

RESOLUTION NO. 324

A RESOLUTION AUTHORIZING NEGOTIATION OF THE SALE OF  
GENERAL OBLIGATION SEWER BOND ANTICIPATION NOTES,  
SERIES 1997, IN AN AMOUNT NOT TO EXCEED \$1,000,000; AND  
RELATED MATTERS.

The City of Aurora in Marion County, Oregon (the "City") finds:

A. The City conducted an election on May 20, 1997, at which time the voters approved the issuance and sale of general obligation bonds in an amount not to exceed \$4,000,000 to provide funds to design and obtain permits for a sewer system, to acquire land, make site improvements, construct a wastewater treatment plant, collection system, pump stations and related facilities and equipment and to pay bond issuance costs (the "Project").

B. Oregon Revised Statutes Section 288.165 authorizes the City to borrow money and issue its notes for the interim financing of public improvements and to determine the method and terms of sale, upon determining that certain conditions have been met.

C. Notes issued pursuant to this authority shall not exceed in the aggregate the estimated unpaid cost of the Project, and the maturity date of the Notes herein authorized is not later than one year from the completion date of the improvements to be financed, which the City estimates will be completed on December, 2000.

D. Nothing herein shall cause or give rise to any shift, transfer or conversion of fees, assessments or other charges within the meaning of Ballot Measure 50 approved by Oregon voters at the general election held May 20, 1997.

NOW, THEREFORE, BE IT RESOLVED:

1. Notes Authorized. The City Council authorizes the issuance of General Obligation Sewer Bond Anticipation Notes, Series 1997, in an aggregate principal amount not to exceed \$1,000,000 (the "Notes") pursuant to ORS 288.165 for the purpose of funding a portion of the interim costs of the wastewater treatment system (the "System") and to pay the costs of issuing the Notes. The Notes shall be dated as of the date of issuance, shall mature not later than three years from the date of the Notes, and shall bear interest payable at maturity at a rate to be established by the Mayor or her designee which shall not exceed a net effective rate of eight percent (8.00%) per annum. The Notes shall be in denominations as specified by the Mayor or her designee in consultation with the purchaser(s) of the Notes.

2. Security. The Notes are secured by and payable from the proceeds of general obligation bonds to be sold by the City pursuant to the authorization of ORS Chapters 287 and 288. The City pledges such proceeds, together with the unobligated net revenues of the System owned and operated by the City, to the punctual payment of principal of and interest on the Note. The full faith and credit of the City are pledged to the payment of the Notes, subject to any applicable limitations on the taxing power of the City in effect on the date of issuance of the Notes.

3. Negotiated Sale of Notes. The Mayor or her designee is authorized to select, negotiate and execute a Note Purchase Agreement with a financial institution (the "Purchaser") for the purchase of the Notes. The City does specifically find that the private negotiated sale of the Notes is desirable.

4. Optional Redemption. The Notes will be subject to optional redemption to the extent provided in the Note Purchase Agreement.

5. Protection and Disposition of Funds. The City Recorder shall be the custodian of the proceeds of all Notes sold hereunder and such proceeds shall be deposited either in the Oregon Local Government Investment Pool or in a bank which is a member of the Federal Deposit Insurance Corporation; provided, that if any or all of the Notes are purchased by any bank in the State of Oregon, the City Recorder may cause the funds to be deposited in the bank to the extent that it is insured by the FDIC. The City Recorder is directed to establish a Construction Account into which the Note proceeds shall be deposited for so long as the Notes remain outstanding and unpaid, which account shall be continued and maintained for such purpose, except as otherwise herein provided, for so long as the said Notes remain unpaid.

6. Construction Account. The proceeds of the Notes hereby authorized shall be deposited in the Construction Account. The amounts in the Construction Account exceeding the insurance available from the Federal Deposit Insurance Corporation shall either be secured by the depository bank in accordance with State and Federal law or deposited in the Oregon Local Government Investment Pool. Withdrawals from the Construction Account shall be made only on checks signed by the City Recorder as authorized by the City Council, countersigned by the Mayor or other authorized City official, and only for the purposes for which the Notes were issued as specified in the estimate of costs. The City's share of any liquidated damages and other monies paid by defaulting contractors or their sureties shall be deposited in the Construction Account to assure completion of the System improvements. When the construction of the Project has been completed, or all construction costs have been paid in full, any balance remaining in the Construction Account shall be used immediately to pay or apply on the payment of any such Notes as may thereafter fall due, or, if said Notes have been paid from the proceeds of the sale of general obligation bonds, then the balance shall be applied to the payment of bonds in the manner prescribed by the ordinance or resolution authorizing the bonds.

7. Tax Covenants. The City covenants to use the proceeds of the Notes, and the facilities financed with the Notes, and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that interest paid on the Notes will not be includable in gross income of the Noteowners for federal income tax purposes. The City specifically covenants:

- a. to comply with the "arbitrage" provisions of Section 148 of the Code, and to pay any rebates to the United States on the gross proceeds of the Notes; and
- b. to operate the facilities financed with the proceeds of the Notes so that the Notes are not "private activity bonds" under Section 141 of the Code; and
- c. comply with all reporting requirements.

The Mayor or her designee may enter into covenants on behalf of the City to protect the tax-exempt status of the Notes.

8. Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Notes for purposes of paragraph (3) of Section 265(b) of the Code as "qualified tax-exempt obligations" and covenants that the Notes do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations, the interest on which is excludable under Section 103(a) of the Code from gross income for federal income tax purposes (excluding, however, private activity bonds other than qualified 501(c)(3) bonds) including the Notes, have been or shall be issued by the City, if any, during the calendar year 1997.

9. Exception for Small Governmental Units. The City finds and determines that the Notes comply with the statutory requirements of Section 148(f)(4)(C) of the Code in that the City is a governmental unit having general taxing powers, the Notes are not being issued for a private activity purpose, more than 95% of the net proceeds of the Notes will be used for local governmental activities of the City, and the aggregate face amount of all tax-exempt obligations which will be issued by the City during the calendar year 1997 is not reasonably expected to exceed \$5,000,000.

10. Form and Execution of Notes. The Notes shall be in substantially the form attached hereto as Exhibit A. Notes herein authorized may be issued as one or more temporary notes, which may be typewritten and exchanged for definitive notes when available. The Notes shall be executed on behalf of the City with the manual signature of the Mayor or her designee and shall be payable at the office of the City Recorder.

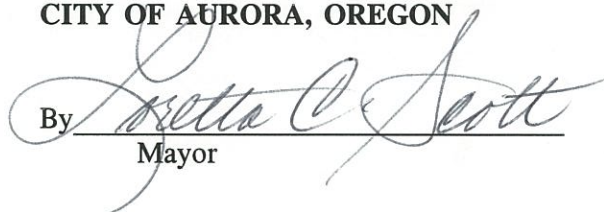
11. Authority of Mayor or Designee. The Mayor or her designee is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to issue, sell and deliver the Notes in accordance with this Resolution.

12. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Notes by those who shall own the same from time to time (the "Noteowners"), the provisions of this Resolution shall be part of the contract of the City with the Noteowners and shall be deemed to be and shall constitute a contract between the City and the Noteowners. The covenants, pledges, representations and warranties contained in this Resolution or in the closing documents executed in connection with the Notes, including without limitation the City's covenants and pledges contained in Section 2 hereof, and the other covenants and agreements herein set forth to be performed by or on behalf of the City shall be contracts for the equal benefit, protection and security of the Noteowners, all of which shall be of equal rank without preference, priority or distinction of any of such Notes over any other thereof, except as expressly provided in or pursuant to this Resolution.

ADOPTED by the City Council this 14th day of October, 1997.

APPROVED by the Mayor this 14 day of October, 1997.

CITY OF AURORA, OREGON

By   
Mayor

ATTEST:

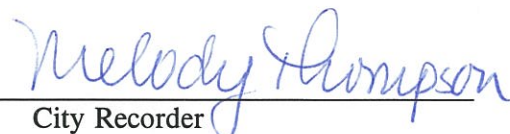
By   
City Recorder

EXHIBIT A

(BAN FORM)

No. \_\_\_\_\_

\$ \_\_\_\_\_

STATE OF OREGON  
COUNTY OF MARION  
CITY OF AURORA  
GENERAL OBLIGATION SEWER BOND ANTICIPATION NOTE  
SERIES 1997

DATED DATE:

INTEREST RATE:

MATURITY DATE:

\_\_\_\_\_, 1997

\_\_\_\_\_%

\_\_\_\_\_, \_\_\_\_

OWNER: --- \_\_\_\_\_

PRINCIPAL AMOUNT: ----- THOUSAND DOLLARS -----

THE CITY OF AURORA, Marion County, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the owner hereof the principal amount indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above. [Interest is payable on \_\_\_\_\_, 199\_.] Principal and interest upon this Note are payable upon surrender hereof to the City on the maturity date or upon earlier prepayment. Principal and interest are payable by check or draft through the office of the City Recorder at the City of Aurora, 21420 Main Street, Aurora, Oregon 97002.

This Note is one of a series of General Obligation Sewer Bond Anticipation Notes, Series 1997, in the aggregate principal amount of \$1,000,000 (the "Notes"), which are issued by the City to finance a portion of the costs of designing, constructing, and equipping a wastewater collection and treatment system pursuant to the City's authorizing Resolution No. \_\_\_ adopted on \_\_\_\_\_, 1997 (the "Resolution"), in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

The Note is subject to optional prepayment as provided in the Resolution.

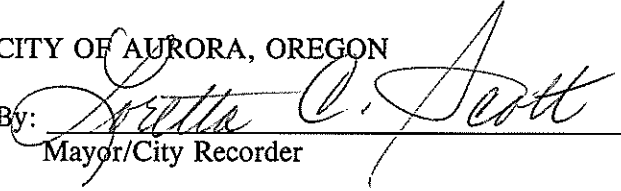
The Note is a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Note have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that this Note issue, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes. The Note is payable from the proceeds of general obligation bonds to be sold by the City pursuant to the authorization of ORS Chapters 287 and 288. The City pledges such proceeds, together with the unobligated net revenues of the wastewater treatment system owned and operated by the City, to the punctual payment of principal of and interest on the Note. The full faith and credit of the City are pledged to the payment of the Notes, subject to any applicable limitations on the taxing power of the City in effect on the date of issuance of the Notes.

IN WITNESS WHEREOF, the Council of the City of Aurora in Marion County, Oregon has caused this Note to be executed by the manual signature of its Mayor/City Recorder as of this 14 day of October, 1997.

CITY OF AURORA, OREGON

By:

  
\_\_\_\_\_  
Mayor/City Recorder