

RESOLUTION NO. 99-114

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI
AUTHORIZING EXECUTION AND DELIVERY OF
AN INTEREST RATE SWAP AGREEMENT AND
DIRECTING CERTAIN ACTIONS RELATING THERETO

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WHEREAS, the City of Lodi, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), has determined to finance and refinance the costs of certain additions, betterments and improvements to the City's electric system (the "Electric System"), including the acquisition and construction of certain transmission and distribution facilities for the Electric System; and

WHEREAS, in order to implement the foregoing, the City Council adopted Resolution No. 99-107 on July 21, 1999, whereby the City is authorized to enter into an Installment Purchase Contract (the "Installment Purchase Contract") with the Lodi Public Improvement Corporation, a non-profit, public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), under which the City will be obligated to make installment payments (the "Payments") to the Corporation for the purchase of certain improvements to the Electric System as provided in the Installment Purchase Contract; and

WHEREAS, Resolution No. 99-107 further approved the financing and refinancing of the improvements to the Electric System as provided in the Installment Purchase Contract through the execution and delivery of Electric System Revenue Certificates of Participation, 1999 Series A Current Interest Certificates and Electric System Revenue Certificates of Participation, 1999 Series B Capital Appreciation Certificates (collectively, the "Certificates"), evidencing and representing proportionate interests of the owners thereof in the Payments to be made by the City; and

WHEREAS, the City's obligation to make Payments under the Installment Purchase Contract is a special obligation payable solely from Net Revenues (as defined in the Installment Purchase Contract) of the Electric System; and

WHEREAS, the City proposes to enter into an interest rate swap agreement with Salomon Brothers Holding Company Inc in order to provide a mechanism for economically converting the fixed interest rate applicable to the Certificates to a variable rate for a specified term as authorized by Sections 5922 and 53534 of the California Government Code; and

WHEREAS, the terms and conditions of such interest rate swap shall be as set forth in the ISDA Master Agreement, as amended and supplemented by the U.S. Municipal Counterparty Schedule to the Master Agreement, in the form submitted to this meeting (such ISDA Master Agreement, as so amended and supplemented, as the same may be modified and completed in accordance with this Resolution, being referred to as the "Swap Agreement"); and

WHEREAS, such interest rate swap shall constitute a Transaction under the Swap Agreement (the "Transaction"), the specific terms of which shall be contained in a Confirmation (the "Confirmation") to be delivered on the date the Transaction is agreed upon by the parties; and

WHEREAS, the City's obligations under the Transaction will be special obligations payable solely from Net Revenues of the Electric System on a parity with the City's obligations to make the Payments under the Installment Purchase Contract; and

WHEREAS, the City's obligations under the Transaction may be secured by security

arrangements described in the Credit Support Annex in the form submitted to this meeting (such Credit Support Annex, as the same may be modified and completed in accordance with this Resolution, being referred to as the "Credit Support Annex") or by an insurance policy; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

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

Section 1. The Swap Agreement, in the form submitted to this meeting and on file with the City Clerk, is hereby approved, and the City Manager and the Finance Director, each acting singly, are hereby authorized to execute the Swap Agreement in substantially said form with such changes therein as the officer executing such document may approve, with such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The Transaction is hereby approved and the City Manager and the Finance Director, each acting singly, are hereby authorized to enter into the Transaction and accept and execute the Confirmation describing the Transaction; provided, however, that the following limitations shall be applicable to the Confirmation and Transaction: (i) the term of the Transaction shall not exceed fifteen (15) years, (ii) the aggregate notional amount of the Transaction shall not exceed \$45,000,000, (iii) the rate payable by the City at any time under the Transaction shall not exceed the then effective BMA Municipal Index (as published by Municipal Market Data) or any successor index under the Swap Agreement plus 100 basis points, (iv) the fixed rate to be received by the City under the Transaction shall not be less than four percent (4%) per annum, (v) all payment obligations of the City under the Confirmation and the Transaction shall be special obligations payable solely from Net Revenues of the Electric System on a parity with the City's obligations to make the Payments under the Installment Purchase Contract, (vi) if determined by the officer executing the Confirmation to be in the best interests of the City, the Confirmation may contain a limit on the rate payable by the City under the Transaction (which determination shall be conclusively evidenced by the execution of the Confirmation containing such limitation).

Section 3. The City hereby finds and determines that the Transaction authorized hereby is designed to reduce the amount of interest cost to the City with respect to the Certificates.

Section 4. The Credit Support Annex, in the form submitted to this meeting and on file with the City Clerk, is hereby approved, and the City Manager and Finance Director, each acting singly, are hereby authorized to execute the Credit Support Annex in substantially said form with such changes therein as the officer executing such document may approve, with such approval to be conclusively evidenced by the execution and delivery thereof. If the Credit Support Annex is executed and delivered pursuant to Section 5 of this Resolution, the proper officers of the City are hereby authorized and directed to deliver securities and to otherwise take all actions to perform the City's obligations under the Credit Support Annex.

Section 5. The securing of the City's obligations under the Transaction either through the use of an insurance policy or the execution and delivery of the Credit Support Annex is hereby authorized and approved. The City Manager and the Finance Director, each acting singly, are hereby authorized to determine whether to utilize an insurance policy or the Credit Support Annex to secure the City's obligations under the Transaction, which determination shall be made on the basis of which security arrangement is in the best interests of the City and which determination shall be conclusively evidenced by the execution and delivery of the Credit Support Annex or the delivery of an insurance policy, as applicable.

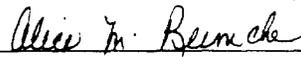
Section 6. The City Manager, the Finance Director, the City Attorney and the City Clerk and all other appropriate officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to take such actions as may be necessary or convenient, to carry out the City's obligations under and to effect the purposes of, the Swap Agreement, the Credit Support Annex, the Transaction, the Confirmation, this Resolution and the transactions herein authorized.

Section 7. This Resolution shall take effect immediately upon its passage.

Date: August 4, 1999

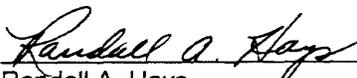
I hereby certify that Resolution 99-114 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 4, 1999 by the following votes:

AYES: COUNCIL MEMBERS – Mann, Nakanishi and Land (Mayor)
NOES: COUNCIL MEMBERS – Hitchcock
ABSENT: COUNCIL MEMBERS – None
ABSTAIN: COUNCIL MEMBERS – Pennino



Alice M. Reimche
City Clerk

Approved As to Form:



Randall A. Hays
City Attorney

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