Resolution No. 08-0469

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
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 DEC - 2 2008

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.