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City of SACRAMENTO 22

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

Title: Downtown Entertainment and Sports Center Debt Financing Plan

Location: Citywide

Issue: Of the City's $258 million share of the cost to construct the Downtown Entertainment and Sports Center, $212.5 million will come from a debt financing. This report (1) discusses the structure of the debt financing, (2) presents the preliminary modeling of parking revenues that will be used to pay the annual debt service, (3) summarizes the financing, and (4) gives the current status of the financing plan.

Recommendation: Receive and file.

Contact: Russ Fehr, City Treasurer, (916) 808-5832, Office of the City Treasurer

Presenter: Russ Fehr, City Treasurer, (916) 808-5832, Office of the City Treasurer

Department: City Treasurer
Division: City Treasurer
Dept ID: 05001011
Attachments:
1-Description/Analysis
2-ESC Debt Financing Plan Main Body
3-Case 1a Model Summary
4-Case 1a detail

City Attorney Review

Approved as to Form
Joseph Cerullo
12/5/2013 12:36:00 PM

Approvals/Acknowledgements

Department Director or Designee: Russell Fehr - 12/2/2013 6:03:40 PM

James Sanchez, City Attorney Shirley Concolino, City Clerk Russell Fehr, City Treasurer
John F. Shirey, City Manager

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Description/Analysis

Policy Considerations: Under the City's Debt Management Policy (as amended by the City Council on June 2, 2011), the issuance of debt is the joint responsibility of the City Treasurer and the City Manager.

Economic Impacts:
The economic impacts for the ESC Debt Financing Plan are embedded within the economic impacts for the overall ESC project.

Environmental Considerations: Environmental review is being conducted of the overall ESC project.

Sustainability: None

Commission/Committee Action: No action required

Rationale for Recommendation: Report is for information only

Financial Considerations: Of the City's $258 million share of ESC construction costs, $212.5 million will come from a debt financing. As required by City Council direction to avoid impact on and risk to the General Fund, the ESC Debt Financing Plan relies upon parking revenues and hotel tax as its financing sources, with parking revenue used for debt service and hotel tax as a credit enhancement and security. A debt issue would include costs beyond the project contribution, as do all City debt issues.

Emerging Small Business Development (ESBD): None

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SUMMARY

The ESC Debt Financing Plan will generate $212.5 million for the City's share of ESC construction costs. The City will form an affiliated non-profit parking corporation to issue debt that will be paid off through direct or indirect use of net parking revenues. Hotel tax will be used for credit enhancement and security.

In March 2013, an evaluation was conducted of the City's capacity to fund the $212.5 ESC contribution through a debt issue. Purposively conservative assumptions regarding parking revenue and project cost were used in this "stress test" evaluation to ensure that the contribution could be funded and to identify the risks of doing so. The result was a hypothetical $304-million debt financing that included the project contribution, a debt-service reserve (standard in all city debt issues), costs for garage improvements, funds to make initial years' interest payments on the debt, the costs of issuing the debt, and an additional $10 million (not to be included in final financing). Current debt on parking facilities and the parking-revenue values in the first 10 years of the debt term place a real limit of the size on the debt issue. Compared to the recent water bonds, this would be expensive debt. But compared to a private-sector parking monetization, the model would benefit the General Fund over the term of the financing plan; approximately 38% of revenue will go to operations and maintenance of the Parking System, 22% to current and new debt, and the remaining 40% to the General Fund.

The actual financing plan is now being prepared. Independent parking consultants are preparing long-term revenue projects and are evaluating the performance of the Parking System and the condition of its facilities. New post-recession hotel-tax projections have been prepared and are being reviewed. Once all the new data are available, the final ESC Debt Financing Plan will be prepared with the associated documents and presentations.

ESC DEBT FINANCING

The major portion of the City's $258 million share of the downtown ESC's construction costs is $212.5 million to be generated from a debt financing. The City developed the ESC Debt Financing Plan out of an earlier consideration of parking monetization, which involved granting a long-term operation concession of the City's Parking System in exchange for an upfront payment ranging from $200 million to $300 million.

Summary of Financing Plan

Greatly simplified, the financing plan calls for the City to form a non-profit corporation that qualifies as tax exempt under Section 115 of the Internal Revenue Code and to have this corporation (the 115 Corporation) issue the debt through a

joint-powers authority. The debt service will be paid with parking revenues, directly or indirectly. Hotel tax revenues will serve as a credit enhancement and the first level of security. Parking revenues not needed for debt or the operation and maintenance of the Parking System will be allocated to the General Fund.

The will transfer its off-street parking facilities (garages and lots) to the 115 Corporation, which will hire the City to operate these facilities. The City will continue to conduct on-street operations (meters and parking enforcement), and the cost of these operations will continue to be paid with on-street revenues.

On an annual basis, the budget will include an appropriation equal to the net revenue after deducting the cost of on-street operations for transfer to the 115 Corporation. Revenues that the parking enterprise had previously contributed to the General Fund will be contributed to the financing. To keep the General Fund whole, a series of new revenues will be contributed to the General Fund. These include a new 5% arena-ticket surcharge, parking revenues from ESC events, City ESC-generated possessory-interest tax, ESC sales and utility users' taxes, City profit from ESC operations, possessory-interest tax from the Downtown Plaza garage, and property-tax revenues from the transfer of the land to Sacramento Basketball Holdings (SBH). In addition to the revenue generated directly from City facilities and operations, revenue derived from City operation of other public or private facilities could be included in the financing plan.

To enhance the quality of the debt by providing debt-service coverage and to provide the first level of security for the debt before the General Fund, i.e., hotel tax accruing in the Community Center Fund, is used as a credit enhancement. It is not planned to actually expend hotel tax unless actual parking revenues come in far less than projected.

