CITY COUNCIL/REDEVELOPMENT AGENCY

AGENDA ITEM 8.02
TO: Mayor and City Council  
Stockton Public Financing Authority  

FROM: Mark Moses, Director of Administrative Services/CFO  

SUBJECT: STOCKTON PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2009 (DELTA WATER SUPPLY PROJECT)  

RECOMMENDATION  

City Council  

It is recommended that the City Council adopt a resolution authorizing the form of and the execution and delivery of one or more 2009 Installment Purchase Contracts, one or more Bond Purchase Contracts, a Continuing Disclosure Certificate and an Official Statement relating to an installment purchase financing associated with the Delta Water Supply Project and approving certain actions in connection therewith.  

Stockton Public Financing Authority  

It is recommended that the Stockton Public Financing Authority adopt a resolution authorizing the issuance and sale of Stockton Public Financing Authority Water Revenue Bonds (Delta Water Supply Project) in one or more series from time to time in an aggregate principal amount not to exceed $260 million and directing the issuance and sale of one or more series of such bonds designated as "Series 2009" in an aggregate principal amount not to exceed $185 million; approving the form of and authorizing the execution and delivery of one or more 2009 Indentures, one or more 2009 Installment Purchase Contracts, one or more Bond Purchase Contracts and an Official Statement relating to an installment purchase financing; and approving certain actions in connection therewith.  

SUMMARY  

The City of Stockton (City) and the Stockton Public Financing Authority (Authority) have determined that the financing of the Delta Water Supply Project (Project) will require the issuance of bonds in an amount not to exceed $260 million. It was further determined that it is beneficial to issue more than one series of bonds to fund the Project within the not to exceed limit. The recommended financing strategy was reviewed with the Council Water Committee on July 15, 2009. In order to remain on schedule with terms currently being negotiated as part of the Project construction contracts which identify issuance of a Notice to Proceed by September 1, 2009, it is necessary to issue the first series of
bonds as the Stockton Public Financing Authority, Water Revenue Bonds, Series 2009 (Delta Water Supply Project) in a principal amount not to exceed $185 million.

DISCUSSION

Background

On July 7, 2009, the City Council, by Resolutions 09-0225 and 09-0226 approved implementation of a new Surface Water Supply Fee in the amount of $4,410 per dwelling unit equivalent and a four-year water rate increase of approximately 63 percent to help fund the estimated $217.0 million Delta Water Supply Project. The Delta Water Supply Project includes a new intake and pump station facility, raw and treated water pipelines and a 30 million gallon per day water treatment plant. These new, increased revenues will provide sufficient funding to pay annual debt service on proposed bonds needed to finance the Project. Consistent with the City’s Capital Financing and Debt Management Policy, it has been determined that long-term financing is appropriate for cases in which projected revenue streams match capital facility needs. As stated above, the adopted rates are expected to increase over the next four years and grow to a level sufficient to not only operate the water utility, with the addition of the Project, but also allow for the repayment of all bonds issued for the Project and to fund future capital repair and replacement projects.

The Delta Water Supply Project Finance Team (Team) has worked over the past few years through many iterations of a plan to finance the Project. The plan has been revised several times over the last few months as the crisis that gripped the financial markets also had significant impacts on the municipal bond market. The proposed plan of finance represents a plan which both manages risk and minimizes costs.

In order to understand the proposed plan of finance, it is important to describe how the bonds are to be repaid.

\[
\text{System Revenue, Rates and Charges} \\
\text{(Less: Operations and Maintenance)} \\
= \text{Net System Revenue} \\
\text{(Less: Senior Bonds Debt Service)} \\
= \text{Available Revenue} \\
\text{(Less: Subordinate Bonds Debt Service)} \\
= \text{Revenue Available for Capital and Other}
\]
STOCKTON PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2009 (DELTA WATER SUPPLY PROJECT)

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All rates and charges collected from delivering water to customers first goes to pay the costs of operating and maintaining the water system and then any monies remaining are used to repay indebtedness. The water utility currently has the following outstanding bonds that are considered Senior Debt Service and payable from Net System Revenue:

- United States Department of Commerce, Economic Development Administration
  - Drought Relief Loan dated August 1977 @ 5%
  - Outstanding principal amount of $610,441
  - Final maturity date of July 1, 2017

