

\$272,870,000
SACRAMENTO PUBLIC FINANCING AUTHORITY
Lease Revenue Bonds, Series 2015
(Golden 1 Center)
(Federally Taxable)

Dated: Original Date of Issuance
(August 13, 2015)

Due: As shown on inside front cover

This Remarketing Circular is to be used for the limited purpose of providing information in connection with the conversion of the interest rate on \$272,870,000 aggregate principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2015 (Golden 1 Center) (Federally Taxable) (the “**Series 2015 Bonds**”). The Series 2015 Bonds are dated the date of their original issuance (August 13, 2015) and, assuming satisfaction of certain conditions, will be subject to mandatory tender and will be converted to bear interest at fixed interest rates on October 6, 2015 (the “**Fixed Rate Conversion Date**”). After the Fixed Rate Conversion Date, the Series 2015 Bonds will mature on the dates shown on the inside front cover page and, commencing on the Fixed Rate Conversion Date, will bear interest at the fixed rates set forth on the inside cover page. After the Fixed Rate Conversion Date, interest on the Series 2015 Bonds will be payable on each April 1 and October 1, commencing April 1, 2016.

The Series 2015 Bonds were originally issued in the aggregate principal amount of \$299,995,000. On the Fixed Rate Conversion Date, \$27,125,000 in aggregate principal amount of the Series 2015 Bonds will be cancelled, following their mandatory tender, using certain funds on deposit in certain funds and accounts under the hereinafter defined Indenture.

The Series 2015 Bonds were issued on August 13, 2015 by the Sacramento Public Financing Authority (the “**Authority**”), a joint-exercise-of-powers entity organized and existing under the laws of the State of California (the “**State**”), and an indenture, dated as of August 1, 2015 (the “**Indenture**”), between the City of Sacramento (the “**City**”), the Authority, and Wells Fargo Bank, National Association, as trustee (the “**Trustee**”).

The Series 2015 Bonds were issued to (a) pay or reimburse a portion of the costs of the acquisition, construction, installation, and equipping of a multi-purpose entertainment-and-sports center to be located in the downtown area of the City and named the Golden 1 Center (the “**Arena Facility**”); (b) fund capitalized interest on the Series 2015 Bonds through and including October 1, 2017; (c) fund a reserve fund for the Series 2015 Bonds; and (d) pay or reimburse costs of issuance of the Series 2015 Bonds. See “**THE ARENA**.” The Series 2015 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, the Lease Revenues (defined herein) pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts established under the Indenture. The Authority may issue additional bonds payable from the Lease Revenues on a parity with the Series 2015 Bonds as described herein. The Series 2015 Bonds and the additional bonds, if any, are referred to herein as “**Bonds**.”

The Series 2015 Bonds will be available in denominations of \$5,000 and any integral multiple of \$5,000. See “**THE SERIES 2015 BONDS**.”

The Series 2015 Bonds were delivered in fully registered form only, and are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository of the Series 2015 Bonds. Ownership interests in the Series 2015 Bonds may be purchased in book-entry form only. Principal of, and premium (if any) and interest on, the Series 2015 Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit the payment to its participants for subsequent disbursement to the Beneficial Owners of the Series 2015 Bonds. See “**THE SERIES 2015 BONDS**” and APPENDIX F — “**BOOK-ENTRY ONLY SYSTEM**.”

The Series 2015 Bonds are subject to optional, mandatory, and extraordinary redemption as described herein. See “**THE SERIES 2015 BONDS**.”

The City has leased the Arena Facility and the site on which it is located (the “**Arena Site**,” and together with the Arena Facility, the “**Arena**”) from the Authority under a Project Lease, dated as of August 1, 2015 (the “**Project Lease**”), between the Authority and the City. Under the Project Lease, the City is obligated to make Base Rental Payments (as defined herein) from legally available funds in amounts calculated to be sufficient to pay principal of, and interest on, the Series 2015 Bonds when due, as described herein. This obligation is subject initially to completion of construction of the Arena and the Plaza (as described herein) and is subject thereafter to abatement as provided in the Project Lease. All of the Authority’s right, title, and interest in and to the Project Lease (except for the right to receive any Additional Payments (as defined herein) to the extent payable to the Authority and certain rights to indemnification), including the right to receive Base Rental Payments under the Project Lease, are assigned to the Trustee under the Indenture for the benefit of the Owners and Beneficial Owners of the Series 2015 Bonds. See “**SECURITY FOR THE SERIES 2015 BONDS**.”

The Series 2015 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, the Lease Revenues pledged under the Indenture and other moneys pledged thereto in the Indenture. The Series 2015 Bonds are not a debt of the Authority, the City, the State, or any of the State’s political subdivisions, except the Authority to the extent described herein, and neither the Authority, nor the City, nor the State or any of its political subdivisions, except the Authority to the extent described herein, is liable thereon. In no event will the Series 2015 Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. The Series 2015 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Authority, nor the City, nor any persons executing the Series 2015 Bonds are liable personally on the Series 2015 Bonds by reason of their issuance or remarketing.

The purchase and holding of the Series 2015 Bonds involve risks that may not be appropriate for certain investors. See “RISK FACTORS” for a discussion of certain of these risks.

This cover page contains information for general reference only. It is not a summary of this issue. Potential purchasers must read the entire Remarketing Circular to obtain information essential to making an informed investment decision.

*On the date of original issuance of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, delivered its opinion (the “**Original Bond Counsel Opinion**”) that, based on an analysis of then existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is exempt from State of California personal income taxes. The Original Bond Counsel Opinion also observed that interest is not excluded from gross income for federal income-tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”). Bond Counsel expressed no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2015 Bonds. See Appendix D for a copy of the Original Bond Counsel Opinion. The Original Bond Counsel Opinion will not be updated in connection with the conversion and remarketing of the Series 2015 Bonds to fixed interest rates, and Bond Counsel will not be rendering any opinion on the current tax status of the Series 2015 Bonds. See “**TAX MATTERS**” herein.*

Certain legal matters in connection with the remarketing of the Series 2015 Bonds will be passed upon for the City and the Authority by the Sacramento City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel to the City. Certain legal matters will be passed on for the Remarketing Agents by Nixon Peabody LLP. First Southwest Company, LLC is serving as Financial Advisor to the City. The firms listed below are serving as Remarketing Agents and will remarket the Series 2015 Bonds on the Fixed Rate Conversion Date following their mandatory tender.

Goldman, Sachs & Co.

BofA Merrill Lynch

Morgan Stanley

MATURITY SCHEDULE

<u>Maturity (April 1)</u>	<u>Principal Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP</u> [†]
2018	\$3,425,000	2.510%	2.510%	78605QAC1
2019	3,510,000	2.896	2.896	78605QAD9
2020	3,615,000	3.196	3.196	78605QAE7
2021	3,810,000	3.543	3.543	78605QAF4
2022	3,945,000	3.793	3.793	78605QAG2
2023	4,005,000	3.995	3.995	78605QAH0

\$250,560,000 5.637% Term Bonds due April 1, 2050, Yield 5.637%, CUSIP[†] No. 78605QAJ6

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2015 CUSIP Global Services. All rights reserved. CUSIP® data herein are provided by S&P Capital IQ. These data are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service Bureau. The CUSIP® numbers are provided for convenience of reference only. The Authority, the City, and the Remarketing Agent do not take any responsibility for the accuracy of the CUSIP® numbers.

SACRAMENTO PUBLIC FINANCING AUTHORITY

CITY OF SACRAMENTO

Authority Board of Directors and City Council

Kevin Johnson – *Authority Chair, Mayor*
Angelique Ashby – *Authority Director, Councilmember & Mayor Pro Tem*
Allen Wayne Warren – *Authority Director, Councilmember & Vice Mayor*
Jeff Harris – *Authority Director, Councilmember*
Steve Hansen – *Authority Director, Councilmember*
Jay Schenirer – *Authority Director, Councilmember*
Eric Guerra – *Authority Director, Councilmember*
Rick Jennings, II – *Authority Director, Councilmember*
Larry Carr – *Authority Director, Councilmember*

Chief Authority and City Administrative Personnel

John F. Shirey <i>City Manager</i>	Russell T. Fehr <i>Authority Treasurer, City Treasurer</i>
James Sanchez <i>Authority Legal Counsel, City Attorney</i>	Leyne Milstein <i>Authority Controller, City Finance Director</i>
Shirley Concolino <i>Authority Clerk, City Clerk</i>	

Special Services

Bond Counsel
Orrick, Herrington & Sutcliffe LLP

Disclosure Counsel
Stradling Yocca Carlson & Rauth,
A Professional Corporation

Financial Advisor
First Southwest Company, LLC

Trustee
Wells Fargo Bank, National Association

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The Series 2015 Bonds will not be registered under the Securities Act of 1933, as amended, nor will the Indenture be qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in those acts. The Series 2015 Bonds will not have been recommended by any federal or state securities commission or regulatory authority. No such commission or authority has reviewed or passed upon the accuracy or adequacy of this Remarketing Circular. The registration or qualification of the Series 2015 Bonds in accordance with the applicable provisions of securities laws of the jurisdictions in which the Series 2015 Bonds have been registered or qualified, and the exemption therefrom in other jurisdictions, cannot be regarded as a recommendation thereof by any of those jurisdictions. Any representation to the contrary is a criminal offense.

In making an investment decision, prospective investors must rely on their own examination of the terms of the offering, including the merits and risks involved.

The contents of this Remarketing Circular are not to be construed as legal, business, or tax advice. Prospective investors should consult their own attorneys, business advisors, and tax advisors as to legal, business, and tax advice.

No dealer, broker, salesperson, or other person has been authorized by the Authority, the City, or the Remarketing Agents to give any information or to make any representations other than as set forth herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the City, or the Remarketing Agents. This Remarketing Circular does not constitute an offer to sell or the solicitation of an offer to buy. The Series 2015 Bonds may not be sold by a person in any jurisdiction in which it is unlawful for the person to make such an offer, solicitation, or sale.

This Remarketing Circular is not to be construed as a contract with the purchasers of the Series 2015 Bonds. Statements in this Remarketing Circular that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth in this Remarketing Circular has been obtained from official sources and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation of the Remarketing Agents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Remarketing Circular nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. This Remarketing Circular is submitted in connection with the sale of the Series 2015 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Remarketing Agents have provided the following sentence for inclusion in this Remarketing Circular: “The Remarketing Agents have reviewed the information in this Remarketing Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.”

This Remarketing Circular contains forward-looking statements within the meaning of the federal securities laws. Those statements are based on currently available information, expectations, estimates, assumptions, projections, and general economic conditions. Such words as *expects*, *intends*, *plans*, *believes*, *estimates*, and *anticipates* (and any variations of these words or similar expressions) are intended to identify forward-looking statements and include but are not limited to statements under the captions “SECURITY FOR THE SERIES 2015 BONDS,” “CITY FINANCIAL INFORMATION,” “CITY FINANCIAL PRESSURES,” “THE ARENA” and APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.” The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. The achievement of certain

results or other expectations contained in forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance, or achievements achieved to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. No assurance is given that actual results will meet the Authority's or the City's forecasts in any way, regardless of the level of optimism communicated in the information. The City and the Authority assume no obligation to provide public updates of forward-looking statements.

In connection with the remarketing of the Series 2015 Bonds, the Remarketing Agents may overallocate or effect transactions that stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. These stabilizing transactions, if commenced, may be discontinued at any time. The Remarketing Agents may offer and sell the Series 2015 Bonds to certain dealers and others at prices lower than the public offering price stated on the inside cover page of this Remarketing Circular, and the public offering prices may be changed from time to time by the Remarketing Agents.

The City maintains a website; however, the information presented therein is not a part of this Remarketing Circular and should not be relied on in making an investment decision with respect to the Series 2015 Bonds.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
General Description	1
Terms of the Series 2015 Bonds	1
Book-Entry Only	2
Source of Payment for the Series 2015 Bonds	2
Arena	2
Abatement	3
Reserve Fund	3
The City	3
The Authority	3
Other Participants	3
Continuing Disclosure	4
Risk Factors	4
Other Information	4
THE SERIES 2015 BONDS	4
Optional Redemption	5
Mandatory Redemption	7
Extraordinary Redemption from Insurance or Condemnation Proceeds	7
Selection of Series 2015 Bonds for Redemption	8
Notice of Redemption	8
Partial Redemption of Series 2015 Bonds	9
Effect of Redemption	9
PLAN OF REMARKETING	10
SECURITY FOR THE SERIES 2015 BONDS	10
General	10
Base Rental Payments and Additional Payments	11
Abatement	12
Insurance	12
Title Insurance	13
Insurance and Condemnation Awards	13
Reserve Fund	15
Subordination Agreement	15
Application of Moneys Received by City or Authority Under the Subordination Agreement	16
Additional Bonds	16
Substitution and Release of Property Constituting the Arena	17
Authority Remedies Limited Under the Project Lease	18
DEBT SERVICE SCHEDULE FOR THE SERIES 2015 BONDS	19
THE AUTHORITY	21
THE CITY	21
CITY FINANCIAL INFORMATION	21
CITY FINANCIAL PRESSURES	22
THE ARENA	23
General	23
Background	23
Arena Agreements	23
Arena Funding	24
Arena Construction	27
Cost Estimates and Funding Status	30
Governmental Permits and Approvals	31

TABLE OF CONTENTS

	Page
Arena Operations and Maintenance.....	31
CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS.....	35
Article XIII A of the State Constitution.....	35
Article XII B of the State Constitution.....	36
Articles XIII C and XIII D of the State Constitution.....	37
Statutory Spending Limitations.....	38
Proposition 1A.....	39
Proposition 22.....	39
Future Initiatives.....	40
RISK FACTORS.....	40
Base Rental Payments Are Not Debt.....	40
Valid and Binding Covenant to Budget and Appropriate.....	41
ArenaCo May Not Satisfy Its Obligation to Provide Funds to Complete the Arena Facility.....	41
Construction Risks.....	41
Governmental Permits and Approvals.....	42
Third Party Contract Risk.....	43
Abatement.....	43
Risk of Uninsured Loss.....	44
Eminent Domain.....	44
Risk of Insufficiency of Insurance Proceeds or Condemnation Awards.....	44
Hazardous Substances.....	45
Flood.....	45
Earthquake.....	45
Bankruptcy.....	46
City Financial Pressures.....	48
No Acceleration; No Right to Relet Arena.....	48
Limitations on Remedies.....	49
No Liability of Authority to the Owners.....	49
Changes in Law.....	49
TAX MATTERS.....	49
CERTAIN LEGAL MATTERS.....	49
FINANCIAL STATEMENTS.....	50
LITIGATION.....	50
RATINGS.....	51
FINANCIAL ADVISOR.....	51
REMARKETING.....	51
CONTINUING DISCLOSURE.....	52
ADDITIONAL INFORMATION.....	53

TABLE OF CONTENTS

	Page
APPENDIX A GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.....	A-1
APPENDIX B CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014	B-1
APPENDIX C SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE.....	C-1
APPENDIX D COPY OF ORIGINAL BOND COUNSEL OPINION	D-1
APPENDIX E FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE.....	E-1
APPENDIX F BOOK-ENTRY ONLY SYSTEM	F-1

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REMARKETING CIRCULAR

\$272,870,000
SACRAMENTO PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS, SERIES 2015
(GOLDEN 1 CENTER)
(FEDERALLY TAXABLE)

INTRODUCTION

The following introduction presents a brief description of certain information in connection with the remarketing of the Series 2015 Bonds (as defined below) and is qualified in its entirety by reference to the entire Remarketing Circular and the documents summarized or described herein. References to, and summaries of, provisions of the Constitution and the laws of the State of California (the “**State**”) and any documents referred to herein do not purport to be complete, and those references are qualified in their entirety by reference to the complete provisions thereof. Capitalized terms used in this Remarketing Circular and not defined elsewhere herein have the meanings given the terms in the Indenture (as defined below). See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE.”

General Description

This Remarketing Circular, including the cover page and the attached appendices (this “**Remarketing Circular**”), is used for the limited purpose of providing certain information concerning the remarketing of \$272,870,000 aggregate principal amount of Sacramento Public Financing Authority Lease Revenue Bonds, Series 2015 (Golden 1 Center) (Federally Taxable) (the “**Series 2015 Bonds**”), which were initially issued by the Sacramento Public Financing Authority, a joint-exercise-of-powers entity organized under the laws of the State (the “**Authority**”) on August 13, 2015. Assuming satisfaction of certain conditions, the Series 2015 Bonds will be subject to mandatory tender and will be converted to bear interest at fixed interest rates on October 6, 2015 (the “**Fixed Rate Conversion Date**”). The Series 2015 Bonds were issued under the State’s Marks-Roos Local Bond Pooling Act of 1985 (Government Code §§ 6584-6599.3) (the “**Marks-Roos Act**”) and an indenture, dated as of August 1, 2015, (the “**Indenture**”), between the City of Sacramento (the “**City**”), the Authority, and Wells Fargo Bank, National Association, as trustee (the “**Trustee**”). The Series 2015 Bonds were issued to (a) pay or reimburse a portion of the costs of the acquisition, construction, installation, and equipping of a multi-purpose entertainment-and-sports center located in downtown Sacramento, which will be owned by the City and named the “Golden 1 Center” (the “**Arena Facility**”); (b) fund capitalized interest on the Series 2015 Bonds through October 1, 2017; (c) fund a reserve fund for the Series 2015 Bonds; and (d) pay or reimburse costs of issuance of the Series 2015 Bonds. See “THE ARENA.”

The Series 2015 Bonds were originally issued in the aggregate principal amount of \$299,995,000. On the Fixed Rate Conversion Date, \$27,125,000 in aggregate principal amount of the Series 2015 Bonds will be cancelled, following their mandatory tender, using certain funds on deposit in certain funds and accounts under the Indenture.

Terms of the Series 2015 Bonds

The Series 2015 Bonds will be available in denominations of \$5,000 and any integral multiple of \$5,000. After the Fixed Rate Conversion Date, the Series 2015 Bonds will mature on the dates shown on the inside front cover page and, commencing on the Fixed Rate Conversion Date, will bear interest at the fixed rates set forth on the inside cover page. After the Fixed Rate Conversion Date, interest on the Series 2015 Bonds will be payable on each April 1 and October 1, commencing April 1, 2016 (each, an “**Interest Payment Date**”).

The Series 2015 Bonds are subject to optional, mandatory, and extraordinary redemption as described herein.

See “THE SERIES 2015 BONDS.”

Book-Entry Only

The Depository Trust Company, New York, New York (“**DTC**”) will act as the depository of the Series 2015 Bonds, and all payments due on the Series 2015 Bonds will be made to DTC or its nominee. Ownership interests in the Series 2015 Bonds may be purchased in book-entry form only. See APPENDIX F — “**BOOK-ENTRY ONLY SYSTEM.**”

Source of Payment for the Series 2015 Bonds

Under the Site Lease, dated as of August 1, 2015, between the City and the Authority (the “**Site Lease**”), the City leased to the Authority both the Arena Facility and the approximately seven-acre site on which it is located (the “**Arena Site,**” and together with the Arena Facility, the “**Arena**”). See “**THE ARENA.**” Concurrently, the City subleased the Arena from the Authority under a Project Lease, dated as of August 1, 2015, between the Authority and the City (the “**Project Lease**”). Under the Project Lease, the City is obligated to make rental payments for the use and occupancy of the Arena (the “**Base Rental Payments**”) from legally available funds in amounts calculated to be sufficient to pay principal of, and interest on, the Series 2015 Bonds when due. This obligation is subject initially to completion of construction of the Arena and the Plaza (as described herein) and is subject thereafter to abatement as provided in the Project Lease. The City has covenanted in the Project Lease to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. These covenants are duties imposed by law and are to be construed as such so that each City official will have a duty to take such action and do such things as are required by law in the performance of his or her official duty to enable the City to carry out and perform the covenants. The City is not obligated to levy or pledge any form of taxation to make Base Rental Payments under the Project Lease, and the City has not levied or pledged any form of taxation for those payments.

The Series 2015 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, the Lease Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts established under the Indenture. As defined in the Indenture, “**Lease Revenues**” means all Base Rental Payments payable by the City under the Project Lease (including any prepayments thereof), any Net Proceeds, and any amounts received by the Trustee as a result of, or in connection with, the Trustee’s pursuit of remedies under the Project Lease upon a Lease Default Event.

The Authority may at any time issue one or more series of additional bonds payable from the Lease Revenues on a parity with the Series 2015 Bonds, subject to satisfaction of certain conditions set forth in the Indenture. See “**SECURITY FOR THE SERIES 2015 BONDS — Additional Bonds.**” The Series 2015 Bonds and the additional bonds, if any, are referred to herein as “**Bonds.**”

Arena

The City and Sacramento Downtown Arena LLC (“**ArenaCo**”) are parties to an Arena Management, Operations, and Lease Agreement dated as of May 20, 2014 (as amended, the “**ArenaCo Lease**”), under which ArenaCo agreed to construct, lease, and operate the Arena. ArenaCo and the Sacramento Kings Limited Partnership (“**TeamCo**”) previously entered into a Team Use Agreement, dated May 20, 2014 (as amended, the “**Team Use Agreement**”), under which ArenaCo agreed to, among other things, license the use of the Arena to TeamCo. See “**SECURITY FOR THE SERIES 2015 BONDS — Subordination Agreement**” for a description of the Subordination, Nondisturbance, and Attornment Agreement, dated as of August 1, 2015 (the “**Subordination Agreement**”), under which ArenaCo, the City, the Authority, TeamCo, and the Trustee

agreed as of the date of original issuance of the Series 2015 Bonds that the Site Lease and the Project Lease are prior and superior to the ArenaCo Lease and the Team Use Agreement.

Construction of the Arena Facility commenced in the fall of 2014 and is currently expected to be substantially completed by September 2016. See “THE ARENA” herein for a description of the current status of construction of the Arena Facility.

Abatement

Except to the extent of amounts on deposit in the Capitalized Interest Fund (which is not expected to hold any funds after October 1, 2017) and the Reserve Fund, if for any reason the City does not have use and occupancy of the Arena or any part thereof on October 1, 2017, Base Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Arena or the part thereof for which the City does not have use and occupancy bears to the annual fair-rental value of the Arena assuming the City were to have use and occupancy of the entire Arena). In addition, during any period in which, by reason of material damage to, or destruction or condemnation of, the Arena, or any defect in title to the Arena, there is substantial interference with the City’s right to use and occupy any portion of the Arena, Base Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Arena or the part thereof for which there has been substantial interference bears to the annual fair-rental value of the Arena absent the substantial interference). Abatement will continue for the period commencing with the date of interference resulting from the damage, destruction, condemnation, or title defect and, with respect to damage to or destruction of the Arena, ending with the substantial completion of the work of repair or replacement of the Arena, or the portion thereof so damaged or destroyed. The Project Lease provides that there will be no abatement of Base Rental Payments to the extent proceeds of rental-interruption insurance are available or there are moneys available for the payment of Rental Payments in any of the funds and accounts established under the Indenture. See “SECURITY FOR THE SERIES 2015 BONDS — Abatement” and “RISK FACTORS — Construction Risks.”

Reserve Fund

A debt-service reserve fund (the “**Reserve Fund**”) has been established and is held under the Indenture to secure the payment of principal of, and interest on, the Bonds (including the Series 2015 Bonds) in an amount equal to the Reserve Requirement (as defined herein). See “SECURITY FOR THE SERIES 2015 BONDS — Reserve Fund” and APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE” for additional information on the Reserve Fund.

The City

The City is a municipal corporation and charter city of the State. See “THE CITY,” “CITY FINANCIAL INFORMATION,” “CITY FINANCIAL PRESSURES,” and APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.”

The Authority

The Authority is a joint-exercise-of-powers entity created under State law (Government Code section 6500 and following) by an agreement between the City and the Housing Authority of the City of Sacramento, dated as of February 25, 2014, and effective April 29, 2014. See “THE AUTHORITY.”

Other Participants

As described in “THE ARENA,” the City has entered into a number of agreements with Sacramento Basketball Holdings LLC (“**HoldCo**”), a private entity that owns a controlling interest in the Sacramento

Kings National Basketball Association franchise (the “**Sacramento Kings**”) and in affiliated entities, including ArenaCo and TeamCo. These affiliated entities have and will undertake specific activities with respect to the Arena and the Sacramento Kings. ArenaCo is responsible for the construction of the Arena Facility and has leased the Arena from the City. ArenaCo has licensed the use of the Arena to TeamCo, which is the owner of the Sacramento Kings. ArenaCo is also responsible for the payment of a substantial portion of the construction costs of the Arena. See “RISK FACTORS” herein.

Continuing Disclosure

The City has covenanted in the amended and restated Continuing Disclosure Certificate (the “**Continuing Disclosure Certificate**”) to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (the “**EMMA System**”) certain annual financial information and operating data, including but not limited to its audited financial statements and, in a timely manner, notice of certain enumerated events. See “CONTINUING DISCLOSURE”; and APPENDIX E — “FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the specific nature of the annual report and notices of enumerated events and a summary description of the terms of the Continuing Disclosure Certificate under which the reports and notices are to be made.

Risk Factors

Certain events could affect the ability of the City to make the Base Rental Payments when due. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS” and “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2015 Bonds.

Other Information

The descriptions herein of the Indenture, the Site Lease, the Project Lease, the Subordination Agreement, and any other agreements relating to the Series 2015 Bonds are qualified in their entirety by reference to those documents, and the descriptions herein of the Series 2015 Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE.”

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Remarketing Circular nor any sale made hereunder nor any future use of this Remarketing Circular, under any circumstances, creates any implication that there has been no change in the affairs of the City or the Authority since the date hereof.

The presentation of information in this Remarketing Circular (including Appendix A) is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City or the Authority. No representation is made that past experience, as it might be shown by financial and other information, will necessarily continue or be repeated in the future.

THE SERIES 2015 BONDS

The Series 2015 Bonds were issued in fully registered form without coupons, and after the Fixed Rate Conversion Date will be in denominations of \$5,000 or any integral multiple of \$5,000 (“**Authorized Denominations**”). The Series 2015 Bonds will mature on April 1 in each of the years and in the amounts set forth on the inside cover page hereof, and they will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates set forth on the inside cover page hereof.

Interest on the Series 2015 Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2016 (each, an “**Interest Payment Date**”), to the Owners of the Series 2015 Bonds showing on the Registration Books as the Owners thereof as of the fifteenth calendar day of the month immediately preceding each Interest Payment Date, whether or not it is a Business Day (each, a “**Record Date**”). Except as provided in APPENDIX F — “BOOK-ENTRY ONLY SYSTEM,” interest on the Series 2015 Bonds will be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2015 Bonds at their addresses shown on the Registration Books as of the close of business on the preceding Record Date, except as follows: for an Owner of \$1,000,000 or more in aggregate principal amount of Series 2015 Bonds, payment of interest will be made by wire transfer of immediately available funds on the following Interest Payment Date if the Owner delivers a written request to the Trustee specifying the account or accounts to which the payment must be made and if the request is received at least ten days before a Record Date; any such request will remain in effect until the Owner revokes or revises it by an instrument in writing delivered to the Trustee. Principal of, and interest and premium (if any) on, the Series 2015 Bonds will be payable in lawful money of the United States of America.

Each Series 2015 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (1) a Series 2015 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from that Interest Payment Date; or (2) interest on any Series 2015 Bond is in default as of the date of authentication thereof, in which event interest will be payable from the date to which interest has previously been paid or duly provided for.

The Series 2015 Bonds are registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as the securities depository for the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made in book-entry form. Purchasers will not receive certificates representing their ownership interests in the Series 2015 Bonds. So long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee of DTC, references herein to the Owners or registered owners thereof means Cede & Co. and not the Beneficial Owners of the Series 2015 Bonds. So long as Cede & Co. is the registered owner of the Series 2015 Bonds, principal of, and interest on, the Series 2015 Bonds are payable by wire transfer of same day funds by the Trustee to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit those amounts to the Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F — “BOOK-ENTRY ONLY SYSTEM.”

Optional Redemption

The Series 2015 Bonds are subject to optional redemption before their stated maturity dates, on any date, in whole or in part, in Authorized Denominations, from any source of available funds, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed plus accrued interest on the Series 2015 Bonds to be redeemed to the date fixed for redemption plus any Make-Whole Premium, as calculated by the City, on which calculations the Trustee may conclusively rely. “**Make-Whole Premium**” means a prepayment premium with respect to Called Principal equal to the excess, if any, of the Discounted Value over the sum of (a) the Called Principal plus (b) interest accrued thereon as of (including interest due on) the redemption date with respect to the Called Principal. The Make-Whole Premium will in no event be less than zero. The following definitions relate to the Make-Whole Premium definition:

“**Called Principal**” means the principal amount of the Series 2015 Bonds being redeemed with respect to which a Make Whole Premium is required to be paid.

“**Discounted Value**” means the amount obtained by discounting all Remaining Scheduled Payments with respect to Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on a semi-annual basis) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to Called Principal, the sum of (a) the spread of 25 basis points, with respect to the Series 2015 Bonds maturing on April 1, 2018, through 2023, or 40 basis points, with respect to the Series 2015 Bonds maturing on April 1, 2050; plus (b) the yield to maturity implied by the Treasury Constant Maturity Series yields reported, for the latest day for which such yields have been so reported as of the business day next preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded United States Treasury securities having a constant maturity equal to the Remaining Average Life of the Called Principal as of the Settlement Date. The implied yield will be determined, if necessary, by converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and then interpolating linearly between (a) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life of the Called Principal and (b) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life of the Called Principal.

“Remaining Average Life” means, with respect to Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing the Called Principal into the sum of the products obtained by multiplying (a) each Remaining Scheduled Payment of the Called Principal (but not of interest thereon) by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to the Called Principal and the scheduled due date of the Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to Called Principal, all payments of the Called Principal and interest thereon that would be due on or after the Settlement Date with respect to the Called Principal if no payment of the Called Principal were made before its scheduled due date.

“Settlement Date” means the date on which the Called Principal is redeemed.

Mandatory Redemption

The Series 2015 Bonds maturing on April 1, 2050 are subject to mandatory redemption from mandatory sinking-fund payments for the Series 2015 Bonds maturing on April 1, 2050 on each of the following dates, and in the following principal amounts (except that if any of the Series 2015 Bonds are redeemed by optional or extraordinary redemption, then the amounts of the remaining mandatory sinking-fund payments for the Series 2015 Bonds maturing on April 1, 2050 will be reduced proportionately by the principal amount of all Series 2015 Bonds so redeemed as specified in writing by the City to the Trustee), at a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption, without premium:

<u>Sinking Fund Payment Date (April 1)</u>	<u>Sinking Fund Payment</u>
2024	\$4,165,000
2025	4,400,000
2026	4,645,000
2027	4,910,000
2028	5,185,000
2029	5,475,000
2030	5,785,000
2031	6,110,000
2032	6,455,000
2033	6,815,000
2034	7,200,000
2035	7,605,000
2036	8,035,000
2037	8,485,000
2038	8,965,000
2039	9,470,000
2040	10,000,000
2041	10,565,000
2042	11,160,000
2043	11,790,000
2044	12,450,000
2045	13,150,000
2046	13,895,000
2047	14,675,000
2048	15,500,000
2049	16,375,000
2050*	17,295,000

* Maturity.

Extraordinary Redemption from Insurance or Condemnation Proceeds

The Series 2015 Bonds are also subject to redemption, in whole or in part, on any date, in Authorized Denominations, from and to the extent of any Net Proceeds (other than Net Proceeds of rental-interruption insurance) received with respect to all or a portion of the Arena and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Series 2015 Bonds for Redemption

Whenever less than all of the Outstanding Series 2015 Bonds are to be redeemed under the extraordinary redemption provisions of the Indenture, the Trustee shall select the maturities of the Series 2015 Bonds to be redeemed from the maturities of all Outstanding Series 2015 Bonds not previously called for redemption on a pro-rata basis as directed in a Written Certificate of the City as nearly as practicable given Authorized Denominations.

Whenever less than all of the Outstanding Series 2015 Bonds are to be optionally redeemed under the Indenture (other than when subject to extraordinary redemption), the Trustee shall select the maturities of the Series 2015 Bonds to be redeemed from the maturities of the Outstanding Series 2015 Bonds not previously called for redemption, as directed in a Written Certificate of the City in Authorized Denominations. If less than all of the Series 2015 Bonds of the same maturity are to be redeemed at any one time, the principal of all Series 2015 Bonds of that maturity will be subject to redemption on a pro-rata basis. If the Series 2015 Bonds are not registered in book-entry-only form, then any redemption of less than all of the Series 2015 Bonds of the same maturity will be effected by the Trustee among Owners on a pro-rata basis subject to Authorized Denominations. For so long as the Series 2015 Bonds are held in book-entry-only form and DTC or a successor securities depository is the sole Owner of the Series 2015 Bonds, if less than all of the Series 2015 Bonds of the same maturity are called for prior redemption, then the Trustee shall select, on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, the particular Series 2015 Bonds or portions thereof to be redeemed, subject to the following: so long as the Series 2015 Bonds are held in book-entry-only form, the Trustee shall select the Series 2015 Bonds for redemption in accordance with the operational arrangements of DTC then in effect (as of the date of execution of the Indenture those operational arrangements provide for adjustment of the principal by a factor provided under the operational arrangements). If the Trustee does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, then the Series 2015 Bonds will be selected for redemption by lot in accordance with DTC procedures. Redemption allocations made by DTC, by direct or indirect participants in DTC, or by such other intermediaries as may exist between the Authority and the Beneficial Owners are to be made on a "Pro Rata Pass Through Distribution of Principal" basis as described above.

Notice of Redemption

The Trustee on behalf of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to the Owners of any Series 2015 Bonds designated for redemption at their addresses appearing on the Registration Books, at least 20 but not more than 60 days before the date fixed for redemption. The notice must do all of the following: state the date of the notice, the redemption date, the redemption place, and the redemption price; designate the CUSIP numbers, the maturity or maturities of the Series 2015 Bonds to be redeemed, and the principal amount of the maturity or maturities to be redeemed (except in the event of redemption of all of the Series 2015 Bonds of the maturity or maturities in whole); and require that the Series 2015 Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the Series 2015 Bonds will not accrue from and after the date fixed for redemption.

Neither the failure to receive any notice so mailed, nor any defect in such a notice, will affect the validity of the proceedings for the redemption of the Series 2015 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Series 2015 Bonds, unless, at the time notice is given, the Series 2015 Bonds to be redeemed are deemed to have been paid within the meaning of the Indenture, the notice must state the following: that redemption is conditional upon receipt by the Trustee, on or before the date fixed for redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2015 Bonds to be redeemed; and that, if such moneys have not been so received, the notice will be of no force and effect, and the

Authority will not be required to redeem the Series 2015 Bonds. If a notice of optional redemption of Series 2015 Bonds contains such a condition and the moneys are not so received, then the redemption of Series 2015 Bonds as described in the conditional notice of redemption will not be made and, within a reasonable time after the date on which redemption was to occur, the Trustee shall give notice to the persons, in the manner in which the notice of redemption was given, that the moneys were not so received and that there will be no redemption of Series 2015 Bonds under that notice of redemption. The failure to optionally redeem the Series 2015 Bonds does not constitute an Event of Default.

The Authority may rescind any notice of optional redemption of Series 2015 Bonds by giving the Trustee notice, in writing or by electronic means, no later than five Business Days before the date specified for redemption. The Trustee shall give notice of the rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of the redemption was given.

So long as the book-entry system is used for the Series 2015 Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered Owners of Series 2015 Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2015 Bonds called for redemption or any other action premised on such notice. Beneficial Owners may desire to make arrangements with a Participant so that all notices of redemption or other communications to DTC which affect such Beneficial Owners, and notification of all interest payments, will be forwarded in writing by such Participant. See APPENDIX F — “BOOK-ENTRY ONLY SYSTEM.”

Partial Redemption of Series 2015 Bonds

Upon surrender of any Series 2015 Bonds redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Series 2015 Bond or Series 2015 Bonds in Authorized Denominations equal in aggregate principal amount representing the unredeemed portion of the Series 2015 Bonds surrendered.

Effect of Redemption

If notice of redemption has been given as aforesaid, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, have been set aside for the redemption price and the interest to the date fixed for redemption, the Series 2015 Bonds to be redeemed will become due and payable on the redemption date and, upon presentation and surrender of the Series 2015 Bonds to be redeemed at the Office of the Trustee, the Series 2015 Bonds to be redeemed will be paid at the redemption price, together with interest accrued and unpaid to the redemption date.

If, on the date fixed for redemption, moneys for the redemption price of all the Series 2015 Bonds to be redeemed, together with interest to the redemption date, are held by the Trustee so as to be available for redemption on that date, and, if notice of redemption of the Series 2015 Bonds to be redeemed has been mailed and not canceled, then, from and after the date fixed for redemption, interest on the Series 2015 Bonds to be redeemed will cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2015 Bonds will be held in trust for the account of the Owners of the Series 2015 Bonds to be redeemed without liability to the Owners for interest on the Series 2015 Bonds to be redeemed.

All Series 2015 Bonds redeemed under the provisions of the Indenture will be canceled by the Trustee upon surrender thereof.

PLAN OF REMARKETING

On the Fixed Rate Conversion Date, the Authority expects to use the proceeds from the remarketing of the Series 2015 Bonds and other amounts as follows:

Sources:	
Remarketing Proceeds from Series 2015 Bonds	\$272,870,000.00
Amounts on Deposit in 2015 Capitalized Interest Fund	54,156,106.67
Amounts on Deposit in Reserve Fund	21,468,072.00
Amounts on Deposit in Costs of Issuance Fund	<u>3,944,172.33</u>
Total Sources	\$352,438,351.00
Uses:	
Purchase Price of Remarketed Series 2015 Bonds	\$272,870,000.00
Purchase Price of Cancelled Series 2015 Bonds	27,125,000.00
Balance in 2015 Capitalized Interest Fund	29,537,129.84
Balance in Reserve Fund	18,378,700.80
Costs of Issuance ⁽¹⁾	3,428,875.80
Interest Paid ⁽²⁾	<u>1,098,644.56</u>
Total Uses	\$352,438,351.00

⁽¹⁾ Includes Remarketing Agent fee.

⁽²⁾ Interest paid on the Series 2015 Bonds prior to Fixed Rate Conversion Date on 10/1/2015 and on Fixed Rate Conversion Date.

SECURITY FOR THE SERIES 2015 BONDS

General

The Series 2015 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, the Lease Revenues pledged therefor under the Indenture, together with amounts on deposit from time to time in the funds and accounts established under the Indenture.

Under the Indenture, the Authority assigned to the Trustee, for the benefit of the Owners from time to time of the Series 2015 Bonds, all of the Lease Revenues and all of the rights of the Authority in the Project Lease (except for the right to receive any Additional Payments to the extent payable to the Authority and certain rights to indemnification set forth therein). The Trustee is entitled to collect and receive all of the Lease Revenues, and any Lease Revenues collected or received by the Authority are required to be held, and to have been collected or received, by the Authority as the agent of the Trustee and must be paid by the Authority to the Trustee.

The Series 2015 Bonds are special limited obligations of the Authority payable solely from, and secured solely by, the Lease Revenues pledged under the Indenture and other moneys pledged thereto in the Indenture. The Series 2015 Bonds are not a debt of the Authority, the City, the State, or any of the State's political subdivisions, except the Authority to the extent described herein, and neither the Authority, nor the City, nor the State or any of its political subdivisions, except the Authority to the extent described herein, is liable thereon. In no event will the Series 2015 Bonds or any interest or redemption premium thereon be payable out of any funds or properties other than those of the Authority as set forth in the Indenture. The Series 2015 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Neither the members of the Authority, nor the City, nor any persons executing the Series 2015 Bonds are liable personally on the Series 2015 Bonds by reason of their issuance or remarketing.

Base Rental Payments and Additional Payments

Under the Site Lease, the City leased the Arena to the Authority as of the date of original issuance of the Series 2015 Bonds. See “THE ARENA.” Concurrently, the City subleased the Arena from the Authority under the Project Lease.

The Project Lease requires the City, subject initially to completing construction of the Arena (including the Plaza, as described herein) and thereafter subject to abatement as provided therein, to deposit with the Trustee, as assignee of the Authority, on the fifth Business Day next preceding each Interest Payment Date (the “**Base Rental Deposit Dates**”), an amount equal to the Base Rental Payment coming due and payable on each such Base Rental Deposit Date. The Base Rental Payments payable in any fiscal year of the City constitute payment for the use and possession of the Arena during the fiscal year. The City will receive a credit towards payment of Base Rental Payments for amounts on deposit in the Payment Fund (including the Interest Account and the Principal Account therein) on each Base Rental Deposit Date. (Base Rental Payments payable on Base Rental Deposit Dates through October 1, 2017, will be made from amounts on deposit in the Capitalized Interest Fund established under the Indenture.)

The obligation of the City to make Base Rental Payments under the Project Lease (a) is payable from funds lawfully available therefor (i.e., amounts in City’s General Fund); (b) does not constitute a debt of the City or of the State or any of its political subdivisions in contravention of any constitutional or statutory debt limit or restriction; and (c) does not constitute an obligation for which the City or the State is obligated to levy or pledge any form of taxation or for which the City or the State has levied or pledged any form of taxation. Neither the full faith and credit nor the taxing power of the City or of the State or any of its political subdivisions is pledged to make Base Rental Payments under the Project Lease. The Authority has no taxing power. The Base Rental Payments are calculated to be sufficient to pay, when due, the principal of and interest on the Series 2015 Bonds.

In addition to the Base Rental Payments, the City is required to pay when due the following Additional Payments (Base Rental Payments and Additional Payments are referred to herein as the “**Rental Payments**”): (a) all taxes and assessments of any type charged to the Authority or the City or affecting the Arena or the respective interests or estates of the Authority or the City in the Arena; (b) all reasonable administrative costs of the Authority relating to the Arena, including but not limited to, salaries, wages, fees, and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys, or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Project Lease or to defend the Authority and its members, officers, agents, and employees; and (c) insurance premiums for all insurance required under the Project Lease.

Under the Project Lease, the City covenants to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. As provided in the Project Lease, these covenants of the City thereunder are deemed to be and will be construed to be duties imposed by law, and it will be the duty of each public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform these covenants.

Base Rental Payments made by the City to the Authority are payable from lawful money of the United States of America to, or upon the order of, the Authority at the Principal Office of the Trustee or at such other place or entity as the Authority may designate. Notwithstanding any dispute between the Authority and the City, the City will make all Rental Payments when due without deduction or offset of any kind and will not withhold any Rental Payments pending the final resolution of the dispute. In the event of a determination that the City was not liable for the Rental Payments or any portion thereof, the payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Project Lease or refunded at the time of the determination. The Project Lease and the Indenture require that Base Rental Payments be

deposited in the Payment Fund maintained by the Trustee, which fund is held for the benefit of the Owners of the Series 2015 Bonds.

Abatement

Except to the extent of amounts on deposit in the Capitalized Interest Fund (which is not expected to hold any funds after October 1, 2017) and the Reserve Fund, if for any reason the City does not have use and occupancy of the Arena or any part thereof on October 1, 2017, subsequent Base Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Arena or the part thereof for which the City does not have use and occupancy bears to the annual fair-rental value of the Arena assuming the City were to have use and occupancy of the entire Arena). In addition, during any period in which, by reason of material damage to, or destruction or condemnation of, the Arena, or any defect in title to the Arena, there is substantial interference with the City's right to use and occupy any portion of the Arena, Base Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Arena or the part thereof for which there has been substantial interference bears to the annual fair-rental value of the Arena absent the substantial interference). Abatement will continue for the period commencing with the date of interference resulting from the damage, destruction, condemnation, or title defect and, with respect to damage to or destruction of the Arena, ending with the substantial completion of the work of repair or replacement of the Arena or the portion thereof so damaged or destroyed. To the extent proceeds of rental-interruption insurance are available or there are moneys available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, the Project Lease provides that there will be no abatement of Base Rental Payments.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but, rather, will be payable by the City as a special obligation payable solely from those funds and accounts. See "SECURITY FOR THE SERIES 2015 BONDS — Insurance."

If all of the Arena (or portions thereof such that the remainder is not usable for public purposes by the City) is taken under the power of eminent domain, then the term of the Project Lease will cease as of the day possession is taken. If less than all of the Arena is taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of the taking, then the Project Lease will continue in full force and effect as to the remainder, the parties waive the benefits of any law to the contrary, and Rental Payments will be partially abated in accordance with the Project Lease. So long as any Bonds are Outstanding, and subject to the ArenaCo Lease, any award made in eminent domain for the taking of the Arena, or any portion thereof, and received by the City will be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any award remaining after all of the Bonds and all other amounts due under the Indenture and the Project Lease have been fully paid will be paid to the City.

Insurance

The following paragraphs describe the provisions of the Project Lease requiring the City to maintain specified insurance coverage and certain provisions of the Indenture relating to applications of Net Proceeds. As described herein in "THE ARENA — Arena Operations and Maintenance — Insurance Requirements," ArenaCo is required by the ArenaCo Lease to obtain and maintain insurance coverage relating to construction and operation of the Arena. The City will satisfy its obligation to obtain and maintain insurance relating to construction and operation of the Arena under the Project Lease through the insurance obtained by ArenaCo, and the provision described below would apply only if ArenaCo failed to maintain the coverage required by the ArenaCo Lease.

The City is required under the Project Lease to maintain reasonable and customary liability insurance, a requirement that may be satisfied by self-insurance so long as the self-insurance complies with the provisions of the Project Lease as summarized below.

The City is required to maintain or cause to be maintained casualty insurance (or, during the period of construction of the Arena, builder's risk insurance) insuring the Arena against fire, lightning, and all other risks covered by an extended coverage endorsement (excluding earthquake coverage unless provided at the discretion of the City). At all times, the insurance must be in an amount not less than 100% of the full replacement cost (new without deduction for depreciation) of the Arena Facility, subject to a \$100,000 loss deductible provision. The casualty insurance may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with the provisions described below.

The Project Lease provides that, during the period of construction of the Arena, the builder's risk insurance must include coverage for consequential loss of revenue and customary soft costs (including the interest components of the Base Rental Payments) for up to 24 months. The Project Lease provides that, commencing with its use and occupancy of the Arena, the City must maintain or cause to be maintained rental-interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Arena as a result of any of the hazards covered by the casualty insurance in an amount not less than an amount sufficient to pay the Base Rental Payments for any 24-month period. The rental-interruption insurance required under the Project Lease may not be maintained in whole or in part in the form of self-insurance.

Any self-insurance maintained by the City under the Project Lease will comply with the following terms: (a) the self-insurance program must be approved in writing by City's Risk Manager; (b) the self-insurance program must include an actuarially sound claims reserve fund out of which each self-insured claim will be paid, and the adequacy of the claims-reserve fund must be evaluated annually by the City's Risk Manager, with any deficiencies remedied in accordance with the recommendation of the City's Risk Manager; (c) the self-insured claims-reserve fund must be held in a separate trust fund by an independent trustee, which may be the Trustee serving as such under the Indenture; and (d) if the self-insurance program is discontinued, the actuarial soundness of the claims-reserve fund, as determined by the City's Risk Manager, must be maintained.

Title Insurance

The Project Lease requires the City to provide, at its own expense, one or more American Land Title Association owner's title-insurance policies for the Arena (with a survey exception because there is no current survey for the Arena Site), in the aggregate amount of not less than the aggregate principal amount of the Series 2015 Bonds. The policy or policies must insure (a) the Authority's leasehold estate in the Property under the Site Lease and (b) the City's leasehold estate in the Property under the Project Lease, subject only to Permitted Encumbrances. Alternatively, the City may insure either or both of these leasehold estates through endorsements to one or more American Land Title Association owner's title-insurance policies. The City obtained the title insurance required by the Project Lease on the date of original issuance of the Series 2015 Bonds.

Insurance and Condemnation Awards

As described herein in "THE ARENA — Arena Operations and Maintenance — Insurance Requirements," ArenaCo is required under the ArenaCo Lease to obtain and maintain insurance coverage relating to construction and operation of the Arena, and is generally obligated to use any proceeds from that insurance to repair or restore the Arena. If insurance proceeds are insufficient to repair or restore the Arena, ArenaCo may terminate the ArenaCo Lease, and the Trustee is generally entitled to 50% of the insurance proceeds (which will likely be less than the outstanding principal amount of the Series 2015 Bonds). ArenaCo is also generally entitled to 50% of any condemnation awards relating to the Arena. The following paragraphs describe the provisions of the Indenture addressing the disposition of insurance and condemnation proceeds actually received by the Trustee. The Trustee would only receive insurance and condemnation proceeds in the limited circumstances, as described herein in "THE ARENA — Arena Operations and

Maintenance — Insurance Requirements. “See “RISK FACTORS — Risk of Insufficiency of Insurance Proceeds or Condemnation Awards.”

Subject to the terms of the ArenaCo Lease (as described below), the Net Proceeds of any insurance received by the City on account of any damage or destruction of the Arena or a portion thereof (excluding Net Proceeds of rental-interruption insurance but including the proceeds of any self-insurance) must be deposited with the Trustee as soon as possible. The Trustee will hold those Net Proceeds in a special account and, upon receipt of a Written Request of the City together with supporting invoices, will make the Net Proceeds available for, and will apply them to, the cost of repair or replacement of the Arena or the affected portion. Until those proceeds are so applied, the Trustee may invest them, if authorized by a Written Request of the City, in Permitted Investments that mature not later than such times as the proceeds are expected to be needed to pay the costs of repair or replacement. Within 60 days after the occurrence of the event of damage or destruction, the City must notify the Trustee in writing as to whether the City intends to replace or repair or cause to be replaced or repaired the Arena or the portions of the Arena that were damaged or destroyed.

If the damage or destruction were such that it resulted in a substantial interference with the City’s right to the use or occupancy of the Arena, and if an abatement in whole or in part of Rental Payments results from the damage or destruction under the Project Lease, then, subject to the terms of the ArenaCo Lease, the City must do one of the following:

- (a) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Arena or the portions thereof that have been damaged to substantially the same condition and annual fair-rental value that existed before the damage or destruction.
- (b) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the redemption of (1) all of the Outstanding Bonds or (2) such portion of the Outstanding Bonds as will result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of, and interest on, the Bonds that will remain Outstanding after the redemption. In addition, the City will direct the Trustee, in a Written Request of the City, to transfer the funds to be applied to the redemption to the Redemption Fund, and the Trustee will transfer the funds to the Redemption Fund.

Subject to the terms of the ArenaCo Lease, the City must deposit in the Reserve Fund any proceeds of any insurance (including self-insurance) remaining after the application of the proceeds as described in the preceding paragraphs, as evidenced by a Written Certificate of the City if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. If the City is not required to apply insurance proceeds as described in the preceding paragraph, then the City must deposit the proceeds in the Reserve Fund if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. Any insurance proceeds not required to be so deposited into the Reserve Fund must be paid to the City, to be used for any lawful purpose, if both of the following apply: (a) the City delivers to the Trustee a Written Certificate of the City to the effect that the annual fair-rental value of the Arena after the damage or destruction and after any repairs or replacements made as a result of the damage or destruction is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Project Lease in the then-current Rental Period or in any subsequent Rental Period; and (b) the fair replacement value of the Arena after the damage or destruction is at least equal to the sum of the then-unpaid principal components of Base Rental Payments.

Subject to the terms of the ArenaCo Lease, the Trustee must deposit in the Redemption Fund the proceeds of any award the City receives in eminent domain and apply those proceeds to the redemption of Bonds under the Indenture.

Reserve Fund

The Reserve Fund has been established under the Indenture to secure the payment of principal of, and interest on, the Bonds (including the Series 2015 Bonds) in an amount equal to the Reserve Requirement, which as of the Fixed Rate Conversion Date is \$18,378,700.80. As defined in the Indenture, the term “**Reserve Requirement**” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. If on the second Business Day before a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account or to the Principal Account under the Indenture, amounts in the Payment Fund are insufficient for that purpose, then the Trustee must withdraw from the Reserve Fund, to the extent of any funds therein, the amount of the insufficiency and must transfer to the Payment Fund the amount so withdrawn. In addition, the Trustee must withdraw and apply to the final payments of principal of, and interest on, the Bonds any moneys on deposit in the Reserve Fund.

Subordination Agreement

In connection with the original issuance of the Series 2015 Bonds, the Authority, the City, ArenaCo, TeamCo, and the Trustee entered into the Subordination Agreement. The Subordination Agreement includes provisions generally to the following effect:

- (a) The Project Lease and the Site Lease will be prior and superior to the ArenaCo Lease and Team Use Agreement.
- (b) Except where an ArenaCo Default (as defined in the ArenaCo Lease) continues to exist beyond any applicable notice and cure periods—
 - (1) ArenaCo will not be disturbed, and its right to possession of the Arena for the entire term of the ArenaCo Lease will continue in full force and effect even if for any reason the Site Lease or the Project Lease terminates before expiration of the ArenaCo Lease; and
 - (2) TeamCo will not be disturbed in its possession of the Arena, and its right to use the Arena for the entire term of the Team Use Agreement will continue in full force and effect even if for any reason the Site Lease or the Project Lease terminates before expiration of the Team Use Agreement.
- (c) If the ArenaCo Lease terminates because of the City’s exercising any right the City has under the ArenaCo Lease to terminate, because of a rejection in ArenaCo’s bankruptcy, or because of an option of ArenaCo to treat the ArenaCo Lease as terminated under applicable bankruptcy law, then TeamCo will not be disturbed and its right to use the Arena, and the Sacramento Kings’ right to use the Arena for the entire term of the Team Use Agreement will continue in full force and effect for so long as there is no Event of Default that occurs and continues to exist. Upon termination of the ArenaCo Lease, the City or the Authority, as applicable, will enter into a new agreement with ArenaCo or TeamCo, as applicable, to provide for the continued used and occupancy of the Arena by ArenaCo or TeamCo, as applicable (a “**New ArenaCo Lease**”). Any New ArenaCo Lease will be on the same terms and conditions of the initial Arena Co Lease, including the obligation to pay to the City the Annual Arena Payments.

If either the Project Lease or Site Lease were terminated as a result of the City seeking voluntary protection from its creditors for purposes of adjusting its debts under Chapter 9 of the Bankruptcy Code, the City would not be required to make Base Rental Payments, and ArenaCo or TeamCo would be permitted to

continue to use the Arena without payment of the Base Rental Payments. See “— Application on Moneys Received by City or Authority Under the Subordination Agreement” and “RISK FACTORS — Bankruptcy.”

Application of Moneys Received by City or Authority Under the Subordination Agreement

Under the Indenture, the Authority must pay to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts the Authority receives under the ArenaCo Lease or the New ArenaCo Lease in accordance with the Subordination Agreement. In addition, the City must pay to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts received by the City under the ArenaCo Lease in accordance with the Subordination Agreement subject to the following: if the City Council declines to appropriate funds for such a payment, then the City will have no further obligation to make the payment, and the City Council’s failure to appropriate funds for the payment will not constitute an Event of Default. The Trustee must apply all such payments in accordance with the Indenture. The Indenture provides that neither the Authority nor the City will consent to or permit any amendment of the ArenaCo Lease, the New ArenaCo Lease, or Subordination Agreement in a manner that would materially adversely affect the rights of the City or the Authority described in this paragraph.

Additional Bonds

Under the Indenture, the Authority may at any time issue one or more series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture subject to certain conditions precedent including the following:

- (a) The Authority and the City must not be in default under the Indenture, the Project Lease, or the Site Lease.
- (b) The issuance of the Additional Bonds must have been authorized under the Marks-Roos Act and the Indenture and must have been provided for by a Supplemental Indenture that specifies the following:
 - (1) The purposes for which the Additional Bonds are to be issued. The proceeds of the sale of Additional Bonds may be applied only for one or more of the following purposes: (A) providing funds to pay costs of any public capital improvements under the Marks-Roos Act (including capitalized interest) designated by the City, (B) providing funds to refund any Bonds issued under the Indenture or any other obligations of the City, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of the Additional Bonds, and (D) providing funds to make any required deposit to the Reserve Fund.
 - (2) The principal amount and designation of the Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which must be Authorized Denominations.
 - (3) That the Additional Bonds will bear interest at fixed rates and be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either April 1 or October 1.
 - (4) The date of the Additional Bonds, the maturity date or dates of the Additional Bonds, and the dates on which any mandatory sinking-fund redemptions are to be made for the Additional Bonds, subject to the following: (A) the serial Bonds of the Series of Additional Bonds must be payable as to principal annually on April 1 of each year in which principal falls due, and the term Bonds of the Series of Additional Bonds must

have annual mandatory sinking-fund redemptions on April 1; (B) all Additional Bonds of a Series of like maturity must be identical in all respects, except as to number or denomination; and (C) serial maturities of serial Bonds or mandatory sinking-fund redemptions for term Bonds, or any combination of serial Bonds and term Bonds, must be established to provide for the redemption or payment of the Additional Bonds on or before their maturity dates.

- (5) The redemption terms, if any, for the Additional Bonds.
 - (6) The form of the Additional Bonds.
 - (7) The amount, if any, necessary to increase the amount on deposit in the Reserve Fund to the Reserve Requirement upon the issuance of the Additional Bonds.
 - (8) Any other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture.
- (c) Upon the issuance of the Additional Bonds, the amount on deposit in the Reserve Fund must be at least equal to the Reserve Requirement (including any increase in the Reserve Requirement as a result of the issuance of the Additional Bonds).
 - (d) The sum of Base Rental Payments (including any increase in the Base Rental Payments as a result of the issuance of the Additional Bonds) plus the estimated Additional Rental Payments becoming due for any Rental Period after the issuance of the Additional Bonds may not exceed the annual fair-rental value of the Property after taking into account the use of the proceeds of the Additional Bonds (evidence of the satisfaction of this condition must be made by a Written Certificate of the City delivered to the Trustee).

See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE.”

Substitution and Release of Property Constituting the Arena

The Project Lease provides that the City may release from the Project Lease any portion of the Arena or may substitute alternate real property for all or any portion of the Arena upon compliance with certain conditions specified therein, including the following:

- (a) The City and the Authority must have executed, and the Trustee must have consented to, amendments to the Site Lease and the Project Lease that contain the amended description of the Arena as constituted after the substitution and release, and the City must have caused the amendments to be duly recorded with Sacramento County Clerk/Recorder.
- (b) The City must have filed with the Trustee a Written Certificate of the City certifying that:
 - (1) the sum of Base Rental Payments plus Additional Rental Payments due under the Project Lease in any Rental Period is not in excess of the annual fair-rental value of the Arena as constituted after the substitution or release;
 - (2) the Arena as constituted after the substitution or release has a useful life equal to or greater than the remaining term of the Bonds; and
 - (3) the City has beneficial use and occupancy of the Arena as constituted after the substitution or release.

- (c) The City must have obtained or caused to be obtained a California Land Title Association leasehold-owner's title-insurance policy or policies (or an amendment or endorsement to an existing policy or policies) with respect to the Arena as constituted after the substitution or release, in substantially the same form as required by the Project Lease and in an amount at least equal to the principal amount of the Bonds then Outstanding.
- (d) The City must have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that the substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income-tax purposes.

See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE.”

Authority Remedies Limited Under the Project Lease

Under the Project Lease, in the event of the occurrence and continuance of an Event of Default by the City thereunder, the sole and exclusive remedy of the Authority is to bring a mandamus action or suit in equity to compel the performance by the City of its obligations, and the Authority expressly waives any right to re-enter and re-let the Arena or terminate the Project Lease.

DEBT SERVICE SCHEDULE FOR THE SERIES 2015 BONDS

<u>Period Ending</u>	<u>Principal</u>	<u>Interest*</u>	<u>Debt Service</u>
4/1/2016		\$7,229,367.44	\$7,229,367.44
10/1/2016		7,435,920.80	7,435,920.80
4/1/2017		7,435,920.80	7,435,920.80
10/1/2017		7,435,920.80	7,435,920.80
4/1/2018	\$3,425,000	7,435,920.80	10,860,920.80
10/1/2018		7,392,937.05	7,392,937.05
4/1/2019	3,510,000	7,392,937.05	10,902,937.05
10/1/2019		7,342,112.25	7,342,112.25
4/1/2020	3,615,000	7,342,112.25	10,957,112.25
10/1/2020		7,284,344.55	7,284,344.55
4/1/2021	3,810,000	7,284,344.55	11,094,344.55
10/1/2021		7,216,850.40	7,216,850.40
4/1/2022	3,945,000	7,216,850.40	11,161,850.40
10/1/2022		7,142,033.48	7,142,033.48
4/1/2023	4,005,000	7,142,033.48	11,147,033.48
10/1/2023		7,062,033.60	7,062,033.60
4/1/2024	4,165,000	7,062,033.60	11,227,033.60
10/1/2024		6,944,643.08	6,944,643.08
4/1/2025	4,400,000	6,944,643.08	11,344,643.08
10/1/2025		6,820,629.08	6,820,629.08
4/1/2026	4,645,000	6,820,629.08	11,465,629.08
10/1/2026		6,689,709.75	6,689,709.75
4/1/2027	4,910,000	6,689,709.75	11,599,709.75
10/1/2027		6,551,321.40	6,551,321.40
4/1/2028	5,185,000	6,551,321.40	11,736,321.40
10/1/2028		6,405,182.18	6,405,182.18
4/1/2029	5,475,000	6,405,182.18	11,880,182.18
10/1/2029		6,250,869.30	6,250,869.30
4/1/2030	5,785,000	6,250,869.30	12,035,869.30
10/1/2030		6,087,819.08	6,087,819.08
4/1/2031	6,110,000	6,087,819.08	12,197,819.08
10/1/2031		5,915,608.73	5,915,608.73
4/1/2032	6,455,000	5,915,608.73	12,370,608.73
10/1/2032		5,733,674.55	5,733,674.55
4/1/2033	6,815,000	5,733,674.55	12,548,674.55
10/1/2033		5,541,593.78	5,541,593.78
4/1/2034	7,200,000	5,541,593.78	12,741,593.78
10/1/2034		5,338,661.78	5,338,661.78
4/1/2035	7,605,000	5,338,661.78	12,943,661.78
10/1/2035		5,124,314.85	5,124,314.85
4/1/2036	8,035,000	5,124,314.85	13,159,314.85
10/1/2036		4,897,848.38	4,897,848.38

(table continued on following page)

* Interest through October 1, 2017, is expected to be paid from \$29,537,129.84 of the proceeds of the Series 2015 Bonds deposited in the 2015 Capitalized Interest Fund.

<u>Period Ending</u>	<u>Principal</u>	<u>Interest*</u>	<u>Debt Service</u>
4/1/2037	8,485,000	4,897,848.38	13,382,848.38
10/1/2037		4,658,698.65	4,658,698.65
4/1/2038	8,965,000	4,658,698.65	13,623,698.65
10/1/2038		4,406,020.13	4,406,020.13
4/1/2039	9,470,000	4,406,020.13	13,876,020.13
10/1/2039		4,139,108.18	4,139,108.18
4/1/2040	10,000,000	4,139,108.18	14,139,108.18
10/1/2040		3,857,258.18	3,857,258.18
4/1/2041	10,565,000	3,857,258.18	14,422,258.18
10/1/2041		3,559,483.65	3,559,483.65
4/1/2042	11,160,000	3,559,483.65	14,719,483.65
10/1/2042		3,244,939.05	3,244,939.05
4/1/2043	11,790,000	3,244,939.05	15,034,939.05
10/1/2043		2,912,637.90	2,912,637.90
4/1/2044	12,450,000	2,912,637.90	15,362,637.90
10/1/2044		2,561,734.65	2,561,734.65
4/1/2045	13,150,000	2,561,734.65	15,711,734.65
10/1/2045		2,191,101.90	2,191,101.90
4/1/2046	13,895,000	2,191,101.90	16,086,101.90
10/1/2046		1,799,471.33	1,799,471.33
4/1/2047	14,675,000	1,799,471.33	16,474,471.33
10/1/2047		1,385,856.45	1,385,856.45
4/1/2048	15,500,000	1,385,856.45	16,885,856.45
10/1/2048		948,988.95	948,988.95
4/1/2049	16,375,000	948,988.95	17,323,988.95
10/1/2049		487,459.58	487,459.58
4/1/2050	17,295,000	487,459.58	17,782,459.58
	\$272,870,000	\$352,762,942.38	\$625,632,942.38

Under the Project Lease, the City is obligated to make Base Rental Payments that have been calculated to be sufficient to make the interest and principal payments on the Series 2015 Bonds when due. This obligation is subject initially to completion of construction of the Arena and the Plaza (as described herein) and is subject thereafter to abatement as provided in the Project Lease. The City's Base Rental Payments are due on the fifth Business Day next preceding each Interest Payment Date.

THE AUTHORITY

The Authority is a public agency duly organized and existing under State law and a Joint Exercise of Powers Agreement (the "**JPA Agreement**") between the City and the Housing Authority of the City of Sacramento, dated as of February 25, 2014, and effective April 29, 2014. The Authority is governed by a board of directors composed of the members of the City Council. The Authority is authorized by the Marks-Roos Act and empowered under the JPA Agreement to issue its bonds for, among other things, the purposes of the plan of financing described herein. To exercise its powers, the Authority is authorized, in its own name, to do all necessary acts, including but not limited to the authority to make and enter into contracts, to employ agents and employees, and to sue or be sued. The Authority has no employees; all staff work is performed by City staff.

THE CITY

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California's Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and with daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the State capital, a position made permanent by the State's Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City's economy.

The City operates under a City Charter that currently provides for an elected nine-member City Council including an elected Mayor. There are no other elected City officials. The City Council appoints the City Manager, the City Attorney, the City Clerk, and the City Treasurer to carry out its adopted policies. The City Council also appoints the City Auditor and the Independent Budget Analyst. The Independent Budget Analyst position is a new position that is funded for the first time in the Proposed Fiscal Year 2015-16 City Budget. The Mayor is chairperson of the City Council, serves a four-year term, and is elected in at-large City elections. The other members of the City Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services; including administration, police, fire, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

CITY FINANCIAL INFORMATION

Certain financial, economic and demographic information regarding the City of Sacramento is contained in APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO" and APPENDIX B — "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014." Each contains important information concerning the City and should be read in its entirety. In particular, Appendix A describes certain factors that have affected the City's financial condition in the past and could materially affect its financial condition in future fiscal years, including variations in property-tax growth rates, and retirement and other labor costs. See also "CITY FINANCIAL PRESSURES."

CITY FINANCIAL PRESSURES

The financial condition of the City has steadily improved in the last few years. The national economic recession that began in 2008 had placed significant stress on the City's financial condition. City revenue sources, including property taxes, declined through Fiscal Year 2011-12. Although certain operating expenses increased (in particular, required retirement contributions for City employees), the City reduced total expenditures during that period. The City also utilized significant reserves in order to meet then-current budget requirements. The City's major revenue sources have improved significantly since Fiscal Year 2011-12, and the City's fund balance has increased. In addition, in 2012 voters in the City approved Measure U, a temporary sales tax. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances."

The adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget since 2008 that does not require reductions in services, programs, or employees. The adopted General Fund budget includes revenues of \$400.5 million, expenditures of \$404.2 million, including one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.7 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.3 million. Revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, but the changes recently approved by CalPERS relative to actuarial assumptions and methodologies will result in increased costs for CalPERS member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

Although the City's financial condition has improved in recent years, significant financial challenges remain. For example, Measure U, which is projected to generate more than \$40 million annually through Fiscal Year 2017-18 and approximately \$35.6 million in Fiscal Year 2018-19, will expire in March 2019. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances — Other Taxes — Measure U."

Increasing pension costs and retiree medical-benefit costs place additional pressure on the City. The City expects that required payments from the General Fund relating to employee-retirement plans and other post-employment benefits may increase by approximately \$22.6 million by Fiscal Year 2020-21. The actual amount of any increases will depend on a variety of factors. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — RETIREMENT AND OPEB OBLIGATIONS."

Because of these and other factors, absent an extension of Measure U or other corrective measures, the City currently projects significant budget deficits commencing in Fiscal Year 2017-18. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — City Finances — The Six-Year Forecast."

In addition, although the City anticipates that it will ultimately receive increased parking revenues, payments from the Sacramento Kings and its affiliates, and other revenues that will offset a significant portion of Base Rental Payments, those revenues are not pledged to the payment of Base Rental Payments. In addition, there can be no assurances that those revenues will be available in the amounts and at the times expected by the City. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — CITY FINANCES — Planned Sources for City Payments with Respect to Golden 1 Center."

THE ARENA

General

The Arena consists of (a) approximately seven acres of land located in the downtown area of the City (the “**Arena Site**”) and (b) the Arena Facility, an approximately 780,000-square-foot complex that will serve as the home court of the Sacramento Kings. The Arena Facility will accommodate up to approximately 17,500 attendees and will include a performance bowl with general and premium seating, suites, indoor standing viewing areas, and outdoor courtyard and terrace areas. The performance venue will be configured for basketball, other sporting events, concerts, conferences and conventions, trade shows, circuses, and family-oriented shows and other performances.

The City owns the Arena, and has leased it to the Authority under the Site Lease. The Authority subsequently leased the Arena to the City under the Project Lease. See “SECURITY FOR THE SERIES 2015 BONDS.”

The City and ArenaCo have previously entered into the ArenaCo Lease, which grants ArenaCo an exclusive “Early Use License” during construction of the Arena and a long-term lease when construction is substantially complete. Even though the ArenaCo Lease was executed before the Project Lease, under the Subordination Agreement the parties agree that the Site Lease and the Project Lease will be prior and superior to the ArenaCo Lease.

Background

The Sacramento Kings have been located in Sacramento since 1985, and currently play their home games at the Sleep Train Arena (formerly ARCO Arena) approximately six miles north of the City’s downtown area. In 2013, an investor group, HoldCo, purchased a controlling interest in the Sacramento Kings and, in cooperation with the City, made a commitment to the National Basketball Association (the “**NBA**”) to develop a new state-of-the-art arena to serve as the Sacramento Kings’ home court.

HoldCo has established affiliated entities to undertake specific activities with respect to the Arena and the Sacramento Kings, including ArenaCo and TeamCo. ArenaCo is responsible for, among other things, the construction of the Arena Facility, and has leased the Arena from the City. ArenaCo has licensed the use of the Arena to TeamCo, which is the owner of the Sacramento Kings. HoldCo, ArenaCo, TeamCo, and other affiliated or related entities are collectively referred to herein as the “**Kings Entities**”).

Arena Agreements

The City and the Kings Entities have entered into a number of agreements, described below, providing for the development, design, financing, permitting, construction, and operation of the Arena (the “**Arena Agreements**”). The City Council approved the Arena Agreements on May 20, 2014.

The Comprehensive Project Agreement. Under the Comprehensive Project Agreement for the Sacramento Entertainment and Sports Center, dated as of May 20, 2014, between the City, HoldCo, ArenaCo and TeamCo (as amended, the “**Comprehensive Project Agreement**”), the parties agreed (a) on the basic framework for the ownership, financing, design, development, construction, occupancy, use, maintenance, and operation of the Arena (plus other related matters); and (b) on their respective rights and obligations with respect to the Arena. The Comprehensive Project Agreement also describes a number of additional agreements between the parties that specifically relate to the funding, design, permitting, construction and operation of the Arena.

The Arena Funding Agreement. Under the Arena Finance and Funding Agreement, dated as of May 20, 2014, between the City and ArenaCo (as amended, the “**Arena Funding Agreement**”), the City and

ArenaCo are obligated to fund their respective shares of the costs to develop and construct the Arena; the City's share of those costs is \$223,130,100 (the "**City Contribution**"). The Arena Funding Agreement provides for the establishment of an escrow accounts to be maintained by an escrow agent (the "**Construction Escrow Agent**") and establishes the manner in which ArenaCo may withdraw moneys from the Escrow Fund to pay eligible costs of the Arena Facility. See "— Arena Funding" below.

The Arena Construction Agreement. Under the Arena Design and Construction Agreement, dated as of May 20, 2014, between the City and ArenaCo (the "**Arena Construction Agreement**"), ArenaCo is obligated to design and construct the Arena Facility on behalf of the City. See "— Arena Construction" below.

The ArenaCo Lease. Under the ArenaCo Lease, the City grants ArenaCo (a) an "Early Use License" that authorizes ArenaCo to enter the Arena Site and construct the Arena Facility and, when construction is substantially complete, (b) a lease of both the Arena Site and the Arena Facility, which ArenaCo is obligated to operate, maintain, insure and repair. See "— Arena Operations and Maintenance" below.

The Team Use Agreement. Under the Team Use Agreement, ArenaCo is obligated to operate, maintain, and repair the Arena for, and license the Arena to, TeamCo.

Other Agreements. The Kings Entities have entered into a number of related agreements, including an agreement between TeamCo and the City that requires the Sacramento Kings to use the Arena as the exclusive venue for home games and prohibits the relocation of the Sacramento Kings for 35 years.

Arena Funding

General. The Arena Funding Agreement sets forth the terms and conditions upon which the City and ArenaCo will fund costs for the construction of the Arena Facility (as designed by ArenaCo under the Arena Construction Agreement), including (a) the allocation of the costs of the Arena between ArenaCo and the City, and (b) a funding and disbursement procedure for the payments of those costs. See "— City Funding" below for the City's contribution to the costs of the Arena and see "— ArenaCo Funding" below for ArenaCo's obligation with respect to costs of the Arena. See "THE ARENA — Cost Estimates and Funding Status" for a description of the current estimate of construction costs and the sources of funding therefor.

The Arena Funding Agreement provides that the City and ArenaCo will direct the Construction Escrow Agent to establish two bank accounts, one identified as the "**City Account**," and the other identified as the "**ArenaCo Account**." Generally, the City Account and the ArenaCo Account must be funded from time to time by the City and ArenaCo to pay disbursement requests submitted by ArenaCo and approved by the City in accordance with the Arena Funding Agreement.

The Arena Funding Agreement provides that with respect to costs of the Arena to be fully or partially funded by the City under the Arena Funding Agreement, ArenaCo may submit to the City and Construction Escrow Agent from time to time (but no more frequently than once each calendar month) a request for disbursement of funds (a "**Disbursement Request**") for the payment of Arena costs that were actually incurred and not previously funded from the City Account, less a 5% retainage (the "**Retainage**"), except that to the extent that a retainage actually withheld under a construction contract, including but not limited to the Arena Contractor Agreement defined below in "— Arena Construction — Arena Contractor Agreement," is not included within a Disbursement Request, that retainage will reduce the Retainage thereunder. Disbursement Requests must include submission of lien waivers, and certification by ArenaCo that all amounts included in the Disbursement Request are eligible costs incurred in accordance with the Arena Construction Agreement and that, for all Disbursement Requests other than the final Disbursement Request, the Disbursement Request excludes any Retainage required under the Arena Construction Agreement. Disbursement requests by ArenaCo must also include ArenaCo's certification that, after payment is made for the Disbursement Request, the sum of the unfunded portion of the City Contribution, plus the unfunded portion of the ArenaCo Loan

(defined below) (the majority of amounts under which have been drawn), plus the balance of any equity or other funding held in the ArenaCo Account or in any reserve accounts held by the ArenaCo Lender, if any, *will not be less than* the sum of the Arena costs required to complete the Arena Facility, plus the estimated costs for any construction work modifications, other agreed upon changes in the work, and pending change orders from any contractor, including Arena Contractor (defined below in “— Arena Construction — Arena Contractor Agreement”), that have been approved by ArenaCo, but have not yet been incorporated into the then current Approved Budget in accordance with the Arena Construction Agreement.

In addition, each Disbursement Request must be accompanied by a certificate of Merritt & Harris, Inc. (the “**Independent Engineer**”), an engineer retained by the ArenaCo Lender to the City, ArenaCo, and ArenaCo Lender stating that the Independent Engineer has:

- (a) inspected the work described in the Disbursement Request;
- (b) confirmed that the work has been performed (1) to the extent described in the Disbursement Request (on a percentage-of-completion basis) and (2) in accordance with the Arena Construction Agreement;
- (c) confirmed that the Disbursement Request does not include any retainage to the extent set forth in the Arena Funding Agreement; and
- (d) confirmed that, after payment is made for the Disbursement Request, the sum of the unfunded portion of the City Contribution, plus the unfunded portion of the ArenaCo Loan, plus the balance of any equity or other funds held in the ArenaCo Account or in any reserve accounts held by the ArenaCo Lender, if any, *will not be less than* the sum of the Arena costs required to complete the Arena Facility, plus the estimated costs for any construction work modifications, other agreed upon changes in the work, and any pending change orders from any contractor, including the Arena Contractor, that have been approved by ArenaCo but have not yet been incorporated into the then current Approved Budget.

The Arena Funding Agreement provides that failure in performance by the City or ArenaCo due to a Force Majeure Event will not be deemed a breach of the Arena Funding Agreement. In addition, when the Arena Funding Agreement provides a time for the performance of any obligation, the time provided is extended if compliance is not possible due to a Force Majeure Event. The extension time will equal one day for each day that the Force Majeure Event prevents compliance. Under the Arena Funding Agreement, “**Force Majeure Event**” means any act, event, or condition that is beyond the reasonable control of the party asserting the Force Majeure Event, other than unavailability of funds, if it prevents or delays the party from performing any obligation under the Arena Funding Agreement, including but not limited to the following: any act of public enemy, terrorism, blockade, war, insurrection, civil disturbance, explosion, or riot; epidemic; landslide, earthquake, fire, storm, flood, or washout, or other catastrophic weather event; any other act of God; strike, lockout, or other industrial disturbance.

After providing the City Contribution from the proceeds of the Series 2015 Bonds upon their original issuance in August 2015, the City has no further obligation whatsoever to provide any funds for the completion of the Arena Facility if amounts on deposit in the accounts established under the Arena Funding Agreement are insufficient. Although ArenaCo is obligated to pay any costs of construction of the Arena in excess of the City Contribution, there can be no assurances that ArenaCo or any other of the Kings Entities will be able to provide funds to complete the Arena Facility if costs of completion exceed anticipated levels, or that the Arena Contractor will meet its obligations under the Arena Contractor Agreement. If ArenaCo fails to cause completion of construction of the Arena Facility by October 1, 2017 (the period through which capitalized interest is being funded from the proceeds of the Series 2015 Bonds), the obligation of the City to make Base Rental Payments will be abated during the period of delay, and that circumstance would have a material

adverse effect on the ability of the Authority to pay debt service with respect to the Series 2015 Bonds. See “RISK FACTORS — Abatement” and “— Construction Risks.”

City Funding. Under the Arena Funding Agreement, the City has no obligation to pay any costs of the Arena beyond the City Contribution of \$223,130,100. All costs of the Arena in excess of the City Contribution must be paid by the Kings Entities. The City Contribution was funded in August 2015 from (a) a portion of the proceeds of the original issuance of the Series 2015 Bonds in the amount of \$220,426,649 and (b) other available City moneys in the amount of \$2,703,451.

ArenaCo Funding. Under the Arena Funding Agreement, costs of the Arena in excess of the City Contribution will be paid by ArenaCo as part of ArenaCo’s obligations under the Arena Construction Agreement.

Before the time of the original issuance of the Series 2015 Bonds, ArenaCo, together with its parent company, HoldCo, entered into that certain Amended and Restated Credit Agreement dated as of December 22, 2014 (the “**ArenaCo Loan**”) with Goldman Sachs Bank USA (“**Goldman Sachs**”), Fifth Third Bank (“**Fifth Third**”), U.S. Bank National Association (“**U.S. Bank**”), and SunTrust Bank (“**SunTrust**”), as Joint Lead Arrangers, Goldman Sachs, as Sole Lead Bookrunner (in such capacity, “**Bookrunner**”), Fifth Third, as Syndication Agent (in such capacity, “**Syndication Agent**”), The Huntington National Bank, U.S. Bank and SunTrust, as Documentation Agents, Goldman Sachs, as Administrative Agent, Goldman Sachs, as Collateral Agent, and the lenders party thereto from time to time (collectively, the “**ArenaCo Lender**”) in order to satisfy its obligation to provide funding of the cost of the Arena in excess of the City Contribution. The majority of the amounts under the ArenaCo Loan have been drawn.

In addition to amounts available under the ArenaCo Loan, ArenaCo has paid construction costs of the Arena Facility from equity provided by the owners of ArenaCo.

Under the ArenaCo Loan, the ArenaCo Lender will, subject to the satisfaction of the conditions specified therein, deposit an amount up to \$265,000,000 into the ArenaCo Account established under the Arena Funding Agreement. A portion of the \$265,000,000 is attributable to financing costs and capitalized interest on the ArenaCo Loan. As a result, only approximately \$216.9 million of the ArenaCo Loan is available for costs of the Arena Facility, of which only approximately \$40.3 million remains available to be spent. (See “— Cost Estimates and Funding Status” for a description of the current status of funding as of August 24, 2015). Conditions to the ArenaCo Lender’s obligation to provide further funds under the ArenaCo Loan include, among others, (a) the construction program in effect by ArenaCo must be satisfactory in all respects to the ArenaCo Lender; (b) the ArenaCo Lender must have received a construction certificate and other satisfactory reports from its construction monitor; (c) the ArenaCo Lender must have received a copy of the construction drawdown schedule; (d) the ArenaCo Lender must have received all progress reports, bills, and invoices delivered under the Arena Contractor Agreement; and (e) the ArenaCo Lender must have received a duly executed letter of direction and authorization letter from ArenaCo for the funding. The ArenaCo Loan requires certain representations, warranties, and covenants to ensure completion of the improvements and provides for a construction monitor to inspect progress and to review and prepare reports for the ArenaCo Lender. Events of Default under the ArenaCo Loan include, among others, (a) failing to make payments when due; (b) breaching representations, warranties, or covenants; (c) certain bankruptcy events; (d) breaching other material contracts with respect to the construction; (e) abandoning the project; (f) the Sacramento Kings’ withdrawing from, or losing affiliation with, the NBA; and (g) the Authority not issuing the Series 2015 Bonds by September 1, 2015. (The Series 2015 Bonds were originally issued in August 2015.)

See “REMARKETING” for a description of certain relationships between Goldman, Sachs & Co. (one of the Remarketing Agents) and the ArenaCo Lender.

At the time of the remarketing of the Series 2015 Bonds, ArenaCo does not have specifically identified sources of funding of costs of construction of the Arena Facility in excess of the ArenaCo Loan. If

amounts available to ArenaCo are insufficient to complete the Arena Facility, ArenaCo expects to raise sufficient funds from one or more of the following sources: (a) additional financing at one or more of the Kings Entities, (b) additional equity contributions from the individual investors in the Kings Entities, (c) additional equity contributions from the third parties, or (d) any combination of the foregoing, in each case subject to the receipt of any applicable NBA approvals. Although ArenaCo expects that any additional funds will be timely raised, there can be no assurance that the funds will be raised or that the amount of the funds will be sufficient to complete the Arena Facility. If the additional funding is insufficient to complete the Arena Facility, and if ArenaCo fails to cause completion of construction of the Arena Facility by October 1, 2017 (the period through which capitalized interest is being funded from the proceeds of the Series 2015 Bonds), then the obligation of the City to make Base Rental Payments will be abated during the period of delay, and that circumstance would have a material adverse effect on the ability of the Authority to pay debt service with respect to the Series 2015 Bonds. See “RISK FACTORS — Abatement” and “— Construction Risks.”

Arena Construction

Arena Construction Agreement. The Arena Construction Agreement provides that ArenaCo will procure, be responsible for, and lead all phases of, the design, development, and construction of the Arena Facility for the City on the Arena Site, together with all infrastructure necessary for the Arena (collectively, the “**Work**”). ArenaCo will be the licensed general contractor for the Work and is required to hire a licensed Arena Contractor under the Arena Construction Agreement. See “— Arena Contractor Agreement” below for description of Arena Contractor. ArenaCo has the right to retain such consultants and professionals as ArenaCo deems reasonably necessary in connection with its lead role with respect to the Work. The Arena Construction Contract provides that, as ArenaCo is responsible for timely delivering the Arena and paying for cost overages, ArenaCo is authorized to make all final design, development, and construction decisions regarding the Work so long as the Work adheres to the standards set forth therein.

The Arena Construction Agreement provides that the City is responsible for collaborating with ArenaCo in all phases of the Work all as necessary to complete the Work on schedule. To the extent permitted by applicable law, the City agrees to use commercially reasonable efforts to expedite (and to cause all applicable governmental authorities to expedite and cooperate in) the issuance of all licenses, permits and approvals required by applicable law in connection with the Work. The City has the right to review and comment on the designs and plans prepared by ArenaCo and its contractors and to object to those designs and plans to the extent they do not comply with the standards and other conditions set forth in the Arena Construction Agreement. The Arena Construction Agreement contains provisions that require mediation of any disputes concerning those designs and plans.

The Arena Construction Agreement requires ArenaCo to use commercially reasonable efforts to cause the Substantial Completion Date to occur on or before the Outside Substantial Completion Date, subject to Force Majeure Events, the funding of the City Contribution, and the City’s compliance with the Arena Agreements. “**Substantial Completion Date**” means the later of (a) the date on which the City receives from ArenaCo a copy of the certificate of the “**Architect**” (as defined in the Arena Construction Agreement) certifying that all of the Work has been substantially completed in accordance with the Construction Documents and the Arena Contractor Agreement (excluding normal punch-list items to be completed under the terms of the Arena Construction Agreement); and (b) the date on which the City issues to ArenaCo the certificate or certificates of occupancy, which may be temporary, providing that the Arena is ready for use and occupancy for its intended purposes in accordance with Applicable Laws. “**Outside Substantial Completion Date**” means October 1, 2017, subject to Force Majeure Events, the funding of the City Contribution, and the City’s compliance with its obligations under the Arena Agreements. If at any time ArenaCo reasonably determines that the Outside Substantial Completion Date will not be met, ArenaCo is required to promptly provide written notice thereof to the City. ArenaCo is required to cause the Arena Contractor to complete, or to cause to be completed, all reasonable punch-list items by the Outside Final Completion Date subject to Force Majeure Events, the funding of the City Contribution, and the City’s compliance with the Arena Agreements. “**Outside Final Completion Date**” means January 1, 2018. (Amounts on deposit in the

Capitalized Interest Fund established under the Indenture will be fully expended on October 1, 2017, if construction has not been completed by that date.) Under the Arena Construction Agreement, “**Force Majeure Event**” means any act, event, or condition that is beyond the reasonable control of the party asserting the Force Majeure Event if it prevents or delays the party from performing any obligation under that agreement, including but not limited to the following: any act of public enemy, terrorism, blockade, war, insurrection, civil disturbance, explosion or riot; epidemic; landslide, earthquake, fire, storm, flood, or washout or other catastrophic weather event; any other act of God; strike, lockout or other industrial disturbance; labor disputes or strikes; title disputes; or other litigation.

The final budget for the Work has been finalized and approved by ArenaCo and the ArenaCo Lender in connection with the preparation and approval of the other Construction Documents (as so approved, the “**Approved Budget**”). Any updates to the Approved Budget, must be consistent with the quality standard and other requirements of the Arena Construction Agreement and reflect that the Work be completed by the Outside Final Completion Date, subject to Force Majeure Events, the funding of the City Contribution, and the City’s compliance with its obligations under the Arena Agreements. Each Approved Budget (and all updates thereto) must be a comprehensive and detailed line-item budget estimate in a form used by ArenaCo and delivered to the ArenaCo Lender. ArenaCo has the right to reallocate amounts in the Approved Budget, including but not limited to (a) any actual cost savings; (b) contingencies based upon percentage of completion; and (c) any reallocations approved by the ArenaCo Lender, subject to the conditions set forth in the Arena Construction Agreement.

Under the Arena Construction Agreement, ArenaCo is required to perform, and to require the Arena Contractor and all other contractors and subcontractors to perform, the Work in a good and workmanlike manner, in accordance with the Approved Budget, the Arena Schedule and the Arena Construction Agreement. In the prosecution of the Work, ArenaCo is required to comply, and to require the Arena Contractor and all other contractors and subcontractors to comply, with all applicable laws affecting the Work, including all applicable State, City, and federal occupational-safety-and-health acts and regulations.

The Arena Construction Agreement includes provisions under which either the City or ArenaCo may request modifications to the Construction Documents and the scope of the Work from time to time (each modification, a “**Construction Work Modification**”). If ArenaCo desires to implement a Construction Work Modification, it must submit written notice thereof to the City, together with an estimate of any additional costs attributable thereto and other materials specified in the Arena Construction Agreement. The Arena Construction Agreement contains provisions to address any disputes relating to Construction Work Modifications and provides that ArenaCo may implement certain changes in certain specified circumstances. If ArenaCo estimates the costs attributable to any such Construction Work Modification, including any and all associated architectural, engineering, and contractors and subcontractors’ fees, are more than \$5,000,000 in excess of the total costs as set forth in the Approved Budget (including any amounts for contingency included in the Approved Budgets), ArenaCo is not permitted to implement the Construction Work Modification unless and until it has demonstrated to the City, to the City’s reasonable satisfaction, that it has the funds necessary to implement the Construction Work Modification or has deposited an amount equal to its estimate of the excess costs either (a) in the ArenaCo Account or (b) in an account established with the ArenaCo Lender or other lender or equity provider.

The Arena Construction Agreement provides that the City may also request a Construction Work Modification in writing and that, if the City does so, ArenaCo must promptly consider the request and discuss it with the City in good faith. If, at its discretion, ArenaCo is willing to implement any City-requested Construction Work Modification, ArenaCo must provide an estimate of the cost of the City’s requested Construction Work Modification. If ArenaCo agrees to implement a City-requested Construction Work Modification, the City is required to deposit into the City Account established under the Arena Funding Agreement an amount equal to the estimated cost thereof.

Arena Contractor Agreement. Under the Arena Construction Agreement, ArenaCo selected, and the City approved, Turner Construction Company as the contractor for the Arena (the “**Arena Contractor**”). The Arena Contractor has over 100 years of experience and has worked on large-scale sports facilities nationally. Recent relevant experience includes Amway Event Center in Orlando, Florida; Nationwide Arena in Columbus, Ohio; and Levi Stadium in San Jose, California. Under the agreement between ArenaCo and the Arena Contractor (the “**Arena Contractor Agreement**”), the Arena Contractor is obligated to use its best efforts to do and cause to be done all acts necessary to diligently and continuously perform the work to achieve substantial completion of the Arena by October 2016 (subject to extension in certain circumstances, including the occurrence of force majeure events). If construction of the Arena Facility is not substantially completed by October 2016 (a date that may be extended in accordance with the Arena Contractor Agreement), the Arena Contractor is obligated to pay liquidated damages in an amount specified in the Arena Contractor Agreement. Liquidated damages payable under the Arena Contractor Agreement are not pledged to, or otherwise available for, the payment of Base Rental Payments. The Arena Construction Agreement requires ArenaCo to supervise and provide for the complete acquisition and construction of the Arena within the time set forth in the Arena Construction Agreement and to require the Arena Contractor to obtain and maintain certain assurances of performance, including performance bonds and labor-and-materials payment bonds. The Arena Contractor has obtained a performance bond in an amount equal to \$327.8 million, which was the initial “**Guaranteed Maximum Price**” identified in the Arena Contractor Agreement. As of August 24, 2015, the Guaranteed Maximum Price is \$336.1 million because of change orders at the direction of ArenaCo and is subject to adjustment and increase in certain circumstances, including the occurrence of force majeure events as set forth in the Arena Contractor Agreement. The proceeds of any payment and performance bonds are not pledged to, or otherwise available for, the payment of Base Rental Payments.

Project Schedule. The current Project Schedule prepared under the Arena Construction Agreement contains the following major milestones:

<i>Milestones</i>	<i>Dates</i>
Begin Site Demolition	August 13, 2014 (Complete)
Begin Mass Excavation	October 28, 2014 (Complete)
Begin Foundation Piles	December 1, 2014 (Complete)
Begin Mat Slab Foundations	January 5, 2015 (Complete)
Begin Structural Steel	March 4, 2015 (Ongoing)
Begin Interior Wall Framing	June 2015 (Ongoing)
Begin Precast Stadia	June 2015 (Ongoing)
Begin Exterior Walls / Facade	July 2015 (Ongoing)
Begin High Roof Steel	July 2015 (Ongoing)
Roof Complete & Dried-In	December 2015
Permanent Power to Building (Energized)	December 2015
Begin Interior Finishes	December 2015
Begin Seating Installation	April 2016
Mechanical Start-up & Commissioning	June 2016
Substantial Completion	September 2016

Completion of the Arena Facility involves many risks common to large construction projects, any of which could give rise to significant delays or cost overruns. As described herein, the obligation of the City to make Base Rental Payments does not commence until the Arena Facility is completed and available for the City’s beneficial use and occupancy. If ArenaCo fails to cause completion of construction of the Arena Facility by October 1, 2017 (the period through which capitalized interest is being funded from the proceeds of the Series 2015 Bonds), the obligation of the City to make Base Rental Payments will be abated during the

period of delay, and that circumstance would have a material adverse effect on the ability of the Authority to pay debt service with respect to the Series 2015 Bonds. See “RISK FACTORS — Construction Risks.”

Cost Estimates and Funding Status

The original estimated cost of construction of the Arena Facility was approximately \$477 million. Following the inclusion of various change orders as are customary on a construction project of this nature, as well as discretionary change orders directed by ArenaCo, the estimated cost of construction as of August 24, 2015, is approximately \$507.1 million.

