CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolutions Authorizing Execution and Delivery of an Installment Purchase Agreement, a Bond Purchase Agreement and an Official Statement, and Authorizing Certain Related Matters for Wastewater System Improvements and Intention to Issue Tax-Exempt Obligations by the City Manager, City Attorney and City Treasurer; and Consider Awarding a Contract for the Year 2003 Interim Improvements Contract

MEETING DATE: September 17, 2003

PREPARED BY: Public Works Director

RECOMMENDED ACTION: That the City Council adopt resolutions authorizing execution and delivery of an installment purchase agreement, a bond purchase agreement, and an official statement, and authorizing certain related matters for wastewater system improvements and intention to issue tax-exempt obligations by the City Manager, City Attorney and City Treasurer; and consider awarding a contract for the Year 2003 Interim Improvements contract.

BACKGROUND INFORMATION: The City has been proceeding with design of improvements to the White Sough Water Pollution Control Facility as mandated in our State discharge permit. The project has been broken into three phases as described below, and plans and specifications for Phase 1 – "Year 2003 Interim Improvements" were approved by the Council on July 16, 2003. Financing alternatives and general rate impacts are presented following the project descriptions.

Project Descriptions

Phase 1 – Year 2003 Interim Improvements – consists of the installation of pre-purchased aeration blower equipment, electrical and building modifications for the blowers; and earthwork and pipe installations in preparation for Phase 2. The total project estimate, including the pre-purchased equipment, design and contingencies, was $4 million. When these plans and specifications were approved, staff indicated that per previous Council approvals, we were applying for a State Revolving Loan Fund loan for the project but we would make a financing recommendation prior to awarding the contract. Bids for the project were scheduled to be received on September 16, and, pending favorable results, staff will make a presentation and recommendation on award of this contract at the Council meeting on September 17, following discussion on the financing.

Phase 2 – consists of installation of tertiary filters and ultraviolet light disinfection equipment and related improvements. This work has a specific deadline in our discharge permit and must be in place prior to discharging after May 2004. The project is still in design, and we hope to be out to bid very early in 2004. The total project estimate is approximately $24 million.

APPROVED: H. Dixon Flynn -- City Manager

Phase 3 – consisting of outfall relocation, secondary plant improvements, and treatment wetland, is still in the environmental review stage. The cost is roughly about $22 million but is still far from being firm and is not anticipated to be ready for construction until 2005 or later.

Financing Alternatives

Clearly these projects are beyond the means of the Wastewater Utility to fund directly out of our current annual revenue of approximately $6 million, which covers operational expenses of $5 million and a capital replacement program of approximately $1 million. Most recent major improvements have been funded with Certificates of Participation (COP's) which have pledged the revenues of the Wastewater Utility for repayment. Decades ago, White Slough improvements were made with a combination of General Obligation bonds, State/Federal grants or COP's. This time we have considered these, and in addition, participation in the State Revolving Loan Fund (SRF) program which has essentially replaced the grant programs. Use of General Obligation bonds is not in keeping with current City policy that the utility's enterprise funds fully cover their costs.

The SRF program handled by the Water Resources Control Board, Division of Financial Assistance, offers loans for up to 20 years with an interest rate that is set at half of the latest State General Obligation Bond rate. For this project, we anticipated a rate of 2.6%, and there are no State fees for participation. However, the process to obtain the loan is a long and involved one and, as we learned, not certain. The low interest rate makes the program very advantageous in spite of being limited to 20 years. Our financial advisor, Alex Burnett, agrees that is generally the best alternative if you can, as he put it, "live with their bells and whistles". One of the downsides of the SRF program is that not all project costs are eligible, and, for financial planning purposes, the ineligible portion was estimated at 10% of the total project cost. For Phase 1, this amount is relatively small, however, for Phases 2 and 3, we anticipated that a supplemental financing arrangement would be needed.

As authorized by the Council on July 2, 2003, staff has processed the necessary SRF loan documents without binding the City. We have received all the necessary State approvals for the loan with the notable exception of an actual loan commitment letter. On Tuesday, September 2, we received a telephone call from the Project Development Chief for our Region informing us that loan commitments were being suspended for an indefinite time due to cash flow problems. This certainly removes this financing option for Phase 1 and, possibly, Phase 2.

Recognizing that we would need supplemental financing in addition to the SRF loan, staff investigated conventional revenue bond/COP financing and looked at a bond pool managed by Henderson Capital Partners under the auspices of the California Statewide Communities Development Authority (a Joint Power Association of the League of California Cities and the California State Association of Counties). The bond pool is well suited for relatively small projects or ones where ease of processing and timeliness are important. Background information on the Authority and the bond pool is attached. Copies of other documents referred to in the Exhibits are on file with the Finance Director.

Our financial advisor felt the pool program was well suited to small issuances in the $5 million range, but that for a $20 million revenue bond, we could do better on the open market. Staff will research this further for the Phase 2 and 3 projects. The process to join the pool is very simple, and the pool is set to sell bonds in the next month. Given the time constraints of our project and the uncertainty of the SRF program, this is really our only financing option for Phase 1. Thus, our recommendation is to adopt the attached resolution, allowing the City to join this pool.

Staff proposes to proceed with a COP of $5 million through the pool to cover Phase 1, including our previous engineering and Master Plan costs, with any excess to be applied to the capital improvement program which would include Phase 2 at White Slough and our infrastructure replacement program. The COP would net just under $4.9 million for the project. Annual debt service on this amount would be approximately $311,000 for a 30-year term. For a 20-year term, the annual debt service would be approximately $366,000. Very roughly, this difference would translate to less than 20¢ per month on a residential sewer bill, which is now $16.23 on a two-bedroom home. Staff recommends the 20-year term. The Finance Director also concurs with these recommendations.

Staff has worked with our wastewater consultants on a revenue program (one of the SRF program requirements) that incorporates all phases of the White Slough project and includes revenue from both existing ratepayers and our development impact fees. (Staff is proposing to combine our wastewater development impact fees and our current capacity fee, which is really another development impact fee.) The complete program is not yet ready for presentation, but our preliminary work indicates that a series of three rate increases of approximately 20 percent each, along with an increase in our wastewater development fees, will be needed for the entire program. However, there are many details to consider in this, and staff proposes to bring this back to the Council in the very near future for discussion and direction.

FUNDING: Wastewater Fund

Richard C. Prima, Jr.
Public Works Director

RCP/pmf

Attachments

cc: Finance Director
City Attorney
City Engineer
Water/Wastewater Superintendent
West Yost & Associates
Hilton Farnkopf & Hobson, LLC
Henderson Capital Partners

List of Attachments

A. ebondpool Brochure
B. ebondpool "About Us"
C. ebondpool "Corporate Philosophy"
D. Cover Letter from Bond Counsel – Hawkins, Delafield & Wood
E. Executive Summary of the Transaction by Bond Counsel
F. Interested Parties List
G. Resolution Authorizing the Execution and Delivery of an Installment Purchase Agreement, a Bond Purchase Agreement and an Official Statement and Authorizing Certain Related Matters
H. Resolution Regarding Intention to Issue Tax-Exempt Wastewater Obligations

EXHIBIT A

CSCDA Water and Wastewater Revenue Bond Pool

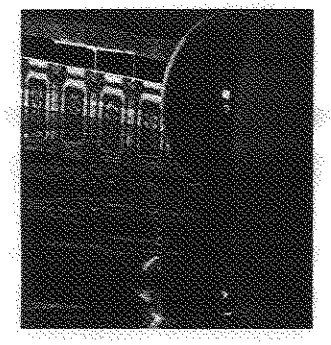
The California Statewide Communities Development Authority (CSCDA) is currently offering California water and wastewater agencies the opportunity to join its statewide, pooled revenue bond program. The Bonds can be used to finance or refinance water and wastewater capital improvement projects. The economies of scale of a pooled issue allow for both lower costs of issuance (including bond insurance) and lower interest rates. Smaller borrowings are welcomed by the program and may be accomplished on a cost-effective basis.

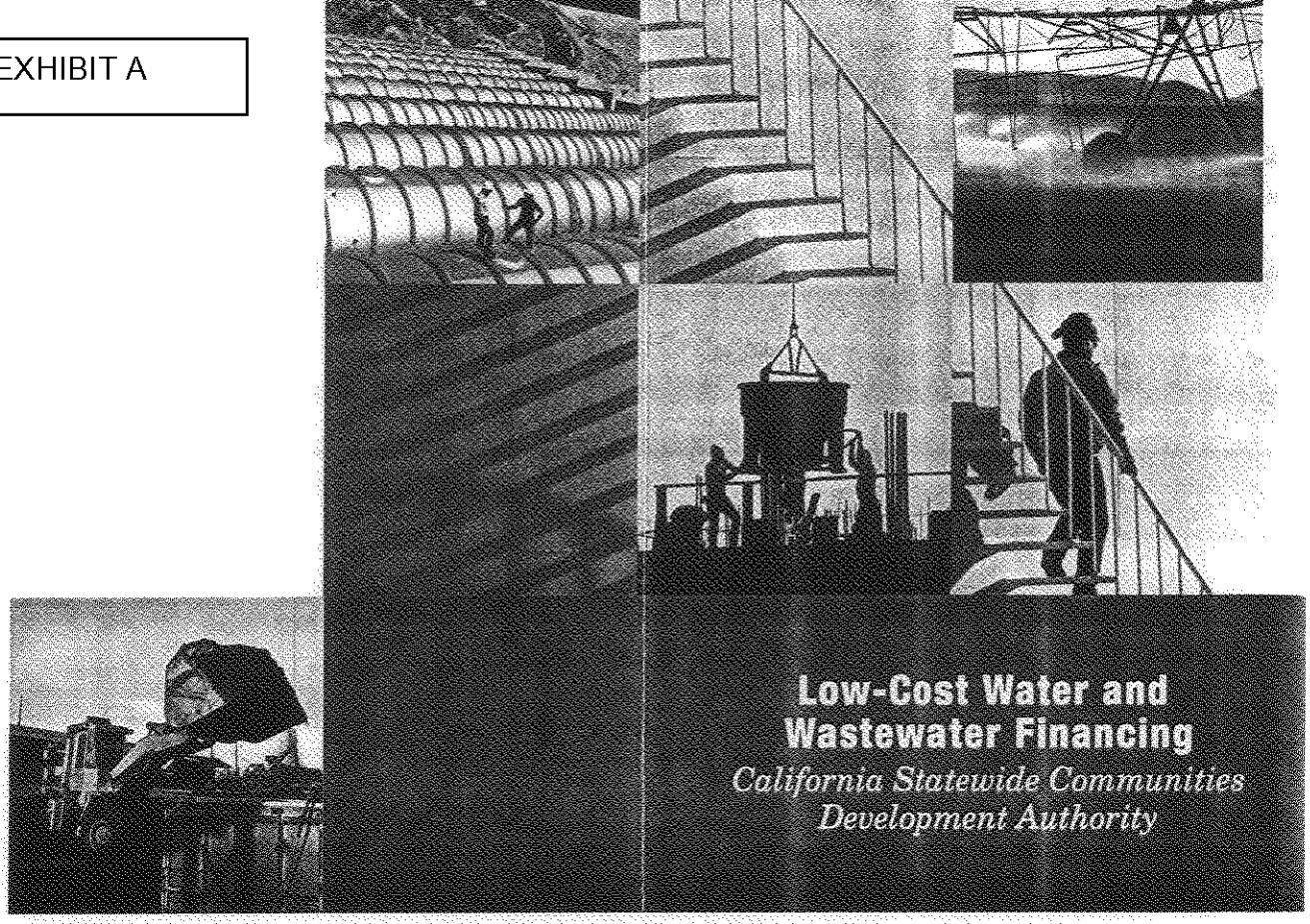
Advantages

- Lower issuance costs with fixed-rate, AAA-rated pooled structure
- Low interest rates with AAA-rated, tax-exempt, insured revenue bonds
- Packaged program with proven financing team
- Authorized with a single resolution of the participant's governing board
- Streamlined documentation reduces staff time requirement
- Easy refinancing of existing water and wastewater debt, including revenue bonds, leases, loans, and certificates of participation (COPs)
- Finance (or refinance) capital projects for up to 30 years
- In most cases, no cash funded reserve requirement
- Frequent market access

