



REPORT TO COUNCIL City of Sacramento

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

Staff
May 8, 2007

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

Title: 1997 Lease Revenue Bonds – Approval of Legal Documents

Location/ Council District: District 1

Recommendation: Adopt (1) a **City Financing Authority Resolution** authorizing a) First Amendment to Facility Lease, b) First Supplemental Indenture, c) Remarketing Memorandum, d) Delayed Delivery Purchase and Remarketing Agreement, e) Interest Rate Hedging Agreement, and f) other related actions; (2) a **City Council Resolution** authorizing a) First Amendment to Facility Lease, b) Remarketing Memorandum, c) Forward Delivery Purchase and Remarketing Agreement, d) Interest Rate Hedging Agreement, and e) other related actions.

Contact: Thomas P. Friery, City Treasurer, 808-5168; Janelle Gray, Public Finance Banking Manager, 808-8296

Presenters: Thomas P. Friery, City Treasurer, 808-5168; Janelle Gray, Public Finance & Banking Manager, 808-8296

Department: Office of the City Treasurer

Division: Public Finance

Organization No: 0900

Description/Analysis

Issue: In July 1997, the Sacramento City Financing Authority (the "Authority") issued \$73.725 million in lease-revenue bonds (the "Bonds") in response to a request for assistance from the owners of ARCO Arena (the "Arena"). The financing, in essence a 30-year loan, helped restructure outstanding debt and allowed for reinvestment of certain proceeds into the Sacramento Kings basketball organization. During the first 10 years, the Bonds pay interest at a variable, or floating, rate. But because the Arena owners requested an interest

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rate less than 7.50%, the Authority entered into an initial 10-year floating-to-fixed-rate swap that, from the Authority's perspective, converted the variable rate to a fixed interest rate of 6.845%. The swap also requires that the \$70.93 million in Bonds outstanding when the initial 10-year term ends on July 18, 2007, be tendered (called) and remarketed with a new interest-rate mode. If the outstanding Bonds are not tendered and remarketed as required, then the City of Sacramento risks being in default under the 1997 Indenture for the Bonds.

There are two preliminary steps for remarketing the Bonds. The first step— notifying the remarketing agent, the trustee, and the insurer related to the mandatory tender of the Authority's intention to change the interest rate mode— was completed on April 16, 2007.

The second step—obtaining approval of the form of the legal documents associated with the remarketing of the Bonds—is the subject of this report, which references the forms of necessary legal documents associated with the mandatory tender and remarketing of bonds that will occur on July 18, 2007.

An updated time-and-responsibility schedule identifying important dates of the remarketing is provided for your reference as Attachment 2.

Policy Considerations: Approval of staff's recommendation is necessary for the mandatory tender and remarketing of the Bonds to proceed in accordance with the 1997 documents, and it also authorizes staff to update the original terms of the financing to reflect the new financing structure.

The agreements and documents for the remarketing (Attachment 5) are on file with the City Clerk's Office. Although not yet formally "approved as to form," they have been reviewed by the City Attorney's Office, are in substantially final form, and will be executed after the Bonds are priced and appropriate updates completed.

Environmental Considerations: This report concerns administrative activities that do not constitute a "project" as defined by the California Environmental Quality Act (CEQA) Guidelines section 15378(a). These activities are, therefore, not subject to the requirements of CEQA. See CEQA Guidelines section 15060(c).

Rationale for Recommendation: Approval of the recommended actions authorizes the mandatory tender and remarketing of the Bonds. The action confirms and satisfies the requirements set forth in the Indenture and bond covenants of the original financing of the Bonds.

Financial Considerations: The Bonds were structured based on a 30-year maturity schedule and a July 15, 2027, final maturity. For the initial 10 years, the Bonds have a variable, or floating, interest rate that is based on the London Interbank Offered Rate

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("LIBOR") and is reset each quarter. To minimize the risk of increasing rates, the Authority also entered into a floating-to-fixed-rate swap that, from the Authority's perspective, converted the variable rate during the initial 10-year term to a fixed rate of 6.845%. Under the 1997 Indenture, the Bonds outstanding on July 18, 2007 (\$70.93 million) must be remarketed, and a new interest rate will be determined and applied to those Bonds.