A breakdown of the estimated construction cost and the sources of funding is set forth in the table below, which was provided by ArenaCo and is based on the construction budget as of August 24, 2015.

Estimated Construction Costs of the Arena Facility as of August 24, 2015 (\$ in millions)

<u>Costs</u>	
Construction	\$ 337.7
Systems & Equipment	47.3
Land Acquisition & Site Development	34.9
Design/Professional	20.4
Contingency ⁽¹⁾	19
Permits, Testing, Fees & Special Taxes	16.6
Insurance, Financing & Transaction Costs	11.3
Project Administration	10
Legal & Governmental Services	6.6
Sales & Marketing	2.7
Start-up Expenses	<u>0.6</u>
Total Costs	<u>\$ 507.1</u>
<u>Funding Sources:</u>	
ArenaCo Loan ⁽²⁾	\$ 216.9
City Contribution ⁽³⁾	223.1
Kings Entities Equity ⁽⁴⁾	<u>67.1</u>
Total Sources	<u>\$ 507.1</u>

⁽¹⁾ As of August 24, 2015, approximately \$19 million of the available contingency has been allocated to pending change orders under the Arena Contractor Agreement.

⁽²⁾ See “— Arena Funding — ArenaCo Funding.” As of August 24, 2015, approximately \$195.4 million available under the ArenaCo Loan has been disbursed into the ArenaCo Account established under the Arena Funding Agreement and used for the construction of the Arena Facility.

⁽³⁾ See “— Arena Funding — City Funding.”

⁽⁴⁾ The equity from ArenaCo and the other Kings Entities was deposited into the ArenaCo Account before any disbursement from the ArenaCo Loan and used for construction costs.

Source: ArenaCo.

As of August 24, 2015, approximately \$255.7 million of the estimated \$507.1 million has been expended on costs of the Arena Facility, funded from the Kings Entities’ equity, draws on the ArenaCo Loan, and the City Contribution. The remaining \$251.4 million will be paid from the City Contribution, from additional draws under the ArenaCo Loan and from the unexpended balance of the Kings Entities’ equity. The Guaranteed Maximum Price payable under the Arena Contractor Agreement (\$336.1 million) is included within the \$507.1 million cost estimate described above. As of August 24, 2015, approximately \$160.1 million of the \$336.1 million has been paid to, or requisitioned by, the Arena Contractor).

The cost estimate set forth above does not include costs relating to the construction of the plaza immediately adjacent to the Arena Facility (the “**Plaza**”). The Plaza provides access to the Arena Facility for emergency vehicles, and the City will not have beneficial use and occupancy of the Arena Facility until the Plaza is completed. In order to complete the Plaza, certain improvements, including improvements to adjacent underground parking garages that are not located on the Arena Site, must be constructed. According to ArenaCo, the estimated cost of the improvements necessary to construct the Plaza is approximately \$21 million, to be funded from equity provided by the Kings Entities. ArenaCo expects that the adjacent underground parking garages will be completed by October 1, 2016, which is the currently estimated Arena Facility completion date.

Governmental Permits and Approvals

On May 20, 2014, the City Council certified the Environmental Impact Report for the Arena (Resolution 2014-0127). In addition, the City Council granted ArenaCo all the necessary discretionary entitlements and governmental approvals for the Arena (Resolutions 2014-0128 and 2014-0129). All the remaining permits and approvals are ministerial, which means that City staff must issue them so long as they comply with the City building code and meet the City’s design and other requirements. ArenaCo has procured the majority of the necessary ministerial governmental permits and approvals, including almost all of the building permits needed for the Arena Facility with the exception of the exterior metal panels, elevators, and off-site improvements. In addition, ArenaCo must still procure certain permits relating to the Plaza and landscaping. Those permit approvals are anticipated within the next few months. The Plaza must be completed before the issuance of the certificate or certificates of occupancy for the Arena Facility. See “RISK FACTORS — Governmental Permit and Approvals.”

Arena Operations and Maintenance

Under the ArenaCo Lease, the City has leased the Arena to ArenaCo commencing on the Leasehold Commencement Date for a term of 35 years (subject to extension for up to two additional five-year terms at the option of ArenaCo). “**Leasehold Commencement Date**” means the “Substantial Completion Date” as defined in the Arena Construction Agreement (i.e., the later of the date on which work on the Arena Facility is substantially completed and the date on which the City issues a certificate or certificates of occupancy for the Arena Facility). Under the ArenaCo Lease, the City also grants to ArenaCo an exclusive “Early Use License” to enter upon and cross the Arena Site before the Leasehold Commencement Date solely for performing and engaging in the Work, for conducting pre-opening activities relating to the Arena, and for all other ancillary uses in connection therewith.

In consideration for ArenaCo’s rights under the ArenaCo Lease, including the lease and use of the Arena, ArenaCo is obligated to pay to the City an annual fee (the “**Annual Fee**”), that is initially \$6,500,000 and increases annually according to a specified escalator commencing in the sixth year of operations of the Arena Facility (expected to be Fiscal Year 2021-22). The ArenaCo Lease provides for a reduction in the Annual Fee if the Arena Facility is not available because of a Force Majeure Event.

General Provisions. Except as otherwise expressly provided in the ArenaCo Lease and the other Arena Agreements, (a) the City is not required to pay any costs or expenses or provide any services whatsoever in connection with the Arena and (b) ArenaCo is solely responsible for paying, throughout the term of the ArenaCo Lease, all costs (including capital costs) necessary to design, construct, manage, and operate the Arena, including but not limited to all costs of maintenance, repairs, replacements, renovation, remodeling, removal, alterations, improvements, insurance, taxes, and all other costs, charges, expenses, and obligations of any kind now or at any time imposed upon, or with respect to, the Arena or the Arena Site.

The ArenaCo Lease provides that ArenaCo is solely responsible for, and must timely make with reasonable diligence, all additions and capital repairs required (a) to ensure that the level of amenities and technology at the Arena Facility is above the median level (i.e., in the top half) of the other arenas in the

United States that serve as home arenas for NBA teams, and (b) to otherwise comply with the maintenance-and-repair standard set forth in the ArenaCo Lease. ArenaCo is also permitted to make, at its discretion, such other additions and capital repairs as it believes are appropriate.

ArenaCo is required to replace (and not repair) an item if it (a) is substantially worn out, (b) has reached the end of its useful life and is either obsolete or uneconomical to maintain and fails to perform to original specifications, (c) is not functioning correctly and cannot be repaired or cannot be economically repaired or operated, or (d) is no longer deemed safe. All replacements must be of at least a quality and functionality consistent with the item being replaced and otherwise comply with the maintenance and repair standards set forth in the ArenaCo Lease. ArenaCo is obligated to maintain a separate Capital Fund for additions and capital repairs, which it is required to fund from a \$1.00 per ticket "Capital Fund Ticket Fee." If the Capital Fund is insufficient to cover the costs and expenses for additions and capital repairs, ArenaCo must pay when due to the applicable third party all amounts required to cover those costs and expenses that exceed the amount of the funds in the Capital Fund.

Under the ArenaCo Lease, ArenaCo is required (a) to perform its obligations under the Team Use Agreement, by which ArenaCo has granted TeamCo a license to use the Arena; and (b) to use its commercially reasonable efforts to enforce all obligations of TeamCo under the Team Use Agreement and all related agreements between ArenaCo and TeamCo. ArenaCo may not terminate the Team Use Agreement or approve or permit any amendment to any provision of the Team Use Agreement so as to adversely affect the City's rights or obligations under the ArenaCo Lease or under any of the other Arena Agreements or to adversely affect ArenaCo's ability to perform its obligations under the ArenaCo Lease (including the obligation to pay the Annual Fee), in each case without the City's prior written consent, which may be withheld, conditioned, or delayed in the City's sole discretion. An amendment of the Team Use Agreement will not be deemed to adversely affect ArenaCo's ability to perform its obligations to pay the Annual Fee if ArenaCo's projections, prepared in good faith, with reasonable assumptions, and in accordance with industry standards, show that ArenaCo will be able to satisfy those obligations after the amendment.

ArenaCo has the exclusive right to sell "naming rights" associated with the Arena and to retain any revenues from the sale of naming rights.

Insurance Requirements. Under the ArenaCo Lease, ArenaCo is obligated to provide certain levels of insurance with respect to the Arena, including (a) builder's risk insurance during the construction phase of the Arena and (b) property insurance upon completion of construction of the Arena and thereafter for the remainder of the term of the ArenaCo Lease. Unless otherwise agreed by the City in writing, ArenaCo is required under the ArenaCo Lease to procure and maintain, at its sole expense, the builder's risk insurance and property insurance in an amount not less than, at any given time, 100% of the full replacement cost (without deduction for depreciation) of the Arena Facility. Full replacement cost of the Arena Facility is expected to be less than the principal amount of the Outstanding Series 2015 Bonds and the principal amount of ArenaCo's financings for the Arena. To the extent that ArenaCo obtains this insurance, the City's obligations under the Project Lease with respect to property insurance will be satisfied, and the City will not be obligated to obtain additional property insurance for the Arena.

Under the ArenaCo Lease, unless otherwise expressly agreed by the City in writing, ArenaCo must, at its sole expense, procure and maintain (or cause to be procured and maintained by appropriate contractors or vendors) in full force and effect insurance coverages appropriate for each phase of the Work, occupancy of the Arena after Substantial Completion, and for future additions and capital repairs made from time to time during the term of the ArenaCo Lease. These insurance coverages include the following:

- (a) Upon completion of construction and thereafter for the remainder of the term of the ArenaCo Lease, property insurance for the Arena covering real property, personal property, business income, and extra expense for all risks of physical loss or damage written on the broadest available Cause of Loss Form acceptable to the City in an amount not less than the Minimum

Property Insurance Coverage with no coinsurance penalty provisions. “**Minimum Property Insurance Coverage**” means, at any given time, 100% of the full replacement cost (new without deduction for depreciation) of the Arena Facility. The property coverage must include earthquake, earthquake sprinkler leakage, and flood coverage. The earthquake coverage must have a limit equal to (or greater than) the Minimum Property Insurance Coverage if that limit is available at commercially reasonable rates (failing which the earthquake coverage must have reasonable limits or sub-limits that are determined by “Probable Maximum Loss” calculations acceptable to the City). The earthquake sprinkler leakage and flood coverage must have reasonable limits or sub-limits that are determined by “Probable Maximum Loss” calculations acceptable to the City. The property insurance must also include boiler and machinery coverage. Business-income and extra-expense coverage must contain limits sufficient to cover all direct and indirect loss of income and additional expenses for Arena business operations for the appropriate period of time necessary to complete repairs of all real and personal property. Business income coverage must include an extended period of indemnity of at least 12 months. Any deductibles or self-insured retentions must be declared and approved by the City (with approval not to be unreasonably withheld, conditioned, or delayed); and the aggregate amount of deductibles or self-insured retentions must not exceed \$100,000; and the amount of coverage, after taking into account any such deductibles or self-insured retentions, must not be less than the Minimum Property Insurance Coverage.

- (b) At all times during the term of the ArenaCo Lease, commercial general-liability insurance written on an “occurrence” policy form and covering liability for death, bodily injury, personal injury, and property damage with limits of \$10,000,000 per occurrence relating, directly or indirectly, to ArenaCo’s business operations, conduct, or use or occupancy of the Arena. Any deductibles or self-insured retentions must be declared and approved by the City (with approval not to be unreasonably withheld, conditioned, or delayed).
- (c) At all times during the term of the ArenaCo Lease, automobile-liability insurance covering death, bodily injury, and property damage for the operation of all owned, non-owned, leased, and hired vehicles with limits of \$5,000,000 per accident.
- (d) At all times during the term of the ArenaCo Lease, workers’ compensation insurance as required by the State with statutory limits and employers’ liability insurance with a limit of no less than \$1,000,000 per accident for bodily injury or disease.
- (e) At all times during the term of the ArenaCo Lease, pollution insurance for the benefit of ArenaCo and the City covering first- and third-party claims with limits of \$5,000,000 each occurrence or claim and \$10,000,000 policy annual aggregate. Any deductibles or self-insured retentions must be declared and approved by the City (with approval not to be unreasonably withheld, conditioned, or delayed).
- (f) During any construction phase, builder’s risk insurance covering real property, personal property, consequential loss of revenue (rents and earnings) and customary “soft costs” for up to 24 months, including interest costs (including the interest component of Base Rental Payments payable by the City under the Project Lease) or expenses because of delay of start-up due to an insured loss. Coverage must be for all risks of physical loss or damage written on the broadest available Cause of Loss Form acceptable to the City for the Minimum Property Insurance Coverage with no coinsurance penalty provisions. Coverage must include earthquake, earthquake sprinkler leakage, and flood with reasonable limits or sub-limits that are determined by “Probable Maximum Loss” calculations acceptable to the City. ArenaCo must require all of its contractors, subcontractors, vendors, agents, and representatives involved in work or operations on site at the Arena to provide a “Property Installation

Floater” covering damage to real property, personal property, machinery, or equipment impaired, broken, or destroyed, including transit to the construction site or while awaiting installation or testing at the construction site. Any deductibles or self-insured retentions must be declared and approved by the City (with approval not to be unreasonably withheld, conditioned, or delayed).

- (g) During any construction phase, professional-liability insurance covering design errors and omissions with limits of no less than \$5,000,000 each occurrence or claim and \$10,000,000 policy annual aggregate. ArenaCo must also require Arena Contractor and all other contractors, subcontractors, vendors, agents, and representatives involved in any design work related to the Arena or the Arena Site to maintain specified insurance. Any deductibles or self-insured retentions must be declared and approved by the City (with approval not to be unreasonably withheld, conditioned, or delayed).

In addition to the insurance specified above, the ArenaCo Lease requires ArenaCo to procure and maintain any and all rental-interruption insurance required by the Project Lease (collectively, the “**City Rental-Interruption Insurance**”). ArenaCo must maintain the City Rental-Interruption Insurance in full force and effect at all times that the insurance is so required and with the minimum coverages so required. The City will be solely responsible for the premiums for the City Rental-Interruption Insurance, except that for each “Operating Year” (as defined in the ArenaCo Lease) ArenaCo will be responsible for an amount equal to the product of (a) the total premiums of the City Rental-Interruption Insurance for the operating year *multiplied by* (b) a fraction, the numerator of which is the Annual Fee payable for the Operating Year, and the denominator of which is the total payments payable by the City during the Operating Year with respect to the “City Financing” under the “City Financing Documents” (as those terms are defined in the ArenaCo Lease).

Under the ArenaCo Lease, the City has agreed to allow ArenaCo to determine whether the Arena Facility will be repaired and restored in the event of damage or destruction or partial condemnation of the Arena. In addition, the City and ArenaCo have agreed in the ArenaCo Lease to the following allocation of any insurance proceeds or condemnation award received with respect to the Arena if the ArenaCo Lease is terminated because ArenaCo elects not to repair and restore the Arena:

- 50% to the Trustee to pay the outstanding amount of the Series 2015 Bonds; and
- 50% to the ArenaCo lenders to pay the aggregate outstanding amounts of ArenaCo’s financings for the Arena.

The 50/50 distributions will continue until the earlier to occur of (a) the earlier to occur of the full repayment of the outstanding amount of the Series 2015 Bonds or the distributions made to the Trustee equal \$325,000,000 or (b) the full repayment of the aggregate outstanding amounts of ArenaCo’s financings for the Arena.

As described in “SECURITY FOR THE SERIES 2015 BONDS — Insurance,” the City will satisfy its obligation to obtain and maintain insurance relating to construction and operation of the Arena under the Project Lease through the insurance obtained by ArenaCo under the ArenaCo Lease. As described in “SECURITY FOR THE SERIES 2015 BONDS — Insurance and Condemnation Awards,” ArenaCo is generally obligated to use the insurance proceeds to repair or restore the Arena. If the insurance proceeds are insufficient to repair or restore the Arena, ArenaCo may terminate the ArenaCo Lease, and the Trustee is generally entitled to 50% of the insurance proceeds (which will likely be less than the outstanding principal amount of the Series 2015 Bonds). ArenaCo is also generally entitled to 50% of any condemnation awards relating to the Arena. There can be no assurances that insurance proceeds actually available to ArenaCo for the repair or restoration of the Arena will be sufficient to repair or replace the Arena. If the Arena is not repaired, there can be no assurances that insurance proceeds actually available to the Trustee will be

sufficient to provide for payment of the Series 2015 Bonds. See “RISK FACTORS — Risk of Insufficiency of Insurance Proceeds or Condemnation Awards.”

Leasehold Mortgages. The ArenaCo Lease provides that ArenaCo has the right, without the City’s consent, to execute and deliver one or more leasehold mortgages encumbering ArenaCo’s interest in the ArenaCo Lease or the direct or indirect ownership interests in ArenaCo (each, a “**Leasehold Mortgage**”) at any time and from time to time provided that (a) no such Leasehold Mortgage may encumber the City’s fee-ownership interest or the leasehold interests set forth in the Site Lease or the Project Lease; (b) the proceeds from the debt secured by the Leasehold Mortgage may not be used for purposes other than the negotiation of all Arena Agreements; the design, development, construction, financing, management, maintenance, repair, replacement, leasing, or operation of the Arena; or the acquisition of the Arena Site and the refinancing of mortgage loans related thereto; and (c) each Leasehold Mortgagee must be an institutional lender. The City is not required to join in or subordinate the fee estate or the leasehold interests set forth in the Site Lease or the Project Lease to any Leasehold Mortgage, and no such Leasehold Mortgage may extend to or affect the fee estate. Each Leasehold Mortgage must require that the Leasehold Mortgagee send to the City copies of all notices of default sent to ArenaCo in connection with the Leasehold Mortgage or the debt secured thereby, but the failure to provide notice will not affect the validity of the notice as against ArenaCo.

The ArenaCo Lease contains detailed provisions relating to Leasehold Mortgages and the rights of Leasehold Mortgagees including the right (but not the obligation) of Leasehold Mortgagees to perform any obligation of ArenaCo under the ArenaCo Lease and to remedy any default by ArenaCo. In addition, any Leasehold Mortgagee will be entitled to institute proceedings to obtain possession of the Arena as mortgagee (including possession by a receiver) or to acquire directly, or cause its assignee, nominee, or designee to acquire, ArenaCo’s rights under the Arena Lease and to cause the City to enter into a replacement agreement with a qualified operator selected by the Leasehold Mortgagees.

ArenaCo and certain of the other Kings Entities have granted a Leasehold Mortgage to the ArenaCo Lender to secure the ArenaCo Loan. See “THE ARENA — Arena Funding — ArenaCo Funding.” Under the Subordination Agreement, the Site Lease and the Project Lease are prior and superior to the ArenaCo Lease and Team Use Agreement.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS

Following is a description of certain constitutional limitations on taxes and appropriations applicable to the City which affect many sources of funds for the City’s General Fund and therefore may affect the City’s obligation to make Base Rental Payments under the Project Lease. For a description of other factors relating to the revenues of the City, see APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO.”

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (a) indebtedness approved by the voters before June 1, 1978, or (b) any bonded indebtedness for the acquisition or improvement of real property approved on or after June 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or the full cash value may be

reduced in the event of declining property value caused by substantial damage, destruction, or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures that further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (a) real property between spouses or (b) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment could serve to reduce the property-tax revenues of the City which are deposited to the City’s General Fund and a source of payment for the Base Rental Payments under the Project Lease. Other amendments permitted the State Legislature to allow persons over 55 or “severely disabled homeowners” who sell their residences and buy or build another of equal or lesser value within two years in the same county to transfer the old residence’s assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of “newly constructed” the construction or installation of seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction, or other factors, provided that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster. See APPENDIX A — “GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO—CITY FINANCES — Property Taxation Within the City.”

Article XIII B of the State Constitution

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, special district, authority or other political subdivision of the State to the appropriations limit for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The “base year” for establishing this appropriations limit is the Fiscal Year 1978-79. The appropriations limit may also be adjusted in emergency circumstances, subject to limitations.

Appropriations of an entity of local government subject to Article XIII B generally include authorizations to expend during a Fiscal Year the “proceeds of taxes” levied by or for the entity, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment-insurance, and disability-insurance funds. “Proceeds of taxes” include but are not limited to all tax revenues; certain State subventions received by the local governmental entity; and the proceeds to the local governmental entity from (a) regulatory licenses, user charges, and user fees (to the extent that the proceeds exceed the cost of providing the service or regulation) and (b) the investment of tax revenues. Article XIII B provides that if a governmental entity’s revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

Article XIII B does not limit the appropriation of moneys to pay debt service on indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose, or appropriations for certain other limited purposes. Furthermore, Article XIII B was amended in 1990 to exclude from the appropriations limit “all qualified capital outlay projects, as defined by the Legislature,” from proceeds of taxes. The Legislature has defined “qualified capital outlay project” to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value that equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay

the lease payments on the City's long-term General Fund lease obligations, including the Base Rental Payments under the Project Lease, are generally excluded from the City's appropriations limit.

The City's appropriation limit for Fiscal Year 2015-16 is estimated to be \$734,680,000, for which expenditures subject to the appropriation limitation are \$397,402,000.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution and contains a number of interrelated provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, and property-related fees and charges. The interpretation and application of Proposition 218 has been and will continue to be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such a determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general-purpose tax the City imposed, extended, or increased without voter approval after December 31, 1994, may continue to be imposed only if approved by a majority vote in an election that must be held before November 6, 1998. The voter-approval requirements of Article XIII C reduce the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend, or increase taxes in the future to meet increased expenditure needs.

The City currently imposes the following general taxes: temporary sales tax, business-operations tax, utility-users tax, real-property-transfer tax and transient-occupancy tax. Since all of these taxes (except the temporary sales tax and the utility-users tax, as described below) were imposed before January 1, 1995, and have not been extended or increased since that date, these taxes should be exempt from the requirements of Article XIII C. Any future increases in these taxes, however, would be subject to the voter requirement of Article XIII C. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — Other Taxes — Utility Users Tax" for a discussion of Measure O, approved by the voters in November 2008, which reduced the utility user tax on telephonic services from 7.50% to 7.00% and expanded the scope of the tax to include new communication technologies. See APPENDIX A — "GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO — Other Taxes — Measure U" for a discussion of Measure U, approved by the voters in November 2012, which enacted a temporary one-half-cent sales tax that expires in March 2019 unless renewed.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things: (a) a prohibition against assessments that exceed the reasonable cost of the proportional special benefit conferred on a parcel; (b) a requirement that assessments confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred; (c) a majority-protest procedure for assessments, which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing, and the tabulation of ballots weighted according to the proportional financial obligation of the affected parties; and (d) a prohibition against fees and charges used for general governmental services, including police, fire, and library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution by expanding the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged and does not

exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged and does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, for performing investigations, inspections, and audits, for enforcing agricultural-marketing orders, and for the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local-government property, or the purchase, rental, or lease of local-government property; (e) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax; that the amount is no more than necessary to cover the reasonable costs of the governmental activity; and that the manner in which those costs are allocated to a payor bears a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. As of the date of this Remarketing Circular, the City is unaware of any fees that would have to be reduced or eliminated because of Proposition 26.

The City currently levies assessments for more than 36 service districts, maintenance districts, and property and business improvement districts. The revenues from these assessments were in excess of \$35.6 million for Fiscal Year 2014-15, including \$2.3 million from two-capital acquisition, pay-as-you-go districts. The City believes that each of these assessments and districts complies with, or is exempt from, the requirements of Article XIID. Subsequent increases of these levies, if any, would be required to comply.

The City also levies assessments for 13 improvement districts under the State improvement-district acts. The revenues from these assessments were approximately \$12.6 million in Fiscal Year 2014-15. Each of these assessments secures bonded indebtedness that is payable solely from the assessments and has no claim on the City's General Fund.

Article XIIC also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, and property-related fees or charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives that reduce or repeal local taxes, assessments, or property-related fees or charges currently composing a substantial part of the City's General Fund. If a repeal or reduction occurs, the City's ability to make Base Rental Payments under the Project Lease could be adversely affected.

Statutory Spending Limitations

At the November 4, 1986, general election, the voters of the State approved Proposition 62, a statutory initiative (a) requiring that any tax imposed by local governmental entities for general governmental purposes be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity; (b) requiring that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction; (c) restricting the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibiting the imposition of ad valorem taxes on real property by local governmental entities, except as permitted by Article XIII A; (e) prohibiting the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requiring that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the State Supreme Court, in *Santa Clara City Local Transportation Authority v. Guardino* (1995) 11 Cal.4th 220, upheld the

constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The *Guardino* decision did not address whether it should be applied retroactively.

In response to *Guardino*, the State Legislature adopted Assembly Bill No. 1362, which provided that *Guardino* should apply only prospectively to any tax that was imposed or increased by an ordinance or resolution adopted after December 14, 1995. Assembly Bill No. 1362 was vetoed by the Governor; hence the application of the *Guardino* decision on a retroactive basis remains unclear.

The *Guardino* decision also did not decide the question of the applicability of Proposition 62 to charter cities such as the City. Two cases decided by the State Courts of Appeals in 1993, *Fielder v. City of Los Angeles* (1993) 14 Cal.App.4th 137 (rev. den. May 27, 1993), and *Fisher v. County of Alameda* (1993) 20 Cal.App.4th 120 (rev. den. Feb. 24, 1994), held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact those taxes under Article XI, Section 5, of the State Constitution relating to municipal affairs.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative. It is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62. See “— Articles XIII C and XIII D of the State Constitution.”

The City does not believe that it imposes any tax or fee that is subject to Proposition 62.

Proposition 1A

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local-government revenue sources. Under Proposition 1A, the State may not (a) reduce local sales-tax rates or alter the method of allocating the revenue generated by those taxes, (b) shift property taxes from local governments to schools or community colleges, (c) change how property-tax revenues are allocated among local governments without two-third approval of both houses of the State Legislature, or (d) decrease revenues from Vehicle License Fees without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales-tax and property-tax revenues among local governments within a county.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as “The Local Taxpayer, Public Safety, and Transportation Protection Act” (“**Proposition 22**”). Among other things, Proposition 22 broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property-tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property-tax revenues under any circumstances. The State can no longer borrow local property-tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property-tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local-government revenue sources by restricting the State government's control over local revenues.

Future Initiatives

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62, 1A, 22, and 26 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time, other initiative measures could be adopted that further affect the City's revenues (including revenues available to make Base Rental Payments) or the City's ability to expend revenues.

RISK FACTORS

This section provides a general overview of certain risk factors that should be considered, in addition to the other matters set forth in this Remarketing Circular, in evaluating an investment in the Series 2015 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2015 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2015 Bonds are advised to consider the following factors, among others, and to review this entire Remarketing Circular to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value or the marketability of the Series 2015 Bonds, or both. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Base Rental Payments Are Not Debt

The City's obligation to make the Base Rental Payments under the Project Lease does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Series 2015 Bonds and the City's obligation to make Base Rental Payments do not constitute a debt of the City or the State or any of the State's political subdivisions (other than the Authority) within the meaning of any constitutional or statutory debt limitation or restriction.

The Series 2015 Bonds are not general obligations of the Authority; they are limited obligations payable solely from, and secured solely by, a pledge of Lease Revenues (consisting primarily of Base Rental Payments) and amounts held in the funds and accounts created under the Indenture. The Authority has no taxing power.

Although the Project Lease does not create a pledge, lien, or encumbrance upon the funds of the City, the City is obligated under the Project Lease to pay the Base Rental Payments from any source of legally available funds, and the City has covenanted in the Project Lease that, for so long as the Arena Facility is available for its use, it will make the necessary annual appropriations within its budget for the Base Rental Payments. The City is currently liable on, and may become liable on, other obligations payable from its general revenues. Some of those obligations could have priority over the Base Rental Payments; in addition, the City in its discretion might determine to pay some of those obligations first rather than pay the Base Rental Payments.

The City has the capacity to enter into other obligations payable from the City's General Fund, without the consent of, or prior notice to, the Owners of the Series 2015 Bonds. To the extent that the City incurs additional obligations, the funds available to make Base Rental Payments may be decreased. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before making Base Rental Payments. The same result could occur if, because of State constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues. The City's appropriations, however, have never exceeded the limitations on appropriations under Article XIII B of the State Constitution. For information on the City's current limitations on appropriations, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS — Article XIII B of the State Constitution."

Valid and Binding Covenant to Budget and Appropriate

Under the Project Lease, the City covenants to take such action as may be necessary to include Base Rental Payments due in its annual budgets and to make necessary appropriations for all the Base Rental Payments. These covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of their official duties to enable the City to carry out and perform these covenants. A court, however, in its discretion may decline to enforce these covenants.

ArenaCo May Not Satisfy Its Obligation to Provide Funds to Complete the Arena Facility

Under the Arena Construction Agreement and the ArenaCo Lease, ArenaCo is obligated to pay all costs of constructing the Arena Facility in excess of the City Contribution. In addition, as described in “THE ARENA — Cost Estimates and Funding Status,” ArenaCo is responsible for the payment of certain costs relating to the Plaza, completion of which is necessary for the City to have beneficial use and occupancy of the Arena Facility. ArenaCo has entered into arrangements to provide a portion of these funds. If the actual costs of completing the Arena Facility exceed the projected cost for which ArenaCo has financing arrangements, ArenaCo expects to raise sufficient funds from one or more of the following sources as described above in “THE ARENA — Arena Funding.” Although ArenaCo expects that the necessary funds will be timely raised, there can be no assurance that the funds will be raised or that the amount of the funds will be sufficient to make the full payment of the cost of completing the Arena Facility (including the Plaza, as described herein). If ArenaCo fails to cause completion of construction of the Arena Facility and the Plaza (as described herein) by October 1, 2017 (the period through which capitalized interest is being funded from the proceeds of the Series 2015 Bonds), the City’s obligation to make Base Rental Payments will be abated during the period of delay, and that circumstance would have a material adverse effect on the Authority’s ability to pay debt service with respect to the Series 2015 Bonds. See “RISK FACTORS — Construction Risks” and “— Abatement.”

Construction Risks

As described herein, the City’s obligation to make Base Rental Payments does not commence until the Arena Facility is completed and available for the City’s beneficial use and occupancy. If ArenaCo fails to cause completion of construction of the Arena Facility (including the Plaza, as described herein) by October 1, 2017 (the period through which capitalized interest is being funded from the proceeds of the Series 2015 Bonds), the City’s obligation to make Base Rental Payments will be abated during the period of delay, and that circumstance would have a material adverse effect on the Authority’s ability to pay debt service with respect to the Series 2015 Bonds. This section describes certain risks specifically relating to construction of the Arena Facility (including, for purposes of the discussion under this subheading, the Plaza) but does not constitute an exhaustive list of all construction-related risks.

General Construction Risks for Arena Facility. Completion of the Arena Facility involves many risks common to large construction projects such as shortages of materials and labor, work stoppages, labor disputes, litigation, environmental law compliance, errors and omissions by architects, engineers, and contractors, substantial increases in material costs for steel, lumber, and other key commodities, weather interferences, terrorism, construction accidents, contractor or subcontractor defaults, defective workmanship, unforeseen engineering, geotechnical or environmental problems, land-use permitting problems, and unanticipated cost increases, any of which could give rise to substantial delays or cost overruns. In addition, in recent years, these problems have been particularly substantial in the construction of large sports stadiums and arenas, many of which have encountered substantial delays and cost overruns. No assurance can be given that the factors mentioned above will not cause substantial delays and cost overruns. Any delays and overruns may materially and adversely affect the construction budget, possibly requiring ArenaCo to provide additional funds under the Arena Construction Agreement in respect of the construction-completion-shortfall amount or to value-engineer out of the Arena Facility otherwise desirable features or amenities.

Any and all aspects of construction, including but not limited to labor and materials, could be subject to material increases in cost. Although ArenaCo believes that its estimates of costs of the Arena Facility and the adequacy of the contingencies are reasonable, it is possible that the ArenaCo's judgments and assumptions are materially mistaken and that the actual costs of the Arena Facility will vary materially from the estimates thereof, including those set forth in this Remarketing Circular. It is also possible that the aggregate costs of the Arena Facility, whether included or excluded from the Arena Contractor Agreement and any other contracts applicable to the Arena Facility, will exceed the sum of the price of the Arena Contractor Agreement (and the other contracts), *plus* ArenaCo's estimate of the costs of the Arena excluded from the Arena Contractor Agreement (and the other contracts) *plus* the aggregate contingencies budgeted to pay for excess costs, so that ArenaCo will require substantial additional funds in order to complete the work.

Nonperformance by Design-Builder. The Arena Contractor Agreement limits the Arena Contractor's ability to make claims for increases in the price specified in the Arena Contractor Agreement or for extensions of the completion deadlines specified therein. The Arena Contractor Agreement also imposes liquidated damages for failure to meet certain completion deadlines and obligates the Arena Contractor to assume full risk and responsibility with respect to design of the Arena Facility. If the Arena Contractor finds it uneconomic to perform the obligations under the Arena Contractor Agreement, or otherwise becomes unwilling or unable to perform, there is a risk that the Arena Contractor may abandon the Arena Facility and breach its obligations under the Arena Contractor Agreement. Although the Arena Contractor Agreement includes provisions to secure contractor performance, including performance-bond and payment bond requirements and retention of Contractor payments, there can be no assurance that these provisions will ensure the Arena Contractor's full performance of its obligations under the Arena Contractor Agreement. The Arena Contractor's nonperformance may lead to substantial cost increases and delays in completion of the Arena Facility.

Failure of Providers of Performance and Payment Bonds. A potential purchaser of the Series 2015 Bonds can have no assurance that any surety or property insurer will be willing to meet, or be capable of meeting, its responsibilities in connection with the Arena Facility. Nor can there be any assurance that the issuer of any performance bond, payment bond, or property-insurance policy will honor or be able to honor a claim in a timely manner.

There can be no assurance that the performance and payment bonds provided by the Arena Contractor will be sufficient to satisfy the ArenaCo's performance and payment obligations under the Arena Contractor Agreement. Not all events are covered under the performance and payment bonds. The issuer of performance and payment bonds is not guaranteeing performance and payment under all circumstances, and the issuer of the bonds may assert any defenses it or the Arena Contractor may have for performance and payment. Moreover, if a default occurs under the Arena Contractor Agreement, there is a possibility of litigation between ArenaCo and the Arena Contractor, or between ArenaCo and the providers of the performance bonds or payment bonds, that could further delay the construction and opening of the Arena Facility. In addition, there can be no assurance that the ArenaCo or the City could recover any amounts under any performance bonds or payment bonds.

Proceeds of payment or performance bonds are not available for payment of the Series 2015 Bonds.

Governmental Permits and Approvals

The Arena Facility and related infrastructure require numerous discretionary state and local governmental permits or approvals. See "THE ARENA — Governmental Permits and Approvals." The City and ArenaCo are not aware of any engineering or technical circumstances that would prevent ArenaCo from obtaining in the ordinary course and in a timely manner, the remaining permits and approvals required for completion of the Arena Facility and related infrastructure. Those permits and approvals that have been obtained contain conditions, and those that have not yet been obtained are expected to contain conditions when they are issued. In addition, the state and local statutory and regulatory requirements (including requirements

to obtain additional permits or approvals) applicable to the Arena Facility and related infrastructure are subject to change. No assurance can be given that ArenaCo will be able to comply with the changes or that the changes will not materially increase the cost of the Arena Facility and related infrastructure or cause delays. Completion of the Arena Facility could be delayed or prevented by, and additional costs could result from, delays in obtaining any approval or permit or any failure to obtain and maintain in full force and effect any approval or permit, or delays in or any failure to satisfy any conditions or other applicable requirements.

Third Party Contract Risk

Completion of the Arena Facility depends on the performance by third parties (such as the Kings Entities, the Arena Contractor and the Architect) of their obligations under their contracts for the design and construction of the Arena Facility, including obligations with respect to the coordination of construction. If these parties do not perform their obligations, if construction and design are not adequately coordinated, if disputes arise between parties, or if third parties are excused from performing their obligations because of nonperformance by ArenaCo or the Arena Contractor or because of force majeure events, then ArenaCo may not be able to acquire substitute services on substantially the same terms and conditions (if at all) or may be required to incur greater construction costs, and ArenaCo's ability to complete the Arena Facility may be adversely affected.

This Remarketing Circular contains no financial information regarding the Kings Entities. As a result, in making an investment decision with respect to the Series 2015 Bonds, a purchaser can have no assurance, based on the information contained herein, that the Kings Entities or any third party will have the ability to meet its obligations under the agreements to which it is a party.

Abatement

In the event of loss or substantial interference in the use and possession by the City of all or any portion of the Arena caused by material damage, title defect, destruction to or condemnation of the Arena, Base Rental Payments will be subject to abatement. If that component of the Arena, when damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the City's rental-interruption insurance will be available in lieu of Base Rental Payments, or if that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of the component of the Arena or prepayment of the Series 2015 Bonds, there could be insufficient funds to make payments to Owners in full. See "THE ARENA — Arena Operations and Maintenance." Reduction in Base Rental Payments due to abatement as provided in the Project Lease does not constitute a default thereunder.

As described in "SECURITY FOR THE SERIES 2015 BONDS — Insurance and Condemnation Awards," the City will satisfy its obligation to obtain and maintain insurance relating to the construction and operation of the Arena under the Project Lease through the insurance obtained by ArenaCo under the ArenaCo Lease. As described herein, ArenaCo is generally obligated to use insurance proceeds to repair or restore the Arena. There can be no assurances that insurance proceeds actually available to ArenaCo for the repair or restoration of the Arena will be sufficient to repair or replace the Arena. If insurance proceeds are insufficient to repair or restore the Arena, ArenaCo may terminate the ArenaCo Lease, and the Trustee is generally entitled to 50% of insurance proceeds. ArenaCo is also generally entitled to 50% of any condemnation awards relating to the Arena. If the Arena is not repaired, there can be no assurances that insurance proceeds actually available to the Trustee will be sufficient to provide for payment of the Series 2015 Bonds. See "— Risk of Uninsured Loss" and "— Risk of Insufficiency of Insurance Proceeds or Condemnation Awards."

It is not possible to predict the circumstances under which an abatement of rental might occur. In addition, there is no statute, case, or other law specifying how an abatement of rental should be measured. For example, it is not clear whether fair-rental value is established as of commencement of the Project Lease or at the time of the abatement. If the latter, the value of the Arena might be substantially higher or lower than its

value at the time of remarketing of the Series 2015 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for, and payment of, the Series 2015 Bonds.

Risk of Uninsured Loss

The City covenants under the Project Lease to maintain insurance on the Arena. See “SECURITY FOR THE SERIES 2015 BONDS — Insurance.” These insurance policies do not cover all types of risk, and the insurance required under the Project Lease may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with the terms thereof. The Arena could be damaged or destroyed due to earthquake or other casualty for which the Arena is uninsured. Additionally, as described below under “— Eminent Domain,” the Arena could be the subject of an eminent-domain proceeding. Under these circumstances, an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the providers of the City’s liability insurance and rental-interruption insurance will in all events be able or willing to make payments under the policies for a loss should a claim be made under the policies. There also can be no assurances that amounts received as proceeds from insurance or from condemnation of the Arena will be sufficient to redeem the Series 2015 Bonds.

The Project Lease provides that the City’s obligation to maintain insurance may be satisfied by the insurance required to be maintained by ArenaCo under the ArenaCo Lease, and the City intends to satisfy its obligation to obtain and maintain that insurance through the insurance obtained by ArenaCo. The City might not be aware of a failure by ArenaCo to obtain or maintain the required insurance policies.

The City is not obligated under the Project Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Arena. The City currently carries earthquake insurance on the Arena, although the Project Lease does not require it to do so. The City plans to continue to purchase earthquake insurance on the Arena so long as this insurance can be obtained on the open market at reasonable rates. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Project Lease. See “— Abatement.”

Eminent Domain

If the Arena is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Project Lease will cease as of the day possession is taken. If less than all of the Arena is taken permanently, or if the Arena or any part thereof is taken temporarily, under the power of eminent domain, then (a) the Project Lease will continue in full force and effect and will not be terminated by virtue of the taking, and (b) there will be a partial abatement of Base Rental Payments as a result of the application of net proceeds of any eminent-domain award to the prepayment of the Base Rental Payments, in an amount to be agreed upon by the City and the Authority so that the resulting Base Rental Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Arena.

As described in “SECURITY FOR THE SERIES 2015 BONDS — Insurance and Condemnation Awards,” ArenaCo is generally entitled to 50% of any condemnation awards relating to the Arena. There can be no assurances that condemnation proceeds actually available to the Trustee will be sufficient to provide for payment of the Series 2015 Bonds.

Risk of Insufficiency of Insurance Proceeds or Condemnation Awards

As described under “Risk of Uninsured Loss” and “Eminent Domain,” no assurances can be given that insurance proceeds or condemnation awards relating to the Arena will be sufficient to repair and restore the Arena and avoid an abatement of Base Rental Payments securing the Series 2015 Bonds. In addition, the City and ArenaCo have agreed in the ArenaCo Lease that if ArenaCo decides not to repair and restore the Arena, then any insurance proceeds or condemnation awards are to be allocated 50% to the Trustee to pay the

outstanding amount of the Series 2015 Bonds and 50% to the ArenaCo lenders to pay the aggregate outstanding amounts of ArenaCo's financings for the Arena. As a result, there likely will not be sufficient insurance proceeds or condemnation awards to repay or redeem the Series 2015 Bonds. See "THE ARENA — Arena Operations and Maintenance — Insurance Requirements." Investors should note that the builder's risk insurance during the construction phase of the Arena Facility and property insurance upon completion of construction of the Arena Facility and thereafter is only being obtained in an amount not less than, at any given time, 100% of the full replacement cost (without deduction for depreciation) of the Arena Facility, which will likely be less than the outstanding amount of the Series 2015 Bonds and the outstanding amount of the ArenaCo financings. Accordingly, there can be no assurances that insurance proceeds or condemnation awards actually available to the Trustee will be sufficient for the payment of the Series 2015 Bonds.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Arena. In general, the owners and lessees of the Arena may be required by law to remedy conditions relating to the release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but State laws with regard to hazardous substances are similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous-substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

It is also possible that the beneficial use of the Arena may be limited in the future because of the current existence on, in, or under the Arena of a substance currently classified as hazardous but which has not been released or the release of which is not currently threatened, or because of the current existence on, in, or under the Arena of a substance not currently classified as hazardous but which might in the future be so classified. Furthermore, liability might arise not only from the existence of a hazardous substance but also from the method in which it is handled. All of these possibilities could substantially limit the City's or the Authority's beneficial use of the Arena.

The City is unaware of the existence of hazardous substances on, in, or under the Arena Site that would materially interfere with the City's beneficial use thereof.

Flood

The Federal Emergency Management Agency produces Flood Insurance Rate Maps that show which portions of the City are in the 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

According to the City, the Arena Site is currently outside the 100-year floodplain. However, there can be no assurances that a significant flooding event would not materially adversely affect the use of the Arena. If the Arena is not available for the use and occupancy by the City as a result of flooding, Base Rental Payments would be subject to abatement. See "RISK FACTORS — Abatement" herein.

Earthquake

Under the Project Lease, the City is not obligated to procure and maintain, or cause to be procured or maintained, earthquake insurance on the Arena. Depending on its severity, an earthquake could result in abatement of Base Rental Payments under the Project Lease. See "RISK FACTORS — Abatement" herein.

Bankruptcy

In addition to the limitation in the Indenture and the Project Lease on remedies, the rights and remedies provided in the Indenture and the Project Lease may be limited by, and are subject to, federal bankruptcy laws and other laws or equitable principles that may affect the enforcement of creditors' rights. The City is not subject to the involuntary procedures of the United States Bankruptcy Code (title 11 of the United State Code; the "**Bankruptcy Code**"). However, under Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts. If the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code that apply in a Chapter 9 proceeding. Among the adverse effects of bankruptcy might be (a) the application of the automatic-stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (b) the avoidance of "preferential transfers" occurring during the relevant period before the filing of a bankruptcy petition; (c) the existence of unsecured or court-approved secured debt that might have a priority of payment superior to that of Owners of Series 2015 Bonds; and (d) the possibility of the adoption of a plan for the adjustment of the City's debt (a "**Plan**") without the consent of the Trustee or all of the Owners of Series 2015 Bonds, which Plan may restructure, delay, compromise, or reduce the amount of any claim of the Owners if the Bankruptcy Court finds that the Plan is fair and equitable.

While an involuntary bankruptcy petition cannot be filed against the City or the Authority, the City and the Authority are each authorized to file for bankruptcy under certain circumstances. Should the City or the Authority file for bankruptcy, there could be adverse effects on the Owners of the Series 2015 Bonds.

If the City is in bankruptcy, the parties (including the Trustee and the Owners of the Series 2015 Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the Owners of the Series 2015 Bonds from funds in the Trustee's possession.

The Series 2015 Bonds are not secured by any material property of the City other than the funds that the City has actually deposited with the Trustee, and the City is not obligated to make Base Rental Payments to the Trustee until the third Business Day before the applicable bond payment debt.

The City may be able to repudiate the Project Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Project Lease were repudiated, the claims of the Authority (and thus the Trustee and the Owners of the Series 2015 Bonds) may be capped at an amount that is no more than three years' rent under the Project Lease and could be substantially less, and the capped claim may not be paid in full. If the Project Lease were repudiated, the City as sublessee under the Project Lease might no longer be able to use the Arena, but the City as owner, ArenaCo, TeamCo, and the Authority may still be able to use the Arena. Under those circumstances, the Owners of the Series 2015 Bonds could suffer substantial losses.

The City may be able to assign the Project Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Project Lease were assigned, the assignee would replace the City as sublessee under the Project Lease, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease, and the assignee would become obligated to make all payments (including Base Rental Payments) under the Project Lease. Any assignee might be a less desirable sublessee and might expose the Owners of the Series 2015 Bonds to additional or different risks, including risks of non-payment.

The City may be able to repudiate the Site Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Site Lease were repudiated, the Authority would have the option either to treat the Site Lease as terminated or to remain in possession. If the Authority treats the Site Lease as terminated, then the Project Lease would likely terminate. If the Project Lease terminates, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease, but the City as owner may still be able to use the Arena. It is not clear whether ArenaCo and TeamCo would still be able to use the Arena. Any pre-bankruptcy agreement by the Authority not to treat the Site Lease as terminated may or may not be enforceable. Under those circumstances, there could be delays or reductions in payments on the Series 2015 Bonds.

The City may be able to sell the Arena Site and the Arena Facility with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Arena Site and the Arena were sold, it is not clear whether or not the Site Lease and the Project Lease would automatically terminate. If the Site Lease or the Project Lease does terminate, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease, and ArenaCo and TeamCo may no longer be able to use the Arena. Although the Authority may have claims against the City, those claims may be capped as described above, and the City may not be required to pay any claim in full. Under those circumstances, the Owners of the Series 2015 Bonds could suffer substantial losses.

The City may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants, and other terms or provisions of the Project Lease, the Indenture, the Series 2015 Bonds, and other transaction documents without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

The City could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Site Lease, the Project Lease, or other transaction documents. If the Authority is in bankruptcy, the parties (including the Trustee and the Owners of the Series 2015 Bonds) may be prohibited from taking any action to collect any amount from the Authority or to enforce any obligation of the Authority unless the permission of the bankruptcy court is obtained. These restrictions might also prevent the Trustee from making payments to the Owners of the Series 2015 Bonds from funds in the Trustee's possession.

The Series 2015 Bonds are not secured by any material property of the Authority, other than the Project Lease.

The Authority may be able to repudiate the Site Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Site Lease were repudiated, then the Project Lease may terminate. If the Project Lease terminates, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease, and the City as sublessee might no longer be able to use the Arena, but the City as owner, ArenaCo, and TeamCo may be able to use the Arena. Under those circumstances, the Owners of the Series 2015 Bonds could suffer substantial losses.

The Authority may be able to repudiate the Project Lease with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the Project Lease were repudiated, the City would have the option either to treat the Project Lease as terminated or to remain in possession. If the City treats the Project Lease as terminated, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease, but the City as owner, ArenaCo, and TeamCo may still be able to use the Arena. Any pre-bankruptcy agreement by the City not to treat the Project Lease as terminated might

or might not be enforceable. Under those circumstances, the Owners of the Series 2015 Bonds could suffer substantial losses.

The Authority may be able to sell or assign its leasehold estate in the Arena with the approval of the bankruptcy court but without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds, and without complying with the terms of the transaction documents. If the leasehold estate in the Arena is sold or assigned, it is not clear whether or not the Project Lease would automatically terminate. If the Project Lease does terminate, the City would no longer be obligated to make any payments (including Base Rental Payments) under the Project Lease. It is not clear whether ArenaCo or TeamCo would still be able to use the Arena. Under those circumstances, the Owners of the Series 2015 Bonds could suffer substantial losses.

The Authority may be able to borrow additional money that is secured by a lien on any of its property (including the Lease Revenues). Such a lien could have priority over the lien of the Indenture as long as the bankruptcy court determines that the rights of the Trustee and the Owners of the Series 2015 Bonds will be adequately protected. The Authority may be able to cause some of the Lease Revenues to be released to it, free and clear of the lien of the Indenture, as long as the bankruptcy court determines that the rights of the Trustee and the Owners of the Series 2015 Bonds will be adequately protected.

The Authority may be able to alter the priority, interest rate, principal, payment terms, maturity dates, payment sources, covenants, and other terms or provisions of the Indenture and the Series 2015 Bonds without the consent and over the objection of the Trustee and the Owners of the Series 2015 Bonds as long as the bankruptcy court determines that the alterations are fair and equitable.

The Authority could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Site Lease, the Project Lease, the Indenture, or other transaction documents.

There may be delays in payments on the Series 2015 Bonds while the court considers any of these issues. There may be other possible effects of a bankruptcy of the City or the Authority that could result in delays or reductions in payments on the Series 2015 Bonds or result in losses to the Owners of the Series 2015 Bonds. Regardless of any specific adverse determinations in a City or Authority bankruptcy proceeding, the fact of a City or Authority bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2015 Bonds.

HoldCo, ArenaCo, and TeamCo are obligated to make substantial payments to the City, so if one or more of these entities goes into bankruptcy, the City could suffer financial stress.

City Financial Pressures

See “CITY FINANCIAL PRESSURES” for a discussion of certain factors that potentially could negatively affect the City’s financial condition and its ability to make Base Rental Payments.

No Acceleration; No Right to Relet Arena

The Series 2015 Bonds are not subject to acceleration under the Indenture. In addition, Base Rental Payments are not subject to acceleration upon the occurrence of an Event of Default under the Project Lease. The sole remedy of the Trustee if the City fails to make Base Rental Payments or otherwise defaults under its obligations under the Project Lease is to bring an action against the City annually to enforce payment of Base Rental Payments as they become due or to seek specific performance of any other defaulted obligation under the Project Lease, and the Authority expressly waives any right to re-enter and re-let the Arena or terminate the Project Lease.

Limitations on Remedies

The rights of the Owners of Series 2015 Bonds are subject (a) to the limitations on legal remedies against cities in the State, including applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect; and (b) to the application of general principles of equity, including concepts of materiality, reasonableness, and good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law. See “— Bankruptcy.”

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2015 Bonds with respect to the payment when due of the Base Rental Payments by the City, with respect to the City's performance of other agreements and covenants required to be performed by it contained in the Project Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation in the Indenture required to be performed by it.

Changes in Law

Articles XIII A, XIII B, XIII C, and XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted that further affect the City's revenues, its ability to make Base Rental Payments, or its ability to expend revenues.

TAX MATTERS

On the date of original issuance of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority (“**Bond Counsel**”), delivered its opinion (the “**Original Bond Counsel Opinion**”) that, based on an analysis of then existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is exempt from State personal-income taxes. In the Original Bond Counsel Opinion, Bond Counsel also observed that interest on the Series 2015 Bonds is not excluded from gross income for federal income-tax purposes under Section 103 of the Code. Bond Counsel expressed no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds. The Original Bond Counsel Opinion will not be updated in connection with the conversion and remarketing of the Series 2015 Bonds to fixed interest rates and Bond Counsel will not be rendering any opinion on the current tax status of the Series 2015 Bonds. A Copy of the Original Bond Counsel Opinion is contained in Appendix D hereto.

If the Authority defeases any Series 2015 Bond, the Series 2015 Bond may be deemed to be retired and “reissued” for federal income-tax purposes as a result of the defeasance. In that event, in general, the Beneficial Owner of the Series 2015 Bond will recognize taxable gain or loss equal to the difference between (a) the amount realized from the deemed sale, exchange, or retirement (less any accrued qualified stated interest that will be taxable as such) and (b) the Beneficial Owner's adjusted tax basis in the Series 2015 Bond.

Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership, and disposition of Series 2015 Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

CERTAIN LEGAL MATTERS

The validity of the Series 2015 Bonds and certain other legal matters were subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, delivered on the date of the

original issuance of the Series 2015 Bonds, referred to herein as the Original Bond Counsel Opinion. A copy of the Original Bond Counsel Opinion is contained in Appendix D to this Remarketing Circular. Bond Counsel has not taken any action to update the Original Bond Counsel Opinion. Certain legal matters will be passed upon for the City and the Authority by the City Attorney and by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel. Certain legal matters will be passed on for the Remarketing Agents by Nixon Peabody LLP. Bond Counsel, Disclosure Counsel, the City Attorney, and Remarketing Agents' Counsel undertake no responsibility for the accuracy, completeness, or fairness of this Remarketing Circular.

FINANCIAL STATEMENTS

The City's financial statements for the fiscal year ended June 30, 2014, included in APPENDIX B — "CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014," have been audited by Vavrinek, Trine, Day & Company, LLP, Rancho Cucamonga, California, as stated in the report appearing in Appendix B. Vavrinek, Trine, Day & Company, LLP has not undertaken to update its audit or to take any action intended or likely to elicit information concerning the accuracy, completeness, or fairness of the statements made in this Remarketing Circular, and no opinion is expressed by Vavrinek, Trine, Day & Company, LLP with respect to any event subsequent to the report appearing in Appendix B.

LITIGATION

To the actual knowledge of the Authority and the City as of the date of this Remarketing Circular, neither the Authority nor the City has been served with process in, or overtly threatened with, any litigation (a) concerning the validity of the Series 2015 Bonds or the pledge of the Lease Revenues; or (b) challenging any action taken by the Authority or the City in connection with the authorization of the Indenture, the Site Lease, the Project Lease, or any other document relating to the Series 2015 Bonds or the performance by the Authority or the City of any of their obligations under any of the foregoing.

A complaint titled *Isaac Gonzalez et al. v. Kevin Johnson et al.* was filed in the Sacramento County Superior Court on May 14, 2013 (Case No. 34-2013-80001489). Among other things, the lawsuit challenged the validity of the Series 2015 Bonds and related documents. On July 24, 2015, following a ten-day trial, the Superior Court issued a Proposed Statement of Decision finding against the plaintiffs on all causes of action. On August 5, 2015, the parties to the case executed a Settlement and Release Agreement by which the plaintiffs agreed to waive all rights of appeal and to dismiss the lawsuit. The Superior Court entered an order dismissing the lawsuit "with prejudice" on August 6, 2015.

A complaint titled *James C. Maxey v. Mayor Kevin Johnson, et al.* was filed with the Sacramento County Superior Court on July 31, 2015 (Case No. 34-2015-00182423), and was subsequently removed to the U.S. District Court for the Eastern District of California, in Sacramento (Case No. 2:15-cv-01656-JAM-EFB). This lawsuit names as defendants various federal, state, and local officials as well as the Sacramento Kings, and it alleges that the defendants have violated assorted federal laws by "using remote neural monitoring which enables [them] to monitor, track and electromagnetically torture the Plaintiff in response to any movement made by the Plaintiff inside and outside his residence." Among other things, the lawsuit seeks to enjoin construction of the Arena Facility because it is being financed with "proceeds illegally-derived from the Plaintiff's victimization as a slave, biological robot and guinea pig for national security, scientific and medical experimentation." The lawsuit does not challenge (a) the validity of the Series 2015 Bonds or the pledge of the Lease Revenues; (b) any action taken by the Authority or the City in connection with the authorization of the Indenture, the Site Lease, the Project Lease, or any other document relating to the Series 2015 Bonds; or (c) the performance by the Authority or the City of any of their obligations under any of the foregoing documents. On August 4, 2015, in denying Mr. Maxey's request for injunctive relief, the Chief Judge of the Eastern District found "that the inherent implausibility of the claims asserted by Plaintiff makes it impossible for this Court to conclude there is any likelihood he will ultimately prevail." In light of that finding, the City Attorney

believes that this lawsuit has no merit and will be dismissed. It thus will not adversely affect either the Series 2015 Bonds or the construction of the Arena Facility.

On August 10, 2015, the Eastern District declared Mr. Maxey to be a “vexatious litigant,” noting that over 100 of his cases had been filed and dismissed within the previous two years. As a result, Mr. Maxey is prohibited “from filing any new litigation in this Court without first obtaining leave of [the] Chief Judge,” although his “currently-pending actions will proceed accordingly.”

On August 7, 2015, Mr. Maxey filed another complaint with the Sacramento County Superior Court, titled *James C. Maxey v. State of California, et al.* (Case No. 34-2015- 00182738). This lawsuit is essentially the same as *James C. Maxey v. Mayor Kevin Johnson* except that it does not name any federal officials as defendants. It does not challenge (a) the validity of the Series 2015 Bonds or the pledge of the Lease Revenues; (b) any action taken by the Authority or the City in connection with the authorization of the Indenture, the Site Lease, the Project Lease, or any other document relating to the Series 2015 Bonds; or (c) the performance by the Authority or the City of any of their obligations under any of the foregoing documents. On August 21, 2015, Mr. Maxey applied to the Superior Court for a temporary restraining order, asking the Court to prohibit the defendants from continuing to torture him and to halt the construction of the Arena Facility with “proceeds illegally-derived from [his] victimization.” The Superior Court denied the application without a hearing but allowed the lawsuit to continue. The City Attorney believes that this lawsuit has no merit and will be dismissed. It thus will not adversely affect either the Series 2015 Bonds or the construction of the Arena Facility.

RATINGS

The Series 2015 Bonds are currently rated “A” by Fitch Ratings and “A+” by S&P. These ratings reflect only the views of Fitch Ratings and S&P, respectively, and any desired explanation of the significance of the ratings should be obtained from the applicable rating agency. There is no assurance the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of Fitch Ratings or S&P, circumstances so warrant. Any downward revision or withdrawal of the rating might have an adverse effect on the market price of the Series 2015 Bonds.

FINANCIAL ADVISOR

The City has retained First Southwest Company, LLC (“**FirstSouthwest**”), as financial advisor in connection with the issuance and sale of the Series 2015 Bonds. Although FirstSouthwest has assisted in the preparation of the Remarketing Circular, FirstSouthwest is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Remarketing Circular or any of the other legal documents. Furthermore, FirstSouthwest does not assume any responsibility for the information, covenants, and representations with respect to the federal income-tax status of the Series 2015 Bonds or the possible effect of any current, pending, or future actions taken by any legislative or judicial bodies or rating agencies.

REMARKETING

Pursuant to a Bond Purchase Agreement, dated September 24, 2015 (the “**Remarketing Agreement**”), among the Authority, the City and Goldman, Sachs & Co., on behalf of itself and as representative of the firms listed on the cover page of this Remarketing Circular (the “**Remarketing Agents**”), the Remarketing Agents are acting as Remarketing Agents with respect to the Series 2015 Bonds in connection with the conversion and remarketing of the Series 2015 Bonds to fixed interest rates. Under the terms of the Remarketing Agreement, the City will pay the Remarketing Agents a fee of \$1,976,261.09.

The Remarketing Agents have provided the following for inclusion in this Remarketing Circular:

The Remarketing Agents are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, and brokerage and other financial and non-financial activities and services. The Remarketing Agents and their affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City for which the Remarketing Agents and their affiliates received or will receive customary fees and expenses.

As of the date of this Remarketing Circular, Goldman, Sachs & Co. (one of the Remarketing Agents) beneficially owns all of the Series 2015 Bonds that are to be remarketed in connection with their conversion. Goldman Sachs Bank USA, which is an affiliate of Goldman, Sachs & Co., also serves as the lead lender under the credit agreement entered into by ArenaCo and related entities to finance a portion of the costs to construct the Arena. See “THE ARENA — Background — Arena Funding — ArenaCo Funding.”

In the ordinary course of their various business activities, the Remarketing Agents and their affiliates, officers, directors, and employees may purchase, sell, or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit-default swaps, and other financial instruments for their own account and for the accounts of their customers. These investment and trading activities may involve or relate to assets, securities, or instruments of the Authority or the City (directly, as collateral securing other obligations, or otherwise) or to persons and entities with relationships with the Authority or the City. The Remarketing Agents and their affiliates may also communicate independent investment recommendations, market color, or trading ideas and publish or express independent research views in respect of assets, securities, or instruments of the Authority or the City and may at any time hold, or recommend to clients that they should acquire, long or short positions in those assets, securities, and instruments.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Remarketing Agents, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its efforts with respect to the remarketing of the Series 2015 Bonds.

CONTINUING DISCLOSURE

The City will agree in the Amended and Restated Continuing Disclosure Certificate to provide, or to cause to be provided, certain financial information and operating data by April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “**Annual Report**”), commencing with the report for Fiscal Year ending June 30, 2015, and to provide notices of the occurrence of specified “**Material Events**” to the Municipal Securities Rulemaking Board through the EMMA System. The Amended and Restated Continuing Disclosure Certificate also requires periodic updates of certain information relating to the construction of the Arena Facility. See APPENDIX E — “FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE.” By purchase of the Series 2015 Bonds, the Owners are deemed to have consented to the amendments to the original continuing disclosure certificate delivered in connection with the issuance of the Series 2015 Bonds, in the form of the Amended and Restated Continuing Disclosure Certificate.

The City has previously entered into a number of continuing-disclosure undertakings in connection with the issuance of long-term obligations, and has provided annual financial information and event notices in accordance with those undertakings. During the past five years, the City substantially complied with the requirements of its continuing-disclosure undertakings, but with certain minor or technical exceptions. For example, in certain continuing-disclosure filings, the City provided links to the City’s website where documents could be downloaded rather than submit the documents as part of the filing itself; with respect to

certain bonds of the Sacramento City Financing Authority (“**SCFA**”) involving the Sacramento Housing and Redevelopment Agency (“**SHRA**”), and also with respect to bonds of SHRA itself, the posting of the SHRA’s audited financial statements occurred after the due date; and certain filings related to the SCFA’s bonds and SHRA’s bonds did not expressly include all the required information (including, in one instance, unaudited financial statements). In addition, certain filings were made after the required filing date. On one occasion, the City inadvertently failed to file a notice of an insurer-related rating change.

The City believes it has established processes to ensure that in the future it will make its continuing disclosure filings as required.

ADDITIONAL INFORMATION

Summaries and explanations of the Series 2015 Bonds and documents contained in this Remarketing Circular do not purport to be complete, and reference is made to those documents for full and complete statements of their provisions.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF SACRAMENTO

TABLE OF CONTENTS

	Page
INTRODUCTION	A-1
Government	A-1
Key Personnel	A-1
Employee Relations	A-2
CITY FINANCES.....	A-3
City Budget.....	A-3
Adopted Fiscal Year 2015-16 Budget.....	A-4
General Fund Financial Summary	A-5
Financial Schedules	A-6
Property Taxation within the City.....	A-7
Other Taxes.....	A-10
Prior Fiscal Year Budgets	A-13
The Six-Year Forecast	A-13
Planned Sources for City Payments with Respect to Golden 1 Center.....	A-14
Limitations on Taxes; Proposition 218 Matters.....	A-15
Effect of the State Budget on the City	A-16
Amendments to Funding Mechanism for Redevelopment Agencies.....	A-16
General Fund Obligation Debt Service Payments	A-17
Interest-Rate Swap.....	A-19
Debt Statement.....	A-19
No Default	A-21
RETIREMENT AND OPEB OBLIGATIONS.....	A-21
Employees Retirement Plans	A-21
Funded Status.....	A-21
Recent CalPERS Developments	A-23
City Contributions.....	A-24
Annual OPEB Cost and Net OPEB Obligation	A-25
CERTAIN CITY ECONOMIC AND DEMOGRAPHIC INFORMATION	A-27
Population	A-27
Industry and Employment.....	A-28
Building Permits	A-31
Commercial Activity.....	A-32

INTRODUCTION

The City of Sacramento (the “**City**”) is located at the confluence of the Sacramento and American Rivers in the northern part of California’s Central Valley. The City is approximately 75 air miles northeast of San Francisco and benefits from a mild climate, with many days of sunshine each year and daily average high temperatures ranging from 54° F in January to 92° F in July. The average elevation of the City is 25 feet above sea level.

The City was settled in the late 1830s and incorporated in 1849. In 1854, the City became the capital of the State of California (the “**State**”), a position made permanent by the State’s Constitutional Convention in 1879. Today, State government employees and government-related activities contribute substantially to the City’s economy.

Government

The City operates under a City Charter that currently provides for an elected nine-member City Council (the “**Council**”) including an elected Mayor. There are no other elected City officials. The Council appoints the City Manager, the City Attorney, the City Treasurer, and the City Clerk to carry out its adopted policies. The Council also appoints the City Auditor and the Independent Budget Analyst. The Independent Budget Analyst position is a new position that is funded for the first time in the Adopted Fiscal Year 2015-16 City Budget. The Mayor is chairperson of the Council, serves a four-year term, and is elected in at-large City elections. The other members of the Council also serve four-year terms but are elected from one of eight districts.

The City provides a number of municipal services, including administration, police, fire, library, recreation, parking, public works, and utilities services such as water production and distribution, refuse collection, storm drainage, and maintenance.

Key Personnel

John F. Shirey, City Manager. Mr. Shirey has served as City Manager since 2011. Mr. Shirey has over 35 years of experience from a variety of government positions. Previously, Mr. Shirey was the Executive Director of the California Redevelopment Association. Mr. Shirey has also served in senior executive positions as City Manager of Cincinnati, Assistant City Manager of Long Beach, California, and Assistant Chief Administrative Officer of Los Angeles County. Mr. Shirey holds a Bachelor of Science in industrial engineering from Purdue University and a Master of Public Administration from the University of Southern California.

James Sanchez, City Attorney. Mr. Sanchez has served as City Attorney since December 2012. Mr. Sanchez has practiced municipal law for over 25 years. His prior positions include City Attorney for the City of Fresno, Chief Assistant City Attorney for the City of Fresno, City Attorney for the City of Salinas, and Deputy County Counsel for the County of Fresno. He received a Bachelor of Arts from Pepperdine University in 1981, graduating Magna Cum Laude (High Honors), and a law degree from the University of California Hastings College of Law in 1984.

Russell T. Fehr, City Treasurer. Mr. Fehr was appointed City Treasurer in May 2008. As Treasurer, he is responsible for investing City funds, banking, and debt management. Before being appointed City Treasurer, Mr. Fehr was the City’s Finance Director. Before joining the City, Mr. Fehr was the Budget and Debt Officer in the Sacramento County Executive’s Office for 19 years. During his career, Mr. Fehr has managed and participated in a wide variety of debt financings, including facility issues, revenue-anticipation notes, redevelopment issues, and a tobacco-settlement securitization. The facilities financed include a Triple-A baseball park, a musical theater in the round, libraries, parks, an art museum, a golf course, a jail, a juvenile courthouse, health clinics, and office buildings. Mr. Fehr holds a Bachelor of Arts in classics from Dartmouth College and a Master of Arts in anthropology from the University of Arizona.

Shirley Concolino, City Clerk. Ms. Concolino was appointed City Clerk in December 2003. Before that appointment, she was the Mayor-and-Council Operations Manager for the Council from 1990 to 2003. Before her positions with the City, Ms. Concolino was the Administrative Assistant to the County Executive Officer in Solano County from 1985 to 1990, and before that she was Assistant to the City Manager in Davis, California.

Leyne Milstein, Director of Finance. Ms. Milstein was appointed Finance Director in October 2008, bringing over 14 years of experience in government management, policy, and finance at the state and local level. Before becoming the Finance Director, Ms. Milstein was the Manager of the Budget, Policy, and Strategic Planning Division. Before joining the City, Ms. Milstein worked for the State of California as Director of the Information Technology and Support Management Division for the California Commission on Teacher Credentialing; as an analyst at the California Department of Finance; and as staff to the State Public Works Board. Ms. Milstein holds a Bachelor of Arts in political science from the University of California at Davis and a Master of Public Administration from California State University Hayward.

Employee Relations

Under the Meyers-Milias-Brown Act (California Government Code section 3500 *et seq.*), the City is required to meet and confer with its employees on all matters concerning wages, hours, and working conditions.

City employees are represented in 16 bargaining units by nine labor organizations. The Stationary Engineers, Local 39 of the International Union of Operating Engineers, is the largest labor organization, representing approximately 32% of all City employees in a variety of classifications. The most recently recognized employee organization, the Sacramento City Exempt Employee Association (“**SCXEA**”), was formed in 2011 and is the recognized employee organization of employees in the Exempt Management Unit, the Exempt Management Support Unit, and the Confidential/Administrative Unit. These three units represent approximately 15% of the City’s labor force.

There have been no major work stoppages by City employees since 1970. Approximately 98% of all City employees are covered under negotiated agreements. Salary and benefits for all units are defined until the agreements expire.

There are three unrepresented employee units: Executive Management, Mayor/Council Support, and non-career employees. Remaining employees not currently represented include the City Manager (and key staff), the City Attorney, the City Treasurer, and the City Clerk; the Fire Chief and Fire Deputy Chiefs; the Police Chief and Police Deputy Chiefs; department heads; and a few employees who deal directly with negotiations, such as the Budget Manager and the Labor Relations Manager.

A summary of the City’s bargaining units is set forth in the following table.

**CITY OF SACRAMENTO
SUMMARY OF CITY BARGAINING UNITS**

<i>Union Name</i>	<i>Contract Expiration Date</i>	<i>Fiscal Year 2015 Full-Time Equivalents</i>	<i>Fiscal Year 2016 Full-Time Equivalents</i>
Plumbers & Pipefitters, Local 447	6/23/2017	170.00	174.00
Sacramento Firefighters, Local 522	6/22/2018	584.00	611.00
Sacramento - Sierra Building and Construction Trades Council	6/23/2017	78.00	78.00
International Association of Machinists and Aerospace Workers	6/25/2017	76.00	76.00
Stationary Engineers, Local 39	6/23/2017	1,327.23	1,495.06
Sacramento Police Officers Association	6/23/2017	758.50	799.50
Sacramento City Exempt Employees Association	6/22/2018	638.60	653.00
Auto, Marine, and Specialty Painters, Local 1176	12/22/2017	19.00	16.00
Unrepresented	Annually	452.54	342.38
Western Council of Engineers	6/23/2017	<u>53.00</u>	<u>55.00</u>
Total:		4,156.87	4,299.97

Source: The City of Sacramento.

The City provides defined-benefit retirement benefits through the State of California’s Public Employees’ Retirement System (“CalPERS”) and the Sacramento City Employees’ Retirement System (“SCERS”). CalPERS is a multiple-employer public-employee defined-benefit pension plan while SCERS is a single-employer defined-benefit pension plan. See “RETIREMENT AND OPEB OBLIGATIONS.”

CITY FINANCES

City Budget

The Council annually adopts an operating and capital budget for a single fiscal year beginning July 1 and ending June 30 in the subsequent calendar year.

To establish the annual budget, department fund managers, in coordination with the Budget Division of the Finance Department, review actual revenue receipts, economic and revenue forecasts from an outside consultant, and internal revenue forecasts developed by the Finance Department from estimates of tax revenues and other discretionary revenues to determine what resources will be available to support operating requirements; departments are then tasked with developing a plan for expenditure of projected available resources for the coming fiscal year. Similarly, capital-improvement program priorities are matched with available funds from multiple funding sources. Labor costs are updated to reflect salary and benefit changes required under the negotiated agreements and estimates for any unrepresented employees are also updated.

A base budget reflecting the estimated costs of providing programs and services in the new budget year is then prepared. This base budget also includes the estimates of revenues and other financing sources and the operating and capital budgets that are prepared and transmitted to the Mayor and the Council by the City Manager, as required by City Charter, at least 60 days before the start of the fiscal year. The Mayor and the Council review the proposed operating and capital budget in public hearings held in May or June.

Following the public-hearing process, changes from the Mayor and Council are incorporated into an amended budget. The budget is then formally adopted by the vote of the Council on or before June 30 of each year. The budget for Fiscal Year 2015-16 was adopted on June 9, 2015.

Adopted Fiscal Year 2015-16 Budget

The Adopted General Fund budget for Fiscal Year 2015-16 is the second consecutive budget that does not require reductions in services, programs, or employees. The Adopted General Fund budget includes revenues and other sources of \$400.5 million and expenditures of \$404.2 million, including one-time costs of \$8.0 million in priority budget initiatives, resulting in a projected \$3.7 million deficit (offset by usage of fund balance). Excluding the one-time costs attributable to priority budget initiatives, Fiscal Year 2015-16 is projected to have a surplus of \$4.3 million. While revenues are projected to exceed ongoing expenditures in Fiscal Year 2015-16, the changes recently approved by CalPERS relative to actuarial assumptions and methodologies will result in increased costs for CalPERS member agencies. As a result, the City's expenditures are forecast to once again outpace revenues beginning in Fiscal Year 2016-17.

The General Fund budget funds the delivery of the most common programs and services to the community. Because the primary function of the City is to provide services, the largest portion of the budget is tied to the cost of City employees. Currently, 71.4 % of the General Fund budget is projected to be used to fund employee services. Aside from the outright elimination of funded positions and employee layoffs, the City has a very limited ability to reduce the cost of labor absent the cooperation of the City's employee unions.

In addition, there are several areas of expense that have pre-determined payment schedules, including debt service, payments for taxes and services to the County of Sacramento (the "**County**"), and contributions to CalPERS and SCERS. These expenditures effectively limit the discretionary portion of the budget.

Further budget adjustments may be necessary depending on the outcome of the County budget process.

The following table shows the Amended Budget for Fiscal Year 2014-15 and the Adopted Budget for Fiscal Year 2015-16.

CITY OF SACRAMENTO - GENERAL FUND BUDGET
(\$ in Thousands)

	<i>Fiscal Year</i> <i>2014-15</i> <i>Amended</i>	<i>Fiscal Year</i> <i>2015-16</i> <i>Adopted</i>
	<u> </u>	<u> </u>
AVAILABLE FUNDS:		
Property Taxes	\$ 125,103	\$ 131,612
Sales and Use Taxes	72,504	75,358
Utility Users Tax	58,982	59,572
Other Taxes	17,618	17,815
Licenses and Permits	13,887	14,916
Fines, Forfeitures and Penalties	11,811	12,037
Use of Money	714	714
Intergovernmental Revenue	11,046	11,532
Charges, Fees and Services	44,525	45,788
Other Revenues	3,224	124
Transfers from Other Funds	<u>29,200</u>	<u>29,742</u>
Total Resources:	\$ 388,616	\$ 399,209
REQUIREMENTS:		
Current Operations:		
Employee Services	\$ 364,453	\$ 388,758
Other Services and Supplies	98,257	98,693
Equipment	6,989	6,929
Debt Service	24,024	23,984
Transfers	(583)	(605)
Labor/Supply Offset	(118,509)	(127,072)
Use of Contingency	1,000	1,000
Operating Transfers	<u>2,407</u>	<u>2,459</u>
Subtotal Current Operations:	\$ 378,038	\$ 394,146
Capital Improvements:		
General Government	\$ 2,204	\$ 1,976
Public Safety	2,900	8,028
Subtotal Capital Improvement:	<u>5,104</u>	<u>10,004</u>
Total Requirements:	\$ 383,142	\$ 404,150
Other Financing Sources:		
Beginning Undesignated Fund Balance:	--	\$ 11,234
Other	<u>105</u>	<u>1,242</u>
Total Other Sources:	\$ 105	\$ 12,476
Total Surplus (Deficit)	<u>\$ 5,579</u>	<u>\$ (3,699)</u>
Ending Undesignated Fund Balance:	<u>\$ 1</u>	<u>\$ 7,535</u>

Source: City of Sacramento.

General Fund Financial Summary

The information contained in the table on the following page is summarized from the City's audited financial statements for Fiscal Years 2009-10 through 2013-14.

**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
(\$ in Thousands)**

	2009-10	2010-11	2011-12	2012-13	2013-14
REVENUES:					
Property Taxes	\$ 140,013	\$ 133,099	\$ 130,287	\$ 129,370	\$ 138,225
Sales and Use Taxes	45,670	47,680	50,683	52,301	56,575
Utilities Use Tax	58,700	58,887	58,787	59,066	59,613
Other Taxes	15,937	14,461	16,386	17,633	20,318
Licenses and Permits	12,709	13,582	12,124	12,688	12,997
Fines, Forfeitures and Penalties	11,131	10,134	11,020	9,165	10,567
Interest, Rents and Concessions	(88)	1,927	1,702	1,788	2,206
Intergovernmental Revenues	15,294	15,516	12,021	11,108	9,300
Charges, Fees and Services	41,737	41,486	38,157	47,392	51,323
Other Revenues	142	411	2,090	3,440	379
Total Revenues:	<u>\$ 341,245</u>	<u>\$ 337,183</u>	<u>\$ 333,257</u>	<u>\$ 343,951</u>	<u>\$ 361,503</u>
EXPENDITURES:					
General Government	\$ 24,009	\$ 22,453	\$ 21,250	\$ 19,073	\$ 22,623
Public Safety	230,225	218,984	210,124	216,760	218,911
Public Works	19,425	15,204	16,082	16,353	15,301
Parks & Rec, Comm. Develop, CCS	56,493	51,499	46,334	48,350	48,447
Non-Departmental	26,330	32,247	31,957	32,945	36,965
Capital Improvements	4,918	6,068	2,151	5,755	9,672
Debt Service	1,189	1,970	1,839	2,187	3,140
Total Expenditures:	<u>\$ 362,589</u>	<u>\$ 348,425</u>	<u>\$ 329,737</u>	<u>\$ 341,423</u>	<u>\$ 355,059</u>
Excess of Revenues over Expenditures	<u>\$ (21,344)</u>	<u>\$ (11,242)</u>	<u>\$ 3,520</u>	<u>\$ 2,528</u>	<u>\$ 6,444</u>
OTHER FINANCING SOURCES (USES):					
Transfers from Other Funds	\$ 23,948	\$ 31,937	\$ 28,679	\$ 28,541	\$ 29,924
Transfers to Other Funds	(24,136)	(22,878)	(24,055)	(23,530)	(23,418)
Proceeds from Long-Term Debt	4,551	-	-	2,818	5,998
Proceeds from Sale of Property	-	-	-	-	-
Special Items	-	-	-	8,534	-
Total Other Financing Sources (Uses):	<u>\$ 4,363</u>	<u>\$ 9,059</u>	<u>\$ 4,624</u>	<u>\$ 16,363</u>	<u>\$ 12,504</u>
Net Change In Fund Balance	(16,981)	(2,183)	8,144	18,891	18,948
Fund Balance, beginning of year	<u>\$ 72,088</u>	<u>55,107</u>	<u>52,924</u>	<u>61,068</u>	<u>79,959</u>
Fund Balance, end of year	<u>\$ 55,107</u>	<u>\$ 52,924</u>	<u>\$ 61,068</u>	<u>\$ 79,959</u>	<u>\$ 98,907</u>
Less Reserves and Commitments:					
Reserved / Nonspendable	\$ 7,119	\$ 308	\$ 94	\$ 72	\$ 66
Restricted	-	86	64	40	3,422
Designated / Committed:					
Economic Uncertainty	10,540	14,340	20,263	27,765	33,714
Capital Projects	24,157	19,612	21,542	21,789	21,728
Balanced Budget	3,800	-	-	-	-
Community Center Theater renovation	-	-	-	8,500	8,500
OPEB trust fund	-	-	-	2,000	-
Other Programs	9,491	12,468	9,349	9,347	13,909
Assigned:					
Next Year's Budget	-	5,138	9,354	10,446	-
Unrealized Investment Gains	-	972	402	-	173
Fund Balance Available for Appropriation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,395</u>

Certain amounts in Fiscal Year 2009-10 have been reclassified for presentation in order to be consistent with the GASB Statement No. 54 presentation.

Source: City of Sacramento Comprehensive Annual Financial Reports for respective Fiscal Years.

Financial Schedules

A copy of the City's Comprehensive Annual Financial Report (the "CAFR") for the fiscal year ended June 30, 2014, is attached as Appendix B to this Remarketing Circular. Prospective investors are encouraged to read the CAFR, including the Management's Discussion and Analysis, the Financial Statements, and the Notes to the Financial Statements, because it includes important information concerning the City and its financial condition.

Audited financial statements for prior years are available upon request from the City’s Finance Department or may be obtained from the City’s website at <http://portal.cityofsacramento.org/Finance/Accounting/Reporting>. Information on the City’s website is not incorporated into this Remarketing Circular. Vavrinek, Trine, Day & Co., LLP, performed the financial statement audit for the City for the fiscal year ended June 30, 2014.

Property Taxation within the City

Property taxes make up the largest source of City discretionary revenue. The City lost the ability to set a property-tax rate with the adoption of Proposition 13 in 1978, which added Article XIII A to the State Constitution.

As a result, beginning with Fiscal Year 1981-82, property has been assessed at 100% of cash value, and the maximum property-tax rate is \$1.00 per \$100 of taxable value. See the forepart of the Remarketing Circular under the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS — Article XIII A of the State Constitution” for a discussion of the constitutional limitations on the City’s ability to issue general-obligation debt payable from an increase in the tax rate.

Additionally, the taxable value reflects homeowners and business-inventory exemptions. Tax revenues lost as a result of each homeowner’s exemption are reimbursed by the State based on the total taxes that would be due on the taxable value of the property qualifying for that exemption, without allowance for delinquencies. If a homeowner files for the exemption, the exemption is \$7,000 of the taxable value of an owner-occupied dwelling, corresponding to \$70 in taxes.

For purposes of assessment and collection, property is classified either as “secured” or “unsecured” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed real property and property on which the taxes are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Personal property is assessed on the “unsecured roll.”

The following table summarizes gross assessed valuations for all taxable property in the City for Fiscal Years 2005-06 through 2014-15.

**GROSS ASSESSED VALUES
FOR ALL TAXABLE PROPERTY⁽¹⁾
(\$ in Thousands)**

<i>Fiscal Year</i>	<i>Secured Roll</i>	<i>Unsecured Roll</i>	<i>Public Utility</i>	<i>Total</i>
2005-06	\$31,112,448	\$1,374,566	\$56,950	\$32,543,964
2006-07	35,687,712	1,441,042	54,611	37,183,365
2007-08	39,286,839	1,548,914	15,371 ⁽²⁾	40,851,124
2008-09	40,360,550	1,691,096	11,948	42,063,594
2009-10	37,446,222	1,819,726	11,937	39,277,885
2010-11	36,388,660	1,742,828	11,977	38,143,465
2011-12	35,267,406	1,711,462	12,132	36,991,000
2012-13	34,332,037	1,626,943	13,157	35,972,137
2013-14	35,829,529	1,546,891	12,381	37,388,801
2014-15	37,918,666	1,585,876	18,173	39,522,715

⁽¹⁾ Derived from Equalized Assessed Valuation Report.

⁽²⁾ The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller.

The City receives only a portion of the property taxes collected within the City, sharing the revenue with school districts, successors to redevelopment agencies, special districts, and the County. The sharing of property-tax revenue is based on formulae set in State law and regulations, and annual changes in tax revenue are proportional to changes in the tax-roll values within the City. Property taxes are billed, collected, and allocated by the County. The table below summarizes property-tax revenues derived from the Secured Rolls from Fiscal Years 2005-06 to 2014-15.

**PROPERTY TAX REVENUES
RECEIVED BY THE CITY**

<i>Fiscal Year</i>	<i>Property Tax Revenues Current Secured</i>
2005-06	\$67,732,223
2006-07	80,513,714
2007-08	86,512,564
2008-09	88,326,770
2009-10	82,698,410
2010-11	78,787,724
2011-12	80,731,000
2012-13	78,309,000
2013-14	79,853,763
2014-15*	84,687,225

* Includes second installment of Fiscal Year 2014-15 collections through April 10, 2015, received by the City on May 15, 2015.

Source: City of Sacramento Revenue Division.

Until the economic downturn that began in 2008, which was particularly acute in the Sacramento area and its housing market, the assessed values in the City had grown each year from Fiscal Years 2000-01 through 2008-09. Notices of default and foreclosures of property within the City significantly increased beginning in Fiscal Year 2006-07 before declining in recent years. The table below shows the historical data of the notices of default and foreclosures of property within the City.

**NOTICES OF DEFAULT
AND FORECLOSURES OF PROPERTY
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Number of Notices</i>
2005-06	516
2006-07	2,852
2007-08	6,968
2008-09	4,833
2009-10	4,339
2010-11	3,838
2011-12	2,395
2012-13	867
2013-14	332

Source: County of Sacramento, Office of the Assessor.

In addition, the assessed values of a large number of properties in the City have been reduced under Proposition 8, which generally provides for reductions in assessed valuations of properties to reflect current market values. The table below shows the recent historical impact of those reductions.

**PROPOSITIONS 8 REDUCTIONS
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Number of Parcels</i>	<i>Aggregate Amount of Revaluations (\$ in million)</i>
2010-11	51,331	\$774
2011-12	59,945	1,270
2012-13	71,243	1,270
2013-14	40,781	573
2014-15	24,512	944

Source: County of Sacramento, Office of the Assessor.

**HISTORICAL ASSESSED VALUATIONS
WITHIN THE CITY**

<i>Fiscal Year</i>	<i>Assessed Valuation (change from prior Fiscal Year)</i>
2010-11	(2.4%)
2011-12	(5.0)
2012-13	(0.2)
2013-14	3.2
2014-15	5.9

Source: County of Sacramento, Office of the Assessor 2014 Annual Report.

The following table lists the City's largest local secured taxpayers as of June 30, 2014. Many of the largest taxpayers own commercial office space in downtown Sacramento.

**CITY OF SACRAMENTO
LARGEST LOCAL SECURED TAXPAYERS
AS OF JUNE 30, 2014
(\$ in Thousands)**

<i>Property Owner</i>	<i>Assessed Valuation</i>	<i>Rank</i>	<i>% of Total</i>
Hines VAF II Sacramento	\$ 442,978	1	1.20%
CIM Sacramento LLC	230,772	2	0.62
Arden Fair Associates	137,159	3	0.37
Verizon Wireless	132,738	4	0.36
621 Capitol Mall LLC	124,810	5	0.34
300 Capitol Association NF LP	109,000	6	0.30
HP Hood LLC	84,287	7	0.23
Target Corp	81,423	8	0.22
500 Capitol Mall LLC	79,119	9	0.21
Capitol Regency LLC	74,784	10	0.20
Total:	\$ 1,497,070		4.05%
Net Assessed Value Total:	\$ 36,925,255		100.00%

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

Other Taxes

Sales and Use Tax. In 1956, the City adopted a Bradley-Burns Sales Tax Ordinance that allows the City to be allocated a percentage of the overall sales tax imposed in the City. The level of that sales tax has been set at 1% since April 1, 1969. The State Board of Equalization collects and distributes sales-and-use tax for the State, cities, counties, and other entities receiving sales-tax revenue.

Proposition 172 was approved by voters to permanently extend an additional 0.5% sales tax beyond December 21, 1993. The legislation requires that this sales tax continue to be deposited in the Public Safety Augmentation Trust Fund for distribution to counties and cities based on sales-tax-allocation percentages previously calculated. The City receives approximately 4% of this Proposition 172 sales-tax revenue allocated to jurisdictions within the County.

In November 2004, voters approved Measure A to extend the sales-and-use tax rate in Sacramento County by 0.5% to 2039. The proceeds of this Measure A tax are administered by the Sacramento Transportation Authority and are used to fund a comprehensive program of roadway and transit improvements, including highway, street, and road construction; highway, street, and road maintenance; bus and light-rail capital and operations; improved transportation services for elderly and handicapped persons; and transportation-related air-quality programs.

As part of the Fiscal Year 2003-04 budget for the State that was signed by Governor Schwarzenegger on July 31, 2004, and of the State's economic-recovery plan, a bond initiative formally known as the "California Economic Recovery Act" was approved by the voters on March 2, 2004. This act authorized the issuance of \$15 billion in economic-recovery bonds that were to be used to finance the State's Fiscal Year 2002-03 and Fiscal Year 2003-04 budget deficits, and are payable from a fund established by the redirection to the State of 25% of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdictions, commencing on July 1, 2004.

As a result, the portion of the sales-and-use tax amounts that otherwise would have been allocated to local governments, including to the City, would have decreased from 1% to 0.75%. However, beginning in Fiscal Year 2004-05, the local governments' share of local property-tax revenues was restored by an amount equal to the 25% reduction in the 1% share of the local sales-and-use tax, creating a revenue-neutral effect on

local governments tax revenues for Fiscal Year 2004-05 and subsequent fiscal years. This system will remain in effect until the State's economic-recovery bonds have been retired, which is expected to occur by the end of 2015.

In calendar year 2014, the City's sales-tax revenues increased 2.7% as compared to calendar year 2013. Statewide sales-tax revenues increased by 4.5% during the same period. During the final quarter of calendar year 2014 (October through December 2014), the City saw its highest level of sales-tax receipts compared to the previous eight quarters across several economic segments including restaurants, miscellaneous retail, food markets, and apparel stores. Growth in the construction sector, which was negatively affected by the economic downturn that began in 2008, is expected to pick up with the lifting of the building moratorium in North Natomas in June 2015. (New housing construction will be limited to 1,000 single family homes and 500 multi-family units during the first 12 months.) The Golden 1 Center currently under construction in the downtown area of the City ("**Golden 1 Center**") will also increase growth in the construction sector in Fiscal Year 2015-16.

The City anticipates continued growth in sales-tax revenues related to other sectors in Fiscal Year 2016-17 and beyond. Based on the most recent information from the City's sales-tax consultant, sales-tax growth projections are currently estimated at 4% in Fiscal Year 2015-16 and 3% annually from Fiscal Year 2016-17 through Fiscal Year 2019-20.

Utility Users Tax. On November 8, 1988, the voters approved Measure C, an advisory measure asking this question: "Should the utility users tax rate be maintained at 7.50% in order to provide additional General Fund revenues to augment City services such as public safety?" On November 4, 2008, Measure O was approved by voters, reducing the utility users tax ("**UUT**") on telephonic services from 7.50% to 7.00% and expanding the scope of the tax to include new communication technologies. All other UUT rates remained unchanged at 7.50%.

There are some possible upcoming challenges to the UUT revenue stream. Changes to the taxation and franchise-fee structure for telecommunications and cable television are being proposed at the federal level, and legislation related to those changes was recently approved at the State level. Some of the proposed changes, if and when implemented, could reduce the UUT imposed on telephone and cable television use. The five components of UUT revenue have seen minimal growth over the past five years as industry trends and regulations have changed. Based on actual revenues collected over the past five years, UUT is projected to be \$59.6 million in Fiscal Year 2015-16, and the growth from Fiscal Years 2016-17 to 2019-20 is forecast at 1% annually.

Transient Occupancy Tax. Since 1990, the City has imposed a transient-occupancy tax ("**TOT**"), the level of which is currently set at 12%. The revenues from the TOT are currently designated for the City's Community Center Fund (10%) and the General Fund (2%).

The General Fund component of the TOT is projected to increase by approximately \$500,000, when comparing expected Fiscal Year 2014-15 receipts of \$3.4 million to projected receipts of \$3.9 million in the Adopted Fiscal Year 2015-16 Budget.

Measure U. On November 6, 2012, the voters of the City passed Measure U, authorizing a temporary \$0.005 sales tax to restore and protect City services. The tax became effective on April 1, 2013, and terminates on March 31, 2019, unless renewed.

MuniServices, the City's sales-tax consultant, is continuing to evaluate Measure U tax receipts and is working with the State Board of Equalization ("**BOE**") to reconcile and correct the over/under payments received by the City. The following provides a summary of the variances affecting the City's collections that are currently under review: (1) the City is erroneously receiving collections from businesses located within the County but not within the City; and (2) businesses with multiple locations appear to be remitting Measure U

taxes for non-City locations. Additionally, the taxability of internet transactions, “business-to-business” sales, and “business-to-government” sales is being reviewed, as these purchases do not follow a cyclical pattern.

Based on only three quarters of the year of sales-tax data, the Fiscal Year 2014-15 revenue from the Measure U tax is projected to be \$41.5 million. The revenue forecast for this tax assumes 1.3% growth in Fiscal Year 2015-16 revenue over projected Fiscal Year 2014-15 revenue, and 4% growth in subsequent years, with Fiscal Year 2018-19 reflecting the expiration of the tax in March 2019.

Although Measure U funds provide resources to protect and restore vital services, the use of temporary resources will create an enormous burden when the tax expires in 2019 unless contingency planning is done. Consistent with the Council’s adopted policies relative to Measure U, a reserve has been established that will provide resources through the end of Fiscal Year 2018-19 and cover a portion of the costs related to services being funded from Measure U in Fiscal Year 2019-20 after the expiration of Measure U.

