

JOSHUA BASIN WATER DISTRICT

RESOLUTION NO. 18-991

A RESOLUTION OF THE BOARD OF DIRECTORS OF JOSHUA BASIN WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT SALE AGREEMENT #18-012 (\$3,010,000.00 LOAN AGREEMENT) AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, Joshua Basin Water District (the "District") is a county water district duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the California County Water District Law (Division 12 of the Water Code of the State of California); and

WHEREAS, the District desires to obtain funds to finance the construction, acquisition, and improvement of certain improvements to its water system (the "Project"); and

WHEREAS, to provide funds necessary to finance the Project, the District desires to enter into that certain Installment Sale Agreement #18-102 (the "Installment Sale Agreement") with the Municipal Finance Corporation (the "Corporation") in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Sale Agreement to City National Bank (the "Bank"), pursuant to an Assignment of Installment Sale #18-102, between the Bank and the Corporation; and

WHEREAS, the District desires to appoint Kutak Rock LLP, as special counsel ("Special Counsel") in connection with the financing of the Project; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) ("SB 450") requires that the Board of Directors of the District (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 Sale Agreement, 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 Sale Agreement, (b) the sum of all fees and charges paid to third parties with respect to the Installment Sale Agreement, (c) the amount of proceeds of the Installment Sale Agreement 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 Sale Agreement, and (d) the sum total of all debt service payments on the Installment Sale Agreement calculated to the final maturity of the Installment Sale Agreement plus the fees and charges paid to third parties not paid with the proceeds of the Installment Sale Agreement; and

WHEREAS, in compliance with SB 450, the Board obtained from the Corporation the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

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 exempt 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 that is allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code; and

WHEREAS, the Board of Directors wishes to designate the Installment Sale Agreement as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code; 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; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE JOSHUA BASIN WATER DISTRICT AS FOLLOWS:

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

Section 2. The form of Installment Sale Agreement submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President, Vice President, the General Manager of the District, or the Assistant General Manager of the District (or their designated representative), each acting alone (each an "Authorized Officer") and the District Secretary is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Sale Agreement 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 counsel to the District and Special Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Sale Agreement by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Sale Agreement so long as the maturity of the Installment Payments (as defined in the Installment Sale Agreement) does not exceed October 1, 2033, the interest rate with respect to the Installment Payments does not exceed 3.85%, and the principal amount of the Installment Payments does not exceed \$3,010,000.

Section 3. The Board of Directors hereby appoints the firm of Kutak Rock LLP, as special counsel, in connection with the financing of the Project. The Board of Directors hereby authorizes the Authorized Officer to execute and deliver an agreement with said firm for its services. Payment of fees and expenses with respect to such agreements shall be contingent upon the execution of the Installment Sale Agreement.

Section 4. In accordance with SB 450, good faith estimates of the following have been obtained from the Bank and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Installment Sale Agreement, (b) the sum of all fees and charges paid to third parties with respect to the Installment Sale Agreement, (c) the amount of proceeds of the Installment Sale Agreement 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 Sale Agreement, and (d) the sum total of all debt service payments on the Installment Sale Agreement calculated to the final maturity of the Installment Sale Agreement plus the fees and charges paid to third parties not paid with the proceeds of the Installment Sale Agreement.

Section 5. The Installment Sale Agreement is hereby designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. The Board of Directors 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 2018 is not expected to exceed \$10,000,000.

Section 6. 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, including but not limited to a project fund agreement, fee agreement, costs of issuance agreement, custodian agreement or other similar agreements, which in consultation with counsel to the District and Special 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.

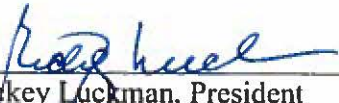
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This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Joshua Basin Water District held on the 15th day of August 2018, by the following vote, to wit:

AYES:
NOES:
ABSENT:
ABSTAIN:

JOSHUA BASIN WATER DISTRICT



Mickey Luckman, President

ATTESTED:



Curt Sauer, Board Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Bank and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Installment Sale Agreement:

1. *True Interest Cost of the Installment Sale Agreement.* A good faith estimate of the true interest cost of the Installment Sale Agreement, 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 Sale Agreement, is 3.85%.

2. *Finance Charge of the Installment Sale Agreement.* A good faith estimate of the District's finance charge of the Installment Sale Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Installment Sale Agreement), is \$10,000.00.

3. *Amount of Proceeds to be Received by the District.* A good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Sale Agreement less the finance charge of the Installment Sale Agreement described in paragraph 2 above, is \$3,000,000.

4. *Total Payment Amount.* 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 Sale Agreement plus the finance charge of the Installment Sale Agreement described in paragraph 2 above not paid with the proceeds of the Installment Sale Agreement, calculated to the final maturity of the Installment Sale Agreement, is \$4,018,363.50.