

January 26, 2017

Loan Servicing Manager
California Infrastructure and Economic Development Bank
P.O. Box 2830
Sacramento, CA 95812-2830

**Re: Annual Certificate for Enterprise Fund Installment Sale Agreement
City of Sacramento No. CIEDB B08-084
Basin 31 Detention Basin at 65th Street and Broadway Project**

In accordance with the annual reporting provisions contained in the Enterprise Fund Installment Sale Agreement CIEDB B08-084 dated May 1, 2008, between the City of Sacramento (“Purchaser”) and the California Infrastructure and Economic Development Bank (“CIEDB”), and any amendment thereto, I hereby certify that the following are true and correct for the fiscal year 2015 – 2016 (“Fiscal Year”). All capitalized terms have the same meaning as defined in the Agreement.

1. Attached is one copy of the Purchaser’s audited financial statements for the Fiscal Year, which includes audited financial information relating to System Revenues and the Enterprise Funds.
2. The number of System users as of the end of the Fiscal Year was 137,754.
3. The calculation of the coverage ratio described in Section 5.06 of the Agreements is 219%. See Attachment A for calculations.
 - a. The coverage ratio is in compliance with the rates and charges covenant in Section 5.06 of the Agreement.
 - b. The coverage ratio is not in compliance with Section 5.06 of the Agreement. The following is an explanation of how the financing agreement covenant is being or will be met:
4. There has not been a withdrawal of any System user generating four percent (4%) or more of System Revenues during the Fiscal Year.
5. There have not been any significant System facility retirements or expansions planned or undertaken during the Fiscal Year, and the Purchaser is in compliance with Section 6.02 of the Agreement.

6. The Purchaser has not entered into any Senior, Parity Debt or Subordinate Debt during the Fiscal Year and there has been no default or noncompliance under any obligation secured by System Revenues.
7. No Event of Default has occurred and no event has occurred which, with the passing of time would constitute an Event of Default.
8. The Purchaser is in compliance with the Tax Certificate requirements as set forth in Exhibit G of the Agreement. In addition, the Purchaser certifies to the following:
- a. yes During the Fiscal Year, the Project has not been used and at this time is not expected to be used in the future by anyone or any entity other than the Purchaser, other governmental entities or the general public.
 no
 - b. yes During the Fiscal Year, neither the Project nor any part of the Project has been sold or leased.
 no
 - c. yes Only the Purchaser operated and managed the Project during the Fiscal Year.
 no
 - d. yes Excluding construction contracts and contracts previously consented to by the IBank related to the Project, the Purchaser has not entered into any contracts or agreements related to the use, management, or operation of the Project, or for any other reason related to the Project.
 no
9. There has not been any event or circumstance of any kind relating to the Project or the Purchaser generally that would materially affect the ability of the Purchaser to make Installment Payments. No litigation or administrative challenges of any type have been commenced or threatened which (if ultimately decided against the Purchaser) would materially affect the ability of the Purchaser to make Installment Payments.
10. The Purchaser is in compliance with the insurance requirements contained in Section 5.22 of the Agreement.
11. Please report the most recent credit rating on the pledged revenue source:

Fitch _____
 Moody's _____
 Standard & Poor's _____
 N/A x

Sincerely,



William O. Busath
 Director of Utilities

Attachment A
CITY OF SACRAMENTO
Debt Service Coverage Calculations

CIEDB-B08-084 STORM DRAINAGE ENTERPRISE FUND Fiscal Year Ending June 30, 2016 Amounts in 000s	
A. System Revenue Analysis	
Gross System Revenues	40,166
Deduct: Utility Users Tax	(4,044)
Deduct: Operations and Maintenance	(40,399)
Add: Interest Expense	572
Add: Depreciation and Amortization	11,502
B. Cash Available for Debt Service	7,797
C. Senior/Parity Maximum Annual Debt Service	
2008 CIEDB Obligation	162
Clean Water State Revolving Fund Loans	2,578
D. Total Fiscal Year Senior/Parity Maximum Annual Debt Payments	2,740
E. Subordinate Debt Service	
1993 Revenues Bonds MADs	814
F. Total Fiscal Year Subordinate Debt Payments	\$814
G. Debt Service Coverage Ratios	
Senior/Parity Coverage Ratio (=B/D)	285%
Aggregate Debt Service Coverage Ratio (=B/(D+F))	219%

Note the following from the Agreement:

SECTION 5.06. Maintenance of System Revenues.