***Note:** There is no cross collateralization between program participants. (Pool structure ensures that participants are not liable in any way for the payment or defaults of other participants.)*

EXHIBIT A





Low-Cost Water and Wastewater Financing

California Statewide Communities Development Authority

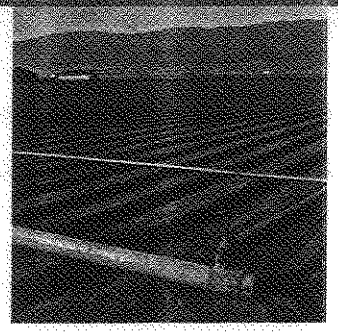
ebondpool

Henderson Capital Partners
1 Kaiser Plaza, Suite 650
Oakland, CA 94612
www.ebondpool.com

ebondpool
www.ebondpool.com

Exhibit A

Low-Cost Water and Wastewater Financing



California Statewide Communities Development Authority (CSCDA) Program

The CSCDA program is a source of low-cost, long-term water and wastewater financing available to local government entities. Funds are available to finance a variety of public infrastructure projects important to California's communities. CSCDA financing can be leveraged with local, state, and federal grant and loan funds to complete funding for a project.

Eligible Applicants

Cities, counties, and special districts located in the State of California.

Eligible Project Categories

- Sewage collection and treatment
- Water treatment and distribution
- Drainage, water supply and flood control

Financing Terms

- Financing Amount – Minimum $600,000 per project, no maximum.
- Interest Rate – The interest rate is fixed for the term of financing and is set at the level of California's current tax-exempt "AAA" bonds.
- Amortization Period – Up to 30 years.
- Fees – The costs of issuance of 2-3% of CSCDA financing amount, or $35,000, whichever is greater; These fees are funded by the CSCDA bond financing and paid at closing.
- Annual Fees – There is an annual CSCDA fee of 0.015% of the outstanding principal balance and $1,850 per year for trustee services.
- No Local Match Required – CSCDA financing can be the sole source of financing for a project.

Financing Structure

CSCDA's insured pooled financings are structured as a pool that purchases loans from local agencies through an installment purchase agreement. The obligation of each participant is solely a pledge of that water or wastewater system's net revenues.

Technical Assistance

Henderson Capital Partners, the program's bond underwriter, is available to meet with you to discuss your project. ***Please call Mimi Henderson or Jim Gibbs at 510.835.0600.***

Loan Process

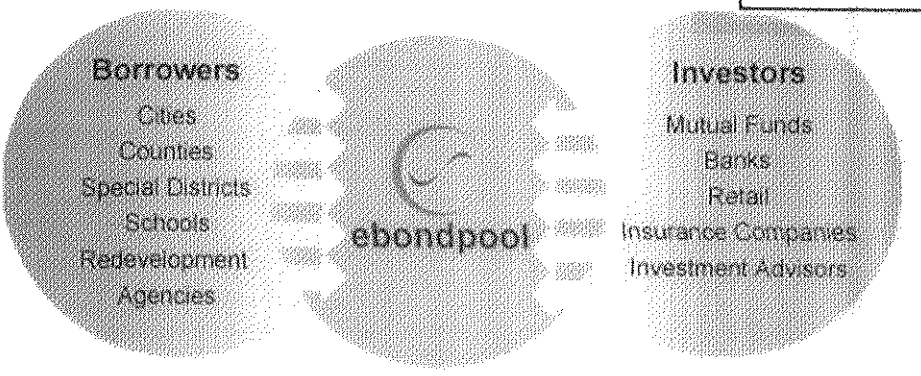
A preliminary application can be downloaded from the eBondpool Web site at: ***www.ebondpool.com/participate/index.html*** or obtained at the address listed on the back of this brochure.

Typically, funding can be completed within 60 days from submitting the application.

How to Apply

Preliminary applications are accepted on a continual basis. Additional information may be obtained from eBondpool at ***www.ebondpool.com, or by calling Henderson Capital Partners, the bond underwriter, at 888.427.6116***

Exhibit B



Powering Public Finance Service

The firm blends state-of-the-art internet technology with traditional investment banking services to provide local governments with professional and cost effective access to the municipal bond marketplace. ebondpool's revolutionary approach provides infrequent issuers with access to capital at a very low cost through volume pricing.

By combining technology, information, strong relationships and experience, the firm provides a clearinghouse for counties, cities, agencies and special districts for capital project financing including, but not limited to, water, wastewater, redevelopment and other municipal debt financings.

ebondpool.com provides local governments with many tangible benefits. Often, when cities, counties and local agencies seek debt financing they often experience a difficult, time-consuming process. These difficulties arise because the esoteric financial markets for small and medium- sized municipal bond issuers are highly inefficient for some of the following reasons:

- Identifying, assembling, contracting and working with a sophisticated and knowledgeable team of professionals to guide them through the complex municipal bond market is extremely challenging; and,
- The professional fees for underwriters, bond counsel, financial advisors, trustees and credit enhancement are generally a very large proportionate share of the issue.

By pooling several borrowers together, the economies of scale allow for significantly reduced pricing for the "pre-packaged" professional services. ebondpool provides for reputable, simple and understandable project financings.

Currently, ebondpool manages the California Water and Wastewater Revenue Bond Pool and has issued over $100 million to date and anticipates increasing its bond issuance to over $200 million by the Fall of 2002.

The Bonds are sold online through its fully-registered, municipal securities broker-dealer affiliate, Henderson Capital Partners LLC. The firm utilizes its broker-dealer and institutional relationships with over 500 bona fide Program investors to competitively market and price all issues.

ebondpool

One Kaiser Plaza
Suite 650
Oakland, CA 94612
Phone: 800.650.6007 | 510.763.7665
Fax: 510.763.4700

Exhibit C

Corporate Philosophy

- Corporate Philosophy

Our mission

Our mission is to provide superior financial services to California municipalities by committing to:

- Achieve comprehensive project financing at the lowest possible cost
- Strive to be the financial services company of choice for California's city and county public agencies
- Inspire confidence and trust in our abilities by providing the highest value products and services
- Assist municipalities in effectively managing debt according to their specific policies and guidelines

Our Values

- To protect the integrity of administrative staff and elected officials
- To honestly and lawfully represent all transactions to city, county, and district administrators and their taxpayers
- To never violate the confidence placed in the municipalities administration by their constituents and taxpayers
- To consistently provide quality performance
- To seek diversity in our own employees and in our selection of professional services
- To prove our commitment to improving the quality of life in California

Our Strategies

- To maintain the highest reputation for integrity and service
- To achieve top financial performance
- To focus on reducing costs across all activities
- To focus on client service

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Site developed by e21corp

Exhibit D

Hawkins, Delafield & Wood
One Embarcadero Center, Suite 3820
San Francisco, California 94111

(415) 486-4200
(415) 397-1513 (Fax)
Sean Tierney's Direct Dial Number:
(415) 486-4201
E-mail: stierney@hdw.com

August 26, 2003

Mr. Richard Prima, Public Works Director
Vicky McAthie, Finance Director
City of Lodi
221 W. Pine St.
Lodi, California 95242

Re: **California Statewide Communities Development Authority**
2003B Water and Wastewater Revenue Bonds
(Pooled Financing Program)

Dear Mr. Prima and Ms. McAthie:

Enclosed please find the legal documents necessary for the City of Lodi (the "Participant") to participate in the CSCDA Water and Wastewater Pooled Financing Program. The Executive Summary gives an overview of the transaction. Please note that the Indenture will not be approved by the Participant and is provided for informational purposes only. Enclosed are the following:

1. Authorizing Resolution (authorizes participation in the program and execution of documents; delegates final approval of borrowing to staff within parameters);
2. Reimbursement Resolution (authorizes the reimbursement of certain capital expenditures);
3. Executive Summary (provides an overview of the transaction and the legal documents);
4. Official Statement (describes transaction for investors in the Bonds);
5. Installment Purchase Agreement (obligates the Participant to pay debt service and contains related financial covenants);
6. Continuing Disclosure Certificate (provides for annual update of certain tables in Official Statement and certain other information);

7. Bond Purchase Agreement (agreement between CSCDA, the Participant and the Underwriter for sale of the Bonds at a specific interest rate); and
8. Indenture (provides for terms of Bonds, duties of Bond trustee and related Bond mechanics)

I look forward to working with you on this transaction. Please call me with any questions.

Very truly yours,

/s/ Sean Tierney

Enclosures
cc: Mimi Henderson

Exhibit E

Hawkins, Delafield & Wood
One Embarcadero Center, Suite 3820
San Francisco, California 94111

(415) 486-4200
(415) 397-1513 (Fax)

Sean Tierney's Direct Dial Number:
(415) 486-4201
E-mail: stierney@hdw.com

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
WATER AND WASTEWATER REVENUE BONDS
(POOLED FINANCING PROGRAM)

EXECUTIVE SUMMARY OF THE TRANSACTION

It has been proposed that the City of Lodi (the "Participant") participate in the California Statewide Communities Development Authority Water and Wastewater Pooled Financing Program (the "Program"). Under the Program, the California Statewide Communities Development Authority (the "Authority") will issue its Water and Wastewater Revenue Bonds (Pooled Financing Program) (the "Bonds") for the purpose of financing or refinancing certain public capital improvements of the Participant (the "Project") and other public agencies which choose to participate in the Program (collectively, the "Program Participants"). Each Participant enters into an Installment Purchase Agreement under which it will agree to make certain payments securing the Bonds and take certain other related actions.

