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CITY MANAGER

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Sent via email citymanager@anaheim.net

March 29, 2011

Mr. Thomas J. Wood, Anaheim City Manager

Re: March 29, 2011 City of Anaheim & APFA Agenda Items 1, 2 and 3

Dear Mr. Wood:

On Friday afternoon March 26, 2011 the City of Sacramento learned of the City of Anaheim's and the Anaheim Public Finance Authority's ("APFA") (collectively "Anaheim") intent to authorize issuance of \$75,000,000 in lease revenue bonds and related actions all for the purpose of inducing the Sacramento Kings NBA franchise to relocate from the City of Sacramento to the City of Anaheim.¹

I am deeply concerned about the potential for Anaheim's actions causing irreparable harm to the City of Sacramento.

In July 1997, to help refinance existing debt on the arena where the Kings now play, the Sacramento City Financing Authority issued \$73,725,000 in lease revenue bonds. In return, the Kings agreed in writing to pay off the outstanding bonds if the Kings relocate to another city before 2027. The outstanding amount owed under the financing is approximately \$77 million, and as of today the City has no assurance that the Kings intend to abide by their agreement and pay off the bonds in full before relocating.

In this economic climate, the City of Sacramento, like most if not all cities in California, has slashed its budget--even cutting critical services to make ends meet. As the Anaheim City Manager, you certainly understand the financial and budgetary implications for Sacramento were the Kings to relocate without satisfying their approximately \$77 million obligation to pay off the City's bonds.

¹ March 4, 2011 the City of Sacramento submitted a public records request to Anaheim for all records relating to the Kings, Maloofs, NBA, etc. Anaheim has yet to provide the City with a single record although it is apparent that Anaheim has labored for many months to produce the records (albeit incomplete records) posted on Anaheim's website late Friday before the three-day Caesar Chavez holiday weekend.

I recently read in the *Orange County Register* that Mayor Tait is assuring the public that the Kings relocation to Anaheim will not put Anaheim's taxpayers and general fund at risk. Whether true or not, what is undeniable is that Anaheim's efforts to entice the Kings is placing the City of Sacramento's taxpayers and general fund at about a \$77 million risk should the Kings not pay off the bonds as promised. This is bad public policy at a minimum.

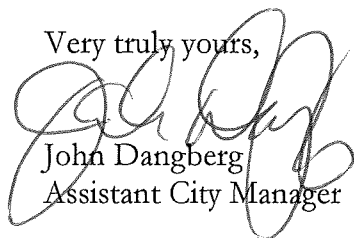
Accordingly, on behalf of the City of Sacramento, I respectfully request that the City of Anaheim, the Anaheim Public Financing Authority, and their respective agents:

- 1) Do not authorize issuance of \$75,000,000 in lease revenue bonds, and any other actions related to inducement of the Kings to relocate from Sacramento to Anaheim in breach of the Kings' agreements with Sacramento.
- 2) Cease negotiating with the Kings.
- 3) However, if Anaheim insists on continuing the negotiations, then, as a matter of common interests between cities and good public policy, Anaheim must contractually require and condition bond issuance, and any other inducement to the Kings, upon the Kings honoring their approximately \$77 million financial obligations to the City of Sacramento before relocating to Anaheim.

In addition a separate letter is being transmitted expressing the City of Sacramento's concerns about Anaheim's woefully inadequate CEQA review of the environmental impacts of the projects sought to be authorized by Items 1, 2 and 3 on the March 29, 2011 agenda—not the least of which is the blighting impacts upon the City of Sacramento due to the relocation of the Kings—with or without payment of their financial obligations to the City.

Thank you very much for your consideration.

Very truly yours,



John Dangberg
Assistant City Manager

C: Sacramento City Council
Mayor Kevin Johnson
Anaheim City Council
Mayor Tom Tait
Anaheim City Clerk
Hon. Darrell Steinberg
Sacramento Bee
Orange County Register