

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Ordinance No. 829 – Limited Term General Obligation (LTGO) Bond Anticipation Notes 2018 - PROS Plan Property Acquisition		
DEPARTMENT:	Administrative Services Department		
PRESENTED BY:	Sara Lane, Administrative Services Director		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The City is proceeding with plans to acquire properties for its Parks, Recreation and Open Space Plan. These purchases will vary widely in amount and the timing of each purchase is uncertain. An interim funding strategy, pending issuance of long term bonds approximately three years later, has been determined to be the best combination of flexibility and cost. Tonight, staff will review a draft Bond Anticipation Note Authorization Ordinance. If Council supports staff's recommended strategy then approval of Ordinance No. 829 will be scheduled for August 6, 2018.

RESOURCE/FINANCIAL IMPACT:

Staff is recommending that Council authorize the issuance of Bond Anticipation Notes up to \$25 million to facilitate the acquisition of properties. True interest cost on the Bond Anticipation s will not exceed 3.25%. The debt service (interest) payments may be partly or fully offset by investment income on unexpended note proceeds and income from acquired investment properties with the balance of payments funded by the City's General Fund if needed. The bond anticipation notes will be issued for a term not to exceed 3 years. If Council chooses to move forward with this Ordinance and acquisition of the properties in 2018, the General Capital fund will require an amendment to increase the appropriation for the purchase of the properties and reflect the offsetting bond proceeds. The interest costs and property revenue will be reflected beginning in the 2019/2020 budget. If Council is supportive, staff will return with a budget amendment for adoption on August 6th to coincide with the adoption of the Bond Ordinance.

RECOMMENDATION

Staff recommends that Council review the draft delegating Bond Anticipation Note Authorization Ordinance and direct staff to return with the Ordinance No. 829 and an Ordinance amending the General Capital fund budget for Council adoption on August 6, 2018.

Approved By: City Manager **DT** City Attorney **MK**

BACKGROUND

On July 31, 2017 Council approved the update to the Parks, Recreation and Open Space (PROS) Plan after 18 months of Council and Community engagement. The plan identified high priority projects for the 2018-2023 CIP as well as future projects and property acquisitions. In anticipation of a Voted Parks Bond Measure in 2019 or 2020 (Unlimited Tax General Obligation Bonds, or UTGO Bonds) staff began preliminary discussions regarding potential property acquisitions for properties included in the PROS plan. Tonight, staff will review a draft Bond Anticipation Note Authorization Ordinance, proposed Ordinance No. 829 (Attachment A), that would provide interim funding for the acquisition of such properties. Subsequent Council approval of proposed Ordinance No. 829 would occur on August 6, 2018.

DISCUSSION

Proposed Ordinance No. 829 authorizes issuance of one or more series of limited tax general obligation bond anticipation notes (Notes) in a principal amount of not to exceed \$25,000,000, to pay costs of land acquisition and costs of issuance of the Notes. The Notes of each series will have a maximum 3-year maturity, with a true interest cost not to exceed 3.25%. The administrative costs to issue the Notes are estimated to range from \$125,000 - \$190,000 depending on method of sale/issuance.

Administrative issuance costs will be paid from Note proceeds. The Notes are payable from proceeds of Unlimited Tax General Obligation Bonds (if and to the extent approved by the voters) and other legally available sources as determined to be necessary. Approval of the Bond Ordinance authorizes the City Manager (the "Designated Representative") to execute agreements necessary to pay these associated costs. Details on the potential debt issue are provided in Attachment B – PFM Memo on Interim Funding Options. The memo details potential administrative costs and interest costs for two potential debt issue scenarios. Actual costs will be based upon the debt issuance option selected.

Staff anticipates that there will be income produced from some of the properties once acquired. This income can be used to pay for interest expense on the Notes. Additionally, our analysis reveals that the General Fund is well positioned to support interest expense on the Notes until retirement from a long-term financing anticipated to be accomplished by 2021, should the income be inadequate.

