

**RESOLUTION NO. 2018-\_\_\_\_**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE,  
CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE  
COMMUNITY FACILITIES DISTRICT NO. 2016-2 (CANYON HILLS) AUTHORIZING  
THE ISSUANCE OF ITS SPECIAL TAX BONDS, SERIES 2018 IN A PRINCIPAL  
AMOUNT NOT TO EXCEED TWENTY-THREE MILLION DOLLARS (\$23,000,000)  
AND APPROVING CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER  
ACTIONS IN CONNECTION THEREWITH**

**Whereas**, the City Council (City Council) of the City of Lake Elsinore (City), has heretofore undertaken proceedings to establish Community Facilities District No. 2016-2 of the City of Lake Elsinore (Canyon Hills) (District) and declared the necessity to issue bonds on behalf of the District pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (Act); and

**Whereas**, pursuant to Resolution Nos. 2016-143 and 2016-144 adopted by the legislative body of the District on December 13, 2016, certain bond propositions were submitted to the qualified electors within the District, and were approved by more than two-thirds of the votes cast at the election held on December 13, 2016; and

**Whereas**, the legislative body of the District desires to issue a first series of bonds for the District at this time under the Act to eliminate the special tax lien of City of Lake Elsinore Community Facilities District No. 2003-2 (Canyon Hills) (CFD No. 2003-2), as described below, and to finance certain public facilities which the District is authorized to finance; and

**Whereas**, the District is included with Improvement Area B (Improvement Area B) of CFD No. 2003-2; and

**Whereas**, in accordance with Resolution Nos. 2016-120 and 2016-143, which resolutions declared the City Council's intention to form the District and formed the District, respectively, a portion of the proceeds of the bonds issued by the District would be applied to prepay the special tax obligation of CFD No. 2003-2 with respect to the property within Improvement Area B that is included within the District, thereby eliminating the special tax lien of CFD 2003-2 on such property; and

**Whereas**, the District desires to prepay the special tax obligation and eliminate the special tax lien of CFD 2003-2 as described above and to finance certain public facilities through the issuance of bonds in an aggregate principal amount not to exceed \$23,000,000 designated as the "Community Facilities District No. 2016-2 of the City of Lake Elsinore (Canyon Hills) Special Tax Bonds, Series 2018" (Bonds); and

**Whereas**, CFD No. 2003-2 has issued its Improvement Area B 2015 Special Tax Refunding Bonds and its Improvement Area B 2017 Special Tax Bonds (collectively, the CFD No. 2003-2 Bonds) which were purchased by the Lake Elsinore Public Financing Authority and the Lake Elsinore Facilities Financing Authority (each an Authority and together, the Authorities), respectively, in connection with the issuance of bonds by such joint powers authorities (each a series of Authority Bonds and together, the Authorities Bonds); and

**Whereas**, the portion of the Bonds to be applied to effect a prepayment of the special tax

obligation of CFD No. 2003-2 on the property within the District as described above will be applied by CFD No. 2003-2 to effect a defeasance and redemption of a portion of the CFD No. 2003-2 Bonds and, in turn, will be used by each Authority to effect a defeasance and redemption of a portion of its Authority Bonds; and

**Whereas**, in order to effect the issuance of the Bonds, the District desires to enter into various agreements and approve certain documents in substantially the forms presented herein; and

**Whereas**, based on the appraisal of real property prepared by Kitty Siino & Associates, Inc. (Appraisal) of property within the District, the value of the real property in the District subject to the special tax to pay debt service on the Bonds is more than three times the sum of the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District as calculated in the manner set forth in Section 53345.8(a) of the Act;

**Whereas**, the City Council has determined in accordance with Section 53360.4 of the Act that a negotiated sale of the Bonds to Stifel, Nicolaus & Company, Incorporated (Underwriter) in accordance with the terms of the Bond Purchase Agreement for the Bonds to be entered into by the District and the Underwriter (Bond Purchase Agreement) approved as to form by this City Council herein will result in a lower overall cost to the District than a public sale; and

**Whereas**, the District has determined to adopt the City's Debt Management Policy adopted by the City Council of the City on July 11, 2017, as the debt management policy of the District;

**NOW, THEREFORE, THE CITY COUNCIL, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2016-2 OF THE CITY OF LAKE ELSINORE (CANYON HILLS), DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOW:**

**Section 1.** Each of the above recitals is true and correct.

**Section 2.** The issuance of the Bonds is hereby authorized in an aggregate principal amount not to exceed \$23,000,000, with the exact principal amount to be determined by the official signing the Bond Purchase Agreement in accordance with Section 5 below. The City Council hereby determines that it is prudent in the management of the District's fiscal affairs to issue the Bonds. The Bonds shall mature on the dates and pay interest at the rates set forth in the Bond Purchase Agreement to be executed on behalf of the District in accordance with Section 5 hereof. All other provisions of the Bonds shall be governed by the terms and conditions of the Bond Indenture (Indenture), which Indenture shall be substantially in the form on file with the City Clerk, with such additions thereto and changes therein (including, but not limited to, changes in the amount to be maintained in the Reserve Account (as defined in the Indenture)) as the officer or officers executing the same deem necessary to enhance the security for the Bonds, to cure any ambiguity or defect therein, to insert the offering price(s), interest rate(s), selling compensation, principal amount per maturity, redemption dates and prices and such other related terms and provisions as limited by Section 5 hereof or to conform any provisions therein to the Bond Purchase Agreement or the Official Statement delivered to the Underwriter of the Bonds. Approval of such changes shall be conclusively evidenced by the execution and delivery of the Indenture by one of the following: the Mayor, the City Manager, the Assistant City Manager, or their written designees (each, an Authorized Officer and collectively, the Authorized Officers), each of whom is authorized to execute the Indenture. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

**Section 3.** The Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Mayor of the City or his or her written designee and be attested by the manual or facsimile signature of the City Clerk. Wilmington Trust, National Association is hereby appointed to act as trustee, registrar and transfer agent for the Bonds.

