

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE REGARDING ITS INTENTION TO ISSUE TAX EXEMPT OBLIGATIONS AND AUTHORIZING STAFF TO TAKE CERTAIN ACTIONS RELATING TO PROPOSED REVENUE CERTIFICATES OF PARTICIPATION (WATER SERVICES CAPITAL IMPROVEMENT PROGRAM), SERIES 2010, AND DIRECTING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Garden Grove (City) is a municipal corporation duly organized and existing under and pursuant to the Constitution and laws of the State of California (State);

WHEREAS, the Garden Grove Public Financing Authority is a joint exercise of powers agency duly organized and existing under the laws of the State of California (Authority);

WHEREAS, the City has identified significant improvements to the City's existing water system related to system-wide capacity and rehabilitation which are necessary and desirable for the provision of water service within the City, as provided in Exhibit A attached hereto and incorporated herein (2010 Project);

WHEREAS, the City has previously entered into an Installment Purchase Agreement and authorized the execution and delivery of certain Revenue Certificates of Participation (Water Services Capital Improvement Program), Series 2004 (2004 Certificates) under a related Trust Agreement;

WHEREAS, the City Council of the City of Garden Grove desires to adopt this Resolution directing staff to investigate the financing of the 2010 Project with Certificates of Participation (2010 Certificates) payable from net revenues of the water system on a parity with existing Installment Purchase Agreement obligations related to the 2004 Certificates and to engage appropriate consultants in connection therewith;

WHEREAS, the City intends to finance the acquisition of the 2010 Project or portions of the 2010 Project with the 2010 Certificates, the interest upon which is excluded from gross income for federal income tax purposes; and

WHEREAS, prior to the issuance of the 2010 Certificates the City desires to incur certain expenditures with respect to the 2010 Project from available monies of the City which expenditures are desired to be reimbursed by the City from a portion of the proceeds of the sale of the 2010 Certificates.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY DOES HEREBY RESOLVE, ORDER, AND DETERMINE AS FOLLOWS:

SECTION 1. The City hereby states its intention and reasonably expects to reimburse 2010 Project costs incurred prior to the issuance of the 2010 Certificates

with proceeds of the 2010 Certificates. Exhibit A describes either the general character, type, purpose, and function of the 2010 Project, or the fund or account from which 2010 Project costs are to be paid and the general functional purpose of the fund or account.

SECTION 2. The reasonably expected maximum principal amount of the 2010 Certificates is \$16 million.

SECTION 3. This Resolution is being adopted on or prior to the date (Expenditures Date or Dates) that the City will expend monies for the portion of the 2010 Project costs to be reimbursed from proceeds of the 2010 Certificates.

SECTION 4. Except as described below, the expected date of issue of the 2010 Certificates will be within eighteen (18) months of the later of the Expenditure Date or Dates and the date the 2010 Project is placed in service; provided, the reimbursement may not be made more than three (3) years after the original expenditure is paid. For 2010 Certificates subject to the small issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code, the "eighteen-month limit" of the previous sentence is changed to "three years" and the limitation of the previous sentence beginning with "; provided," is not applicable.

SECTION 5. Proceeds of the 2010 Certificates to be used to reimburse for 2010 Project costs are not expected to be used, within one (1) year of reimbursement, directly or indirectly to pay debt service with respect to any obligation (other than to pay current debt service coming due within the next succeeding one (1) year period on any tax-exempt obligation of the City (other than the 2010 Certificates)) or to be held as a reasonably required reserve or replacement fund with respect to an obligation of the City or any entity related in any manner to the City, or to reimburse any expenditure that was originally paid with the proceeds of any obligation, or to replace funds that are or will be used in such manner.

SECTION 6. This Resolution is consistent with the budgetary and financial circumstances of the City, as of the date hereof. No monies from sources other than the Water Revenue Obligation issue are, or are reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside by the City (or any related party) pursuant to their budget or financial policies with respect to the 2010 Project costs. To the best of our knowledge, this City Council is not aware of the previous adoption of official intents by the City that have been made as a matter of course for the purpose of reimbursing expenditures and for which tax-exempt obligations have not been issued.