- California Statewide Communities Development Authority, Water and Wastewater Revenue Bonds (Pooled Financing Program), Series 2002A
  - Outstanding principal amount of $11,280,000
  - Interest rates ranging from 3.90% (2010) to 5.125% (2022)
  - Final maturity date of October 1, 2022

- 2005 Water Revenue Bonds, Series A
  - Outstanding principal amount of $24,230,000
  - Interest rates ranging from 4.00% (2017) to 4.75% (2035)
  - Final maturity date of October 1, 2035

The prior indenture, under which the Water and Wastewater Revenue Bonds, Series 2002A and the 2005 Water Revenue Bonds, Series A were issued, contained certain provisions restricting the ability to finance the Project. The ability to issue additional obligations is constrained to a test of current year Net System Revenue divided by Maximum Annual Debt Service (MADS) on all bonds. Under this test, the capacity to finance large capital projects such as the Project greatly limits the ability to take into account multi-year rate increases to finance Project facilities. In order to work around this restriction, the Team has recommended that, with the exception of $55 million, the City pledges to issue no other obligations under this prior indenture and to create a new set of documents that allows for the increase in debt service to match the increase in rates on an annual basis in the future.

Described in detail below is the proposed plan of finance.
STOCKTON PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS, SERIES 2009 (DELTA WATER SUPPLY PROJECT)

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Present Situation

The proposed plan of finance recommends authorization to allow for the issuance of all bonds up to an amount not to exceed $260.0 million and to also authorize the issuance of the first of possibly three series of bonds, specifically the Series 2009 bonds up to an amount not to exceed $185.0 million with all future series and related documents to be brought back before the City Council and Authority for review and approval.

The table below illustrates a summary of the proposed bond series to be issued:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Timing</th>
<th>Type</th>
<th>Par Amount</th>
<th>Project Fund</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2009</td>
<td>August 2009</td>
<td>Uninsured Fixed-Rate</td>
<td>$177,050,000</td>
<td>$150,000,000</td>
<td>Subordinate</td>
</tr>
<tr>
<td>Series 2010</td>
<td>November 2010</td>
<td>Variable Rate</td>
<td>$49,585,000</td>
<td>$49,000,000</td>
<td>Senior</td>
</tr>
<tr>
<td>Series 2010</td>
<td>November 2010</td>
<td>Uninsured Fixed-Rate</td>
<td>$16,650,000</td>
<td>$13,539,897</td>
<td>Subordinate</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td>$243,285,000</td>
<td>$212,539,897</td>
<td></td>
</tr>
</tbody>
</table>

Note: While the current estimated Project cost is $217.0 million, only $212.5 million is shown for the Project Fund. Approximately $5.0 million was previously expended from water utility revenues on land acquisition for the proposed water treatment plant site and by tax law provisions, is not eligible for reimbursement from the proposed bond proceeds.

Series 2009

It is anticipated that the Series 2009 bonds will fund $150.0 million of Project costs and cover Project expenditures through calendar year 2010. The issue will also fund capitalized interest through 2012, fund a reserve fund required for the bonds and pay the associated costs of issuance. The Series 2009 bonds are subordinate and payable from Available Revenue after the payment of the Senior Bonds.

Series 2010

It is anticipated that the Series 2010 bonds will fund another $49.0 million of project costs, be issued on parity with the other Senior Bonds and will be structured as variable rate bonds. If issued as variable rate, the bonds are not expected to require a reserve fund nor need to fund capitalized interest but will fund associated costs of issuance. While the par amount indicated above is $49.5 million, it is necessary to establish a not to exceed amount of $55.0 million in the event a letter of credit or other enhancement is not available. This will allow for the ability to issue the bonds as uninsured, fixed-rate bonds and allows sufficient capacity to fund a reserve fund and capitalized interest, if
necessary. The Series 2010 bonds are payable from Net System Revenue on a parity with the other Senior Bonds.

Additional 2010 Series (If Needed)

The second anticipated series in 2010 would fund approximately $13.5 million of project costs should the City not receive anticipated Proposition 84 grant funding. For purposes of the proposed plan of finance, it is assumed that these bonds will be issued and the respective debt service is displayed and included in the debt service coverage calculations. However, these bonds would not need to be issued should the Prop 84 grant monies be received by the City. If issued, these bonds would be payable from Available Revenue after the payment of the debt service on the Senior Bonds and on parity with the Series 2009 bonds.

