Resolution No. 07-0219

STOCKTON CITY COUNCIL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS IN CONNECTION WITH A PROPOSED WASTEWATER SYSTEM CERTIFICATE OF PARTICIPATION ISSUE, APPROVING THE FORM OF AND AUTHORIZING DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF CERTIFICATES OF PARTICIPATION RELATING THERETO, APPROVING A PURCHASE AGREEMENT, APPROVING ONE OR MORE INTEREST RATE SWAP AGREEMENTS AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council of the City of Stockton, California (the “City”), as follows:

WHEREAS, in 1998, the City and the Stockton Public Financing Authority (the “Authority”) caused Certificates of Participation to be executed and delivered in the aggregate principal amount of $101,650,000 (the “1998 Certificates”), the proceeds of which were used to finance and refinance the cost of construction and acquisition of certain improvements to the City’s wastewater system; and

WHEREAS, the City, working together with the Authority, proposes to refinance a portion of the outstanding 1998 Certificates (the “Refunded 1998 Certificates”), as more particularly described in the hereinafter defined Trust Agreement and Installment Sale Agreement, and it is in the public interest and for the public benefit that the City authorize and direct execution of the Installment Sale Agreement and certain other financing documents in connection therewith; and

WHEREAS, the City also anticipates refinancing the portion of the 1998 Certificates remaining outstanding after the refunding of the Refunded 1998 Certificates with the proceeds of additional certificates of participation or other obligations to be executed and delivered or issued in the future (the “Future Obligations”); and

WHEREAS, the members of the City Council have considered the advisability of entering into one or more interest rate swap agreements that would be designed to reduce the amount or duration of interest rate risk and result in an overall lower cost of borrowing when used in combination with the 2007 Certificates (defined below) and the Future Obligations, after due consideration for the creditworthiness of the Swap Provider (defined below); and

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WHEREAS, the City has all right, power and authority to enter into interest rate swap agreements and other hedging transactions under the laws of the State of California, including Section 5922 of the Government Code; and

WHEREAS, the terms of the Agreements (as defined below) will be consistent with the City’s Capital Financing and Debt Management Policy, approved by the City Council on June 5, 2007 (the “Debt Policy”), unless the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer determines otherwise; and

WHEREAS, the documents below specified have been filed with the City and the members of the City Council, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, IT IS HEREBY ORDERED AND DETERMINED, AS FOLLOWS:

Section 1. An Installment Sale Agreement (as defined below) is hereby authorized to be entered into by the City, and the City of Stockton Refunding Certificates of Participation Series 2007 (Wastewater System Project) (the “2007 Certificates”) are hereby authorized to be executed and delivered, in one or more series, to represent direct, undivided fractional interests in the installment payments to be made under the Installment Sale Agreement, and to be executed and delivered pursuant to the provisions of the Trust Agreement (as defined below); provided, however that (i) the true interest cost with respect to the 2007 Certificates shall not exceed 4.75%, taking into account payments with respect to the Agreements, (ii) the aggregate principal amount of the 2007 Certificates shall not exceed $50,000,000, (iii) the term of the 2007 Certificates shall not exceed 25 years (which term may be beyond the term of the Refunded 1998 Certificates in order to provide a debt service profile better able to accommodate anticipated future financings for the wastewater system), and (iv) the above-described refunding of the 1998 Certificates shall create a present value savings of no less than 3.00% (expressed as a percentage of the 1998 Certificates to be refunded).

Section 2. The below-enumerated documents, forms of which are on file with the City Clerk, be and are hereby approved, and the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, such approval to be conclusively evidenced by the execution and delivery thereof, and the City Clerk is hereby authorized and directed to attest to such official’s signature.

(a) an Installment Sale Agreement, by and between the Authority and the City (the “Installment Sale Agreement”);

(b) a Trust Agreement, by and among the Authority, the City and Wells Fargo Bank, National Association, as trustee (the “Trust Agreement”), relating to the refinancing, and the execution and delivery of the 2007 Certificates;

(c) a Purchase Agreement, by and between Merrill Lynch, Pierce, Fenner & Smith Incorporated (the “Underwriter”) and the City, relating to the purchase by the Underwriter
of the 2007 Certificates, so long as the Underwriter’s discount does not exceed 0.45% of the
principal amount of the 2007 Certificates, exclusive of any original issue discount which does
not represent compensation to the Underwriter.