Method of Sale

The draft ordinance authorizes the issuance of debt using either the direct placement method or a public offering accomplished either by negotiated sale or competitive bid. Approval of these alternative options provide the City with the flexibility to select a placement method which meets both required timing needs and cost and interest rate optimization goals. The direct placement alternative involves issuing a competitive RFP and evaluating proposals to maintain competition and ensure the lowest cost for the City. A public offering requires use of bond rating agencies and ongoing disclosure that raise the costs associated with issuing and managing the debt. The public offering could be accomplished with either a negotiated sale to a selected underwriter or a competitive bid issuance. The City's financial advisor would provide representation and

advice to the City regarding optimal means of sale and transaction assistance with whichever method is selected.

Method of Debt Authorization

As is noted above, the Bond Anticipation Note Authorization Ordinance is considered a “delegation ordinance” because it delegates the authority to a designated representative to approve the final terms of the Notes subject to the parameters established by the Council in the ordinance. The parameters include:

- Maximum principal amount
- Maximum interest rate
- Minimum purchase price
- Term of financing

So long as the parameters can be met with in the time frame approved by the Council and contained in the ordinance (one year from the effective date of the ordinance), approval of the Note Authorizing Ordinance will be the only official action taken by the Council to authorize the Notes. If the Notes cannot be sold within these parameters or within one year from the effective date of the Note Authorizing Ordinance, the authority to issue the Notes will lapse and the authorization will need to be brought back to Council for consideration.

COUNCIL GOAL(S) ADDRESSED

Council Goal 2- Improve Shoreline's infrastructure to continue the delivery of highly-valued public services. Action Step 2- Implement the [Parks, Recreation, and Open Spaces Plan](#), including development of a strategy for a new community and aquatic center and priority park improvements and acquisitions

RESOURCE/FINANCIAL IMPACT

Staff is recommending that Council authorize the issuance of Bond Anticipation Notes up to \$25 million to facilitate the acquisition of properties. True interest cost on the Bond Anticipation Notes will not exceed 3.25%. The debt service (interest) payments may be partly or fully offset by investment income on unexpended note proceeds and income from acquired investment properties with the balance of payments funded by the City's General Fund if needed. The bond anticipation notes will be issued for a term not to exceed three (3) years. If Council chooses to move forward with this Ordinance and acquisition of the properties in 2018, the General Capital fund will require an amendment to increase the appropriation for the purchase of the properties and reflect the offsetting bond proceeds. The interest costs and property revenue will be reflected beginning in the 2019/2020 budget. If Council is supportive, staff will return with a budget amendment for adoption on August 6th to coincide with the adoption of the Bond Ordinance.

RECOMMENDATION

Staff recommends that Council review the draft delegating Bond Anticipation Note Authorization Ordinance and direct staff to return with Ordinance No. 829 and an Ordinance amending the General Capital budget for Council adoption on August 6, 2018.

ATTACHMENTS

Attachment A – Ordinance No. 829

Attachment B – PFM Memo on Interim Funding Options

CITY OF SHORELINE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES
ORDINANCE NO. 829

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$25,000,000 TO PROVIDE INTERIM FINANCING FOR A PORTION OF THE COSTS OF THE CITY'S PARKS, RECREATION AND OPEN SPACE PLAN AND COSTS OF ISSUING THE NOTES; PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE CITY; DELEGATING CERTAIN AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE NOTES; AND PROVIDING FOR OTHER MATTERS RELATED THERETO.

PASSED: August 6, 2018

PREPARED BY:

PACIFICA LAW GROUP LLP
Seattle, Washington

TABLE OF CONTENTS*

	<u>Page</u>
Section 1. Definitions.....	2
Section 2. Purpose and Authorization of Bonds; Authorization of Notes	5
Section 3. Note Details, Registration, Exchange and Payments.....	6
Section 4. Redemption and Purchase of Notes	10
Section 5. Form of Notes	12
Section 6. Execution of Notes.....	12
Section 7. Project Fund; Application of Note Proceeds	12
Section 8. Tax Covenants	13
Section 9. Debt Service Fund; Pledge.....	14
Section 10. Sale of Notes	14
Section 11. Undertaking to Provide Ongoing Disclosure; Covenants	16
Section 12. Lost, Stolen or Destroyed Notes	16
Section 13. Defeasance	17
Section 14. Severability; Ratification	17
Section 15. Payments Due on Holidays	17
Section 16. Corrections by City Clerk	17
Section 17. Effective Date of Ordinance	18

Exhibit A: Form of Note

* This Table of Contents is provided for convenience only and is not a part of this ordinance.