Below is an estimate of the sources and uses of funds by debt issue series:

<table>
<thead>
<tr>
<th>Sources</th>
<th>2009 Financing (Fixed)</th>
<th>2010 Financing (Fixed)</th>
<th>2010 Financing (Variable)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par Amount</td>
<td>177,050,000.00</td>
<td>16,650,000.00</td>
<td>49,585,000.00</td>
<td>$243,285,000.00</td>
</tr>
<tr>
<td>Premium/(Discount)</td>
<td>(711,750.65)</td>
<td>(86,849.10)</td>
<td>-</td>
<td>(798,599.75)</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$176,338,249.35</td>
<td>$16,563,150.90</td>
<td>$49,585,000.00</td>
<td>$242,486,400.25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>2009 Financing (Fixed)</th>
<th>2010 Financing (Fixed)</th>
<th>2010 Financing (Variable)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWSP Project Fund Deposit</td>
<td>150,000,000.00</td>
<td>13,539,897.00</td>
<td>49,000,000.00</td>
<td>$212,539,897.00</td>
</tr>
<tr>
<td>Debt Service Reserve Fund</td>
<td>9,125,150.43</td>
<td>1,549,933.30</td>
<td>-</td>
<td>$10,675,083.73</td>
</tr>
<tr>
<td>Capitalized Interest Fund</td>
<td>15,182,200.00</td>
<td>1,215,100.00</td>
<td>-</td>
<td>$16,397,300.00</td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>750,000.00</td>
<td>125,688.84</td>
<td>374,311.16</td>
<td>$1,250,000.00</td>
</tr>
<tr>
<td>Underwriter's Discount</td>
<td>1,276,387.00</td>
<td>128,452.79</td>
<td>209,311.36</td>
<td>$1,614,151.15</td>
</tr>
<tr>
<td>Additional Proceeds</td>
<td>4,511.92</td>
<td>4,078.97</td>
<td>1,377.48</td>
<td>$9,968.37</td>
</tr>
<tr>
<td>Total Uses</td>
<td>$176,338,249.35</td>
<td>$16,563,150.90</td>
<td>$49,585,000.00</td>
<td>$242,486,400.25</td>
</tr>
</tbody>
</table>

All bond documents, including the Preliminary Official Statement for the Series 2009 bonds are on file with the Stockton City Clerk's Office. Presentations to the rating agencies, Standard & Poor's Corporation and Fitch Ratings, Ltd (Fitch), were scheduled for July 20, 2009. An update as to the anticipated bond ratings will be provided at the July 28, 2009 City Council meeting, if available.
The 2005 Water Revenue Bonds, Series A had credit ratings from all three major credit rating agencies: Moody's Investor Service: A1; S&P: A; and Fitch: A. The Team is proposing that the existing Senior Bonds merit a rating upgrade to the AA category since, even after the issuance of the Series 2010 bonds on parity with the Senior Bonds, the debt service coverage ratios are quite high ranging from 3.18 times in FY 2010 to 6.04 times in FY 2014. In addition, the Team is proposing that the Series 2009 bonds, even though subordinate, would merit a rating upgrade to the high A category by both S&P and Fitch since the debt service coverage ratios are as follows: FY 2010: 3.42 times, FY 2011: 1.43 times, FY 2012: 1.82 times, FY 2013: 1.55 times and FY 2014: 1.56 times.

Obtaining credit ratings in the AA category will allow greater access to letters of credit or other credit enhancements allowing for the possible issuance of variable rate bonds. This would also allow for the issuance of these bonds on an uninsured fixed-rate basis with a more attractive credit rating than if issued under the subordinate lien.

Below is a table that shows the benefits of the proposed plan of finance. The numbers compare the issuance of uninsured fixed-rate bonds in two series as compared to issuing the bonds under the proposed plan of finance:

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total Par Amount</th>
<th>Total Debt Service</th>
<th>Average Annual Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uninsured Fixed-Rate</td>
<td>$255,695,000</td>
<td>$521,952,601</td>
<td>$17,000,000</td>
</tr>
<tr>
<td>Plan of Finance (Fixed and Variable Rate)</td>
<td>$243,285,000</td>
<td>$483,018,763</td>
<td>$15,605,000</td>
</tr>
<tr>
<td>Difference</td>
<td>$12,410,000</td>
<td>$38,933,838</td>
<td>$1,395,000</td>
</tr>
</tbody>
</table>

