

RESOLUTION NO. \_\_\_\_\_ (CM)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE APPROVING OFFICIAL INTENT AS A MATTER OF COURSE FOR THE PURPOSE OF REIMBURSING EXPENDITURES FOR WHICH TAX-EXEMPT OBLIGATIONS HAVE NOT BEEN ISSUED AS REQUIRED FOR THE STATE REVOLVING FUND LOAN APPLICATION**

**WHEREAS**, the City of Watsonville desires to finance the costs of constructing and/or reconstructing certain public facilities and improvements relating to its water system, including certain treatment facilities, pipelines and other infrastructure (the "Project"); and

**WHEREAS**, the City of Watsonville intends to finance the construction and/or reconstruction of the Project or portions of the Project with moneys ("Project Funds") provided by the State of California, acting by and through the State Water Resources Control Board (State Water Board); and

**WHEREAS**, the State Water Board may fund the Project Funds with proceeds from the sale of obligations the interest upon which is excluded from gross income for federal income tax purposes (the "Obligations"), and

**WHEREAS**, prior to either the issuance of the Obligations or the approval by the State Water Board of the Project Funds the City of Watsonville desires to incur certain capital expenditures (the "Expenditures") with respect to the Project from available moneys of the City of Watsonville; and

**WHEREAS**, the City of Watsonville 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 City of Watsonville for the Expenditures from the proceeds of the Obligations.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, CALIFORNIA, AS FOLLOWS:**

1. The City of Watsonville hereby states its intention and reasonably expects to reimburse Expenditures paid prior to the issuance of the Obligations or the approval by the State Water Board of the Project Funds.

2. The reasonably expected maximum principal amount of the Project Funds is \$37,000,000.

3. This resolution is being adopted no later than 60 days after the date on which the City of Watsonville will expend moneys for the construction portion of the Project costs to be reimbursed with Project Funds.

4. Each City of Watsonville expenditure will be of a type properly chargeable to a capital account under general federal income tax principles.

5. To the best of our knowledge, the City of Watsonville is not aware of the previous adoption of official intents by the City of Watsonville 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.

6. This resolution is adopted as official intent of the City of Watsonville 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 Project costs.

7. All the recitals in this Resolution are true and correct and the City of Watsonville so finds, determines and represents.

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