The Adopted Budget relating to Measure U tax revenues reflects the annual cost of programs and services the Council has previously approved. As originally contemplated by the City when Measure U was first effective, in Fiscal Year 2015-16, the Police Department will be adding 15 new sworn positions. The Adopted Budget also includes costs associated with the retention of positions for the new COPS Hiring Program approved in Fiscal Year 2013-14, which funded 10 additional positions.

The Council has begun a public discussion of Measure U renewal options. A permanent renewal of the sales tax, rather than another temporary term, has been advocated. One concept discussed is using a portion of a renewed tax, beginning in Fiscal Year 2020, for capital rather than operational needs.

The table below shows the anticipated use of Measure U tax revenues through Fiscal Year 2020-21, as measured by the restoration of full time employees (“FTEs”) that had been eliminated following the economic downturn commencing in 2008:

**MEASURE U REVENUES AND EXPENDITURES
(Fiscal Year in Thousands)**

	<i>Total FTE</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>	<i>2018-19</i>	<i>2019-20</i>	<i>2020-21</i>
Beginning Fund Balance		\$ 32,746	\$ 25,859	\$ 28,023	\$ 29,225	\$ 18,139	\$ -
Measure U Revenues		\$ 42,046	\$ 43,798	\$ 45,610	\$ 35,619	-	-
Fire Department	110.00	16,232	13,429	13,774	14,130	14,499	14,879
Police Department	205.50	18,592	19,066	21,228	22,890	23,404	23,932
Parks Department	127.80	13,086	8,451	8,714	8,986	9,266	9,554
Miscellaneous	2.00	1,023	687	693	698	704	710
Total Measure U Restorations	445.30	\$ 48,933	\$ 41,634	\$ 44,408	\$ 46,705	\$ 47,873	\$ 49,076
Annual Change in Fund Balance		(6,887)	2,164	1,202	(11,086)	(47,873)	(49,076)
Cumulative Reserve⁽²⁾		\$ 25,859	\$ 28,023	\$ 29,225	\$ 18,139	(\$29,734)	(\$49,076)

⁽¹⁾ Amounts for Fiscal Year 2015-16 are included in the Fiscal Year 2015-16 Adopted Budget. Amounts for Fiscal Years 2016-17 through 2020-21 are projected, assuming 4% annual revenue growth (through March 2019 only) and projected labor growth.

⁽²⁾ The forecast assumes Measure U is not renewed. The projected negative cumulative reserve balances in the forecast are expected to be addressed during budget development as the City is required to adopt a balanced budget.

Source: City of Sacramento.

Prior Fiscal Year Budgets

The City began to experience financial pressure in Fiscal Year 2006-07, due primarily to increasing labor costs and, later, exacerbated by the effect of the recession on revenues. The “structural budget deficit” resulted as revenue growth was insufficient to keep pace with compounding expenditure growth caused by increasing service demands, escalating personnel costs, and the ongoing operation and maintenance of aging infrastructure. Each fiscal year since then, until Fiscal Year 2014-15, a projected budget deficit had to be closed before a budget could be adopted. As shown in the table below, the strategy for closing that budget deficit shifted from the sole use of one-time resources in Fiscal Year 2006-07, to a blend of position reductions and structural improvements, to eliminating the use of one-time resources in Fiscal Year 2012-13. As time progressed, the labor reductions shifted increasingly from the elimination of vacant positions to layoffs.

<i>Reduction Strategy</i>	<i>FY 2007-08</i>	<i>FY 2008-09</i>	<i>FY 2009-10</i>	<i>FY 2010-11</i>	<i>FY 2011-12</i>	<i>FY 2012-13</i>	<i>FY 2013-14</i>	<i>Total</i>
Projected General Fund Deficit								
(\$ in 000s)	\$ 29,000	\$ 58,000	\$ 50,000	\$ 43,000	\$ 38,900	\$ 15,700	\$ 8,900	\$ 243,500
One-Time Funding	\$ 29,543	\$ 19,000	\$ 8,300	\$ 17,511	\$ 4,600	-	-	\$ 78,954
New-Increased Revenues	-	3,700	5,100	1,000	2,400	-	-	12,200
Labor Reductions	-	30,200	28,900	12,367	27,100	15,700	4,700	118,967
Other Reductions- Reimbursements	-	5,100	7,700	12,400	4,800	-	4,200	34,200
Budget Reductions	\$ 29,543	\$ 58,000	\$ 50,000	\$ 43,278	\$ 38,900	\$ 15,700	\$ 8,900	\$ 244,321
FTE Reductions	-	359.01	360.26	207.50	302.70	41.70	40.0	1,311.17

The Six-Year Forecast

The General Fund forecast provides a multi-year review of revenues and expenditures, allowing an assessment of the fiscal consequences of both prior and current funding decisions in the context of forecasted revenues and expenditures. The Council evaluates proposed fiscal actions in a long-term rather than a short-term context. The General Fund forecast is developed consistent with the Council’s adopted budget guidelines, which limit new revenues from being counted or spent until realized. The Fiscal Year 2015-16 Adopted Budget for the General Fund was adopted within the context of a six-year forecast in order to understand the effect on the City when Measure U funding expires in March 2019.

The following table projects a structural gap between revenues and expenditures in the General Fund that is expected to develop again in Fiscal Year 2016-17 in the absence of further policy initiatives. The primary driver of the projected structural gap is that the increasing pension costs approved by CalPERS exceed projected revenue growth. Actual results will depend on a variety of factors, including local economic conditions, and there can be no assurances actual results will not materially differ from the projections.

Annual rental payments relating to the lease-revenue bonds to fund the City’s contribution to the Golden 1 Center, which are approximately \$18.3 million commencing in Fiscal Year 2017-18 have not been included in the Budget Forecast. (Rental payments are expected to be made from capitalized interest through October 2017.) See the Remarketing Circular under the caption “DEBT SERVICE SCHEDULE.” As described below in “— Planned Sources for City Payments with Respect to the Golden 1 Center,” although Golden 1 Center rental payments are payable from the City’s General Fund, the City expects that the rental payments can be paid from increased parking revenues, TOT, property taxes (from development in the downtown area related to the Golden 1 Center), and payments from the primary tenant of the Golden 1 Center, the Sacramento Kings of the National Basketball Association (the “**Kings**”). However, there can be no assurances that these increased revenues will be available in the amounts and at the time expected by the City. If the increased revenues are not available, that circumstance could materially adversely affect the City’s financial condition.

**GENERAL FUND REVENUES AND EXPENSES
6-YEAR FORECAST
(\$ in Thousands)**

	<i>FY</i> <i>2015-16</i>	<i>FY</i> <i>2016-17</i>	<i>FY</i> <i>2017-18</i>	<i>FY</i> <i>2018-19</i>	<i>FY</i> <i>2019-20</i>	<i>FY</i> <i>2020-21</i>
Beginning Fund Balance	11,234	8,194	2,001	0	0	0
Total Revenue	400,451	407,846	415,678	424,003	432,578	441,415
Total Expenditures	394,146	414,039	425,704	432,137	438,110	441,598
Revenues less Expenditures	\$ 6,305	\$ (6,193)	\$ (10,026)	\$ (8,134)	\$ (5,532)	\$ (183)
Priority Budget Initiatives (<i>one-time costs</i>)	8,038	-	-	-	-	-
Loss of Measure U Revenues	-	-	-	-	(29,734)	(49,076)
Ending Fund Balance (With Loss of Measure U)⁽¹⁾	\$ 8,194	\$ 2,001	\$ (8,025)	\$ (8,134)	\$ (35,266)	\$ (49,259)

⁽¹⁾ The forecast assumes that a projected negative Ending Fund Balance will be addressed each year during budget development since the City is required to adopt a balanced budget.

Source: City of Sacramento.

The six-year forecast (the “**Budget Forecast**”) is based on a set of point-in-time assumptions. Revenue assumptions include: 3.7% growth in Fiscal Year 2015-16 (as compared to Fiscal Year 2014-15), and 2% average growth annually in each year from Fiscal Years 2016-17 through 2020-21. Expense assumptions include known effects of current labor agreements and anticipated effects related to required pension-related payments. The City believes that the projected expenditure growth assumptions are reasonable, particularly through the term of the current labor contracts. A projection of the effect of recent changes in CalPERS policies are reflected in these estimates. See “RETIREMENT AND OPEB OBLIGATIONS.”

The Golden 1 Center project has spurred development projects and property sales in the immediate vicinity in downtown Sacramento. The property sales have resulted in increases in assessed values on the secured tax roll (a portion of which are included in the revenue projections set forth above in the Budget Forecast). However, net revenues resulting from development projects related to the Golden 1 Center, such as hotels, office buildings, and additional retail space, are not included in the Budget Forecast and will not be included until the projects are actually under construction. The TOT forecast, outside the General Fund, does include revenue from an additional 250 hotel rooms associated with Golden 1 Center development.

There can be no assurances that actual results will not be materially adversely different from the forecast.

Budget sustainability and the fiscal capacity to address longer-term fiscal issues require that annual base-operating-cost increases be held to a level below annual revenue growth. The fiscal reality, given the lack of significant revenue growth in excess of expenditure growth in the forecast and the expiration of Measure U revenues in March 2019, is that current expenditure commitments are unsustainable. As a result, the City will need to continue to reduce expenditures or implement long-term revenue growth strategies in order to account for anticipated expenditure growth not supported by revenues.

Planned Sources for City Payments with Respect to Golden 1 Center

The City has entered into a number of agreements with a private developer relating to the construction in the downtown area of the City of the Golden 1 Center, which will serve as the home arena for the Kings. In addition, the City has entered into a lease agreement (the “**Golden 1 Center Lease**”) and related agreements with the Sacramento Public Financing Authority (“**SPFA**”) in connection with the issuance by SPFA of lease-revenue bonds to finance the City’s required contribution to the Golden 1 Center. See the Remarketing Circular under the caption “SECURITY FOR THE SERIES 2015 BONDS.” Annual rental payments payable

by the City to SPFA under the Golden 1 Center Lease are approximately \$18.3 million. See the Remarketing Circular under the caption “DEBT SERVICE SCHEDULE.”

The obligation of the City to pay rental payments to SPFA under the Golden 1 Center Lease when due is an obligation payable from the City’s General Fund. To mitigate the effect on the General Fund from this obligation, the City currently plans to pay the obligation from rental payments the City receives from the private developer of the Golden 1 Center (which will lease the Golden 1 Center from the City) and from growth in parking revenues.

The rental payments from the Golden 1 Center developer are expected to begin in full in Fiscal Year 2017-18 in the amount of \$6.5 million annually. The payments escalate with annual CPI adjustments between 3% and 5% and are projected to grow to at least \$18.3 million in Fiscal Year 2051-52.

Net parking revenues for Fiscal Year 2014-15 are estimated to be approximately \$15.4 million. These revenues are projected to increase to \$26.7 million in Fiscal Year 2016-17. In addition to this projected growth of more than \$11 million, in future years the City also plans to use certain existing parking revenues currently devoted to paying debt service to pay for parking-related facilities and equipment. (Those debt-service payments will begin to decrease in Fiscal Year 2019-20 as the debt is redeemed.) In connection with the development of the parking-revenue projections, the City engaged a parking study prepared by a feasibility consultant. Parking revenue projections utilized by the City are scaled back from the parking revenues projected in the parking study. However, the study also contained sensitivity analyses that contained both lower and higher revenue projections depending on changes in capital and operating costs relating to the City’s parking systems, parking demand, and other factors. There can be no assurances parking revenues will be generated at the projected levels.

Coupled with the City’s share of property taxes on the Golden 1 Center, the City expects that these revenue sources will, in the aggregate, provide the General Fund with the capacity to pay all or a significant portion of all of the payments due under the Golden 1 Center Lease without affecting other services or programs funded from the General Fund. In order to provide for the availability of sufficient available funds in the early years of operation of the Golden 1 Center, the City has established and currently intends to maintain a liquidity reserve in which it would set aside certain of these revenues before completion of the Golden 1 Center and the commencement of rental payments under the Golden 1 Center Lease. As of July 1, 2015, \$5.3 million has been set aside in the liquidity reserve from TOT and parking revenues. Notwithstanding the City’s plans to use these revenues to make rental payments under the Golden 1 Center Lease, the obligation of the City to make those payments is not conditioned on the availability of revenues in the amounts expected by the City.

The City has not included projected rental payments under the Golden 1 Center Lease in the Budget Forecast; in the six-year horizon, however, because of the expected revenues described above, no net effect on the General Fund is projected. Future growth provides capacity for rental payments and has not been included in the Budget Forecast; nor have lease payments from the Kings, property taxes on the Golden 1 Center itself, or any releases from the liquidity reserve.

Limitations on Taxes; Proposition 218 Matters

As described in the forepart of the Remarketing Circular under the caption “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES, AND APPROPRIATIONS,” the State Constitution limits the City’s ability to raise taxes without a vote of the electorate.

In addition, Proposition 218, which added Articles XIII C and XIII D to the State Constitution in 1996, imposes significant limitations relating to the imposition of rates, fees, and charges for various enterprises of the City.

Similarly, Proposition 26, which amended Articles XIII A and XIII C of the State Constitution in 2010, extends some of the limitations of Proposition 218 to additional charges, fees, and fines.

Effect of the State Budget on the City

In recent years, the State experienced significant financial stress, with budget shortfalls in the billions of dollars. State revenues declined significantly as a result of recent economic conditions and other factors. While the State is not a significant source of City revenues, and the City does not anticipate that the State's financial condition will materially adversely affect the financial condition of the City, there can be no assurances that State financial pressures will not adversely affect the City.

Information about the State budget is available through various State-maintained websites. Historical State budgets can be found at http://www.dof.ca.gov/budget/historical_ebudgets, while the current budget can be found at <http://www.ebudget.ca.gov>. Additionally, budget analyses are regularly posted on the website of the Legislative Analyst's Office at www.lao.ca.gov.

The information referred to above is prepared by the State agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the internet addresses or the accuracy, completeness, or timeliness of information posted there. Information on these websites is **not** incorporated by reference into this Remarketing Circular.

Amendments to Funding Mechanism for Redevelopment Agencies

As described in the footnotes of the table below detailing the City's General Fund obligations, the City receives significant funding from other sources that it uses to make payments with respect to several financings that otherwise would be payable from the City's General Fund. One such source of funding was the Redevelopment Agency of the City (the "**City RDA**"), which, as described herein, has been dissolved. The City entered into a number of agreements with the City RDA, under which the City RDA was obligated to make payments to the City from tax-increment revenue from several redevelopment-project areas (the "**RDA Agreements**"). (The RDA Agreements do not include bonds issued directly by the City RDA, which are not payable from the City's General Fund.) The aggregate amount of the payments payable to the City under the RDA Agreements is approximately \$5.5 million annually through 2018, declining afterwards to average annual payments of \$2.56 million through 2037.

The City currently plans to issue Tax Allocation Bonds secured solely by the tax-allocation revenues and other amounts pledged therefor under the indenture pursuant to which the Tax Allocation Bonds will be issued. The Tax Allocation Bonds will **not** be secured by payments required to be made by the City from the General Fund. In certain cases, the issuance of the Tax Allocation Bonds will cause a reduction or prepayment in full of amounts payable by the City RDA's successor agency, denominated the Redevelopment Agency Successor Agency (the "**RASA**") under certain RDA Agreements.

Under Assembly Bill No. 1x 26 ("**AB 26**"), enacted in June 2011, most redevelopment agency activities in California were suspended, and redevelopment agencies were prohibited from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB 26 also dissolved all existing redevelopment agencies and specified procedures for establishment of "successor agencies" and "oversight boards" to ensure that payments for "enforceable obligations" of the dissolved redevelopment agencies were made and to administer the dissolution and wind down of the dissolved redevelopment agencies. Certain provisions of AB 26 are described further below.

On January 31, 2012, the City elected under AB 26 to become the RASA for the City RDA's non-housing assets and functions. On the same date, the Housing Authority of the City of Sacramento (the "**Housing Authority**") elected under AB 26 to become the successor agency for the City RDA's housing assets and functions. However, the RASA is responsible for managing payment of all of the City RDA's "enforceable obligations." AB 26 requires an oversight board for each successor agency to be established no

later than May 1, 2012. The oversight board for the RASA (the “**Oversight Board**”) was formed on April 16, 2012.

Obligation Payment Schedules. AB 26 requires a successor agency to continue to make payments on enforceable obligations of the dissolved redevelopment agency from tax-increment proceeds that are deposited into the Redevelopment Obligation Retirement Fund and received from the County Auditor-Controller from the Redevelopment Property Tax Trust Fund (“**RPTTF**”).

As required by AB 26, the RASA has prepared, and the State Department of Finance (“**DOF**”) has approved, Recognized Obligation Payment Schedules (“**ROPS**”) for all of the enforceable obligations for each six-month period since dissolution. All City RDA bond-debt payments and payments on the RDA Agreements have been listed on the ROPS and approved by DOF. Under these DOF-approved ROPS, the RASA receives funding from the County from the RPTTF to pay the enforceable obligations.

Although the RASA is obligated to continue including on the ROPS all payments under the RDA Agreements that are enforceable obligations under AB 26 (so as to avoid defaults), no assurances can be given regarding the actions of the Oversight Board to include scheduled payments under the RDA Agreements on a ROPS. In addition, the actions of the Oversight Board are subject to review by DOF as described later in this section.

State Department of Finance and State Controller review. AB 26 provides that most of the actions and activities taken by redevelopment agencies pending dissolution, by their successor agencies and oversight boards post dissolution, and by county auditor-controllers are subject to review and approval by the DOF. There can be no assurances that agreements listed on the ROPS as approved by the Oversight Board and DOF in prior periods will not be challenged in future when subsequent ROPS are prepared and submitted for approval. However, to date DOF has not disallowed payments to RASA under the RDA Agreements when it approved each of the ROPS, and AB 26 specifically provides that it is the intent of the law that “pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored.”

There may be additional legislation proposed or enacted in the future affecting the winding up of the affairs of the dissolved redevelopment agencies under AB 26 and related legislation. No assurances can be given about the effect of any such future proposed or enacted legislation on the RDA Agreements.

General Fund Obligation Debt Service Payments

The following table summarizes the City’s total annual General Fund Obligation debt-service payments as of June 30, 2015. Obligations set forth on the following table are payable from the City’s General Fund; however, the City uses amounts budgeted from certain enterprise and other funds as indicated in the following table. To the extent those other sources are unavailable, the General Fund would be responsible for these payments.

The following table does not include obligations of the City payable solely from RDA Agreements described above. In addition, the following table does not include rental payable from the City’s General Fund relating to the lease-revenue bonds issued to finance the City’s contribution to the Golden 1 Center, which are in addition to the amounts set forth in the table. See the Remarketing Circular under the caption “DEBT SERVICE SCHEDULE” for debt service on those bonds.

GENERAL FUND OBLIGATION DEBT SERVICE

Fiscal Year	1993 ⁽¹⁾	1997 ⁽²⁾	1999 CFD 2A Lease Portion	1999 ⁽³⁾	2002 ⁽⁴⁾	2003 ⁽⁵⁾	2005 ⁽⁶⁾	2006 ⁽⁸⁾	2006 ⁽⁹⁾	Total ⁽¹⁰⁾ Equip. Leases & Loans	Total Debt Service Obligations	% of Budgeted FY 13-14 ⁽¹¹⁾ General Fund Rev.	Total Offset Debt Service	Total General Fund Debt Service	% of Budgeted FY General Fund Rev.	
	Lease Revenue Bonds Series A, B	Lease Revenue Bonds (2007 Remarketing)		Capital Impr. Revenue*	Capital Impr. Revenue*	Capital Impr. Revenue	Ref. Rev. Bonds*	Impr. Revenue Series A, B	Impr. Rev. Series C,D,E							
2016	\$ 15,437,935	\$ 5,767,979	\$ 245,000	-	\$ 302,400	\$ 1,051,448	\$ 2,755,469	\$ 20,530,025	\$ 10,805,696	\$ 11,091,683	\$ 5,308,373	\$ 73,296,008	18.4%	\$ 44,428,831	\$ 28,867,177	7.2%
2017	15,430,735	5,758,070	245,938	-	291,275	1,051,938	2,794,966	20,509,400	10,799,388	11,091,855	4,926,315	72,899,880	18.3	44,429,979	28,469,901	7.1
2018	15,408,975	5,953,976	251,094	-	792,825	1,051,108	2,836,544	19,994,775	9,225,313	11,090,825	2,943,321	69,548,755	17.4	43,199,869	26,348,886	6.6
2019	15,391,035	6,086,638	255,313	-	-	1,048,918	2,952,846	16,591,000	9,229,575	11,540,000	1,461,169	64,556,494	16.2	39,328,421	25,228,073	6.3
2020	15,369,890	6,209,110	253,750	-	-	1,050,215	2,044,926	16,533,475	9,212,048	11,573,525	721,991	62,968,929	15.8	39,283,509	23,685,420	5.9
2021	15,348,515	6,400,018	256,406	-	-	1,044,958	1,718,776	16,470,100	9,210,746	11,042,000	138,659	61,630,178	15.4	38,970,256	22,659,922	5.7
2022	-	6,446,610	262,969	-	-	1,047,831	279,601	16,337,475	9,198,629	12,755,675	138,659	46,467,449	11.6	27,986,998	18,480,451	4.6
2023	-	6,648,342	263,438	-	-	1,043,975	277,395	5,685,600	9,191,481	22,593,150	69,330	45,772,710	11.5	26,987,677	18,785,034	4.7
2024	-	6,796,051	262,969	-	-	1,043,000	279,754	5,537,225	9,182,750	22,126,169	-	45,227,917	11.3	26,890,646	18,337,271	4.6
2025	-	6,956,041	-	-	-	1,044,625	271,772	5,538,688	9,181,265	22,027,794	-	45,020,184	11.3	27,011,137	18,009,047	4.5
2026	-	7,124,005	-	-	-	1,044,500	273,375	5,527,644	9,171,351	22,043,856	-	45,184,731	11.3	27,165,519	18,019,212	4.5
2027	-	7,305,017	-	-	-	1,042,625	274,375	5,533,631	9,162,435	22,035,025	-	45,353,108	11.4	27,335,675	18,017,433	4.5
2028	-	7,461,356	-	-	-	1,039,000	274,875	5,537,250	9,163,419	22,039,475	-	45,515,375	11.4	27,496,944	18,018,431	4.5
2029	-	-	-	-	-	1,038,500	284,625	5,517,000	9,158,354	22,132,225	-	38,130,704	9.5	20,051,450	18,079,254	4.5
2030	-	-	-	-	-	1,036,000	288,500	5,514,500	9,146,692	22,135,788	-	38,121,480	9.5	20,032,240	18,089,240	4.5
2031	-	-	-	-	-	1,036,375	291,625	-	9,132,759	22,135,044	-	32,595,802	8.2	15,656,218	16,939,584	4.2
2032	-	-	-	-	-	1,034,500	289,125	-	9,130,306	22,137,375	-	32,591,306	8.2	15,653,272	16,938,034	4.2
2033	-	-	-	-	-	1,035,250	291,000	-	9,113,362	22,144,775	-	32,584,387	8.2	15,639,814	16,944,573	4.2
2034	-	-	-	-	-	-	292,125	-	9,106,001	5,639,300	-	15,037,426	3.8	3,231,114	11,806,312	3.0
2035	-	-	-	-	-	-	-	-	9,096,828	2,005,000	-	11,101,828	2.8	1,708,316	9,393,512	2.4
2036	-	-	-	-	-	-	-	-	9,074,993	2,004,250	-	11,079,243	2.8	1,702,487	9,376,756	2.3
2037	-	-	-	-	-	-	-	-	9,069,174	2,003,875	-	11,073,049	2.8	1,706,719	9,366,330	2.3
2038	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-	-	0.0
2039	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-	-	0.0
2040	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-	-	0.0
2041	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-	-	0.0
2042	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-	-	0.0
Total	\$ 92,387,085	\$ 84,913,214	\$ 2,296,875	-	\$ 1,386,500	\$ 18,784,764	\$ 18,771,674	\$ 171,357,788	\$ 204,762,562	\$ 335,388,663	\$ 15,707,817	\$ 945,756,941		\$ 535,612,077	\$ 409,859,850	
Offset	73.7%	100.0%	0.0%	0.0%	36.4%	100.0%	19.7%	77.4%	18.5%	54.6%	36.0%	62.3%				

* Does not include amounts payable solely from tax-increment revenues.

- (1) 1993 Lease A: 80.5% Community Center Fund, 11.5% General Fund, 8.0% Golf Fund. 1993 Lease B: 47.8% General Fund, 30.2% Parking Fund, 13.0%, Drainage Fund, 9.0% Community Center Fund.
- (2) 1997 Lease (ARCO Arena Sublease): assumes the fixed rate established in the 2007 remarketing is in effect for the remaining term of the bonds.
- (3) 1999 Capital Improvement Revenue Bonds: amounts remaining supported solely from tax-increment revenues
- (4) 2002 Capital Improvement Revenue Bonds: 58.4% General Fund, 21.0% RASA Master Lease (Stockton Blvd), 20.6% North Natomas Fund
- (5) 2002 COP: payable from H Street Theatre Revenues (obligation of General Fund if insufficient)
- (6) 2003 Capital Improvement Revenue Bonds: 85.3% General Fund, 14.7% North Natomas Fund
- (7) 2005 Refunding: 30.9% Water Fund, 22.9% General Fund, 17.1% Solid Waste Fund, 14.6% Parking Fund, 12.3% RASA (Del Paso Heights, Merged Downtown, North Sacramento, Oak Park, River District), 1.7% North Natomas Fund, 0.5% Golf Fund
- (8) 2006 Capital Improvement Revenue Bonds Series A and B: 81.5% General Fund, 18.5% RASA Master Lease (65th Street, Army Depot, North Sacramento, River District)
- (9) 2006 Capital Improvement Revenue Bonds, Series C, D, and E: 46.3% Water Fund, 45.0% General Fund, 6.9% North Natomas Fund, 1.0% RASA Master Lease (Stockton Boulevard), 0.8% Golf Fund,
- (10) Total Leases and Loans: 64.0% General Fund, 24.8% Solid Waste, 6.6% Marina, 2.6% RASA Master Lease (Merged Downtown), 2.0% Wastewater
- (11) Data based on Fiscal Year 2016 General Fund Revenue Forecast: \$399,329,000.

Source: City of Sacramento.

Interest-Rate Swap

In 2007, the City entered into an interest-rate swap with Goldman Sachs Capital Markets, L.P. (the “**Counterparty**”) in connection with remarketing the Sacramento City Financing Authority’s \$73,725,000 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-interest-rate bonds (the “**Arena Bonds**”). The Arena Bonds carry an interest rate equal to the 3-month London Interbank Offered Rate (“**LIBOR**”) plus 0.25% (with the total rate not to exceed 14.00%) payable quarterly until July 19, 2017. The swap agreement terminates on July 19, 2017, and, as of July 15, 2015, has a notional amount of \$57,315,000. Under the swap, the Authority pays the Counterparty a fixed payment of 5.607% and receives a variable payment equal to the interest rate payable on the Arena Bonds. See Note 7 in Appendix B — “CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2014.”

The City’s interest-rate swap entails risk to the City. Actual interest rates have varied from assumptions made at the time the swap was executed, and the City has not realized expected cost savings. There is no net City cost, because an affiliate of the Kings makes the debt payments. In addition, the potential future exposure to the City relating to the difference in payments between the amounts the City receives in connection with the swap and pays under that swap, including termination payments or other non-scheduled payments, cannot be predicted. The Counterparty may terminate the swap upon the occurrence of certain termination events or events of default, which might include failure of either the City or the Counterparty to maintain credit ratings at specified levels. If either the Counterparty or the City terminates the swap, the City may be required to make a termination payment to the Counterparty (even if termination is due to an event affecting the Counterparty, such as the Counterparty’s failure to maintain credit ratings at specified levels), and there is no assurance that payment by the City would not have a material adverse affect on its financial position. As of September 3, 2015, the current estimated amount of the termination payment that would be payable by the City is approximately \$5.2 million. The valuation of the swap or any future swaps is volatile and will vary based on a variety of factors, including current interest rates. There can be no assurances that termination amounts potentially payable by the City will not significantly increase. The City may enter into additional interest-rate swaps in the future.

Debt Statement

Set forth below is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. as of July 29, 2015. The Debt Report is included for general-information purposes only. The City makes no representations as to its completeness or accuracy.

The Debt Report generally includes long-term obligations sold in the public-credit markets by public agencies whose boundaries overlap the boundaries of the City in whole or in part. Such long-term obligations generally are not payable from revenues of the City (except as indicated), nor are they necessarily obligations secured by property within the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of that public agency.

**CITY OF SACRAMENTO
DIRECT AND OVERLAPPING BONDED DEBT
AS OF JULY 29, 2015**

Dollar figures below are in thousands
2014-15 Assessed Valuation: \$39,552,714,987

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt 6/30/15	% Applicable ⁽¹⁾	City's Share of Debt 6/30/15
Los Rios Community College District	\$361,280,000	25.267%	\$ 91,284,618
Natomas Unified School District	164,674,461	88.382	145,542,582
Sacramento Unified School District	439,797,966	83.790	368,506,716
San Juan Unified School District	404,827,785	2.981	12,067,916
Twin Rivers Unified School District	18,795,000	47.709	8,966,907
Twin Rivers Union School District (former Elementary School District bonds)	62,720,668	47.709	29,923,403
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	188,840,138	46.845	88,462,163
Robla School District	29,481,349	49.324	14,541,381
City of Sacramento Community Facilities Districts	164,050,000	100.	164,050,000
Elk Grove Unified School District Community Facilities District No. 1	178,792,187	11.424	20,425,219
City of Sacramento 1915 Act Bonds	7,300,000	100.	7,300,000
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	188,165,000	83.303	156,747,090
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,120,000	63.308	1,975,210
Sacramento Area Flood Control Agency Natomas Local Assessment District	35,350,000	84.065	29,716,978
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$1,139,510,183

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 2.88%

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Sacramento County General Fund Obligations	\$276,872,687	30.688%	\$ 84,966,690
Sacramento County Pension Obligation Bonds	973,933,985	30.688	298,880,861
Sacramento County Board of Education Certificates of Participation	7,260,000	30.688	2,227,949
Los Rios Community College District Certificates of Participation	5,440,000	25.267	1,374,525
Sacramento Unified School District Certificates of Participation	72,380,000	83.790	60,647,202
Sacramento Unified School District Pension Obligation Bonds	1,195,000	83.790	1,001,291
San Juan Unified School District Certificates of Participation	749,716	2.981	22,349
Twin Rivers Unified School District Certificates of Participation	129,825,000	46.845	60,816,521
City of Sacramento General Fund Obligations	619,920,000	100.	619,920,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$1,129,857,388
Less: Sacramento County supported obligations			1,913,397
City of Sacramento supported obligations			363,409,428
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 764,534,563

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$258,434,876 0.013-100. % \$186,409,241

GROSS TOTAL DIRECT DEBT	\$619,920,000
NET TOTAL DIRECT DEBT	\$256,510,572
GROSS TOTAL OVERLAPPING DEBT	\$1,835,856,812
NET TOTAL OVERLAPPING DEBT	\$1,833,943,415

GROSS COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$2,455,776,812 ⁽²⁾
NET COMBINED TOTAL DIRECT AND OVERLAPPING DEBT	\$2,090,453,987

⁽¹⁾ Percentage of overlapping agency's assessed valuation located within boundaries of the City.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital-lease obligations.

Ratios to 2014-15 Assessed Valuation:

Gross Combined Total Direct Debt (\$619,920,000)..... 1.57%
Net Combined Total Direct Debt (\$256,510,254)..... 0.65%
 Gross Combined Total Direct and Overlapping Debt 6.21%
 Net Combined Total Direct and Overlapping Debt 5.29%

Ratios to Redevelopment Increment Valuation (\$4,517,647,254):

Total Overlapping Tax Increment Debt 4.13%

No Default

The City has no record of having ever defaulted in the payment of principal or interest on any of its loans, bonds, notes, or other debt obligations or on any of its lease obligations.

RETIREMENT AND OPEB OBLIGATIONS

The City provides retirement and post-employment benefits to its employees as described below.

Employees Retirement Plans

The City provides defined-benefit retirement benefits through CalPERS and SCERS. CalPERS is a multiple-employer public-employee defined-benefit pension plan, whereas SCERS is a single-employer defined-benefit pension plan.

All full time and certain part-time City employees hired on or after January 28, 1977, and all City safety employees regardless of the date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report and a separate report for the City's plans within CalPERS may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, California 95811.

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension-trust fund. SCERS issues a publicly available annual financial report that includes financial statements and required supplementary information. This financial report may be obtained by writing to the City of Sacramento, Department of Finance, 915 I Street, NCH, 4th Floor, Sacramento, California 95814.

Funded Status

The tables below summarize the funded status of the City's retirement plans as of the most-recent actuarial-valuation dates. The funded status information presented in the following two tables from the June 30, 2013 actuarial valuation takes into account the effect of CalPERS's decision to lower its assumed investment earnings by 0.25% to 7.50%, which affected contribution rates beginning in Fiscal Year 2013-14. Additional information regarding the City's employee-retirement plans, annual pension costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 8 to the City's audited financial statements for the fiscal year ended June 30, 2014, attached as Appendix B to the Remarketing Circular.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Miscellaneous Employees
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Actuarial Funded Ratio*</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2006	\$418	\$487	\$398	\$89	82%	\$153	58%
2007	521	549	457	92	83	173	53
2008	510	617	510	107	83	178	60
2009	403	696	556	140	80	175	80
2010	477	751	607	144	81	171	84
2011	590	819	660	159	81	165	96
2012	596	861	709	152	82	151	101
2013	677	914	677	237	74	151	157

* Commencing with the report for the June 30, 2013 valuation date, market value is used for purposes of calculating funded ratio.

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Safety Employees
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Actuarial Funded Ratio*</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2005	\$751	\$ 823	\$ 730	\$ 93	89%	\$ 83	111%
2006	834	908	787	121	87	92	131
2007	989	971	853	118	88	100	118
2008	928	1,048	908	140	87	110	127
2009	687	1,135	946	189	83	110	172
2010	770	1,183	987	196	83	111	178
2011	917	1,249	1,035	214	83	109	196
2012	897	1,313	1,077	236	82	108	219
2013	992	1,371	992	379	72	104	364

* Commencing with the report for the June 30, 2013 valuation date, market value is used for purposes of calculating funded ratio.

Source: CalPERS actuarial valuations through June 30, 2013. The actuarial valuation for the City through June 30, 2014, is expected to be available in late Calendar Year 2015.

In the early 1980s, safety employees in the SCERS pension plan were moved to CalPERS after voters approved a change to the City Charter. There were 27 active members and 1,201 retirees and other beneficiaries participating in the SCERS plan as of June 30, 2014.

The SCERS pension plan has been closed to new members since 1977. Because SCERS is closed to new members and has only 27 remaining active members, the Actuarial Value of Assets is a three-year smoothed market value. Investment gains and losses are recognized over a three-year period. The actuarial value of assets is limited by a 15% corridor, meaning the actuarial value of assets will be no greater than 115% of market value of assets and no less than 85% of market value of assets.

**CITY OF SACRAMENTO
RETIREMENT PLAN TREND INFORMATION
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
(\$ in Millions)**

<i>Valuation Date (June 30)</i>	<i>Market Asset Value</i>	<i>Actuarial Accrued Liability (AAL) – Entry Age</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2006	\$365	\$395	\$365	\$ 30	92%	\$10	292%
2007	378	395	365	30	92	10	313
2008	355	392	360	32	92	9	356
2009	273	398	314	84	79	6	1,406
2010	280	395	297	98	75	5	1,848
2011	304	397	297	100	75	4	2,420
2012	296	389	294	95	76	3	3,211
2013	296	382	292	90	76	2	3,949
2014	313	373	N/A	60	84	2	2,643

Source: SCERS actuarial valuations through June 30, 2014. The pension liability at June 30, 2014, was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, and, as a result, the actuarial asset value was not updated. The actuarial valuation for the SCERS through June 30, 2015, is expected to be available in late Calendar Year 2015.

Recent CalPERS Developments

At its meetings in April 2013, the CalPERS Board of Administration (“**PERS Board**”) approved a plan to replace the previous 15-year asset-smoothing policy with a 5-year direct-rate smoothing process and replace the previous 30-year rolling amortization of unfunded liabilities with a 30-year fixed-amortization period. The approach is intended to provide a single measure of funded status and unfunded liabilities, less volatility in extreme years, a faster path to full funding, and more transparency to employers about future contribution rates. These changes will accelerate the repayment of unfunded liabilities (including the 2008-09 market losses) of CalPERS participants’ plans (including the City’s) in the near term. Actual rates were set using the new methods for Fiscal Year 2014-15, reflected in the June 30, 2013 valuation.

At its February 2014 meeting, the PERS Board approved new actuarial assumptions based on a recently completed experience study of CalPERS membership. The experience study was based on CalPERS member demographic data for the experience period from June 30, 1997, to June 30, 2011. The study focused on recent patterns of termination, death, disability, retirement, and salary increases. The major findings from the study showed an increase in life expectancy for both men and women. The actuarial assumptions adopted also reflect improvements to life expectancy.

CalPERS’s recent review of actuarial assumptions confirmed that government workers, including public-safety employees, are living longer. Since CalPERS last addressed the issue in 2010, there have been changes in life expectancy: by 2028, men retiring at age 55 are projected to live an average of 29.4 years and women 31.9 years post-retirement, longer than the prior assumptions of 27.3 years for men and 30.3 years for women post-retirement. Based on the revised figures, the PERS Board adopted the 20-year mortality projection along with 20-year amortization and a five-year phasing policy, with associated costs for local-

government agencies beginning in Fiscal Year 2016-17. On a preliminary basis, the City anticipates that its General Fund contributions to CalPERS for Fiscal Year 2019-20 will be \$18.7 million higher than in Fiscal Year 2015-16.

City Contributions

Under collective bargaining arrangements signed in 2012 and 2013, the City will no longer pay the employee contribution to CalPERS after Fiscal Year 2014-15, and most bargaining groups have agreed to pay a portion of the City’s employer contribution through cost-sharing agreements.

The following table summarizes the City’s contributions to its defined-benefit pension plans.

**CITY OF SACRAMENTO
ANNUAL CONTRIBUTION TO RETIREMENT PLANS
(\$ in Millions)**

<i>Fiscal Year</i>	<i>CalPERS</i>	<i>SCERS</i>	<i>Total City Employer Contribution⁽¹⁾</i>	<i>Total City-Paid Employee Contribution⁽²⁾</i>	<i>Total General Fund Contribution</i>
2008-09	\$41.7	\$3.2	\$44.9	\$17.1	\$52.3
2009-10	44.6	3.4	48.0	16.7	54.6
2010-11	44.3	10.5	54.8	16.1	58.9
2011-12	49.5	10.4	59.9	15.4	63.3
2012-13	47.7	10.6	58.3	12.7	59.8
2013-14	49.8	9.6	59.4	9.8	57.7
2014-15 ⁽³⁾	61.4	9.1	70.5	5.7	64.3
2015-16 ⁽³⁾⁽⁴⁾	68.8	8.6	77.4	0.0	64.7

⁽¹⁾ Includes contributions payable from special funds.

⁽²⁾ Employee contribution amount paid by the City pursuant to collective bargaining arrangements.

⁽³⁾ Budgeted.

⁽⁴⁾ The City’s employer contribution to CalPERS in 2015-16 is offset by negotiated employee cost-sharing of employer contributions totaling \$3.8 million citywide and \$3.4 million in the General Fund.

Source: The City of Sacramento.

The City contributed 100% of the actuarially required contributions in each fiscal year reported in the table.

The City also provides defined-contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the “Plan”). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by the Council. Unrepresented exempt and certain represented employees may elect to participate in the Plan. Participating exempt employees are required to contribute 5% of covered salary and the City contributes 4%, while participating non-exempt employees are required to contribute 2% of covered salary and the City contributes 2%. For the fiscal year ended June 30, 2014, employees contributed \$2,732,000 and the City contributed \$2,354,000 to the Plan.

On June 25, 2012, the Governmental Accounting Standards Board (“GASB”) approved two new standards with respect to pension accounting and financial-reporting standards for state and local governments and pension plans. The new standards, GASB Statement Nos. 67 and 68, replace GASB Statement No. 27 and most of GASB Statement Nos. 25 and 50. The changes affect the accounting treatment of pension plans in which state and local governments participate. Major changes include (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs will be shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates will be required to be used for

underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities will be required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the City is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013, and the reporting requirements for government employers, including the City, took effect for the fiscal year beginning July 1, 2014.

Annual OPEB Cost and Net OPEB Obligation

The City provides health-care and dental-care insurance benefits for all retirees and their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. To be eligible for these benefits, an employee must retire with a minimum of 10 full years of active service and be 55 years of age for miscellaneous employees or 50 years of age for safety employees. Participants with a minimum of 20 years of service are eligible for 100% of the maximum benefit while participants with less than 20 years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental-care benefits range from \$300 and \$694 a month per participant, which covers between 16% and 100% of the benefit cost, depending on the choice of plan and number of dependents. New employees hired after January 1, 2013, are not eligible to receive post-retirement health care and dental-care benefits.

City retiree health benefits are defined by labor agreements and resolutions approved by the Council. Benefit costs are recorded on a pay-as-you-go basis. The City's financial statements assume that pay-as-you-go funding will continue. The City's annual other post-employment benefits ("OPEB") cost is calculated based on the Annual Required Contribution ("ARC") of the City, an amount that is actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years.

In February 2013, the Council voted to establish an OPEB trust fund and begin funding a portion of its OPEB liability with a one-time investment of \$2,000,000 deposited in January 2014. Again, in February 2014, the Council voted to contribute another \$2,000,000 to the OPEB trust fund. The City deposited another \$1,000,000 into the trust in July 2014 after the Council approved the Fiscal Year 2014-15 budget and has deposited another \$1,000,000 in July 2015. The following table shows the components of the City's annual OPEB cost for Fiscal Year 2013-14, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

**CITY OF SACRAMENTO
ANNUAL OPEB COST COMPONENTS
FISCAL YEAR 2013-14
(\$ in Thousands)**

Annual Required Contribution (ARC)	\$ 43,974
Interest on beginning OPEB liability	5,928
Adjustment to the ARC	<u>(9,971)</u>
Annual OPEB cost	\$ 39,931
Contributions made	(13,473)
Trust prefunding	<u>(4,000)</u>
Increase in net OPEB obligation	\$ 22,458
Net OPEB obligation - Beginning of year	<u>131,739</u>
Net OPEB obligation - End of year	<u>\$ 154,197</u>

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five fiscal years were as follows:

**CITY OF SACRAMENTO
ANNUAL OPEB COST, ACTUAL CONTRIBUTIONS,
ANNUAL COST CONTRIBUTED, AND NET OBLIGATION
(\$ in Millions)**

<i>Fiscal Year</i>	<i>Annual OPEB Cost</i>	<i>Contributions</i>	<i>% of OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
2009-10	\$29.5	\$11.0	38%	\$60.7
2010-11	31.4	11.9	38	80.2
2011-12	37.2	12.2	33	105.2
2012-13	39.4	12.8	33	131.8
2013-14	39.9	17.5	43	154.2

Source: The City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014.

The City has projected, on a preliminary basis, that by the end of Fiscal Year 2014-15 its annual OPEB costs will increase to \$42.1 million, its annual contribution will decrease to \$14.6 million, and its net OPEB obligation will increase to \$183.8 million. In the 2015-16 Adopted Budget, the City projects that General Fund expenditures for OPEB costs will be approximately \$10.3 million (consisting of approximately \$9.0 million for current obligations and approximately \$1.3 million deposit to the OPEB trust fund described above).

The following table summarizes the funded status of the City's OPEB plan as of the most recent biennial actuarial-valuation date, June 30, 2013. Additional information regarding the City's OPEB plan, annual OPEB costs, the funding status thereof, and significant accounting policies related thereto is set forth in Note 9 to the City's audited financial statements attached as Appendix B hereto. The June 30, 2015 actuarial valuation is anticipated to be available in late Calendar Year 2015.

**CITY OF SACRAMENTO
OPEB TREND INFORMATION
(\$ in Millions)**

<i>Actuarial Valuation Date (June 30)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Asset Value</i>	<i>(Overfunded) Unfunded AAL</i>	<i>Funded Ratio</i>	<i>Annual Covered Payroll</i>	<i>(Overfunded) Unfunded AAL as % of Covered Payroll</i>
2007	\$380	--	\$380	0.00%	\$266	142.9%
2009	376	--	376	0.00	275	136.7
2011	440	--	440	0.00	254	173.4
2012	447	--	447	0.00	262	170.9
2013	434	--	434	0.00	257	168.4

Source: The City's OPEB actuarial valuations.

CERTAIN CITY ECONOMIC AND DEMOGRAPHIC INFORMATION

Population

A comparison of the City's population growth to that of the County and the State is provided in the table below. Population estimates are as of as of January 1 for each year.

**POPULATION ESTIMATES⁽¹⁾
CITY OF SACRAMENTO, COUNTY OF SACRAMENTO
AND THE STATE OF CALIFORNIA
FOR SELECTED CALENDAR YEARS 1970 THROUGH 2014**

<i>Year</i>	<i>City of Sacramento</i>	<i>Average Annual % Change</i>	<i>County of Sacramento</i>	<i>Average Annual % Change</i>	<i>State of California</i>	<i>Average Annual % Change</i>
1970	257,105		634,373		19,935,134	
1980	275,741	0.72%	783,381	2.35%	23,782,000	1.87%
1990	369,365	3.40	1,046,870	3.36	29,828,496	2.57
1995	384,300	0.81	1,120,733	1.41	31,910,000	1.45
2000	407,018	0.81	1,233,599	2.01	34,095,209	1.27
2005	453,592	1.85	1,378,538	1.46	36,899,392	1.32
2009	481,356	1.35	1,440,500	0.84	38,476,724	0.98
2010 ⁽²⁾	469,493	(2.46)	1,427,961	(0.87)	37,427,946	(2.73)
2011 ⁽²⁾	469,895	0.09	1,431,726	0.26	37,680,593	0.68
2012 ⁽²⁾	472,679	0.59	1,442,993	0.79	38,030,609	0.93
2013 ⁽²⁾	475,871	0.67	1,456,230	0.92	38,357,121	0.86
2014 ⁽²⁾	480,105	0.89	1,470,912	1.01	38,714,725	0.93

⁽¹⁾ Totals are estimates and may not add due to rounding.

⁽²⁾ The population estimates for 2010 forward incorporate the 2010 Census Population Benchmark.

Source: State of California, Department of Finance.

<http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php>

Industry and Employment

As the seat of State government, the City has traditionally had a large public-sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services, and healthcare employers to the City.

The table below shows historical unemployment rates for the City, the County, and the State.

UNEMPLOYMENT RATES CITY OF SACRAMENTO, COUNTY OF SACRAMENTO AND THE STATE OF CALIFORNIA

<i>Year</i>	<i>City of Sacramento</i>	<i>County of Sacramento</i>	<i>State of California</i>
2003	7.0%	5.8%	6.8%
2004	6.7	5.6	6.2
2005	5.9	4.9	5.4
2006	5.6	4.8	4.9
2007	6.4	5.4	5.4
2008	8.5	7.2	7.3
2009	13.2	11.0	11.2
2010	13.3	12.6	12.2
2011	12.8	12.1	11.7
2012	11.1	10.5	10.4
2013	9.4	8.9	8.9
2014	7.7	7.3	7.5
2015 ⁽¹⁾	6.6	6.2	6.5

⁽¹⁾ Through July 2015.

Figures above are not seasonally adjusted.

Source: State of California. Employment Development Department.

<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/areaselection.asp?tablename=labforce>.

Set forth below are data reflecting the County's civilian labor force, employment, and unemployment. These figures are County-wide and may not accurately reflect employment trends in the City.

**SACRAMENTO COUNTY AND SACRAMENTO-ROSEVILLE-ARDEN ARCADE
METROPOLITAN STATISTICAL AREA (MSA)
CIVILIAN LABOR FORCE, EMPLOYMENT AND
THE ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
FOR YEARS 2010 THROUGH 2014⁽¹⁾**

LABOR FORCE (COUNTY):	2010	2011	2012	2013	2014
Labor force ⁽²⁾	682,500	679,800	682,700	680,900	682,200
Employment	596,400	597,500	610,900	620,400	632,200
Unemployment	86,100	82,300	71,800	60,500	50,000
Unemployment Rate	12.6%	12.1%	10.5%	8.9%	7.3%
EMPLOYMENT INDUSTRY (MSA):					
Total All Industries ⁽³⁾	833,800	831,500	851,100	875,700	899,600
Total Farm	8,100	8,200	8,600	8,900	9,200
Total Non-farm	825,700	823,300	842,400	866,800	890,400
Goods Producing	71,600	70,600	72,700	77,700	80,700
Trade, Transportation & Utilities	132,600	134,100	138,900	141,700	143,600
Information	17,200	16,300	15,600	14,800	13,700
Financial Activities	48,300	46,700	48,200	49,400	48,700
Professional & Business Services	102,200	104,400	111,100	114,600	119,100
Education & Health Services	115,100	116,900	121,300	128,400	134,900
Leisure & Hospitality	80,200	81,700	84,500	88,700	91,900
Other Services	28,100	28,000	28,600	29,000	30,400
Government ⁽⁴⁾	230,300	224,600	221,500	222,500	227,300

⁽¹⁾ Most recent data available.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽³⁾ Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

⁽⁴⁾ Includes Federal and State & Local Government employees

Source: Labor Market Information Division of the California State Employment Development Department.
<http://www.labormarketinfo.edd.ca.gov/>.

The two tables below represent the Sacramento Region Major Private Sector Employers for the greater Sacramento area (including Sacramento, El Dorado, Placer, Sutter, Yolo, and Yuba Counties) and the major public-sector employers. Major private employers in the Sacramento area include those in health care, electronics, telecommunications, and retail and financial services. Major public-sector employers include the State and the County. The data in the tables are from December 2014 and may not reflect subsequent changes in the work force.

**GREATER SACRAMENTO AREA
2014 MAJOR PRIVATE SECTOR EMPLOYERS**

<i>Company</i>	<i>Type of Business</i>	<i>No. of Full-Time Employees</i>
Sutter Health Sacramento Sierra Region	Health care	7,352
Dignity Health	Health care	6,212
Intel Corp.	Researches and develops computer chips and chipsets, including desktop, mobile and server processor products	6,000
Kaiser Permanente	Health care	5,421
Raley's Inc.	Retail grocery chain	3,389
Apple Inc.	Consumer Goods – Electronic Equipment	2,500
VSP Global	Vision health care insurance, eyewear, ophthalmic products and lab services sales systems for the optical industry optical medical record software	2,382
Health Net of California	Managed health care	2,299
Wells Fargo & Co.	Financial Services	2,190
GenCorp Inc.	Design, develop and manufactures solid waste rocket motors, and liquid and electric in-space propulsion systems	1,710
Delta Dental of California	Dental benefits	1,149

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

**COUNTY OF SACRAMENTO
2014 MAJOR PUBLIC SECTOR EMPLOYERS**

<i>Name of Employer</i>	<i>No. of Full-Time Employees ⁽¹⁾</i>
State of California	72,220
Sacramento County	10,700
U.S. Government	9,906
UC Davis Health System	9,905
Elk Grove Unified School District	5,410
Sacramento City Unified School District	4,200
City of Sacramento	4,140
San Juan Unified School District	3,632
California State University Sacramento	2,999
Los Rios Community College District	2,976
Sacramento Municipal Utility District	2,046
Folsom Cordova Unified School District	1,958

⁽¹⁾ Does not include substitutes or seasonal employees.

Source: Sacramento Business Journal Book of Lists 2014, December 2014.

Building Permits

The following tables summarize certain information relating to building permits in the City.

CITY OF SACRAMENTO NEW BUILDING PERMITS BY TYPE

Fiscal Year	Residential- New Construction	Residential- Repairs/Additions	Commercial- New Construction	Commercial- Repairs/Additions	Other
2010	209	8,895	176	2,506	-
2011	200	8,557	81	2,633	3
2012	185	8,593	42	2,720	5
2013	335	9,204	61	2,545	1
2014	454	10,626	54	2,813	-
2015	396	10,964	86	2,558	-

Source: City of Sacramento

BUILDING PERMIT VALUATIONS

Fiscal Year	Residential- New Construction	Residential- Repairs/Additions	Commercial- New Construction	Commercial- Repairs/Additions	Other
2010	\$28,561,694	\$80,743,589	\$29,838,214	\$152,049,393	-
2011	16,347,588	79,578,999	91,752,270	170,207,766	-
2012	19,035,735	79,741,870	47,398,062	134,808,493	\$200,000
2013	40,976,535	90,309,311	71,423,995	188,301,667	-
2014	63,446,612	106,495,721	36,622,459	155,584,804	-
2015	66,574,719	116,881,176	97,214,592	263,684,459	-

Source: City of Sacramento

Commercial Activity

The following table summarizes taxable sales within the City from 2009 through 2013, the most recent year such data is available.

**CITY OF SACRAMENTO
TAXABLE TRANSACTIONS BY TYPE OF BUSINESS
FOR YEARS 2009 THROUGH 2013⁽¹⁾
(\$ in Thousands)**

<u>Type of Business</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Apparel	\$ 314,415	\$ 319,555	\$ 331,037	\$ 339,108	\$ 340,610
General Merchandise	486,181	484,713	500,631	504,732	513,841
Food	272,980	282,078	291,616	295,149	299,456
Eating & Drinking	675,035	687,669	718,749	762,531	796,733
Household Furnishings	245,042	232,782	223,797	203,543	203,675
Building Materials	222,703	249,593	304,603	258,469	303,311
Automotive	285,724	259,294	282,738	338,082	388,898
Service Stations	424,739	484,980	574,763	612,199	599,365
Other Retail	<u>444,823</u>	<u>455,716</u>	<u>475,042</u>	<u>487,314</u>	<u>506,059</u>
Retail Stores Total	<u>\$ 3,371,643</u>	<u>\$ 3,456,380</u>	<u>\$ 3,702,978</u>	<u>\$ 3,801,126</u>	<u>\$ 3,951,948</u>
All Other Outlets	<u>1,577,522</u>	<u>1,491,067</u>	<u>1,588,997</u>	<u>1,670,192</u>	<u>1,752,173</u>
TOTAL:	<u>\$ 4,949,165</u>	<u>\$ 4,947,448</u>	<u>\$ 5,291,975</u>	<u>\$ 5,471,319</u>	<u>\$ 5,704,121</u>

⁽¹⁾ Most recent full-year data available.

Note: Detail may not compute to total due to rounding.

Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax), 2013 Annual Report.

APPENDIX B

**CITY OF SACRAMENTO COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

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Farm-to-Fork



Historic City Hall



24th Street Solar Canopies

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

CITY OF SACRAMENTO, CALIFORNIA

City of Sacramento

California

**Comprehensive Annual
Financial Report**

Fiscal Year Ended June 30, 2014

**Prepared by the Department of Finance,
Accounting Division**

**Leyne Milstein, Director of Finance
Dennis Kauffman, Finance Operations Manager
Russ Robertson, Accounting Manager**

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Letter of Transmittal	i
Organization Chart	v
Directory of City Officials	vi
GFOA Certificate	vii
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	24
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	30
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation – General Fund	32
Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) with Budget to GAAP Reconciliation – Measure U Fund	33
Statement of Net Position – Proprietary Funds	34
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	38
Statement of Cash Flows – Proprietary Funds	40
Statement of Fiduciary Net Position – Fiduciary Funds	44
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	45
Notes to the Financial Statements	47
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Pension Plans	101
Schedule of Funding Progress – Other Post Employment Benefits	102

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS, Continued

<i>COMBINING FUND FINANCIAL STATEMENTS</i>	PAGE
Other Governmental Funds	
Combining Balance Sheet	103
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	104
Special Revenue Funds:	
Combining Balance Sheet	106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	108
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Transportation and Development Special Revenue Fund	110
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Culture and Leisure Special Revenue Fund	111
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Parks and Recreation Special Revenue Fund	112
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, CCOMWP Special Revenue Fund	113
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Special Districts Special Revenue Fund	114
Schedule of Revenues, Expenditures and Change in Fund Balance – Budget and Actual, Cal EPA Special Revenue Fund	115
Other Debt Service Funds:	
Combining Balance Sheet	117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	120
Other Capital Projects Funds:	
Combining Balance Sheet	125
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	126
Permanent Funds:	
Combining Balance Sheet	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	130
Other Proprietary Funds	
Other Enterprise Funds:	
Combining Statement of Net Position	134
Combining Statement of Revenues, Expenses and Changes in Net Position	137
Combining Statement of Cash Flows.....	138

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS, Continued

	PAGE
Other Proprietary Funds	
Water Fund:	
Combining Schedule of Net Position.....	142
Combining Schedule of Revenues, Expenses and Changes in Net Position	145
Combining Schedule of Cash Flows	146
Wastewater Fund:	
Combining Schedule of Net Position.....	150
Combining Schedule of Revenues, Expenses and Changes in Net Position	153
Combining Schedule of Cash Flows	154
Internal Service Funds:	
Combining Statement of Net Position	158
Combining Statement of Revenues, Expenses and Changes in Net Position	161
Combining Statement of Cash Flows.....	162
Fiduciary Funds	
Investment Trust Funds:	
Combining Statement of Fiduciary Net Position	165
Combining Statement of Changes in Fiduciary Net Position	166
Agency Funds:	
Combining Statement of Changes in Fiduciary Assets and Liabilities.....	167
Component Unit	
Sacramento Regional Arts Facilities Financing Authority	
Statement of Net Position.....	169
Statement of Revenues, Expenses and Changes in Net Position.....	170
Statement of Cash Flows.....	171

CITY OF SACRAMENTO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014

TABLE OF CONTENTS, Continued

STATISTICAL SECTION (Unaudited)	PAGE
Net Position by Component - Last Ten Fiscal Years	174
Changes in Net Position - Last Ten Fiscal Years.....	176
Fund Balances, Governmental Funds - Last Ten Fiscal Years.....	182
Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years	184
Tax Revenues by Source, Governmental Funds - Last Ten Fiscal Years	186
Assessed Value and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	187
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years.....	188
Principal Property Taxpayers - Current Fiscal Year and Nine Years Ago.....	189
Property Tax Levies and Collections - Last Ten Fiscal Years	191
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years.....	192
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	194
Direct and Overlapping Governmental Activities Debt - As of June 30, 2014.....	195
Legal Debt Margin - Last Ten Fiscal Years	196
Demographic and Economic Statistics - Last Ten Calendar Years.....	197
Principal Employers - Current Fiscal Year and Nine Years Ago	198
Successor Agency Trust Fund – Assessed Value of Taxable Property - Last Ten Fiscal Years	200
Successor Agency Trust Fund – Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction - As of June 30, 2014	204
Successor Agency Trust Fund – Principal Property Taxpayers - Current Fiscal Year and Nine Years Ago	215
Successor Agency Trust Fund – Debt Coverage Analysis - Last Ten Fiscal Years	226
Full-time Equivalent Employees by Function/Program - Last Ten Fiscal Years	231
Operating Indicators by Function/Program - Last Ten Fiscal Years	232
Capital Asset Statistics by Function/Program - Last Ten Fiscal Years	233
Miscellaneous Statistics - Current Fiscal Year and Nine Years Ago.....	234

Introductory Section

John F. Shirey
City Manager

City Hall
915 I Street, Fifth Floor
Sacramento, CA 95814-2604
916-808-5704

December 19, 2014

Honorable Mayor, Members of the City Council

and Citizens of the City of Sacramento, California:

We are pleased to transmit the Comprehensive Annual Financial Report (CAFR) of the City of Sacramento (City) for the fiscal year ended June 30, 2014. Article IX of the City Charter, as well as federal and state law, requires that the City issue an annual report on its financial position and activity, and that the report be audited by an independent firm of certified public accountants. Vavrinek, Trine, Day & Co., LLP, a statewide certified public accounting firm, performed the audit for the fiscal year ended June 30, 2014. Their unmodified (“clean”) opinion has been included as the first component of the financial section of the CAFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY

The City of Sacramento, capital of the State of California, was established in 1849. The sixth largest city in California based on population, Sacramento also serves as the seat of Sacramento County government. The State of California Department of Finance estimates the population on January 1, 2014 at 475,122 for the City and 1,454,406 for the County of Sacramento. Encompassing 99 square miles, Sacramento is located in the northern section of California’s Central Valley at the confluence of the Sacramento and American rivers.

Sacramento is a charter city operating under a Council-Manager form of government. The City provides a full range of municipal services including police, fire, emergency medical response, water, wastewater, storm drainage, solid waste, construction and maintenance of streets and parks, community development, recreational and cultural activities, economic development, and administrative services.

REPORTING ENTITY

This CAFR presents the financial status of the City and its four component units:

Sacramento City Financing Authority (SCFA)
Sacramento City Employees' Retirement System (SCERS)
Successor Agency to the Redevelopment Agency of the City of Sacramento (RASA)
Sacramento Regional Arts Facilities Financing Authority (SRAFFA)

Component units are separate legal entities included in this report due to significant operational or financial relationships with the City.

SCFA is an entity created to issue debt to finance City projects. SCFA is reported on a blended basis as part of the primary government because its board is composed of all of the City Council members.

SCERS, a single employer pension plan for certain City employees and retirees, is reported as a fiduciary-type component unit. The SCERS pension plan was closed to new enrollment of employees in 1978.

RASA was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. RASA is reported as a fiduciary-type component unit.

SRAFFA was created for the purpose of financing the expansion of the H Street Theater complex and is a discretely presented component unit. Discretely presented component units are legally separate and do not function as an integral part of the primary government. As such, SRAFFA is reported in a separate column in the government-wide financial statements to differentiate its financial position and operational results from those of the City.

BUDGET INFORMATION

The City Charter requires that the City Manager submit a proposed budget to the City Council at least 60 days prior to the start of each fiscal year. Once approved by City Council, the annual budget serves as the foundation for the City's financial planning, control and reporting. Budgetary control is maintained at the department level by fund. Budgetary control for multi-year projects is maintained at the individual project level by fund. Additional budgetary information can be found in Note 1 to the financial statements and on the City of Sacramento's website.

LOCAL ECONOMY

The regional economy and employment base continues its long-term transition from a state government concentration to a diverse economic base including health care providers, high-tech manufacturers, software development companies, biotechnology and medical research laboratories, food processors, and medical equipment manufacturers. The region is also a transportation hub served by air cargo airports, an international airport, a deep water shipping port, two major interstate freeways, freight and passenger rail lines, and an extensive regional

commuter bus and light-rail system. These key industries interface with Sacramento's service, hospitality and government employers.

Like most cities in the country, Sacramento continued its modest economic recovery in 2014. As of June 2014, unemployment for the Sacramento metropolitan area and Sacramento County was 6.9% and 7.1%, respectively, compared to 8.4% and 8.7%, respectively, as of June 30, 2013. According to the latest University of California, Los Angeles Economic Forecast, recovery in California is expected to continue in 2015.

While there is an expectation of continued economic recovery and growth, recent economic data indicate that economic growth in the Sacramento region will be slow, and will continue to generally lag behind national trends and other areas of California. It is encouraging that the latest edition of the Brookings Institution Metro Monitor (September 2014) showed growth in employment in the first two quarters of 2014 along with higher housing values.

BUDGET INITIATIVES AND LONG-TERM FINANCIAL PLANNING

Current trends show that the City is continuing its recovery from the worst recession in recent history. As a result, the fiscal 2014/15 budget was the first budget since 2008 that did not require reductions in services, programs or employees. Measure U, a voter approved 1/2 cent sales and use tax, continues to provide resources to protect and restore vital City programs and services. However, given the temporary nature of these resources, it remains critical that we continue to reevaluate not only how we deliver services and meet citizen needs, but also which programs and services the City can afford to deliver if expenditure growth continues to outpace that of revenue. The City's management team continues to look for ways to build a stronger, more sustainable fiscal framework and to provide the leadership and discipline needed to ensure that we are implementing long-term solutions to address the City's financial challenges.

RELEVANT FINANCIAL POLICIES

The City maintains a General Fund Economic Uncertainty Reserve (EUR) for the purpose of bridging a gap between projected revenue and expenditures during periods of significant revenue declines and/or expenditure growth and to ensure the City has adequate resources in case of an emergency or unforeseen events. The City Council's stated goal is to gradually achieve a reserve balance equal to 10% of annual General Fund revenue. The Council also directed that unbudgeted one-time general revenue received in a fiscal year, not required to balance the budget as part of the midyear review or year-end close for that fiscal year, be added to the EUR. The City Council added \$1.0 million to the EUR in the midyear budget review in February 2014, and \$4.9 million of unbudgeted one-time general revenue was added to the EUR during the fiscal year 2013/14 year-end close, to bring the balance in the EUR to \$33.7 million, approximately 8.7% of estimated FY2014/15 General Fund revenues. Additional resources to fund this reserve will be identified on an ongoing basis and can include positive year-end results or other one-time resources. The EUR is reported in the CAFR as committed fund balance in the General Fund.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2013. This marks the 25th consecutive year the City has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to receive this award, the City published an easily readable and efficiently organized CAFR. The report satisfied accounting principles generally accepted in the United States of America and applicable legal requirements. We believe this CAFR also meets the requirements of the program and we will be submitting it to the GFOA to determine its eligibility for the certificate.

The Department of Finance, in particular the Accounting Division, takes great pride in the preparation of the CAFR. The professionalism, commitment and effort of each employee of the Accounting Division have made this report possible. We also want to thank the other employees of the Department of Finance as well as those in other City departments who contributed to the preparation of this report. Finally, we thank the Mayor and City Council for their continuing interest and support in planning and conducting the City's financial operations in a responsible manner, consistent with the City's mission to protect, preserve and enhance the quality of life for present and future generations.

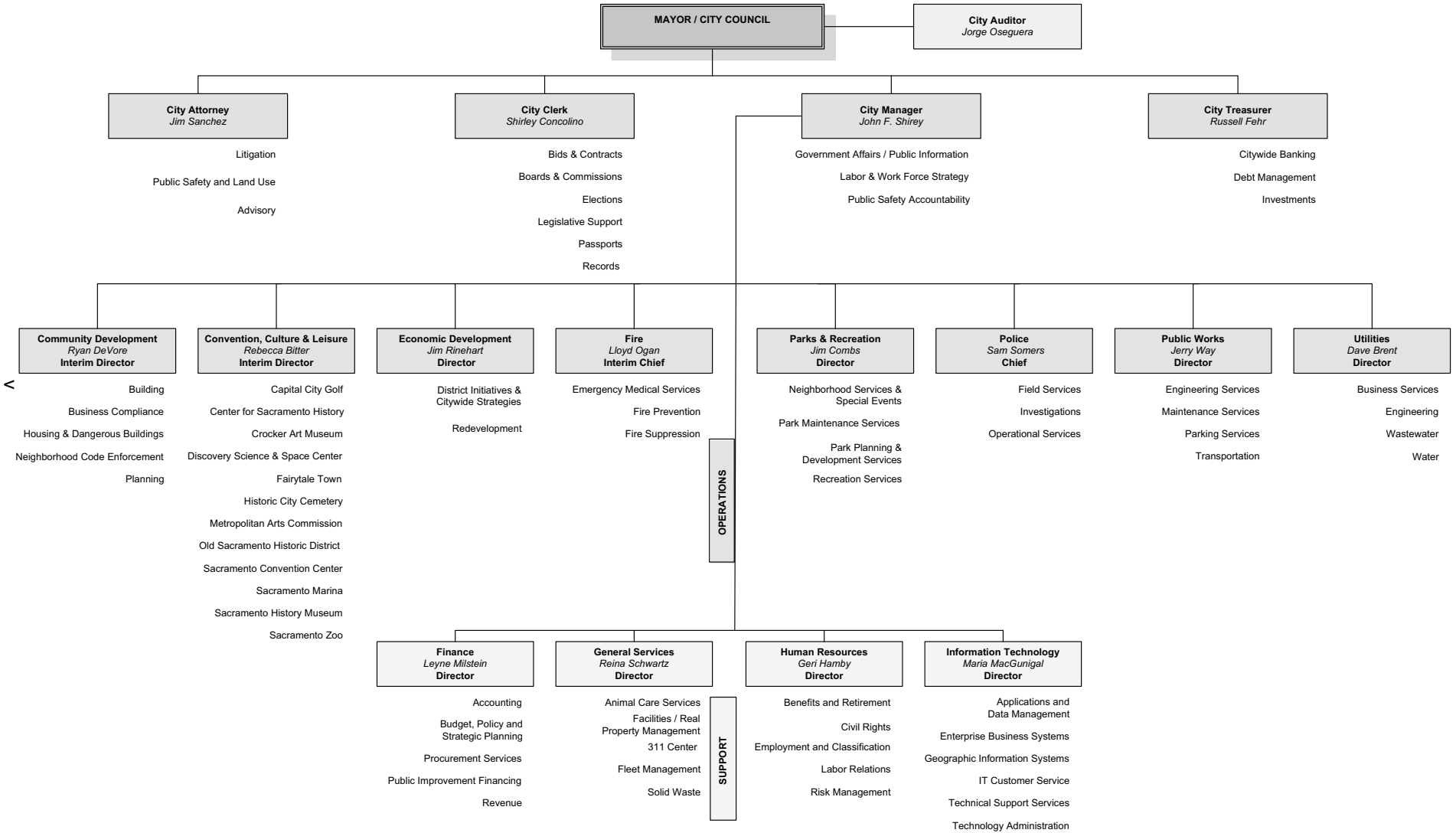
Respectfully submitted,


John F. Shirey
City Manager


Leyne Milstein
Director of Finance


Russell Robertson
Accounting Manager

City of Sacramento Organization Chart As of June 30, 2014



City of Sacramento

Directory of City Officials

June 30, 2014

Kevin Johnson
Mayor

Angelique Ashby
Mayor Pro Tem, District 1

Jay Schenirer
Vice Mayor, District 5

Allen Warren
Councilmember, District 2

Kevin McCarty
Councilmember, District 6

Steve Cohn
Councilmember, District 3

Darrell Fong
Councilmember, District 7

Steve Hansen
Councilmember, District 4

Bonnie J. Pannell
Councilmember, District 8

John F. Shirey
City Manager

James Sanchez
City Attorney

Shirley Concolino
City Clerk

Russell Fehr
City Treasurer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of Sacramento
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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Financial Section



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sacramento
Sacramento, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sacramento, California (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the Measure U Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standards

As described in Note 1 to the financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, as of July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Vavrinick, Trine, Day & Co. LLP

Sacramento, California
December 19, 2014

City of Sacramento
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. City management recommends this information be read in conjunction with the transmittal letter located in the introductory section, and with the City's financial statements which follow this discussion.

FINANCIAL HIGHLIGHTS

- The City completed a seismic retrofit of the historic Train Depot in the Downtown Railyards and is in final design stages of a \$30 million project to rehabilitate the depot. The City will use \$15 million of federal funds along with \$15 million of local transportation funds to rehabilitate the depot. The construction of 5th Street and Railyards Boulevard began this year and will be completed by December 2014. The construction of 6th Street in the Downtown Railyards that began in 2013 was completed this year.
- The construction of the Cosumnes River Boulevard Extension and Interstate 5 Interchange project continued throughout fiscal year 2014. The project will provide arterial east-west connectivity between Highway 99, Interstate 5 and Freeport Boulevard by extending Cosumnes River Boulevard west from Franklin Boulevard for 3.2 miles to the Sacramento River. The project will include four to six traffic lanes, on-street bike lanes, and access to two future Regional Transit light rail stations for Cosumnes River College. The estimated cost of \$96 million is funded through a public-private partnership including use of Measure A transportation sales tax revenue, federal, and state funding, as well as funds from the private developer for the Delta Shores development. Upon completion, this project will provide access for the 800 acre Delta Shores development. At build-out, the Delta Shores development will support 5,000 homes and 1.3 million square feet of retail space.
- On July 16, 2013, the City broke ground on a \$170 million rehabilitation project to replace parts and restore existing capacity at the City's original water treatment plant on the Sacramento River, built in 1923. The project will also renovate the E.A. Fairbairn water treatment plant. This three-year construction project, funded with water revenue bonds issued in 2013, will create 455 jobs and ensure a continued, secure water supply for Sacramento residents and businesses.
- The City's General Fund revenue and other financing sources (uses) exceeded expenditures by \$18.9 million in fiscal year 2014. This result is primarily attributable to growth in property tax and real property transfer tax revenue, expenditure savings from vacant positions, capital lease proceeds, and one-time catch-up payments of \$2.5 million from the County under an auto sales tax sharing agreement and \$2.3 million of Ground Emergency Medical Transport reimbursement.
- The City's total government-wide net position, excluding the discretely presented component unit, increased \$89 million in 2014, an increase of 3.6 percent from 2013. The net position of governmental activities increased \$37 million, or 2.4 percent, and the net position of business-type activities increased \$52 million, or 5.8 percent.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Comprehensive Annual Financial Report consists of four main components: (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) combining non-major fund financial statements. The basic financial statements include two kinds of statements that present different views of the City, the government-wide and the fund financial statements.

- The government-wide financial statements provide both long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The basic financial statements also include notes that provide additional information essential to understanding the data contained in the government-wide and fund financial statements. The statements and notes are followed by the Schedules of Funding Progress for the City's pension and other post-employment benefit plans, which are required supplementary information. In addition to these required elements, we have included combining statements and schedules that provide details about the City's other governmental funds, the Water enterprise fund, the Wastewater enterprise fund, other enterprise funds, internal service funds, investment trust funds, agency funds, and the discretely-presented component unit, each of which is presented in a column in the basic financial statements.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets and liabilities, as well as any deferred outflows or inflows of resources. The statement of activities includes all current year revenues and expenses regardless of when cash is received or paid. These government-wide statements report the City's net position and how the City's net position has changed during the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the City is improving or deteriorating.

The government-wide financial statements of the City are divided as follows:

- *Governmental activities* - Most of the City's basic services are included here, such as police, fire, public works, community development, parks and recreation, and general government. Taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Certain services provided by the City are funded by customer fees. Among these are the City's utility services, convention center, and off-street parking facilities.
- *Component unit* - The City includes the Sacramento Regional Arts Facilities Financing Authority in its basic financial statements because, although legally separate, the City is financially accountable for it.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the City's largest funds, not the City as a whole.

The City has three types of fund financial statements:

- *Governmental funds* - Governmental fund statements tell how general government services such as police, fire and public works were financed in the short-term as well as what remains for future spending. Most of the City's basic services are included in governmental funds, which focus on (1) short-term inflows and outflows of spendable resources, and (2) the remaining year-end balances available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciliations that explain the relationship (or differences) between governmental funds and governmental activities follow the governmental fund statements.
- *Proprietary funds* - Services for which customer fees are intended to finance the costs of operations are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide short-term and long-term financial information about the activities the City operates like businesses, such as utility services.
- *Fiduciary funds* - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources belong. The City is the trustee, or *fiduciary*, for a closed pension plan. It is also responsible for other assets, reported in an investment trust fund, which because of trust agreements, can be used only for the trust beneficiaries. The City elected to serve as the successor agency for its former redevelopment agency which was dissolved by state law. The successor agency activity is accounted for in a private purpose trust fund.

The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these resources to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

City of Sacramento
Summary of Net Position
As of June 30, 2014 and 2013
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percent Change
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 647	\$ 621	\$ 528	\$ 552	\$ 1,175	\$ 1,173	0.2%
Capital assets	1,747	1,737	1,064	1,014	2,811	2,751	2.2%
Total assets	2,394	2,358	1,592	1,566	3,986	3,924	1.6%
Deferred outflows of resources	15	17	13	14	28	31	-9.7%
Long-term liabilities	728	729	614	651	1,342	1,380	-2.8%
Other liabilities	62	63	45	35	107	98	9.2%
Total Liabilities	790	792	659	686	1,449	1,478	-2.0%
Deferred inflows of resources	8	9	-	-	8	9	-11.1%
Net position							
Net investment in							
capital assets	1,394	1,370	734	719	2,128	2,089	1.9%
Restricted	187	202	34	34	221	236	-6.4%
Unrestricted	30	2	178	141	208	143	45.5%
Total net position	\$ 1,611	\$ 1,574	\$ 946	\$ 894	\$ 2,557	\$ 2,468	3.6%

Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19 to the financial statements.

Analysis of net position

Total net position of the primary government increased \$89 million this year. Total assets increased \$62 million and total liabilities decreased \$29 million. Deferred outflows of resources decreased \$3 million, and deferred inflows of resources decreased \$1 million.

The following analysis of governmental and business-type activities provides more detailed information for these changes.

Governmental activities

Current and other assets increased \$26 million primarily due to unspent Measure U sales tax collections.

Capital assets increased \$10 million resulting from \$101 million in capital assets additions, including the Consumnes River Boulevard Extension and Interstate 5 Interchange, offset by \$91 million in current year depreciation.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

The decrease in deferred outflows of resources of \$2 million is due to the change in the fair value of the City's hedging derivative instrument. For more information about the City's hedging derivative instrument, see Note 7 to the financial statements.

The change in governmental long-term liabilities combines increases in capital leases of \$6 million, increases to the unfunded other post-employment benefits (OPEB) of \$34 million and increases to accrued claims and judgments of \$16 million offset by payments on existing debt and other amortizations of long term liabilities of \$58 million. More information about the City's long-term liabilities is located in Note 7 to the financial statements.

Deferred inflows of resources decreased \$1 with the recognition of revenue under the City's golf service concession arrangement.

Restricted net position, representing amounts that must be used in accordance with external restrictions, decreased a total of \$15 million. A bond call of \$4.2 million and debt service payments of \$2.5 million decreased restricted net position in the North Natomas development impact fee program in the Financing Plans Fund. The forgiveness of a \$2.5 million debt from the Crocker Art Museum Association also contributed to the decrease in restricted net position. Park improvements funded by the park development impact fee program in the Financing Plans Fund decreased net position by \$2.3 million.

Business-type activities

Current and other assets of business-type activities decreased \$24 million over last year. Water and wastewater capital spending contributed \$44 million and \$11 million, respectively, to a decrease in restricted cash. Unrestricted cash increased approximately \$30 million because of rate increases in the Water fund and the Wastewater fund.

Capital assets increased \$50 million due to capital asset additions of \$89 million, which includes construction for the water treatment plants rehabilitation and the Oak Park regional storage facility, offset by current year depreciation of \$39 million. More detailed capital asset information is located in Note 4 to the financial statements.

Long-term liabilities decreased \$37 million due to the retirement of \$43 million of existing debt, offset by a \$6 million increase in other long-term liabilities. More detailed information about long-term liabilities can be found in Note 7 to the financial statements.

Net investments in capital assets increased \$15 million due to capital asset additions and retirement of capital-related debt, partially offset by depreciation expense.

Unrestricted net position increased by \$37 million during the year because of the user fee rate increases in the Water and Wastewater funds. Unrestricted net position in the Solid Waste fund increased significantly because of an \$18.5 million decrease in the estimated liability to close City landfills, which was reported as a special item.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

City of Sacramento							
Changes in Net Position							
For the Fiscal Years Ended June 30, 2014 and 2013							
(in thousands)							
	Governmental		Business-type		Total Primary		Total
	Activities		Activities		Government		
	2014	2013	2014	2013	2014	2013	Percent
							Change
Revenues							
Program revenues:							
Charges for services	\$ 124,397	\$ 115,963	\$ 251,478	\$ 241,244	\$ 375,875	\$ 357,207	5.2%
Operating grants & contributions	47,430	81,822	1,963	1,095	49,393	82,917	-40.4%
Capital grants & contributions	89,539	69,323	4,403	7,480	93,942	76,803	22.3%
General revenues:							
Property taxes	122,477	114,451	-	-	122,477	114,451	7.0%
Local sales taxes	40,259	9,323	-	-	40,259	9,323	0.0%
Utility users tax	59,613	59,066	-	-	59,613	59,066	0.9%
Other taxes	21,325	18,620	17,943	16,555	39,268	35,175	11.6%
Unrestricted:							
Sales taxes shared state revenue	56,575	52,300	-	-	56,575	52,300	8.2%
State of California in-lieu sales tax	16,823	16,113	-	-	16,823	16,113	4.4%
Investment earnings	10,136	10,101	3,294	1,299	13,430	11,400	17.8%
Miscellaneous	8,853	9,749	3	-	8,856	9,749	-9.2%
Gain on disposition of capital assets	4,567	-	-	-	4,567	-	0.0%
Total revenues	601,994	556,831	279,084	267,673	881,078	824,504	6.9%
Expenses							
General government	41,190	36,681	-	-	41,190	36,681	12.3%
Police	157,248	157,432	-	-	157,248	157,432	-0.1%
Fire	125,461	117,451	-	-	125,461	117,451	6.8%
General services	13,807	15,343	-	-	13,807	15,343	-10.0%
Public works	103,632	126,636	-	-	103,632	126,636	-18.2%
Economic development	17,080	10,468	-	-	17,080	10,468	63.2%
Convention, culture & leisure	17,916	19,537	-	-	17,916	19,537	-8.3%
Parks & recreation	52,336	48,457	-	-	52,336	48,457	8.0%
Community development	26,484	29,253	-	-	26,484	29,253	-9.5%
Library	13,720	13,753	-	-	13,720	13,753	-0.2%
Interest on long-term debt	22,178	22,420	-	-	22,178	22,420	-1.1%
Water	-	-	66,627	68,643	66,627	68,643	-2.9%
Wastewater	-	-	25,673	22,776	25,673	22,776	12.7%
Storm drainage	-	-	36,664	36,755	36,664	36,755	-0.2%
Solid waste	-	-	49,014	49,794	49,014	49,794	-1.6%
Community center	-	-	17,204	17,251	17,204	17,251	-0.3%
Parking	-	-	15,238	15,358	15,238	15,358	-0.8%
Child development	-	-	6,297	6,116	6,297	6,116	3.0%
Total expenses	591,052	597,431	216,717	216,693	807,769	814,124	-0.8%
Revenue over (under) expenses	10,942	(40,600)	62,367	50,980	73,309	10,380	606.3%
Contributions to permanent funds	1	1	-	-	1	1	0.0%
Special items	(2,500)	26,208	18,527	-	16,027	26,208	-
Transfers	28,571	19,002	(28,571)	(19,002)	-	-	-
Change in net position	37,014	4,611	52,323	31,978	89,337	36,589	144.2%
Net position, beginning of year, restated	1,573,602	1,568,991	893,941	861,963	2,467,543	2,430,954	1.5%
Net position, end of year	\$ 1,610,616	\$ 1,573,602	\$ 946,264	\$ 893,941	\$ 2,556,880	\$ 2,467,543	3.6%

Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Analysis of the changes in net position

Total government-wide revenues of the primary government increased \$56.6 million, a 6.9 percent increase from the prior year, and total expenses decreased \$6.4 million, a 0.8 percent decrease. These changes are discussed in more detail below.

Governmental activities

Total revenues for governmental activities increased \$45.2 million from the prior year, an 8.1 percent increase. Total expenses decreased \$6.4 million, a 1.1 percent decrease, and net transfers from business-type activities increased \$9.6 million, a 50.4 percent increase from the prior year. Transfers in primarily consist of in lieu taxes paid by the business-type activities to the General Fund. Transfers out primarily consist of capital assets transferred from governmental activities to business-type activities. Net transfers were higher in 2014 primarily because fewer capital assets were transferred out of governmental activities.

Revenue

Capital grants and contributions revenue increased \$20.2 million from the prior year largely due to increased activity related to the Consumnes Boulevard Extension and Interstate 5 Interchange and the 5th Street Downtown Railyards projects. Operating grants and contributions decreased \$34.4 million compared to the prior year primarily due to decreased Township 9 project activity.

Property tax revenue in 2014 increased \$8 million compared to 2013 due to recovering Sacramento area commercial and residential real estate assessed valuations. Measure U local sales tax revenue increased \$30.9 million because there was a full year of local tax revenue in 2014 and increased sales activity. Other tax revenues, including utility users tax, state shared sales taxes, and in lieu sales taxes, increased \$8.2 million in 2014.

Expenses

As indicated above, total governmental expenses declined by \$6.4 million. This decrease is due to fluctuations primarily in public works (down \$23 million), convention culture & leisure (down \$1.6 million), general services (down \$1.5 million), and community development (down \$2.8 million), offset by increases in general government (up \$4.5 million), fire (up \$8 million), economic development (up \$6.6 million), and parks and recreation (up \$3.9 million).

Completion of operating projects for track relocation in the Downtown Railyards in 2013 was the biggest factor for the decline in public works expenses. Fire expenses increased \$8 million primarily due to increases in labor cost resulting from the hiring of 52 additional full-time employees, attributable to Measure U. Economic development expenses increased \$6.6 million due to contributions to the California Family Fitness project, and payment to the State of California for the Macy's land and building eminent domain proceedings which was reimbursed by a developer.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Business-type activities

Total revenues for business-type activities increased \$11.4 million from the prior year, a 4.3 percent increase. Total expenses did not change significantly compared to the previous year. Net transfers to governmental activities increased \$9.6 million as a result of fewer capital asset transfers into business-type activities.

Revenue

Charges for services increased \$10.2 million as a result of water and wastewater rate increases in the current year of 10 percent and 15 percent, respectively.

Capital grants and contribution revenue decreased by \$3.1 million mostly due to a decrease in storm drainage infrastructure dedications by developers.

Expenses

In 2013, the Water fund incurred a one-time \$2 million cost of issuance expense for the 2013 Water Revenue Bonds. This is the reason for the decrease in Water fund expenses in 2014.

Wastewater fund expenses increased \$2.9 million due to various operating projects, including \$1 million in root control projects.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements focus on individual parts of City government, reporting City operations in more detail than the government-wide statements.

Governmental Funds

The City's governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Total fund balance for governmental funds increased by \$45.5 million in 2014. For the fiscal year ended June 30, 2014, compared to the prior year, total revenues for governmental funds increased by \$38.8 million, total expenditures increased \$17.1 million, and net other financing sources increased \$9.5 million. Reasons for these changes are discussed in more detail below.

General Fund

Total General Fund revenues increased \$17.6 million in the current year mostly due to increases in tax revenues of \$16.4 million, charges for services revenues of \$4.3 million, fines, forfeits and penalties \$1.4 million and interest \$0.5 million combined with decreases in intergovernmental revenue of \$1.8 million and miscellaneous revenue of \$3.2 million. Tax revenue increases were mainly due to increases in property tax of \$9 million, sales and use tax of \$4.3 million, business operations tax of \$1 million, real property transfer tax of \$1.4 million and other taxes \$0.7 million.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

The increase in charges for services was primarily attributable to police contracted services and plan check fees.

Total General Fund expenditures increased by \$13.6 million this year. There were expenditure increases in the Fire Department and capital outlay of \$1.4 million and \$3.9 million, respectively. The increase in fire expenditures was primarily attributable to labor costs. The \$3.9 million increase in capital outlay was due to spending in a variety of projects and programs, the largest of which included \$2.9 million in parking meters and license plate recognition equipment upgrades and \$1 million for the Hart Senior Center roof and HVAC renewal.

General Fund net other financing sources and uses increased \$4.7 million from the prior year, mainly due to the increase in debt proceeds of \$3.2 million in long term debt related to the parking meters and a \$1.5 million increase in net interfund transfers.

General Fund Budgetary Highlights - The City Council revised the budget throughout the fiscal year with midyear revenue and appropriation adjustments, changes made to appropriations for the use of committed fund balance, and other revenue and appropriation adjustments after the original budget was adopted.

After taking into account these adjustments, actual expenditures were \$39 million lower than final budget amounts. Capital outlay expenditures were less than budgeted amounts by \$24 million because of the multi-year nature of most capital projects. Unspent multi-year project budgets, as well as other unspent Council-approved program budgets, are carried over to the subsequent fiscal year. All General Fund departments reported favorable operating expenditure budget variances primarily as a result of salary savings from vacant positions.

General Fund revenues were \$15.4 million higher than final budgeted amounts. Property tax and real property transfer tax collections exceeded the budgeted amounts by \$6.5 million and \$2.6 million respectively. Charges for services revenue exceeded budgeted amounts by \$4.2 million. Intergovernmental revenues came in under budget by \$2 million. Included within General Fund revenue were one-time unbudgeted catch-up payments of \$2.5 million from the County under an auto sales tax sharing agreement and \$2.13 million of Ground Emergency Medical Transport reimbursement.

Measure U Fund

Measure U Fund revenue and expenditures were higher in 2014 compared to 2013 by \$38.4 million and \$16.7 million, respectively, because 2014 was the first full year of the voter-approved local sales tax. Measure U resources were used to restore police, fire, and parks and recreation services.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Capital Grants Fund

Capital Grant Fund revenue and expenditures decreased \$11.8 million and \$4.2 million, respectively.

The decrease in revenue was mainly due to changes in the following projects:

- 5TH Street and Railyards Boulevard project - \$12 million increase,
- Consumnes River Boulevard Extension and Interstate 5 Interchange project - \$10 million increase,
- 6th Street Overcrossing Roadway project - \$8.7 million increase,
- Township 9 project - \$22 million decrease,
- Track Relocation project -\$15.4 million decrease, and
- Access Improvement at Richards Boulevard and I-5 project - \$4 million decrease.

The decrease in expenditures was mainly due to changes in the following projects:

- Township 9 project - \$22 million decrease,
- Track Relocation Construction project – \$15 million decrease,
- Cosumnes River Boulevard Extension and Interstate 5 Interchange project - \$19 million increase, and
- 5th Street and Railyards Boulevard project – \$12 million increase.

1997 Lease Revenue Bond Fund

The lease receivable and associated revenue, from the Sacramento Kings ownership group, for debt service on the bonds, decreased in accordance with the bond payment schedule, as described in Note 7 to the financial statements.

Other Governmental Funds

Total other governmental fund revenues decreased \$5.5 million due largely to the following fluctuations:

- A \$16 million decline due to fewer expenditures in various police grants.
- A \$2.9 million decline in developer impact fees in North Natomas and other finance plan development areas.
- The above decreases were offset by a \$9.1 million increase in transportation and development project activity in the Downtown Railyards, the Consumnes River Boulevard Extension and Interstate 5 Interchange project, and a \$3 million increase in gas tax revenue.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Total other governmental fund expenditures decreased \$9.1 million due largely to the following fluctuations:

- A \$9.6 million reduction in capital outlay mostly due to a decline in spending for construction and infrastructure improvements in special districts, financing plan funds, and general government capital projects.
- An \$8.3 million reduction in police grants due to the closing of several police operating grants.
- These decreases were partially offset by an increase of \$5.5 million in current year debt service due to a \$4.1 million bond call of outstanding 2003 CIRBS.

Total other governmental funds other financing sources increased \$4.7 million primarily due to the proceeds from the sale of 9.15 acres of land on Fulton Avenue adjacent to the Haggin Oaks golf complex.

Enterprise Funds

The City's enterprise fund financial statements provide the same type of information as the government-wide financial statements but in greater detail. Total operating revenues increased \$9.1 million, and operating expenses increased \$3.5 million. Net non-operating revenues increased \$7.2 million and capital contributions decreased \$10.8 million. Reasons for these changes are discussed in more detail below.

Water Fund

Water Fund operating revenue increased \$5.6 million compared to the prior year because of a 10 percent rate increase. Operating expenses in the current year did not change significantly compared to the previous year.

Wastewater Fund

Wastewater Fund operating revenue increased \$3.4 million compared to the prior year because of a 15 percent rate increase. Operating expenses increased \$3.4 million due to various operating projects, including \$1 million in root control projects.

Storm Drainage Fund

Storm Drainage Fund operating revenue increased \$2.4 million compared to the prior year mainly due to the increase in utility service charges. This increase was because there was an audit of vacant parcels which resulted in new parcels being billed starting in fiscal year 2014. The increase in operating revenue was also due to an increase in revenue received from Sacramento Area Flood Control Agency for levee maintenance. Operating expenses in the current year did not change significantly compared to the previous year.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

Solid Waste Fund

Solid Waste Fund operating revenue decreased by \$1.7 million compared to the prior year primarily due to some customers that switched to smaller refuse containers. Total operating expenses decreased \$0.6 million. Solid Waste recognized \$18.5 million as a special item in 2014 for a change in the estimated liability for landfill closure.

Community Center Fund

Community Center Fund operating revenue and expenses did not change significantly from the prior year. Transient occupancy tax revenue increased \$1.4 million due to a continuing upward trend in Sacramento area hotel room occupancy and room rates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the City had invested \$2.8 billion in a broad range of capital assets, including police and fire equipment, buildings, parks and park improvements, roads, bridges, and water, wastewater and storm drainage transmission and distribution systems. The current year capital asset additions of \$190 million were offset by current year depreciation expense of \$129 million and retirements of \$1 million for a net increase in capital assets of \$60 million.