The Authority is one of the largest bond issuers in the nation and serves as issuer under a variety of financing programs benefiting public agencies and non-profit corporations. The Authority is sponsored by the League of California Cities and the California State Association of Counties.

Hawkins, Delafield & Wood is a national leader as bond counsel for governmental tax-exempt financings and in 2002 was ranked the number one bond counsel in the nation and the number two bond counsel in California. Hawkins has been a nationally recognized bond counsel firm for over 110 years and currently has the most lawyers of any firm in the nation devoted to public finance and the most tax lawyers that specialize in tax-exempt securities. For more information on the Firm, see "HAWKINS, DELAFIELD & WOOD" below.

This Executive Summary will give a brief description of the transaction and the related legal documents. The descriptions and summaries of various documents in this Executive Summary do not purport to be comprehensive or definitive, and reference is made to each document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document.

As described in further detail below, the Bonds to be issued by the Authority will be insured by a policy of municipal bond insurance. Consequently, the Bonds will be rated "AAA". Another important aspect of the Program is that the Participant will <u>not</u> be obligated to make any payments as

a result of the default of any other Program Participant in the Program. The central documents involved in this transaction include:

1) Installment Purchase Agreement (executed by the Participant and the Authority);

2) Official Statement (and a Preliminary Official Statement) (signed by the Authority and the Program Participants);

3) Bond Purchase Agreement (executed by the Program Participants, the Authority and the Underwriter);

4) Continuing Disclosure Certificate (executed by the Participant);

5) The Bonds (executed by the Authority); and

6) Indenture (executed by the Authority and the Trustee).

The Installment Purchase Agreement

The Installment Purchase Agreement is the central financing document setting forth the obligations of the Participant, including the obligation to pay Installment Payments. The Installment Payments will be due in amounts equal to the Participant's share of debt service on the Authority's Bonds. The Installment Payments will be broken down into components representing principal and interest. The Installment Payments will be assigned and pledged by the Authority to the Trustee for the Bonds. See "The Bonds and the Indenture" below. The Installment Payments are special obligations of the Participant secured by a pledge of the net revenues (the "System Net Revenues") of the Participant's water or wastewater system (the "Enterprise System"). System Net Revenues generally are gross revenues of the Enterprise System less maintenance and operation expenses. The pledge of System Net Revenues under the Installment Purchase Agreement secures only the obligation to pay Installment Payments and other obligations under that particular Installment Purchase Agreement. Individual Participants are not obligated to make up for any deficiency in the payments of other Program Participants.

Pledge of System Net Revenues under Installment Purchase Agreement. The Installment Purchase Agreement provides that all System Net Revenues and all amounts on deposit in the System Revenue Fund are irrevocably pledged to the payment of the Installment Payments. This pledge, together with the pledge created by any other Parity Debt (i.e., the Installment Payments and any other parity obligations of the Participant), shall constitute a lien on System Revenues for the payment of the Installment Payments and all other Parity Debt.

In order to carry out and effectuate such pledge the Participant agrees and covenants that all System Revenues shall be deposited when and as received in a special fund designated as the "System Revenue Fund", which fund the Participant agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. From the moneys in the System Revenue Fund, the Participant will first pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation

and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the System Revenue Fund shall be set aside by the Participant to pay the Installment Payments and to reimburse any withdrawal from the Reserve Account of the Participant. Moneys on deposit in the System Revenue Fund not necessary to make any of the foregoing payments, may be expended by the Participant at any time for any purpose permitted by law.

Reserve Account. The Participant and every other Program Participant will have a Reserve Account established with the Trustee to cover any shortfall in the payment of Installment Payments. Subject to federal tax law considerations, each Reserve Account will be funded in an amount equal to the maximum annual Installment Payments due under the related Installment Purchase Agreement (the "Reserve Account Requirement"). It is expected that most of the Reserve Account Requirements will be satisfied by a reserve account insurance policy to be issued by a "AAA" rated bond insurer. Each Reserve Account is a segregated account available only to cover shortfalls in the payment of Installment Payments under the related Installment Purchase Agreement. Program Participants will be obligated to replenish draws only from their related Reserve Accounts.

Additional Debt Test under Installment Purchase Agreement. The Installment Purchase Agreement permits the Participant to enter into additional obligations secured by System Net Revenues on a parity with the Installment Payments provided that certain conditions are satisfied. Generally, the Participant will have to establish that future coverage of System Net Revenues to maximum annual debt service on existing and proposed parity obligations will at least equal a certain fixed percentage. This percentage of coverage usually ranges from 110 to 120% and is set in consultation with the Bond insurer. Certain upward adjustments in System Net Revenues are allowed for rate increases adopted but not effective for a full 12 months.

Rate Covenant under Installment Purchase Agreement. The Installment Purchase Agreement will require the Participant, to the fullest extent permitted by law, to fix, prescribe and collect rates and charges and maintain its operations such that System Net Revenues will be at least equal to a fixed percentage of the Installment Payments and other Parity Debt (i.e., other obligations secured by the System Net Revenues) during each Fiscal Year. This percentage of coverage usually ranges from 110 to 120% and is set in consultation with the Bond insurer.

Right to Prepay. The Participant will have the right to prepay the Installment Payments after an initial period and with prepayment premiums being required for a certain number of years pursuant to a schedule to be agreed to by the Participant prior to sale of the Bonds.

The Rate Stabilization Fund. The Installment Purchase Agreement permits the creation of a Rate Stabilization Fund. The Participant may, during or within 210 days after a Fiscal Year, deposit System Net Revenues attributable to such Fiscal Year (on the basis of Generally Accepted Accounting Principles) into the Rate Stabilization Fund. The Participant may at any time withdraw moneys from the Rate Stabilization Fund. System Net Revenues deposited into the Rate Stabilization Fund shall not be taken into account as System Net Revenues for purposes of the calculations required by the covenants in the Installment Purchase Agreement relating to System Net Revenue coverage and additional parity debt in the Fiscal Year to which such deposit is attributable, and amounts withdrawn from the Rate Stabilization Fund, during or within 210 days after a Fiscal

Year, may be taken into account as Revenues for purposes of the calculations required by such covenants in such Fiscal Year.

Investment of Moneys. Bond proceeds to be used to refinance outstanding obligations will be held in escrow by the Trustee and invested in "AAA" U.S. Treasury securities. Bond proceeds to be used to construct or acquire new capital improvements will be held by the Trustee in a segregated Project Account for the related Participant and invested at the direction of the Participant in investments permitted under the Indenture. See "The Bonds and the Indenture" below.

The Preliminary Official Statement and Official Statement

The Preliminary Official Statement (the "POS") and the Official Statement (the "OS") serve as disclosure and marketing documents for the Bonds. The POS and the OS describe the terms of the financing, the Project and the provisions of the legal documents. The POS and the OS also contain financial, statistical and demographic data relating to the Participant and its geographic area which would be of interest to investors. The POS is distributed to potential investors. The OS, which will contain the final terms of the financing, including the principal amount of the Bonds and interest rates thereon, will be distributed to all actual purchasers of the Bonds.

Bond Purchase Agreement

The Bond Purchase Agreement sets forth the terms upon which the Bonds will be sold by the Authority to the Underwriter of the Bonds, Henderson Capital Partners. The Bond Purchase Agreement will also be signed by the Participant and all the other Participants. The Agreement will provide for the final interest rates on the Bonds. The Agreement also sets forth a list of required documents and other conditions to the final closing of the Bond transaction. For example, Hawkins must deliver its opinion that the Bonds are tax-exempt and each Participant must represent that the information in the Official Statement regarding such Participant is correct.

Continuing Disclosure Certificate

Under the Continuing Disclosure Certificate, the Participant will covenant to provide certain financial information and operating data relating to the Participant. Generally, the Participant will be responsible for providing annual updates of the type of information in the Official Statement relating to the Participant's operations and finances. Such information will be filed with certain Nationally Recognized Municipal Securities Repositories. These covenants are made in order to allow the Underwriter to comply with recently enacted provisions under Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

The Bonds and the Indenture

The Bonds are not issued by the Participant and the Participant does not enter into or approve the form of the Indenture which provides for the terms of the Bonds. However, an explanation of these documents is useful in understanding the Program and the Participant's legal documents.

The Bonds are being issued by the Authority pursuant to an Indenture (the "Indenture"), by and between the Authority and the trustee bank named thereunder (the "Trustee"). The Bonds are authorized pursuant to the terms of Chapter 5 of Division 7 of Title 1 of the California Government

Code. The Authority is a joint exercise of powers agency created pursuant to the California Government Code on June 1, 1988. The Bonds are special obligations of the Authority payable solely from the Installment Payments to be made by the Participants and from amounts on deposit in certain funds and accounts held under the Indenture. No other funds of the Authority are pledged to or available for payment of the principal of or interest on the Bonds.

Concurrently with the issuance of the Bonds, the Trustee will establish a separate fund designated as the Reserve Fund. Within the Reserve Fund, there will be a separate Reserve Account dedicated to each Program Participant. The amount on deposit in each Reserve Account is required to be maintained at the Reserve Requirement (*i.e.*, maximum annual debt service in most cases). The Reserve Requirement for each Reserve Account will be satisfied by a deposit of a surety bond (the "Reserve Surety") to be issued by Financial Security Assurance, Inc. (in certain cases, a Program Participant may be required to fund its Reserve Account with cash). The Reserve Account of each Program Participant will be available to cover a shortfall in the Installment Payments due to be paid by that particular Participant. The Participant is not obligated to reimburse the Reserve Surety provider for a draw on the Reserve Surety relating to another Program Participant.

Concurrently with the issuance of the Bonds, Financial Security Assurance, Inc. will issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") with respect to the Bonds. The Municipal Bond Insurance Policy will unconditionally guarantee the payment of the principal of and interest on the Bonds which has become due for payment, but is unpaid by reason of nonpayment by the Authority. As a result of the issuance of the Municipal Bond Insurance Policy, the Bonds will receive a "AAA" rating.

HAWKINS, DELAFIELD & WOOD

- Hawkins is a national leader as bond counsel for governmental tax-exempt financings and in 2002 was ranked the number one bond counsel in the nation and the number two bond counsel in California.

- Hawkins has the most lawyers of any firm in the nation devoted to public finance and the most tax lawyers that specialize in tax-exempt securities.

