



## City Council Report

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Sacramento, CA 95814

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**File ID:** 2017-00101

January 24, 2017

**Consent Item 02**

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**Title:** Declaration of Official Intent to Reimburse the City from Bond Proceeds for Certain Expenditures Related to the Community Center Theater Transformation Project, the Memorial Auditorium Renovation Project, and the Convention Center

**Recommendation:** Pass a Resolution declaring the City's "official intent" to reimburse certain expenditures from bond proceeds associated with the Community Center Theater Transformation Project, Memorial Auditorium Renovation Project, and the Convention Center Expansion Project.

**Location:** District 4

**Contact:** Brian Wong, Debt Manager, (916) 808-5811; Colin Bettis, Senior Debt Analyst, (916) 808-8292, Office of the City Treasurer

**Presenter:** None.

**Department:** Office of the City Treasurer

**Attachments:**

1-Description/Analysis

2-Resolution

## Description/Analysis

**Issue Detail:** On May 3, 2016, the City Council directed the City Manager to proceed with the project-definition phase of an integrated project to transform the Community Center Theater (“**CCT**”) and expand the Sacramento Convention Center (“**SCC**”). On October 3, 2016, the City Council approved a motion directing staff to continue with planning for the project (the “**Project**”).

The preparation of design documents for the CCT and Memorial Auditorium was approved by the aforementioned motion. The size and scope of the project is such that it meets the City's Debt Policy for a project to be financed by bonds, so the cost associated with the design of the construction project would be an eligible bond expenditure.

To meet some of the Project's financing needs, the City anticipates issuing Transient Occupancy Tax Revenue Bonds (“**TOT Revenue Bonds**”) late in calendar year 2017. Before bond proceeds are available, the City expects to pay certain Project costs from the City's Community Center Fund (an Enterprise Fund) so that the Project can stay on schedule. Later, after the TOT Revenue Bonds have been issued, the Community Center Fund would be reimbursed for these costs from the proceeds.

The proposed resolution declaring the City's “official intent” to reimburse itself from the bond proceeds is required by Section 1.150-2 of the Treasury Regulations (“**Section 1.150-2**”) for the bonds to be exempt from federal taxation.

**Policy Considerations:** The resolution is adopted solely to comply with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

**Economic Impacts:** Not applicable

**Environmental Considerations:** Not applicable.

**Sustainability:** Not applicable.

**Commission/Committee Action:** Not applicable.

**Rationale for Recommendation:** Section 1.150-2 requires that the City Council declare its “official intent” to reimburse itself with the “proceeds of an obligation,” i.e., the bonds, for expenditures made before the bonds are issued.

**Financial Considerations:** There are no financial considerations within the proposed actions. Any reimbursement to the City will only occur after the TOT Revenue Bonds have been issued. The contracts to be awarded have been or will be entered into comply with the City's procurement policy.

**Local Business Enterprise (LBE):** Not applicable.

## RESOLUTION NO. 2017-XXXX

Adopted by the Sacramento City Council

January 24, 2017

### DECLARATION OF OFFICIAL INTENT TO REIMBURSE EXPENDITURES FROM PROCEEDS OF AN OBLIGATION IN CONNECTION WITH THE COMMUNITY CENTER THEATER TRANSFORMATION PROJECT, THE MEMORIAL AUDITORIUM RENOVATION PROJECT, AND THE CONVENTION CENTER EXPANSION PROJECT

#### BACKGROUND:

- A. The City desires to finance the costs to renovate the Memorial Auditorium, transform the Community Center Theater, and expand the Convention Center (collectively, the “**Project**”).
- B. To finance, on a long-term basis, the costs associated with the Project, the Authority reasonably expects to issue its Sacramento Public Financing Authority Transient Occupancy Tax Bonds, Series 2017 (the “**Bonds**”), the interest on which is to be exempt from income taxation under the United States Internal Revenue Code. The maximum principal amount of the Bonds is not expected to exceed \$270,000,000.
- C. The City expects to pay, from the City’s Community Center Fund, certain expenditures in connection with the Project before the issuance of the Bonds (the “**Original Expenditures**”) and to use a portion of the proceeds of the Bonds to reimburse itself for the Original Expenditures.
- D. Section 1.150-2 of the United States Treasury Regulations (“**Section 1.150-2**”) requires the City to declare its reasonable “official intent” to reimburse itself with proceeds of the Bonds (i.e., the “proceeds of an obligation”) for Project expenditures it expects to pay before the Bonds are issued.
- E. The City Council is fully advised in this matter.

#### **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.** The City hereby declares its official intent to use the proceeds of an obligation, i.e., the proceeds of the Bonds, to reimburse itself for the Original Expenditures.

**Section 3.** This resolution is adopted solely for purposes of establishing compliance with Section 1.150-2. It does not bind the City to make any expenditure, incur any indebtedness, or proceed with the Project.

**Section 4.** This resolution takes effect when adopted.