

SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET

Date: October 22, 2009

Agenda Item #: Action A 1

SUBJECT: Ordinance 1059-09 Wastewater Treatment Plant Bond

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director 

ISSUE:

The issue is the adoption of Ordinance 1059-09 to approve a single fully registered bank-qualified limited tax general obligation bond in the amount of \$400,000 with Cashmere Valley Bank to complete the funding for the Centrifuge project.

RECOMMENDATION:

Staff recommends the Council accept the loan offered by Cashmere Valley Bank (Attachment B) and that Ordinance 1059-09 (Attachment A) be adopted on first reading to complete the financing for the centrifuge project by the end of October.

SUMMARY STATEMENT:

City staff has been working with Jane Towery to negotiate a loan to provide funding for completion of the WWTP Centrifuge project. The Centrifuge project is underway and scheduled to be complete in October. The City needs to secure the necessary funds to pay for the project.

Cashmere Valley Bank has offered to provide funding for a single fully registered bank qualified limited tax general obligation bond with a 10 year term with a fixed rate of 5.15%. (Attachment B). The city will be required to make semiannually payments and could prepay the bond at any time. The loan fee is \$4,000.

The debt payment schedule has been structured to make two payments of \$20,000 plus interest in May and November. The payment on other bonds and debt service are due in June and December. The custom debt schedule will cost less over the long run than the level debt service schedule. (Attachment C)

DISCUSSION:

The Cashmere Valley Bank option provides flexibility for the city. As the city seeks additional funding for the WWTP project it is essential the city be able to pay off existing debt when funds are available. For planning and budgeting purposes, structured debt payments are preferable.

FISCAL IMPACTS:

The annual payment would be approximately \$52,000.

RECOMMENDED ACTION:

Authorization for the Mayor to sign the Offer Letter from Cashmere Valley Bank and the adoption of Ordinance 1059-09, on a first reading to allow completion of the loan before the end of the month.

ATTACHMENTS: A. Ordinance
B. Offer Letter
C.. Options Spreadsheet

CITY OF SULTAN, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND
(PAYABLE ALSO FROM WATERWORKS UTILITY REVENUES), 2009

ORDINANCE NO 1059-09.

AN ORDINANCE of the City of Sultan, Washington, authorizing the issuance and sale of a limited tax general obligation bond (payable also from Waterworks Utility revenues) of the City in the principal amount of \$400,000 to finance a portion of the costs of improvements to the City's wastewater treatment plant; providing the date, form and terms of the bond; providing for the disposition of the bond proceeds; providing for the annual levy of taxes to pay principal of and interest on the bond and pledging also revenues of the City's Waterworks Utility to pay principal of and interest on the bond; and approving the sale of the bond to Cashmere Valley Bank.

PASSED: October 22, 2009

Prepared by:

K&L GATES LLP
Seattle, Washington

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ORDINANCE NO. 1059-09

AN ORDINANCE of the City of Sultan, Washington, authorizing the issuance and sale of a limited tax general obligation bond (payable also from Waterworks Utility revenues) of the City in the principal amount of \$400,000 to finance a portion of the costs of improvements to the City's wastewater treatment plant; providing the date, form and terms of the bond; providing for the disposition of the bond proceeds; providing for the annual levy of taxes to pay principal of and interest on the bond and pledging also revenues of the City's Waterworks Utility to pay principal of and interest on the bond; and approving the sale of the bond to Cashmere Valley Bank.

WHEREAS, the City of Sultan, Washington (the "City"), owns, operates and maintains a combined water system and system of sanitary sewerage and disposal (the "Waterworks Utility"), including a wastewater treatment plant; and

WHEREAS, to protect the health, safety and welfare of its residents, the City wishes to continue the construction and installation of improvements to the wastewater treatment plant (the "Project"); and

WHEREAS, the City Council has determined that it is in the best interests of the City, its taxpayers and customers of the System to finance the Project by the issuance of a limited tax general obligation bond, payable also from revenues of the Waterworks Utility, in the principal amount of \$400,000 (the "Bond"); and

WHEREAS, the Council has received the offer of Cashmere Valley Bank to purchase the Bond, and it appears to the Council that is in the best interests of the City to accept such offer on the terms and conditions set forth in the offer and in this ordinance.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SULTAN, WASHINGTON, DOES ORDAIN, as follows:

Section 1. Definitions. The following words and terms as used in this ordinance shall have the following meanings for all purposes of this ordinance, unless some other meaning is plainly intended.

