

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

RESOLUTION NUMBER FA-2016-4

ADOPTED ON MARCH 15, 2016

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO (I) APPROVING THE FORMS AND AUTHORIZING THE EXECUTION AND DELIVERY OF ONE OR MORE (A) SUPPLEMENTAL INDENTURES, (B) ASSIGNMENT AGREEMENTS, (C) BOND PURCHASE AGREEMENTS AND (D) ESCROW AGREEMENTS; (II) APPROVING AND AUTHORIZING THE ISSUANCE AND SALE BY THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO OF ONE OR MORE SERIES OF ITS WATER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$835,000,000 TO (A) PROVIDE NET BOND PROCEEDS UP TO \$80,000,000 TO FINANCE ADDITIONAL CAPITAL IMPROVEMENTS TO THE WATER SYSTEM AND (B) REFUND ALL OR A PORTION OF THE PUBLIC FACILITIES FINANCING AUTHORITY OF THE CITY OF SAN DIEGO WATER REVENUE BONDS AND/OR ALL OR A PORTION OF THE LOANS PROVIDED TO THE CITY BY THE CALIFORNIA STATE WATER RESOURCES CONTROL BOARD TO ACHIEVE SAVINGS; AND (III) APPROVING CERTAIN OTHER AGREEMENTS AND ACTIONS IN CONNECTION THEREWITH.

WHEREAS, The City of San Diego, California (City), the City solely in its capacity as the designated successor agency Successor Agency to the former Redevelopment Agency of the City of San Diego, and the Housing Authority of the City of San Diego, are parties to 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 City has requested the Authority's assistance in effecting the financing of design, acquisition, construction and installation of improvements (New Money Projects) to the Water System of the City (Water System) and/or the refunding for savings, on an advance refunding basis, of all or a portion of the outstanding Parity Water Revenue Bonds and all or a portion of the outstanding Subordinated Water Revenue Bonds, and the current refunding and prepayment of all or a portion of the outstanding Drinking Water State Revolving Fund loans provided to the City by the California State Water Resources Control Board (the SRF Loans and, together with the outstanding Water Revenue Bonds to be refunded, the Refunded Obligations), in each case if economical or otherwise on terms beneficial to the City and its residents; and

WHEREAS, in order to effectuate the design, acquisition, construction, installation, and improvement of the Water System, the City and the Corporation have entered into an Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, a 2009A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of January 1, 2009, a 2009B Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2009, a 2010A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of June 1, 2010, and a 2012A Supplement to Amended and Restated Master Installment Purchase Agreement, dated as of April 1, 2012 (collectively, the Installment Purchase Agreement), each by and between the City and the Corporation, pursuant to which the Corporation has agreed to sell certain improvements and additions (comprised of various components, each, a Component) to the Water System and the City has agreed from time to time to purchase certain Components as specified in certain supplements to the Installment Purchase Agreement; and

WHEREAS, the City has determined pursuant to an ordinance introduced at a meeting of the City Council of the City of San Diego on the date hereof (Ordinance), that it is in the best interests of the City, between now and June 30, 2018, to request the Authority to issue one or more series of its Water Revenue

Bonds, payable from senior or subordinated Installment Payments secured by Net System Revenues of the Water Utility Fund as may be specified in one or more Supplements to the Installment Purchase Agreement (Water Revenue Bonds), in an aggregate principal amount not to exceed \$835,000,000 to (a) provide net bond proceeds up to \$80,000,000 to finance additional capital improvements to the Water System, (b) refund all or a portion of the Refunded Obligations to achieve savings, (c) fund, or purchase a reserve policy or surety for, a reserve fund, if any, and (d) pay the costs of issuance incurred in connection with the issuance of the Water Revenue Bonds; and

WHEREAS, the Ordinance includes a finding that financing and refinancing of components of the Water System as set forth therein will provide significant public benefits in accordance with the criteria specified in California Government Code Section 6586; and

WHEREAS, in order to facilitate the refunding of all or a portion of the Refunded Obligations and to finance the design, acquisition, construction and installation of additional improvements to the Water System, the City and the Corporation propose to enter into one or more Supplements to Amended and Restated Master Installment Purchase Agreement (each, a Supplement), supplementing the Installment Purchase Agreement; and

WHEREAS, the Installment Purchase Agreement, as amended, provides that each Supplement shall specify either a senior or subordinate pledge of Net System Revenues (as defined in the Installment Purchase Agreement) as any Authorized Signatory shall determine to be necessary or desirable and approve as being in the best interests of the City; and

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

WHEREAS, to further facilitate the proposed financings, the Corporation, as assignor, will execute and deliver one or more forms of an Assignment Agreement (Assignment Agreement), pursuant to which the Corporation will assign all of its right, title, and interest under the each Supplement to the Authority, as assignee; and

WHEREAS, the issuance of the Water Revenue Bonds is authorized under the Ordinance in one or more series over time as opportunities are presented to lower financing costs, if economical or otherwise on terms deemed beneficial by and to the City and its residents; and

