December 2, 2008

TO: Mayor and City Council
    Stockton Public Financing Authority

FROM: Mark Moses, Deputy City Manager / CFO – Treasurer (SPFA)

SUBJECT: APPROVE AN ADDENDUM TO CITY’S INVESTMENT POLICY
ALLOWING CITY TO PURCHASE AND TENDER STOCKTON PUBLIC
FINANCING AUTHORITY VARIABLE RATE BONDS AS SHORT-TERM
INVESTMENTS

RECOMMENDATION

City Council Action

It is recommended that the City Council (1) adopt a resolution giving the authority to
waive the 5-year limit on maturities in order to purchase the Stockton Public Financing
Authority (SPFA) 2007 Variable Rate Demand Lease Revenue Bonds (Series A and B)
as investments and; (2) adopt a resolution approving an addendum to the Investment
Policy that allows the City to purchase and hold Stockton Public Financing Authority
issued bonds as investments. These actions are part of a strategy to manage variable
rate debt costs on a portion of the Authority’s outstanding bonds. Also, authorize the
City Manager to take appropriate actions to carry out the purpose and intent of these
resolutions.

Stockton Public Financing Authority Action

It is recommended that the Stockton Public Financing Authority adopt a resolution giving
the authority to waive the 5-year limit on maturities in order to purchase the Stockton
Public Financing Authority (SPFA) 2007 Variable Rate Demand Lease Revenue Bonds
(Series A and B) as investments. Also, authorize the Executive Director to take
appropriate actions to carry out the purpose and intent of this resolution.

Summary

The global financial crisis caused a temporary significant increase in the costs of the
Authority’s outstanding variable rate bonds used to purchase the City’s new
administrative office building (formerly Washington Mutual) located at 400 E. Main
Street. In an effort to minimize the interest costs, the Department of Financial
Management recommends that City Council authorize the City’s purchase of a portion
of these bonds as investments and authorize the City to hold them for up to 14 months.
In order to accomplish this, Council and the Stockton Public Financing Authority must
waive the 5-year maturity limit on City’s investments in California local agency securities
in an amount not to exceed $40.77 million. Additionally, the proposed language is
added to the City’s current Investment Policy to reflect the authorization to purchase
and hold these bonds as investments. This proposed addendum to the City's investment policy will allow the City to purchase investments with a maturity longer than five years only if those investments are the Stockton Public Financing Authority 2007 variable rate demand lease revenue bonds (Series A and B), and only if the bonds are not held for a term that extends past December 31, 2009.

DISCUSSION

Background

On June 17, 2008, City Council adopted Resolution 08-0234 approving the City of Stockton Investment Policy. The Investment Policy outlines structure, oversight responsibilities, and affirms the fiduciary responsibility to safeguard public assets. The primary priority is placed on ensuring safety of principal and then ensuring that the liquidity needs for payment of payroll and the other City obligations are met prior to considering yield on the investment.

On November 29, 2007, the Stockton Public Financing Authority issued Variable Rate Demand Lease Revenue Bonds of $36.5 million (Tax-Exempt Series A) and $4.27 million (Taxable Series B). The net proceeds of the variable rate demand lease revenue bonds, totaling $40.77 million, were used for the acquisition of the downtown Washington Mutual building and to pay for certain tenant improvements on the acquired building.

These variable rate bonds currently bear interest at a “weekly rate” established by the remarketing agent (Stone & Youngberg) based on prevailing financial market conditions. For the period of November 29, 2007 through September 16th, 2008, the City/Stockton Public Financing Authority has paid interest rates of an average of 2.3% (tax-exempt) and 3.2% (taxable). The maximum interest rate allowed on the bonds is 12% per annum (tax-exempt) and 15% per annum (taxable). Since September 16th, these 2007 Variable Rate Demand Lease Revenue Bonds’ weekly interest rate resets have been at unprecedented high levels compared to the prior 42-week period averages of 2.3% (tax-exempt) and 3.2% (taxable). In the weeks following September 16th, tax-exempt weekly interest rate resets jumped to 6% (9/17/08), 8% (9/24/08 and 10/01/08), 12% (10/08/08), 9% (10/15/08), 6.75% (10/22/08) and an average of 4.125% (10/28/08 through 11/19/08).
Present Situation

The weekly interest rate resets of mid-September through mid-October signaled a call for action. The variable rate demand lease revenue bonds were significantly higher than their respective benchmarks. Fortunately, the weekly interest rate reset on 11/19/08 was 4.5%, far below the 9% level of the previous month. Discussions have been held with the City’s underwriter and debt financial advisor for the variable rate demand lease revenue bonds to identify a strategy to diminish the interest costs on this bond issue.

