


**COUNTY OF SACRAMENTO
Inter-Department Correspondence**

November 15, 2005

TO: Geoffrey B. Davey
Chief Financial/Operations Officer

FROM:  Cindy H. Turner, Clerk
Board of Supervisors

**SUBJECT: Item #34, November 15, 2005, Agenda
Public Hearing In Connection With Declaring Findings Of Public Benefits Relative To Certain Capital Projects To Be Financed In Connection With One Or More Grants From The Sacramento County Tobacco Securitization Corporation Financed With The Proceeds Of Certain Bonds; Approval Of Resolution Approving The Form Of And Authorizing The Execution And Delivery Of An Amended And Restated Joint Exercise Of Powers Agreement, Requesting One Or More Grants From The Sacramento County Tobacco Securitization Corporation And Directing And Authorizing Certain Other Actions; And Approval Of Resolution Authorizing Changing Transfer Instructions For The Transfer Of Tobacco Settlement Monies Pursuant To The Memorandum Of Understanding**

The Board of Supervisors, at the regular meeting held on Tuesday, November 15, 2005, took the following actions:

- Adopted Resolution No. 2005-1398 as amended, declaring findings of public benefits relative to certain capital projects to be financed in connection with one or more grants from the Sacramento County Tobacco Securitization Corporation financed with the proceeds of certain bonds. These amendments (Appendix A) are to be red:
 1. Juvenile Justice Center – Juvenile Hall expansion (located at Kiefer Boulevard and Bradshaw Road) for the amount not to exceeded \$40,000,000;
 2. Juvenile Justice Center – Wing A (maintenance) – for the amount not to exceeded \$4,000,000;
 3. Bikeway Project (Sunset Avenue/Main Avenue) - for the amount not to exceeded \$1,024,000
 4. Carmichael Library - for the amount not to exceeded \$2,800,000;
 5. Parks Repairs - for the amount not to exceeded \$2,000,000;
 6. Pavement Repairs - for the amount not to exceeded \$1,300,000;
 7. Sidewalk/Gutter/Curbs (within the unincorporated area of the County- for the amount not to exceeded \$11,797,011; and
 8. Jail Fire Alarm - for the amount not to exceeded \$2,800,000.

Item #34, November 15, 2005, Agenda (continued)

- Adopted Resolution No. 2005-1399 approving the form of and authorizing the execution and delivery of an amended and restated joint exercise of powers agreement, requesting one or more grants from the Sacramento County Tobacco Securitization Corporation, and directing and authorizing certain other actions in connection herewith;
- Adopted Resolution No. 2005-1400 authorizing changing transfer instructions for the transfer of tobacco settlement monies pursuant to the Memorandum of Understanding; and
- Directed the Chief Financial/Operations Officer and County Counsel to finalize documentation and to proceed with the sale of the bonds.

cc: Terry Schutten, County Executive
Robert A. Ryan, Jr., County Counsel
Mark Norris, Administrator of the Internal Services Agency
Linda Foster-Hall, County Budget Officer
Martha J. Hoover, County Debt Officer
M. Holly Gilchrist, Supervising Deputy County Counsel
Dave Irish, Director of Finance
MariLynn Shimamoto, Chief Investment Officer

COUNTY OF SACRAMENTO
CALIFORNIA

APPROVED
BOARD OF SUPERVISORS
2005-1398; 2005-1399
NOV 15 2005 2005-1400
Cindy A. Turner
By _____
Clerk of the Board

For the Agenda of:
November 15, 2005
Timed: 2:00 p.m.

To: Board of Supervisors

From: Office of Chief Financial/Operations Officer

Subject: Hold Public Hearing In Connection With Declaring Findings Of Public Benefits Relative To Certain Capital Projects To Be Financed In Connection With One Or More Grants From The Sacramento County Tobacco Securitization Corporation Financed With The Proceeds Of Certain Bonds; Approval of Resolution Approving The Form Of And Authorizing The Execution And Delivery Of An Amended And Restated Joint Exercise Of Powers Agreement, Requesting One Or More Grants From The Sacramento County Tobacco Securitization Corporation And Directing And Authorizing Certain Other Actions; And Approval Of Resolution Authorizing Changing Transfer Instructions For The Transfer Of Tobacco Settlement Monies Pursuant To The Memorandum Of Understanding

Contact: Geoffrey B. Davey, Chief Financial/Operations Officer: 874-5803

Overview

On August 30, 2005 the Board conceptually approved refunding the 2001 Tobacco Settlement Asset-Back Bonds since a number of factors in the tax-exempt marketplace combined to allow the County to potentially realize substantial savings through a refunding of the 2001 Tobacco Settlement Asset-Back Bonds ("the 2001 Bonds"). On October 18, 2005 the Board modified the earlier conceptual approval of the refunding of the 2001 Bonds wherein the substantial savings are taken "up-front" through a restructuring of the debt service in order to attain maximum financing efficiency, by extending the maturity date of the bonds from 2041 to 2045, four additional years.

Rating Agencies have reduced the anticipated amounts of debt service coverage requirement related to Tobacco Bonds. It is estimated that the Sacramento County Tobacco Securitization Corporation could receive a one-time payment exceeding (at least) \$35.0 million.

Recommendations

1. Conduct a Public Hearing to declare findings of public benefits relative to certain capital projects to be financed in connection with one or more grants from the Sacramento County Tobacco Securitization Corporation financed with the proceeds of certain bonds.
2. Authorize and direct the Chair of the Board of Supervisor's to sign the attached resolution approving the form of and authorizing the execution and delivery of an amended and restated joint exercise of powers agreement, requesting one or more grants from the Sacramento County Tobacco Securitization Corporation and directing and authorizing certain other actions in connection therewith.