ORDINANCE NO. 829

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$25,000,000 TO PROVIDE INTERIM FINANCING FOR A PORTION OF THE COSTS OF THE CITY'S PARKS, RECREATION AND OPEN SPACE PLAN AND COSTS OF ISSUING THE NOTES; PROVIDING FOR THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE CITY; DELEGATING CERTAIN AUTHORITY TO APPROVE THE METHOD OF SALE AND FINAL TERMS OF THE NOTES; AND PROVIDING FOR OTHER MATTERS RELATED THERETO.

WHEREAS, on July 31, 2017, the Shoreline City Council (the "Council") unanimously adopted the 2017-2023 Parks, Recreation & Open Space Plan (the "PROS Plan"); and

WHEREAS, to implement the PROS Plan, the City plans to acquire one or more sites for park and recreation purposes as described in the PROS Plan; and

WHEREAS, to provide interim financing for site acquisition and other PROS Plan costs, the City desires to issue bond anticipation notes, pending the issuance of general obligation bonds; and

WHEREAS, pursuant to RCW 39.50.020, the City may issue short-term obligations in anticipation of the sale of limited tax general obligation bonds, to be repaid from limited tax general obligation bond proceeds or from any money otherwise legally available for this purpose, including proceeds of unlimited tax general obligation bonds if approved by the voters; and

WHEREAS, the Council deems it to be in the best interest of the citizens of the City to issue and sell one or more series of short-term obligations in the form of limited tax general obligation bond anticipation notes in the aggregate principal amount of not to exceed \$25,000,000 (the "Notes"); and

WHEREAS, the Council wishes to delegate authority to the City Manager and his or her designee (the "Designated Representative"), for a limited time, to select the method of sale for the Notes authorized hereunder that is in the best interest of the City and to approve the interest rates, maturity dates, redemption terms and principal maturities for the Notes within the parameters set by this ordinance; and

WHEREAS, the Notes shall be sold by either a private placement or be underwritten, all as set forth herein;

THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words and terms shall have the following meanings, unless the context or use indicates another or different meaning or intent. Unless the context indicates otherwise, words importing the singular number shall include the plural number and vice versa.

Administrative Services Director means the City's Administrative Services Director, or the successor to such officer.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Underwritten Notes (including persons holding Underwritten Notes through nominees, depositories or other intermediaries).

Bonds mean the limited tax general obligation bonds to be issued by the City to pay and redeem the Notes if unlimited tax general obligation bonds are not issued for this purpose.

Certificate of Award means one or more certificates, if any, for the purchase of any Underwritten Notes sold by competitive sale awarding the Notes of a series to the bidder as set forth in Section 10 of this ordinance.

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

City Clerk means the duly appointed and acting City Clerk of the City or the successor to the duties of that office.

City Manager means the duly appointed and acting City Manager of the City or the successor to the duties of such office.

City Mayor or *Mayor* means the duly elected and acting Mayor of the City or the successor to the duties of such office.

Closing means the date of delivery of a Note or Notes of a series to the initial purchaser thereof.

Code means the Internal Revenue Code of 1986 as in effect on the date of issuance of a series of Notes or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Notes, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the Securities and Exchange Commission.

Continuing Disclosure Certificate means one or more written undertakings for the benefit of the owners and Beneficial Owners of any Underwritten Notes as required by Section (b)(5) of the Rule.

Council means the Shoreline City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.