Bank means Cashmere Valley Bank.

Bond Fund means the 2009 Cashmere Valley Bank Bond Redemption Fund, 2009, authorized to be established pursuant to Section 8 hereof.

Bond Register means the registration records for the Bond maintained by the Bond Registrar.

Bond Registrar means the City Clerk/Deputy Finance Director for the purpose of registering and authenticating the Bond, maintaining the Bond Register and paying interest on and principal of the Bond.

Bond mean the City of Sultan, Washington, Limited Tax General Obligation Bond (Payable also from Waterworks Utility Revenues), 2009, issued in the principal amount of \$400,000 pursuant to this ordinance.

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

City Clerk/Deputy Finance Director means the duly qualified, appointed and acting City Clerk/Deputy Finance Director of the City or any other officer who succeeds to the duties now delegated to that office.

Code means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bond.

Council means the City Council as the general legislative authority of the City.

Government Obligations means those obligations now or hereafter defined as such in Chapter 39.53 RCW, as such chapter may be hereafter amended or restated.

Gross Revenue means all of the earnings and revenues received by the City from the maintenance and operation of the Waterworks Utility, all earnings from the investment of money in the Bond Fund, and all connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the Waterworks Utility, but excluding local utility district assessments pledged to the payment of Parity Bonds, government grants, proceeds from the sale of Waterworks Utility property (other than timber), City taxes collected by or through the Waterworks Utility, principal proceeds of bonds and earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund Waterworks Utility obligations (until commingled with other earnings and revenues of the Waterworks Utility) or held in a special account for the purpose of paying a rebate to the United States Government under the Code.

Maintenance and Operation Expense means all reasonable expenses incurred by the City in causing the Waterworks Utility to be operated and maintained in good repair, working order and condition, including payments made to any other municipal corporation or private entity for water service and for sewage treatment and disposal service or other utility service in the event the City combines such service in the Waterworks Utility and enters into a contract for such service, and including pro-rata budget charges for the City's administration expenses where those represent a reasonable distribution and share of actual costs, but not including any depreciation or taxes levied or imposed by the City or payments to the City in lieu of taxes, or capital additions or capital replacements to the Waterworks Utility.

Net Revenue means Gross Revenue less Maintenance and Operation Expense.

Parity Bonds means (i) the City's Water and Sewer Revenue Improvement and Refunding Bonds, 1996, issued in the original principal amount of \$1,500,000 pursuant to Ordinance No. 651-96 of the City and (ii) any water and sewer revenue bonds issued in the future with a lien on Net Revenue equal to the lien thereon of such bonds.

Project means the improvements to the City's wastewater treatment plant described in Section 2 of this ordinance.

Project Fund means the 2009 Project Fund authorized to be created pursuant to Section 12 of this ordinance.

Registered Owner means the person named as the registered owner of the Bond in the Bond Register.

Rule means Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Waterworks Utility means the combined water system and system of sanitary sewerage and disposal of the City, together with all additions thereto and betterments and extensions thereof at any time made, and shall include any storm and surface water system, solid waste or other utility systems hereafter combined with the Waterworks Utility.

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; and

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

Section 2. Authorization of the Project. The Council hereby finds that the public interest requires the City to make the following improvements to facilities of the System (the “Project”): design, engineering, construction and construction management oversight activities at the City’s wastewater treatment plant for the replacement of existing systems. The Council hereby adopts the Project as a plan and system for additions and betterments to the System.

In carrying out the Project, the City shall acquire and install all equipment and appurtenances necessary for proper operation of the facilities described above, and shall acquire by purchase, lease or condemnation all property, both real and personal, or any interest therein, and all rights-of-way, franchises, and easements necessary to carry out said plan. The Project shall be subject to such changes

as to details of size or location of the facilities described above, or any other details of the Project as may be authorized by the City either prior to or during the actual course of construction.

Section 3. Authorization of Bond. For the purpose of paying a portion of the cost of the Project and paying costs of issuing the Bond, the City shall issue its limited tax general obligation bond (payable also from Waterworks Utility revenues) in the principal amount of \$400,000. The Bond shall be designated the "City of Sultan, Washington, Limited Tax General Obligation Bond (Payable also from Waterworks Utility Revenues), 2009"; shall be dated as of the date of its initial delivery to the Bank; shall be fully registered as to both principal and interest; shall be in the denomination of \$400,000; and shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification. The Bond shall bear interest from its date at a per annum rate of 5.15%. Semiannual principal payments of \$20,000 plus interest accrued shall be payable on the first days of each May and November, commencing on May 1, 2010, with full payment of all then-outstanding principal and interest at the final maturity of the Bond on November 1, 2019.