3. Authorize and direct the Chair of the Board of Supervisor's to sign the attached resolution authorizing changing transfer instructions for the transfer of Tobacco Settlement monies pursuant to the Memorandum of Understanding.
4. Direct the Chief Financial/Operations Officer, and County Counsel to finalize documentation and to proceed with the sale of the bonds.

Performance Measures/Evaluation

Achieve a one-time payment exceeding (at least) \$35.0 million for the Sacramento County Tobacco Securitization Corporation, by extending the maturity date of the bonds from 2041 to 2045, four additional years, and by taking advantage of reduced revenue coverage requirements now demanded by the ratings agencies and the current historically low tax-exempt interest rate environment.

Fiscal Impact

Recently, a number of factors in the tax-exempt marketplace have combined to allow the County to potentially realize substantial savings through a refunding of the 2001 Bonds. It is currently estimated that the Sacramento County Tobacco Securitization Corporation could receive a one-time payment exceeding (at least) \$35.0 million. Use of such funds for capital projects will reduce debt service requirements in the General Fund in future years at a minimum by approximately \$3.5 million annually.

BACKGROUND:

On August 30, 2005 the Board conceptually approved refunding the 2001 Tobacco Settlement Asset-Back Bonds since a number of factors in the tax-exempt marketplace combined to allow the County to potentially realize substantial savings through a refunding of the 2001 Tobacco Settlement Asset-Back Bonds ("the 2001 Bonds").

On October 18, 2005 the Board modified the earlier conceptual approval of the refunding of the 2001 Bonds wherein the substantial savings are taken "up-front" through a restructuring of the debt service in order to attain maximum financing efficiency, by extending the maturity date of the bonds from 2041 to 2045, four additional years. Rating Agencies reduced the anticipated amounts of debt service coverage requirement related to Tobacco Bonds. It was estimated that the Sacramento County Tobacco Securitization Corporation could receive a one-time payment exceeding (at least) \$35.0 million.

The Board also conceptually approved that any funds raised beyond the previously approved \$15.0 million for construction of the county's new animal care shelter, subject to receipt of all environment clearance, to be used to help defray the additional costs now associated with the juvenile hall expansion project, which will reduce budgetary requirements for debt service in Fiscal Year 2006-07 and thereby reduce the anticipated deficit in the General Fund for that year and years beyond.

A Reimbursement Agreement Resolution was approved allowing the County to be reimbursed for the Animal Care and Juvenile Hall projects from the bond proceeds for any expenses incurred before the bond are issued.

The Board directed the Chief Financial/Operations Officer, and County Counsel to finalize documentation and to make other preparations as necessary for an anticipated 2005 Refunding of the 2001 Tobacco Settlement Asset-Back Bonds, and return to the Board for final documentation approval and authorization to proceed.

Bear Stearns was approved as the Managing Underwriter for the Refunded Bonds, and the Board authorized the Chief Financial/Operations Officer to appoint co-managing underwriters as necessary to ensure a successful marketing and sale of the refunding tobacco bonds. The Board also approved a work authorization for financial advisory services for First Southwest Company the county's financial advisor to work on the proposed refunding transaction.

DISCUSSION:

Since October 4, 2005, taxable interest rates have continued to climb. Somewhat offsetting this negative development are the following positive influences:

- Tobacco company credits continue to exhibit relative strength;
- Sacramento County's relative (to other California counties) population growth projections have improved;
- Investors' attitudes towards tobacco bonds have not waned;
- The tobacco litigation environment has remained positive; and
- Rating agency coverage criteria has become less restrictive.

Finance staff and our team of professionals have worked diligently to structure and document the proposed tobacco refunding transaction in order to remain on schedule to close this transaction on December 6, 2005. Currently, we continue to expect that the Sacramento County Tobacco Securitization Corporation will receive, at a minimum, a one-time, up-front payment of \$35.0 million, and potentially, as large as a \$62.4 million up-front payment, depending upon interest rates achieved at the time of sale and the coverage requirements set by the ratings agencies when they approve ratings for the bond issue (expected during the week of November 28, 2005).

Working in concert with bond counsel, Orrick, Herrington & Sutcliffe LLP, and our County Counsel staff we have developed a required list of projects that are now eligible, for funding with the proceeds of the tobacco refunding issue, that in total aggregates to the maximum amount of up-front proceeds that might be received.

1. Juvenile Hall Phases I-III Cost Overruns	\$40,000,000
2. Juvenile Hall Wing A Refurbishment (Maintenance)	4,000,000
3. Bikeway Project–Sunset Avenue to Main Avenue.....	1,024,000
4. Carmichael Library Overrun.....	2,800,000
5. Jail Fire Alarm	2,800,000
6. Sidewalks/curbs/gutters repairs in Unincorporated Area	11,797,011
TOTAL	\$62,421,011

We are recommending the Juvenile Hall Expansion project as the highest capital priority for use of the 2005 Tobacco proceeds. We recommend the first use of the proceeds be to finance this project then the next recommended priority project is identified as Juvenile Hall Wing A (maintenance) project. Assuming that the maximum amount of possible proceeds (\$62.4 million) is received from the 2001 Bonds Refunding, we recommend that until Phases II and III of the Juvenile Hall Expansion project have been bid and awarded, and the total cost for the Juvenile Hall Expansion project has been confirmed, that funding of Sidewalk/Curb/Gutters repairs in the Unincorporated Area remain on hold, pending the confirmation of the actual total price for the Juvenile Hall Expansion project. If the amount of funds received from the 2001 Bonds Refunding is less than the maximum possible of \$62.4 million, then the projects other than the Juvenile Hall Expansion cost overrun (\$40.0 million) will likely have to be removed from funding through this bond refunding, and ultimately be financed through other means.

Additionally, if there is any remaining 2005 Tobacco proceeds, we would like to identify the Rio Linda/Elverta Library project as a possible use of those proceeds. Since at this time we do not have estimated project costs and the project would need CEQA approval; per advice of bond counsel, it cannot officially be on the approved list of projects. We would come back to the Corporation for approval of this project to be funded with any remaining 2005 Tobacco proceeds.

