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1/16/07

RESOLUTION NUMBER R- 302292

DATE OF FINAL PASSAGE JAN 19 2007

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE FORM OF AND AUTHORIZING THE ISSUANCE OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO NON-TRANSFERABLE SUBORDINATED WATER REVENUE NOTES, SERIES 2007A (PAYABLE SOLELY FROM SUBORDINATED INSTALLMENT PAYMENTS SECURED BY NET SYSTEM REVENUES OF THE WATER UTILITY FUND) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FIFTY-SEVEN MILLION DOLLARS, APPROVING THE FORM OF AN INDENTURE, APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE AGREEMENT, A SECOND AMENDATORY SUPPLEMENT TO THE MASTER INSTALLMENT PURCHASE AGREEMENT AND A 2007A SUPPLEMENT TO THE MASTER INSTALLMENT PURCHASE AGREEMENT RELATING TO AN INSTALLMENT PURCHASE FINANCING, AUTHORIZING THE CITY ATTORNEY TO APPOINT CO-BOND COUNSEL AND APPROVING CERTAIN OTHER AGREEMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of San Diego, California [City] and the Redevelopment Agency of the City of San Diego entered into a Joint Exercise of Powers Agreement establishing the Public Facilities Financing Authority of the City of San Diego [Authority], a California joint exercise of powers authority duly organized and established to finance, acquire, construct, maintain, repair, operate and control certain capital facilities improvements for the City; and

WHEREAS, the San Diego Facilities and Equipment Leasing Corporation [Corporation] is a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California [State] that was incorporated to acquire and lease and/or sell to the City real and personal property to be used in the municipal operations of the City; and

WHEREAS, the Corporation previously executed and delivered \$385,000,000 original principal amount of its Certificates of Undivided Interest (In Installment Payments Payable from Net System Revenues of the Water Utility Fund of the City of San Diego) Series 1998 [1998 Certificates] and the Authority previously issued \$286,945,000 original principal amount of its Subordinated Water Revenue Bonds, Series 2002 (Payable Solely From Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund) [2002 Subordinated Bonds] to, among other things, finance the acquisition, construction, installation, and improvement of a portion of the City's water system; and

WHEREAS, in order to effectuate the acquisition, construction, installation and improvement of a portion of the City's water system with the proceeds of the 1998 Certificates and the 2002 Subordinated Bonds, the Corporation sold components of the water system financed with the proceeds of the 1998 Certificates and the 2002 Subordinated Bonds to the City pursuant to a Master Installment Purchase Agreement, dated as of August 1, 1998, as amended by a First Amendatory Supplement, dated as of September 19, 2002, and supplemented by a 1998 Supplement to Master Installment Purchase Agreement, dated as of August 1, 1998, and a 2002 Supplement to Master Installment Purchase Agreement, dated as of October 1, 2002, each by and between the Corporation and the City, as subsequently amended and supplemented from time to time [Installment Purchase Agreement]; and

WHEREAS, the City desires to effect the further acquisition, construction, installation and improvement of its water system [Project]; and

WHEREAS, in order to facilitate the financing of the Project and clarify certain provisions of the Installment Purchase Agreement, the City and the Corporation propose to enter

into a Second Amendatory Supplement to the Installment Purchase Agreement [Second Amendatory Supplement], amending the Installment Purchase Agreement; and

WHEREAS, in order to facilitate the financing of the Project, the City and the Corporation propose to enter into a 2007A Supplement to the Installment Purchase Agreement [2007A Supplement], amending and supplementing the Installment Purchase Agreement; and

WHEREAS, to further facilitate the proposed financing, the Corporation, as assignor, will execute an Assignment Agreement [Assignment Agreement] pursuant to which the Corporation will assign all of its right, title and interest under the 2007A Supplement to the Authority, as assignee; and

WHEREAS, under the Installment Purchase Agreement, the 2007A Supplement and the Assignment Agreement, the City will be obligated to make 2007A Subordinated Installment Payments (as defined in the 2007A Supplement) to the Authority; and

