled or contingent calls;

4. Release, substitution, or sale of property securing repayment of the Notes;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 3(b), the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the City determines that knowledge of the occurrence of a Listed Event under Section 3(b) would be material under applicable federal securities laws, then the City shall file a notice of such occurrence with the MSRB through the EMMA System in a timely manner not more than ten (10) business days after the event.

SECTION 4. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Notes. If termination occurs before final maturity of the Notes, then the City shall file a notice of termination with the MSRB through the EMMA System in a timely manner not more than ten (10) business days after the termination.

SECTION 5. Dissemination Agent. The City may, from time to time, appoint another person or entity to act as a Dissemination Agent and assist the City in carrying out its obligations under this Disclosure Certificate. Both the appointment and the acceptance of the appointment must be in writing. The City may discharge any appointed Dissemination Agent with or without appointing another Dissemination Agent. A Dissemination Agent appointed under this Section is not responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate.

SECTION 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to Section 3(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature, or status of an obligated person with respect to the Notes or the type of business conducted;

(b) the Disclosure Certificate, as amended or taking into account a waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Notes.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe the amendment or waiver in a filling made with the MSRB through the EMMA System in a timely manner not more than ten (10) business days after the event and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate prevents the City from disseminating any other information using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, including any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, then the City will have no obligation under this Certificate to update the information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. If the City fails to comply with any provision of this Disclosure Certificate, then any Holder or Beneficial Owner of the Notes may take any actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate is not an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate if the City fails to comply with this Disclosure Certificate is an action to compel performance.

SECTION 9. Duties Immunities and Liabilities of Dissemination Agent. The Dissemination Agent has only the duties specifically set forth in this Disclosure Certificate, and the City shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against any loss, expense, and liability that arises out of, or in the exercise or performance of, its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees) of defending against any claim of liability, but excluding losses, expenses, and liabilities due to the negligence or willful misconduct of the Dissemination Agent or its officers, directors, employees, or agents. The obligations of the City under this Section will survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate inures solely to the benefit of the City, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Notes, and it creates no rights in any other person or entity.

Date: _____, 2013

CITY OF SACRAMENTO

By:____

City Treasurer

OH&S
DRAFT
05/30/13

FISCAL AGENT AGREEMENT
(CITY OF SACRAMENTO 2013 TAX AND REVENUE ANTICIPATION NOTES)

THIS FISCAL AGENT AGREEMENT (CITY OF SACRAMENTO 2013 TAX AND REVENUE ANTICIPATION NOTES) (the "Agreement") is made and entered into as of July 1, 2013 by and between **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America (the "Fiscal Agent"), and the **CITY OF SACRAMENTO, CALIFORNIA,** a charter city and municipal corporation, duly organized and validly existing under the constitution and laws of the State of California (the "City").

WITNESSETH

WHEREAS, Resolution No. 2013-___ of the Sacramento City Council (the "Resolution") authorizing the issuance of the City's 2013 Tax and Revenue Anticipation Notes (the "Notes") was adopted on June 25, 2013; and

WHEREAS, pursuant to the Resolution, the City has issued the Notes in the aggregate principal amount of $[PAR]; and

WHEREAS, the City desires to appoint U.S. Bank National Association as the Fiscal Agent under the Resolution to, among other things, hold the 2013 Tax and Revenue Anticipation Notes Repayment Fund (the "Repayment Fund") created by Section 6 of the Resolution;

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein, the parties hereto hereby agree as follows.

1. Definition.

"Authorized Representative" means the Treasurer of the City, or his designee, or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to the Resolution, this Agreement, and the Notes.

2. Appointment.

2.1 Appointment of Fiscal Agent. In consideration of the recitals hereinabove set forth and for other valuable consideration, the City hereby appoints U.S. Bank National Association as the Fiscal Agent under the Resolution. The Fiscal Agent shall hold the Repayment Fund established by the Resolution and shall perform certain other functions as specified herein and in the Resolution, all as hereinafter provided and subject to the terms and conditions of the Resolution and this Agreement.

2.2 Acceptance of Appointment. In consideration of the compensation hereinafter provided for, the Fiscal Agent hereby accepts the appointment subject to the terms and conditions of the Resolution and this Agreement.