IRS/SEC Notice on October 1, 2008

Both the U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service (IRS) announced on October 1, 2008, in a special notice relief from various federal laws and regulations to allow governmental entities, such as cities, to purchase and hold their own variable rate bonds as investments, within stipulated limitations. The IRS authority limits the time in which municipalities participating in this special investment program/ruling can hold these bonds in their investment portfolios to no later than December 31, 2009. According to the notice, cities holding these bonds as investments into 2010 would cause a reissuance or retirement of the bonds, and the City would not have the option at that point of returning the bonds to the secondary market.

Under the October 1 IRS notice, the IRS stipulated that municipalities can enter into a trade agreement with the investment bank after a bondholder has submitted their week’s notice desiring to tender their bonds. This is required so that municipalities do not influence the market valuation (price) of the variable rate bonds. Municipal purchase of the tendered bonds would take place just prior to the tendered settlement date, the time at which the tendered bonds would otherwise be declared “bank bonds.” Further, bonds held as a commitment by the liquidity facility may be purchased as investments by the municipality.

The IRS notice also states that municipalities are not required to simply hold these bonds during the allowed time period, but have the right to also tender or return the bonds to the variable rate market any time prior to December 31, 2009 as would be the right of any other bondholder. Additionally during this time period, municipalities and public financing authorities are also allowed to refund the entire respective bond issue, including the bonds it holds as an investment.
Cost and Benefit Analysis of Recommendation

The City has significantly benefited from issuing this debt with a variable rate mode. As the table below outlines for the tax-exempt bond issue (Series A), during the 42-week period prior to the financial market crisis the City saved a total $733,419 compared to if the City had issued the bonds as fixed-rate with an average interest rate of 4.91%. This equated to a weekly savings of $18,415 during the 42-week period. This total savings has subsequently diminished. In a three week period from September 17 through October 7, the variable rate mode cost the City $51,233, or $17,078 on a weekly basis. The one week period from October 8 through October 14 when the rates were reset at 12%, cost the City $49,306. The one week period from October 15 through October 21 when the rates were reset at 9%, cost the City $28,364. Since October 29 the rates have declined to the level in which the City is no longer paying more money compared to a fixed rate structure.

<table>
<thead>
<tr>
<th>Time Period</th>
<th># of Weeks</th>
<th>Wkly Avg Rate Reset</th>
<th>Total Amount Saved/Cost</th>
<th>Weekly Amount Saved/Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/29/07 to 9/16/08</td>
<td>42 weeks</td>
<td>2.30%</td>
<td>$733,419</td>
<td>$18,415</td>
</tr>
<tr>
<td>9/17/08 to 10/7/08</td>
<td>3 weeks</td>
<td>7.38%</td>
<td>($51,233)</td>
<td>($17,078)</td>
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<tr>
<td>10/8/08 to 10/14/08</td>
<td>1 week</td>
<td>12.00%</td>
<td>($49,306)</td>
<td>($49,306)</td>
</tr>
<tr>
<td>10/15/08 to 10/21/08</td>
<td>1 week</td>
<td>9.00%</td>
<td>($28,364)</td>
<td>($28,364)</td>
</tr>
<tr>
<td>10/22/08 to 10/28/09</td>
<td>1 week</td>
<td>6.75%</td>
<td>($12,657)</td>
<td>($12,657)</td>
</tr>
<tr>
<td>10/29/08 to 11/19/08</td>
<td>4 weeks</td>
<td>4.125%</td>
<td>$22,673</td>
<td>$5,668</td>
</tr>
</tbody>
</table>

(For comparative purposes, these figures do not include variable rate remarketing and commitment fees which total approximately $75,000 annually.)

The important issue is the ability of the City to have some control over interest costs by having the tools to respond to this fluctuating market. Although rates have recently improved, the financial crisis changes the landscape of the financial world daily. So, recent market improvements should not inhibit the acceptance of adopting new tools. These new tools will assist the City in combating future market fluctuations.

