

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
WATSONVILLE AUTHORIZING THE EXECUTION AND DELIVERY BY
THE CITY OF WATSONVILLE OF A GROUND LEASE, LEASE
AGREEMENT, INDENTURE, CONTINUING DISCLOSURE CERTIFICATE
AND BOND PURCHASE AGREEMENT IN CONNECTION WITH THE
ISSUANCE OF WATSONVILLE PUBLIC FINANCE AUTHORITY LEASE
REVENUE BONDS, SERIES 2025, APPROVING THE ISSUANCE OF SUCH
BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED
\$13,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL
STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF
SUCH BONDS AND AUTHORIZING THE EXECUTION OF NECESSARY
DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS**

WHEREAS, the City of Watsonville, California (the “City”) is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California;

WHEREAS, the Watsonville Public Finance Authority (the “Authority”) is a joint exercise of powers authority duly organized and existing pursuant to the laws of the State of California and that certain Joint Exercise of Powers Agreement, dated as of October 24, 2017, as amended pursuant to that certain First Amendment to Joint Exercise of Powers Agreement, dated as of May 1, 2025, each between the City and the Industrial Development Authority of the City of Watsonville (as so amended, the “Joint Powers Agreement”);

WHEREAS, pursuant to the Joint Powers Agreement and Section 6588(h) of the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code (the “Act”), the Authority has the legal authority to lease and sublease lands, structures, real or personal property, and other interests in lands that are located within the State of California that the Authority determines are necessary or convenient for the financing of public capital improvements, or any portion thereof;

WHEREAS, the City and the Authority desire to finance all or a portion of the costs of the design, acquisition, construction and/or installation of certain capital improvements in the City, including capital improvements to Ramsay Park and the Watsonville Civic Plaza (collectively, the “Project”);

WHEREAS, the City is a member of the Authority, and the Project is located within the boundaries of the City;

WHEREAS, the City has, prior to the consideration of this Resolution, held a public hearing on the financing of the Project in accordance with Section 6586.5 of the Act, which hearing was held at 275 Main Street, Watsonville, California on May 27, 2025;

WHEREAS, in accordance with Section 6586.5 of the Act, notice of such hearing was published once at least five days prior to the hearing in *Santa Cruz Sentinel*, a local newspaper of general circulation in the City;

WHEREAS, the Authority and the City have determined that it would be in the best interests of the City and residents of the City to authorize the preparation, sale and delivery of the “Watsonville Public Finance Authority Lease Revenue Bonds, Series 2025,” in one or more series, on a taxable or tax-exempt basis (the “Bonds”) for the purpose of financing all or a portion of the Project;

WHEREAS, to facilitate the issuance of the Bonds, the City and the Authority desire to enter into a Ground Lease between the City and the Authority (the “Ground Lease”) pursuant to which the City will lease certain real property, which real property shall initially consist of (i) City Hall, located at 250 Main Street, Watsonville, California, (ii) the Watsonville Parks and Community Services Building, located at 231 Union Street, Watsonville, California, (iii) the Watsonville Police Information Technology Building, located at 215 Union Street, Watsonville, California, and (iv) the Watsonville Youth Center, located at 30 Maple Street, Watsonville, California (collectively, the “Leased Assets”), to the Authority, and a Lease Agreement between the City and the Authority (the “Lease Agreement”), pursuant to which the City will lease the Leased Assets back from the Authority, and pay certain Base Rental Payments (as defined in the Lease Agreement), which will be pledged to the owners of the Bonds by the Authority pursuant to an Indenture by and among U.S. Bank Trust Company, National Association (the “Trustee”), the City and the Authority (the “Indenture”);

WHEREAS, the Authority will issue the Bonds pursuant to the Act;

WHEREAS, the City and the Authority desire to provide for the negotiated sale of the Bonds;

WHEREAS, the City and the Authority have selected Samuel A. Ramirez, Inc., to act as underwriter (in such capacity, the “Underwriter”) and to purchase the Bonds from the Authority pursuant to a Bond Purchase Agreement (the “Bond Purchase Agreement”), among the City, the Authority and the Underwriter;

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) requires that, in order to be able to purchase or sell the Bonds, the underwriter thereof must have reasonably determined that the City has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain events on an ongoing basis;

WHEREAS, to cause such requirement to be satisfied, the City desires to execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”);

WHEREAS, a form of the Preliminary Official Statement (the “Preliminary Official Statement”) has been prepared;

WHEREAS, good faith estimates of certain information relating to the Bonds are disclosed and set forth in Exhibit A attached to this Resolution as required by California Government Code Section 5852.1; such estimates were provided by Urban Futures, Inc., the City’s the Municipal Advisor, based on preliminary bond pricing information provided by the Underwriter;

WHEREAS, the City Council has been presented with the form of each document referred to herein, and the City Council has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such financing; 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 such 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;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE AS FOLLOWS:

Section 1. Each of the above recitals is true and correct. Following a duly noticed public hearing, the City Council hereby approves the financing of the Project and further finds and determines that there are significant public benefits to the citizens of the City through the issuance of the Bonds and execution and delivery of the Ground Lease and Lease Agreement pursuant to the Act and otherwise hereunder within the meaning of Section 6586(a) through (d), inclusive, of the Act, in that the delivery of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the City and enable the City to undertake the Project on a timely basis, and provide a more efficient delivery of public safety services to the community.