3. Duties.

3.1 Fiscal Agent to Hold Accounts. The Fiscal Agent shall hold the Repayment Fund. In addition to the deposits to the Repayment Fund required by the Resolution, the City may, from time to time, transfer other moneys of the City to the Fiscal Agent for deposit to the Repayment Fund.

3.2 Investment of Moneys. The Fiscal Agent shall invest moneys received hereunder in investments in accordance with an Authorized Representative's written instructions, which among other things may instruct the Fiscal Agent to enter into an investment agreement. The Fiscal Agent will not be liable for any loss of funds resulting from any such investment. The Fiscal Agent may act as principal or agent in the acquisition or disposition of investments, and the investments may include money-market funds for which the Fiscal Agent or its affiliates provide investment-advisory or other management services. Investment earnings on moneys in any fund or account held by the Fiscal Agent pursuant to the Resolution or this Agreement must be retained in the fund or account.

3.3 Duties of the Fiscal Agent. Except as provided in subsection (g) of this Section 3.3, the Fiscal Agent's only duties with respect to the Notes are the duties specified in the Resolution or this Agreement, including but not limited to the following:

(a) The Fiscal Agent, as registrar, shall maintain records as to the identity of the registered holders of the Notes (the "Noteholders").

(b) The Fiscal Agent, as registrar, shall effect transfers of registered ownership of Notes upon surrender of validly issued Notes to the Fiscal Agent accompanied by such instruments of transfer and other documents as the Fiscal Agent may require. The Fiscal Agent shall authenticate and deliver a new Note or Notes for a like aggregate principal amount of Note or Notes surrendered for registration or transfer.

(c) The Fiscal Agent, as registrar, shall cancel and dispose of all Notes surrendered to it for transfer or payment in accordance with its document-and-retention policy in effect from time to time.

(d) The Fiscal Agent, as paying agent, shall (i) prepare and mail checks or transmit by wire transfer interest payments to the Noteholders and (ii) prepare checks or transmit by wire transfer payment of the principal of Notes maturing, upon receipt of such Notes at the corporate trust office of the Fiscal Agent located in St. Paul, Minnesota.

(e) The Fiscal Agent shall establish a Cost of Issuance Fund, which will be funded from proceeds of the Notes at the time of the closing. The Fiscal Agent shall disburse moneys in the Cost of Issuance Fund only upon receipt of a sequentially numbered requisition, with bills, invoices, or statements attached, that is signed by an Authorized Representative and sets forth the amounts to be disbursed for payment or reimbursement of costs of issuance properly chargeable to the Cost of Issuance Fund. Upon written notice from an Authorized Representative that all costs of issuance have been paid, but in no event later than three months after the date of closing, the Fiscal Agent shall transfer any moneys then remaining in the Cost of

Issuance Fund back to the City for deposit as determined by the City and the Fiscal Agent shall close the Cost of Issuance Fund.

(f) If the Fiscal Agent is notified of the loss, destruction, or theft of any Note, then the Fiscal Agent shall place a stop-transfer order against the Note at the expense of the Noteholder. The City shall execute and the Fiscal Agent shall authenticate and deliver a new Note of like series, date, maturity, and denomination as the Note lost, destroyed, or stolen, provided that there shall first be furnished to the Fiscal Agent evidence of such loss, destruction, or theft, together with indemnity satisfactory to it.

(g) As directed by an Authorized Representative, the Fiscal Agent may have additional duties not inconsistent with the terms of the Resolution or this Agreement, as agreed upon and accepted by the Fiscal Agent.

3.4 The City's Duties. The City shall cause to be deposited with the Fiscal Agent, at such times and in such amounts as required by the Resolution, the funds required to pay the principal of the Notes, together with the interest thereon, as the interest and principal become due. In addition to depositing funds in the Repayment Fund as required by the Resolution, the City may, from time to time, transfer other City moneys to the Fiscal Agent for deposit to the Repayment Fund. The Fiscal Agent shall pay to the City any money deposited with the Fiscal Agent for the payment of the principal of, or interest on, any Notes that remains unclaimed for two years after the principal or interest has become due and payable, and all liability of the Fiscal Agent shall thereupon cease.