Debt Service Fund means the fund or account established by the City for the purpose of paying debt service on the Notes.

Designated Representative means the City Manager and his or her designee.

Direct Purchase Notes means any Notes or Note sold to a Direct Purchaser pursuant to Section 10 of this ordinance.

Direct Purchaser means any bank or other financial institution selected to purchase (or to accept delivery of one or more Direct Purchase Notes to evidence the City's obligations under a Loan Agreement) one or more Direct Purchase Notes pursuant to Section 10 of this ordinance.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for any Underwritten Notes pursuant to Section 3 of this ordinance.

Fair Market Value means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

Federal Tax Certificate means one or more certificates executed by the Administrative Services Director or City Manager setting forth the requirements of the Code for maintaining the tax exemption of interest on the Notes of a series to be dated as of the date of Closing for such Notes, and attachments thereto.

Government Obligations means those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, as such chapter may be hereafter amended or restated.

Letter of Representations means the Blanket Issuer Letter of Representations from the City to DTC.

Loan Agreement means one or more loan or purchase agreements, if any, between the City and a Direct Purchaser under which the Direct Purchaser will make a loan to the City, evidenced by a Direct Purchase Note, or under which the Direct Purchaser will purchase the Direct Purchase Note.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions.

Official Statement means the disclosure document(s) prepared and delivered in connection with the issuance of any Underwritten Notes.

Note or *Notes* means the not to exceed \$25,000,000 City of Shoreline, Washington, Limited Tax General Obligation Bond Anticipation Notes issued in one or more series from time to time pursuant to this ordinance.

Note Counsel means Pacifica Law Group LLP or an attorney at law or a firm of attorneys, selected by the City, of nationally recognized standing in matters pertaining to the tax exempt nature of interest on bonds issued by states and their political subdivisions.

Note Purchase Contract means one or more contracts, if any, for the purchase of any Underwritten Notes sold by negotiated sale to the initial purchaser, executed pursuant to Section 10.

Note Register means the registration books showing the name, address and tax identification number of each Registered Owner of a series of Notes, maintained for the Notes in the manner required pursuant to Section 149(a) of the Code.

Note Registrar means (a) for any Underwritten Notes, initially, the fiscal agent of the State, and (b) for any Direct Purchase Notes, the Administrative Services Director of the City or the fiscal agent of the State, as determined by the City.

Project Fund means the fund or account established by the City pursuant to Section 7 of this ordinance.

Projects mean the acquisition of property for park and recreation purposes and the payment of other capital expenditures described in the PROS Plan.

PROS Plan means the 2017-2023 Parks, Recreation & Open Space Plan adopted by the Council on July 31, 2017, as the same may be amended from time to time.

Record Date means the close of business on the fifteenth day of the month preceding each principal and/or interest payment date.

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

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

Sale Document means the Note Purchase Contract, Certificate of Award, or Loan Agreement, if any, executed by the Designated Representative in connection with the sale of a series of Notes, which shall provide for the name, principal and interest payment dates and amounts, redemption/prepayment rights, and other terms to describe such series of Notes as determined to be necessary by the Designated Representative.

State means the State of Washington.

Underwriter means any underwriter, in the case of a negotiated sale, or initial purchaser, in the case of a competitive sale, for any series of Underwritten Notes selected pursuant to Section 10.

Underwritten Notes means Notes of a series, if any, sold pursuant to a negotiated or a competitive sale by the City to an Underwriter pursuant to Section 10 of this ordinance.

Section 2. Purpose and Authorization of Bonds; Authorization of Notes.

(a) *The Bonds.* The City intends to request voter approval to issue unlimited tax general obligation bonds to provide long-term financing for the Projects that will be financed on an interim basis with the proceeds of the Notes.