The anticipated structure of the remarketing calls for a similar interest-rate mode as the previous 10-year structure. The Bonds will be remarketed as variable rate LIBOR bonds with a floating-to-fixed-rate swap. The Authority will also have the option of calling the remarketed Bonds at any time. Additionally, in July 2017 (10 years from now), another remarketing of the outstanding Bonds will need to occur.

The new interest rates (both the fixed- and variable-rate components) on the outstanding Bonds are not yet known but will be determined at the time of pricing, expected around mid-May 2007. We anticipate that there will be savings over the current 6.845% fixed-rate swap.

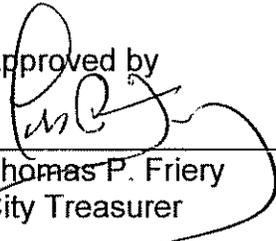
After remarketing, debt service on the Bonds will continue to be paid from revenues derived from rental payments the City receives from the Arena owners. To date, the Arena owners have never missed or been late in paying their debt obligations.

Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by:



Janelle Gray
Public Finance and Banking Manager

Approved by


Thomas P. Friery
City Treasurer

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Background

In July 1997, the Authority issued \$73.725 million in lease-revenue Bonds in response to the Arena owners' request for assistance. The financing, in essence a 30-year loan, helped restructure outstanding debt and allowed for reinvestment of certain proceeds into the Sacramento Kings basketball organization. For the first 10 years, interest on the Bonds is based on a variable, or floating, rate. But because the Arena owners requested an interest rate less than 7.50%, the Authority entered into an initial 10-year floating-to-fixed-rate swap that, from the Authority's perspective, resulted in a fixed interest rate of 6.845%. The swap also required that the \$70.93 million in Bonds outstanding when the 10-year term ends on July 18, 2007, be tendered (called) and remarketed with a new interest-rate mode. If the outstanding Bonds are not tendered and remarketed as required, then the City of Sacramento risks being in default.

Payment of debt service is from rental payments by the Arena owners to the City of Sacramento. To assist the Arena owners with cash flow in the early years of the Bonds, the Authority also issued \$8.5 million in deferred capital notes over a 7-year period beginning in 1997. The Arena owners repaid the deferred capital notes in full on April 13, 2005, and have never missed or been late in paying their debt obligations.

On April 16, 2007, in accordance with the City Council's approval on April 10, 2007, a Notice of Mode Change and a Notice of Mandatory Tender were sent to necessary parties to the remarketing, alerting them to the upcoming change in the interest-rate mode and to the specific actions that will occur on July 18, 2007.

A 10-year financing structure will be utilized in the remarketing of the Bonds to meet the expected remaining useful life of the Arena. Owners of the Arena and officials of the National Basketball Association have identified that the current arena is not conducive to current NBA standards.

The Arena remains and continues to be a positive economic and social factor to the Sacramento metropolitan area, especially the City of Sacramento. Since September 1988, when the Arena first opened, it has hosted over 3,200 events with a total attendance of approximately 31 million patrons. The Arena provides 175 full-time and approximately 1,400 part-time jobs and has influenced economic growth in North Natomas over the past 10 years.