For example, if the weekly interest rate on the tax-exempt bonds remained at the reset level of 9%, the City would return all of the previous savings resulting from the lower variable interest rates by March 2009. On a fiscal year basis, if this high interest rate level were to continue, the total amount budgeted for debt service for these bonds ($2.2 million) would be exhausted by May 2009. At that time, not only would the positive cash flow of this WAMU building operations fund be exhausted, but a budget revision would be required to transfer over $500,000 from the General Fund to meet this year's debt service payments. This consequence can be avoided if the City had the proposed tools to address these market fluctuations.
Implications Related to the City’s Investment Policy

Accordingly, both the City Attorney and bond counsel have advised that the existing Section 53601(e) of the California Government Code provisions regulating municipal investments allow cities to purchase their own or public financing authority debt obligations, if the City Council specifically grants the express authority for the City to make such investment.

The maturity date for the Series A (Tax-exempt) Lease Revenue Bonds is September 1, 2048, and the maturity date for the Series B (Taxable) Lease Revenue Bonds is September 1, 2027, both of which result in the bonds having a remaining term to maturity in excess of five years. Section 13 of the City’s Investment Policy contains a limit on the maturity of local agency bond investments up to a maximum term of five years with certain limitations specified therein, including that “Investments maturing beyond a five-year horizon should not exceed 15% of the total portfolio value at any given time” and “U.S. Treasuries and U.S. Agencies securities will only be used for investments of greater than five years.”

The Investment Policy, as currently adopted, does not address the current economic or legal environment. California Government Code Section 53601 necessitates a wait period of three months from the date of Council approval to execute investments allowed by the change in the policy. The code also allows for the Council to authorize a waiver of the City investment policy and to execute the waiver on the maturity limitation immediately if expressly authorized for a specific investment. The authorization of both the waiver and the addendum enables the City to proactively manage the impacts that the global financial markets are having on the City’s variable rate debt interest costs.

The Department of Financial Management recommends that City Council grant specific authority for the investment of City funds in these specific bonds and the approval of an addendum to the City’s Investment Policy to allow the City to take advantage of the U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service lifeline to buy these Stockton Public Financing Authority variable rate bonds.

FINANCIAL SUMMARY

There is no direct cost associated with the proposed actions. These actions will provide the City Manager with the authority to reduce the costs of outstanding variable rate bonds by strategically purchasing and holding them as investments for a limited period. Without Council approval of these recommended actions, the City will continue to incur the unbudgeted higher interest costs resulting from events in the global financial market.
APPROVE AN ADDENDUM TO CITY'S INVESTMENT POLICY ALLOWING CITY TO PURCHASE AND TENDER STOCKTON PUBLIC FINANCING AUTHORITY VARIABLE RATE BONDS AS SHORT-TERM INVESTMENTS

(PAGE 6)

PREPARED BY: JANET SALVETTI and KATHLEEN VONACHEN

Respectfully submitted,

[Signature]
MARK MOSES
DEPUTY CITY MANAGER / CFO

APPROVED BY

[Signature]
J. GORDON PALMER, JR.
CITY MANAGER

MM:JS:KV:ddg

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Resolution No. ____________

STOCKTON CITY COUNCIL

APPROVE AUTHORITY TO WAIVE THE 5-YEAR LIMIT ON MATURITIES IN ORDER TO PURCHASE THE STOCKTON PUBLIC FINANCING AUTHORITY’S VARIABLE RATE DEMAND LEASE REVENUE BONDS AS A STRATEGY TO MANAGE DEBT COSTS

The City Council of the City of Stockton agrees and concurs that while complying with the investment policy, the City also complies with California Government Code section 53600, et seq., which governs investments for municipal governments; and

The City Council of the City of Stockton agrees and concurs that Section 53601(e) of the California Government Code specifically allows for an investment in "Bonds, notes, warrants, or other evidence of the indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency." However, Section 53601(e) does not specify a limitation on the term or remaining maturity at the time of investment of the securities to be purchased; and

The second paragraph of Section 53601 of the California Government Code specifies that "[w]here this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment ... "; and

On November 29, 2007, the Stockton Public Financing Authority issued Variable Rate Demand Lease Revenue Bonds of $36.5 million (Tax-Exempt Series A) and $4.27 million (Taxable Series B) for the acquisition of the downtown Washington Mutual building and to pay for certain tenant improvements for the acquired building; and