The table above assumes uninsured fixed-rate bonds given market rates as of June 22, 2009 and assumes full funding of the Project costs in the amount of $212,539,897. For the variable rate bonds under the plan of finance, the team has assumed a very conservative 4.00% interest rate on the bonds. As the table outlines, there is a demonstrable benefit to the proposed plan of finance. Again, all the provided figures are subject to changing market conditions and will be revisited when the financing plan is updated in 2010 prior to returning to the City Council and Authority for approval of documents required pursuant to the issuance of the one or more series of 2010 bonds.
FINANCIAL SUMMARY

This action will add a water revenue debt obligation to the City's Water Enterprise Fund. For credit security purposes, the City has pledged to raise rates and charges at all times to maintain minimum debt service coverage on the bonds at 1.15 times. The General Fund is not pledged in any manner to support the debt service payments in the event insufficient rates and charges are collected by the Water Enterprise Fund.

Respectfully submitted,

MARK MOSES
DIRECTOR OF ADMIN SERVICES/CFO

MM:KV

APPROVED

J. GORDON PALMER, JR.
CITY MANAGER
RESOLUTION AUTHORIZING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE 2009 INSTALLMENT PURCHASE CONTRACTS, ONE OR MORE BOND PURCHASE CONTRACTS, A CONTINUING DISCLOSURE CERTIFICATE, AND AN OFFICIAL STATEMENT RELATING TO AN INSTALLMENT PURCHASE FINANCING ASSOCIATED WITH THE DELTA WATER SUPPLY PROJECT AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

The City of Stockton ("City") and the Redevelopment Agency of the City of Stockton have entered into a Joint Exercise of Powers Agreement establishing the Stockton Public Financing Authority ("Authority"), a California joint exercise of powers entity duly organized to provide financial assistance to the City; and

The City desires to acquire, construct, install, and improve, or cause the acquisition, construction, installation, and improvement of its Delta Water Supply Project (the "Project"); and

In order to effectuate such acquisition, construction, installation, and improvement of the Project, the City proposes to purchase a portion of the Project ("2009 Project") from the Authority pursuant to one or more 2009 Installment Purchase Contracts ("Installment Purchase Contracts"); and

Under the Installment Purchase Contracts, the City will be obligated to make installment payments to the Authority for the purchase of the 2009 Project; and

In order to provide funds for the acquisition, construction, installation, and improvement of the Project, the Authority desires to authorize the issuance and sale of its Water Revenue Bonds (Delta Water Supply Project) ("Bonds"), in one or more series from time to time; and

To provide funds for the purchase of the 2009 Project, and in order that the 2009 Project may be sold to the City pursuant to the Installment Purchase Contracts, the Authority desires to issue one or more series of the Bonds designated as its Water Revenue Bonds, Series 2009 (Delta Water Supply Project) ("2009 Bonds"); and

In order to provide for the authentication and delivery of the 2009 Bonds, to establish and declare the terms and conditions upon which the 2009 Bonds are to be issued and secured, and to secure the repayment thereof, it is proposed that the Authority and Wells Fargo Bank National Association ("Trustee") enter into one or more 2009Indentures ("Indentures"); and

To facilitate compliance by Citigroup Global Markets, Inc., as underwriter for the 2009 Bonds ("Underwriter") with the provisions of Rule 15c2-12 of the Securities and Exchange Commission, it is proposed that the City execute a Continuing Disclosure Certificate (as defined below); now, therefore,
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. The method of financing the acquisition, construction, installation, and improvement of the Project through the issuance by the Authority of the Bonds in one or more series from time to time in the aggregate principal amount of not to exceed $260,000,000, is hereby approved. The method of financing the acquisition, construction, installation, and improvement of the 2009 Project through the issuance by the Authority of the 2009 Bonds in one or more series in the aggregate principal amount of not to exceed $185,000,000, is hereby approved.

Section 2. The form of the Installment Purchase Contracts, a copy of which is on file in the office of the City Clerk or his or her designee (“City Clerk”) and submitted to this meeting, is hereby approved. The Mayor, the City Manager and the Chief Financial Officer and the designees of any of them (each, an “Authorized Officer”), each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute the Installment Purchase Contracts, and the City Clerk is authorized to attest thereto, with such additions and changes therein as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the installment payments to be contained in the Installment Purchase Contracts shall be determined or approved by the Chief Financial Officer or the designee thereof (“Chief Financial Officer”) upon the sale of the 2009 Bonds, but the principal portion thereof shall not exceed $185,000,000 in aggregate principal amount and shall be for a term not exceeding forty (40) years.

