

ORDINANCE NO. ____

Ordinance of the City of Santa Barbara Authorizing the Execution and Delivery by the City of an Installment Sale Agreement, a Trust Agreement and a Continuing Disclosure Agreement in Connection with the Execution and Delivery of City of Santa Barbara Water Revenue Refunding Certificates of Participation, Series 2013, and Authorizing Related Actions

WHEREAS, the City and the Redevelopment Agency of the City of Santa Barbara (“Agency”), which Agency was on February 1, 2012, succeeded to by the Successor Agency to the Redevelopment Agency of the City of Santa Barbara, have heretofore entered into a Joint Exercise of Powers Agreement, dated as of April 1, 2002 (the “Joint Powers Agreement”), which Joint Powers Agreement creates and establishes the Santa Barbara Financing Authority (“Authority”);

WHEREAS, in order to refinance the acquisition, construction and installation of certain improvements (the “Project”) to its water system, the City of Santa Barbara (the “City”) caused to be executed and delivered the City of Santa Barbara Water Revenue Refunding Certificates of Participation Series 2002 (the “Prior Certificates”);

WHEREAS, the Prior Certificates evidence undivided proportionate interests of the owners thereof in installment payments (the “Prior Installment Payments”) to be made by the City pursuant to an Installment Sale Agreement, dated as of May 1, 2002, by and between the City and the Authority;

WHEREAS, in order to achieve certain savings, the City desires to refinance the Project by exercising its option to prepay the Prior Installment Payments, which prepayment will be applied to the redemption of the Prior Certificates;

WHEREAS, in order to refinance the Project, the City will sell the Project to the Authority and then purchase the Project from the Authority pursuant to an Installment Sale Agreement (the “Installment Sale Agreement”);

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to refinance the Project through the execution and delivery, pursuant to a Trust Agreement (the “Trust Agreement”), by and among U.S. Bank National Association, as trustee (the “Trustee”), the Authority and the City, of the City of Santa Barbara Water Revenue Refunding Certificates of Participation, Series 2013 (the “Certificates”), evidencing direct, fractional undivided interests in the installment payments (the “Installment Payments”), and the interest thereon, payable by the City under the Installment Sale Agreement;

WHEREAS, the City has received three loans from the State of California (the “State”) under the State’s Safe Drinking Water State Revolving Fund Law of 1997 as follows: (1) a not to exceed loan of \$19,200,000 to fund the Cater Water Treatment Plant Improvement Project (Project No. 4210010-02) (the “2002 SRF Loan”), (2) a not to exceed loan of \$20,000,000 to fund the Sheffield Reservoir Project (Project No. 4210010-01) (the “2003 SRF Loan”), and (3) a

not to exceed loan of \$29,283,000 to fund a project to meet safe drinking water standards (Project No. 4210010-004C) (the “2010 SRF Loan”);

WHEREAS, the 2002 SRF Loan and the 2003 SRF Loan (the “Subordinated Prior Loans”) are currently subordinate in payment to the Prior Certificates;

WHEREAS, the City has requested the State to continue the subordination of the payment of the Subordinated Prior Loans to the payment of the Certificates;

WHEREAS, if the State refuses the City’s request to continue the subordination of the payment of the Subordinated Prior Loans to the payment of the Certificates or if there are reasonable savings with respect to the refinancing of the Subordinated Prior Loans, the City may, upon the advice and recommendation of the City’s financial advisor, determine to refinance either or both of the Subordinated Prior Loans concurrently with the refinancing of the Prior Certificates;

WHEREAS, if the City determines to refinance the Subordinated Prior Loans concurrently with the refinancing of the Prior Certificates, the Trust Agreement and the Installment Sale Agreement shall be appropriately revised to reflect such refinancing;

WHEREAS, all rights to receive the Installment Payments, and the interest thereon, will be assigned without recourse by the Authority to the Trustee pursuant to the Trust Agreement;

WHEREAS, in consideration of such assignment and the execution of the Trust Agreement, the Trustee will execute and deliver the Certificates, each evidencing a direct, fractional undivided interest in the Installment Payments, and the interest thereon;

WHEREAS, in order to refinance the acquisition, construction and installation of certain other improvements to its water system, the City caused to be executed and delivered the City of Santa Barbara Water Revenue Refunding Bonds, Series 1994A (the “Prior Bonds”);

WHEREAS, City intends to refund the outstanding Prior Bonds by making, from available City funds, including the debt service reserve fund on deposit with the Trustee , a cash deposit with the trustee for the Prior Bonds in an amount equal to the outstanding principal of and interest on the Prior Bonds through the date of redemption;