We have identified the following additional “contingency” projects for approval:

1. Pavement Repair and Maintenance (Potholes)	\$1,297,011
2. Animal Care Shelter Facility	13,780,000
3. Voter Registration and Elections/Sheriff Substation Facility Purchase	10,359,000
4. Fleet Maintenance Services Facility	<u>14,662,000</u>
TOTAL	\$25,021,000

These recommendations closely follow the policy parameters previously set by the Board of Supervisors in 2001 wherein the consensus was reached to spend Tobacco proceeds on health and/or youth programs and facilities and certain on-time high priority community needs. With regard to community projects are not necessarily health or youth-related, they represent urgent community needs for the county’s unincorporated area.

FINANCIAL ANALYSIS:

Regardless of which projects we ultimately spend the tobacco bond proceeds on, the County will save the debt service costs that would have incurred if we had to issue General Fund Certificates of Participation as the funding source. We currently estimate the annual savings at 8.0 percent to 10.0 percent of the debt issued, such that if we raise at a minimum \$35.0 million in tobacco bond proceeds, we would save at a minimum \$3.5 million annually for 30 years. Further, by reducing the county General Fund debt obligations that would otherwise be issued/outstanding, we should further strengthen the county’s bond rating.

A portion of the proceeds of the Series 2005 Bonds will be used to refund all of the Authority’s outstanding 2001 Bonds. The refunding of the 2001 Bonds will be effected by depositing a

portion of the proceeds of the Series 2005 Bonds in the escrow fund created and established under the Refunding Escrow Agreement. The investments acquired with such proceeds and other monies deposited in the Escrow Fund are scheduled to be sufficient to pay the 2001 Bonds, at the respective redemption prices, plus interest on the respective redemption date, of such 2001 Bonds.

The 2001B universal endowment deallocation will be delayed because of this refunding. Following the refunding, there will be significantly reduced deallocations between now and the year 2011, when the 2001B Tobacco Bonds are redeemed. The original deallocation schedule is based on turbo redemptions of the prior bonds, which has been occurring periodically to allow release of deallocated amounts. With the refunding, the prior bonds will no longer be paid early on a turbo basis. Instead, proceeds of the refunding bonds will be used to pay debt service on the prior bonds. The Tobacco Settlement Revenues (TSRs) originally used to turbo the prior bonds will now be used to pay debt service on the refunding bonds. After the prior bonds are paid in full in 2011, the deallocation will begin again. The County would have otherwise had between \$4.7 million to \$8.3 million per year to deallocate, which enabled the funding of county-operated programs with some of the funds in the Tobacco Litigation Settlement endowment program. Were it not for the deallocation of bond proceeds (through pay-down of the initial debt), only NEW AND EXPANDED PROGRAMS BY tax-exempt qualified nonprofit organizations other than the County itself, or qualified capital projects could have been funded with the original 2001 Bonds. As such, the Board approved funding a new program element within the Public Health Nursing program known as the "David Olds Model", at an ongoing, increasing, annual cost of \$3.1 million from the deallocated portion of endowment proceeds. We intend to mitigate the problem caused by the ending of endowment deallocation by passing normal capital/maintenance costs through the Tobacco Litigation Settlement Fund (Fund 008A) in the future so that we "free-up" other county funds that will be available to fund that same internal program (Public Health Nursing-David Olds model) that the Board originally intended to fund through the deallocated proceeds.

As previously discussed, the county's General Fund will have no obligation to pay any part of debt service on the 2005 tobacco bonds.

The anticipated schedule for sale of our refunding tobacco litigation settlement securitization calls for the sale of the securities in early December and closing one week later.

Debt Utilization Committee Recommendation

On November 10, 2005, the County Debt Utilization Committee (CDUC), comprised of the County Counsel, Chief Financial/Operations Officer, Internal Services Agency Administrator, Director of Finance, Municipal Services Agency Administrator, the Director of Airports, and the County Debt Officer recommended that the Board approve the 2005 Refunding of the 2001 Tobacco Settlement Asset-Back Bonds.

LEGAL ISSUES:

At this time, the Office of Budget and Debt Management (OBDM) is requesting the Board give final approval of the proposed transaction, including approval of all documentation necessary to proceed.

CONCLUSION:

The Board's approval of the above recommendations will allow OBDM to document the transactions in anticipation of final closing early in December 2005. We will report back to your Board with the results of the sale of the refunding bonds in mid-December as soon as the transaction has closed.

Respectively submitted,

APPROVED:

GEOFFREY B. DAVEY
Chief Financial/Operations Officer

TERRY SCHUTTEN
County Executive

Attachments

cc: Robert A. Ryan, Jr., County Counsel; Mark Norris, Administrator, Internal Services Agency; Linda Foster-Hall, County Budget Officer; Martha J. Hoover, County Debt Officer; M. Holly Gilchrist, Supervising Deputy County Counsel; Dave Irish, Director of Finance; MariLynn Shimamoto, Chief Investment Officer; Jerry Gold, First Southwest Company; Virginia Magan, Esq., Orrick, Herrington & Sutcliff LLP; Carlo S. Fowler, Esq., Orrick, Herrington & Sutcliff LLP

RESOLUTION NO. 2005- 1398

RESOLUTION OF BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO
DECLARING FINDINGS OF PUBLIC BENEFITS RELATIVE TO CERTAIN CAPITAL
PROJECTS TO BE FINANCED IN CONNECTION WITH ONE OR MORE GRANTS FROM
THE SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION
FINANCED WITH THE PROCEEDS OF CERTAIN BONDS