EVALUATION OF CITY CAPACITY TO ISSUE DEBT

A crucial aspect of execution of the ESC Debt Financing Plan was an early evaluation, or test, of the City's ability to generate approximately $212.5 million through issuing debt backed by parking revenues. The City called this evaluation the "stress test." The work was conducted between January and March 2013. Again, the purpose was not to develop the final debt-financing plan for the $212.5 million; the purpose, rather, was to test the capacity to generate the contribution and to assess the risks of doing so.

Conservative Assumptions

In order to evaluate the City's capacity to generate the approximate $212.5 million in issuing debt based on the City Parking System, a series of conservative assumptions were used to put fiscal stress on the financing plan. This evaluation

was titled the stress test, or Case 1a (refer to the summary in Attachment B, described below). In general, the conservative assumptions involved low revenues and an increase to expenditures. The specific assumptions included the following:

1. The Parking System will not grow over time. There will be no increase in the number of parking meters or parking spaces in lots and garages. Nor will the area where parking controls are enforced and parking tickets issued expand. The reality is that there are current plans to expand the Parking System, and the City will continue to expand the Parking System beyond these current plans. In addition, there also are on-going negotiations to have City Parking operate other public-agency or private-sector parking facilities for a share of revenue. This revenue could be included in the financing plan.

2. The stress-test evaluation did not include ESC event revenue. Included in the term sheet was $600,000 per year in event-generated parking revenue to serve as General Fund backfill. Given that the City controls approximately 20% to 25% of off-street parking within 6 blocks (1/2 mile) of the ESC, and that the City has control of all on-street parking and meter revenue, this $600,000 estimate is very conservative.

3. The starting point for revenue estimates was the depth of the great recession. State government—the major downtown employer—was under severe budgetary pressure. State employees, City employees, and other governmental employees were being furloughed. Leasing of ground-floor space in garages was at a low point. Major entertainment attractions in the downtown, such as the Broadway Series and the Music Circus, reduced the number of events. More intensive use of City parking facilities and meters due to economic development and growth in the downtown was not considered, yet it is beginning to happen.

4. A $10-million contingency was added to the cost side of the model, increasing the size of the debt issue and annual debt service. The final debt issue will target the $212.5-million project share only and will not include a contingency.

<u>Debt Type and Interest Rate</u>

The debt modeled in the evaluation was fixed rate with level debt service. There is no variable-rate exposure. The annual debt service increased in three steps as discussed below. The interest rate assumption was 5.75%. This was based on assumed rates at the time, March 2013, with a margin due to the uncertainty of the passage of time until the debt would actually be issued in 2014.

Expenditure Requirements

On an annual basis, the financing plan must fund four categories of expenditure:

1. *Operation and Maintenance of the Parking System*. Without a well-maintained and efficiently operating Parking System, revenue cannot be generated. The system must be made attractive to users. The recently authorized purchase of new-technology parking meters and improvements to the City Hall Garage are examples of the continuous improvement of the system that are planned in the future.

2. *Current debt*. There is outstanding long-term debt on three parking garages to be paid off in 2021 and 2029.

3. *New debt*. The Parking System will generate the revenue from which the new debt-service payments will be made.

4. *General Fund Backfill*. The term sheet called for a minimum of $3 million per year to be returned to the General Fund.

The first three categories must be fully funded on an annual basis. The proper functioning of the Parking System is necessary to generate the revenue to operate the system, pay the debt, and provide the backfill. The debt involves contractual obligations. The backfill is of different nature, providing budget protection to the General Fund but not involving the integrity of debt obligations or future ability to issue debt.

Stress Test Evaluation Results

The evaluation conducted in March 2013 indicates that a $212.5-million contribution to the ESC construction costs could be generated from a parking-revenue-based debt financing with minimal risk to the General Fund. A summary of the model results is in Attachment B, Case 1a Summary, to this report.

The specific results indicate that the cash flows would be constrained in the first 10 years after the debt is issued. Over this period, parking revenue would be sufficient to operate the Parking System as well as to service existing and new debt, but the addition of over $32 million in General Fund backfill would create a cash-flow challenge. In order to solve this cash-flow challenge, two steps would have to be taken. First, the bonds would be made interest-only for the first eight years of the debt term, with an annual debt service of approximately $17.5 million. Then in year nine of the term, or Fiscal Year 2021/22, debt service would increase to $19.9 million a year when $2.4 million of principal payment would be added. Debt service would increase by an addition $4 million per year in Fiscal Year 2034/35.

The second step would be to borrow for initial debt-service payments. The model includes borrowing $42.5 million to make all or a portion of debt-service payments in the first four years of the debt term. This is referred to as "capitalized interest." With the new debt service being paid with borrowed funds, parking revenue above Parking System operating costs, existing debt, and backfill would accumulate in a Parking non-profit operating reserve, totaling over $21 million at the end of four years.

This use of capitalized interest bridges the cash-flow constraint in the first decade of the debt term and provides for the first level of protection for the General Fund. In the model, there are years where parking revenue is insufficient to meet all requirements, Fiscal Years 2019, 2020, and 2022. In these years, revenue is sufficient to pay operating costs and debt service but not all the General Fund backfill, so funds would have to be withdrawn from the operating reserve to fully fund General Fund backfill. Hotel tax is not used to pay debt service in this evaluation.

Beginning in 2023, with the redemption on an existing debt issue and growth in parking revenues, there is a return to the General Fund above the backfill (with growth) that grows steadily over time. Over the 35-year term of the financing plan, the return of parking revenue to the General Fund amounts to over $1.3 billion and amounts to 40% of the nominal value of all parking revenue in the evaluation model.

