



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Approval of Sale of \$5 million Certificates of Participation under Small Issue Arbitrage Financing Program

MEETING DATE: September 20, 1995

PREPARED BY: Acting Finance Director

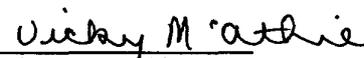
RECOMMENDED ACTION: That the City Council adopt Resolution No.95-121 approving the sale of \$5 million Certificates of Participation under the Small Issue Arbitrage Financing Program to finance a number of capital projects.

BACKGROUND INFORMATION: The 1995-97 Financial Plan and Budget expressed the need to finance a number of capital projects over the next three years, including the Performing Arts Facility, and Downtown Renovation. Past financing programs included the issuance of annual Tax Revenue Anticipation Notes (TRANs) to generate new revenue from arbitrage earnings for capital needs. The City can issue up to \$5 million per year of debt and arbitrage on an unlimited basis. The TRAN program does not reach the allowable \$5 million limit. In addition, the TRAN is a short-term program, not a permanent solution.

In the proposed small issue arbitrage financing program the City would sell a 20 year \$5 million Certificate of Participation in each of the next three calendar years. Since it would fall under the small issue exemption, the proceeds would be arbitrated until needed. The City would sell the City Hall and/or Police Facility to the Lodi Public Improvement Corporation which in turn would sell it back to the City under a lease purchase agreement. The annual lease payments would be backed by the City's general fund. These payments would be budgeted from the 30% of the property taxes allocated to the Capital Outlay Fund as approved in the budget policies.

John Firzgerald from Seidler-Fitzgerald Public Finance will be present to answer any questions.

FUNDING: Annual payments: Capital Outlay Fund


Vicky McAthie
Acting Finance Director

APPROVED: _____


THOMAS A. PETERSON
City Manager



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CITY OF LODI, CALIFORNIA

RESOLUTION NO. 95-121

RESOLUTION APPROVING, AUTHORIZING AND DIRECTING PREPARATION AND EXECUTION OF CERTAIN LEASE FINANCING DOCUMENTS, APPROVING, AUTHORIZING AND DIRECTING PREPARATION AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATING THERETO, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council (the "Council") of the City of Lodi, California (the "City"), as follows:

WHEREAS, the City, working together with the Lodi Public Improvement Corporation (the "Corporation"), is proposing to proceed with a lease financing;

WHEREAS, in connection therewith, the City proposes to finance the acquisition and construction of certain public improvements within the geographic boundaries of the City (the "Improvements"), and it is in the public interest and for the public benefit that the City authorize and direct execution of the Lease Agreement and certain other financing documents in connection therewith;

WHEREAS, Seidler-Fitzgerald Public Finance (A Division of The Seidler Companies Inc.) (the "Underwriter") has been directed to prepare a preliminary official statement containing information material to the offering and sale of the Certificates described below (the "Preliminary Official Statement"); and

WHEREAS, the documents below specified shall be filed with the City and the members of the Council, with the aid of its staff, shall review said documents;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. Certificates of Participation (1995 Public Improvement Financing Project) (the "Certificates") are hereby authorized to be executed and delivered pursuant to the provisions of the Trust Agreement, as hereinafter defined.

Section 2. The below-enumerated documents be and are hereby approved, and the Mayor, the City Manager or the Finance Director is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, and the City Clerk is hereby authorized and directed to attest to such official's signature:

(a) a site and facility lease, by and between the City, as lessor, and the Corporation, as lessee;

(b) a lease agreement, by and between the Corporation, as lessor, and the City, as lessee (the "Lease Agreement"), so long as the principal amount of the Lease Agreement does not

exceed \$5,000,000, so long as the term of the Lease Agreement does not exceed thirty (30) years, and so long as the maximum annual lease payments payable by the City under the Lease Agreement (the "Lease Payments") does not exceed \$600,000;

(c) a trust agreement, by and among the Corporation, the City and Bank of America National Trust and Savings Association, as trustee (the "Trust Agreement"), relating to the financing, and the execution and delivery of the Certificates, representing direct, undivided fractional interests in the Lease Payments;

(d) a continuing disclosure agreement, by and between the City and the Trustee, as dissemination agent, relating to the financing; and

(e) a purchase contract, by and among the Underwriter, the City and the Corporation relating to the purchase by the Underwriter of the Certificates, so long as the Underwriter's discount does not exceed 2%, exclusive of any original issue discount which does not represent compensation to the Underwriter.