**Section 4.** The covenants set forth in the Indenture to be executed in accordance with Section 2 above are hereby approved, shall be deemed to be covenants of the City Council and shall be complied with by the District and its officers. The Indenture shall constitute a contract between the District and the Owners of the Bonds.

**Section 5.** The form of the Bond Purchase Agreement presented at this meeting is hereby approved and each of the Authorized Officers is hereby authorized to execute the Bond Purchase Agreement, with such additions thereto and changes therein relating to dates and numbers as are necessary to conform the Bond Purchase Agreement to the dates, amounts and interest rates applicable to the Bonds as of the sale date. Approval of such additions and changes shall be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement by one or more of such Authorized Officers; provided, however, that the Bond Purchase Agreement shall be signed only if the Underwriter's discount does not exceed 0.95% of the principal amount of the Bonds and only if the true interest cost on the Bonds does not exceed 5.50%. Each of the Authorized Officers is authorized to determine the day on which the Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Underwriter if determined not to be in the best interest of the District.

**Section 6.** The form of the Continuing Disclosure Certificate presented at this meeting is hereby approved and each of the Authorized Officers is hereby authorized and directed to execute the Continuing Disclosure Certificate in the form hereby approved, with such additions therein and changes thereto as the officer or officers executing the same deem necessary to cure any defect or ambiguity therein, with such approval to be conclusively evidenced by the execution and delivery of such certificate.

**Section 7.** The form of the Preliminary Official Statement presented at this meeting is hereby approved and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Authorized Officers to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission. Each of the Authorized Officers is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the Authorized Officers, to make such Official Statement complete and accurate as of its date. The Underwriter is further authorized to distribute the final Official Statement for the Bonds and any supplement thereto to the purchasers of the Bonds upon the execution of the final Official Statement as described above.

**Section 8.** In accordance with the requirements of Section 53345.8 of the Act, based on the Appraisal, the legislative body of the District hereby determines that the value of the real property in the District subject to the special tax to pay debt service on the Bonds is more than three times the principal amount of the Bonds and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act or a special assessment levied on property within the District, all as calculated in the manner provided in Section 53345.8(a) of the Act.

**Section 9.** Each Authorized Officer is authorized to provide for all services necessary to effect the issuance of the Bonds. Such services shall include, but not be limited to, printing the Bonds, obtaining legal services, trustee and paying agent services, costs related to the Surety Commitment and the Insurance Commitment (as such terms are defined below) and any other services deemed appropriate as set forth in a certificate of such Authorized Officer. Each Authorized Officer is authorized to pay for the cost of such services, together with other costs of issuance, from Bond proceeds deposited pursuant to the Indenture.

**Section 10.** Each of the Authorized Officers is hereby authorized to negotiate the terms of a commitment (the "Insurance Commitment") for bond insurance for some or all of the Bonds and a commitment for a reserve surety bond (the "Surety Commitment") for all or a portion of the Reserve Account (as defined in the Indenture) from one or more municipal bond insurance companies (an "Insurer") and, if such officer determines that the acquisition either of a policy or a reserve surety bond, or both, from an Insurer will result in net interest rate savings, to pay the premiums for such policy and surety bond from the proceeds of the Bonds and to amend the Indenture, the Preliminary Official Statement, and/or the Official Statement to the extent necessary to conform to the terms of the Insurance Commitment and the Surety Commitment. Each of the Authorized Officers, acting alone, is further authorized to execute a reimbursement agreement required by the Surety Commitment.

**Section 11.** The Authorized Officers, the City Clerk and the other officers and staff of the City and the District responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the Bonds and the defeasance and redemption of the CFD No. 2003-2 Bonds and the Authorities Bonds, all in accordance with the provisions of this Resolution and the fulfillment of the purposes of the Bonds as described in the Indenture, including, but not limited to, providing escrow instructions with respect to the redemption and defeasance of the CFD No. 2003-2 Bonds and the Authorities Bonds, execution and delivery of a letter of credit or cash deposit agreement with respect to the special taxes to be levied on property owned by the developer within the District, and certificates to the Underwriter as to the accuracy of any information relating to the District which is included within the Official Statement. Any document authorized herein to be signed by the City Clerk may be signed by a duly appointed deputy clerk.

**Section 12.** The District hereby adopts the City's Debt Management Policy, as amended, supplemented and restated from time to time, as the debt management policy of the District pursuant to California Government Code Section 8855.

**Section 13.** This Resolution shall be effective upon its adoption.

**Passed and Adopted** on this 10<sup>th</sup> day of July, 2018.

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Natasha Johnson, Mayor

**Attest:**

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Susan M. Domen, MMC  
City Clerk

STATE OF CALIFORNIA)  
COUNTY OF RIVERSIDE) ss.  
CITY OF LAKE ELSINORE)

I, Susan M. Domen, MMC, City Clerk of the City of Lake Elsinore, California, do hereby certify that Resolution No. 2018-\_\_\_\_\_ was adopted by the City Council of the City of Lake Elsinore, California, at the Regular meeting of July 10, 2018, and that the same was adopted by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

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Susan M. Domen, MMC  
City Clerk