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## **PRESS RELEASE**

**Date: June 12, 2002**

**Contact: Thomas P. Friery, City Treasurer (916) 264-5168**

Sacramento City Treasurer Thomas P. Friery announced this morning, "The Sacramento City Financing Authority completed the sale of \$160 million tax-exempt Capital Improvement Revenue Bonds (Bonds). The bond proceeds will be used to refurbish our historic City Hall building, which has been in continuous use for almost 90 years. The proceeds will also finance a new City Hall facility," continued Friery. "Not only will the new construction provide us with new and safer facilities, it will also consolidate many city staff into one location." Additionally, the bond proceeds will finance a new Interstate 5 Interchange at Arena Boulevard in North Natomas, which should greatly enhance economic growth in this area and provide for the acquisition of fire equipment, parklands, and redevelopment activities in the City's Merged Downtown and the County's Stockton Boulevard project areas. The Bonds were sold with a true interest cost of 4.83%.

Friery reported the bonds were underwritten by the City's Underwriting syndicate team. The team is comprised of Merrill Lynch as Senior Manager and book runner; Stone & Youngberg, Goldman Sachs, Siebert Brandford Shank & Co., and E. Wagner & Associates as co-managers.

Friery further stated that the Bonds were insured by Financial Security Assistance (FSA) and carried Aaa/AAA ratings from the nationally recognized 'Standard & Poor's' and 'Moody's' rating services, respectively, and were structured with two underlying sources of security. Each of the underlying obligations was assigned an underlying rating from the rating agencies as follows: The General Fund Master Project Lease carried a rating of Aa3/AA-. The redevelopment loan for the Merged Downtown project area carried an underlying rating of Baa1/BBB+. According to Friery, the FSA Insurance, which carried a cost of .51% of Debt

Service, resulted in the Bonds obtaining an “AAA” credit in the market place. This “AAA” credit rating reduced the borrowing cost in excess of the insurance cost by \$ 1.6 million, of which \$1.2 million is associated with the Redevelopment Agency loans and \$400,000 with the City General Fund borrowing.

Lydia Lara, Sacramento Deputy City Treasurer, commented, “The Bonds were favorably received by a wide variety of retail and institutional investors.” A one-day retail investor order period occurred on June 11<sup>th</sup> and resulted in the sale of \$26 million in bonds; this was followed by a one-day institutional order period on June 12<sup>th</sup>. Lara went on to state that interest in the Bonds was particularly strong in the serials through the 2010 maturity. The bonds were 100% spoken for at the end of business close and placed in strong hands. Lara further commented that the 2003 serial maturity consisting of \$4.0 million in Bonds was competitively bid (sealed bid) by investors and was priced at a yield of 1.85%.

Sacramento Mayor Heather Fargo stated, “ This financing produced the necessary funds for a combination of Redevelopment Agency and City projects approved by the City Council. This financing provides the money to build and maintain important infrastructure necessary for continued economic growth and opportunities for our city.” More importantly, she commented, the Bond Issuance permitted us to optimize our borrowing ability.

Sacramento City Manager Robert Thomas commented, “I am pleased with the market’s continued recognition and acceptance of the City’s credit. It is gratifying to see the investor support and competitive pricing the City receives,” says Thomas. Thomas went on to comment that the leadership at the City Treasurer’s Office combined with the strength of the Underwriting Team contributed greatly to this success.

Satoshi Matsuda, Director of Finance for the Sacramento Housing and Redevelopment Agency (the Agency), asserted that because of the interest rate obtained and the City’s General Fund backing on a portion of this financing, the Agency is now able to add Retail/Entertainment, Housing and Public Improvements to the Merged Downtown and Stockton Boulevard project areas.” Further, he commented, “ The City Council’s authorization to merge this financing with the City’s, combined with the FSA Insurance Policy, significantly increased the Bond proceeds for the agency.”

“We are pleased that the City’s bonds were well received by the market,” said Merrill Lynch Director Cheryl Hines. Our underwriting team was focused and committed to this transaction.

“This is the third time the City has gone into the market with its innovative master lease program, which enables the City to leverage its assets most efficiently,” added Stone & Youngberg Managing Director Scott Sollers. Market acceptance of this structure resulted in its use by other entities.

Friery and Lara extended special thanks to Kimberlie Gladden, Sr. Debt Analyst, and to City staff, Agency staff, and all of the Financing Team Members for their assistance in the successful completion of this financing. The Bonds are scheduled for closing on July 2<sup>nd</sup> at the offices of Orrick Herrington & Sutcliff in San Francisco, California.

The City Treasurer's Office will provide continuing updates to keep the investment community informed. Please see the City Treasurer's website at [www.cityofsacramento.org](http://www.cityofsacramento.org) to view future press releases relating to the City's Bond Financings.

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