

POULSBO DISTRIBUTION SCHEDULE

ORDINANCE NO. 2010-08

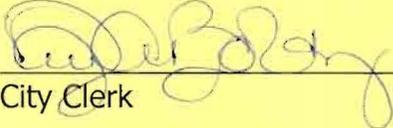
SUBJECT: Line of Credit (New City Hall)

CONFORM AS TO DATES & SIGNATURES

- Filed with the City Clerk: 04/01/2010
- Passed by the City Council: 04/07/2010
- Signature of Mayor
- Signature of City Clerk
- Publication: 04/16/2010
- Effective: 04/21/2010
- Recorded: N/A

DISTRIBUTED COPIES AS FOLLOWS:

- NK Herald: Emailed by jb
- Ordinance Book (copy)
- Code Publishing - via email if in electronic format
- City Attorney
- Civil Service Commission and/or Sec/Chief Examiner
- Clerk's Department:
- City Council
- Finance:
- Posted to Library Drive



City Clerk

April 15, 2010

Date

CITY OF POULSBO, WASHINGTON

ORDINANCE NO. 2010-08

AN ORDINANCE of the City of Poulsbo, Washington, authorizing the issuance of limited tax general obligation bonds of the City to provide funds with which to pay a part of the construction of the new City Hall; authorizing the issuance of a bond anticipation note pending the issuance of those bonds; fixing the terms and covenants of the note; establishing a note redemption fund; and approving the sale of the note to KeyBank National Association.

Passed April 7, 2010

This document prepared by:

*Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400*

TABLE OF CONTENTS

	<u>Page</u>
<u>Section 1. Debt Capacity</u>	1
<u>Section 2. Authorization of Bonds</u>	2
<u>Section 3. Description of the Note</u>	2
<u>Section 4. Registration and Transfer of Note</u>	3
<u>Section 5. Pledge of Taxes</u>	4
<u>Section 6. Prepayment</u>	5
<u>Section 7. Form and Execution of Note</u>	5
<u>Section 8 . Note Registrar</u>	6
<u>Section 9. Preservation of Tax Exemption for Interest on the Note</u>	6
<u>Section 10. Designation of the Note as "Qualified Tax Exempt Obligation."</u>	6
<u>Section 11. Note Fund; Disposition of Note Proceeds</u>	7
<u>Section 12. Approval of Proposal</u>	7
<u>Section 13. General Authorization; Ratification of Prior Acts</u>	8
<u>Section 14. Contract; Savings Clause</u>	8
<u>Section 15. Effective Date of Ordinance</u>	9

ORDINANCE NO. 2010-08

AN ORDINANCE OF THE CITY OF POULSBO, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY TO PROVIDE FUNDS WITH WHICH TO PAY A PART OF THE CONSTRUCTION OF THE NEW CITY HALL; AUTHORIZING THE ISSUANCE OF A BOND ANTICIPATION NOTE PENDING THE ISSUANCE OF THOSE BONDS; FIXING THE TERMS AND COVENANTS OF THE NOTE; ESTABLISHING A NOTE REDEMPTION FUND; AND APPROVING THE SALE OF THE NOTE TO KEYBANK NATIONAL ASSOCIATION.

WHEREAS, the City of Poulsbo, Washington (the "City"), is in need of completing construction of a new City Hall, and the City does not have available sufficient funds to complete construction; and

WHEREAS, the City Council deems it to be in the best interests of the City to issue short term obligations in accordance with the provisions of chapter 39.50 RCW for the purpose of providing a part of the funds to complete the new City Hall and to repay the short term obligations with money from the sale of property and, if necessary, by the issuance of limited tax general obligation bonds; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON, DO ORDAIN as follows:

Section 1. 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 2010 is \$1,310,033,708, and the City has outstanding general indebtedness evidenced by limited tax general obligation bonds in the principal amount of \$11,205,000 incurred within the limit of up to 1½% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein, no unlimited tax general obligation bonds or notes incurred within the limit of up to 2½% 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, and the amount of indebtedness for which bonds are authorized to be issued pursuant to this ordinance is \$2,000,000.

