

CITY OF UNIVERSITY PLACE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2009C

ORDINANCE NO. 563

AN ORDINANCE of the City of University Place, Washington, providing for the issuance and sale of limited tax general obligation bonds to finance, on an interim basis, a portion of the costs of constructing the core and shell of the library/civic building and, pending the issuance of those bonds, authorizing the issuance of a limited tax general obligation bond anticipation note in the principal amount of not to exceed \$1,000,000; providing the date, form, terms and maturity of the note; and authorizing the sale of the note.

PASSED: December 14, 2009

Prepared By

K&L GATES LLP

Seattle, Washington

CITY OF UNIVERSITY PLACE  
ORDINANCE NO. 563  
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\* This Table of Contents and the cover page are provided for convenience only and are not a part of this ordinance.

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WHEREAS, the City of University Place, Washington (the "City"), has determined that it is in the best interest of the City to complete the core and shell of a library/civic building (the "Project"); and

WHEREAS, Cashmere Valley Bank (the "Bank") has offered to extend the City a line of credit to finance a portion of the costs of the Project on an interim basis, to accommodate the construction schedule for the Project; and

WHEREAS, RCW 39.46.050 authorizes local governments to establish lines of credit with any qualified public depository to be drawn upon in exchange for its obligations; and

WHEREAS, RCW 39.50.020 authorizes local governments to issue notes in anticipation of the issuance of bonds, which notes can be paid from the proceeds of the bonds or from any other legally available funds; and

WHEREAS, the Council deems it to be in the best interest of the City that it sell a note to the Bank to evidence the line of credit;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF UNIVERSITY PLACE, WASHINGTON, ORDAINS as follows:

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

**Authorized Officer** means the Finance Director of the City or his or her designee.

**Bank** means Cashmere Valley Bank, or its corporate successor.

**Bonds** mean the Limited Tax General Obligation Bonds to be issued to pay and redeem the Note or any refunding note or notes.

**City** means the City of University Place, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

**Code** means the Internal Revenue Code of 1986, as amended, and shall include all applicable regulations and rulings relating thereto.

**Council** means the duly constituted City Council as the general legislative authority of the City.

**Note** means the not to exceed \$1,000,000 Limited Tax General Obligation Bond Anticipation Note, 2009C of the City issued pursuant to this ordinance.

**Note Account** means the "City of University Place Limited Tax General Obligation Bond Anticipation Note Account 2009C" created by Section 7 of this ordinance.

**Note Register** means the books or records maintained by the Note Registrar for the purpose of registration of the Note.

**Note Registrar** means the Finance Director of the City.

**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.

**Prime Rate** means the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a

reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate.

***Proposal*** means the proposal letter submitted by the Bank to purchase the Note as attached as Exhibit A.

***Request for Draw*** means an oral or written request by an Authorized Officer for a draw from the non-revolving line of credit authorized to be established by this ordinance, all as more fully described in Section 3.

Section 2. Authorization of the Bonds. For the purpose of providing funds necessary to repay the Note, the Council shall issue Bonds in such amount if any as is necessary, together with other legally available funds, to repay the Note and form and with such terms, as shall be determined by ordinance of the Council. The proceeds of the Bonds shall be paid into the Note Account and applied, together with other available funds, in amounts sufficient to repay the Note.

Section 3. Authorization and Description of the Note. For the purpose of paying costs of the Project on an interim basis, to accommodate the construction schedule for the Project, and paying costs of issuing the Note, the City shall issue its Limited Tax General Obligation Bond Anticipation Note, 2009C, in the maximum principal amount of not to exceed \$1,000,000. Amounts drawn on the Note shall bear interest at a rate per year equal to 95% of the Prime Rate. The Note shall be issued in fully registered form, shall be numbered, shall be dated as of its date of delivery to the Bank, and shall mature on December 1, 2011 (the "Maturity Date").

The City may make incremental draws upon the Note in any amount of \$50,000 or more, pursuant to a Request for Draw, on any business day during the term of the Note to carry out the purposes of the Note, subject to the limitations that the aggregate amount of all incremental draws upon the Note may not exceed \$1,000,000.

Interest on outstanding principal of the Note shall accrue from the date such principal is drawn under the Note until paid. Interest shall be calculated on the basis of a 365-day year and the actual number of days elapsed. Interest shall be payable semi-annually, on each December 1 and June 1, beginning June 1, 2010, and on the Maturity Date or upon prepayment. All principal on the Note shall be paid on the Maturity Date or upon prepayment. Principal of and interest on the Note shall be payable as described in Section 5 below.

Section 4. Designation of Officer to Make Request for Draws. A Request for Draw pursuant to the Note may be made by the Authorized Officer in writing. The Council hereby delegates to the Authorized Officer authority to make a written Request for Draw pursuant to this ordinance. The Bank shall incur no liability to the City or to any other person in acting upon any written communication which the Bank believes in good faith to have been given by an official authorized to borrow on behalf of the City, or otherwise acting in good faith in making advances pursuant to this ordinance.