CITY OF SACRAMENTO
OFFICE OF THE CITY TREASURER
97 LEASE REVENUE BONDS
(ARCO ARENA)
Mandatory Tender / Remarketing July 2007

DRAFT

Financing Schedule
(As of April 16, 2007)

March 2007						
S	M	T	W	Th	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 2007						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May 2007						
S	M	T	W	Th	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June 2007						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July 2007						
S	M	T	W	Th	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Date(s)	Task Description	Party (ies)	✓
Thursday, March 1	Kick-off Meeting for Remarketing	All Parties	✓
Week of March 5	Finalize preferred rate mode structure	City, AA	✓
Week of March 12	Finalize discussions with MBIA	City, GS	✓
Wednesday, March 14	Release 1 st Draft of Documents <ul style="list-style-type: none"> ✓ Remarketing Memorandum ✓ Legal docs 	OHS, SA	✓
Friday, March 16	Document Review Conf. Call at 10:00 am <ul style="list-style-type: none"> ✓ Review Legals & Remarketing Memorandum 	All Parties	✓
March - April 2007	Briefing of Remarketing financing with City Council	CTO	✓
Thursday, March 22	Deadline for legal documents to City for April 10 Council Meeting	All Parties	✓

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Date(s)	Task Description	Party (ies)	✓
Week of April 2	Release 2 nd Draft of Documents <ul style="list-style-type: none"> ✓ Remarketing Memorandum ✓ Legal docs 	OHS, GS, SA	✓
Thursday, April 5	Document Review Conf. Call <ul style="list-style-type: none"> ✓ Review Legals & Remarketing Memorandum 	All Parties	✓
Tuesday, April 10	City Council Meeting Date <ul style="list-style-type: none"> ✓ Approve notice to insurer, trustee, paying agent, & remarketing agent of mode change ✓ Approve notice to be sent to bondholders 	All parties	✓
Monday, April 16 (Mandatory Date = April 19, 2007)	Notify Insurer, Trustee, Paying Agent, Remarketing Agent of mode change	GS	✓
Monday, April 16 (Mandatory Date = June 18, 2007)	Written Confirmation to Bondholders <ul style="list-style-type: none"> ✓ Mode Determined ✓ Commencement Date 	City, OHS, Trustee	✓
Thursday, April 19	Release “Near Final” Documents <ul style="list-style-type: none"> ✓ Remarketing Memorandum ✓ Legal docs 	OHS, GS, SA	✓
Thursday, April 19	Deadline for legal documents to City for May 8 Council Meeting	All Parties	
April 19 – May 7, 2007	<u>Update Council members & Others</u>	CTO	
Tuesday, May 1	Draft Press Release	CTO	
Tuesday, May 8	<u>City Council Meeting</u> <ul style="list-style-type: none"> ✓ Approve Legals & Remarketing Memorandum as applicable 	All Parties	
Wednesday, May 9	Remarketing Memorandum released to Printer	SA*	
May 16/17, 2007	Price bonds / swap	All Parties	

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Date(s)	Task Description	Party (ies)	✓
May 16/17, 2007 (Mandatory Date = July 3, 2007)	Authority enter into Binding Agreement ✓ Commitment with Remarketing Agent to purchase all outstanding bond	City, GS	
May 16/17, 2007	Confirm Draft Press Release	City	
Week of May 14, 2007 Week of May 28, 2007	Mail Remarketing Memorandum Closing of Remarketing Bonds	OHS, SA All Parties	
Wednesday, July 18	Mandatory tender and remarketing of bonds Expiration of Swap DTC instructed to tender/redeem all outstanding bonds.	All Parties	

CAO	City Attorney's Office	GS	Goldman Sachs – Remarketing Agent	US	US Bank – Trustee
CTO	City Treasurer's Office	City	All Corresponding City Offices	MBIA	MBIA Insurer
AA	Tenant/Owner – Kings Arco Arena	OHS	Orrick, Herrington & Sutcliffe, Bond Counsel		
		SA	Sidley Austin, Underwriter's Counsel		

RESOLUTION NO. FA2007-_____

Adopted by the Sacramento City Financing Authority

AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO FACILITY LEASE, A FIRST SUPPLEMENTAL INDENTURE, A REMARKETING MEMORANDUM, A DELAYED DELIVERY PURCHASE AND REMARKETING AGREEMENT AND AN INTEREST RATE HEDGING AGREEMENT IN CONNECTION WITH THE REMARKETING OF THE SACRAMENTO CITY FINANCING AUTHORITY 1997 LEASE REVENUE BONDS (ARCO ARENA ACQUISITION) AND OTHER ACTIONS IN CONNECTION THEREWITH, AND AUTHORIZING RELATED ACTIONS