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 requires that, in order to be able to purchase or sell the Certificates, the purchaser thereof must have reasonably determined that the City has undertaken in a written agreement or contract for the benefit of the holders of the Certificates to provide disclosure of certain financial information and certain material events on an ongoing basis;

WHEREAS, in order to cause such requirement to be satisfied, the City desires to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”) with the Trustee; and

WHEREAS, the City Council of the City (the “City Council”) has been presented with the form of each of the Installment Sale Agreement, the Trust Agreement and the Continuing

Disclosure Agreement, and the City Council has examined and approved each such document and desires to authorize and direct the execution of such documents, subject to revision in the event that the Subordinated Prior Loans are refinanced as described above;

NOW, THEREFORE, The City Council of the City of Santa Barbara does ordain as follows:

Section 1. All of the recitals herein contained are true and correct and the City Council so finds.

Section 2. The form of Installment Sale Agreement, presented in connection with and prior to this meeting and on file with the City Clerk, is hereby approved, and the City Administrator of the City, the Finance Director of the City, the Public Works Director of the City, the City Attorney or his or her designee (each, an “Authorized Officer”), are each hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver the Installment Sale Agreement in substantially the form presented in connection with and prior to this meeting with such changes therein as the Authorized Officers executing the same may require or approve in consultation with the City Attorney and Bond Counsel, which approval shall be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the Installment Payments shall not exceed \$45,000,000, the final Installment Payment shall be payable no later than October 1, 2026 and there shall be net present value savings with respect to the refinancing of the Prior Certificates of at least 3%, and if either or both of the Subordinated Prior Loans are refinanced there shall be additional reasonable present value savings as determined by the Authorized Officers in consultation with and based upon the advice and recommendation of the City’s financial advisor.

Section 3. The form of Trust Agreement, presented in connection with and prior to this meeting and on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Trust Agreement in substantially the form presented in connection with and prior to this meeting with such changes therein as the Authorized Officers executing the same may require or approve in consultation with the City Attorney and Bond Counsel, which approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The form of Continuing Disclosure Agreement, presented in connection with and prior to this meeting and on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute, acknowledge and deliver the Continuing Disclosure Agreement in substantially the form presented in connection with and prior to this meeting, with such changes therein as the Authorized Officers executing the same may require or approve in consultation with the City Attorney and Bond Counsel, which approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Ordinance, including, without limitation, the deposit

with the trustee for the Prior Bonds of sufficient available funds of the City to refund the outstanding Prior Bonds;

Section 6. All actions heretofore taken by the officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 7. The Mayor shall sign and the City Clerk shall attest to the passage of this Ordinance. The City Council hereby orders that, in lieu of the publication of this Ordinance once in the official newspaper of the City within 15 days after its adoption, this Ordinance shall be published by title only once in the official newspaper of the City within 15 days after its adoption, provided that the full text shall be available to the public at the City Clerk's Office, and such publication by title only shall so state. This Ordinance shall become effective 30 days from and after the date of its adoption.

PASSED AND ADOPTED by the City Council of the City of Santa Barbara at a regular meeting of said City Council on April 9, 2013, by the following vote of said City Council:

Ayes:

Noes:

Absent:

Abstain:

Mayor

ATTEST:

City Clerk Services Manager

CERTIFICATE OF CITY CLERK

I, Gwendolynn B. Peirce, City Clerk Services Manager of the City of Santa Barbara, do hereby certify as follows:

That the foregoing is a full, true and correct copy of Ordinance No. ____, which was duly introduced at a regular meeting of the City Council of the City of Santa Barbara duly and regularly and legally held at the regular meeting place thereof on April 9, 2013, of which meeting all of the members of the City Council of said City had due notice and at which a quorum was present, and which was thereafter duly adopted at a regular meeting of the City Council of the City Council of the City of Santa Barbara duly and regularly and legally held at the regular meeting place thereof on April __, 2013, of which meeting all of the members of the City Council of said City had due notice and at which a quorum was present.

That an agenda of each of said meetings was posted at least 72 hours before said meeting at 740 Anacapa Street, Santa Barbara, California, a location freely accessible to members of the public, and a brief description of said Ordinance appeared on said agenda.

That I have carefully compared the foregoing copy with the original minutes of said April __, 2013 meeting on file and of record in my office; that said copy is a full, true and correct copy of the original Ordinance adopted at said meeting and entered in said minutes; and that said Ordinance has not been amended, modified, rescinded or revoked in any manner since the date of its adoption, and the same is now in full force and effect.

Dated: _____, 2013

Gwendolynn B. Peirce
City Clerk Services Manager

[SEAL]