

RESOLUTION NO. 2020-___

RESOLUTION APPROVING THE EXECUTION AND DELIVERY OF CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TRANSPORTATION REVENUE (INSTALLMENT SALE) CERTIFICATES OF PARTICIPATION SERIES 2020 (T.R.I.P. – TOTAL ROAD IMPROVEMENT PROGRAM) PURSUANT TO A TRUST AGREEMENT TO PREPAY AND REFUND THE CITY’S 2012 INSTALLMENT SALE AGREEMENT AND RELATED CERTIFICATES OF PARTICIPATION, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE AGREEMENT, A TRUST AGREEMENT, CERTIFICATE PURCHASE AGREEMENT, AND AN ESCROW AGREEMENT, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF SUCH CERTIFICATES, AND AUTHORIZING OTHER MATTERS RELATING THERETO

WHEREAS, the California Statewide Communities Development Authority (the “Authority”) is empowered to assist the City of Desert Hot Springs (the “City”) in financing and refinancing certain public capital improvements pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and pursuant to that certain Amended and Restated Joint Exercise of Powers Agreement among a number of California cities, counties and special districts, including the City, dated June 1, 1988;

WHEREAS, the City has heretofore entered into a 2012 Installment Sale Agreement, dated as of February 1, 2012 (the “2012 Installment Sale Agreement”) with the Authority and a Trust Agreement, dated as of February 1, 2012 (the “2012 Trust Agreement”) by and among the Authority, Wells Fargo Bank, National Association, as trustee (the “2012 Trustee”), and the City, in order to participate with certain other local agencies in the California Statewide Communities Development Authority T.R.I.P. – Total Road Improvement Program (the “Program”) established by the Authority, to finance among other things the construction of streets and roadways within the corporate limits of the City as described in Exhibit B to the 2012 Installment Sale Agreement (the “Project”);

WHEREAS, the 2012 Installment Sale Agreement provides for the Authority to acquire and construct the Project for, and sell the Project to, the City and permits the City to prepay all or any part of the principal amount of the unpaid 2012 Installment Sale Payments (as defined therein) becoming due on or after June 1, 2022 upon written direction to the Authority and the Trustee;

WHEREAS, pursuant to the 2012 Trust Agreement, the Authority caused the execution and delivery of those California Communities Transportation Revenue (Installment Sale) Certificates of Participation, Series 2012A (T.R.I.P. – Total Road Improvement Program) evidencing principal in \$5,925,000 aggregate principal amount, of which \$4,955,000 principal amount is currently outstanding (the “2012 Certificates”) a portion of the proceeds of which were used to finance the Project;

WHEREAS, the City desires to refinance the Project and to prepay the principal amount of the unpaid 2012 Installment Sale Payments (as defined in and pursuant to the 2012 Installment Sale Agreement) coming due on or after June 1, 2022 at a prepayment price equal to the principal amount plus accrued interest to the date of prepayment, and thereby prepay that portion of the outstanding 2012 Certificates coming due on or after June 1, 2022, evidencing

and representing proportionate and undivided interests in 2012 Installment Sale Payments to be made by the City under the 2012 Installment Sale Agreement from Revenues consisting of Gas Tax Revenues and Measure A Receipts (each as defined therein);

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City for interest rate savings, a lower net interest cost and lower costs of issuance to provide the funds necessary to refinance the Project and advance refund the 2012 Certificates through the execution and delivery of certificates of participation designated "California Statewide Communities Development Authority Transportation Revenue (Installment Sale) Certificates of Participation, Series 2020 (T.R.I.P. – Total Road Improvement Program)" (and/or such other particulars and series in name to be designated) (the "Certificates") payable from installment payments received from the City pursuant to a 2020 Installment Sale Agreement (the "Installment Sale Agreement") between the City and the Authority;

WHEREAS, the installment payments under the Installment Sale Agreement will be payable by the City from amounts on deposit or to be on deposit in the City's Special Gas Tax Special Revenue Fund and Measure A Special Revenue Fund;

WHEREAS, the City has adopted and in effect a debt management policy (the "Debt Management Policy") in compliance with California Government Code Section 8855(i), and the City's execution and delivery of the Installment Sale Agreement and the Certificates pursuant to this Resolution are consistent with such policy;