BACKGROUND:

- A. The Sacramento City Financing Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority").
- B. The Authority is authorized pursuant to the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code, as amended (the "Act"), to issue bonds to provide funds to achieve its purposes, including the payment of costs of acquiring any Public Capital Improvement (as that term is defined in the Act).
- C. The Authority issued its Sacramento City Financing Authority 1997 Lease Revenue Bonds pursuant to an Indenture, dated as of July 1, 1997, between the Authority and U.S. Bank National Association, as successor trustee, (the "Original Indenture") in the aggregate principal amount of \$73,725,000 (the "Bonds") for the purpose of financing the acquisition of certain real property and the facilities thereon comprising a sports arena known as "ARCO Arena" (the "Project").
- D. The City of Sacramento (the "City"), which qualifies as a local agency under the Act, leases to the Authority the site on which the Project is located, pursuant to the terms of a Site Lease (the "Site Lease"), dated as of July 1, 1997, between the City and the Authority, and the Authority subleases back to the City the Project, pursuant to the terms of a Facility Lease (the "Original Facility Lease"), dated as of July 1, 1997, between the Authority and the City all in furtherance of the purposes of assisting the Authority in financing the acquisition of the Project.
- E. Pursuant to the terms of the Original Indenture, each Bond in a Floating Rate Mode is subject to mandatory tender on July 18, 2007 at which time the Bonds shall be adjusted to a new Mode.
- F. Pursuant to the terms of the Original Indenture, each Bond will be remarketed to new Owners on July 18, 2007, with modifications and amendments to the

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determination of the Floating Rate pursuant to the Original Indenture and certain redemption provisions, including the optional redemption provisions and amounts of mandatory redemption pursuant thereto.

- G. The Authority desires, pursuant to a First Supplemental Indenture (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), between the Authority and the Trustee, to make such modifications and amendments.
- H. Pursuant to the Original Indenture, the Original Indenture may be modified and amended from time to time when the written consents of the Owners and the Bond Insurer have been filed with the Trustee.
- I. The Owners and the Bond Insurer will have duly consented to the amendments set forth therein prior to the execution and delivery thereof.
- J. The Original Facility Lease provides that Exhibit B of the Original Facility Lease may be amended from time to time by the filing of a new Exhibit D to the Indenture and, pursuant to the Original Facility Lease, the Original Facility Lease may be modified and amended from time to time when the written consent of the Bond Insurer have been filed with the Trustee.
- K. The Bond Insurer will have duly consented to the amendment of Exhibit B of the Original Facility Lease pursuant to a First Amendment to Facility Lease (the "First Amendment to Facility Lease"), between the Authority and the City, prior to the execution and delivery thereof.
- L. All acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to every requirement of law, to authorize the execution and delivery of certain documents in order to finance the Project in the manner and upon the terms herein provided.

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

Section 1. All of the above recitals are true and correct, and this Board so finds and determines.

Section 2. The form of First Amendment to Facility Lease presented to this meeting and on file with the Secretary of the Board, is hereby approved. The Chairman, the Vice Chairman and the Treasurer of the Authority are hereby jointly and severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the First Amendment to Facility Lease in a form substantially the same as the approved form,

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with such changes therein as such boardmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of First Supplemental Indenture presented to this meeting and on file with the Secretary of the Board, is hereby approved. The Chairman, the Vice Chairman and the Treasurer of the Authority are hereby jointly and severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the First Supplemental Indenture in a form substantially the same as the approved form, with such changes therein as such boardmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Remarketing Memorandum relating to the remarketing of the Bonds (the "Remarketing Memorandum") presented to this meeting and on file with the Secretary of the Board, is hereby approved. The Chairman, the Vice Chairman and the Treasurer of the Authority are hereby jointly and severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Remarketing Memorandum in a form substantially the same as the approved form, with such changes therein as such boardmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Goldman, Sachs & Co., the remarketing agent for the Bonds (the "Remarketing Agent"), is hereby authorized to distribute the Remarketing Memorandum to persons who may be interested in the purchase of the Bonds and to all actual purchasers of the Bonds.