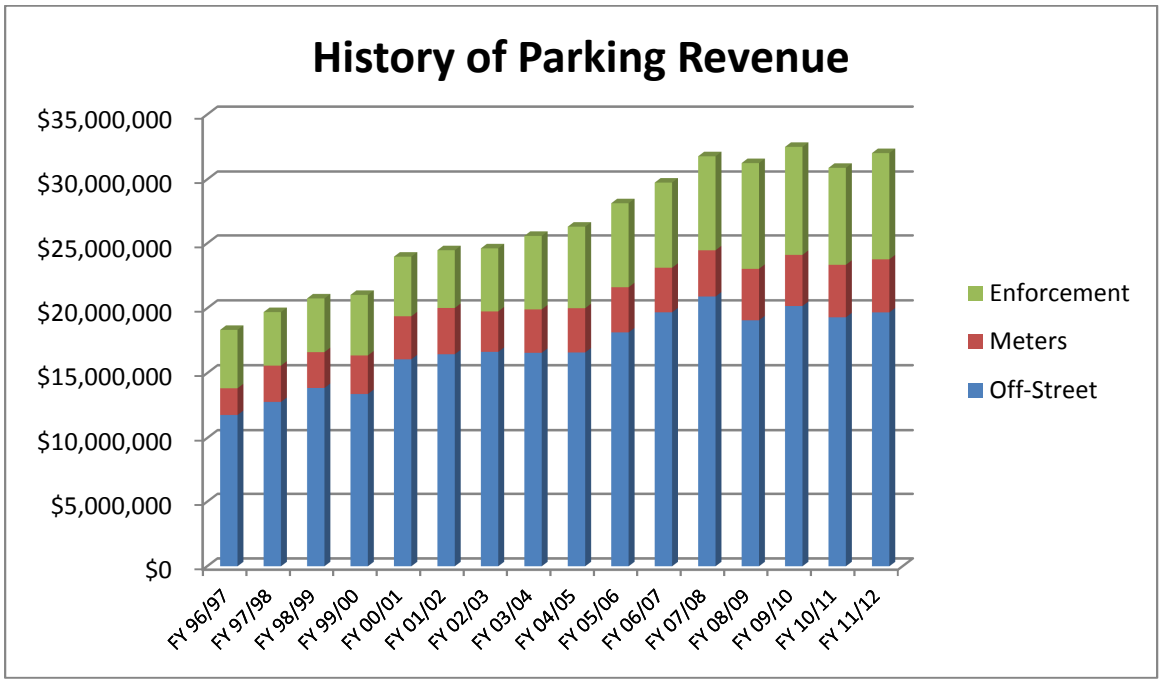
The stress test evaluation is discussed in more detail in Attachment A, Evaluation Detail.

Risk and Risk Mitigation

In debt-financed projects where the debt is backed by project revenues, risk typically comes in two forms: (1) the costs of projects being financed, and (2) the future performance of revenues being used to fund debt service. Often, the revenues are to be generated from the facilities being financed with the debt issue. For the ESC Debt Financing Plan the risk profile is different. There is no project-cost risk, as the term sheet fixes the City share of project costs and the share coming from the debt financing. In the ESC Debt Financing Plan, revenues generated from the ESC are not being used.

The risk to be avoided, as required by City Council direction, is using net General Fund resources to make debt-service payments. The exposure would come if parking revenue actual performance is significantly less than projected and hotel tax is not sufficient to make up the difference.

For perspective, the following graph illustrates a 16-year history of parking revenue.



From 1996 to 2008, annual revenue grew steadily, doubling from $16 million to $32 million. During the recession, parking revenue has flattened but has not declined significantly. Given this experience, the risk of significant reduction in parking revenue is very low and the likelihood of continuing growth high.

The stress-test evaluation did assume annual increases in parking revenue. Initial increases would come from two 25-cent-per-hour increases in parking-meter rates to align them with garage rates. Increase thereafter would be inflationary. The history of actual parking revenue shows that these growth assumptions for the existing system are reasonable.

Hotel Tax and Risk Mitigation

Hotel tax serves two purposes in the ESC Debt Financing Plan. First, the hotel tax serves as debt-service coverage, which is a margin above operating requirement and debt. Second, hotel tax could be used for General Fund backfill or debt service should parking revenues perform below forecast levels. With hotel tax not being allocated to new programs or projects beyond the Community Center Theater, annual growth will be available for risk mitigation, if necessary, without impacting other programs funded with this revenue.

WHAT WILL CHANGE WITH FINAL ESC FINANCING PLAN

The stress-test evaluation is not the City's plan to issue debt. A team made up of City staff, consultants, legal advisors, and investment bankers is currently developing the final plan. Walker Parking Consultants is preparing new parking-revenue projections as part of a comprehensive study of the Parking System. A draft hotel-tax study is being reviewed.

The parking study includes revenue projections, an assessment of the condition of the garages and need for improvements, and an audit of the Parking System. The revised parking-revenue projections will take into account the planned growth of the Parking System, reasonable estimates of the City share of ESC event-related parking revenue, and more-intensive use over time of City parking facilities with the continuing economic development of the downtown. Capital repairs or improvements to garages may be included in the financing, replacing the $8.9-million estimate.

Along with higher parking revenues, the final financing will be lower than the $304 million in the stress-test evaluation. The $10-million contingency will not be included. Higher revenues will result in less need for capitalized interest in early years, which will also reduce the size of the borrowing. A lower overall borrowing should result in lower annual debt-service payments. The debt-service reserve would then be lower. The combination of lower debt-service payments and higher annual parking revenue would result in stronger cash flow. The size of the parking Non-Profit Corporation reserve would be evaluated in light of the cash flows.

It is not possible to predict the future of interest rates. All modeling included an assumption that rates would be higher when the debt was issued. What is known about the timing of plans for the ending of the federal support of lower interest rates, the quantitative easing, suggests there will not be an interest-rate spike for reasons of policy between now and when the bonds are rated and sold.

Final Risk Profile

The point of the stress-test evaluation was to expose a high level of risk associated with issuing debt against parking revenue for the City's contribution of $212.5 million to ESC construction costs. To identify the risk, conservative revenue and cost assumptions were applied. The actual debt financing will be based on different revenue, cost, and interest-rate assumptions. With higher revenues, no contingency, less capitalized interest, and lower annual debt-service payments, the risk profile will be different and lower. The final financing plan will still include measures to mitigate risk to the General Fund.