- In the Firm's San Francisco office, Sean Tierney and Russ Miller (a tax partner) specialize in serving as bond counsel on tax-exempt bond issues in California.

- Examples of California public agencies that Hawkins has recently worked with include: the cities of Los Angeles, Modesto, San Diego, San Francisco and San Jose, the counties of Alameda, Butte, Los Angeles, Monterey, Sacramento and Solano, the Bay Area Transportation Authority and the Metropolitan Water District.

Hawkins, Delafield & Wood is a general partnership that has been deeply involved in public finance for over 110 years. We have more partners and lawyers devoted to public finance than any other firm. In 2002, the Firm was ranked the number one bond counsel firm in the nation based on dollar volume of bonds, and in 1999, 2000 and 2001, the Firm was ranked the number two bond counsel firm in the nation based on dollar volume of bonds. As a recent example of our experience

with complex and challenging transactions in California, the Firm served as bond counsel to the State of California for its $11.3 billion power supply revenue bonds.

As part of its public finance practice, the Firm has been retained as bond counsel, underwriter's counsel, disclosure counsel, special tax counsel, corporate counsel, counsel to credit enhancement providers and contract negotiation counsel in connection with public financing of all types throughout the United States. Lawyers from Hawkins have drafted laws that have been enacted in every state of the nation. The Firm has consistently been among the top bond counsel and underwriter's counsel firms both in dollar volume and number of issues since rankings have been maintained. The Firm's ability to continue as an industry leader has been the result of its dedication to client service and its continuing record for innovation. The Firm expects to continue to be at the forefront in the dynamic evolution of public finance.

Hawkins maintains the largest tax department in the tax-exempt finance area. In addition to the review of financing transactions for compliance with the tax laws, the tax department actively participates in the development of new financing structures and programs. Our tax department regularly monitors and participates in the amendment of the federal tax statutes and regulations. We confer, when appropriate, with staff of the Treasury Department and the Internal Revenue Service with respect to the development of regulations under the Internal Revenue Code and generally prepare extensive written comments to proposed regulations when published. The Firm has obtained numerous tax rulings for its clients and also regularly provides assistance to numerous federal legislators and administrators at the request of our clients.

Exhibit F

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
WATER AND WASTEWATER REVENUE BONDS
(POOLED FINANCING PROGRAM)
SERIES 2003B

INTERESTED PARTIES LIST

ISSUER:

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY 2175 North California Blvd., Suite 550 Walnut Creek CA 94596	(925) 933-9229, ext216. (925) 933-8457 *Fax*
Mr. James Hamlin	jhamlin@cacommunities.com *E-mail*

ISSUER'S COUNSEL

ORRICK HERRINGTON & SUTCLIFFE LLP 400 Sansome Street San Francisco, CA 94111	(415) 773-5721 (415) 773-5759 *Fax*
Mr. Steve Spitz, Esq.	sspitz@orrick.com *E-Mail*
ORRICK HERRINGTON & SUTCLIFFE LLP 400 Capitol Mall, Suite 3000 Sacramento, CA 95814	(916) 329-7984 (916) 329-4900 *Fax*
Ms. Angie Sessions	asessions@orrick.com *E-mail*

BOND COUNSEL:

HAWKINS, DELAFIELD & WOOD One Embarcadero Center, Ste. 3820 San Francisco, CA 94111	(415) 397-1513 *Fax*
Mr. Sean Tierney	(415) 486-4201 stierney@hdw.com *E-Mail*
Laura Wagner	(415) 486-4209 lwagner@hdw.com

STRUCTURING AGENT:

STANLEY P. STONE & ASSOC.
605 Third Avenue, 24th Floor
New York, NY 10158
http://www.stanleypstone.com

(212) 956-0300
(212) 956-2189 *Fax*

Mr. Stanley P. Stone — spstone2@aol.com *E-Mail*

BOND INSURER:

FSA
1550 Spear Tower
One Market
San Francisco, CA 94105

Mr. Eric Friedland, Vice President — (415) 995-8033
(415) 995-8095 *Fax*
efriedland@fsa.com *E-mail*

Mr. Bob David, Associate General Counsel — (415) 995-8034
(415) 995-8008 *Fax*
bdavid@fsa.com

Ms. Judy Solle — (415) 995-8021
(415) 995-8095 *Fax*

VERIFICATION AGENT:

GRANT THORNTON
500 Pillsbury Center
Minneapolis, MN 55402

(612) 332-8984 *Fax*

Mr. Joe Smith, Director of Public Finance Services — (612) 332-0001 x237
Mr. Mark Peroutka — (612) 332-0001 x142

RATING AGENCY

FITCH INVESTORS SERVICE
650 California St, 8th fl
San Francisco CA 94108

John Tillapaugh — john.tillapaugh@fitchratings.com

Leigh Arbresch

UNDERWRITER:

HENDERSON CAPITAL PARTNERS, LLC
One Kaiser Plaza, Suite 650
Oakland, California 94612

(510) 835-0600
(510) 835-1712 *Fax*

Ms. Mimi Henderson — mimi@hendersoncapital.com *E-mail*

TRUSTEE/PAYING AGENT/ESCROW AGENT:

UNION BANK OF CALIFORNIA
Corporate Trust Department
475 Sansome Street, 12th Floor
San Francisco, CA 94111

(415) 296-6754
(415) 296-6757 *Fax*

Sandra Hanrahan — Sandra.hanrahan@uboc.com *Email*

Ms. Sonia Flores — soniaflores@uboc.com *E-mail*

TRUSTEE COUNSEL:

UNION BANK OF CALIFORNIA, N.A.
Legal Division
445 South Figueroa Street, 8th Floor
Los Angeles, CA 90051

(213) 236-5454
(213) 236-7575 *Fax*

Ms. Janis Penton, Esq. — janis.penton@uboc.com *E-mail*

Exhibit G

Hawkins, Delafield & Wood
Draft

RESOLUTION No. ____

**RESOLUTION OF CITY OF LODI
AUTHORIZING THE EXECUTION AND DELIVERY
OF AN INSTALLMENT PURCHASE AGREEMENT,
A BOND PURCHASE AGREEMENT
AND AN OFFICIAL STATEMENT AND
AUTHORIZING CERTAIN RELATED MATTERS**

WHEREAS, the City of Lodi (the "Participant") is duly organized and existing under the laws of the State of California (the "Law") and is authorized pursuant to the Law to enter into an installment purchase agreement for the purpose of financing and/or refinancing the acquisition and construction of public capital improvements; and

WHEREAS, the Participant desires to enter into one or more Installment Purchase Agreements (the "Installment Purchase Agreement"), by and between the Participant and the California Statewide Communities Development Authority, a joint exercise of powers agency (the "Authority") in order to provide for the financing and/or refinancing of certain public capital improvements, including the financing of capital improvements to the Participant's water system and/or wastewater system (the "Project"); and

WHEREAS, this Governing Board finds that the financing and/or refinancing of the Project results in significant public health benefits, including but not limited to more efficient delivery of service, and that the Project constitutes facilities for the production, storage, transmission, or treatment of water, recycled water, or wastewater; and

WHEREAS, the Participant desires to participate in the Authority's Water and Wastewater Pooled Financing Program, a part of the Authority's economic development financing programs (the "Program") and that the Authority assign the right to receive the Installment Payments under the Installment Purchase Agreement to a trustee (the "Trustee") to be named in a Master Indenture (the "Indenture"), by and between the Authority and the Trustee and that the Authority issue its Revenue Bonds (the "Bonds") to finance and/or refinance the Project pursuant to the Indenture; and

WHEREAS, the Participant desires to participate in conjunction with the parties to that certain Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority, dated as of June 1, 1998 (the "Agreement"); and

WHEREAS, the Participant proposes to participate in the Program and desires that certain projects to be located within the Participant be financed pursuant to the Program and it is in the public interest and for the public benefit that the Participant do so; and

WHEREAS, in order to authorize the execution of the Installment Purchase Agreement and the preparation of an Official Statement relating to the Bonds (the "Official Statement") and to

provide for certain related matters, the Governing Board of the Participant deems it in the best interests of the Participant to adopt this Resolution (the "Resolution");

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE PARTICIPANT, AS FOLLOWS:

Section 1. Execution of the Installment Purchase Agreement and the Bond Purchase Agreement. The _____, _____, and _____ of the Participant or other appropriate officers of the Participant (the "Authorized Officers") are hereby authorized and directed to execute for and on behalf of the Participant the Installment Purchase Agreement, in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authorized Officers are hereby authorized and directed to negotiate and accept on behalf of the Participant the payment terms of the Installment Purchase Agreement and the Bond Purchase Agreement which will reflect the terms of the sale of the Bonds by Henderson Capital Partners, LLC (the "Underwriter"), such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal components of the payments under the Installment Purchase Agreement may not exceed $5,000,000 for the Project, the Underwriter's discount (without giving effect to any original issue discount) may not exceed 1.25% of the aggregate principal components of the payments under the Installment Purchase Agreement and the average interest rate evidenced thereunder shall not exceed 6.50%. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a Bond Purchase Agreement containing the final payment terms of the Installment Purchase Agreement and the Bonds in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The obligation of the Participant to make the Installment Payments under the Installment Purchase Agreement is a special obligation of the Participant payable solely from the System Net Revenues (as defined under the Installment Purchase Agreement), and does not constitute a debt of the Participant or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The Participant shall not be obligated to make payments to cover the shortfall in payments of any other participant in the Program.

Section 2. Authorization of Preliminary Official Statement, Execution of Final Official Statement, Execution of Continuing Disclosure Certificate. The Participant hereby approves the form of the preliminary Official Statement (the "Preliminary Official Statement") relating to the Bonds. The Authorized Officers are hereby authorized to certify that said Preliminary Official Statement, is as of its date "deemed final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a final Official Statement, in substantially the form of the Preliminary Official Statement, with such changes therein (and additions thereto to reflect the terms of the sale of the Bonds) as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a Continuing Disclosure Certificate, in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. JPA Matters. The City hereby approves the Project and the Authority as issuer of the Bonds to finance the Project pursuant to Section 9 of the Agreement.

Section 4. Appointment of Professionals. Henderson Capital Partners is hereby confirmed and appointed as the Participant's underwriter in connection with the financing authorized by this Resolution. Hawkins, Delafield & Wood is hereby confirmed as the bond counsel in connection with the Bonds.