The City Council of the City of Stockton agrees and concurs that both the U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service (IRS) announced on October 1, 2008, in a special notice relief from various federal laws and regulations to allow governmental entities, such as cities, to purchase, hold and tender as investments the Stockton Public Financing Authority’s variable rate bonds, within stipulated limitations (hold as investments until December 31, 2009); and
On December 2, 2008, the Department of Financial Management requested from the City Council of the City of Stockton consideration and approval to waive the 5-year limit on maturities in order to purchase and tender the Stockton Public Financing Authority’s variable rate demand lease revenue bonds as investments; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. After consideration of the information provided in the above-described matter, the City Council of the City of Stockton hereby approves and grants specific authority for the investment of City funds in the Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds of $36.5 million (Tax-Exempt, 2007 Series A) and $4.27 million (Taxable, 2007 Series B).

2. The City Manager is hereby authorized and directed to execute a supplement and amendment to the Standby Bond Purchase Agreement with Dexia Credit Locale relating to the bonds, as necessary or advisable to allow the City to purchase the bonds, in a form acceptable to the City Manager following consultation with the City Attorney and bond counsel, and to execute and deliver such other certificates, amendments or other documents, and to take such other actions as necessary to allow the City to purchase the bonds, and otherwise carryout the intent of this Resolution.

PASSED, APPROVED and ADOPTED ____________________

EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton

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RESOLUTION NO. __________

STOCKTON CITY COUNCIL

APPROVE AN ADDENDUM TO CITY’S INVESTMENT POLICY ALLOWING CITY TO PURCHASE AND TENDER STOCKTON PUBLIC FINANCING AUTHORITY VARIABLE RATE BONDS AS SHORT-TERM INVESTMENTS

On June 17, 2008, the City Council of the City of Stockton adopted Resolution 08-0234 approving the City of Stockton Investment Policy for the purpose of establishing strategies, practices, and procedures to be used in administering the City’s investment portfolio to maximize security and liquidity; and

The City Council of the City of Stockton agrees and concurs that Section 53601(e) of the California Government Code specifically allows for an investment in “[b]onds, notes, warrants, or other evidence of the indebtedness of any local agency with this state . . . ,” but does not specify a limitation on the term or remaining maturity at the time of investment of the securities to be purchased. The second paragraph of Section 53601 of the Code specifies that “[w]here this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security . . . that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment . . . ,” and

On December 2, 2008, the Department of Financial Management presented an Addendum to the Investment Policy allowing the City to hold and tender as investments Stockton Public Financing Authority-issued variable-rate bonds for consideration, review, and approval at a public City Council meeting; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. After consideration of the information provided in the above-described matter, the City Council of the City of Stockton hereby approves an addendum to the City’s Investment Policy, attached as Exhibit A and by reference made a part hereof, to allow the City to take advantage of the U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service lifeline to buy and tender Stockton Public Financing Authority 2007 Variable Rate Demand Lease Revenue (Series A and B) bonds, and to hold these investments for any duration of time not to exceed December 31, 2009. Such bond investment purchases would include those bonds

City Atty: ____________________________
Review: ________________________________
Date: _________________________________
currently held by this variable rate bond issue’s liquidity facility firm, Dexia Credit Local, New York Branch.

2. The City Manager is authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED ____________________________.

_________________________________
EDWARD J. CHAVEZ, Mayor
of the City of Stockton

ATTEST:

_________________________________
KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
1) INVESTMENT OBJECTIVES

It is the policy of the City of Stockton (City) to invest funds in a manner which will provide foremost for the safety of principal while meeting the short and long term cash flow demands of the City and conforming to all statutes governing the investment of City funds.