Spreading the Cost Beyond the City

The ESC Debt Financing Plan spreads the cost of a major portion of the ESC beyond the City. Nearly all parking revenue to be used for debt service is generated in downtown Sacramento; some parking-fine revenue; however, does come from other parts of the City.

Downtown Sacramento is a regional employment center. Entertainment and cultural venues and facilities are also concentrated in the Downtown. Weekdays over 100,000 residents of the region travel to the downtown to work. This is the time of intensive use of parking facilities. The downtown workforce includes City residents ; however, most of those that travel into the downtown come from outside the city, and many of those park at City facilities. Those who use parking facilities at other times and for other reasons are also made up of those who reside outside the city as well as City residents.

Though it is not known precisely who uses City parking facilities and where they reside, it is certain that in using parking revenue to service the debt, the costs are indeed being spread beyond the City.

Benchmark

It is appropriate to compare the ESC Debt Financing Plan, even the early stress-test evaluation, to other debt financings in terms of overall cost. In simplest terms, how much is paid in principal and interest, over time, for the upfront contribution? On the high end of the scale would be a private-sector concession where the City could pay up to $2 billion over 40 to 50 years to raise just $250 million. On the other end of the scale would be the recently-issued water bonds, very high-quality debt for an essential service that were issued at a very low interest rate. For the $250 million, the City will pay $416 million in principal and interest over 30 years.

STATUS AND SCHEDULE

Though the ESC Debt Financing Plan schedule is subject to change, it calls for the cash from the debt issue to be received by the City by the end of May 2014. The steps in progress include the following:

1. Parking study – revenue projections due in December 2013.
2. Hotel tax study – draft under review.
3. 115 Corporation – formation in January 2014.
4. Bond sizing – after receipt and review of parking-revenue projections.
5. Preparation of debt offering documents.

ATTACHMENT A — EVALUATION DETAIL

Following is a detailed discussion of the elements of the stress-test evaluation of the City's capacity to issue $212.5 million in debt for the ESC project based on parking revenue.

Components of Stress Test Evaluation Financing Model

The following table displays the elements of a debt financing based on this stress-test evaluation conducted in March:

Components of ESC Debt Financing Evaluation Model ($ in millions)

Category	Cost
Project Cost	$ 212.5
Garage Capital Projects	$ 8.9
Debt Service Reserve	$ 23.9
Capitalized Interest	$ 42.9
Costs of Debt Issuance	$ 6.1
Contingency	$ 10.0
Total	**$ 304.3**
Interest Rate Assumption	**5.75 %**

- **Project Cost ($212.5 million).** This is the project contribution portion of the parking financing.
- **Garage Capital Projects ($8.9 million).** For the costs of repairs and improvements to the parking garages, $8.9 million was included in the financing model. This estimate was from an old evaluation of the parking system and is being updated with the new comprehensive study of the parking system.
- **Debt Service Reserve ($23.9 million).** It is standard in municipal financings to include one year's debt service in the borrowing. This is used to make the final debt-service payments. The fund is held by the trustee

bank and is invested. Interest earnings are used to partially make debt-service payments on an annual basis.

- **Capitalized Interest ($42.9 million).** In the stress-test model, the first three years debt service payments are made with borrowed funds. In this period, parking revenues in excess of operating costs and current debt service go to a parking non-profit operating reserve. The function of this non-profit operating reserve is further described below.
- **Costs of Debt Issuance ($6.1 million).** This includes legal, consultant, and bankers' fees. For the stress-test evaluation, this cost was estimated at 2% of the total financing.
- **Contingency ($10.0 million).** To add further stress to the model, testing the City's capacity to generate the $212.5 million contribution to the ESC project, this additional amount was added to the financing. There is no intent to include any contingency in the final borrowing.

Long-Term Allocation of Parking Revenue

In the stress-test-evaluation model, the long-term allocation of parking revenue clearly indicates why parking systems are attractive to investors.

Use of Parking Revenue in ESC Debt Financing Plan
($ in millions)

Maintenance & Operation of Parking System	$ 1,247.9	37.7 %
Current Debt Service on Outstanding Debt	$ 48.6	1.5 %
New Debt Service	$685.6	20.8 %
General Fund	$1,320.0	40.0 %
Total	**$3,302.1**	

- **Maintenance & Operation of Parking System ($1,247.9 million, 37.7%).** Over time, operations and maintenance take up 40% of revenue, leaving 60% available for other uses. The model assumes continued City operation and public-sector labor costs. This low ratio of operating and maintenance costs to total revenue indicates why parking systems are attractive to investors and why the City should not give up control of its Parking System.

- **Current Debt Service on Outstanding Debt ($48.6 million, 1.5%)**. There is current outstanding long-term debt on three parking garages. Though the overall amount is low in comparison to total revenue over time, the current debt service presents a cash-flow constraint as it occurs early in the term of the financing. One debt issue which funded two garages will be paid off in 2021, and the other in 2029. Short-term debt for parking meters will be paid off in 2014. The financing for the recently-approved acquisition of new parking meters was not included in the stress-test evaluation prepared in March 2013.

- **New Debt Service ($685.6 million, 20.8%).** In the model, just under 21% of parking revenue will be devoted to paying off the debt. The total principal and interest to be paid totals $778.1 million. The $42.9 million in capitalized interest will meet debt-service payments in the initial years. In addition, $49.9 million in debt service will be paid by interest earned on the debt service reserve held by the trustee.

- **General Fund ($1,320.0 million, 40 %).** In the model, using the conservative revenue and cost assumptions, 40% of parking revenue is returned to the General Fund. The $1.3 billion is the nominal value of the General Fund return over 35 years; the inflation-corrected present value is $203 million.

Outstanding Debt

The outstanding debt on three parking garages puts a limit on how much debt can be issued given the conservative parking-revenue assumptions. Debt service on two garages, totaling approximately $3 million per year, extends to 2021 and cannot be called (prepaid). Debt service on another garage, approximately $1.7 million per year, extends to 2025. In the model, the interest on the bonds begins when debt is redeemed in 2021. Significant returns of parking revenue to the General Fund begin in 2025.

