RESOLUTION NO. FA2020-03

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ELK GROVE FINANCE AUTHORITY AUTHORIZING THE DIRECTOR OF FINANCE AND ADMINISTRATIVE SERVICES TO ENTER INTO A LETTER OF ENGAGEMENT WITH PIPER SANDLER & CO FOR UNDERWRITING SERVICES IN CONNECTION WITH A NEW DEBT ISSUANCE OF THE CITY OF ELK GROVE COMMUNITY FACILITIES DISTRICT NO. 2005-1 (LAGUNA RIDGE) SPECIAL TAX BONDS SERIES 2020

WHEREAS, the Elk Grove Finance Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations and for financing and refinancing public capital improvements of member entities of the Authority and other local agencies; and

WHEREAS, the City Council of the City of Elk Grove (the "City") has conducted proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 (commencing with Section 53311) of the California Government Code (the "Mello-Roos Act"), to form Community Facilities District No. 2005-1 (Laguna Ridge) (the "CFD"), to authorize the levy of special taxes upon the land within the CFD, and to issue bonds secured by said special taxes, for the purpose of financing certain public improvements and related expenses, all as described in its Resolution No. 2006-62 adopted March 8, 2006 and those proceedings; and

WHEREAS, the Elk Grove Finance Authority Board of Directors ("Board of Directors") has determined that it is in the best financial interests of the City and the CFD for the City Council, as legislative body of the CFD, to authorize special tax bonds for the CFD designated "City of Elk Grove Community Facilities District No. 2005-1 (Laguna Ridge) Special Tax Bonds Series 2020 (the "2020 Bonds"); and

WHEREAS, Fieldman, Rolapp & Associates, the City's Financial Advisors, have advised that it is critical to have the finance team, including underwriting services, in place to fully execute the 2020 Bonds; and

WHEREAS, Piper Sandler & Co. has provided the City and the Authority with underwriting services for several of its previous debt issuances, including Laguna Ridge and is familiar with the complexities and history of prior bond issuances for CFD 2005-1 (Laguna Ridge) and has been an integral part of the City's bond issuance team for the Series 2018 debt issuance from Laguna Ridge CFD 2005-1; Series 2016 refundings of prior CFD bonds in Laguna Ridge CFD 2005-1; and Series 2007 new debt issuance from Laguna Ridge CFD 2005-1; and

WHEREAS, for the reasons presented, the Authority Board of Directors finds that pursuing competitive proposals for the proposed underwriting services is not in the best interest of the EGFA, and it is appropriate to enter into a Letter of Engagement for Underwriting Services directly with Piper Sandler & Co.; and

WHEREAS, the debt conforms to the City's Debt Management Policy; and

WHEREAS, the Board of Directors desires to approve all of said transactions in furtherance of the public purposes of the City and wishes at this time to authorize all proceedings relating to the recording and financing of the Series 2020 Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Elk Grove Finance Authority as follows:

Section 1. Approval of Letter of Engagement for Underwriting Services. The Board of Directors hereby authorizes the Director of Finance and Administrative Services to enter into a Letter of Engagement for Underwriting Services with Piper Sandler & Co. in an amount not to exceed 1.25% of the par amount of the Series 2020 Bonds, which was negotiated by the City's Financial Advisor Fieldman, Rolapp & Associates, on behalf of the City and is to include all expenses of the underwriter, including the fees of the underwriter's counsel. That is the maximum not to exceed amount, meaning it is possible the City may incur costs that are less than this percentage amount.

Section 2. Effectiveness. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Board of Directors of the Elk Grove Finance Authority this 9th day of September 2020

STEVE LY, PRESIDENT of the
ELK GROVE FINANCE AUTHORITY

ATTEST:

JASON LINDGREN,
SECRETARY

APPROVED AS TO FORM:

JONATHAN P. HOBBS,
LEGAL COUNSEL

PIPER | SANDLER

EXHIBIT A

3626 Fair Oaks Blvd, Ste. 100
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(916) 361-6520

Piper Sandler & Co.
Since 1895. Member SIPC and NYSE.

June 4, 2020

Mr. Brad Koehn
Director of Finance & Administrative Services
City of Elk Grove
8401 Laguna Palms Way
Elk Grove, CA 95758

Re: Underwriter Engagement Letter
City of Elk Grove Financing Authority Special Tax Bonds
Community Facilities District 2005-1, Series 2020

Dear Mr. Koehn:

On behalf of Piper Sandler & Co. ("us" or "Piper Sandler"), we are writing concerning a potential municipal securities transaction as identified above. This letter confirms that you engage Piper Sandler as an underwriter respecting the Securities, subject to the conditions and limitations described below.

This engagement is preliminary in nature, non-binding and may be terminated at any time by you or us. Although you intend or reasonably expect to use Piper Sandler as an underwriter respecting the Securities, this engagement is subject to any applicable procurement laws and the formal approval of Piper Sandler as underwriter by your board or governing body, and is also subject to mutual agreement as to the final structure for the Securities and the terms and conditions of a bond purchase or similar agreement. This engagement does not restrict you from using other underwriters respecting the Securities or any other municipal securities transaction or prevent you from delaying or cancelling the Bond issue or selecting an underwriting syndicate that does not include Piper Sandler.