Section 4. Registration, Exchange and Payment. The Finance Director shall act as authenticating agent, paying agent and registrar for the Bond (collectively, the "Bond Registrar"). Both principal of and interest on the Bond shall be payable in lawful money of the United States of America. Partial prepayments of principal of and interest on the Bond shall be paid by check or draft of the Bond Registrar. Upon receipt by the Bank of the final payment of all principal of and interest and Bank fees on the Bond, the Bank shall present and surrender the Bond to the Bond Registrar in Sultan, Washington, for cancellation in accordance with law. The Bond is not 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 term is defined in Rule 144A of the Securities Act of 1933.

Section 5. Prepayment. The City reserves the right to prepay, without premium or penalty, all or a portion of the outstanding principal of the Bond at any time upon 15 day's notice in writing to the Bank.

Section 6. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. _____

\$400,000

STATE OF WASHINGTON

CITY OF SULTAN

LIMITED TAX GENERAL OBLIGATION BOND
(PAYABLE ALSO FROM WATERWORKS UTILITY REVENUES), 2009

INTEREST RATE: 5.15%

FINAL MATURITY: November 1, 2019

REGISTERED OWNER: Cashmere Valley Bank
EIN _____

PRINCIPAL AMOUNT: FOUR HUNDRED THOUSAND AND NO/100 DOLLARS

THE CITY OF SULTAN, WASHINGTON (the "City"), a municipal corporation duly organized and existing under the laws of the State of Washington, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount indicated above and to pay interest thereon from the date hereof, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on the first days of each May and November, commencing on May 1, 2010. Principal on this Bond shall be payable in semiannual payments of \$20,000 plus interest accrued on the first days of each May and November, commencing on May 1, 2010, with full payment of all then outstanding principal and interest at the final maturity of this Bond on November 1, 2019. Both principal of and interest on this bond are payable in lawful money of the United States of America.

This Bond is issued to finance a portion of the costs of constructing and equipping improvements to the City's wastewater treatment plant. The Bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and ordinances duly adopted by the City Council, including Ordinance No. _____ (the "Bond Ordinance"). Unless otherwise defined in this bond, capitalized terms used herein shall have the meanings given such terms in the Bond Ordinance.

The Bond is subject to prepayment as provided in the Bond Ordinance.

The Bond is not a "private activity bond" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). The Bond is a "qualified tax-exempt obligation" within the meaning of Section 265(b) of the Code.

The City has irrevocably covenanted for as long as the Bond is outstanding that each year it will include in its budget and levy an *ad valorem* tax on all taxable property in the City, within and as part of the property taxes authorized by law to be levied by the City without a vote of the people, in an amount that, together with other lawfully available funds, will be sufficient to pay the principal of and interest on the Bond as the same become due. The full faith, credit and resources of the City are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest. The pledge of taxes for payment of the principal of and interest on the Bond may be discharged prior to maturity of the Bond by making provisions for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

This Bond is also payable from and secured by a pledge of Net Revenue of the City's Waterworks Utility. From and after the issuance and delivery of the Bond and so long as it remain outstanding, the City has irrevocably obligated and bound itself to set aside and pay into the Bond Fund out of Net Revenue, on or prior to the date due, certain amounts to pay principal of and interest on the Bond, as described in the Bond Ordinance. The amounts that the City has covenanted to be paid out of Net Revenue and deposited into the Bond Fund constitute, and the City has granted and pledged to the owner of the Bond, a lien and charge on Net Revenue junior, subordinate and inferior to the lien and charge on Net Revenue for the payments required to be made into any fund or account to pay or secure the payment of the Parity Bonds.

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

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this Bond does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City of Sultan, Washington, has caused this Bond to be executed by the manual or facsimile signatures of the Mayor and City Clerk and a facsimile of the seal of the City to be imprinted or otherwise reproduced hereon as of _____ 1, 2009.