2) GOVERNMENT CODE SECTION GUIDELINE

<table>
<thead>
<tr>
<th>California Government Code Section</th>
<th>Category</th>
<th>Maximum Maturity</th>
<th>Authorized Investment Limits (% of Portfolio)</th>
<th>Credit Rating Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>53601 (e)</td>
<td>U.S. Agencies</td>
<td>5 years</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

Within the overriding requirement of compliance with all Federal, State and local laws governing the investment of moneys under the control of the Treasurer, and as specified in the California Government Code (CGC) Section 53601 (e); Bonds, notes, warrants, or other evidence of the indebtedness of any local agency with this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

The second paragraph of section 53601 of the California Government Code specifies that “Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment…”,

3) STIPULATED LIMITATIONS ON MATURITIES

The U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service (IRS) announced on October 1, 2008 in a special notice relief from various federal laws and regulations to allow governmental entities, such as cities, to purchase and hold their own variable rate bonds, within stipulated limitations. For instance, the IRS authority also limits the time in which municipalities participating in
this special investment program/ruling can hold these bonds in their portfolios to no later than December 31, 2009. Local governments (cities) holding these bonds as investments into 2010 would cause a reissuance or retirement of the bonds, and therefore, not consent to the option of returning the bonds to the secondary market at that point.
STOCKTON PUBLIC FINANCING AUTHORITY

APPROVE AUTHORITY TO WAIVE THE 5-YEAR LIMIT ON MATURITIES IN ORDER TO PURCHASE THE STOCKTON PUBLIC FINANCING AUTHORITY’S VARIABLE RATE DEMAND LEASE REVENUE BONDS AS A STRATEGY TO MANAGE DEBT COSTS

The Authority agrees and concurs that while complying with the investment policy, the City also complies with California Government Code section 53600, et seq., which governs investments for municipal governments; and

The Authority agrees and concurs that Section 53601(e) of the California Government Code specifically allows for an investment in “Bonds, notes, warrants, or other evidence of the indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.” However, Section 53601(e) does not specify a limitation on the term or remaining maturity at the time of investment of the securities to be purchased; and

The second paragraph of Section 53601 of the California Government Code specifies that “[w]here this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment ...”; and

On November 29, 2007, the Stockton Public Financing Authority issued Variable Rate Demand Lease Revenue Bonds of $36.5 million (Tax-Exempt Series A) and $4.27 million (Taxable Series B) for the acquisition of the downtown Washington Mutual building and to pay for certain tenant improvements for the acquired building; and

The Authority agrees and concurs that both the U.S. Securities and Exchange Commission (SEC) and the U.S. Internal Revenue Service (IRS) announced on October 1, 2008, in a special notice relief from various federal laws and regulations to allow governmental entities, such as cities, to purchase, hold and tender as investments the Stockton Public Financing Authority’s variable rate bonds, within stipulated limitations (hold as investments until December 31, 2009); and

On December 2, 2008, the Department of Financial Management requested from the Stockton Public Financing Authority consideration and approval to waive the 5-year
limit on maturities in order to purchase and tender the Stockton Public Financing Authority's variable rate demand lease revenue bonds as investments; now, therefore,

BE IT RESOLVED BY THE STOCKTON PUBLIC FINANCING AUTHORITY, AS FOLLOWS:

1. After consideration of the information provided in the above-described matter, the Authority hereby approves and grants specific authority for the investment of City funds in the Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds of $36.5 million (Tax-Exempt, 2007 Series A) and $4.27 million (Taxable, 2007 Series B).

2. The Executive Director is hereby authorized and directed to execute a supplement and amendment to the Standby Bond Purchase Agreement with Dexia Credit Locale relating to the bonds, as necessary or advisable to allow the City to purchase the bonds, in a form acceptable to the Executive Director following consultation with the City Attorney and bond counsel, and to execute and deliver such other certificates, amendments or other documents, and to take such other actions as necessary to allow the City to purchase the bonds, and otherwise carry out the intent of this Resolution.

PASSED, APPROVED and ADOPTED ________________________________.

EDWARD J. CHAVEZ, Chairperson
Stockton Public Financing Authority

ATTEST:

KATHERINE GONG MEISSNER
Secretary, Stockton Public Financing Authority
MINUTES
PUBLIC FINANCING AUTHORITY
SEPTEMBER 9, 2008

1. Call to Order 5:30 PM
The Mayor reconvened the Concurrent City Council meeting and convened the Public Financing Authority Meeting.

2. Roll Call 5:30 PM
Roll Call 5:30 PM
Present:
Councilmember Bestolarides
Councilmember Chapman
Councilmember Eggman
Councilmember Lee
Councilmember Nabors
Vice Mayor Martin
Mayor Chavez

3. Consent Calendar
NOTE: The Consent Agendas for the Public Financing Authority and Council/Redevelopment Agency were considered concurrently.

