

Resolution No.

# STOCKTON CITY COUNCIL

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## **RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SPECIAL TAX BONDS FOR THE ARCH ROAD EAST COMMUNITY FACILITIES DISTRICT AND APPROVING AND AUTHORIZING RELATED DOCUMENTS AND ACTIONS**

This City Council (this "Council") of the City of Stockton (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with section 53311) of the California Government Code (the "Mello-Roos Act"), to form the Arch Road East Community Facilities District No. 99-02, City of Stockton, San Joaquin County, California (the "CFD"), to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by the levy of said special taxes within the CFD; and

On September 6, 2007, the City issued \$19,065,000 original principal amount of its City of Stockton Arch Road East Community Facilities No. 99-02 2007 Special Tax (the "Prior Bonds"); and

The City has determined that it is in the best financial interests of the City and the CFD to refinance the Prior Bonds; and

Accordingly, the City has determined to issue and sell special tax refunding bonds (the "CFD Refunding Bonds") to refund the Prior Bonds pursuant to the Mello-Roos Act; and

The City has further determined to finance additional improvements authorized to be funded by the CFD and necessitated by development occurring in the CFD, and to that end has determined to issue and sell additional special tax bonds for the CFD (the "CFD New Money Bonds," and together with the CFD Refunding Bonds, the "CFD Bonds"); and

This Council intends to sell the CFD Bonds to the Stockton Public Financing Authority (the "Authority"); and

The Authority intends to issue revenue bonds (the "Authority Bonds") pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Authority Bond Law") for the purpose of financing acquisition of the CFD Bonds from the City; and

There have been submitted to this Council the form of certain documents described below providing for the issuance of the CFD Bonds, the use of the proceeds of the CFD Bonds and the issuance of the Authority Bonds, and this Council with the aid of its staff, has reviewed the documents and found them to be in proper order; and

There has also been submitted to this Council a form of preliminary Official Statement in connection with the marketing of the Authority Bonds, and this Council, with the aid of City staff, has reviewed the preliminary Official Statement to assure proper disclosure of all material facts relating to the City, the Authority Bonds, the CFD and the CFD Bonds that are within the personal knowledge of the members of this Council and the City staff; and

This Council has on this date held a duly noticed public hearing, as required by section 6586.5(a) of the California Government Code, on the financing of improvements with proceeds of the CFD New Money Bonds, by means of the issuance of the Authority Bonds; and

This City Council now desires to make a finding of significant public benefit, pursuant to section 6586.5(a)(2) of the California Government Code, and to approve the issuance of the Authority Bonds and the financing of the improvements for the CFD that will occur by the use of the proceeds thereof to acquire the CFD New Money Bonds, as well as approve certain documents incident to the issuance of the CFD Bonds; and

All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the CFD Bonds and the Authority Bonds as contemplated by this Resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Mello-Roos Act and the Authority Bond Law; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON AS FOLLOWS:

1. CFD Bonds Authorized. Pursuant to the Mello-Roos Act, this Resolution and the Fiscal Agent Agreement, attached as Exhibit 1 (as defined in section 3 hereof), this Council authorizes the issuance of the CFD Bonds in an aggregate principal amount not to exceed the sum of: (a) the principal amount of CFD Refunding Bonds necessary to refund the Prior Bonds and pay related costs of issuance, and (b) the principal amount of CFD New Money Bonds necessary to finance additional facilities authorized to be financed by the CFD, all as determined by the Chief Financial Officer of the City. Notwithstanding the foregoing, (a) the aggregate principal amount of the CFD Refunding Bonds shall not exceed the amount permitted to be issued for such purpose under sections 53362.5 and 53362.7 of the California Government Code so as not to decrease the authorized bonded indebtedness limit of the CFD, and (b) the aggregate principal amount of the CFD New Money Bonds shall not exceed \$9,000,000. The CFD Bonds shall be executed in the forms set forth in and otherwise as provided in the Fiscal Agent Agreement.