Section 5. Registration, Payment and Transfer. The Finance Director shall act as authenticating trustee, paying agent and registrar for the Note (collectively, the "Note Registrar"). Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Installments of the principal of and interest on the Note shall be paid by check or draft of the Note Registrar mailed on the date such interest is due or by electronic funds transfer made on the date such interest is due to the Bank or nominee at the address

appearing on the Note Register. Upon final payment of all principal and interest thereon, and expiration of the revolving line of credit, the Note shall be submitted to the Note Registrar for cancellation and surrender.

The Note may be transferred in whole to a qualified investor.

Section 6. Prepayment. The City reserves the right to prepay the Note in part or in full on any business day without premium or penalty. Prepayments shall be applied first to interest and then to principal. The City will notify the Bank at least 15 days in advance of its intent to prepay the Note.

Section 7. Creation of Note Account and Provision for Tax Levy Payments. A special account of the City to be known as the "City of University Place Limited Tax General Obligation Bond Anticipation Note Account, 2009C" (the "Note Account") is hereby authorized to be created. The Note Account shall be a trust account and shall be drawn upon for the sole purpose of paying the principal of and interest on the Note. Money on deposit in the Note Account not immediately needed to pay such interest or principal may temporarily be deposited in such institutions or invested in such obligations that are legal investments for City funds. Any interest or profit from the investment of such money shall be deposited in the Note Account. Any money remaining in the Note Account after payment in full of the principal of and interest on the Note may be transferred to the general fund of the City, and the Note Account shall be closed.

The City covenants that on or before the Maturity Date it will issue the Bonds, refunding bond anticipation notes, or a combination of the foregoing in an amount if any, together with other available funds, sufficient to pay the Note when due.

The Note is a general obligation of the City. The City hereby irrevocably covenants that it will levy taxes annually upon all the taxable property in the City without limitation as to rate or amount and in amounts sufficient, with other money legally available therefor, to pay the principal of and interest on the Note as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of tax levies may be discharged prior to maturity of the Note by making full provision for the payment thereof.

Section 8. Tax Covenant; Special Designation. The City shall comply with the provisions of this section unless, in the written opinion of Bond Counsel to the City, such compliance is not required in order to maintain the exemption of the interest on the Note from federal income taxation.

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 the Note pursuant to Section 148 of the Code and the applicable regulations thereunder that 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 a “private activity bond” under Section 141 of the Code.

The City will pay any rebate amount to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax



exemption of the interest payments on the Note, in accordance with the federal tax certificate prepared in connection with the issuance of the Note.

The City hereby designates the Note as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions. The City does not anticipate that it will issue more than \$30,000,000 of qualified tax-exempt obligations during 2009.

Section 9. Form of the Note. The Note shall be in substantially the following form:

NO. 1 UNITED STATES OF AMERICA Not to exceed \$1,000,000

STATE OF WASHINGTON  
CITY OF UNIVERSITY PLACE  
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE, 2009C

Registered Owner: Cashmere Valley Bank  
117 Aplets Way  
Cashmere, Washington 98815

EIN: 91-0168460

Maturity Date: December 1, 2011

Principal Amount: NOT TO EXCEED ONE MILLION AND NO/100 DOLLARS

The City of University Place, Washington (the “City”), a municipal corporation organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay, but solely from the Note Account hereinafter identified, to the Registered Owner identified above on the Maturity Date set forth above, the principal sum of amounts drawn on the Note pursuant to a Request for Draw (not to exceed \$1,000,000 outstanding), from the date hereof. Each amount drawn pursuant to a Request for Draw under this Note shall bear interest at a rate per year equal to 95% of the Prime Rate, as set forth in Ordinance No. 563 of the City, passed on December 14, 2009 (the “Note Ordinance”). Interest on this Note shall accrue from the date money is drawn, pursuant to a Request for Draw, until paid and shall be computed on the Outstanding Principal Balance on the basis of a 365-day year and the actual days elapsed. Interest shall be payable semiannually, beginning June 1, 2010 and on each December 1 and June 1 thereafter, and at maturity or upon early prepayment. Principal on this Note shall be paid on the Maturity Date identified above. Upon payment of this Note in full, the Registered Owner shall surrender this Note at the office of the City Finance Director for cancellation. Both principal of and interest on this Note are payable in lawful

money of the United States of America. The City reserves the right to prepay this Note in part or in full on any business day without premium or penalty as provided in the Note Ordinance.

This Note has been designated as a "qualified tax-exempt obligation" for banks, thrift institutions and other financial institutions. This Note is transferable as stated in the Note Ordinance.

This Note is issued pursuant to the Note Ordinance for the purpose of financing costs of the City's library/civic building on an interim basis to accommodate the construction schedule for the project, all in conformity with the Constitution and laws of the State of Washington.

This Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Note Registrar.

