

RESOLUTION NO. 10, 2021

A RESOLUTION OF THE MCCLOUD COMMUNITY SERVICES DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, McCloud Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California;

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its wastewater system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts;

WHEREAS, the District has previously entered into certain financing agreements with the United States Department of Agriculture and State Water Resources Control Board of the State of California (the “Prior Agreements”) to finance the acquisition and construction of certain additions, betterments, extensions and improvements to its wastewater system (the “Project”);

WHEREAS, in order to refinance the District’s obligations under the Prior Agreements, the District desires to enter into an Installment Purchase Contract (Sewer) (the “Installment Purchase Contract”) with Five Star Bank (the “Bank”) in the form presented to this meeting, with such changes, insertions and omissions as are made in accordance with the terms of Resolution; and, pursuant to which the District will sell the Project to the Bank in return for certain funds, which the District will use to refinance the District’s obligations under the Prior Agreements;

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is excluded from federal income tax under Section 103 of the Code may be designated by the issuer thereof as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax exempt obligations to deduct for federal income tax purposes a portion of such institution’s interest expense allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code;

WHEREAS, the Board of Directors of the District (the “Board”) wishes to designate the Installment Purchase Contract as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code;

WHEREAS, California Government Code Section 5852.1 (“Section 5852.1”) requires that the Board 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 Installment Purchase Contract, 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 Installment Purchase Contract, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract, (c) the amount of proceeds of the Installment Purchase Contract 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 Installment Purchase Contract, and (d) the sum total of all debt service payments on the

Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract (the “Good Faith Estimates”);

WHEREAS, in compliance with Section 5852.1, the Board obtained the required Good Faith Estimates and such Good Faith Estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, all acts, conditions and things required by the Constitution and 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 financing and 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 District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, the Board of Directors of the District **DOES HEREBY RESOLVE, DETERMINE AND ORDER:**

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other members of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the President of the Board may designate (each an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District’s General Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Purchase Contract so long as the maturity of the Installment Payments (as defined in the Installment Purchase Contract) does not extend beyond November 1, 2036, the interest rate with respect to the Installment Payments does not exceed 3.25%, and the principal component of the Installment Payments does not exceed \$700,000.

Section 3. The Installment Payments due under the Installment Purchase Contract are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Board hereby finds and determines that the aggregate face amount of all tax- exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2021 is not expected to exceed \$10,000,000.

Section 4. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, agreements and certificates including but not limited to a tax certificate, fee agreement, costs of issuance agreement, custodian agreement or other agreement, which in consultation with District’s General Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting held on October 25, 2021.

Catherine Young

President-Catherine Young

ATTEST:

Andrea Mills

District Secretary-Andrea Mills



I, hereby certify that the foregoing Resolution No. 10, 2021 was passed and adopted at a regular meeting of said Board on the 25th day of October, 2021, by the following vote, to wit:

AYES: *HANSON, RICHEY, RORKE, ZANNI*

NOES:

ABSTENTIONS:

ABSENT: *YOUNG*

IN WITNESS WHEREOF, I have hereunto set my hand this 25th day of October, 2021.

Audrea Mills

District Secretary

Exhibit A

GOOD FAITH ESTIMATES

The following information is provided in compliance with California Government Code Section 5852.1 with respect to the Installment Purchase Contract:

1. *True Interest Cost of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued 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 Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Purchase Contract, is 3.29379%.

2. *Finance Charge of the Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Installment Purchase Contract, is \$3,500.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued 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 District for sale of the Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract, is \$696,500.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Installment Purchase Contract authorized to be issued 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 District will make to pay debt service on the Installment Purchase Contract plus the finance charge of the Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Installment Purchase Contract, calculated to the final maturity of the Installment Purchase Contract, is \$861,474.27.