Section 6. The form of Delayed Delivery Purchase and Remarketing Agreement among the Authority, the City, and the Remarketing Agent (the "Delayed Delivery Purchase and Remarketing Agreement") presented to this meeting and on file with the Secretary of the Board, is hereby approved. The Chairman, the Vice Chairman and the Treasurer of the Authority are hereby jointly and severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Delayed Delivery Purchase and Remarketing Agreement in a form substantially the same as the approved form, with such changes therein as such boardmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The Authority hereby finds and determines that the form of Interest Rate Hedging Agreement presented to this meeting and on file with the Secretary of the Board (the "Interest Rate Hedging Agreement") is in the best interests of the Authority in that such Interest Rate Hedging Agreement will result in a lower cost of borrowing related to the Bonds and is hereby approved. The Chairman, the Vice Chairman and the Treasurer of the Authority are hereby jointly and severally authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Interest Rate Hedging Agreement in a form substantially the same as the approved form, with such changes therein as such boardmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

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Section 8. The Secretary of the Board is hereby authorized and directed to attest to the manual or facsimile signatures of the officers of, or the seal of, the Authority as may be required or appropriate in connection with the execution and delivery of the First Amendment to Facility Lease, the First Supplemental Indenture, the Remarketing Memorandum, the Delayed Delivery Purchase and Remarketing Agreement and the Interest Rate Hedging Agreement.

Section 9. The Chairman, the Vice Chairman, the Treasurer, and any and all other officers, agents and employees of the Authority are hereby further authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including, without limitation, documents relating to bond insurance that they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution (the "Resolution"), including, without limitation, the First Amendment to Facility Lease, the First Supplemental Indenture, the Remarketing Memorandum, the Delayed Delivery Purchase and Remarketing Agreement, the Interest Rate Hedging Agreement and the sale and delivery of the Bonds. Any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 10. This Resolution takes effect immediately upon its passage.

RESOLUTION NO. 2007-_____

Adopted by the Sacramento City Council

AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST AMENDMENT TO FACILITY LEASE, A REMARKETING MEMORANDUM, A DELAYED DELIVERY PURCHASE AND REMARKETING AGREEMENT AND AN INTEREST RATE HEDGING AGREEMENT IN CONNECTION WITH THE REMARKETING OF THE SACRAMENTO CITY FINANCING AUTHORITY 1997 LEASE REVENUE BONDS (ARCO ARENA ACQUISITION) AND OTHER ACTIONS IN CONNECTION THEREWITH AND AUTHORIZING RELATED ACTIONS

BACKGROUND:

- A. The City of Sacramento, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), is authorized pursuant to its charter (the "Charter") and the laws of the State of California to lease real and personal property that is necessary and proper for municipal purposes.
- B. The Sacramento City Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), determined to assist the City in furtherance of the City's municipal purposes.
- C. The City determined that it is a municipal purpose to assist the Kings ARCO Arena Limited Partnership, a California limited partnership (the "Arena Owner"), in refinancing the acquisition of certain real property and the facilities thereon comprising a sports arena known as "ARCO Arena" (the "Project").
- D. In furtherance of refinancing the acquisition of the Project, and pursuant to the terms of a Site Lease (the "Site Lease"), dated as of July 1, 1997, between the City and the Authority, the City leases to the Authority the site on which the Project is located.
- E. Also in furtherance of refinancing the acquisition of the Project, and pursuant to the terms of a Facility Lease (the "Original Facility Lease"), dated as of July 1, 1997, between the City and the Authority, the Authority subleases the Project back to the City.
- F. Also in furtherance of refinancing the acquisition of the Project, and pursuant to the terms of an Arena Facility Lease dated as of July 1, 1997, between the City and the Arena Owner, the City sub-subleases the Project to the Arena Owner.
- G. The Authority issued its 1997 Lease Revenue Bonds (ARCO Arena Acquisition) for the purpose of financing the acquisition of the Project pursuant to an Indenture

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dated as of July 1, 1997, between the Authority, and U.S. Bank National Association, as successor trustee, (the "Original Indenture").