As an underwriter, Piper Sandler may provide advice concerning the structure, timing, terms, and other similar matters concerning the Securities. However, Piper Sandler intends to serve as an underwriter and not as a financial advisor to you, and the primary role of Piper Sandler is to purchase securities for resale to investors in an arm's-length commercial transaction between you and Piper Sandler. Piper Sandler has financial and other interests that differ from your interests.

Attached to this letter are regulatory disclosures required by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board to be made by us at this time because of this engagement. We may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction or describing any conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures. It is our understanding that you have the authority to bind the issuer by contract with us, subject to Elk Grove City Council approval, and that you are not a party to any conflict of interest relating to the Securities. If our understanding is incorrect, please notify the undersigned immediately.

We wish to receive your written acknowledgement that you have received the Appendix A disclosures and that this engagement is approved. Accordingly, please send me an email to that effect or sign and return the enclosed copy of this letter to me.

Sincerely,

Dennis McGuire

Dennis McGuire, Managing Director
Piper Sandler & Co.

Acknowledgement and Approval of Engagement and Receipt of Appendix A Disclosures

Brad Koehn

Brad Koehn, Director of Finance & Administrative Services
City of Elk Grove

Date: 6-18-2020

Appendix A – G-17 Disclosures

We are providing you with certain disclosures relating to the captioned bond issue (the Bonds), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 in accordance with MSRB Notice 2012-25 (May 7, 2012). Under new federal regulations, all underwriters are now required to send the following disclosures to you (as the Issuer of the Bonds) in order to clarify with you the role of an underwriter and other matters relating to an underwriting of the Bonds.

Piper Sandler intends to serve as an underwriter respecting the Bonds and not as a financial advisor or municipal advisor to you. As part of our services as an underwriter, Piper Sandler may provide advice concerning the structure, timing, terms, and other similar matters concerning an issue of municipal securities that Piper Sandler is underwriting.

Our Role as Underwriter:
In serving as underwriter for the Bonds, these are some important disclosures that clarify our role and responsibilities:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors;
(ii) The underwriter's primary role is to purchase securities with a view to distribution in an arm's-length commercial transaction with the Issuer and it has financial and other interests that differ from those of the Issuer;
(iii) Unlike a municipal advisor, the underwriter does not have a fiduciary duty to the Issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interests of the Issuer without regard to its own financial or other interests;
(iv) The underwriter has a duty to purchase securities from the Issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; and
(v) The underwriter will review the official statement for the Issuer's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction.[1]

Our Compensation:
The underwriter will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Participation of Your Independent Registered Municipal Advisor:
We are providing you with certain required disclosures pursuant to the SEC's Rule 15Ba1-1(d)(3)(vi)(B) (the "Rule") promulgated under the Securities Exchange Act of 1934, as amended (the "Act"), regarding the participation of your independent registered municipal advisor.

We received your written representation, dated November 5, 2019 (the "Representation"), wherein you represent that you are represented by, and will rely on the advice of Fieldman, Rolapp & Associates, Inc., your municipal advisor (your "MA"), with respect to the matters set forth therein (the "Matters").

Unless you provide us with a representation to the contrary, we will continue to rely on the Representation, including the described make-up of your MA team, for the duration set forth in the Representation.

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[1] Under federal securities law, an issuer of securities has the primary responsibility for disclosure for investors. The review of the official statement by the underwriter is solely for purposes of satisfying the underwriter's obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

Under the Rule we are required to inform you that by obtaining the Representation from you, Piper Sandler is not your municipal advisor and is not subject to the fiduciary duty set forth in Section 15B(c)(1) the Act with respect to the Matters.

Risk Disclosures:
In accordance with the requirements of MSRB Rule G-17, attached to this letter as Appendix A is a description of the material aspects of a typical fixed rate offering, including the Bonds. This letter may be later supplemented if the material terms of the Bonds change from what is described here.

If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to me. In addition, you should consult with your own financial, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

Appendix B – Risk Disclosures

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate Bonds"), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 5 and 40 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Community Facilities District Special Tax Bonds
"Community Facilities District Special Tax Bonds" are debt securities to which special taxes on certain property are levied to pay principal and interest. The District is limited to levying the tax up to a specified maximum amount and only on property within the Community Facilities District.

In the event of delinquencies of the special taxes by a property owner, the District may be required to commence foreclosure proceedings against that property in order to generate sufficient funds to pay debt service on the Bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following:

Redemption Risk
Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Tax Compliance Risk
The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption

of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited.

CERTIFICATION
ELK GROVE FINANCE AUTHORITY RESOLUTION NO. FA2020-03

STATE OF CALIFORNIA)
COUNTY OF SACRAMENTO) ss
CITY OF ELK GROVE)

I, Jason Lindgren, Secretary of the Finance Authority of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the Board of Directors of the Elk Grove Finance Authority at a regular meeting of the Elk Grove Finance Authority held on September 9, 2020 by the following vote:

AYES:	***BOARDMEMBERS:***	***Ly, Detrick, Hume, Nguyen, Suen***
NOES:	***BOARDMEMBERS:***	***None***
ABSTAIN:	***BOARDMEMBERS:***	***None***
ABSENT:	***BOARDMEMBERS:***	***None***

Jason Lindgren, Secretary
Elk Grove Finance Authority