(a) Subject to the provisions of subsection (b), the Borrower will fix, charge and collect, or cause to be fixed, charged and collected, in each Fiscal Year, such rates and charges for the use of and for the service furnished by the System so that Net System Revenues are in an amount which will be sufficient to be at least equal to 1.25 times the Maximum Annual Debt Service.

(b) If for any reason Net System Revenues prove insufficient to comply with the requirements of subsection (a), the Borrower agrees to increase System Revenues through increased rates, fees, and/or charges, not later than one hundred eighty (180) days following the date on which Net System Revenues fail to meet those requirements. The Borrower may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees, and charges then in effect unless the Net System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section. CIEDB and the Borrower acknowledge and agree that Borrower's obligations pursuant to this section are subject to the provisions of California Constitution Article XIII C and XIII D, which may result in a lack of authority for Borrower to increase rates, charges and/or fees. In the event Borrower's efforts to increase rates, charges and fees in a Fiscal Year are blocked by majority protest or insufficient voter approval pursuant to provisions of California Constitution Article XIII C and XIII D, the Borrower shall have no further obligation to seek such authorization for that Fiscal Year.

"Debt Service" means, for any Fiscal Year, the sum of interest, and principal due and payable under this Agreement during such Fiscal Year, the CIEDB Annual Fee for such Fiscal Year and any Parity Debt Service for such Fiscal Year.

"Enterprise Fund" means the City of Sacramento's storm drainage enterprise fund established by the Borrower pursuant to Section 114 of the Sacramento City Charter and in which all System Revenues are deposited and maintained by the Borrower pursuant to Section 3.02 and in which the CIEDB has a security interest pursuant to the terms of this Agreement.

"Net System Revenues" means, for any Fiscal Year, all System Revenues received by the Borrower for such Fiscal Year less the Operations and Maintenance Costs for such Fiscal Year.

"System Revenues" means, for each Fiscal Year, all gross income and revenue received or receivable by the Borrower from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) received by the Borrower for the services of the System, and all other income and revenue howsoever derived by the Borrower from the ownership or operation of the System or arising from the System, and also including all income from the deposit or investment of any money in the Enterprise Fund or any rate stabilization fund but excluding in all cases any proceeds of taxes, including the Borrower's existing general tax on gross revenues received from System user fees and charges, and any refundable deposits made to establish credit, and advances or contributions in aid of construction.

"Subordinate Debt" means any loan, bond, note, advance, installment sale agreement, or other indebtedness or capital lease of the Borrower payable from and secured by a lien on System Revenues, or portion thereof, subordinate to the Agreement.

"Parity Debt" means the payments due under the Clean Water State Revolving Fund Loans and any loan, bond, note, advance, installment sale agreement, capital lease or other evidence of indebtedness payable from and secured by a first lien on the System Revenues on a parity with the Installment Payments and Additional Payments, issued or incurred pursuant to and in accordance with the provisions of Section 2.08.

"Parity Debt Service" means, for any Fiscal Year, the sum of: (1) the principal and interest due and payable during such Fiscal Year for all outstanding Parity Debt, and (2) annual fees, if any, under Parity Debt.

City of
SACRAMENTO
Office of the City Treasurer

915 I Street, HCH 3rd Floor
Sacramento CA 95814

John Colville ~ Interim City Treasurer

Phone 916-808-5168
Fax 916-808-5171

January 18, 2017


California Infrastructure and Economic Development Bank
Attn: ISRF Support Unit Manager, CIEDB B-084
1325 J Street, Suite 1823
Sacramento, CA 95814

To whom it may concern:

COMPLIANCE WITH TAX CERTIFICATE

The undersigned, the Interim City Treasurer of the City of Sacramento, hereby certifies as follows:

1. I have reviewed and am familiar with the provisions of the Tax Certificate (Exhibit G) of the Enterprise Fund Installment Payment Agreement by and between the city of Sacramento, As borrower, and the California Infrastructure and Economic Development Bank, as lender, dated May 01, 2008 (Agreement No. CIEDB-07-084), and its First Amendment, dated September 01, 2011 (Agreement No. CIEDB B08-084).
2. Based upon the information available and provided to me, I am of the opinion that the City of Sacramento is compliant with Exhibit G of the Enterprise Fund Installment Payment Agreement, dated May 01, 2008 and its First Amendment, dated September 01, 2011.


John Colville
Interim City Treasurer

TAX CERTIFICATE

This Tax Certificate is executed and delivered by the City of Sacramento (the "Borrower") in connection with the Enterprise Fund Installment Payment Agreement between the Borrower and the California Infrastructure and Economic Development Bank (the "Lender"), dated as of May 1, 2008, (the "Obligation") in the amount of \$3,500,000 (Three Million Five Hundred Thousand Dollars). The Borrower certifies, covenants, warrants and represents as follows:

ARTICLE I. IN GENERAL

1.1 The Borrower.

The Borrower is a municipality duly organized and existing under the laws of the State of California.