WHEREAS, the Authority is informed that the City has conducted a competitive proposal process to select the underwriting firms to serve as underwriters with respect to the sale and delivery of the Water Revenue Bonds; and

WHEREAS, there has been presented to this meeting a proposed form of Bond Purchase Agreement (Bond Purchase Agreement), by and among J.P. Morgan Securities Inc., for itself, and as representative (Representative) of, Morgan Stanley & Co. LLC, Siebert Brandford Shank & Co., LLC, Samuel A. Ramirez & Company, Inc., and The Williams Capital Group, as initial underwriters, and such other or alternative underwriters as may be designated by the City (collectively, with the Representative, the Underwriters), the Authority and the City, a copy of which is on file in the Office of the City Clerk of the City (City Clerk) as Document No. <sup>PR-</sup>310310 pursuant to which form of Bond Purchase Agreement the Authority will agree to sell the Water Revenue Bonds; and

WHEREAS, to further facilitate the proposed refunding of the Refunded Obligations, it is proposed that the Authority enter into one or more Escrow Agreements (each, an Escrow Agreement) with U.S. Bank National Association, or any successor or substitute trust company or bank having trust powers, as trustee for the Refunded Obligations and as escrow agent; and

WHEREAS, to provide for the authentication and delivery of the Water Revenue Bonds, to establish and declare the terms and conditions upon which the Water Revenue Bonds are to be issued and secured, and to secure the repayment thereof, it is proposed that the Authority enter into one or more Supplemental Indentures (each, a Supplemental Indenture) with U.S. Bank National Association, or any successor or substitute trust company or bank having trust powers, as trustee (Trustee), which Supplemental Indenture shall amend and supplement an Indenture, dated as of January 1, 2009, as amended and supplemented by a First Supplemental Indenture, dated as of June 1, 2009, a Second

Supplemental Indenture, dated as of June 1, 2010, and a Third Supplemental Indenture, dated as of April 1, 2012, each by and between the Authority and the Trustee; and

WHEREAS, the City has further determined to request the Authority to amend certain provisions of the Indenture, including, but not limited to, the provisions related to the reserve fund and permitted investments; and

WHEREAS, the Authority has determined, in accordance with Section 9.01(b) of the Indenture, that the terms of the Supplemental Indenture including, without limitation, to provide for the issuance of subordinate bonds, are not inconsistent with the Indenture as currently exists and will not adversely affect the interests of the Owners of bonds issued under the Indenture; and

WHEREAS, the Authority is authorized to undertake the actions described in this Resolution pursuant to its Joint Exercise of Powers Agreement and the Constitution and applicable laws of the State;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Public Facilities Financing Authority of the City of San Diego (Board of Commissioners), as follows:

Section 1. The Board of Commissioners hereby finds and determines that the statements set forth above in the recitals to this Resolution are true and correct.

Section 2. The issuance of the Water Revenue Bonds in one or more series in an aggregate principal amount not to exceed \$835,000,000 is hereby authorized and approved to provide funds for (a) the financing and refinancing of New Money Projects through the issuance and sale by the Authority of Water Revenue Bonds, in one or more series, through one or more issuances to provide net bond proceeds in amount not to exceed \$80,000,000, provided that, as to each such issuance the financing and refinancing of New Money Projects must achieve a true interest cost with respect to the issuance and sale by the Authority of Water Revenue Bonds not to exceed 6.00% per annum; (b) the advance refunding of all or a portion of the outstanding Parity Water Revenue Bonds and the outstanding Subordinated Water Revenue Bonds through the issuance and sale by the Authority of Water Revenue Bonds, in one or more series, through one or more issuances; (c) the current refunding of all or a portion of the outstanding SRF Loans through the issuance and sale by the Authority of Water Revenue Bonds, in one or more series,

through one or more issuances; (d) the funding of, or purchasing a reserve policy or surety for, a debt service reserve fund, if any, for the Water Revenue Bonds, and (e) the paying costs of issuance incurred in connection with the issuance of the Water Revenue Bonds, in each case by public offering now or in the future. The Water Revenue Bonds are authorized to be executed for and in the name of and on behalf of the Authority by the manual or facsimile signature of the Chair or Vice-Chair of the Board of Commissioners of the Authority (each, an Authorized Officer) and attested to by the manual or facsimile signature of the Secretary of the Authority (Secretary) or his or her specified designee. The Water Revenue Bonds, when so executed and attested, are authorized to be delivered to the Trustee for authentication.

