

RESOLUTION NO. 1512

A RESOLUTION AUTHORIZING ISSUANCE OF A BOND ANTICIPATION NOTE IN A PRINCIPAL AMOUNT OF NOT MORE THAN \$3,600,000 TO FINANCE WATER SYSTEM IMPROVEMENTS.

WHEREAS, ORS Chapter 288.165 (the "Act") permits the City to obtain interim financing for capital improvements to the City's water system (the "Project") provided such financing does not mature later than one year after the estimated completion or acquisition of the Project; and,

WHEREAS, the Act permits the City to secure the interim financing with a pledge of its full faith and credit, and to commit to pay interim financing from any taxes, grants, proceeds of bonds or of other permanent financing, or any other revenues; and,

WHEREAS, the City has received proposals from commercial banks to provide interim financing for the Project, and Bank of America National Trust and Savings Association has offered the most favorable terms to the City;

NOW, THEREFORE, THE CITY WILSONVILLE RESOLVES AS FOLLOWS:

Section 1. Definitions.

The following capitalized terms used in this resolution shall have the meanings defined for those terms in this Section.

"Bank" means Bank of America National Trust and Savings Association, its affiliates or successors as owners of the Note.

"City" means the City of Wilsonville, Oregon.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Net Operating Revenues" shall have the meaning defined for that term in Ordinance No. 341.

"Note" means the City's Water System Bond Anticipation Note, Series 1988, which is authorized by this resolution.

"Ordinance No. 341" means City Ordinance No. 341 which was enacted on December 20, 1988, and authorized the Series 1988 Bonds

“Series 1988 Bonds” means the City’s Water System Revenue Bonds, Series 1988, which were dated as of December 1, 1988 and were issued in the original principal amount of \$2,205,000.

“Water Facilities” shall have the meaning defined for that term in Ordinance No. 341.

Section 2. Interim Financing Authorized.

The City is hereby authorized to issue its Water System Bond Anticipation Note, Series 1998 to finance the Project pursuant to the Act and this resolution. The principal amount of the Note shall not exceed \$3,600,000.

Section 3. Security.

- (a) The City hereby pledges to pay the Note:
 - (i) the proceeds of all bonds or other long term financing which the City obtains for the Project;
 - (ii) the Net Operating Revenues; and
 - (iii) the proceeds of the Note.
- (b) The pledge of the Net Operating Revenues shall be subordinate to the pledge of the Net Operating Revenues which secures the City’s outstanding Water System Revenue Bonds, Series 1988 (the “Series 1988 Bonds”). As provided in Section XVII of Ordinance No. 341, in the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Series 1988 Bonds shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before any payment is made on the Note.
- (c) To provide additional security for the Note, the City agrees to pay the Note from any and all of its legally available funds. The City hereby pledges its full faith and credit to pay the amounts due under the Note. The Note shall not constitute “voluntary floating indebtedness” for purposes of Section 38 of the City Charter because the Note is expected to be paid entirely from the proceeds of long term financing and the water revenues of the City.

Section 4. Restriction on Additional Water Facilities Borrowings.

So long as the Note is outstanding:

- (a) the City shall not issue any other obligations which have a lien on the Net Operating Revenues which is superior to the lien of the Note.

- (b) The City shall not issue any obligations which have a lien on the Net Operating Revenues which is on a parity with the lien of the Note unless the City obtains the prior written consent of the Bank.
- (c) The City may issue obligations which are secured by a lien on the Net Operating Revenues which is subordinate to the lien of the Note, but only if the resolution authorizing the subordinate obligations provides that no debt service on the subordinate obligations may be paid while any balance on the Note is outstanding.

Section 5. Rate Covenant.

While the Note is Outstanding the City shall impose rates and charges in connection with the Water Facilities which are sufficient to produce Net Operating Revenues each Fiscal Year at least equal to the scheduled principal and interest payments on the Series 1988 Bonds, plus 1.00 times the interest payments due on the Note in that Fiscal Year. If the City is unable to pay the Note when due, the City shall impose rates and charges in connection with the Water Facilities which are sufficient to produce Net Operating Revenues each Fiscal Year at least equal to the scheduled principal and interest payments on the Series 1988 Bonds, plus 1.20 times the annual debt service on the Note, assuming that the then outstanding principal amount of the Note would be due in twenty equal semiannual payments (including interest) which would be sufficient to amortize that outstanding principal amount fully at the interest rate for ten year obligations prevailing on the original maturity date of the Note.