1.2 Purpose of Tax Certificate.

The Lender has issued bonds (the "Bonds") that will be used to fund the Obligation. The Borrower is delivering this Tax Certificate to the Lender with the understanding that the Lender will rely in part upon this Tax Certificate in obtaining an opinion from bond counsel that interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Code (as defined below).

1.3 Purpose of Financing.

The Obligation is being issued to finance the Basin 31 Detention Basin at 65th Street and Broadway Project consisting of the acquisition, development and construction of a detention basin (the "Project"), as described in more detail in the application of the Borrower to the CIEDB, dated September 5, 2007, including amendments thereto and in Exhibit D of the Obligation.

1.4 Definitions.

Unless the context otherwise requires, the following capitalized terms have the following meanings:

"*Code*" means the Internal Revenue Code of 1986 (including amendments thereto).

"*Current Revenues*" has the meaning given thereto in Section 2.7 hereof.

"*Governmental Unit*" means any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

"*Investment Property*" means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-

Exempt Bond unless such obligation is a "specified private activity bond" within the meaning of section 57(a)(5)(C) of the Code.

"*Nongovernmental Person*" means any person or entity other than a Governmental Unit.

"*Payment Account*" has the meaning given thereto in Section 2.7 hereof.

"*Preliminary Expenditures*" means architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project in an aggregate amount not exceeding twenty percent (20%) of the Obligation. However, Preliminary Expenditures do not include land acquisition, site preparation or similar costs incident to the commencement of construction.

"*Tax-Exempt Bond*" means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code or section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

ARTICLE II. TAX LIMITATIONS

2.1 Expenditure of Proceeds.

Proceeds of the Obligation shall be used exclusively for the following purposes: (i) architectural, engineering, surveying, soil testing, and similar costs paid with respect to the Project paid prior to December 20, 2007, and in an aggregate amount not exceeding twenty percent (20%) of the Obligation; (ii) capital expenditures originally paid by the Borrower on or after December 20, 2007, (iii) interest on the Obligation through the later of three years after the date hereof or one year after the Project is placed in service, and (iv) initial operating expenses directly associated with the Project (in aggregate amount not exceeding five percent (5%) of the amount of the Obligation).

On December 18, 2007, the Borrower adopted a resolution stating its official intent to be reimbursed from the proceeds of a borrowing to finance costs of the Project (the "Reimbursement Resolution"). Absent written agreement by the Lender, all expenditures of proceeds of the Obligation will be made in respect of (a) Preliminary Expenditures, (b) capital expenditures reimbursed in respect of payments made by the Borrower on or after the date which is sixty (60) days prior to the date on which the Reimbursement Resolution was adopted, or (c) other capital expenditures or related expenditures, as described in the first sentence of this Section 2.1, originally paid by the Borrower on or after the date hereof. In connection with all expenditures described in (b), the reimbursement allocation will be made no later than the later of eighteen (18) months after the date hereof or the date on which the Project is placed in service, but in no event later than three years after the date of expenditure.

2.2 **Governmental Bond Status.**

The Borrower will not loan any of the proceeds of the Obligation to one or more Nongovernmental Persons. The Borrower will not allow more than five percent (5%) of proceeds of the Obligation or more than five percent (5%) of the Project to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public. In addition, a Nongovernmental Person will be treated as "using" proceeds of the Obligation to the extent the Nonexempt Person:

- (i) Borrows proceeds of the Obligation, or
- (ii) Uses the Project (e.g., as owner, lessee, service provider, operator or manager).

2.3 **Change in Use.**

The Borrower reasonably expects to use all proceeds of the Obligation and all of the Project as set forth in Section 2.1 for the entire stated term to maturity of the Obligation. Absent written agreement by the Lender, the Borrower in fact will use all proceeds of the Obligation and all of the Project as set forth in Section 2.1.

2.4 **Federal Guarantee.**

The Borrower will not directly or indirectly use or permit the use of any proceeds of the Obligation or take or omit to take any action that would cause the Bonds to be obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Borrower will not allow the payment of principal or interest with respect to the Obligation to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Borrower will not use five percent (5%) or more of the proceeds of the Obligation to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof.

2.5 **No Refunding.**

Proceeds of the Obligation will not be used directly or indirectly to make principal, interest or premium payments with respect to any tax-exempt obligation.