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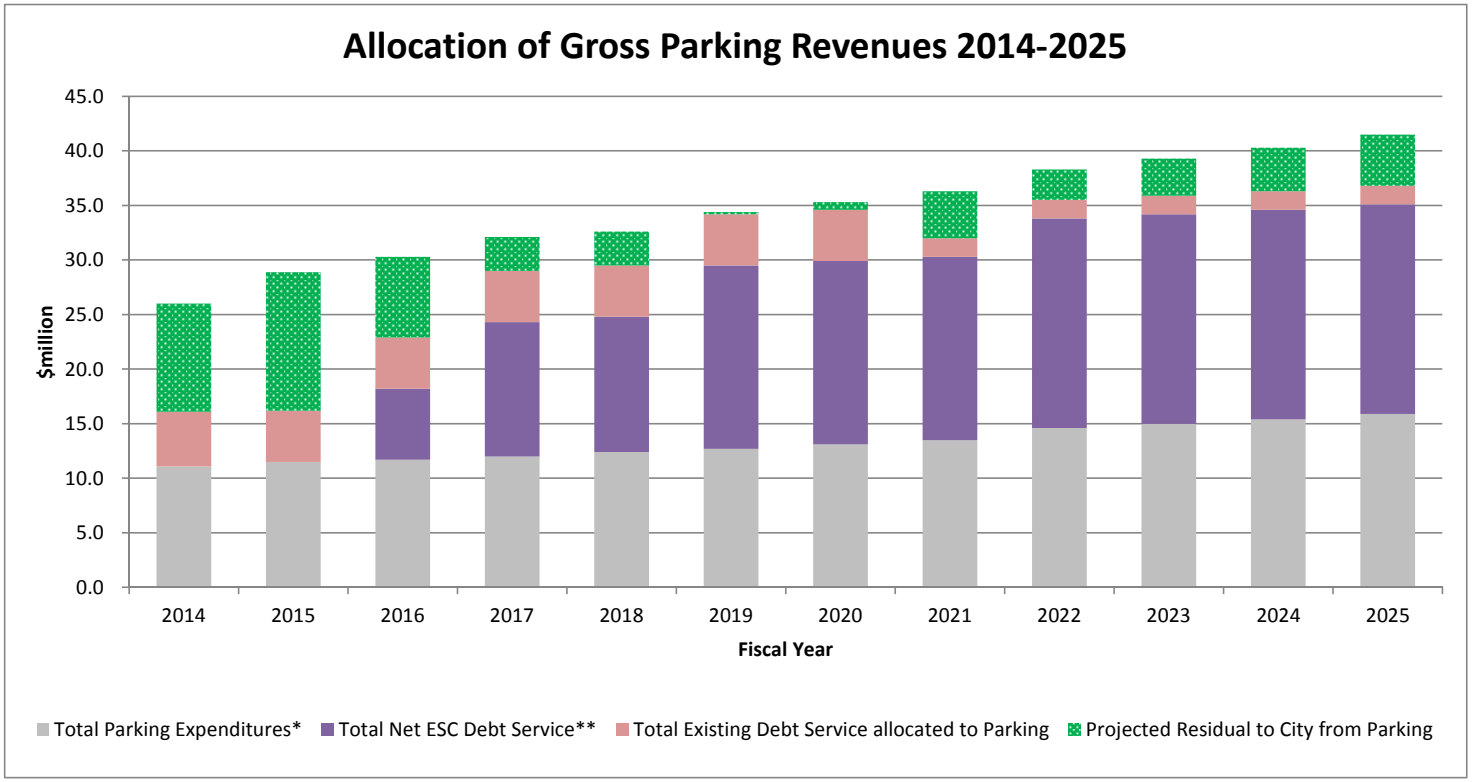
Stress-Test Evaluation (Case 1a Model) - Data Summary 2014-2025

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross Parking Revenues	26.0	28.9	30.2	32.1	32.6	34.5	35.4	36.3	38.3	39.3	40.3	41.4
Total Parking Expenditures*	(11.1)	(11.5)	(11.7)	(12.0)	(12.4)	(12.7)	(13.1)	(13.5)	(14.6)	(15.0)	(15.4)	(15.9)
Net Operating Income	*14.9*	*17.4*	*18.5*	*20.1*	*20.2*	*21.8*	*22.3*	*22.8*	*23.7*	*24.3*	*24.9*	*25.5*
Total Net ACES Debt Service**	0.0	0.0	(6.5)	(12.3)	(12.4)	(16.8)	(16.8)	(16.8)	(19.2)	(19.2)	(19.2)	(19.2)
Total Existing Debt Service allocated to Parking	(5.0)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(4.7)	(1.7)	(1.7)	(1.7)	(1.7)	(1.7)
Projected Residual to City from Parking	***9.9***	***12.7***	***7.4***	***3.1***	***3.1***	***0.2***	***0.7***	***4.3***	***2.8***	***3.4***	***4.0***	***4.7***



Notes

* including operations & maintenance, administration, and capital expenditures

** total gross ESC debt service includes capitalized interest and earnings on reserve

(all numbers in $million, rounded to the nearest decimal)

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DRAFT

City of Sacramento - ACES Project

FundCo Revenue Model - 2014 Project Funding $212.5mm Arena, $10.0mm Contingency, $8.9 Parking Capex (5.75% Interest)

Case 1a - Excluding 3700 Spaces, 5.75% Rate, 36 Year Debt, $3mm Back Fill, Back Fill Reserve, No County Revenues
As of April 8, 2013 (v29)
($ in 000s)

