



Hiddenbrooke Property Owners Association, Inc.
c/o Valley Management Services
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American Canyon, CA 94503

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June 14, 2013

Deborah Lauchner, Finance Director
City of Vallejo
555 Santa Clara Street
Vallejo, California 94590

Re: Hiddenbrooke Improvement District Bond Fund Levy

Dear Ms. Lauchner;

Thank you again for taking the time to meet with representatives of the Hiddenbrooke Property Owner's Association (HPOA) on May 29, 2013. We appreciated the chance to have a discussion with staff about the Hiddenbrooke Improvement District (HID) bond. At that meeting we asked staff to consider recommending partial relief from the levy again this year, as the City has done twice in years past, since the surplus has now grown sufficiently that the HID surplus exceeds any foreseeable need. We have a homeowner's meeting on Tuesday, June 25, 2013 and are hoping to report the City staff's position to the general membership at that time, even if on a preliminary basis awaiting formal approval by the City Council.

Background

To repeat from our discussions, the HID formed in 1988 to finance infrastructure improvements within the Hiddenbrooke community. The bonds were subsequently refinanced in 1998 and again in 2004. In the 2004 refinance, lower interest rates were achieved, and final documents as amended permitted accumulation of a surplus and expenditure from that surplus for further capital projects, upon notice to the bondholders. Since 2004, the amount of levy collected has been maintained at the pre-2004 figures and the collection has exceeded the amount necessary to pay the annual debt service, by about \$500,000 per year. In FY 2010/11, \$1 million of surplus was used to reduce bond principal early, thus further lowering future annual payments. In FY 2010/11 and FY 2011/12, the amount collected was lowered by \$500,000 each year. This was accomplished by levying the full amount, but then "contributing from surplus" \$500,000 each year so that the amount actually collected was lowered by the same amount. This property tax relief was not extended for FY 2012/13, due to uncertainty over what demands may be made against the surplus. Staff wanted to further study the expected cost of road maintenance capital projects going forward (this has since been accomplished), and the exposure to repair claims for the "utility corridor" along St. John's Mine Road.

Surplus

According to the draft budget for FY 2013/14, the surplus is expected to grow by another \$618,000 next year, resulting in an expected surplus of some \$4.673 million by 6/30/14. This is above and beyond sums collected in advance to pay bonds, and a \$1 million "delinquency maintenance reserve" cushion required in the bond documents.

— Working for Hiddenbrooke and CC&R Compliance —

The estimates from Public Works staff, given at our meeting, are that about \$2 million from this surplus could be used to periodic slurry sealing over the next 10 years (\$200,000 per year); about \$750K, in the "high end" may be needed for the utility corridor repair, although the City disputes liability and mitigation claims on that issue, and believes the cost should be much lower; about \$300K will be transferred out for this last year's slurry sealing; and under \$100K would be used for improvements such as radar speed signs and license plate-recognition scanners that would feed to the Police Department.

Based on all this, it appears the expected surplus by the end of the upcoming fiscal year (\$4.673 million) greatly exceeds the cost of various Hiddenbrooke projects that have been discussed in the past as potential recipients of these funds (about \$3.15 million). Additionally there may be other funding sources that could be tapped for some of these projects, for example, the Hiddenbrooke Sky Valley Overpass Fund #211 holds \$6.892 million and Public Works indicates that it is unlikely that more than \$2 million of that fund would be used for upgrades to the Hiddenbrooke entrance from the freeway and the Hiddenbrooke Parkway.

Request

Therefore, we are again requesting rate relief for FY 2013-2014. A copy of the previous resolution on this matter is attached for your reference. We also believe time is of the essence, since the City will need to provide the County with the levy amount by August. Again, if you could give us an indication of staff's views in advance of our June 25, 2013 meeting that would help us in updating the community.

Thank you again for your help on this matter.



