

UKIAH VALLEY SANITATION DISTRICT

RESOLUTION NO. 2020-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH VALLEY SANITATION DISTRICT AUTHORIZING THE ISSUANCE OF THE UKIAH VALLEY SANITATION DISTRICT WASTEWATER REVENUE REFUNDING BONDS, SERIES 2020 AND APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, A PLACEMENT AGENT ENGAGEMENT AGREEMENT AND A CITY-DISTRICT 2020 REFINANCING AGREEMENT IN CONNECTION THEREWITH AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, the Ukiah Valley Sanitation District (the "District") is a county sanitation district formed on July 6, 1954 by Resolution No. 1294 of the Mendocino County Board of Supervisors to provide sewer facilities and services for the unincorporated areas adjacent to the City of Ukiah; and

WHEREAS, the District owns a system for the collection and transmission of wastewater within the District (the "Wastewater System") which wastewater is treated at a wastewater treatment plant owned by the City of Ukiah (the "City"); and

WHEREAS, the City currently provides the following services to the District: (1) billing and collection of sewer service and connection fees, and disbursement of funds collected on behalf of the District for payment to the City for the District's allocated share of certain combined sewer system operations, maintenance, capital improvement and financing costs and accounting to the District for the funds collected or spent; and (2) operations and maintenance of the Wastewater System; and

WHEREAS, the District and the City entered into an operating agreement which sets forth, among other things, the responsibilities and the terms under which the District and the City provide wastewater collection and treatment services to their respective ratepayers and residents; and

WHEREAS, in 2006, the City financed a project to rehabilitate and upgrade and increase the capacity of the City's wastewater treatment plant through the issuance of \$75,060,000 aggregate principal amount of the Association of Bay Area Governments 2006 Water and Wastewater Revenue Bonds, Series A (the "2006 Bonds"); and

WHEREAS, in connection with the issuance of the 2006 Bonds, the District and the City entered into a financing agreement pursuant to which a portion of the installment payments securing the 2006 Bonds were apportioned to the District based on certain methodology set forth in the operating agreement then in effect; and

WHEREAS, the operating agreement provides that for the fiscal year ending June 30, 2020, the installment payments securing the 2006 Bonds are allocated 52% to the District and 48% to the City and that commencing in fiscal years 2020 and in subsequent fiscal

years, the District and the City shall pay their respective share of the combined debt service in a manner that varies based on the methodology described in the operating agreement; and

WHEREAS, the District is authorized by law to issue refunding revenue bonds to refinance any obligations theretofore incurred by it; and

WHEREAS, the District has determined that it is in the best interests of the District and its customers (based on an in-process rate study prepared for the City and the District) and is necessary and proper for District purposes that the District issue its Ukiah Valley Sanitation District Wastewater Revenue Refunding Bonds, Series 2020 (the "Bonds"), to refund its payment obligations under the financing agreement in the amount of 54% of the installment payments securing the 2006 Bonds, to fund a reserve fund and pay costs of issuing the Bonds; and

WHEREAS, the District proposes to enter into an Indenture (the "Indenture") with U.S. Bank National Association, or another corporate trustee to be named therein, as trustee (the "Trustee"), pursuant to which the District will issue the Bonds for the aforementioned purposes; and

WHEREAS, the District proposes to enter into a Placement Agent Engagement Agreement (the "Placement Agent Engagement Agreement") with Stifel, Nicolaus & Company, Incorporated and Piper Sandler Companies (the "Placement Agents"), pursuant to which the Bonds will be sold to BBVA USA through its BBVA Mortgage Corporation subsidiary or an affiliate thereof (the "Purchaser"); and

WHEREAS, the District and the City propose to enter into a City-District 2020 Refinancing Agreement (the "Refinancing Agreement") to document the agreement between the parties related to the District's and the City's prepayment of the 2006 Bonds; and

WHEREAS, there have been made available to the Board of Directors of the District (the "Board of Directors"), the following documents and agreements:

- (1) A proposed form of the Indenture;
- (2) A proposed form of the Placement Agent Engagement Agreement; and
- (3) A proposed form of Refinancing Agreement; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the refunding 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 issue the Bonds for the purposes, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UKIAH VALLEY SANITATION DISTRICT, AS FOLLOWS:

Section 1. The Board of Directors hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the District and that the statements, findings and determinations set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. The District is hereby authorized to issue its revenue refunding bonds designated as the "Ukiah Valley Sanitation District Wastewater Revenue Refunding Bonds, Series 2020" in an aggregate principal amount not to exceed thirty million dollars (\$30,000,000). The Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Indenture. The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the General Manager of the District or the designee thereof (the "General Manager") or, if the General Manager's signature cannot be obtained for any reason, the manual or facsimile signature of the Chair or Vice Chair of the Board of Directors.

Section 3. The proposed form of Indenture, as made available to the Board of Directors, is hereby approved. The General Manager or the designee thereof (each an "Authorized Officer"), each acting alone, are hereby authorized and directed, for and on behalf of the District, to execute and deliver the Indenture in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The dated date, maturity date or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed; provided, that the Bonds shall mature not later than the year 2040.

Section 4. The proposed form of Placement Agent Engagement Agreement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver the Placement Agent Engagement Agreement in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the true interest cost with respect to the Bonds shall not exceed 3.25%.

Section 5. The proposed form of Refinancing Agreement, as made available to the Board of Directors, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the District, to execute and deliver the Refinancing in substantially said form, with such changes thereto and insertions therein as such Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds, when executed as provided in Section 2, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Purchaser in accordance with written instructions executed on behalf of the District by any Authorized Officer, which any Authorized Officer is authorized and directed, for and on behalf of the

District, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Purchaser, upon payment of the purchase price thereof.

Section 7. The transfer of \$2.5 million of District cash reserves is hereby approved for use to refund the District's allocable share of the 2006 Bonds.

Section 8. The creation of a Rate Stabilization Fund within the meaning of the Indenture and the funding of such Rate Stabilization Fund with District cash reserves in an amount at least equal to one year's debt service on the Bonds is hereby approved.

Section 9. The members of the Board of Directors, the Authorized Officers and other appropriate officers and agents of the District, each acting alone, are hereby authorized and directed to do any and all things and to execute and deliver any and all documents (including, but not limited to, a tax certificate relating to the Bonds) which they may deem necessary or desirable in order to effectuate the actions which the Board of Directors has approved in this resolution and to consummate by the District the transactions contemplated by the documents approved hereby; and all such actions heretofore taken by such officers and agents are hereby ratified, confirmed and approved.

Section 10. This resolution shall take effect immediately upon its passage.

ON A MOTION by Director McNerlin, and seconded by Director Horsley, the foregoing resolution was passed and adopted by the Board of Directors of the Ukiah Valley Sanitation District this 29th day of January, 2020, by the following vote, to wit:

AYES: Wipf, Marshall, McNerlin, Bawcom, Horsley

NOES: None

ABSENT: None

ABSTAIN: None

Ernest Wipf

Chair of the Board of Directors

Michael W. Redding
General Manager