	Total	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2035
PARKING[1]															
Bond Sizing Revenues (no growth after 2014)															
Parking Revenues															
Gross Parking Revenues	1,222,423	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009	26,009
Parking Expenditures															
Operations & Maintenance	(439,544)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)	(9,352)
Total G&A (Operator)	(66,646)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)	(1,418)
Total Expenditures	(506,190)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)	(10,770)
Net Operating Income	716,233	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239	15,239
Projected Revenues															
Parking Revenues															
Gross Parking Revenues	3,302,049	26,009	28,907	30,237	32,067	32,600	34,458	35,361	36,294	38,259	39,257	40,314	41,406	49,523	58,821
Parking Expenditures															
Operations & Maintenance	(934,823)	(9,352)	(9,777)	(9,860)	(10,158)	(10,459)	(10,773)	(11,096)	(11,432)	(11,775)	(12,127)	(12,494)	(12,869)	(14,924)	(17,307)
Total G&A (Operator)	(142,357)	(1,418)	(1,461)	(1,505)	(1,550)	(1,596)	(1,644)	(1,693)	(1,744)	(1,796)	(1,850)	(1,906)	(1,963)	(2,275)	(2,638)
Total Expenditures	(1,077,180)	(10,770)	(11,238)	(11,365)	(11,708)	(12,055)	(12,417)	(12,789)	(13,176)	(13,571)	(13,977)	(14,400)	(14,832)	(17,199)	(19,945)
Net Operating Income (w/o CapEx)	2,224,869	15,239	17,669	18,872	20,359	20,545	22,041	22,572	23,118	24,688	25,280	25,914	26,574	32,324	38,876
CapEx															
Garage and Equipment[2]	(110,164)	-	-	-	-	-	-	-	-	(682)	(682)	(682)	(682)	(682)	(682)
Meter Upgrades[2]	(33,624)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	(19,379)	(193)	(199)	(205)	(211)	(217)	(224)	(230)	(237)	(245)	(252)	(259)	(267)	(310)	(359)
Enforcement	(7,530)	(75)	(77)	(80)	(82)	(84)	(87)	(90)	(92)	(95)	(98)	(101)	(104)	(120)	(140)
Total	(170,696)	(268)	(276)	(284)	(293)	(302)	(311)	(320)	(330)	(1,022)	(1,032)	(1,043)	(1,053)	(1,113)	(1,181)
Net Operating Income	2,054,173	14,971	17,393	18,588	20,066	20,243	21,730	22,252	22,788	23,666	24,248	24,871	25,521	31,211	37,695
TRANSIENT OCCUPANCY TAX REVENUES															
Bond Sizing Case (no growth after 2014)															
Pledged TOT Revenues	753,128	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024	16,024
Conservative Growth Projections															
Pledged TOT Revenues	895,449	16,024	16,074	16,195	16,357	16,520	16,727	16,936	17,148	17,362	17,579	17,799	17,933	18,616	19,324
CC Fund Growth Projections															
Pledged TOT Revenues	997,824	16,181	16,383	16,875	17,550	18,252	19,164	20,123	20,224	20,325	20,426	20,528	20,631	21,152	21,686
COUNTY CONTRACTED REVENUES															
County Parking Lots	-			-	-	-	-	-	-	-	-	-	-	-	-
Arena PI Tax	-			-	-	-	-	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	-	-	-	-	-	-	-	-
FundCo Net Operating Income (bond sizing case)	1,469,361	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263	31,263
FundCo Net Operating Income (conservative TOT)	2,949,621	30,995	33,467	34,782	36,423	36,764	38,457	39,188	39,936	41,028	41,827	42,671	43,453	49,827	57,019
FundCo Net Operating Income (CC Fund TOT)	3,051,997	31,152	33,776	35,463	37,616	38,495	40,894	42,375	43,012	43,991	44,674	45,400	46,152	52,364	59,381
DEBT SERVICE AND REIMBURSEMENT															
New FundCo Debt															
Series 2013 Senior-lien Revenue Bonds															
Gross Debt Service															
Principal	(304,315)	-	-	-	-	-	-	-	-	(2,460)	(2,605)	(2,760)	(2,925)	(3,895)	(9,790)
Interest	(473,773)	(7,291)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(17,427)	(17,282)	(17,128)	(16,964)	(15,990)	(14,075)
Total	(778,088)	(7,291)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(17,498)	(19,887)	(19,887)	(19,888)	(19,889)	(19,885)	(23,865)
Net Debt Service[3]															
Principal	(304,315)	-	-	-	-	-	-	-	-	(2,460)	(2,605)	(2,760)	(2,925)	(3,895)	(9,790)
Interest	(381,244)	-	-	(6,461)	(12,282)	(12,432)	(16,782)	(16,782)	(16,782)	(16,711)	(16,566)	(16,412)	(16,248)	(15,274)	(13,359)
Total	(685,559)	-	-	(6,461)	(12,282)	(12,432)	(16,782)	(16,782)	(16,782)	(19,171)	(19,171)	(19,172)	(19,173)	(19,169)	(23,149)
Series 2015 Senior-lien Revenue Bonds															
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues Remitted to City (w/ conservative TOT case and net D/S)	2,264,062	30,995	33,467	28,321	24,141	24,331	21,675	22,406	23,154	21,857	22,657	23,499	24,280	30,658	33,870

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City of Sacramento - ACES Project

FundCo Revenue Model - 2014 Project Funding $212.5mm Arena, $10.0mm Contingency, $8.9 Parking Capex (5.75% Interest)

Case 1a - Excluding 3700 Spaces, 5.75% Rate, 36 Year Debt, $3mm Back Fill, Back Fill Reserve, No County Revenues
As of April 8, 2013 (v29)
($ in 000s)