Section 2. Authorization of Bonds. The City shall borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing that indebtedness in the amount of \$2,000,000 for general City purposes to provide the funds to pay a part of the construction of the new City Hall (the "Project") and to pay the costs of issuance and sale of the bonds. The general indebtedness to be incurred shall be within the limit of up to 1½% of the value of the taxable property within the City permitted for general municipal purposes without a vote of the qualified voters therein.

Section 3. Description of the Note. For the purpose of providing a part of the funds with which to pay the costs of the Project pending the receipt of proceeds from the sale of the property and, if necessary, proceeds of the issuance and sale of the limited tax general obligation bonds authorized herein, the City shall issue and sell its Limited Tax General Obligation Bond Anticipation Note, 2010 (the "Note"), in a maximum principal amount of not to exceed \$2,000,000. The Note shall be in fully registered form, shall be numbered R-1, shall be dated the date of its delivery to KeyBank National Association (the "Bank"); and shall mature on a date that is 12 months from the date of delivery of the Note to the Bank (the "Maturity Date"), unless the City and the Bank have mutually agreed to extend the Maturity Date for another year. The Bank may provide or withhold its agreement to extend the Maturity Date in its sole discretion.

The Bank has offered to purchase the Note under the terms of its purchase offer dated March 16, 2010 and this ordinance. Unpaid principal amounts drawn under the Note shall bear interest at a per annum variable rate equal to (i) the Bank's Prime Rate minus 0.08%, multiplied by (ii) 65.01%. The interest rate shall be calculated on the basis of a 360-day year and the actual days elapsed. The Bank's Prime Rate means the rate announced from time to time as its "Prime Rate," with the Prime Rate changing on the date each change in said Prime Rate is announced by the Bank. The interest rate on the Note shall change on each effective date of

change in the Bank's Prime Rate. The Bank's Prime Rate may not be the lowest interest rate charged by the Bank on commercial or other extensions of credit. The City Council finds that the above interest rate is in the best interest of the City.

Interest on the Note shall be due and payable semi-annually on November 1, 2010 and on the Maturity Date or prepayment of the Note. The outstanding principal balance of and any accrued, unpaid interest on the Note shall be due and payable on the Maturity Date or prepayment of the Note. The outstanding principal balance of the Note on any particular day shall be the aggregate of all funds which the City has drawn from the date of the Note to that day, less the aggregate of all principal payments made by the City on the Note on or before that day. Interest on a particular principal amount so advanced shall be determined from the date of the advance under the Note pursuant to a Request for Draw by the City.

A "Request for Draw" pursuant to the Note may be made by the Finance Director or Accounting Manager ("Designated Representative") in writing to the Bank on a form designated by the Bank, at any time prior to the Maturity Date. Each Request for Draw shall be delivered to the Bank, shall specify the dollar amount requested, the account number to which the drawing shall be deposited and the proposed date of the drawing. The aggregate of all such draws on the Note may not exceed \$2,000,000. The line of credit evidenced by the Note is a non-revolving line of credit, and amounts repaid may not be reborrowed. The City delegates to a Designated Representative authority to make a written Request for Draw pursuant to this ordinance.

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.

Section 4. Registration and Transfer of Note. The Note shall be issued only in registered form as to both principal and interest and be recorded on books or records

maintained by the Finance Director who is appointed to act as the note registrar (the "Note Register"). The Note Register shall contain the name and mailing address of the owner of the Note.

A Note surrendered to the Note Registrar may be exchanged for a new Note in an amount not to exceed \$2,000,000. A Note may be transferred only if endorsed in the manner provided thereon and surrendered to the Note Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Note Registrar shall not be obligated to exchange or transfer a Note during the 15 days preceding the Maturity Date of the Note.

The Note may be assigned or transferred only in whole by the registered owner to a single investor that is a financial institution or a person who is reasonably believed to be a qualified institutional buyer or accredited investor within the meaning of the applicable federal securities laws.

