

RESOLUTION NO. 21-008

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DETERMINING TO ENTER INTO A LEASE AGREEMENT WITH JP. MORGAN CHASE BANK, N.A. RELATED TO THE PURCHASE OF CERTAIN HVAC EQUIPMENT, APPROVING AGREEMENTS AND OTHER DOCUMENTS RELATED THERETO, AND DECLARING ITS OFFICIAL INTENT TO REIMBURSE ITSELF FOR EXPENDITURES

WHEREAS, the City of Carson ("Lessee") is a political subdivision of the State of California (the "State") and is duly organized and existing pursuant to the constitution and laws of the State; and

WHEREAS, pursuant to applicable law, the City Council of the Lessee ("Governing Body") is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interests in property, leases and easements necessary to the functions or operations of the Lessee; and

WHEREAS, the Governing Body hereby finds and determines that the execution of the Master Lease, dated as of January 29, 2021 (or as soon thereafter as practical), as amended by Schedule I to the Master Lease and the attached addendums and schedules ("Equipment Lease") in the principal amount not exceeding \$6,000,000("Principal Amount") for the purpose of acquiring the certain energy efficient air conditioning equipment ("Property") and to be described more specifically in the Equipment Lease is appropriate and necessary to the functions and operations of the Lessee; and

WHEREAS, the equipment will be installed at the City Hall and the Community Center; and

WHEREAS, following a competitive process, JPMorgan Chase Bank, N.A. ("Lessor") will be the Lessor under the Equipment Lease, which Equipment Lease may also be amended in the future to include other equipment; and

WHEREAS, the Lessee may pay certain capital expenditures in connection with the Property prior to its receipt of proceeds of the Equipment Lease ("Lease Purchase Proceeds") for such expenditures and such expenditures are not expected to exceed the Principal Amount; and

WHEREAS, the U.S. Treasury Department regulations do not allow the proceeds of a tax-exempt borrowing to be spent on working capital and the Lessee shall hereby declare its official intent to be reimbursed for any capital expenditures for Property from the Lease Purchase Proceeds; and

WHEREAS, in compliance with Senate Bill 450 approved on October 9, 2017, adding California Government Code Section 5852.1, the City has obtained from the Lessor the required good faith estimates of the following information (a) the true interest cost of the Equipment Lease, (b) the finance charge of the bonds, (c) the amount of proceeds of the Equipment Lease 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 Equipment Lease, (d) the sum total of all debt service payments on the Equipment Lease calculated to the final maturity of the Equipment Lease plus the fees and charges paid to third parties not paid with the proceeds of the Equipment Lease; and

WHEREAS, such good faith estimates are disclosed and set forth in Exhibit A attached hereto and incorporated herein; 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 consummation of the financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided; and

WHEREAS, the Council hereby determines in accordance with its Debt Management Policy, adopted on March 21, 2017 ("Policy") that the Equipment Lease is consistent with the purposes of its Policy, that it is in the best interests of the City, prudent in the management of its fiscal affairs and and therefore in furtherance of its public purposes to undertake the financing described herein,

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. The Recitals hereto are true and correct and incorporated herein by this reference.

SECTION 2. Either one of the Mayor, the City Manager or the Finance Director (each an "Authorized Representative") acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver the Equipment Lease in substantially the form set forth in the document presently before the Governing Body and on file with the City Clerk, which document is available for public inspection at the office of the Lessee. Each Authorized Representative acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver such other documents relating to the Equipment Lease (including, but not limited to, escrow agreement with Deutsche Bank Trust Company, as escrow agent, and other exhibits and attachments to the Equipment Lease presented therewith) as the Authorized Representative deems necessary and appropriate. All other

related contracts and agreements necessary and incidental to the Equipment Lease are hereby authorized and approved.

SECTION 3. By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the Lessee to execute and deliver agreements, requisitions, and documents relating to the Equipment Lease on behalf of the Lessee.