WHEREAS, the County of Sacramento (the "County") was previously entitled to be paid certain payments (such right to be paid, the "Sacramento County Tobacco Settlement Revenues") payable to the State of California (the "State") pursuant to the Master Settlement Agreement among a number of jurisdictions and certain tobacco manufacturing companies, all pursuant to a Memorandum of Understanding dated August 5, 1998 and an Agreement Regarding Interpretation of the Memorandum of Understanding, dated January 18, 2000;

WHEREAS, in 2001, the County sold the Sacramento County Tobacco Settlement Revenues to the Sacramento County Tobacco Securitization Corporation (the "Corporation") pursuant to a purchase and sale agreement to obtain money to fund public capital improvements and programs deemed necessary to meet the social needs of the population of the County, all as provided by law;

WHEREAS, in order to fund the purchase price for the Sacramento County Tobacco Settlement Revenues, the Corporation pledged and assigned all of its rights in the Sacramento County Tobacco Settlement Revenues to the Tobacco Securitization Authority of Northern California (the "Authority"), to secure repayment of a loan (the "2001 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement;

WHEREAS, the 2001 Loan was funded from the proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2001A and Series 2001B (Sacramento County Tobacco Securitization Corporation) (the "2001 Bonds"), which 2001 Bonds are payable solely from the 2001 Loan payments made by the Corporation from the Sacramento County Tobacco Settlement Revenues;

WHEREAS, the Authority has determined to issue one or more series of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2005 (Sacramento County Tobacco Securitization Corporation) (the "2005 Bonds"), the proceeds of which will be borrowed by the Corporation;

WHEREAS, in order to secure the repayment of the 2005 Bonds, the Corporation has determined to pledge and assign all of its rights in the Sacramento County Tobacco Settlement Revenues to the Authority to secure repayment of a loan (the "2005 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement ("Secured Loan Agreement");

WHEREAS, the moneys derived from the 2005 Loan will be used by the Corporation to, among other things, defease the 2001 Bonds and to provide the Corporation with additional proceeds;

WHEREAS, the County has or will request that the Corporation make one or more grants (the "Grants") to the County to be used for the purposes described in Appendix A attached hereto and by reference incorporated herein (collectively, the "Project");

WHEREAS, assuming approval by the Corporation of the Grants for the Project, all or a portion of the Project constitute or are expected to constitute public capital improvements (the "Improvements"), each of which is or will be located within the geographic boundaries of the County;

WHEREAS, the County on or prior to the date hereof held a public hearing with respect to the Improvements, which public hearing was duly noticed in a newspaper of general circulation not less than five days prior to the date of such hearing as required by law;

WHEREAS, the County has determined, in accordance with the criteria specified in California Government Code Section 6586, that the Improvements will provide "significant public benefits" to the citizens of the County, including those benefits expressly set forth in Appendix A hereto;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Supervisors of the County of Sacramento, as follows:

Section 1. The Board of Supervisors (the "Board") finds and determines that the foregoing recitals are true and correct.

Section 2. The Board hereby approves the use of the proceeds from the Grants to the funding of the Projects.

Section 3. The Chief Financial/Operations Officer of the County and such other County officers and employees, as appropriate, are hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents, which any of them may deem necessary or desirable in order to carry out, give effect to and comply with the terms and intent of this Resolution; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 4. This Resolution shall take effect from and after its adoption.

The undersigned, Clerk of the Board of Supervisors of the County of Sacramento, hereby certifies that the foregoing is a full, true and correct copy of the Resolution of the Board of Supervisors of said County duly made at a meeting thereof held on the date specified below, and that said Resolution has not been amended, modified or revoked by said Board of Supervisors.

ON A MOTION BY Supervisor MacGlashan, seconded by Supervisor Collin, the foregoing Resolution was passed and adopted this 15th day of November, 2005, by the following vote, to wit:

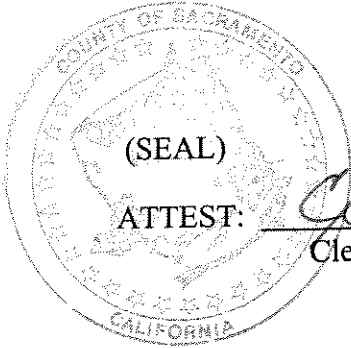
AYES: Supervisors: Collin, MacGlashan, Nottoli, Peters, Dickinson

NOES: Supervisors: none

ABSENT: Supervisors: none

Roger Dickinson

CHAIR, BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO



Cathy H. Turner
Clerk, Board of Supervisors

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman of the Board of Supervisors, County of Sacramento on **NOV 15 2005**

By *Gueryne Dowkins*
Deputy Clerk, Board of Supervisors

FILED

NOV 15 2005

BOARD OF SUPERVISORS
BY *Cathy H. Turner*
CLERK OF THE BOARD

COUNTY OF SACRAMENTO

Description of Projects:

Acquisition, construction, development, design and/or equipping of the following public capital improvements (the "Improvements"):

- Juvenile Justice Center – Juvenile Hall Expansion
- Juvenile Justice Center – Wing A
- Bikeway Project
- Carmichael Library
- Park Repairs
- Pavement Repairs
- Sidewalk/Gutter/Curbs
- Jail Fire Alarm

The Improvements are expected to provide the following benefits to the citizens of the County:
(check all that are appropriate)

- Demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance.
- Significant reduction in effective user charges levied.
- Employment benefits from undertaking the project in a timely fashion.
- More efficient delivery of local services to residential and commercial development.
- Other _____]

[FORM OF PUBLIC HEARING NOTICE]

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN THAT, pursuant to Section 6586.5 of the California Government Code, the Board of Supervisors of the County of Sacramento (the "County") will hold a public hearing on Tuesday, November 15, 2005, at 2:00 p.m. or as soon thereafter as the matter may be heard, at 700 H Street, Sacramento, California, which public hearing will consider the proposed financing from time to time of public capital improvements to be located within the boundaries of the County with the proceeds of tax-exempt bonds to be issued by the Tobacco Securitization Authority of Northern California, and whether there are significant public benefits to the citizens of the County derived from the proposed financing (in accordance with California Government Code Section 6586).