Section 5. Other Actions Authorized. The Authorized Officers and such other proper officers of the Participant are hereby authorized to take all actions and execute any and all documents described in this Resolution and otherwise necessary or desirable to effect the execution and delivery of the Installment Purchase Agreement and to make any changes to the forms of the legal documents approved in this Resolution as necessary or desirable to comply with the terms of municipal bond insurance; to change the dates and the percentages in the rate covenant and additional debt test contained in any documents approved at this meeting from the dates and percentages on the forms submitted to this meeting; and 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 execution and delivery of the Installment Purchase Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Installment Purchase Agreement, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Certificate. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved. The Authorized Officers are further authorized to take all actions and execute any and all documents necessary or desirable to refund, defease, redeem and otherwise provide for the payment of any of the Participant's outstanding obligations, if any, which are to be refinanced in connection with the execution of the Installment Purchase Agreement. Further, if the Participant is not already a member of the Authority, the Participant shall become so and Participant staff are authorized to take such actions and execute such documents as are necessary or desirable for the Participant to become a member of the Authority. The Authorized Officers are authorized to substitute a non-profit corporation or joint powers authority for the Authority in connection with the transaction authorized in this Resolution on the advice of bond counsel.

PASSED AND ADOPTED on _____, 2003, by the following vote.

AYES:

NAYS:

ABSENT:

_____
Authorized Officer

ATTEST:

By_____
Clerk

Exhibit H

Hawkins, Delafield & Wood
Draft

RESOLUTION NO. _

RESOLUTION OF THE CITY OF LODI REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT WASTEWATER OBLIGATIONS

WHEREAS, the City of Lodi (the "Borrower") desires to finance the costs of acquiring, constructing, reconstructing and/or equipping certain public facilities and improvements relating to its wastewater system, as provided in Exhibit A attached hereto and incorporated herein (the "Project"); and

WHEREAS, the Borrower intends to finance the acquisition, construction, reconstructing and/or equipping of the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

WHEREAS, prior to the issuance of the Obligations the Borrower desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the Borrower; and

WHEREAS, this Governing Board of the Borrower has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Borrower for the Expenditures from the proceeds of the Obligations;

NOW, THEREFORE, THIS GOVERNING BOARD OF THE CITY OF LODI DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The Borrower hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligations. Exhibit A describes the general character, type, purpose, and function of the Project.

SECTION 2. The reasonably expected maximum principal amount of the Obligations is not to exceed $5,000,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Borrower will expend moneys for the portion of the Project costs to be reimbursed from proceeds of the Obligations.

SECTION 4. The Borrower will make a reimbursement allocation, which is a written allocation that evidences the Borrower's use of proceeds of the Obligations to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. For Obligations subject to the small governmental issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended, the "eighteen-month limit" of the previous sentence is changed to "three years" and the "three-year limitation" of the previous sentence is not applicable.

SECTION 5. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of $100,000 or five percent (5%) of the proceeds of the Obligations, 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 Obligations that finances the Project for which the preliminary expenditures were incurred.

SECTION 6. Each Expenditure will be of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure).

SECTION 7. To the best of our knowledge, this Governing Board is not aware of the previous adoption of official intents by the Borrower 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 8. This resolution is adopted as official action of the Borrower 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 Borrower expenditures incurred prior to the date of issue of the Obligations.

SECTION 9. All the recitals in this Resolution are true and correct and this Governing Board so finds, determines and represents.

_____
AUTHORIZED OFFICER

ATTEST:

_____
CLERK

AYES:

NOES:

ABSENT:

EXHIBIT A

DESCRIPTION OF PROJECT

The project to be financed consists of various capital improvements to the Borrower's wastewater system, including certain infrastructure improvements.

ITEM I-3

CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolutions Authorizing Execution and Delivery of an Installment Purchase Agreement, a Bond Purchase Agreement and an Official Statement, and Authorizing Certain Related Matters for Wastewater System Improvements and Intention to Issue Tax-Exempt Obligations by the City Manager, City Attorney and City Treasurer; and Consider Awarding a Contract for the Year 2003 Interim Improvements Contract **Supplemental Information**

MEETING DATE: September 17, 2003

PREPARED BY: Public Works Director

RECOMMENDED ACTION: That the City Council adopt a resolution awarding the contract for the above project to Kirkwood-Bly, Inc., of Santa Rosa, in the amount of $1,410,000.00; and appropriate funds in accordance with the recommendation shown below.

BACKGROUND INFORMATION: This project consists of installing four aeration blowers, which were pre-purchased by the City. The City Council approved the purchase of replacement aeration blowers at the May 21, 2003, Council meeting. A part of the blower purchase required the blower manufacturer to guarantee a quote for ancillary appurtenances such as piping, valves, and controls needed for the blower installation. The successful bidder will purchase, supply and install this ancillary equipment. The selected bidder will also supply and install major electrical equipment and improvements to serve the new blowers, as well as other future facility needs.

This project also includes earthwork, piping modifications and removing cannery solids from two ponds. The Facilities Waste Discharge Requirements issued by the State Water Quality Control Board in January 2000 require that tertiary filtration be operational in 2004. Failure to satisfy this requirement could result in significant fines to the City. The earthwork, piping modifications and pond solids removal included in this project are necessary to allow installation of filters in 2004.

Plans and specifications for this project were approved on July 16, 2003. The City received the following five bids for this project:

Bidder	Location	Bid
Engineer's Estimate		$ 2,250,000.00
Kirkwood-Bly, Inc.	Santa Rosa	$ 1,410,000.00
F & H Construction	Stockton	$ 1,418,000.00
C. W. Roen Construction Company	Danville	$ 1,449,215.00
Diede Construction	Woodbridge	$ 1,551,585.10
Pacific Infrastructure Corp.	Pleasanton	$ 1,684,000.00

The total recommended appropriation includes the construction contract, construction contingencies, and estimated testing and inspection services, as well as an additional task order to West Yost & Associates for construction engineering services.

APPROVED: _____

H. Dixon Flynn -- City Manager

FUNDING:	Requested Appropriation:	Wastewater Fund	$1,770,000.00
	Bid Opening Date:	September 16, 2003	
	Funding Available:	_____	
		Finance Director	

Richard C. Prima, Jr.
Public Works Director

Prepared by Gary Wiman, Construction Project Manager

RCP/GW/pmf

cc: Finance Director
City Attorney
City Engineer
Purchasing Officer
Water/Wastewater Superintendent
Construction Project Manager
Assistant Wastewater Treatment Superintendent
West Yost & Associates
Hilton Farnkopf & Hobson, LLC
Henderson Capital Partners

filed 9-17-03
Item 1-3

Presentation to
CITY OF LODI

WATER PROJECTS
(CSCDA Pooled Financing Program)

September 17, 2003

HENDERSON CAPITAL PARTNERS

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Overview

- Statewide pooled revenue bond program for water and sewer projects
- Tax-exempt, fixed-rate revenue bonds
- 3-4 pools per year
- Simplified application process

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What Is The CSCDA?

California Statewide Communities Development Authority

- A joint powers authority sponsored by the **League of California Cities** and the **California State Association of Counties**
- One of the top municipal bond issuers in the nation

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The Financing Team

Issuer	***California Statewide Communities Development Authority***	*A joint powers authority sponsored by the League of California Cities and the California State Association of Counties and is one of the top issuers of municipal bonds in the state.*
Issuers' Counsel	***Orrick Herrington & Sutcliffe***	*Over 100 years of public finance experience and ranks first in the country for serving as bond counsel and underwriters' counsel.*
Underwriter	***Henderson Capital Partners, LLC***	*A municipal securities broker-dealer specializing in the underwriting of tax-exempt bonds. The firm has participated in over 250 municipal bond issues totaling over $12 billion since 1992.*
Bond Counsel	***Hawkins Delafield & Wood***	*The firm serves nationally as bond counsel, underwriters' counsel and special tax counsel in financings throughout the United States.*
Trustee	***Union Bank of California***	*The Bank is the only California bank offering Corporate Trust services with its principal offices in Los Angeles & San Francisco since 1923.*
Credit Enhancement	***Financial Securities Assurance Co. (FSA)***	*Provides Aaa/AAA/AAA ratings.*

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Advantages Of CSCDA Pool

- Minimal issuance costs due to pooled structure
- Low interest rates with "AAA" insured bonds
- Authorized with a single City resolution
- Streamlined documentation reduces staff time requirement
- Finance new capital projects or refinance existing ones for up to 30 years
- No cross collateralization

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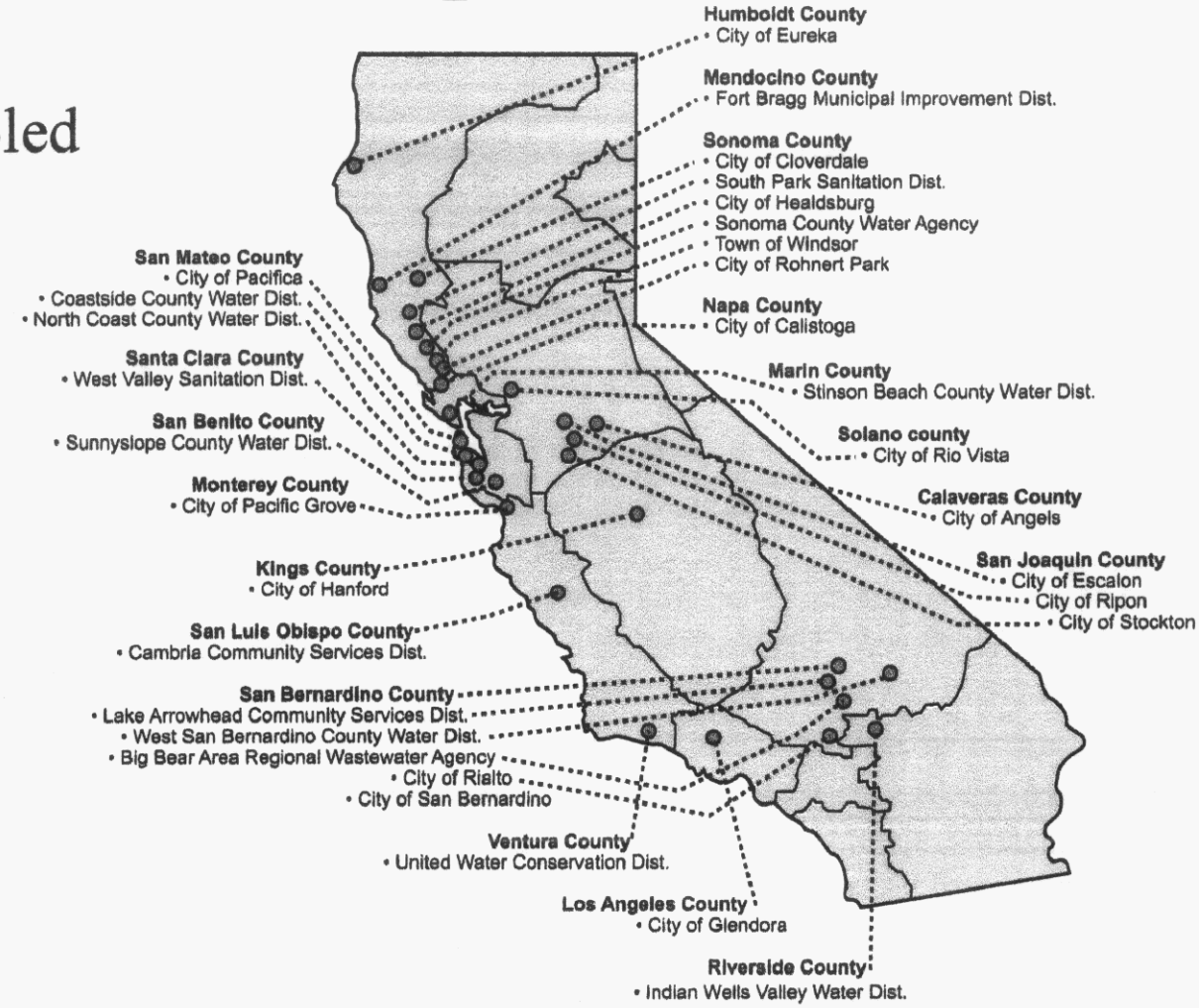
Past Participants