4. The Fiscal Agent.

4.1 Fiscal Agent May Hold Notes. The Fiscal Agent may become the owner of any of the Notes in its own or any other capacity with the same rights it would have if it were not the Fiscal Agent.

4.2 Liability of Fiscal Agent. The liability of the Fiscal Agent under this Agreement is as follows:

(a) except as otherwise provided in the Resolution, the Fiscal Agent may rely upon, and will be protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, note, coupon, or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) the Fiscal Agent may consult with an attorney, who may be an attorney for the City, and the attorney's written advice or opinion will be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Fiscal Agent hereunder in good faith and in reliance thereon;

(c) the Fiscal Agent is not bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instruments, opinion, report, notice, request, direction, consent, order, note, coupon, or other paper or document, but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into the facts or matters as it sees fit, and, if the Fiscal Agent determines to make such further inquiry or investigation, it will be entitled to examine the books and records of the City, personally or by agent or attorney;

(d) the Fiscal Agent may execute any of its powers hereunder or perform any of the duties hereunder either directly or by or through agents or attorneys;

(e) the Fiscal Agent will not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct;

(f) the Fiscal Agent will be excused from performing its obligations under this Agreement to the extent it cannot perform them because of unforeseeable causes beyond its reasonable control, including but not limited to Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the reasonable control of the Fiscal Agent; and

(g) the Fiscal Agent shall accept and act upon a facsimile or email transmission of any written instructions or directions the City issues under this Agreement if (i) the Fiscal Agent receives the originally executed instructions and/or directions as soon as practicable after the facsimile or email transmission, (ii) the originally executed instructions and/or directions are signed by an Authorized Representative, and (iii) the Fiscal Agent receives a current incumbency certificate containing the specimen signature of an Authorized Representative.

Before the Fiscal Agent acts or refrains from acting, it may require a certificate of the City signed by an Authorized Representative or an attorney's written opinion, or both, and the Fiscal Agent shall not be liable for any actions it takes or omits to take in good faith in reliance on the certificate or opinion.

Money held by the Fiscal Agent hereunder need not be segregated from other funds except to the extent required by law.

The Fiscal Agent is not accountable for the City's use of proceeds from the Notes paid to the City.

4.3 Replacement of Fiscal Agent. The Fiscal Agent may resign by notifying the City in writing at least 60 days prior to the proposed effective date of the resignation. The City may remove the Fiscal Agent, by notice in writing delivered to the Fiscal Agent, at least 30 days prior to the proposed removal date.

No resignation or removal of the Fiscal Agent under this Section 4.3 will become effective until a new Fiscal Agent has been appointed and delivered a written acceptance of the new Fiscal Agent's appointment to the prior Fiscal Agent and to the City. Immediately thereafter, the prior Fiscal Agent shall transfer all moneys, assets and property held by it as Fiscal Agent hereunder to the succeeding Fiscal Agent; the resignation or removal of the prior

Fiscal Agent will only then become effective, and the succeeding Fiscal Agent will have all the rights, powers, and duties of the Fiscal Agent under this Agreement.

If the Fiscal Agent resigns or is removed or for any reason is unable or unwilling to perform its duties under this Agreement, the City shall promptly appoint a successor Fiscal Agent.

If a Fiscal Agent is not performing its duties hereunder and a succeeding Fiscal Agent does not take office within 60 days after the prior Fiscal Agent delivers notice of resignation or the City delivers notice of removal, then the prior Fiscal Agent or the City may petition a court of competent jurisdiction for the appointment of a successor Fiscal Agent.

4.4 Successor Fiscal Agent or Agent by Merger. If the Fiscal Agent consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to another corporation, then the resulting, surviving or transferee corporation without any further act will be the successor Fiscal Agent.

4.5 Certifications. Whenever, in the administration of its duties under this Agreement and the Resolution, the Fiscal Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, that matter (unless other evidence in respect thereof be specifically prescribed) may, in the absence of bad faith on the part to the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the City, and the certificate will be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of the Resolution or this Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of the matter or may require any additional evidence as to it may seem reasonable.

4.6 Compensation. The City shall pay the Fiscal Agent reasonable compensation for all services rendered by it under this Agreement as agreed to in writing by the City and the Fiscal Agent from time to time.