The Bonds to be issued shall be in such series, principal amounts, denomination(s) and form; shall be dated and bear interest at such rate or rates; shall be payable at such place or places; shall have such option of payment prior to maturity; shall contain and be subject to such covenants; and may be combined with any subsequently authorized bonds and issued as a single combined series, as provided hereafter by ordinance of the Council. The Bonds shall be payable from annual taxes levied within and as part of the tax levy permitted the City without a vote of the people, together with other money of the City that may be legally used and that the City may apply for such purpose. The full faith, credit and resources of the City are pledged for the annual levy and collection of such taxes and for the prompt payment of such principal and interest.

(b) *The Notes.* In anticipation of the issuance of the Bonds, the City shall, for the purpose of providing interim financing for a portion of the costs of the Projects and financing costs of issuing the Notes, issue the Notes from time to time in one or more series in the aggregate principal amount of not to exceed \$25,000,000. The Notes of each series may be issued at one time or at different times pursuant to the terms of this ordinance. The Notes shall be general obligations of the City, shall be designated "City of Shoreline, Washington, Limited Tax General Obligation Bond Anticipation Notes, 20XX," or other such designation as set forth in the applicable Sale Document. The Notes shall be dated as of the date of Closing of the series of Notes. The Notes shall be fully registered as to both principal and interest and shall be sold as either Direct Purchase Notes or Underwritten Notes.

Section 3. Note Details; Registration, Exchange and Payments.

(a) *Underwritten Notes.*

(1) Note Details. Any Notes of a series may be sold as Underwritten Notes. Underwritten Notes shall be issued in denominations of \$5,000, or any integral multiple thereof, within a series and maturity; shall be numbered separately in such manner and with any additional designation as the Note Registrar deems necessary for purposes of identification; shall bear interest payable on the dates set forth in the applicable Sale Document; and shall be subject to optional and/or mandatory redemption and mature on the dates and in the principal amounts set forth in the applicable Sale Document.

(2) Note Registrar/Note Register. The City hereby specifies and adopts the system of registration approved by the State Finance Committee from time to time through the appointment of a state fiscal agent. The City shall cause a Note register to be maintained by the Note Registrar. So long as any Underwritten Notes remain outstanding, the Note Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Underwritten Notes at its designated office. The Note Registrar may be removed at any time at the option of the Administrative Services Director upon prior notice to the Note Registrar and a successor Note Registrar appointed by the Administrative Services Director. No resignation or removal of the Note Registrar shall be effective until a successor shall have been appointed and until the successor Note Registrar shall have accepted the duties of the Note Registrar hereunder. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver Underwritten Notes transferred or exchanged in accordance with the provisions of such Notes and this ordinance and to carry out all of the Note Registrar's powers and duties under this ordinance. The Note Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Underwritten Notes.

(3) Registered Ownership. The City and the Note Registrar, each in its discretion, may deem and treat the Registered Owner of each Underwritten Note as the absolute owner thereof for all purposes (except as otherwise provided in this ordinance or in the Continuing Disclosure Certificate), and neither the City nor the Note Registrar shall be affected by any notice to the contrary. Payment of any such Underwritten Note shall be made only as described below, but such Underwritten Note may be transferred as provided herein. All such payments made as described below shall be valid and shall satisfy and discharge the liability of the City upon such Underwritten Note to the extent of the amount or amounts so paid.

(4) DTC Acceptance/Letters of Representations. The Underwritten Notes initially shall be held in fully immobilized form by DTC acting as depository. The City has executed and delivered to DTC the Letter of Representations. Neither the City nor the Note Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Underwritten Notes in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor

depository) or any DTC participant of any amount in respect of the principal of or interest on Underwritten Notes, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be required to be given by the City to the Note Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Underwritten Notes are held in fully immobilized form, DTC or its successor depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Notes.

(5) Use of Depository.

(A) The Underwritten Notes shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Note maturing on each of the maturity dates for the Underwritten Notes in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Notes, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the Administrative Services Director pursuant to subsection (B) below or such substitute depository's successor; or (iii) to any person as provided in subsection (D) below.

(B) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Administrative Services Director to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Administrative Services Director may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(C) In the case of any transfer pursuant to clause (i) or (ii) of subsection (A) above, the Note Registrar shall, upon receipt of all outstanding Underwritten Notes, together with a written request on behalf of the Administrative Services Director, issue a single new Underwritten Note for each series and maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Administrative Services Director.