The City hereby irrevocably covenants and agrees with the owner of this note that it will include in its annual budget and levy taxes annually, within and as a part of the tax levy permitted to cities without a vote of the electorate, upon all the property subject to taxation in amounts sufficient, together with all other money legally available therefor, to pay the principal of and interest on this note as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

It is hereby certified and declared that this note is issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and ordinances of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this Note have happened, been done and performed, and that this note does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of University Place, Washington, has caused this Note to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the City Clerk of the City, and a seal of the City to be reproduced or impressed hereon, as of this \_\_\_\_ day of December, 2009.

[SEAL]

CITY OF UNIVERSITY PLACE,  
WASHINGTON

By \_\_\_\_\_ /s/ manual or facsimile  
Mayor

ATTEST:

\_\_\_\_\_/s/ manual or facsimile  
City Clerk

#### REGISTRATION CERTIFICATE

This Note is registered in the name of the Registered Owner on the books of the City, in the office of the Finance Director (the "Note Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this Note shall

be made by the City with full acquittance by the Note Registrar's wire transfer, made payable to the last Registered Owner as shown hereon and on the registration books of the Note Registrar at his/her address noted hereon and on the registration books of the Note Registrar.

Date of Registration	Name and Address of Registered Owner	Signature of Note Registrar
_____, 2009	Cashmere Valley Bank 117 Aplets Way Cashmere, WA 98815	_____ Finance Director

Section 10. Application of Proceeds of Note. All proceeds received from draws on the Note under this ordinance shall be deposited into the fund or account designated by the Finance Director and used to pay costs of the City's library/civic building and pay costs of issuing the Note.

Note proceeds remaining after all of such costs have been paid, may be used to pay costs of other legally authorized capital expenditures of the City or shall be deposited in the Note Account. Note proceeds may be invested as permitted by law.

Section 11. Execution and Authentication of the Note. The Note shall be signed on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk and shall have the seal of the City impressed or a facsimile thereof imprinted thereon.

In case either of the officers who shall have executed the Note shall cease to be an officer or officers of the City before the Note shall have been authenticated or delivered by the Note Registrar, or issued by the City, the Note may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. The Note may also be signed and attested on behalf of the City by such persons as at the actual date of execution of the

Note shall be the proper officers of the City although at the original date of the Note any such person shall not have been such officer of the City.

Section 12. Lost or Stolen Note. In case the Note shall be lost, stolen or destroyed, the Note Registrar may execute and deliver a new Note of like date and tenor to the owner upon the owner paying the expenses and charges of the City and upon filing with the Note Registrar evidence satisfactory to the Note Registrar that the Note was actually lost, stolen or destroyed and of its ownership thereof, and upon furnishing the City with indemnity satisfactory to the City.

Section 13. Sale of the Note. The Council hereby authorizes the sale of the Note to the Bank, pursuant to the terms of this ordinance and their proposal which is attached hereto as Exhibit A and incorporated by this reference. Upon delivery of the Note, the City shall pay the Bank a fee equal to 1.00% of the principal amount of the Note. In the event of any inconsistency between the terms set forth in this ordinance and the terms set forth in the Bank proposal attached hereto as Exhibit A and incorporated into this ordinance, the terms set forth in the Bank proposal shall govern.

Section 14. Reporting Requirements. With respect to the Note, the City is exempt from the official statement and ongoing disclosure requirements of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934.

The City hereby covenants and agrees for as long as the Note remains outstanding, it will provide annually to the Bank copies of (a) the City's budget, within 90 days of adoption; (b) the City's internally-prepared, unaudited annual financial statement, within 210 days of the end of the fiscal year, and (c) the City's audited financial statements for each fiscal year, within 10 days of receipt thereof.

Section 15. Severability. If any provision in this ordinance is declared by any court of competent jurisdiction to be contrary to law, then such provision shall be null and void and shall be deemed separable from the remaining provision of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

Section 16. General Authorization; Ratification of Prior Acts. The Finance Director and other appropriate officers of the City are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

Section 17. Effective Date. This ordinance shall take effect five days after its passage and publication in the manner provided by law.

PASSED by the Council of the City of University Place at a regular meeting held this  
14th day of December, 2009.

CITY OF UNIVERSITY PLACE,  
WASHINGTON

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
K&L Gates LLP

FILED WITH THE CITY CLERK:

PASSED BY THE CITY COUNCIL:

PUBLISHED:

EFFECTIVE DATE:

ORDINANCE NO.: \_\_\_\_

EXHIBIT A  
BANK PROPOSAL

UNOFFICIAL DOCUMENT

CITY CLERK'S CERTIFICATE

I, the undersigned, City Clerk of the City of University Place, Washington (the "City") and keeper of the records of the City Council of the City (the "Council"), DO HEREBY CERTIFY:

1. That the attached Ordinance is a true and correct copy of Ordinance No. \_\_\_ of the City (the "Ordinance"), as finally passed at a meeting of the Council of the City held on December 14, 2009, 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 Council was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper adoption or passage of said 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 \_\_\_ day of December, 2009.

\_\_\_\_\_  
City Clerk