Section 3. The form of one or more Bond Purchase Contracts relating to the sale of the 2009 Bonds (“Bond Purchase Contracts”), among the Underwriter, the Authority and the City, a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Bond Purchase Contracts, and the City Clerk is authorized to attest thereto, with such additions and changes therein as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the 2009 Bonds shall bear interest at an effective interest cost (taking into account any subsidy or other reimbursement expected to be received by the Authority or the City with respect to interest payments on all or a portion of the 2009 Bonds) to exceed 7.50% per annum and the Bond Purchase Contracts shall provide for an aggregate underwriter’s discount of not more than 1.00% of the principal amount of the 2009 Bonds.

Section 4. The form of the preliminary official statement relating to the 2009 Bonds (“Preliminary Official Statement”), a copy of which is on file in the office of the City Clerk and submitted to this meeting, is hereby approved, with such additions and changes as may be approved, with the advice of counsel, by any Authorized Officer. The Authorized Officers, each acting alone, are hereby authorized on behalf of the City to certify to potential purchasers of the 2009 Bonds that the Preliminary Official Statement is deemed “final” for the purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule”) (except for the omission of certain final pricing, rating and related information as permitted by the Rule). The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver to the City and the Underwriter a final Official Statement (“Official Statement”) in substantially the form of the Preliminary Official Statement, with such additions and changes as
the Authorized Officer executing the same shall approve, with the advice of counsel, as being in 
the best interests of the City, such approval to be conclusively evidenced by the execution of 
said Official Statement. The printing, delivery and distribution of the Preliminary Official 
Statement and the Official Statement is hereby approved, and the Underwriter is hereby 
authorized to distribute copies of the Preliminary Official Statement and the Official Statement to 
persons who may be interested in the purchase of the 2009 Bonds and is directed to deliver 
copies of the Official Statement to all purchasers of the 2009 Bonds.

Section 5. The form of the Continuing Disclosure Certificate ("Disclosure 
Certificate"), relating to the 2009 Bonds, a copy of which is attached to the Preliminary Official 
Statement on file in the office of the City Clerk and submitted to this meeting, is hereby 
approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for 
and in the name of and on behalf of the City, to execute and deliver the Disclosure Certificate, 
and the City Clerk is authorized to attest thereto, with such additions and changes therein as the 
Authorized Officer executing the same shall approve, with the advice of counsel, as being in the 
best interests of the City, such approval to be conclusively evidenced by the execution and 
delivery thereof.

Section 6. The Authorized Officers, each acting alone, are hereby authorized and 
directed to take all actions and execute any and all documents necessary or advisable to 
arrange for the insuring of all or a portion of the 2009 Bonds or to obtain a debt service reserve 
fund surety bond, or to obtain any other form of credit enhancement, if, upon the advice of the 
City’s financial advisors, such insurance, surety bond or other credit enhancement will result in a 
lower effective interest cost.

Section 7. If the Chief Financial Officer determines that it will be advantageous to the 
City for the Authority to issue all or a portion of the 2009 Bonds as “Build America Bonds” under 
the American Recovery and Reinvestment Act of 2009 ("Recovery Act"), the Authorized 
Officers, each acting alone, are hereby authorized to approve such changes to the proposed 
forms of the Indentures, Installment Purchase Contracts, Bond Purchase Contracts, Preliminary 
Official Statement, Official Statement and Disclosure Certificate as may be necessary or 
appropriate to provide for the issuance of all or a portion of the 2009 Bonds as “Build America 
Bonds” under the Recovery Act, in each case with the advice of counsel, such approval to be 
conclusively evidenced by the execution and delivery of such documents.

Section 8. All actions heretofore taken by any officers, employees or agents of the 
City with respect to the issuance, delivery or sale of the 2009 Bonds, or in connection with or 
related to any of the documents referenced herein or the financing of the 2009 Project, are 
hereby approved, confirmed and ratified; and the Authorized Officers are hereby authorized and 
directed, for and in the name and on behalf of the City, to do any and all things and take any 
and all actions and execute and deliver any and all certificates, agreements and other 
documents (including but not limited to a Tax Certificate and Agreement), which they, or any of 
them, may deem necessary or advisable in order to consummate the lawful issuance and 
delivery of the 2009 Bonds and the disbursement of proceeds thereof in accordance with this 
Resolution.