Except as otherwise expressly provided herein, the City shall reimburse and hold the Fiscal Agent harmless upon its request for all reasonable costs, claims, liabilities, expenses, disbursements, and advances incurred or made by the Fiscal Agent in accordance with this Agreement (including expenses, disbursements, and advances of its counsel), except to the extent covered by the compensation established herein, except any cost, claim, liability, expense, disbursement, or advance as may be attributable to the negligence or willful misconduct of the Fiscal Agent or its counsel.

5. Miscellaneous.

5.1 Notices. Any request, demand, authorization, direction, notice, consent, waiver, or other written communication provided or permitted by this Agreement or the Resolution to be made upon given or furnished to, or filed with:

(a) the City, will be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, or sent by overnight delivery or facsimile transmission (and properly referencing this Agreement or the Notes) to the City and received by it at City of

Sacramento, City Treasurer, 915 I Street, Historic City Hall, Third Floor, Sacramento, California 95814 or at any other address previously furnished to the Fiscal Agent in writing by the City, and

(b) the Fiscal Agent, will be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, or sent by overnight delivery or facsimile or e-mail transmission (and properly referencing this Agreement or the Notes) to and received by the Fiscal Agent at U.S. Bank National Association, One California Street, Suite 1000, Mail Code – SF-CA-SFCT, San Francisco, California 94111, Attention: Corporate Trust Services or any other address previously furnished to the City in writing by the Fiscal Agent.

Where this Agreement or the Resolution provides for notice in any manner, notice may be waived in writing by the party entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of notice.

Where this Agreement provides for notice to Noteholders of any event, notice will be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Noteholder, at the address of the Noteholder as it appears in the registrar, or if sent by overnight delivery service.

In any case where notice to Noteholders is given by mail or sent by overnight delivery, neither the failure to mail or send such notice nor any defect in any notice so mailed or sent to any particular holder will affect the sufficiency of such notice with respect to all other Noteholders.

5.2 Term. This Agreement will be in effect until the Notes mature and all funds are disbursed or until this Agreement is amended or terminated.

5.3 Amendment. This Agreement may be amended in writing by the parties.

5.4 California Law. This Agreement is to be construed and governed in accordance with the laws of the State of California.

5.5 Terms. Capitalized terms used herein not otherwise defined have the meanings given them in the Resolution.

5.6 References to the Resolution. References herein to Sections of the Resolution are for convenience only and do not exclude the applicability of other Sections of the Resolution to the duties and responsibilities of the Fiscal Agent pursuant to the terms of this Agreement.

5.7 The Resolution. A copy of the Resolution is attached hereto as Exhibit A and hereby incorporated.

5.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original, but all counterparts will together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Fiscal Agent:

U.S. BANK NATIONAL ASSOCIATION, as Fiscal Agent

By: ______________________________
Authorized Officer

City:

CITY OF SACRAMENTO

By: ______________________________
City Treasurer

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AGREEMENT FOR BOND COUNSEL SERVICES

CITY OF SACRAMENTO
2013 TAX AND REVENUE ANTICIPATION NOTES

This agreement for bond-counsel services, dated _____ 1, 2013, for reference, is between the CITY OF SACRAMENTO, a California municipal corporation (the "**City**"); and ORRICK, HERRINGTON & SUTCLIFFE LLP, a California limited-liability partnership ("**Orrick**").

Background

The City has engaged the services of Orrick in connection with the City's authorization, issuance, sale, and delivery of one or more series of tax-and-revenue-anticipation notes relating to the City's budget for fiscal year 2013-14 (the "**TRANs**"). The City and Orrick desire to enter into this agreement to evidence the engagement of Orrick in connection with the TRANs and to specify the terms of the engagement. Orrick possesses the necessary professional capabilities and resources to provide the legal services required by the City as described in this agreement.

With these background facts in mind, the City and Orrick hereby agree as follows:

1. The City retains Orrick as special counsel to perform, and Orrick shall perform, the following legal services for the City in connection with the TRANs:

   (a) Consultation with representatives of the City (including the City Treasurer and the City Attorney), the TRANs underwriter and its counsel, and others with respect to the timing, terms, and legal structure of the TRANs.