	Total	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2035
Existing City Lease Revenue Bonds ("LRBs")															
LRBs Allocated to Parking															
Lot U (Series 93 B)	(7,597)	(1,085)	(1,085)	(1,085)	(1,085)	(1,085)	(1,085)	(1,085)	-	-	-	-	-	-	-
Lot I (Series 93 B)	(13,540)	(1,934)	(1,934)	(1,935)	(1,934)	(1,934)	(1,934)	(1,934)	-	-	-	-	-	-	-
Lot C (Series 2005)	(27,089)	(1,684)	(1,686)	(1,686)	(1,686)	(1,682)	(1,691)	(1,694)	(1,691)	(1,695)	(1,696)	(1,694)	(1,692)	-	-
Pay & Display I	(68)	(68)	-	-	-	-	-	-	-	-	-	-	-	-	-
Pay & Display II	(273)	(273)	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	(48,567)	(5,044)	(4,705)	(4,706)	(4,706)	(4,702)	(4,711)	(4,713)	(1,691)	(1,695)	(1,696)	(1,694)	(1,692)	-	-
LRBs Allocated to CC Fund/TOT Revenues															
Theater (Series 2002)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Center Bonds (Series 93A)	(58,956)	(7,398)	(7,391)	(7,380)	(7,377)	(7,366)	(7,358)	(7,347)	(7,338)	-	-	-	-	-	-
Community Center Bonds (Series 93B)	(4,505)	(566)	(565)	(564)	(564)	(563)	(562)	(561)	(561)	-	-	-	-	-	-
Subtotal	(63,461)	(7,964)	(7,956)	(7,944)	(7,941)	(7,929)	(7,920)	(7,909)	(7,898)	-	-	-	-	-	-
Total Existing LRB Debt Service	(112,028)	(13,008)	(12,661)	(12,650)	(12,647)	(12,631)	(12,631)	(12,622)	(9,590)	(1,695)	(1,696)	(1,694)	(1,692)	-	-
Community Center Fund Reimbursement															
TOT Reimbursement Assuming Conservative TOT Growth	(831,988)	(8,060)	(8,118)	(8,251)	(8,416)	(8,591)	(8,807)	(9,027)	(9,249)	(17,362)	(17,579)	(17,799)	(17,933)	(18,616)	(19,324)
Additional Reimbursement if CC Fund Projections Achieved	(102,375)	(157)	(309)	(680)	(1,193)	(1,732)	(2,437)	(3,187)	(3,076)	(2,963)	(2,847)	(2,729)	(2,698)	(2,537)	(2,362)
Total	(934,363)	(8,217)	(8,427)	(8,931)	(9,609)	(10,323)	(11,244)	(12,214)	(12,325)	(20,325)	(20,426)	(20,528)	(20,631)	(21,152)	(21,686)
General Fund Cashflows															
Projected Residual to City (from Parking)	**1,320,047**	**9,927**	**12,688**	**7,421**	**3,078**	**3,109**	**237**	**757**	**4,315**	**2,800**	**3,381**	**4,006**	**4,655**	**12,042**	**14,546**
GF Commitments (Backfill)	(177,138)	(3,000)	(3,000)	(3,030)	(3,060)	(3,091)	(3,122)	(3,153)	(3,185)	(3,216)	(3,249)	(3,281)	(3,314)	(3,483)	(3,661)
Excess Residual Above Backfill	1,142,909	6,927	9,688	4,391	17	19	(2,884)	(2,396)	1,130	(417)	133	725	1,342	8,560	10,886
Cumulative Excess Residual (Reserve)		6,927	16,615	21,006	21,023	21,042	18,157	15,761	16,891	16,475	16,607	17,333	18,674	38,785	74,438
Net Present Value of Residual @ 5%	203,793	6,597	8,788	3,793	14	15	(2,152)	(1,703)	765	(269)	81	424	747	3,735	3,721
FundCo Debt, Principal Remaining		(304,315)	(304,315)	(304,315)	(304,315)	(304,315)	(304,315)	(304,315)	(304,315)	(301,855)	(299,250)	(296,490)	(293,565)	(276,140)	(239,885)
DEBT SERVICE COVERAGE RATIOS ("DSCR")															
DSCR - No Growth Case															
Senior Lien Revenue Bonds DSCR[4]		4.29 x	1.79 x	1.79 x	1.79 x	1.79 x	1.79 x	1.79 x	1.79 x	1.57 x	1.57 x	1.57 x	1.57 x	1.57 x	1.31 x
Total DSCR (w/ existing LRBs) - City Cushion		1.54 x	1.04 x	1.04 x	1.04 x	1.04 x	1.04 x	1.04 x	1.15 x	1.45 x	1.45 x	1.45 x	1.45 x	1.57 x	1.31 x
DSCR - With Growth (Conservative TOT)															
Senior Lien Revenue Bonds DSCR[4]		4.25 x	1.91 x	1.99 x	2.08 x	2.10 x	2.20 x	2.24 x	2.28 x	2.06 x	2.10 x	2.15 x	2.18 x	2.51 x	2.39 x
Total DSCR (w/ existing LRBs) - City Cushion		1.53 x	1.11 x	1.15 x	1.21 x	1.22 x	1.28 x	1.30 x	1.47 x	1.90 x	1.94 x	1.98 x	2.01 x	2.51 x	2.39 x
DSCR - With Growth (CC Fund TOT)															
Senior Lien Revenue Bonds DSCR[4]		4.27 x	1.93 x	2.03 x	2.15 x	2.20 x	2.34 x	2.42 x	2.46 x	2.21 x	2.25 x	2.28 x	2.32 x	2.63 x	2.49 x

1) Based on the Parking Revenues from Walker Parking (4/8/2013) "Case 5 without all Downtown Plaza garages"
2) Garage, equipment and meter upgrades from 2014 through 2018 bond funded from ACES proceeds,
2022-2024 upgrade bond funded separately in 2022, other upgrades cash funded thereafter
3) Includes funded interest and earnings from the DSRF
4) Calculated on gross debt service

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City of Sacramento - ACES Project

FundCo Revenue Model - 2014 Project Funding $212.5r

Case 1a - Excluding 3700 Spaces, 5.75% Rate, 36 Year Debt, $3mm Back Fill
As of April 8, 2013 (v29)
($ in 000s)