Byrne Conley, Chair HID Bond Advisory Committee
Kevin Smith, President, HPOA

Attachments:

FY 2013-14 proposed budget excerpts re Hiddenbrooke-related accounts
Prior City Council agenda material re HID rate relief

Cc:

City contacts:

Jon Oiler, Ron Millard, David Kleinschmidt, Jill Mercurio

HPOA contacts:

Kevin Smith, Chris Brittle, Paul Norberg, Joyce Estes

H.I.D.



**City of Vallejo
Other Programs
Debt Service Funds
FY 13-14 Proposed Budget**

	City Debt		Land -Based Assessment Debt Hiddenbrooke	
	1999 COPS Fund #303	Loan A Fund #309	1998 Fund #343	2004 A Fund #348
Beginning Available Fund Balance	<u>\$ -</u>	<u>\$ 1,101,929</u>	<u>\$ -</u>	<u>\$ 4,054,193</u>
Revenues				
Operating				
Charges for Services	-	-	1,982,685	-
Investment Income	-	-	-	30,000
	<u>-</u>	<u>-</u>	<u>1,982,685</u>	<u>30,000</u>
Expenditures				
Nondepartmental	11,300	4,500	64,499	-
Debt service	316,976	262,268	-	1,315,505
Capital Outlay	-	-	-	-
	<u>328,276</u>	<u>266,768</u>	<u>64,499</u>	<u>1,315,505</u>
Other Financing Sources (Uses)				
Transfers in - General Fund	336,125	-	-	-
Transfers in - Capital Fund	-	-	-	-
Transfers within districts	-	-	(1,918,186)	1,918,186
Debt proceeds - Bond Insurance	-	-	-	-
Fund Balance reserve	(7,849)	-	-	(13,845)
	<u>328,276</u>	<u>-</u>	<u>(1,918,186)</u>	<u>1,904,341</u>
Net Annual Activity	<u>-</u>	<u>(266,768)</u>	<u>-</u>	<u>618,836</u>
Ending Available Fund Balance	<u>\$ -</u>	<u>\$ 835,161</u>	<u>\$ -</u>	<u>\$ 4,673,029</u>
Total Fund Balance:				
Debt Service Reserve	\$ -	\$ -	\$ -	\$ 643,829
Delinquency Maintenance Reserve	-	-	-	1,000,000
Designated for Capital Projects	-	-	-	-
Designated for Subsequent Payment	235,575	-	-	919,675
Undesignated/Available	-	835,161	-	4,673,029
	<u>\$ 235,575</u>	<u>\$ 835,161</u>	<u>\$ -</u>	<u>\$ 7,236,533</u>

H.M.D.