WHEREAS, the City desires to authorize the execution and delivery of additional Contracts, as defined in the Installment Sale Agreement, in the future from time to time for the purpose of financing the design, acquisition and construction of additional roadway improvements and street resurfacing, which are necessary and proper for, and for the common benefit of, the City, the payment for which may be made from Revenues, consisting primarily of Gas Tax Revenues and Measure A Receipts, each as defined in the Installment Sale Agreement;

WHEREAS, the Installment Sale Agreement including the installment sale payments thereunder will be assigned by the Authority to Wilmington Trust, National Association, as trustee (the "Trustee"), under the Trust Agreement, among the Authority, the Trustee and the City (such Trust Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Trust Agreement"), pursuant to which the Trustee will execute and deliver the Certificates, as an advance refunding of the 2012 Certificates on a federally taxable basis, or federally tax-exempt basis if then permissible under the Internal Revenue Code of 1986 (the "Code"), which evidence and represent proportionate and undivided interests in such installment sale payments and may also evidence and represent proportionate and undivided interests in installment sale payments to be made by one or more other local agencies which may determine on a similar schedule for delivery to participate in the Program to finance projects, similar to the Project, and assigned by the Authority to the Trustee;

WHEREAS, as used in this Resolution, unless the context suggests otherwise, the term Certificates means all or such portion of the certificates of participation evidencing and representing proportionate and undivided interests in Installment Sale Payments scheduled to be made by the City;

WHEREAS, the Authority may determine that securing the timely payment of the principal and interest evidenced by the Certificates by obtaining a bond insurance policy (a "Certificate Insurance Policy") and/or a reserve surety bond or policy with respect thereto issued

by a municipal bond insurer (a "Certificate Insurer") could be economically advantageous to the City;

WHEREAS, Stifel, Nicolaus & Company, Incorporated, or such other investment banking firm as may be selected in the sole discretion of the City (the "Underwriter"), has submitted to the City and the Authority a proposed form of an agreement to purchase the Certificates for resale to investors, in the form of a Certificate Purchase Agreement (the "Certificate Purchase Agreement");

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") to be distributed in connection with the public offering of the Certificates has been prepared;

WHEREAS, the City is a member of the Authority and the Project is located within the boundaries of the City;

WHEREAS, the City hereby finds that the refinancing of such public capital improvements within the City will result in savings and further result in significant public benefits in the form of a safe and reliable transportation network, demonstrable savings in effective interest rates, and the more efficient delivery of City services to residential and commercial development;

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the City Council obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Certificates, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Certificates, (b) the sum of all fees and charges paid to third parties with respect to the Certificates, (c) the amount of proceeds of the Certificates expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Certificates, and (d) the sum total of all debt service payments on the Certificates calculated to the final maturity of the Certificates plus the fees and charges paid to third parties not paid with the proceeds of the Certificates;

WHEREAS, in compliance with SB 450, the City Council has obtained from Urban Futures, Inc., as the Program Advisor, and the Underwriter, the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; 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 such refinancing 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 refinancing 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 Desert Hot Springs as follows:

Section 1. The foregoing recitals herein contained are true and correct and the City Council so finds.

Section 2. The form of the Installment Sale Agreement, on file with the City Clerk, is hereby approved, and any of the Authorized Officers designated in Section 12 hereof or the written designee of any such officer (the "Authorized Officers") are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Installment Sale Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that (i) the aggregate amount of the principal components of the installment sale payments shall not exceed \$6,000,000, (ii) the final maturity of the installment sale payments shall not exceed June 1, 2042 and (iii) there shall be present value savings with respect to the refunding of the Series 2012 Certificates of at least 3% of the principal evidenced by the Series 2012 Certificates using the yield on the Certificates as the discount rate. Pursuant to the terms of the Installment Sale Agreement, the City Council further authorizes the execution and delivery of additional Contracts in the future from time to time for the purpose of financing the design, acquisition and construction of additional roadway improvements and street resurfacing, which are necessary and proper for, and for the common benefit of, the City, the payment for which may be made from Gas Tax Revenues and Measure A Receipts, each as defined in the Installment Sale Agreement, on a parity with the payment of the Installment Sale Payments.

