

CITY OF SAUSALITO

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF PENSION OBLIGATION BONDS, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST AGREEMENT AND A PURCHASE AGREEMENT, AND AUTHORIZING A VALIDATION ACTION AND OTHER MATTERS RELATING THERETO

WHEREAS, the legislative body (the “Legislative Body”) of the City of Sausalito (the “Local Agency”) adopted a retirement plan pursuant to the Public Employees’ Retirement Law, commencing with Section 20000 of the Government Code of the State of California, as amended (the “Retirement Law”); and

WHEREAS, the Retirement Law obligates the Local Agency to (1) make annual contributions to the California Public Employees’ Retirement System (the “System”), to fund pension benefits for its employees, (2) amortize the unfunded accrued actuarial liability with respect to such pension benefits, and (3) appropriate funds for the purposes described in (1) and (2); and

WHEREAS, the obligation of the Local Agency to pay its unfunded accrued actuarial liability to the System (the “Pension Obligation”) is evidenced by a contract dated April 5, 1960 between the Local Agency and the System, as heretofore and hereafter amended from time to time (collectively, the “PERS Contract”); and

WHEREAS, the Local Agency desires to issue bonds (the “Pension Obligation Bonds”) in an aggregate principal amount not to exceed the Pension Obligation, plus an additional amount to pay costs of issuance of the Pension Obligation Bonds, for the purpose of refunding the PERS Contract and thereby providing funds to the System in payment of all or part of the Pension Obligation and to authorize the issuance of additional bonds in the future from time to time for the purpose of paying the obligations of the Local Agency to the System required pursuant to the Retirement Law, including (i) all or a portion of the unfunded accrued actuarial liability of the Local Agency remaining unpaid on the date of issuance of such additional bonds and (ii) refunding the Pension Obligation Bonds or additional series of bonds; and

WHEREAS, there is on file with the Legislative Body the proposed form of Trust Agreement (the “Trust Agreement”) to be entered into between the Local Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”), relating to the Pension Obligation Bonds, including the forms of Bonds attached thereto as an exhibit.

WHEREAS, there is on file with the Legislative Body the proposed form of Purchase Agreement (the “Purchase Agreement”) to be entered into between the Local

Agency and the California Statewide Communities Development Authority, as pool bond issuer (the “Pool Bond Issuer”), relating to the Pension Obligation Bonds.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAUSALITO DOES HEREBY RESOLVE:

Section 1. This Legislative Body hereby finds and declares that the issuance of the Pension Obligation Bonds to refund the Pension Obligation, and the other actions contemplated by this Resolution are in the best interests of the Local Agency and are anticipated to result in savings based on current actuarial assumptions.

Section 2. This Legislative Body hereby authorizes and approves the issuance of the Pension Obligation Bonds and hereby authorizes and directs the City Manager to execute the Pension Obligation Bonds, and to cause the Pension Obligation Bonds to be authenticated and delivered in accordance with the Trust Agreement. The Pension Obligation Bonds shall be in substantially the forms attached to the Trust Agreement, with such changes therein, deletions therefrom and additions thereto as the City Manager shall approve, such approval to be conclusively evidenced by the execution and delivery of the Pension Obligation Bonds; the Pension Obligation Bonds may be issued as either current interest fixed rate bonds, capital appreciation bonds, auction rate securities, index bonds or a combination thereof (including bonds which convert from one mode to another), and may be issued in a single series or in two or more series, at one time or from time to time, provided, however, that the aggregate initial principal amount of the Pension Obligation Bonds shall not exceed the amount of the Pension Obligation (as confirmed by the System or the Local Agency’s actuary) remaining unpaid on the date of issuance of the Pension Obligation Bonds, plus an additional amount to pay costs of issuance of the Pension Obligation Bonds, original issue discount, and underwriter’s discount on the Pension Obligation Bonds (such underwriter’s discount, excluding original issue discount, not to exceed one percent (1%) of the aggregate principal amount of the Pension Obligation Bonds); the maximum interest rate on each series of the Pension Obligation Bonds which are issued as fixed rate bonds, including current interest fixed rate bonds or capital appreciation bonds shall not exceed seven and one-half percent (7.5%) per annum and the maximum interest rate on each series of the Pension Obligation Bonds which are issued as variable rate bonds, including index bonds or auction rate securities shall not exceed seventeen percent (17%) per annum; and the Pension Obligation Bonds shall mature not later than thirty (30) years following their date of issuance. The Pension Obligation Bonds are an obligation of the Local Agency not limited as to payment from any special source of funds. The Pension Obligation Bonds shall not, however, constitute an obligation of the Local Agency for which the Local Agency is obligated to levy or pledge any form of taxation or for which the Local Agency has levied or pledged any form of taxation.

Section 3. The proposed form of Trust Agreement, between the Local Agency and the Trustee, on file with the City Clerk, is hereby approved. The Mayor, the City Manager and the Finance Director/Treasurer (the “Authorized Representatives”) are each hereby authorized and directed, severally, or any such officer’s designee, for and on behalf of the Local Agency, to execute and deliver the Trust Agreement, substantially in

the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto (including, but not limited to designating the type of bond to be issued and changes, deletions and additions as may be required by a municipal bond insurer) as such Authorized Representative shall approve, such approval to be conclusively evidenced by the execution and delivery of the Trust Agreement. Pursuant to the terms of the Trust Agreement, the Legislative Body hereby approves the issuance of additional series of bonds in the future from time to time (which additional series of bonds may be current interest fixed rate bonds, capital appreciation bonds, commercial paper, convertible capital appreciation bonds, index bonds, auction rate securities, variable rate bonds, inflation adjustment bonds, or tender option bonds, including bonds which convert from one mode to another) pursuant to supplemental trust agreements to be approved by this Legislative Body, subject to the limitations contained in the Trust Agreement presented to this meeting, for the purpose of refunding the Pension Obligation Bonds or any additional series of bonds from time to time issued pursuant to a supplemental trust agreement or for the purpose of paying the obligations of the Local Agency to the System required pursuant to the Retirement Law, including all or a portion of the unfunded accrued actuarial liability of the Local Agency remaining unpaid on the date of issuance of such additional series of bonds.

Section 4. The proposed form of Purchase Agreement, between the Local Agency and the Pool Bond Issuer, on file with the City Clerk, is hereby approved. The Authorized Representatives are each hereby authorized and directed, severally, or any such officer's designee, for and on behalf of the Local Agency, to execute and deliver the Purchase Agreement, substantially in the form on file with the City Clerk, with such changes therein, deletions therefrom and additions thereto as such Authorized Representative shall approve, such approval to be conclusively evidenced by the execution and delivery of the Purchase Agreement.

Section 5. If an Authorized Representative determines that it will be advantageous to the Local Agency to purchase municipal bond insurance or secure other credit or liquidity enhancement with respect to some or all of the Pension Obligation Bonds, such Authorized Representative or his designee is hereby authorized to do so at market rates.

Section 6. This Legislative Body hereby designates Orrick, Herrington & Sutcliffe LLP ("Orrick"), as bond counsel for the Pension Obligation Bonds, with bond counsel services to consist of and be limited to rendering an opinion on the validity of the Pension Obligation Bonds, the preparation of documents providing for the issuance of the Pension Obligation Bonds and the validation action relating to the Pension Obligation Bonds. This Legislative Body hereby agrees to compensate Orrick in the amount of \$7,500 to cover a portion of the cost of the validation action (plus court filing fees and publication costs if paid by Orrick), such amount to be paid from proceeds of the Pension Obligation Bonds, or if the Local Agency does not for any reason (including, without limitation, a challenge to the validation action) issue Pension Obligation Bonds during the 2007-2008 Fiscal Year, from any available funds of the Local Agency. In the event the Pension Obligation Bonds are issued for purchase by the Pool Bond Issuer, all other fees and expenses of Orrick shall be the responsibility of the

Pool Bond Issuer to be paid from proceeds of bonds (the "Pool Bonds") issued by the Pool Bond Issuer to purchase the Local Agency's Pension Obligation Bonds. If the Local Agency issues Pension Obligation Bonds in reliance on the validation and other than for purchase by the Pool Bond Issuer and substitutes a firm other than Orrick as bond counsel, the Legislative Body hereby agrees to compensate Orrick an additional \$7,500 to more clearly approximate its true fees and costs associated with the validation action, such amount to be paid from proceeds of the Pension Obligation Bonds or from any available funds. This Legislative Body hereby acknowledges and consents to and waives any conflict arising from the appointment of Orrick also as bond counsel and issuer counsel to the Pool Bond Issuer in connection with the Pool Bonds.

Section 7. The Authorized Representatives of the Local Agency are, and each of them hereby is, authorized and directed to do any and all things, including bringing a validation action under Section 860 of the California Code of Civil Procedure, and to take any and all actions (including any required publications of summons or other notice) and execute and deliver any and all documents which they or any of them deem necessary or advisable in order to consummate the transactions contemplated by this Resolution, the Trust Agreement and the Purchase Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Trust Agreement and the Purchase Agreement, including supplying information for and approving any portion of any official statement or any future continuing disclosure for the Pool Bonds pertaining to the Local Agency, approving any bond purchase agreement between the Pool Bond Issuer and the underwriter of the Pool Bonds, including any representations, warranties or covenants of the Local Agency contained therein and entering into investment agreements and/or forward delivery agreements (including the payment of a breakage fee) in connection with the investment of moneys held under the Trust Agreement.

Section 8. This Resolution shall take effect from and after its date of adoption.

[Attach form of Certification of the City Clerk with respect to the Resolution.]