	2040	2045	2050	2060
PARKING[1]				
Bond Sizing Revenues (no growth after 2014)				
Parking Revenues				
Gross Parking Revenues	26,009	26,009	26,009	26,009
Parking Expenditures				
Operations & Maintenance	(9,352)	(9,352)	(9,352)	(9,352)
Total G&A (Operator)	(1,418)	(1,418)	(1,418)	(1,418)
Total Expenditures	(10,770)	(10,770)	(10,770)	(10,770)
Net Operating Income	15,239	15,239	15,239	15,239
Projected Revenues				
Parking Revenues				
Gross Parking Revenues	70,602	82,937	98,336	138,872
Parking Expenditures				
Operations & Maintenance	(20,071)	(23,276)	(26,995)	(36,308)
Total G&A (Operator)	(3,058)	(3,545)	(4,109)	(5,522)
Total Expenditures	(23,129)	(26,821)	(31,104)	(41,830)
Net Operating Income (w/o CapEx)	47,473	56,116	67,232	97,042
CapEx				
Garage and Equipment[2]	(682)	(682)	(682)	-
Meter Upgrades[2]	-	-	-	-
Maintenance	(416)	(483)	(559)	(752)
Enforcement	(162)	(188)	(217)	(292)
Total	(1,260)	(1,352)	(1,459)	(1,044)
Net Operating Income	46,213	54,764	65,773	95,998
TRANSIENT OCCUPANCY TAX REVENUES				
Bond Sizing Case (no growth after 2014)				
Pledged TOT Revenues	16,024	16,024	16,024	16,024
Conservative Growth Projections				
Pledged TOT Revenues	20,060	20,362	20,362	20,362
CC Fund Growth Projections				
Pledged TOT Revenues	22,234	22,457	22,457	22,457
COUNTY CONTRACTED REVENUES				
County Parking Lots	-	-	-	-
Arena PI Tax	-	-	-	-
Total	-	-	-	-
FundCo Net Operating Income (bond sizing case)	31,263	31,263	31,263	31,263
FundCo Net Operating Income (conservative TOT)	66,272	75,125	86,135	116,360
FundCo Net Operating Income (CC Fund TOT)	68,446	77,220	88,229	118,455
DEBT SERVICE AND REIMBURSEMENT				
New FundCo Debt				
Series 2013 Senior-lien Revenue Bonds				
Gross Debt Service				
Principal	(13,050)	(17,400)	(23,195)	-
Interest	(10,813)	(6,464)	(667)	-
Total	(23,863)	(23,864)	(23,862)	-
Net Debt Service [3]				
Principal	(13,050)	(17,400)	(23,195)	-
Interest	(10,097)	(5,748)	23,558	-
Total	(23,147)	(23,148)	363	-
Series 2015 Senior-lien Revenue Bonds				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Revenues Remitted to City (w/ conservative TOT case and net D/S)	43,125	51,977	86,497	116,360

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City of Sacramento - ACES Project

FundCo Revenue Model - 2014 Project Funding $212.5r

Case 1a - Excluding 3700 Spaces, 5.75% Rate, 36 Year Debt, $3mm Back Fill
As of April 8, 2013 (v29)
($ in 000s)

	2040	2045	2050	2060
Existing City Lease Revenue Bonds ("LRBs")				
LRBs Allocated to Parking				
Lot U (Series 93 B)	-	-	-	-
Lot I (Series 93 B)	-	-	-	-
Lot C (Series 2005)	-	-	-	-
Pay & Display I	-	-	-	-
Pay & Display II	-	-	-	-
Subtotal	-	-	-	-
LRBs Allocated to CC Fund/TOT Revenues				
Theater (Series 2002)	-	-	-	-
Community Center Bonds (Series 93A)	-	-	-	-
Community Center Bonds (Series 93B)	-	-	-	-
Subtotal	-	-	-	-
Total Existing LRB Debt Service	-	-	-	-
Community Center Fund Reimbursement				
TOT Reimbursement Assuming Conservative TOT Growth	(20,060)	(20,362)	(20,362)	(20,362)
Additional Reimbursement if CC Fund Projections Achieved	(2,174)	(2,095)	(2,095)	(2,095)
Total	(22,234)	(22,457)	(22,457)	(22,457)
General Fund Cashflows				
Projected Residual to City (from Parking)	**23,066**	**31,615**	**66,136**	**95,998**
GF Commitments (Backfill)	(3,847)	(4,044)	(4,250)	(4,694)
Excess Residual Above Backfill	19,218	27,572	61,886	91,304
Cumulative Excess Residual (Reserve)	139,930	242,952	418,213	1,142,909
Net Present Value of Residual @ 5%	5,148	5,786	10,176	9,217
FundCo Debt, Principal Remaining	(181,525)	(103,720)	-	-
DEBT SERVICE COVERAGE RATIOS ("DSCR")				
DSCR - No Growth Case				
Senior Lien Revenue Bonds DSCR[4]	1.31 x	1.31 x	1.31 x	0.00 x
Total DSCR (w/ existing LRBs) - City Cushion	1.31 x	1.31 x	1.31 x	0.00 x
DSCR - With Growth (Conservative TOT)				
Senior Lien Revenue Bonds DSCR[4]	2.78 x	3.15 x	3.61 x	0.00 x
Total DSCR (w/ existing LRBs) - City Cushion	2.78 x	3.15 x	3.61 x	0.00 x
DSCR - With Growth (CC Fund TOT)				
Senior Lien Revenue Bonds DSCR[4]	2.87 x	3.24 x	3.70 x	0.00 x

1) Based on the Parking Revenues from Walker Parking (4/8/2013) "Case 5 without all Downtown Plaza
2) Garage, equipment and meter upgrades from 2014 through 2018 bond funded from ACES proceeds, 2022-2024 upgrade bond funded separately in 2022, other upgrades cash funded thereafter
3) Includes funded interest and earnings from the DSRF
4) Calculated on gross debt service