- H. Pursuant to the terms of the Original Indenture, each Bond in a Floating Rate Mode is subject to mandatory tender on July 18, 2007, at which time the Bonds will be adjusted to a new Mode.
- I. Pursuant to the terms of the Original Indenture, each Bond will be remarketed to new Owners on July 18, 2007, with modifications and amendments to the determination of the Floating Rate pursuant to the Original Indenture and certain redemption provisions, including the optional redemption provisions and amounts of mandatory redemption pursuant thereto.
- J. The Authority desires, pursuant to a First Supplemental Indenture (the "First Supplemental Indenture" and, together with the Original Indenture, the "Indenture"), between the Authority and the Trustee, to make such modifications and amendments.
- K. Pursuant to the Original Indenture, the Original Indenture may be modified and amended from time to time when the written consents of the Owners and the Bond Insurer have been filed with the Trustee.
- L. The Owners and the Bond Insurer will have duly consented to the amendments set forth therein prior to the execution and delivery thereof.
- M. The Original Facility Lease provides that Exhibit B of the Original Facility Lease may be amended from time to time by the filing of a new Exhibit D to the Indenture and, pursuant to the Original Facility Lease, the Original Facility Lease may be modified and amended from time to time when the written consent of the Bond Insurer have been filed with the Trustee.
- N. The Bond Insurer will have duly consented to the amendment of Exhibit B of the Original Facility Lease pursuant to a First Amendment to Facility Lease (the "First Amendment to Facility Lease"), between the Authority and the City, prior to the execution and delivery thereof.
- O. All acts, conditions and things required by the Constitution and laws of the State of California and the Charter to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

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

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Section 1. All of the above recitals are true and correct, and this City Council so finds and determines.

Section 2. The City Council hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to municipal affairs of the City and the statements, findings and determinations of the City set forth in the preambles of the documents approved herein are true and correct.

Section 3. The form of the First Amendment to Facility Lease presented to this meeting and on file with the City Clerk is hereby approved. The Mayor, the Vice Mayor, the City Manager and City Treasurer are hereby jointly and severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver the First Amendment to Facility Lease in a form substantially the same as the approved form, with such changes therein as such councilmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Remarketing Memorandum relating to the remarketing of the Bonds (the "Remarketing Memorandum") presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor, the Vice Mayor, the City Manager and the City Treasurer are hereby jointly and severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Remarketing Memorandum in a form substantially the same as the approved form, with such changes therein as such councilmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Goldman, Sachs & Co., the remarketing agent for the Bonds (the "Remarketing Agent"), is hereby authorized to distribute the Remarketing Memorandum in preliminary form to persons who may be interested in the purchase of the Bonds and all actual purchasers of the Bonds.

Section 6. The form of Delayed Delivery Purchase and Remarketing Agreement among the Authority, the City and Remarketing Agent (the "Delayed Delivery Purchase and Remarketing Agreement") presented to this meeting and on file with the City Clerk, is hereby approved. The Mayor, the Vice Mayor, the City Manager and the City Treasurer are hereby jointly and severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Delayed Delivery Purchase and Remarketing Agreement in a form substantially the same as the approved form, with such changes therein as such councilmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The City hereby finds and determines that the form of Interest Rate Hedging Agreement presented to this meeting and on file with the City Clerk (the "Interest Rate Hedging Agreement") is in the best interests of the City in that such Interest Rate Hedging Agreement will result in a lower cost of borrowing related to the Bonds and is hereby approved. The Mayor, the Vice Mayor, the City Manager and the City Treasurer are hereby jointly and severally authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Interest Rate Hedging Agreement in a form