3.01) Approval of minutes of Public Finance Authority meeting held March 25, 2008. (CLERK)

Motion: Approve the City Council/Redevelopment Agency Consent Agenda concurrently with the Public Financing Authority Consent Agenda. Moved by Councilmember Chapman, seconded by Councilmember Lee.

Vote: Motion carried 7-0

Yes: Councilmember Bestolarides, Councilmember Chapman, Councilmember Eggman, Councilmember Lee, Councilmember Nabors, Vice Mayor Martin, and Mayor Chavez.

4. New Business
None

5. Old Business
None

6. Public Comments. Item 6 was held concurrently with City Council/Redevelopment
Agency Item 5.

1. June Williams

Ms. Williams continued her complaints of terrorism by police officers and claimed that she is being systematically mutilated.

The Mayor asked the City Manager to have Dennis Buettner from the County follow up with Ms. Williams.

2. Trent Burkett (PD to follow up)

Mr. Burkett, a Professor at the University of the Pacific, relayed that on August 29 there was a party down the street from his residence in Tuxedo Park. He was assaulted by drunk adolescents who were unloading beer bottles onto his front yard. He said that police came to the party, which consisted mainly of underage drinkers, and let everyone go. The police did not go to his residence to verify his complaints of assault. He said that he did obtain the license number of the vehicle driven by the teens who assaulted him.

3. Lynne Robustelli (PD to follow up)

Ms. Robustelli who is Mr. Burkett’s neighbor in Councilmember Lee’s District 4, stated that the neighborhood is very unhappy about what occurred on August 29. She decried the lack of public safety services, stating that the 40 young people from Lincoln High School were allowed to leave the party visibly intoxicated. She said that Mr. Burkett was bleeding and stunned from the assault and she called the police, who came but let the young man who assaulted Mr. Burkett leave the scene. She said that she was told by the Police District Commander that their main policy is to disperse a crowd and keep the peace. She said there was no follow up with Mr. Burkett by the Police Department and no evidence was assessed. Ms. Robustelli said that trustees of the Lincoln Unified School District and the principal were very compassionate, but Ms. Robustelli also questioned why a student from North Tuxedo is attending Lincoln High School. The Mayor asked the Police Chief to meet with Mr. Burkett and Ms. Robustelli.

4. James Young

Mr. Young, with the assistance of City Clerk Katherine Gong Meisner, relayed that he would like to do volunteer work and Dino Leonardini of the Parks and Recreation Department will contact him. Mr. Young also complained about cracks in the sidewalk near his apartment on Pershing Avenue and Swain Road.

5. Ron Hofhenke (CM to follow up)

Mr. Hofhenke said that his company is responding to an RFP (Request for Proposal), PUR 06-105, for Electronic Document and Records Management System, a $2 million to $4.5 million application. He said that a vendor has been selected but has not been officially awarded the contract. He said he needs the appropriate information to determine the rules governing fair competition. He said that he has grounds for a protest.
against the bid process and would like this issue placed as a formal agenda item for discussion. The Mayor requested that the City Manager work with the appropriate departments in terms of a response to this issue.

7. **Public Hearing 10:04 PM**

7.01) Joint City Council/Stockton Public Financing Authority meeting to consider public comments/testimony regarding LEASE REVENUE BONDS 2008 SERIES A (CAPITAL IMPROVEMENT PROJECTS).

**NOTE:** This item was heard concurrently with City Council Agenda Item 9.01.

Stockton Public Financing Authority__

At the conclusion of the public hearing, it is recommended that the Stockton Public Financing Authority adopt a resolution approving the issuance and sale of the LEASE REVENUE BONDS in an amount not to exceed $45,000,000 to finance various capital improvements and approving related documents and official actions thereto.

City Council__

At the conclusion of the public hearing it is recommended that the City Council adopt a resolution approving the issuance and sale of the LEASE REVENUE BONDS in an amount not to exceed $45,000,000 to finance various capital improvements and approving related documents and official actions thereto.

(This item will be heard concurrently with City Council agenda item 9.01) (FM) 10:05 PM

Affidavits of posting and publication are filed in the office of the City Clerk.

The Mayor declared the public hearing opened.

**Mark Moses, Deputy City Manager**

Mr. Moses said that this process originated nearly a year ago to deal with the untangling of interfund loans the City had with Public Facility Fee (PFF) funds. A central part of the strategy is to improve the financing structure of these loans and mitigate a pattern of borrowing between funds for projects. A year ago nearly all the loans were paid back that could be paid back and this completes the financing structure.

