

GARDEN GROVE CITY COUNCIL

RESOLUTION NO. ____-20

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT FOR THE PURPOSE OF CAUSING THE ISSUANCE OF NOT TO EXCEED \$25,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2020A, AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the City of Garden Grove, California (the “**City**”), a municipal corporation and general law city that is duly organized and existing under the Constitution and laws of the State of California (the “**State**”), proposes to undertake the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (collectively, the “**2020 Project**”);

WHEREAS, the City proposes to refinance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (collectively, the “**2010 Projects**”) which were previously financed from proceeds of the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2010A, 2010B and 2010C (collectively, the “**2010 Bonds**”);

WHEREAS, the City is a member of the Garden Grove Public Financing Authority (the “**Authority**”), a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State;

WHEREAS, the Authority will be presented with the issuance of Water Revenue Bonds, Series 2020A (the “**Bonds**”) to assist the City in financing the 2020 Project and refinancing the 2010 Projects;

WHEREAS, the City Council of the City (the “**City Council**”) has determined that it is in the best interest of the City to enter into an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), by and between the City and the Authority, and to approve certain other documents, to provide for the financing of the 2020 Project and the refinancing of the 2010 Projects;

WHEREAS, the Bonds are to be secured by installment payments to be made pursuant to the Installment Purchase Agreement, which installment payments will be payable from net revenues of the City’s water system to the extent set forth in the Installment Purchase Agreement;

WHEREAS, the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”), will enter into an Indenture of Trust (the “**Indenture**”), to provide for the issuance

and security of the Bonds, the financing of the 2020 Project and the refinancing of the 2010 Projects;

WHEREAS, the City desires to execute a Continuing Disclosure Agreement with Applied Best Practices LLC, as dissemination agent, to be dated the closing date of the Bonds (the “**Continuing Disclosure Agreement**”), to provide updates of certain information relating to the City and its water system while the Bonds are outstanding;

WHEREAS, in order to effect the refunding of the 2010 Bonds, the City, the Authority and U.S. Bank National Association, as trustee for the 2010 Bonds and as escrow agent, desire to enter into an Escrow Agreement (2010 Bonds) (the “**Escrow Agreement**”);

WHEREAS, the City desires to execute and deliver a bond purchase agreement (the “**Purchase Contract**”) with the Authority and Stifel, Nicolaus & Company, Incorporated, as the underwriter of the Bonds (the “**Underwriter**”), with respect to the Bonds;

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the City is required under federal securities laws and regulations to prepare a preliminary official statement with respect to the Bonds (the “**Preliminary Official Statement**”) disclosing material information about the City and the City’s water system; and

WHEREAS, the City wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the City and the Authority with the assistance of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel (“**Disclosure Counsel**”);

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, as follows:

Section 1. The City Council hereby specifically finds and declares that each of the statements, findings and determinations of the City Council that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that the financing of the 2020 Project and the refinancing of the 2010 Projects will result in significant public benefits for the residents of the City. The City Council hereby further finds and determines that: (a) there are significant public benefits to the citizens of the City of the type described in Section 6586 of the Marks-Roos Local Bond Pooling Act of 1985 (the “**Act**”) in having the Authority assist the City with respect to the financing of the 2020 Project and the refinancing of the 2010 Projects through the issuance of the Bonds, in that the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the City and significant reductions in effective user charges levied by the City; and (b) the 2020 Project and the 2010 Projects include facilities for the production, storage, transmission or treatment of water within the meaning of Section 6586.5(c) of the Act.

Section 2. The Installment Purchase Agreement is hereby approved substantially in the form on file with the City Clerk. The Mayor, the Mayor Pro Tempore, the City Manager, the Assistant City Manager and the Director of Finance of the City (each, an “**Authorized Officer**”) or the designee thereof is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or the law firm of Stradling Yocca Carlson & Rauth, a

Professional Corporation (“**Bond Counsel**”), and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 3. The Continuing Disclosure Agreement is hereby approved substantially in the form on file with the City Clerk. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Continuing Disclosure Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 4. The Escrow Agreement is hereby approved substantially in the form on file with the City Clerk. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Escrow Agreement with such changes, insertions and omissions as may be recommended by the City Attorney or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 5. The Purchase Contract is hereby approved substantially in the form on file with the City Clerk. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver the Purchase Contract with such changes, insertions and omissions as may be recommended by the City Attorney or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$25,000,000, nor shall the underwriting discount exceed 1.00% of the aggregate principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 4.00%; and provided further that the Bonds issued to refund the 2010 Bonds shall result in an aggregate net present value debt service savings of 3% or greater.

Section 6. The preparation and distribution of the Preliminary Official Statement in substantially the form on file with the City Clerk is hereby approved. Each Authorized Officer is hereby authorized: (i) to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”) deeming the Preliminary Official Statement substantially final under the Rule, except for the omission of information as permitted by the Rule; and (ii) to execute, approve and deliver the final Official Statement substantially in the form of the Preliminary Official Statement with such changes, insertions and omissions as the officer or officers executing said document may require or approve, subject to advice from the City Attorney or Disclosure Counsel, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is directed to deliver copies of the final Official Statement to all actual initial purchasers of the Bonds.

Section 7. The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement: (a) to finance the 2020 Project and refinance the 2010 Projects; (b) to pay the costs of issuing the Bonds; (c) if advisable to reduce the interest rate payable on the Bonds and/or secure a higher credit rating on the Bonds, to establish a reserve fund for the Bonds; and (d) if determined to be in the best interest of the City, to capitalize interest on the Bonds during all or a portion of the construction period for the 2020 Project.

Section 8. The appointment of U.S. Bank National Association as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

Section 9. The City Council hereby authorizes the City Manager or his designee: (i) to solicit bids for a municipal bond insurance policy and/or reserve surety; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the City, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

Section 10. The Authorized Officers or any other proper officer of the City, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Installment Purchase Agreement, the Purchase Contract, the Continuing Disclosure Agreement, bond insurance, a reserve surety and this Resolution, including any reimbursement agreement or other agreement relative to bond insurance or a reserve surety and any escrow or redemption instructions related to the 2010 Bonds. In the event that the President of the City Council is unavailable to sign any of the agreements described herein, any other member of the City Council may sign such agreement.

Section 11. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture unless the context otherwise clearly requires.

Section 12. In accordance with Section 5852.1 of the California Government Code, the City has obtained from Fieldman, Rolapp & Associates, Inc., the City's Municipal Advisor, required good faith estimates relating to the Bonds, and such estimates are disclosed and set forth in Exhibit A.

Section 13. This Resolution shall take effect from and after its date of adoption.

Adopted this 13th day of October, 2020.

MAYOR

ATTEST:

CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss:
CITY OF GARDEN GROVE)

I, Teresa Pomeroy, CMC, City Clerk of the City of Garden Grove, do hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Garden Grove, California at a regular meeting held on the 13th day of October, 2020.

AYES:	COUNCIL MEMBERS:
NOES:	COUNCIL MEMBERS:
ABSENT:	COUNCIL MEMBERS:

CITY CLERK

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the City's Municipal Advisor and has been represented by such party to have been provided in good faith:

- (A) True Interest Cost of the Bonds: 2.56%
- (B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties):
\$347,714
- (C) Net Proceeds of the Bonds to be Received (net of finance charges, reserves and capitalized interest, if any): \$25,243,494
- (D) Total Payment Amount through Maturity of the Bonds: \$35,937,177

The foregoing constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on a variety of factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City.