CITY OF SULTAN, WASHINGTON

By _____ /s/ manual or facsimile
Mayor

ATTEST:

/s/ manual or facsimile
City Clerk/Deputy Finance Director

The Bond Registrar's Certificate of Authentication on the Bond shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

This is the Limited Tax General Obligation Bond (Payable also from Waterworks Utility Revenues), 2009, of the City of Sultan, Washington, dated _____, 2009, described in the Bond Ordinance.

CITY CLERK/DEPUTY FINANCE
DIRECTOR of the City of Sultan, Washington,
as Bond Registrar

By _____

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box]

(Please print or typewrite name and address, including zip code, of Transferee)

the within bond and does hereby irrevocably constitute and appoint _____ of _____, or its successor, as Bond Registrar to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: _____, ____.

SIGNATURE GUARANTEED:

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 7. Execution of Bond. The Bond shall be executed on behalf of the City with the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the City Clerk, and shall have the seal of the City impressed, imprinted or otherwise reproduced thereon. In case either or both of the officers who have signed or attested the Bond cease to be such officer before the Bond has been actually issued and delivered, the Bond shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed or attested the Bond had not ceased to be such officers, and the Bond may be signed or attested on behalf of the City by officers who at the date of actual execution of the Bond are the proper officers, although at the nominal date of execution of the Bond such officer was not an officer of the City.

Only a Bond that bears a Certificate of Authentication in the form set forth in Section 6, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 8. Bond Fund; Pledge of Taxes and Credit. There is hereby authorized and directed to be created in the office of the City Clerk/Deputy Finance Director a special fund to be drawn upon for the sole purpose of paying the principal of and interest on the Bond to be known as the "2009 Cashmere Valley Bank Bond Redemption Fund, 2009" (the "Bond Fund"). The taxes hereafter levied for the purpose of paying principal of and interest on the Bond and other funds to be used to pay the Bond (including Net Revenue of the Waterworks Utility, as provided in Section 9 of this ordinance) shall be deposited in the Bond Fund no later than the date such funds are required for the payment of principal of and interest on the Bond. Money in the Bond Fund not needed to pay the interest or principal next coming due may temporarily be deposited in such institutions or invested in such obligations as may be

lawful for the investment of City funds. Any interest or profit from the investment of such money shall be deposited in the Bond Fund.

The City hereby irrevocably covenants for as long as the Bond is outstanding that each year it will include in its budget and levy an *ad valorem* tax on all taxable property in the City, within and as part of the property taxes authorized by law to be levied by the City without a vote of the people, in an amount that, together with other lawfully available funds (including Net Revenue of the Waterworks Utility, as provided in Section 9 of this ordinance), will be sufficient to pay the principal of and interest on the Bond as the same become due. All of such taxes so collected and any other money to be used for such purposes shall be paid into the Bond Fund.

The City hereby irrevocably pledges that a sufficient portion of each annual levy to be levied and collected by the City prior to the full payment of the principal and interest on the Bond will be and is hereby irrevocably set aside, pledged and appropriated for the payment of the principal of and interest on the Bond. The full faith, credit and resources of the City are hereby irrevocably pledged for the annual levy and collection of such taxes and for the prompt payment of the principal of and interest on the Bond as the same shall become due.

Section 9. Pledge of Waterworks Utility Revenues. The Bond is also payable from and secured by a pledge of Net Revenue. From and after the issuance and delivery of the Bond and so long as it remain outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay into the Bond Fund out of Net Revenue, on or prior to the date due, the amounts described in Section 8 of this ordinance.

The amounts herein covenanted to be paid out of Net Revenue and deposited into the Bond Fund constitute, and the City hereby grants and pledges to the owner of the Bond, a lien and charge on Net Revenue junior, subordinate and inferior to the lien and charge on Net Revenue for the payments required to be made into any fund or account to pay or secure the payment of the Parity Bonds.

Section 10. Defeasance. In the event that money and/or Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to redeem and retire the Bond in accordance with its terms, are set aside in a special account of the City to effect such redemption and retirement, and such money and the principal of and interest on such Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bond, and the Bond shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and the Bond shall be deemed not to be outstanding hereunder.

Section 11. Tax Covenants; Special Designation. The City hereby covenants that it will not make any use of the proceeds of sale of the Bond or any other funds of the City that may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code that will cause the Bond 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 Bond) and the applicable Regulations thereunder throughout the term of the Bond. The City further covenants that it will not take any action or permit any action to be taken that would cause the Bond to constitute a "private activity bond" under Section 141 of the Code.