Section 3. The form and content of the form of Supplemental Indenture submitted to this meeting, a copy of which Supplemental Indenture is on file in the office of the Office of the Secretary and submitted to this meeting, is hereby approved. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver one or more Supplements in conjunction with one or more issuances of Water Revenue Bonds, in one or more series and on one or more sale dates between now and June 30, 2018, in substantially the form submitted to this meeting, with such additions and changes therein as any Authorized Signatory shall determine are necessary or desirable and approve as being in the best interests of the Authority, and as approved as to form by the City Attorney of the City of San Diego (City Attorney), as counsel to the Authority, or his specified designee, and with such other changes that may be required or requested by Orrick, Herrington & Sutcliffe LLP, as Bond Counsel (Bond Counsel), such approval to be conclusively evidenced by the execution and delivery thereof. Each such issuance and each Supplemental Indenture shall specify a senior or subordinate pledge of Net System Revenues (as defined in the Installment Purchase Agreement) as any Authorized Signatory shall determine to be necessary or desirable and approve as being in the best interests of the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form, terms, and provisions of the Assignment Agreement, by and between the Authority and the Corporation, a copy of which is on file in the Office of the Secretary and submitted to this meeting, are hereby approved. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver one or more forms of the Assignment Agreement, in conjunction with one or more issuances of Water Revenue Bonds, in one or more series and on one or more sale dates between now and June 30, 2018, in substantially the form presented to this meeting, with such additions and changes therein, as any Authorized Officers shall determine are necessary or desirable and approve as being in the best interests of the Authority, and as approved as to form by the City Attorney, as counsel to the Authority, or his specified designee, and with such other changes that may be required by Bond Counsel, such approval to be conclusively evidenced by the execution and delivery of the Assignment Agreement.

Section 5. The form, terms, and provisions of the form of the Bond Purchase Agreement submitted to this meeting, a copy of which Bond Purchase Agreement is on file in the office of the Office of the Secretary and submitted to this meeting, is hereby approved. Each Authorized Officer is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name and on behalf of the Authority, to execute and deliver one or more forms of the Bond Purchase Agreement, and the Authority is hereby requested to execute and deliver one or more forms of the Bond Purchase Agreement, in conjunction with one or more issuances of Water Revenue Bonds, in one or more series and on one or more sale dates between now and June 30, 2018, in substantially the form presented to this meeting, with such additional or alternative underwriters and representatives as may be named, together with other additions and changes therein, as any Authorized Officers shall determine are necessary or desirable and approve as being in the best interests of the Authority, and as approved as to form by the City Attorney, as counsel to the Authority, or his specified designee, and with such other changes that may be required by Bond Counsel, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement, and which aggregate principal denomination, final maturity and terms of the

respective series of Water Revenue Bonds will be conclusively evidenced by the execution by the Authority of the Bond Purchase Agreement.

Section 6. The form, terms, and provisions of the Escrow Agreement, by and between the Authority and the Trustee, a copy of which is on file in the Office of the Secretary and submitted to this meeting, are hereby approved. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute and deliver one or more Escrow Agreements in conjunction with one or more issuances of Water Revenue Bonds, in one or more series and on one or more sale dates between now and June 30, 2018, in substantially the form presented to this meeting, with such additions and changes therein, as any Authorized Officers shall determine are necessary or desirable and approve as being in the best interests of the Authority, and as approved as to form by the City Attorney, as counsel to the Authority, or his specified designee, and with such other changes that may be required by Bond Counsel, such approval to be conclusively evidenced by the execution and delivery of the Escrow Agreement.

Section 7. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed to take all actions and execute any and all documents necessary or advisable to determine and document the lien structure for the installment payments, the terms for debt service reserve funds, if any, including, without limitation, providing for a reserve surety bond or reserve fund policy to secure any debt service reserve fund, if any, the release of funds then on deposit in a debt service reserve fund, the insuring of all or a portion of the Water Revenue Bonds, the provision of any other form of credit enhancement for the Water Revenue Bonds, in each case if, upon the advice of the City's municipal advisor and based upon then current market conditions, it is determined by an Authorized Officer that such determination is expected to result in a lower true interest cost of the Water Revenue Bonds or otherwise deemed beneficial by and to the City and its residents, and 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. Any actions heretofore taken by such officers in furtherance of any of the transactions authorized herein are hereby ratified, confirmed, and approved.

Section 8. The Authorized Officers, and each of them, acting alone, are hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things and take any and all actions, from time to time, consistent with this Resolution and the documents approved herein and other documents authorized by this Resolution, including, without limitation, payment of necessary and appropriate fees and expenses of bond counsel, disclosure counsel, municipal advisor and other professionals retained by the Authority, and execute and deliver any and all certificates, agreements and other documents (including, but not limited to, the tax compliance certificate and any amendments or supplements to the financing documents executed in connection with the original issuance of the outstanding Parity Water Revenue Bonds and the outstanding Subordinated Water Revenue Bonds) which they, or any of them, may deem necessary or advisable to consummate the transactions evidenced by the documents referenced herein in accordance with this Resolution.

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

ADOPTED, SIGNED AND APPROVED this \_\_ day of March, 2016, by the following vote:

AYES: Lightner, Zapf, Gloria, Cole, Kersey, Cate, Sherman, Alvarez

NAYS: \_\_\_\_\_

ABSENT: Emerald

VACANT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

PUBLIC FACILITIES FINANCING AUTHORITY  
OF THE CITY OF SAN DIEGO

  
\_\_\_\_\_  
Sherri Lightner, Chair, Board of Commissioners

Attest:

  
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Secretary to Board of Commissioners