WHEREAS, to provide funds to finance the Project, reimburse the City for certain expenditures relating to the Project and pay costs of issuance, the Authority desires to issue its Non-Transferable Subordinated Water Revenue Notes, Series 2007A (Payable Solely from Subordinated Installment Payments Secured By Net System Revenues of the Water Utility Fund) [Series 2007A Subordinated Notes]; and

WHEREAS, to provide for the authentication and delivery of the Series 2007A Subordinated Notes, to establish and declare the terms and conditions upon which the Series 2007A Subordinated Notes are to be issued and secured and to secure the repayment thereof, it is proposed that the Authority enter an Indenture [Indenture] with Wells Fargo Bank, National Association or such other trustee named therein; and

WHEREAS, in order to provide for the sale of the Series 2007A Subordinated Notes the City and the Authority propose to enter into a Note Purchase Agreement [Note Purchase Agreement] with Morgan Stanley & Co. Incorporated [Purchaser] for the purchase of the Series 2007A Subordinated Notes; and

WHEREAS, the Series 2007A Subordinated Notes will mature on a date two years following their date of issuance and the City will be required to finance the payment of principal of the Series 2007A Subordinated Notes with the proceeds of bonds or other obligations to be issued by the Authority on or before the maturity date of the Series 2007A Subordinated Notes, which bonds or other obligations will be secured by component installment payments to be made by the City to the Corporation; and

WHEREAS, this City Council of the City of San Diego [City Council] finds that the financing of the Project results in significant public health benefits, including but not limited to more efficient delivery of service, and that the Project constitutes facilities for the production, storage, transmission, or treatment of water or recycled water; and

WHEREAS, the City is authorized to undertake the actions described in this Resolution pursuant to its Charter and the Constitution and other applicable laws of the State; NOW, THEREFORE,

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

Section 1. The City Council hereby finds and determines that the statements set forth above in the recitals of this resolution are true and correct.

Section 2. The method of financing the acquisition, construction, installation and improvement of the Project through the issuance by the Authority of the Series 2007A

Subordinated Notes in the aggregate principal amount not to exceed Fifty-Seven Million Dollars (\$57,000,000), as determined by the Mayor, the Chief Financial Officer, the Chief Operating Officer or their respective designees or any of them [each an Authorized Officer] in consultation with the financial advisors to the City, substantially in accordance with the Indenture, are hereby approved, and specifically, the form of the Indenture submitted to this meeting, a copy of which is on file in the office of the City Clerk as Document No. RR- 302292 -1.

Section 3. The form, terms and provisions of the Second Amendatory Supplement, between the City and the Corporation, a copy of which is on file in the office of the City Clerk as Document No. RR- 302292 -2, and submitted to this meeting, is hereby approved. The Authorized Officers, and each of them acting alone or together, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Second Amendatory Supplement in substantially the form submitted to this meeting, and the City Clerk is authorized to attest thereto, with such additions and changes therein as the Authorized Officers shall approve as being in the best interests of the City, and as approved as to form by the City Attorney or his specified designee and with such other changes that may be required by Co-Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form, terms and provisions of the 2007A Supplement, between the City and the Corporation, a copy of which is on file in the office of the City Clerk as Document No. RR- 302292 -3, and submitted to this meeting, is hereby approved. The Authorized Officers, and each of them acting alone or together, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the 2007A Supplement in substantially the form submitted to this meeting, and the City Clerk is authorized to attest thereto, with such additions and changes therein as the Authorized Officers shall

approve as being in the best interests of the City, and as approved as to form by the City Attorney or his specified designee and with such other changes that may be required by Co-Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of 2007A Subordinated Installment Payments, attributable to principal shall not exceed Fifty-Seven Million Dollars (\$57,000,000), and the 2007A Subordinated Installment Payments shall be payable semi-annually or otherwise as the Mayor or Chief Financial Officer, or either of their respective designees, in their respective discretion, may direct for a period of not more than two years from the closing of the financing described herein, and with respect to payments by the City of the amount of 2007A Subordinated Installment Payments attributable to interest, the true interest cost shall not exceed the maximum interest rate permitted by law, and the Authorized Officers, and each of them acting alone or together, are hereby authorized and directed to accept or reject provisions for the prepayment of the 2007A Subordinated Installment Payments. Any Authorized Officer is further authorized, in accordance with the terms and provisions of section 3.02 of the Installment Purchase Agreement, to modify or amend from time to time the description of the components of the Project set forth in Exhibit A to the 2007A Supplement to reduce or eliminate any parts thereof or to substitute Project components to be financed with proceeds of the Series 2007A Subordinated Notes.