Section 3. The City Council hereby approves the Preliminary Official Statement
describing the refinancing, in substantially the form on file with the City Clerk, together with any
changes therein or additions thereto deemed advisable by the Mayor, the City Manager, the
Deputy City Manager or the Director of Administrative Services/Chief Financial Officer. The
City Council authorizes and directs the Mayor, the City Manager, the Deputy City Manager or
the Director of Administrative Services/Chief Financial Officer, on behalf of the City, to deem
“final” pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) the
Preliminary Official Statement prior to its distribution by the Underwriter.

Section 4. The Mayor, the City Manager, the Deputy City Manager or the Director of
Administrative Services/Chief Financial Officer is authorized and directed to cause the
Preliminary Official Statement to be brought into the form of a final official statement (the
“Final Official Statement”) and to execute said Final Official Statement, dated as of the date of
the sale of the 2007 Certificates, and a statement that the facts with respect to the City contained
in the Final Official Statement, and any supplement or amendment thereto (which shall be
deemed an original part thereof for the purpose of such statement) were, at the time of sale of the
2007 Certificates, true and correct in all material respects and that the Final Official Statement
did not, on the date of sale of the 2007 Certificates, and, upon execution and delivery of the 2007
Certificates, does not, as of the date of delivery of the 2007 Certificates, contain any untrue
statement of a material fact with respect to the City or omit to state material facts with respect to
the City required to be stated where necessary to make any statement made therein not
misleading in light of the circumstances under which it was made. The Mayor, the City
Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial
Officer shall take such further actions prior to the signing of the Final Official Statement as are
deemed necessary or appropriate to verify the accuracy thereof. The execution of the Final
Official Statement, which shall include such changes and additions thereto deemed advisable by
the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative
Services/Chief Financial Officer and such information permitted to be excluded from the
Preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval
of the Final Official Statement by the City.

Section 5. The Final Official Statement, when prepared, is approved for distribution
in connection with the offering and sale of the 2007 Certificates.

Section 6. The City Council hereby determines that entering into one or more interest
rate swap agreements (the “Agreements”), which may be evidenced by a single ISDA Master
Agreement and Counterparty Schedule together with one or more Confirmations, with Merrill
Lynch Capital Services, Inc. (the “Swap Provider”) pursuant to Section 5922 of the California
Government Code in a combined notional amount not exceeding $90,000,000 would be designed
to reduce the amount or duration of interest rate risk and result in an overall lower cost of
borrowing when used in combination with the 2007 Certificates and the Future Obligations, after
due consideration for the creditworthiness of the Swap Provider.
Section 7. Proposed forms of the Agreements as presented to this meeting and on file with the City Clerk are hereby approved. The Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer is hereby authorized to execute and deliver such Agreements in such form as may be approved by the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer in consultation with the City Attorney of the City and Orrick, Herrington & Sutcliffe LLP, as Special Counsel with respect to the 2007 Certificates, with such execution to be conclusive evidence of such approval.

Section 8. If the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer determines that it will be advantageous to the City to purchase municipal bond insurance or other credit enhancement with respect to some or all of the 2007 Certificates or to purchase a reserve fund surety policy or some other credit instrument for the benefit of the reserve fund established for the 2007 Certificates, the Mayor, the City Manager, the Deputy City Manager or the Director of Administrative Services/Chief Financial Officer is hereby authorized to purchase such insurance or other credit enhancement and such reserve fund surety policy or other credit instrument at market rates.

Section 9. The Mayor, the City Manager, the Deputy City Manager, the Director of Administrative Services/Chief Financial Officer, the City Clerk and all other appropriate officials of the City, jointly and severally, are hereby authorized and directed to do any and all things and to execute such other agreements, documents and certificates as may be necessary or desirable to effect the purposes of this resolution, the documents approved hereby and the refinancing herein authorized, including, without limitation, a continuing disclosure certificate to comply with SEC Rule 15c2-12.

Section 10. This Resolution shall take effect upon its adoption by this City Council.

PASSED, APPROVED and ADOPTED ___________ JUN - 5 2007 ___________.

EDWARD J. CHAVEZ
Mayor of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

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