Interested persons may appear before the Board of Supervisors at the specific time and place to comment on the proposed financing and the public benefits to be derived from the financing.

CLERK OF THE BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO

Dated: November 9, 2005

[must be published not less than 5 days prior to the hearing]

RESOLUTION NO. 2005- 1399

RESOLUTION OF BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT, REQUESTING ONE OR MORE GRANTS FROM THE SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, the County of Sacramento (the "County") was previously entitled to be paid certain payments (such right to be paid, the "Sacramento County Tobacco Settlement Revenues") payable to the State of California (the "State") pursuant to the Master Settlement Agreement among a number of jurisdictions and certain tobacco manufacturing companies, all pursuant to a Memorandum of Understanding dated August 5, 1998 and an Agreement Regarding Interpretation of the Memorandum of Understanding dated January 18, 2000;

WHEREAS, in 2001, the County sold the Sacramento County Tobacco Settlement Revenues to the Sacramento County Tobacco Securitization Corporation (the "Corporation") pursuant to a purchase and sale agreement to obtain money to fund public capital improvements and programs deemed necessary to meet the social needs of the population of the County, all as provided by law;

WHEREAS, in order to fund the purchase price for the Sacramento County Tobacco Settlement Revenues, the Corporation pledged and assigned all of its rights in the Sacramento County Tobacco Settlement Revenues to the Tobacco Securitization Authority of Northern California (the "Authority"), to secure repayment of a loan (the "2001 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement;

WHEREAS, the 2001 Loan was funded from the proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2001A and Series 2001B (Sacramento County Tobacco Securitization Corporation) (the "2001 Bonds"), which 2001 Bonds are payable solely from the 2001 Loan payments made by the Corporation from the Sacramento County Tobacco Settlement Revenues;

WHEREAS, the Authority has determined to issue one or more series of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2005 (Sacramento County Tobacco Securitization Corporation) (the "2005 Bonds"), the proceeds of which will be borrowed by the Corporation;

WHEREAS, in order to secure the repayment of the 2005 Bonds, the Corporation has determined to pledge and assign all of its rights in the Sacramento County Tobacco Settlement Revenues to the Authority to secure repayment of a loan (the "2005 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement ("Secured Loan Agreement");

WHEREAS, the moneys derived from the 2005 Loan will be used by the Corporation to, among other things, defease the 2001 Bonds and to provide the Corporation with additional proceeds;

WHEREAS, the County has determined to request that the Corporation make a grant (the "Grant") to the County to be used for the purposes described in Appendix A attached hereto and by reference incorporated herein (collectively, the "Project");

WHEREAS, the Project will benefit the County and its residents;

WHEREAS, the County previously executed a joint powers agreement with the County of San Diego (the "Original Joint Powers Agreement"), which created the Authority, in connection with the sale by the County in 2001 of the Sacramento County Tobacco Settlement Revenues;

WHEREAS, the County has determined that it is in the best interests of the County to amend and restate the Original Joint Powers Agreement by approving the execution and delivery of the amended and restated joint powers agreement (the "Amended and Restated Joint Powers Agreement") in order to facilitate a refinancing of the Authority's 2001 Bonds; and

WHEREAS, the amendment of the Original Joint Powers Agreement is subject to receipt of a rating confirmation;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Supervisors of the County of Sacramento, as follows:

Section 1. The Board of Supervisors (the "Board") finds and determines that the foregoing recitals are true and correct.

Section 2. The form of the Amended and Restated Joint Powers Agreement as presented to the Board is hereby approved. Subject to receipt of the rating confirmation required by Section 16 of the Original Joint Powers Agreement, the Chair of the Board (or his or her designee) is hereby authorized and directed to execute and deliver the Amended and Restated Joint Powers Agreement on behalf of the County, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as the Chief Financial/Operations Officer of the County (or his designee) and the County Counsel of the County shall approve, including any changes, deletions and/or additions required by the rating agencies in order to obtain the necessary ratings on the 2001 Bonds and the 2005 Bonds, which approval shall be conclusively evidenced by the execution and delivery of the Amended and Restated Joint Powers Agreement.

Section 3. The Clerk of the Board is hereby authorized and directed to attest the signature of the Chair of the Board (or his or her designee) or the Chief Financial/Operations Officer of the County (or his designee) in connection with the execution and delivery of the Amended and Restated Joint Powers Agreement.

Section 4. The Board hereby requests that the Corporation make a Grant to the County to be used for the Project pursuant to the written request attached hereto as Appendix A.

Section 5. The Chief Financial/Operations Officer of the County (or his designee) and such other County officers and employees, as appropriate, are hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents, including but not limited to a tax certificate, administrative services agreements and other documents, which any of them may deem necessary or desirable in order to implement the Amended and Restated Joint Powers Agreement or to obtain Grants and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 6. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the 2005 Bonds, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, may be given or taken by the Chief Financial/Operations Officer of the County (or his designee) and the County Counsel of the County, without further authorization by this Board, and the Chief Financial/Operations Officer of the County (or his designee) and the County Counsel of the County are hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action which such officers may deem necessary or desirable to further the purposes of this Resolution.

Section 7. This Resolution shall take effect from and after its adoption.

The undersigned, Clerk of the Board of Supervisors of the County of Sacramento, hereby certifies that the foregoing is a full, true and correct copy of the Resolution of the Board of Supervisors of said County duly made at a meeting thereof held on the date specified below, and that said Resolution has not been amended, modified or revoked by said Board of Supervisors.