Public Works
Landscape Maintenance Districts
FY 13-14 Proposed Budget

Landscape Maintenance District Admin Fund #181	Hiddenbrooke Fund #138	1972 Districts				
		South Vallejo Business Park Fund #182	Sandpiper Point Fund #163	Carriage Oaks Fund #170	Bordonl Ranch Fund #177	
Beginning Total Fund Balance, June 30, 2012	\$ -	\$ 1,907,934	\$ 118,421	\$ 25,516	\$ 35,942	\$ 19,050
FY 11-12 Activity						
Revenues	446	731,708	84,452	54,265	15,223	160,243
Expenditures	(735,861)	(574,815)	(42,658)	(35,541)	(13,008)	(34,873)
Interfund Allocation	801,913	(113,354)	(13,779)	(14,885)	(5,151)	(11,313)
In-house Services	-	-	-	-	-	-
Net Annual Activity	66,398	43,537	28,017	3,839	(2,934)	114,257
Projected Fund Balance, June 30, 2013	66,398	1,951,471	146,438	29,355	33,008	133,307
FY 12-13 Activity						
Revenues						
Charges for services	-	720,744	85,306	54,011	14,864	169,813
Investment income	533	19,515	1,464	294	330	1,333
Total Revenue	533	740,259	86,770	54,305	15,194	171,146
Expenditures						
District Maintenance						
Contract Services		415,107	17,899	19,750	5,674	63,170
Rehabilitation / Vandalism		14,500	8,900	2,500	3,500	10,100
Utilities		72,200	16,640	12,250	5,800	23,761
Capital Projects		350,000	-	-	-	-
Subtotal, District Maintenance	-	851,807	41,239	34,500	14,974	97,031
Administration						
Inspection Administration	-	-	-	-	-	-
Citywide and Department Allocations	915,632	-	-	-	-	-
	915,632	-	-	-	-	-
District Allocations	(915,637)	123,846	16,638	17,500	6,268	31,484
Engineer's Report		5,458	603	393	156	209
County Fees		7,207	853	540	149	1,698
Subtotal, Administration	(5)	136,511	16,094	18,433	6,573	33,391
Total Expenditures	(5)	988,318	59,333	52,933	21,547	130,422
Net Annual Activity	538	(248,059)	27,437	1,372	(6,353)	40,724
Ending Fund Balance, June 30, 2014	\$ 66,936	\$ 1,703,412	\$ 173,875	\$ 30,727	\$ 26,655	\$ 174,031
Total Fund Balance						
Operating reserve (50% annual operations) (a)		\$ 319,159	\$ 29,667	\$ 26,467	\$ 10,774	\$ 65,211
Rehabilitation reserve		542,220	144,208	4,260	15,881	108,820
Habitat and slide reserve (developer deposits)		842,033	-	-	-	-
Undesignated/Available	66,936	-	-	-	-	-
\$ 66,936	\$ 1,703,412	\$ 173,875	\$ 30,727	\$ 26,655	\$ 174,031	

(a) Operating reserve is calculated based on assessments revenue since expenditures fluctuate from year to year

Overpass

City of Vallejo
Capital Project Funds
 FY 13-14 Proposed Budget



	Hiddenbrooke Sky Valley Overpass Fund #211	2002 COP Fund #215	Gas Tax Sec 2103 Fund #219	Capital Grants Contributi Fund #2
Beginning Available Fund Balance	\$ 6,826,934	\$ -	\$ 51,481	\$ 39
Revenues				
Investment Income	70,000	-	9,000	
Development Impact Fees	-	-	-	
Capital Grants	-	-	64,500	6,286
Miscellaneous	-	-	-	
	<u>70,000</u>	<u>-</u>	<u>73,500</u>	<u>6,286</u>
Expenditures				
Administration	4,500	-	-	
To appropriate new funds:				
PWC206 Glen Cove Street Maintenance	-	-	-	
TECHNO Technology Fees - Development Services	-	-	-	
TECHNO Technology Fees - Public Works	-	-	-	
IT-PEG Public, Education and Government Programming	-	-	-	
PD-CAD CAD/RMS	-	-	-	
PW9817 Downtown Streetscape Phase 3	-	-	395,000	1,934
PW9818 PD Building Improvements	-	-	64,500	4,332
PW9819 North Mare Island Building Demolition	-	-	-	
PW9837 City Building Improvements	-	-	-	
PWC109 Streets Overlay/Preservation	-	-	-	
PWC110 Grounds/ Tree Maintenance	-	-	-	
PWC111 Public Building Repairs	-	-	-	
PWC112 Roof Repairs/ Replacement	-	-	-	
CE0001 Private Building Demolition	-	-	-	
EDVGPU General Plan Update	-	-	-	
PWUSPS USPS Maintenance	-	-	-	
PWC108 Prop 42 Replacement - Street (Maintenance)	-	-	515,451	
PWC207 Prop 42 Replacement - Streets	-	-	409,000	
GVRD Greater Vallejo Recreation District	-	-	-	
	<u>4,500</u>	<u>-</u>	<u>1,383,951</u>	<u>6,286</u>
Other Sources				
Transfers in - Technology Fees	-	-	-	
Transfers in - Assessment Districts	-	-	-	
Transfers in - Infrastructure	-	-	-	
Transfers in - Infrastructure (Measure B)	-	-	-	
Transfers in - Gas Tax Prop 42 Replacement	-	-	1,383,951	
	<u>-</u>	<u>-</u>	<u>1,383,951</u>	<u>-</u>
Net Annual Activity	<u>65,500</u>	<u>-</u>	<u>73,500</u>	<u>-</u>
Ending Available Fund Balance	<u>\$ 6,892,434</u>	<u>\$ -</u>	<u>\$ 124,981</u>	<u>\$ 3</u>
Remaining Project Balances (estimated April 2013)	\$ 550,886	\$ -	\$ 786,978	\$ 13,82
FY 13-14 Appropriations	-	-	1,383,951	6,26
Total Project Balances	<u>\$ 550,886</u>	<u>\$ -</u>	<u>\$ 2,170,929</u>	<u>\$ 19,88</u>

