

RESOLUTION 2023-09

A RESOLUTION OF THE HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE
AGREEMENT FOR THE PURPOSE OF CAUSING THE ISSUANCE OF NOT TO EXCEED
\$5,000,000 AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES
2023A, AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN
CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Board of Directors (the "Board") of the Hidden Valley Lake Community Services District (the "District"), a Community Services District that is duly organized and existing under the laws of the State of California (the "State"), wishes to finance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its water system (collectively, the "2023 Project"); and

WHEREAS, the District is a member of the Hidden Valley Lake Community Services District 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; and

WHEREAS, the Authority has agreed to issue its Water Revenue Bonds, Series 2023A (the "Bonds") to assist the District in financing the 2023 Project; and

WHEREAS, the Bonds are to be secured by installment payments to be made by the District pursuant to the Installment Purchase Agreement (the "Installment Purchase Agreement"), which installment payments will be payable from net revenues of the District's water system to the extent set forth in the Installment Purchase Agreement; and

WHEREAS, the Authority and U.S. Bank Trust Company, 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 and to provide for the financing of the 2023 Project; and

WHEREAS, the District desires to execute a Continuing Disclosure Agreement, to be dated the closing date of the Bonds (the "Continuing Disclosure Agreement"), in order to provide updates of certain information relating to the District and its water system while the Bonds are outstanding; and

WHEREAS, the District desires to execute and deliver a bond purchase agreement (the "Purchase Contract") with the Authority and Hilltop Securities Inc., as underwriter of the Bonds (the "Underwriter"), with respect to the Bonds; and

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the District is required under federal securities laws and regulations to prepare a preliminary official statement (the "Preliminary Official Statement") disclosing material information about the Bonds, the District and the District's water system; and

WHEREAS, the District wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the District 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 Board of Directors of the Hidden Valley Lake Community Services District, Lake County, California, as follows:

1. Each of the above recitals is true and correct.
2. The Board hereby specifically finds and declares that: (a) the financing of the 2023 Project will result in significant public benefits to the citizens of the District of the type that is described in Section 6586 of the Marks-Roos Local Bond Pooling Act of 1985 (the "Act"), in that having the Authority assist the District with respect to the financing of the 2023 Project through the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District; and (b) the 2023 Project includes facilities for the production, storage, transmission or treatment of water within the meaning of Section 6586.5(c) of the Act.
3. The Installment Purchase Agreement is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. The President, the Vice President, the General Manager and the Secretary of the District (each, a "Designated Officer") or the designee thereof are hereby authorized and directed to execute and deliver such Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel 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.
4. The Continuing Disclosure Agreement is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. Each Designated 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 General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.
5. The Purchase Contract is hereby approved in substantially the form on file with the Secretary and, upon execution as authorized below, made a part hereof as though set forth in full herein. Each Designated Officer or the designee thereof is hereby authorized and directed to execute and deliver such Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel 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 \$5,000,000, nor shall the underwriting discount for the Bonds (excluding any net original issue discount) exceed 0.60% of the aggregate principal amount of the Bonds, nor shall the all-in true interest cost of the Bonds exceed 6.15%.
6. The preparation and distribution of the Preliminary Official Statement in substantially the form on file with the Secretary is hereby approved. Each Designated 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 in substantially 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 General Counsel 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.

7. The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement to finance the 2023 Project.
8. The appointment of U.S. Bank Trust Company, 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.
9. The Board hereby authorizes the General Manager or his designee: (i) to solicit bids on 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 District, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.
10. The good faith estimates of costs related to the Bonds which are required by Section 5852.1 of the California Government Code are disclosed in Exhibit A hereto and are available to the public at the meeting at which this Resolution is approved.
11. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby appointed as Bond Counsel in connection with the issuance of the Bonds. The Designated Officers are hereby authorized to enter into an engagement letter with Stradling Yocca Carlson & Rauth, a Professional Corporation, in substantially the form on file with the Secretary.
12. The Designated Officers or any other proper officer of the District, 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 related to bond insurance or a reserve surety. In the event that the President or Vice President are unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement and, in the event that the Secretary is unavailable or unable to attest or to deliver any of the above-referenced documents, any deputy secretary may validly execute and deliver such document.
13. Unless otherwise defined herein, all terms used herein and not otherwise defined shall have the meanings given to such terms in the Indenture or the Installment Purchase Agreement unless the context otherwise clearly requires.
14. This Resolution shall take effect immediately upon its adoption.

I hereby certify that the foregoing resolution was duly and regularly adopted by the Board of Directors of the Hidden Valley Lake Community Services District, Lake County, California, at a meeting thereof held on the 17th day of October 2023, by the following vote:

AYES: Directors, Freeman, Graves, Lieberman, Millerick and Brown

NOES: None

ABSENT: None

ABSTAIN: None



Claude Brown
President of the Board



Dennis White
General Manager/Secretary to the Board



EXHIBIT A

GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by NHA Advisors, LLC (the District's "Municipal Advisor") in consultation with Hilltop Securities Inc., the Underwriter of the Bonds.

Principal Amount. The Municipal Advisor has informed the District that, based on the District's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be sold is \$5,000,000 (the "Estimated Principal Amount"), which excludes approximately \$70,859 of net original issue discount estimated to be generated based on current market conditions, which together total \$4,929,131. Net original issue discount is generated when, on a net aggregate basis for a single issuance of bonds, the price paid for the bonds is lower than the face value of such bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the Bonds, 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 Bonds, is 5.26%.

Finance Charge of the Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$294,918.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received by the District for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$4,634,213.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its 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 Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$9,356,201.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, 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 Principal Amount; (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 District's financing plan, delays in the financing, additional legal work or a combination of such factors and additional finance charges, if any, attributable thereto. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the District based on the timing of the need for proceeds of the Bonds and other 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 District.