Section 9. In connection with the 2009 Bonds, the City hereby appoints and retains 
Del Rio Advisors, LLC, as Financial Advisor; Lofton & Jennings as Disclosure Counsel; and 
Orrick, Herrington & Sutcliffe, LLP, as Bond Counsel. Citigroup Global Markets, Inc., is 
appointed as Underwriter for the 2009 Bonds.
Section 10. This Resolution shall take effect immediately upon its adoption.

Section 11. The Authorized Officers, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED, and ADOPTED ____________________.

__________________________
ANN JOHNSTON
Mayor of the City of Stockton

ATTEST:

__________________________
KATHERINE GONG MEISSNER
City Clerk of the City of Stockton
RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF STOCKTON PUBLIC FINANCING AUTHORITY WATER REVENUE BONDS (DELTA WATER SUPPLY PROJECT) IN ONE OR MORE SERIES FROM TIME TO TIME IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $260,000,000 AND DIRECTING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF SUCH BONDS DESIGNATED AS "SERIES 2009," IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $185,000,000; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE 2009 INDENTURES, ONE OR MORE 2009 INSTALLMENT PURCHASE CONTRACTS, ONE OR MORE BOND PURCHASE CONTRACTS AND AN OFFICIAL STATEMENT RELATING TO AN INSTALLMENT PURCHASE FINANCING; AND APPROVING CERTAIN ACTIONS IN CONNECTION THEREWITH

The City of Stockton ("City") and the Redevelopment Agency of the City of Stockton have entered into a Joint Exercise of Powers Agreement establishing the Stockton Public Financing Authority ("Authority"), a California joint exercise of powers entity duly organized to provide financial assistance to the City; and

The City desires to acquire, construct, install and improve, or cause the acquisition, construction, installation, and improvement of its Delta Water Supply Project ("Project"); and

In order to effectuate such acquisition, construction, installation, and improvement of the Project, the City proposes to purchase a portion of the Project ("2009 Project") from the Authority pursuant to one or more 2009 Installment Purchase Contracts ("Installment Purchase Contracts"); and

Under the Installment Purchase Contracts, the City will be obligated to make installment payments to the Authority for the purchase of the 2009 Project; and

In order to provide funds for the acquisition, construction, installation, and improvement of the Project, the Authority desires to authorize the issuance and sale of its Water Revenue Bonds (Delta Water Supply Project) ("Bonds"), in one or more series from time to time; and

To provide funds for the purchase of the 2009 Project, and in order that the 2009 Project may be sold to the City pursuant to the Installment Purchase Contracts, the Authority desires to issue one or more series of the Bonds designated as its Water Revenue Bonds, Series 2009 (Delta Water Supply Project) ("2009 Bonds"); and

In order to provide for the authentication and delivery of the 2009 Bonds, to establish and declare the terms and conditions upon which the 2009 Bonds are to be issued and secured and to secure the repayment thereof, it is proposed that the Authority and Wells Fargo Bank National Association ("Trustee") enter into one or more 2009 Indentures ("Indentures"); now, therefore,
BE IT RESOLVED BY THE STOCKTON PUBLIC FINANCING AUTHORITY, AS FOLLOWS:

Section 1. The issuance of the Bonds in one or more series from time to time in the aggregate principal amount of not to exceed $260,000,000 is hereby authorized and approved. The issuance of the 2009 Bonds in one or more series in the aggregate principal amount of not to exceed $185,000,000 on the terms and conditions set forth in and subject to the limitations specified in the Indentures, is hereby authorized and approved. The 2009 Bonds are authorized to be executed for and in the name and on behalf of the Authority by the manual or facsimile signature of the Chair or Executive Director of the Authority and attested to by the manual or facsimile signature of the Secretary of the Authority. The 2009 Bonds, when so executed and attested, are authorized to be delivered to the Trustee for authentication.