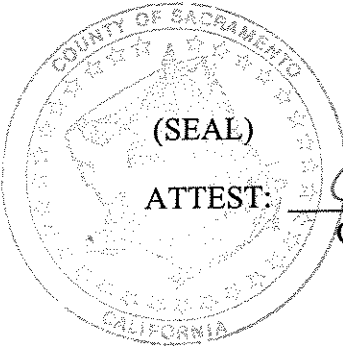
ON A MOTION BY Supervisor MacGlashan, seconded by Supervisor Collin, the foregoing Resolution was passed and adopted this 15th day of November, 2005, by the following vote, to wit:

AYES: Supervisors: Collin, MacGlashan, Nottoli, Peters, Dickinson

NOES: Supervisors: none

ABSENT: Supervisors: none

CHAIR, BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO



(SEAL)

ATTEST:

Clerk, Board of Supervisors

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman of the Board of Supervisors, County of Sacramento on NOV 15 2005

FILED

NOV 15 2005

By
Deputy Clerk, Board of Supervisors

BOARD OF SUPERVISORS
BY
CLERK OF THE BOARD

APPENDIX A
REQUEST FOR GRANT

November 15, 2005

Board of Directors
Sacramento County Tobacco Securitization Corporation
700 H Street, Room 2720
Sacramento, CA 95814-1280

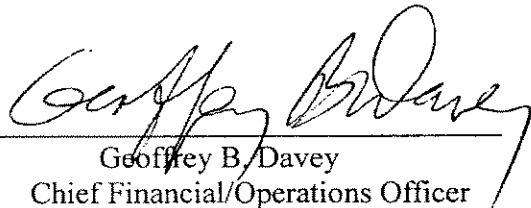
Dear Sir or Madam:

The County of Sacramento hereby requests a grant (the "Grant") from the Sacramento County Tobacco Securitization Corporation in a total amount of up to \$65,721,011. The proceeds of this grant will be used for the acquisition, construction, development, design and/or equipping of the following public capital improvements (collectively, the "Projects"):

<u>Project</u>	<u>Not to Exceed Amount</u>
Juvenile Justice Center – Juvenile Hall Expansion (located at Kiefer Boulevard and Bradshaw Road)	\$40,000,000
Juvenile Justice Center – Wing A (Maintenance)	4,000,000
Bikeway Project (Sunset Avenue/Main Avenue)	1,024,000
Carmichael Library	2,800,000
Parks Repairs	2,000,000
Pavement Repairs	1,300,000
Sidewalk/Gutter/Curbs (within the unincorporated area of the County)	11,797,011
Jail Fire Alarm	<u>2,800,000</u>
Total	<u>\$65,721,011</u>

These Projects will benefit the County and its residents. If the amount of the Grant is less than the total amount requested above, the County requests that the Corporation allow the County to use the amount of the Grant for any listed Project in any priority which the County in its sole discretion decides.

SACRAMENTO COUNTY

By: 
Geoffrey B. Davey
Chief Financial/Operations Officer

[Note: Per Article IV.A.(c) of the First Amended and Restated Articles, approval by 100% of the board of directors (including the independent director) is needed to amend and restate these Articles.]

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION

The undersigned certify that:

1. They are the Chairman of the Board and Secretary, respectively, of Sacramento County Tobacco Securitization Corporation, a California nonprofit public benefit corporation.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION

I.

The name of this corporation is: SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION.

II.

A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The specific purposes of this corporation shall be to (i) purchase from the County of Sacramento (the "County") its rights to receive tobacco settlement payments, (ii) borrow monies necessary to pay the purchase price for such tobacco settlement payments and secure such borrowing with the tobacco settlement payments, (iii) receive tobacco settlement payments and residual payments regarding tobacco settlement payments of the County, (iv) invest monies, make expenditures and otherwise distribute money for the benefit of the County and its residents and (v) refinance prior borrowings and borrow additional monies and secure any such refinancings or borrowings with the tobacco settlement payments.

C. This corporation is formed for the benefit of the County by helping to manage the risks related to future receipt of tobacco settlement payments and facilitate the efficient use of tobacco settlement payments and thereby lessen the burdens of government within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations.

III.

A. This corporation shall be separate from the County and shall maintain its financial statements, accounting records and other corporate documents separate from those of the County or any other entity and this corporation shall be identified as a separate entity in such documents.

B. This corporation shall prepare audited annual financial statements, and this corporation's financial statements shall comply with generally accepted accounting principles (except as noted in such financial statements).

C. This corporation shall maintain its own separate bank accounts and correct, complete and separate books of account.

D. This corporation shall at all times hold itself out to the public (including any County creditors) under this corporation's own name and as a separate and distinct corporate entity. This corporation shall correct any known misunderstanding regarding its status as a separate and distinct entity. This corporation's name shall not be used by the County in the conduct of its business, nor shall this corporation use the name of the County in the conduct of its business. This corporation shall have a separate telephone number, tax identification number, stationery and other business forms.

E. All customary formalities regarding the corporate existence of this corporation, including holding meetings of or obtaining the consent of its board of directors, as appropriate, and maintaining separate current and accurate minute books, shall be observed.

F. This corporation shall retain as its accountants a nationally or regionally recognized firm of independent certified public accountants, provided that such accountants may also serve as accountants of the County.

G. Investments shall be made directly by this corporation or on its behalf by brokers engaged and paid by this corporation or its agents.

H. All business transactions entered into by this corporation with the County shall be (1) on such terms and conditions (including terms relating to amounts paid thereunder) as would be generally available if such business transaction were with an entity that was not the County in comparable transactions, (2) pursuant to enforceable agreements and (3) approved by the board of directors (including at least one Independent Director (as defined in Article V hereof) who is a member thereof). Any such business transactions entered into by this corporation with the County shall allocate and charge fairly and reasonably for any common employee or overhead shared with the County.

I. Except as provided in Article II.B hereof, this corporation shall not guarantee or assume or hold itself out or permit itself to be held out as having guaranteed or assumed any liabilities or obligations of the County or any other person or entity.