CAPITAL IMPROVEMENT AND MAJOR MAINTENANCE PROJECTS

Fiscal Year 2013-2014

PW9967 Hiddenbrooke Overpass

A preliminary study is being performed to consider various options to manage traffic at the I-80 off ramp at Hiddenbrooke/American Canyon overpass. A consultant is formulating options for Caltrans consideration. Once Caltrans approves the concept plan, final design and environmental clearance can be pursued.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$976,000	\$438,948	\$537,052

PW9817 Downtown Streetscape Phase 3

This project continues the Downtown Streetscape improvements. Phase 3 includes Sacramento and Georgia Streets. The project is funded with a combination of a \$1,150,000 federal Transportation, Community, and System Preservation (TCSP) grant and a \$784,000 Congestion Mitigation and Air Quality Improvement Program (CMAQ)/Surface Transportation Program (STP) grant, with a local match of \$484,000 being provided through Gas tax. Local match in the amount of \$89,000 was budgeted in FY 2012-13. The FY 2013-14 Budget adds \$2,329,000 to this project for a total project budget of \$2,418,000.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$2,418,000	\$0	\$2,418,000

TECHNO Technology Purchases

This project is a combined Engineering/Building project for technology expenditures funded by the respective departments' Technology Fee Surcharge. These fees are intended for the purchase of radios and laptops for inspectors, software improvements for project tracking, records management, archiving, maintenance of the GIS system and an eventual payment kiosk on the 2nd floor of City Hall. Appropriations include \$553,341 for Building and \$204,409 for Engineering. The FY 2013-14 Budget adds \$75,000 to this project for Building and \$30,000 for Engineering.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$862,750	\$509,968	\$352,782

MAINTENANCE DIVISION PROJECTS

PWC108 Prop 42 Replacement - Street (Maintenance)

This project consists of performing street maintenance including overlaying streets and applying preventive maintenance treatments to various roadways located throughout the City. The City of Vallejo Pavement Management Program plays a key role in the determination of the streets that will be scheduled to receive treatment each year. This project is funded with State Proposition 42 Replacement Funding. The FY 2013-14 Budget adds \$515,451 to this project.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$1,744,366	\$1,133,800	\$610,566

PWC109 Street Overlay/Preservation

This project consists of performing street maintenance including overlaying streets and applying preventive maintenance treatments to various roadways located throughout the City. The City of Vallejo Pavement Management Program plays a key role in the determination of the streets that will be scheduled to receive treatment each year. The FY 2013-14 Budget adds \$2,400,000 to this project in Measure B funds.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$3,847,274	\$336,532	\$3,510,742

Park

CAPITAL IMPROVEMENT AND MAJOR MAINTENANCE PROJECTS
Fiscal Year 2013-2014

VALLEJO SUCCESSOR AGENCY PROJECTS

RD023 North Vallejo Community Center

City staff is working closely with GVRD to plan for the renovation and upgrade of the North Vallejo Community Center. The City is using \$1.7 million carryover from a prior year appropriation for this project in the Flosden Project Area. NOTE: current enforceable obligations on this project have been approved by the California Department of Finance.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$1,755,100	\$0	\$1,755,100