The City hereby designates the Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. The City does not expect to issue more than \$30,000,000 in “qualified tax-exempt obligations” during 2009.

Section 12. Application of Bond Proceeds; Project Fund. There is hereby authorized and directed to be created in the office of the City Clerk/Deputy Finance Director a special account of the City to be known as the “2009 Project Fund” (the “Project Fund”), which fund is to be drawn upon to pay costs of the Project and costs of issuing the Bond. All money held in the Project Fund may be invested in any legal investment for the City’s funds, and all investments shall be scheduled to mature as costs of the Project are reasonably anticipated to be incurred. Earnings from the investment of money in the Project Fund may remain in the Project Fund and may be used to pay costs of the Project or may be transferred to the Bond Fund. 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 Project Fund shall be transferred to the Bond Fund, and the Project Fund shall be closed.

Section 13. Sale of Bond. The Bond shall be sold by negotiated sale to Cashmere Valley Bank (the “Bank”), under the terms and conditions thereof as provided in its offer and in this ordinance. The Mayor or City Clerk/Deputy Finance Director is hereby authorized to sign the offer on behalf of the City. The proper City officials are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bond to the Bank and for the proper application and use of the proceeds of sale thereof, including payment of the Bank’s loan fee, as provided in its offer to the City.

Section 14. Lost or Destroyed Bond. If the Bond is lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like amount, maturity and tenor to the Registered Owner upon such Registered Owner’s paying the expenses and charges of the Bond Registrar and the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Bond Registrar and the City evidence satisfactory to both that the Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to both.

Section 15. General Authorization. The appropriate officials, agents and representatives of the City are authorized to take any actions and to execute any certificates, agreements or other documents as in their judgment may be necessary or desirable 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 and confirmed.

Section 16. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 17. Effective Date. This ordinance shall become effective five days after its passage and publication, as required by law.

PASSED by the City Council of the City of Sultan, Washington, at a regular meeting thereof, held on October 22, 2009.

CITY OF SULTAN, WASHINGTON
Mayor

ATTEST: City Clerk

CERTIFICATE

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

1. That the attached ordinance is a true and correct copy of Ordinance No. _____ of the City (the "Ordinance"), duly passed at a regular meeting of the City Council held on October 22, 2009.

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 legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for 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 October ____, 2009.

City Clerk



October 22, 2009

DRAFT

Laura Koenig
 Clerk/Finance Director
 City of Sultan
 319 Main Street, Suite 200
 Sultan, WA 98294

Dear Laura:

Thank you for the opportunity to propose an offer on your borrowing request for the City of Sultan, Snohomish County, Washington (the "City"). Cashmere Valley Bank (the "Bank") has approved the borrowing facilities outlined in this offer letter under the following terms.

1. Borrower: City of Sultan, Snohomish County, Washington
2. Amount: \$400,000
3. Form: Fully registered bank-qualified limited tax general obligation bond (the "Bond") issued by the District and purchased by the Bank at private sale.
4. Purpose: To finance a portion of the costs of improvements to the City's wastewater treatment plant and to pay costs of issuing the Bond.
5. Bond Terms:

a) Interest Rate:

The Bond will bear interest at the fixed rate of 5.15% per annum. Interest on the Bond will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bond will be dated the date of delivery to the Bank and will bear interest from its date.

s) Term:

The Bond will be structured with payments of principal and interest due semiannually May 1 and November 1, commencing on May 1, 2010 to November 1, 2019, or the earlier prepayment of the Bond. Installment payments are attached below as Exhibit A.

t) Security

The Bond is a limited tax general obligation of the City with the pledge of the full faith, credit, and resources of the City, and also the revenues of the Waterworks Utility, for the prompt payment of the principal of and interest on the Bond as the same shall become due.

u) Transferability

The Bank will hold the Bond with no intent to sell or transfer. The Bond may be transferred only in whole, to a qualified investor.

