

CITY OF EDMONDS, WASHINGTON

ORDINANCE NO. 3584

AN ORDINANCE of the City of Edmonds, Washington, relating to contracting indebtedness; authorizing the issuance of limited tax general obligation bonds for general City purposes; authorizing the issuance of a Limited Tax General Obligation Bond Anticipation Note, 2006 (Revolving Line of Credit), in the aggregate principal amount of not to exceed \$650,000 outstanding at any one time to pay costs relating to HVAC and energy improvements to City Hall, the Public Safety Complex and the library, and other City facility improvements, pending the issuance of bonds; fixing the date, interest rate, form, maturity, terms and covenants of the note; creating a note redemption fund; and providing for the delivery of that note to Frontier Bank, Edmonds, Washington.

WHEREAS, the City of Edmonds, Washington (the "City"), is in need of making HVAC and energy improvements to City Hall, the Public Safety Complex and the library, and other City facility improvements, pending the issuance of bonds (the "Project"), the estimated cost of which is \$811,270, and the City does not have available sufficient funds to pay the cost; and

WHEREAS, the City Council deems it to be in the best interests of the City to borrow money by the issuance of bonds authorized herein, and, pending the issuance of those bonds or the availability of other sources of repayment, to issue short-term obligations in accordance with the provisions of chapter 39.50 RCW for the purpose of providing the funds with which to pay costs of the Project; and

WHEREAS, Frontier Bank has offered to extend a revolving line of credit to the City evidenced by a limited tax general obligation line of credit note under the terms and conditions set forth herein; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EDMONDS, WASHINGTON, as follows:

Section 1. Definitions. As used in this ordinance the following words shall have the following meanings:

“Bank” means Frontier Bank.

“Bank Commitment” means the letter from the Bank dated February 22, 2006, describing certain terms of the Note and the conditions under which the Bank has offered to accept delivery of the Note.

“Base Rate” means the rate of interest publicly announced from time to time by the Bank as its Base Rate, the change in which takes effect at the opening of business on the day specified in the public announcement of a change in the Bank’s Base Rate.

“Bonds” means those limited tax general obligation bonds authorized by this ordinance.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks located in Seattle, Washington, are closed for business.

“City” means the City of Edmonds, Washington.

“Code” means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

“Draw” or “Loan Draw” means each incremental draw upon the Note.

“Note” means the Limited Tax General Obligation Bond Anticipation Note, 2006 (Revolving Line of Credit), of the City in the principal amount of not to exceed \$650,000 outstanding at any one time, which is authorized to be issued by this ordinance.

“Note Fund” means that special fund of the City known as the Limited Tax General Obligation Bond Anticipation Note Fund, 2006 (Revolving Line of Credit), created by this ordinance for the purpose of paying principal of and interest on the Note.

“Note Register” means the books or records maintained by the Note Registrar containing the name and mailing address of the Registered Owner.

“Note Registrar” means the Administrative Services Director of the City.

“Project” means HVAC and energy improvements to City Hall, the Public Safety Complex and the library, and other City facilities improvements.

“Project Fund” means Fund 116, Building Maintenance previously created and established in the office of the Administrative Services Director.

“Registered Owner” means the Bank, as registered owner of the Note, or any subsequent owner of the Note.

Section 2. Debt Capacity. The assessed valuation of the taxable property of the City as ascertained by the last preceding assessment for City purposes for the calendar year 2006 is \$5,429,916,026. The City has outstanding general indebtedness evidenced by limited tax general obligation bonds, together with any leases, conditional sales contracts or other such obligations, in the principal amount of \$15,510,525.27 incurred within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein. The City has \$7,930,000 outstanding unlimited tax general obligation bonds incurred within the limit of up to 2-1/2% of the value of the taxable property within the City for capital purposes only issued pursuant to a vote of the qualified voters of the City. The amount of indebtedness for which the Note is authorized to be issued is \$650,000.

Section 3. Authorization of Bonds. For the purpose of providing the funds to pay the cost of the Project, the City shall borrow money and issue limited tax general obligation bonds in the amount of approximately \$650,000. Such bonds shall be issued in one or more series at such times as the City shall deem advisable; shall be in such denominations and form, shall be dated,

shall bear such interest rate or rates, shall be payable at such time or times, shall have such option of payment prior to maturity, shall provide for such additional funds and accounts and shall contain and be subject to such provisions and covenants as hereafter shall be provided by ordinance. The general indebtedness to be incurred shall be within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

Section 4. Authorization and Description of Note. For the purpose of providing the funds with which to carry out the Project and the costs of issuance and delivery of the Note pending the issuance of limited tax general obligation bonds authorized herein, the City may borrow money from time to time pursuant to a line of credit extended by the Bank under the terms of its Commitment Letter, and consistent with the provisions of this ordinance, and shall issue the Note in principal amount not to exceed \$650,000 outstanding at any one time. The general indebtedness to be incurred shall be within the limit of up to 1-1/2% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

The City shall issue and deliver the Note in the principal amount of not to exceed \$650,000 outstanding at any one time. The Note shall be dated as of the date of its delivery to the Bank (“Date of Issue”); shall mature two years from the dated date of the Note (the “Maturity Date”) unless the City and the Bank have mutually agreed to extend the Maturity Date for another two years; shall be issued in fully registered form as to both principal and interest; and shall be numbered T-1, with any additional designation as the Administrative Services Director, as the Note Registrar, deems necessary for purposes of identification.