**Kathleen VonAchen, Budget Manager**
Ms. VonAchen provided the staff report with the aid of a PowerPoint presentation (filed).

**Councilmember Bestolarides**

Councilmember Bestolarides asked if this is the repayment of fund balances or is this backfilling projects where resources were used elsewhere and the capital projects need to be completed, adding, "Where is the money going?"

**Mark Moses, Deputy City Manager**

Mr. Moses replied that the debt already exists and funds that were lent out to other funds now can't be used for their projects. This is a source of financing to put the debt and repayment structure where it belongs.

There being no further speakers requesting to be heard, the Mayor declared the public hearing closed.

Motion: Approve the following:
1. **CC Resolution 08-0372** approving the issuance and sale of the LEASE REVENUE BONDS in an amount not to exceed $45,000,000 to finance various capital improvements and approving related documents and official actions thereto;

2. **PFA Resolution PF08-04** approving the issuance and sale of the LEASE REVENUE BONDS in an amount not to exceed $45,000,000 to finance various capital improvements and approving related documents and official actions thereto. Moved by Councilmember Eggman, seconded by Councilmember Lee.

Vote: Motion carried 7-0

Yes: Councilmember Bestolarides, Councilmember Chapman, Councilmember Eggman, Councilmember Lee, Councilmember Nabors, Vice Mayor Martin, and Mayor Chavez.

8. **PUBLIC FINANCING AUTHORITY BOARD OF DIRECTORS/COUNCIL/REDEVELOPMENT AGENCY/ COMMENTS 10:20 PM**

Mayor Chavez (City Clerk to follow up)

The Mayor said that a Councilmember in Fairfield was killed earlier this week and he asked that the City Clerk send a letter of condolence to the City of Fairfield on behalf of
the Council.

The Mayor noted that there will be no function this year to commemorate September 11 but it is important to not lose sight of what occurred on that day and its impact. He asked that the day be kept "in our minds and our hearts."

**Councilmember Nabors**

Councilmember Nabors reminded everyone of the Job Fair hosted by the Airport Corridor Action Team will be held Thursday, September 18 from 10 a.m. to 3 p.m. at the San Joaquin Fairgrounds Building 2, 1638 South Airport Way. Applications are being accepted during the Fair, which is sponsored by the City of Stockton and San Joaquin County WorkNet.

**Katherine Gong Meissner, City Clerk**

City Clerk Katherine Gong Meissner and Co-Chair of the Airport Corridor Action Team, adding on to Councilmember Nabor's comments regarding the Job Fair, noted that the first hour, from 9 to 10 a.m., doors will be opened for veterans and people with disabilities, the first time this has occurred in the City or for WorkNet. For others, the doors will open at 10 a.m.

**Vice Mayor Martin**

The Vice Mayor asked what the next step will be related to addressing items in the settlement agreement.

**City Manager J. Gordon Palmer, Jr.**

Mr. Palmer said that the City has already embarked on this, taking a look at the inventory about what must be done related to the Climate Action Plan. He said that, given the timelines, they will be moving fairly quickly. Some will be staff work and the Council may be approached related to some consultant work as well. Budget issues are a challenge and the Attorney General's Office realizes this.

In response to Vice Mayor Martin, Mr. Palmer said that the probable next steps for a number of projects is related to development agreements; and, with the action taken today, it allows the City to finalize the development agreements so they can move forward.

**Councilmember Lee**

Related to the settlement agreement approved this evening, Councilmember Lee said that his greatest sensitivity is towards projects already underway in some form, where the applicants have already been doing what they have been asked to do, and more. He would like staff to work with them if there is a way they can "get under the wire."

City Manager J. Gordon Palmer, Jr. said that the people in the process were on everyone's minds so their projects would not get tied up for years waiting for approval,
but rather moving forward. He said he anticipates three development projects this year coming before the Council for consideration.

**Councilmember Nabors**

Councilmember Nabors voiced her hope that the time period it takes to get a permit will not be negatively affected.

9. **Adjournment 10:27 PM 10:27 PM**

KATHERINE GONG MEISSNER  
SECRETARY  
PUBLIC FINANCE AUTHORITY