6. Prepayment: The City reserves the right to prepay, without premium or penalty, all or a portion of the outstanding principal of the Bond at any time upon 15 day's notice in writing to the Bank.
7. Fees: A 1% loan fee will be withheld from the proceeds at closing. The City is also responsible for all other costs of issuance of the Bond.
8. Additional Terms: The bond documents will be in the standard forms customarily required by the Bank for municipal funding and will include additional terms and conditions not discussed above. The City will designate the Bond as a "qualified tax-exempt obligation" under Section 265(b) (3) of the IRS Internal Revenue Code of 1986, as amended, for investment by financial institutions. The City will provide its annual financial report to the Bank during the period the Bond is outstanding and held by the Bank. At the date of closing the Bond, the financial condition and credit of the City and all other features of this transaction will be as represented to the Bank without material adverse change. In the event of adverse material changes in the credit worthiness of the City, including litigation involving or claims filed against the City, this commitment will terminate upon notice by the Bank. This commitment by the Bank is non-assignable by the City.
9. Closing: The closing is anticipated to occur on or about October 29, 2009.
10. Acceptance: This commitment is not binding unless the City returns a signed copy of this letter to the Bank prior to the close of business on October 27, 2009 at which time the commitment will expire without notice. If, after acceptance, the Bond has not closed by November 12, 2009 this commitment will expire without notice.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Thank you for the opportunity to work with the City, its staff, and its financial team.

Sincerely,

CASHMERE VALLEY BANK

/s/

Ron Olsen

Director, Municipal Services

Acknowledged and accepted this 22 day of October, 2009

City of Sultan

Snohomish County, Washington

By: _____

Title: _____

Tax ID #91-

cc: David Thompson, K&L Gates

Exhibit A

City of Sultan
 Limited Tax General Obligation Bond, 2009
 Debt Service Schedule

Dated
 Date 10/29/2009
 Delivery
 Date 10/29/2009
 Fixed
 Rate 5.15%
 Par 400,000

<u>Payment</u>	<u>Beginning</u>	<u>Principal</u>	<u>Interest</u>	<u>Ending</u>	<u>Cashflow</u>
<u>Period</u> 10/29/09				400,000.00	400,000.00
05/01/10	400,000.00	(20,000.00)	(10,414.44)	380,000.00	(30,414.44)
11/01/10	380,000.00	(20,000.00)	(9,785.00)	360,000.00	(29,785.00)
05/01/11	360,000.00	(20,000.00)	(9,270.00)	340,000.00	(29,270.00)
11/01/11	340,000.00	(20,000.00)	(8,755.00)	320,000.00	(28,755.00)
05/01/12	320,000.00	(20,000.00)	(8,240.00)	300,000.00	(28,240.00)
11/01/12	300,000.00	(20,000.00)	(7,725.00)	280,000.00	(27,725.00)
05/01/13	280,000.00	(20,000.00)	(7,210.00)	260,000.00	(27,210.00)
11/01/13	260,000.00	(20,000.00)	(6,695.00)	240,000.00	(26,695.00)
05/01/14	240,000.00	(20,000.00)	(6,180.00)	220,000.00	(26,180.00)
11/01/14	220,000.00	(20,000.00)	(5,665.00)	200,000.00	(25,665.00)
05/01/15	200,000.00	(20,000.00)	(5,150.00)	180,000.00	(25,150.00)
11/01/15	180,000.00	(20,000.00)	(4,635.00)	160,000.00	(24,635.00)
05/01/16	160,000.00	(20,000.00)	(4,120.00)	140,000.00	(24,120.00)
11/01/16	140,000.00	(20,000.00)	(3,605.00)	120,000.00	(23,605.00)
05/01/17	120,000.00	(20,000.00)	(3,090.00)	100,000.00	(23,090.00)
11/01/17	100,000.00	(20,000.00)	(2,575.00)	80,000.00	(22,575.00)
05/01/18	80,000.00	(20,000.00)	(2,060.00)	60,000.00	(22,060.00)
11/01/18	60,000.00	(20,000.00)	(1,545.00)	40,000.00	(21,545.00)
05/01/19	40,000.00	(20,000.00)	(1,030.00)	20,000.00	(21,030.00)
11/01/19	20,000.00	(20,000.00)	(515.00)	-	(20,515.00)
		(400,000)	(108,264)		(508,264)

City of Sultan
 Limited Tax General Obligation Bond, 2009
Level Debt Service Schedule