- 13 series of pooled bonds issued
- $180+ million
- 38 participants



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Plan Of Financing

- Issue $5,000,000 new bonds at low tax-exempt, "AAA" interest rates.
- Structure new issue to have level debt service

	20-Year	30-Year
Net Interest Cost	4.56%	4.94%
Net Proceeds	$4.850M	$4.840M
Avg. Annual Debt Service	$364,000	$312,000

- Issue new bonds through CSCDA water and wastewater pool
- Substitute Reserve Fund w/ Surety Bond

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Sources & Uses Of Funds

Sources of funds:

Bond proceeds	$5,000,000	
Total sources of funds		**$5,000,000**

Uses of funds:

Wastewater project fund	$4,840,000	
Cost of issuance	110,000	
Bond insurance/surety bond premium	45,753	
Contingency	4,247	
Total uses of funds		**$5,000,000**

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Key Bond Covenants

- Pledge of net wastewater revenues (110%)
- Rate covenant
- Additional bonds test
  - All net revenues (110%)
- Continuing disclosure

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The Bond Documents

- **Bond resolution:** approves bond documents, authorizes staff to enter into installment purchase agreement
- **Installment purchase agreement:** agreement between the City of Lodi & the CSCDA. Provides for pledge of net revenues, rate covenant and additional debt test
- **Continuing disclosure certificate:** specifies ongoing disclosure requirements
- **Official statement:** disclosure document also used in marketing the bonds (bond prospectus)

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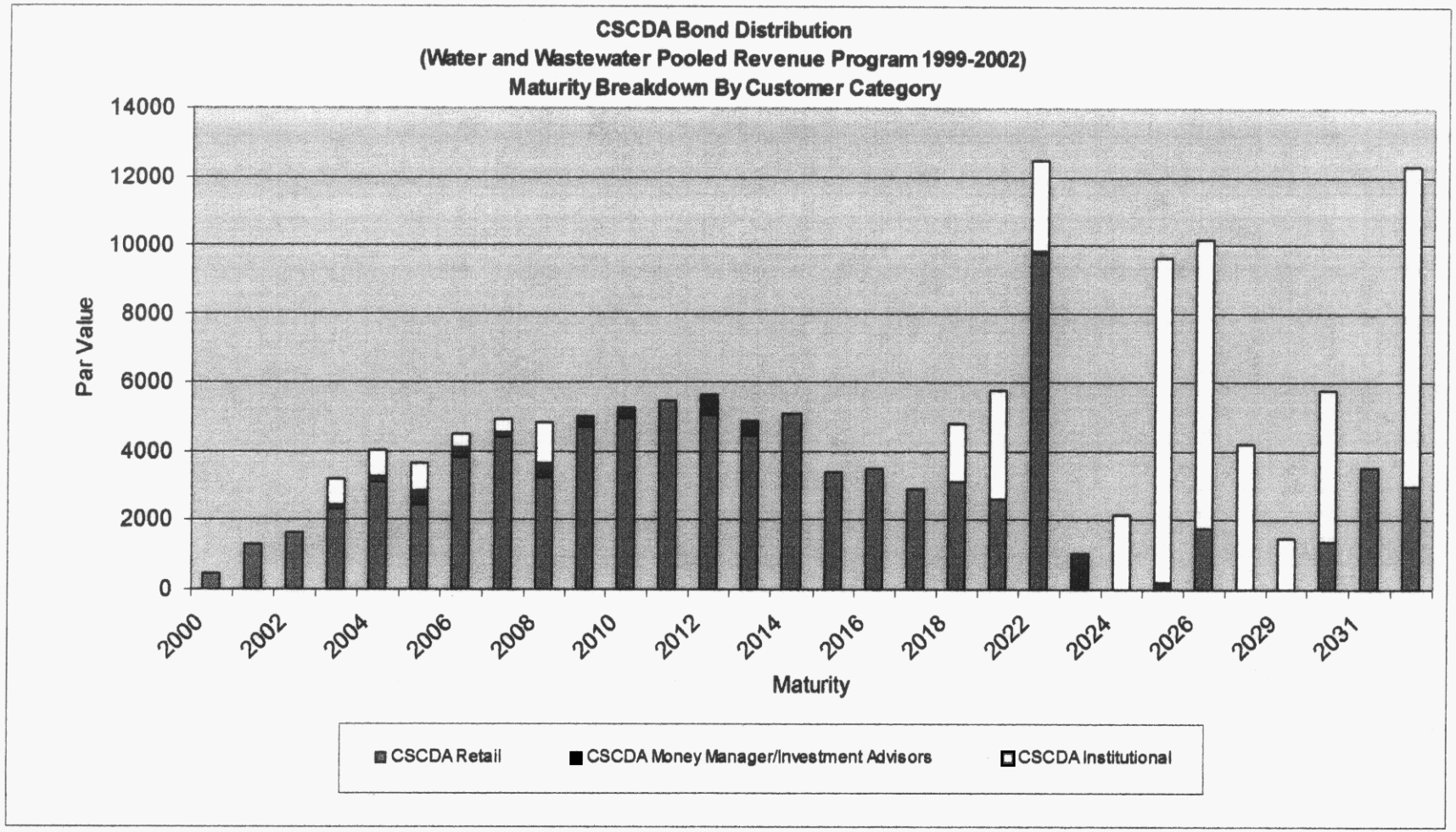
Bond Distribution



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Conclusion

- Low "AAA" interest rates & costs of issuance guaranteed
- Proven reputable team
- Streamlined documentation
- Frequent market access

©2003 Henderson Capital Partners

filed 9-17-03
Item 1-3

City Council Presentation: Wastewater Treatment Project Phase 1 Award & Financing

September 17, 2003

White Slough Water Pollution Control Facility

- Brief History
- Project Overview
- Financing
- Phase 1 Contract Award

Brief History

- January 1999 – West Yost Associates (WYA) retained for planning and regulatory coordination
- August 1999 to October 2000 – Draft findings/ presentations to public advisory committee(6) and City Council (3)
- February 2000 – 5 year State Discharge Permit Approved
- May 2000 – State Implementation Plan Adopted
- January 2001 - Began alternative outfall investigation/ discussions with RWQCB
- January 2001 - Initiated percolation study of potential disposal sites – results discouraging for total land application
- September 2001 - Began pre-design of improvements to existing treatment process
- March 2002 - Feasibility study of membrane bioreactor treatment process concludes operations cost too expensive.
- June 2003 – Pilot test of cloth media filter successful

Master Plan Report Sections

1. Executive Summary
2. Introduction
3. Flow & Loading Projections
4. Anticipated Discharge Requirements & Issues
5. Compliance with Anticipated Discharge Requirements
6. Evaluation Criteria
7. Wetlands Treatment
8. Industrial Wastewater Treatment & Disposal/Reuse
9. Biosolids Disposal/Reuse Alternatives
10. Alternatives for Effluent Land Treatment, Reuse & Storage
11. Treatment Plant Upgrade & Expansion Alternatives
12. Odor Control
13. Combined Treatment & Disposal/Reuse Alternatives
14. Recommended Wastewater Program

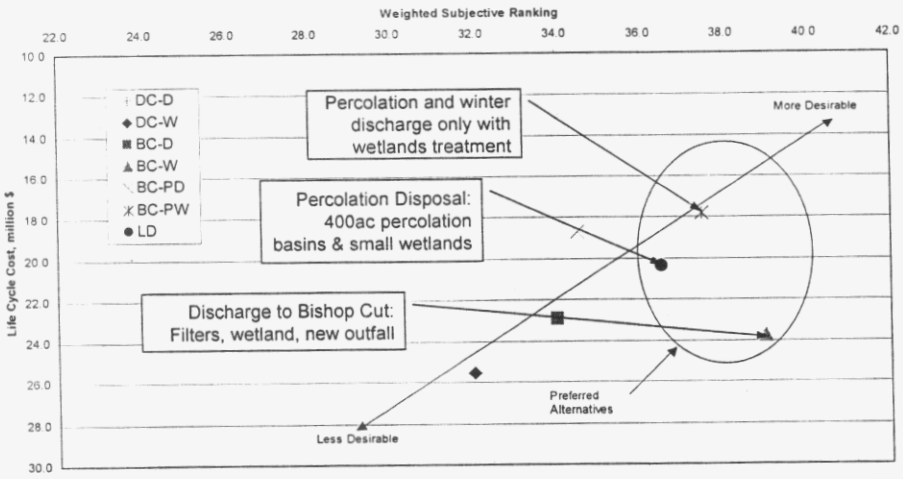
State Implementation Plan (May 2000)

- Establishes a Statewide Standard Approach for Permitting Discharges of Toxic Pollutants (CTR Criteria)
- Greatly Expands the Data Requirements for NPDES Permit Development
- Triggers Unprecedented Treatment Plant Effluent Standards
- Establishes a Schedule for Achieving Compliance with New Standards (up to 5 years)

City of Lodi WPCF: Discharge Issues

- Discharge Is to a Dead-End Slough with No Dilution
- Drinking Water Beneficial Use Dictates Stringent Effluent Limits for Priority Pollutants
- Agricultural Beneficial Use Dictates Title 22 Tertiary Treatment
- Effluent Limits Cannot Be Reliably Met Even with Improved Treatment Facilities
- Meeting Criteria in New State Implementation Plan (adopted May 2000 – after our permit) Will Be Difficult

