

Resolution No. ____

A Resolution of the City Council of the City of Santa Barbara Authorizing the Execution and Delivery by the City of an Escrow Agreement in Connection With the Execution and Delivery of City of Santa Barbara Water Revenue Refunding Certificates of Participation, Series 2013, Approving a Notice of Intention to Sell and Authorizing the Distribution of an Official Notice of Sale in Connection with Authorizing the Execution and Delivery of Such Certificates Evidencing Principal in an Aggregate Amount of Not to Exceed \$30,000,000, Authorizing the Distribution of a Preliminary Official Statement in Connection Therewith, and Authorizing Related Actions

WHEREAS, in order to finance and refinance the acquisition, construction and installation of certain improvements (the “2002 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 Santa Barbara Financing Authority (the “Authority”);

WHEREAS, in order to achieve certain savings, the City desires to refinance the 2002 Project by exercising its option to prepay the Prior Installment Payments, which prepayment will be applied to the redemption of the Prior Certificates;

WHEREAS, the City has received a loan from the State of California (the “State”) under the State’s Safe Drinking Water State Revolving Fund Law of 1997 of not to exceed \$20,000,000 to fund the Sheffield Reservoir Project (Project No. 4210010-01, referred to herein as the “SRF Project”), currently outstanding in the amount of \$15,114,577.01 (the “2003 SRF Loan”);

WHEREAS, in the event there are certain savings, the City may, upon the advice and recommendation of the City’s financial advisor, determine to refinance the SRF Project by exercising its option to prepay the 2003 SRF Loan;

WHEREAS, in order to refinance the 2002 Project and possibly the SRF Project, the City will sell the 2002 Project and possibly the SRF Project to the Authority and then purchase the 2002 Project and possibly the SRF 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 2002 Project and possibly the SRF 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, if the City determines to refinance the 2003 SRF Loan 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, the City has received a loan from the State under the State’s Safe Drinking Water State Revolving Fund Law of 1997 of not to exceed \$19,200,000 to fund the Cater Water Treatment Plant Improvement Project (Project No. 4210010-02), currently outstanding in the amount of \$12,209,146.44 (the “2002 SRF Loan”);

WHEREAS, the State has indicated its intention to continue the subordination of the payments on the 2002 SRF Loan to the Installment Payments payable in connection with the Certificates;

WHEREAS, the funds to pay the prepayment price of the Prior Certificates will be applied to such purpose pursuant to an Escrow Agreement (the “Escrow Agreement”) by and between the City and U.S. Bank National Association, as escrow bank;

WHEREAS, a form of the Preliminary Official Statement (the “Preliminary Official Statement”) to be distributed in connection with the public offering of the Certificates has been prepared;

WHEREAS, the City desires to provide for the public sale of the Certificates;

WHEREAS, a Notice of Intention to Sell (the “Notice of Intention to Sell”) to be published in connection with the public offering and sale of the Certificates has been prepared;

WHEREAS, a form of the Official Notice of Sale (the “Official Notice of Sale”) to be distributed in connection with the public offering and sale of the Certificates has been prepared;

WHEREAS, pursuant to Ordinance No. 5616, the City Council has approved the form, and authorized the execution and delivery, for and in the name and on behalf of the City, of the Installment Sale Agreement, the Trust Agreement and a Continuing Disclosure Agreement; and

WHEREAS, the City Council has been presented with the form of each document referred to herein relating to the refinancing contemplated hereby, and the City Council has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such refinancing;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA BARBARA AS FOLLOWS:

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

Section 2. The execution and delivery of Certificates evidencing principal in an aggregate amount not to exceed \$30,000,000, payable in the years and in the amounts, and evidencing interest as specified in the Trust Agreement as finally executed, are hereby authorized and approved; provided, however, that there shall be net present value savings with respect to the refinancing of the Prior Certificates of at least 3%, and if the 2003 SRF Loan is 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 Escrow Agreement, on file with the City Clerk, is hereby approved, and the City Administrator of the City and the Finance Director of the City, and any such other officer of the City as such City Administrator or Finance Director may designate (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 Escrow Agreement in substantially said form with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. A Notice of Intention to Sell as approved by an Authorized Officer and the publication thereof consistent with the terms of this Resolution, is hereby ratified and approved, and the use of the Notice of Intention to Sell in connection with the offering and sale of the Certificates is hereby ratified and approved. The publication of the Notice of Intention to Sell in *The Bond Buyer* (or in such other financial publication generally circulated throughout the State of California or reasonably expected to be disseminated among prospective bidders for the Certificates as an Authorized Officer shall approve as being in the best interests of the City) at least 15 days, if the aggregate principal amount of the Certificates is not in excess of \$10 million, and at least 5 days, if the aggregate principal amount of the Certificates is in excess of \$10 million, prior to the date set for the opening of bids in the Official Notice of Sale in such form as an Authorized Officer may require or approve, such requirement or approval to be conclusively evidenced by such publishing of the Notice of Intention to Sell, is hereby ratified and approved.

Section 5. The form of Official Notice of Sale, on file with the City Clerk, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Official Notice of Sale in connection with the offering and sale of the Certificates is hereby authorized and approved. The terms and conditions of the offering and sale of the Certificates shall be as specified in the Official Notice of Sale. Bids for the purchase of the Certificates shall be received at the time and place set forth in the Official Notice of Sale. Any Authorized Officer is authorized to award the Certificates to the bidder who submits the best bid in accordance with the Official Notice of Sale.

Section 6. The Preliminary Official Statement, in substantially the form presented to this meeting (the "Preliminary Official Statement"), is hereby approved for use in connection with the public offering of the Certificates with such changes as may be approved by an Authorized Officer. Each of the Authorized Officers are authorized and directed to assist in the preparation

of a final official statement (the "Official Statement") in substantially the form of said Preliminary Official Statement, with such additions and changes as an Authorized Officer shall approve as being in the best interests of the City, such approval to be conclusively evidenced by the execution of said Official Statement with such additions or changes. The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Certificates a reasonable number of copies of the Preliminary Official Statement. The Authorized Officers, and each of them, are authorized and directed to certify on behalf of the City that the form of the Preliminary Official Statement delivered by the City in advance of the sale of the Certificates is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by the Rule).

Section 7. The officers and employees of the City 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 Resolution, including without limitation, to take any necessary action or execute any agreement required in connection with the prepayment of the 2003 SRF Loan and the continuation of the subordination of the payments on the 2002 SRF Loan to the Installment Payments payable in connection with the Certificates.

Section 8. 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 9. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the City Council of the City of Santa Barbara at a regular meeting of said City Council on May 7, 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 Resolution No. ____ duly adopted 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 May 7, 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 said meeting 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 Resolution appeared on said agenda.

That I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution 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

City Clerk Services Manager

[SEAL]