Section 5. Pledge of Taxes. The City irrevocably pledges to redeem and repay the Note on or before the Maturity Date from the proceeds of a sufficient amount of limited tax general obligation bonds authorized by this ordinance, from the proceeds of additional short term obligations or from other money of the City legally available for such purpose, 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 those bond or other short term obligation proceeds and other money legally available and to be used therefor, to pay when due the principal of and interest on the Note and those bonds, and 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 6. Prepayment. The Note may be prepaid in whole or in part at any time without prepayment fees. Interest on the Note or the portion thereof so prepaid shall cease to accrue on the date of such prepayment.

Section 7. Form and Execution of Note. The Note shall be prepared in a form consistent with the provisions of this ordinance and state law, shall be signed 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.

Only a Note bearing a Certificate of Authentication in the following form, manually signed by the Note Registrar, shall 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 Poulsbo, Washington, Limited Tax General Obligation Bond Anticipation Note, 2010, described in the Note Ordinance.

WASHINGTON STATE FISCAL AGENT
Note Registrar

By _____
Authorized Signer

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.

If any officer whose facsimile signature appears on the Note ceases to be an officer of the City authorized to sign notes before the Note bearing his or her facsimile signature is authenticated or delivered by the Note Registrar or issued by the City, the Note nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign notes. The Note also may be signed on behalf of the City by any person

who, on the actual date of signing of the Note, is an officer of the City authorized to sign notes, although he or she did not hold the required office on the date of issuance of the Note.

Section 8. Note Registrar. The Note Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Note. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Note transferred or exchanged 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.

Section 9. Preservation of Tax Exemption for Interest on the 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 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. The City also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), is applicable to the Note, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Note, including the calculation and payment of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Note from being included in gross income for federal income tax purposes.

Section 10. Designation of the Note as "Qualified Tax Exempt Obligation." The City finds and declares that (a) it is a duly organized and existing governmental unit of the State of Washington and has general taxing power; (b) the Note is not a "private activity bond" within the meaning of Section 141 of the United States Internal Revenue Code of 1986, as amended

(the "Code"); (c) at least 95% of the net proceeds of the Note will be used for local governmental activities of the City (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the City); and (d) 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 \$30,000,000. The City therefore certifies that the Note is eligible for the arbitrage rebate exception under Section 148(f)(4)(D) of the Code and designates the Note as a "qualified tax exempt obligation" for the purposes of Section 265(b)(3) of the Code.

Section 11. Note Fund; Disposition of Note Proceeds. There is created in the office of the City Finance Director a special fund designated as the Limited Tax General Obligation Bond Anticipation Note Fund, 2010 (the "Note Fund"). Accrued interest on the Note, if any, received from the sale and delivery of the Note shall be paid into the Note Fund. All bond proceeds and taxes collected for and allocated to the payment of the principal of and interest on the Note shall be deposited in the Note Fund. Both principal of and interest on the Note shall be payable 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.

The proceeds received from a draw on the Note shall be paid into the facilities fund designated by the Finance Director and used for the Project. Until needed to pay the costs of the Project and costs of issuance of the Note, the City may invest Note proceeds temporarily in any legal investment.

Section 12. Approval of Proposal. The Bank has presented a proposal dated March 16, 2010 (the "Proposal"), to the City offering to purchase the Note under the terms and conditions provided in the Proposal, which written Proposal is on file with the City Finance Director. The Proposal specifies that the City shall (i) pay a \$5,000 fee to the Bank on the

closing date; (ii) pay all costs and expenses including the Bank's outside and in-house attorney's costs and fees, and any other costs of the Bank in connection with the Note (estimated not to exceed \$1,500); and (iii) provide to the Bank full-year unaudited financial statements within 180 days of each fiscal year-end, audited statements within 10 days of their completion, and any other information as the Bank may from time to time reasonably request.