The City may make Draws upon the Note in any amount (so long as the amount of the Draw does not cause the outstanding principal balance of the Note to exceed \$650,000 at any one time) on any Business Day from the Date of Issue to but excluding the Maturity Date, for the Note purposes identified above. No Draw may exceed the total amount of the costs to be paid from such Draw, and the proceeds of each Draw shall be used immediately to pay those costs. Draws shall be recorded in such form as the City and the Bank may agree. The Note evidences a revolving line of credit, and all Draws that have been repaid may be reborrowed subject to the restrictions of this paragraph.

For each Loan Draw, each Loan Draw shall bear interest at a rate equal to 66% of the Base Rate less 25 basis points (i.e., $0.66 * (\text{Base Rate} - 0.25)$). The interest rate on Loan Draws shall be adjusted on the same date that any adjustment in the Base Rate is effective.

Interest shall be payable on the monthly anniversary date of the date of issuance of the Note, commencing with the month of April 2006, to the Maturity Date or early repayment. Interest on the Note or the portion thereof so prepaid shall cease to accrue on the date of such prepayment. Interest on Loan Draws shall be calculated on the basis of a 365/365 day year for the actual days elapsed. Principal of and the remaining interest due on the Bond shall be payable on the Maturity Date.

The City Council finds that the approval of the above method of determining the interest rate is in the best interest of the City and its taxpayers.

If the Note is not paid when properly presented for payment on the Maturity Date, the City shall be obligated to pay interest on each Loan Draw at the same rate from and after its maturity or prior redemption date until the Note, both principal and interest, is paid in full or until sufficient money for that payment in full is on deposit in the Note Fund.

Section 5. Designation of Officers to Make Draws. The City Council has determined it to be in the best interest of the City that the Administrative Services Director, or such other person as that officer may designate, is authorized to make Draws against the Note in the amounts and at the times as he may determine, those Draws to be made in accordance with the terms and provisions set forth herein.

Section 6. Note Registrar; Registration and Transfer of Note. The Administrative Services Director of the City is appointed and designated to serve as the Note Registrar. The Note shall be issued to the Bank only in registered form as to both principal and interest and shall be recorded on the Note Register. The Note Register shall contain the name and mailing address of the owner of the Note and the principal amount and number of the Note held by that owner. The Note may not be assigned or transferred by the Bank, except that the Bank may assign or transfer the Note to any successor to the business and assets of the Bank. When the Note has been paid in full, both principal and interest, the Note shall be surrendered by the Bank to the Note Registrar, who shall cancel the Note.

The Note Registrar shall keep, or cause to be kept, at his office, sufficient books for the registration of the Note. The Note Registrar shall serve as the City's authenticating trustee, registrar and paying agent for the Note and shall comply fully with all applicable federal and state laws and regulations respecting the carrying out of those duties. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Note in accordance with the provisions of the Note and this ordinance, to serve as the City's paying agent for the Note and to carry out all of the Note Registrar's powers and duties under this ordinance and Ordinance No. 2451 establishing a system of registration for the City's bonds and obligations. The Note shall state on its face that the principal of and interest on the Note shall be paid only to the owner

thereof registered as such on the Note Register as of the record date set forth therein and to no other person or entity, and that the Note may not be assigned except on the Note Register.

Section 7. Creation of Note Fund; Payment of Note. The Note Fund is created in the office of the Administrative Services Director as a special fund designated the Limited Tax General Obligation Bond Anticipation Note Fund, 2006 (Revolving Line of Credit), and used to pay principal and interest on the Note.

Both principal of and interest on the Note shall be payable in lawful money of the United States of America solely out of the Note Fund from the proceeds of bonds authorized by this ordinance to be deposited in such fund, other short-term obligations to be deposited in such fund or from other money legally available and to be used therefor. Principal of the Note, plus accrued interest thereon, is payable at maturity or prior repayment at the office of the Administrative Services Director, who is appointed Note Registrar for the Note, in Edmonds, Washington, upon presentation and surrender of the Note or at such other place or by such other means as the Administrative Services Director and the Bank shall agree.

