



RESOLUTION NO. 2025-16

RESOLUTION OF THE GOVERNING BOARD OF THE WESTERN HILLS WATER DISTRICT AUTHORIZING THE EXECUTION AND RECORDING OF AN APPROPRIATE DEED TO CONFIRM THAT TITLE TO FORECLOSED PROPERTIES IS VESTED IN THE DIABLO GRANDE COMMUNITY FACILITIES DISTRICT NO. 1

WHEREAS, the Governing Board (the "Board") of the Western Hills Water District (the "Water District") is the governing authority for Diablo Grande Community Facilities District No. 1 (the "CFD").

WHEREAS, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing with Section 53311 of the California *Government Code*), and on behalf of the CFD, the Water District initiated seven (7) foreclosure proceedings in the Stanislaus Superior Court (Case Nos. CV-21-003252, CV-21-003177, CV-21-002840, 662071, 662072, CV-23-002388 and CV-23-002753) and one (1) pre-foreclosure proceeding in order to recover delinquent special taxes levied against 103 properties in the CFD (the "CFD Properties").

WHEREAS, after obtaining judgment, and pursuant to California *Government Code* § 53356.5(a)(5), the Water District (on behalf of the CFD) took title to 102 of CFD Properties by way of a credit bid at various foreclosure sales conducted by the Stanislaus County Sheriff's Department from 2023 to 2025. The Water District (on behalf of the CFD) also took title to one of the CFD Properties by way of a deed in lieu of foreclosure.

WHEREAS, through its authorizing resolutions, the Board accepted the relevant deeds for the CFD Properties in the name of the "WESTERN HILLS WATER DISTRICT, a California water district, on behalf of Diablo Grande Community Facilities District No. 1," making it clear that the CFD Properties are assets of the CFD and not of the Water District.

WHEREAS, since the beginning of 2025, the Stanislaus County Treasurer-Tax Collector has been seeking approval from the County Board of Supervisors to take the majority of the CFD Properties to a tax sale in order to recover the delinquent *ad valorem* property taxes which are secured by those CFD Properties.

WHEREAS, on November 25, 2025, the CFD filed a petition for protection under Chapter 9 of the United States Bankruptcy Code (Title 11 U.S.C.), commencing Eastern District of California Bankruptcy Court Case No. 2025-26635 (the "CFD Bankruptcy").

WHEREAS, the Board believes that the automatic bankruptcy stay arising from the CFD Bankruptcy stays creditors of the CFD from seeking to collect any debts secured by the CFD Properties.

WHEREAS, notwithstanding the CFD Bankruptcy, the Stanislaus County Treasurer-Tax Collector is still seeking to enforce delinquent *ad valorem* property taxes secured by the CFD Properties through a tax sale, arguing that the denominated title description of "WESTERN HILLS WATER DISTRICT, a California water district, on behalf of Diablo Grande Community Facilities District No. 1" does not clearly state that the CFD Properties are assets of the CFD and therefore not subject to the automatic stay arising from the CFD Bankruptcy.

WHEREAS, in order to remove any doubt as to the fact that the CFD Properties are assets of the CFD and not of the Water District, the Board desires and authorizes Mark Kovich, as Designee, to execute an appropriate deed, and whatever other documents may be necessary, to confirm that title to the CFD Properties is vested in the CFD, and to have any such deed and document(s) recorded.

NOW, THEREFORE, the Governing Board of the Western Hills Water District does hereby resolve:

SECTION 1. Incorporation of Recitals.

The Board finds and determines that the above-referenced recitals and findings are true and correct and material to this Resolution.

SECTION 2. Board Actions.

The Board hereby takes the following actions:

(a) The Board adopts the findings listed above.

(b) The Board hereby authorizes Mark Kovich, as Designee, to execute an appropriate deed, and whatever other documents may be necessary, to confirm that title to the CFD Properties is vested in the CFD and, and to have any such deed and document(s) recorded.

Moved by Director M. Kovich, second by Director M. Johnson, that the foregoing resolution be adopted. Upon roll call the following vote was had:

Ayes: M. Kovich, M. Johnson, M. Davies, M. Oliver, J. Frederick

I, Lori Lawson, Secretary of the Board of Directors of the Western Hills Water District, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a duly noticed meeting of the said Board of Directors held on the 20th day of December, 2025.



Lori Lawson, Board Secretary