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

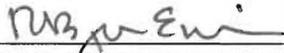
The proper City officials are authorized and directed to do everything necessary for the prompt delivery of the Note to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 13. 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 14. Contract; Savings Clause. The covenants contained in this ordinance and in the Note shall constitute a contract between the City and the Bank. 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 and after final appeal (if any appeal be taken) 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 in this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note.

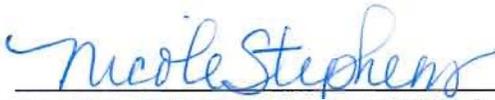
Section 15. Effective Date of Ordinance. This ordinance shall take effect and be in force from and after its passage and five days following its publication as required by law.

PASSED by the City Council of the City of Poulsbo, Washington, at a regular meeting held this 7th day of April, 2010.



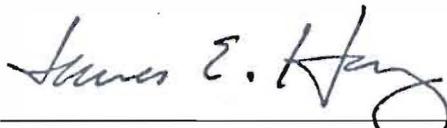
REBECCA ERICKSON, MAYOR

ATTEST:



NICOLE STEPHENS, DEPUTY CITY CLERK

APPROVED AS TO FORM:



JAMES HANEY, CITY ATTORNEY

Approved as to form and legality:

Foster Pepper PLLC
Bond Counsel to the City of Poulsbo



Nancy M. Neraas

FILED WITH THE CITY CLERK: 04/01/2010
PASSED BY THE CITY COUNCIL: 04/07/2010
PUBLISHED: 04/16/2010
EFFECTIVE DATE: 04/21/2010
ORDINANCE NO. 2010-08

SUMMARY OF ORDINANCE NO. 2010-08

of the City of Poulsbo, Washington

On the 7th day of April, 2010, the City Council of the City of Poulsbo passed Ordinance No. 2010-08. A summary of the content of said ordinance, consisting of the title, provides as follows:

AN ORDINANCE OF THE CITY OF POULSBO, WASHINGTON, AUTHORIZING THE ISSUANCE OF LIMITED TAX GENERAL OBLIGATION BONDS OF THE CITY TO PROVIDE FUNDS WITH WHICH TO PAY A PART OF THE CONSTRUCTION OF THE NEW CITY HALL; AUTHORIZING THE ISSUANCE OF A BOND ANTICIPATION NOTE PENDING THE ISSUANCE OF THOSE BONDS; FIXING THE TERMS AND COVENANTS OF THE NOTE; ESTABLISHING A NOTE REDEMPTION FUND; AND APPROVING THE SALE OF THE NOTE TO KEYBANK NATIONAL ASSOCIATION.

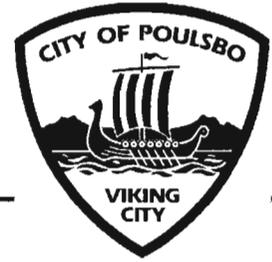
The full text of this Ordinance will be mailed upon request.

DATED this 12th day of April, 2010.


CITY CLERK, JILL A. BOLTZ

City of Poulsbo

Deb Booher, Finance Director



To: Lindsay A. Fisher
Attorney
FOSTER PEPPER PLLC
1111 Third Avenue, Suite 3400
Seattle, WA 98101-3299 Public Disclosure Commission

From: City of Poulsbo
Deborah Booher, Finance Director
PO Box 98
Poulsbo, WA 98370
dbooher@cityofpoulsbo.com

Please find attached the signed documents you sent to us. Let me know if you need anything further.

Thanks for following up with us.