City of Sacramento
Capital Assets
As of June 30, 2014 and 2013
(net of depreciation, in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets not being depreciated						
Land	\$ 192	\$ 190	\$ 51	\$ 51	\$ 243	\$ 241
Easements	1	1	-	-	1	1
Construction in progress	143	96	95	36	238	132
Depreciable capital assets:						
Buildings and improvements	430	427	134	140	564	567
Equipment	28	32	25	26	53	58
Software	4	4	1	1	5	5
Vehicles	53	53	-	-	53	53
Transmission and distribution systems	3	3	758	760	761	763
Road network	634	675	-	-	634	675
Street light network	131	132	-	-	131	132
Park and park improvements	128	124	-	-	128	124
Total capital assets	\$ 1,747	\$ 1,737	\$ 1,064	\$ 1,014	\$ 2,811	\$ 2,751

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

This year's major capital asset additions include:

- The City incurred construction costs of \$29.6 million on the Cosumnes River Boulevard Extension and Interstate 5 Interchange Project.
- The City incurred construction costs of \$43.2 million for the Sacramento River & E.A. Fairbairn Water Treatment Plants Rehabilitation.
- The City also began construction of the Oak Park Regional Storage Facility Project, spending \$8.8 million on the project.
- Other capital projects in progress include Downtown Railyards and Township 9 infrastructure projects, as well as the Intermodal Depot Retrofit and 6th Street Overcrossing Roadway projects at the Downtown Railyards. Many smaller capital projects were completed during the year 2014 and transferred from construction in progress to the appropriate capital asset categories.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

The following table summarizes the City's outstanding debt at June 30, 2014 and 2013:

City of Sacramento
Outstanding Debt
As of June 30, 2014 and 2013
(in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenue and other bonds, net	\$ 419	\$ 443	\$ 540	\$ 556	\$ 959	\$ 999
Notes payable	16	16	33	37	49	53
Capital lease obligations	14	10	6	8	20	18
Total outstanding debt	\$ 449	\$ 469	\$ 579	\$ 601	\$ 1,028	\$ 1,070

Total primary government debt outstanding decreased \$42 million.

Total outstanding long-term debt for governmental activities decreased \$20 million primarily due to principal payments on new and existing obligations offset slightly by a new \$6 million capital lease.

Total outstanding long-term debt for business-type activities decreased \$22 million primarily due to principal payments on existing long term debt.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

Credit rating

The following table summarizes the City's bonded debt ratings at June 30, 2014, as determined by Standard & Poor's (S & P), Moody's Investors Service, Inc. (Moody's), and Fitch Ratings (Fitch):

Bond issues:	<u>S & P</u>	<u>Moody's</u>
• 1993 Refunded Lease Revenue Bonds, Series A	A	A2
• 1993 Refunded Lease Revenue Bonds, Series B	A	A2
• 1996 Lighting and Landscaping Bonds	AA-	A3
• 1997 Lease Revenue Bonds	AA-	A3
• 2003 Capital Improvement Revenue Bonds	A	A2
• 2005 Refunding Revenue Bonds	AA-	A3
• 2006 Capital Improvement Revenue Bonds, Series A and B	A	A2
• 2006 Capital Improvement Revenue Bonds, Series C, D and E	A	A2

Bond issues:	<u>S & P</u>	<u>Fitch</u>
• Water Revenue Bonds, Series 2013	AA-	AA-
• Wastewater Revenue Bonds, Series 2013	AA-	AA

The City's issuer credit ratings of A+ with a stable outlook from S & P, and Aa2 with a stable outlook from Moody's, remains unchanged from 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors

Sacramento's economy continues to improve. Unemployment in the Sacramento metropolitan area has fallen from 8.4 percent at the end of fiscal year 2013 to 6.9 percent at the end of fiscal year 2014. The housing market has continued to improve during the fiscal year 2014. Although revenues are increasing, commitments for labor contracts, increasing retirement contributions and rising costs for utilities continue to add costs to the City's General Fund budget.

Next Year's Budget

General Fund budget appropriations for fiscal year 2015 are \$383 million, an increase of 2.7 percent compared to the fiscal year 2014 approved budget. In addition to the allocation of resources for several priority initiatives, the approved budget increases the economic uncertainty reserve by \$400,000 and appropriates \$1,000,000 for a contribution to the City's OPEB trust fund.

City of Sacramento
Management's Discussion and Analysis (Continued)
(Required Supplementary Information - Unaudited)
For the Fiscal Year Ended June 30, 2014

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the money it receives. If you have questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Sacramento Department of Finance, Accounting Division, 915 I Street, Fourth Floor, Sacramento, CA, 95814, or visit the City's web page at <http://www.cityofsacramento.org>.

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Government-wide Financial Statements

City of Sacramento

Statement of Net Position

June 30, 2014

(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 410,600	\$ 195,569	\$ 606,169	\$ -
Securities lending assets	989	935	1,924	-
Receivables, net	198,129	65,924	264,053	11,940
Internal balances	6,440	(6,440)	-	-
Inventories	-	3,607	3,607	-
Prepaid items	1,153	838	1,991	106
Restricted cash and investments	29,561	268,287	297,848	1,125
Intangible assets	-	175	175	-
Land and other capital assets not being depreciated	335,723	145,711	481,434	-
Other capital assets, net of depreciation	1,411,560	917,950	2,329,510	-
Total assets	2,394,155	1,592,556	3,986,711	13,171
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivative instrument	8,217	-	8,217	-
Loss on refunding of debt	6,740	12,825	19,565	-
Total deferred outflows	14,957	12,825	27,782	-
LIABILITIES				
Securities lending obligations	2,962	1,589	4,551	-
Payables	56,465	38,806	95,271	155
Unearned revenue	3,380	4,826	8,206	-
Long-term liabilities:				
Due within one year	44,144	27,758	71,902	435
Due in more than one year	683,569	586,138	1,269,707	12,381
Total liabilities	790,520	659,117	1,449,637	12,971
DEFERRED INFLOWS OF RESOURCES				
Service concession arrangement	7,976	-	7,976	-
NET POSITION				
Net investment in capital assets	1,393,447	733,980	2,127,427	-
Restricted for:				
Capital projects	116,271	33,255	149,526	-
Debt service	652	-	652	200
Public works programs	16,462	-	16,462	-
Economic development programs	22,493	-	22,493	-
Other programs	22,315	1,215	23,530	-
Trust and endowments:				
Expendable	7,928	-	7,928	-
Nonexpendable	878	-	878	-
Unrestricted	30,170	177,814	207,984	-
Total net position	\$ 1,610,616	\$ 946,264	\$ 2,556,880	\$ 200

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Functions/Programs	Program Revenues					Net (Expense) Revenue
	Operating Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:						
Governmental activities:						
General government	\$ 49,142	\$ (7,952)	\$ 7,270	\$ 2,510	\$ 155	\$ (31,255)
Police	157,248	-	10,804	9,803	-	(136,641)
Fire	125,461	-	26,155	3,867	-	(95,439)
General services	15,641	(1,834)	1,756	60	-	(11,991)
Public works	103,632	-	30,337	13,341	82,228	22,274
Economic development	17,080	-	8,205	113	-	(8,762)
Convention, culture and leisure	17,916	-	9,311	5,906	-	(2,699)
Parks and recreation	52,336	-	13,359	6,829	4,291	(27,857)
Community development	26,484	-	17,141	161	2,865	(6,317)
Library	13,720	-	59	4,840	-	(8,821)
Interest on long-term debt	22,178	-	-	-	-	(22,178)
Total governmental activities	600,838	(9,786)	124,397	47,430	89,539	(329,686)
Business-type activities:						
Water	63,452	3,175	94,382	472	1,682	29,909
Wastewater	24,843	830	28,493	4	1,230	4,054
Storm drainage	35,021	1,643	38,049	20	1,491	2,896
Solid waste	46,869	2,145	58,561	969	-	10,516
Community center	16,045	1,159	7,718	-	-	(9,486)
Parking	14,404	834	18,643	2	-	3,407
Child development	6,297	-	5,632	496	-	(169)
Total business-type activities	206,931	9,786	251,478	1,963	4,403	41,127
Total primary government	\$ 807,769	\$ -	\$ 375,875	\$ 49,393	\$ 93,942	\$ (288,559)
Component unit:						
Sacramento Regional Arts Facilities Financing Authority	\$ 633	\$ -	\$ -	\$ -	\$ -	\$ (633)

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Statement of Activities

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Primary Government			Sacramento Regional Arts Facilities Financing Authority
	Governmental Activities	Business-type Activities	Total	
Change in net position:				
Net (expense) revenue	\$ (329,686)	\$ 41,127	\$ (288,559)	\$ (633)
General revenues:				
Taxes:				
Property taxes	122,477	-	122,477	-
Local sales tax	40,259	-	40,259	-
Utility user taxes	59,613	-	59,613	-
Other taxes	21,325	17,943	39,268	-
Unrestricted sales taxes shared state revenue	56,575	-	56,575	-
Unrestricted in lieu sales tax	16,823	-	16,823	-
Unrestricted investment earnings	10,136	3,294	13,430	622
Unrestricted miscellaneous	8,853	3	8,856	-
Contributions to permanent funds	1	-	1	-
Gain on sale of capital assets	4,567	-	4,567	-
Special items	(2,500)	18,527	16,027	-
Transfers	28,571	(28,571)	-	-
Total general revenues, special items, and transfers	366,700	11,196	377,896	622
Change in net position	37,014	52,323	89,337	(11)
Net position, beginning of year	1,579,083	895,888	2,474,971	573
Prior period adjustments	(5,481)	(1,947)	(7,428)	(362)
Net position, beginning of year, as restated	1,573,602	893,941	2,467,543	211
Net position, end of year	\$ 1,610,616	\$ 946,264	\$ 2,556,880	\$ 200

The notes to the financial statements are an integral part of this statement.

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Fund Financial Statements

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City of Sacramento

Governmental Funds

Balance Sheet

June 30, 2014

(in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
ASSETS			
Cash and investments held by City	\$ 88,651	\$ 22,470	\$ -
Cash and investments held by fiscal agent	-	-	-
Securities lending assets	198	50	-
Receivables, net:			
Taxes	21,380	7,925	-
Accounts	12,547	-	6,610
Loans	5	-	-
Intergovernmental	2,180	-	11,756
Interest	340	86	-
Prepaid items	66	-	-
Restricted assets:			
Cash and investments held by City	3,221	-	29
Cash and investments held by fiscal agent	180	-	-
Total assets	<u>\$ 128,768</u>	<u>\$ 30,531</u>	<u>\$ 18,395</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Securities lending obligations	\$ 609	\$ 50	\$ -
Accounts payable	10,706	1,825	11,720
Accrued payroll	13,186	-	-
Accrued claims and judgements	-	-	-
Matured notes and interest payable	-	-	-
Due to other funds	-	-	3,009
Deposits	32	-	-
Unearned revenue	324	-	1,626
Advances from other funds	-	-	-
Total liabilities	<u>24,857</u>	<u>1,875</u>	<u>16,355</u>
Deferred inflows of resources:			
Unavailable revenue	<u>5,004</u>	<u>1,723</u>	<u>9,961</u>
Total deferred inflows of resources	<u>5,004</u>	<u>1,723</u>	<u>9,961</u>
Fund balances:			
Nonspendable:			
Prepaid items	66	-	-
Noncurrent assets	-	-	-
Permanent fund principal	-	-	-
Restricted:			
Capital projects	3,401	-	2,040
Debt service	-	-	-
Public works programs	-	-	-
Economic development programs	-	-	-
Other programs	21	-	-
Committed:			
Economic uncertainty	33,714	-	-
Capital projects	21,728	736	-
Grant retention	-	4,049	-
Debt service	-	-	-
Community center theater renovation	8,500	-	-
Economic development programs	-	-	-
Homeless programs	1,000	-	-
Other programs	12,909	22,104	-
Assigned:			
Debt service	-	-	-
Unrealized investment gains	173	44	-
Next year's budget	-	-	-
Other programs	-	-	-
Unassigned	<u>17,395</u>	<u>-</u>	<u>(9,961)</u>
Total fund balances (deficit)	<u>98,907</u>	<u>26,933</u>	<u>(7,921)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 128,768</u>	<u>\$ 30,531</u>	<u>\$ 18,395</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Governmental Funds

Balance Sheet

June 30, 2014

(in thousands)

	1997 Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments held by City	\$ 2,215	\$ 202,697	\$ 316,033
Cash and investments held by fiscal agent	-	310	310
Securities lending assets	-	572	820
Receivables, net:			
Taxes	-	-	29,305
Accounts	-	3,755	22,912
Loans	62,015	7,700	69,720
Intergovernmental	-	52,345	66,281
Interest	716	219	1,361
Prepaid items	-	24	90
Restricted assets:			
Cash and investments held by City	539	9,295	13,084
Cash and investments held by fiscal agent	-	16,297	16,477
Total assets	<u>\$ 65,485</u>	<u>\$ 293,214</u>	<u>\$ 536,393</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Securities lending obligations	\$ -	\$ 2,050	\$ 2,709
Accounts payable	-	7,830	32,081
Accrued payroll	-	177	13,363
Accrued claims and judgements	-	1,601	1,601
Matured notes and interest payable	-	662	662
Due to other funds	-	-	3,009
Deposits	539	2,199	2,770
Unearned revenue	-	949	2,899
Advances from other funds	-	7,241	7,241
Total liabilities	<u>539</u>	<u>22,709</u>	<u>66,335</u>
Deferred inflows of resources:			
Unavailable revenue	<u>62,731</u>	<u>54,118</u>	<u>133,537</u>
Total deferred inflows of resources	<u>62,731</u>	<u>54,118</u>	<u>133,537</u>
Fund balances:			
Nonspendable:			
Prepaid items	-	24	90
Noncurrent assets	-	451	451
Permanent fund principal	-	878	878
Restricted:			
Capital projects	-	124,222	129,663
Debt service	-	17,548	17,548
Public works programs	-	11,830	11,830
Economic development programs	-	22,484	22,484
Other programs	-	29,924	29,945
Committed:			
Economic uncertainty	-	-	33,714
Capital projects	-	3,288	25,752
Grant retention	-	-	4,049
Debt service	-	6,583	6,583
Community center theater renovation	-	-	8,500
Economic development programs	-	5,125	5,125
Homeless programs	-	-	1,000
Other programs	-	3,382	38,395
Assigned:			
Debt service	-	973	973
Unrealized investment gains	-	3	220
Next year's budget	-	-	-
Other programs	2,215	1,832	4,047
Unassigned	<u>-</u>	<u>(12,160)</u>	<u>(4,726)</u>
Total fund balances (deficit)	<u>2,215</u>	<u>216,387</u>	<u>336,521</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 65,485</u>	<u>\$ 293,214</u>	<u>\$ 536,393</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2014

(in thousands)

Fund balances - total governmental funds		\$ 336,521
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		133,537
Prepaid bond insurance represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds.		907
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	2,945,971	
Less: accumulated depreciation	<u>(1,255,286)</u>	
		1,690,685
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of the following:		
Interest payable		(2,856)
Deferred outflows of resources are not recognized in the current period and therefore not reported in the governmental funds - loss on refunding of debt and derivatives.		6,658
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued compensated absences	(30,822)	
Accrued claims and judgements	(1,339)	
Financing plan fee credits	(40,674)	
Pollution remediation obligations	(532)	
Revenue and other bonds payable, net	(416,680)	
Capital lease obligations payable	(13,413)	
Notes payable	(15,873)	
OPEB liability	<u>(128,012)</u>	
		(647,345)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		<u>92,509</u>
Net position of governmental activities		<u>\$ 1,610,616</u>

The notes to the financial statements are an integral part of this statement.

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City of Sacramento

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	General Fund	Measure U Fund	Capital Grants Fund
Revenues:			
Taxes	\$ 274,731	\$ 43,040	\$ -
Intergovernmental	9,300	-	34,206
Charges for services	64,319	-	-
Fines, forfeits and penalties	10,567	-	-
Interest, rents, and concessions	2,206	154	11
Community service fees	-	-	-
Assessment levies	48	-	-
Contributions and donations	51	-	37,911
Miscellaneous	281	-	-
	<u>361,503</u>	<u>43,194</u>	<u>72,128</u>
Total revenues			
Expenditures:			
Current:			
General government	22,623	-	-
Police	123,341	6,461	-
Fire	95,570	7,778	-
General services	9,436	-	-
Public works	5,770	-	-
Convention, culture and leisure	4,725	-	-
Economic development	2,604	-	-
Parks and recreation	14,350	4,089	-
Community development	19,638	-	-
Library	7,130	506	-
Utilities	95	-	-
Citywide and community support	36,965	-	-
Capital outlay	9,672	59	66,326
Debt service:			
Principal	2,837	-	-
Interest and fiscal charges	303	-	-
	<u>355,059</u>	<u>18,893</u>	<u>66,326</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>6,444</u>	<u>24,301</u>	<u>5,802</u>
Other financing sources (uses):			
Transfers in	29,924	-	-
Transfers out	(23,418)	-	(11)
Issuance of long-term debt	5,998	-	-
Proceeds from sale of capital assets	-	-	-
	<u>12,504</u>	<u>-</u>	<u>(11)</u>
Total other financing sources (uses)			
Net change in fund balances	18,948	24,301	5,791
Fund balances (deficit), beginning of year, as restated	<u>79,959</u>	<u>2,632</u>	<u>(13,712)</u>
Fund balances (deficit), end of year	<u>\$ 98,907</u>	<u>\$ 26,933</u>	<u>\$ (7,921)</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2014
(in thousands)

	1997 Lease Revenue Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ -	\$ 3,061	\$ 320,832
Intergovernmental	-	61,666	105,172
Charges for services	-	7,570	71,889
Fines, forfeits and penalties	-	654	11,221
Interest, rents, and concessions	3,515	8,531	14,417
Community service fees	-	4,693	4,693
Assessment levies	-	38,620	38,668
Contributions and donations	1,990	3,066	43,018
Miscellaneous	-	289	570
	<u>5,505</u>	<u>128,150</u>	<u>610,480</u>
Total revenues			
Expenditures:			
Current:			
General government	-	3,547	26,170
Police	-	8,851	138,653
Fire	-	4,190	107,538
General services	-	128	9,564
Public works	-	28,936	34,706
Convention, culture and leisure	-	5,756	10,481
Economic development	-	9,814	12,418
Parks and recreation	-	17,193	35,632
Community development	-	4,264	23,902
Library	-	4,846	12,482
Utilities	-	512	607
Citywide and community support	-	-	36,965
Capital outlay	-	30,783	106,840
Debt service:			
Principal	1,990	21,391	26,218
Interest and fiscal charges	3,495	18,974	22,772
	<u>5,485</u>	<u>159,185</u>	<u>604,948</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>20</u>	<u>(31,035)</u>	<u>5,532</u>
Other financing sources (uses):			
Transfers in	-	33,660	63,584
Transfers out	-	(11,098)	(34,527)
Issuance of long-term debt	-	52	6,050
Proceeds from sale of capital assets	-	4,902	4,902
	<u>-</u>	<u>27,516</u>	<u>40,009</u>
Total other financing sources (uses)			
Net change in fund balances	20	(3,519)	45,541
Fund balances (deficit), beginning of year, as restated	<u>2,195</u>	<u>219,906</u>	<u>290,980</u>
Fund balances (deficit), end of year	<u>\$ 2,215</u>	<u>\$ 216,387</u>	<u>\$ 336,521</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Net change in fund balances - total governmental funds		\$ 45,541
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	88,836	
Depreciation expense	<u>(80,716)</u>	8,120
<p>Capital asset proceeds recorded in the governmental funds exceed gain on sale of capital assets recorded in the governmental activities.</p>		
		(335)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>		
Infrastructure dedications	2,224	
Loan receivable forgiveness	<u>(2,500)</u>	(276)
<p>Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Issuance of long-term debt	(6,050)	
Principal repayments on long-term debt	<u>26,218</u>	20,168
<p>Revenue and other resources not available to liquidate liabilities of the current period are not recognized in governmental funds. Revenue in the statement of activities is not limited by availability, so certain revenues need to be reduced by the amounts that were unavailable at the beginning of the year and increased by the amounts that were unavailable at the end of the year. This adjustment records a net decrease in revenues - unavailable revenues at the end of the year were less than beginning unavailable revenues by this amount.</p>		
		(16,745)

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2014

(in thousands)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	456	
Accrued claims and judgements	(140)	
Other post-employment benefits	(18,362)	
Pollution remediation	71	
Accrued interest	113	
Amortization of prepaid bond issuance	(51)	
Amortization of bond discount	(8)	
Amortization of bond premium	939	
Amortization of gain/loss on refunding	<u>(376)</u>	(17,358)

Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources.

(531)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet, to individual funds. The net expense of the internal service funds is reported with the governmental activities.

(1,570)

Change in net position of governmental activities

\$ 37,014

The notes to the financial statements are an integral part of this statement.

City of Sacramento
General Fund
Statement of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual (Non-GAAP Budgetary Basis)
with Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Budgeted Amounts			Variance with	Budget to GAAP Reconciliation	Actual Amounts - GAAP Basis
	Original	Final		Final Budget - Positive (Negative)		
Revenues:						
Taxes	\$ 261,074	\$ 261,206	\$ 274,731	\$ 13,525	\$ -	\$ 274,731
Intergovernmental	10,227	11,220	9,300	(1,920)	-	9,300
Charges for services	60,160	60,154	64,319	4,165	-	64,319
Fines, forfeits and penalties	12,035	11,033	10,567	(466)	-	10,567
Interest, rents, and concessions	2,372	2,363	2,206	(157)	-	2,206
Assessment levies	30	30	48	18	-	48
Contributions and donations	-	13	51	38	-	51
Miscellaneous	124	124	281	157	-	281
Total revenues	346,022	346,143	361,503	15,360	-	361,503
Expenditures:						
Current:						
Mayor/Council	3,120	3,461	3,161	300	-	3,161
City Manager	2,226	3,435	2,561	874	(102)	2,459
City Attorney	4,246	4,398	3,825	573	(9)	3,816
City Clerk	1,212	1,256	1,191	65	2	1,193
City Treasurer	1,874	1,913	1,809	104	(74)	1,735
Finance	5,232	5,161	4,377	784	(40)	4,337
Information technology	4,232	4,755	3,822	933	(49)	3,773
Human resources	2,316	2,396	2,149	247	-	2,149
Subtotal - General government	24,458	26,775	22,895	3,880	(272)	22,623
Police	122,835	124,117	123,431	686	(90)	123,341
Fire	94,798	96,876	95,570	1,306	-	95,570
General services	9,309	9,542	9,441	101	(5)	9,436
Public works	5,914	6,153	5,774	379	(4)	5,770
Convention, culture and leisure	4,782	4,808	4,715	93	10	4,725
Economic development	3,411	3,480	2,612	868	(8)	2,604
Parks and recreation	14,157	14,445	14,349	96	1	14,350
Community development	19,879	21,090	19,689	1,401	(51)	19,638
Library	7,130	7,130	7,130	-	-	7,130
Utilities	1,174	3,567	95	3,472	-	95
Citywide and community support	40,929	38,989	37,022	1,967	(57)	36,965
Capital outlay	24,669	33,641	14,186	19,455	(4,514)	9,672
Debt service:						
Principal	2,254	2,837	2,837	-	-	2,837
Interest and fiscal charges	208	246	303	(57)	-	303
Total expenditures	375,907	393,696	360,049	33,647	(4,990)	355,059
Excess (deficiency) of revenues over (under) expenditures	(29,885)	(47,553)	1,454	49,007	4,990	6,444
Other financing sources (uses):						
Transfers in	27,945	28,566	29,924	1,358	-	29,924
Transfers out	(23,429)	(23,533)	(23,418)	115	-	(23,418)
Proceeds of long-term capital related debt	-	5,998	5,998	-	-	5,998
Total other financing sources (uses)	4,516	11,031	12,504	1,473	-	12,504
Net change in fund balance	\$ (25,369)	\$ (36,522)	\$ 13,958	\$ 50,480	\$ 4,990	\$ 18,948

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Measure U Fund

Statement of Revenues, Expenditures and Change in Fund Balance

- Budget and Actual (Non-GAAP Budgetary Basis)

with Budget to GAAP Reconciliation

For the Fiscal Year Ended June 30, 2014

(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts - Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>Budget to GAAP Reconciliation</u>	<u>Actual Amounts - GAAP Basis</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Taxes	\$ 27,000	\$ 27,000	\$ 43,040	\$ 16,040	\$ -	\$ 43,040
Interest, rents, and concessions	-	-	154	154	-	154
Total revenues	<u>27,000</u>	<u>27,000</u>	<u>43,194</u>	<u>16,194</u>	<u>-</u>	<u>43,194</u>
Expenditures:						
Police	9,121	10,347	6,676	3,671	(215)	6,461
Fire	7,269	8,091	7,778	313	-	7,778
General services	85	85	-	85	-	-
Parks and recreation	4,480	4,480	4,216	264	(127)	4,089
Library	506	506	506	-	-	506
Capital outlay	850	850	114	736	(55)	59
Total expenditures	<u>22,311</u>	<u>24,359</u>	<u>19,290</u>	<u>5,069</u>	<u>(397)</u>	<u>18,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,689</u>	<u>2,641</u>	<u>23,904</u>	<u>11,125</u>	<u>397</u>	<u>24,301</u>
Net change in fund balance	<u>\$ 4,689</u>	<u>\$ 2,641</u>	<u>\$ 23,904</u>	<u>\$ 11,125</u>	<u>\$ 397</u>	<u>\$ 24,301</u>

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ 70,864	\$ 21,439	\$ 31,048	\$ 26,480
Cash and investments held by fiscal agent	-	-	17	1
Securities lending assets	633	93	75	63
Receivables, net:				
Taxes	-	-	-	-
Accounts	18,511	11,182	6,451	11,682
Loans	1,223	125	412	-
Intergovernmental	219	74	856	-
Interest	1,142	170	159	108
Due from other funds	-	-	-	-
Inventories	3,008	65	534	-
Prepaid items	633	-	-	85
Intangible asset, current portion	-	-	-	-
	<u>96,233</u>	<u>33,148</u>	<u>39,552</u>	<u>38,419</u>
Total current assets				
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	219,586	21,316	3,764	2,601
Cash and investments held by fiscal agent	7,185	994	765	-
Advances to other funds	-	-	-	-
Loans receivable	4,669	809	3,690	-
Intangible assets	-	-	-	-
Capital assets:				
Land	1,754	1,138	18,724	1,133
Buildings and improvements	37,413	15,216	8,223	31,150
Machinery and equipment	15,930	4,733	17,192	11,380
Vehicles	-	-	-	-
Transmission and distribution system	581,962	151,744	386,057	-
Construction in progress	76,551	13,986	1,019	79
Software	516	324	630	161
Easements	-	-	157	-
Less: accumulated depreciation/amortization	(198,590)	(64,056)	(149,444)	(24,303)
	<u>746,976</u>	<u>146,204</u>	<u>290,777</u>	<u>22,201</u>
Total noncurrent assets				
Total assets	<u>843,209</u>	<u>179,352</u>	<u>330,329</u>	<u>60,620</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	9,406	-	-	1,897
Total deferred outflows of resources	<u>9,406</u>	<u>-</u>	<u>-</u>	<u>1,897</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
<u>ASSETS</u>				
Current assets:				
Cash and investments held by City	\$ 12,985	\$ 32,525	\$ 195,341	\$ 94,073
Cash and investments held by fiscal agent	171	39	228	184
Securities lending assets	-	71	935	169
Receivables, net:				
Taxes	2,253	-	2,253	-
Accounts	304	1,015	49,145	285
Loans	20	85	1,865	-
Intergovernmental	-	56	1,205	-
Interest	3	122	1,704	289
Due from other funds	-	-	-	3,259
Inventories	-	-	3,607	-
Prepaid items	-	120	838	156
Intangible asset, current portion	-	8	8	-
Total current assets	15,736	34,041	257,129	98,415
Noncurrent assets:				
Restricted assets:				
Cash and investments held by City	2,305	36	249,608	-
Cash and investments held by fiscal agent	7,945	1,790	18,679	-
Advances to other funds	-	-	-	13,431
Loans receivable	108	476	9,752	-
Intangible assets	-	167	167	-
Capital assets:				
Land	21,740	5,825	50,314	-
Buildings and improvements	111,161	61,633	264,796	7,159
Machinery and equipment	4,831	7,699	61,765	457
Vehicles	-	-	-	127,613
Transmission and distribution system	-	-	1,119,763	-
Construction in progress	3,605	-	95,240	-
Software	46	4	1,681	256
Easements	-	-	157	-
Less: accumulated depreciation/amortization	(57,744)	(35,918)	(530,055)	(78,887)
Total noncurrent assets	93,997	41,712	1,341,867	70,029
Total assets	109,733	75,753	1,598,996	168,444
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Loss on refunding of debt	-	1,522	12,825	82
Total deferred outflows of resources	-	1,522	12,825	82

The notes to the financial statements are an integral part of this statement.

(continued)

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
<u>LIABILITIES</u>				
Current liabilities:				
Securities lending obligations	883	173	165	63
Accounts payable	16,229	9,038	1,009	1,643
Accrued payroll	741	260	738	365
Accrued compensated absences	123	21	61	91
Due to other funds	-	-	-	-
Interest payable	4,192	526	258	125
Liability for landfill closure	-	-	-	85
Deposits	2	-	-	10
Unearned revenue	1,707	-	-	-
Accrued claims and judgements	121	62	66	1,298
Capital leases payable	-	142	-	1,881
Revenue and other bonds payable, net	10,873	57	567	1,003
Notes payable	406	736	2,283	-
	<u>35,277</u>	<u>11,015</u>	<u>5,147</u>	<u>6,564</u>
Total current liabilities				
Noncurrent liabilities:				
Accrued compensated absences	1,768	601	2,171	972
Advances from other funds	-	-	-	-
Water fee credits	1,702	-	-	-
OPEB liability	6,669	2,562	3,285	8,350
Accrued claims and judgements	-	-	-	-
Liability for landfill closure	-	-	-	1,092
Capital leases payable	-	296	-	3,779
Revenue and other bonds payable, net	392,794	32,420	4,109	21,862
Notes payable	9,004	4,578	16,261	-
	<u>411,937</u>	<u>40,457</u>	<u>25,826</u>	<u>36,055</u>
Total noncurrent liabilities				
Total liabilities	<u>447,214</u>	<u>51,472</u>	<u>30,973</u>	<u>42,619</u>
<u>NET POSITION</u>				
Net investment in capital assets	305,388	104,700	260,219	675
Restricted for:				
Capital projects	28,926	2,024	-	-
Other programs	-	-	770	445
Unrestricted	71,087	21,156	38,367	18,778
	<u>405,401</u>	<u>127,880</u>	<u>299,356</u>	<u>19,898</u>
Total net position	<u>\$ 405,401</u>	<u>\$ 127,880</u>	<u>\$ 299,356</u>	<u>\$ 19,898</u>

(continued)

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Net Position

June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
<u>LIABILITIES</u>				
Current liabilities:				
Securities lending obligations	64	241	1,589	253
Accounts payable	1,444	1,114	30,477	4,537
Accrued payroll	197	308	2,609	335
Accrued compensated absences	28	32	356	78
Due to other funds	250	-	250	-
Interest payable	416	173	5,690	7
Liability for landfill closure	-	-	85	-
Deposits	-	18	30	33
Unearned revenue	2,653	466	4,826	481
Accrued claims and judgements	23	29	1,599	14,152
Capital leases payable	-	-	2,023	24
Revenue and other bonds payable, net	5,587	2,163	20,250	356
Notes payable	-	20	3,445	-
Total current liabilities	10,662	4,564	73,229	20,256
Noncurrent liabilities:				
Accrued compensated absences	498	476	6,486	1,065
Advances from other funds	6,190	-	6,190	-
Water fee credits	-	-	1,702	-
OPEB liability	814	1,393	23,073	3,112
Accrued claims and judgements	-	-	-	49,017
Liability for landfill closure	-	-	1,092	-
Capital leases payable	-	-	4,075	125
Revenue and other bonds payable, net	40,494	28,188	519,867	2,442
Notes payable	-	-	29,843	-
Total noncurrent liabilities	47,996	30,057	592,328	55,761
Total liabilities	58,658	34,621	665,557	76,017
<u>NET POSITION</u>				
Net investment in capital assets	48,401	14,597	733,980	53,651
Restricted for:				
Capital projects	2,305	-	33,255	-
Other programs	-	-	1,215	-
Unrestricted	369	28,057	177,814	38,858
Total net position	\$ 51,075	\$ 42,654	\$ 946,264	\$ 92,509

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Operating revenues:				
Charges for services:				
User fees and charges	\$ 94,070	\$ 27,544	\$ 35,889	\$ 58,541
Rents and concessions	-	-	-	(74)
Charge to other agencies for contract services	-	948	2,143	-
Miscellaneous	312	1	17	94
Total operating revenues	<u>94,382</u>	<u>28,493</u>	<u>38,049</u>	<u>58,561</u>
Operating expenses:				
Employee services	25,008	8,299	19,505	15,040
Services and supplies	18,062	12,949	4,916	29,435
Depreciation/amortization	16,951	4,216	11,497	1,822
Insurance premiums	-	-	-	-
Claims and judgements	145	74	58	1,416
Total operating expenses	<u>60,166</u>	<u>25,538</u>	<u>35,976</u>	<u>47,713</u>
Operating income (loss)	<u>34,216</u>	<u>2,955</u>	<u>2,073</u>	<u>10,848</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	1,677	345	464	286
Transient occupancy taxes	-	-	-	-
Revenue from other agencies	472	-	20	969
Insurance and other claim recoveries	-	-	-	-
Interest income (expense)	(6,471)	(135)	(688)	(1,296)
Amortization of bond prepaid insurance	(51)	-	-	(5)
Loan forgiveness	-	-	-	-
Gain or (loss) on disposition of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	<u>(4,373)</u>	<u>210</u>	<u>(204)</u>	<u>(46)</u>
Income (loss) before contributions and transfers	29,843	3,165	1,869	10,802
Capital contributions	1,790	1,384	1,825	-
Transfers in	298	4	64	67
Transfers out	(10,709)	(3,056)	(4,016)	(6,465)
Change in net position before special item	21,222	1,497	(258)	4,404
Special item	-	-	-	18,527
Total net position (deficit), beginning of year, as restated	<u>384,179</u>	<u>126,383</u>	<u>299,614</u>	<u>(3,033)</u>
Total net position, end of year	<u>\$ 405,401</u>	<u>\$ 127,880</u>	<u>\$ 299,356</u>	<u>\$ 19,898</u>

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Operating revenues:				
Charges for services:				
User fees and charges	\$ 2,837	\$ 23,403	\$ 242,284	\$ 61,961
Rents and concessions	4,826	872	5,624	-
Charge to other agencies for contract services	-	-	3,091	-
Miscellaneous	55	3	482	36
Total operating revenues	7,718	24,278	251,481	61,997
Operating expenses:				
Employee services	5,855	8,704	82,411	10,632
Services and supplies	6,332	9,020	80,714	26,490
Depreciation/amortization	2,423	2,191	39,100	9,554
Insurance premiums	-	-	-	3,056
Claims and judgements	16	25	1,734	15,509
Total operating expenses	14,626	19,940	203,959	65,241
Operating income (loss)	(6,908)	4,338	47,522	(3,244)
Nonoperating revenues (expenses):				
Interest and investment revenue	152	370	3,294	1,225
Transient occupancy taxes	17,943	-	17,943	-
Revenue from other agencies	-	498	1,959	228
Insurance and other claim recoveries	-	-	-	244
Interest expense	(2,575)	(1,588)	(12,753)	(74)
Amortization of bond prepaid insurance	-	(7)	(63)	-
Loan forgiveness	(3)	-	(3)	-
Gain or (loss) on disposition of capital assets	-	-	-	6
Total nonoperating revenues (expenses)	15,517	(727)	10,377	1,629
Income (loss) before contributions and transfers	8,609	3,611	57,899	(1,615)
Capital contributions	-	-	4,999	-
Transfers in	-	1	434	418
Transfers out	(1,568)	(3,722)	(29,536)	(373)
Change in net position before special item	7,041	(110)	33,796	(1,570)
Special item	-	-	18,527	-
Total net position (deficit), beginning of year, as restated	44,034	42,764	893,941	94,079
Total net position, end of year	\$ 51,075	\$ 42,654	\$ 946,264	\$ 92,509

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 95,230	\$ 28,445	\$ 37,543	\$ 60,131
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(17,695)	(12,373)	(5,239)	(30,275)
Payments to employees	(23,927)	(7,915)	(18,723)	(13,907)
Claims and judgements paid	(131)	(64)	(63)	(193)
Net cash provided by (used for) operating activities	53,477	8,093	13,518	15,756
Cash flows from noncapital financing activities:				
Transient occupancy taxes	-	-	-	-
Transfers in from other funds	29	4	64	67
Transfers out to other funds	(10,671)	(3,005)	(4,016)	(6,344)
Collections on interfund loans	-	-	-	-
Loans made to other funds	-	-	-	-
Interfund loan repayments	-	-	-	-
Intergovernmental revenue received	1,405	-	-	969
Claim and judgement recoveries	-	-	-	-
Net cash provided by (used for) noncapital financing activities	(9,237)	(3,001)	(3,952)	(5,308)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(48,907)	(14,091)	(2,008)	(34)
Proceeds from sale of capital assets	61	-	-	-
Principal payments on capital debt	(5,424)	(857)	(2,779)	(3,058)
Interest payments on capital debt	(17,386)	(1,107)	(779)	(1,253)
Intergovernmental revenue received	-	-	20	-
Transfers in from other funds	269	-	-	-
Transfers out to other funds	(38)	(51)	-	(121)
Capital contributions received	644	717	-	-
Loan repayments received	1,183	241	760	-
Net cash used for capital and related financing activities	(69,598)	(15,148)	(4,786)	(4,466)
Cash flows from investing activities:				
Collection of interest and investment revenue	3,910	641	541	271
Loan repayments received	-	-	-	-
Net cash provided by investing activities	3,910	641	541	271
Net increase (decrease) in cash and cash equivalents	(21,448)	(9,415)	5,321	6,253
Cash and cash equivalents, beginning of year	319,083	53,164	30,273	22,829
Cash and cash equivalents, end of year	\$ 297,635	\$ 43,749	\$ 35,594	\$ 29,082

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Community Center Fund	Other Enterprise Funds	Total	
Cash flows from operating activities:				
Receipts from customers and users	\$ 7,505	\$ 24,151	\$ 253,005	\$ -
Receipts from interfund services provided	-	-	-	125,569
Payments to suppliers	(6,550)	(8,996)	(81,128)	(92,200)
Payments to employees	(5,722)	(8,480)	(78,674)	(10,194)
Claims and judgements paid	(18)	(23)	(492)	(12,247)
Net cash provided by (used for) operating activities	(4,785)	6,652	92,711	10,928
Cash flows from noncapital financing activities:				
Transient occupancy taxes	17,914	-	17,914	-
Transfers in from other funds	-	1	165	4
Transfers out to other funds	(1,568)	(2,034)	(27,638)	(322)
Collections on interfund loans	-	-	-	10,106
Loans made to other funds	-	-	-	(3,009)
Interfund loan repayments	(250)	-	(250)	-
Intergovernmental revenue received	-	465	2,839	6
Claim and judgement recoveries	-	-	-	225
Net cash provided by (used for) noncapital financing activities	16,096	(1,568)	(6,970)	7,010
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(809)	(505)	(66,354)	(9,075)
Proceeds from sale of capital assets	-	-	61	569
Principal payments on capital debt	(5,327)	(2,052)	(19,497)	(345)
Interest payments on capital debt	(2,636)	(1,534)	(24,695)	(101)
Intergovernmental revenue received	-	-	20	-
Transfers in from other funds	-	-	269	363
Transfers out to other funds	-	(1,688)	(1,898)	-
Capital contributions received	-	-	1,361	-
Loan repayments received	-	-	2,184	-
Net cash used for capital and related financing activities	(8,772)	(5,779)	(108,549)	(8,589)
Cash flows from investing activities:				
Collection of interest and investment revenue	167	387	5,917	1,214
Loan repayments received	20	85	105	-
Net cash provided by investing activities	187	472	6,022	1,214
Net increase (decrease) in cash and cash equivalents	2,726	(223)	(16,786)	10,563
Cash and cash equivalents, beginning of year	20,680	34,613	480,642	83,694
Cash and cash equivalents, end of year	\$ 23,406	\$ 34,390	\$ 463,856	\$ 94,257

The notes to the financial statements are an integral part of this statement.

(continued)

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			
	Water Fund	Wastewater Fund	Storm Drainage Fund	Solid Waste Fund
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 70,864	\$ 21,439	\$ 31,048	\$ 26,480
Cash and investments held by fiscal agent	-	-	17	1
Restricted cash and investments held by City	219,586	21,316	3,764	2,601
Restricted cash and investments held by fiscal agent	7,185	994	765	-
Total cash and cash equivalents, end of year	<u>\$ 297,635</u>	<u>\$ 43,749</u>	<u>\$ 35,594</u>	<u>\$ 29,082</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 34,216	\$ 2,955	\$ 2,073	\$ 10,848
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	16,951	4,216	11,497	1,822
Amortization of intangible assets	-	-	-	-
Changes in assets and liabilities:				
Accounts receivable, net	605	(48)	(98)	1,570
Intergovernmental receivables	-	-	315	-
Inventories	(230)	18	(52)	-
Prepaid items	-	-	-	-
Accounts payable	597	558	(271)	(138)
Accrued payroll	50	24	100	-
Accrued compensated absences	(33)	(14)	141	(100)
OPEB liabilities	1,064	374	541	1,233
Accrued claims and judgements	14	10	(5)	1,223
Liability for landfill closure	-	-	-	(702)
Deposits	2	-	-	-
Unearned revenue	241	-	(723)	-
Net cash provided by (used for) operating activities	<u>\$ 53,477</u>	<u>\$ 8,093</u>	<u>\$ 13,518</u>	<u>\$ 15,756</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ 1,038	\$ 551	\$ 1,491	\$ -
Transfer of capital assets from governmental funds, net of depreciation	108	150	334	-
Capitalized interest	8,358	1,145	71	-
Amortization of bond premium and discount	2,053	57	(10)	58
Amortization of bond loss on refunding	(725)	-	-	(118)
Write off gain on refunding	-	-	-	-
Amortization of bond prepaid insurance	(51)	-	-	(5)
Capital asset acquisitions on accounts payable	14,049	755	73	96
Change in securities lending assets	604	88	72	61
Change in securities lending obligations	(604)	(88)	(72)	(61)
Loan forgiveness	-	-	-	-
Change in accounts receivable related to claim and judgement recoveries	-	-	-	-
Interest accrual on loans receivable	-	-	-	-
Change in intergovernmental receivable for capital contributions	219	-	-	-

(continued)

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Proprietary Funds

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Community Center Fund	Other Enterprise Funds	Total	Activities - Internal Service Funds
Reconciliation of cash and cash equivalents to the Statement of Net Position:				
Cash and investments held by City	\$ 12,985	\$ 32,525	\$ 195,341	\$ 94,073
Cash and investments held by fiscal agent	171	39	228	184
Restricted cash and investments held by City	2,305	36	249,608	-
Restricted cash and investments held by fiscal agent	7,945	1,790	18,679	-
Total cash and cash equivalents, end of year	<u>\$ 23,406</u>	<u>\$ 34,390</u>	<u>\$ 463,856</u>	<u>\$ 94,257</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,908)	\$ 4,338	\$ 47,522	\$ (3,244)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation/amortization expense	2,423	2,191	39,100	9,554
Amortization of intangible assets	-	8	8	-
Changes in assets and liabilities:				
Accounts receivable, net	(23)	(31)	1,975	36
Intergovernmental receivables	-	(56)	259	-
Inventories	-	-	(264)	-
Prepaid items	-	(4)	(4)	(37)
Accounts payable	(218)	60	588	934
Accrued payroll	12	20	206	29
Accrued compensated absences	(22)	(33)	(61)	(95)
OPEB liabilities	143	237	3,592	504
Accrued claims and judgements	(2)	2	1,242	3,262
Liability for landfill closure	-	-	(702)	-
Deposits	-	18	20	16
Unearned revenue	(190)	(98)	(770)	(31)
Net cash provided by (used for) operating activities	<u>\$ (4,785)</u>	<u>\$ 6,652</u>	<u>\$ 92,711</u>	<u>\$ 10,928</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ -	\$ 3,080	\$ -
Transfer of capital assets from governmental funds, net of depreciation	-	-	592	-
Capitalized interest	98	-	9,672	-
Amortization of bond premium and discount	(25)	27	2,160	18
Amortization of bond loss on refunding	-	(95)	(938)	(10)
Write off gain on refunding	-	-	-	18
Amortization of bond prepaid insurance	-	(7)	(63)	-
Capital asset acquisitions on accounts payable	649	79	15,701	1,165
Change in securities lending assets	-	68	893	163
Change in securities lending obligations	-	(68)	(893)	(163)
Loan forgiveness	(3)	-	(3)	-
Change in accounts receivable related to claim and judgement recoveries	-	-	-	(1)
Interest accrual on loans receivable	-	(1)	(1)	-
Change in intergovernmental receivable for capital contributions	-	-	219	-

The notes to the financial statements are an integral part of this statement.

City of Sacramento
Fiduciary Funds
Statement of Fiduciary Net Position

June 30, 2014
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
<u>ASSETS</u>				
Cash and cash equivalents held by City	\$ 8,620	\$ 130,844	\$ 36,886	\$ 13,060
Cash and investments held by fiscal agent	-	-	25,460	14,816
Securities lending assets	25,107	112	80	-
Receivables, net:				
Taxes	-	-	-	261
Accounts	-	-	-	7
Interest	2,248	457	137	8
Intergovernmental	-	-	556	-
Investments, at fair value:				
U.S. government obligations	2,413	-	-	-
Corporate bonds	68,535	-	-	-
Equity securities	118,027	-	-	-
Exchange traded funds	67,092	-	-	-
Municipal bonds	44,647	-	-	-
Mortgage loans	4,191	-	-	-
Loans receivable	-	-	7,048	-
Capital assets:				
Land	-	-	45,566	-
Buildings and improvements	-	-	16,315	-
Less: accumulated depreciation/amortization	-	-	(2,824)	-
Total assets	<u>340,880</u>	<u>131,413</u>	<u>129,224</u>	<u>28,152</u>
<u>LIABILITIES</u>				
Securities lending obligations	25,744	433	511	-
Accounts payable	27	-	867	267
Benefits payable	2,695	-	-	-
Due to bondholders	-	-	-	27,885
Interest payable	-	-	763	-
OPEB liability	-	-	822	-
Pollution remediation obligations	-	-	1,026	-
Notes payable	-	-	318,929	-
Total liabilities	<u>28,466</u>	<u>433</u>	<u>322,918</u>	<u>\$ 28,152</u>
<u>NET POSITION</u>				
Held in trust for:				
Held in trust for pension benefits	312,414	-	-	
External pool participants	-	130,980	-	
Redevelopment dissolution	-	-	(193,694)	
Total net position	<u>\$ 312,414</u>	<u>\$ 130,980</u>	<u>\$ (193,694)</u>	

The notes to the financial statements are an integral part of this statement.

City of Sacramento

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Pension Trust Fund	Investment Trust Funds	Private Purpose Trust Fund
Additions:			
Property taxes	\$ -	\$ -	\$ 31,273
Contributions:			
Employer	9,649	-	-
Employees	161	-	-
Total contributions	9,810	-	-
Investment income:			
From investment activities:			
Net appreciation (depreciation) in fair value of investments	29,717	63	-
Interest	7,014	1,627	619
Dividends	4,680	-	-
Total investment income	41,411	1,690	619
Investment expenses:			
Banking, interest, and fiscal agent expenses	111	132	-
Professional services	1,135	-	-
Total investment expenses	1,246	132	-
Net income from investment activities	40,165	1,558	619
From securities lending activities:			
Interest	202	-	-
Net appreciation in fair value of investments	-	1	-
Total securities lending income	202	1	-
Securities lending expenses:			
Management fees	50	-	-
Total securities lending expenses	50	-	-
Net income from securities lending activities	152	1	-
Total net investment income	40,317	1,559	619
Deposits	-	54,570	-
Other	-	-	417
Total additions	50,127	56,129	32,309
Deductions:			
Benefits	33,487	-	-
Withdrawals	201	58,236	-
Project obligation payments	-	-	3,144
Interest expense	-	-	17,018
Loan forgiveness	-	-	2,093
Depreciation expense	-	-	408
Total deductions	33,688	58,236	22,663
Special item - transfer to SHRA	-	-	(3,104)
Change in net position	16,439	(2,107)	6,542
Net position (deficit), beginning of year, as restated	295,975	133,087	(200,236)
Net position (deficit), end of year	<u>\$ 312,414</u>	<u>\$ 130,980</u>	<u>\$ (193,694)</u>

The notes to the financial statements are an integral part of this statement.

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Notes to the Financial Statements

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEFINITION OF REPORTING ENTITY

The City of Sacramento (City) was incorporated in 1849 under the laws of the State of California. Sacramento is a charter city and operates under a City Council – City Manager form of government. The City provides a full range of municipal services including police, fire, water, wastewater, storm drainage, solid waste, construction and maintenance of streets, planning and zoning, code enforcement, parks, recreation programs, and cultural activities.

These basic financial statements present the financial status of the City and its component units, which are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Component unit financial statements may be obtained from the City's Department of Finance.

Blended Component Unit

The Sacramento City Financing Authority (SCFA) is a joint exercise of powers entity created by the City and the former Redevelopment Agency of the City of Sacramento to facilitate the financing and refinancing of public capital facilities. Most of the debt by the SCFA is backed by the City's General Fund. The SCFA is governed by the City Council.

Fiduciary-type Component Units

Sacramento City Employees' Retirement System (SCERS) is a single employer pension plan sponsored and administered by the City for City employees, except public safety employees, hired before January 29, 1977 and public safety employees who retired with SCERS benefits before December 30, 1989. Under provisions of the City Charter, SCERS is managed by the Administration, Investment and Fiscal Management Board (the Board), consisting of the City Manager, City Director of Finance, City Treasurer and two residents of the City appointed by the City Council. Duties of the Board include the adoption of investment standards for SCERS, the establishment of contribution rates, the administration and investment of funds, the selection of investment advisors, the crediting of interest and any action relating to the fiscal management of SCERS. Complete stand-alone financial statements may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4th Floor, Sacramento, CA 95814.

The Successor Agency to the Redevelopment Agency of the City of Sacramento (Successor Agency) was created to serve as a custodian for the assets and to wind down the affairs of the former Redevelopment Agency of the City of Sacramento. The City was designated to serve as the Successor Agency subject to control of an Oversight Board. The Oversight Board is comprised of seven member representatives from local government bodies: two appointed by the Mayor, two County of Sacramento (County) representatives, the County Superintendent of Education, the Chancellor of California Community Colleges, and the largest special district taxing entity. Based upon the nature of the Successor Agency's custodial role, it is reported as a fiduciary fund (private purpose trust fund).

Discretely Presented Component Unit

The Sacramento Regional Arts Facilities Financing Authority (SRAFFA) is reported in a separate column in the government-wide financial statements to emphasize its legal separation from the City. The SRAFFA is a joint powers agency between the City and County created for the purpose of financing the expansion of the theater complex located on H Street. The authority is governed by a board of five directors whose members are three designees of the City Council and two designees of the County Board of Supervisors. The members of the board serve at the pleasure of their respective legislative bodies and may be removed at will. Upon future dissolution, any remaining assets revert to the City and County of Sacramento in such manner as determined by the board. The SRAFFA is presented as a business-type activity in the component unit column of the government-wide statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

New Pronouncements

Effective July 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to establish accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities, as deferred outflows of resources or deferred inflows of resources. As a result of implementing this statement, the City changed the classification of certain liabilities to deferred inflow of resources, as well as restating beginning fund balances and net position for certain City funds, as well as, beginning net position for governmental and business-type activities for previous bond issuance costs. See Note 19 for further description of the restated amounts.

Effective July 1, 2013, the City implemented GASB Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

Effective July 1, 2013, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plan*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Fully disclosed financial statements are issued by SCERS.

Effective July 1, 2013, the City implemented GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

Effective July 1, 2013, the City implemented GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The City has determined that the provisions of this Statement did not have a material impact on the City's basic financial statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

The City is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB Statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local government for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. The City will be required to recognize a liability equal to the net pension liability in its financial statements prepared using the economic resources measurement focus and accrual basis of accounting. The City has not determined what impact this pronouncement will have on the financial statements. The provisions of this Statement are effective for the City's fiscal year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City has not determined what impact this pronouncement will have on the financial statements. The provisions of this Statement are effective for the City's fiscal year ended June 30, 2015.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated to expenses and capital assets of governmental and business-type activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been removed from the government-wide financial statements. Internal service fund activity has been eliminated from the statement of activities. The effect of interfund services provided and used between functions, such as the sale of water from the Water Fund to the General Fund, has not been eliminated in the statement of activities. The City's payments in lieu of taxes from its enterprise funds to the General Fund are reported as interfund transfers.

The accounts of the City are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary trust fund financial statements. Agency funds, included in the fiduciary fund financial statements, are also reported using the accrual basis of accounting, however they are not reported using a measurement focus because only assets and liabilities are presented. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility users taxes, intergovernmental revenue, special assessments, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Measure U Special Revenue Fund was established to account for the temporary half-cent sales tax approved by voters on November 6, 2012.

The Capital Grants Fund is used to account for capital improvement program projects that are funded by parties outside of the City including the State and Federal governments.

The 1997 Lease Revenue Bond Fund accounts for the loan receivable, debt service activities and related transactions concerning the acquisition and lease back of a sports and entertainment arena.

The City reports the following major enterprise funds:

The Water Fund accounts for the operation and maintenance of the City's water treatment and water transmission and distribution systems.

The Wastewater Fund accounts for the operation and maintenance of the City's wastewater system.

The Storm Drainage Fund accounts for the operation and maintenance of the City's surface drainage system.

The Solid Waste Fund accounts for the collection and disposal of refuse throughout the City and for landfill closure.

The Community Center Fund accounts for the operation and maintenance of the City's Community Center, including the theater and exhibit halls.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

Internal service funds account for the financing of fleet and risk management services to other departments on a cost reimbursement basis.

The Pension Trust Fund accounts for the assets held on behalf of the Sacramento City Employees' Retirement System (SCERS) for pension benefit payments to qualified employees.

Investment trust funds account for the resources held on behalf of investors, in the City's investment pool and individual accounts, who are not part of the City's financial reporting entity.

The Private Purpose Trust Fund accounts for the assets received by the Successor Agency from the City's former redevelopment agency in order to liquidate its enforceable obligations, pursuant to Assembly Bill X1 26 which dissolved redevelopment agencies in California.

Agency funds account for assets held by the City as an agent for bonded assessment and community facilities districts.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including fees, fines and forfeitures, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Program revenues also include earnings on investments that are legally restricted for a specific program. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted net position are available for use, it is the City's practice to use restricted resources first followed by unrestricted resources as they are needed. When all fund balance types are available, it is the City's practice to use restricted resources first, followed by committed, assigned and unassigned resources as they are needed.

Budget Information

The City Manager submits a proposed budget to the City Council no later than 60 days prior to the commencement of the fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget in June. The budget adoption resolution specifies that budgets will be controlled at the department level (e.g., police, fire, public works, parks and recreation etc.) by fund.

Annual budgets are adopted for the General Fund, Measure U Fund, the City/County Office of Metropolitan Water Planning (CCOMWP) Fund, the Cal EPA Fund, as well as certain activities within the Transportation and Development Fund, the Culture and Leisure Fund, and the Parks and Recreation Fund, and the Special Districts Fund. Annual budgets are also adopted for the enterprise and internal service funds, although they are not legally required. Multi-year project-length budgets are adopted for the General Fund, capital projects funds, and the Operating Grants special revenue fund where appropriations remain authorized for each project until closed, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Information (Continued)

Budgets are modified throughout the year when the tax base changes, fees are modified, new revenue sources are identified, or programs are changed. Appropriation adjustments during the year require City Council approval. Significant appropriation adjustments were not required during the year ended June 30, 2014. Unencumbered annual budget appropriations lapse at fiscal year-end. The City honors contracts represented by year-end encumbrances and the appropriations carried over provide authority to complete these transactions in future years. Multi-year project-length budget appropriations are automatically carried over into the next fiscal year.

Financial Statement Elements

Investments - City investments are recorded at fair value, except real estate mortgages, which are recorded at cost. The estimated fair value of all investments is the quoted market price. Certain bond covenants require that interest earned on assessment district construction proceeds, which are reported in other governmental funds, be credited to reserve accounts, which are reported in Agency funds. Interest earned on all other cash and investments is credited to the fund which holds the investment.

Property Taxes - Article XIII of the California Constitution (Proposition 13) limits ad valorem taxes on real property to one percent of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the base and limits annual increases to the cost of living, not to exceed two percent, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local governments may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

Property taxes are levied annually by the Sacramento County Assessor on July 1 and become a lien on property on the preceding January 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively.

The City participates in an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan". The State Revenue and Taxation Code allow counties to distribute secured real property, assessment and supplemental property taxes on an accrual basis resulting in full payment to cities each fiscal year. Any subsequent delinquent payments and related penalties and interest during a fiscal year will revert to Sacramento County. The Teeter Plan payment, which includes 95% of the outstanding accumulated delinquency, is included in property tax revenue. Under the Teeter Plan code, 5% of the delinquency must remain with the County as a reserve for Teeter Plan funding.

Receivables and Payables – Property taxes, sales taxes, and utility user taxes, and other taxes, related to the current fiscal year are accrued as revenue and accounts receivable and considered available if received within 60 days of year end.

Federal and State grants are considered receivable and accrued as revenue when all eligibility requirements have been met under the accrual basis of accounting in the government-wide statement of net position. The amount recognized as revenue under the modified accrual basis of accounting is limited to the amount that is deemed measurable and available.

Long-term loans receivable reported in the governmental fund statements are recorded with offsetting deferred revenue or nonspendable fund balance for noncurrent assets because the resources cannot be spent. Long-term loans receivable reported in the proprietary fund statements, as well as long-term loans reported in the government-wide statements, are not offset by deferred revenue. Unbilled utility revenue earned is recognized as revenue and accounts receivable in the enterprise funds.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items - Inventories in the proprietary funds are stated at the lower of average cost or market and consist of expendable materials and supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the statements of net position and balance sheets because their use is limited by applicable bond covenants. Unspent developer impact fees are classified as restricted assets on the statements of net position for the Water and Wastewater enterprise funds.

Capital Assets - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair value (as of the date donated for contributed assets) although for certain older assets estimated historical costs are used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	Primarily 15 to 70 years
Transmission and distribution systems	Primarily 15 to 100 years
Machinery, vehicles and equipment	Primarily 5 to 30 years
Software	Primarily 5 to 20 years
Roadway network	Primarily 20 to 70 years
Street light network	Primarily 40 to 50 years
Parks and park improvements	Primarily 15 to 30 years

It is the policy of the City to capitalize all land, buildings and improvements, equipment, and infrastructure assets, except assets costing less than \$20, unless a federal funding source is utilized. The City also capitalizes all intangible capital assets, primarily easements and software, except assets costing less than \$100, unless a federal funding source is utilized. All capital assets in excess of \$5 financed by a federal funding source are capitalized. Costs of capital assets sold or retired (and related amounts of accumulated depreciation/amortization) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related proprietary fund, governmental activities, and business-type activities. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale.

Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. When the asset constructed is financed by a specific bond issue, the interest included is net of interest earned on the invested bond proceeds over the same period. The total interest cost incurred by the City during the current fiscal year was \$46,880. Of this amount, \$9,672, consisting of interest cost of \$11,949 net of interest earned of \$2,277, was included as part of the cost of capital assets under construction.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

The Crocker Art Museum's collection of works of art, held in trust by the City, has not been reported in these financial statements. The City has elected not to report the collection because it meets the three criteria for waiving capitalization: the collection is held for reasons other than financial gain; the collection is protected, kept unencumbered, cared for, and preserved; and the collection is subject to an organizational policy requiring that the proceeds from sales of collection items be used to acquire other items for the collection.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then. The City has two items, loss on refunding of debt and accumulated decrease in fair-value of hedging derivative instrument, which qualifies for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as revenue until then. The City has one item recognized in the statement of net position, deferred service concession arrangement revenue, and one item recognized in the governmental funds, unavailable revenue, that qualifies for reporting in this category.

Compensated Absences - Benefit qualified employees accrue vacation, sick, and holiday benefits. A full time employee may accumulate up to sixty days of vacation. Sick leave vests and may be accumulated until retirement. An employee with sixty or more days of accumulated sick leave at the end of a calendar year may elect to receive a 25% payment of any unused sick leave earned in the previous calendar year. The amount of sick leave paid is deducted from the employee's total accumulation. Upon retirement, employees with a minimum of 20 years of City service, excluding SCERS employees, have the option of converting their sick leave accumulation into CalPERS service credit hours, or receiving a cash payment of one-third of the accumulated sick leave. The City accrues expected cash payments of accumulated sick leave at fiscal year end. Employees who leave the City and are not retiring forfeit any remaining sick leave.

Employees receive 14 holidays per calendar year. Employees accrue all or a portion of these 14 days during the year depending on their job classification. Classifications that accrue all 14 days get paid in cash throughout the year whenever their holiday leave balances exceed the 14 day total. All other employees accrue one or two days of "floating" holiday time, depending on the bargaining unit, throughout the year in conjunction with their remaining twelve holidays. Employees who accrue "floating" holiday time get paid annually in January for any calendar year-end balance greater than eight hours.

All hourly employees have the option of being compensated for their overtime pay with compensatory time off (CTO). Depending on the employee's CTO plan, the employee may accrue a maximum of 80, 120 or 160 hours of CTO. The employee's applicable labor agreement or the City Council's resolution for unrepresented employees determines the maximum accruable number of CTO hours.

All compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unavailable Revenue / Unearned Revenue - Unavailable revenue in governmental funds arise when potential revenue does not meet the "available" criteria for recognition in the current period. Unearned revenue in accrual based statements arises when resources are received by the City before it has a legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures).

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Elements (Continued)

Long-term Obligations - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses on debt refunding are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method. Bonds payable are reported net of bond premium or discount. Bond issuance costs are reported as expenditures when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance - In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Amounts that are restricted to specific purposes, either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation, are classified as restricted fund balances. Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution are classified as committed fund balances. Amounts that are constrained by the City Council's intent to be used for specific purposes through a resolution, but are neither restricted nor committed, are classified as assigned fund balances. Negative fund balance in governmental funds, after determining the fund balance classifications described above, is reported as unassigned fund balance.

The City's Economic Uncertainty Reserve (Reserve) is a stabilization arrangement in the General Fund reported as committed fund balance. The City Council reaffirmed its policy goal for the Reserve in its resolution number 2014-0179 adopted with the fiscal year 2014/15 annual budget. The adopted Reserve goal is to achieve a reserve equal to 10% of annual General Fund revenue. The City Manager may recommend a release from the Reserve when the gap between projected revenue and expenditures is greater than \$1,000 in the proposed budget. Additions and releases from the Reserve must be approved by City Council by resolution.

Statement of Cash Flows - For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash. The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2014:

	Government-wide Statement of Net Position		Fiduciary Funds	Total
	Primary Government	Component Units	Statement of Net Position	
Cash and investments	\$ 606,169	\$ -	\$ 534,591	\$ 1,140,760
Securities lending assets	1,924	-	25,299	27,223
Restricted cash and investments	297,848	1,125	-	298,973
Total	\$ 905,941	\$ 1,125	\$ 559,890	\$ 1,466,956

Under the authority of the Sacramento City Charter, the Sacramento City Council, by Resolution 2013-0266, has delegated its investment authority to the City Treasurer. The City Treasurer manages the City's investments in accordance with the City's Investment Policy, which was last reaffirmed by the City Council on August 8, 2013. The City's investment policy requires compliance with the California Government Code for investments of public funds. The City's investment policy also provides limits on rate anticipation, arbitrage, and other swap investments.

SCERS pension trust fund investments are managed by the Administration, Investment and Fiscal Management Board pursuant to an Investment Policy adopted by the Board and approved by the City Council. Investment standards adopted by the SCERS Board were last approved by the City Council on August 8, 2013. The Investment Policy allows the Board to invest in fixed income and equity securities deemed prudent by the Board. Pursuant to the Investment Policy, the Board annually allocated the funds to different investment groups. For fiscal year 2014, the asset allocations consisted of the following: 45% Fixed Income securities, 30% Large Cap Growth stocks, 15% Equity Income stocks and 10% International stocks. The Investment Policy allows for up to 5% variance from these approved allocation level to provide flexibility to investment activities without altering the risk profile of the SCERS portfolio.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

The table below identifies the investment types that are authorized for public funds of the City by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local agency bonds	5 years*	None	None	None
U.S. Treasury obligations	5 years*	None	None	None
U.S. agency securities	5 years*	None	None	None
Bankers acceptance	180 days	40%	30%	None
Commerical paper	270 days	25%	10%	A1/P1
Negotiable certificates of deposit	5 years	30%	None	None
Repurchase agreements	1 year	None	None	None
Reverse repurchase and securities lending agreements	92 days	20% of base value	None	None
Medium term notes (bank notes and corporate bonds)	5 years*	30%	None	A
Mutual funds	N/A	20%	10%	Aaa
Money market mutual funds	N/A	20%	10%	Aaa
Collateralized bank deposits	5 years	None	None	None
Mortgage pass-through securities	5 years	20%	None	AA
Time deposits	5 years	None	None	None
Joint Powers Authority pool	N/A	None	None	None
County pooled investment	N/A	None	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None	None

*The City investment policy allows these investments to have maximum maturities of 5 years, plus not more than 30 days. Such approved maturity extensions are authorized by California Government Code section 53601.

The table above does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, or investments held by the SCERS pension trust fund or other trust funds.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investment policy limits interest rate risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. The remaining maturity of the City's investments included in the table below is based on the stated maturity dates of the individual investments, except in the case of variable rate investments where the maturity date below is the next reset date. Variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates based on predefined mathematical formulas. The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

Investments in equities, or in debt securities with remaining maturities longer than five years, are held by the SCERS pension trust fund, other trust funds, or by bond trustees pursuant to debt agreements.

The City's cash and investments by maturities as of June 30, 2014 are as follows:

Cash and Investment Type	No Maturity	Remaining Maturity in Years			Fair Value
		Under 1	1-5	Over 5	
Certificates of deposit	\$ -	\$ 10,248	\$ 9,547	\$ -	\$ 19,795
Commercial paper	-	145,000	-	-	145,000
Corporate bonds/notes	-	180,994	168,992	17,864	367,850
Deposits	9,388	-	-	-	9,388
Equities	122,699	-	-	-	122,699
Exchange traded funds	68,676	-	-	-	68,676
Investment Trust of California (CalTRUST)	-	13,753	179,405	-	193,158
Local Agency Investment Fund (LAIF)	-	30,000	-	-	30,000
Mortgage loans	-	-	1,918	2,273	4,191
Municipal bonds	-	36,898	73,449	43,115	153,462
Mutual funds	-	50,906	-	-	50,906
Repurchase agreements	-	27,223	-	-	27,223
U.S. agencies	-	85,821	182,285	2,392	270,498
U.S. Treasury notes	-	-	2,985	-	2,985
	<u>\$ 200,763</u>	<u>\$ 580,843</u>	<u>\$ 618,581</u>	<u>\$ 65,644</u>	<u>1,465,831</u>
Component Unit - SRAFFA					
Mutual funds	\$ -	\$ 122	\$ -	\$ -	122
U.S. agencies	-	-	1,003	-	1,003
Total component unit	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 1,003</u>	<u>\$ -</u>	<u>1,125</u>
Total Cash and Investments					<u>\$ 1,466,956</u>

Investments in callable bonds are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such bonds earlier than their respective maturity dates. The investor must then replace the called bonds with investments that may have lower yield than the original bonds. The fair values of the callable bonds held at June 30, 2014 by investment type are as follows:

Investment Type	Fair Value
Corporate bonds	\$ 24,067
Municipal bonds	24,707
U.S. agencies	194,792

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy limits credit risk by requiring compliance with the California Government Code for investments of public funds, as described in detail above. At June 30, 2014, the City's deposits and investments, and corresponding credit ratings, are as follows:

Cash and Investment Type	S & P	Moody's	Fair Value
Certificates of deposit	not rated	not rated	\$ 19,795
Commercial paper	A	P1	145,000
Corporate bonds/notes	A	A	127,831
	A	Aa	10,235
	A	Baa	99,427
	A	not rated	2,843
	AA	A	56,821
	AA	Aa	52,412
	AAA	Aaa	2,200
	B	Baa	5,313
	BBB	A	5,199
	BBB	Baa	75
	not rated	A	5,000
	not rated	withdrawn	494
Deposits	not rated	not rated	9,388
Equities (exempt from disclosure)	N/A	N/A	122,699
Exchange traded funds (exempt from disclosure)	N/A	N/A	68,676
Investment Trust of California (CalTRUST)	not rated	not rated	193,158
Local Agency Investment Fund (LAIF)	not rated	not rated	30,000
Mortgage loans	not rated	not rated	4,191
Municipal bonds	A	A	6,847
	A	Aa	41,313
	A	Ba	9,246
	A	not rated	1,459
	AA	A	15,393
	AA	Aa	47,929
	AA	Aaa	2,797
	AA	not rated	11,360
	AAA	Aa	11,067
	SP1	not rated	5,001
	not rated	Aa	1,050
Mutual funds	AAA	Aaa	49,340
	not rated	not rated	1,566

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk (Continued)

Cash and Investment Type	S & P	Moody's	Fair Value
Repurchase agreements	AA	Aaa	27,223
U.S. agencies	AA	A	5,494
	AA	Aa	666
	AA	Aaa	223,590
	AA	not rated	15,000
	not rated	not rated	24,000
	N/A	N/A	1,748
U.S. Treasury notes (exempt from disclosure)	N/A	N/A	2,985
Total primary government			1,465,831
Component Unit - SRAFFA			
Mutual funds	AAA	Aaa	122
U.S. agencies	AA	Aaa	1,003
			1,125
Total Cash and Investments			\$ 1,466,956

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) which represent 5% or more of total investments at June 30, 2014:

Federal Home Loan Bank (All in City Pools)	\$ 157,530
General Electric Corporation (City Pools)	\$ 74,769
General Electric Corporation (SCERS)	\$ 28,315

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code has provisions for financial institutions that limit custodial credit risk for deposits. Financial institutions are required to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's financial institutions also have insurance through the Federal Depository Insurance Corporation (FDIC). The City's investment policy has no additional provisions for limiting custodial credit risk for deposits.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name.

As of June 30, 2014, investments were held by the same broker-dealer (counterparty) that was used by the City to purchase the securities:

\$ 27,223 Investments purchased with cash collateral from securities lending transactions

Securities Lending

The City engages in securities lending transactions, whereby the City has authorized its custodial bank to loan its securities to approved counterparties for collateral (cash or securities) with a simultaneous agreement to return the collateral for the same securities in the future. Such loans are short-term and the City retains the right to sell, without penalty, the original securities in which it has invested. The City's arrangement with the bank requires the bank to indemnify the City for failure of any counterparty to return the securities loaned. The City's investment policy permits securities loans up to 20% of the fair value of the City's portfolio.

Cash collateral received as of June 30, 2014, was equal to 102% of the market value of the loaned securities. The custodial bank uses the cash collateral to purchase investments. As of June 30, 2014, the weighted average maturity of the securities on loan was 246 days and the weighted average maturity of the investments purchased with cash collateral was 1 day. At year end, the City has no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City.

The City received cash collateral of \$31,240. The City does not have the ability to pledge or sell collateral securities delivered absent a borrower default. The following table provides information concerning the fair value of securities lent and investments purchased with the cash collateral as of June 30, 2014:

Type of Investment Lent

Corporate bonds	\$ 1,326
Equities	4,146
Exchange traded funds	22,174
U.S. Treasury notes	2,985
Total securities lent	<u>\$ 30,631</u>

Type of Investment Purchased with Cash Collateral

Repurchase agreements	\$ 27,223
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City Sponsored Investment Pool

As part of the City's total cash and investments portfolio, the City Treasurer manages an investment pool, which includes both internal and external investors. The pool is not registered with the Securities and Exchange Commission as an investment company. The City Treasurer is granted authority for managing the pool by City Charter Section 73 and City Council ordinances and resolutions. Monthly, the City Treasurer reports investment activity to the Council for review.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

City Sponsored Investment Pool (Continued)

The fair value of investments is determined monthly. Participants' shares sold and redeemed are determined by the daily cash balance deposited in the pool (the value of its pool shares). The value of the pool shares is based upon amortized cost in day to day operations but is adjusted to the fair value at year-end. The investments are reported at fair value. The value of the shares is supported by the value of the underlying investments. External participants, including various joint powers agencies, comprise 5.64% of pool participation. The City Sponsored Investment Pool excludes activities of the pension trust fund, SHRA and funds held by fiscal agents.

The following represents a condensed statement of net position and changes in net position for the City Sponsored Investment Pool as of June 30, 2014:

Statement of Net Position:

Investments at fair value	\$ 976,233
Interest receivables	2,839
Securities lending obligations	(4,800)
Net Position	<u>\$ 974,272</u>

Equity of internal pool participants	\$ 919,344
Equity of external pool participants	54,928
Total equity	<u>\$ 974,272</u>

Statement of Changes in Net Position:

Net position at July 1, 2013	\$ 992,844
Net change in investments by pool participants	(18,572)
Net position at June 30, 2014	<u>\$ 974,272</u>

A summary of the investment classifications as of June 30, 2014 is as follows:

	Fair Value	Adjusted Cost	Interest Rates	Maturity Dates
Certificates of deposit	\$ 17,797	\$ 17,798	0.24-2.00%	08/14-11/18
Commercial paper	145,000	144,891	0.18-0.25%	07/14-02/15
Corporate bonds/notes	279,349	278,323	0.50-6.50%	07/14-06/19
Deposits	7,496	7,496	N/A	N/A
Investment Trust of California (CalTRUST)	150,617	150,617	0.07-0.73%	N/A
Municipal bonds	100,504	99,835	0.29-7.28%	08/14-05/19
Mutual funds	1,450	1,450	0.01%	N/A
Repurchase agreements	1,658	1,658	0.11-0.12%	07/14
State of California Treasurer's				
Local Agency Investment Fund	30,000	30,000	N/A	N/A
U.S. government and agency securities	242,362	242,716	0.08-5.62%	08/14-06/19
Total cash and investments in City sponsored investment pool	<u>\$ 976,233</u>	<u>\$ 974,784</u>		

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Participation in External Investment Pools

The City is a voluntary participant in the California Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The balance available for withdrawal is based on the accounting records maintained by the LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the City's position in the LAIF pool. As of June 30, 2014, the City's investment in LAIF is \$30,000. The total amount invested by all public agencies in LAIF at that date is \$21,119,834. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2014 had a balance of \$64,870,214. Of that amount, 98.14% is invested in non-derivative financial products, and 1.86% is invested in derivative financial products.

The City is also a voluntary participant in the Investment Trust of California (CalTRUST) which is a Joint Powers Authority governed by a Board of Trustees made up of local treasurers and investment officers. The Board of Trustees sets overall policy for CalTRUST, and selects and supervises the activities of the Investment Manager and other agents. As of June 30, 2014, the City's investment in CalTRUST is \$193,158, of which \$13,753 was invested in the Money Market Fund, \$68,188 in the Short-term pool and \$111,217 in the Medium-term pool. Amounts that may be withdrawn from the Money Market Fund are based upon the fund's assets valued using the amortized cost method. Amounts that may be withdrawn from the Short-term and Medium-term pools are based on the net asset value per share and the number of shares held by participants in each pool.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2014, were as follows:

	Taxes	Accounts	Loans	Inter- govern- mental	Interest	Total
Governmental activities						
General Fund	\$ 21,380	\$ 12,547	\$ 5	\$ 2,180	\$ 340	\$ 36,452
Measure U Fund	7,925	-	-	-	86	8,011
Capital Grants Fund	-	6,610	-	11,756	-	18,366
1997 Lease Revenue Bond Fund	-	-	62,015	-	716	62,731
Other governmental funds	-	3,755	15,676	52,345	219	71,995
Internal service funds	-	285	-	-	289	574
	<u>\$ 29,305</u>	<u>\$ 23,197</u>	<u>\$ 77,696</u>	<u>\$ 66,281</u>	<u>\$ 1,650</u>	<u>\$ 198,129</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,364</u>	<u>\$ 39,248</u>	<u>\$ -</u>	<u>\$ 103,612</u>
Business-type activities						
Water Fund	\$ -	\$ 18,511	\$ 5,892	\$ 219	\$ 1,142	\$ 25,764
Wastewater Fund	-	11,182	934	74	170	12,360
Storm Drainage Fund	-	6,451	4,102	856	159	11,568
Solid Waste Fund	-	11,682	-	-	108	11,790
Community Center Fund	2,253	304	128	-	3	2,688
Other enterprise funds	-	1,015	561	56	122	1,754
	<u>\$ 2,253</u>	<u>\$ 49,145</u>	<u>\$ 11,617</u>	<u>\$ 1,205</u>	<u>\$ 1,704</u>	<u>\$ 65,924</u>
Component unit						
Sacramento Regional Arts Facilities Financing Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,940</u>

Included in the Accounts Receivable amounts above are allowances for doubtful accounts of \$2,543 in governmental activities and \$9,752 in business-type activities.

Included in the Loans Receivable amount related to Other governmental funds above is the present value of the installment payments under the golf service concession arrangement of \$7,976, reported with the associated deferred inflow in the government-wide statement of net position.

The California Music Theater is required to make payment to the SRAFFA component unit to repay the loan receivable.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS

Summary

The following is a summary of capital assets as of June 30, 2014:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated/amortized			
Land	\$ 191,636	\$ 50,314	\$ 241,950
Easements	697	157	854
Construction in progress	143,390	95,240	238,630
Total capital assets not being depreciated/amortized	335,723	145,711	481,434
Depreciable/amortizable capital assets			
Buildings and improvements	627,107	264,796	891,903
Equipment	70,018	61,765	131,783
Software	4,866	1,681	6,547
Vehicles	127,613	-	127,613
Transmission and distribution system	3,622	1,119,763	1,123,385
Roadway network	1,548,315	-	1,548,315
Streetlight network	199,719	-	199,719
Park improvements	164,473	-	164,473
Total depreciable/amortizable capital assets	2,745,733	1,448,005	4,193,738
Less accumulated depreciation/amortization for:			
Buildings and improvements	(196,780)	(130,387)	(327,167)
Equipment	(42,156)	(36,843)	(78,999)
Software	(1,016)	(446)	(1,462)
Vehicles	(74,003)	-	(74,003)
Transmission and distribution system	(670)	(362,379)	(363,049)
Roadway network	(914,215)	-	(914,215)
Street light network	(68,495)	-	(68,495)
Park improvements	(36,838)	-	(36,838)
Total accumulated depreciation/amortization	(1,334,173)	(530,055)	(1,864,228)
Depreciable/amortizable capital assets, net	1,411,560	917,950	2,329,510
Total capital assets, net	\$ 1,747,283	\$ 1,063,661	\$ 2,810,944

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Governmental Activities

Governmental capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance *	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 190,749	\$ 1,161	\$ (335)	\$ 61	\$ 191,636
Easements	697	-	-	-	697
Construction in progress	95,876	47,514	-	-	143,390
Total capital assets not being depreciated/amortized	287,322	48,675	(335)	61	335,723
Depreciable/amortizable capital assets					
Buildings and improvements	617,425	16,668	(6,986)	-	627,107
Equipment	75,998	374	(6,354)	-	70,018
Software	4,493	373	-	-	4,866
Vehicles	123,502	9,931	(5,820)	-	127,613
Transmission and distribution system	3,622	592	-	(592)	3,622
Roadway network	1,542,684	10,713	(5,082)	-	1,548,315
Streetlight network	195,930	3,789	-	-	199,719
Park improvements	154,519	9,954	-	-	164,473
Total depreciable/amortizable capital assets	2,718,173	52,394	(24,242)	(592)	2,745,733
Less accumulated depreciation/amortization for:					
Buildings and improvements	(189,931)	(13,835)	6,986	-	(196,780)
Equipment	(43,928)	(4,582)	6,354	-	(42,156)
Software	(704)	(312)	-	-	(1,016)
Vehicles	(70,181)	(9,328)	5,506	-	(74,003)
Transmission and distribution system	(622)	(48)	-	-	(670)
Roadway network	(867,539)	(51,758)	5,082	-	(914,215)
Streetlight network	(64,020)	(4,475)	-	-	(68,495)
Park improvements	(30,906)	(5,932)	-	-	(36,838)
Total accumulated depreciation/amortization	(1,267,831)	(90,270)	23,928	-	(1,334,173)
Depreciable/amortizable capital assets, net	1,450,342	(37,876)	(314)	(592)	1,411,560
Governmental activities capital assets, net	\$ 1,737,664	\$ 10,799	\$ (649)	\$ (531)	\$ 1,747,283

* The beginning balances of governmental activities capital assets have been restated, see Note 19.

Depreciation/amortization expense was charged to functions as follows:

General government	\$ 5,451
Police	2,737
Fire	1,178
Public works	56,578
Economic development	100
Convention, culture and leisure	4,488
Parks and recreation	8,767
Community development	208
Library	1,209
Capital assets held by the City's internal service funds are charged to the functions based on their usage of assets	9,554
Total governmental activities depreciation/amortization expense	\$ 90,270

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 4 – CAPITAL ASSETS (Continued)

Business-type Activities

Business-type capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance *	Increases	Decreases	Transfers In/Out	Ending Balance
Capital assets not being depreciated/amortized					
Land	\$ 50,375	\$ -	\$ -	\$ (61)	\$ 50,314
Easements	157	-	-	-	157
Construction in progress	36,020	59,220	-	-	95,240
Total capital assets not being depreciated/amortized	86,552	59,220	-	(61)	145,711
Depreciable/amortizable capital assets					
Buildings and improvements	265,031	135	(370)	-	264,796
Equipment	59,762	2,651	(648)	-	61,765
Software	1,487	194	-	-	1,681
Transmission and distribution system	1,117,471	26,335	(24,635)	592	1,119,763
Total depreciable/amortizable capital assets	1,443,751	29,315	(25,653)	592	1,448,005
Less accumulated depreciation/amortization for:					
Buildings and improvements	(124,438)	(6,319)	370	-	(130,387)
Equipment	(33,722)	(3,769)	648	-	(36,843)
Software	(324)	(122)	-	-	(446)
Transmission and distribution system	(358,122)	(28,890)	24,633	-	(362,379)
Total accumulated depreciation/amortization	(516,606)	(39,100)	25,651	-	(530,055)
Depreciable/amortizable capital assets, net	927,145	(9,785)	(2)	592	917,950
Business-type activities capital assets, net	\$ 1,013,697	\$ 49,435	\$ (2)	\$ 531	\$ 1,063,661

* The beginning balances of business-type activities capital assets have been restated, see Note 19.

Depreciation/amortization expense was charged to functions as follows:

Water	\$ 16,951
Wastewater	4,216
Storm drainage	11,497
Solid waste	1,822
Community center	2,423
Parking	2,114
Child development	77
Total business-type activities depreciation/amortization expense	\$ 39,100

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 5 – PAYABLES

Payables as of June 30, 2014, were as follows:

	<u>Vendors</u>	<u>Employees</u>	<u>Interest</u>	<u>Deposits</u>	<u>Total</u>
Governmental activities					
General Fund	\$ 10,706	\$ 13,186	\$ -	\$ 32	\$ 23,924
Measure U Fund	1,825	-	-	-	1,825
Capital Grants Fund	11,720	-	-	-	11,720
1997 Lease Revenue Bond Fund	-	-	716	539	1,255
Other governmental funds	7,830	177	2,623	2,199	12,829
Internal service funds	<u>4,537</u>	<u>335</u>	<u>7</u>	<u>33</u>	<u>4,912</u>
Total governmental activities	<u>\$ 36,618</u>	<u>\$ 13,698</u>	<u>\$ 3,346</u>	<u>\$ 2,803</u>	<u>\$ 56,465</u>
Business-type activities					
Water Fund	\$ 16,229	\$ 741	\$ 4,192	\$ 2	\$ 21,164
Wastewater Fund	9,038	260	526	-	9,824
Storm Drainage Fund	1,009	738	258	-	2,005
Solid Waste Fund	1,643	365	125	10	2,143
Community Center Fund	1,444	197	416	-	2,057
Other enterprise funds	<u>1,114</u>	<u>308</u>	<u>173</u>	<u>18</u>	<u>1,613</u>
Total business-type activities	<u>\$ 30,477</u>	<u>\$ 2,609</u>	<u>\$ 5,690</u>	<u>\$ 30</u>	<u>\$ 38,806</u>
Component unit					
Sacramento Regional Arts Facilities Financing Authority	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 6 – OPERATING LEASES

City as Lessee

The City is obligated under various operating leases for the use of land, buildings, office space, and equipment. Lease expenditures, primarily for governmental funds, for the fiscal year ended June 30, 2014, were \$627.

Sublease rental income for the fiscal year ended June 30, 2014 was \$691. The total amount of minimum rentals to be received in the future under non-cancelable subleases is \$2,790.

Future minimum lease payments required by non-cancellable lease agreements that have initial lease terms in excess of one year are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2015	\$ 599
2016	497
2017	420
2018	324
2019	319
2020-2024	974
2025-2029	974
2030-2034	923
2035-2039	338
2040-2044	200
2045-2049	200
2050-2054	199
2055-2059	199
2060-2062	<u>73</u>
Total future minimum lease payments	<u>\$ 6,239</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES

Activity

The following is a summary of changes in long-term liabilities. Certain long-term liabilities provide financing to both governmental and business-type activities.

GOVERNMENTAL ACTIVITIES:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 11,601	\$ -	\$ (1,198)	\$ 10,403	\$ 1,262
1993 Refunded Revenue Bonds, Series B	19,473	-	(2,022)	17,451	2,125
1996 Lighting and Landscaping Bonds	2,090	-	(480)	1,610	510
1997 Lease Revenue Bonds	64,005	-	(1,990)	62,015	2,225
1999 CFD No. 2 Revenue Bonds, Series A	2,005	-	(125)	1,880	130
2002 Capital Improvement Revenue Bonds	7,720	-	(5,310)	2,410	1,135
2003 Capital Improvement Revenue Bonds	22,820	-	(5,510)	17,310	1,915
2005 Refunding Revenue Bonds	58,534	-	(1,294)	57,240	5,754
2006 Capital Improvement Revenue Bonds, Ser. A	79,630	-	(3,095)	76,535	3,220
2006 Capital Improvement Revenue Bonds, Ser. B	50,230	-	(1,000)	49,230	1,060
2006 Capital Improvement Revenue Bonds, Ser. C	25,605	-	-	25,605	-
2006 Capital Improvement Revenue Bonds, Ser. D	2,430	-	(620)	1,810	650
2006 Capital Improvement Revenue Bonds, Ser. E	80,803	-	-	80,803	-
Subtotal, revenue and other bonds	<u>426,946</u>	<u>-</u>	<u>(22,644)</u>	<u>404,302</u>	<u>19,986</u>
Notes Payable:					
1997 State Department of Boating & Waterways	530	-	(79)	451	82
1985 Marina Phase I	1,625	-	(42)	1,583	44
1985 Marina Phase II	2,481	-	(56)	2,425	58
1985 Marina Phase III	771	-	(115)	656	120
1985 Marina Phase IV	527	-	(66)	461	69
2008 Sacramento Marina South Basin	10,477	-	-	10,477	368
Subtotal, notes payable	<u>\$ 16,411</u>	<u>\$ -</u>	<u>\$ (358)</u>	<u>\$ 16,053</u>	<u>\$ 741</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

GOVERNMENTAL ACTIVITIES (Continued):	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Obligations:					
JP Morgan Fleet Financing	\$ 2,544	\$ -	\$ (554)	\$ 1,990	\$ 560
JP Morgan Capital Lease Refinance	3,340	-	(1,278)	2,062	805
Fire trucks and equipment #3	3,388	-	(423)	2,965	442
Liquid nitrate gas (LNG) - refueling trailer	174	-	(23)	151	24
Parking meters system with AutoVu	-	5,998	(583)	5,415	1,177
Bank of America - Marina South Basin	1,073	-	(94)	979	98
Subtotal, capital lease obligations	<u>10,519</u>	<u>5,998</u>	<u>(2,955)</u>	<u>13,562</u>	<u>3,106</u>
Plus deferred amounts:					
For issuance discounts	(143)	-	8	(135)	(8)
For issuance premiums	16,267	-	(957)	15,310	957
For gain on refunding	18	-	(18)	-	-
Subtotal deferred amounts	<u>16,142</u>	<u>-</u>	<u>(967)</u>	<u>15,175</u>	<u>949</u>
Subtotal, debt governmental activities	<u>470,018</u>	<u>5,998</u>	<u>(26,924)</u>	<u>449,092</u>	<u>24,782</u>
Other Long-term Liabilities:					
Accrued claims and judgements	62,706	15,615	(12,212)	66,109	17,092
Compensated absences	32,466	31,462	(31,963)	31,965	1,837
OPEB liability	112,258	34,509	(15,643)	131,124	-
Pollution remediation obligations	603	-	(71)	532	69
Derivative instrument - interest rate swap	10,426	-	(2,209)	8,217	-
Financing plan fee credits:					
North Natomas	36,438	-	(178)	36,260	198
Jacinto Creek	899	-	-	899	-
Park Development	3,713	53	(251)	3,515	166
Subtotal, other long-term liabilities	<u>259,509</u>	<u>81,639</u>	<u>(62,527)</u>	<u>278,621</u>	<u>19,362</u>
Total governmental activities	<u>\$ 729,527</u>	<u>\$ 87,637</u>	<u>\$ (89,451)</u>	<u>\$ 727,713</u>	<u>\$ 44,144</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

BUSINESS-TYPE ACTIVITIES:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue and other bonds:					
1993 Refunded Revenue Bonds, Series A	\$ 47,901	\$ -	\$ (4,947)	\$ 42,954	\$ 5,213
1993 Refunded Revenue Bonds, Series B	21,267	-	(2,208)	19,059	2,320
2005 Refunding Revenue Bonds	97,410	-	(6,681)	90,729	7,016
2006 Capital Improvement Revenue Bonds, Ser. E	92,277	-	-	92,277	-
Water Revenue Bonds, Series 2013	215,195	-	-	215,195	3,540
Wastewater Revenue Bonds, Series 2013	30,855	-	-	30,855	-
Subtotal, revenue and other bonds	<u>504,905</u>	<u>-</u>	<u>(13,836)</u>	<u>491,069</u>	<u>18,089</u>
Notes Payable:					
State Water Resources Control Board	767	-	(146)	621	149
State Water Resources Control Board	17,189	-	(1,990)	15,199	2,033
State Water Resources Control Board	2,164	-	(286)	1,878	293
State Water Resources Control Board	2,837	-	(323)	2,514	332
State Water Resources Control Board	1,180	-	(134)	1,046	138
California Department of Education	40	-	(20)	20	20
California Department of Public Health	9,806	-	(396)	9,410	406
California Infrastructure and Economic Development Bank (I-Bank)	2,672	-	(72)	2,600	74
Subtotal, notes payable	<u>36,655</u>	<u>-</u>	<u>(3,367)</u>	<u>33,288</u>	<u>3,445</u>
Capital Lease Obligations:					
Recycle Containers #5	979	-	(646)	333	332
Refuse Trucks - Schedule 16	4,083	-	(974)	3,109	1,005
Sewer Cleaning Trucks - Schedule 17	575	-	(137)	438	545
JP Morgan Capital Lease Refinance	2,756	-	(538)	2,218	141
Subtotal, capital lease obligations	<u>8,393</u>	<u>-</u>	<u>(2,295)</u>	<u>6,098</u>	<u>2,023</u>
Less deferred amounts:					
For issuance discounts	(425)	-	60	(365)	(60)
For issuance premiums	51,632	-	(2,219)	49,413	2,219
Subtotal, deferred amounts	<u>51,207</u>	<u>-</u>	<u>(2,159)</u>	<u>49,048</u>	<u>2,159</u>
Subtotal, debt, business type activities	<u>601,160</u>	<u>-</u>	<u>(21,657)</u>	<u>579,503</u>	<u>25,716</u>
Other Long-term Liabilities:					
Compensated absences	6,951	6,180	(6,289)	6,842	358
OPEB liability	19,481	5,422	(1,830)	23,073	-
Accrued claims and judgments	357	1,242	-	1,599	1,599
Water fee credits	1,702	-	-	1,702	-
Liability for landfill closure	20,406	-	(19,229)	1,177	85
Subtotal, other long-term liabilities	<u>48,897</u>	<u>12,844</u>	<u>(27,348)</u>	<u>34,393</u>	<u>2,042</u>
Total business-type activities	<u>\$ 650,057</u>	<u>\$ 12,844</u>	<u>\$ (49,005)</u>	<u>\$ 613,896</u>	<u>\$ 27,758</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Activity (Continued)

COMPONENT UNIT:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of Participation Sacramento Regional Arts Facilities, 2002 Series COPS	\$ 13,335	\$ -	\$ (425)	\$ 12,910	\$ 440
Less deferred amounts: For issuance discounts	(99)	-	5	(94)	(5)
Total component unit	13,236	-	(420)	12,816	435
Total long-term liabilities	\$ 1,392,820	\$ 100,481	\$ (138,876)	\$ 1,354,425	\$ 72,337

FY14 beginning balance of net loss on refunding of debt in the amount of \$20,891 was reclassified to deferred outflows of resources in accordance with GASB 65.