Section 2. The form of the Indentures, a copy of which is on file in the office of the Secretary of the Authority or his or her designee ("Secretary") and submitted to this meeting, is hereby approved. The Chair, the Executive Director and the Treasurer and the designees of any of them (each, an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the Indentures, and the Secretary is authorized to attest thereto, with such additions and changes therein as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of the Installment Purchase Contracts, a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute the Installment Purchase Contracts, and the Secretary is authorized to attest thereto, with such additions and changes therein as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the installment payments to be contained in the Installment Purchase Contracts shall be determined or approved by the Treasurer of the Authority or the designee thereof ("Treasurer") upon the sale of the 2009 Bonds, but the principal portions thereof shall not exceed $185,000,000 in aggregate principal amount and shall be for a term not exceeding forty (40) years.

Section 4. The form of one or more Bond Purchase Contracts relating to the sale of the 2009 Bonds ("Bond Purchase Contracts"), among Citigroup Global Markets, Inc. ("Underwriter"), the Authority and the City, a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Contracts, and the Secretary is authorized to attest thereto, with such additions and changes therein as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the 2009 Bonds shall bear interest at an effective interest cost (taking into account any subsidy or other reimbursement expected to be received by the Authority or the City with respect to interest payments on all or a portion of the 2009 Bonds) not to exceed 7.50% per annum and the Bond Purchase Contracts shall provide for an aggregate underwriter's discount of not more than 1.00% of the principal amount of the 2009 Bonds.
Section 5. The form of the preliminary official statement relating to the 2009 Bonds ("Preliminary Official Statement"), a copy of which is on file in the office of the Secretary and submitted to this meeting, is hereby approved, with such additions and changes as may be approved, with the advice of counsel, by any Authorized Officer. The Authorized Officers, each acting alone, are hereby authorized on behalf of the Authority to certify to potential purchasers of the 2009 Bonds that the Preliminary Official Statement is deemed "final" (as it relates to the Authority) for the purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule") (except for the omission of certain final pricing, rating and related information as permitted by the Rule). The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver to the Authority and the Underwriter a final Official Statement ("Official Statement") in substantially the form of the Preliminary Official Statement, with such additions and changes as the Authorized Officer executing the same shall approve, with the advice of counsel, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution of said Official Statement. The printing, delivery and distribution of the Preliminary Official Statement and the Official Statement is hereby approved, and the Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement and the Official Statement to persons who may be interested in the purchase of the 2009 Bonds and is directed to deliver copies of the Official Statement to all purchasers of the 2009 Bonds.

Section 6. The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions and execute any and all documents necessary or advisable to arrange for the insuring of all or a portion of the 2009 Bonds or to obtain a debt service reserve fund surety bond, or to obtain any other form of credit enhancement, if, upon the advice of the Authority's financial advisors, such insurance, surety bond or other credit enhancement will result in a lower effective interest cost.

Section 7. If the Treasurer determines that it will be advantageous to the Authority to issue all or a portion of the 2009 Bonds as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 ("Recovery Act"), the Authorized Officers, each acting alone, are hereby authorized to approve such changes to the proposed forms of the Indentures, Installment Purchase Contracts, Bond Purchase Contracts, Preliminary Official Statement and Official Statement as may be necessary or appropriate to provide for the issuance of all or a portion of the 2009 Bonds as "Build America Bonds" under the Recovery Act, in each case with the advice of counsel, such approval to be conclusively evidenced by the execution and delivery of such documents.

Section 8. All actions heretofore taken by any officers, employees or agents of the Authority with respect to the issuance, delivery or sale of the 2009 Bonds, or in connection with or related to any of the documents referenced herein or the financing of the 2009 Project, are hereby approved, confirmed and ratified; and the Authorized Officers are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents (including but not limited to a Tax Certificate and Agreement), which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the 2009 Bonds and the disbursement of proceeds thereof in accordance with this Resolution.
Section 9. In connection with the 2009 Bonds, the Authority hereby appoints and retains Del Rio Advisors, LLC, as Financial Advisor; Lofton & Jennings as Disclosure Counsel; and Orrick, Herrington & Sutcliffe, LLP, as Bond Counsel. Citigroup Global Markets, Inc., is appointed as Underwriter for the 2009 Bonds.

Section 10. This Resolution shall take effect immediately upon its adoption.

Section 11. The Authorized Officers, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

PASSED, APPROVED, and ADOPTED ____________________.

ANN JOHNSTON, Chairperson
Stockton Public Financing Authority

ATTEST:

KATHERINE GONG MEISSNER, Secretary
Stockton Public Financing Authority
COMMITTEE REPORTS

10.01) CC Report of Chair Catherine Miller on the Council Housing Committee meeting of July 14, 2009.