Section 3. The Council hereby approves the Preliminary Official Statement describing the financing, in substantially the form on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the Mayor, the City Manager or the Finance Director. The Council authorizes and directs the Mayor, the City Manager or the Finance Director, on behalf of the City, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Preliminary Official Statement prior to its distribution by the Underwriter.

Section 4. The Mayor, the City Manager or the Finance Director is authorized and directed to cause the Preliminary Official Statement to be brought into the form of a final official statement (the "Final Official Statement") and to execute said Final Official Statement, dated as of the date of the sale of the Certificates, and a statement that the facts contained in the Final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were, at the time of sale of the Certificates, true and correct in all material respects and that the Final Official Statement did not, on the date of sale of the Certificates, and does not, as of the date of delivery of the Certificates, contain any untrue statement of a material fact with respect to the City or omit to state material facts with respect to the City required to be stated where necessary to make any statement made therein not misleading in light of the circumstances under which it was made. The Mayor, the City Manager or the Finance Director shall take such further actions prior to the signing of the Final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the Final Official Statement, which shall include such changes and additions thereto deemed advisable by the Mayor, the City Manager or the Finance Director and such information permitted to be excluded from the Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the Final Official Statement by the City.

Section 5. The Final Official Statement, when prepared, is approved for distribution in connection with the offering and sale of the Certificates.

Section 6. The Mayor, the City Manager, the Finance Director, the City Clerk and all other appropriate officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates as may be necessary to effect the purposes of this resolution and the financing herein authorized.

Section 7. This Resolution shall take effect upon its adoption by this Council.

I, the undersigned City Clerk of the City of Lodi, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted by the City Council of the City at a meeting thereof on the 20th day of September, 1995, by the following vote of the members thereof:

AYES:

NOES:

ABSTAIN:

ABSENT:

Mayor

ATTEST:

City Clerk



MEMORANDUM

DATE: July 27, 1995

TO: Dixon Flynn, City Manager
Councilmembers
Department Heads

FROM: Vicky McAthie, Acting Finance Director *VM*

SUBJECT: Timeline for sale of Certificates of Participation

In lieu of a shirtsleeve session, this memo will serve to bring interested parties up to date on the status of the proposed sale of Certificates of Participation.

The City Council approved the 1995-97 Financial Plan and Budget on June 21, 1995 which included proposed capital projects to be funded by certificate of participation bond proceeds.

I met with John Fitzgerald of Seidler-Fitzgerald Public Finance to follow up on prior meetings regarding the details of a small issue arbitrage financing program which is scheduled to go to Council on September, 20, 1995. The proposed program is needed to finance a number of capital projects over the next three years, including the Performing Arts Center, Indoor Sports Facility and Downtown Revitalization/Cherokee Lane. In each of the next three calendar years the City would sell \$5 million COP issue. If the City issued any Special Assessment bonds during this period the COP issue sold during that calendar year would be reduced to stay under the small issue exemption.

Each COP issue would be for 30 years. The City would sell the City Hall and/or Police Facility to the Lodi Public Improvement Corporation which in turn would sell it back to the City under a lease purchase agreement. The annual lease payments would be backed by the City's general fund, and would be budgeted from the portion of property taxes set aside for capital projects. The annual debt service would be approximately \$379,000 for each issue.

Attached is a breakdown of the timeline for the sales schedule for the 1995 Certificates of Participation. If approved by Council on the second meeting in September, the bonds would be sold on September 26, 1995. Funds would be available for capital projects by the middle of October. In addition, I have attached a list of the proposed Bond Council, Underwriter, Disclosure Counsel, and Trustee.