Major Alternatives



Percolation Study of Potential Disposal Sites

- Completed October 2001
- Soil Infiltration Limited Percolation
- Master Plan Estimated 400 Acres Required
- Pilot Study Concluded 600 to 800 Acres Required
- Changes to Groundwater Regulations - Tertiary Filtration & Compliance is Uncertain
- Long Term Groundwater Impact Must Be Addressed
- Percolation Disposal Not Preferred Alternative At This Time

Regulatory Negotiations

- Surface Discharge Application to RWQCB (March 2001)
- Informal Response: Filters required
- Continued Negotiations: Dilution in Bishop Cut

Ongoing Regulatory Negotiations: Dilution Issues

- Dilution Credits Are Critical
- Model Data Is Not Confirmed
- RWQCB Requires Flow Monitoring & Tracer Study Data
- City Installing Flow Meter in Bishop Cut
- Additional Flow/Tracer Data Needed after the Outfall Is in Place
- Primarily Affects Phase 3 Improvements

Measures Proposed to Respond Discharge Issues

- Expand Secondary Treatment Process
- Provide Title 22 Filtration/Disinfection
- Move Outfall to Location with More Dilution
- Maximize Summer Reuse/Storage
- Treatment in Outfall Wetlands

Current Project Overview

- Phase 1 – 2003 Aeration Improvements, Earthwork
- Phase 2 – 2004 Filters, Disinfection, Completion of Aeration Improvements
- Phase 3 – 2005/6 Discharge Relocation, Wetland

Phase 1

- Pre- purchase of Blower Equipment early in 2003
- Construction Bid for:
  - Installation of blowers (mechanical, electrical, etc.)
  - Pond modifications in preparation for filters
  - Removal of solids from pond
  - Misc. underground work in preparation for later phases (piping, electrical)
- Engineering & Contingencies
- Initial Estimates - $4 million

Phase 2

- In design, to bid this Winter
- Plan to meet 2004 permit deadline
- Possible pre-purchase of some equipment
- Construction bid for:
  - Installation of aeration panels
  - Installation of filters
  - Installation of UV disinfection equipment
  - Electrical power improvements
- Engineering & Contingencies
- Initial estimates - $24.8 million

Phase 3

- In Environmental Review stage
- Secondary treatment improvements:
  - Influent screening
  - Headworks & Pump modifications
  - Additional aeration improvements
  - Additional digester & clarifier
  - Misc. control & operations improvements
- Outfall relocation
- Treatment wetland
- Land acquisition
- Engineering & Contingencies
- Initial estimates - $22.8 million

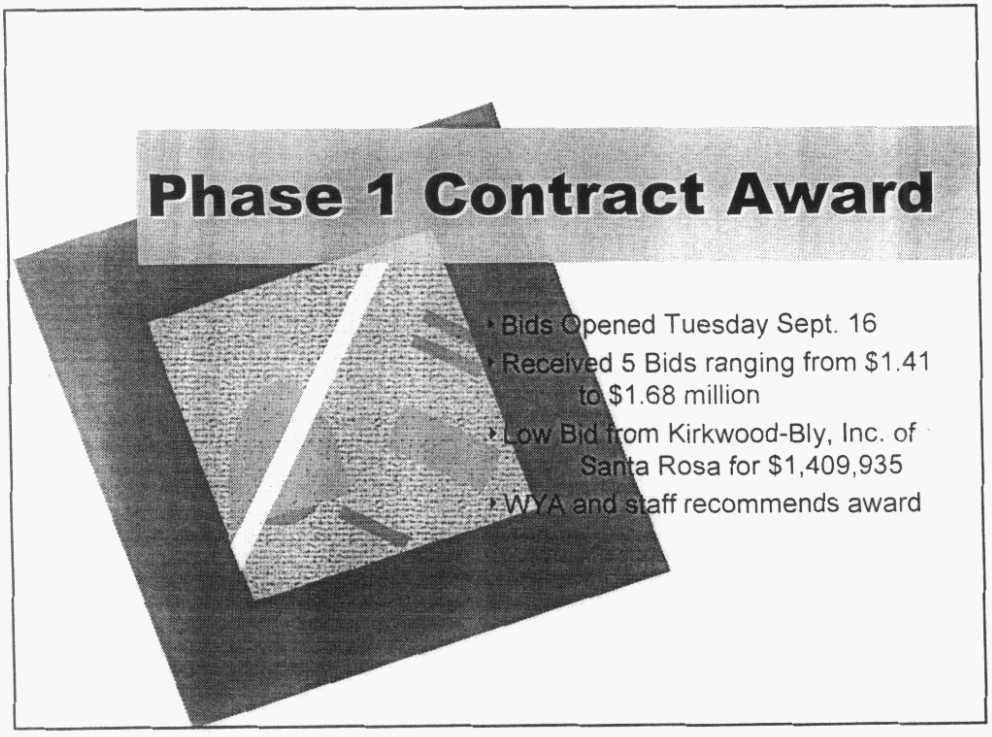
Financing

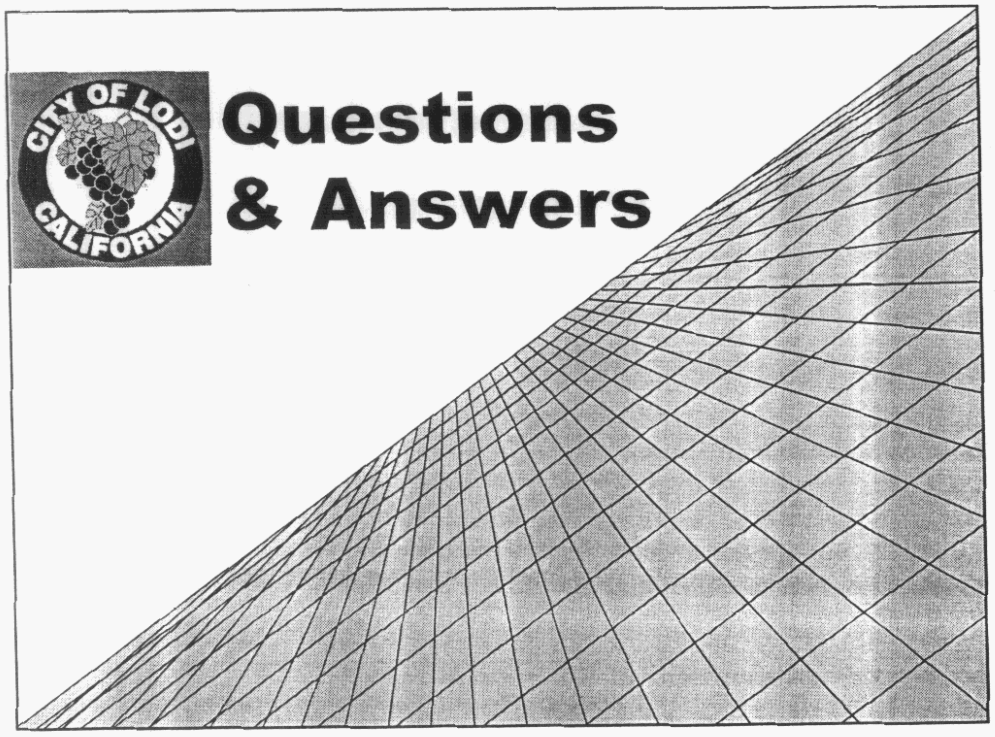
- State Revolving Loan Fund
- "Pool" Financing
- Typical COP Financing
- Preliminary Impact on Rates

SRF Program Disadvantages

- Rigid Requirements
  - Facilities plan
  - Revenue program
  - Water conservation plan
  - Design review
  - Value engineering review
  - Contractual constraints
  - Additional Implementation Time
- Not All Costs Eligible
- Term limited to 20 years
- Would need additional financing for Phase 2 & 3

WYA's General Experience: SRF preferred for large projects


Phase 1 Contract Award
Bids Opened Tuesday Sept. 16
Received 5 Bids ranging from $1.41 to $1.68 million
Low Bid from Kirkwood-Bly, Inc. of Santa Rosa for $1,409,935
WYA and staff recommends award


CITY OF LODI
CALIFORNIA
Questions
& Answers

SRF Financing Advantages

- State administered program utilizing Federal funds, loan repayments and other sources to provide new loans
- Low Cost Financing
  - SRF: 2.6% to 3% for 20-year repayment (based on half of State General Obligation Bond rate)
  - Current outside bond financing rates about 5%
- Net impact typically about 12-14% less impact on rates/fees per WYA

SRF Financing Suspended

- Received all approvals short of loan commitment
- Notified September 2, 2003 that program is short of cash and sale of new bonds is on hold for at least several months
- Not an option for Phase 1, doubtful for Phase 2

"Pool" Financing

- Organized by League of California Cities & California State Association of Counties
- Designed to be simple, and fast
- Well-suited for small projects although can work for larger ones as well
- Originally considered for funding SRF ineligible items
- Presentation by Mimi Henderson, Henderson Capital Partners

COP Financing

- Used for last expansion and refinanced in 1991
- On large issue, rates can be more competitive
- City would obtain rating, assemble issuance team, etc.

Recommended Financing

- CSDA Pool for $5.0 million for Phase 1
- Will net $4.85 million:
  - $1.62 million for contract including contingencies
  - $0.15 million for construction engineering, testing, administration
  - $0.24 million for pre-purchased equipment
  - $1.24 million to reimburse wastewater fund for master plan, design and associated compliance costs (to go to capital fund for infrastructure replacement)
  - $1.6 million for future work at White Slough and/or infrastructure replacement
- Pursue separate COP for Phase 2 with pool as back-up
- Pursue SRF and other sources for Phase 3 with COP and pool as back-up

Rate Impacts

- To be presented in detail at Shirtsleeve Session, tentatively scheduled for Sept. 30
- Further presentations at Regular Council meetings to be scheduled pending shirtsleeve questions/comments
- Phase 1 debt service could be accommodated with existing rates with reduced capital replacement program (not recommended)
- Preliminary analysis using estimates noted earlier indicate approximately three 20% increases over next two+ years (and increase in development fees) will cover all three phases

RESOLUTION NO. 2003-177

RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT, A BOND PURCHASE AGREEMENT AND AN OFFICIAL STATEMENT, AND AUTHORIZING CERTAIN RELATED MATTERS

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WHEREAS, the City of Lodi (the "Participant") is duly organized and existing under the laws of the State of California (the "Law") and is authorized pursuant to the Law to enter into an installment purchase agreement for the purpose of financing and/or refinancing the acquisition and construction of public capital improvements; and

WHEREAS, the Participant desires to enter into one or more Installment Purchase Agreements (the "Installment Purchase Agreement"), by and between the Participant and the California Statewide Communities Development Authority, a joint exercise of powers agency (the "Authority") in order to provide for the financing and/or refinancing of certain public capital improvements, including the financing of capital improvements to the Participant's water system and/or wastewater system (the "Project"); and