ECONOMIC DEVELOPMENT CAPITAL FUNDS

ESCA-E Environmental Services Cooperative Agreement East

These federal trust funds provide for environmental mitigation at the formal Naval Station at Mare Island.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$92,262,132	\$83,836,931	\$8,425,201

ED-001 General Plan Update

This project will provide needed updates to the City's General Plan, last updated in 1999. The General Plan states the community's vision for development and public infrastructure, and is the foundation for establishing goals, purposes, land use and activities. The project is funded with Measure B funds, including \$500,000 in the FY 2013-14 Budget.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$900,000	\$25,000	\$875,000

NEIGHBORHOOD PARKS FUND

GVRD Greater Vallejo Recreation District

The City is a pass-through agent for federal grants and park development fees administered by the Greater Vallejo Recreation District. All park development fees are also appropriated annually for use in the GVRD capital improvement program. The Proposed FY 13-14 Budget adds \$206,332 to this project.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$6,836,907	\$6,539,824	\$297,083

GVRD02 Hiddenbrooke Park

This project, funded by the Greater Vallejo Recreation District (GVRD), will build a Community Park at Hiddenbrooke. This project is currently under design.

Cumulative Appropriations	Expenditures to Date	Remaining Balance
\$1,569,866	\$61,297	\$1,508,569



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Agenda Item No.

**COUNCIL COMMUNICATION AND
VALLEJO PUBLIC FINANCING AUTHORITY**

Date: July 13, 2010

TO: Honorable Mayor and Members of the City Council
Honorable Chairperson and Members of the Vallejo Public Financing Authority

FROM: Robert F.D. Adams, Interim City Manager
Robert V. Stout, Finance Director

SUBJECT: ADOPTION OF A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEJO PUBLIC FINANCING AUTHORITY DIRECTING THE APPLICATION OF SURPLUS FUNDS UNDER THE INDENTURE, DATED AS OF AUGUST 1, 2004 IN CONNECTION WITH THE AUTHORITY'S LOCAL AGENCY REVENUE BONDS (HIDDENBROOKE IMPROVEMENT DISTRICT) 2004 SERIES A

BACKGROUND & DISCUSSION

In 1998 the City of Vallejo issued its Hiddenbrooke Improvement District No. 1998-1 Series A and Series B Bonds. In 2004 the Vallejo Public Financing Authority issued its Local Agency Revenue Bonds (Hiddenbrooke Improvement District) 2004 Series A to refinance the 1998 Bonds.

The bonds are not general obligations of the City, but limited obligations payable solely from the special taxes levied in the Hiddenbrooke Improvement District. The repayment of principal and interest comes from existing assessments on lands within the improvement district. There are 1,132 taxed parcels within the district with an average tax assessment of \$1,796 per year.

Currently the 2004 Bonds have \$17.995 million of outstanding principal resulting in an annual debt service payment of approximately \$1.61 million per year, with a final maturity date of September 1, 2031.

During development of the FY 2010-11 Budget, staff discussed the status of the district and its accumulating cash position with representatives of the Hiddenbrooke Property Owners Association, Inc. ("HPOA"). HPOA representatives subsequently asked staff to explore the possibility of reducing the tax levy for the Hiddenbrooke Improvement District ("HID").



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In consultation with the City's Bond Counsel and Special Tax Consultant, City staff met with representatives of HPOA to discuss options to reduce the annual levy to property owners, while keeping in mind the need to hold sufficient reserves for future capital improvement needs and tax delinquencies. The available Hiddenbrooke Improvement District fund balance at June 30, 2010, remains estimated at approximately \$4 million in addition to \$2.8 million of cash held for debt service and delinquency reserves required by bond covenants. The fund has been accumulating between \$500,000 and \$600,000 per year, and with no change in the current maximum tax mechanism, the available fund balance would likely reach \$4.6 million by June 30, 2011. Actual results vary due to owner prepayments and the associated bond calls. In regards to the approximately \$4 million of fund balance, staff recommends using \$1 million to call bonds, and \$3 million for capital improvements, including two capital improvement projects currently under consideration (LED street lights and utility corridor improvements) but no formal actions on these projects is requested at this time.