In furtherance of the issuance of the CFD Bonds, this Council hereby makes the following findings and determinations: (i) it is prudent in the management of the fiscal affairs of the City, this Council and the CFD to issue the CFD Refunding Bonds, for the purpose of refunding the Prior Bonds, (ii) the total net interest cost to maturity on the CFD Refunding Bonds, plus the aggregate principal amount of the CFD Refunding Bonds will not exceed the total net interest cost to maturity on the Prior Bonds plus the principal amount of the Prior Bonds, (iii) the CFD Bond issue should proceed for public policy reasons, including that the issuance of the CFD Refunding Bonds will result in interest rate savings, the issuance of the CFD New Money Bonds at this time is expected to result in lower interest rates on the CFD New Money Bonds than if they were issued at a later time, and the issuance of the CFD New Money Bonds will allow for infrastructure development to continue in the CFD, to the benefit of the property owners in the CFD, and (iv) the CFD Bonds, when issued, will be in compliance with the applicable requirements of the City's Capital Financing and Debt Management Policy 17.01-040.

For purposes of section 53363.2 of the Mello-Roos Act: (i) it is expected that the purchase of the CFD Bonds will occur on or after November 28, 2018, (ii) the date,

denomination, maturity dates, places of payment and forms of the CFD Bonds shall be as set forth in the Fiscal Agent Agreement, (iii) the minimum rate of interest to be paid on any of the CFD Bonds shall be not less than one tenth of one percent (0.1%) with the actual rate or rates to be set forth in the Fiscal Agent Agreement as executed, (iv) the place of payment for the Prior Bonds shall be as set forth in the fiscal agent agreement for the Prior Bonds; and (v) the designated costs of issuing the CFD Bonds are as described in section 53363.8(a) of the Mello-Roos Act, and as otherwise described in the Fiscal Agent Agreement hereafter approved and the closing certificates for the CFD Bonds and the Authority Bonds, including Bond Counsel and Disclosure Counsel fees and expenses, initial fiscal agent and escrow bank fees, and costs of City incurred in connection with the sale and issuance of the CFD Bonds and the Authority Bonds.

In addition to the foregoing, this Council hereby finds that significant public benefits will arise from the financing of public improvements with the proceeds of the Authority Bonds used to acquire the New Money CFD Bonds, in accordance with section 6586 of the California Government Code, in that the financing will result in demonstrable savings in effective interest rates, bond preparation, bond underwriting and bond issuance costs to finance the improvements. This Council hereby approves the issuance of the Authority Bonds.

2. Authorities Granted. The Mayor, City Manager, the Controller/Treasurer and Chief Financial Officer or such other official as may be designated by any such officer (each, an "Authorized Official") is hereby authorized and directed to execute and deliver the documents approved herein in the respective forms on file with the City Clerk, together with such additions or changes as are approved by the Authorized Official executing the documents upon consultation with the City Attorney and the City's bond counsel, including such additions or changes as are necessary or advisable to permit the timely issuance, sale and delivery of the CFD Bonds and their sale to the Authority. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by an Authorized Official of the documents herein specified.

3. Fiscal Agent Agreement. The Council hereby approves the Fiscal Agent Agreement by and between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent Agreement"), in the form on file with the City Clerk. The date, manner of payment, principal amount, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption, costs of issuing and other terms of each series of the CFD Bonds shall be completed by City staff and shall be as provided in the Fiscal Agent Agreement with respect to each series of the CFD Bonds as finally executed and delivered. An Authorized Official is hereby authorized and directed to execute the Fiscal Agent Agreement on behalf of the City and the City Clerk is hereby authorized and directed to attest thereto.

4. Escrow Agreement. The Escrow Agreement, attached as Exhibit 2, by and between the City and Wells Fargo Bank, National Association, as escrow bank, in the form presented to this Council at this meeting is hereby approved. An Authorized Official is hereby authorized and directed to execute the Escrow Agreement on behalf of the City and the City Clerk is hereby authorized and directed to attest thereto. For the purposes hereof, the "Escrow Fund" established under the Escrow Agreement shall constitute the "refunding fund" under the Mello-Roos Act and the "designated costs of issuing the refunding bonds" under the Mello-Roos Act shall include the Costs of Issuance, as such term is defined in the Fiscal Agent Agreement. The Prior Bonds will be redeemed on the date specified in the Escrow Agreement.

5. Official Statement. The Council hereby approves the preliminary Official Statement, attached as Exhibit 3, prepared in connection with the issuance and sale of the Authority Bonds, and containing information regarding the Authority Bonds, the CFD Bonds and the CFD, in the form submitted to the Council, together with any changes therein or additions thereto deemed advisable by an Authorized Official. The Council hereby approves and authorizes the distribution by RBC Capital Markets, as underwriter of the Authority Bonds, of the preliminary Official Statement to prospective purchasers of the Authority Bonds, and authorizes and directs an Authorized Official on behalf of the City to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") prior to its distribution to prospective purchasers of the Authority Bonds. The execution of the final Official Statement, which shall include the information in the preliminary Official Statement, together with such changes and additions thereto deemed advisable by an Authorized Official and such other information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, shall be conclusive evidence of the approval of the final Official Statement by the City.