The following is a list of long-term debt issues outstanding at June 30, 2014, including the amount of original debt issuance, a description of the debt issue, and disclosure of pledged revenue.

Revenue and Other Bonds

Issued Amount

- \$130,425 1993 Refunded Revenue Bonds, Series A
Authorized and issued September 1993, due in annual installments of \$2,186 to \$8,875 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1986 Public Facilities Certificates of Participation and a portion of the 1991 Marks-Roos Revenue Bonds.
- \$95,480 1993 Refunded Revenue Bonds, Series B
Authorized and issued September 1993, due in annual installments of \$1,634 to \$6,070 through November 2020, bearing interest rates of 4.5% to 5.13%, for the purpose of refunding the 1989 Public Facilities Certificates of Participation.
- \$7,290 1996 Lighting and Landscaping Bonds
Authorized and issued October 1996, due in annual installments of \$235 to \$565 through fiscal year 2017, bearing interest rates of 4.5% to 5.5%, for the purpose of financing park and lighting maintenance and capital improvements. The debt service on the bonds is payable from special assessments to be levied and collected from property owners. The City pledged future Citywide lighting and landscaping special assessment revenues to repay the bonds. The bonds are payable solely from special assessment revenue through September 2016. Total principal and interest remaining to be paid on the bonds is \$1,746. Current year principal and interest paid was \$582 and special assessment revenue in the Citywide Lighting and Landscaping District was \$14,921.
- \$73,725 1997 Lease Revenue Bonds
Authorized and issued July 1997, due in annual installments of \$1,060 to \$2,665 through July 2017, at which time there will be a mandatory remarketing. The bonds were issued to finance the acquisition and lease back of a sports and entertainment arena. The bonds were issued as variable rate bonds for which a ten-year interest rate hedge was purchased to mitigate risk of interest rate fluctuations to a fixed rate of 5.607%. The debt service on the bonds is paid from lease revenue from the arena owner. The City pledged future lease revenues to repay the bonds. The bonds are payable solely from lease revenue through July 2027. Total remaining principal and interest of \$90,513 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$5,485 and lease revenue was \$5,485.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

Issued Amount

- | | |
|-----------|---|
| \$2,910 | 1999 Community Facilities District No. 2 Revenue Bonds, Series A
Authorized and issued January 1999, due in annual installments of \$35 to \$255 through September 2023, bearing interest rates of 4.8% to 6.25%, for the purpose of financing capital improvements of the North Natomas CFD of benefit to City property. |
| \$160,475 | 2002 Capital Improvement Revenue Bonds
Authorized and issued July 2, 2002, for the purpose of financing certain capital projects within the City of Sacramento and to make a loan to the Redevelopment Agency of Sacramento for certain redevelopment projects within the City of Sacramento. In July 2005, \$32,935 of the bonds were defeased through the issuance of the 2005 Refunding Revenue bonds, and in December 2006, \$51,285 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance is due in annual installments of \$250 to \$5,310 through December 2017, bearing interest rates of 4% to 5.38%. |
| \$68,470 | 2003 Capital Improvement Revenue Bonds
Authorized and issued September 30, 2003, with the net proceeds of \$67,841 utilized for financing construction of the 911 Call Center and certain other capital projects within the City of Sacramento. In December 2006, \$35,805 of the bonds were defeased through the issuance of the 2006 Series E Refunding Revenue bonds. The balance was due in annual installments of \$150 to \$3,360 through December 2033, bearing interest rates of 2.25% to 5%. |
| \$167,860 | 2005 Refunding Revenue Bonds
Authorized and issued July 12, 2005, due in annual installments of \$360 to \$15,315 through December 1, 2029, bearing interest rates of 4% to 5%. Net proceeds of \$187,563 were utilized for the purpose of establishing an irrevocable escrow to refund \$173,440 principal amount of the outstanding 2000 Capital Improvement Revenue Bonds and a portion of the outstanding 1999, 2001 and 2002 Capital Improvement Revenue Bonds. As a result, the refunded bonds are considered defeased and the liabilities have been removed from the governmental and business-type activities columns of the statement of net position. |
| \$95,900 | 2006 Capital Improvement Revenue Bonds Series A (Tax Exempt)
Authorized and issued June 15, 2006, due in annual installments of \$2,060 to \$5,070 through December 1, 2036, bearing interest rates of 3.75% to 5%. Net proceeds of \$89,808 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including the expansion of the Crocker Art Museum, the new Valley Hi–North Laguna Library and other capital projects within the City of Sacramento. |
| \$55,235 | 2006 Capital Improvement Revenue Bonds Series B (Taxable)
Authorized and issued June 15, 2006, due in annual installments of \$720 to \$3,760 through December 1, 2036, bearing interest rates of 5.4% to 5.8%. Net proceeds of \$50,692 are being utilized for the purpose of financing certain public capital improvements and redevelopment projects including an arts rehearsal building, Pocket Area Library and other capital projects within the City of Sacramento. |
| \$28,825 | 2006 Capital Improvement Revenue Bonds Series C (Tax Exempt)
Authorized and issued December 12, 2006, due in annual installments of \$245 to \$1,955 through December 1, 2036, bearing interest rates of 4% to 5%. Net proceeds of \$30,500 were utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento. |

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Revenue and Other Bonds (Continued)

Issued Amount

- \$2,430 2006 Capital Improvement Revenue Bonds Series D (Tax Exempt)
Authorized and issued December 12, 2006, due in annual installments of \$475 to \$685 through December 1, 2016, bearing an interest rate of 5.16%. Net proceeds of \$2,400 were utilized for the purpose of financing the acquisition and improvements of the 300 Richards Boulevard land and building in the City of Sacramento.
- \$186,950 2006 Capital Improvement Revenue Bonds Series E (Refunding)
Authorized and issued December 12, 2006, due in annual installments of \$402 to \$8,570 through December 1, 2033, bearing interest rates of 4% to 5.25%. Net proceeds of \$216,661 plus cash of \$13,441 have been utilized for the purpose of establishing an irrevocable escrow to defease \$218,000 principal amount of the outstanding 2001 Capital Improvement Revenue Bonds and a portion of the outstanding 2002 and 2003 Capital Improvement Revenue Bonds, and the associated liabilities have been removed from the governmental and business-type activities columns of the statement of net position.
- \$215,195 Water Revenue Bonds, Series 2013
Authorized and issued March 2013, due in annual installments of \$9,731 to \$14,018 through fiscal year 2043, bearing interest rates of 1% to 5%, for the purpose of financing the costs of improvements to the City's municipal water system. The debt service on the bonds is secured by the pledge of, and payable solely from, the Trust Estate, which consist primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$406,453 as of June 30, 2014. Current year principal and interest paid was \$9,731 and Water Fund system revenue was \$94,070.
- \$30,855 Wastewater Revenue Bonds, Series 2013
Authorized and issued June 2013, due in annual installments of \$951 to \$1,958 through fiscal year 2043, bearing interest rates of 3% to 5%, for the purpose of financing the costs of improvements to the City's wastewater system. The debt service on the bonds is secured by a pledge of, and payable solely from, the Trust Estate, which consists primarily of all system net revenues and trustee accounts held under the indenture. Total principal and interest remaining to be paid on the bonds is \$56,156 as of June 30, 2014. Current year principal and interest paid was \$951 and Wastewater Fund system revenue was \$27,544.

Certificates of Participation

- \$16,580 Sacramento Regional Arts Facilities 2002 Series Certificates of Participation (COPs)
Authorized and issued in August 2002, due in annual principal and interest installments of \$754 to \$1,063 through September 2032, bearing interest rates of 2% to 5%. Net proceeds of \$16,428 were utilized for the purpose of financing and refinancing the acquisition, renovation and construction of the H Street Theatre facilities. The City pledged future lease revenues to repay the COPs. The COPs are payable solely from lease revenue through September 2032. Total remaining principal and interest of \$19,834 will be paid using 100% of future lease revenue. Current year principal and interest paid was \$1,052 and lease payments received were \$1,052.

Notes Payable

- \$2,220 1985 Sacramento Marina Note Payable, Phase I
Authorized July 1985, issued November 1985, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$20 to \$82 through August 2030, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$3,229 1985 Sacramento Marina Note Payable, Phase II
Authorized July 1985, issued September 1987, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$27 to \$150 through August 2037, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,829 1985 Sacramento Marina Note Payable, Phase III
Authorized July 1985, issued March 1988, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$50 to \$120 through August 2018, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$1,117 1985 Sacramento Marina Note Payable, Phase IV
Authorized July 1985, issued February 1989, refinanced August 1998, to the California Department of Boating and Waterways, due in annual installments of \$29 to \$73 through August 2019, bearing an interest rate of 4.5%, for the purpose of financing the expansion of the Sacramento Marina.
- \$10,477 2008 Sacramento Marina Note Payable, South Basin
Authorized February 2005, the City has made loan draws of \$9,000 plus accrued interest of \$1,477 through June 30, 2013, from the California Department of Boating and Waterways, for the purpose of constructing the South Basin Improvements at the Sacramento Marina. Principal and interest is due in 30 annual installments of \$204 to \$662, through August 2041, bearing an interest rate of 4.603%. The City made a partial payment on its scheduled debt service in August 2012, and no payment for the year ended June 30, 2014. As a result of the missed payment, DB&W and the City are working together to restructure the loan.
- \$1,380 1997 State Department of Boating and Waterways Note Payable
Authorized January 1997, issued May 1999, due in annual installments of \$89 to \$98 through 2018, for the purpose of financing a visitor dock at Old Sacramento.
- \$2,619 State Water Resources Control Board Note Payable
Authorized July 1998, issued September 1998, due in annual installments of \$166 through March 2018, bearing an interest rate of 2.6% for the purpose of financing the City's reservoir rehabilitation project. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through March 2018. Total principal and interest remaining to be paid on the note is \$663. Current year principal and interest paid was \$166 and wastewater and storm drain fee revenue was \$63,433.
- \$37,016 State Water Resources Control Board Note Payable
Authorized March 1999, issued beginning July 1999, due in annual installments of \$2,373 through November 2020, bearing an interest rate of 2.2%, for the purpose of financing various wastewater projects. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through November 2020. Total principal and interest remaining to be paid on the note is \$16,570. Current year principal and interest paid was \$2,367 and wastewater and storm drain fee revenue was \$63,433.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Notes Payable (Continued)

Issued Amount

- \$5,177 State Water Resources Control Board Note Payable
Authorized March 2001, issued July 2001, due in annual installments of \$342 through September 2019, bearing an interest rate of 2.6%, for the purpose of financing the construction of underground storage and pumping facilities. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through September 2019. Total principal and interest remaining to be paid on the note is \$2,052. Current year principal and interest paid was \$342 and wastewater and storm drain fee revenue was \$63,433.
- \$2,603 State Water Resources Control Board Note Payable
Authorized June 2001, issued beginning May 2002, due in annual installments of \$149 through May 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. In fiscal year 2003 there was an additional draw of \$250. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through May 2021. Total principal and interest remaining to be paid on the note is \$1,155. Current year principal and interest paid was \$165 and wastewater and storm drain fee revenue was \$63,433.
- \$5,672 State Water Resources Control Board Note Payable
Authorized February 2002, issued beginning February 2002, due in annual installments of \$397 through February 2021, bearing an interest rate of 2.6%, for the purpose of financing the replacement of sewer lines. The City pledged future wastewater and storm drainage fee revenue to repay the note. The note is payable solely from the wastewater and storm drainage fee revenue through February 2021. Total principal and interest remaining to be paid on the note is \$2,780. Current year principal and interest paid was \$397 and wastewater and storm drain fee revenue was \$63,433.
- \$400 California Department of Education Note Payable
To finance the construction of temporary classrooms at Two Rivers School and Sequoia School with maturities of \$20 per year through 2015. The note bears no interest.
- \$10,000 California Department of Public Health
Authorized September 2009 for the installation of approximately 13,000 water meters. The note, with a 2.5% interest rate, will be repaid over 20 years with annual principal and interest payments of approximately \$639. The City pledged future water enterprise fund revenue to repay the note. The note is payable solely from water enterprise fund revenue through 2033.
- \$2,975 California Infrastructure and Economic Development Bank (I-Bank)
Authorized in December 2007, due in annual principal and interest installments from \$187 to \$196 through August 2032, bearing an interest rate of 3.17%, for the purpose of financing the purchase and construction of the Basin 31 Detention Basin. The City pledged future storm drainage fee revenue to repay the note. The note is payable solely from the storm drainage fee revenue through August 2032. Total principal and interest remaining to be paid on the note is \$3,820. Current year principal and interest paid was \$163 and storm drainage fee revenue was \$35,889.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Capital Lease Obligations

The City has entered into several long-term leases to finance the acquisition of building improvements and equipment. The leases qualify as capital leases for accounting purposes as defined under the GASB Statement No. 62 and have been recorded at the present value of the future minimum lease payments. As of June 30, 2014, future minimum lease payments to be made by the City's General, Solid Waste, Wastewater and Marina Funds are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-Type Activities	Total
2015	\$ 3,388	\$ 2,156	\$ 5,544
2016	3,388	1,817	5,205
2017	3,006	1,818	4,824
2018	2,271	570	2,841
2019	1,358	-	1,358
2020-2024	1,072	-	1,072
Total minimum lease payments	14,483	6,361	20,844
Less amounts representing interest	(921)	(263)	(1,184)
Net present value of minimum lease payments	\$ 13,562	\$ 6,098	\$ 19,660

The following is a schedule of property under capital leases by major classes at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Buildings and improvements	\$ 1,523	\$ -	\$ 1,523
Equipment	18,859	13,386	32,245
Less: accumulated depreciation	(5,797)	(6,615)	(12,412)
Total	\$ 14,585	\$ 6,771	\$ 21,356

Other Long-term Liabilities

Accrued claims and judgments – Estimated liabilities of the City's workers' compensation, auto, and general liability self-insurance programs administered through the Risk Management Internal Service Fund. The first year of salary continuation in the City's workers compensation program is accrued and paid by the City's General Fund, enterprise funds, and internal service funds.

Compensated absences – Estimated amounts due to employees for earned, but unused, compensated absence accounts, including leave balances for vacation, sick, holiday and compensated time off. Compensated absences are generally liquidated by the City's General Fund, enterprise funds, and internal service funds.

OPEB liability (other post-employment benefits) – Actuarially determined obligation for retiree medical benefits. The City established its OPEB liability at zero as of June 30, 2007. This liability reflects six years of contributing less than the annual required contribution. OPEB liabilities are generally liquidated by the City's General Fund, internal service funds and enterprise funds. See note 9 for more information.

Pollution remediation obligations – Estimated liabilities to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities.

Derivative instrument - interest rate swap – Amount represents the fair value of the interest rate swap associated with the 1997 Lease Revenue bonds. See additional disclosures regarding interest rate swap below.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Other Long-term Liabilities (Continued)

Financing plan fee credits – Issued to developers as consideration for infrastructure and other capital improvements constructed on behalf of the City within the scope of the North Natomas, Jacinto Creek and other development impact fee programs. Credits are redeemable from or against future impact fees assessed within the geographic boundaries of the finance plan.

Water fee credits – Issued to developers as consideration for infrastructure constructed on behalf of the City. Credits are redeemable from or against future water development impact fees.

Liability for landfill closure – Estimated post-closure maintenance and monitoring costs for the closed landfill sites.

Future Debt Service Requirements

The following tables disclose the annual debt service requirements for the City and the Sacramento Regional Arts Facilities Financing Authority component unit long-term debt outstanding as of June 30, 2014.

Annual debt service requirements of governmental activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 19,986	\$ 20,546	\$ 741	\$ 725
2016	21,221	19,574	586	700
2017	22,379	18,421	611	674
2018	21,629	17,309	640	645
2019	19,110	16,292	668	616
2020 - 2024	89,993	67,065	2,068	2,742
2025 - 2029	98,578	42,093	2,478	2,243
2030 - 2034	80,669	18,553	3,099	1,622
2035 - 2039	30,737	2,519	3,346	862
2040 2044	-	-	1,816	170
Subtotals	404,302	222,372	16,053	10,999
Less: Issuance discounts	(135)	-	-	-
Plus: Issuance premiums	15,310	-	-	-
Totals	\$ 419,477	\$ 222,372	\$ 16,053	\$ 10,999

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Future Debt Service Requirements (Continued)

Annual debt service requirements for business-type activities to maturity are as follows:

Fiscal Year Ending June 30,	Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 18,089	\$ 24,070	\$ 3,445	\$ 814
2016	19,504	23,190	3,506	733
2017	20,456	22,217	3,589	649
2018	21,494	21,155	3,673	564
2019	22,547	20,076	3,595	477
2020 - 2024	94,217	84,284	8,872	1,325
2025 - 2029	90,292	62,891	3,273	716
2030 - 2034	88,581	38,845	2,756	268
2035 - 2039	57,985	21,868	579	42
2040 - 2044	57,904	5,971	-	-
Subtotals	491,069	324,567	33,288	5,588
Less: Issuance discounts	(365)	-	-	-
Plus: Issuance premiums	49,413	-	-	-
Totals	\$ 540,117	\$ 324,567	\$ 33,288	\$ 5,588

Annual debt service requirements of component unit activities to maturity are as follows:

Fiscal Year Ending June 30,	Certificates of Participation	
	Principal	Interest
2015	\$ 440	\$ 610
2016	460	591
2017	480	572
2018	500	551
2019	520	529
2020 - 2024	2,975	2,255
2025 - 2029	3,780	1,429
2030 - 2034	3,755	387
Subtotals	12,910	6,924
Less: Issuance discounts	(94)	-
Totals	\$ 12,816	\$ 6,924

Derivative Instrument - Interest Rate Swap

Objective of the interest rate swap. The Sacramento City Financing Authority (the "Authority") entered into an interest-rate swap in 2007 in connection with remarketing of its 1997 Lease Revenue Bonds (Arco Arena Acquisition) variable-rate bonds (the "Bonds"). In effect, the swap changed the Bonds variable rate to a synthetic fixed rate of 5.607% through the end of the swap agreement's term, thereby hedging the Authority's interest-rate risk and lowering the Authority's borrowing cost compared to the cost of issuing traditional fixed-rate bonds. As of June 30, 2014, the amount of outstanding Bonds was \$62,015. The interest and principal payments on the Bonds are insured.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Derivative Instrument - Interest Rate Swap (Continued)

Terms. The Bonds mature on July 15, 2027; are subject to remarketing on July 19, 2017; and carry an interest rate equal to 3-month London Interbank Offered Rate (“LIBOR”) plus 0.25% (total rate not to exceed 14%), payable quarterly, until July 19, 2017. The swap was entered at the same time the Bonds were remarketed in July 2007. The swap agreement terminates on July 19, 2017, and has a notional amount as of June 30, 2014, of \$62,015. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2017. Under the swap, the Authority pays the swap provider a fixed interest payment of 5.607% and receives a variable-interest payment of LIBOR plus 0.25% (total rate not to exceed 14%). As of June 30, 2014, the 3-month LIBOR rate in effect was 0.23%. The Authority’s payments to the swap provider are insured.

Fair value. As of June 30, 2014, the swap had a negative value to the Authority of \$8,217, which reflects the decline in interest rates since 2007. (Because the interest rates on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding value increase.) The swap’s value was estimated using the zero-coupon method, which calculates the future net-settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot-interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Provider credit risk. The value of the swap to the Authority depends on the “provider credit risk,” which is the swap provider’s ability to meet its payment obligations under the swap. Often this risk is addressed by requiring the swap provider to enter into a “collateral agreement” if its credit rating falls below specified levels. Such an agreement provides for the collateralization of the swap provider’s obligations under the swap, as measured by the estimated “settlement amount” if the swap is terminated. But when the Authority entered into this swap, the swap provider, Goldman Sachs Capital Markets, L.P., was not rated by credit rating agencies, so a rated affiliate of the swap provider, The Goldman Sachs Group, Inc., provided credit support. Goldman Sachs Capital Markets, L.P. was subsequently replaced by a rated swap provider, Goldman Sachs Bank USA. The swap agreement requires the swap provider to enter into a collateral agreement if the credit support provider is rated A3 or lower by Moody’s Investor Service or A- or lower by Standard & Poor’s. As of June 30, 2014, the swap provider was rated A2 by Moody’s Investors Services and A by Standard & Poor’s, the credit support provider was rated Baa1 by Moody’s Investors Service and A- by Standard & Poor’s, and the swap provider and the Authority had not entered into a collateral agreement. As of June 30, 2014, the swap was a liability to the Authority in the amount of \$8,217 and an asset in the same amount to the swap provider. Therefore, swap provider had not entered into a collateral agreement.

Basis risk. The swap agreement provides that the payment received by the Authority must be at LIBOR plus 0.25% (total rate not to exceed 14%), which is identical to the interest rate on the Bonds. This mitigates the Authority’s exposure to basis risk.

Termination risk. Under certain circumstances, either the swap provider or the Authority may terminate the swap. If the swap is terminated, then the Authority would no longer pay a synthetic fixed-interest rate on the Bonds but would instead pay the variable rate. And if, at the time of termination, the swap has a negative value, then the Authority would be liable to the swap provider for a payment equal to the swap’s value.

Rollover Risk. The Authority is exposed to rollover risk on the swap because the maturity date of the swap agreement is July 2017 whereas the Bonds mature in July 2027.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Derivative Instrument - Interest Rate Swap (Continued)

Swap payments and associated debt. Using rates in effect on June 30, 2014 (LIBOR 0.23% plus 0.25%), the debt-service requirements of the Bonds and the net swap payments, assuming interest rates remain the same through the July 2017 termination date of the swap and tender date on the Bonds, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	\$ 2,225	\$ 292	\$ 3,082	\$ 5,599
2016	2,475	286	3,007	5,768
2017	2,665	268	2,825	5,758
2018	54,650	66	700	55,416
TOTAL	\$ 62,015	\$ 912	\$ 9,614	\$ 72,541

The interest rates on the Bonds will vary after July 2017, when the swap terminates and the Bonds must be remarketed.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. During the current year, the City performed calculations of excess investment earnings on various bonds and determined the liability to be zero at June 30, 2014.

Special Assessment Debt

Total matured and unmatured bonds outstanding related to special assessment and special tax districts are \$151,085 at June 30, 2014. The City acts as an agent for the property owners in collecting special assessments, forwarding the collections to bondholders and initiating foreclosure proceedings, when appropriate. The City is not liable for repayment of the special district bonds, and accordingly, they are not reflected in the accompanying basic financial statements. Cash held on deposit and corresponding amounts payable for the districts are reported in the Assessment Districts and Community Facilities Districts Agency Funds.

Conduit Debt

Outstanding obligations related to special facility and redevelopment agency revenue bonds total \$260,840 at June 30, 2014. Special facility revenue bonds were issued to provide administrative and service facilities for four non-profit organizations and for offices leased to the State of California Department of General Services (State). The bonds issued are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received from loan or lease agreements between the City and the non-profit organizations or the State. The redevelopment agency bonds were issued by the Sacramento City Financing Authority to finance redevelopment activities and to refund certain other obligations of the redevelopment agency. The City is not liable for repayment of these bonds, and accordingly, they are not reflected in the accompanying basic financial statements.

City of Sacramento
Notes to the Financial Statements
 For the Fiscal Year Ended June 30, 2014
 (dollar amounts expressed in thousands)

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Defined Benefit Plan Descriptions

The City of Sacramento provides defined benefit retirement benefits through the California Public Employees' Retirement System (CalPERS) and the Sacramento City Employees' Retirement System (SCERS). CalPERS is an agent multiple-employer public employee defined benefit pension plan. SCERS is a single-employer defined benefit pension plan.

CalPERS

All full-time and certain part-time City employees hired after January 28, 1977 and City safety employees, regardless of date of hire, are eligible to participate in CalPERS. CalPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office at 400 Q Street, Sacramento, CA 95814. A separate report for the City's plan within CalPERS is not available.

SCERS

All full-time, non-safety employees hired before January 29, 1977, are eligible to participate in SCERS. SCERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

The City reports SCERS as a pension trust fund. SCERS issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing the City of Sacramento Department of Finance, 915 I Street, 4th Floor, Sacramento, CA 95814. The following is a summary of significant accounting policies:

Basis of Accounting – SCERS' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments – Investments are reported at fair value, except mortgage loans which are recorded at amortized cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Net Position – The Pension Trust Fund's net position is determined on the same basis used by pension plan.

Funding Policy

Participants are required to contribute a percentage of their annual covered salary, as follows:

CalPERS - Miscellaneous	6.75 – 7%
CalPERS - Safety	9 – 12
SCERS - (varies with entry age)	3 – 10

The City makes the following participant contributions on their behalf and for their account (percent of annual covered payroll):

CalPERS - Certain miscellaneous employees	3%
CalPERS - Safety	9

The City is required to contribute at actuarially determined rates. Rates for the fiscal year ended June 30, 2014 were as follows (percent of annual covered payroll):

CalPERS - Miscellaneous	14.163%
CalPERS - Safety	29.457
SCERS	423.4

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Annual Pension Cost

CalPERS

For the fiscal year ended June 30, 2014, the City's annual CalPERS pension cost of \$49,861 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation, using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.30% to 14.20%. Both (a) and (b) included an inflation component of 2.75% and an annual production growth of .25%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. Unfunded actuarial accrued liabilities and excess assets as of June 30, 2011 are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into CalPERS. The remaining amortization period at June 30, 2011 was 31 years for the safety employees' plan and 28 years for the miscellaneous employees' plan. Subsequent plan amendments are amortized as a level percentage of projected payrolls over a closed 20-year period. Annual gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year.

SCERS

For the fiscal year ended June 30, 2014, the City's annual SCERS pension cost of \$9,649 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 6.50% investment rate of return (net of administrative expenses), (b) 3% projected annual salary increases, (c) an inflation component of 3%, and (d) 3.25% per year social security wage base adjustments. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Unfunded liabilities are being amortized over a 14 year rolling period, as a level dollar amount of projected payrolls.

Three-Year Trend Information

CalPERS – Miscellaneous

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$18.8	100%	\$ -
June 30, 2013	20.1	100	-
June 30, 2014	22.0	100	-

CalPERS – Safety

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$29.7	100%	\$ -
June 30, 2013	27.6	100	-
June 30, 2014	27.8	100	-

SCERS

Fiscal Year	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$10.4	100%	\$ -
June 30, 2013	10.6	100	-
June 30, 2014	9.6	100	-

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 8 – EMPLOYEE RETIREMENT PLANS (Continued)

Funded Status

The funded status of the plans as of the most recent actuarial valuation dates is as follows (dollars in millions):

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	(Overfunded) Unfunded AAL (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	(Overfunded) Unfunded AAL as a % of Covered Payroll {(b) - (a)}/(c)
<u>CalPERS - Miscellaneous</u>						
6/30/13	\$ 677	\$ 914	\$ 237	74%	\$ 151	157%
<u>CalPERS - Safety</u>						
6/30/13	992	1,371	379	72%	108	364%
<u>SCERS</u>						
6/30/14	313	373	60	84%	2	2,643%

The actuarial assumptions used by CalPERS to determine the annual required contributions for the fiscal year ended June 30, 2014 are the same as the prior year. The assumptions for the SCERS plan are the same as those used to determine the annual required contributions for the fiscal year ended June 30, 2014.

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets. This direct rate smoothing method is equivalent to a method using a 5 year asset smoothing period with no actuarial value of asset corridor and a 25 year amortization period for gains and losses. The change in asset value will also be amortized over 30 years with a 5-year ramp-up/ramp/down.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of the assets are increasing or decreasing over time relative to AALs for benefits.

Defined Contribution Plan

The City also provides defined contribution retirement benefits through the City of Sacramento 401(a) Money Purchase Plan (the Plan). The Plan is administered by the International City Management Association Retirement Corporation. Plan provisions and contribution requirements are established and may be amended by City Council. Unrepresented exempt and certain represented employees may elect to participate. Participating employees of the aforementioned groups are required to contribute 5% and 2%, and the City contributes 4% and 2%, respectively, of covered salary. For the year ended June 30, 2014, employees contributed \$2,732 and the City contributed \$2,354 to the Plan.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS

Plan Description

The City provides contributions for post-employment medical, dental and vision benefits to employees who retire directly from the City and their dependents through a single-employer defined benefit OPEB plan (the plan). Participants have the choice of enrolling in one of several health plans, one of two dental plans and one vision plan. To be eligible for the City paid benefits, the employee must retire with a minimum of ten full years of active service and be 55 or 50 years of age for miscellaneous and safety employees, respectively. Participants with a minimum of twenty years of service are eligible for 100% of the maximum benefit. Participants with more than fifteen years but less than twenty years of service are eligible for 75% of the maximum benefit. Participants with more than ten years but less than fifteen years of service are eligible for 50% of the maximum benefit. The post-retirement health care and dental care employer contributions range from \$0 and \$780 per month per participant, which covers between 0% and 100% of the benefit cost, depending on the choice of plan and number of dependents. The post employment health, dental and vision care contributions are defined by labor agreements and resolutions approved by the City Council. The City does not issue a separate stand-alone financial report for its OPEB plan.

Funding Policy

The City is currently funding the OPEB plan on a pay-as-you-go basis. However, the City Council authorized the City Manager to establish an OPEB trust fund with CalPERS. As of June 30, 2014, the City had deposited \$4,000 to the trust fund from the General Fund. Additional deposits may be made in the future.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The current ARC rate is 16.3 percent of annual covered payroll. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and the changes in the City's net OPEB obligation.

Annual required contribution (ARC)	\$	43,974
Interest on beginning OPEB liability		5,928
Adjustment to the ARC		(9,971)
Annual OPEB cost		<u>39,931</u>
Contributions made		(13,473)
Trust prefunding		<u>(4,000)</u>
Increase in net OPEB obligation		22,458
Net OPEB obligation - Beginning of year		<u>131,739</u>
Net OPEB obligation - End of year	\$	<u>154,197</u>
Covered payroll (active plan members)	\$	257,498
UAAL as a percentage of covered payroll		168.4%

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 37,191	\$ 12,191	33%	\$ 105,203
6/30/2013	39,379	12,843	33	131,739
6/30/2014	39,930	17,473	43	154,197

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 9 – POST-EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS (Continued)

Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date of the plan was 0% funded. The actuarial accrued liability was \$433,695 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$433,695. The annual covered payroll was \$257,498 and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 168.4%. The Schedule of Funding Progress is presented as RSI following the notes to the financial statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into future. Examples of these estimates and assumptions include future employment trends, mortality and the health care cost trend. Amounts are determined regarding the funded status of the plan, and the annual required contribution of the employer are subject to the continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the June 30, 2013, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions utilized a 3% inflation rate, a 4.5% discount rate and a medical trend rate of 8.7% for fiscal year 2014, reduced by decrements of 0.5% each year to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2013 was 23 years.

NOTE 10 – FUND EQUITY AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the government-wide statement of net position reported restricted net position of \$186,999 in governmental activities. Of this amount, \$12,703 is restricted for enabling legislation.

The Culture and Leisure Fund, a special revenue fund, had a deficit fund balance of \$3,209 as of June 30, 2014. The Golf program within this fund had a deficit balance of \$5,950. It is anticipated that this deficit will be funded by future operating subsidies and surpluses.

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations in the Parks and Recreation special revenue funds by \$68. This overspending was funded by revenue collected in excess of budgeted amounts.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 11 – INTERFUND TRANSACTIONS

Interfund Transfers

Interfund transfers report the nonreciprocal contribution of resources from one fund to another. The following is a summary of transfers for the fiscal year ended June 30, 2014:

	<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental activities:				
General Fund	Debt service	\$ 2,117	\$ (22,329)	\$ (20,212)
General Fund	In-lieu tax transfers	27,064	-	27,064
General Fund	Program support	743	(1,089)	(346)
Capital Grants Fund	Program support	-	(11)	(11)
Other Governmental Funds	Debt service	28,566	(6,737)	21,829
Other Governmental Funds	Program support	5,094	(4,361)	733
Internal Service Funds	Debt service	414	(51)	363
Internal Service Funds	Program support	4	(322)	(318)
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	61	(592)	(531)
Total governmental activities		<u>64,063</u>	<u>(35,492)</u>	<u>28,571</u>
Business-type activities:				
Water Fund	Debt service	-	(38)	(38)
Water Fund	In-lieu tax transfers	-	(10,216)	(10,216)
Water Fund	Program support	298	(455)	(157)
Wastewater Fund	Debt service	-	(51)	(51)
Wastewater Fund	In-lieu tax transfers	-	(3,005)	(3,005)
Wastewater Fund	Program support	4	-	4
Storm Drainage Fund	Debt service	-	(83)	(83)
Storm Drainage Fund	In-lieu tax transfers	-	(3,933)	(3,933)
Storm Drainage Fund	Program support	64	-	64
Solid Waste Fund	Debt service	-	(121)	(121)
Solid Waste Fund	In-lieu tax transfers	-	(6,344)	(6,344)
Solid Waste Fund	Program support	67	-	67
Community Center Fund	In-lieu tax transfers	-	(1,532)	(1,532)
Community Center Fund	Program support	-	(36)	(36)
Other Enterprise Funds	Debt service	-	(1,688)	(1,688)
Other Enterprise Funds	In-lieu tax transfers	-	(2,034)	(2,034)
Other Enterprise Funds	Program support	1	-	1
Adjustment for transfer of capital assets between governmental activities and business-type activities	Transfer of capital assets	592	(61)	531
Total business-type activities		<u>1,026</u>	<u>(29,597)</u>	<u>(28,571)</u>
Total government-wide statements		<u>\$ 65,089</u>	<u>\$ (65,089)</u>	<u>\$ -</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 11 – INTERFUND TRANSACTIONS (Continued)

Interfund Balances

Interfund balances report lending transactions between funds. The following is a summary of interfund balances as of June 30, 2014:

	<u>Receivables</u>	<u>Payables</u>	<u>Interfund Balances</u>
Capital Grants Fund	\$ -	\$ (3,009)	\$ (3,009)
Other Governmental Funds	-	(7,241)	(7,241)
Internal Service Funds	16,690	-	16,690
Total governmental activities	<u>16,690</u>	<u>(10,250)</u>	<u>6,440</u>
Community Center Fund	-	(6,440)	(6,440)
Total business-type activities	<u>-</u>	<u>(6,440)</u>	<u>(6,440)</u>
Total	<u>\$ 16,690</u>	<u>\$ (16,690)</u>	<u>\$ -</u>

\$16,690 was loaned by the City's internal service funds to cover short-term operating deficits (approximately \$3,009) and to assist in development of community resources (approximately \$13,681).

\$3,009 was borrowed by the Capital Grants Fund for short-term loans.

\$7,241 was borrowed by the Golf Fund for development of community resources.

\$6,440 was borrowed by the Community Center Fund for development of community resources.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to following: worker’s compensation; torts including errors and omissions; employment practices; theft of, damage to and destruction of assets; and natural disasters for which the City self-insures and/or carries commercial insurance. Earthquake damage is not included in the property insurance coverage carried by the City.

The Risk Management Internal Service Fund self-insures the first \$2,000 of each workers’ compensation claim. Excess worker’s compensation insurance is purchased through the California State Association of Counties’ Excess Insurance Authority and it provides statutory coverage over the City’s \$2,000 self-insured retention. The fund self-insures the first \$2,000 of general and auto liability claims plus claim costs that exceed commercial insurance coverage. Commercial insurance for general and automobile liability claims provides \$30,000 in coverage, with a \$1,000 loss corridor deductible, for claims over the City’s self-insured retention.

Liabilities are estimated based on recommendations from an independent actuarial evaluation. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other social and economic factors. Estimated liability is then discounted by the City’s expected rate of return and anticipated timing of cash outlays to determine the present value of the liability. For the fiscal year ended June 30, 2014, the expected rate of return was 3 percent. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Internal Service Fund based on estimates of the amounts needed to pay operating costs, insurance premiums, and prior and current year claims. At June 30, 2014, the Risk Management Internal Service Fund had a net position of \$36,748.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, economic and social factors, and trends in damage awards. Accordingly, claims are reevaluated periodically to consider the effects of these factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the Risk Management Internal Service Fund’s claims liability for the past two fiscal years are summarized as follows:

	<u>2014</u>	<u>2013</u>
Accrued claims and judgements, July 1	\$ 59,850	\$ 55,933
Incurring claims and adjustment expenses	15,469	16,445
Claim payments	<u>(12,212)</u>	<u>(12,528)</u>
Accrued claims and judgements, June 30	<u>\$ 63,107</u>	<u>\$ 59,850</u>

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitment of Enterprise Fund Revenues

Revenues of the Wastewater and Storm Drainage Enterprise Funds are pledged to the payment of principal and interest on the State Water Resources Control Board Notes Payable. Revenue of the Wastewater Enterprise Fund is pledged to the payment of principal and interest on the Wastewater Revenue Bonds, Series 2013. Revenue of the Water Enterprise Fund is pledged to the payment of principal and interest on the California Department of Public Health Notes Payable and the Water Revenue Bonds, Series 2013. Revenue of the Storm Drainage Enterprise Fund is pledged to the payment of principal and interest on the California Infrastructure and Economic Development Bank Loan. See note 7 for more information.

Construction and Other Commitments

The City has commitments of \$190,477 for contracts awarded but not completed as of June 30, 2014. The following table shows the distribution of those commitments among major and nonmajor funds.

Governmental Activities:		Business-type Activities:	
General Fund	\$ 5,656	Water Fund	\$ 103,415
Measure U	598	Wastewater Fund	1,875
Capital Grants Fund	48,843	Storm Drainage Fund	2,433
Other governmental funds	19,145	Solid Waste Fund	1,433
Internal service funds	5,161	Community Center Fund	1,410
		Other enterprise funds	508
	<hr/>		<hr/>
Total governmental activities	<u>\$ 79,403</u>	Total business-type activities	<u>\$ 111,074</u>

The major contracts outstanding are \$92,293 for water treatment plant upgrades and replacements, \$34,299 for road and interchange improvements on Consumnes Boulevard, \$8,209 for construction of the 5th Street and Railyards Boulevard development project, \$7,532 for development and improvement of City parks \$3,189 for design and construction of intermodal transportation facility, \$3,159 for a revenue control system upgrade in the parking garages, \$2,655 for the residential water meter retrofit program, \$1,911 for replacement of the I Street Bridge, and \$1,599 for the rehabilitation of the Guy West Bridge.

Contingent Liabilities

The City participates in a number of federal, state and local grant programs, the principal of which is the Federal Highway Planning and Construction program. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs for earlier years and the year ended June 30, 2014 have not been completed in all cases; accordingly, final determination of the City's compliance with applicable grant requirements may be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City believes any such claims would be immaterial to the City's financial position at June 30, 2014. Receipt of these grant revenues is not assured in the future.

The City has engaged an actuarial firm to review the accuracy of SCERS pension benefit calculations. The actuarial review is expected to be completed by February 2015 and, as a result, the final determination of the amount, if any, owed by the City to SCERS cannot be determined at this time. However, the City believes any amount due to the plan would be immaterial to the City's financial position at June 30, 2014.

Litigation

Various claims and lawsuits are pending against the City. As discussed in Note 12, the City is primarily self-insured and has accrued a liability for estimated claims outstanding. Although the outcome of these claims and lawsuits is not presently determinable, management, after consultation with legal counsel, is of the opinion that final outcome of these matters will not have a material adverse effect on the financial condition of the City.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Closure and Postclosure Care Cost

The City has several landfill sites which have stopped accepting waste, have been covered, and are closed. State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at these sites after closure. A recent engineering report estimated that \$1,177 is required for future postclosure monitoring costs as of June 30, 2014. As a result of these recent reports, a special item in the amount of \$18,527 has been recognized in the Solid Waste Fund at June 30, 2014. The estimate is based on current cost and may change due to inflation or deflation, technology, or applicable laws and regulations. The City received approval from state regulators to fund the postclosure costs, along with cost increases due to inflation, with user charges for solid waste disposal.

Pollution Remediation Obligations

A pollution remediation obligation is an obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. The City is responsible for pollution remediation activities at several sites that have soil contaminated with petroleum, hydrocarbons, and/or metals. Regulatory agencies providing oversight of the City's pollution remediation obligations and activities include the State of California Regional Water Quality Control Board, the State of California Department of Toxic Substance Control, and the Sacramento County Department of Environmental Management. The estimated obligation was \$603 at June 30, 2013 and \$532 at June 30, 2014. Pollution remediation outlays totaled approximately \$86 for the fiscal year ended June 30, 2014. Pollution remediation obligations are measured based on outlays expected to be incurred to settle all estimable remediation efforts. Pollution remediation obligations are measured at the current value of reasonable and supportable assumptions about future events that may affect the eventual settlement of the obligations. Pollution remediation obligations are measured using the expected cash flow technique, which measures the obligation as the sum of probability-weighted amounts in a range of possible cash flows. Estimates are based on all currently available information, as well as the facts and circumstances of each situation, but may change due to price changes, changes in laws or regulations, changes in remediation technologies, or as additional information become available. Estimated recoveries from other parties that are included in the calculation of the City's pollution remediation obligations total \$80.

NOTE 14 – JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

JOINT VENTURES

Sacramento Housing and Redevelopment Agency

The City is a participant with the County of Sacramento in the Sacramento Housing and Redevelopment Agency (SHRA). SHRA is a stand-alone agency governed by the County Board of Supervisors over County housing activities and the City Council over City housing activities. Although the City does not have an equity interest in SHRA, it does have an ongoing financial interest. Based upon the approval process for activities of the Housing Authority of the City of Sacramento (Housing Authority), the City has the ability to directly influence SHRA to undertake projects for the citizenry of the City. Because the City's primary government does not have an equity interest in SHRA, SHRA's financial information is not included in these financial statements. Separately issued financial statement may be obtained from the Sacramento Housing and Redevelopment Agency, 801 12th Street, Sacramento, California, 95814.

SHRA administered the redevelopment agencies of the City and County until February 1, 2012. In 2011 the California Legislature enacted AB 1x 26, which coupled with a subsequent decision of the State Supreme Court, resulted in the dissolution of redevelopment agencies. Upon the dissolution of the redevelopment agency, the City elected to become the successor agency for the non-housing redevelopment agency activities. More information can be found in Note 15 – Successor Agency Trust Fund. The City designated the Housing Authority as the local authority to retain the housing assets and functions previously performed by the redevelopment agency, and the Housing Authority affirmatively elected pursuant to Health and Safety Code Section 34176 that it would serve as the "Successor Housing Agency" to the former redevelopment agency.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 14 – JOINTLY GOVERNED AND RELATED ORGANIZATIONS (Continued)

Sacramento Public Library Authority

The City is a participant with the County of Sacramento and the cities of Citrus Heights, Elk Grove, Galt, Isleton and Rancho Cordova in the Sacramento Public Library Authority (Library), a joint powers agency created to provide library services to the residents of the participating municipalities. The Library is governed by a board made up of five County appointees and various numbers of appointees from each city, depending upon population. As of June 30, 2014, five of seventeen members of the Library board were appointed by the City. The current joint powers agreement was effective beginning July 1, 2007. After June 30, 2010, any party may withdraw from the Authority upon no less than one year's written notice. Upon withdrawal a party shall retain ownership of those capital facilities to which it holds title. The City is committed to fund annual contributions to operate library branches in the City. The City's General Fund contributions for the fiscal year ended June 30, 2014, were \$7,635. The City also contributed the use of its library facilities to the Library. In order to provide funding for additional services and hours in City libraries, the City also levies and passes through to the Library a parcel tax which totaled \$4,846 for the fiscal year ended June 30, 2014. Financial statements may be obtained from the Sacramento Public Library Authority, 828 I Street, Sacramento, California, 95814.

Sacramento Regional Fire/EMS Communication Center

The City is a participant with Sacramento Metropolitan Fire District and other local fire agencies in the Sacramento Regional Fire/EMS Communication Center (SRFECC), a fire dispatch center. SRFECC provides fire protection and emergency medical service dispatching for 1,000 square miles and 1.3 million residents in Sacramento and Placer Counties. The City provided \$3,492 of support to SRFECC during the fiscal year ended June 30, 2014. Financial statements may be obtained from the Sacramento Regional Fire/EMS Communication Center, 10230 Systems Parkway, Sacramento, California, 95827.

Northern California Regional Public Safety Training Authority

The City is a participant with the County of Sacramento, the Los Rios Community College District and the Regional Fire and Rescue Authority in the Northern California Regional Public Safety Training Authority (NCRPSTA) which operates the Northern California Regional Public Safety Training College located at McClellan Park. During the fiscal year ended June 30, 2014, the City provided \$451 of annual support to the NCRPSTA. The City also subleases space from the NCRPSTA at the McClellan Park site for various public safety emergency services offices and trainings. Rent payments during the fiscal year ended June 30, 2014 were \$102. The City also paid \$71 to provide upgrades to the firing ranges at NCRPSTA facilities and to reimburse costs for facility improvements. Financial statements may be obtained from the NCRPSTA Administrative Offices, 2409 Dean Street, Suite 119, McClellan, California, 95652.

Regional Fire and Rescue Training Authority

The City is a participant with the Sacramento Metropolitan Fire District and the California Governor's Office of Emergency Services in the Regional Fire and Rescue Training Authority which provides training for fire and rescue personnel throughout the region as well as operating the California Regional Fire Academy. During the fiscal year ended June 30, 2014, the City provided general support of \$45, paid \$210 for training courses for City staff and provided staff support. Financial statements may be obtained from the Regional Fire and Rescue Training Authority Business Office, 9320 Tech Center Drive, Sacramento, CA 95826.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 14 – JOINTLY GOVERNED AND RELATED ORGANIZATIONS (Continued)

JOINTLY GOVERNED ORGANIZATIONS WITH RELATED PARTY TRANSACTIONS

The City participates in several jointly governed organizations for which it appoints a minority of board members. The City may also provide minor financial support or have other financial transactions with these organizations, but it does not have a financial interest in or responsibility to the organizations. The following organizations had financial transactions with the City during the fiscal year ended June 30, 2014:

The City provided \$74 in annual support and \$6 in project management fees to the Regional Water Authority.

The City provided \$62 in annual support and \$41 for participation in the Downtown/Riverfront transit project to the Sacramento Area Council of Governments.

The City processed payroll for the Sacramento Area Flood Control Agency (SAFCA) and received an administrative fee for the service. During FY14, the City also received \$460 from SAFCA in reimbursement for levee maintenance costs.

The City paid \$93 for services provided related to safe neighborhood and gang violence reduction programs to the Sacramento Employment and Training Agency.

The City provided \$114 in annual support to the Sacramento Groundwater Authority.

NOTE 15 – SUCCESSOR AGENCY TRUST FUND

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) which dissolved all redevelopment agencies in the State of California. The Bill provided that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. Successor agencies are allocated property tax revenue in an amount necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full. In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entity as of February 1, 2012.

On January 31, 2012, the City Council elected to become the successor agency for the former Redevelopment Agency of the City of Sacramento (Agency) in accordance with the Bill. Also on January 1, 2012, the City Council elected not to serve as the successor agency for the former redevelopment agency’s housing assets and functions, but instead designated the City’s Housing Authority to serve as the successor housing agency.

Prior to February 1, 2012, California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of redevelopment financing, the former Agency liabilities exceeded its assets. Therefore, the Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to repay its outstanding long-term debt. This deficit was transferred to the successor agency on February 1, 2012. At June 30, 2014, the successor agency had a deficit of \$193,694 which will be eliminated with future property tax revenue distributions from the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Assembly Bill 1484, enacted on June 27, 2012 required two due diligence reviews to be performed to determine if successor agencies held unobligated cash balances available for distribution to affected taxing entities. The State Department of Finance (DOF) concurred with the balances identified by the City as available for distribution to the affected taxing entities. A payment of \$4,710 was transferred to the County Auditor-Controller on September 16, 2013 for distribution to the taxing entities, as determined during the due diligence reviews, and pursuant to HSC section 34179.6(f).

On September 20, 2013, the DOF granted RASA a Finding of Completion. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the RASA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a finding of Completion, the RASA may place loan agreements between the former Agency and the City on the ROPS, as an enforceable obligation; utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants; and submit a Long-Range Property Management Plan (“LRPMP”) to the Oversight Board and the DOF approval. The LRPMP addresses the disposition and use of real properties held by RASA.

On September 10, 2013, the Oversight Board and RASA filed a writ of mandate (Successor Agency to the Redevelopment Agency of the City of Sacramento, et al. v. Matosantos, et al., Sacramento Superior Court Case No. 34-2013-80001637) to overturn DOF’s final determination that the 700 Block Agreements were no longer enforceable obligations. At a court hearing on May 30, 2014, the parties reached the basic terms of a settlement to allow for the 700 Block Property and the \$1,026 in bond funds to be transferred to the City to allow for the 700 Block of K Street Project to be implemented, but the \$2,574 in tax increment funds would be forfeited. The Settlement Agreement has been approved by the DOF, the Developer, RASA and the Oversight Board.

Capital Assets

The following is a summary of changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized				
Land	\$ 45,566	\$ -	\$ -	\$ 45,566
Depreciable/amortizable capital assets				
Buildings and improvements	16,315	-	-	16,315
Less accumulated depreciation/amortization for:				
Buildings and improvements	(2,416)	(408)	-	(2,824)
Depreciable/amortizable capital assets, net	13,899	(408)	-	13,491
Total activities capital assets, net	<u>\$ 59,465</u>	<u>\$ (408)</u>	<u>\$ -</u>	<u>\$ 59,057</u>

Note: Beginning balance was restated to exclude 600 K Street and 111 N 12th Street properties with a net book value of \$2,398 at June 30, 2013. Title to these properties were transferred prior to FY14.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Long-term Debt

The following is a summary of changes in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
1998 Merged Downtown TABS, Series A	\$ 4,530	\$ -	\$ (4,530)	\$ -	\$ -
1998 Merged Downtown TX TABS, Series B	1,475	-	(1,475)	-	-
1998 Merged Downtown TX TABS, Series C	2,510	-	(2,510)	-	-
2000 Merged Downtown, Series A	745	-	(745)	-	-
Subtotal, revenue and other bonds	<u>\$ 9,260</u>	<u>\$ -</u>	<u>\$ (9,260)</u>	<u>\$ -</u>	<u>\$ -</u>
Notes Payable:					
1993 Merged Downtown TABS ^{(1) (2)}	\$ 39,453	\$ 1,913	\$ (373)	\$ 40,993	\$ 3,268
1999 Oak Park Refunding	1,990	-	(155)	1,835	160
2002 Merged Downtown TABS	9,030	-	(1,965)	7,065	1,630
2002 Merged Downtown Master Lease	1,950	-	(1,950)	-	-
2002 Stockton Blvd Master Lease	430	-	(80)	350	80
2003 Alkali Flat TE TABS, Series C	4,785	-	(385)	4,400	400
2003 Del Paso TE TABS, Series A ^{(1) (2)}	7,734	252	-	7,986	-
2003 North Sacramento TE TABS, Series C	4,530	-	(80)	4,450	85
2005 Del Paso Master Lease	1,300	-	(160)	1,140	165
2005 Del Paso Refunding	5,335	-	(660)	4,675	695
2005 Merged Downtown Master Lease Refunding	8,865	-	(25)	8,840	2,050
2005 Merged Downtown TE, Series A ^{(1) (2)}	115,620	5,738	-	121,358	-
2005 Merged Downtown TX, Series B	32,305	-	(435)	31,870	465
2005 North Sacramento Master Lease Refund	4,190	-	(160)	4,030	180
2005 Oak Park Master Lease Refunding	1,120	-	(85)	1,035	90
2005 Oak Park TE, Series ^{(1) (2)}	9,686	150	-	9,836	-
2005 Oak Park TX, Series B	7,070	-	(820)	6,250	865
2005 Richards Master Lease Refunding	4,820	-	(190)	4,630	200
2006 65th Street TE Master Lease, Series A	1,570	-	(35)	1,535	40
2006 65th Street TX Master Lease, Series B	3,815	-	(75)	3,740	80
2006 Del Paso TE, Series A	5,200	-	(60)	5,140	60
2006 Del Paso TX, Series B	2,325	-	(135)	2,190	140
2006 North Sacramento TE Master Lease, Series A	475	-	(10)	465	10
2006 North Sacramento TX Master Lease, Series B	4,460	-	(90)	4,370	95
2006 Oak Park Refunding TE, Series A	7,830	-	(655)	7,175	680
2006 Stockton Blvd Master Lease	1,990	-	-	1,990	-
2008 BOA Public Capital Corporation	2,598	-	(118)	2,480	124
2009 Army Depot TX Swap	3,074	-	(62)	3,012	65
2009 Army Depot TE Swap	6,555	-	(155)	6,400	160
2009 River District TX Swap	2,876	-	(58)	2,818	60
2009-10 SERAF Borrowing	4,000	-	-	4,000	1,602
Boating and Waterways Loan	530	-	(79)	451	82
Globe Mills	4,478	-	(209)	4,269	222
City of Sacramento CIEDB - Utilities/Detention Basin	1,336	-	(36)	1,300	37
Franklin Blvd Redevelopment Area	152	-	(47)	105	51
North Sacramento CIEDB Loan	3,618	-	(111)	3,507	115
Railyards Parking Loan	305	1	-	306	26
Stockton Blvd CIEDB Loan	3,028	-	(95)	2,933	97
Subtotal, notes payable	<u>320,428</u>	<u>8,054</u>	<u>(9,553)</u>	<u>318,929</u>	<u>14,079</u>
Total, long-term debt	<u>\$ 329,688</u>	<u>\$ 8,054</u>	<u>\$ (18,813)</u>	<u>\$ 318,929</u>	<u>\$ 14,079</u>

Notes: (1) Beginning balance was restated to reflect accreted value of the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE TABS, Series A, and 2005 Oak Park TE, Series A for the fiscal year ended June 30, 2013.

(2) Increase in accreted value of the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE TABS, Series A, and 2005 Oak Park TE, Series A for the fiscal year ended June 30, 2014 was recorded as additions.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Future Debt Service Requirements

The following tables disclose the annual debt service requirements outstanding as of June 30, 2014:

Fiscal Year Ending June 30,	Notes Payable	
	Principal	Interest
2015	\$ 23,231	\$ 6,788
2016	22,800	6,321
2017	23,184	5,852
2018	23,655	5,384
2019	21,083	4,746
2020 - 2024	112,097	15,055
2025 - 2029	105,700	9,676
2030 - 2034	84,879	4,583
2035 - 2038	15,008	451
Subtotal	431,637	58,856
Less: Unaccreted interest	(112,708)	-
Total	\$ 318,929	\$ 58,856

Special Item

The special item recognized in the fiduciary fund statements was for the transfer of housing loans with a book value of \$3,104 at June 30, 2014 to the Housing Authority of the City of Sacramento, the designated Housing Successor Agency for the City. These loans met the definition of a housing asset pursuant to HSC section 34176 (e) (3).

Net Position (Deficit) Restatement

The beginning net position (deficit) has been restated and decreased by \$99,327. The capital asset beginning balance has been restated to delete two parcels recorded in error, which were transferred on June 30, 2012. The loan receivable beginning balance has been restated to its estimated net realizable value by establishing an allowance for deferred and forgivable loans. In addition, seven loans identified as housing assets were transferred in the prior year and one loan was written off in FY12. The long-term debt beginning balance has been restated to include accreted interest on the 1993 Merged Downtown TABS, 2003 Del Paso TE TABS, Series A, 2005 Merged Downtown TE, Series A, and 2005 Oak Park TE, Series A capital appreciation bonds.

The net position (deficit) reported in the fiduciary fund statements as of June 30, 2013, has been restated as follows:

	Private Purpose Trust Fund
Fiduciary net position (deficit), as of June 30, 2013, as originally reported	\$ (100,909)
Restatements:	
Capital asset adjustment	(2,398)
Loan receivable adjustment	(35,147)
Long-term debt adjustment	(61,782)
Total restatements	(99,327)
Fiduciary net position (deficit), as of June 30, 2013, as restated	\$ (200,236)

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 15 – SUCCESSOR AGENCY TRUST FUND (Continued)

Subsequent Event

On July 21, 2014, the Oversight Board adopted Resolution No. 2014-0020 to authorize actions to implement the 700 Block of K Street Settlement Agreement. The Oversight Board resolved the assignment of the 700 Block of K Street Project Disposition and Development Agreement with 700 Block, LLC, the Funding Commitment Letter with the Downtown Sacramento Revitalization Corporation by the Agency, the transfer of the \$1,026 in Merged Downtown tax increment bond funds allocated for the 700 Block of K Street Project to the City, the transfer of the 700 Block properties with a net book value of \$20,610 at June 30, 2014 from RASA to the City, and the amendment to LRPMP to reflect the transfer.

On April 29, 2014, the Oversight Board adopted Resolution No. 2014-0002 to authorize the transfer of 38 government use parcels with a book value of \$9,999 at June 30, 2014 to the City of Sacramento. DOF approved the transfer of 25 parcels and disallowed transfer of 13 parcels to the City for governmental purposes. It is their understanding that these parcels serve a commercial purpose, or are vacant lots subject to future development. Therefore, these assets do not meet the definition of governmental purpose and cannot be transferred to the City pursuant to HSC section 34181 (a). The Agency requested reconsideration of the seven disallowed transfer of parcels in the Old Sacramento Historic District to the City for governmental purpose. However, Finance upholds its determination.

OB Resolution No. 2014-0016, authorizing Exclusive Right to Negotiate Agreement (ERN) with Domus Development, LLC for the 1022-1341 Del Paso Boulevard properties, is approved by DOF. The Agency will enter in an ERN in order to establish the terms and conditions of a purchase and sales agreement that will lead to the Agency's disposition of seven properties located at 1022-1314 Del Paso Boulevard. These properties have been included in the Agency's LRPMP. However, actual disposition of the properties cannot take place until receipt of Finance's approval of the LRPMP.

The OPEB liability reported in the private-purpose trust fund is an allocation of the SHRA OPEB liability for the former redevelopment agency employees.

NOTE 16 – SHORT-TERM DEBT

The City issued \$32,630 of Tax and Revenue Anticipation Notes (TRANS) on July 18, 2013, and redeemed them on June 27, 2014. The notes were issued to supplement City General Fund cash flows until taxes and other revenues were collected. Short-term activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Notes	<u>\$ -</u>	<u>\$ 32,630</u>	<u>\$ (32,630)</u>	<u>\$ -</u>

NOTE 17 – SPECIAL ITEMS

The City recognized two special item transactions during the fiscal year ended June 30, 2014. A special item, due to the change in estimated landfill closure liability, of \$18,527 was recognized in the Solid Waste Fund. A special item for forgiveness of \$2,500 of the Crocker Art Museum Association loan receivable, approved by the City Council in Resolution 2013-1444 and ratified in Resolution 2013-0247, was recognized in the government-wide statement of activities by the City during the fiscal year ended June 30, 2014.

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 18 – SERVICE CONCESSION ARRANGEMENT FOR CITY GOLF COURSES

In the prior fiscal year, the City entered into agreement number 2011-1245 with Morton Golf LLC (Morton) under which Morton will operate and collect user fees from City golf courses over the next 10 years. Morton will pay the City minimum installment payments plus a percentage of gross revenues over the 10 year period. The present value of the installment payments was estimated to be \$10,634. Morton is required to operate and maintain the golf courses in accordance with the agreement. The City reports a deferred inflow and loan receivable of \$7,976 in the government-wide statement of net position as of June 30, 2014.

NOTE 19 – RECLASSIFICATIONS AND RESTATEMENTS

Implementation of GASB 65

For the year ended June 30, 2014, the City implemented GASB 65 which requires debt issuance costs to be expensed when incurred, instead of amortizing these costs over the life of the bonds. As a result, in accordance with the pronouncement, the beginning net position of government-wide statements and the beginning fund balance/net position of certain fund statements has been restated. In addition, the beginning net position of the City's component unit has been restated. The restatement, as shown in the tables below, is to remove debt issuance costs previously reported as deferred charges.

Fund Reclassification

The City reclassified the Marina fund from a business-type activity to a governmental activity in the fiscal year ended June 30, 2014. The City's Marina activity has been reclassified from a non-major enterprise fund to the non-major Culture and Leisure Special Revenue Fund. Beginning governmental and business-type activities net position and beginning governmental fund balance, as shown in the tables below, have been restated to reflect this reclassification.

Net position reported in the government-wide statements as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Governmental activities	\$ 1,579,083	\$ (2,894)	\$ (2,587)	\$ (5,481)	\$ 1,573,602
Business-type activities	895,888	(4,534)	2,587	(1,947)	893,941
Total	\$ 2,474,971	\$ (7,428)	\$ -	\$ (7,428)	\$ 2,467,543
Component unit	\$ 573	\$ (362)	\$ -	\$ (362)	\$ 211

Fund balance reported in other governmental funds as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Other governmental funds	\$ 218,855	\$ -	\$ 1,051	\$ 1,051	\$ 219,906

City of Sacramento
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2014
(dollar amounts expressed in thousands)

NOTE 19 – RECLASSIFICATIONS AND RESTATEMENTS (Continued)

Fund Reclassification (Continued)

Net position reported in the proprietary funds as of June 30, 2013, has been restated as follows:

	Net position, as of June 30, 2013, as originally reported	Restatement due to the implementation of GASB 65	Reclassification of the Marina Fund	Total Reclassifications and Restatements	Net position, as of June 30, 2013, as restated
Water Fund	\$ 387,070	\$ (2,891)	\$ -	\$ (2,891)	\$ 384,179
Wastewater Fund	126,876	(493)	-	(493)	126,383
Storm Drainage Fund	299,645	(31)	-	(31)	299,614
Solid Waste Fund	(2,888)	(145)	-	(145)	(3,033)
Community Center Fund	44,798	(764)	-	(764)	44,034
Other enterprise funds	40,387	(210)	2,587	2,377	42,764
Total	\$ 895,888	\$ (4,534)	\$ 2,587	\$ (1,947)	\$ 893,941
Internal service funds	\$ 94,104	\$ (25)	\$ -	\$ (25)	\$ 94,079

NOTE 20 – SUBSEQUENT EVENT

On July 30, 2014, the City entered into a forward bond purchase agreement in connection with the Entertainment and Sport Center (ESC) project and financing plan approved by the City Council on May 20, 2014. The forward commitment allows for the simultaneous close of the financing with Sacramento Basketball Holdings, LLC (SBH), the owners of the Sacramento Kings NBA Basketball franchise, in summer 2014 and the commencement of construction, and ensures that the City will have the funds available after all outstanding matters have been resolved. Development of the ESC is expected to transform Downtown Plaza into a center of entertainment and activity and provide Sacramento with a first-class venue for sports, entertainment and cultural events.

The total development cost for ESC is estimated to be \$477,000. Of that amount, \$223,130 in cash will come from the City of Sacramento and \$253,870 will come from SBH and their affiliates. The City's cash contributions come from three sources: a) net proceeds from sale of lease-revenue bonds backed by General Fund totaling \$212,500, b) Parking Fund \$5,630, and c) Master Owner Participation Agreement (MOPA) Fund proceeds from the City's sale of the Sheraton Grand Hotel \$5,000. The gross borrowing of the lease-revenue bonds – including the debt service reserve, capitalized interest and the cost of issuance is estimated at \$298,400 (and may not exceed \$325,000). The source of the annual debt-service payments will be revenues generated by the City's parking system, ESC facility lease payments made to the City, other ESC generated revenues, and hotel taxes.

Required Supplementary Information

City of Sacramento
Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Pension Plans
(in millions)

Actuarial Valuation Date	Actuarial Value of Assets (a) *	Actuarial Accrued Liability (AAL) – Entry Age (b)	(Overfunded) Unfunded AAL (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	(Overfunded) Unfunded AAL as a % of Covered Payroll {(b)-(a)}/(c)
<u>CalPERS - Miscellaneous</u>						
6/30/11	\$ 660	\$ 819	\$ 159	81%	\$ 165	96%
6/30/12	709	861	152	82	151	101
6/30/13	677	914	237	74	151	157
<u>CalPERS - Safety</u>						
6/30/11	1,035	1,249	214	83	109	196
6/30/12	1,077	1,313	236	82	108	219
6/30/13	992	1,371	379	72	104	364
<u>SCERS</u>						
6/30/12	294	389	95	76	3	3,211
6/30/13	292	382	90	76	2	3,949
6/30/14	313	373	60	84	2	2,643

* Beginning with the June 30, 2013 valuation, Actuarial Value of Assets equal Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

City of Sacramento
Required Supplementary Information
Schedule of Funding Progress (Unaudited)
Other Post Employment Benefits
(in millions)

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	\$ -	\$ 440	\$ 440	0.00%	\$ 254	173.4%
6/30/2012	-	447	447	0.00	262	170.9
6/30/2013	-	434	434	0.00	257	168.4

Notes to the Required Supplementary Information

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.

OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor funds reported in the other governmental funds column of the governmental funds financial statements and include:

SPECIAL REVENUE FUNDS are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter or ordinance to finance specific governmental functions. The individual funds are listed in the special revenue funds section of the CAFR.

OTHER DEBT SERVICE FUNDS are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The individual funds are listed in the other debt service funds section of the CAFR.

OTHER CAPITAL PROJECTS FUNDS are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for governmental capital assets. The individual funds are listed in the other capital projects funds section of the CAFR.

PERMANENT FUNDS are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The individual funds are listed in the permanent funds section of the CAFR.

City of Sacramento
Other Governmental Funds
Combining Balance Sheet
 June 30, 2014
 (in thousands)

	Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS					
Cash and investments held by City	\$ 126,966	\$ 7,397	\$ 63,134	\$ 5,200	\$ 202,697
Cash and investments held by fiscal agent	16	294	-	-	310
Securities lending assets	255	-	67	250	572
Receivables, net:					
Accounts	3,736	-	19	-	3,755
Loans	1,266	3,934	2,500	-	7,700
Intergovernmental	9,822	42,523	-	-	52,345
Interest	92	2	114	11	219
Prepaid items	24	-	-	-	24
Restricted assets:					
Cash and investments held by City	669	826	7,800	-	9,295
Cash and investments held by fiscal agent	732	15,565	-	-	16,297
Total assets	\$ 143,578	\$ 70,541	\$ 73,634	\$ 5,461	\$ 293,214
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ 715	\$ -	\$ 1,065	\$ 270	\$ 2,050
Accounts payable	6,193	-	1,637	-	7,830
Accrued payroll	177	-	-	-	177
Accrued claims and judgements	1,601	-	-	-	1,601
Matured notes and interest payable	662	-	-	-	662
Deposits	1,258	846	95	-	2,199
Unearned revenue	345	-	604	-	949
Advances from other funds	7,241	-	-	-	7,241
Total liabilities	18,192	846	3,401	270	22,709
Deferred Inflows of resources:					
Unavailable revenue	5,595	46,009	2,514	-	54,118
Total deferred inflows of resources	5,595	46,009	2,514	-	54,118
Fund balances:					
Nonspendable:					
Prepaid items	24	-	-	-	24
Noncurrent assets	-	451	-	-	451
Permanent fund principal	-	-	-	878	878
Restricted:					
Capital projects	56,963	-	67,259	-	124,222
Debt service	1,983	15,565	-	-	17,548
Public works programs	11,830	-	-	-	11,830
Economic development programs	22,484	-	-	-	22,484
Other programs	25,151	-	460	4,313	29,924
Committed:					
Capital projects	3,288	-	-	-	3,288
Debt service	-	6,583	-	-	6,583
Economic development programs	5,125	-	-	-	5,125
Other programs	3,382	-	-	-	3,382
Assigned:					
Debt service	-	973	-	-	973
Unrealized investment gains	-	3	-	-	3
Other programs	1,721	111	-	-	1,832
Unassigned	(12,160)	-	-	-	(12,160)
Total fund balances	119,791	23,686	67,719	5,191	216,387
Total liabilities, deferred inflows of resources and fund balances	\$ 143,578	\$ 70,541	\$ 73,634	\$ 5,461	\$ 293,214

City of Sacramento
Other Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Special Revenue Funds	Other Debt Service Funds	Other Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:					
Taxes	\$ 3,061	\$ -	\$ -	\$ -	\$ 3,061
Intergovernmental	58,531	3,135	-	-	61,666
Charges for services	7,570	-	-	-	7,570
Fines, forfeits and penalties	654	-	-	-	654
Interest, rents, and concessions	4,118	2,919	747	747	8,531
Community service fees	3,175	-	1,518	-	4,693
Assessment levies	36,298	-	2,322	-	38,620
Contributions and donations	1,699	1,355	11	1	3,066
Miscellaneous	289	-	-	-	289
Total revenues	115,395	7,409	4,598	748	128,150
Expenditures:					
Current:					
General government	3,170	-	278	99	3,547
Police	8,851	-	-	-	8,851
Fire	4,190	-	-	-	4,190
General services	128	-	-	-	128
Public works	28,936	-	-	-	28,936
Convention, culture and leisure	5,756	-	-	-	5,756
Economic development	9,814	-	-	-	9,814
Parks and recreation	17,031	-	162	-	17,193
Community development	3,975	-	289	-	4,264
Library	4,846	-	-	-	4,846
Utilities	512	-	-	-	512
Capital outlay	23,856	-	6,927	-	30,783
Debt service:					
Principal	1,602	19,360	429	-	21,391
Interest and fiscal charges	1,393	17,529	52	-	18,974
Total expenditures	114,060	36,889	8,137	99	159,185
Excess (deficiency) of revenues over (under) expenditures	1,335	(29,480)	(3,539)	649	(31,035)
Other financing sources (uses):					
Transfers in	5,095	28,565	-	-	33,660
Transfers out	(4,361)	(86)	(6,651)	-	(11,098)
Issuance of long-term debt	-	-	52	-	52
Proceeds from sale of capital assets	597	4,305	-	-	4,902
Total other financing sources (uses)	1,331	32,784	(6,599)	-	27,516
Net change in fund balances	2,666	3,304	(10,138)	649	(3,519)
Fund balances, beginning of year, as restated	117,125	20,382	77,857	4,542	219,906
Fund balances, end of year	\$ 119,791	\$ 23,686	\$ 67,719	\$ 5,191	\$ 216,387

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are generally required by statute, charter or ordinance to finance specific government functions. The following special revenue funds have been classified as nonmajor funds:

THE TRANSPORTATION AND DEVELOPMENT FUND accounts for the receipts and disbursements of taxes, fees and fines which are used to construct and maintain streets, bridges and bikeways as well as for traffic safety and community development activities. Programs in the Transportation and Development Fund include the State Gasoline Tax Program, the Sacramento Transportation Sales Tax Program, the Major Street Construction Tax Program, the Transportation Development Act Program and the Private Development Program.

THE CULTURE AND LEISURE FUND is used to account for a variety of cultural arts and leisure activities. Programs in the Culture and Leisure Fund include the Sacramento Zoo, Fairytale Town, Art in Public Places, Old Sacramento Market, H Street Theatre, Golf, Marina, the Crocker Master Trust and the Winchester G. and Mary Alice Felt Endowment.

THE PARKS AND RECREATION FUND is used to account for a variety of parks programs and recreation activities. Programs in the Parks and Recreation Fund include START, Quimby, Special Recreation, Land Park, Sutter Park Sites, Special Program Donations and the Ethel MacLeod Hart Trust.

THE ECONOMIC DEVELOPMENT FUND accounts for the receipts and disbursements of former redevelopment property tax revenues as well as the Brownfield Revolving Loan Program and the Sheraton Master Owner Participation Agreement (MOPA).

THE OPERATING GRANTS FUND is used to account for federal, state and other agency grants received for various specific purposes.

THE CCOMWP FUND is used to account for the revenue and expenditures associated with the City/County Office of Metropolitan Water Planning. The CCOMWP was formed to develop the Water Forum Agreement with objectives to provide a reliable water supply for planned development to the year 2030, and to preserve the region's Lower American River.

SPECIAL REVENUE FUNDS (continued)

THE SPECIAL DISTRICTS SPECIAL REVENUE FUND is used to account for a variety of programs that provide infrastructure maintenance and other services for specific areas of the City where special assessments or special taxes are levied. The Special Districts Special Revenue Fund includes the Business Improvement Districts Program, the Landscaping and Lighting Districts Program, the Maintenance Benefit Area Program and the Assessment District Maintenance Program.

THE CAL EPA FUND is used to account for the expenditures associated with the maintenance of the Joe Serna, Jr. California EPA Headquarters Building.

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City of Sacramento
Special Revenue Funds
Combining Balance Sheet
June 30, 2014
(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
ASSETS				
Cash and investments held by City	\$ 57,655	\$ 3,856	\$ 13,600	\$ 26,471
Cash and investments held by fiscal agent	-	16	-	-
Securities lending assets	-	-	208	47
Receivables, net:				
Accounts	727	318	116	-
Loans	-	61	-	1,205
Intergovernmental	3,822	-	849	-
Interest	-	-	3	89
Prepaid items	-	-	11	-
Restricted assets:				
Cash and investments held by City	-	70	-	-
Cash and investments held by fiscal agent	-	732	-	-
Total assets	\$ 62,204	\$ 5,053	\$ 14,787	\$ 27,812
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Securities lending obligations	\$ 222	\$ -	\$ 299	\$ 194
Accounts payable	2,457	25	731	-
Accrued payroll	-	22	141	-
Accrued claims and judgements	1,601	-	-	-
Matured notes and interest payable	-	662	-	-
Deposits	889	143	135	-
Unearned revenue	-	22	231	-
Advances from other funds	-	7,241	-	-
Total liabilities	5,169	8,115	1,537	194
Deferred Inflows of resources:				
Unavailable revenue	2122	147	74	9
Total deferred inflows of resources	2122	147	74	9
Fund balances:				
Nonspendable:				
Prepaid items	-	-	11	-
Restricted:				
Capital projects	42,880	-	8,853	-
Debt service	-	802	-	-
Public works programs	11,830	-	-	-
Economic development programs	-	-	-	22,484
Other programs	-	2,038	2,592	-
Committed:				
Capital projects	240	447	101	-
Economic development programs	-	-	-	5,125
Other programs	1,752	11	1,619	-
Assigned:				
Other programs	-	598	-	-
Unassigned	(1,789)	(7,105)	-	-
Total fund balances (deficit)	54,913	(3,209)	13,176	27,609
Total liabilities, deferred inflows of resources and fund balances	\$ 62,204	\$ 5,053	\$ 14,787	\$ 27,812

City of Sacramento
Special Revenue Funds
Combining Balance Sheet
June 30, 2014
(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Special Revenue Funds
ASSETS					
Cash and investments held by City	\$ 2,795	\$ 1,587	\$ 17,416	\$ 3,586	\$ 126,966
Cash and investments held by fiscal agent	-	-	-	-	16
Securities lending assets	-	-	-	-	255
Receivables, net:					
Accounts	1,051	321	1,203	-	3,736
Loans	-	-	-	-	1,266
Intergovernmental	5,114	-	-	37	9,822
Interest	-	-	-	-	92
Prepaid items	10	3	-	-	24
Restricted assets:					
Cash and investments held by City	-	-	599	-	669
Cash and investments held by fiscal agent	-	-	-	-	732
Total assets	\$ 8,970	\$ 1,911	\$ 19,218	\$ 3,623	\$ 143,578
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ -	\$ -	\$ -	\$ -	\$ 715
Accounts payable	1,895	183	902	-	6,193
Accrued payroll	-	14	-	-	177
Accrued claims and judgements	-	-	-	-	1,601
Matured notes and interest payable	-	-	-	-	662
Deposits	91	-	-	-	1,258
Unearned revenue	92	-	-	-	345
Advances from other funds	-	-	-	-	7,241
Total liabilities	2,078	197	902	-	18,192
Deferred Inflows of resources:					
Unavailable revenue	3,243	-	-	-	5,595
Total deferred inflows of resources	3,243	-	-	-	5,595
Fund balances:					
Nonspendable:					
Prepaid items	10	3	-	-	24
Restricted:					
Capital projects	-	-	5,230	-	56,963
Debt service	-	-	1,181	-	1,983
Public works programs	-	-	-	-	11,830
Economic development programs	-	-	-	-	22,484
Other programs	6,892	1,711	11,918	-	25,151
Committed:					
Capital projects	-	-	-	2,500	3,288
Economic development programs	-	-	-	-	5,125
Other programs	-	-	-	-	3,382
Assigned:					
Other programs	-	-	-	1,123	1,721
Unassigned	(3,253)	-	(13)	-	(12,160)
Total fund balances (deficit)	3,649	1,714	18,316	3,623	119,791
Total liabilities, deferred inflows of resources and fund balances	\$ 8,970	\$ 1,911	\$ 19,218	\$ 3,623	\$ 143,578

City of Sacramento
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Transportation and Development Fund	Culture and Leisure Fund	Parks and Recreation Fund	Economic Development Fund
Revenues:				
Taxes	\$ 595	\$ -	\$ -	\$ 2,466
Intergovernmental	36,267	-	4,983	-
Charges for services	5,005	1,424	291	-
Fines, forfeits and penalties	654	-	-	-
Interest, rents, and concessions	537	1,555	1,490	291
Community service fees	197	-	2,978	-
Assessment levies	90	-	-	-
Contributions and donations	-	38	245	-
Miscellaneous	-	19	-	270
Total revenues	43,345	3,036	9,987	3,027
Expenditures:				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
General services	-	-	-	-
Public works	17,028	-	-	-
Convention, culture and leisure	-	1,055	-	-
Economic development	-	-	-	1,643
Parks and recreation	-	-	9,351	-
Community development	3,736	-	-	-
Library	-	-	-	-
Utilities	-	-	-	-
Capital outlay	19,961	252	1,830	-
Debt service:				
Principal	-	1,122	-	-
Interest and fiscal charges	-	1,291	-	-
Total expenditures	40,725	3,720	11,181	1,643
Excess (deficiency) of revenues over (under) expenditures	2,620	(684)	(1,194)	1,384
Other financing sources (uses):				
Transfers in	3,968	-	553	119
Transfers out	(3,553)	-	(288)	(119)
Proceeds from sale of capital assets	-	-	-	597
Total other financing sources (uses)	415	-	265	597
Net change in fund balances	3,035	(684)	(929)	1,981
Fund balances (deficit), beginning of year, as restated	51,878	(2,525)	14,105	25,628
Fund balances (deficit), end of year	\$ 54,913	\$ (3,209)	\$ 13,176	\$ 27,609

City of Sacramento
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	Operating Grants Fund	CCOMWP Fund	Special Districts Special Revenue Fund	Cal EPA Fund	Total Special Revenue Funds
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,061
Intergovernmental	15,405	1,695	-	181	58,531
Charges for services	850	-	-	-	7,570
Fines, forfeits and penalties	-	-	-	-	654
Interest, rents, and concessions	-	13	201	31	4,118
Community service fees	-	-	-	-	3,175
Assessment levies	-	-	36,208	-	36,298
Contributions and donations	1,416	-	-	-	1,699
Miscellaneous	-	-	-	-	289
Total revenues	17,671	1,708	36,409	212	115,395
Expenditures:					
Current:					
General government	-	2,304	866	-	3,170
Police	8,851	-	-	-	8,851
Fire	4,190	-	-	-	4,190
General services	17	-	100	11	128
Public works	-	-	11,908	-	28,936
Convention, culture and leisure	67	-	4,634	-	5,756
Economic development	1,536	-	6,635	-	9,814
Parks and recreation	2,016	-	5,664	-	17,031
Community development	103	-	136	-	3,975
Library	-	-	4,846	-	4,846
Utilities	-	-	512	-	512
Capital outlay	478	-	1,335	-	23,856
Debt service:					
Principal	-	-	480	-	1,602
Interest and fiscal charges	-	-	102	-	1,393
Total expenditures	17,258	2,304	37,218	11	114,060
Excess (deficiency) of revenues over (under) expenditures	413	(596)	(809)	201	1,335
Other financing sources (uses):					
Transfers in	-	455	-	-	5,095
Transfers out	-	-	(401)	-	(4,361)
Proceeds from sale of capital assets	-	-	-	-	597
Total other financing sources (uses)	-	455	(401)	-	1,331
Net change in fund balances	413	(141)	(1,210)	201	2,666
Fund balances (deficit), beginning of year, as restated	3,236	1,855	19,526	3,422	117,125
Fund balances (deficit), end of year	\$ 3,649	\$ 1,714	\$ 18,316	\$ 3,623	\$ 119,791

City of Sacramento
Transportation and Development Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 21,619	\$ 22,019	\$ 24,099	\$ 2,080
Fines, forfeits and penalties	800	400	654	254
Interest, rents, and concessions	213	213	223	10
Total revenues	<u>22,632</u>	<u>22,632</u>	<u>24,976</u>	<u>2,344</u>
Expenditures:				
Current:				
Public works	17,030	17,418	16,758	660
Capital outlay	18,739	17,507	7,315	10,192
Total expenditures	<u>35,769</u>	<u>34,925</u>	<u>24,073</u>	<u>10,852</u>
Net change in fund balance for budgeted activities	<u>\$ (13,137)</u>	<u>\$ (12,293)</u>	903	<u>\$ 13,196</u>
Net change in fund balance for Transportation and Development Special Revenue Fund activities for which annual budgets are not adopted.			<u>2,132</u>	
Net change in fund balance			<u>\$ 3,035</u>	

City of Sacramento
Culture and Leisure Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for services	\$ 1,435	\$ 1,687	\$ 1,424	\$ (263)
Interest, rents and concessions	1,521	1,521	1,540	19
Contributions and donations	45	45	38	(7)
Total revenues	3,001	3,253	3,002	(251)
Expenditures:				
Current:				
Convention, culture and leisure	1,077	1,367	1,055	312
Capital outlay	623	705	238	467
Debt service:				
Principal	1,171	1,034	1,122	(88)
Interest and fiscal charges	1,252	810	1,291	(481)
Total expenditures	4,123	3,916	3,706	210
Net change in fund balance for budgeted activities	\$ (1,122)	\$ (663)	(704)	\$ (41)
Net change in fund balance for Culture and Leisure Special Revenue Fund activities for which annual budgets are not adopted.				
			<u>20</u>	
Net change in fund balance			<u>\$ (684)</u>	

City of Sacramento
Parks and Recreation Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 5,208	\$ 5,524	\$ 4,983	\$ (541)
Charges for services	10	10	291	281
Interest, rents and concessions	702	702	987	285
Community service fees	1,704	1,791	2,144	353
Contributions and donations	12	12	9	(3)
Total revenues	<u>7,636</u>	<u>8,039</u>	<u>8,414</u>	<u>375</u>
Expenditures:				
Current:				
Parks and recreation	8,254	8,774	8,943	(169)
Capital outlay	82	101	-	101
Total expenditures	<u>8,336</u>	<u>8,875</u>	<u>8,943</u>	<u>(68)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(700)</u>	<u>(836)</u>	<u>(529)</u>	<u>307</u>
Other financing sources (uses):				
Transfers in	553	553	553	-
Transfers out	-	-	(19)	(19)
Total other financing sources (uses)	<u>553</u>	<u>553</u>	<u>534</u>	<u>(19)</u>
Net change in fund balance for budgeted activities	<u>\$ (147)</u>	<u>\$ (283)</u>	<u>5</u>	<u>\$ 288</u>
Net change in fund balance for Parks and Recreation Special Revenue Fund activities for which annual budgets are not adopted.			<u>(934)</u>	
Net change in fund balance			<u>\$ (929)</u>	

City of Sacramento
CCOMWP Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 1,023	\$ 1,613	\$ 1,695	\$ 82
Interest, rents and concessions	-	-	13	13
Total revenues	<u>1,023</u>	<u>1,613</u>	<u>1,708</u>	<u>95</u>
Expenditures:				
Current:				
General government	<u>2,730</u>	<u>3,320</u>	<u>2,304</u>	<u>1,016</u>
Excess (deficiency) of revenues over (under) expenditures	(1,707)	(1,707)	(596)	1,111
Other financing sources				
Operating transfers in	<u>455</u>	<u>455</u>	<u>455</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,252)</u>	<u>\$ (1,252)</u>	<u>\$ (141)</u>	<u>\$ 1,111</u>

City of Sacramento
Special Districts Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest, rents, and concessions	\$ -	\$ -	\$ 201	\$ 201
Assessment levies	32,676	36,111	36,208	97
Total revenues	32,676	36,111	36,409	298
Expenditures:				
Current:				
General government	852	818	866	(48)
General services	112	112	100	12
Public works	12,702	11,801	11,908	(107)
Convention, culture and leisure	2,128	5,218	4,634	584
Economic development	6,978	8,975	6,635	2,340
Parks and recreation	5,466	5,693	5,664	29
Community development	150	150	136	14
Library	4,889	4,889	4,846	43
Utilities	1,120	805	512	293
Capital outlay	4,064	4,064	1,335	2,729
Debt service:				
Principal	480	480	480	-
Interest and fiscal charges	102	102	102	-
Total expenditures	39,043	43,107	37,218	5,889
Other financing sources (uses):				
Transfers out	-	-	(401)	401
Total other financing sources (uses)	-	-	(401)	401
Net change in fund balance	\$ (6,367)	\$ (6,996)	\$ (1,210)	\$ (5,190)

City of Sacramento
Cal EPA Special Revenue Fund
Schedule of Revenues, Expenditures and Change in Fund Balance
- Budget and Actual

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 7,874	\$ 7,874	\$ 181	\$ (7,693)
Interest, rents, and concessions	-	-	31	31
Total revenues	<u>7,874</u>	<u>7,874</u>	<u>212</u>	<u>(7,662)</u>
Expenditures:				
Current:				
General services	<u>7,702</u>	<u>7,702</u>	<u>11</u>	<u>7,691</u>
Net change in fund balance	<u>\$ 172</u>	<u>\$ 172</u>	<u>\$ 201</u>	<u>\$ 29</u>

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OTHER DEBT SERVICE FUNDS

Debt service funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest, or that are being accumulated for principal and interest maturing in future years. The following debt service funds have been classified as nonmajor funds:

THE 1993 SERIES A REVENUE BOND FUND is used to account for refunded debt service activities related to the City of Sacramento's 1986 COP issue and for the debt service activity related to the partial refunding of the City of Sacramento's 1991 Marks-Roos Revenue Bond issuance.

THE 1993 SERIES B REVENUE BOND FUND is used to account for refunded debt service activities related to the City of Sacramento's 1989 COP issuance.

THE 2002 CAPITAL IMPROVEMENT REVENUE BOND FUND is used to account for debt service activities related to financing various capital improvements and redevelopment projects including the new Civic Center, I-5 Arena Interchange and certain fire trucks and fire stations. These bonds were partially refunded with the 2005 Refunding Revenue Bonds, and with the 2006 Series E Refunding Revenue Bonds.

THE 2002 REFUNDING REVENUE BOND LIGHT RAIL PROJECTS FUND is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (Light Rail Transit Projects).

THE 2002 REFUNDING REVENUE BOND PUBLIC FACILITIES PROJECTS FUND is used to account for refunded debt service activities related to the City of Sacramento's 1991 Refunded Certificates of Participation (1987 Public Facilities Projects).

THE 2003 CAPITAL IMPROVEMENT REVENUE BOND FUND is used to account for debt service activities related to financing the acquisition and construction of the 911 Dispatch and Training Facility, a regional park, a corporation yard, a library, fire stations and other municipal projects. These bonds were partially refunded by the 2006 Series E Refunding Revenue Bonds.

THE 2005 REFUNDING REVENUE BOND FUND is used to account for refunded debt service related to refinancing all of the 2000 Capital Improvement Revenue Bonds and a portion of the 1999, 2001 and 2002 Capital Improvement Revenue Bonds.

THE 2006 SERIES A REVENUE BOND FUND is used to account for debt service activities related to financing the expansion of the Crocker Art Museum and other public capital improvements and redevelopment projects.

OTHER DEBT SERVICE FUNDS (continued)

THE 2006 SERIES B REVENUE BOND FUND is used to account for debt service activities related to financing an arts rehearsal facility and other public capital improvements and redevelopment projects.

THE 2006 SERIES C REVENUE BOND FUND is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

THE 2006 SERIES D REVENUE BOND FUND is used to account for debt service activities related to financing the City's new Richards Boulevard building and improvements.

THE 2006 SERIES E REVENUE BOND FUND is used to account for refunding debt service related to refinancing all of the 2001 Capital Improvement Revenue Bonds and a portion of the 2002 and 2003 Capital Improvement Revenue Bonds.

THE OTHER CITY DEBT FUND is used to account for debt service activities related to financing equipment for street lighting and other programs of the City.

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ 24	\$ 381	\$ 132
Cash and investments held by fiscal agent	26	72	-
Receivables, net:			
Loans	-	-	-
Intergovernmental	-	-	350
Interest	1	1	-
Restricted assets:			
Cash and investments held by City	-	-	-
Cash and investments held by fiscal agent	1,212	3,314	-
Total assets	<u>\$ 1,263</u>	<u>\$ 3,768</u>	<u>\$ 482</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Deferred Inflows of resources:			
Unavailable revenue	1	1	350
Total deferred inflows of resources	1	1	350
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	1,212	3,314	-
Committed:			
Debt service	-	-	-
Assigned:			
Debt service	49	451	21
Unrealized investment gains	1	2	-
Other programs	-	-	111
Total fund balances	1,262	3,767	132
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,263</u>	<u>\$ 3,768</u>	<u>\$ 482</u>

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	2005	2006	2006
	Refunding	Series A	Series B
	Revenue	Revenue	Revenue
	Bond Fund	Bond Fund	Bond Fund
<u>ASSETS</u>			
Assets:			
Cash and investments held by City	\$ -	\$ 85	\$ 6,708
Cash and investments held by fiscal agent	-	158	38
Receivables, net:			
Loans	-	3,484	-
Intergovernmental	19,675	7,702	12,806
Interest	-	-	-
Restricted assets:			
Cash and investments held by City	-	826	-
Cash and investments held by fiscal agent	-	6,808	3,960
Total assets	<u>\$ 19,675</u>	<u>\$ 19,063</u>	<u>\$ 23,512</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Deposits	\$ -	\$ 826	\$ 20
Total liabilities	-	826	20
Deferred Inflows of resources:			
Unavailable revenue	19,675	11,186	12,806
Total deferred inflows of resources	19,675	11,186	12,806
Fund balances:			
Nonspendable:			
Noncurrent assets	-	-	-
Restricted:			
Debt service	-	6,808	3,960
Committed:			
Debt service	-	-	6,583
Assigned:			
Debt service	-	243	143
Unrealized investment gains	-	-	-
Other programs	-	-	-
Total fund balances	-	7,051	10,686
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,675</u>	<u>\$ 19,063</u>	<u>\$ 23,512</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Balance Sheet

June 30, 2014

(in thousands)

	2006 Series D Revenue Bond Fund	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
<u>ASSETS</u>				
Assets:				
Cash and investments held by City	\$ 3	\$ 45	\$ 19	\$ 7,397
Cash and investments held by fiscal agent	-	-	-	294
Receivables, net:				
Loans	-	-	450	3,934
Intergovernmental	-	1,990	-	42,523
Interest	-	-	-	2
Restricted assets:				
Cash and investments held by City	-	-	-	826
Cash and investments held by fiscal agent	-	-	271	15,565
Total assets	<u>\$ 3</u>	<u>\$ 2,035</u>	<u>\$ 740</u>	<u>\$ 70,541</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Liabilities:				
Deposits	\$ -	\$ -	\$ -	\$ 846
Total liabilities	-	-	-	846
Deferred Inflows of resources:				
Unavailable revenue	-	1,990	-	46,009
Total deferred inflows of resources	-	1,990	-	46,009
Fund balances:				
Nonspendable:				
Noncurrent assets	-	-	451	451
Restricted:				
Debt service	-	-	271	15,565
Committed:				
Debt service	-	-	-	6,583
Assigned:				
Debt service	3	45	18	973
Unrealized investment gains	-	-	-	3
Other programs	-	-	-	111
Total fund balances	<u>3</u>	<u>45</u>	<u>740</u>	<u>23,686</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3</u>	<u>\$ 2,035</u>	<u>\$ 740</u>	<u>\$ 70,541</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	1993 Series A Revenue Bond Fund	1993 Series B Revenue Bond Fund	2002 Capital Improvement Revenue Bond Fund	2002 Refunding Revenue Bond Light Rail Projects Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 2,030	\$ -
Interest, rents, and concessions	9	25	63	-
Contributions from property owners	-	-	-	-
Total revenues	<u>9</u>	<u>25</u>	<u>2,093</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	709	2,022	4,995	-
Interest and fiscal charges	355	985	199	-
Total expenditures	<u>1,064</u>	<u>3,007</u>	<u>5,194</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,055)</u>	<u>(2,982)</u>	<u>(3,101)</u>	<u>-</u>
Other financing sources:				
Transfers in	1,031	2,925	2,953	-
Transfers out	-	-	-	(39)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>1,031</u>	<u>2,925</u>	<u>2,953</u>	<u>(39)</u>
Net change in fund balances	(24)	(57)	(148)	(39)
Fund balances, beginning of year	<u>1,286</u>	<u>3,824</u>	<u>280</u>	<u>39</u>
Fund balances, end of year	<u>\$ 1,262</u>	<u>\$ 3,767</u>	<u>\$ 132</u>	<u>\$ -</u>

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2002 Refunding Revenue Bond Public Facilities Projects Fund	2003 Capital Improvement Revenue Bond Fund	2005 Refunding Revenue Bond Fund
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 620
Interest, rents, and concessions	-	-	978
Contributions from property owners	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,598</u>
Expenditures:			
Debt service:			
Principal	-	5,510	1,205
Interest and fiscal charges	-	874	2,732
Total expenditures	<u>-</u>	<u>6,384</u>	<u>3,937</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(6,384)</u>	<u>(2,339)</u>
Other financing sources:			
Transfers in	-	6,384	2,339
Transfers out	(47)	-	-
Proceeds from sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(47)</u>	<u>6,384</u>	<u>2,339</u>
Net change in fund balances	(47)	-	-
Fund balances, beginning of year	<u>47</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2006 Series A Revenue Bond Fund	2006 Series B Revenue Bond Fund	2006 Series C Revenue Bond Fund	2006 Series D Revenue Bond Fund
Revenues:				
Intergovernmental	\$ 200	\$ 285	\$ -	\$ -
Interest, rents, and concessions	816	902	-	-
Contributions and donations	1,355	-	-	-
Total revenues	<u>2,371</u>	<u>1,187</u>	<u>-</u>	<u>-</u>
Expenditures:				
Debt service:				
Principal	3,095	1,000	-	620
Interest and fiscal charges	3,763	2,959	1,278	109
Total expenditures	<u>6,858</u>	<u>3,959</u>	<u>1,278</u>	<u>729</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,487)</u>	<u>(2,772)</u>	<u>(1,278)</u>	<u>(729)</u>
Other financing sources:				
Transfers in	4,268	2,386	1,278	729
Transfers out	-	-	-	-
Proceeds from sale of capital assets	-	4,305	-	-
Total other financing sources (uses)	<u>4,268</u>	<u>6,691</u>	<u>1,278</u>	<u>729</u>
Net change in fund balances	(219)	3,919	-	-
Fund balances, beginning of year	<u>7,270</u>	<u>6,767</u>	<u>-</u>	<u>3</u>
Fund balances, end of year	<u>\$ 7,051</u>	<u>\$ 10,686</u>	<u>\$ -</u>	<u>\$ 3</u>

(continued)

City of Sacramento
Other Debt Service Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014

(in thousands)

	2006 Series E Revenue Bond Fund	Other City Debt Fund	Total Other Debt Service Funds
Revenues:			
Intergovernmental	\$ -	\$ -	\$ 3,135
Interest, rents, and concessions	104	22	2,919
Contributions and donations	-	-	1,355
Total revenues	<u>104</u>	<u>22</u>	<u>7,409</u>
Expenditures:			
Debt service:			
Principal	-	204	19,360
Interest and fiscal charges	4,130	145	17,529
Total expenditures	<u>4,130</u>	<u>349</u>	<u>36,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,026)</u>	<u>(327)</u>	<u>(29,480)</u>
Other financing sources:			
Transfers in	4,026	246	28,565
Transfers out	-	-	(86)
Proceeds from sale of capital assets	-	-	4,305
Total other financing sources (uses)	<u>4,026</u>	<u>246</u>	<u>32,784</u>
Net change in fund balances	-	(81)	3,304
Fund balances, beginning of year	<u>45</u>	<u>821</u>	<u>20,382</u>
Fund balances, end of year	<u>\$ 45</u>	<u>\$ 740</u>	<u>\$ 23,686</u>

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OTHER CAPITAL PROJECTS FUNDS

Other capital projects funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for governmental capital assets. The following capital projects funds have been classified as nonmajor funds:

THE GENERAL FUND CAPITAL PROJECTS FUND is used to account for the proceeds of bond issues and associated capital projects.