Section 3. The form of Trust Agreement, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Trust Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the Certificates may be executed and delivered on a federally tax-exempt basis if then permissible under the Code as shall be determined by such Authorized Officer. The execution and delivery of the Certificates, on the terms and conditions set forth in, and subject to the limitations specified in, the Trust Agreement and the Installment Sale Agreement, is hereby authorized and approved. The Certificates shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and prepayment, shall be executed and delivered in the form and shall be as otherwise provided in the Trust Agreement, as the same shall be completed. The Trustee is authorized and directed to prepare and execute the Certificates and to deliver the Certificates to the Purchaser (as defined in the Trust Agreement) upon payment of the purchase price thereof, pursuant to the terms of the Trust Agreement.

Section 4. The form of Certificate Purchase Agreement, on file with the City Clerk, including the form of the Pricing Confirmation set forth as an exhibit thereto (the "Pricing Confirmation") is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Certificate Purchase Agreement in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve including, without limitation, as may be necessary to provide for an engagement for Stifel, Nicolaus & Company, Incorporated to act as placement agent for a private placement of the Certificates in place of or together with the Certificate Purchase Agreement, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the underwriter's discount and/or placement agent fee for the sale of the Certificates shall not exceed \$70,000. Delivery of an executed copy of the Pricing Confirmation by fax or telecopy shall be deemed effective execution and delivery for all purposes.

Section 5. The form of Escrow Agreement, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Escrow Agreement in substantially

said form, with such changes therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The form of Preliminary Official Statement, on file with the City Clerk, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Certificates is hereby authorized and approved. Any one of the Authorized Officers is hereby authorized and directed to provide the Underwriter with such information relating to the City as they shall reasonably request for inclusion in the Preliminary Official Statement and Official Statement. Upon inclusion of the information relating to the City therein, the Preliminary Official Statement is, except for certain omissions permitted by Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule") and information describing other local agencies therein which may participate in the Program, hereby deemed final within the meaning of the Rule; *provided* that no representation is made as to the information contained in the Preliminary Official Statement relating to any Certificate Insurer or Certificate Insurance Policy. If, at any time prior to the end of the underwriting period, as defined in the Rule, any event occurs as a result of which the information contained in the Preliminary Official Statement relating to the City might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriter. Each Authorized Officer is authorized and directed, and the Authority is hereby authorized and directed, at or after the time of the sale of the Certificates, for and in the name and on behalf of the City, to execute a final Official Statement in substantially the form of the Preliminary Official Statement presented to this meeting, with such additions thereto or changes therein as the City and the Authority may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The form of Continuing Disclosure Agreement, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Agreement in substantially the form presented at this meeting with such changes therein as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. With the passage of this Resolution, the City hereby certifies that the City's obligations under the Installment Sale Agreement including, without limitation, to make the 2020 Installment Sale Payments payable as provided in the Installment Sale Agreement as contemplated by this Resolution is in compliance with the Debt Management Policy and instructs Orrick, Herrington & Sutcliffe LLP, as Bond Counsel, on behalf of the City, (a) to cause notices of the proposed sale and final sale of the Certificates to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to Government Code Section 8855, and (b) to check, on behalf of the City, the "Yes" box relating to such certifications in the notice of proposed sale filed pursuant to Government Code Section 8855.

Section 9. In accordance with SB 450, good faith estimates of the following have been obtained from the Municipal Advisor and the Underwriter and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Certificates, (b) the sum of all fees and charges paid to third parties with respect to the Certificates, (c) the amount of proceeds of the Certificates expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Certificates, and (d) the sum total of all debt service payments on the Certificates calculated to the final maturity of the Certificates plus the fees and charges paid to third parties not paid with the proceeds of the Certificates.

Section 10. The Authority is hereby authorized to apply for a Certificate Insurance Policy and/or a reserve surety bond or policy for the Certificates and to obtain such insurance if the present value cost of such insurance is less than the present value of the estimated interest savings with respect to the Certificates.

Section 11. The appointment of Stifel, Nicolaus & Company, Incorporated as the Underwriter of the Certificates, Urban Futures Inc. as municipal advisor to the City and Orrick, Herrington & Sutcliffe LLP as special counsel is hereby approved.

