

# City of Sacramento

## Legislation Text

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File #: 2018-01672, Version: 1

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**Title:**

**Approval of a Waiver of Conversion Notice and Other Actions Needed to Redeem the Outstanding 1997 Lease Revenue Bonds (ARCO Arena Acquisition)**

File ID: 2018-01672

**Location:** District 1

**Recommendation:**

Pass a Motion authorizing the City Treasurer, as City Treasurer and as Treasurer of the Sacramento City Financing Authority, to sign and approve a waiver-of-conversion notice and to take such other actions as are needed to redeem and cancel the outstanding 1997 Lease Revenue Bonds (ARCO Arena Acquisition).

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

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Waiver of Conversion Notice (signed by the Kings Arena Limited Partnership)

**Description/Analysis**

**Issue Detail:** The 1997 Lease Revenue Bonds (ARCO Arena Acquisition) (the “**Bonds**”) were most recently remarketed on July 19, 2017, with a mandatory tender date of January 22, 2019. On that date, the issuer of the Bonds-Sacramento City Financing Authority (“**SCFA**”)-must either (1) remarket the Bonds once more, thereby converting them to a new interest-rate mode; or (2) redeem the Bonds by paying all outstanding principal and any accrued interest. For redemption to occur, the Kings Arena Limited Partnership (“**KALP**”) would have to provide SCFA with the necessary funds. The trustee under the indenture for the Bonds (the “**Trustee**”) would then use the funds to pay to Bank of America, N.A., as the sole holder of the Bonds (the “**Holder**”), the outstanding principal and accrued interest.

KALP has confirmed in writing that it will provide SCFA with the funds needed for redemption by January 22, 2019. Accordingly, the Bonds will not be remarketed on that date and converted to a new interest-rate mode but instead will be redeemed and cancelled.

To accomplish the redemption, however, SCFA must first address a procedural technicality. Section 20.06 of the third supplemental indenture sets out the rules that apply to the mandatory tender of the Bonds on January 22, 2019. Among other things, it requires SCFA to enter into a contract to remarket the Bonds at a new interest-rate mode on that date. It also requires that SCFA decide on the new interest-rate mode and notify the Trustee (as the Holder's representative) about the new mode no later than October 24, 2018. But because the Bonds will be redeemed rather than tendered and remarketed, SCFA did not satisfy this notice requirement. So section 20.06 now requires that SCFA, the City, KALP, the Holder, and the Trustee agree in writing to waive it. SCFA must also take other actions to complete the prepayment and cancel the outstanding Bonds.

**Policy Considerations:** Not applicable.

**Economic Impacts:** Not applicable.

**Environmental Considerations:** Not applicable.

**Sustainability:** Not applicable.

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

**Rationale for Recommendation:** Approval of the recommended motion will authorize the City Treasurer, acting as such and as SCFA's treasurer, to sign the Waiver of Conversion Notice and proceed with the prepayment and cancellation of the Bonds. As noted, the funds for the prepayment will come from KALP.

**Financial Considerations:** As part of the financing structure for the Bonds, in 1997 the City and SCFA entered into several leases covering ARCO Arena (now Sleep Train Arena), including a Facility Lease under which SCFA is the landlord and the City the tenant. Cancellation of the Bonds will release the City from its obligation to pay to SCFA, from the General Fund, the base rental payments owed under the Facility Lease.

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

**Background:** SCFA issued the Bonds on July 31, 1997, in the principal amount of \$73,725,000. Under an indenture dated July 1, 1997, the Bonds were and are payable from SCFA's revenues, primarily consisting of the City's base rental payments under the Facility Lease. Funding for the base rental payments is solely from the rent KALP pays the City under a sublease of ARCO Arena. KALP

has continued to pay that rent in a timely manner even though the arena has not been used for NBA basketball since the opening of Golden 1 Center.