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substantially the same as the approved form, with such changes therein as such councilmember or officer, as appropriate, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The City Clerk is hereby authorized and directed to attest the signature of the Mayor, the Vice Mayor, the City Manager and City Treasurer, and to affix the seal of the City, as may be required or appropriate in connection with the execution and delivery of the First Amendment to Facility Lease, the Remarketing Memorandum, the Delayed Delivery Purchase and Remarketing Agreement, the Interest Rate Hedging Agreement and any other documents executed and delivered pursuant to the authority granted in this resolution (the "Resolution").

Section 9. The City Manager, City Treasurer, City Attorney, City Clerk and any and all other officers, agents and employees of the City are hereby further authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including, without limitation, documents relating to bond insurance, that they may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution, the First Amendment to Facility Lease, the Remarketing Memorandum, the Delayed Delivery Purchase and Remarketing Agreement, the Interest Rate Hedging Agreement and any other documents executed and delivered pursuant to the authority granted in this Resolution. Any such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 10. This Resolution takes effect immediately upon its passage.

BOND DOCUMENTS

The following documents are not published as part of the agenda package.

They are available for review on the City's Website at:

http://www.cityofsacramento.org/webtech/streaming_video/live_council_meetings.htm

They are also available at the office of the City Clerk:

Office of the City Clerk

915 I Street

HCH, 1st Floor

Sacramento, CA 95814

- A. First Amendment to Facility Lease
- B. First Supplemental Indenture
- C. Remarketing Memorandum
- D. Delayed Delivery Purchase and Remarketing Agreement
- E. Interest Rate Hedging Agreement

Remarketing of 1997 Lease Revenue Bonds (July 18, 2007)

City of Sacramento
Office of the City Treasurer

Thomas P. Friery, City Treasurer

Background

- July 1997 – City loan to Sacramento Kings
 - Restructure existing debt; enhance cash flow for basketball operations
 - 30-year loan commitment
 - Deferred loan
 - Deferred notes and interest
 - 10-year commitment from Kings to stay in Sacramento

Background cont'd.

- \$70M loan + financing expenses = \$73.7M
 - Structured 30-year bonds (1997 – 2027) with initial 10-year fixed-rate swap
 - Arena owner requested interest rate not to exceed 7.50%; fixed-rate swap set at 6.845%

Background cont'd.

- \$8.5M Deferred Capital Notes + accrued interest
 - 25-year term (1997 – 2022); rate of 7.5% (\$21M to *final payoff*)
 - City pays out over first 7 years to assist with cash flow (\$8.5M)
 - Arena repays beginning in year 8 (\$11M with *accrued interest*)
 - Deferred Capital Notes paid off early – April 2005 (\$12M)
- July 18, 2007, remarket \$70M + financing expenses = \$70.9M

Proposed Remarketing Financing Structure

- 10-year floating-to-fixed rate swap
 - 20-year loan obligation
 - 10-year structured note (*delayed delivery*)
 - Fixed Rate to City
 - Variable rate to investors
 - Offset by counterparty
- Bonds callable anytime
- July 19, 2017, remarketing outstanding bonds for final 10 year period

Timeline of Events

Historical Events

- March 1, 2007 – Kick-off meeting
- April 10, 2007 – Legal Notices approved
- April 16, 2007 – Notice of Mode Change
and Notice of Mandatory Tender sent

Timeline of Events

Events in progress

- May 8, 2007 (TODAY) – Remarketing documents to City Council
- May 21/22, 2007 – Pricing
 - *Delayed Delivery Purchase and Remarketing Agreement*
- May 31, 2007 – Closing
- July 18, 2007 – Mandatory Tender and delivery of remarketed bonds

Remarketing of 1997 Lease Revenue Bonds (July 18, 2007)

City of Sacramento
Office of the City Treasurer

Thomas P. Friery, City Treasurer