

RESOLUTION NO. P.F.A. 06-____

COSTA MESA PUBLIC FINANCING AUTHORITY

RESOLUTION OF THE BOARD OF DIRECTORS OF THE COSTA MESA PUBLIC FINANCING AUTHORITY APPROVING A LEASE/PURCHASE AGREEMENT WITH THE CITY OF COSTA MESA AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE CITY OF COSTA MESA 2007 CERTIFICATES OF PARTICIPATION (POLICE FACILITY EXPANSION PROJECT) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000.

WHEREAS, the Costa Mesa Public Financing Authority (the "Authority") is a joint exercise of powers authority organized and existing under Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "JPA Act") with the authority to assist in the financing and refinancing of the acquisition, construction, installation and equipping of certain capital improvements on behalf of the City of Costa Mesa (the "City"); and

WHEREAS, in 2003, the Authority and the City caused the defeasance and refinancing of the Authority's \$18,970,000 Refunding Revenue Bonds, 1993 Series A (Public Facilities Project) (the "1993 Bonds") through the sale and execution and delivery of the \$14,340,000 City of Costa Mesa Refunding Certificates of Participation (Public Facilities Project), Series 2003 (the "2003 Certificates"); and

WHEREAS, in connection with the execution and delivery of the 2003 Certificates, the City and the Authority entered into a Site Lease by and between the City and the Authority, dated as of October 1, 2003 (the "Original Site Lease") and a Lease/Purchase Agreement by and between the City and the Authority, dated as of October 1, 2003 (the "Original Lease"), pursuant to which the City leased certain property described in the Original Site Lease (the "Property") to the Authority and leased the Property back from the Authority under the Original Lease and agreed to pay Lease Payments (as defined in the Original Lease), which have been pledged to the owners of the 2003 Certificates by the Authority pursuant to a Trust Agreement by and among The Bank of New York Trust Company, N.A., as successor-in-interest to BNY Western Trust Company, as trustee (the "Trustee"), the City and the Authority, dated as of October 1, 2003 (the "Original Trust Agreement") and the Assignment Agreement, dated as of October 1, 2003 (the "Original Assignment Agreement"), by and between the Authority and the Trustee; and

WHEREAS, the Original Trust Agreement allows for the execution and delivery of Additional Certificates (as that term is defined in the Original Trust Agreement) to finance additional improvements for the City; and

WHEREAS, the City desires to cause the Trustee to execute and deliver the City of Costa Mesa 2007 Certificates of Participation (Police Facility Expansion Project), in the aggregate principal amount not to exceed \$30,000,000 (the "2007 Certificates"), in

order to provide additional financing for the acquisition, construction, reconstruction, modernization and equipping of the City's Police Department facility (the "2007 Project"); and

WHEREAS, to accomplish the sale, execution and delivery of the 2007 Certificates, the City and the Authority desire to enter into that certain First Amendment to Site Lease, dated as of January 1, 2007 (the "First Amendment to Site Lease," and, together with the Original Site Lease, the "Site Lease"), by and between the City and the Authority and that certain First Amendment to Lease/Purchase Agreement, dated as of January 1, 2007 (the "First Amendment to Lease/Purchase Agreement," and, together with the Original Lease, the "Lease"), by and between the City and the Authority; and

WHEREAS, to facilitate the execution and delivery of the 2007 Certificates the City and the Authority desire to enter into that certain Amended and Restated Trust Agreement, dated as of January 1, 2007 (the "Amended and Restated Trust Agreement"), by and among the Authority, the City and the Trustee and that certain First Amendment to Assignment Agreement, dated as of January 1, 2007 (the "First Amendment to Assignment Agreement," and, together with the Original Assignment Agreement, the "Assignment Agreement"), by and between the Authority and the Trustee; and

WHEREAS, to facilitate the acquisition, construction, reconstruction, modernization and equipping of the 2007 Project, the City will act as the agent of the Authority for the purposes of the acquisition, construction, reconstruction, modernization and equipping of the 2007 Project pursuant to an Agency Agreement, dated as of January 1, 2007 (the "Agency Agreement"), by and between the Authority and the City; and

WHEREAS, the City Council of the City has held a public hearing on the date hereof pursuant to Government Code Section 6586.5 following publication of notice not less than 5 days prior to the hearing, concerning the financing of the 2007 Project and the execution and delivery of the 2007 Certificates; and

WHEREAS, the Authority has determined and hereby finds that the Authority's assistance in financing the 2007 Project by the execution and delivery of the 2007 Certificates by the Authority will result in significant public benefits of the type described in Section 6586 (a), (c) and (d), inclusive, of the JPA Act; and

WHEREAS, there has been presented to this Board of Directors at the meeting at which this Resolution is being adopted the form of an Official Notice of Sale pursuant to which the 2007 Certificates will be sold; and

NOW, THEREFORE, the Board of Directors of the Authority does hereby resolve as follows:

SECTION 1. 2007 Certificates. This Board of Directors hereby authorizes the preparation, sale and delivery of the 2007 Certificates in an aggregate principal amount not to exceed \$30,000,000 in accordance with the terms and provisions of the Amended

and Restated Trust Agreement. The purposes for which the proceeds of the sale of the 2007 Certificates shall be expended are to finance the 2007 Project, to fund a reserve fund, and to pay the costs of the sale and delivery of the 2007 Certificates.

SECTION 2. 2007 Certificate Documents. The First Amendment to Site Lease, the First Amendment to Lease/Purchase Agreement, the Amended and Restated Trust Agreement, the First Amendment to Assignment Agreement, the Official Notice of Sale and the Agency Agreement (collectively, the "Agreements") presented at this meeting are approved. Each of the Chairperson, Executive Director and Treasurer of the Authority, or the Chairperson's designee, are authorized and directed to execute and deliver the Agreements. The Agreements shall be executed in substantially the forms hereby approved (including by reason of any changes directed by the City pursuant to the resolution of the City Council approving the Agreements), with such additions thereto and changes therein as are recommended or approved by counsel to the Authority and approved by the officer or officers of the Authority executing the documents, such approval to be conclusively evidenced by the execution and delivery thereof by one or more of the officers listed above.

SECTION 3. Official Notice of Sale. The form of the Official Notice of Sale is approved and the City's Financial Advisor is authorized to solicit bids for the sale of the 2007 Certificates by publishing once in *The Bond Buyer*, not less than 5 days prior to receipt of bids, a short form of the Official Notice of Sale and to distribute or make available to prospective purchasers of the 2007 Certificates the Official Notice of Sale substantially in the form on file with the Secretary, together with such changes thereto as the Executive Director, the Treasurer or their designees approve. The Authority consents to the City's acceptance of the bid of the lowest responsible bidder for the 2007 Certificates providing that (a) the principal amount of the 2007 Certificates does not exceed \$30,000,000 and (b) the true interest cost of the 2007 Certificates as calculated by the City's Financial Advisor does not exceed 6.0%.

SECTION 4. Other Actions. The Chairperson, Executive Director and Treasurer and other officers of the Authority are authorized and directed, jointly and severally, 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 the sale and delivery of the 2007 Certificates, and the execution of the Agreements and otherwise effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 5. Effect. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED this 5th day of December, 2006.

Chairperson of the Board of Directors
Costa Mesa Public Financing Authority

ATTEST:

APPROVED AS TO FORM:

Secretary
Costa Mesa Public Finance Authority

Costa Mesa Public Financing Authority Counsel

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, JULIE FOLCIK, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. P.F.A. 06-_____ and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 5th day of December, 2006, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 6th day of December, 2006.

Secretary
Costa Mesa Public Finance Authority