Section 12. The Authorized Officer designated below and any and all other officers, agents and employees of the City are hereby authorized and directed to take any and all actions and execute and deliver any and all documents necessary or convenient to accomplish the purposes of this Resolution.

Authorized Officers:

TITLE

- (1) Mayor
- (2) City Manager
- (3) Chief Financial Officer
- (4) Financial and Administrative Services Director
- (5) Director of Public Works

Section 13. All actions heretofore taken by the officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 14. This Resolution shall be in full force and effect upon its adoption.

Section 15. The City Clerk shall certify to the passage of this Resolution and enter it into the book or original resolutions.

PASSED, APPROVED AND ADOPTED by the City Council of the City of Desert Hot Springs at a regular meeting held on this _____ day of _____ 2020 by the following vote:

AYES:

NAYES:

ABSENT:

ATTEST:

APPROVED:

Jerryl Soriano, City Clerk

Scott Matas, Mayor

APPROVED AS TO FORM:

Jennifer Mizrahi, City Attorney

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was provided by the City of Desert Hot Springs (the "City") and obtained from the Program Advisor and the Underwriter, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the City's 2020 Installment Sale Payments (as defined in the Installment Sale Agreement to be executed by the City) and the certificates of participation evidencing and representing proportionate and undivided interests in Installment Sale Payments scheduled to be made by the City (the "Certificates"):

1. *True Interest Cost of the Certificates.* Assuming the estimated aggregate principal amount of the Certificates evidencing and representing a proportionate, undivided interest in the City's 2020 Installment Sale Payments to be executed and delivered (\$5,315,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Certificates, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Certificates, is 3.55%.

2. *Finance Charge of the Certificates.* Assuming the estimated aggregate principal amount of the Certificates evidencing and representing a proportionate, undivided interest in the City's 2020 Installment Sale Payments to be executed and delivered (\$5,315,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the finance charge of the Certificates, which means the sum of all fees and charges paid to third parties (or costs associated with the Certificates), is \$253,453.

3. *Amount of Proceeds to be Received.* Assuming the estimated aggregate principal amount of the Certificates evidencing and representing a proportionate, undivided interest in the City's 2020 Installment Sale Payments to be executed and delivered (\$5,315,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the City from sale of the Certificates less the finance charge of the Certificates described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Certificates, is \$5,061,547.

4. *Total Payment Amount.* Assuming the estimated aggregate principal amount of the Certificates evidencing and representing a proportionate, undivided interest in the City's 2020 Installment Sale Payments to be executed and delivered (\$5,315,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the City will make to pay its 2020 Installment Sale Payments with respect to the Certificates plus the finance charge of the Certificates described in paragraph 2 above not paid with the proceeds of the Certificates, calculated to the final maturity of the Certificates, is \$7,518,688.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from those presently estimated due to variations from these estimates in the timing of the sale of the Certificates, the actual principal amount of Certificates sold, the amortization of the Certificates sold and market interest rates at the time of sale. The date of sale and the amount of Certificates sold will be determined by the City based on need for improvement funds and other factors. The actual interest rates at which the Certificates will be sold will depend on the bond market at the time of sale. The actual amortization of the Certificates will also depend, in part, on market interest rates at the time of sale. Market interest

rates are affected by economic and other factors beyond the City's control. The City Council has approved the execution and delivery of the Certificates provided that the present value savings with respect to the refunding of the Series 2012 Certificates is at least 3% of the principal evidenced by the Series 2012 Certificates using the yield on the Certificates as the discount rate.

CLERK'S CERTIFICATE

I, Jerryl Soriano, City Clerk of the City of Desert Hot Springs, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the City Council of the City of Desert Hot Springs duly and regularly held at the regular meeting place thereof on _____, 2020, of which meeting all of the members of said City Council had due notice, and at said meeting said resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

I do hereby further certify that an agenda of said meeting was posted at least 72 hours before said meeting at 11-711 West Drive, Desert Hot Springs, CA 92240, a location freely accessible to members of the public, and a brief description of said resolution appeared on said agenda.

I have carefully compared the foregoing with the original minutes of said meeting on file and of record in my office, and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: _____, 2020

Jerryl Soriano, City Clerk

[Seal]