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(R-2006-524)
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RESOLUTION NUMBER R- 301224

DATE OF FINAL PASSAGE FEB 09 2006

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SAN DIEGO AUTHORIZING AND DIRECTING THE MAYOR
TO PROCEED WITH THE SECURITIZATION OF NOT TO
EXCEED \$10.3 MILLION OF THE CITY'S ANNUAL RECEIPT
OF TOBACCO SETTLEMENT REVENUES, AND TO
PROCEED WITH THE PREPARATION OF SECURITY AND
FINANCING DOCUMENTS, INCLUDING THE FORMATION
OF A SPECIAL PURPOSE ENTITY, AND TO TAKE ALL
OTHER ACTION NECESSARY OR DESIRABLE IN
CONNECTION THEREWITH.

WHEREAS, on September 12, 2005, the City Manager presented Report No. 05-190
(CMR 05-190), entitled, "Options to Increase the Funded Ratio of the San Diego City
Employees' Retirement System" [Report] to the City Council, and

WHEREAS, the Report contained proposed funding options designed to increase the
funded ratio of the San Diego City Employees' Retirement System [SDCERS], and

WHEREAS, the Report recommended, among other strategies, revenue securitization of
various City revenue streams in a targeted amount of up to \$100 million in FY 2006, and

WHEREAS, on September 12, 2005, the City Council directed the City Manager to
proceed with the evaluation of pension solutions, including such solutions to leverage
approximately \$17 million of estimated employee savings derived from FY 2005 labor
negotiations; and

WHEREAS, the Report of the Mayor, dated January 17, 2006, sets forth its evaluation of a proposed tobacco securitization transaction which would serve to leverage employee offset savings; and

WHEREAS, the City's access to the public capital markets continues to be constrained due to the lack of current audited financial statements, and such event limits the financing options available to the City to increase the funded ratio of SDCERS; and

WHEREAS, a significant one-time cash infusion to SDCERS could be accomplished through the securitization of the City's tobacco settlement revenues, such settlement revenues to be received by the City in perpetuity pursuant to the terms of that certain Agreement Regarding Interpretation of Memorandum of Understanding between the State, its counties and certain cities, including the City of San Diego; and

WHEREAS, the securitization of tobacco settlement revenues has a well-tested legal precedent and involves the sale of the City's right to receive such revenues over a certain period to investors at a negotiated discounted rate, such rate being dependent upon the size, the revenue pledged, the duration of the pledge and prevailing market conditions for such transactions, and

WHEREAS, the securitization of tobacco settlement revenues could be an advantageous financing strategy and it is therefore desirable that the Mayor in consultation with the City Attorney, proceed expeditiously to implement a tobacco securitization transaction, NOW
THEREFORE,

BE IT RESOLVED by the Council of the City of San Diego as follows:

1 The City Council finds that the foregoing recitals are true and correct.

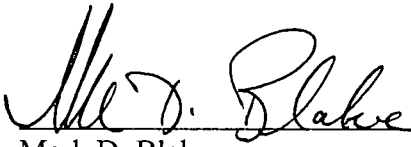
2 That the Mayor is hereby authorized and directed to leverage approximately \$10.3 million in annual employee pick up savings by securitizing in FY 2006 an equivalent amount of the City's tobacco settlement revenues to generate up to \$100 million in net proceeds for deposit to the City's retirement system, provided however, that the Mayor shall not leverage greater than \$10.3 million of the City's annual tobacco settlement revenues

3 That the retention by the City Attorney of Hawkins Delafield & Wood LLP to serve as bond counsel and disclosure counsel for the proposed tobacco securitization transaction is hereby approved, provided that fees and expenses of bond counsel and disclosure counsel shall not exceed \$300,000, and be payable contingent upon the sale of the bonds.

4. That the Mayor, in consultation with the City Attorney, is hereby authorized and directed to proceed with the proposed transaction and the preparation of financing and security documents necessary to execute a tobacco securitization transaction in FY 2006, including the formation of a special purpose entity in order to effectuate a true sale of such revenues to investors; provided however that prior to any sale of the City's right to receive tobacco revenues the Mayor shall (i) present any disclosure document prepared in connection with the tobacco securitization transaction to the Disclosure Practices Working Group for its review, and (ii)

thereafter return to this Council for final approval of the financing structure, including approval of the related financing and security documents and the formation of said special purpose entity

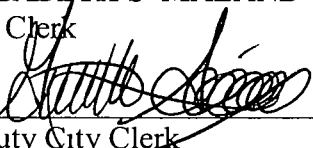
APPROVED: MICHAEL J AGUIRRE, City Attorney

By 
Mark D. Blake
Chief Deputy City Attorney

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I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at its meeting of FEB 06 2006

ELIZABETH S MALAND
City Clerk

By 
Deputy City Clerk

Approved Feb 09, 06
(date)


JERRY SANDERS, Mayor

Vetoed
(date)

JERRY SANDERS, Mayor

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