Staff recommends that the City Council authorize staff to buy-down \$500,000 of Fiscal Year 2010-11 annual tax levy of property owners using a portion of the district reserves. The special tax would still continue to be calculated at the maximum tax rate but the tax administrator would reduce the total levy by \$500,000 proportionately to each parcel to provide the district with break-even cash flow, as adopted in the FY 2010-11 Budget. This action will provide immediate tax relief to current property owners within the district. On a going-forward basis, staff recommends that the fund be evaluated on a year-by-year basis to determine if financial conditions warrant a reduction in the tax levy, or if the financial condition of the fund has deteriorated and additional resources are needed to protect debt service during the remaining 21 years of the bond.

Further, as a result of staff's discussion with Bond Counsel, staff recommends that the City Council authorize staff to refund \$1,000,000 of the Hiddenbrooke Improvement District Bonds which will result in a reduction of long-term debt service payments for current and future property owners within the district of approximately \$70,000 per year. This will still leave undesignated reserves of approximately \$3 million in the district.

Staff received a letter from the Hiddenbrooke Property Owners Association stating that on June 24, 2010, the full Board of the Hiddenbrooke Property Owners Association adopted recommendations supporting the Authority's proposed actions to 1) reduce the FY 2010-11 special tax levy by using \$500,000 of the reserve to buy-down the property owners levy. Further HPOA requested that this be made a permanent annual reduction, and 2) call \$1 million of bonds. As a result, City staff and HPOA are in general agreement as to the application of these reserve funds, with the exception that staff does not recommend making the \$500,000 a permanent annual tax reduction.



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PROPOSED ACTION

Adopt a Resolution of the Board of Directors of the Vallejo Public Financing Authority Directing the Application of Surplus Funds under the Indenture, dated as of August 1, 2004 in connection with the Authority's Local Agency Revenue Bonds (Hiddenbrooke Improvement District) 2004 Series A.

The resolution would authorize the refunding of up to a maximum of \$1,000,000 principal amount of Bonds, including approval, execution and delivery of all necessary documents, and also authorize the one-time buy-down of \$500,000 of Fiscal Year 2010-11 annual tax levy of property owners.

ENVIRONMENTAL REVIEW

The adoption of this resolution is not a project as defined by the California Environmental Quality Act (CEQA) pursuant to section 15378 (b)(4) of Title 14 of the California code of Regulations and is not subject to CEQA review.

CITY COUNCIL AREA OF FOCUS

Area of Focus #1(a). Monitor City's fiscal condition and educate City Council, community and City employees with current information.

FISCAL IMPACT

The one-time \$500,000 buy-down of Fiscal Year 2010-11 property owners tax levy will provide the district with break-even cash flow, as adopted in the FY 2010-11 Budget, for the Hiddenbrooke Improvement District Fund.

The refunding of \$1,000,000 Hiddenbrooke Improvement District bonds will lower the annual debt service on the 2004 Bonds by over \$70,000 per year. The District will have an annual reduction in debt service requirements in excess of \$70,000 annually. The annual savings will be reflected in the Hiddenbrooke Improvement District Fund as a reduction of the annual debt service requirement.



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DOCUMENTS ATTACHED

ATTACHMENT A A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEJO PUBLIC FINANCING AUTHORITY DIRECTING THE APPLICATION OF SURPLUS FUNDS UNDER THE INDENTURE, DATED AS OF AUGUST 1, 2004 IN CONNECTION WITH THE AUTHORITY'S LOCAL AGENCY REVENUE BONDS (HIDDENBROOKE IMPROVEMENT DISTRICT) 2004 SERIES A

PREPARED BY:

Jon R. Oiler, Auditor Controller (707) 648-4593

CONTACT:

Robert V. Stout, Finance Director (707) 648-4592

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ATTACHMENT A

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEJO PUBLIC FINANCING AUTHORITY DIRECTING THE APPLICATION OF SURPLUS FUNDS UNDER THE INDENTURE, DATED AS OF AUGUST 1, 2004 IN CONNECTION WITH THE AUTHORITY'S LOCAL AGENCY REVENUE BONDS (HIDDENBROOKE IMPROVEMENT DISTRICT) 2004 SERIES A

WHEREAS, the Authority issued its Local Agency Revenue Bonds (Hiddenbrooke Improvement District) 2004 Series A (the "Bonds") in order to refinance certain obligations issued to fund public capital improvements for the area of the City of Vallejo (the "City") commonly known as "Hiddenbrooke" pursuant to an indenture of Trust, dated August 1, 2004 (the "Indenture") by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee") (all capitalized terms not otherwise defined in this resolution shall have the meanings ascribed thereto in the Indenture); and

WHEREAS, the bonds are secured by payments received by the Authority as the Owner of the Hiddenbrooke Improvement District No. 1998-1 (the "District") of the City of Vallejo Improvement Bonds, 1998 Series A (the "Local Obligations") issued by the City pursuant to a Fiscal Agent Agreement, dated as of August 30, 1998 by and between the City and Wells Fargo Bank, National Association, as Fiscal Agent, as amended by a First Supplemental Agreement, dated as of August 1, 2004 (collectively, the "Fiscal Agent Agreement"); and

WHEREAS, pursuant to the Indenture and the Fiscal Agent Agreement, certain funds held by the Trustee under the Indenture may be applied at the discretion of the Authority for, among other things, the retirement of Local Obligations and Bonds, and the reduction of Improvement Levies within the District;

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED, by the Board of Directors (the "Board") of the Vallejo Public Financing Authority as follows:

Section 1. The Board hereby directs that the Treasurer of the Authority cause to be prepared and execute a Written Direction of the Authority to the Trustee directing that the sum of \$1,000,000 of funds on hand in the Surplus Fund be applied pursuant to Section 5.06(d) of the Indenture to the redemption of Local Obligations and Bonds on September 1, 2010 as provided in the Indenture and the Fiscal Agent Agreement.

Section 2. The Board hereby directs that the Treasurer of the Authority cause to be prepared and execute a Written Direction of the Authority to the Trustee directing that the sum of \$500,000 of funds on hand in the Surplus Fund be applied pursuant to Section 5.06(d) of the Indenture to reduce the Improvement Levies for Fiscal Year 2010-11 on a proportionate basis for each parcel in the district subject to Improvement Levies. Such funds shall be transferred to the Bond Fund under the Fiscal Agent

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Agreement to be applied to the regularly scheduled payments of principal and interest due on the Local Obligations due on March 1, 2011 and September 1, 2011.

Section 3. The Authority hereby declares that the application of amounts in the Surplus Fund pursuant to this Resolution are not intended to be ongoing. In other words, no assurance can be given and no assumption should be made, that amounts that may become available in the Surplus Fund in any future period will be applied to reduce Improvement Levies or retire Local Obligations or Bonds. The Treasurer of the Authority shall cause to be prepared a notice to each property owner in the District explaining that the reduction in Improvement Levies for Fiscal Year 2010-11 is not anticipated at this time to be repeated in future periods, and that accordingly property owners should expect the Improvement levies to return to approximately the level applicable for Fiscal year 2009-10 beginning in Fiscal year 2011-12. The costs for preparation and mailing such notice shall be paid from amounts in the Surplus Fund.

Section 4. The Chairman, the Vice Chairman, the Executive Director, the Treasurer, the Secretary, the Authority Counsel and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to accomplish the purposes of this Resolution.

Section 5. This Resolution shall take effect from and after the date of its passage and adoption.

Roll Call:

Ayes:

Noes:

Absent:

Abstentions:

This Resolution was adopted by those present and voting at a special meeting of the Vallejo Public Financing Authority on July 13, 2010.

SECRETARY