6. Continuing Disclosure. The Council hereby approves the form of the Continuing Disclosure Certificate in the form thereof attached as an exhibit to the form of the preliminary Official Statement on file with the City Clerk. An Authorized Official is hereby authorized and directed to execute the Continuing Disclosure Certificate on behalf of the City with such changes, additions or deletions as may be approved by the Authorized Official in consultation with the City's disclosure counsel.

7. Sale of CFD Bonds; CFD Bonds Purchase Agreement. The form of the CFD Bonds Purchase Agreement, attached as Exhibit 4, providing for the sale of the CFD Bonds by the City to the Authority, presented at this meeting is hereby approved and each of the Authorized Officials is hereby authorized to execute the CFD Bonds Purchase Agreement in the form so approved, with such additions thereto and changes therein as are necessary to conform the CFD Bonds Purchase Agreement to the dates, amounts and interest rates applicable to the CFD Bonds as of the sale date, and such other changes, additions or deletions as may be approved by the Authorized Official in consultation with the City's bond counsel; and approval of such additions and changes shall be conclusively evidenced by the execution and delivery of the CFD Bonds Purchase Agreement by an Authorized Official. The City Council hereby finds that sale of the CFD Bonds to the Authority at a private sale pursuant to the CFD Bonds Purchase Agreement will result in a lower overall cost than would be achieved by selling the CFD Bonds at a public sale utilizing competitive bidding.

8. Approval of Acquisition Agreement. The Agreement to Construct and Acquire Public Facilities for The City of Stockton Arch Road East Community Facilities District No. 99-02 (the "Acquisition Agreement"), attached as Exhibit 5, among the City, the CFD and Norcal Landco LLC, providing for the use of proceeds of the CFD New Money Bonds to finance certain facilities authorized to be funded by the CFD, in the form on file with the City Clerk is hereby approved. Each of the Authorized Officials is hereby authorized to execute the Acquisition Agreement for the City and the CFD, in such form together with such changes, additions or deletions as may be approved by the Authorized Official executing the Acquisition Agreement, and the execution thereof by an Authorized Official shall be conclusive evidence of such approval.

9. Reduction in Additional Bond Capacity. The Council hereby acknowledges that, upon the issuance of the CFD New Money Bonds, all of the necessary funding for facilities authorized to be funded by the CFD that have not been completed will be available, except for funding to cover the extension of Newcastle Road (the "Remaining Improvement"). The City has been advised that the funding needed for the Remaining Improvement should not exceed the

expected proceeds of up to \$9,000,000 of bonds; and, accordingly, the Council finds and determines that the City will not issue more than \$9,000,000 of additional bonds for the CFD (not including the principal of any bonds issued to refund any outstanding bonds issued for the CFD, including but not limited to bonds issued to refund the CFD Bonds and bonds issued to fund the Remaining Improvement).

10. Approval of Advisors. Quint & Thimmig LLP is hereby designated as bond counsel to the City with respect to the CFD Bonds, and Del Rio Advisors, LLC is hereby designated as municipal advisor to the City with respect to the CFD Bonds.

11. Actions Authorized. Budget for up to \$27.5 million in proceeds, \$17.76 million in principal reduction, and costs of issuance not to exceed \$575,000 are hereby appropriated and all actions heretofore taken by the officers and agents of the City with respect to the establishment of the CFD, the issuance and sale of the Prior Bonds, and the issuance and sale of the CFD Bonds by the City and the Authority Bonds by the Authority are hereby approved, confirmed and ratified, and the appropriate officers of the City are hereby authorized and directed to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the purposes and intent of this Resolution, and any certificate, agreement, and other document described in the documents herein approved. All actions to be taken by an Authorized Official, as defined herein, may be taken by such Authorized Official or any designee thereof, with the same force and effect as if taken by the Authorized Official.

12. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED, AND ADOPTED November 6, 2018.

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MICHAEL D. TUBBS, Mayor  
of the City of Stockton

ATTEST:

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CHRISTIAN CLEGG, Deputy City Manager  
And Interim City Clerk of the City of Stockton