THE CROCKER ART MUSEUM EXPANSION FUND is used to account for contributions from the Crocker Art Museum Association (CAMA) and related expenditures for the museum expansion project.

THE FINANCING PLANS FUND is used to account for the construction of public infrastructure funded by developer impact fees authorized under financing plans.

THE SPECIAL DISTRICTS CAPITAL PROJECTS FUND is used to account for the proceeds of special assessment bond issues which are used in the construction of street lighting, curbs, gutters, sidewalks and drainage infrastructure.

City of Sacramento
Other Capital Projects Funds
Combining Balance Sheet
 June 30, 2014
 (in thousands)

	General Fund Capital Projects Fund	Crocker Art Museum Expansion Fund	Financing Plans Fund	Special Districts Capital Projects Fund	Total Other Capital Projects Funds
ASSETS					
Cash and investments held by City	\$ 236	\$ 195	\$ 53,950	\$ 8,753	\$ 63,134
Securities lending assets	-	-	67	-	67
Receivables, net:					
Accounts	-	-	14	5	19
Loans	-	2,500	-	-	2,500
Interest	-	-	114	-	114
Restricted assets:					
Cash and investments held by City	7,705	95	-	-	7,800
Total assets	\$ 7,941	\$ 2,790	\$ 54,145	\$ 8,758	\$ 73,634
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Securities lending obligations	\$ 169	\$ 195	\$ 647	\$ 54	\$ 1,065
Accounts payable	143	-	1,408	86	1,637
Deposits	-	-	95	-	95
Unearned revenue	-	-	604	-	604
Total liabilities	312	195	2,754	140	3,401
Deferred Inflows of resources:					
Unavailable revenue	-	2,500	14	-	2,514
Total deferred inflows of resources	-	2,500	14	-	2,514
Fund balances:					
Restricted:					
Capital projects	7,629	95	50,917	8,618	67,259
Other programs	-	-	460	-	460
Total fund balances	7,629	95	51,377	8,618	67,719
Total liabilities, deferred inflows of resources and fund balances	\$ 7,941	\$ 2,790	\$ 54,145	\$ 8,758	\$ 73,634

City of Sacramento
Other Capital Projects Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	General Fund Capital Projects Fund	Crocker Art Museum Expansion Fund	Financing Plans Fund	Special Districts Capital Projects Fund	Total Other Capital Projects Funds
Revenues:					
Interest, rents, and concessions	\$ 73	\$ 3	\$ 594	\$ 77	\$ 747
Community service fees	-	-	1,518	-	1,518
Assessment levies	-	-	-	2,322	2,322
Miscellaneous	-	-	11	-	11
Total revenues	73	3	2,123	2,399	4,598
Expenditures:					
Current:					
General government	-	-	256	22	278
Parks and recreation	-	-	162	-	162
Community development	-	-	289	-	289
Capital outlay	1,071	-	3,903	1,953	6,927
Debt service:					
Principal	-	-	429	-	429
Interest and fiscal charges	-	-	52	-	52
Total expenditures	1,071	-	5,091	1,975	8,137
(Deficiency) excess of revenues (under) over expenditures	(998)	3	(2,968)	424	(3,539)
Other financing sources (uses):					
Transfers out	-	-	(6,651)	-	(6,651)
Issuance of long-term debt	-	-	52	-	52
Total other financing sources (uses)	-	-	(6,599)	-	(6,599)
Net change in fund balances	(998)	3	(9,567)	424	(10,138)
Fund balances, beginning of year, as restated	8,627	92	60,944	8,194	77,857
Fund balances, end of year	\$ 7,629	\$ 95	\$ 51,377	\$ 8,618	\$ 67,719

PERMANENT FUNDS

Permanent funds are used to account for and report resources that are held by the City which are legally restricted to the extent that only earnings may be used for purposes that support City programs. The resources must be spent as provided in legal trust agreements and related state laws. The following permanent funds have been classified as nonmajor funds:

THE ANN LAND FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE BERTHA HENSCHEL FUND is used to account for gifts to the City. The investment income is available to aid destitute persons in the City.

THE GEORGE CLARK SCHOLARSHIP FUND is used to account for an endowment established by George Clark, Mayor of Sacramento in 1900. The investment income is available to provide college scholarships for Sacramento high school seniors.

THE ALICE MILLER FUND is used to account for gifts to the City. The investment income is available to care for a specific area of the Old City Cemetery.

THE SACRAMENTO HISTORY MUSEUM FUND is used to account for gifts to the Museum. The investment income is available to help pay the operating expenses of the Museum.

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City of Sacramento
Permanent Funds
Combining Balance Sheet

June 30, 2014
(in thousands)

	Ann Land Fund	Bertha Henschel Fund	George Clark Scholarship Fund
<u>ASSETS</u>			
Cash and investments held by City	\$ 954	\$ 2,858	\$ 1,002
Securities lending assets	38	114	98
Receivables, net:			
Interest	<u>2</u>	<u>7</u>	<u>2</u>
Total assets	<u>\$ 994</u>	<u>\$ 2,979</u>	<u>\$ 1,102</u>
<u>LIABILITIES</u>			
Liabilities:			
Securities lending obligations	<u>\$ 42</u>	<u>\$ 128</u>	<u>\$ 100</u>
Total liabilities	<u>42</u>	<u>128</u>	<u>100</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	272	278	25
Restricted:			
Other programs	<u>680</u>	<u>2,573</u>	<u>977</u>
Total fund balances	<u>952</u>	<u>2,851</u>	<u>1,002</u>
Total liabilities and fund balances	<u>\$ 994</u>	<u>\$ 2,979</u>	<u>\$ 1,102</u>

City of Sacramento
Permanent Funds
Combining Balance Sheet

June 30, 2014
(in thousands)

	Alice Miller Fund	Sacramento History Museum Fund	Total Permanent Funds
<u>ASSETS</u>			
Cash and investments held by City	\$ 50	\$ 336	\$ 5,200
Securities lending assets	-	-	250
Receivables, net:			
Interest	-	-	11
Total assets	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,461</u>
<u>LIABILITIES</u>			
Liabilities:			
Securities lending obligations	\$ -	\$ -	\$ 270
Total liabilities	<u>-</u>	<u>-</u>	<u>270</u>
Fund balances:			
Nonspendable:			
Permanent fund principal	3	300	878
Restricted:			
Other programs	47	36	4,313
Total fund balances	<u>50</u>	<u>336</u>	<u>5,191</u>
Total liabilities and fund balances	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,461</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Ann Land Fund</u>	<u>Bertha Henschel Fund</u>	<u>George Clark Scholarship Fund</u>
Revenues:			
Interest, rents, and concessions	\$ 144	\$ 432	\$ 168
Contributions and donations	-	1	-
Total revenues	<u>144</u>	<u>433</u>	<u>168</u>
Expenditures:			
Current:			
General government	<u>19</u>	<u>57</u>	<u>23</u>
Net change in fund balances	125	376	145
Fund balances, beginning of year	<u>827</u>	<u>2,475</u>	<u>857</u>
Fund balances, end of year	<u>\$ 952</u>	<u>\$ 2,851</u>	<u>\$ 1,002</u>

City of Sacramento
Permanent Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Alice Miller Fund</u>	<u>Sacramento History Museum Fund</u>	<u>Total Permanent Funds</u>
Revenues:			
Interest, rents, and concessions	\$ -	\$ 3	\$ 747
Contributions and donations	-	-	1
Total revenues	<u>-</u>	<u>3</u>	<u>748</u>
Expenditures:			
Current:			
General government	-	-	99
Net change in fund balances	-	3	649
Fund balances, beginning of year	<u>50</u>	<u>333</u>	<u>4,542</u>
Fund balances, end of year	<u>\$ 50</u>	<u>\$ 336</u>	<u>\$ 5,191</u>

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OTHER ENTERPRISE FUNDS

Enterprise funds are used to account for self-supporting City programs that provide services on a user-fee basis to the general public. The following enterprise funds have been classified as nonmajor funds:

THE PARKING FUND is used to account for the operation and maintenance of the City's off-street parking facilities throughout the City.

THE 4th R CHILD DEVELOPMENT FUND is used to account for a program that provides school age child care services at various locations throughout the City.

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City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 32,472	\$ 53	\$ 32,525
Cash and investments held by fiscal agent	39	-	39
Securities lending assets	71	-	71
Receivables, net:			
Accounts	826	189	1,015
Loans	85	-	85
Intergovernmental	-	56	56
Interest	122	-	122
Prepaid items	113	7	120
Intangible asset, current portion	-	8	8
Total current assets	33,728	313	34,041
Noncurrent assets:			
Restricted assets:			
Cash and investments held by City	-	36	36
Cash and investments held by fiscal agent	1,790	-	1,790
Loans receivable	476	-	476
Intangible assets	-	167	167
Capital assets:			
Land	5,825	-	5,825
Buildings and improvements	60,087	1,546	61,633
Machinery and equipment	7,699	-	7,699
Software	4	-	4
Less: accumulated depreciation/amortization	(35,125)	(793)	(35,918)
Total noncurrent assets	40,756	956	41,712
Total assets	74,484	1,269	75,753
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on refunding of debt	1,522	-	1,522
Total deferred outflows of resources	1,522	-	1,522

City of Sacramento
Other Enterprise Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
<u>LIABILITIES</u>			
Current liabilities:			
Securities lending obligations	241	-	241
Accounts payable	945	169	1,114
Accrued payroll	108	200	308
Accrued compensated absences	14	18	32
Interest payable	173	-	173
Deposits	18	-	18
Unearned revenue	414	52	466
Accrued claims and judgements	16	13	29
Revenue and other bonds payable, net	2,163	-	2,163
Notes payable	-	20	20
Total current liabilities	<u>4,092</u>	<u>472</u>	<u>4,564</u>
Noncurrent liabilities:			
Accrued compensated absences	200	276	476
OPEB liability	1,201	192	1,393
Revenue and other bonds payable, net	<u>28,188</u>	<u>-</u>	<u>28,188</u>
Total noncurrent liabilities	<u>29,589</u>	<u>468</u>	<u>30,057</u>
Total liabilities	<u>33,681</u>	<u>940</u>	<u>34,621</u>
<u>NET POSITION</u>			
Net investment in capital assets	13,864	733	14,597
Unrestricted	<u>28,461</u>	<u>(404)</u>	<u>28,057</u>
Total net position	<u>\$ 42,325</u>	<u>\$ 329</u>	<u>\$ 42,654</u>

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City of Sacramento
Other Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Parking Fund</u>	<u>4th R Child Development Fund</u>	<u>Total Other Enterprise Funds</u>
Operating revenues:			
Charges for services:			
User fees and charges	\$ 17,771	\$ 5,632	\$ 23,403
Rents and concessions	872	-	872
Miscellaneous	3	-	3
Total operating revenues	<u>18,646</u>	<u>5,632</u>	<u>24,278</u>
Operating expenses:			
Employee services	3,387	5,317	8,704
Services and supplies	8,142	878	9,020
Depreciation/amortization	2,114	77	2,191
Claims and judgements	-	25	25
Total operating expenses	<u>13,643</u>	<u>6,297</u>	<u>19,940</u>
Operating income (loss)	<u>5,003</u>	<u>(665)</u>	<u>4,338</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	374	(4)	370
Revenue from other agencies	2	496	498
Interest expense	(1,588)	-	(1,588)
Amortization of bond prepaid insurance	(7)	-	(7)
Total nonoperating revenues (expenses)	<u>(1,219)</u>	<u>492</u>	<u>(727)</u>
Income (loss) before transfers	3,784	(173)	3,611
Transfers in	1	-	1
Transfers out	(3,722)	-	(3,722)
Change in net position	63	(173)	(110)
Total net position (deficit), beginning of year, as restated	<u>42,262</u>	<u>502</u>	<u>42,764</u>
Total net position (deficit), end of year	<u>\$ 42,325</u>	<u>\$ 329</u>	<u>\$ 42,654</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$ 18,547	\$ 5,604	\$ 24,151
Payments to suppliers	(8,193)	(803)	(8,996)
Payments to employees	(3,219)	(5,261)	(8,480)
Claims and judgements paid	-	(23)	(23)
Net cash provided by (used for) operating activities	<u>7,135</u>	<u>(483)</u>	<u>6,652</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	1	-	1
Transfers out to other funds	(2,034)	-	(2,034)
Intergovernmental revenue received	2	463	465
Net cash provided by (used for) noncapital financing activities	<u>(2,031)</u>	<u>463</u>	<u>(1,568)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(505)	-	(505)
Principal payments on capital debt	(2,032)	(20)	(2,052)
Interest payments on capital debt	(1,534)	-	(1,534)
Transfers out to other funds	(1,688)	-	(1,688)
Net cash provided by (used for) capital and related financing activities	<u>(5,759)</u>	<u>(20)</u>	<u>(5,779)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	391	(4)	387
Loan repayments received	85	-	85
Net cash provided by (used for) investing activities	<u>476</u>	<u>(4)</u>	<u>472</u>
Net increase (decrease) in cash and cash equivalents	(179)	(44)	(223)
Cash and cash equivalents, beginning of year	<u>34,480</u>	<u>133</u>	<u>34,613</u>
Cash and cash equivalents, end of year	<u>\$ 34,301</u>	<u>\$ 89</u>	<u>\$ 34,390</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 32,472	\$ 53	\$ 32,525
Cash and investments held by fiscal agent	39	-	39
Restricted cash and investments held by City	-	36	36
Restricted cash and investments held by fiscal agent	<u>1,790</u>	<u>-</u>	<u>1,790</u>
Total cash and cash equivalents, end of year	<u>\$ 34,301</u>	<u>\$ 89</u>	<u>\$ 34,390</u>

City of Sacramento
Other Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Parking Fund	4th R Child Development Fund	Total Other Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 5,003	\$ (665)	\$ 4,338
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation/amortization expense	2,114	77	2,191
Amortization of intangible assets	-	8	8
Changes in assets and liabilities:			
Accounts receivable, net	(19)	(12)	(31)
Intergovernmental receivables	-	(56)	(56)
Prepaid items	3	(7)	(4)
Accounts payable	(54)	114	60
Accrued payroll	(1)	21	20
Accrued compensated absences	(33)	-	(33)
Deposits	18	-	18
Accrued claims and judgements	-	2	2
OPEB liabilities	202	35	237
Unearned revenue	(98)	-	(98)
Net cash provided by (used for) operating activities	<u>\$ 7,135</u>	<u>\$ (483)</u>	<u>\$ 6,652</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 27	\$ -	\$ 27
Amortization of bond loss on refunding	(95)	-	(95)
Amortization of bond prepaid insurance	(7)	-	(7)
Capital asset acquisitions on accounts payable	79	-	79
Change in securities lending assets	68	-	68
Change in securities lending obligations	(68)	-	(68)
Interest accrual on loans receivable	(1)	-	(1)

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WATER FUND

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City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Total Water Fund
<u>ASSETS</u>					
Current assets:					
Cash and investments held by City	\$ -	\$ 70,953	\$ (89)	\$ -	\$ 70,864
Securities lending assets	-	633	-	-	633
Receivables, net:					
Accounts	-	18,511	-	-	18,511
Loans	1,223	-	-	-	1,223
Intergovernmental	-	-	219	-	219
Interest	58	1,084	-	-	1,142
Inventories	-	3,008	-	-	3,008
Prepaid items	-	633	-	-	633
	<u>1,281</u>	<u>94,822</u>	<u>130</u>	<u>-</u>	<u>96,233</u>
Total current assets					
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	23,477	-	-	196,109	219,586
Cash and investments held by fiscal agent	-	96	-	7,089	7,185
Loans receivable	4,669	-	-	-	4,669
Capital assets:					
Land	584	1,170	-	-	1,754
Buildings and improvements	-	37,376	37	-	37,413
Machinery and equipment	-	15,886	44	-	15,930
Transmission and distribution systems	1,282	573,694	1,343	5,643	581,962
Construction in progress	2,661	12,388	-	61,502	76,551
Software	-	516	-	-	516
Less: accumulated depreciation/amortization	(37)	(198,336)	(154)	(63)	(198,590)
	<u>32,636</u>	<u>442,790</u>	<u>1,270</u>	<u>270,280</u>	<u>746,976</u>
Total noncurrent assets					
Total assets	<u>33,917</u>	<u>537,612</u>	<u>1,400</u>	<u>270,280</u>	<u>843,209</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Loss on refunding of debt	-	9,406	-	-	9,406
Total deferred outflows of resources	<u>-</u>	<u>9,406</u>	<u>-</u>	<u>-</u>	<u>9,406</u>

City of Sacramento
Water Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue Bonds Fund	Total Water Fund
<u>LIABILITIES</u>					
Current liabilities:					
Securities lending obligations	-	883	-	-	883
Accounts payable	501	3,498	15	12,215	16,229
Accrued payroll	-	741	-	-	741
Accrued compensated absences	-	123	-	-	123
Interest payable	-	686	-	3,506	4,192
Deposits	-	2	-	-	2
Unearned revenue	-	1,592	115	-	1,707
Accrued claims and judgements	-	121	-	-	121
Revenue and other bonds payable, net	-	6,222	-	4,651	10,873
Notes payable	-	406	-	-	406
	<u>501</u>	<u>14,274</u>	<u>130</u>	<u>20,372</u>	<u>35,277</u>
Total current liabilities					
Noncurrent liabilities:					
Accrued compensated absences	-	1,768	-	-	1,768
Water fee credits	-	1,702	-	-	1,702
OPEB liability	-	6,669	-	-	6,669
Revenue and other bonds payable, net	-	150,598	-	242,196.00	392,794
Notes payable	-	9,004	-	-	9,004
	<u>-</u>	<u>169,741</u>	<u>-</u>	<u>242,196</u>	<u>411,937</u>
Total noncurrent liabilities	-	169,741	-	242,196	411,937
Total liabilities	<u>501</u>	<u>184,015</u>	<u>130</u>	<u>262,568</u>	<u>447,214</u>
<u>NET POSITION</u>					
Net investment in capital assets	4,490	286,502	1,270	13,126	305,388
Restricted for:					
Capital projects	28,926	-	-	-	28,926
Unrestricted	-	76,501	-	(5,414)	71,087
Total net position	<u>\$ 33,416</u>	<u>\$ 363,003</u>	<u>\$ 1,270</u>	<u>\$ 7,712</u>	<u>\$ 405,401</u>

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City of Sacramento
Water Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Water Revenue bonds Funds	Eliminations	Total Water Fund
Operating revenues:						
Charges for services:						
User fees and charges	\$ -	\$ 94,070	\$ -	\$ -	\$ -	\$ 94,070
Miscellaneous	-	312	-	-	-	312
Total operating revenues	-	94,382	-	-	-	94,382
Operating expenses:						
Employee services	-	25,003	5	-	-	25,008
Services and supplies	-	17,864	198	-	-	18,062
Depreciation/amortization	16	16,783	89	63	-	16,951
Claims and judgements	-	145	-	-	-	145
Total operating expenses	16	59,795	292	63	-	60,166
Operating income (loss)	(16)	34,587	(292)	(63)	-	34,216
Nonoperating revenues (expenses):						
Interest and investment revenue	408	1,236	-	33	-	1,677
Revenue from other agencies	-	272	200	-	-	472
Interest expense	-	(6,471)	-	-	-	(6,471)
Amortization of bond prepaid insurance	-	(51)	-	-	-	(51)
Total nonoperating revenues (expenses)	408	(5,014)	200	33	-	(4,373)
Income (loss) before contributions and transfers	392	29,573	(92)	(30)	-	29,843
Capital contributions	644	1,146	-	-	-	1,790
Transfers in	-	298	-	9,730	(9,730)	298
Transfers out	-	(20,439)	-	-	9,730	(10,709)
Change in net position	1,036	10,578	(92)	9,700	-	21,222
Total net position (deficit), beginning of year, as restated	32,380	352,425	1,362	(1,988)	-	384,179
Total net position (deficit), end of year	<u>\$ 33,416</u>	<u>\$ 363,003</u>	<u>\$ 1,270</u>	<u>\$ 7,712</u>	<u>\$ -</u>	<u>\$ 405,401</u>

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	Water Revenue Bonds Fund	Eliminations	Total Water Fund
Cash flows from operating activities:						
Receipts from customers and users	\$ -	\$ 95,230	\$ -	\$ -	\$ -	\$ 95,230
Payments to suppliers	-	(17,494)	(201)	-	-	(17,695)
Payments to employees	-	(23,922)	(5)	-	-	(23,927)
Claims and judgements paid	-	(131)	-	-	-	(131)
Net cash provided by (used for) operating activities	-	53,683	(206)	-	-	53,477
Cash flows from noncapital financing activities:						
Transfers in from other funds	-	29	-	-	-	29
Transfers out to other funds	-	(10,671)	-	-	-	(10,671)
Intergovernmental revenue received	-	272	1,133	-	-	1,405
Net cash provided by (used for) noncapital financing activities	-	(10,370)	1,133	-	-	(9,237)
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(228)	(4,413)	(31)	(44,235)	-	(48,907)
Proceeds from sale of capital assets	-	61	-	-	-	61
Principal payments on capital debt	-	(5,424)	-	-	-	(5,424)
Interest payments on capital debt	-	(7,656)	-	(9,730)	-	(17,386)
Transfers in from other funds	-	269	-	9,730	(9,730)	269
Transfers out to other funds	-	(9,768)	-	-	9,730	(38)
Capital contributions received	644	-	-	-	-	644
Loan repayments received	1,183	-	-	-	-	1,183
Net cash provided by (used for) capital and related financing activities	1,599	(26,931)	(31)	(44,235)	-	(69,598)
Cash flows from investing activities:						
Collection of interest and investment revenue	422	1,436	-	2,052	-	3,910
Net cash provided by (used for) investing activities	422	1,436	-	2,052	-	3,910
Net increase (decrease) in cash and cash equivalents	2,021	17,818	896	(42,183)	-	(21,448)
Cash and cash equivalents, beginning of year	21,456	53,231	(985)	245,381	-	319,083
Cash and cash equivalents, end of year	\$ 23,477	\$ 71,049	\$ (89)	\$ 203,198	\$ -	\$ 297,635
Reconciliation of cash and cash equivalents to the Statement of Net Position:						
Cash and investments held by City	\$ -	\$ 70,953	\$ (89)	\$ -	\$ -	\$ 70,864
Restricted cash and investments held by City	23,477	-	-	196,109	-	219,586
Restricted cash and investments held by fiscal agent	-	96	-	7,089	-	7,185
Total cash and cash equivalents, end of year	\$ 23,477	\$ 71,049	\$ (89)	\$ 203,198	\$ -	\$ 297,635

City of Sacramento
Water Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	Water Revenue Bonds Fund	Eliminations	Total Water Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (16)	\$ 34,587	\$ (292)	\$ (63)	\$ -	\$ 34,216
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation/amortization expense	16	16,783	89	63	-	16,951
Changes in assets and liabilities:						
Accounts receivable, net	-	605	-	-	-	605
Inventories	-	(230)	-	-	-	(230)
Accounts payable	-	600	(3)	-	-	597
Accrued payroll	-	50	-	-	-	50
Accrued compensated absences	-	(33)	-	-	-	(33)
OPEB liabilities	-	1,064	-	-	-	1,064
Accrued claims and judgements	-	14	-	-	-	14
Deposits	-	2	-	-	-	2
Unearned revenue	-	241	-	-	-	241
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 53,683</u>	<u>\$ (206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,477</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets	\$ -	\$ 1,038	\$ -	\$ -	\$ -	\$ 1,038
Transfer of capital assets from governmental funds, net of depreciation	-	108	-	-	-	108
Capitalized interest	-	944	-	7,414	-	8,358
Amortization of bond premium and discount	-	942	-	1,111	-	2,053
Amortization of bond loss on refunding	-	(725)	-	-	-	(725)
Amortization of bond prepaid insurance	-	(51)	-	-	-	(51)
Capital asset acquisitions on accounts payable	501	1,333	-	12,215	-	14,049
Change in securities lending assets	-	604	-	-	-	604
Change in securities lending obligations	-	(604)	-	-	-	(604)
Intergovernmental receivable for capital contributions	-	-	219	-	-	219

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WASTEWATER FUND

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City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
 June 30, 2014
 (in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
ASSETS					
Current assets:					
Cash and investments held by City	\$ -	\$ 21,489	\$ (50)	\$ -	\$ 21,439
Securities lending assets	-	93	-	-	93
Receivables, net:					
Accounts	-	11,182	-	-	11,182
Loans	-	125	-	-	125
Intergovernmental	-	-	74	-	74
Interest	-	170	-	-	170
Inventories	-	65	-	-	65
Total current assets	-	33,124	24	-	33,148
Noncurrent assets:					
Restricted assets:					
Cash and investments held by City	2,035	812	-	18,469	21,316
Cash and investments held by fiscal agent	-	-	-	994	994
Loans receivable	-	809	-	-	809
Capital assets:					
Land	-	1,138	-	-	1,138
Buildings and improvements	-	15,216	-	-	15,216
Machinery and equipment	-	4,733	-	-	4,733
Transmission and distribution systems	938	149,542	525	739	151,744
Construction in progress	69	799	308	12,810	13,986
Software	-	324	-	-	324
Less: accumulated depreciation/amortization	(5)	(64,042)	(3)	(6)	(64,056)
Total noncurrent assets	3,037	109,331	830	33,006	146,204
Total assets	3,037	142,455	854	33,006	179,352

City of Sacramento
Wastewater Fund
Combining Schedule of Net Position
June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
LIABILITIES					
Current liabilities:					
Securities lending obligations	-	173	-	-	173
Accounts payable	11	8,357	24	646	9,038
Accrued payroll	-	260	-	-	260
Accrued compensated absences	-	21	-	-	21
Interest payable	-	59	-	467	526
Accrued claims and judgements	-	62	-	-	62
Capital leases payable	-	142	-	-	142
Revenue and other bonds payable, net	-	-	-	57	57
Notes payable	-	736	-	-	736
Total current liabilities	11	9,810	24	1,170	11,015
Noncurrent liabilities:					
Accrued compensated absences	-	601	-	-	601
OPEB liability	-	2,562	-	-	2,562
Capital leases payable	-	296	-	-	296
Revenue and other bonds payable, net	-	-	-	32,420	32,420
Notes payable	-	4,578	-	-	4,578
Total noncurrent liabilities	-	8,037	-	32,420	40,457
Total liabilities	11	17,847	24	33,590	51,472
NET POSITION					
Net investment in capital assets	1,002	102,396	830	472	104,700
Restricted for:					
Capital projects	2,024	-	-	-	2,024
Unrestricted	-	22,212	-	(1,056)	21,156
Total net position (deficit)	\$ 3,026	\$ 124,608	\$ 830	\$ (584)	\$ 127,880

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City of Sacramento
Wastewater Fund
Combining Schedule of Revenues,
Expenses and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Operating revenues:					
Charges for services:					
User fees and charges	\$ -	\$ 27,544	\$ -	\$ -	\$ 27,544
Charge to other agencies for contract services	-	948	-	-	948
Miscellaneous	-	1	-	-	1
Total operating revenues	-	28,493	-	-	28,493
Operating expenses:					
Employee services	-	8,248	-	51	8,299
Services and supplies	-	12,897	1	51	12,949
Depreciation/amortization	5	4,202	3	6	4,216
Claims and judgements	-	74	-	-	74
Total operating expenses	5	25,421	4	108	25,538
Operating income (loss)	(5)	3,072	(4)	(108)	2,955
Nonoperating revenues (expenses):					
Interest and investment revenue	20	319	-	6	345
Interest expense	-	(135)	-	-	(135)
Total nonoperating revenues (expenses)	20	184	-	6	210
Income (loss) before contributions and transfers	15	3,256	(4)	(102)	3,165
Capital contributions	73	701	610	-	1,384
Transfers in	-	4	-	-	4
Transfers out	-	(3,056)	-	-	(3,056)
Change in net position	88	905	606	(102)	1,497
Total net position (deficit), beginning of year, as restated	2,938	123,703	224	(482)	126,383
Total net position (deficit), end of year	\$ 3,026	\$ 124,608	\$ 830	\$ (584)	\$ 127,880

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Cash flows from operating activities:					
Receipts from customers and users	\$ -	\$ 28,445	\$ -	\$ -	\$ 28,445
Payments to suppliers	-	(12,321)	(1)	(51)	(12,373)
Payments to employees	-	(7,864)	-	(51)	(7,915)
Claims and judgements paid	-	(64)	-	-	(64)
Net cash provided by (used for) operating activities	-	8,196	(1)	(102)	8,093
Cash flows from noncapital financing activities:					
Transfers in from other funds	-	4	-	-	4
Transfers out to other funds	-	(3,005)	-	-	(3,005)
Net cash provided by (used for) noncapital financing activities	-	(3,001)	-	-	(3,001)
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(796)	(1,358)	(585)	(11,352)	(14,091)
Principal payments on capital debt	-	(857)	-	-	(857)
Interest payments on capital debt	-	(156)	-	(951)	(1,107)
Transfers out to other funds	-	(51)	-	-	(51)
Capital contributions received	73	-	644	-	717
Loan repayments received	-	241	-	-	241
Net cash provided by (used for) capital and related financing activities	(723)	(2,181)	59	(12,303)	(15,148)
Cash flows from investing activities:					
Collection of interest and investment revenue	20	396	-	225	641
Net cash provided by (used for) investing activities	20	396	-	225	641
Net increase (decrease) in cash and cash equivalents	(703)	3,410	58	(12,180)	(9,415)
Cash and cash equivalents, beginning of year	2,738	18,891	(108)	31,643	53,164
Cash and cash equivalents, end of year	\$ 2,035	\$ 22,301	\$ (50)	\$ 19,463	\$ 43,749
Reconciliation of cash and cash equivalents to the Statement of Net Position:					
Cash and investments held by City	\$ -	\$ 21,489	\$ (50)	\$ -	\$ 21,439
Restricted cash and investments held by City	2,035	812	-	18,469	21,316
Restricted cash and investments held by fiscal agent	-	-	-	994	994
Total cash and cash equivalents, end of year	\$ 2,035	\$ 22,301	\$ (50)	\$ 19,463	\$ 43,749

City of Sacramento
Wastewater Fund
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Development Impact Fee Fund	User Fee Fund	Grant Projects Fund	2013 Wastewater Revenue Bonds Fund	Total Wastewater Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (5)	\$ 3,072	\$ (4)	\$ (108)	\$ 2,955
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation/amortization expense	5	4,202	3	6	4,216
Changes in assets and liabilities:					
Accounts receivable, net	-	(48)	-	-	(48)
Inventories	-	18	-	-	18
Accounts payable	-	558	-	-	558
Accrued payroll	-	24	-	-	24
Accrued compensated absences	-	(14)	-	-	(14)
Accrued claims and judgements	-	10	-	-	10
OPEB liabilities	-	374	-	-	374
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ 8,196</u>	<u>\$ (1)</u>	<u>\$ (102)</u>	<u>\$ 8,093</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets	\$ -	\$ 551	\$ -	\$ -	\$ 551
Transfer of capital assets from governmental funds, net of depreciation	-	150	-	-	150
Capitalized interest	-	14	-	1,131	1,145
Amortization of bond premium and discount	-	-	-	57	57
Capital asset acquisitions on accounts payable	11	74	24	646	755
Change in securities lending assets	-	88	-	-	88
Change in securities lending obligations	-	(88)	-	-	(88)

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INTERNAL SERVICE FUNDS

Internal service funds are established to account for goods or services provided by one department within the City to other departments on a cost reimbursement basis. The following are internal service funds:

THE FLEET MANAGEMENT FUND is used to account for the operation, maintenance and replacement of the City's fleet of vehicles that serve the transportation and operating needs of all City departments and divisions.

THE RISK MANAGEMENT FUND is used to account for the City's self-funded general and automobile insurance program and workers' compensation insurance program.

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City of Sacramento
Internal Service Funds
Combining Statement of Net Position
 June 30, 2014
 (in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>ASSETS</u>			
Current assets:			
Cash and investments held by City	\$ 9,445	\$ 84,628	\$ 94,073
Cash and investments held by fiscal agent	-	184	184
Securities lending assets	-	169	169
Receivables, net:			
Accounts	234	51	285
Interest	-	289	289
Due from other funds	-	3,259	3,259
Prepaid items	155	1	156
	<u>9,834</u>	<u>88,581</u>	<u>98,415</u>
Total current assets			
	9,834	88,581	98,415
Noncurrent assets:			
Advances to other funds	-	13,431	13,431
Capital assets:			
Buildings and improvements	7,159	-	7,159
Machinery and equipment	457	-	457
Vehicles	127,613	-	127,613
Software	256	-	256
Less: accumulated depreciation/amortization	(78,887)	-	(78,887)
	<u>56,598</u>	<u>13,431</u>	<u>70,029</u>
Total noncurrent assets			
	56,598	13,431	70,029
Total assets	<u>66,432</u>	<u>102,012</u>	<u>168,444</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Loss on refunding of debt	82	-	82
Total deferred outflows of resources	<u>82</u>	<u>-</u>	<u>82</u>

City of Sacramento
Internal Service Funds
Combining Statement of Net Position
June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
<u>LIABILITIES</u>			
Current liabilities:			
Securities lending obligations	-	253	253
Accounts payable	4,055	482	4,537
Accrued payroll	216	119	335
Accrued compensated absences	56	22	78
Interest payable	7	-	7
Deposits	-	33	33
Unearned revenue	-	481	481
Accrued claims and judgements	62	14,090	14,152
Capital leases payable	24	-	24
Revenue and other bonds payable, net	356	-	356
	<u>4,776</u>	<u>15,480</u>	<u>20,256</u>
Total current liabilities			
Noncurrent liabilities:			
Accrued compensated absences	701	364	1,065
OPEB liability	2,709	403	3,112
Accrued claims and judgements	-	49,017	49,017
Capital leases payable	125	-	125
Revenue and other bonds payable, net	2,442	-	2,442
	<u>5,977</u>	<u>49,784</u>	<u>55,761</u>
Total noncurrent liabilities			
Total liabilities			
	<u>10,753</u>	<u>65,264</u>	<u>76,017</u>
<u>NET POSITION</u>			
Net investment in capital assets	53,651	-	53,651
Unrestricted	2,110	36,748	38,858
	<u>55,761</u>	<u>36,748</u>	<u>92,509</u>
Total net position	<u>\$ 55,761</u>	<u>\$ 36,748</u>	<u>\$ 92,509</u>

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City of Sacramento
Internal Service Funds
Combining Statement of Revenues, Expenses
and Changes in Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Operating revenues:			
Charges for services:			
User fees and charges	\$ 38,337	\$ 23,624	\$ 61,961
Miscellaneous	36	-	36
Total operating revenues	<u>38,373</u>	<u>23,624</u>	<u>61,997</u>
Operating expenses:			
Employee services	7,042	3,590	10,632
Services and supplies	19,609	6,881	26,490
Depreciation/amortization	9,554	-	9,554
Insurance premiums	-	3,056	3,056
Claims and judgements	40	15,469	15,509
Total operating expenses	<u>36,245</u>	<u>28,996</u>	<u>65,241</u>
Operating income (loss)	<u>2,128</u>	<u>(5,372)</u>	<u>(3,244)</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	39	1,186	1,225
Revenue from other agencies	228	-	228
Insurance and other claim recoveries	-	244	244
Interest expense	(74)	-	(74)
Gain (loss) on disposition of capital assets	6	-	6
Total nonoperating revenues (expenses)	<u>199</u>	<u>1,430</u>	<u>1,629</u>
Income (loss) before contributions and transfers	2,327	(3,942)	(1,615)
Transfers in	414	4	418
Transfers out	(359)	(14)	(373)
Change in net position	2,382	(3,952)	(1,570)
Total net position, beginning of year, as restated	<u>53,379</u>	<u>40,700</u>	<u>94,079</u>
Total net position, end of year	<u>\$ 55,761</u>	<u>\$ 36,748</u>	<u>\$ 92,509</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 38,409	\$ 87,160	\$ 125,569
Payments to suppliers	(18,661)	(73,539)	(92,200)
Payments to employees	(6,649)	(3,545)	(10,194)
Claims and judgements paid	(35)	(12,212)	(12,247)
Net cash provided by (used for) operating activities	<u>13,064</u>	<u>(2,136)</u>	<u>10,928</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	4	4
Transfers out to other funds	(308)	(14)	(322)
Collections on interfund loans	-	10,106	10,106
Loans made to other funds	-	(3,009)	(3,009)
Intergovernmental revenue received	6	-	6
Claim and judgement recoveries	-	225	225
Net cash provided by (used for) noncapital financing activities	<u>(302)</u>	<u>7,312</u>	<u>7,010</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(9,075)	-	(9,075)
Proceeds from sale of capital assets	569	-	569
Principal payments on capital debt	(345)	-	(345)
Interest payments on capital debt	(101)	-	(101)
Transfers in from other funds	363	-	363
Net cash used for capital and related financing activities	<u>(8,589)</u>	<u>-</u>	<u>(8,589)</u>
Cash flows from investing activities:			
Collection of interest and investment revenue	39	1,175	1,214
Net cash provided by investing activities	<u>39</u>	<u>1,175</u>	<u>1,214</u>
Net increase in cash and cash equivalents	4,212	6,351	10,563
Cash and cash equivalents, beginning of year	5,233	78,461	83,694
Cash and cash equivalents, end of year	<u>\$ 9,445</u>	<u>\$ 84,812</u>	<u>\$ 94,257</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:			
Cash and investments held by City	\$ 9,445	\$ 84,628	\$ 94,073
Cash and investments held by fiscal agent	-	184	184
Total cash and cash equivalents, end of year	<u>\$ 9,445</u>	<u>\$ 84,812</u>	<u>\$ 94,257</u>

City of Sacramento
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(in thousands)

	Fleet Management Fund	Risk Management Fund	Total Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 2,128	\$ (5,372)	\$ (3,244)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation/amortization expense	9,554	-	9,554
Changes in assets and liabilities:			
Accounts receivable, net	36	-	36
Prepaid items	(37)	-	(37)
Accounts payable	985	(51)	934
Accrued payroll	25	4	29
Accrued compensated absences	(64)	(31)	(95)
Deposits	-	16	16
Unearned revenue	-	(31)	(31)
Accrued claims and judgements	5	3,257	3,262
OPEB liabilities	432	72	504
Net cash provided by (used for) operating activities	<u>\$ 13,064</u>	<u>\$ (2,136)</u>	<u>\$ 10,928</u>
Noncash investing, capital and financing activities:			
Amortization of bond premium and discount	\$ 18	\$ -	\$ 18
Amortization of bond loss on refunding	(10)	-	(10)
Write off gain on refunding	18	-	18
Capital asset acquisitions on accounts payable	1,165	-	1,165
Change in securities lending assets	-	163	163
Change in securities lending obligations	-	(163)	(163)
Change in accounts receivable related to claim and judgement recoveries	-	(1)	(1)

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INVESTMENT TRUST FUNDS

Investment trust funds account for assets and related liabilities of legally separate entities for which the City provides investment services.

Investment Pool is used to account for assets and liabilities held for external participants in the City Sponsored Investment Pool.

Individual Investment Accounts are used to account for assets and liabilities, held for entities external to the City, which are not invested in the City Sponsored Investment Pool.

City of Sacramento
Investment Trust Funds
Combining Statement of Fiduciary Net Position

June 30, 2014
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
<u>ASSETS</u>			
Cash and investments held by City	\$ 54,778	\$ 76,066	\$ 130,844
Securities lending assets	93	19	112
Receivables, net:			
Interest	<u>160</u>	<u>297</u>	<u>457</u>
Total assets	55,031	76,382	131,413
<u>LIABILITIES</u>			
Securities lending obligations	<u>103</u>	<u>330</u>	<u>433</u>
<u>NET POSITION</u>			
Held in trust	<u>\$ 54,928</u>	<u>\$ 76,052</u>	<u>\$ 130,980</u>

City of Sacramento
Investment Trust Funds
Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2014
(in thousands)

	<u>Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total Investment Trust Funds</u>
Additions:			
From investment activities:			
Net appreciation in fair value of investments	\$ 102	\$ (39)	\$ 63
Interest	613	1,014	1,627
Total investment earnings	715	975	1,690
Less investment expenses:			
Banking, interest, and fiscal agent expenses	132	-	132
Net income from investing activities	583	975	1,558
From securities lending activities:			
Net appreciation in fair value of investments	1	-	1
Net investment income	584	975	1,559
Deposits	49,952	4,618	54,570
Total additions	50,536	5,593	56,129
Deductions:			
Withdrawals	56,236	2,000	58,236
Change in net position	(5,700)	3,593	(2,107)
Net position, beginning of year, as restated	60,628	72,459	133,087
Net position, end of year	<u>\$ 54,928</u>	<u>\$ 76,052</u>	<u>\$ 130,980</u>

AGENCY FUNDS

Agency funds account for assets held for other organizations, governments or private individuals and includes:

THE ASSESSMENT DISTRICTS FUND is used to account for parcel assessments and debt service for bonds issued under the Improvement Bond Act of 1915.

THE COMMUNITY FACILITIES DISTRICTS FUND is used to account for special tax assessments, debt service payments and the payment of other costs related to Mello-Roos districts within the City.

City of Sacramento

Agency Funds

Combining Statement of Changes in Fiduciary Assets and Liabilities

For the Fiscal Year Ended June 30, 2014

(in thousands)

<u>ASSESSMENT DISTRICTS FUND</u>	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<u>ASSETS</u>				
Cash and investments held by City	\$ 3,173	\$ 1,337	\$ 2,306	\$ 2,204
Cash and investments held by fiscal agent	2,406	2,728	4,090	1,044
Receivables, net:				
Accounts	47	7	47	7
Interest	24	-	24	-
Total assets	\$ 5,650	\$ 4,072	\$ 6,467	\$ 3,255
<u>LIABILITIES</u>				
Accounts payable	\$ 2	\$ 18	\$ 20	\$ -
Due to bondholders	5,648	1,364	3,757	3,255
Total liabilities	\$ 5,650	\$ 1,382	\$ 3,777	\$ 3,255
 <u>COMMUNITY FACILITIES DISTRICTS FUND</u>				
	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<u>ASSETS</u>				
Cash and investments held by City	\$ 17,777	\$ 12,125	\$ 19,046	\$ 10,856
Cash and investments held by fiscal agent	14,524	25,635	26,387	13,772
Receivables, net:				
Taxes	171	261	171	261
Interest	-	8	-	8
Total assets	\$ 32,472	\$ 38,029	\$ 45,604	\$ 24,897
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 386	\$ 119	\$ 267
Due to bondholders	32,472	59,902	67,744	24,630
Total liabilities	\$ 32,472	\$ 60,288	\$ 67,863	\$ 24,897
 <u>TOTAL - ALL AGENCY FUNDS</u>				
	Balance Beginning of Fiscal Year	Additions	Deletions	Balance End of Fiscal Year
<u>ASSETS</u>				
Cash and investments held by City	\$ 20,950	\$ 13,462	\$ 21,352	\$ 13,060
Cash and investments held by fiscal agent	16,930	28,363	30,477	14,816
Receivables, net:				
Taxes	171	261	171	261
Accounts	47	7	47	7
Interest	24	8	24	8
Total assets	\$ 38,122	\$ 42,101	\$ 52,071	\$ 28,152
<u>LIABILITIES</u>				
Accounts payable	\$ 2	\$ 404	\$ 139	\$ 267
Due to bondholders	38,120	61,266	71,501	27,885
Total liabilities	\$ 38,122	\$ 61,670	\$ 71,640	\$ 28,152

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COMPONENT UNIT

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Net Position

June 30, 2014

(in thousands)

ASSETS

Current assets:

Receivables, net:		
Loans	\$	11,933
Interest		7
Prepaid items		106
		<hr/>
Total current assets		12,046
		<hr/>

Noncurrent assets:

Restricted assets:		
Cash and investments held by fiscal agent		1,125
		<hr/>
Total noncurrent assets		1,125
		<hr/>

Total assets		<hr/>
		13,171
		<hr/>

LIABILITIES

Current liabilities:

Interest payable		155
Revenue and other bonds payable, net		435
		<hr/>
Total current liabilities		590
		<hr/>

Noncurrent liabilities:

Revenue and other bonds payable, net		12,381
		<hr/>
Total noncurrent liabilities		12,381
		<hr/>

Total liabilities		<hr/>
		12,971
		<hr/>

NET POSITION

Restricted for:

Other programs		200
		<hr/>

Total net position	\$	<hr/> <hr/>
		200

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Revenues, Expenses
and Changes in Net Position

June 30, 2014

(in thousands)

Nonoperating revenues (expenses):		
Interest and investment revenue	\$	622
Interest expense		<u>(633)</u>
Total nonoperating revenues (expenses)		<u>(11)</u>
Change in net position		(11)
Total net position, beginning of year, restated		<u>211</u>
Total net position, end of year	\$	<u><u>200</u></u>

City of Sacramento
Sacramento Regional Arts Facilities Financing Authority
Statement of Cash Flows

June 30, 2014

(in thousands)

Cash flows from capital and related financing activities:	
Principal payments on capital debt	\$ (425)
Interest payments on capital debt	(627)
Lease repayments received	<u>1,052</u>
Net cash provided by (used for) capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Collection of interest and investment revenue	<u>15</u>
Net cash provided by investing activities	<u>15</u>
Net increase (decrease) in cash and cash equivalents	15
Cash and cash equivalents, beginning of year	<u>1,110</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,125</u></u>
Reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and investments held by fiscal agent	<u>\$ 1,125</u>
Total cash and cash equivalents, end of year	<u><u>\$ 1,125</u></u>
Noncash investing, capital and financing activities:	
Amortization of prepaid bond insurance	\$ (7)

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Statistical Section

Statistical Section

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends Information

These schedules contain trend information to help the reader understand how the City's financial performance and condition have changed over time.

Revenue Capacity Information

These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

Debt Capacity Information

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Successor Agency Information

These schedules present revenue and debt capacity information related to the Successor Agency for the former Redevelopment Agency of the City of Sacramento. These schedules contain trend information to help the reader understand the Successor Agency's primary revenue source, property tax distributions from the county redevelopment property tax trust fund, and affordability of the Successor Agency's current level of outstanding debt.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Sacramento
Net Position by Component ^{(1) (2) (3) (4) (5) (6) (7)}
Last Ten Fiscal Years

(accrual basis accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental activities					
Net investment in capital assets	\$ 1,083,420	\$ 1,018,170	\$ 1,161,730	\$ 1,165,658	\$ 1,249,993
Restricted for:					
Capital projects	52,773	149,982	155,596	239,377	221,594
Debt service	9,882	797	509	531	544
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	24,801	28,634	31,649	30,996	30,836
Housing and redevelopment	274,130	-	-	-	-
Trust and endowments:					
Expendable	1,927	5,368	6,513	6,159	4,442
Nonexpendable	2,920	1,927	1,927	1,934	1,934
Unrestricted	(71,536)	155,072	145,750	124,408	84,092
Total governmental activities net position	\$ 1,378,317	\$ 1,359,950	\$ 1,503,674	\$ 1,569,063	\$ 1,593,435
Business-type activities					
Net investment in capital assets	\$ 839,889	\$ 623,208	\$ 634,966	\$ 656,951	\$ 687,417
Restricted for:					
Capital projects	-	425	425	-	16,866
Housing and redevelopment	1,776	-	-	-	-
Other programs	1,038	-	-	-	-
Unrestricted	93,751	115,223	119,050	119,975	92,458
Total business-type activities net position	\$ 936,454	\$ 738,856	\$ 754,441	\$ 776,926	\$ 796,741
Primary government					
Net investment in capital assets	\$ 1,923,309	\$ 1,641,378	\$ 1,796,696	\$ 1,822,609	\$ 1,937,410
Restricted for:					
Capital projects	52,773	150,407	156,021	239,377	238,460
Debt service	9,882	797	509	531	544
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	25,839	28,634	31,649	30,996	30,836
Housing and redevelopment	275,906	-	-	-	-
Trust and endowments:					
Expendable	1,927	5,368	6,513	6,159	4,442
Nonexpendable	2,920	1,927	1,927	1,934	1,934
Unrestricted	22,215	270,295	264,800	244,383	176,550
Total primary government net position	\$ 2,314,771	\$ 2,098,806	\$ 2,258,115	\$ 2,345,989	\$ 2,390,176

- Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.
- (2) The fiscal year 2006 beginning net position has been restated by \$339 Million.
- (3) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.
- (4) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".
- (5) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (6) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (7) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Net Position by Component ^{(1) (2) (3) (4) (5) (6) (7)}
Last Ten Fiscal Years

(accrual basis accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities					
Net investment in capital assets	\$ 1,286,576	\$ 1,328,932	\$ 1,367,540	\$ 1,369,377	\$ 1,393,447
Restricted for:					
Capital projects	186,619	156,157	149,904	131,822	116,271
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Other programs	32,443	23,544	23,274	21,087	22,315
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	76,953	16,107	6,128	1,837	30,170
Total governmental activities net position	\$ 1,589,709	\$ 1,554,922	\$ 1,573,798	\$ 1,573,602	\$ 1,610,616
Business-type activities					
Net investment in capital assets	\$ 691,197	\$ 701,157	\$ 705,527	\$ 720,039	\$ 733,980
Restricted for:					
Capital projects	25,781	30,184	33,209	33,168	33,255
Housing and redevelopment	-	-	-	-	-
Other programs	-	-	530	349	1,215
Unrestricted	106,148	113,804	123,265	140,385	177,814
Total business-type activities net assets	\$ 823,126	\$ 845,145	\$ 862,531	\$ 893,941	\$ 946,264
Primary government					
Net investment in capital assets	\$ 1,977,773	\$ 2,030,089	\$ 2,073,067	\$ 2,089,416	\$ 2,127,427
Restricted for:					
Capital projects	212,400	186,341	183,113	164,990	149,526
Debt service	494	1,105	1,101	641	652
Public works programs	-	21,484	18,103	16,756	16,462
Economic development programs	-	-	-	23,979	22,493
Other programs	32,443	23,544	23,804	21,436	23,530
Housing and redevelopment	-	-	-	-	-
Trust and endowments					
Expendable	4,690	5,659	6,870	7,225	7,928
Nonexpendable	1,934	1,934	878	878	878
Unrestricted	183,101	129,911	129,393	142,222	207,984
Total primary government net position	\$ 2,412,835	\$ 2,400,067	\$ 2,436,329	\$ 2,467,543	\$ 2,556,880

- Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.
- (2) The fiscal year 2006 beginning net position has been restated by \$339 Million.
- (3) The fiscal year 2008 amounts for governmental activities net assets invested in capital assets, net of related debt, and restricted net assets have been reclassified.
- (4) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".
- (5) The fiscal year 2013 net position restricted for economic development includes the remaining Sheraton proceeds restricted by the Master Owner Participation Agreement with Taylor/CIM Redevelopment Company, LLC.
- (6) Net position for governmental activities for all fiscal years prior to 2014 have been restated to remove the Cal EPA building and land.
- (7) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 28,759	\$ 38,804	\$ 41,536	\$ 49,841	\$ 45,956
Police	124,204	134,213	148,586	159,207	153,874
Fire	74,606	87,844	97,044	104,149	107,119
Public works	-	-	-	-	-
General services	18,437	15,788	14,437	24,462	25,067
Transportation	71,871	88,749	89,063	89,016	95,238
Economic development	-	8,212	8,538	10,048	10,055
Convention, culture & leisure	6,824	17,825	19,602	21,518	18,573
Parks and recreation	44,534	49,341	55,661	60,930	54,209
Code enforcement	-	7,184	9,946	10,154	10,882
Community development	-	-	-	-	-
Neighborhood services	7,880	2,560	2,505	1,667	1,370
Planning and development	-	-	-	-	-
Development services	67,852	36,739	27,851	30,247	24,063
Planning	-	-	8,158	6,830	2,973
Housing and redevelopment	64,018	-	-	-	-
Library	8,505	9,147	9,433	9,935	13,976
Nondepartmental	36,492	-	-	-	-
Interest on long-term debt	31,752	22,693	31,067	31,157	29,284
Total governmental activities expenses	585,734	519,099	563,427	609,161	592,639
<i>Business type activities</i>					
Water	51,950	55,896	58,890	63,364	66,757
Wastewater	13,447	14,685	17,171	18,330	20,498
Storm drainage	34,988	34,544	36,473	38,570	38,483
Solid waste	39,260	40,329	45,050	48,735	67,911
Community center	19,066	19,333	19,704	20,507	20,342
Child development	5,092	5,666	5,868	6,604	7,617
Marina	1,684	1,437	1,384	1,257	1,045
Parking	14,115	14,056	16,375	17,154	16,009
Advanced life support	-	-	-	-	-
Golf	6,719	-	-	-	-
Housing and redevelopment	135,282	-	-	-	-
Total business-type activities	321,603	185,946	200,915	214,521	238,662
Total primary government expenses	\$ 907,337	\$ 705,045	\$ 764,342	\$ 823,682	\$ 831,301

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Expenses ⁽³⁾					
<i>Governmental Activities</i>					
General government	\$ 44,278	\$ 42,238	\$ 40,846	\$ 36,681	\$ 41,190
Police	152,922	159,908	153,392	157,432	157,248
Fire	109,210	111,174	116,418	117,451	125,461
Public works	-	-	-	126,636	103,632
General services	26,110	22,614	23,083	15,343	13,807
Transportation	89,358	97,350	98,384	-	-
Economic development	9,815	10,467	9,704	10,468	17,080
Convention, culture & leisure	18,064	21,348	19,857	19,537	17,916
Parks and recreation	51,984	56,162	45,448	48,457	52,336
Code enforcement	10,984	-	-	-	-
Community development	18,848	25,821	24,286	29,253	26,484
Neighborhood services	1,105	-	-	-	-
Planning and development	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Library	16,827	14,635	13,301	13,753	13,720
Nondepartmental	-	-	-	-	-
Interest on long-term debt	29,658	24,903	23,583	22,420	22,178
Total governmental activities expenses	579,163	586,620	568,302	597,431	591,052
<i>Business type activities</i>					
Water	60,902	63,073	67,335	68,643	66,627
Wastewater	17,389	18,990	20,491	22,776	25,673
Storm drainage	37,040	37,815	37,692	36,755	36,664
Solid waste	47,076	48,203	53,205	49,794	49,014
Community center	19,563	18,530	18,125	17,251	17,204
Child development	6,797	6,274	5,885	6,116	6,297
Marina	1,625	2,662	2,008	-	-
Parking	16,390	15,786	15,732	15,358	15,238
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Total business-type activities	206,782	211,333	220,473	216,693	216,717
Total primary government expenses	\$ 785,945	\$ 797,953	\$ 788,775	\$ 814,124	\$ 807,769

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

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City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 4,768	\$ 4,902	\$ 5,333	\$ 5,233	\$ 5,290
Police	3,456	3,986	3,959	4,203	4,819
Fire	16,854	18,721	17,579	17,936	24,448
Public works	-	-	-	-	-
General services	7,600	9,636	10,327	10,471	10,878
Transportation	12,097	15,058	14,261	19,574	26,391
Economic development	-	5,235	5,905	8,143	8,345
Convention, culture & leisure	1,970	8,995	9,759	9,425	11,026
Parks and recreation	4,794	15,907	17,142	13,343	10,187
Code enforcement	-	1	2,417	3,800	7,932
Community development	-	-	-	-	-
Neighborhood services	2,714	2,969	1,085	123	195
Planning and development	-	-	-	-	-
Development services	43,941	27,834	25,261	19,867	16,115
Planning	-	-	4	114	108
Housing and redevelopment	1,311	-	-	-	-
Library	-	-	-	-	-
Nondepartmental	494	-	-	-	-
Total charge for services	99,999	113,244	113,032	112,232	125,734
Operating grants and contributions	77,052	59,348	52,805	51,845	53,206
Capital grants and contributions	147,034	122,010	189,710	141,919	119,689
Total governmental activities program revenues	<u>324,085</u>	<u>294,602</u>	<u>355,547</u>	<u>305,996</u>	<u>298,629</u>
<i>Business - type activities</i>					
Charge for services					
Water	49,009	53,480	58,363	65,411	62,619
Wastewater	16,332	17,285	18,609	20,704	19,775
Storm drainage	31,336	31,400	31,981	33,289	32,747
Solid waste	42,241	42,984	46,351	52,434	55,949
Community center	6,391	6,743	7,348	7,556	7,651
Child development	4,766	5,086	5,377	5,587	5,640
Marina	1,745	1,889	1,827	1,378	1,748
Parking	16,422	17,342	18,706	19,626	18,661
Advanced life support	-	-	-	-	-
Golf	6,408	-	-	-	-
Housing and redevelopment	13,720	-	-	-	-
Total charge for services	188,370	176,209	188,562	205,985	204,790
Operating grants and contributions	112,326	1,230	1,422	1,824	2,343
Capital grants and contributions	35,318	31,638	14,728	11,661	38,094
Total business - type activities program revenues	<u>336,014</u>	<u>209,077</u>	<u>204,712</u>	<u>219,470</u>	<u>245,227</u>
Total primary government program revenues	<u>\$ 660,099</u>	<u>\$ 503,679</u>	<u>\$ 560,259</u>	<u>\$ 525,466</u>	<u>\$ 543,856</u>
Net (Expense) Revenue					
Governmental activities	\$ (261,649)	\$ (224,497)	\$ (207,880)	\$ (303,165)	\$ (294,010)
Business - type activities	14,411	23,131	3,797	4,949	6,565
Total primary government net expenses	<u>\$ (247,238)</u>	<u>\$ (201,366)</u>	<u>\$ (204,083)</u>	<u>\$ (298,216)</u>	<u>\$ (287,445)</u>

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(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Program Revenues					
<i>Governmental activities</i>					
Charge for services					
General government	\$ 6,614	\$ 5,827	\$ 5,608	\$ 6,924	\$ 7,270
Police	4,098	10,316	9,714	9,693	10,804
Fire	22,711	21,998	21,643	24,288	26,155
Public works	-	-	-	28,321	30,337
General services	9,964	10,442	10,965	3,175	1,756
Transportation	28,857	28,614	28,309	-	-
Economic development	8,497	9,136	8,800	8,685	8,205
Convention, culture & leisure	9,689	9,364	7,985	8,817	9,311
Parks and recreation	10,122	10,039	11,579	10,604	13,359
Code enforcement	5,627	-	-	-	-
Community development	8,752	15,409	15,459	15,423	17,141
Neighborhood services	166	-	-	-	-
Planning and development	-	-	-	-	-
Development services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Library	-	-	-	33	59
Nondepartmental	-	-	-	-	-
Total charge for services	115,097	121,145	120,062	115,963	124,397
Operating grants and contributions	59,179	51,289	54,287	81,822	47,430
Capital grants and contributions	90,888	69,234	112,247	69,323	89,539
Total governmental activities program revenues	<u>265,164</u>	<u>241,668</u>	<u>286,596</u>	<u>267,108</u>	<u>261,366</u>
<i>Business - type activities</i>					
Charge for services					
Water	70,463	79,315	79,809	88,754	94,382
Wastewater	20,284	21,360	21,513	25,134	28,493
Storm drainage	34,082	34,160	34,545	35,682	38,049
Solid waste	58,901	62,906	64,055	60,295	58,561
Community center	7,020	6,780	7,521	7,130	7,718
Child development	5,473	5,309	5,232	5,426	5,632
Marina	1,782	1,464	1,359	-	-
Parking	18,784	18,660	18,769	18,823	18,643
Advanced life support	-	-	-	-	-
Golf	-	-	-	-	-
Housing and redevelopment	-	-	-	-	-
Total charge for services	216,789	229,954	232,803	241,244	251,478
Operating grants and contributions	2,381	2,358	3,744	1,095	1,963
Capital grants and contributions	14,148	10,417	5,289	7,480	4,403
Total business - type activities program revenues	<u>233,318</u>	<u>242,729</u>	<u>241,836</u>	<u>249,819</u>	<u>257,844</u>
Total primary government program revenues	<u>\$ 498,482</u>	<u>\$ 484,397</u>	<u>\$ 528,432</u>	<u>\$ 516,927</u>	<u>\$ 519,210</u>
Net (Expense) Revenue					
Governmental activities	\$ (313,999)	\$ (344,952)	\$ (281,706)	\$ (330,323)	\$ (329,686)
Business - type activities	26,536	31,396	21,363	33,126	41,127
Total primary government net expenses	<u>\$ (287,463)</u>	<u>\$ (313,556)</u>	<u>\$ (260,343)</u>	<u>\$ (297,197)</u>	<u>\$ (288,559)</u>

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Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Revenues and Other					
Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 70,456	\$ 112,234	\$ 127,454	\$ 137,782	\$ 135,806
Redevelopment tax increment	40,676	-	-	-	-
Utility user taxes	53,893	56,243	55,619	57,561	57,775
Other taxes	30,668	32,002	28,379	23,865	20,358
Sales taxes shared state revenue	55,342	59,118	55,846	54,821	48,905
In-lieu sales tax	15,284	13,956	18,197	16,344	15,745
In-lieu motor vehicle tax	26,393	-	-	-	-
Grants and other intergovernmental revenue not restricted to specific programs	-	-	-	-	4,224
Investment earnings	24,751	21,741	39,867	34,343	14,896
Miscellaneous	10,267	7,516	12,544	12,142	10,368
Contributions to permanent fund	-	1	1	7	-
Gain (loss) on disposition of capital assets	3,437	-	-	-	2,912
Special items, net	-	-	-	18,791	(929)
Transfers	(9,800)	8,159	13,698	12,898	8,348
Total Governmental activities	321,367	310,970	351,605	368,554	318,408
<i>Business-type activities</i>					
Taxes:					
Other taxes	14,398	15,419	17,258	17,538	15,852
Investment earnings	4,342	5,231	8,227	6,898	5,746
Miscellaneous	1,015	3	1	353	-
Gain (loss) on disposition of capital assets	6,891	722	-	5,645	-
Special items, net	-	-	-	-	-
Transfers	9,800	(8,159)	(13,698)	(12,898)	(8,348)
Total business-type activities	36,446	13,216	11,788	17,536	13,250
Total primary government	\$ 357,813	\$ 324,186	\$ 363,393	\$ 386,090	\$ 331,658
Change in Net Position					
Governmental activities	\$ 59,718	\$ 86,473	\$ 143,725	\$ 65,389	\$ 24,398
Business-type activities	50,857	36,347	15,585	22,485	19,815
Total primary government	\$ 110,575	\$ 122,820	\$ 159,310	\$ 87,874	\$ 44,213

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

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(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

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City of Sacramento
Changes in Net Position ^{(1) (2) (3) (4)}
Last Ten Fiscal Years

(accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Revenues and Other					
Changes in Net Position					
<i>Governmental activities</i>					
Taxes:					
Property taxes	\$ 123,681	\$ 118,801	\$ 114,874	\$ 114,451	\$ 122,477
Redevelopment tax increment	-	-	-	-	-
Utility user taxes	58,693	58,907	58,787	59,066	59,613
Other taxes	18,591	18,327	17,403	27,943	61,584
Sales taxes shared state revenue	46,769	47,680	50,683	52,300	56,575
In-lieu sales tax	14,332	14,548	14,081	16,113	16,823
In-lieu motor vehicle tax	-	-	-	-	-
Grants and other intergovernmental revenue					
not restricted to specific programs	4,591	2,610	-	-	-
Investment earnings	11,508	6,260	10,953	10,101	10,136
Miscellaneous	12,743	12,464	11,005	9,749	8,853
Contributions to permanent fund	-	4	1	1	1
Gain (loss) on disposition of capital assets	-	2,336	-	-	4,567
Special items, net	-	-	-	26,208	(2,500)
Transfers	19,365	28,229	22,722	19,002	28,571
Total Governmental activities	310,273	310,166	300,509	334,934	366,700
<i>Business-type activities</i>					
Taxes:					
Other taxes	14,233	15,403	15,781	16,555	17,943
Investment earnings	4,964	3,449	2,957	1,299	3,294
Miscellaneous	-	-	-	-	3
Gain (loss) on disposition of capital assets	17	-	7	-	-
Special items, net	-	-	-	-	18,527
Transfers	(19,365)	(28,229)	(22,722)	(19,002)	(28,571)
Total business-type activities	(151)	(9,377)	(3,977)	(1,148)	11,196
Total primary government	\$ 310,122	\$ 300,789	\$ 296,532	\$ 333,786	\$ 377,896
Change in Net Position					
Governmental activities	\$ (3,726)	\$ (34,786)	\$ 18,803	\$ 4,611	\$ 37,014
Business-type activities	26,385	22,019	17,386	31,978	52,323
Total primary government	\$ 22,659	\$ (12,767)	\$ 36,189	\$ 36,589	\$ 89,337

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 63 for the period ended June 30, 2011. "Net Position" prior to the implementation was reported as "Net Assets".

(3) The expenses reported in the governmental activities and business-type activities are net of indirect charges between the departments.

(4) Fiscal year 2013 amounts have been restated for the effects of the prior period adjustments and reclassifications described in Note 19.

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2) (3)}
Last Ten Fiscal Years
(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Reserved for:					
Noncurrent assets	\$ 1,305	\$ 1,074	\$ 987	\$ 1,604	\$ 969
Encumbrances	10,790	14,089	17,070	8,947	5,189
Inventories and prepaids	-	-	-	449	316
Unreserved	141,331	133,573	113,421	87,962	65,614
Nonspendable:					
Prepaid items	-	-	-	-	-
Noncurrent assets	-	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Other programs	-	-	-	-	-
Committed:					
Economic uncertainty	-	-	-	-	-
Capital projects	-	-	-	-	-
Community center theater renovation	-	-	-	-	-
OPEB trust fund	-	-	-	-	-
Homeless programs	-	-	-	-	-
Other programs	-	-	-	-	-
Assigned:					
Unrealized investment gains	-	-	-	-	-
Next year's budget	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	\$ 153,426	\$ 148,736	\$ 131,478	\$ 98,962	\$ 72,088
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 70,511	\$ 993	\$ 935	\$ 875	\$ 746
Encumbrances	67,585	32,087	33,855	113,669	78,390
Debt service	24,721	23,138	22,568	22,634	20,517
Inventories and prepaids	-	-	-	1,344	35
Housing/redevelopment	106,624	-	-	-	-
Trust obligations	1,927	1,927	1,927	1,934	1,934
Capital projects	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	75,224	80,115	34,125	79,289	73,626
Capital projects funds	58,302	192,768	276,582	131,595	104,824
Debt service funds	13,959	7,615	7,651	9,200	9,868
Permanent funds	2,920	3,131	3,855	3,700	2,567
Nonspendable:					
Prepaid items	-	-	-	-	-
Noncurrent assets	-	-	-	-	-
Permanent fund principal	-	-	-	-	-
Restricted:					
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Public works programs	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Committed:					
Capital projects	-	-	-	-	-
Grant retention	-	-	-	-	-
Debt service	-	-	-	-	-
Economic development programs	-	-	-	-	-
Other programs	-	-	-	-	-
Assigned:					
Debt service	-	-	-	-	-
Unrealized investment gains	-	-	-	-	-
Other programs	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	\$ 421,773	\$ 341,774	\$ 381,498	\$ 364,240	\$ 292,507

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(3) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Fund Balances, Governmental Funds ^{(1) (2) (3)}
Last Ten Fiscal Years
(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
General Fund					
Reserved for:					
Noncurrent assets	\$ 514	\$ -	\$ -	\$ -	\$ -
Encumbrances	6,301	-	-	-	-
Inventories and prepaids	304	-	-	-	-
Unreserved	47,988	-	-	-	-
Nonspendable:					
Prepaid items	-	63	23	24	66
Noncurrent assets	-	245	71	48	-
Restricted:					
Capital projects	-	-	-	-	3,401
Other programs	-	86	64	40	21
Committed:					
Economic uncertainty	-	14,340	20,263	27,765	33,714
Capital projects	-	19,612	21,542	21,789	21,728
Community center theater renovation	-	-	-	8,500	8,500
OPEB trust fund	-	-	-	2,000	-
Homeless programs	-	-	-	-	1,000
Other programs	-	12,468	9,349	9,347	12,909
Assigned:					
Unrealized investment gains	-	972	402	-	173
Next year's budget	-	5,138	9,354	10,446	-
Unassigned	-	-	-	-	17,395
Total general fund	\$ 55,107	\$ 52,924	\$ 61,068	\$ 79,959	\$ 98,907
All Other Governmental Funds					
Reserved for:					
Noncurrent assets	\$ 1,149	\$ -	\$ -	\$ -	\$ -
Encumbrances	30,000	-	-	-	-
Debt service	20,269	-	-	-	-
Inventories and prepaids	35	-	-	-	-
Housing/redevelopment	-	-	-	-	-
Trust obligations	1,934	-	-	-	-
Capital projects	2,210	-	-	-	-
Unreserved, reported in:					
Special revenue funds	93,583	-	-	-	-
Capital projects funds	100,308	-	-	-	-
Debt service funds	10,047	-	-	-	-
Permanent funds	2,798	-	-	-	-
Nonspendable:					
Prepaid items	-	30	29	44	24
Noncurrent assets	-	1,577	605	530	451
Permanent fund principal	-	1,934	878	878	878
Restricted:					
Capital projects	-	161,365	150,475	135,069	126,262
Debt service	-	20,870	18,230	17,472	17,548
Public works programs	-	-	-	13,781	11,830
Economic development programs	-	-	-	23,970	22,484
Other programs	-	50,264	50,026	31,115	29,924
Committed:					
Capital projects	-	606	469	3,666	4,024
Grant retention	-	-	-	-	4,049
Debt service	-	2,278	2,278	2,278	6,583
Economic development programs	-	-	-	-	5,125
Other programs	-	646	2,096	6,266	25,486
Assigned:					
Debt service	-	2,878	2,068	1,805	973
Unrealized investment gains	-	120	42	100	47
Other programs	-	2,281	4,093	3,758	4,047
Unassigned	-	(31,287)	(48,094)	(29,711)	(22,121)
Total all other governmental funds	\$ 262,333	\$ 213,562	\$ 183,195	\$ 211,021	\$ 237,614

Notes: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) The City of Sacramento implemented GASB 54 for the period ended June 30, 2011. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

(3) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Fund Balances, Governmental Funds ^{(1) (2)}
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 269,695	\$ 273,010	\$ 287,254	\$ 286,498	\$ 277,370
Intergovernmental	167,448	134,905	148,521	137,341	161,418
Charges for services	58,836	64,063	64,902	63,285	70,403
Fines, forfeits and penalties	7,804	8,065	8,285	9,916	12,213
Interest, rents, and concessions	17,278	18,195	34,398	28,430	15,414
Community service fees	40,315	64,360	40,386	16,831	13,297
Assessment levies	18,443	19,374	21,424	25,894	33,204
Contributions from property owners	46,343	3,942	44,099	31,753	8,132
Donations	63	94	-	-	-
Miscellaneous	3,670	1,463	395	296	212
Total revenues	629,895	587,471	649,664	600,244	591,663
Expenditures					
General Government	25,886	30,456	31,172	33,778	31,938
Police	121,548	137,391	149,159	148,392	145,148
Fire	73,360	87,648	91,965	94,284	99,613
General Services	16,325	14,925	14,348	23,198	23,396
Transportation	22,038	34,691	37,598	30,235	32,902
Neighborhood Services	7,880	1,917	1,815	1,547	1,363
Convention, Culture & Leisure	4,847	13,060	15,074	16,080	15,116
Economic Development	-	5,461	5,882	8,035	9,472
Parks and Recreation	38,898	43,477	47,884	53,499	45,845
Code enforcement	-	7,184	9,713	9,595	10,605
Community Development	-	-	-	-	-
Library	7,997	8,587	8,868	9,366	13,406
Utilities	219	109	109	83	67
Nondepartmental	32,284	24,811	18,526	27,373	26,028
Citywide and community support	-	-	-	-	-
Public Works	-	-	-	-	-
Development Services	66,785	35,802	32,600	28,261	21,881
Planning	-	-	8,079	5,626	2,709
Housing and Redevelopment	58,399	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay					
City	127,157	95,683	193,954	153,507	180,125
SHRA	10,229	-	-	-	-
Subtotal - capital outlay	137,386	95,683	193,954	153,507	180,125
Debt Service					
City					
Principal	21,260	21,213	17,253	19,529	45,789
Interest and fiscal charges	19,415	21,973	30,216	30,689	30,468
Bond issuance costs	-	2,600	1,519	607	-
Advance refunding escrow	-	1,154	213	-	-
SHRA					
Principal	12,978	-	-	-	-
Interest and fiscal charges	16,382	-	-	-	-
Subtotal - debt service	70,035	46,940	49,201	50,825	76,257
Total Expenditures	683,887	588,142	715,947	693,684	735,871
Excess (deficiency) of revenues over (under) expenditures	(53,992)	(671)	(66,283)	(93,440)	(144,208)
Other Financing Sources (uses)					
Transfers in	57,544	52,864	56,203	58,989	65,076
Transfers out	(53,208)	(38,609)	(37,441)	(39,780)	(33,695)
Issuance of long-term debt	14,983	212,339	147,281	5,666	10,981
Premium on long term debt	-	7,447	14,857	-	-
Proceeds from sale of property	5,286	-	-	-	2,992
Proceeds of long-term capital-related debt	-	-	-	-	-
Payments to participating governments	-	(25,500)	-	-	-
Payments to refunded bond escrow	-	(63,560)	(92,151)	-	-
Discount on long-term debt	-	-	-	-	-
Total other financing sources (uses)	24,605	144,981	88,749	24,875	45,354
Special items, net	-	-	-	18,791	(929)
Net change in fund balances	\$ (29,387)	\$ 144,310	\$ 22,466	\$ (49,774)	\$ (99,783)
Debt services as a percentage of noncapital expenditures	12.82%	9.53%	9.43%	9.41%	13.72%

Note: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Changes in Fund Balances, Governmental Funds ^{(1) (2)}
Last Ten Fiscal Years

(modified accrual basis of accounting, in thousands)

	Fiscal Year				
	2010	2011	2012	2013	2014
Revenues					
Taxes	\$ 260,749	\$ 254,705	\$ 256,564	\$ 265,605	\$ 320,832
Intergovernmental	174,214	125,758	154,937	154,556	105,172
Charges for services	62,962	67,831	62,760	66,369	71,889
Fines, forfeits and penalties	12,118	11,093	11,891	9,892	11,221
Interest, rents, and concessions	10,928	9,627	15,494	13,909	14,417
Community service fees	7,875	3,647	3,058	7,136	4,693
Assessment levies	31,970	33,482	35,294	37,621	38,668
Contributions from property owners	7,972	9,440	6,170	14,269	43,018
Donations	-	-	-	-	-
Miscellaneous	196	411	2,090	3,441	570
Total revenues	568,984	515,994	548,258	572,798	610,480
Expenditures					
General Government	27,471	26,049	24,610	22,712	26,170
Police	147,059	144,081	142,204	138,779	138,653
Fire	102,430	97,573	98,749	99,630	107,538
General Services	21,025	19,353	19,388	10,306	9,564
Transportation	31,023	29,708	33,183	-	-
Neighborhood Services	1,007	-	-	-	-
Convention, Culture & Leisure	13,196	13,291	10,670	9,804	10,481
Economic Development	9,136	9,819	9,396	10,221	12,418
Parks and Recreation	40,312	36,650	30,393	32,257	35,632
Code enforcement	10,279	-	-	-	-
Community Development	15,873	23,307	21,819	23,568	23,902
Library	12,366	12,398	11,739	12,362	12,482
Utilities	67	137	97	979	607
Nondepartmental	26,818	33,407	32,269	-	-
Citywide and community support	-	-	-	33,105	36,965
Public Works	-	-	-	34,995	34,706
Development Services	-	-	-	-	-
Planning	-	-	-	-	-
Housing and Redevelopment	-	-	-	-	-
Planning and Building	-	-	-	-	-
Capital Outlay					
City	156,146	91,902	118,259	116,705	106,840
SHRA	-	-	-	-	-
Subtotal - capital outlay	156,146	91,902	118,259	116,705	106,840
Debt Service					
City	18,577	44,189	21,595	19,470	26,218
Principal	18,577	44,189	21,595	19,470	26,218
Interest and fiscal charges	29,697	25,209	24,028	22,949	22,772
Bond issuance costs	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
SHRA	-	-	-	-	-
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Subtotal - debt service	48,274	69,398	45,623	42,419	48,990
Total Expenditures	662,482	607,073	598,399	587,842	604,948
Excess (deficiency) of revenues over (under) expenditures	(93,498)	(91,079)	(50,141)	(15,044)	5,532
Other Financing Sources (uses)					
Transfers in	53,621	58,006	55,435	55,166	63,584
Transfers out	(30,241)	(27,025)	(27,590)	(27,450)	(34,527)
Issuance of long-term debt	22,963	6,808	73	-	6,050
Premium on long term debt	-	-	-	-	-
Proceeds from sale of property	-	2,336	-	-	4,902
Proceeds of long-term capital-related debt	-	-	-	2,837	-
Payments to participating governments	-	-	-	-	-
Payments to refunded bond escrow	-	-	-	-	-
Discount on long-term debt	-	-	-	-	-
Total other financing sources (uses)	46,343	40,125	27,918	30,553	40,009
Special items, net	-	-	-	31,208	-
Net change in fund balances	\$ (47,155)	\$ (50,954)	\$ (22,223)	\$ 46,717	\$ 45,541
Debt services as a percentage of noncapital expenditures	9.35%	13.06%	9.41%	8.35%	9.49%

Note: (1) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(2) FY13 amounts have been restated for the effects of Marina fund reclassification to a governmental activity.

Source: City of Sacramento Comprehensive Annual Financial Reports

**City of Sacramento
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting, in thousands)

Fiscal Year	Property	Tax Increment	Sales & Use	Utility Users	Others	Total
2005	70,405	40,676	70,627	53,893	34,094	269,695
2006 ⁽²⁾	112,144 ⁽¹⁾	-	72,479	56,243	32,144	273,010
2007	145,376 ⁽³⁾	-	56,441	55,618	29,819	287,254
2008	150,901	-	54,821	57,561	23,215	286,498
2009	151,551	-	48,905	57,775	19,139	277,370
2010	140,013	-	45,670	58,700	16,366	260,749
2011	133,099	-	47,680	58,887	15,039	254,705
2012	130,287	-	50,683	58,787	16,807	256,564
2013	130,864 ⁽⁴⁾	-	57,121 ⁽⁵⁾	59,066	18,554	265,605
2014	140,690 ⁽⁴⁾	-	99,615 ⁽⁵⁾	59,613	20,914	320,832

Notes: (1) Property taxes in fiscal year 2006 include approximately \$30 million of in-lieu vehicle license fee revenue reported as intergovernmental revenues in fiscal year 2005.

(2) The Sacramento Housing and Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(3) In lieu sales tax was reported as intergovernmental revenue in fiscal year 2006.

This revenue is reported as property tax in fiscal year 2007 and subsequent fiscal years.

(4) Includes residual property tax from redevelopment agency dissolution.

(5) Includes Measure U local sales and use tax.

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports
(B) Finance Department, City of Sacramento

City of Sacramento
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Fiscal Year End June 30	Gross Assessed Value ⁽¹⁾				Exemptions	Net Assessed Taxable Value	Total Direct Tax Rate ⁽²⁾
	Real Property	Personal Property	Public Utility	Total			
2005 ⁽³⁾	27,010,976	1,343,104	57,800	28,411,880	500,620	27,911,260	1.00
2006	31,112,448	1,374,566	56,950	32,543,964	506,813	32,037,151	1.00
2007	35,687,712	1,441,042	54,611	37,183,365	509,257	36,674,108	1.00
2008	39,286,839	1,548,914	15,371 ⁽⁴⁾	40,851,124	505,519	40,345,605	1.00
2009	40,360,550	1,691,096	11,948	42,063,594	503,159	41,560,435	1.00
2010	37,446,222	1,819,726	11,937	39,277,885	499,878	38,778,007	1.00
2011	36,388,660	1,742,824	11,977	38,143,461	496,459	37,647,002	1.00
2012	35,267,406	1,711,462	12,132	36,991,000	488,888	36,502,112	1.00
2013	34,332,037	1,626,943	13,157	35,972,137	477,326	35,494,811	1.00
2014	35,829,529	1,546,891	12,381	37,388,801	464,546	36,924,255	1.00

Notes: (1) Article XIII A, added to California Constitution by Proposition 13 in 1978, fixed the base for valuation of property subject to taxes at the full cash value appeared on the Assessor's 1975-76 assessment roll. Therefore, full cash value can be increased to reflect:

- a) annual inflation up to 2%
- b) current market value at time of ownership change
- c) market value for new construction.

Estimated actual value of taxable property cannot easily determined as the property in the City is not reassessed annually. Reassessment normally occurs when ownership changes

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

(3) The Sacramento Housing Redevelopment Agency, reported as a blended component unit until fiscal year 2005, has been eliminated from the City's subsequent financial statements.

(4) The decrease in public utility assessed value is primarily due to the transfer of the downtown railyards from a railroad company to a private developer and the City.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento
 Direct and Overlapping Property Tax Rates ⁽¹⁾
 Per \$100 of Assessed Value
 Last Ten Fiscal Years**

Fiscal Year End June 30	Basic County, City, and School Levy ⁽²⁾	County of Sacramento	Schools	Special Districts	Total
2005	1.0000	—	0.0647	0.0067	1.0714
2006	1.0000	—	0.1163	0.0055	1.1218
2007	1.0000	—	0.0922	—	1.0922
2008	1.0000	—	0.0956	—	1.0956
2009	1.0000	—	0.1012	—	1.1012
2010	1.0000	—	0.1035	—	1.1035
2011	1.0000	—	0.1069	—	1.1069
2012	1.0000	—	0.1174	—	1.1174
2013	1.0000	—	0.1192	—	1.1192
2014	1.0000	—	0.1406	—	1.1406

Notes : (1) Data is stated at full value as required under Article XIII-A of the Constitution of the State of California.

(2) This 1.00% is shared by all taxing agencies for which the subject property resides within.

City of Sacramento
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago

(in thousands)

Taxpayer	2014			2005		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Hines VAF II Sacramento	\$ 442,978	1	1.20 %	\$ -	-	- %
CIM Sacramento LLC	230,772	2	0.62	-	-	-
Arden Fair Associates	137,159	3	0.37	119,187	3	0.46
Verizon Wireless	132,738	4	0.36	-	-	-
621 Capitol Mall LLC	124,810	5	0.34	-	-	-
300 Capitol Association NF LP	109,000	6	0.30	-	-	-
HP Hood LLC	84,287	7	0.23	-	-	-
Target Corp	81,423	8	0.22	-	-	-
500 Capitol Mall LLC	79,119	9	0.21	-	-	-
Capitol Regency LLC	74,784	10	0.20	-	-	-
400 Capital Mall Venture	-	-	-	140,665	1	0.55
Downtown Plaza LLC	-	-	-	131,144	2	0.51
GTE Data Service Inc.	-	-	-	117,492	4	0.46
SRI Six USBP LLC	-	-	-	90,648	5	0.35
Sacramento Hotel Corporation	-	-	-	89,164	6	0.35
McClatchy Newspaper Inc.	-	-	-	76,622	7	0.30
VV USA City LP	-	-	-	75,419	8	0.29
Spieker Properties LP	-	-	-	69,514	9	0.27
Alpine Realty Sacramento LLC	-	-	-	65,700	10	0.25
	1,497,070		4.05	975,555		3.79
All other taxpayers	35,427,185		95.95	24,760,597		96.21
Total	\$ 36,924,255		100.00 %	\$ 25,736,152		100.00 %

Source: County of Sacramento, Office of Auditor/Controller

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City of Sacramento
Property Tax Levies and Collections ^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	70,435	70,343	99.87%	92	70,435	100.00%
2006	114,657	112,052	97.73%	2,605	114,657	100.00%
2007	146,844	142,771	97.23%	4,073	146,844	100.00%
2008	151,667	146,828	96.81%	4,839	151,667	100.00%
2009	151,480	147,780	97.56%	3,700	151,480	100.00%
2010	138,701	136,313	98.28%	2,388	138,701	100.00%
2011	132,440	130,711	98.69%	1,729	132,440	100.00%
2012	129,123	127,914	99.06%	1,209	129,123	100.00%
2013	130,755 ^{(3) (4)}	129,655	99.16%	1,100	130,755	100.00%
2014	140,273 ^{(3) (4)}	139,651	99.56%	622	140,273	100.00%

Notes: (1) Includes City tax levy and collections only; does not include SHRA, a component unit until fiscal year 2005.
(2) Property taxes in 2007 and subsequent years include revenue reported in 2006 as in lieu sales tax.
(3) Total actual tax levy amount is not available from Sacramento County; amount provided is an estimate.
(4) Includes residual property taxes resulting from the redevelopment agency dissolution.

City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Governmental Activities				
	Revenue Bonds	Tax Allocation Bonds	Certificates of Participation	Notes Payable	Capital Leases
2005	427,590	137,454	324	16,440	2,549
2006 ⁽¹⁾⁽²⁾	529,598	-	104	993	1,940
2007 ⁽³⁾	548,175	-	-	25,935	8,062
2008	532,354	-	-	25,875	8,806
2009	514,431	-	-	812	7,354
2010	496,641	-	-	746	11,203
2011	477,588	-	-	677	9,910
2012	457,324	-	-	605	8,439
2013 ⁽⁴⁾	435,962	-	-	530	9,446
2014 ⁽⁵⁾	419,477	-	-	16,053	13,562

Notes:

- 1) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
 - 2) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
 - 3) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
 - 4) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
 - 5) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
- NA) Personal income data was not available in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income	Population	Per Capita
	Revenue Bonds	Certificates of Participation	Notes Payable	Capital Leases				
2005	397,441	15	74,943	1,146	1,057,902	7	452,959	2,336
2006 ⁽¹⁾⁽²⁾	353,065	-	49,210	2,279	937,189	6	457,514	2,048
2007 ⁽³⁾	331,024	-	46,540	1,760	961,496	NA	467,343	2,057
2008	322,965	-	49,977	2,710	942,687	NA	475,743	1,982
2009	312,967	-	49,103	6,487	891,154	NA	481,097	1,852
2010	302,064	-	56,307	8,295	875,256	NA	486,189	1,800
2011	289,950	-	56,388	7,066	841,579	NA	469,566	1,792
2012	277,241	-	55,131	11,693	810,433	NA	470,956	1,721
2013 ⁽⁴⁾	542,347	-	52,536	9,466	1,050,287	NA	473,509	2,218
2014 ⁽⁵⁾	540,117	-	33,288	6,098	1,028,595	NA	475,122	2,165

Notes:

- 1) \$151 million in revenue bonds and \$168 million in refunding revenue bonds were issued in 2006.
 - 2) In 2006, the Sacramento Housing and Redevelopment Agency was eliminated as a blended component unit.
 - 3) In 2007, \$31 million of revenue bonds, \$187 million of refunding bonds and a \$25 million note payable were issued.
 - 4) In 2013, \$281 million of revenue bonds and a \$2.8 million capital lease payable were issued.
 - 5) In 2014, Marina fund notes payable and capital leases have been reclassified to governmental activities.
- NA) Personal income data was not available in 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014.

Source: City of Sacramento Comprehensive Annual Financial Reports

City of Sacramento
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

(in thousands, except Population and Per Capita)

Fiscal Year	Total Gross General Obligation Bonds	Amounts Restricted for Principal Repayments	Total Net General Obligation Bonds	Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Population	Net Bonded Debt Per Capita
2005	-	-	-	27,911,260	0.00%	452,959	-
2006	-	-	-	32,037,151	0.00%	457,514	-
2007	-	-	-	36,674,108	0.00%	467,343	-
2008	-	-	-	40,345,605	0.00%	475,743	-
2009	-	-	-	41,560,435	0.00%	481,097	-
2010	-	-	-	38,778,007	0.00%	486,189	-
2011	-	-	-	37,647,002	0.00%	469,566	-
2012	-	-	-	36,502,112	0.00%	470,956	-
2013	-	-	-	35,494,811	0.00%	473,509	-
2014	-	-	-	36,924,255	0.00%	475,122	-

Source: City of Sacramento Comprehensive Annual Financial Reports and the County of Sacramento.

City of Sacramento
Direct and Overlapping Governmental Activities Debt ⁽¹⁾
As of June 30, 2014
(in thousands)

Governmental Unit	Total Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Tax and Assessment Debt:			
Los Rios Community College District	\$ 370,270	25.367 %	\$ 93,926
Natomas Unified School District	173,217	87.387	151,369
Sacramento Unified School District	372,363	83.460	310,774
San Juan Unified School District	335,630	3.062	10,277
Twin Rivers Unified School District	84,573	47.725	40,361
Twin Rivers Unified School District (former Grant Joint Union High School District bonds)	192,857	47.127	90,888
Robla School District	23,481	50.911	11,955
City of Sacramento Community Facilities Districts	144,275	100.000	144,275
Elk Grove Unified School District Community Facilities District No. 1	182,044	11.486	20,910
City of Sacramento 1915 Act Bonds	8,690	100.000	8,690
Sacramento Area Flood Control Agency Consolidated Capital Districts Assessment District	192,610	83.303	160,450
Sacramento Area Flood Control Agency Operation and Maintenance Assessment District	3,320	63.308	2,102
Sacramento Area Flood Control Agency Natomas Local Assessment District	35,350	84.065	29,717
Subtotal - Overlapping Tax and Assessment debt			1,075,694
Direct and Overlapping General Fund Debt:			
Sacramento County General Fund Obligations	297,541	30.888	91,904
Sacramento County Pension Obligations	990,308	30.888	305,886
Sacramento County Board of Education Certificates of Participation	8,010	30.888	2,474
Los Rios Community College District Certificates of Participation	5,670	25.367	1,438
Sacramento Unified School District Certificates of Participation	74,285	83.460	61,998
Sacramento Unified School District Pension Obligations	1,740	83.460	1,452
San Juan Unified School District Certificates of Participation	999	3.062	31
Twin Rivers Unified School District Certificates of Participation	129,825	47.127	61,183
Subtotal - Lease Obligation Debt			526,366
Total Overlapping Debt			1,602,060
City of Sacramento Direct Debt			449,092
Total Direct and Overlapping Debt			\$ 2,051,152

Note: (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City of Sacramento. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Data regarding overlapping debt is obtained from California Municipal Statistics, Inc.