WHEREAS, this Governing Board finds that the financing and/or refinancing of the Project results in significant public health benefits, including but not limited to more efficient delivery of service, and that the Project constitutes facilities for the production, storage, transmission, or treatment of water, recycled water, or wastewater; and

WHEREAS, the Participant desires to participate in the Authority's Water and Wastewater Pooled Financing Program, a part of the Authority's economic development financing programs (the "Program") and that the Authority assign the right to receive the Installment Payments under the Installment Purchase Agreement to a trustee (the "Trustee") to be named in a Master Indenture (the "Indenture"), by and between the Authority and the Trustee and that the Authority issue its Revenue Bonds (the "Bonds") to finance and/or refinance the Project pursuant to the Indenture; and

WHEREAS, the Participant desires to participate in conjunction with the parties to that certain Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority, dated as of June 1, 1998 (the "Agreement"); and

WHEREAS, the Participant proposes to participate in the Program and desires that certain projects to be located within the Participant be financed pursuant to the Program and it is in the public interest and for the public benefit that the Participant do so; and

WHEREAS, in order to authorize the execution of the Installment Purchase Agreement and the preparation of an Official Statement relating to the Bonds (the "Official Statement") and to provide for certain related matters, the Governing Board of the Participant deems it in the best interest of the Participant to adopt this Resolution (the "Resolution");

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE PARTICIPANT, AS FOLLOWS:

Section 1. Execution of the Installment Purchase Agreement and the Bond Purchase Agreement. The City Manager of the Participant or other appropriate officers of the Participant (the "Authorized Officers") are hereby authorized and directed to execute for and on behalf of the Participant the Installment Purchase Agreement, in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authorized Officers are hereby authorized and directed to negotiate and accept on behalf of the Participant the payment terms of the Installment Purchase Agreement and the Bond Purchase Agreement which will reflect the terms of the sale of the Bonds by Henderson Capital Partners, LLC (the "Underwriter"), such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal components of the payments under the Installment Purchase Agreement may not exceed $5,000,000 for the Project, the Underwriter's discount (without giving effect to any original issue discount) may not exceed 1.25% of the aggregate principal components of the payments under the Installment Purchase Agreement and the average interest rate evidenced thereunder shall not exceed 6.50%. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a Bond Purchase Agreement containing the final payment terms of the Installment Purchase Agreement and the Bonds in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The obligation of the Participant to make the Installment Payments under the Installment Purchase Agreement is a special obligation of the Participant payable solely from the System Net Revenues (as defined under the Installment Purchase Agreement), and does not constitute a debt of the Participant or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The Participant shall not be obligated to make payments to cover the shortfall in payments of any other participant in the Program.

Section 2. Authorization of Preliminary Official Statement, Execution of Final Official Statement, Execution of Continuing Disclosure Certificate. The Participant hereby approves the form of the preliminary Official Statement (the "Preliminary Official Statement") relating to the Bonds. The Authorized Officers are hereby authorized to certify that said Preliminary Official Statement, is as of its date "deemed final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a final Official Statement, in substantially the form of the Preliminary Official Statement, with such changes therein (and additions thereto to reflect the terms of the sale of the Bonds) as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Participant a Continuing Disclosure Certificate, in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. JPA Matters. The City hereby approves the Project and the Authority as issuer of the Bonds to finance the Project pursuant to Section 9 of the Agreement.

Section 4. Appointment of the Professionals. Henderson Capital Partners is hereby confirmed and appointed as the Participant's underwriter in connection with the financing authorized by this Resolution. Hawkins, Delafield & Wood is hereby confirmed as the bond counsel in connection with the Bonds.

Section 5. Other Actions Authorized. The Authorized Officers and such other proper officers of the Participant are hereby authorized to take all actions and execute any and all documents described in this Resolution and otherwise necessary or desirable to effect the execution and delivery of the Installment Purchase Agreement and to make any changes to the forms of the legal documents approved in this Resolution as necessary or desirable to comply with the terms of municipal bond insurance; to change the dates and the percentages in the rate covenant and additional debt test contained in any documents approved at this meeting from the dates and percentages on the forms submitted to this meeting; and 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 execution and delivery of the Installment Purchase Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Installment Purchase Agreement, the Bond Purchase Agreement, the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Certificate. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved. The Authorized Officers are further authorized to take all actions and execute any and all documents necessary or desirable to refund, defease, redeem and otherwise provide for the payment of any of the Participant's outstanding obligations, if any, which are to be refinanced in connection with the execution of the Installment Purchase Agreement. Further, if the Participant is not already a member of the Authority, the Participant shall become so and Participant staff is authorized to take such actions and execute such documents as are necessary or desirable for the Participant to become a member of the Authority. The Authorized Officers are authorized to substitute a non-profit corporation or joint powers authority for the Authority in connection with the transaction authorized in this Resolution on the advice of bond counsel.

Dated: September 17, 2003

I hereby certify that Resolution No. 2003-177 was passed and adopted by the City Council of the City of Lodi in a regular meeting held September 17, 2003 by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

SUSAN J. BLACKSTON
City Clerk

RESOLUTION NO. 2003-178

RESOLUTION OF THE LODI CITY COUNCIL REGARDING ITS INTENTION TO ISSUE TAX-EXEMPT WASTEWATER OBLIGATIONS

WHEREAS, the City of Lodi (the "Borrower") desires to finance the costs of acquiring, construction, reconstructing and/or equipping certain public facilities and improvements relating to its wastewater system, as provided in Exhibit A attached hereto and incorporated herein (the "Project"); and

WHEREAS, the Borrower intends to finance the acquisition, construction, reconstructing and/or equipping of the Project or portions of the Project with the proceeds of the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"); and

WHEREAS, prior to the issuance of the Obligations the Borrower desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the Borrower; and

WHEREAS, this Governing Board of the Borrower has determined that those moneys to be advanced on and after the date hereof to pay the Expenditures are available only for a temporary period and it is necessary to reimburse the Borrower for the Expenditures from the proceeds of the Obligations;

NOW, THEREFORE, THIS GOVERNING BOARD OF THE CITY OF LODI DOES HEREBY RESOLVE, ORDER AND DETERMINE AS FOLLOWS:

SECTION 1. The Borrower hereby states its intention and reasonably expects to reimburse Project costs incurred prior to the issuance of the Obligations with proceeds of the Obligation. Exhibit A describes the general character, type, purpose, and function of the Project.

SECTION 2. The reasonably expected maximum principal amount of the Obligations is not to exceed $5,000,000.

SECTION 3. This resolution is being adopted no later than 60 days after the date on which the Borrower will expend moneys for the portion of the Project costs to be reimbursed from proceeds of the Obligations.

SECTION 4. The Borrower will make a reimbursement allocation, which is a written allocation that evidences the Borrower's use of proceeds of the Obligations to reimburse an Expenditure, no later than 18 months after the later of the date on which the Expenditure is paid or the Project is placed in service or abandoned, but in no event more than three years after the date on which the Expenditure is paid. For Obligations subject to the small governmental issuer exception of Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended, the "eighteen-month limit" of the previous sentence is changed to "three years" and the "three-year limitation" of the previous sentence is not applicable.

SECTION 5. The limitations described in Section 3 and Section 4 do not apply to (a) costs of issuance of the Obligations, (b) an amount not in excess of the lesser of $100,000 or five percent (5%) of the proceeds of the Obligations, 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 Obligations that finances the Project for which the preliminary expenditures were incurred.

SECTION 6. Each expenditure will be of a type properly chargeable to a capital account under general federal income tax principles (determined in each case as of the date of the Expenditure).

SECTION 7. To the best of our knowledge, this Governing Board is not aware of the previous adoption of official intents by the Borrower 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 8. This resolution is adopted as official action of the Borrower 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 Borrower expenditures incurred prior to the date of issue of the Obligations.

SECTION 9. All the recitals in this Resolution are true and correct and this Governing Board so finds, determines and represents.

Dated: September 17, 2003

I hereby certify that Resolution No. 2003-178 was passed and adopted by the City Council of the City of Lodi in a regular meeting held September 17, 2003 by the following vote:

AYES:	COUNCIL MEMBERS –	Beckman, Hansen, Howard, Land, and Mayor Hitchcock
NOES:	COUNCIL MEMBERS –	None
ABSENT:	COUNCIL MEMBERS –	None
ABSTAIN:	COUNCIL MEMBERS –	None

SUSAN J. BLACKSTON
City Clerk

EXHIBIT A

DESCRIPTION OF PROJECT

The project to be financed consists of various capital improvements to the Borrower's wastewater system, including certain infrastructure improvements.

RESOLUTION NO. 2003-179

A RESOLUTION OF THE LODI CITY COUNCIL AWARDING THE BID FOR PHASE 1 INTERIM IMPROVEMENTS (FOUR AERATION BLOWERS) AT WHITE SLOUGH WATER POLLUTION CONTROL FACILITY, AND FURTHER APPROPRIATING FUNDS FOR THIS PROJECT

WHEREAS, in answer to notice duly published in accordance with law and the order of this City Council, sealed bids were received and publicly opened on September 16, 2003, at 11:00 a.m. for Phase 1 Interim Improvements (Four Aeration Blowers) at White Slough Water Pollution Control Facility, described in the specifications therefore approved by the City Council on May 21, 2003; and

WHEREAS, said bids have been compared, checked, and tabulated and a report thereof filed with the City Manager as follows:

Bidder	***Location***	**Bid**
Engineer's Estimate		**$2,250,000.00**
Kirkwood-Bly, Inc.	Santa Rosa	$1,409,935.00
F & H Construction	Stockton	$1,418,000.00
C. W. Roen Construction Company	Danville	$1,449,215.00
Diede Construction	Woodbridge	$1,551,585.10
Pacific Infrastructure Corp.	Pleasanton	$1,684,000.00

WHEREAS, the City Manager recommends award of the bid for Phase 1 Interim Improvements (Four Aeration Blowers) at White Slough Water Pollution Control Facility, be made to the low bidder, Kirkwood-Bly, Inc., of Santa Rosa, California, in the amount of $1,409,935.00.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby award the bid Phase I Interim Improvements (Four Aeration Blowers) at White Slough Water Pollution Control Facility, be made to the low bidder, Kirkwood-Bly, Inc., of Santa Rosa, California, in the amount of $1,409,935.00; and

BE IT FURTHER RESOLVED that funds in the amount of $1,770,000.00 be appropriated from the Wastewater Fund for this project.

Dated: September 17, 2003

I hereby certify that Resolution No. 2003-179 was passed and adopted by the City Council of the City of Lodi in a regular meeting held September 17, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

SUSAN J. BLACKSTON
City Clerk