Seidler-Fitzgerald Public Finance

A Division of The Seidler Companies Incorporated - Member, New York Stock Exchange, Inc.

\$5,000,000
CITY OF LODI
1995 Certificates of Participation
(Capital Projects)
Sales Schedule
(as of July 27, 1995)

Date	Activity	Responsible Party
8/21/95	Distribute first draft of Preliminary Official Statement (P.O.S.) and legal documents	S-F, JHHW
8/26/95	Notify California Debt Advisory Commission of sale	JHHW
8/31/95	Receive comments on P.O.S. and legal documents	All Parties
9/5/95	Distribute second draft of P.O.S. and legal documents, including to rating agencies and insurance companies	S-F, JHHW
9/8/95	Receive final comments on P.O.S. and legal documents	All Parties
9/12/95	Distribute P.O.S. and legal documents (20 copies) to City Clerk for inclusion in agenda packet for September 20 City Council meeting	S-F, JHHW
9/18/95	Receive ratings and/or insurance commitment	S-F
9/20/95	City Council approves financing, financing team, P.O.S. and legal documents, authorizes distribution of P.O.S. and authorizes City Manager and Finance Director to execute purchase contract subject to certain not-to-exceed parameters	City
9/21/95	Print and mail P.O.S.	S-F
9/25/95	Price issue	S-F
9/26/95	Sale of Certificates; purchase contract executed	City, S-F
10/11/95	Preclosing (2 p.m. at Jones Hall Hill & White offices)	JHHW
10/12/95	Closing (8 a.m. at Jones Hall Hill & White offices; proceeds received by City)	All Parties

AUGUST 1995							SEPTEMBER 1995							OCTOBER 1995						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5					1	2	1	2	3	4	5	6	7	
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31				

Parties:

- City: City of Lodi
- JHHW: Jones Hall Hill & White (Special Counsel)
- S-F: Seidler-Fitzgerald Public Finance (Underwriter)
- MR: Mudge Rose Guthrie Alexander & Ferdon (Disclosure Counsel)
- BofA: Bank of America NT & SA (Trustee)

515 South Figueroa Street - Los Angeles, CA 90071-3396 • 213-624-4232 • Fax 213-688-1559

Seidler-Fitzgerald Public Finance

A Division of The Seidler Companies Incorporated • Member, New York Stock Exchange, Inc.

\$5,000,000 CITY OF LODI 1995 Certificates of Participation (Capital Projects)

Distribution List July 27, 1995

Issuer

City of Lodi
City Hall
Call Box 3006 (95241-1910)
221 West Pine Street
Lodi, CA 95240
(209) 333-6807 (FAX)
Mr. Dixon Flynn, City Manager, (209) 333-6700
Ms. Vicky McAthie, Acting Finance Director,
(209) 333-6761 Ext. 618

Special Counsel

Jones Hall Hill & White
Four Embarcadero Center
19th Floor
San Francisco, CA 94111
(415) 391-5780
(415) 391-5784 (FAX)
Brian D. Quint, Esq.

Underwriter

Seidler-Fitzgerald Public Finance
515 South Figueroa Street
Suite 1100
Los Angeles, CA 90071
(213) 624-4232
(213) 688-1559 (FAX)
Mr. John C. Fitzgerald, Managing Director
Mr. Erec J. Fitzgerald, Financial Analyst
Ms. Pamela Flores, Senior Analyst

Disclosure Counsel

Mudge Rose Guthrie Alexander & Ferdon
180 Maiden Lane
New York, NY 10038
(212) 510-7224
(212) 509-0437 (FAX)
Martin Dockery, Esq.

Trustee

Bank of America
1 Embarcadero Center
20th Floor
San Francisco, CA 94111
(415) 953-4042
(415) 953-4159 (FAX)
Mr. Agazio Catania
Ms. Millie Canessa

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Co./Dept.		Co.			
Phone #		Phone #			
Fax #	(209) 333-6807	Fax #	(212) 509-0437		(209) 333-6761