SECTION 4. The aggregate original principal amount of the Equipment Lease shall not exceed the Principal Amount and shall bear interest as set forth in the Equipment Lease and the Equipment Lease shall contain such options to purchase by the Lessee as set forth therein. The interest rate shall not exceed 2.5%.

SECTION 5. The Lessee's obligations under the Equipment Lease shall be subject to annual appropriation or renewal by the Governing Body as set forth the Equipment Lease and the Lessee's obligations under the Equipment Lease shall not constitute a general obligations of the Lessee or indebtedness under the Constitution or laws of the State.

SECTION 6. The Governing Body of Lessee anticipates that the Lessee may pay certain capital expenditures in connection with the Property prior to the receipt of the Lease Purchase Proceeds for the Property. The Governing Body of Lessee hereby declares the Lessee's official intent to use the Lease Purchase Proceeds to reimburse itself for Property expenditures. This section of the Resolution is adopted by the Governing Body of Lessee for the purpose of establishing compliance with the requirements of Section 1.150-2 of Treasury Regulations. This section of the Resolution does not bind the Lessee to make any expenditure, incur any indebtedness, or proceed with the purchase of the Property.

SECTION 7. Lessee hereby designates the Equipment Lease related to the Property as a "qualified tax-exempt obligation" for the purposes of and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended ("Code") and Lessee reasonably anticipates that the total amount of Section 265 Tax-Exempt Obligations to be issued during the current calendar year by Lessee, or by an entity controlled by Lessee or by another entity the proceeds of which are loaned to or allocated to Lessee for purposes of Section 265(b) of the Code will not exceed \$10,000,000. "Section 265 Tax-Exempt Obligations" are obligations the interest on which is excludable from gross income of the owners thereof under Section 103 of the Code, except for private activity bonds other than qualified 501(c)(3) bonds, both as defined in Section 141 of the Code.

SECTION 8. This Resolution shall take effect immediately upon its adoption

SECTION 9. The City Clerk shall certify to the passage and adoption of this resolution.

[signatures on the following page]

PASSED, APPROVED, and ADOPTED this 26th day of January 2021.

Mayor Lulu Davis-Holmes

ATTEST:

Donesia Gause-Aldana, City Clerk

APPROVED AS TO FORM:

Sunny K. Soltani, City Attorney

EXHIBIT “A” TO RESOLUTION NO. 21-008

SB 450 GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Equipment Lease in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the City by JP Morgan Chase & Co., the lessor and reviewed by the City’s Finance Department.

Principal Amount. The good faith estimate of the Lease Purchase Proceeds are \$6,000,000 (the “Estimated Principal Amount”).

True Interest Cost. The Lessor has informed the Lessee that, assuming that the respective Estimated Principal Amount of the lease payments, 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 principal amount, 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 Equipment Lease, is 1.625%.

Finance Charge. The Lessor informed the Lessee that, assuming that the Estimated Principal Amount of the lease payments are 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 lease, which means the sum of all fees and charges paid to third parties (or costs associated with the lease), is \$0. City Attorney costs are not expected to be paid from the lease.

Amount of Proceeds to be Received. The Lessor has informed the Lessee that 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 City for the Equipment Lease, less the finance charge of the Equipment Lease, as estimated above, paid or funded with proceeds of the Equipment Lease, is \$6,000,000.

Total Payment Amount. The Lessor has informed the City that, assuming that the Estimated Principal Amount of the Equipment Lease, 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 City will make to lease payment, plus the finance charge for Equipment Lease, as described above, not paid with the respective proceeds of the Equipment Lease, calculated to the final maturity, is \$6,549,210.40 and the sum of annual ongoing costs to administer the Equipment Lease not paid with proceeds of the Equipment Lease is \$5,000 (provided by city).

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on January 19, 2021. The interest rate will be set pursuant to the formula in Lease Agreement on or after January 26, 2021. The actual principal amount, 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 closing of the Equipment Lease, (b) the actual principal amount being different from the respective Estimated Principal Amount, (c) the actual amortization of the Equipment Lease being

different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time closing being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors.