

CITY OF ROSLYN, WASHINGTON

REVENUE BOND ANTICIPATION NOTE, 2013  
(CASHMERE VALLEY BANK LINE OF CREDIT)

Not to exceed \$808,000

ORDINANCE NO. 1093

AN ORDINANCE OF THE CITY OF ROSLYN, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF A REVENUE BOND ANTICIPATION NOTE FOR THE PURPOSE OF PROVIDING INTERIM FINANCING FOR IMPROVEMENTS TO THE SEWERAGE UTILITY OF THE CITY IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$808,000; PROVIDING THE FORM, TERMS AND MATURITY OF SAID NOTE; CREATING A SPECIAL FUND FOR THE PAYMENT OF SAID NOTE; AND APPROVING THE SALE OF THE NOTE.

PASSED: AUGUST 13, 2013

Prepared By:

K&L GATES LLP  
Seattle, Washington

CITY OF ROSLYN

Ordinance No. 1093

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WHEREAS, the City of Roslyn, Washington (the "City") now owns, operates and maintains a sewerage collection and treatment facility (the "Utility") which Utility is in need of wastewater improvements, hereinafter described more fully (the "Project"); and

WHEREAS, the Project is to be funded in part by a loan from the United States of America acting through its Department of Agriculture (the "Government"); and

WHEREAS, the City now proposes to undertake the Project and requires interim financing for that portion of the costs of the Project to be funded by the foregoing loan, pending receipt of the loan and the issuance and sale of a revenue bond to the Government; and

WHEREAS, the City has received the offer of Cashmere Valley Bank, Cashmere, Washington (the "Bank"), to purchase a revenue bond anticipation note of the City under the terms and conditions set forth in such offer and herein;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF ROSLYN, WASHINGTON,  
DO ORDAIN as follows:

Section 1.     Definitions. As used in this ordinance, unless a different meaning clearly appears from the context:

***Authorized Officer*** means the Mayor or Clerk-Treasurer of the City.

***Bank*** means Cashmere Valley Bank, Cashmere, Washington, and any business successor thereto.

***Bond*** means the sewer revenue bond of the City to be issued to the Government to provide permanent financing for the Project.

***City*** means the City of Roslyn, Washington, a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington.

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

***Commitment Letter*** means the letter from the Bank dated May 30, 2013 offering to purchase the Note.

***Construction Fund*** means the special fund of the City designated as the Sewer Capital Projects Fund No. 431 into which proceeds of draws shall be deposited to pay costs of the Project.

***Council*** means the general legislative authority of the City as the same shall be duly and regularly constituted from time to time.

***Debt Service Fund*** means the special fund of the City designated as the “Sewer Debt Service Fund No. 411”.

**Draw** or **Draws** means incremental draws on the Note requested by the City and approved by the Government and the Bank.

**Future Parity Bonds** means any revenue bonds of the City issued after the date of the issuance of the Bond and having a lien upon the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien upon such revenue and money for the payment of the principal of and interest on the Outstanding Parity Bonds.

**Government** means the United States Department of Agriculture, Rural Development.

**Gross Revenue of the Utility** means all of the earnings and revenue received by the City from the maintenance and operation of the Utility or from the investment of moneys received therefrom, except assessments and installments thereof and interest and any penalties thereon levied or collected in any utility local improvement district hereafter created and established to finance any improvements to the Utility, together with all additions thereto and betterments and extensions thereof hereafter made.

**Interest Rate** means a variable rate equal to 65.01 percent of the Prime Rate minus 0.1625 percent calculated on the basis of a 365-day year.

**Letter of Conditions** means the Government's Letter of Conditions dated April 24, 2012, and as it may be amended and supplemented.

**Loan Draw Record** means the administrative record kept by the Bank to record the date and dollar amounts of the Draws on the Note made by the City.

**Maturity Date** means December 1, 2015.

**Net Revenue of the Utility** means the Gross Revenue of the Utility, less the operation and maintenance expenses thereof.

**Note** means the City of Roslyn, Washington, Revenue Bond Anticipation Note, 2013 issued pursuant to this ordinance.

**Note Registrar** means the Treasurer, as authenticating agent, paying agent, and registrar for the Note.

**Outstanding Parity Bonds** means the City's Water and Sewer Revenue Bond, 1992, its Water and Sewer Revenue Refunding Bonds, 1994, its Water and Sewer Revenue Bond 1998 and its Water and Sewer Revenue Bond, 2007, issued pursuant to Ordinance Nos. 726, 758, 866, and 1014, respectively.

**Outstanding Principal Balance** of the Note means on any particular day the aggregate of all funds that the City has drawn from the Bank under the Note to that day, less the aggregate of all principal payments on the Note made by the City on or before that day.

**Parity Bonds** means the Outstanding Parity Bonds and any Future Parity Bonds.

**Prime Rate** means the rate of interest as published in the printed edition of the *Wall Street Journal*. Any change in the Prime Rate will take effect at the opening of business of the day specified in the public announcement of a change in the Prime Rate.

**Project** means the plan of additions and betterments to and extensions to the Utility specified and adopted in Section 2 of this ordinance.

**Revenue Fund** means the Sewer Operations and Maintenance Fund No. 401

**Treasurer** means the Clerk-Treasurer of the City.

**Utility** means the existing system of sewerage of the City, as the same may be added to, improved or extended by the facilities to be financed, in part, out of the proceeds of sale of the Bond, as such Utility may later be added to, improved or extended.

Rules of Interpretation. In this ordinance, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Words importing the singular number include the plural number and vice versa.

Section 2. The Project. The Council has specified and adopted a plan for the 2013 Sewer Improvement Project (the “Project”).

Section 3. Authorization of Bond. The City hereby authorizes the issuance of a water and sewer revenue bond of the City, to be issued to the Government under the terms and conditions set forth in the Letter of Conditions (the “Bond”). The Bond shall be issued in the

principal amount of not to exceed \$808,000 (or so much thereof as has been drawn), shall be payable solely from the City's revenue bond redemption fund and Net Revenue of the Utility and shall be payable with interest at the rate set forth in said Letter of Conditions. The exact date, form, terms and maturities of the Bond shall be as hereafter fixed by ordinance of the City Council.

Section 4.     Authorization of Note. For the purpose of providing interim financing for the Project pending its completion and issuance and sale of the Bond, the City shall issue its revenue bond anticipation note as a non-revolving line of credit in an aggregate principal amount of not to exceed \$808,000. The Note shall be designated "City of Roslyn, Washington, Revenue Bond Anticipation Note, 2013," shall be dated as of the date of its original issuance, shall be fully registered as to both principal and interest, shall be in the denomination of \$808,000; provided that the principal amount due and owing thereunder shall be measured by the total Draws made, as evidenced by the Loan Draw Record, shall be numbered N-1, and shall bear interest on unpaid principal from the date of each Draw (hereinafter described) at the Interest Rate. Interest on a particular principal amount drawn on the line of credit established hereunder shall be payable semiannually on each December 1 and June 1, commencing December 1, 2013, until the maturity or earlier prepayment in full of the Note. The City may make Draws on the Note to pay semiannual interest, and such Draws shall be added to outstanding principal. Principal of and all accrued interest on the Note shall be due and payable on December 1, 2015 (the "Maturity Date").

The Treasurer shall be the "Note Registrar." The Note is not intended to be a revolving obligation; the principal amount outstanding under the Note may never exceed \$808,000, and principal amounts repaid may not be reborrowed. The available principal of the Note shall be

disbursed as borrowings from time to time by the Bank upon request from an Authorized Officer, subject to approval by the Bank and the Government (each such disbursement herein referred to as a "Draw"), as provided in Section 9 of this ordinance. Draws may be made on any business day in an amount greater than or equal to \$25,000. A draw request must be accompanied by an approval of the draw amount from an authorized representative of the Government. Draw requests received by the Bank by 11:00 A.M. will fund the same day. Draws shall be recorded in such form as the City and the Bank may agree. Interest on each Draw shall accrue from the date of the Draw and shall be computed on the basis as described above on the principal amount of the Draw outstanding for the actual number of days the principal amount of the Draw is outstanding.

The proceeds of any Draw shall be deposited into the Construction Fund and shall be expended solely to pay the costs of the Project and financing costs.

Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Upon the final payment of all principal and interest on the Note, the Note shall be surrendered to the Note Registrar for cancellation. The Note shall not be transferable, except in whole (i) to a successor to the business or assets of the Bank or (ii) to a "qualified institutional buyer" as such is defined in Rule 144A of the Securities Act of 1933. The Note shall be an obligation only of the Debt Service Fund and shall be payable and secured as provided herein. The Note is not a general obligation of the City.

Section 5. Prior Redemption. The Note may be prepaid, in whole or in part, at any time, upon fifteen (15) days' notice to the Bank, upon conditions as stated in the Commitment Letter.

Section 6. Priority of Payments from the Revenue Fund. There has heretofore been created a special fund of the City designated as the Sewer Operations and Maintenance Fund No. 401 (herein referred to as the "Revenue Fund"). All of the Gross Revenue of the Utility shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Gross Revenue of the Utility deposited in such Fund shall be used only for the following purposes and in the following order of priority:

First, to pay the reasonable and necessary costs of maintenance and operation of the Utility;

Second, to pay the interest on any Parity Bonds;

Third, to pay the principal of any Parity Bonds;

Fourth, to make all payments required to be made into any sinking fund or bond retirement account heretofore or hereafter created for the payment of the principal of Parity Bonds;

Fifth, to make all payments required to be made into the Reserve Account for the payment of Parity Bonds;

Sixth, to make all payments required to be made into the Note Fund; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Utility, or for any other lawful City purposes.

Section 7.     Debt Service Fund. The City has created its Sewer Debt Service Fund No. 411 (the “Debt Service Fund”). The Debt Service Fund shall be held separate and apart from all other funds and accounts of the City and shall be a trust fund for the owner of the Note.

The City hereby irrevocably obligates and binds itself for as long as the Note remains outstanding to set aside and pay into the Debt Service Fund out of the proceeds of sale of the Bond, proceeds of other short-term obligations, or from Gross Revenue of the Utility or moneys in the Revenue Fund available therefor after payment of the amounts identified in paragraphs First through Fifth of Section 6 of this ordinance, on or prior to the maturity of the Note in an amount sufficient to pay and redeem the principal of and interest on the Note as the same shall become due.

The City hereby covenants that it will issue the Bond or another refunding sewer revenue obligation or obligations in an amount sufficient, with other moneys of the City, legally available and specifically set aside for such purpose, to pay the principal of and interest on the Note on or prior to the Maturity Date.

The City further covenants that, simultaneously with the receipt of such proceeds of sale of the Bond to the Government, it will pay into the Debt Service Fund moneys sufficient to pay the principal of and interest on the Note and will apply said moneys to the payment of the Note in accordance with its terms.

Said amounts so pledged to be paid into the Debt Service Fund, are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever, subject only to the payments provided in paragraphs First through Fifth of Section 6 of this ordinance.

Section 8. Sufficiency of Gross Revenues. The corporate authorities of the City hereby declare that in fixing the amounts to be paid into the Debt Service Fund as aforesaid they have exercised due regard to the expenses of maintenance and operation of the Utility and the charges necessary to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds and have not obligated the City to set aside and pay into said Debt Service Fund a greater amount of the Gross Revenue than in their judgment will be available over and above such expenses of maintenance and operation and the amounts necessary to pay the principal of and interest on the Outstanding Parity Bonds and the Note.

Section 9. Disposition of Proceeds of the Note. The City maintains a capital facilities improvement fund designated as the "Sewer Capital Projects Fund No. 431 (the "Construction Fund"). The money derived from Draws shall be deposited in the Construction Fund and shall be expended solely to pay costs of the Project and costs of issuing and delivering the Note, as authorized herein. Following the execution and delivery of the Note, an Authorized Officer shall notify the Bank in writing each time that a draw is required to pay costs of the Project or costs of issuance of the Note, subject to the Bank's and the Government's approval. A request for a Draw may be made in writing by an Authorized Officer in any manner approved by the Bank and the Authorized Officer. The Bank will then notify the City of its intent to wire transfer a Draw or pay by check (including the dollar amount of the Draw and the date on which the Draw amount will be wired or paid by check to the City for deposit into the Construction Fund). It is anticipated that Draws will be on no more than a monthly basis. The Draws under the Note shall be used, together with other moneys on deposit therein and available therefor, for the undertaking of the Project and for paying all expenses incidental thereto (including but not limited to costs of issuance of the Note, engineering, financing, legal or any other incidental

costs) and for repaying any advances heretofore or hereafter made on account of such costs or for redeeming the Note. Interest earned and income or profits derived by virtue of investments of moneys in the Construction Fund may remain in the Construction Fund and may be used for the payment of Project costs. Upon the completion of the Project and the payment of all costs thereof, including the payment of all retainages for construction, the balance on hand in the Construction Fund shall be transferred to City fund(s) or otherwise disbursed as required under grant/loan contracts, and the Construction Fund shall be closed.

Section 10. Tax Covenants. The City hereby covenants that it will not make any use of the proceeds of sale of the Note or any other funds of the City which may be deemed to be proceeds of such Note pursuant to Section 148 of the Code which will cause the Note to be an “arbitrage bond” within the meaning of said section and said Regulations. The City will comply with the requirements of Section 148 of the Code (or any successor provision thereof applicable to the Note) and the applicable Regulations thereunder throughout the term of the Note.

The City further covenants that it will not take any action or permit any action to be taken that would cause the Note to constitute “private activity bonds” under Section 141 of the Code.

The City hereby designates the Note as a “qualified tax exempt obligation” under Section 265(b) of the Code for investment by financial institutions. The City does not anticipate issuing more than \$10,000,000 in qualified tax-exempt obligations during 2013.

Section 11. General Covenants. The City hereby covenants and agrees with the owner of the Note from time to time, as follows:

(a) The City will establish, maintain and collect rates and charges for sanitary sewage collection and disposal service furnished for as long the Note is outstanding, that it will make available for the payment of the principal of and interest on all of such notes as the same shall

become due an amount equal to the amount required in any calendar year hereafter for the payment of all of such principal and interest after normal costs of maintenance and operation of the Utility have been paid, but before depreciation.