Section 2. The forms of the Ground Lease and Lease Agreement, on file with the City Clerk, are hereby approved, and the Mayor, the Mayor Pro Tempore, the City Manager, the Administrative Services Director, and the City Clerk, and each of their authorized designees (the “Authorized Officers”), are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Ground Lease and Lease Agreement in substantially said forms, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; *provided, however*, that the all-in true interest cost applicable to the Bonds shall not exceed 3.47% per annum. In the event that it is determined by the City Manager, or her designee, that there are limitations or restrictions on the ability of the City to lease or sublease any portion of the Leased Assets as contemplated by the Ground Lease and Lease Agreement or that other City-owned property would be more appropriate to use as Leased Assets under the Ground Lease and the Lease Agreement, the City Manager, or her designee, is hereby expressly authorized to designate other or additional real property of the City to be leased or subleased pursuant to the Ground Lease and Lease Agreement, with such designation to be conclusively evidenced by the execution and delivery of the Ground Lease and Lease Agreement by an Authorized Officer.

The City Council hereby declares that the real property that is the subject of the Ground Lease (herein defined as the “Leased Assets”) is “exempt surplus land” as defined by California Government Code Section 54221(f)(1)(D) since the City is transferring the Leased Assets to another local agency (the Authority) for the Authority’s use. As set forth in the Ground Lease and the Lease Agreement, the Leased Assets are needed for the Authority’s use to serve as the leased property in connection with the financing of the Project, which are important public improvements that will benefit the Authority and the City.

Section 3. The form of Indenture, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof; *provided*,

however, that the aggregate principal amount of the Bonds shall not exceed \$13,000,000, and the all-in true interest cost applicable to the interest components of the Base Rental Payments shall not exceed 3.47% per annum; and, *provided, further*, that such changes, insertions and omissions shall be consistent with the terms of the Bonds established at negotiated sale pursuant to the Bond Purchase Agreement. In the event that it is determined by the Administrative Services Director, or her designee, that the funding or financing of capitalized interest on the Bonds would be in the best interests of the City, the Indenture may be modified to provide for capitalized interest on such basis as is determined by the Administrative Services Director or her designee, such determination to be conclusively evidenced by the execution and delivery of the Indenture by an Authorized Officer.

Section 4. The Bond Purchase Agreement, on file with the City Clerk, is hereby approved and the Authorized Officers are each hereby authorized and directed, for and in the name of the City, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Bond Purchase Agreement by such Authorized Officer; *provided, however*, that the underwriter's discount (not including any original issue discount paid by the Underwriter) from the principal amount of the Bonds shall not exceed eight tenths of one percent (0.80%) of the principal amount of the Bonds.

As an alternative to the sale of the Bonds through a public offering authorized in the immediately preceding paragraph of this Section 4, the Bonds may be sold on a private placement basis through Samuel A. Ramirez, Inc., acting as private placement agent (in such capacity, the "Private Placement Agent"), if a private placement of the Bonds will produce lower interest rates than are available through a public offering of the Bonds, or if a private placement is otherwise preferable and/or more appropriate than a public offering of the Bonds, in the opinion of, and upon recommendation of, the City's Municipal Advisor, which recommendation is agreed to by the City Manager or the Administrative Services Director; *provided, however*, that the compensation paid to the Private Placement Agent shall not exceed the amount approved by the City Manager or the Administrative Services Director. The Authorized Officers are each hereby authorized to negotiate and execute a private placement agreement with the Private Placement Agent in consultation with the City's Bond Counsel and Municipal Advisor.

Section 5. The issuance by the Authority of not to exceed \$13,000,000 aggregate principal amount of the Bonds, in one or more series, on a taxable or tax-exempt basis, in the principal amounts, bearing interest at the rates and maturing on the dates as specified in the Indenture as finally executed, is hereby approved.