SECTION 7. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the 2010 Certificates; (b) an amount not in excess of the lesser of \$100,000 or five percent (5%) of the proceeds of the 2010 Certificates; or (c) any preliminary expenditures, such as architectural, engineering,

surveying, soil testing, and similar costs other than land acquisition, site preparation, and similar costs incident to commencement of construction, not in excess of twenty percent (20%) of the aggregate issue price of the 2010 Certificates that finances the 2010 Project for which the preliminary expenditures were incurred.

SECTION 8. This Resolution is adopted as official action of the City Council of the City of Garden Grove in order to comply with Treasury Regulation § 1.150-2 and any other regulations of the Internal Revenue Service relating to the qualification for reimbursement of City expenditures incurred prior to the date of issue of the 2010 Certificates, is part of the City's official proceedings, and will be available for inspection by the general public at the main administrative office of the City.

SECTION 9. The City Manager and Finance Director are each hereby authorized and directed to take such steps as each considers necessary and appropriate to investigate the financing of the 2010 Project with 2010 Certificates. Sequoia Financial Group is hereby engaged to act as Financial Advisor to the City on substantially the terms set forth in the fee proposal on file with the Finance Director. The Law Firm of Jones Hall is hereby engaged to act as Disclosure Counsel for the 2010 Certificates on substantially the terms on file with the City Manager. The Law Firm of Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby engaged as Special Counsel to represent the City in connection with the 2010 Certificates, on substantially the terms set forth in special counsel's fee agreement proposal on file with the Finance Director. Further, staff is authorized to select and work with a qualified bond underwriter to issue the 2010 Certificates.

SECTION 10. Other Actions. The City Manager, the Finance Director and other duly authorized officers and employees of the City are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which each may deem necessary or advisable in order to prepare the 2010 Certificates for consideration by the City Council, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers or designees are hereby ratified, confirmed, and approved.

SECTION 11. All the recitals in this Resolution are true and correct, and this City Council so finds, determines and represents.

SECTION 12. Effect. This Resolution shall take effect immediately upon its passage.

Exhibit A

DESCRIPTION OF 2010 PROJECT

Water Capital Improvement Projects

BOND FINANCED (NON-LABOR ONLY)
FUNDED BY 602

CIP Project	Task Description	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15	FY15/16	
CIP Project II - 4" Water Main Replacements											
	Karella-Dale FF001										
	Fairview-Lewis FF003,007										
	Gilbert-Trask										
	11th-Washington FF004				2,598,174						
	Ward-Buaro FF024,025				2,405,575						
	Loara W Chapman, Jerry-Avolencia, West-Chapman						2,615,876				
	FF 017,014,010						2,000,000				
	Water Main Replacement Project						3,358,985		3,838,551	3,040,278	
CIP Project IV - Well Improvement Projects											
	Well No. 19					377,000					
	Well No. 21						519,900				
	Well No. 25										
	Replacement for Well 16										
	New Well				500,000	1,500,000					
CIP Project V - Booster Pump Replacement Projects											
	Pump Maintenance & Repair @ Westhaven Booster (2)				351,014	137,500	147,300	157,600	168,300	179,500	
	Pump Maintenance & Repair @ Lamson Booster (5)				153,014	27,500	29,500	31,500	33,700	35,900	
	Pump Maintenance & Repair @ Trask Booster (1)				174,432	137,500	147,300	157,600	168,300	179,500	
	Pump Maintenance & Repair @ West GG Booster (3)										
CIP Project VI - Natural Gas Engine Replacement Projects											
	West GG (4)				500,000	1,500,000					
	Westhaven (4)										
	Magnolia (1)								464,700		
CIP Project VII - Miscellaneous O&M Projects											
	Lampson/Trask Variable Frequency Drive (VFD)				400,000					184,900	
	Exhaust Stacks Corrections (Well 29)										
	West GG Sumps				266,901						
	Catnodic Protection								732,600		
	Westhaven Reservoir Roof Cracks										
	Scada Study										
	Master Plan										
	Chlorine Conversion Projects										
Total					4,942,535	6,085,075	5,459,876	6,486,285	5,408,151	3,620,078	32,000,000 NET

1st Bond Installment	2nd Bond Installment
4,942,535	3,800,000
6,085,075	3,800,000
5,459,876	3,800,000
6,486,285	3,800,000
5,408,151	3,800,000
3,620,078	3,800,000
Total	32,000,000 NET