Resolution No. 08-0468

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 MEISE
City Clerk of the City of Stockton