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name City of Poulsbo, Washington		2 Issuer's employer identification number (EIN) 91 6001488	
3 Number and street (or P.O. box if mail is not delivered to street address) 19050 Jensen Way NE, P.O. Box 98		Room/suite	4 Report number (For IRS Use Only) 3
5 City, town, or post office, state, and ZIP code Poulsbo, Washington 98370		6 Date of issue 07/22/2010	
7 Name of issue Limited Tax General Obligation Bond Anticipation Note, 2010		8 CUSIP number N/A	
9 Name and title of officer of the issuer or other person whom the IRS may call for more information Debbie Booher, Finance Director		10 Telephone number of officer or other person (425) 486-3256	

Part II Type of Issue (enter the issue price) See instructions and attach schedule

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17		
18 Other. Describe ► City Hall	18	2,000,000	
19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/>			
If obligations are BANs, check only box 19b <input checked="" type="checkbox"/>			
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	4/19/2011	\$ 2,000,000	\$ 2,000,000	0.74247 years	VR %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

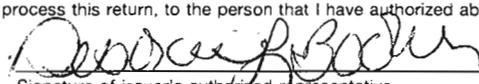
22 Proceeds used for accrued interest	22	0
23 Issue price of entire issue (enter amount from line 21, column (b))	23	2,000,000
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	0
25 Proceeds used for credit enhancement	25	0
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0
27 Proceeds used to currently refund prior issues	27	0
28 Proceeds used to advance refund prior issues	28	0
29 Total (add lines 24 through 28)	29	0
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	2,000,000

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	►	--	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	►	--	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	►	--	
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	►	--	

Part VI Miscellaneous

- | | | | |
|--|------------|----|-------------------------------------|
| 35 Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) | 35 | -- | |
| 36a Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) | 36a | -- | |
| b Enter the final maturity date of the GIC ▶ _____ | | | |
| 37 Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units | 37a | -- | |
| b If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____ | | | |
| 38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box | | | <input checked="" type="checkbox"/> |
| 39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box | | | <input type="checkbox"/> |
| 40 If the issuer has identified a hedge, check box | | | <input type="checkbox"/> |

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.			
	 Signature of issuer's authorized representative	8/6/10 Date	Debbie Boohar, Finance Director Type or print name and title	
Paid Preparer's Use Only	Preparer's signature ▶	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code ▶	EIN	91	0606972
	Foster Pepper PLLC 1111 Third Avenue, Ste 3400, Seattle, WA 98101	Phone no.	(206)	447-4400

SUPPLEMENTAL TAX EXEMPTION AND NONARBITRAGE CERTIFICATE

I, the undersigned, on behalf of the City of Poulsbo, Washington (the "City"), certify as follows:

I am the duly appointed and acting Finance Director of the City and, as such, am an officer of the City responsible, together with others, for issuing the City's Limited Tax General Obligation Bond Anticipation Note, 2010 (the "Note"), in the principal amount of not to exceed \$2,000,000. The City is able to draw down on the principal of the Note from time to time. The Note was dated and delivered to the initial purchaser thereof on April, 19 2010 (the "delivery date"). On the date hereof (the "issue date"), the City made a draw on the Note that caused the aggregate principal drawn thereunder to exceed the lesser of \$50,000 or 5% of the issue price of the Note.

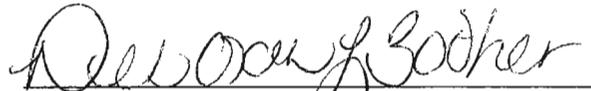
This certificate is executed to establish the facts, estimates and circumstances in existence on the issue date and the bona fide reasonable expectations of the City on the issue date as to future events in connection with the Note for the purposes of the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations under Sections 103 and 148-150 of the Code.

To the best of my knowledge, information and belief, the expectations with respect to the Note set forth in the Tax Exemption and Nonarbitrage Certificate of the City relating to the Note, dated as of the delivery date, remain the expectations of the City on the issue date, and the expectations of the City on the issue date about future events in connection with the Note are reasonable.

DATED as of July 22, 2010.

CITY OF POULSBO, WASHINGTON

By



Deborah Booher, Finance Director

RECEIPT FOR FIRST LOAN DRAW

The City of Poulsbo, Washington (the "City"), acknowledges receipt this day from KeyBank National Association of \$400,000 as the proceeds of a first draw in the amount of \$400,000 on the City's \$2,000,000 par value Limited Tax General Obligation Bond Anticipation Note, 2010, dated April 19, 2010.

DATED: July 22, 2010



Deborah Booher, Finance Director