Section 8. Pledge to Redeem Note and Levy Taxes. The City irrevocably pledges to redeem the Note from the proceeds of a sufficient amount of bonds or additional short term obligations and to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the Note. The full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of those taxes and the prompt payment of that principal and interest.

Section 9. Prepayment and Redemption Provisions. The City reserves the right and option to prepay and redeem at any time prior to its stated Maturity Date any or all of the principal amount of the Note then-outstanding at par plus accrued interest to the date of prepayment and redemption. Written notice to the Bank of any intended prepayment and redemption of the Note shall not be required. Interest on the Note or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

Section 10. Form and Execution. The Note shall be printed, lithographed, typed or photocopied on good bond paper in a form consistent with the provisions of this ordinance, shall be signed in the corporate name of the City by the Mayor and City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon.

The Note shall contain a Certificate of Authentication in the following form, manually signed by the Note Registrar, and only if so executed shall the Note be valid or obligatory for any purpose or entitled to the benefits of this ordinance:

CERTIFICATE OF AUTHENTICATION

This Note is the fully registered City of Edmonds, Washington, Limited Tax General Obligation Bond Anticipation Note, 2006 (Revolving Line of Credit), described in the Note Ordinance.

By _____
Administrative Services Director
City of Edmonds, Washington
Note Registrar

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 11. Note Covenants. The City covenants with the Bank for as long as the Note remains outstanding as follows:

(a) The City will provide to the Bank annual financial statements prepared by the Washington State Auditor's Office within 45 days from their issue date.

(b) The City will provide annual management prepared statements that "bridge" the State Auditor's two-year audit cycle within 90 days of the fiscal year end.

Section 12. Preservation of Tax Exemption for Interest on Note. The City covenants that it will take all actions necessary to prevent interest on the Note from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Draws on the Note or other funds of the City treated as proceeds of the Note at any time during the term of the Note which will cause interest on the Note to be included in gross income for federal income tax purposes.

Section 13. Designation of Note as a "Qualified Tax-Exempt Obligation." The City has determined and certifies that (a) the Note is not a "private activity bond" within the meaning of Section 141 of the Code; (b) the reasonably anticipated amount of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) which the City and any entity subordinate to the City (including any entity which the City controls, which derives its authority to issue tax exempt obligations from the City or which issues tax exempt obligations on behalf of the City) will issue during the calendar year in which the Note is issued will not exceed \$10,000,000; and (c) the amount of tax exempt obligations, including the Note, designated by the City as "qualified tax exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Note is issued does not

exceed \$10,000,000. The City designates the Note as a “qualified tax exempt obligation” for the purposes of Section 265(b)(3) of the Code.

Section 14. Approval of Bank Commitment and Deposit of Loan Draws. Pursuant to the Bank Commitment, Frontier Bank of Edmonds, Washington, has presented to the City an offer to extend a revolving line of credit secured by a limited tax general obligation bond anticipation note (the “Bank Commitment”), and proposing to accept the Note under the terms and conditions provided in the Bank Commitment relating to the limited tax general obligation bond anticipation note, which Bank Commitment is on file with the City Clerk and is incorporated herein by this reference. The City Council finds that accepting the terms and conditions of the Bank Commitment is in the City’s best interest and therefore the proper City officials are authorized to accept such a commitment. A fee in the amount of \$1,625.00 shall be paid to the Bank upon delivery of the Note and may be paid in the form of a Loan Draw.

The Note will be printed at City expense and will be delivered to the purchaser in accordance with the Bank Commitment, with the approving legal opinion of Foster Pepper PLLC, municipal bond counsel of Seattle, Washington, regarding the Note.

The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Note to the Bank and for the proper application and use of the proceeds of the Loan Draws made pursuant to the Note.

The principal proceeds received as a result of Loan Draws on the Note shall be paid into the Project and used to pay a part of the costs of carrying out the Project. Interest earnings on the amounts, if any, in the Project Fund shall be retained in that fund and used for the purposes of that fund. However, it is expected that the proceeds will be spent immediately.

Section 15. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council and APPROVED by the Mayor of the City of Edmonds, Washington, at a regular open public meeting thereof this 28th day of February, 2006.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:



FOSTER PEPPER PLLC
Bond Counsel

Filed with the City Clerk:
Passed by the City Council:
Published:
Effective Date:

CERTIFICATION

I, the undersigned, City Clerk of the City of Edmonds, Washington (the "City"), hereby certify as follows:

1. The attached copy of Ordinance No. 3584 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on February 28, 2006, as that ordinance appears on the minute book of the City; and the Ordinance will be in full force and effect five days after the publication of its summary in the City's official newspaper;

2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the passage of the Ordinance; and

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of February, 2006.

CITY OF EDMONDS, WASHINGTON

Sandra S. Chase, City Clerk