Section 5. The City hereby acknowledges that the obligation of the City to make 2007A Subordinated Installment Payments to the Authority, in accordance with the Assignment Agreement, a copy of which is on file in the Office of the City Clerk as Document No. RR- 302292 -4, shall be a limited obligation of the City payable solely from subordinated Net System Revenues (as defined in the Installment Purchase Agreement) and other funds provided for under the 2007A Supplement and the Indenture, and does not constitute a

debt of the City or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. In accordance with the Assignment Agreement, the assignment by the Corporation of the City's obligations under the 2007A Supplement to the Authority is hereby approved.

Section 6. The form and content of the Note Purchase Agreement, among the Authority, the City and the Purchaser, a copy of which is on file in the office of the City Clerk as Document No. RR- 302292 -5 and submitted to this meeting, is hereby approved.

The Authorized Officers, and each of them acting alone or together, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Note Purchase Agreement in substantially the form submitted to this meeting, with such additions and changes therein as any Authorized Officer shall approve as being in the best interests of the City, and as approved as to form by the City Attorney or his specified designee, and with such other changes as are required by Co-Bond Counsel, such approval to be conclusively evidenced by the execution and delivery thereof in connection with the execution and delivery of the Note Purchase Agreement, any Authorized Officer is further authorized to negotiate the principal amount of the Series 2007A Subordinated Notes to be sold pursuant to such Note Purchase Agreement up to the maximum aggregate combined amount set forth in Section 2 hereof, and the true interest cost of the issue shall not exceed the maximum interest rate permitted by law.

Section 7. The City hereby authorizes the City Attorney to appoint Hawkins Delafield & Wood LLP and Robinson & Pearman LLP as Co-Bond Counsel for the City in connection with the issuance of the Series 2007A Subordinated Notes. The City Attorney or his specified designee is further authorized to pay the fees and expenses of Hawkins Delafield & Wood LLP in an amount not to exceed \$75,000 and of Robinson & Pearman LLP in an amount

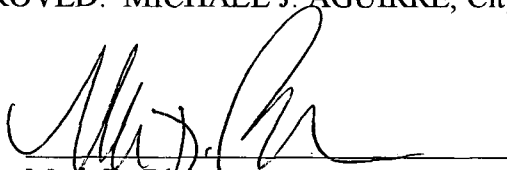
not to exceed \$50,000, together with an amount not to exceed \$5,000, in either case for reasonable out of pocket expenses.

Section 8. All actions heretofore taken by any officials, employees or agents of the City with respect to the issuance, delivery or sale of the Series 2007A Subordinated Notes, or in connection with or related to any of the agreements referenced herein or the financing of the Project, are hereby approved, confirmed and ratified; and the officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this Resolution and the consummation of the transactions contemplated hereby, including authorization to the Chief Financial Officer of the City to make all necessary budgetary and accounting adjustments to accomplish the above. The Authorized Officers of the City and their respective designees are each authorized and directed to take any related actions deemed necessary, advisable or appropriate to consummate and give effect to this Resolution. Any actions heretofore taken by such officers in furtherance of any of the transactions authorized herein are hereby ratified, confirmed and approved.

R- 302292

Section 9. Effective Date. This Resolution shall take effect immediately upon its adoption.

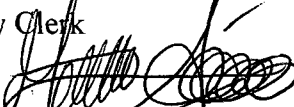
APPROVED: MICHAEL J. AGUIRRE, City Attorney

By 
Mark D. Blake
Chief Deputy City Attorney


MDB:ai
12/20/06
Or.Dept:FIN

I hereby certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of JAN 16 2007.

ELIZABETH S. MALAND
City Clerk

By 
Deputy City Clerk

Approved: 1/19/07
(date)


JERRY SANDERS, Mayor

Vetoed: _____
(date)

JERRY SANDERS, Mayor