**City of Sacramento
 Legal Debt Margin
 Last Ten Fiscal Years**
 (in thousands)

Fiscal Year	Debt Limit		Debt Applicable to Limit			Legal Debt Margin	Total net debt applicable to the limit as a percentage of debt limit
	Net Assessed Value	Debt Limit - 15% of Assessed Value	General Obligation Bonds	Amount set aside for repayment of general obligation debt	Total net debt applicable to limit		
2005	27,911,260	4,186,689	-	-	-	4,186,689	0.00%
2006	32,037,151	4,805,573	-	-	-	4,805,573	0.00%
2007	36,674,108	5,501,116	-	-	-	5,501,116	0.00%
2008	40,345,605	6,051,841	-	-	-	6,051,841	0.00%
2009	41,560,435	6,234,065	-	-	-	6,234,065	0.00%
2010	38,778,007	5,816,701	-	-	-	5,816,701	0.00%
2011	37,647,002	5,647,050	-	-	-	5,647,050	0.00%
2012	36,502,112	5,475,317	-	-	-	5,475,317	0.00%
2013	35,494,811	5,324,222	-	-	-	5,324,222	0.00%
2014	36,924,255	5,538,638	-	-	-	5,538,638	0.00%

Sources: (A) City of Sacramento Comprehensive Annual Financial Reports.
 (B) County of Sacramento, Office of Auditor/Controller.

City of Sacramento
Demographic and Economic Statistics for Sacramento County
Last Ten Calendar Years

Year	Population (A)	Personal Income (in millions of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment (B)	Unemployment Rate (C)
2005	1,369,855	46,375	34,014	33.7	14.2	238,385	5.1 %
2006	1,385,607	48,313	35,197	34.1	NA	239,026	4.8
2007	1,406,804	NA	NA	NA	NA	238,233	5.3
2008	1,424,415	NA	NA	NA	NA	238,522	7.0
2009	1,433,187	NA	NA	NA	NA	237,722	11.9
2010	1,445,327	NA	NA	NA	NA	237,916	12.6
2011	1,428,355	NA	NA	NA	NA	237,567	12.7
2012	1,435,153	NA	NA	NA	NA	237,362	11.1
2013	1,445,806	NA	NA	NA	NA	238,290	8.7
2014	1,454,406	NA	NA	NA	NA	240,216	7.1

Sources: (A) <http://www.dof.ca.gov/research/demographic/reports/estimates/e-5/2011-20/view.php> (Population estimates are as of January 1st each year)

(B) California Department of Education, report on Sacramento County: <http://dq.cde.ca.gov/dataquest/>

(C) California Employment Development Department, Report 400 C - Monthly Labor Force Data for California Counties

<http://www.labormarketinfo.edd.ca.gov/> (as of June each year)

**City of Sacramento
Principal Employers
Current Fiscal Year and Nine Years Ago**

Employer (A)	2014			2006 ⁽¹⁾		
	Employee (A) ⁽²⁾	Rank	Percentage of Total Employment (B) ⁽³⁾	Employee (A) ⁽²⁾	Rank	Percentage of Total Employment (B)
State of California	72,220	1	11.44%	87,467	1	13.50%
Sacramento County	10,700	2	1.70%	14,408	2	2.22%
U.S. Government	9,906	3	1.57%	-	-	-
UC Davis Health System	9,905	4	1.57%	7,901	5	1.22%
Sutter Health Sacramento Sierra Region	7,352	5	1.16%	4,181	8	0.65%
Dignity Health	6,212	6	0.98%	-	-	-
Intel Corporation	6,000	7	0.95%	-	-	-
Kaiser Permanente	5,421	8	0.86%	8,656	3	1.34%
Elk Grove Unified School District	5,410	9	0.86%	-	-	-
Sacramento City Unified School District	4,200	10	0.67%	7,000	6	1.08%
City of Sacramento	4,140	11	0.66%	5,003	7	0.77%
Los Rios Community College	-	-	-	8,000	4	1.23%
Wells Fargo & Co.	-	-	-	2,368	9	0.37%
California State University, Sacramento	-	-	-	2,295	10	0.35%
Sacramento Municipal Utility District	-	-	-	2,169	11	0.33%

Notes: (1) Data is not available from nine years ago. Fiscal Year 2006 was the first year this data was presented.
(2) Ranked by number of employees in full-time equivalents.
(3) Percentage of total employment is calculated based on Sacramento County's total employment force of 631,200 (per Employment Development Department website) in June 2014.

Sources: (A) Sacramento Business Journal, July 25, 2014. List of largest employers in Sacramento County.
(B) Employment Development Department, State of California.

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City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2005	2006	2007	2008	2009
Merged Downtown					
Secured	\$ 1,898,779	\$ 1,961,343	\$ 2,095,806	\$ 2,203,787	\$ 2,549,340
Unsecured	130,133	136,059	141,829	146,071	174,529
Utility	5,282	5,280	5,274	4,107	997
Total	<u>\$ 2,034,194</u>	<u>\$ 2,102,682</u>	<u>\$ 2,242,909</u>	<u>\$ 2,353,965</u>	<u>\$ 2,724,866</u>
Del Paso Heights					
Secured	\$ 196,526	\$ 260,127	\$ 338,413	\$ 393,968	\$ 414,673
Unsecured	11,417	10,364	10,930	11,076	14,272
Utility	-	-	-	-	1
Total	<u>\$ 207,943</u>	<u>\$ 270,491</u>	<u>\$ 349,343</u>	<u>\$ 405,044</u>	<u>\$ 428,946</u>
Alkali Flat					
Secured	\$ 91,498	\$ 96,749	\$ 104,672	\$ 122,660	\$ 126,892
Unsecured	12,784	13,802	15,521	4,701	4,273
Utility	37	37	37	-	-
Total	<u>\$ 104,319</u>	<u>\$ 110,588</u>	<u>\$ 120,230</u>	<u>\$ 127,361</u>	<u>\$ 131,165</u>
Oak Park					
Secured	\$ 348,674	\$ 441,020	\$ 549,470	\$ 618,602	\$ 611,302
Unsecured	11,306	10,644	10,970	10,363	11,361
Utility	-	-	-	-	-
Total	<u>\$ 359,980</u>	<u>\$ 451,664</u>	<u>\$ 560,440</u>	<u>\$ 628,965</u>	<u>\$ 622,663</u>
River District (formerly Richards Blvd)					
Secured	\$ 368,429	\$ 383,756	\$ 396,256	\$ 404,185	\$ 434,882
Unsecured	29,806	30,896	31,005	34,967	44,693
Utility	37,775	37,533	2,759	4,120	4,120
Total	<u>\$ 436,010</u>	<u>\$ 452,185</u>	<u>\$ 430,020</u>	<u>\$ 443,272</u>	<u>\$ 483,695</u>
North Sacramento					
Secured	\$ 424,562	\$ 469,556	\$ 533,114	\$ 581,880	\$ 613,238
Unsecured	34,986	36,278	29,494	30,238	37,027
Utility	-	-	-	-	-
Total	<u>\$ 459,548</u>	<u>\$ 505,834</u>	<u>\$ 562,608</u>	<u>\$ 612,118</u>	<u>\$ 650,265</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2010	2011	2012	2013	2014
Merged Downtown					
Secured	\$ 2,656,453	\$ 2,504,312	\$ 2,427,850	\$ 2,366,130	\$ 2,300,993
Unsecured	172,285	160,110	145,125	137,567	132,581
Utility	997	997	997	770	770
Total	<u>\$ 2,829,735</u>	<u>\$ 2,665,419</u>	<u>\$ 2,573,972</u>	<u>\$ 2,504,467</u>	<u>\$ 2,434,344</u>
Del Paso Heights					
Secured	\$ 317,546	\$ 305,405	\$ 286,172	\$ 276,998	\$ 289,856
Unsecured	37,627	17,112	10,267	9,550	12,659
Utility	1	1	1	1	1
Total	<u>\$ 355,174</u>	<u>\$ 322,518</u>	<u>\$ 296,440</u>	<u>\$ 286,549</u>	<u>\$ 302,516</u>
Alkali Flat					
Secured	\$ 132,387	\$ 128,304	\$ 121,651	\$ 119,184	\$ 112,883
Unsecured	4,759	3,740	2,962	4,982	3,224
Utility	-	-	-	-	-
Total	<u>\$ 137,146</u>	<u>\$ 132,044</u>	<u>\$ 124,613</u>	<u>\$ 124,166</u>	<u>\$ 116,107</u>
Oak Park					
Secured	\$ 460,439	\$ 438,987	\$ 428,226	\$ 427,642	\$ 466,006
Unsecured	13,418	10,613	8,973	9,898	9,763
Utility	-	-	-	-	-
Total	<u>\$ 473,857</u>	<u>\$ 449,600</u>	<u>\$ 437,199</u>	<u>\$ 437,540</u>	<u>\$ 475,769</u>
River District (formerly Richards Blvd)					
Secured	\$ 454,256	\$ 405,518	\$ 403,771	\$ 396,061	\$ 375,825
Unsecured	45,813	41,732	31,661	33,655	29,486
Utility	4,200	4,200	4,264	4,779	4,779
Total	<u>\$ 504,269</u>	<u>\$ 451,450</u>	<u>\$ 439,696</u>	<u>\$ 434,495</u>	<u>\$ 410,090</u>
North Sacramento					
Secured	\$ 563,978	\$ 555,744	\$ 526,139	\$ 506,029	\$ 498,272
Unsecured	33,239	36,014	35,675	39,802	36,413
Utility	-	-	-	-	-
Total	<u>\$ 597,217</u>	<u>\$ 591,758</u>	<u>\$ 561,814</u>	<u>\$ 545,831</u>	<u>\$ 534,685</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2005	2006	2007	2008	2009
Franklin Boulevard					
Secured	\$ 450,740	\$ 507,056	\$ 566,043	\$ 595,198	\$ 615,732
Unsecured	43,519	44,426	42,667	45,819	47,150
Utility	-	-	-	-	-
Total	<u>\$ 494,259</u>	<u>\$ 551,482</u>	<u>\$ 608,710</u>	<u>\$ 641,017</u>	<u>\$ 662,882</u>
Stockton Boulevard					
Secured	\$ 306,436	\$ 370,130	\$ 417,045	\$ 463,344	\$ 476,809
Unsecured	13,282	13,381	12,071	15,416	16,399
Utility	-	-	-	-	-
Total	<u>\$ 319,718</u>	<u>\$ 383,511</u>	<u>\$ 429,116</u>	<u>\$ 478,760</u>	<u>\$ 493,208</u>
Army Depot					
Secured	\$ 160,357	\$ 402,960	\$ 896,449	\$ 995,435	\$ 1,011,483
Unsecured	98,651	88,155	104,420	145,115	118,889
Utility	920	922	841	578	578
Total	<u>\$ 259,928</u>	<u>\$ 492,037</u>	<u>\$ 1,001,710</u>	<u>\$ 1,141,128</u>	<u>\$ 1,130,950</u>
65th Street					
Secured	\$ -	\$ 203,524	\$ 224,504	\$ 243,734	\$ 240,544
Unsecured	-	165	26,401	22,673	29,115
Utility	-	739	611	-	-
Total	<u>\$ -</u>	<u>\$ 204,428</u>	<u>\$ 251,516</u>	<u>\$ 266,407</u>	<u>\$ 269,659</u>
Railyards					
Secured	\$ -	\$ -	\$ -	\$ -	\$ -
Unsecured	-	-	-	-	-
Utility	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

City of Sacramento
Successor Agency Trust Fund
Assessed Value of Taxable Property^{(1) (2)}
Last Ten Fiscal Years
(in thousands)

PROJECT AREA	Fiscal Year				
	2010	2011	2012	2013	2014
Franklin Boulevard					
Secured	\$ 571,385	\$ 571,094	\$ 554,662	\$ 553,114	\$ 556,190
Unsecured	44,573	41,821	38,551	39,862	37,903
Utility	-	-	-	-	-
Total	<u>\$ 615,958</u>	<u>\$ 612,915</u>	<u>\$ 593,213</u>	<u>\$ 592,976</u>	<u>\$ 594,093</u>
Stockton Boulevard					
Secured	\$ 390,475	\$ 372,566	\$ 355,452	\$ 334,059	\$ 345,330
Unsecured	16,598	17,048	17,468	17,101	17,293
Utility	-	-	-	-	-
Total	<u>\$ 407,073</u>	<u>\$ 389,614</u>	<u>\$ 372,920</u>	<u>\$ 351,160</u>	<u>\$ 362,623</u>
Army Depot					
Secured	\$ 835,497	\$ 826,480	\$ 810,113	\$ 790,956	\$ 826,125
Unsecured	120,863	119,918	116,198	116,489	149,382
Utility	578	578	579	943	943
Total	<u>\$ 956,938</u>	<u>\$ 946,976</u>	<u>\$ 926,890</u>	<u>\$ 908,388</u>	<u>\$ 976,450</u>
65th Street					
Secured	\$ 224,753	\$ 242,905	\$ 230,618	\$ 229,458	\$ 228,785
Unsecured	25,010	25,040	25,808	17,346	14,536
Utility	-	-	-	-	-
Total	<u>\$ 249,763</u>	<u>\$ 267,945</u>	<u>\$ 256,426</u>	<u>\$ 246,804</u>	<u>\$ 243,321</u>
Railyards					
Secured	\$ 49,467	\$ 71,772	\$ 80,928	\$ 84,191	\$ 80,200
Unsecured	-	251	3,521	4,548	4,454
Utility	641	680	768	771	-
Total	<u>\$ 50,108</u>	<u>\$ 72,703</u>	<u>\$ 85,217</u>	<u>\$ 89,510</u>	<u>\$ 84,654</u>

Notes: (1) Property is assessed at full cash value upon transfer of title and the assessed value is increased annually by the lesser of the rate of inflation or 2%.

(2) One percent is the maximum tax rate by state law.

Source: County of Sacramento, Office of Auditor/Controller

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Merged Downtown
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Hines Sacramento Wells Fargo	\$ 206,544	\$ 100,000	\$ (106,544)	4.38%
300 Capitol Mall NF LP	109,000	75,000	(34,000)	1.40%
Chase Merritt Sacramento	42,738	12,821	(29,917)	1.23%
GCCFC 2005 GG5 L Street	29,547	24,000	(5,547)	0.23%
Griffin Capital INVS LLC	28,560	20,000	(8,560)	0.35%
Sacramento Hotel Partner	22,600	3,100	(19,500)	0.80%
Juno Commercial Real Estate	19,247	9,500	(9,747)	0.40%
Fund IX - Park Plaza, LLC	12,943	9,500	(3,443)	0.14%
Fremont & Downtown Sacramento	5,486	1,679	(3,807)	0.16%
Fremont & Downtown Sacramento	5,486	1,679	(3,807)	0.16%
Sub Total	482,151	257,279	(224,872)	9.24%
All Other Taxpayers	1,952,193	-	-	-
Total	<u>\$ 2,434,344</u>	<u>\$ 257,279</u>	<u>\$ (224,872)</u>	<u>9.24%</u>

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Del Paso Heights
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Lundbom Family Trust	\$ 973	\$ -	\$ (973)	0.32%
Joseph K. Smith	171	70	(101)	0.03%
Mona Sue Ayers	120	52	(68)	0.02%
Sub Total	1,264	122	(1,142)	0.38%
All Other Taxpayers	301,252	-	-	-
Total	\$ 302,516	\$ 122	\$ (1,142)	0.38%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Alkali Flat
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Hearst Argyle Stations	\$ 8,022	\$ 2,077	\$ (5,945)	5.12%
Realty Advisors Inc.	5,490	3,100	(2,390)	2.06%
Lynn Houlihan	1,450	1,000	(450)	0.39%
Hearst Argyle Stations	944	422	(522)	0.45%
Hearst Argyle Stations	273	130	(143)	0.12%
Hearst Argyle Stations	235	106	(129)	0.11%
Hearst Argyle Stations	114	50	(64)	0.06%
Hearst Argyle Stations	105	35	(70)	0.06%
Hearst Argyle Stations	87	45	(42)	0.04%
Hearst Argyle Stations	64	21	(43)	0.04%
Sub Total	16,784	6,986	(9,798)	8.44%
All Other Taxpayers	99,323	-	-	-
Total	\$ 116,107	\$ 6,986	\$ (9,798)	8.44%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
 (2) Information for prior years is not readily available and is not statistically significant.
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Oak Park
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
GPT GIG BOA Portfolio	\$ 1,210	\$ 364	\$ (846)	0.18%
Azizur Rehman	283	210	(73)	0.02%
Azizur Rehman	226	190	(36)	0.01%
Sharon Young	207	165	(42)	0.01%
Dorothy Nunley	187	50	(137)	0.03%
Manuel Ochale	158	60	(98)	0.02%
Santone Land Lea	124	60	(64)	0.01%
GPT GIG BOA Portfolio	90	27	(63)	0.01%
CBIP LLC	71	31	(40)	0.01%
CBIP LLC	38	29	(9)	0.00%
Sub Total	2,594	1,186	(1,408)	0.30%
All Other Taxpayers	473,175	-	-	-
Total	\$ 475,769	\$ 1,186	\$ (1,408)	0.30%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
River District
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Systems Parkway	\$ 13,054	\$ 5,500	\$ (7,554)	1.84%
Detmer Family Limited Partnership	4,598	2,299	(2,299)	0.56%
Park Villa Clovis LP	4,143	3,500	(643)	0.16%
10th North Industrial	2,844	1,706	(1,138)	0.28%
Shirish B. & Jagrutiben S.	2,830	1,698	(1,132)	0.28%
Nfinit Solutions Inc.	2,752	880	(1,872)	0.46%
Robinson Family Trust	2,614	1,700	(914)	0.22%
Signal CT & MEW LLC	2,417	1,500	(917)	0.22%
Clear Channel Outdoor	1,800	500	(1,300)	0.32%
MSN Enterprises LLC	1,616	969	(647)	0.16%
Sub Total	38,668	20,252	(18,416)	4.49%
All Other Taxpayers	371,422	-	-	-
Total	\$ 410,090	\$ 20,252	\$ (18,416)	4.49%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 North Sacramento
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Costco Wholesale Corp.	\$ 17,547	\$ 15,000	\$ (2,547)	0.48%
Seven Up Bottling Company	9,364	6,950	(2,414)	0.45%
Sent Expo Pointe LLC	7,485	4,865	(2,620)	0.49%
Gregory N. & Tcherkoyan	7,065	-	(7,065)	1.32%
Walgreen Company	5,202	4,000	(1,202)	0.22%
Bateman J. Bronwyn	3,222	2,366	(856)	0.16%
First State Investors	2,840	852	(1,988)	0.37%
CNMG Investment Group LLC	2,393	1,618	(775)	0.14%
York Law Company LLC	2,369	1,200	(1,169)	0.22%
Cal Tex Properties	1,740	1,043	(697)	0.13%
Sub Total	59,227	37,894	(21,333)	3.99%
All Other Taxpayers	475,458	-	-	-
Total	\$ 534,685	\$ 37,894	\$ (21,333)	3.99%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Franklin Boulevard
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Campbell Soup Supply	\$ 39,718	\$ 18,525	\$ (21,193)	3.57%
Chateau Lang Apartments	2,860	2,600	(260)	0.04%
Stillman Mobile Home	2,208	850	(1,358)	0.23%
Tesco Controls Inc.	2,175	1,500	(675)	0.11%
Lauren Prichard	906	700	(206)	0.03%
Gordon Chin	673	385	(288)	0.05%
Stillman Mobile Home	427	50	(377)	0.06%
Jair, Jack and Rose Mari	355	117	(238)	0.04%
Ghodratollah Soltani	230	200	(30)	0.01%
Mang S Te	227	110	(117)	0.02%
Sub Total	49,779	25,037	(24,742)	4.16%
All Other Taxpayers	544,314	-	-	-
Total	\$ 594,093	\$ 25,037	\$ (24,742)	4.16%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
 (2) Information for prior years is not readily available and is not statistically significant.
 (3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Stockton Boulevard
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Bee Saigon Plaza LLC	\$ 17,374	\$ 8,600	\$ (8,774)	2.42%
Stockton Plaza Partners	9,763	8,299	(1,464)	0.40%
Jaime & Gloria Gonzalez	9,248	-	(9,248)	2.55%
Brittany Arms LLC	4,290	3,900	(390)	0.11%
EKG Investors LLC	2,770	1,167	(1,603)	0.44%
EKG Inverstors LLC	2,520	1,167	(1,353)	0.37%
EKG Inverstors LLC	2,395	1,167	(1,228)	0.34%
EKG Inverstors LLC	1,890	1,167	(723)	0.20%
EKG Inverstors LLC	1,890	1,167	(723)	0.20%
Stockton Plaza Partners	822	699	(123)	0.03%
Sub Total	52,962	27,333	(25,629)	7.07%
All Other Taxpayers	309,661	-	-	-
Total	\$ 362,623	\$ 27,333	\$ (25,629)	7.07%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Top 10 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
Army Depot
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Phong Enterprise LLC	\$ 586	\$ 350	\$ (236)	0.02%
Muneshwar Dutt	241	100	(141)	0.01%
Rand Family Trust	240	170	(70)	0.01%
Willie F. Carter	190	120	(70)	0.01%
Andre Holtzclaw	184	100	(84)	0.01%
Scott L. Ostrander	180	90	(90)	0.01%
IH2 Prop West Limited Partnership	118	63	(55)	0.01%
Stephen L. Broderick	70	60	(10)	0.00%
CBIP LLC	66	31	(35)	0.00%
THR CA Limited Partnership	46	36	(10)	0.00%
Sub Total	1,921	1,120	(801)	0.08%
All Other Taxpayers	974,529	-	-	-
Total	\$ 976,450	\$ 1,120	\$ (801)	0.08%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
65th Street
As of June 30, 2014
(in thousands)

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
Target Corporation	\$ 23,379	\$ 400	\$ (22,979)	9.44%
Theodoros G & G Avdalas	960	576	(384)	0.16%
Theodoros G & G Avdalas	483	290	(193)	0.08%
Sam Manolakas	70	20	(50)	0.02%
Sub Total	24,892	1,286	(23,606)	9.70%
All Other Taxpayers	218,429	-	-	-
Total	\$ 243,321	\$ 1,286	\$ (23,606)	9.70%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.
(2) Information for prior years is not readily available and is not statistically significant.
(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Parcels Appealing Assessed Valuation - At Risk of Reduction ^{(1) (2)}
 Railyards
 As of June 30, 2014
 (in thousands)**

Assessee	Taxable Value ⁽³⁾	Assessee's Value ⁽³⁾	Value Difference	Percentage of Total Taxable Value
IA Sacramento Holdings	\$ 29,397	\$ 10,170	\$ (19,227)	22.71%
New Baytree LLC	8,772	2,631	(6,141)	7.25%
IA Sacramento Holdings	2,491	21	(2,470)	2.92%
IA Sacramento Holdings	1,196	503	(693)	0.82%
Sub Total	41,856	13,325	(28,531)	33.70%
All Other Taxpayers	42,798	-	-	-
Total	\$ 84,654	\$ 13,325	\$ (28,531)	33.70%

Notes: (1) These are outstanding appeals; there is no estimate of outcome.

(2) Information for prior years is not readily available and is not statistically significant.

(3) Based on Assessor's report "At-Risk Assessed Valuation Through Appeals Process" as of June 30, 2014.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Merged Downtown
 Current Fiscal Year and Nine Years Ago**
 (in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Hines Sacramento Wells Fargo Center	\$ 206,544	1	8.48%	\$ -	-	-
621 Capitol Mall LLC	125,470	2	5.15%	-	-	-
500 Capitol Mall LLC	118,033	3	4.85%	-	-	-
300 Capitol Associates NF LP	109,000	4	4.48%	-	-	-
CIM/980 9th Street Sacramento LP	98,981	5	4.07%	-	-	-
CIM/J Street Hotel Sacramento LP	74,498	6	3.06%	-	-	-
Capitol Regency LLC	74,237	7	3.05%	-	-	-
1325 J Street LLC	68,282	8	2.80%	-	-	-
1415 Meridian Plaza LLC/Valley View Investors LLC	65,149	9	2.68%	-	-	-
KW Captowers LLC	64,987	10	2.67%	-	-	-
Teachers Insurance/Annuity Assn of America	-	-	-	191,129	1	9.94%
EOP-400 Capital Mall LLC	-	-	-	146,210	2	7.61%
VV USA City LP	-	-	-	88,047	3	4.58%
RT Sacramento Funding Company Inc.	-	-	-	68,438	4	3.56%
Rubicon NGP Sacramento CA LLP	-	-	-	67,320	5	3.50%
Sacramento Hotel Corporation	-	-	-	65,322	6	3.40%
CA Assn Hosp/Hlth Sym (Tsakopoulos Family)	-	-	-	40,679	7	2.12%
Health Property Associates	-	-	-	39,955	8	2.08%
Downtown Plaza	-	-	-	39,295	9	2.04%
Mart Family LLC/Senator Building LLC/ETA	-	-	-	34,629	10	1.80%
Sub Total	1,005,181		41.29%	781,024		40.64%
All Other Taxpayers	1,429,163		58.71%	1,141,003		59.36%
Total	\$ 2,434,344		100.00%	\$ 1,922,027		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Del Paso Heights
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Greater Sacramento Urban League	\$ 6,112	1	2.02%	\$ -	-	-
Research Properties	5,272	2	1.74%	4,744	2	1.26%
BM Ventures LLC	4,700	3	1.55%	-	-	-
Woodhaven Senior Residences	4,448	4	1.47%	3,996	3	1.06%
John A/ Leta K Nichols 1994 Rev Trust	2,776	5	0.92%	2,491	7	0.66%
US Rentals Inc.	2,476	6	0.82%	3,383	5	0.90%
Proffutt Limited Partnership	2,151	7	0.71%	-	-	-
23002 Moulton Parkway LLC	1,842	8	0.61%	-	-	-
Lundbom Sacramento Realty INVS LP	1,547	9	0.51%	-	-	-
Providence Comm'l Props LLC	1,453	10	0.48%	-	-	-
Northland Village Associates	-	-	-	6,296	1	1.67%
Lundblom Family Trust	-	-	-	3,985	4	1.06%
Harry & Mariann Brix 1993 Family Trust	-	-	-	2,498	6	0.66%
Maki Stephen	-	-	-	1,923	8	0.51%
1980 Tyler Family Trust	-	-	-	1,547	9	0.41%
Northland Village Associates	-	-	-	1,426	10	0.38%
Sub Total	32,777		10.83%	32,289		8.56%
All Other Taxpayers	269,739		89.17%	344,793		91.44%
Total	\$ 302,516		100.00%	\$ 377,082		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Alkali Flat
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Hearst-Argyle Stations Inc.	\$ 19,015	1	16.38%	\$ 20,309	1	15.64%
City Park Apartment Homes LLC	8,725	2	14.17%	-	-	-
GMA Investors LP	7,599	3	6.54%	-	-	-
CC/B Holdings Inc.	5,840	4	5.03%	-	-	-
Realty Advisors Inc.	5,490	5	4.73%	9,271	3	7.14%
John Dailey Trust/Charles D. Deloney	1,959	6	1.69%	1,758	7	-
700 E Street Building Partner	1,665	7	1.43%	1,870	6	1.44%
Tarpin Samuel D	1,468	8	1.26%	-	-	-
520 Ninth Street	1,450	9	1.25%	1,953	5	1.50%
Adrian L./Michelle J. Randolph Family Trust	1,341	10	1.15%	-	-	-
Crystal Cream/Butter Holdings, Inc.	-	-	-	12,265	2	9.44%
US Housing Partners II LP	-	-	-	3,709	4	2.86%
Miller Mary/Simone A./James O./Fitzgerald/ETAL	-	-	-	1,737	8	1.34%
James Fortino Trust/Court on G Inc.	-	-	-	1,658	9	1.28%
Washington Square III	-	-	-	1,595	10	1.23%
Sub Total	54,552		46.98%	56,125		43.21%
All Other Taxpayers	61,555		53.02%	73,765		56.79%
Total	\$ 116,107		100.00%	\$ 129,890		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Oak Park
Current Fiscal Year and Nine Years Ago
(in thousands)

Assessee	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
Rainbow Baking Co of Sac Valley	\$ 26,543	1	5.58%	\$ 19,312	2	2.26%
Regents University CA	10,561	2	2.22%	11,079	4	1.30%
US Bank National Association	5,324	3	1.12%	-	-	-
Crestwood Medical Center Hospital	4,339	4	0.91%	4,003	9	0.47%
Security Public Storage	3,715	5	0.78%	-	-	-
Edmar Invs LLC	3,196	6	0.67%	3,331	10	0.39%
St. Hope Academy	1,823	7	0.38%	-	-	-
John C. Skinner 2001 Living Trust	1,819	8	0.38%	-	-	-
SRR Trading LLC	1,445	9	0.30%	-	-	-
Corky Bob LLC	1,406	10	0.30%	-	-	-
University of the Pacific	-	-	-	21,014	1	2.46%
Glassrock Partnership	-	-	-	18,592	3	2.18%
St. Paul Baptist Church of Sacramento Corp.	-	-	-	9,168	5	1.07%
Stockton/Broadway Partners	-	-	-	5,662	6	0.66%
Ticon III LP	-	-	-	5,441	7	0.64%
Sac Properties LLC	-	-	-	4,737	8	0.56%
Sub Total	60,171		12.65%	102,339		12.00%
All Other Taxpayers	415,598		87.35%	750,812		88.00%
Total	\$ 475,769		100.00%	\$ 853,151		100.00%

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - River District
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
California Almond Growers	\$ 70,011	1	17.07%	\$ 56,965	1	12.94%
Grove River District LLC	34,178	2	8.33%	-	-	-
Mendell Allan/Etal	8,843	3	2.16%	-	-	-
Capitol Station 65 LLC	7,693	4	1.88%	8,819	9	2.00%
Dos Rios Venture	6,313	5	1.54%	-	-	-
BA Hotel LLC	5,628	6	1.37%	-	-	-
BRE / LQ Props LLC	5,517	7	1.35%	-	-	-
Vida N Anello Revocable Living Trust	5,268	8	1.28%	-	-	-
Henderson Enterprises L P	5,227	9	1.27%	-	-	-
Detmer Family Limited Partnership	5,021	10	1.22%	-	-	-
Grove Investment Company	-	-	-	27,975	2	6.36%
Sunstone OP Properties LLC	-	-	-	18,676	3	4.24%
Richard Blvd. Partners	-	-	-	17,666	4	4.01%
CCAA Partners LLC/Bruce W. Bell/et al	-	-	-	14,195	5	3.23%
Ice Bear Inc. (Sequoia Pacific)	-	-	-	10,574	6	2.40%
LaQuinta Development Partner	-	-	-	10,208	7	2.32%
CTF4-American River LLC	-	-	-	9,816	8	2.23%
Grove Investment Company	-	-	-	6,874	10	1.56%
Sub Total	153,699		37.48%	181,768		41.30%
All Other Taxpayers	256,391		62.52%	258,346		58.70%
Total	<u>\$ 410,090</u>		<u>100.00%</u>	<u>\$ 440,114</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - North Sacramento
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Westcore Delta LLC	\$ 34,839	1	6.52%	\$ -	-	-
Seven-up Bottling Company	32,201	2	6.02%	19,544	3	3.22%
Price Company	21,576	3	4.04%	17,151	4	2.83%
McCuen Acoma Street Investors	11,862	4	2.22%	10,641	8	1.75%
Meriliz Incorporated	9,133	5	1.71%	-	-	-
North Sacramento Land Company	8,156	6	1.53%	15,804	5	2.61%
Sutter Medical Foundation	7,999	7	1.50%	-	-	-
Recreational Equipment Inc.	7,563	8	1.41%	-	-	-
Sent Expo Pointe LLC	7,485	9	1.40%	-	-	-
2006 Tcherkoyan Family Trust	5,845	10	1.09%	6,624	10	1.09%
PD Hotel Associates LLC	-	-	-	28,401	1	4.68%
JB Management LP	-	-	-	27,182	2	4.48%
Calvary Christian Church Center	-	-	-	21,220	6	3.50%
SVN Sacramento LLC	-	-	-	10,717	7	1.77%
Carl P. Schalansky Revocable Trust	-	-	-	6,977	9	1.15%
Sub Total	146,659		27.43%	164,261		27.08%
All Other Taxpayers	388,026		72.57%	442,367		72.92%
Total	<u>\$ 534,685</u>		<u>100.00%</u>	<u>\$ 606,628</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Franklin Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
6200 Franklin LLC	\$ 39,898	1	6.72%	\$ -	-	-
Western Village LP	9,576	2	1.61%	-	-	-
United States Cold Storage	9,408	3	1.58%	8,623	2	1.33%
Rosedown Associates LLC	6,002	4	1.01%	-	-	-
Sacto Childrens Home	5,529	5	0.93%	-	-	-
Extra Space Props Ninety Four Limited Partnership	4,299	6	0.72%	-	-	-
SEI/PSP VI Joint Ventures	4,234	7	0.71%	2,608	10	0.40%
Bowling Green Associates	4,075	8	0.69%	-	-	-
Con-Way Western Express Inc.	3,748	9	0.63%	-	-	-
47th Street Associates LLC	3,659	10	0.62%	-	-	-
Campbell Soup	-	-	-	145,818	1	22.51%
Preservation Southpointe LP	-	-	-	7,547	3	1.16%
Rosedown Apartments LLC	-	-	-	6,857	4	1.06%
Con-Way Western Express Inc.	-	-	-	3,787	5	0.58%
Bowling Green Associates	-	-	-	3,655	6	0.56%
MH Southgate Investors	-	-	-	3,599	7	0.56%
Tesco Controls Inc.	-	-	-	3,215	8	0.50%
Chateau Lang Apartments LLC	-	-	-	2,864	9	0.44%
Sub Total	90,428		15.22%	188,573		29.11%
All Other Taxpayers	503,665		84.78%	459,250		70.89%
Total	<u>\$ 594,093</u>		<u>100.00%</u>	<u>\$ 647,823</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - Stockton Boulevard
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
Stockton Plaza Partners LLC	\$ 11,666	1	3.22%	-	-	-
EKG Investors LLC	10,205	2	2.81%	-	-	-
John M/Nancy M Kehriotis Living Trust	7,577	3	2.09%	6,797	5	1.35%
Little Saigon Plaza LLC	7,415	4	2.04%	-	-	-
NT Stockton Investors LLC	6,093	5	1.68%	-	-	-
SF 3 LLC	4,725	6	1.30%	-	-	-
Ralphs Grocery Company	4,687	7	-	5,602	8	1.11%
Mulleian Investments LLC	4,646	8	1.28%	6,129	7	1.22%
Brittany Arms LLC	4,547	9	1.25%	5,202	10	1.03%
ESS Prisa II LLC	4,430	10	1.22%	-	-	-
Azure Park Apartments LLC	-	-	-	11,493	1	2.28%
Western Investment Real Estate	-	-	-	9,421	2	1.87%
Gonzalez Jaime/Gloria	-	-	-	8,670	3	1.72%
CCI Stockridge SAC LLC	-	-	-	8,484	4	1.68%
Preferred Properties LLC	-	-	-	6,641	6	1.32%
ESS Prisa II LLC	-	-	-	5,251	9	1.04%
Sub Total	65,991		18.20%	73,690		14.63%
All Other Taxpayers	296,632		81.80%	430,051		85.37%
Total	<u>\$ 362,623</u>		<u>100.00%</u>	<u>\$ 503,741</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Army Depot
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable Value ⁽¹⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value ⁽²⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
R/G Hayward LLC	\$ 15,555	1	1.59%	\$ 11,898	4	1.02%
Engineered Polymer Solutions Inc.	14,700	2	1.51%	4,973	10	0.43%
Central Valley Industrial Core Holdings	11,061	3	1.13%	-	-	-
Elder Creek Transfer/Recovery Inc.	9,158	4	0.94%	10,313	6	0.88%
Air Products Manufacturing Corporation	8,412	5	0.86%	-	-	-
Conrad Ethan	6,584	6	0.67%	-	-	-
Massie & Company	6,100	7	0.62%	-	-	-
Teichert Land Co	5,862	8	0.60%	-	-	-
C/S Logistics Sacramento/Tracy LLC	5,800	9	0.59%	9,233	7	0.79%
Power Inn Business Park LLC	5,362	10	0.55%	-	-	-
Proctor/Gamble Manufacturing Co.	-	-	-	64,908	1	5.55%
Crystal Cream/Butter Company	-	-	-	36,601	2	3.13%
Fedex Ground Package Systems Inc.	-	-	-	18,340	3	1.57%
W H Q	-	-	-	10,841	5	0.93%
Marvin L. Oates Trust	-	-	-	7,842	8	0.67%
Sperber Steven A./Todd R./etal	-	-	-	6,070	9	0.52%
Sub Total	88,594		9.07%	181,019		15.49%
All Other Taxpayers	887,856		90.93%	987,743		84.51%
Total	<u>\$ 976,450</u>		<u>100.00%</u>	<u>\$ 1,168,762</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Principal Property Taxpayers - 65th Street
Current Fiscal Year and Nine Years Ago
(in thousands)

<u>Assessee</u>	2014			2005		
	Taxable Value ⁽¹⁾	Rank	Percentage of Total Taxable Value ⁽²⁾	Taxable Value	Rank	Percentage of Total Taxable Value
HRA Element LLC	\$ 36,214	1	14.88%	\$ -	-	-
Target Corporation	26,508	2	10.89%	22,181	2	7.64%
65th St Village LLC	8,700	3	3.58%	-	-	-
CPCA 7716 Folsom Blvd. LLC	7,594	4	3.12%	-	-	-
Atlas Disposal Industries LLC	7,548	5	3.10%	-	-	-
Dimension Properties LLC	5,841	6	2.40%	-	-	-
Kenneth/Susan Catchot Family 2005 Revocable Trust	5,034	7	2.07%	5,567	6	1.92%
American River Self Storage LP	4,938	8	2.03%	8,531	5	2.94%
2800 Pico Associates LLC	4,244	9	1.74%	4,878	8	1.68%
KCMKC Properties, LP/Paul E. Fong/MAE Etal	4,061	10	1.67%	13,034	4	4.49%
Jefferson Commons-Sacramento LP	-	-	-	52,515	1	18.10%
Home Depot USA Inc.	-	-	-	14,506	3	5.00%
Commercial Net Lease Realty	-	-	-	5,095	7	1.76%
Gonzales Kimmel Enterprises	-	-	-	4,524	9	1.56%
John/Claudine Jackson Family Revocable Trust	-	-	-	4,459	10	1.54%
Sub Total	110,682		45.49%	135,290		46.62%
All Other Taxpayers	132,639		54.51%	154,927		53.38%
Total	<u>\$ 243,321</u>		<u>100.00%</u>	<u>\$ 290,217</u>		<u>100.00%</u>

Notes: (1) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
(2) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

**City of Sacramento
 Successor Agency Trust Fund
 Principal Property Taxpayers - Railyards
 Current Fiscal Year and Nine Years Ago
 (in thousands)**

<u>Assessee</u>	<u>2014</u>			<u>2010⁽¹⁾</u>		
	<u>Taxable Value⁽²⁾</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value⁽³⁾</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Value</u>
IA Sacramento Development LLC	\$ 33,235	1	39.26%	\$ -	-	-
CCAA Partners LLC/Bruce W. Bell/Etal	12,000	2	14.18%	14,843	2	19.07%
Sutter HOJ LP	8,812	3	10.41%	-	-	-
Sacramento County Employee Credit Union	4,300	4	5.08%	4,068	5	5.23%
REA Limited Partnership	3,978	5	4.70%	5,378	4	6.91%
PDRA/Company LLC	3,716	6	4.39%	3,537	6	4.54%
Strumwasser Michael J./Silvia M.	3,072	7	3.63%	2,924	7	3.76%
Mercy Housing CA 47	2,541	8	3.00%	-	-	-
Bowman/Bay Building Joint Venture	2,222	9	2.62%	2,115	8	2.72%
PLF Bldg. LLC	1,670	10	1.97%	-	-	-
Legacy Ventures LLC	-	-	-	1,245	10	1.60%
New Baytree LLC	-	-	-	14,826	3	19.05%
S Thomas Enterprises of Sacramento	-	-	-	17,224	1	22.13%
John Morgan/Nelly B Patino/Eddie Cuevas	-	-	-	1,556	9	2.00%
Sub Total	75,546		89.24%	67,716		87.00%
All Other Taxpayers	9,108		10.76%	10,117		13.00%
Total	<u>\$ 84,654</u>		<u>100.00%</u>	<u>\$ 77,833</u>		<u>100.00%</u>

Notes: (1) Data from Fiscal Year 2010 - Railyards Redevelopment Area was formed in Fiscal Year 2010.
 (2) Based on ownership of locally-assessed secured and unsecured real property net of exemptions.
 (3) Based on total adjusted 2013-14 Project Area total taxable value.

Source: Sacramento County Assessor

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

RDA - All Project Areas

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 32,843	\$ 325	\$ 671	\$ 31,847	\$ 15,420	2.07	\$ NA	\$ NA	NA	
2005-06	36,549	325	1,168	35,055	17,880	1.96	NA	NA	NA	
2006-07	40,781	292	1,772	38,716	21,468	1.80	NA	NA	NA	
2007-08	44,436	456	1,851	42,129	22,119	1.90	NA	NA	NA	
2008-09	48,016	600	2,295	45,121	21,836	2.07	NA	NA	NA	
2009-10	42,876	438	3,050	39,388	21,790	1.81	NA	NA	NA	
2010-11	35,280	580	2,684	32,016	21,776	1.47	NA	NA	NA	
2011-12	42,334	726	2,911	38,698	22,120	1.75	6,008	28,128	1.38	(1)
2012-13	41,304	745	2,556	38,003	22,087	1.72	6,619	28,706	1.32	
2013-14	47,395	687	3,037	43,671	24,896	1.75	5,123	30,019	1.45	

Merged Downtown

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 22,090	\$ 217	\$ -	\$ 21,873	\$ 12,546	1.74	\$ NA	\$ NA	NA	
2005-06	22,447	200	261	21,986	14,319	1.54	NA	NA	NA	
2006-07	24,217	167	496	23,554	16,162	1.46	NA	NA	NA	
2007-08	26,259	277	502	25,480	16,541	1.54	NA	NA	NA	
2008-09	30,213	380	484	29,349	16,090	1.82	NA	NA	NA	
2009-10	29,144	282	1,606	27,256	16,072	1.70	NA	NA	NA	
2010-11	23,069	387	1,454	21,228	16,051	1.32	NA	NA	NA	
2011-12	23,750	406	807	22,537	16,254	1.39	2,608	18,862	1.19	(1)
2012-13	23,260	419	652	22,189	16,298	1.36	2,655	18,953	1.17	
2013-14	23,042	372	580	22,090	18,686	1.18	1,747	20,433	1.08	

Del Paso Heights

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage	
2004-05	\$ 2,269	\$ 23	\$ 85	\$ 2,160	\$ 553	3.90	\$ NA	\$ NA	NA	
2005-06	3,172	28	197	2,948	949	3.11	NA	NA	NA	
2006-07	3,837	29	307	3,501	1,290	2.71	NA	NA	NA	
2007-08	4,181	27	357	3,796	1,606	2.36	NA	NA	NA	
2008-09	4,079	51	169	3,859	1,625	2.37	NA	NA	NA	
2009-10	3,222	33	377	2,812	1,627	1.73	NA	NA	NA	
2010-11	2,901	45	322	2,534	1,626	1.56	NA	NA	NA	
2011-12	2,551	44	199	2,307	1,769	1.30	100	1,869	1.23	(1)
2012-13	2,549	46	194	2,309	1,644	1.40	240	1,884	1.23	
2013-14	2,853	44	245	2,564	1,618	1.58	230	1,848	1.39	

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Alkali Flat

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 984	\$ 11	\$ 7	\$ 966	\$ 629	1.54	\$ NA	\$ NA	NA
2005-06	1,061	11	19	1,031	621	1.66	NA	NA	NA
2006-07	1,168	9	33	1,126	618	1.82	NA	NA	NA
2007-08	1,270	14	34	1,222	619	1.98	NA	NA	NA
2008-09	1,234	17	14	1,203	618	1.95	NA	NA	NA
2009-10	1,253	15	54	1,185	616	1.92	NA	NA	NA
2010-11	1,106	18	68	1,020	619	1.65	NA	NA	NA
2011-12	1,077	18	19	1,039	622	1.67	463	1,085	0.96 (1)
2012-13	1,049	19	10	1,020	623	1.64	467	1,090	0.94
2013-14	1,028	16	9	1,003	612	1.64	461	1,073	0.93

Oak Park

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 3,836	\$ 39	\$ 119	\$ 3,678	\$ 1,370	2.68	\$ NA	\$ NA	NA
2005-06	4,957	44	274	4,639	1,686	2.75	NA	NA	NA
2006-07	5,939	45	404	5,490	2,846	1.93	NA	NA	NA
2007-08	6,255	69	409	5,777	2,769	2.09	NA	NA	NA
2008-09	5,854	73	381	5,400	2,767	1.95	NA	NA	NA
2009-10	4,213	49	372	3,792	2,757	1.38	NA	NA	NA
2010-11	3,871	60	314	3,498	2,761	1.27	NA	NA	NA
2011-12	3,772	63	150	3,559	2,756	1.29	103	2,859	1.24 (1)
2012-13	3,841	67	151	3,623	2,794	1.30	183	2,977	1.22
2013-14	4,364	67	244	4,053	2,891	1.40	34	2,925	1.39

River District

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,372	25	246	1,100	-	-	494	494	2.23 (1)
2012-13	1,294	26	227	1,041	-	-	654	654	1.59
2013-14	5,735	20	259	5,456	-	-	646	646	8.45

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

North Sacramento

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 2,167	\$ 21	\$ 253	\$ 1,893	\$ 322	5.88	\$ NA	\$ NA	NA
2005-06	2,620	24	249	2,347	305	7.68	NA	NA	NA
2006-07	3,063	24	194	2,845	436	6.53	NA	NA	NA
2007-08	3,542	38	198	3,305	468	7.06	NA	NA	NA
2008-09	3,787	46	291	3,450	528	6.53	NA	NA	NA
2009-10	3,087	36	237	2,814	530	5.30	NA	NA	NA
2010-11	2,722	45	209	2,468	528	4.68	NA	NA	NA
2011-12	2,439	44	187	2,208	539	4.10	629	1,168	1.89
2012-13	2,323	44	165	2,114	537	3.94	779	1,316	1.61
2013-14	2,303	38	247	2,018	909	2.22	393	1,302	1.55

(1)

Franklin Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,225	39	184	2,002	-	-	100	100	20.02
2012-13	2,354	41	195	2,118	-	-	109	109	19.43
2013-14	2,414	38	189	2,187	-	-	99	99	22.09

(1)

Stockton Boulevard

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ 1,497	\$ 14	\$ 207	\$ 1,276	\$ -	-	\$ NA	\$ NA	NA
2005-06	2,293	19	169	2,105	-	-	NA	NA	NA
2006-07	2,557	19	338	2,200	115	19.16	NA	NA	NA
2007-08	2,930	31	350	2,548	115	22.20	NA	NA	NA
2008-09	2,849	33	957	1,860	208	8.92	NA	NA	NA
2009-10	1,957	22	405	1,529	187	8.19	NA	NA	NA
2010-11	1,611	26	317	1,268	191	6.63	NA	NA	NA
2011-12	1,496	26	387	1,083	180	6.02	250	430	2.52
2012-13	1,369	24	329	1,016	191	5.32	261	452	2.25
2013-14	1,420	24	377	1,019	180	5.66	245	425	2.40

(1)

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

City of Sacramento
Successor Agency Trust Fund
Debt Coverage Analysis
Last Ten Fiscal Years
(in thousands)

Army Depot

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	2,617	44	523	2,050	-	-	737	737	2.78
2012-13	2,342	43	452	1,847	-	-	748	748	2.47
2013-14	3,200	50	643	2,507	-	-	735	735	3.41

(1)

65th Street

Fiscal Year	Total Tax Increment	Property Tax Collection Fee	AB 1290 Pass thru	Net Tax Revenues	Senior Debt	Senior Debt Coverage	Subordinate Debt	Total Debt	Total Debt Coverage
2004-05	\$ NA	\$ NA	\$ NA	\$ NA	\$ -	-	\$ NA	\$ NA	NA
2005-06	NA	NA	NA	NA	-	-	NA	NA	NA
2006-07	NA	NA	NA	NA	-	-	NA	NA	NA
2007-08	NA	NA	NA	NA	-	-	NA	NA	NA
2008-09	NA	NA	NA	NA	-	-	NA	NA	NA
2009-10	NA	NA	NA	NA	-	-	NA	NA	NA
2010-11	NA	NA	NA	NA	-	-	NA	NA	NA
2011-12	1,035	17	207	811	-	-	524	524	1.55
2012-13	923	16	181	726	-	-	523	523	1.39
2013-14	834	14	185	635	-	-	506	506	1.25

(1)

Notes:

NA) Subordinate debt was not presented in prior years. Prior years information not available for River District, Franklin Boulevard, Army Depot and 65th Street.

(1) Revised to include 2008 B of A Public Capital Corp Debt.

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City of Sacramento
Full-time Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Citywide and Community Support	-	-	-	-	-	-	-	-	23	23
Code Enforcement	-	82.00	94	92	107	90	-	-	-	-
Community Development	-	-	-	-	-	107	170	166	159	163
Convention, Culture & Leisure	204	204	208	213	214	206	196	194	133	138
Development Services	252	259	243	246	222	-	-	-	-	-
Economic Development	-	17.00	17	24	27	22	18	14	11	11
Fire	609	623	651	651	655	582	611	589	527	642
General Government	393	374	408	419	400	329	319	312	305	320
General Services	457	260	264	287	307	257	247	225	368	367
Neighborhood Services	86	16	16	15	15	9	-	-	-	-
Parks and Recreation	841	896	930	925	872	680	648	579	553	577
Planning	-	-	38.00	33	34	-	-	-	-	-
Police	1,189	1,207	1,265	1,272	1,271	1,091	1,060	900	847	940
Public Works	-	-	-	-	-	-	-	-	395	406
Transportation	333	340	350	356	437	424	409	409	-	-
Utilities	497	727	732	741	741	752	698	698	505	510
Total	4,860	5,003	5,213	5,273	5,300	4,549	4,374	4,083	3,825	4,095

Source: City of Sacramento Approved Operating Budgets

**City of Sacramento
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Adult arrests	25,623	27,314	24,703	22,783	21,230	20,555	19,885	17,058	18,650	19,570
Citizen initiated calls for service with officer responses	194,969	187,731	181,793	181,873	173,045	176,157	166,207	154,193	154,233	118,975
Fire ⁽¹⁾										
Number of incidents	63,242	65,714	66,284	70,609	64,525	59,608 ⁽²⁾	71,111	73,343	74,427	75,000
Number of structure fires	835	1,189	500	414	401	359 ⁽²⁾	606	652	680	586
Number of construction inspection/reviews	5,181	NA	NA	NA	NA	2,790	NA	1,895	4,568 ⁽¹²⁾	4,761
General Services										
Number of animal licenses issued	9,446	12,815	14,944	18,812	18,732	17,094	17,132	17,318	15,810 ⁽¹³⁾	15,057
Number of animal outplacements	4,267	4,323	4,352	4,252	4,025	3,300	2,901	3,750	5,521 ⁽¹⁴⁾	6,167
Public Works										
Number of traffic investigations completed	927	922	1,123	1,019	1,028	903	712 ⁽⁴⁾	717	821	936
Number of parking citations issued	199,428	201,196	194,193	233,901	236,103	240,248	184,215 ⁽⁵⁾	164,492	165,700	171,066
Convention, Culture and Leisure										
Number of Community Convention Center events	607	600	664	568	528	453	417	389	378	378
Community Convention Center event attendance	929,425	833,428	849,000	863,759	862,000	780,000	873,577	796,000	645,000 ⁽¹⁵⁾	881,253
Number of Zoo attendance	485,000	485,000	529,734	482,072	467,446	481,452	498,518	526,959	508,061	512,758
Parks and Recreation										
Number of students enrolled in START	7,149	7,913	8,845	8,364	8,695	8,563	7,437	5,755 ⁽⁷⁾	5,330	5,603
Number of students enrolled in 4th R ⁽⁹⁾	2,695	2,885	3,000	3,500	2,675	2,600	2,142	1,899	1,949	1,955
Number of lunches served through food programs	195,000	192,500	160,900	156,916	197,020	120,726 ⁽³⁾	133,687	42,848 ⁽⁸⁾	- ⁽¹⁶⁾	-
Community Development ⁽¹⁸⁾										
Number of building permits issued	17,869	18,261	16,930	14,349	13,182	11,786	11,474	11,545	12,146	13,950
Building permit valuation (in million of dollars)	883	817	1,005	862	557	543	387	281	391	362
Vehicles abated by City	4,660	3,747	2,572	1,538	898	694	429	254 ⁽¹⁰⁾	282	343
Notice and orders issued on housing and dangerous buildings	279	293	445	378	360	305	250	188 ⁽¹¹⁾	253	154
Water										
Number of accounts	136,347	151,459	151,459	135,665	137,029	136,600	136,812	137,148	135,353	135,590
Amount distributed/pumped (million of gallons)	44,177	45,180	49,463	NA	42,726	38,453	37,393	38,692	40,034	34,896
Wastewater										
Number of accounts	78,596	78,541	79,620	76,253	76,802	76,385	76,394	76,477	76,484	76,657
Amount distributed/pumped (million of gallons)	18,054	19,185	19,185	NA	15,889	14,302	18,030	10,695	6,805 ⁽¹⁷⁾	10,603
Storm Drainage										
Number of accounts	130,426	128,427	132,376	131,801	132,727	132,556	133,188	133,814	134,651	135,834
Amount distributed/pumped (million of gallons)	41,608	53,444	53,444	NA	27,936	27,288	NA	28,445	17,602	14,585 ⁽¹⁹⁾
Solid Waste										
Residential garbage disposed (in Tons)	129,499	127,120	128,802	128,060	104,542	112,203	110,103	106,085	109,141	109,060
Commercial garbage collected (in Tons)	23,159	22,469	NA	24,804	18,937	17,688	12,918 ⁽⁶⁾	12,251	1,222	- ⁽²⁰⁾

Notes: (1) The threshold for investigation of a fire was raised from \$10,000 or \$30,000 in fiscal year 2005.

(2) Due to a system problem in October 2009, only 11 months of data are available.

(3) In FY10, the decrease in number of lunches served through food programs was due to decrease in number of sites in operation from 112 to 43. The sites were scaled back to better manage the program and reduce waste.

(4) In FY11, the reason for the significant drop in the number of traffic investigations completed was due to the decrease in calls from the General Public. In addition, FY11 onwards, Maintenance Calls were excluded.

(5) In FY11, the reasons for the significant drop in the number of citations written were due to a) the depressed economy; (b) there were 4 fewer parking enforcement officers; and c) the staff were furloughed.

(6) In FY11, the reason for the significant drop in the commercial garbage collected was primarily due to loss of two major accounts, i.e. Sacramento City Unified School District to Atlas Disposal and California State University, Sacramento to Allied Waste.

(7) In FY12, the number of school sites the City of Sacramento served under START program were reduced from 57 to 46, thus reducing the total number of students enrolled.

(8) In FY12, the number of lunches served through food programs decreased significantly because the federal grant for this program ended in September 2011.

(9) The number of students enrolled in 4th R program has been declining since FY09 due to substantial decline in the subsidy-side of enrollees.

Due to the recession many parents/guardians lost their employment and were not pursuing post secondary education/skill training which make them ineligible to receive these subsidies because the requirement for eligibility is either employment or post secondary education/skill training.

In addition, there was also some decline in fee based enrollment.

(10) In FY12, the number of vehicles abated by City decreased significantly due to the slow economic conditions which led to people holding onto their vehicles longer as well as turning in vehicles for the cost of parts or scrap metal.

(11) In FY12, the number of complaints for housing and dangerous buildings declined largely due to proactive inspections performed under the City's Rental Housing Inspection Program which led to decrease in notice and orders issued on housing and dangerous buildings.

(12) Fire Prevention has been working diligently to improve the way they track inspection data. Therefore, current year data is more accurate than prior years data.

(13) In FY13, the number of animal licenses issued declined largely due to economic down turn as pet owners make tough choices licensing suffered.

(14) Partnership with outside agencies in California and other states resulted in an increase in the number of animal outplacements in FY13.

(15) In FY13, the number of entertainment events at Memorial Auditorium declined largely due to a major stage extension maintenance/replacement project that limited its use for approximately four months, no sold-out and extended-run performances. FY12 included sold out extended run performances of Wicked.

(16) In FY13, the summer food program is terminated.

(17) The reduction in flows have occurred due to water conservation efforts and reduced system infiltration caused by the below normal rainfall influence on the water table. There was less rainfall in FY13 than in FY12.

(18) Prior to FY13, reported as Development and Code Enforcement Departments.

(19) Amount of storm drain pumped/distributed is dependent on rainfall. There was less rainfall in FY14 than in FY13 and FY12.

(20) Solid Waste commercial garbage collection was discontinued in October 2012.

Source: Various City of Sacramento Departments

**City of Sacramento
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Number of stations ⁽¹⁾	2	2	2	4	4	4	4	4	4	4
Number of patrol units ⁽²⁾	238	229	210	210	210	242	242	242	263	243
Number of aircraft	NA	NA	NA	NA	3	3	3	4	4	4
Number of watercraft	NA	NA	NA	NA	2	2	2	3	3	3
Fire										
Number of stations	23	23	23	23	23	23	23	24	24	24
Number of fire suppression, support or prevention vehicles	167	169	170	151	150	160	160	159	159	159
Public Works										
Miles of streets	2,960	3,025	3,034	3,045	3,044	3,063	3,108	3,108	3,065	3,077
Number of street lights	38,450	39,277	39,964	40,578	41,131	41,252	41,301	41,679	41,788	42,048
Number of City parking spaces ⁽³⁾	8,488	8,518	8,795	8,798	8,484	8,484	8,484	8,484	8,484	8,484
Miles of off-street bikeways	58	62	67	76	78	78	82	82	83	84
Parks and recreation										
Number of parks	204	205	205	206	208	212	213	213	222	222
Park acreage ⁽⁴⁾	3,122	3,124	3,125	3,126	3,167	3,171	3,171	3,150 ⁽¹⁰⁾	3,161 ⁽¹¹⁾	3,161
Number of community centers ⁽⁵⁾	17	17	17	16	13	13	13	13	13	13
Number of swimming pools (including wading pools)	23	23	23	23	26	26	26	26	26	26
Water										
Miles of water mains and distribution lines ^{(6) (7)}	1,708	1,873	1,873	1,859	1,720	1,724	1,596	1,599	1,599	1,597
Sewers and storm drainage										
Miles of sanitary sewers and storm drainage ⁽⁸⁾	2,081	2,081	2,024	1,859	1,693	1,950	1,954	1,951	1,951	1,951
Off-street parking										
Number of City garages and open parking lots	11	11	12	12	10	10	10	10	10	10
Golf										
Number of golf courses	6	6	6	6	6	6	6	6	6	6
Marina										
Number of boat harbor slips	563	563	547	475 ⁽⁹⁾	475	475	475	475	475	475

- Notes: (1) From FY2008 onwards, police stations refer to stations plus police headquarters.
(2) From FY2010 onwards, patrol units include cars and motorcycles.
(3) From FY2009 onwards, City parking spaces is defined as only those which are City-owned.
(4) Golf course acreage is not included from FY2005 onwards.
(5) Does not include neighborhood centers.
(6) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.
(7) From FY2009 onwards, does not include miles for private mains and mains owned by other agencies.
(8) Non-pipe elements may have been included in years prior to FY2009.
(9) In FY2008, the marina boat slips were made larger thereby decreasing their total number.
(10) In FY2012, the City conveyed 22.79 acres to a developer from Granite Regional Park, pursuant to a development agreement, and acquired two parcel adding 1.73 acres to the Sacramento River Parkway.
(11) In FY2013, the City added 10.78 acres in 6 parks (all in the River District in the Central City). Bercut Richards Plaza (0.12 ac.); Cannery Plaza parksite (0.19 ac.); Persimmon Paseo (0.21 ac.); Victory Promenade (0.49 ac.); 7th Street Promenade (1.0 ac.); and Township 9 Park (8.77 ac.).

Source: Various City of Sacramento Departments

City of Sacramento Miscellaneous Statistics Current Fiscal Year and Nine Years Ago

Date of incorporation	1849	
Date of charter	1921	
Date City became State Capitol	1854	
Form of government	Council/Manager	
	2014	2005
Number of budgeted positions	4,095	4,399
Area in square miles	99	99
Altitude in feet	20	20
City of Sacramento facilities and services:		
Police		
Number of stations	4	2
Number of police personnel sworn / civilian (actual)	643/296	713/377
Number of patrol units	243	238
Fire		
Number of stations	24	23
Number of fire personnel sworn / unsworn	580/61	552/58
Number of fire protection, support and prevention vehicles	159	167
Utilities		
Miles of water mains and distribution lines ⁽¹⁾	1,597	1,708
Annual water production in gallons	35 billion	44 billion
Miles of sanitary sewers and storm drainage ⁽²⁾	1,951	2,081
Public Works		
Miles of streets	3,077	2,960
Number of street lights	42,048	38,450
Number of City managed parking lots / spaces	11/1,974	11/8,488
Miles of off-street bikeways	84	58
Convention, Culture and Leisure		
Golf courses	6	6
Boat harbor slips ⁽³⁾	475	547
Zoo animals ⁽⁴⁾	578	600
Fairytale town attendance for year	252,351	201,496
Crocker Art Museum attendance for year	218,649	119,480
Community Convention Center attendance for year	881,253	929,425
Parks and Recreation		
Parks	222	196
Park acreage ⁽⁵⁾	3,161	3,627
Camp Sacramento attendance for year	2,558	3,031
Community centers	13	17
Neighborhood centers	5	N/A
Swimming pools	17	21
Baseball fields ⁽⁶⁾	102	84
Soccer fields	132	75
Ball courts	180	118
Library		
Library branches	12	27 ⁽⁷⁾
Library books and audiovisual recordings in circulation	2,051,606	2,011,794

Notes: (1) Water mains are pipes over 12" in size. Pipes 12" or less are considered Distribution Lines. Reporting categories have been changed to show this distinction FY2011 onwards. In addition, FY2011 onwards, Service Mains and Hydrant Mains are excluded.

(2) Non-pipe elements may have been included in years prior to FY2009.

(3) In FY2008, the marina boat slips were made larger thereby decreasing their total number.

(4) Zoo animals number is comprised of animals on-site (either owned by zoo or owned by other entity).

(5) Golf course acreage is not included from FY 2005 onwards.

(6) This includes softball, little league and adult baseball from FY2011 onwards.

(7) This includes all library branches in the Sacramento public library system.

Source: Various City of Sacramento departments and publications

KEVIN JOHNSON
Mayor

ANGELIQUE ASHBY
Mayor Pro Tem, District 1

ALLEN WARREN
Councilmember, District 2

STEVE COHN
Councilmember, District 3

STEVE HANSEN
Councilmember, District 4

JAY SCHENIRER
Vice Mayor, District 5

KEVIN MCCARTY
Councilmember, District 6

DARRELL FONG
Councilmember, District 7

BONNIE J. PANNELL
Councilmember, District 8

CITY OF SACRAMENTO FACTS

The City of Sacramento was founded in 1849 and is the oldest incorporated city in California.

In 1920, city voters adopted a Charter (municipal constitution) and a City Council/City Manager form of government.

The City is divided into eight districts.

Elected members of the City Council serve a four-year term.

The Mayor is elected by all voters in the City. In 2002, voters approved a measure for the Mayor to serve full-time. All other Councilmembers are elected by district and serve part-time.

The Mayor and other Councilmembers have an equal vote in all matters.

The City of Sacramento currently encompasses approximately 100 square miles.

The current estimated population is 475,122.



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APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE
INDENTURE**

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SITE LEASE, THE PROJECT LEASE AND THE INDENTURE

The following summary discussion of selected provisions of the Site Lease, the Project Lease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2015 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the City.

DEFINITIONS

The following sets forth the definitions of certain words and terms used in this Summary of Certain Provisions of the Site Lease, the Project Lease and the Indenture.

“Act” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code.

“Additional Base Rental Payments” means all amounts payable to the Authority by the City as Additional Base Rental Payments under the Project Lease.

“Additional Bonds” means Bonds other than Series 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

“Additional Rental Payments” means all amounts payable by the City as Additional Rental Payments under the Project Lease.

“AMOLA” means the Arena Management, Operations, and Lease Agreement, dated as of May 20, 2014, between the City and ArenaCo, as amended to the Original Issuance Closing Date and as it may from time to time be further amended or supplemented in accordance with the provisions thereof and the provisions of the Project Lease.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

“ArenaCo” means Sacramento Downtown Arena LLC, and its successors and assigns.

“Arena Escrow Agent” means the entity serving as escrow agent pursuant to Arena Funding Agreement.

“Authorized Authority Representative” means the Chair of the Authority, the Vice Chair of the Authority, the Secretary of the Authority, or the Treasurer of the Authority, or any authorized deputy or designee thereof, and any other Person authorized by the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Indenture, which authorization shall remain in effect until the Trustee receives actual notice from the Authority to the contrary accompanied by a new certificate of specimen signatures.

“Authorized City Representative” means the Mayor of the City, the Vice Mayor of the City, the City Clerk of the City, or the Treasurer of the City, or any authorized deputy or designee thereof, and any other Person authorized by the City Council of the City to act on behalf of the City under or with respect to the Indenture, which authorization shall remain in effect until the Trustee receives actual notice from the City to the contrary accompanied by a new certificate of specimen signatures.

“Authorized Denominations” means \$5,000 and any integral multiple of \$5,000.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Base Rental Deposit Date” means the fifth Business Day next preceding each Interest Payment Date.

“Base Rental Payments” means, collectively, the Series 2015 Base Rental Payments and the Additional Base Rental Payments.

“Beneficial Owners” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories, or other intermediaries).

“Bond Year” means each twelve-month period beginning on April 2 in each year and extending to the next succeeding April 1, both dates inclusive, except that the first Bond Year begins on the Original Issuance Closing Date and ends on April 1, 2016.

“Business Day” means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

“Capitalized Interest Period” means the period commencing on the Original Issuance Closing Date and ending on October 1, 2017.

“Code” means the Internal Revenue Code of 1986.

“Continuing Disclosure Certificate” means the continuing disclosure certificate, dated the Original Issuance Closing Date, of the City relating to the Series 2015 Bonds and any continuing disclosure certificate or continuing disclosure agreement executed by the City in connection with the issuance of Additional Bonds, each as originally executed and as they may from time to time be amended in accordance with the provisions thereof, including as amended by the amended and restated continuing disclosure certificate, dated the Fixed Rate Conversion Date, executed by the City.

“Costs of Issuance” means all the costs of issuing and delivering or remarketing the Bonds, including but not limited to all printing and document preparation expenses in connection with the Indenture, the Project Lease, the Site Lease, the Bonds, and any preliminary official statement and final official statement or similar remarketing documents pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, remarketing agent fees and expenses, legal fees and expenses of counsel with respect to the issuance and delivery or remarketing of the Bonds or the financing or refinancing of the projects financed or refinanced with the proceeds of the Bonds, the initial and first year administrative fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds, and other fees

and expenses incurred in connection with the issuance and delivery or remarketing of the Bonds, to the extent such fees and expenses are approved by the City.

“Defeasance Securities” means any of the following or any combination thereof: (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”); (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated; (c) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively; or (d) securities eligible for “AAA” defeasance under then existing criteria of S&P or Moody’s.

“Event of Default” means an event described as such in the Indenture.

“Facilities” means the portion of the Property constituting improvements to real property.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other 12-month period selected and designated as the official fiscal year period of the City, which designation will be provided to the Trustee in a Certificate delivered by the City.

“Fixed Rate Conversion Date” means, with respect to the Series 2015 Bonds, the date that all of the Outstanding Series 2015 Bonds are converted to fixed interest rates as provided in the Indenture.

“Interest Payment Date” means each April 1 and October 1.

“Laws and Regulations” means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment, or consent agreement, including without limitation those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances, or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease Default Event” means an event described as such in the Project Lease.

“Lease Revenues” means all Base Rental Payments payable by the City under the Project Lease, including any prepayments thereof, any Net Proceeds, any amounts received by the Trustee as a result of or in connection with the Trustee’s pursuit of remedies under the Project Lease upon a Lease Default Event, and any amounts received by the Trustee pursuant to the section of the Indenture relating to amounts received pursuant to the SNDA.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation no longer performs the function of a securities rating agency for any reason, the term “Moody’s” will refer to any other nationally recognized securities rating agency selected by the Authority.

“Net Proceeds” means any insurance proceeds or condemnation award paid to or on behalf of the City or the Trustee with respect to any of the Property, which proceeds or award, after payment

therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than \$50,000.

“**New AMOLA**” has the meaning given such term in the SNDA.

“**Non-Appropriation Event**” has the meaning specified in the Project Lease.

“**Office of the Trustee**” means the corporate trust office of the Trustee in San Francisco, California, or such other office as may be specified to the Authority and the City in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee in Minneapolis, Minnesota or such other office or agency will be specified to the Authority and the City by the Trustee in writing.

“**Opinion of Counsel**” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

“**Original Issuance Closing Date**” means August 13, 2015.

“**Outstanding**” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture relating to disqualified Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee as authorized by the Indenture.

“**Owner**” means, with respect to a Bond, the Person in whose name the Bond is registered on the Registration Books.

“**Participating Underwriter**” has the meaning ascribed thereto in the applicable Continuing Disclosure Certificate.

“**Permitted Encumbrances**” means, with respect to the Property (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, under provisions of the Project Lease relating to taxes, permit to remain unpaid; (b) the Project Lease; (c) the Site Lease; (d) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions that exist of record as of the Original Issuance Closing Date; and (f) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established after the Original Issuance Closing Date and certified in writing by the City as not affecting the intended use of the Property or impairing the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture.

“**Permitted Investments**” means any of the following:

- (a) Cash.
- (b) Direct obligations of the Department of the Treasury of the United States of America.
- (c) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development
- Federal Housing Administration
- Federal Financing Bank

(d) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other government sponsored agencies approved by each Credit Enhancement Provider then providing Credit Enhancement for a Series of Bonds

(e) U.S. dollar denominated deposit accounts, federal funds, and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) that have a rating (ratings on holding companies are not considered as the rating of the banks) on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and mature no more than 365 days after the date of purchase.

(f) Commercial paper that is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's or "P-1" by Moody's, and matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated at the time of investment "AAAm" or "AAAm-G" or better by Standard & Poor's, including funds for which the Trustee or an affiliate provides investment advice or other services.

(h) Pre-refunded Municipal Obligations, defined to mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state, which are not callable at the option of the obligor before maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and for which any of the following applies:

(1) the bonds or obligations are rated at the time of purchase, based on an irrevocable escrow account or fund, in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(2) the bonds or obligations are fully secured as to principal and interest and prepayment premium, if any, by an irrevocable escrow account or fund consisting only of cash or obligations described in clause (b) of this definition, which account or fund (A) may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date

or dates pursuant to such irrevocable instructions, as appropriate; and (B) is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(i) General obligations of any state of the United States of America or of any agency, instrumentality, or local governmental unit of any such state with a rating, at the time of purchase, of “Baa1/BBB+” or higher by both Moody’s and Standard & Poor’s.

(j) Any investment agreement with a financial institution or insurance company that has at the date of execution thereof an outstanding issue of unsecured, uninsured, and unguaranteed debt obligations or a claims paying ability rated (or the parent company or guarantor of which is rated) “A3” or higher by Moody’s and “A-” or higher by Standard & Poor’s.

(k) The Local Agency Investment Fund managed by the Treasurer of the State of California, as referred to in Section 16429.1 of the California Government Code, but only to the extent the investment is registered in the name of the Trustee.

(l) Shares in a common law trust established under Title 1, Division 7, Chapter 5 of the California Government Code that invests exclusively in investments permitted by Section 53601 of Title 5 Division 2, Chapter 4 of the California Government Code, as it may be amended.

(m) Investments in the City of Sacramento Investment Pool A.

(n) Any other forms of investments that relate solely to a Series of Additional Bonds, as specified in a Supplemental Indenture providing for the issuance of such Series of Additional Bonds.

“Person” means an individual, corporation, limited-liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“**Principal Payment Date**” means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

“**Property**” means the real property described in Exhibit A to the Project Lease and any improvements thereto, subject to substitution or release of all or a portion of the Property as set forth in the Project Lease.

“**Rebate Requirement**” has the meaning ascribed to it in each Tax Certificate.

“**Record Date**” means the 15th calendar day of the month preceding each Interest Payment Date, whether or not it is a Business Day.

“**Registration Books**” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds under the Indenture.

“**Rental Payments**” means, collectively, the Base Rental Payments and the Additional Rental Payments.

“Rental Period” means the period from the Original Issuance Closing Date through March 31, 2016 and, thereafter, the twelve-month period commencing on April 1 of each year during the term of the Project Lease.

“Reserve Requirement” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service. With respect to the issuance of Tax-Exempt Additional Bonds, if the Reserve Requirement would have to be increased by an amount greater than 10% of the stated principal amount of the Tax-Exempt Additional Bonds (or, if the issue has more than a de minimis amount of original issue discount or premium, of the issue price of the Tax-Exempt Additional Bonds), then the Bond Reserve Requirement will be such lesser amount as is determined by a deposit of such 10%.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity no longer performs the functions of a securities rating agency for any reason, the term “S&P” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Scheduled Termination Date” means April 1, 2050.

“Series” means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction regardless of variations in maturity, interest rate, redemption, and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

“Series 2015 Base Rental Payments” means all amounts payable to the Authority by the City as Series 2015 Base Rental Payments under the Project Lease.

“SNDA” means the Subordination, Nondisturbance and Attornment Agreement, dated as of August 1, 2015, between the Authority, the City, ArenaCo, Sacramento Kings Limited Partnership and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means any tax certificate executed by the Authority at the time of issuance of a Series of Tax-Exempt Bonds, relating to the requirements of Section 148 of the Code, each as originally executed and as they may from time to time be amended in accordance with its provisions.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including interest on any Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not the interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“2015 Project” means the City’s share of the costs of the design, construction, and equipping of a multi-purpose entertainment-and-sports center, which costs shall constitute capital costs.

Written Certificate of the Authority” means a written certificate signed in the name of the Authority by an Authorized Authority Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Certificate of the City” means a written certificate signed in the name of the City by an Authorized City Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Request of the Authority” means a written request signed in the name of the Authority by an Authorized Authority Representative. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

“Written Request of the City” means a written request signed in the name of the City by an Authorized City Representative. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined are to be read and construed as a single instrument.

SITE LEASE

Lease of the Property; Rental

Lease of Property. Pursuant to the Site Lease, the City leases to the Authority and the Authority leases from the City, the Property on the terms and conditions set forth in the Site Lease, subject to all Permitted Encumbrances.

Rental. The Authority shall pay to the City as and for rental of the Property under the Site Lease, the sum of \$1.00, the receipt of which amount the City acknowledges under the Site Lease. No other amounts of rental will be due and payable by the Authority for the use and occupancy of the Property under the Site Lease.

Quiet Enjoyment

Subject to the provisions of the Site Lease relating to assignment, selling and subleasing, the Authority will peaceably and quietly have, hold, and enjoy all of the Property at all times during the term of the Site Lease.

Special Covenants and Provisions

Waste. At all times that the Authority is in possession of the Property, the Authority shall not commit, suffer, or permit any waste on the Property and shall not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The City and the Authority shall, from time to time execute, acknowledge, and deliver, or cause to be executed, acknowledged, and delivered, such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased by the Site Lease or intended so to be or for carrying out the expressed intention of the Site Lease, the Indenture, and the Project Lease.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority are solely liabilities of the Authority as a joint-powers authority, and the City releases every director, officer,

and employee of the Authority from any personal or individual liability under the Site Lease. No director, officer, or employee of the Authority will at any time or under any circumstances be individually or personally liable under the Site Lease to the City or to any other party for anything done or omitted to be done under the Site Lease by the Authority.

All liabilities under the Site Lease on the part of the City are solely liabilities of the City as a governmental entity, and the Authority releases every council member, officer, and employee of the City from any personal or individual liability under the Site Lease. No council member, officer, or employee of the City will at any time or under any circumstances be individually or personally liable under the Site Lease to the Authority or to any other party for anything done or omitted to be done under the Site Lease by the City.

Taxes. The City shall pay or cause to be paid any and all assessments of any kind or character and also all taxes, including possessory-interest taxes, levied or assessed upon the Property.

Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the City. The City represents and warrants to the Authority and the Trustee as follows:

(a) the City has the full power and authority to enter into, execute, and deliver the Site Lease and to perform all of its duties and obligations under the Site Lease, and the City has duly authorized the execution and delivery of the Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien, or encumbrance that would prohibit or materially interfere with the use of the Property for its intended purposes as contemplated by the City; and

(c) all taxes, assessments, or impositions of any kind with respect to the Property, except current taxes, have been paid in full.

Representations of the Authority. The Authority represents and warrants to the City and the Trustee that the Authority has the full power and authority to enter into, execute, and deliver the Site Lease and to perform all of its duties and obligations under the Site Lease, and the Authority has duly authorized the execution and delivery of the Site Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Authority shall assign all of its rights under the Site Lease to the Trustee. Except as provided in the Indenture, the Authority may not otherwise assign or sell its rights under the Site Lease without the written consent of the City. The Authority shall sublease the Property to the City under the Project Lease. Except as provided in the Project Lease, the Authority may not otherwise sublease the Property without the written consent of the City.

Restrictions on City. Except for Permitted Encumbrances and except as otherwise permitted by the Project Lease, the City shall not mortgage, sell, encumber, assign, transfer, or convey the Property or any portion thereof during the term of the Site Lease.

Improvements

Title to all improvements made on the Property during the term of the Site Lease will vest in the City.

Term; Termination

Term. The term of the Site Lease commences on the date of issuance of the Series 2015 Bonds and ends on April 1, 2050 (the “Scheduled Termination Date”) unless extended or sooner terminated as provided below.

Extension; Early Termination. If, on the Scheduled Termination Date, all of the Bonds have not been fully paid or deemed to have been paid in accordance with the provision of the Indenture relating to defeasance, or if any Rental Payments remain due and payable under the Project Lease or have been abated at any time as required by the Project Lease, then the term of the Site Lease will be extended until the date upon which all of the Bonds have been fully paid or deemed to have been paid in accordance with the provision of the Indenture relating to defeasance, and all Rental Payments due and payable under the Project Lease have been paid in full, except as follows: the term of the Site Lease will in no event be extended more than fifteen years beyond the Scheduled Termination Date. If, before the Scheduled Termination Date, all of the Bonds have been fully paid or deemed to have been paid in accordance with the provision of the Indenture relating to defeasance, and if all Rental Payments due and payable under the Project Lease have been paid in full, then the term of the Site Lease will end simultaneously therewith.

Action on Default.

(a) In every case upon the occurrence and during the continuance of a default by the Authority under the Site Lease, the City will be entitled to proceed to protect and enforce the rights vested in the City by the Site Lease. The provisions of the Site Lease and the duties of the Authority and of its board, officers, or employees are enforceable by the City by mandamus or other appropriate suit, action, or proceeding in any court with jurisdiction. Without limiting the generality of the foregoing, the City has the right to bring the following actions:

(i) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or any board member, officer, or employee thereof, and to compel the Authority or any such board member, officer, or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Site Lease;

(ii) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the City; or

(iii) by suit, action, or proceeding in any court with jurisdiction, to require the Authority and its board, officers, and employees to account as if it or they were the trustee or trustees of an express trust.

The remedies provided in the Site Lease are the sole and exclusive remedies of the City under the Site Lease, and the City expressly waives any right to re-enter and re-let the Property or terminate the Site Lease upon default. Without limiting the generality of the foregoing, the Authority and the City waive the remedies for a breach of the Site Lease provided in California Civil Code sections 1951 to 1952.2, inclusive, and contract instead for the remedies provided by the Site Lease.

Miscellaneous

Amendments; Substitution and Release. The Site Lease may be amended or terminated only in accordance with the provisions of the Project Lease. The City has the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Project Lease.

Assignment. The Authority and City acknowledge that the Authority has transferred in trust, granted a security interest in, and assigned all of its right, title, and interest in the Site Lease to the Trustee as required by the Indenture. The City consents to such transfer, grant of a security interest, and assignment. The City consents to the Indenture and acknowledges and agrees to the rights of the Trustee as set forth therein.

Applicable Law. The Site Lease is governed by and is to be construed in accordance with the laws of the State of California.

THE PROJECT LEASE

Lease of Property; Term

Lease of Property. (a) Pursuant to the Project Lease, the Authority leases the Property to the City and the City leases the Property from the Authority, on the terms and conditions set forth in the Project Lease, subject to Permitted Encumbrances.

(b) The parties intend and agree that the leasing of the Property by the City to the Authority under the Site Lease does not effect or result in a merger of the City's leasehold estate in the Property as lessee under the Project Lease and its fee estate in the Property as lessor under the Site Lease, and the Authority will continue to have a leasehold estate in the Property under the Site Lease throughout the terms of both leases. The Project Lease constitutes a sublease with respect to the Property. The leasehold interest in the Property granted by the City to the Authority under the Site Lease is independent of the Project Lease and the Project Lease is not an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Term. The term of the Project Lease commences on the Original Issuance Closing Date and ends on the Scheduled Termination Date unless extended or sooner terminated as provided in the Project Lease.

Extension; Early Termination. If, on the Scheduled Termination Date, all of the Bonds have not been fully paid or deemed to have been paid in accordance with the provisions of the Indenture relating to defeasance or if any Rental Payments remain due and payable or have been abated at any time, then the term of the Project Lease will be extended until the date upon which all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture relating to defeasance and all Rental Payments due and payable have been paid in full, except as follows: the term of the Project Lease will in no event be extended more than fifteen years beyond the Scheduled Termination Date. If, before the Scheduled Termination Date, all of the Bonds have been fully paid or deemed to have been paid in accordance with the provisions of the Indenture relating to defeasance and if all Rental Payments due and payable have been paid in full, then the term of the Project Lease will end simultaneously therewith.

Beneficial Use and Occupancy.

(a) It is contemplated that the City will have use and occupancy of the Property on or before the end of the Capitalized Interest Period, and the obligation to pay Rental Payments will commence on the first Base Rental Deposit Date after the end of the Capitalized Interest Period.

(b) If for any reason the City does not have use and occupancy of the Property or any part thereof by the end of the Capitalized Interest Period, then the Project Lease will not be void or voidable and the Authority will not be liable to the City for any loss or damages resulting therefrom, but in that event the Rental Payments will be abated proportionately (based upon the percentage that the annual fair-rental value of the Property or the part thereof for which the City does not have use and occupancy bears to the annual fair-rental value of the Property assuming the City were to have use and occupancy of the entire Property), and the City waives the benefits of California Civil Code sections 1932(2) and 1933(4) and all other rights to terminate the Project Lease by virtue of any lack of beneficial use and occupancy, and the Project Lease will continue in full force and effect. The amount of abatement will be as specified in a Written Certificate of the City to the Trustee accompanied by a written appraisal of an independent qualified appraiser selected by the City, which appraisal must express an opinion as to the annual fair-rental value of the Property assuming the City had use and occupancy of the entire Property and the annual fair-rental value of the portion of the Property for which the City does not have use and occupancy. Abatement will continue for the period commencing after the end of the Capitalized Interest Period, and ending when the City has beneficial use and occupancy of the Property or such part, and the term of the Project Lease will be extended as provided pursuant to the section of the Project Lease relating to extension and early termination.

(c) Notwithstanding paragraph (b) above, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but rather will be payable by the City as a special obligation payable solely from those funds and accounts.

Rental Payments

Base Rental Payments.

(a) *General.* The Rental Payments for each Rental Period, including Base Rental Payments, will be paid by the City to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period. The obligation of the City to pay the Base Rental Payments does not constitute a debt of the City or of the State of California or of any political subdivision of the State in contravention of any constitutional or statutory debt limit or restriction, and it does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

(b) *Base Rental Payments.*

(1) *Series 2015 Base Rental Payments.* Subject to the provisions of the Project Lease relating to beneficial use and occupancy and rental abatement, on each Base Rental Deposit Date, the City shall pay to the Authority a Series 2015 Base Rental Payment in an amount equal to the principal of, and interest on, the Series 2015 Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date. The amount of the Series 2015 Base Rental Payment will be reduced by the amount, if any, available in the Payment Fund, the Principal Account, or the Interest Account on the Base Rental Deposit Date to pay the principal of, or interest on, the Series 2015 Bonds.

(2) *Additional Base Rental Payments.* Subject to the provisions of the Project Lease relating to beneficial use and occupancy and rental abatement, if any Additional Bonds are issued, then on each Base Rental Deposit Date the City shall pay to the Authority an Additional Base Rental Payment in an amount equal to the principal of, and interest on, the Additional Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date. The amount of the Additional Base Rental Payment will be reduced by the amount, if any, available in the Payment Fund, the Principal Account, or the Interest Account on the Base Rental Deposit Date to pay the principal of, or interest on, the Additional Bonds.

(3) *Insufficient Amounts to Pay Base Rental Payments.* If sufficient amounts are not available to pay all Base Rental Payments due on a given date, then the amounts available for the payment will be applied by the City to the payment of all Base Rental Payments due on that date on a pro-rata basis (based on the total amount available for the payment of Base Rental Payments and the Base Rental Payments then due).

(c) *Payments other than Regularly Scheduled Payments.* If the term of the Project Lease is extended under the terms thereof, then the obligation of the City to pay Rental Payments will continue to and including the Base Rental Deposit Date preceding the extended date of termination of the Project Lease. Upon such an extension, the Base Rental Payments payable during the extended term will be established so that the Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds, except that the Rental Payments payable in any Rental Period may not exceed the annual fair-rental value of the Property.

Additional Rental Payments.

(a) The City shall also pay, as Additional Rental Payments, such amounts as are required for the payment of the following:

- (1) All taxes and assessments of any type charged to the Authority or the City or affecting the Property or the respective interests or estates of the Authority or the City therein.
- (2) All reasonable administrative costs of the Authority relating to the Property, including, salaries, wages, fees, and expenses payable by the Authority under the Indenture; fees of auditors, accountants, attorneys, or engineers; and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Project Lease or to defend the Authority and its members, officers, agents, and employees.
- (3) Insurance premiums for all insurance required by the Project Lease.
- (4) Any amounts with respect to the Tax-Exempt Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code.

(b) The City shall pay amounts constituting Additional Rental Payments directly to the person or persons to whom such amounts are payable. The City shall pay all such amounts when due or at such later time as the amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the City stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Project Lease have agreed and determined that the Rental Payments becoming due for any Rental Period are not in excess of the annual fair-rental value of the Property.

Payment Provisions; Rate on Overdue Payments.

(a) Each installment of Base Rental Payments must be paid in lawful money of the United States of America to the Office of the Trustee for deposit upon receipt to the Payment Fund. Notwithstanding any dispute between the Authority and the City, the City shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of the dispute. In the event of a determination that the City was not liable for the Rental Payments or any portion thereof, the payments or excess of payments, as the case may be, will be credited against subsequent Rental Payments due under the Project Lease or, at the election of the City, will be refunded at the time of such determination.

(b) If the City fails to make any Base Rental Payment when due, then the Base Rental Payment in default will continue as an obligation of the City (limited in accordance with the provisions of the Project Lease relating to beneficial use and occupancy and rental abatement) until the amount in default is fully paid. The City shall pay the amount of any Base Rental Payment in default, with interest thereon, to the extent permitted by law, from the date of default to the date of payment at a rate equal to the interest rate on the applicable Bonds.

Appropriations Covenant; Rental Payments to Constitute a Current Expense of the City.

(a) The City covenants to take such action as may be necessary to include all Rental Payments in its annual budgets for the City's General Fund and to make necessary annual appropriations for all such Rental Payments. The City's covenants in this section are deemed to be duties imposed by law, and every public official of the City has a duty to take such action and do such things as are required by law in the performance of the official duty of those officials to enable the City to carry out and perform these covenants.

(b) The Authority and the City understand and intend that the City's obligation to pay Rental Payments constitutes a current expense of the City's General Fund and is not a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the City's creation of indebtedness. The Authority and the City further understand and intend that nothing in the Project Lease constitutes a pledge of the City's general tax revenues, funds, or moneys. Rental Payments are payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying Rental Payments or other payments due as consideration for use and occupancy of the Property. The Project Lease does not create an immediate indebtedness for any aggregate payments that may become due if the term of the Project Lease is extended. The City has not pledged the full faith and credit of the City, the State of California, or any agency or department of the State to the payment of the Rental Payments or any other payments due.

Rental Abatement. Except as otherwise specifically provided under this section during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the City's right to use and occupy any portion of the Property, Rental Payments are to be abated proportionately (based upon the percentage that the annual fair-rental value of the Property or the part thereof for which there has been such substantial interference bears to the annual fair-rental value of the Property absent such substantial interference), and the City waives the benefits of California Civil Code sections 1932(2) and 1933(4) and all other rights to terminate the Project Lease by virtue of any such interference, and the Project Lease will continue in full force and effect. The amount of abatement will be as specified in a Written Certificate of the City to the

Trustee accompanied by a written appraisal of an independent qualified appraiser selected by the City, which appraisal must express an opinion as to the annual fair-rental value of the Property absent such substantial interference and the annual fair-rental value of the portion of the Property for which there has been substantial interference. Abatement will continue for the period commencing with the date of interference resulting from the damage, destruction, condemnation, or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Project Lease will be extended as provided therein.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments will not be abated as provided above but rather will be payable by the City as a special obligation payable solely from those funds and accounts.

Representations and Warranties; Covenants and Agreements

Net-Net-Net Lease. The Project Lease is a “net-net-net lease” and the Rental Payments will be an absolute net return to the Authority, free and clear of any expenses, charges, or set-offs and notwithstanding any dispute between the City and the Authority.

Disclaimer of Warranties. The Authority makes no agreement, warranty or representation, either express or implied, as to the value, design, condition, merchantability, or fitness for a particular purpose or fitness for use of the Property. The City acknowledges that the Authority is not a manufacturer of any portion of the Property or a dealer therein, that the City leases the Property as is, and that all of the aforementioned risks are to be borne by the City.

Quiet Enjoyment. At all times during the term of the Project Lease, the City will peaceably and quietly have, hold, and enjoy the Property without suit, trouble, or hindrance from the Authority, except as expressly provided in the Project Lease.

Right of Entry. The Authority has the right to enter upon and to examine and inspect the Property during reasonable business hours (and at all times during emergencies) for any purpose connected with the Authority’s rights or obligations under the Project Lease and for all other lawful purposes.

Use of the Property. The City shall not use, operate, or maintain the Property improperly, in violation of any applicable law, or in a manner contrary to that contemplated by the Project Lease. In addition, the City shall comply in all respects (including, without limitation, with respect to the use, maintenance, and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative, or judicial body exercising any power or jurisdiction over the Property, except that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner that does not, in the reasonable opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Project Lease.

Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair, and maintenance of the Property is the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water, and all other utility services; and the City shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City. The Authority agrees to provide only the Property in exchange for the Rental Payments.

Use of Proceeds; Acquisition and Construction of the 2015 Project. The parties to the Project Lease agree that the proceeds of the Series 2015 Bonds will be used to finance the 2015 Project and to make deposits to the Costs of Issuance Fund, the 2015 Capitalized Interest Fund, the Reserve Fund, and the 2015 Project Fund as provided in the Indenture. The City shall promptly take or cause to be taken all actions permitted by law and shall do or cause to be done all things permitted by law that are necessary to enforce any contract that it is a party to providing for the acquisition or construction of any portion of the 2015 Project, including any contract between the City and ArenaCo providing for the acquisition or construction of any portion of the 2015 Project.

Reserve Fund Requirements.