Section 6. Tax-Exemption.

The City covenants not to take any action or omit any action if the taking or omission would cause interest paid on the Notes to be includable in gross income under the Code.

Section 7. Designation as Qualified Tax Exempt Obligations.

The City reasonably expects that it and its subordinate entities will not issue more than \$10,000,000 of tax-exempt obligations during calendar year 1998. The City hereby designates the Note as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code.

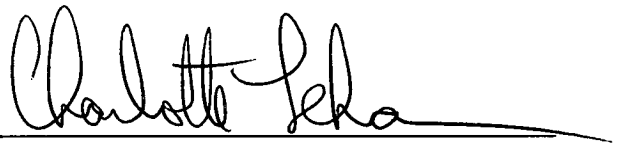
Section 8. Delegation.

The Finance Director of the City or a person designated by the Finance Director to act on behalf of the City under this resolution (the "City Official") may, on behalf of the City and without further action by the Council:

- (a) establish the final principal amount, repayment schedule, interest rate, redemption terms, payment terms and dates, and other terms of Note, subject to the limitations of this resolution and the Act,

- (b) enter into additional covenants for the benefit of the owner of the Note which are intended to enhance the creditworthiness of the Note;
- (c) negotiate the terms of, and execute and deliver an agreement to sell the Note to the Bank or its affiliates;
- (d) execute and deliver the Note, in substantially the form attached to this resolution as Exhibit A, but with any changes which the City Official may approve; and,
- (e) take any other action and execute any other documents in connection with the Note which the City Official finds will be advantageous to the City.

ADOPTED by the Wilsonville City Council at a regular meeting thereof this 21st day of September, 1998, and filed with the Wilsonville City Recorder on that date.


 CHARLOTTE LEHAN, Mayor

ATTEST:


 SANDRA C. KING, CMC, City Recorder

SUMMARY OF VOTES:

Mayor Lehan	<u>Yes</u>
Councilor Helser	<u>Yes</u>
Councilor Barton	<u>Yes</u>
Councilor Kirk	<u>Yes</u>
Councilor Luper	<u>Yes</u>

EXHIBIT A

(Form of Note)

United States of America
State of Oregon
City of Wilsonville
Water System Bond Anticipation Note
Series 1998

THE CITY OF WILSONVILLE, OREGON (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to Bank of America (the "Bank") the principal amount of _____ DOLLARS (\$_____) on the ____ day of _____, together with interest thereon from the date hereof at the rate of Four and Ten Hundredths Percent (4.10%) per annum, payable quarterly on the ____ days of _____, _____, _____, and _____, commencing _____, 199_. Interest shall be calculated on the basis of a 360 day year consisting of twelve 30 day months.

This note is issued pursuant to ORS 288.165 and City Resolution No. _____ adopted September 21, 1998 (the "Resolution"), which authorize the City to borrow funds for interim financing of improvements to its water system. Capitalized terms which are used in this Note but not defined in this Note shall have the meanings defined for those terms in the Resolution. The provisions of the Resolution are hereby incorporated into this Note by reference.

The City may prepay this Note at any time, on one business day's prior notice to the Bank. The City shall prepay this Note in full on the date the City closes long term financing for the facilities financed with the proceeds of this Note.

The City has pledged the proceeds of long term financing for the Project, the Net Operating Revenues, and the City's full faith and credit to pay this Note, as provided in the Resolution. The pledge of the Net Operating Revenues is subordinate to the pledge of the Net Operating Revenues which secures the Series 1988 Bonds. In the event of any insolvency or bankruptcy proceedings relative to the City or to its property, the holders of the Series 1988 Bonds shall be entitled to receive payment in full of all principal, premium (if any) and interest thereon (including interest accruing after the commencement of any proceeding) before any payment is made on this Note.

In the Resolution the City has covenanted not to issue any obligations which have a lien on the Net Operating Revenues which is superior to the lien of this Note, and to limit other obligations which are secured by the Net Operating Revenues.

The City has designated the Note as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

It is hereby certified that all acts, conditions and things required to be done precedent to and in the issuance of this Note have been properly done, and that this Note is a legally binding obligation of the City in accordance with its terms.

IN WITNESS WHEREOF, the Finance Director has executed this Note on behalf of the City as of the ____ day of _____, 1998.

City of Wilsonville, Oregon
Finance Director