2.6 **No Hedge Bonds.**

The Borrower reasonably expects that more than eighty-five percent (85%) of proceeds of the Obligation will be expended for the purposes of the Obligation within three years.

2.7 **Installment Payments.**

“Payment Account” means the funds or accounts (or any portions of any funds or accounts) that will hold monies that are expected by the Borrower to be used to pay debt service on the Obligation. “Current Revenues” means revenues which are both received by the Borrower and utilized for the payment of debt service on the Obligation within a six month period. All amounts used to fund the Payment Account will be deemed to have been made from the Payment Account by using a last-in, first-out accounting method. Borrower agrees that the amounts used to pay debt service shall be both received by the Borrower and utilized for the payment of debt service on the Obligation within a thirty (30) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and debt service within each year; a matching of revenues means that revenue and debt service come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account may be invested without regard to yield so long as Borrower complies with this section.

2.8 **No Other Replacement Proceeds.**

The Borrower will not use any proceeds of the Obligation to replace funds of the Borrower which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Obligation.

2.9 **No Expected Sale.**

It is not expected that the Project or any part thereof will be sold or otherwise disposed of so long as the Obligation is outstanding.

2.10 **Tax Covenant.**

The Borrower will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to section 103 of the Code and specifically (i) the Borrower will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the Borrower or take or omit to take any action that would cause the Bonds or to be “arbitrage bonds” subject to federal income taxation by reason of section 148 of the Code or obligations subject to federal income taxation because they are “federally guaranteed” as provided in section 149(b) of the Code, as applicable; and (ii) to that end the Borrower, with respect to the proceeds of the Bonds will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; provided, that if the Borrower shall obtain an Opinion of Counsel nationally recognized in the area of the exemption of interest from gross income under of the Code to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest evidenced and represented by the Bonds pursuant to section 103 of the Code, as applicable, the Borrower may rely conclusively on such opinion in complying with the provisions hereof.

2.11 Private Use.

No more than five percent (5%) of the Project (determined both on the basis of space and cost) shall be used for private use. Private use includes use in the trade or business of any nongovernmental persons, but does not include the portion of the proceeds properly allocable to facilities expected to be used by an organization described in section 501(c)(3) of the Code in a manner that does not constitute an unrelated trade or business of such organization, as defined in section 513(a) of the Code. For purposes of this section, the federal government is considered a nongovernmental person.

(a) For purposes of this section, private use shall include any contract for the management or operation of any portion of the Project unless each of the following conditions is met: (i) the term of such contract (including renewal options) does not exceed five years; (ii) the manager or operator under such contract is not compensated on the basis of a share of net profits; (iii) the compensation of the manager or operator is reasonable; (iv) the Borrower must be able to cancel such contract without penalty or cause at the end of the third year of the contract; and (v) neither the Borrower nor the manager or operator may control more than twenty percent (20%) of the voting power of the other's governing board; and

(b) The service provider's compensation for management or operation services rendered must be pursuant to one of the following four methods: (i) at least fifty percent (50%) of annual compensation is based on a periodic fixed fee; (ii) the compensation is based on a capitation fee or a combination of a capitation fee and a periodic fixed fee; (iii) in the case of certain contracts with a term not longer than three years, the compensation is based on a per-unit fee or a combination of a per-unit fee and periodic fixed fee and the contract is cancelable after two years; and (iv) in the case of certain contracts with a term not longer than two years, the compensation is based on a percentage of fees charged and the contract is cancelable after one year.

(c) The term "renewal option" as used in this Section, means a provision under which the service provider has a legally enforceable right to renew the contract. Thus, for example, a provision under which a contract is automatically renewed for one year periods absent cancellation by either party is not a renewal option (even if it is expected to be renewed).

ARTICLE III. OTHER MATTERS

3.1 Expectations.

The undersigned is an authorized representative of the Borrower acting for and on behalf of the Borrower in executing this Tax Certificate. To the best of the knowledge and belief of the undersigned, there are no other facts, estimates or circumstances that would materially change the expectations as set forth herein, and said expectations are reasonable.

3.2 **Amendments.**

Notwithstanding any other provision of this Tax Certificate, the Borrower may amend this Tax Certificate and thereby alter any actions allowed or required by this Tax Certificate if such amendment is signed by an authorized officer and is supported by formal written agreement by the CIEDB.

3.3 **Survival of Defeasance.**

Notwithstanding any provision in this Tax Certificate to the contrary, the obligation to comply with all requirements contained in this Tax Certificate shall survive defeasance or prepayment of the Obligation.

Dated: May 1, 2008

CITY OF SACRAMENTO

By Thomas S. Berke
THOMAS S. BERKE
City Treasurer