J. Other than organizational expenses, this corporation shall pay its own liabilities, indebtedness and obligations of any kind, including all administrative expenses, from its own separate assets. This corporation shall maintain adequate assets in light of its contemplated business operations.

K. Assets of this corporation shall be separately identified, maintained and segregated. This corporation's assets shall at all times be held by or on behalf of this corporation and, if held on behalf of this corporation by another entity including the County, shall at all times be kept identifiable (in accordance with customary usages) as assets owned by this corporation.

L. Except as provided in Article II.B hereof, this corporation shall not (1) incur any indebtedness, or assume or guarantee any indebtedness of any other entity, other than any indebtedness under trade accounts payable or accrued liabilities arising in the ordinary course of business; (2) pledge its assets for the benefit of any other person or entity or make any loans or advances to any person or entity; or (3) acquire obligations or securities of the County. This corporation shall not enter into any agreement or transaction permitted hereunder unless (1) it does so without the intent to defraud creditors and (2) such agreement or transactions and the performance of its obligations thereunder or in connection therewith will not render it insolvent.

M. Except as provided in Article II.B hereof, this corporation shall not consolidate with or merge into any other entity or sell, convey or transfer all or substantially all of its properties and assets to any entity or acquire all or substantially all of the assets or capital stock or other ownership interest of any other entity.

N. This corporation shall maintain complete records of all transactions (including all transactions with the County).

O. This corporation shall comply with all requirements of applicable corporate law regarding its operations.

P. This corporation shall not engage in any business or activity other than those necessary to achieve the purposes set forth in Article II.B hereof.

IV.

A. Notwithstanding any other provisions of these Articles of Incorporation and any provision of law that otherwise so empowers this corporation, this corporation shall not, without the affirmative vote of 100% of the board of directors (which shall include the vote of at least one director who is an Independent Director (as defined in Article V hereof)), do any of the following:

(a) institute proceedings to be adjudicated bankrupt or insolvent; or consent to the institution of bankruptcy or insolvency proceedings against it; or file a petition seeking, or consent to, reorganization or relief under any applicable federal or state law relating to

bankruptcy; or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of this corporation or a substantial part of its property; or make any assignment for the benefit of creditors; or admit in writing its inability to pay its debts generally as they become due; or take any corporate action in furtherance of any such action;

(b) merge or consolidate with any other entity or, except in accordance with Article II.B hereof, sell all or substantially all of its assets or acquire all or substantially all of the assets or capital stock or other ownership interests of any other entity; or

(c) authorize any amendment to these Articles of Incorporation or the Bylaws of this corporation.

When voting on whether this corporation will take any action described in this Article IV, each director shall owe a fiduciary duty to this corporation and also to the creditors of this corporation, as authorized or required by applicable law.

V.

A. At all times at least one of the directors serving on the board of directors of this corporation and any Executive Committee of the board of directors shall be an Independent Director (as defined below) (except in the event of the resignation, death or removal of any such person, in which event the vacancy shall be filled by another Independent Director).

B. For the purposes hereof, the term "Independent Director" means a natural person who, for the five-year period prior to his or her election as Independent Director has not been, and during the continuation of his or her service as Independent Director is not: (1) an employee, director, member of the County's Board of Supervisors, consultant, agent, attorney, accountant or officer of this corporation or the County (other than his or her service as an Independent Director of this corporation or any other special purpose entity that is substantially similar to this corporation and that shall have been created for the limited purpose of facilitating discrete financing transactions); (2) a creditor (other than being a creditor of the County by virtue of being a taxpayer or resident of the County), customer or supplier of this corporation or the County; or (3) any member of the immediate family of a person described in clause (1) or (2). In the event of death, incapacity, resignation or removal of any Independent Director, the board of directors shall promptly elect a replacement Independent Director.

C. The board of directors shall not vote on any matter requiring the vote of an Independent Director under these Articles of Incorporation unless at least one Independent Director is then serving on the board of directors and participating in such vote.

D. To the extent permitted by law, each Independent Director shall consider the interests of this corporation's creditors when voting on any matter described in Article IV.A hereof.

VI.

A. This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

B. Notwithstanding any other provision of these articles, this corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future federal tax code.

C. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and this corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of or in opposition to any candidate for public office.

VII.

A. The property of this corporation is irrevocably dedicated to charitable purposes, and no part of the net earnings or assets of this corporation shall inure to the benefit of (or be distributable to) any director or officer of this corporation or other private person, except that this corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its charitable purposes.

B. Upon the dissolution or winding up of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation, shall be transferred to, or for the benefit of, one or more counties within the State of California for a public purpose, in a manner and amount as determined by the board of directors of this corporation.

3. The foregoing amendment and restatement of the Articles of Incorporation has been duly approved by the board of directors.

4. This corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Dated: November 15, 2005.

Chair of the Board

Secretary

RESOLUTION NO. 2005-1400

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SACRAMENTO AUTHORIZING CHANGING TRANSFER INSTRUCTIONS FOR THE TRANSFER OF TOBACCO SETTLEMENT MONIES PURSUANT TO THE MEMORANDUM OF UNDERSTANDING

WHEREAS, the Attorney General of the State of California (the "Attorney General") and representatives of a number of California Counties and Cities entered into a Memorandum of Understanding ("MOU"), which allocates a portion of settlement proceeds stemming from litigation against various manufacturers of tobacco products;

WHEREAS, the County of Sacramento (the "Local Agency") is participating in the settlement under the terms and conditions memorialized in the MOU;

WHEREAS, in consideration for receiving its portion of the settlement proceeds as allocated to Cities and Counties in the MOU, the Local Agency has executed the Agreement Regarding Interpretation of MOU (and an Amendment to Agreement Regarding Interpretation of Memorandum of Understanding Affecting Only the State of California and Each Eligible City and Eligible County Which is a Signatory Thereto) (collectively, the "ARIMOU") and the Release, all as approved by the J.C.C.P. 4041 Court;