Dated Date	Payment Period	Beginning	Principal	Interest	Ending	Cashflow
10/29/2009	10/29/09	400,000.00			400,000.00	400,000.00
10/29/2009	05/01/10	400,000.00	(15,400.00)	(10,414.44)	384,600.00	(25,814.44)
5.15%	11/01/10	384,600.00	(15,900.00)	(9,903.45)	368,700.00	(25,803.45)
400,000	05/01/11	368,700.00	(16,400.00)	(9,494.03)	352,300.00	(25,894.03)
	11/01/11	352,300.00	(16,800.00)	(9,071.73)	335,500.00	(25,871.73)
	05/01/12	335,500.00	(17,200.00)	(8,639.13)	318,300.00	(25,839.13)
	11/01/12	318,300.00	(17,700.00)	(8,196.23)	300,600.00	(25,896.23)
	05/01/13	300,600.00	(18,100.00)	(7,740.45)	282,500.00	(25,840.45)
	11/01/13	282,500.00	(18,600.00)	(7,274.38)	263,900.00	(25,874.38)
	05/01/14	263,900.00	(19,100.00)	(6,795.43)	244,800.00	(25,895.43)
	11/01/14	244,800.00	(19,500.00)	(6,303.60)	225,300.00	(25,803.60)
	05/01/15	225,300.00	(20,000.00)	(5,801.48)	205,300.00	(25,801.48)
	11/01/15	205,300.00	(20,600.00)	(5,286.48)	184,700.00	(25,886.48)
	05/01/16	184,700.00	(21,100.00)	(4,756.03)	163,600.00	(25,856.03)
	11/01/16	163,600.00	(21,600.00)	(4,212.70)	142,000.00	(25,812.70)
	05/01/17	142,000.00	(22,200.00)	(3,656.50)	119,800.00	(25,856.50)
	11/01/17	119,800.00	(22,800.00)	(3,084.85)	97,000.00	(25,884.85)
	05/01/18	97,000.00	(23,400.00)	(2,497.75)	73,600.00	(25,897.75)
	11/01/18	73,600.00	(24,000.00)	(1,895.20)	49,600.00	(25,895.20)
	05/01/19	49,600.00	(24,600.00)	(1,277.20)	25,000.00	(25,877.20)
	11/01/19	25,000.00	(25,000.00)	(643.75)	-	(25,643.75)
			(400,000)	(116,945)		(516,945)

City of Sultan
 Limited Tax General Obligation Bond, 2009
Custom Debt Service Schedule

Dated Date	Payment Period	Beginning	Principal	Interest	Ending	Cashflow
10/29/2009	10/29/09	400,000.00			400,000.00	400,000.00
10/29/2009	05/01/10	380,000.00	(20,000.00)	(10,414.44)	360,000.00	(30,414.44)
5.15%	11/01/10	360,000.00	(20,000.00)	(9,785.00)	340,000.00	(29,785.00)
400,000	05/01/11	340,000.00	(20,000.00)	(9,270.00)	320,000.00	(29,270.00)
	11/01/11	320,000.00	(20,000.00)	(8,755.00)	300,000.00	(28,755.00)
	05/01/12	300,000.00	(20,000.00)	(8,240.00)	280,000.00	(28,240.00)
	11/01/12	280,000.00	(20,000.00)	(7,725.00)	260,000.00	(27,725.00)
	05/01/13	260,000.00	(20,000.00)	(7,210.00)	240,000.00	(27,210.00)
	11/01/13	240,000.00	(20,000.00)	(6,695.00)	220,000.00	(26,695.00)
	05/01/14	220,000.00	(20,000.00)	(6,180.00)	200,000.00	(26,180.00)
	11/01/14	200,000.00	(20,000.00)	(5,665.00)	180,000.00	(25,665.00)
	05/01/15	180,000.00	(20,000.00)	(5,150.00)	160,000.00	(25,150.00)
	11/01/15	160,000.00	(20,000.00)	(4,635.00)	140,000.00	(24,635.00)
	05/01/16	140,000.00	(20,000.00)	(4,120.00)	120,000.00	(24,120.00)
	11/01/16	120,000.00	(20,000.00)	(3,605.00)	100,000.00	(23,605.00)
	05/01/17	100,000.00	(20,000.00)	(3,090.00)	80,000.00	(23,090.00)
	11/01/17	80,000.00	(20,000.00)	(2,575.00)	60,000.00	(22,575.00)
	05/01/18	60,000.00	(20,000.00)	(2,060.00)	40,000.00	(22,060.00)
	11/01/18	40,000.00	(20,000.00)	(1,545.00)	20,000.00	(21,545.00)
	05/01/19	20,000.00	(20,000.00)	(1,030.00)	0	(21,030.00)
	11/01/19	0	(20,000.00)	(515.00)	-	(20,515.00)
			(400,000)	(108,264)		(508,264)