Section 6. The sale and issuance of the Bonds and execution and delivery of the Lease Agreement is hereby determined to be consistent with the City's Debt Management Policy and to the extent the sale and issuance of the Bonds is not in compliance with the City's Debt Management Policy, such noncompliance is waived in accordance with the terms of the City's Debt Management Policy. The City further instructs Anzel Galvan LLP, as Bond Counsel, on behalf of the City, with respect to the Bonds and the Lease Agreement described in this Resolution, (a) to cause notices of the proposed sale and final sale of the Bonds and the Lease Agreement to be filed in a timely manner with the California Debt and Investment Advisory Commission ("CDIAC") pursuant to Government Code Section 8855, and (b) to certify to CDIAC, on behalf of the City, that the City's Debt Management Policy complies with Government Code Section 8855(i) in the notice of proposed sale filed pursuant to Government Code Section 8855.

Section 7. The form of Preliminary Official Statement, on file with the City Clerk, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the City that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

The Authorized Officers are each hereby authorized and directed to furnish, or cause to be furnished, to prospective bidders for the Bonds a reasonable number of copies of the Preliminary Official Statement.

Section 8. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed, for and in the name of and on behalf of the City, to execute the final Official Statement and any amendment or supplement thereto for and in the name and on behalf of the City.

Section 9. The form of Continuing Disclosure Certificate, on file with the City Clerk, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. Anzel Galvan LLP is hereby approved and appointed as Bond and Disclosure Counsel, Urban Futures, Inc., is hereby approved and appointed as Municipal Advisor, and U.S. Bank Trust Company, National Association is hereby appointed as Trustee, each to provide such services to the City and any other related services as may be required to issue the Bonds.

Section 11. The officers, employees and agents of the City are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, but not limited to, taking such actions and executing such instruments as may be necessary or appropriate to remove encumbrances and clear title to any Leased Assets. Anything to the contrary herein notwithstanding, in the event the Administrative Services Director determines in consultation with the Municipal Advisor that the cost-efficient marketing of the Bonds requires creation of a funded reserve under the Indenture, each of the Indenture, Lease Agreement and other documents approved herein may be revised to reflect the funding of such a reserve. Specifically and without limiting the foregoing, the Administrative Services Director is authorized and directed to solicit and accept bids for bond insurance and, if applicable, a reserve account insurance policy, for the Bonds, provided she determines acceptance of the best bid will result in lower overall debt service or lower interest cost, and appropriate changes to each of the documents referenced herein to evidence such bond insurance, and, if applicable, a reserve account insurance policy, and the terms thereof, are hereby authorized and approved. All actions heretofore taken by the officers, employees and agents of the City with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 12. The City Council hereby determines the potential environmental impacts resulting from the adoption of this Resolution have been adequately evaluated by previously adopted mitigated negative declarations, in accordance with the California Environmental Quality Act (CEQA), as authorized by CEQA Guidelines Section 15162. The Bonds will finance public improvement projects known as the Ramsay Renaissance Project and the Watsonville City Plaza Expansion and Revitalization Project. The Ramsay Renaissance Project was analyzed in an Initial Study/Mitigated Negative Declaration with a corresponding mitigation monitoring program that supported the City Council's award of the construction contract at its meeting on March 26, 2024. The Plaza Expansion and Revitalization Project was analyzed in the Mitigated Negative Declaration and mitigation monitoring program for which the Notice of Determination (Document Number 027-19 NOD) was filed with the Santa Cruz County Clerk on December 20, 2019.

Section 13. This Resolution shall take effect from and after its date of adoption.

PASSED AND ADOPTED this ____ day of May 2025.

Mayor of the City of Watsonville

ATTEST:

City Clerk of the City of Watsonville
APPROVED AS TO FORM:

City Attorney

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CRUZ)

I, Irwin I. Ortiz, City Clerk of said City, do hereby certify that the foregoing Resolution was duly adopted by the City Council of said City and was signed by the Mayor of said City at an adjourned regular meeting of said City Council held on the ____ day of May 2025 and was approved by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

City Clerk of the City of Watsonville

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 City by the City's Municipal Advisor, Urban Futures, Inc., in consultation with Samuel A. Ramirez, Inc., the Underwriter of the Bonds.

Principal Amount. The Municipal Advisor has informed the City that, based on the City's financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the Bonds to be issued and sold is **\$13,000,000** (the "Estimated Principal Amount").

True Interest Cost of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and 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 **3.47%**.

Finance Charge of the Bonds. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and 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 **\$337,749**.

Amount of Proceeds to be Received. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and 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 City 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 **\$12,000,000**.

Total Payment Amount. The Municipal Advisor has informed the City that, assuming that the Estimated Principal Amount of the Bonds is issued and 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 City 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 **\$14,625,108**, which excludes any reserves or capitalized interest paid or funded with proceeds of the Bonds (which may offset such total payment amount).

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. 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 issued and 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, (f) alterations to the City's financing plan, or a combination of such factors.