

RESOLUTION NO. 2023-02

RESOLUTION OF THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT APPROVING A SITE LEASE AND A LEASE AGREEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

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

WHEREAS, in order to provide funds to finance the acquisition and potential construction of an administrative facility located within the boundaries of the District (the “2023 Project”), the District will lease certain real property owned by the District (the “Leased Property”) to the Municipal Finance Corporation (the “Corporation”) under a Site Lease, currently dated as of January 1, 2023, (the “Site Lease”) between the District and the Corporation and the Corporation will lease the Leased Property to the District under a Lease Agreement, currently dated as of January 1, 2023 (the “Lease Agreement”) between the Corporation and the District; and

WHEREAS, the District desires to obtain funds from Truist Bank (the “Lender”) in order to finance the 2023 Project; 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 of the District (the “Board”) wishes to designate the Lease Agreement as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code; and

WHEREAS, the United States Treasury Department has issued Treasury Regulation Section 1.150-2 (the “Reimbursement Regulations”) constituting final regulations with respect to the use of proceeds of a tax-exempt financing for reimbursement purposes and, in order to comply with the Reimbursement Regulations, the District intends to declare its official intent to be reimbursed for the 2023 Project with proceeds of future tax-exempt borrowings, including but not limited to the Lease Agreement; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) 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 Lease 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 lease payments made pursuant to the Lease Agreement (the “Lease Payments”), (b) the sum of all fees and charges paid to third parties with respect to the Lease Agreement, (c) the amount of proceeds of the Lease

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 Lease Agreement, and (d) the sum total of all Lease Payments with respect to the Lease Agreement calculated to the final Lease Payment Date under the Lease Agreement plus the fees and charges paid to third parties not paid with the proceeds of the Lease 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.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Phelan Piñon Hills Community Services District as follows:

Section 1. Approval of Site Lease. The form of Site Lease, as presented to the District at this meeting, is hereby approved. The President, Vice President, and General Manager or any other officers duly designated by the District (each an "Officer," and collectively, the "Officers") are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Site Lease, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of the District's General Counsel and Kutak Rock LLP, Special Counsel, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. Approval of Lease Agreement. The form of Lease Agreement, as presented to the District at this meeting, along with the Memorandum of Lease, is hereby approved. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Lease Agreement, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of the District's General Counsel and Special Counsel, such approval to be conclusively evidenced by the execution and delivery thereof; provided that the aggregate principal component of the portion of the Lease Payments (as defined in the Lease Agreement) due under the Lease Agreement shall not exceed \$6,040,000, the scheduled term of the financing does not exceed July 15, 2043 and the interest rate is not greater than 4.750% per annum.

Section 3. Approval of Private Placement. The District hereby approves the assignment of the Lease Payments by the Corporation to the Lender, by a private placement pursuant to and in accordance with an assignment agreement.

Section 4. SB 450 Good Faith Estimates. In accordance with SB 450, good faith estimates of the following have been obtained from the Lender and are set forth on Exhibit A attached hereto: (a) the true interest cost of the lease payments made pursuant to the Lease Agreement, (b) the sum of all fees and charges paid to third parties with respect to the Lease Agreement, (c) the amount of proceeds of the Lease 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 Lease Agreement, and (d) the sum total of all Lease Payments with respect to the Lease Agreement calculated to the final Lease Payment Date under the Lease Agreement plus the fees and charges paid to third parties not paid with the proceeds of the Lease Agreement.

Section 5. Bank Qualified. The Lease Agreement is hereby designated as a "qualified tax-exempt obligation" 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 2023 is not expected to exceed \$10,000,000.

Section 6. Declaration of Reimbursement. The District shall, presently intends, and reasonably expects to finance a portion of the 2023 Project with legally available funds. All of the expenditures covered by this Resolution were or will be paid on and after the date which is 60 days prior to the effective date of this Resolution. The District presently intends and reasonably expects to participate in a tax-exempt financing within 18 months of the date of the expenditure of moneys on the 2023 Project or the date upon which the 2023 Project is placed in service, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys), and to allocate from such financing an amount not to exceed amounts advanced for the 2023 Project from legally available funds to reimburse the District. The District intends for this Resolution to constitute the District's official intent, within the meaning of the Reimbursement Regulations, to support the use of the proceeds of the Lease Agreement to reimburse the District for the prior payment of expenditure related to the 2023 Project.

Section 7. Official Actions. The Officers are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions which they, or any of them, may deem necessary or advisable in order to consummate the transactions as described herein in connection with the financing of the 2023 Project, including but not limited to, entering into a purchase agreement or similar agreement with the Lender, a project fund agreement and a custodian agreement with a financial institution to be selected by the District.

Section 8. Ratification of Prior Actions. All actions heretofore taken (not inconsistent with the provisions of this Resolution) by the Board or by the officers, employees and agents of the District directed toward the financing of the 2023 Project for the purposes herein set forth are hereby ratified, approved and confirmed.

Section 9. Effective Date. This Resolution shall take effect immediately upon adoption and the Board Secretary shall certify to its adoption.

PASSED, APPROVED, and ADOPTED at a regular meeting of the Board of Directors of the Phelan Piñon Hills Community Services District, this 9th day of January 2023.

AYES: Hays, Hoffman, Kujawa, Roberts, Snyder

NOES:

ABSENT:

ABSTAIN:



President
Board of Directors

Attest:



Secretary
Board of Directors

I hereby certify that the above Resolution No. 2023-02 was duly introduced, read and adopted by the District at a regular meeting held on January 9, 2023.


Secretary
Board of Directors

EXHIBIT A

GOOD FAITH ESTIMATES

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

1. *True Interest Cost of the Lease Agreement.* A good faith estimate of the true interest cost of the lease payments made pursuant to the Lease Agreement (the "Lease Payments"), which means the rate necessary to discount the amounts allocable as principal and interest components and payable on the respective Lease Payment Dates, as described under the Lease Agreement to the purchase price received for Lease Agreement, is 4.750%

2. *Finance Charge of the Lease Agreement.* A good faith estimate of the District's finance charge of the Lease Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Lease Agreement), is \$40,000.

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 Lease Agreement less the finance charge of the Lease Agreement described in paragraph 2 above, is \$6,000,000.

4. *Total Payment Amount.* A good faith estimate of the total payment amount, which means the sum total of all Lease Payments the District will make to pay their obligations on the Lease Agreement plus the finance charge of the Lease Agreement described in paragraph 2 above not paid with the proceeds of the Lease Agreement, calculated to the final Lease Payment Date under the Lease Agreement, is \$9,422,931.84.