   (b) Preparation of documents that are required for the authorization, issuance, sale, and delivery of the TRANs and are to be adopted or entered into by the City, including preparation of an authorizing resolution. Review of an official statement and TRANs purchase contract, which will be drafted by counsel to the underwriter.

   (c) Attendance at such meetings or hearings of the City and the City Council and working-group meetings or conference calls as the City may request, and assistance to the City's staff in preparation of such explanations or presentations to the City Council as they may request.

   (d) Review of certain documentation concerning the sale of the TRANs, but solely for purpose of reviewing those provisions that relate to the description of the terms of TRANs (such as the authorizing resolution).

   (e) Rendering of Orrick's customary form of final approving opinion concerning the valid-and-binding nature of the TRANs and the tax-exempt status of interest on the TRANs.

   (f) Preparation and delivery to the City of a transcript of the legal proceedings for the TRANs in both loose-leaf and CD ROM formats.

(g) After issuance of the TRANs, telephone consultations with the City's officials and staff to answer questions about the facts and circumstances concerning the TRANs.

2. The services of Orrick under this agreement do not include the following, although Orrick may provide such services under separate agreement with the City:

   (a) Legal services in connection with litigation.

   (b) Legal services related to compliance with the California Environmental Quality Act.

   (c) Legal services in connection with arbitrage-rebate compliance respecting the TRANs.

   (d) Legal services relating to state blue-sky laws or to title to, or perfection of security interests in, real or personal property.

   (e) Financial analysis or advice.

3. Orrick and the City acknowledge that the City retains the full-time services of the City Attorney and the City Attorney's Office to render day-to-day and ongoing legal services to the City. Orrick shall circulate documents to, and coordinate its services with, the City Attorney to the extent requested by the City or the City Attorney. Orrick may assume that the City Attorney or one of the attorneys in the City Attorney's Office has reviewed all documents and matters submitted to the City Council for adoption or approval, or to the City's officers for execution, before those documents and matters are adopted, approved, or executed.

4. As consideration for the services set forth in section 1, the City shall pay to Orrick the following fees and disbursements:

   (a) As legal fees, a flat amount of $45,000.

   (b) As payment of disbursements, including preparation and distribution of a transcript in loose-leaf and CD ROM formats, a flat amount of $2,500.

   (c) Except as provided in section 5, respecting termination of this agreement by the City, payment of legal fees and expense reimbursement are contingent upon the issuance, sale, and delivery of the TRANs, and the amounts owed will be due and payable forthwith upon presentation of an invoice by Orrick following such issuance, sale, and delivery.

5. Either party may, at any time, terminate this agreement and all legal services to be rendered under it, with or without cause, by giving written notice to the other party. In that event, all finished and unfinished documents that Orrick has prepared for the City's adoption, approval, or execution will, at the City's option, become the City's property, and Orrick shall deliver them to the City or to any party the City may designate, all subject to the condition that Orrick will have no liability whatsoever for any subsequent use of such documents. If the City terminates this agreement, then the City shall pay Orrick forthwith for all satisfactory work, subject to the following: payment may not exceed the amounts specified in sections 4(a) and 4(b) above; and, if the City terminates for cause, then any compensation is to be adjusted in

the light of the facts and circumstances involved in the termination. If not sooner terminated, this agreement and all legal services to be rendered under it will terminate upon issuance and sale of the TRANs, except that the City will remain liable for any unpaid fees and expenses due under section 4 above. Upon termination, Orrick will have no future duty of any kind to the City with respect to the TRANs, except as provided in sections 1(f) and 1(g) above.

6. Role of Bond Counsel.

   (a) The role of bond counsel in financings, generally, is to prepare or review documents and to coordinate the procedures for authorization of the issuance, sale, and delivery of TRANs and to provide an expert legal opinion with respect to the validity of the TRANs and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and the reliance thereon by the public-finance market generally, Orrick's role as bond counsel under this agreement is not the partisan role of an advocate. Instead, Orrick's role is to provide legal documents needed for the issuance, sale, and delivery of the TRANs and to provide an opinion that represents an objective judgment on the matters addressed therein.