WHEREAS, this Board of Supervisors has heretofore adopted, on January 11, 2000, Resolution Number 2000-0031 (the "Initial Resolution") pursuant to which it authorized the acceptance and deposit of the Local Agency's portion of settlement proceeds under the MOU and authorized certain named individuals to act as County Designees, as defined in the ARIMOU, as amended, to direct the transfer of the Local Agency's settlement funds on behalf of the Local Agency; and

WHEREAS, two of the three authorized signatories specified in the Initial Resolution executed on behalf of the Local Agency and delivered to the office of the Attorney General, Wiring Instructions for the transferring of settlement proceeds of the Local Agency (the "Initial Instructions");

WHEREAS, Section 4.B.(2)(i)(bb) of the ARIMOU, as amended, provides that the Initial Instructions may be modified from time to time by written amendment, which shall be given in a format specified by the State and executed by two of the three County Designees;

WHEREAS, Section 4.B.(2)(i)(bb) of the ARIMOU, as amended, also provides that modifications to instructions may contain instructions that the same may not be further modified without the counter signature of a third party designated in the instructions;

WHEREAS, on July 17, 2001, the Board of Supervisors adopted Resolution No. 2001-0824 (the "2001 Resolution") pursuant to which the County authorized its settlement proceeds be transferred directly to the trustee upon the issuance of the 2001 Bonds described below and two of the three authorized signatories specified in the Initial Resolution executed on behalf of the Local Agency and delivered to the office of the Attorney General, Wiring Instructions for the

transferring of settlement proceeds of the Local Agency to the trustee for the 2001 Bonds (the "2001 Instructions");

WHEREAS, pursuant to a purchase and sale agreement executed and delivered in 2001, the Local Agency sold all of its rights to receive settlement proceeds to which it is entitled under the MOU to the Sacramento County Tobacco Securitization Corporation (the "Corporation");

WHEREAS, the Corporation borrowed money to purchase the settlement proceeds from the Tobacco Securitization Authority of Northern California (the "Authority") pursuant to a Secured Loan Agreement, and the Authority in turn issued its Tobacco Settlement Asset-Backed Bonds, Series 2001A and Series 2001B (Sacramento County Securitization Corporation) (the "2001 Bonds"), which 2001 Bonds are payable from the settlement proceeds;

WHEREAS, the Authority has determined to issue one or more series of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2005 (Sacramento County Tobacco Securitization Corporation) (the "2005 Bonds"), the proceeds of which will be borrowed by the Corporation to, among other things, defease the 2001 Bonds;

WHEREAS, in order to secure the repayment of the 2005 Bonds, the Corporation has determined to pledge and assign all of its rights to the settlement proceeds to the Authority to secure repayment of a loan (the "2005 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement;

WHEREAS, it is contemplated that the Corporation will pledge the settlement proceeds to the Authority as security for the 2005 Loan to be made by the Authority to the Corporation, and, in turn, the Authority will pledge the settlement proceeds pursuant to the Indenture (the "Indenture") between the Authority and The Bank of New York Trust Company, N.A. (the "Trustee") under which the 2005 Bonds are issued; and

WHEREAS, the Local Agency wishes to modify the 2001 Instructions, so as to provide that upon the issuance of the 2005 Bonds and the defeasance of the 2001 Bonds the settlement proceeds will be transferred directly to a bank account maintained by the Trustee and to further provide that the modification reflecting this change may be subsequently changed only by a subsequent modification containing the approval of the Trustee, whose approval must state whether or not there remain any 2005 Bonds Outstanding under the Indenture and if the Trustee states that no such 2005 Bonds are Outstanding, then that and each subsequent modification must contain the approval of the Corporation and no subsequent modifications need contain the approval of the Trustee;

NOW, THEREFORE, be it resolved that the Board of Supervisors does hereby authorize the County Designees named in the Initial Resolution, and each of them, to execute, pursuant to Section 4.B.(2)(i)(bb) of the ARIMOU, as amended, a form approved by the State which modifies the Initial Instructions in the manner hereinabove described, substantially in the form attached as Exhibit A hereto, and deliver the same to the Attorney General, concurrently with the issuance of the 2005 Bonds pursuant to the Indenture.

The undersigned, Clerk of the Board of Supervisors of the County of Sacramento, hereby certifies that the foregoing is a full, true and correct copy of the Resolution of the Board of

Supervisors of said County duly made at a meeting thereof held on the date specified below, and that said Resolution has not been amended, modified or revoked by said Board of Supervisors.

ON A MOTION BY Supervisor MacGlashan, seconded by Supervisor Collin, the foregoing Resolution was passed and adopted this 15th day of November, 2005, by the following vote, to wit:

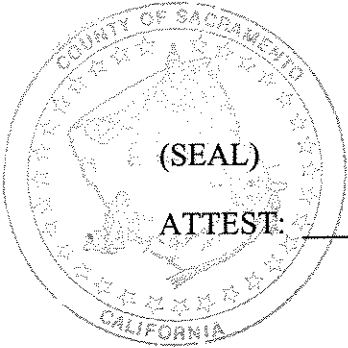
AYES: Supervisors: Collin, MacGlashan, Nottoli, Peters, Dickinson

NOES: Supervisors: none

ABSENT: Supervisors: none

Roger Dickinson

CHAIR, BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO



(SEAL)

ATTEST:

Cedric H. Turner
Clerk, Board of Supervisors

FILED

NOV 15 2005

BOARD OF SUPERVISORS
BY *Cedric H. Turner*
CLERK OF THE BOARD

In accordance with Section 25103 of the Government Code of the State of California a copy of the document has been delivered to the Chairman of the Board of Supervisors, County of Sacramento on NOV 15 2005

By *Gueryna Dawkins*
Deputy Clerk, Board of Supervisors