(b) The City will at all times maintain and keep the Utility in good repair, working order and condition, and also will at all times operate the Utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) The City will keep proper books of account for the Utility in accordance with rules and regulations of any governmental entity having jurisdiction, including the Division of Municipal Corporations of the Auditor's Office of the State of Washington. Said books of account will be audited every two years as required by law and an annual report, which will be available to the owner of the Note, will be prepared after the close of each fiscal year showing in reasonable detail the balance sheet and income and expense statement for the year and the general financial condition of the Utility.

Section 12. Lost, Stolen or Destroyed Note. In case the Note shall be lost, stolen or destroyed, the City may execute and deliver a new Note of like date, number and tenor to the Bank thereof upon the Bank's paying the expenses and charges of the City in connection therewith and upon its filing with the Treasurer of the City evidence satisfactory to said Treasurer that such Note was actually lost, stolen or destroyed.

Section 13. Form of Note and Registration Certificate. The Note shall be in substantially the following form:

NO. N-1

UNITED STATES OF AMERICA

\$808,000  
(or so much as  
has been

drawn  
thereunder)

STATE OF WASHINGTON  
CITY OF ROSLYN  
REVENUE BOND ANTICIPATION NOTE, 2013

INTEREST RATE: Variable Rate as provided herein

MATURITY DATE: December 1, 2015

REGISTERED OWNER: CASHMERE VALLEY BANK  
117 APLETS WAY  
CASHMERE, WA 98815

TAX IDENTIFICATION #: 91-0168460

PRINCIPAL AMOUNT: EIGHT HUNDRED EIGHT THOUSAND AND NO/100  
DOLLARS (or so much as been drawn hereunder)

The CITY OF ROSLYN, WASHINGTON (the "City"), hereby acknowledges itself to owe and for value received promises to pay, but solely from the sources identified herein, to the Registered Owner identified above, or registered assigns on the Maturity Date, the Principal Amount, together with interest thereon at a variable rate equal to 65.01 % of the Prime Rate published in the printed edition of the Wall Street Journal minus 0.1625%, calculated on the basis of a 365 day year. Interest shall be payable semiannually on December 1 and June 1, commencing December 1, 2013. Installments of the principal of and interest on this note shall be paid by check or draft of the City mailed on the date such principal and interest is due or by electronic funds transfer made on the date such interest is due to the Registered Owner at the address shown above. Upon final payment of all installments of principal and interest thereon, this note shall be submitted to the Note Registrar (the Treasurer of the City) for cancellation and surrender.

This note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under Ordinance No. 1093 of the City (the "Ordinance") until the Certificate of Authentication hereon shall have been manually signed by the Note Registrar. The definitions contained in the Ordinance shall apply to capitalized terms contained herein.

The City hereby irrevocably covenants and agrees with the Registered Owner of this note that it will keep and perform all the covenants of this note and of the Ordinance to be by it kept and performed. Reference is hereby made to the Ordinance for a complete statement of such covenants and for the definition of capitalized terms used herein.



CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This note is the note described in the within-mentioned Ordinance and is the Revenue Bond Anticipation Note, 2013 of the City, dated \_\_\_\_\_, 2013.

CITY OF ROSLYN TREASURER, as  
Registrar

By \_\_\_\_\_

Section 14. Execution. The Note shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and Clerk of the City. The Certificate of Authentication on the Note shall be signed manually by the Note Registrar.

Section 15. Sale of Note. The Note shall be sold to the Bank in accordance with its Commitment Letter, which by this reference is hereby incorporated herein, and the acceptance of such proposal is hereby ratified and confirmed. A loan fee of \$2,020 is authorized to be paid to the Bank and will be withheld from the proceeds of the first draw.

The proper officials of the City are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Note and the items required to be delivered to the Bank under the terms of its Commitment Letter and for the proper use and application of the proceeds of sale thereof.

PASSED by the City Council at a regular open public meeting thereof, held on the 13th day of August, 2013.

CITY OF ROSLYN, WASHINGTON



\_\_\_\_\_  
Mayor

ATTEST:



\_\_\_\_\_  
Clerk

CERTIFICATE

I, the undersigned, Clerk of the City of Roslyn, Washington (the "City"), DO HEREBY CERTIFY:

1. That the attached Ordinance No. 1093 (herein called the "Ordinance") is a true and correct copy of an ordinance of the City as finally passed at a meeting of the City Council held on the 13th day of August, 2013 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the City Council was present throughout the meeting and a legally sufficient number of members of the City Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of August, 2013.

A handwritten signature in blue ink, reading "Amber J. Shallow", is written over a horizontal line.

Clerk