   (b) In performing its services as bond counsel in connection with the TRANs, Orrick shall act as special counsel to the City with respect to issuance of the TRANs. In that capacity, Bond Counsel shall assist the City staff in representing the City, but only with respect to the sufficiency of the legal documents for the issuance, sale, and delivery of the TRANs and in a manner not inconsistent with the role of bond counsel described in section 6(a) above.

   (c) Orrick's function and responsibility under this agreement, and as bond counsel with respect to the issuance of the TRANs, terminates upon the issuance, sale, and delivery of the TRANs (unless terminated sooner as provided in section 5 above). Orrick's services as bond counsel through issuance, sale, and delivery of the TRANs are limited to those contracted for explicitly in this agreement. Any engagement of Orrick with respect to rebate compliance, disclosure, or any other matter is separate and distinct from its engagement as bond counsel through issuance of the TRANs. However, unless otherwise provided, any such post-issuance engagement with respect to the TRANs will continue on the same basis set forth in this section 6.

7. The City acknowledges that Orrick regularly performs legal services for many private and public entities in connection with a wide variety of matters. For example, Orrick has represented, is representing, and expects to represent in the future other public entities (such as the County of Sacramento, the Sacramento Municipal Utility District, and the State of California), bond underwriters (such as Stifel, Nicolaus & Company, Incorporated), trustees, rating agencies, insurers, banks, credit-enhancement providers, lenders, contractors, suppliers, financial and other consultants and advisors, accountants, investment providers/brokers, providers/brokers of derivative products, and others who may have a role or interest in the TRANs or who may be involved with, or adverse to, the City in this or some other matter. Orrick shall not represent any such entity (i.e., other private and public entities) in connection with the TRANs without the City's express written consent. Given the special, limited role of bond counsel described in section 6 above, the City (a) acknowledges that no

conflict of interest exists or would exist in connection with any matter other than the TRANs; (b) waives any such conflict of interest that might appear actually or potentially to exist, now or in the future, by virtue of this agreement or any such other attorney-client relationship that Orrick may have had, may have, or may enter into; and (c) consents to any and all such relationships subject to the condition that a separate conflict-waiver letter will be prepared with respect to Orrick's concurrent representation of the City and any other entity in connection with the issuance, sale, and delivery of the TRANs.

8. Nothing in this agreement or in any of the documents expressly or impliedly contemplated by this agreement is intended to give, or is to be construed to give, any person or entity other than the City and Orrick any legal or equitable right or claim under, or in respect of, this agreement, and this agreement inures to the sole and exclusive benefit of the City and Orrick. Orrick may not assign its obligations under this agreement without the express written consent of the City, except to a successor partnership or corporation to which all or substantially all of the assets and operations of Orrick are transferred. The City may not assign its rights and obligations under this agreement without the express written consent of Orrick. All references to Orrick and the City in this agreement refer to their respective successors and assignees and will bind and inure to the benefit of their successors and assignees whether so expressed or not.

9. The parties may sign this agreement in counterparts, each of which will be considered an original, but all of which will constitute the same agreement.

10. To be effective, notices pertaining to this agreement must be sent by the U.S. Postal Service, first class, postage prepaid, addressed as follows:

If to the City:

City of Sacramento
915 "I" Street
Historic City Hall, Third Floor
Sacramento, CA 95814-2704
Attention: City Treasurer

and

City Attorney's Office
P.O. Box 1948
Sacramento, CA 95812-1948
Attention: Joseph Cerullo

If to Orrick:

Orrick, Herrington & Sutcliffe LLP
400 Capitol Mall, Suite 3000
Sacramento, CA 95814
Attention: Jenna Magan

11. This agreement is effective on the date both parties have signed it, as indicated by the dates in the signature blocks below.