(a) On each April 1, commencing on the first April 1 after the end of the Capitalized Interest Period (each a “Valuation Date”) all Permitted Investments held in the Reserve Fund are required to be valued pursuant the provision of the Indenture relating to investments. If the valuation of the Permitted Investments in the Reserve Fund on the Valuation Date results in the amount on deposit in the Reserve Fund being equal to or greater than 100% of the Reserve Requirement, then the City will be under no further obligation in respect of that Valuation Date. If the valuation of the Permitted Investments in the Reserve Fund on the Valuation Date results in the amount on deposit in the Reserve Fund being less than 100% of the Reserve Requirement, then the Trustee will so advise the City, and the City shall cause to be included in its budget to be submitted to the City Council for the Fiscal Year first commencing after that Valuation Date funds from which to fund in the Reserve Fund the difference between the Reserve Requirement on that Valuation Date and the amount on deposit in the Reserve Fund on that Valuation Date, and the City will submit the budget that includes such additional amount to the City Council for consideration for the Fiscal Year that begins immediately following that Valuation Date. The City shall transfer such payment to the Trustee for deposit in the Reserve Fund no later than the Base Rental Deposit Date immediately following the City Council’s approval of the budget that contains the payment.

(b) Notwithstanding anything to the contrary in the Project Lease, if the City Council declines to appropriate funds for such payment (a “Non-Appropriation Event”), then the City will have no further obligation to pay any deficiency in the Reserve Requirement in respect of the Valuation Date immediately preceding the budget submission. A Non-Appropriation Event does not constitute a Lease Default Event. The City shall deliver notice to the Trustee of any Non-Appropriation Event as promptly as possible.

(c) The obligation of the City to pay amounts relating to the Reserve Fund under the Project Lease constitutes a current expense of the City and is not a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, and nothing in this section constitutes a pledge of the City’s general tax revenues, funds, or moneys. Amounts due as described in this section are payable only from current funds that are budgeted and appropriated or otherwise legally available for the purpose of paying amounts due during the Fiscal Year of the City for which the funds were budgeted and appropriated or otherwise made legally available for that purpose. The Project Lease does not create an immediate indebtedness for any aggregate payments that may become due if amounts are not appropriated. The City has not pledged the full faith and credit of the City, the State of California, or any agency or department of the State to the payment of the amounts due as described in this section.

Taxes. The City shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the City or affecting the Property or the respective interests or estates therein. With respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall pay the installments or cause them to be paid only as and when they become due.

Upon notice to the Authority and the Trustee, the City or any sublessee may, at the City's or the sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility, and other charges and, in the event of any such contest, may permit the taxes, assessments, or other charges so contested to remain unpaid during the period of the contest and any appeal therefrom unless the Authority or the Trustee notifies the City or the sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the City or the sublessee shall promptly pay such taxes, assessments, or charges or provide the Authority with full security against any loss that may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Liens. If at any time during the term of the Project Lease the City causes any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied in or upon the Property, then the City shall pay, or cause to be paid, when due, all sums of money that may become due for, or purported to be for, any labor, services, materials, supplies, or equipment furnished or alleged to have been furnished to or for the City in, upon, or about the Property and are secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by the lien matures or becomes due, except that, if the City desires to contest any such lien, it may do so as long as the contest is in good faith. If any such lien is reduced to final judgment and the judgment or any process as may be issued for its enforcement is not promptly stayed, or if so stayed and the stay thereafter expires, then the City shall forthwith pay and discharge the judgment.

Compliance With Law, Regulations, Etc. The City represents and warrants, after reasonable inquiry, that (a) it has no actual knowledge that the Property or the use thereof or any practice, procedure, or policy employed by the City in the conduct of its business with respect to the Property materially violates any Laws and Regulations; and (b) it has not given or received any written notice regarding such a violation.

No Condemnation. The City shall not exercise the power of condemnation with respect to the Property. If for any reason a court with jurisdiction holds this section to be unenforceable and the City condemns the Property, or if the City breaches this section, then to the extent permitted by law, the City agrees that the value of the City's leasehold estate in the Property under the Project Lease will be not less than the greater of (a) the amount sufficient to redeem the Bonds in accordance with the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption, plus (c) in each case, an amount sufficient to prepay or defease the debt of ArenaCo used to finance the Facilities.

AMOLA. The City agrees that it will take all reasonable actions to enforce the provisions of the AMOLA. The City shall not consent to any amendment or modification to certain specified sections of the AMOLA if such amendment or modification would materially adversely affect the interests of the Owners of the Bonds.

Arena Design and Construction Agreement. The City agrees that it will take all reasonable actions and reasonably enforce all provisions of the Arena Design and Construction Agreement, dated as of May 20, 2014, between the City and ArenaCo that are necessary to ensure the timely completion of the 2015 Project.

Insurance

Public Liability and Property Damage Insurance; Workers' Compensation Insurance.

(a) The City shall maintain reasonable and customary liability insurance. The City's obligations under this insurance section may be satisfied by self-insurance if the self-insurance complies with the provisions of the Project Lease relating to self-insurance.

(b) The City shall maintain or cause to be maintained casualty insurance (or, during the period of construction of the Facilities, builder's risk insurance) insuring the Facilities against fire, lightning, and all other risks covered by an extended coverage endorsement (excluding earthquake unless provided at the discretion of the City). Such insurance shall be in an amount not less than, at any given time, 100% of the full replacement cost (new without deduction for depreciation) of the Facilities, subject to a \$100,000 loss deductible provision. The insurance required under this paragraph may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with the provisions of the Project Lease relating to self-insurance. The parties acknowledge that the insurance required to be provided by ArenaCo under the AMOLA, as originally executed, satisfies the requirements of the City under this paragraph.

(c) The City shall maintain or cause to be maintained workers' compensation insurance covering all City employees working in or on the Property, in the same amount and type as other workers' compensation insurance maintained by the City for similar employees doing similar work (and the City shall also require any other person or entity working in or on the Property to carry the foregoing amount of workers' compensation insurance). The insurance required under this paragraph may be maintained in whole or in part in the form of self-insurance if the self-insurance complies with the provisions of the Project Lease relating to self-insurance.

(d) During the period of construction of the Facilities, the builder's risk insurance required by paragraph (b) above shall include coverage for consequential loss of revenue and customary soft costs (including the interest components of the Base Rental Payments) for up to 24 months. Commencing with its use and occupancy of the Property, the City shall maintain or cause to be maintained rental-interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered by paragraph (b) above in an amount not less than an amount sufficient to pay the Base Rental Payments for any 24-month period. The insurance required under this paragraph may not be maintained in whole or in part in the form of self-insurance. The parties acknowledge that the insurance required to be provided by ArenaCo under the AMOLA, as originally executed, will satisfy the requirements of the City to maintain or cause to be maintained rental-interruption insurance under this paragraph.

Additional Insurance Provision; Form of Policies. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the provisions of the Project Lease relating to public liability and property damage insurance and workers' compensation insurance. Each policy must require that the insurer give the Trustee 30-days' notice of the policy's expiration, of any intended cancellation of the policy, or of any reduction in the coverage provided by the policy. The Trustee will be fully protected in accepting payment on account of such insurance or any adjustment, compromise, or settlement of any loss agreed to by the Trustee. The City shall cause to be delivered to the Trustee on or before July 1 of each year, commencing the July 1 following the Original Issuance Closing Date, a Written Certificate of the City stating that the insurance required by the provisions of the Project Lease relating to public liability and property damage insurance and workers' compensation insurance is in full force and effect. The Trustee may rely upon the Written Certificate of the City as to the City's compliance with provisions of the Project Lease relating to public liability and property damage insurance

and workers' compensation insurance. The Trustee will not be responsible for the sufficiency of the coverage or the amounts of any insurance policies required by provisions of the Project Lease relating to public liability and property damage insurance and workers' compensation insurance.

Self-Insurance. Any self-insurance maintained by the City under the insurance section of the Project Lease must comply with the following terms:

- (a) The self-insurance program must be approved by the City's Risk Manager.
- (b) The self-insurance program must include an actuarially sound claims-reserve fund out of which each self-insured claim will be paid. Each year the City's Risk Manager will evaluate the adequacy of each claims-reserve fund, and the City shall remedy any deficiencies in any claims-reserve fund in accordance with the recommendation of the City's Risk Manager.
- (c) The self-insured claims-reserve fund must be held in a separate trust fund by an independent trustee, which may be the Trustee under the Indenture.
- (d) If the self-insurance program is discontinued, then the City shall maintain the actuarial soundness of its claims-reserve fund as determined by the City's Risk Manager.

Title Insurance. The City shall provide, at its own expense, one or more American Land Title Association owner's title-insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. The policy or policies must insure (a) the Authority's leasehold estate in the Property under the Site Lease and (b) the City's leasehold estate in the Property under the Project Lease, subject only to Permitted Encumbrances. Alternatively, the City may insure either or both of these leasehold estates through endorsements to one or more American Land Title Association owner's title-insurance policies. All Net Proceeds received under the policy or policies must be deposited with the Trustee and applied as provided in the provisions of the Indenture relating to title insurance. So long as any of the Bonds remain Outstanding, each policy of title insurance obtained as required by this paragraph must provide that all policy proceeds be payable to the Trustee for the benefit of the Owners.

Eminent Domain; Right to Redeem

Eminent Domain. If all of the Property (or portions thereof such that the remainder is unusable for the purposes for which it was used by the City) are taken under the power of eminent domain, then the term of the Project Lease will cease as of the day possession is taken. If less than all of the Property is taken under the power of eminent domain and the remainder is usable for the purposes for which it was used by the City at the time of the taking, then the Project Lease will continue in full force and effect as to the remainder, the parties waive the benefits of any law to the contrary, and Rental Payments will be partially abated in accordance with the provisions of the Project Lease relating to rental abatement. So long as any Bonds are Outstanding, and subject to the AMOLA, any award made in eminent domain for the taking of the Property, or any portion thereof, and received by the City will be paid to the Trustee and applied to the redemption of Bonds as provided under the provisions of the Indenture relating to extraordinary redemption and application of Net Proceeds. Any award remaining after all of the Bonds and all other amounts due under the Indenture and the Project Lease have been fully paid will be paid to the City.

Right to Redeem Bonds; Prepayment of Base Rental Payments.

- (a) The City has the right to prepay any Base Rental Payments and cause Bonds to be redeemed under, and in accordance with the optional redemption provisions of the Indenture by providing

the Trustee with funds sufficient for that purpose (which funds may be derived by the City from any source) and giving notice of the City's prepayment as provided in paragraph (b) below.

(b) To exercise its right to prepay Base Rental Payments and cause Bonds to be redeemed under paragraph (a) above, the City must give written notice to the Trustee of its intention to exercise that right, specifying the date on which prepayment and redemption will be made, which date may not be less than the time required for giving notice of redemption to Owners of the Bonds to be redeemed plus two Business Days (unless otherwise agreed by the Trustee), and specifying the Series, maturities, and amounts of Bonds to be redeemed.

(c) The City has the right to prepay any Base Rental Payments and cause Bonds to be deemed to have been paid under, and in accordance with the provisions of the Indenture relating to defeasance by providing the Trustee with funds sufficient for that purpose (which funds may be derived by the City from any source) and satisfying or causing to be satisfied all other requirements for the deemed payment as provided in the defeasance provisions of the Indenture.

Assignment and Subletting; Substitution or Release; Title

Assignment and Subleasing.

(a) The City shall not sell, mortgage, pledge, assign, or transfer the Project Lease or any interest in it, whether by voluntary act or by operation of law or otherwise, except that the City may sublease the Property in whole or in part subject to the following conditions, which are conditions precedent to such a sublease:

- (1) The Project Lease and the obligation of the City to make all Rental Payments under the Project Lease must remain the primary obligation of the City.
- (2) Within 30 days after the delivery of the sublease, the City shall furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of the sublease.
- (3) The sublease must explicitly provide that it is subject to all rights of the Authority under the Project Lease.

(b) Notwithstanding paragraph (a) above, the parties acknowledge and agree that the City has previously entered into the AMOLA.

Substitution or Release of the Property. The City has the right to substitute other real property for any portion of the Property or to release a portion of the Property from the Project Lease. The City shall bear all costs and expenses incurred in connection with any substitution or release. A substitution or release under this section will not cause a reduction in, or abatement of, the Base Rental Payments due from the City. Each substitution or release of any portion of the Property is subject to the following conditions, which are conditions precedent to such a substitution or release:

(a) The City and the Authority must have executed, and the Trustee must have consented to, amendments to the Site Lease and the Project Lease that contain the amended description of the Property as constituted after the substitution and release, and the City must have caused the amendments to be duly recorded with Sacramento County Clerk/Recorder.

(b) The City must have filed with the Trustee a Written Certificate of the City certifying that (1) the sum of Base Rental Payments plus Additional Rental Payments due under the Project Lease in any

Rental Period is not in excess of the annual fair-rental value of the Property as constituted after the substitution or release, (2) the Property as constituted after the substitution or release has a useful life equal to or greater than the remaining term of the Bonds, and (3) the City has beneficial use and occupancy of the Property as constituted after such substitution or release.

(c) The City must have obtained or caused to be obtained an American Land Title Association owner's title-insurance policy or policies (or an amendment or endorsement to an existing policy or policies) with respect to the Property as constituted after the substitution or release, in substantially the same form as required by the provisions of the Indenture relating to title insurance and in an amount at least equal to the principal amount of the Bonds then Outstanding.

(d) If any Tax-Exempt Bonds are Outstanding, the City must have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that the substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income-tax purposes.

Title to Property. Upon the termination or expiration of the Project Lease, and the first date upon which no Bonds are any longer Outstanding, all right, title, and interest in and to the Property will vest in the City. Upon termination or expiration, the Authority will execute such conveyances, deeds, and other documents as may be necessary to effect vesting of record.

Lease Default Events and Remedies

Lease Default Events. The occurrence from time to time of any one or more of the following events constitutes a Lease Default Event under the Project Lease:

(a) The failure of the City to pay any Base Rental Payment payable under the Project Lease when the same becomes due and payable, time being of the essence in the Project Lease.

(b) The failure by the City to observe and perform any of the other covenants, agreements, or conditions in the Project Lease (other than a Non-Appropriation Event, which is not a Lease Default Event) if the failure continues for 30 days after the City receives the Trustee's written notice specifying the failure and requiring the same to be remedied, subject to the following: if, in the reasonable opinion of the City, the failure specified in the notice can be corrected but not within the 30-day period, then the failure will not constitute a Lease Default Event so long as the City begins corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time that does not exceed 90 days unless the Trustee consents in writing to a longer period.

(c) Except as otherwise expressly permitted by the Project Lease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the City's interest in the Project Lease or any part thereof without the Authority's written consent.

(d) The City's abandonment of the Property.

(e) The City or any assignee files any petition or institutes any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City (1) asks or seeks or prays to be adjudicated a bankrupt or to be discharged from any or all of its debts or obligations; or (2) offers its creditors to effect a composition or extension of time to pay its debts; or (3) asks, seeks, or prays for reorganization or to effect a plan of reorganization, or for a readjustment of its debts, or for any other similar relief.

Any petition or any proceedings of the same or similar kind or character as those described in paragraph (e) above is filed, instituted, or taken against the City; or a receiver of the business or of the property or assets of the City is appointed by any court, except a receiver appointed at the instance or request of the Authority; or the City makes a general or any assignment for the benefit of the City's creditors.

Action on Default.

(a) In every case during the continuance of a Lease Default Event under the Project Lease, the Authority has the right, without terminating the Project Lease, to collect each installment of Rental Payments as the same become due and to enforce any other terms or provisions of the Project Lease to be kept or performed by the City, regardless of whether the City has abandoned the Property. The City will remain liable and shall keep or perform all covenants and conditions to be kept or performed by the City under the Project Lease and shall pay the full amount of the Rental Payments to the end of the term of the Project Lease at the same time and in the same manner as provided in the Project Lease for the payment of Rental Payments.

(b) The remedies provided in the Project Lease are the sole and exclusive remedies of the Authority under the Project Lease. The Authority expressly waives any right to re-enter and re-let the Property or terminate the Project Lease. Without limiting the generality of the preceding two sentences, the Authority and the City waive the remedies for a breach of the Project Lease provided in California Civil Code sections 1951 to 1952.2, inclusive, and contract instead for the remedies provided by the Project Lease.

Other Remedies. In addition to the remedies provided in the Project Lease relating to action on default, during the continuance of a Lease Default Event under the Project Lease, the Authority will be entitled to proceed to protect and enforce the rights vested in the Authority by the Project Lease. The provisions of the Project Lease and the duties of the City and of its city council, officers, and employees are enforceable by the Authority by mandamus or other appropriate suit, action, or proceeding in any court with jurisdiction. Without limiting the generality of the preceding two sentences, the Authority has the right to bring the following actions:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any council member, officer, or employee thereof, and to compel the City or any such council member, officer, or employee to perform or carry out his or her duties under law and the agreements and covenants required to be performed by him or her contained in the Project Lease;

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Authority; or

(c) by suit, action, or proceeding in any court with jurisdiction, to require the City and its city council, officers, and employees to account as if it or they were the trustee or trustees of an express trust.

No Acceleration. Notwithstanding anything to the contrary in the Project Lease, the Authority has no right to accelerate Rental Payments upon the occurrence or continuance of a default or a Lease Default Event under the Project Lease.

Remedies Not Exclusive. Subject to the provisions of the Project Lease relating to action on default, no remedy conferred upon or reserved to the Authority by the Project Lease is intended to be exclusive of any other remedy. Each such remedy will be cumulative and in addition to every other remedy given by the Project Lease or now or hereafter existing in law or in equity or by statute or otherwise, and each may be exercised without exhausting and without regard to any other remedy

conferred by any law. If any statute or rule of law validly limits the remedies given to the Authority by the Project Lease, then the Authority nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. No delay or omission of the Authority to exercise any right or power arising from the occurrence of any default or Lease Default Event will impair any such right or power or be construed to be a waiver of any such default or Lease Default Event or an acquiescence therein, and every power and remedy given by the Project Lease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Lease Default Event is not a waiver of any other default or Lease Default Event or of the same default or Lease Default Event subsequently occurring. The acceptance of Rental Payments under the Project Lease will not be a waiver of any term, covenant, or condition of the Project Lease.

Attorney's Fees. If the Authority prevails in any action brought to enforce the Project Lease, then the City shall pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority.

Amendments

(a) The Project Lease and the Site Lease may be amended at any time with the prior written consent of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, subject to the following:

(1) The amendment must be in writing and may not (A) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected; (B) authorize the amendment of the Project Lease or the Site Lease under this section with the written consent of the Owners of less than a majority of the aggregate principal amount of the Bonds then Outstanding without the prior written consent of the Owners of all Bonds then Outstanding; or (C) amend this section without the prior written consent of the Owners of all Bonds then Outstanding.

(2) The written consent of the Owners of a Series of Bonds may be effected through either (A) a consent by the underwriter of the Series of Bonds at the time of the issuance of the Series of Bonds or (B) a provision of a Supplemental Indenture that deems the Owners purchasing the Series of Bonds to consent for purposes of this section by virtue of their purchase of the Series of Bonds.

(b) The Project Lease and the Site Lease may also be amended at any time without the written consents of any Owners for any one or more of the following purposes:

(1) To add to the covenants and agreements of the City or the Authority other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the City or the Authority.

(2) To cure any ambiguity, inconsistency, or omission; or to cure or correct any defective provision; or to address issues the City or the Authority may deem desirable or necessary to address, but only if the amendment is not inconsistent with the Project Lease.

- (3) To provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which the Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture relating to issuance of Additional Bonds.
- (4) To provide for the substitution or release of a portion of the Property in accordance with the provisions of the Project Lease relating to substitution or release of the Property.
- (5) To make such additions, deletions, or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income-tax purposes of interest on Tax-Exempt Bonds or to maintain any federal interest subsidies expected to be received with respect to any Bonds.
- (6) To make such other changes as the City or the Authority may deem desirable or necessary, but only if the changes do not materially adversely affect the interests of the Owners.
- (7) For any other reason, so long as the amendment becomes effective only after either (A) the remarketing of all of the Outstanding Bonds on a mandatory tender date for all Outstanding Bonds or (B) the redemption, payment, or defeasance of all Bonds Outstanding immediately prior to the effective date of the amendment.

Miscellaneous

Authority Not Liable. The Authority and its directors, officers, employees, and agents are not liable to the City or to any other party for any death, injury, or damage that may result to any person or property by or from any cause in, on, or about the Property. To the extent permitted by law, the City shall, at its expense, indemnify and hold the Authority and its directors, officers, employees, and agents harmless against and from all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct, or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. The Authority is not liable for any incidental, indirect, special, or consequential damage in connection with or arising out of the Project Lease or the City's use of the Property.

Assignment to Trustee; Effect. Upon the execution and delivery of the Indenture (which occurred simultaneously with the execution and delivery of the Project Lease), all of the Authority's right, title, and interest in the Project Lease, other than any rights to payment or reimbursement of its reasonable costs and expenses and any rights to indemnification, were transferred, granted, and assigned to the Trustee for the benefit of the Owners of the Bonds as provided in the Indenture. The City consented to that transfer, grant, and assignment. Upon the execution and delivery of the Indenture, references to the Authority in the operative provisions of the Project Lease will be deemed to be references to the Trustee, as assignee of the Authority.

California Law. The Project Lease is governed by and is to be construed in accordance with the laws of the State of California.

INDENTURE

The Bonds

Authorization of Bonds. The Authority authorizes the issuance of the Bonds under and subject to the Indenture, the Act, and other applicable laws of the State of California. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates, and other provisions, subject to the provisions and conditions of the Indenture. The Bonds will be designated generally as the “Sacramento Public Financing Authority Lease Revenue Bonds,” each Series of Bonds to bear such additional designation as may be necessary or appropriate to distinguish it from every other Series of Bonds.

The Bonds are limited obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the City, the State of California, or any political subdivision of the State is pledged to the payment of the Bonds.

Notwithstanding anything to the contrary contained in the Indenture, if, as a result of the limitations contained in the provisions of the Project Lease relating to beneficial use and occupancy or rental abatement, Base Rental Payments cannot be paid by the City in an amount sufficient to pay the principal of, or interest on, the Bonds otherwise payable on any date, then (1) that principal or interest will be deemed not payable on that date, (2) the nonpayment thereof on that date will not constitute a default or an Event of Default, and (3) the principal or interest will become payable on the date on which the Base Rental Payment becomes payable under the Project Lease.

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) subject to the following conditions, which are conditions precedent to the issuance of the Additional Bonds:

- (a) The Authority and the City must not be in default under the Indenture, the Project Lease, or the Site Lease.
- (b) The issuance of such Additional Bonds must have been authorized under the Act and the Indenture and must have been provided for by a Supplemental Indenture that specifies the following:
 - (1) The purposes for which the Additional Bonds are to be issued. The proceeds of the sale of Additional Bonds may be applied only for one or more of the following purposes: (A) providing funds to pay costs of any public capital improvements under the Act (including capitalized interest) designated by the City, (B) providing funds to refund any Bonds issued under the Indenture or any other obligations of the City, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of the Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required by paragraph (c) below.
 - (2) The principal amount and designation of the Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which must be Authorized Denominations.
 - (3) That the Additional Bonds will bear interest at fixed rates and be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either April 1 or October 1.

- (4) The date of the Additional Bonds, the maturity date or dates of the Additional Bonds, and the dates on which any mandatory sinking-fund redemptions are to be made for the Additional Bonds, subject to the following: (A) the serial Bonds of the Series of Additional Bonds must be payable as to principal annually on April 1 of each year in which principal falls due, and the term Bonds of the Series of Additional Bonds must have annual mandatory sinking-fund redemptions on April 1; (B) all Additional Bonds of a Series of like maturity must be identical in all respects, except as to number or denomination; and (C) serial maturities of serial Bonds or mandatory sinking-fund redemptions for term Bonds, or any combination of serial Bonds and term Bonds, must be established to provide for the redemption or payment of the Additional Bonds on or before their maturity dates.
 - (5) The redemption terms, if any, for the Additional Bonds.
 - (6) The form of the Additional Bonds.
 - (7) The amount, if any, necessary to increase the amount on deposit in the Reserve Fund to the Reserve Requirement upon the issuance of the Additional Bonds.
 - (8) Any other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture.
- (c) Upon the issuance of the Additional Bonds, the amount on deposit in the Reserve Fund must be at least equal to the Reserve Requirement (including any increase in the Reserve Requirement as a result of the issuance of the Additional Bonds).
 - (d) The sum of Base Rental Payments (including any increase in the Base Rental Payments as a result of the issuance of the Additional Bonds) plus the estimated Additional Rental Payments becoming due for any Rental Period after the issuance of the Additional Bonds may not exceed the annual fair-rental value of the Property after taking into account the use of the proceeds of the Additional Bonds (evidence of the satisfaction of this condition must be made by a Written Certificate of the City delivered to the Trustee).
 - (e) The Authority and the City must have complied with the procedures set forth in the Indenture relating to procedure for the issuance of Additional Bonds.

Procedure for the Issuance of Additional Bonds.

(a) Whenever the Authority and the City determine to authorize the issuance of any Additional Bonds, the Authority, the City, and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of the Indenture relating to the issuance of Additional Bonds. Before the Additional Bonds are issued, the Authority and the City shall file or cause to be filed with the Trustee the following:

- (1) An Opinion of Counsel to the effect that (A) the Additional Bonds constitute the valid and binding limited obligations of the Authority, and (B) the Supplemental Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.
- (2) A Written Certificate of the Authority that the requirements of the Indenture relating to conditions for the issuance of Additional Bonds have been met.

- (3) A Written Certificate of the City that the requirements of the Indenture relating to conditions for the issuance of Additional Bonds have been met.
- (4) Certified copies of the resolutions of the Board of Directors of the Authority and the City Council of the City authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Additional Bonds.
- (5) Executed counterparts or duly authenticated copies of the Supplemental Indenture.
- (6) A Written Certificate of the City certifying that the City is in compliance with the insurance section of the Project Lease after taking into account the issuance of the Additional Bonds.
- (7) One or more American Land Title Association owner's title-insurance policies for the Property (or an amendment or endorsement to an existing policy or policies) complying with the provisions of the Project Lease relating to title insurance such that the total amount of title insurance procured is at least equal to the principal amount of the Bonds to be Outstanding after the issuance of the Additional Bonds.

(b) Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of the instruments that all of the documents required by this section have been delivered, the Trustee shall authenticate the Additional Bonds and deliver them to, or upon the Written Request of the Authority.

Registration Books. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which must be available for inspection and copying by the Authority and the City upon reasonable notice; and, upon presentation for that purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the records, the ownership of the Bonds as provided in the Indenture.

Transfer and Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by the Person's duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond is surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting transfer to pay any tax or other governmental charge required to be paid with respect to the transfer.

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting an exchange of any tax or other governmental charge required to be paid with respect to the exchange.

The Trustee is not obligated to make any transfer or exchange of Bonds of a Series during the period commencing on the date five days before the date of selection of Bonds of the Series for redemption and ending on the date of mailing notice of the redemption, or with respect to any Bonds of the Series selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, then, at the expense of the Owner of the Bond, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond so surrendered and shall deliver the canceled Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed, or stolen, then evidence of the loss, destruction, or theft may be submitted to the Trustee; and, if the evidence and an indemnity satisfactory to the Trustee are given, then, at the expense of the Owner, the Authority shall execute, and the Trustee shall authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of, and in replacement for, the Bond so lost, destroyed, or stolen (if, however, the Bond has matured or has been selected for redemption, then instead of issuing a replacement Bond the Trustee may pay the Bond without surrender). The Authority may require the Owner to pay an amount not exceeding the sum of the actual cost of preparing each replacement Bond issued plus the expenses the Authority and the Trustee incur in connection with the replacement Bond. Any Bond of a Series issued in lieu of any Bond of Series alleged to be lost, destroyed, or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed, or stolen is at any time enforceable by anyone, and the Bond will be entitled to the benefits of the Indenture with all other Bonds of the same Series secured by the Indenture.

Pledge and Assignment; Funds and Accounts

Pledge and Assignment.

(a) To secure the payment of the principal of, and interest and any premium on, the Bonds in accordance with their terms and the Indenture, the Authority pledges to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Lease Revenues and any other amounts held in any fund or account established under the Indenture (other than the Rebate Fund) subject only to the provisions of the Indenture permitting the application of the Lease Revenues for the purposes and on the terms and conditions set forth in the Indenture. This pledge constitutes a lien on, and security interest in, these assets and will attach, be perfected, and be valid and binding from and after the Trustee's delivery of the Bonds, without any physical delivery or further act.

(b) The Authority transfers in trust, grants a security interest in, and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, (i) all of the Lease Revenues and other assets pledged in (a) above, (ii) all of the Authority's right, title, and interest in the Site Lease and the Project Lease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Project Lease in the event of a Lease Default Event, but excluding any rights to payment or reimbursement of the Authority's reasonable costs and expenses under the Project Lease and any rights of the Authority to indemnification under the Project Lease, and (iii) all of the Authority's rights to receive amounts under the AMOLA or the New AMOLA pursuant to the termination of Project Lease section of the SNDA and all such amounts received or receivable by the Authority. The Trustee accepts this assignment for the benefit of the Owners, subject to the provisions of the Indenture.

(c) The Trustee is entitled to collect, and shall collect and receive, all of the Lease Revenues. Any Lease Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and the Authority shall forthwith pay those Lease Revenues to the Trustee. The Trustee is also entitled to take, and shall take, all steps, actions, and proceedings reasonably necessary in its judgment to enforce all of the Authority's rights and all of the City's obligations under the Project Lease.

(d) Subject to appropriation by the City Council as provided in the section of the Indenture relating to amounts received pursuant to the SNDA, the City transfers in trust, grants a security interest in, and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the City's rights to receive amounts under the AMOLA pursuant to the termination of Site Lease section of the SNDA and all such amounts received or receivable by the City. The Trustee accepts this assignment for the benefit of the Owners, subject to the provisions of the Indenture.

2015 Project Fund.

(a) The Trustee has established and will maintain a separate fund designated as the "2015 Project Fund." The Trustee shall withdraw and use the moneys in the 2015 Project Fund (subject to paragraph (b) below) to pay the costs of the 2015 Project.

(b) Before any payment from the 2015 Project Fund is made, the City shall file or cause to be filed with the Trustee a Written Request of the City stating (1) the item number of such payment; (2) the name of the Person to whom each payment is due, which may be the City in the case of reimbursement for 2015 Project costs previously paid by the City or the Arena Escrow Agent in the case of a deposit by the City pursuant to the Arena Funding Agreement; (3) the amounts to be paid; (4) the purpose by general classification for which each obligation to be paid was incurred; and (5) that obligations in the stated amounts have been incurred and are currently due and payable and that each item of those incurred obligations is a proper charge against the 2015 Project Fund and has not been previously paid from the 2015 Project Fund.

(c) Upon receipt of a Written Request of the City, the Trustee shall pay within two Business Days of receipt of such Written Request out of the 2015 Project Fund the amount set forth in the Written Request of the City as directed by its terms. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein, and the Trustee will have no duty to confirm the accuracy of those facts contained in the Written Request. The Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid that has not been released or will not be released simultaneously with the payment.

(d) When the 2015 Project is completed, the City shall deliver to the Trustee a Written Certificate of the City stating the fact and date of completion and stating that all of the costs of the 2015 Project have been determined and paid. Upon the receipt of the Written Certificate of the City, the Trustee shall transfer any remaining balance in the 2015 Project Fund to the Payment Fund and, after that transfer, the 2015 Project Fund will be closed.

2015 Capitalized Interest Fund.

(a) The Trustee has established and will maintain a separate fund designated as the "2015 Capitalized Interest Fund." The Trustee shall withdraw and use the moneys deposited in the 2015 Capitalized Interest Fund to make transfers to the Interest Account to pay interest on the Series 2015 Bonds due on each Interest Payment Date until the funds in the 2015 Capitalized Interest Fund are depleted. The transfers must be made no later than five Business Days before each Interest Payment Date for the Series 2015 Bonds.

(b) On October 2, 2017, the Trustee shall (1) transfer to the 2015 Project Fund any amounts remaining in the 2015 Capitalized Interest Fund and (2) close the 2015 Capitalized Interest Fund.

Costs of Issuance Fund. (a) The Trustee has established and will maintain a separate fund designated the “Costs of Issuance Fund.”

(b) The Trustee shall withdraw and use the moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the City. Upon receipt of each Written Request of the City, the Trustee shall pay the amount set forth in the Written Request of the City as directed by its terms. Each Written Request of the City will be sufficient evidence to the Trustee of the facts stated therein, and the Trustee will have no duty to confirm the accuracy of those facts.

(c) Upon Written Request of the City specifying the date of closure of the Costs of Issuance Fund, the Trustee shall (1) transfer any amounts then remaining in the Costs of Issuance Fund as directed by the Written Request of the City and (2) close the Costs of Issuance Fund.

(d) Once the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, then the Trustee is authorized to establish a separate Costs of Issuance Fund in connection with the remarketing of the Series 2015 Bonds, if requested by the City, or issuance of any Additional Bonds, if so provided in the Supplemental Indenture by which the Additional Bonds are issued. The Trustee shall deposit in such Costs of Issuance Fund any portion of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture by which the Additional Bonds are issued.

Payment Fund.

(a) The Trustee has established and will maintain a separate fund designated the “Payment Fund.” Within the Payment Fund, the Trustee has established and will maintain two separate accounts designated the “Interest Account” and the “Principal Account.”

(b) The Trustee shall deposit in the Payment Fund all Lease Revenues the Trustee receives, subject to the following: the Trustee shall not deposit Net Proceeds in the Payment Fund, other than those constituting proceeds of rental-interruption insurance received with respect to the Property or the proceeds of any builder’s risk insurance that relate to interest costs on the Series 2015 Bonds, but instead shall apply the Net Proceeds as provided in the sections of the Indenture related to application of Net Proceeds and title insurance, as applicable. The Trustee shall additionally deposit in the Payment Fund amounts transferred from the Reserve Fund under the Reserve Fund section of the Indenture.

(c) On each Interest Payment Date, the Trustee shall transfer from the Payment Fund to the Interest Account an amount equal to the interest on the Bonds coming due on that Interest Payment Date. The Trustee shall withdraw and use moneys in the Interest Account for the purpose of paying interest on the Bonds as and when due and payable.

(d) On each Principal Payment Date, the Trustee shall transfer from the Payment Fund to the Principal Account an amount equal to the principal of the Bonds coming due on that date, including principal due and payable by reason of mandatory sinking-fund redemption. The Trustee shall withdraw and use moneys in the Principal Account for the purpose of paying principal of the Bonds as and when due and payable, including principal due and payable by reason of mandatory sinking-fund redemption.

(e) On each mandatory sinking-fund payment date established under the Indenture, the Trustee shall apply the mandatory sinking-fund payment required on that date to the redemption of Bonds (or payment at maturity, as the case may be) upon the notice and in the manner provided in the Indenture, subject to the following: at any time before giving notice of redemption, the Trustee may apply moneys in the Principal Account to the purchase of Bonds at public or private sale, as and when and at such prices

(including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in writing by the City, except that the purchase price (excluding accrued interest) may not exceed the par amount of the Bonds so purchased. If, during the twelve-month period immediately preceding a mandatory sinking-fund payment date, the Trustee has purchased Bonds with moneys in the Principal Account, or if, during that period and before giving the notice of redemption, the Authority or the City has deposited Bonds with the Trustee (together with a Written Request of the Authority or a Written Request of the City to apply such Bonds to the mandatory sinking-fund payments due on that date), or if Bonds were at any time purchased or redeemed by the Trustee from the Redemption Fund, then such Bonds are to be applied, to the extent of their full principal amount, to reduce the mandatory sinking-fund payment due on that date. The Trustee shall cancel any Bonds purchased or deposited under this paragraph. Bonds purchased from the Principal Account, purchased or redeemed from the Redemption Fund, or deposited by the Authority or the City with the Trustee are to be allocated first to the next succeeding mandatory sinking-fund payment and then as a credit against such future mandatory sinking-fund payments as the City may specify in writing.

Redemption Fund. The Trustee shall establish and will maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund any amounts received from the City in connection with the City's exercise of its right under the provisions of the Project Lease to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein under the provisions of the Indenture relating to application of Net Proceeds or title insurance. Amounts in the Redemption Fund shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to the Indenture.

Reserve Fund.

(a) The Trustee has established and will maintain a special fund designated the "Reserve Fund." The Trustee shall deposit in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited under the provisions of the Indenture relating to conditions for issuance of Additional Bonds from the proceeds of such Additional Bonds or other lawful funds as specified in a Written Certificate of the City.

(b) If on the second Business Day before a date on which the Trustee is to transfer money from the Payment Fund to the Interest Account or to the Principal Account under the Indenture, amounts in the Payment Fund are insufficient for that purpose, then the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of the insufficiency and shall transfer to the Payment Fund the amount so withdrawn.

(c) Within two Business Days after any transfer from the Reserve Fund, the Trustee shall provide written notice to the Authority and the City of the amount and the date of the transfer, except that notice need not be provided if the transfer is made under paragraph (e) or (f) below.

(d) Whenever the sum of the amount on deposit in the Reserve Fund is less than the Reserve Fund Requirement due to a valuation of investments in the Reserve Fund pursuant to the Indenture or pursuant to a draw on the Reserve Fund, the first of Base Rental Payments received from the City under the Project Lease and not needed to pay the principal of, and interest on, the Bonds on the next Interest Payment Date or Principal Payment Date must be used to increase the amount on deposit in the Reserve Fund, so that the amount on deposit in the Reserve Fund, equals or exceeds the Reserve Requirement.

(e) If, for any reason, the Reserve Requirement is reduced as specified in a Written Certificate of the City, then the Trustee shall transfer the amounts on deposit in the Reserve Fund in excess of the reduced Reserve Requirement to the Payment Fund or as otherwise set forth in a Written Request of the City.

(f) If Bonds are defeased in accordance with the Indenture, and if the defeasance will cause the moneys in the Reserve Fund to exceed the Reserve Requirement, then on the date of the defeasance, if so directed in a Written Request of the City, the Trustee shall transfer the excess moneys to the entity or fund specified in the Written Request of the City for application to the defeasance.

(g) The Trustee shall withdraw and apply to the final payments of principal of, and interest on, the Bonds any moneys on deposit in the Reserve Fund.

Rebate Fund.

(a) If any Additional Bonds are issued as Tax-Exempt Bonds, the Trustee shall establish and maintain a special fund designated the "Rebate Fund." The Trustee shall deposit in the Rebate Fund such amounts as any Tax Certificate requires to be deposited therein, that are transferred by the City to the Trustee for such purpose and in the amount as specified in a Written Request of the Authority or a Written Request of the City. The Trustee shall hold all money deposited in the Rebate Fund in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds or anything to the contrary elsewhere in the Indenture, all amounts required to be deposited into, or on deposit in, the Rebate Fund will be governed exclusively by this section and the Tax Certificates. The Trustee will be deemed conclusively to have complied with these provisions if it follows the written directions of the Authority or the City, and the Trustee will have no liability or responsibility to enforce compliance by the Authority or the City with any Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations, and certifications of the Authority or the City required by the Tax Certificates. The Trustee has no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the City or to make any inquiry with respect to such deposit.

(b) Upon receipt of a Written Request of the City, the Trustee shall withdraw from the Rebate Fund and remit to the City any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in this section.

Investments.

(a) Except as otherwise provided in the Indenture, the Trustee shall invest any moneys it holds in the funds and accounts established under the Indenture only in Permitted Investments upon the Written Request of the City received at least two Business Days before the investment date. In the absence of such a Written Request of the City, the Trustee shall invest any moneys it holds in the funds and accounts established under the Indenture only in Permitted Investments described in clause (g) of the definition of Permitted Investments. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee will not be liable or responsible for any loss suffered in connection with any investment it makes in accordance with this section. The Trustee shall sell or present for redemption any obligations so purchased when necessary to make any payment from the funds so invested, and the Trustee will not be liable or responsible for any losses resulting from such a sale or investment. Permitted Investments that are registerable securities must be registered in the name of the Trustee. The Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described in the directions are permitted under the Indenture.

(b) Investments purchased with funds on deposit in the Payment Fund must mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund must be invested in Permitted Investments that mature on or before the redemption date on which the funds are to be applied to the redemption of Bonds. Notwithstanding anything to the contrary elsewhere in the Indenture, investments purchased with funds on deposit in the Reserve Fund must have an average aggregate weighted term to maturity of not greater than five years, except as follows: if the investments may be redeemed at par so as to be available on each Interest Payment Date, then any amount in the Reserve Fund may be invested in redeemable Permitted Investments maturing on or before the final maturity date of the Bonds. Investments purchased with funds on deposit in any other fund held under the Indenture must mature at such times and in such amounts as moneys are anticipated to be needed for the purposes for which the fund was created as specified in a Written Certificate of the City.

(c) Investments (except investment agreements) in any fund or account established under the Indenture must be valued by the Trustee, exclusive of accrued interest, on April 1 of each year, commencing on the first April 1 after the end of the Capitalized Interest Period. If the valuation of investments in the Reserve Fund on any April 1 results in the amount on deposit in the Reserve Fund being less than 100% of the Reserve Requirement, then the Trustee will so advise the City under the Reserve Fund Requirements section of the Project Lease. All investments of amounts deposited in any fund or account established under the Indenture must be valued at their market value.

(d) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture (other than the Reserve Fund) must be retained therein. Any interest or profits received with respect to investments held in the Reserve Fund must be transferred to the Interest Account, subject to the following: a transfer may be made from the Reserve Fund only if the sum of the amount on deposit in the Reserve Fund after the transfer equals or exceeds the Reserve Requirement.

(e) To the extent the regulations of the Comptroller of the Currency grant the Authority or the City the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority and the City each waive receipt of the confirmations to the extent permitted by law. The Trustee shall furnish the Authority and the City periodic transaction statements that include detail for all investment transactions made by the Trustee under the Indenture and such account statements shall be deemed written confirmation by the City and the Authority that the investment transactions identified therein accurately reflect the investment directions the Authority notifies the Trustee in writing to the contrary within thirty days of the date of such statement.

Net Proceeds and Title Insurance; Covenants

Application of Net Proceeds.

(a) The parties acknowledge that the City has agreed in the AMOLA to allow ArenaCo to determine whether the Facilities will be repaired and restored in the event of damage or destruction of the Facilities, and to an allocation of any insurance proceeds or condemnation award received with respect to the Facilities in the event that the AMOLA is terminated because ArenaCo elects not to repair and restore the Facilities. The provisions of this section are subject to the section of the AMOLA relating to damage or destruction or condemnation for so long as the AMOLA is in effect.

(b) If the Property or any portion thereof is damaged or destroyed, then, subject to the further requirements of this section, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof unless the City elects under this section not to repair or replace the Property or the affected portion.

(c) The Net Proceeds of any insurance received by the City on account of any damage or destruction of the Property or a portion thereof (excluding Net Proceeds of rental-interruption insurance and builder's risk insurance but including the proceeds of any self-insurance) must be deposited with the Trustee as soon as possible. The Trustee shall hold those Net Proceeds in a special account and, upon receipt of a Written Request of the City together with supporting invoices, shall make the Net Proceeds available for, and shall apply them to, the cost of repair or replacement of the Property or the affected portion. Until those proceeds are so applied, the Trustee may invest them, if authorized by a Written Request of the City, in Permitted Investments that mature not later than such times as the moneys are expected to be needed to pay the costs of repair or replacement.

(d) Notwithstanding paragraphs (b) and (c) above, (1) the City shall notify the Trustee in writing if ArenaCo notifies the City that ArenaCo has determined under the AMOLA that the Facilities will not be repaired and restored in the event of damage or destruction of the Facilities and (2) the City agrees to transfer any amounts that it receives pursuant the section of the AMOLA relating to damage or destruction or condemnation to the Trustee for application pursuant to paragraph(e)(2) below.

(e) If the damage or destruction was such that it resulted in a substantial interference with the City's right to the use or occupancy of the Property, and if an abatement in whole or in part of Rental Payments results from the damage or destruction under the rental abatement section of the Project Lease, then the City shall do one of the following:

- (1) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof that have been damaged to substantially the same condition and annual fair-rental value that existed before the damage or destruction.
- (2) Apply or cause to be applied sufficient funds from the insurance proceeds and other legally available funds to the extraordinary redemption under the Indenture of (A) all of the Outstanding Bonds or (B) such portion of the Outstanding Bonds as will result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of, and interest on, the Bonds that will remain Outstanding after the redemption. In addition, the City shall direct the Trustee, in a Written Request of the City, to transfer the funds to be applied to the redemption to the Redemption Fund, and the Trustee shall transfer the funds to the Redemption Fund.

(f) The City shall deposit in the Reserve Fund any proceeds of any insurance (including self-insurance) remaining after the proceeds are applied as required by paragraph (e) above, as evidenced by a Written Certificate of the City if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. If the City is not required to apply insurance proceeds in accordance with paragraph(e) above, then the City shall deposit the proceeds in the Reserve Fund if, and to the extent that, the amount in the Reserve Fund is less than the Reserve Requirement. Any insurance proceeds not required to be so deposited into the Reserve Fund must be paid to the City, to be used for any lawful purpose, if both of the following apply: (1) the City delivers to the Trustee a Written Certificate of the City to the effect that the annual fair-rental value of the Property after the damage or destruction and after any repairs or replacements made as a result of the damage or destruction is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Project Lease in the then-current Rental Period or in any subsequent Rental Period; and (2) the fair replacement value of the Property after the damage or destruction is at least equal to the sum of the then-unpaid principal components of Base Rental Payments.

(g) The Trustee shall deposit in the Redemption Fund the proceeds of any award the City receives in eminent domain and shall apply those proceeds to the extraordinary redemption of Bonds under the Indenture.

Title Insurance. The Trustee shall apply and disburse as follows any Net Proceeds it receives under a policy of title insurance for the Property:

(a) If the title defect giving rise to the proceeds has not substantially interfered with the City's use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the City under the Project Lease, then, upon Written Request of the City, the Trustee shall remit the proceeds to the City, and the City may use them for any lawful purpose.

(b) If the title defect giving rise to the proceeds has substantially interfered with the City's use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the City under the Project Lease, then the Trustee shall immediately deposit the proceeds in the Redemption Fund and apply them to the extraordinary redemption of Bonds in the manner provided in the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Lease Revenues and other assets pledged for the payment of the principal of, and interest and any premium on, the Bonds as provided in the Indenture and received by the Authority or the Trustee.

Compliance With Indenture. The Authority and the City shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be complied with, kept, observed and performed by them.

Compliance With Site Lease and Project Lease. The Authority and the City shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Project Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, shall enforce the Site Lease and the Project Lease against the other party thereto in accordance with their terms.

Observance of Laws and Regulations. The Authority, the City, and the Trustee shall faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of each franchise, right, or privilege now owned or hereafter acquired by them, including their right to exist and carry on their businesses, to the end that their franchises, rights, and privileges will be maintained and preserved and will not become abandoned, forfeited, or in any manner impaired.

Other Liens. Except for Permitted Encumbrances and except as otherwise permitted by the Project Lease, the City shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens; from all claims, demands, encumbrances, and other liens of whatever nature or character; and from any claim or liability that materially impairs the ability of the City to use the Property. The Trustee at its option (after first giving the City 30-days' written notice to comply therewith and the City's failure to so comply within the 30-day period) may defend against any actions or proceedings arising from the judgments, liens, claims, demands, liabilities, or encumbrances or may pay or compromise any claim or demand asserted in any such actions or proceedings, except as follows: in defending against any such actions or proceedings or in paying or compromising any such claims or

demands, the Trustee shall not be deemed to have waived or released the City from liability for or on account of any of its agreements and covenants in the Indenture or from its obligation under the Indenture to perform those agreements and covenants. The Trustee will have no liability with respect to any determination made in good faith to proceed or decline to defend, pay, or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the Trustee nor the Authority nor the City may create or suffer to be created any pledge of, or lien on, the amounts on deposit in any of the funds or accounts created under the Indenture other than the pledge and lien created by the Indenture.

The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Project Lease, and the Indenture.

Prosecution and Defense of Suits. Upon request of the Trustee or any Owner, the City (a) shall promptly take such action from time to time as may be necessary or proper to remedy or cure any cloud upon, or defect in, the title to the Property or any part thereof, whether now existing or hereafter developing; (b) shall prosecute all actions, suits, or other proceedings as may be appropriate for this purpose; and (c) except in the case of an abatement of Rental Payments under the Project Lease, shall indemnify and save the Trustee and every Owner harmless from all cost (including attorneys' fees), damage, expense, or loss they or any of them incurs because of any such cloud, defect, action, suit, or other proceeding.

Accounting Records and Statements. The Trustee shall keep proper accounting records with complete and correct entries of all the Trustee's transactions relating to the receipt, deposit, and disbursement of the Lease Revenues. The accounting records must be available for inspection by the Authority and the City at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the accounting records available to any Owner or Owner's agent duly authorized in writing, at the Owner's expense.

Recordation. The City agreed to record, or cause to be recorded, with the Sacramento County Clerk/Recorder the Project Lease, the Site Lease, and the SNDA or memoranda thereof, and a memorandum of the assignment of the Authority's right, title, and interest in and to the Site Lease and the Project Lease under the Indenture.

Tax Covenants.

(a) The Authority and the City shall not take any action or fail to take any action, individually or collectively, if it would adversely affect the exclusion from gross income of interest on any Tax-Exempt Bonds under Section 103 of the Code. Without limiting the generality of the preceding sentence, the Authority and the City shall each comply with the requirements of the Tax Certificates. This covenant survives payment in full or defeasance of the Tax-Exempt Bonds.

(b) If the Authority or the City is at any time of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any moneys the Trustee holds in any of the funds or accounts established under the Indenture, then the Authority or the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with the instructions.

(c) Notwithstanding any other provisions of this section, if the Authority or the City provides to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on any Tax-Exempt Bonds, then the Trustee may conclusively rely on the

opinion in complying with the requirements of this section and of the Tax Certificates, and the covenants under the Indenture will be deemed to be modified to that extent.

(d) As of the date of issuance of the Series 2015 Bonds there are no Outstanding Tax-Exempt Bonds. The Authority and the City need only comply with this section on and after the date that a Series of Tax-Exempt Bonds is issued, if any.

Continuing Disclosure. The City shall comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, the City's failure to comply with any Continuing Disclosure Certificate will not constitute an Event of Default, subject to the following: at the written direction of any Participating Underwriter or of the holders of at least 25% of the aggregate principal amount of Outstanding Bonds, the Trustee shall, upon receipt of indemnification reasonably satisfactory to the Trustee, and any holder or Beneficial Owner of any Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever reasonably requested to do so by the Trustee or any Owner, the Authority and the City shall promptly execute and deliver or cause to be executed and delivered all other and further assurances, documents, or instruments and shall promptly do or cause to be done all other and further things as may be necessary or reasonably required to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture or by the Site Lease or the Project Lease.

Amounts Received Pursuant to the SNDA. The Authority shall deliver to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts received by the Authority under the AMOLA or the New AMOLA pursuant to the termination of Project Lease section of the SNDA. The City shall deliver to the Trustee for deposit into the Payment Fund, promptly after receipt, all amounts received by the City under the AMOLA pursuant to termination of Site Lease section of the SNDA; provided, that if the City Council declines to appropriate funds for such payment, then the City will have no further obligation to pay such amount and any failure of the City Council to appropriate funds for such payment does not constitute an Event of Default. All such moneys shall be applied by the Trustee in accordance with Payment Fund section of the Indenture. Neither the Authority nor the City shall consent to or permit any amendment of the AMOLA, the New AMOLA, or SNDA in a manner that would materially adversely affect the rights of the City or the Authority to receive amounts under the AMOLA or the New AMOLA pursuant to the termination of Project Lease section of the SNDA.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events will constitute an Event of Default:

(a) The failure to pay any installment of principal of any Bond as and when it becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, or otherwise.

(b) The failure to pay any installment of interest on any Bond as and when the same becomes due and payable.

(c) A Lease Default Event has occurred and is continuing.

(d) The Authority's failure to observe and perform any of its other covenants, agreements, or conditions contained in the Indenture or in the Bonds if the failure continues for 30 days after the Authority receives written notice from the Trustee, the City, or the Owners of not less than 25% in

aggregate principal amount of the Bonds then Outstanding, specifying the failure and requiring the failure to be remedied, subject to the following: if, in the Authority's reasonable opinion, the failure can be corrected but not within 30 days, then the failure will not constitute an Event of Default if the Authority institutes corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time.

The City's failure to observe and perform any of its covenants, agreements, or conditions contained in the Indenture if the failure continues for 30 days after the City receives written notice from the Trustee, the City, or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, specifying the failure and requiring the failure to be remedied, subject to the following: if, in the City's reasonable opinion, the failure can be corrected but not within 30 days, then the failure will not constitute an Event of Default if the City institutes corrective action within the 30-day period and thereafter diligently and in good faith cures the failure within a reasonable time.

Action on Default; No Acceleration.

(a) In each case during the continuance of an Event of Default, after giving written notice to the Authority and the City, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in the Indenture), shall exercise any of the remedies granted to the Authority under the Project Lease and take whatever action at law or in equity as may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in in the section of the Indenture relating to other remedies of the Trustee.

(b) Notwithstanding anything to the contrary in the Indenture, the Bonds are not subject to acceleration if an Event of Default occurs and is continuing.

Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee is entitled to do any or all of the following:

(a) by mandamus or other action or proceeding or suit at law or in equity, to enforce its rights against the Authority or the City or any member, director, officer, or employee thereof, and to compel the Authority or the City or any member, director, officer, or employee thereof to perform or carry out its, his or her duties under law and the agreements and covenants contained in the Indenture or in the Bonds;

(b) by suit in equity, to enjoin any acts or things that are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action, or proceeding in any court with jurisdiction, to require the Authority or the City, or both, to account as if it or they were the trustee or trustees of an express trust.

Remedies Not Exclusive. The remedies conferred upon, or reserved to, the Trustee by the Indenture are not exclusive. Each remedy is cumulative and in addition to every other remedy given under the Indenture or now or hereafter existing in law or in equity, by statute or otherwise, and the Trustee may exercise each remedy without exhausting and without regard to any other remedy. The assertion or employment of any right or remedy will not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default occurs and is continuing, then the Trustee shall apply, as follows and in the following order, all Lease Revenues and any other funds the Trustee receives under the Indenture after the occurrence:

(a) first, to the payment of (1) the Trustee's reasonable fees, charges, and expenses (including reasonable fees and disbursements of its counsel) incurred in the performance of its powers and duties under the Indenture and (2) any expenses necessary in the Trustee's opinion to protect the Owners' interests;

(b) second, to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on the Bonds due and payable, with interest on the overdue interest at the rate borne by the Bonds; and

(c) third, to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the Bonds.

Power of Trustee to Enforce. The Trustee may prosecute and enforce all rights of action under the Indenture or the Bonds or otherwise without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and the Trustee shall institute any such suit, action, or proceeding in the Trustee's name for the benefit and protection of the Owners of the Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are entitled to direct, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, the method of conducting all remedial proceedings the Trustee takes under the Indenture, subject to the following: (a) the Owners giving the direction must agree, to the Trustee's reasonable satisfaction, to indemnify the Trustee; (b) the direction must comply with law and the Indenture; and (c) the Trustee may decline to follow any direction that in the Trustee's opinion would be unjustly prejudicial to Owners not parties to the direction.

Limitation on Bond Owners' Right to Sue.

(a) The Owner of any Bond may institute a suit, action, or proceeding at law or in equity to protect or enforce any right or remedy under the Indenture, the Act, or any other applicable law with respect to the Bonds, but only if (1) the Owner has given the Trustee written notice of the occurrence of an Event of Default; (2) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested in writing that the Trustee exercise the powers granted to it by the Indenture or institute the suit, action, or proceeding in its own name; (3) the Owner or Owners have unconditionally offered to indemnify the Trustee against the costs, expenses, and liabilities incurred in complying with the request; and (4) the Trustee has refused or failed to comply with the request for a 60 days after receiving the request and the offer to indemnify.

(b) Except as provided in paragraph (a) above, an Owner may not affect, disturb, or prejudice the security of the Indenture or the rights of any other Owners, and may not enforce any right under the Bonds, the Indenture, the Act, or other applicable law with respect to the Bonds. All proceedings at law or in equity to enforce the rights of any Owners must be instituted, had, and maintained in the manner provided by this section and for the benefit and protection of all Owners and subject to the Indenture.

Termination of Proceedings. If any action, proceeding, or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to the

adverse determination, the Trustee and the Owner, and the Authority and the City, will be restored to their former positions, rights, and remedies as if the action, proceeding, or suit had not been brought. If any proceedings brought by the Trustee or by any one or more Owners because of any Event of Default is abandoned or determined adversely to the Trustee or any Owner, then in each case, subject to any determination in the proceedings, the Trustee and the Owner, and the Authority and the City, will be restored to their former positions and rights under the Indenture, and all rights, remedies, powers, and duties of the Trustee, the Owners, the Authority, and the City will continue as though no such proceedings had been brought.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default will impair any the right or power or be construed to waive or acquiesce in the default or Event of Default. Every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient. The Owners of a majority in principal amount of the Bonds by notice to the Trustee, and after providing indemnification satisfactory to the Trustee, may waive an existing Event of Default and its consequences except an Event of Default under the Indenture pursuant to (a) or (b) described under the heading “Events of Default” above. No waiver of any Event of Default, whether by the Trustee or by the Owners, shall extend to or shall affect any subsequent Event of Default or shall impair the rights or remedies consequent thereon.

The Trustee

Duties and Liabilities of Trustee. Before an Event of Default, and after the curing or waiver of all Events of Default that have occurred, the Trustee shall perform the duties and only those duties as are expressly and specifically set forth in the Indenture. During the existence of any Event of Default that has not been cured or waived, the Trustee shall exercise the rights and powers vested in it by the Indenture and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of the person’s own affairs.

Removal and Resignation of the Trustee.

(a) The Authority and the City may, by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor to that Trustee unless an Event of Default has occurred and is then continuing. The Authority and the City shall remove the Trustee initially a party to the Indenture and any successor to that Trustee, and shall appoint a successor Trustee, if at any time (1) they are requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding (or by their attorneys duly authorized in writing); or (2) the Trustee ceases to be eligible under the paragraph (b) below.

(b) The Trustee and any successor Trustee must be a national banking association, trust company, or commercial bank with trust powers that has a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least \$50,000,000) and is subject to supervision or examination by federal or state authorities. If the national banking association, trust company, or commercial bank publishes a report of condition at least annually, as required by law or by any supervising or examining federal or state authority, then for the purposes of this section the combined capital and surplus of the national banking association, trust company, or commercial bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) The Trustee may resign at any time by giving written notice of resignation to the Authority and the City and by giving notice of resignation, by first-class mail, postage prepaid, to the Owners at their addresses appearing on the Registration Books. Upon receiving a notice of resignation,

the Authority and the City shall promptly appoint a successor Trustee by an instrument in writing. If the Authority and the City do not appoint a successor Trustee within 30 days after receipt of a notice of resignation, then the resigning Trustee, at the City's expense, may petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee must signify its acceptance of the appointment by executing and delivering to the Authority, the City, and its predecessor Trustee a written acceptance, and, upon delivery of the written acceptance, the successor Trustee will become vested with all the moneys, estates, properties, rights, powers, trusts, duties, and obligations of the predecessor Trustee, with like effect as if originally named Trustee under the Indenture, and without any further act, deed, or conveyance. At the written request of the Authority, the City, or the successor Trustee, the predecessor Trustee shall do the following: execute and deliver any instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in, and confirming to, the successor Trustee all the right, title, and interest of the predecessor Trustee in and to any property held by it under the Indenture; and pay over, transfer, assign, and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture.

(d) Notwithstanding anything in the Indenture to the contrary, any of the following entities will become a successor trustee under the Indenture without the execution or filing of any instrument and without any further act, deed, or conveyance by any of the parties to the Indenture so long as it meets the combined capital and surplus requirements of paragraph(b) above: any corporation, association, or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole; and any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party. As successor trustee, such an entity will be vested with all the trusts, powers, discretions, immunities, privileges, and all other matters that were vested in its predecessor.

Compensation and Indemnification of the Trustee. From time to time, subject to any written agreement then in effect with the Trustee, the City shall (1) pay the Trustee reasonable compensation for all services rendered under the Indenture and (2) reimburse the Trustee for all reasonable advances and expenditures under the Indenture, including advances to, and reasonable fees and reasonable expenses of, attorneys, accountants, agents, appraisers, consultants, and other experts the Trustee retains in the exercise and performance of its rights and obligations under the Indenture but excluding advances, fees, and expenses related to the Trustee's own employees and "overhead expenses" that are a component of the Trustee's stated annual fees. The Trustee's right to compensation and reimbursement will not be secured by any lien against any moneys held by it in any of the funds or accounts established under the Indenture. The obligation to pay such amounts shall survive the payment or defeasance of the Bonds and removal or resignation of the Trustee.

To the extent permitted by law, the City shall indemnify and save the Trustee harmless against any liabilities, costs, claims, or expenses (including attorneys' fees) the Trustee incurs in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, that are not due to its negligence or its willful misconduct. The City's duty to indemnify the Trustee will survive the payment or defeasance of the Bonds and the resignation or removal of the Trustee.

Protection of the Trustee.

(a) The Trustee shall not be liable for any action it takes or omits to take which in good faith it believes to be authorized or within its powers. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver, or other paper or document that it believes in

good faith to be genuine and to have been adopted, executed, or delivered by the proper party or under the Indenture. The Trustee has no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such a paper or document but may accept and rely upon the paper or document as conclusive evidence of the truth and accuracy of those statements.

(b) The Trustee is not obligated to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners unless those Owners have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses, and liabilities that the Trustee might incur by complying with the request or direction. The Trustee may consult with counsel, who may be counsel to the Authority or the City, with regard to legal questions, and the opinion of counsel will be full and complete authorization and protection for any action the Trustee takes or suffers in good faith under the Indenture in accordance with that opinion.

(c) The Trustee is not responsible for the sufficiency of the Bonds, the Project Lease, or the title to the Property or the insurance thereof; for the recital of facts in the Indenture; or for statements made in the preliminary or final official statement relating to the Bonds.

(d) The Indenture does not require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

(e) The Trustee will not be deemed to have knowledge of an Event of Default or Lease Default Event unless it has actual knowledge of it.

(f) The Trustee will not be concerned with, or accountable to anyone for, the subsequent use or application of any moneys released or withdrawn in accordance with the Indenture.

(g) The permissive right of the Trustee to do things enumerated in the Indenture is not to be construed as a duty, and the Trustee will not be answerable for other than its negligence or willful default.

(h) Whenever, in the administration of its rights and obligations under the Indenture, the Trustee deems it necessary or desirable that a matter be proved or established before taking or suffering any action, that matter (unless the Indenture specifically prescribes other evidence concerning it) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written Certificate of the City, and the certificate will be full warrant to the Trustee for any action it takes or suffers under the Indenture in reliance on the certificate. In lieu of a certificate, the Trustee in its discretion may accept other evidence of the matter or may require any additional evidence as it deems reasonable.

(i) The Trustee may buy, sell, own, hold, and deal in any of the Bonds and may join in any action that any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in, or be interested in, any financial or other transaction with the Authority or the City and may act as agent, depository, or trustee for any committee or body of Owners or of owners of obligations of the Authority or the City as freely as if it were not the Trustee.

(j) To the extent reasonably necessary, the Trustee may execute any of its trusts or powers under the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys, or receivers. Any expenses incurred by the Trustee in retaining such agents, attorneys or receivers shall be reimbursed by the City. The Trustee is entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture and will not be answerable for the negligence or misconduct of any agent, attorney, or receiver it selects with reasonable

care, subject to the following: in the event of any negligence or misconduct of any agent, attorney, or receiver, the Trustee shall diligently pursue all of its remedies against the agent, attorney, or receiver. The Trustee will not be liable for any error of judgment it makes in good faith unless the Trustee was negligent in ascertaining the pertinent facts.

(k) The Trustee will not be answerable for the exercise of any trusts or powers under the Indenture or for anything in connection with the funds established under the Indenture other than for its own willful misconduct or negligence.

(l) The Trustee may intervene on behalf of the Owners in any judicial proceeding to which the Authority or the City is a party if, in the opinion of the Trustee and its counsel, the proceeding affects the Bonds or the security for the Bonds; and the Trustee shall intervene if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, subject to the following: the Trustee will have no duty to intervene unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from intervention.

(m) The Trustee shall accept and act upon instructions under the Indenture sent by unsecured e-mail or unsecured facsimile transmission or by other similar unsecured electronic methods only if the Trustee has received an incumbency certificate listing the persons designated to give the instructions and containing specimen signatures of those persons; an incumbency certificate may be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority gives the Trustee instructions by an unsecured electronic method, then the Trustee's reasonable understanding of the instructions will be controlling. The Trustee will not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee's reliance upon, and compliance with, the instructions even if the instructions are inconsistent with a subsequent written instruction. The Authority assumes all risks arising out of the use of unsecured electronic methods to submit instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions and the risk of interception and misuse by third parties.

(n) The Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but not the duty, to inspect the 2015 Project, including all books, records and papers of the 2015 Project itself, and to take such memoranda from and in regard thereto as may be desired.

(o) Any action taken, or omitted to be taken, by the Trustee in good faith pursuant to the Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent, is the holder of any security shall be conclusive and binding upon all future holders of securities and upon securities executed and delivered in exchange therefore or in place thereof.

(p) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or the Indenture. The Trustee shall not be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon.

(q) The Trustee has no responsibility for complying with Section 148 of the Internal Revenue Code of 1986.

(r) The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts during any period in which it may be in possession of or managing the 2015 Project.

(s) The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the City or Authority but the Trustee may require of the City or the Authority full information and advice as to the performance of the aforementioned covenants.

(t) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect to the 2015 Project.

(u) Any corporation or association into which the Trustee may be merged or converted, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such merger, conversion, sale, transfer or consolidation to which it shall be a party, shall be and become successor Trustee under the Indenture and vested with all of the title to the Trust Estate, and all the trusts, powers, discretion, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything in the Indenture to the contrary notwithstanding.

(v) The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds with the same rights which it would have if it were not the Trustee.

(w) Except as expressly provided in the section of the Indenture relating to furnishing of certain reports to the Beneficial Owners, the Trustee shall not be responsible for the dissemination to the Owners of the Bonds of any information, certificates, notices or documents received by it under the Indenture or pursuant to the Project Lease, nor for the contents or sufficiency of any such information, certificate, notices or documents. The Trustee shall maintain such certificates, notices or documents in accordance with its record keeping policies then in effect, and shall make such certificates, notices or documents available for inspection by to the Owners of the Bonds or their representatives upon reasonable request and notice.

Appointment of Co-Trustee. The parties do not intend by the Indenture to violate any law of any jurisdiction (including the State of California) denying or restricting the right of banking corporations or associations to transact business as Trustee in the jurisdiction. The Trustee may appoint an additional institution as a co-trustee in the following situations: if there is litigation over the Indenture, including but not limited to litigation over enforcement of the Trustee's rights on default; or if the Trustee determines that under the current or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies granted to it by the Indenture, or may not hold title to the properties in trust as granted by the Indenture, or may not take any other action that may be desirable or necessary in connection with those powers, rights, remedies, or title.

(a) If the Trustee appoints an additional institution as a co-trustee, then every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien expressed or intended by the Indenture to be exercised by, vested in, or conveyed to, the Trustee will be exercisable by, vested in, and conveyed to, the co-trustee, but only to the extent necessary for the co-trustee to exercise the remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien or for the vesting or conveyance to occur. Every covenant and obligation necessary to the co-trustee's exercise of such a remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien will run to, and be enforceable by, either the Trustee or co-trustee. Each co-trustee will be bound by the standards of care, duties, and obligations of the Trustee under the Indenture as if the co-trustee were the Trustee. Each co-trustee must be a national banking association, trust company, or commercial bank doing business in the State of California; must have at all times a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000; and must be subject to supervision or examination by federal or state authorities. If such a national banking association, trust company, or commercial bank publishes a report

of condition at least annually, as required by law or by any supervising or examining federal or state authority, then for the purposes of this section the combined capital and surplus of the national banking association, trust company, or commercial bank will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If a co-trustee requests any written instrument from the Authority or the City to more fully and certainly vest in, and confirm to, the co-trustee any remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest, and lien, then the Authority or the City shall provide such an instrument. If a co-trustee or a successor to a co-trustee becomes incapable of acting, resigns, or is removed, then all the remedies, powers, rights, claims, demands, causes of action, immunities, estates, titles, interests, and liens of the co-trustee, so far as permitted by law, will vest in, and be exercised by, the Trustee until the appointment of a new Trustee or a successor to the co-trustee.

Furnishing of Certain Reports to the Beneficial Owners. Upon the request of a Beneficial Owner, the Trustee shall furnish the Beneficial Owner with a copy of any report provided by the City to the Trustee under the Continuing Disclosure Certificate relating to the Series 2015 Bonds. The Trustee shall not be responsible for determining whether the City is in compliance with the Continuing Disclosure Certificate relating to the Series 2015 Bonds, for reviewing any report provided by the City under the Continuing Disclosure Certificate relating to the Series 2015 Bonds, or for the contents or sufficiency of any report provided by the City under the Continuing Disclosure Certificate relating to the Series 2015 Bonds.

Supplemental Indentures

Supplemental Indentures.

(a) The Indenture and the rights and obligations under it of the Authority, the City, the Trustee, and the Owners may be modified or amended at any time by a Supplemental Indenture, which the Authority, the City, and the Trustee may enter into when the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the disqualified Bonds section of the Indenture, have filed written consents with the Trustee, subject to the following:

- (1) A modification or amendment must not (A) extend the fixed maturity of any Bond, reduce the amount of principal thereof or mandatory sinking-fund payment therefor or the rate of interest thereon, or alter the redemption provisions with respect thereto, without the consent of the Owner of each Bond so affected; (B) authorize the modification or amendment of the Indenture under paragraph (a) above with the consent of less than a majority of the Owners of all of the Bonds then Outstanding without the prior written consent of the Owners of all Bonds then Outstanding; (C) permit the creation of any lien on the Lease Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on the Lease Revenues and other assets (except as expressly provided in the Indenture) without the consent of the Owners of all Bonds then Outstanding; or (D) amend this section without the prior written consent of the Owners of all Bonds then Outstanding.
- (2) The written consent of the Owners of a Series of Bonds may be effected through either (A) a consent by the underwriter of the Series of Bonds at the time of the issuance of the Series of Bonds or (B) a provision of a Supplemental Indenture that deems any Owners purchasing the Series of Bonds to have consented for purposes of this section.

(b) The Indenture and the rights and obligations under it of the Authority, the City, the Trustee, and the Owners may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the City, and the Trustee may enter into without the consent of any Owners, for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the Authority or the City in the Indenture other covenants and agreements, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority or the City by the Indenture.
- (2) To correct any ambiguity, inconsistency, or omission in the Indenture or any defective provision in the Indenture when the Authority or the City deem the correction desirable or necessary and consistent with the Indenture.
- (3) To add provisions addressing any questions arising under the Indenture when the Authority or the City deem the addition desirable or necessary and consistent with the Indenture.
- (4) To provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which the Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture relating to the issuance of Additional Bonds.
- (5) To make such additions, deletions, or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income-tax purposes of interest on Tax-Exempt Bonds or to maintain any federal interest subsidies expected to be received with respect to any Bonds.
- (6) For any other reason, so long as the amendment or supplement becomes effective only after either (A) the remarketing of all of the Outstanding Bonds on a mandatory tender date for all Outstanding Bonds or (B) the redemption, payment, or defeasance of all Bonds Outstanding immediately prior to the effective date of the amendment or supplement.
- (7) For any other reason, so long as the amendment or supplement does not materially adversely affect the rights or interests of the Owners.

(c) The Trustee may in its discretion enter into a Supplemental Indenture that materially adversely affects the Trustee's rights, duties, or immunities under the Indenture or otherwise.

(d) The Trustee may rely on an Opinion of Counsel stating that the Supplemental Indenture is authorized or permitted under the Indenture prior to entering into any amendments or supplements.

Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture entered into under the provisions of the Indenture, the Indenture will be deemed to be modified and amended in accordance therewith, and the rights, duties, and obligations under the Indenture of the Authority, the City, the Trustee, and the Owners will thereafter be determined, exercised, and enforced subject in all respects to the modification and amendment, and all the terms and conditions of any such Supplemental Indenture will be part of the Indenture for all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture may—and, if the Authority or the City so determines, shall—bear a notation by endorsement or otherwise, in form approved by the Authority, the City, and the Trustee, as to any modification or amendment provided for in the Supplemental Indenture; in that case, upon demand of the Owner of any Bond Outstanding at the time of the effective date and presentation of the Bond at the Office of the Trustee, a suitable notation will be made on the Bond. If the Supplemental Indenture so provides, the Authority shall prepare and execute, and the Trustee shall authenticate, new Bonds so modified as to conform, in the opinion of the Authority, the City, and the Trustee, to any modification or amendment contained in the Supplemental Indenture; in that case, upon demand of the Owner of any Bond Outstanding at the time of the effective date and presentation of the Bond at the Office of the Trustee, a new Bond in equal principal amount of the same Series, interest rate, and maturity will be exchanged for Bond so surrendered.

Amendment of Particular Bonds. The provisions of the Indenture relating to Supplemental Indentures does not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by the Owner, provided that due notation thereof is made on the Bond.

Defeasance

Discharge of Indenture.

(a) The Bonds may be paid by the Authority or by the Trustee on behalf of the Authority in any of the following ways:

- (1) by paying or causing to be paid the principal of, and interest and any premium on, all Bonds Outstanding, as and when the same become due and payable;
- (2) by depositing with the Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or
- (3) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

(b) If the Authority also pays or causes to be paid all other sums payable by the Authority under the Indenture, and if the City has paid all sums payable to the Authority under the Project Lease, then, at the election of the Authority (evidenced by a Written Certificate of the Authority filed with the Trustee signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and even though no Bonds have been surrendered for payment, the Indenture and the pledge of Lease Revenues and other assets made under the Indenture and all covenants, agreements, and other obligations of the Authority and the City under the Indenture (except as otherwise provided in the Indenture) will cease, terminate, become void, and be completely discharged and satisfied. In that event, upon the request of the Authority, the Trustee shall cause an accounting for the period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all instruments necessary to evidence the discharge and satisfaction; and the Trustee shall pay over, transfer, assign, or deliver to the City all moneys or securities or other property it holds under the Indenture that are not required for the payment or redemption of Bonds not previously surrendered for the payment or redemption, except that in all events moneys in the Rebate Fund will be subject to the Rebate Fund section of the Indenture.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether at or before its maturity or redemption date), and, for a Bond to be redeemed before maturity, upon notice of redemption also having been given as provided in the redemption provisions of the Indenture or provision for the giving of notice having been made to the Trustee's satisfaction, all liability of the Authority as to the Bond will cease, terminate, and be completely discharged, except that the Owner of the Bond will be entitled thereafter to payment of the principal or redemption price of, and interest on, the Bond by the Authority, and the Authority will remain liable for those payments, but only out of the money or securities deposited with the Trustee for those payments, subject to the unclaimed money section of the Indenture.

Deposit of Money or Securities with the Trustee.

(a) Whenever the Indenture provides for money or securities in the necessary amount to pay or redeem any Bonds to be deposited with, or held in trust by, the Trustee, the money or securities may include money or securities held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Fund) and must be either or both of the following:

- (1) Lawful money of the United States of America in an amount equal to the principal amount of the Bonds and all unpaid interest thereon to maturity, except that, for Bonds to be redeemed before maturity and for which notice of redemption has been given as provided in the redemption provisions of the Indenture or provision for the giving of notice has been made to the Trustee's satisfaction, the amount to be deposited or held must be the principal amount or redemption price of the Bonds and all unpaid interest thereon to the redemption date.
- (2) Defeasance Securities (not callable by the issuer thereof before maturity) for which the principal and interest, when due, will provide sufficient money (without any income from the reinvestment thereof) to pay the principal or redemption price of, and all unpaid interest to maturity or the redemption date (as the case may be) on, the Bonds to be paid or redeemed, as the principal or redemption price and interest become due, except that, for Bonds to be redeemed before maturity, notice of redemption must have been given as provided in the redemption provisions of the Indenture or provision for the giving of notice must have been made to the Trustee's satisfaction.

(b) In each case under paragraph (a) above, the Trustee must be irrevocably instructed to apply the money to the payment of the principal or redemption price and interest for the Bonds.

(c) If Defeasance Securities are deposited under paragraph (a)(2) above, then the Trustee and the Authority must receive (i) a report prepared by an independent certified public accountant, a firm of independent certified public accountants, or other financial institution satisfactory to the Trustee and the Authority to the effect that principal of, and interest on, the Defeasance Securities will be sufficient when due (without any income from reinvestment thereof) to provide money to pay the principal or redemption price of, and all unpaid interest to maturity or to the redemption date (as the case may be) on, the Bonds to be paid or redeemed, as the principal or redemption price and interest become due and (ii) an Opinion of Counsel to the effect that the Bonds being defeased are no longer Outstanding under the Indenture.

Unclaimed Moneys. At the Written Request of the Authority, the Trustee shall pay to the City any money the Trustee holds in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds if either of the following applies: (a) the Trustee held the money on the date the

principal, premium, or interest became payable, and the money has been unclaimed for two years after that date; or (b) the money was deposited with the Trustee after the date the principal, premium, or interest became payable, and the money has been unclaimed for two years after the date of deposit. Moneys so paid will be the City's absolute property, free from trust. After payment, the Trustee will be released and discharged with respect to the moneys, and the Owners of the Bonds must look only to the City for payment of the principal, premium, or interest.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing in the Indenture, expressed or implied, gives to any Person other than the Authority, the City, the Trustee, and the Owners any claim, remedy, or right. Any agreement, condition, covenant, or term of the Indenture that is required to be observed or performed by or on behalf of the Authority or the City is for the sole and exclusive benefit of the Trustee and the Owners.

Execution of Documents by Owners. Any declaration, request, or other instrument permitted or required by the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution of any declaration, request, or other instrument or of any writing appointing the Owners' attorney may be proved (a) by the certificate of any notary public or other officer (who must be authorized to take acknowledgments of deeds to be recorded in the state or territory in which the notary public or other officer purports to act) that the Person signing the declaration, request, or other instrument or writing acknowledged the execution to the notary public or other officer; (b) by an affidavit of a witness of the execution duly sworn to before such a notary public or other officer; or (c) by such other proof as the Trustee may accept and deem sufficient. The ownership of any Bond and the amount, payment date, number, and date of owning the Bond may be proved by the Registration Books. Any declaration, request, or other instrument in writing of the Owner of any Bond will bind all future Owners of the Bond with respect to anything done or suffered to be done by the Authority, the City, or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything in the Indenture to the contrary, no member, officer, or employee of the Authority or the City is individually or personally liable for the payment of any moneys, including without limitation the principal of, or interest on, the Bonds, subject to the following: this section does not relieve any member, officer, or employee of the Authority or the City from the performance of any official duty provided by the Indenture, the Project Lease, or applicable law.

Acquisition of Bonds by Authority or City. All Bonds acquired by the Authority or the City, whether by purchase or gift or otherwise, must be surrendered to the Trustee for cancellation.

Disqualified Bonds In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent, or waiver under the Indenture, the Trustee shall disregard and deem not to be Outstanding for the purpose of the determination any Bonds the Trustee knows to be owned or held by or for the account of the Authority or the City or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. The Trustee may regard as Outstanding for the purposes of this section any Bonds so owned that have been pledged in good faith if the pledgee establishes to the Trustee's satisfaction that the pledgee has the right to vote the Bonds and is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City. In case of a dispute as to the right to vote, any decision by the Trustee taken upon the advice of counsel will be full protection to the Trustee. Upon the Trustee's request, the Authority and the City shall specify to the Trustee in a Written Certificate of the Authority and a Written Certificate of the City those

Bonds disqualified under this section, and the Trustee may conclusively rely on those Written Certificates.

Money Held for Particular Bonds. When the Trustee holds money for payment of the principal of, or interest or any premium on, particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only), the Trustee shall, on and after that date and pending the payment, set the money aside on its books and hold the money in trust for the Owners of the Bonds entitled to the money, subject to the deposit of money or securities with the Trustee section of the Indenture, but without any liability for interest thereon.

Funds and Accounts. Any fund or account the Trustee is required by the Indenture to establish and maintain may be established and maintained in the Trustee's accounting records either as a fund or an account and may be treated either as a fund or an account for the purposes of those accounting records, for any audits of those records, and for any reports or statements with respect to those records, but all records with respect to the funds and accounts must at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; the Trustee shall account separately for the moneys in each fund or account established under the Indenture.

California Law. The Indenture and the Bonds are governed by and are to be construed in accordance with the laws of the State of California.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture shall not be a Business Day, then the payment may be made, the act performed, or the right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, interest will not accrue for the period from and after the nominal date.

APPENDIX D

COPY OF ORIGINAL BOND COUNSEL OPINION

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August 13, 2015

Sacramento Public Financing Authority
Sacramento, California

Sacramento Public Financing Authority
Lease Revenue Bonds, Series 2015
(Golden 1 Center)
(Federally Taxable)

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento Public Financing Authority (the "Authority") in connection with the issuance of \$299,995,000 aggregate principal amount of the Sacramento Public Financing Authority Lease Revenue Bonds, Series 2015 (Golden 1 Center) (Federally Taxable) (the "Bonds"), issued pursuant to an indenture, dated as of August 1, 2015 (the "Indenture"), among the Authority, the City of Sacramento (the "City") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; the Site Lease; the Project Lease; opinions of counsel to the Authority, the City and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.



Sacramento Public Financing Authority
August 13, 2015
Page 2

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Site Lease and the Project Lease.

We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Site Lease and the Project Lease and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Site Lease or the Project Lease or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Limited Offering Memorandum or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority.
3. The Indenture, the Site Lease and the Project Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the City.



Sacramento Public Financing Authority
August 13, 2015
Page 3

4. Interest on the Bonds is exempt from State of California personal income taxes. We observe that interest on the Bonds is not excluded from gross income for federal income tax purposes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per *Jenna Muggen*

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APPENDIX E

FORM OF AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE

AMENDED AND RESTATED CONTINUING DISCLOSURE CERTIFICATE

This Amended and Restated Continuing Disclosure Certificate (this “**Certificate**”), dated as of October 1, 2015, amends and restates the Continuing Disclosure Certificate, dated as of August 1, 2015, which was executed and delivered by the CITY OF SACRAMENTO (the “**City**”) in connection with the issuance of the Lease Revenue Bonds, Series 2015 (Golden 1 Center) (the “**Bonds**”). The Bonds were issued by the Sacramento Public Financing Authority (the “**Authority**”) under an Indenture dated as of August 1, 2015 (the “**2015 Indenture**”) between the Authority, the City, and Wells Fargo Bank, National Association, as Trustee (the “**Trustee**”). This Certificate is being executed and delivered in connection with the remarketing and conversion of the Bonds to fixed interest rates.

1. **Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section 1, the following capitalized terms have the following meanings:
- “**Annual Report**” means any Annual Report the City provides in accordance with Sections 2 and 3 below.
 - “**Beneficial Owner**” means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including a person holding Bond through a nominee, depository, or other intermediary) or (b) is treated as the owner of any Bond for federal income-tax purposes.
 - “**Business Day**” means any day the City’s offices at 915 I Street, Sacramento, California, are open to the public.
 - “**Dissemination Agent**” initially means the City, and thereafter it means any successor Dissemination Agent the City appoints in writing.
 - “**EMMA**” means the Electronic Municipal Market Access System of the MSRB (which can be found at www.emma.msrb.org) or any other repository of disclosure information the Securities and Exchange Commission may designate in the future.
 - “**Listed Events**” means any of the events listed in Section 5(a) below.
 - “**Remarketing Circular**” means the Remarketing Circular with respect to the Bonds, dated September 24, 2015.
 - “**MSRB**” means the Municipal Securities Rulemaking Board.
 - “**Participating Remarketing Agents**” means the Remarketing Agents listed on the cover page of the Remarketing Circular.
 - “**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

2. Provision of Annual Reports.

- (a) Beginning with the fiscal year that ended on June 30, 2015, the City shall provide to EMMA, or shall cause the Dissemination Agent to provide to EMMA, not later than the last day of the ninth month after the end of the City's fiscal year (which, as of the date of this Certificate, ends on June 30), an Annual Report that is consistent with the requirements of Section 3 below. If the Dissemination Agent is other than the City, then the City shall provide the Annual Report to the Dissemination Agent (in a form suitable for filing with EMMA) not later than 15 Business Days before the date referred to in the prior sentence. The Annual Report may be submitted as a single document or as separate documents composing a package and may include by reference other information as provided in Section 3 below, except that the City's audited financial statements may be submitted separately from, and later than, the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.
- (b) If the Dissemination Agent is an entity other than the City, then the provisions of this Section 2(b) will apply. The City shall provide the Annual Report to the Dissemination Agent not later than 15 Business Days before the date specified in Section 2(a) for providing the Annual Report. If the Dissemination Agent has not received a copy of the Annual Report by the 15th Business Day before the due date for the Annual Report, then the Dissemination Agent shall contact the City to determine whether the City will be filing the Annual Report in compliance with Section 2(a). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that the Annual Report constitutes the Annual Report the City must furnish under this Certificate. The Dissemination Agent may conclusively rely upon the City's certification and will have no duty or obligation to review the Annual Report.
- (c) If the Annual Report has not been provided to EMMA by the date required in Section 2(a), the Dissemination Agent shall send a notice to EMMA, in the form required by EMMA.
- (d) If the Dissemination Agent is other than the City, then, after receipt of the Annual Report, the Dissemination Agent shall promptly file a report with the City certifying that the Annual Report has been provided to EMMA and the date it was provided.
- (e) Notwithstanding any other provision of this Certificate, all filings must be made in accordance with the EMMA system or in another manner approved under the Rule.

3. Content of Annual Reports. The Annual Report must contain or include by reference all of the following:

- (a) The City's audited financial statements for the City's most recent fiscal year then ended. If audited financial statements are not available by the time the Annual Report is required to be filed by Section 2 above, the Annual Report must contain unaudited financial statements, and the audited financial statements must be filed in the same manner as the Annual Report when they become available.
- (b) The City's Annual Budget for the then-current fiscal year.
- (c) To the extent it is not included in the documents described in Sections 3(a) and 3(b), an update of the information in the tables of Appendix A to the Remarketing Circular that are titled "STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE," "GROSS ASSESSED VALUES FOR ALL TAXABLE PROPERTY," "CITY OF SACRAMENTO LARGEST LOCAL SECURED TAXPAYERS," "GENERAL FUND OBLIGATION DEBT SERVICE," and "NOTICES OF DEFAULT AND FORECLOSURES OF PROPERTY WITHIN THE CITY" The updated information must reflect the most recently

completed fiscal year and must be substantially in the form of the corresponding tables in Appendix A.

- (d) The actuarial valuation report for the Miscellaneous Employees Plan and Safety Employees Plan most recently provided to the City by CalPERS as of the date the City files the Annual Report and the actuarial valuation report for SCERS most recently provided to the City by SCERS as of the date the City files the Annual Report.
- (e) Any or all of the items listed in Section 3(a) or 3(b) may be included by specific reference to other documents (including official statements of debt issues of the City or related public entities) that have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available through EMMA.

4. Construction Updates. Within five Business Days after receipt, the City shall deliver to the Trustee each report the City receives from Merritt & Harris, Inc. that concerns the status of, or schedule of construction for, the Arena Facility (as defined in the Remarketing Circular); the status of the budget for construction of the Arena Facility; or the sufficiency of funds to complete construction of the Arena Facility. This includes but is not limited to monthly site-observation reports. In addition, each month the City shall provide to EMMA the section of the monthly site observation report titled “Executive Summary” within 10 Business Days after receipt of such report by the City. The City’s obligation under this Section 4 terminates when a certificate of occupancy is issued for the Arena Facility.

5. Reporting of Significant Events.

- (a) The City shall give or cause the Dissemination Agent to give notice to the MSRB, through EMMA, not more than 10 Business Days after the occurrence of any of the following events with respect to the Bonds:
 - (1) Principal and interest payment delinquencies.
 - (2) Unscheduled draws on debt-service reserves reflecting financial difficulties.
 - (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
 - (4) Substitution of credit or liquidity providers, or their failure to perform.
 - (5) Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds.
 - (6) Defeasances.
 - (7) Tender offers.
 - (8) Bankruptcy, insolvency, receivership, or similar proceedings.
 - (9) Ratings changes.
- (b) Additionally, the City shall give or cause the Dissemination Agent to give notice to the Municipal Securities Rulemaking Board, through EMMA, not more than 10 Business Days after occurrence of any of the following events with respect to the Bonds, if material:

- (1) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business; the entry into a definitive agreement to undertake such an action; or the termination of a definitive agreement relating to any such actions, other than under its terms.
 - (2) Appointment of a successor or additional fiscal agent or the change of the name of a fiscal agent.
 - (3) Nonpayment-related defaults.
 - (4) Modifications to the rights of Bondholders.
 - (5) Notices of prepayment.
 - (6) Release, substitution, or sale of property securing repayment of the Bonds.
- (c) If the City's fiscal year changes, then the City shall report the change, or shall instruct the Dissemination Agent to report the change, in the same manner and to the same parties as a Listed Event would be reported under this Section 5.
 - (d) The undertakings set forth in this Certificate are the City's responsibility, and the Dissemination Agent, if other than the City, is not responsible for determining whether the City's instructions to the Dissemination Agent under this Section 5 comply with the Rule.
- 6. Termination of Reporting Obligation.** The obligations of the City and the Dissemination Agent under this Certificate terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If termination occurs before the final maturity of the Bonds, then the City shall give notice of the termination in the same manner as for a Listed Event under Section 5 above.
- 7. Dissemination Agent.** The City may, from time to time, appoint a Dissemination Agent to assist it in carrying out its obligations under this Certificate and may discharge any Dissemination Agent without appointing a successor Dissemination Agent. The City will be the initial Dissemination Agent. The Dissemination Agent may resign by providing 30-days' written notice to the City, with the resignation effective upon appointment of a new Dissemination Agent.
- 8. Amendment.**
- (a) The City may amend this Certificate without the consent of the Owners, and any provision of this Certificate may be waived, if all of the following conditions are satisfied:
 - (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature, or status of the City or the type of business the City conducts;
 - (2) in the opinion of a nationally recognized bond counsel, the undertakings in this Certificate as so amended or waived would have complied with the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; and
 - (3) the amendment or waiver either (A) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of

Owners or (B) does not, in the City's determination, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

- (b) To the extent any amendment to this Certificate results in a change in the type of financial information or operating data provided under this Certificate, the first Annual Report provided after the amendment must include a narrative explanation of the reasons for the amendment and the effect of the change in the type of operating data or financial information being provided.
 - (c) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made must present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.
9. **Additional Information.** This Certificate does not prevent the City from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or from including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that required by this Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that specifically required by this Certificate, then the City will have no obligation under this Certificate to update the information or include it in any future Annual Report or notice of occurrence of a Listed Event.
10. **Default.** If the City or the Dissemination Agent fails to comply with any provision of this Certificate, then any Owner or Beneficial Owner of the Bonds may take any necessary and appropriate actions, including seeking mandate or specific performance by court order, to cause the City and the Dissemination Agent to comply with their obligations under this Certificate. A default under this Certificate will not be an Event of Default under the Indenture, and the sole remedy under this Certificate in the event of any failure of the City or the Dissemination Agent to comply with this Certificate is an action to compel performance.
11. **Duties, Immunities, and Liabilities of Dissemination Agent.** Where an entity other than the City is acting as the Dissemination Agent, the Dissemination Agent will have only the duties specifically set forth in this Certificate, and the City shall indemnify and save the Dissemination Agent and its officers, directors, employees, and agents harmless against all losses, expenses, and liabilities they may incur that arise out of, or in the exercise or performance of, their powers and duties under this Certificate, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The City shall pay any Dissemination Agent (a) compensation for its services provided under this Certificate in accordance with an agreed-upon schedule of fees; and (b) all expenses, reasonable legal fees, and advances made or incurred by the Dissemination Agent in the performance of its duties under this Certificate. The Dissemination Agent will have no duty or obligation to review any information the City provides to it under this Certificate. The City's obligations under this Section 11 will survive the Dissemination Agent's resignation or removal and the payment of the Bonds. No person has any right to commence any action against the Dissemination Agent for any remedy other than specific performance of this Certificate. The Dissemination Agent is not liable under any circumstances for monetary damages to any person for any breach under this Certificate.
12. **Beneficiaries.** This Certificate inures solely to the benefit of the City, the Dissemination Agent, the Participating Remarketing Agents, and the Owners and Beneficial Owners from time to time of the Bonds, and it creates no rights in any other person or entity.

13. **Merger.** Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business will be the successor Dissemination Agent without the filing of any paper or any further act.

This Certificate is executed as of the date and year first set forth above.

CITY OF SACRAMENTO

By: _____
Russell T. Fehr, City Treasurer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and neither the takes no responsibility for the completeness or accuracy thereof. The Authority and the City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2015 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2015 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2015 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015 Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2015 Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates

representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Series 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2015 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Series 2015 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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