

ENTERTAINMENT AND SPORTS CENTER PROJECT

Financing

What is the total cost of the ESC? The total cost of the ESC is estimated to be \$477 million.

What are the sources of the \$477 million? The Sacramento Kings will contribute approximately \$254 million and the City will contribute approximately \$223 million.

What are the sources for the City's contribution? The City will finance its \$223 million contribution through the sale of bonds (\$212.5 million) and parking and economic development funds (\$10.6 million).

How will the City repay these bonds? The City will enter into a 35-year progressive lease contract with the Kings starting at \$6.5 million annually and increasing to \$18 million by the end of the lease-term. These lease payments, along with parking enterprise revenues, hotel tax revenues and other revenue streams created by the new ESC will be used to pay off the bonds.

Are there costs associated with issuing the bonds? Yes. Just as there are costs associated with getting a mortgage to buy a home, there are costs associated with issuing bonds. There are unique costs associated with issuing municipal bonds. The exact costs won't be known until the bonds are issued but it is estimated that the total bond issue amount would be approximately \$298 million. This amount includes the cost to issue the debt, interest on a debt and the debt reserve, all of which are required.

What happens if there are cost overruns? The Kings will cover all additional costs, including cost overruns, predevelopment, capital repairs and development of City-owned parcels.

How did the City determine its portion of the ESC? Using conservative assumptions, the evaluation showed that the City could, with minimal risk, fund approximately \$223 million of the ESC costs. Due to the very conservative revenue assumptions, funds are included in the borrowing to build a reserve for future payments and to protect the City's General Fund.

Are new city taxes needed to pay for the ESC? No. The City will not increase taxes to pay for the ESC.

Is the City selling its parking garages? No. The City is not selling parking garages.

Is the City increasing parking rates to pay for the ESC? No, parking rates will keep pace with market conditions and customary inflation. The City's parking program generates more than \$25

million per year in fee revenue from parking meters, garages and lots. Many of those who pay parking fees come from outside city limits, particularly since downtown is a regional employment center generating 100,000 daily visitors who use public parking. Hotel taxes will be used as a safeguard for the repayment of the bonds, if necessary. Hotel taxes are almost entirely paid for by visitors to Sacramento.

Could the City use the sale of bonds to finance City services instead?

No. The types of bonds proposed for the ESC project can be used only to raise money for constructing projects like the ESC. The bond proceeds cannot be used to fund services such as police, fire and parks and recreation.

* At this time, the ESC is only a proposal. These Quick Facts anticipate possible future events. The city must and will comply with CEQA before committing itself to finance or develop the ESC.

For more information, please visit: <http://www.cityofsacramento.org/arena/>