(*Signature Page Follows*)

City of Sacramento

By: ___________________________________

James Sanchez, City Attorney

Date: _______, 2013

Approved as to Form

Sacramento City Attorney

By: ___________________________________

Joseph P. Cerullo

Senior Deputy City Attorney

Orrick, Herrington & Sutcliffe LLP

By: ___________________________________

Jenna Magan, Partner

Date: _______, 2013

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City of SACRAMENTO

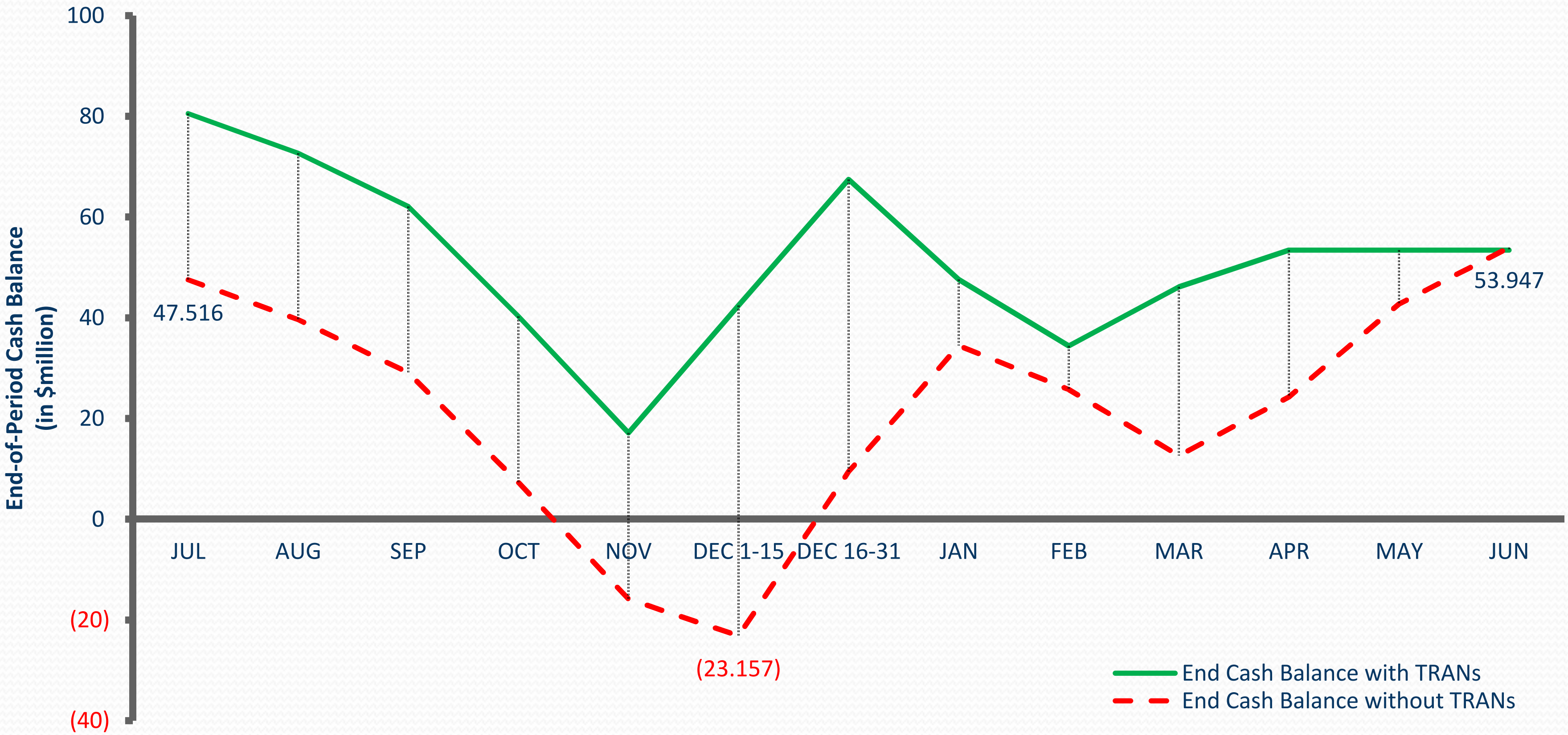
Office of the City Treasurer

2013 Tax and Revenue Anticipation Notes

Proposed Issue

- Approximately $33 million
- Payable from the General Fund
- To bridge cash flow “dry period”

Projected FY14 Cash Flow



Structure

- Restricted cash set-asides
  - ✓ *January 31, 2014* — *1/3rd of principal and interest*
  - ✓ *April 30, 2014* — *1/3rd of principal and interest*
  - ✓ *May 30, 2014* — *1/3rd of principal and interest*

- Single maturity payment
  - ✓ *June 27, 2014* — *all principal and interest*