(D) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Administrative Services Director determines that it is in the best interest of the beneficial owners of the Underwritten Notes that such owners be able to obtain such Underwritten Notes in the form of Note certificates, the ownership of such Underwritten Notes may then be transferred to any person or entity as herein provided, and such Notes shall no longer be held by a depository. The Administrative

Services Director shall deliver a written request to the Note Registrar, together with a supply of physical Notes, to issue Notes as herein provided in any authorized denomination. Upon receipt by the Note Registrar of all then outstanding Underwritten Notes together with a written request on behalf of the Administrative Services Director to the Note Registrar, new Notes shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(6) Registration of Transfer of Ownership or Exchange; Change in Denominations. The transfer of any Underwritten Note may be registered and Underwritten Notes may be exchanged, but no transfer of any such Underwritten Note shall be valid unless it is surrendered to the Note Registrar with the assignment form appearing on such Note duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Note Registrar. Upon such surrender, the Note Registrar shall cancel the surrendered Underwritten Note and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, one or more new Underwritten Notes of the same series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Underwritten Note, in exchange for such surrendered and cancelled Underwritten Note. Any Underwritten Note may be surrendered to the Note Registrar and exchanged, without charge, for an equal aggregate principal amount of Underwritten Notes of the same series, date, maturity, and interest rate, in any authorized denomination. The Note Registrar shall not be obligated to register the transfer of or to exchange any Underwritten Note during the 15 days preceding any principal payment or redemption date.

(7) Note Registrar's Ownership of Notes. The Note Registrar may become the Registered Owner of any Underwritten Note with the same rights it would have if it were not the Note Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners of Underwritten Notes.

(8) Place and Medium of Payment. Both principal of and interest on the Underwritten Notes shall be payable in lawful money of the United States of America. Interest on the Underwritten Notes shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Underwritten Notes are held by DTC, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Underwritten Notes are no longer held by a depository, interest on the Underwritten Notes shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Note Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Underwritten Notes (received by the Note Registrar at least by the Record Date), such payment shall be made by the Note Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Underwritten Notes

shall be payable upon presentation and surrender of such Underwritten Notes by the Registered Owners at the designated office of the Note Registrar.

If any Underwritten Note shall be duly presented for payment and funds have not been duly provided by the City on such applicable date, then interest shall continue to accrue thereafter on the unpaid principal thereof at the rate stated on such Underwritten Note until it is paid.

(b) *Direct Purchase Notes.*

(1) Note Details. Any Notes of a series may be sold as Direct Purchase Notes. Direct Purchase Notes shall be dated as of the date of delivery to the Direct Purchaser, shall be fully registered as to both principal and interest, shall be in one denomination, and shall mature on the date set forth in the applicable Sale Document. Direct Purchase Notes shall bear interest from the dated date or the most recent date to which interest has been paid at the interest rate set forth in the applicable Sale Document. Interest on the principal amount of Direct Purchase Notes shall be calculated per annum on the basis of a year of 360 days and twelve 30-day months, or as otherwise provided in the Note and in the applicable Sale Document. Principal of and interest on Direct Purchase Notes shall be payable at the times and in the amounts as set forth in the payment schedule attached to the Direct Purchase Note.

(2) Registrar/Note Registrar. The Administrative Services Director or the State fiscal agent shall act as Note Registrar for any Direct Purchase Notes. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Direct Purchase Notes if transferred or exchanged in accordance with the provisions of the Direct Purchase Notes and this ordinance and to carry out all of the Note Registrar's powers and duties under this ordinance with respect to Direct Purchase Notes.

(3) Registered Ownership. The City and the Note Registrar may deem and treat the Registered Owner of any Direct Purchase Note as the absolute owner for all purposes, and neither the City nor the Note Registrar shall be affected by any notice to the contrary.

(4) Transfer or Exchange of Registered Ownership. Direct Purchase Notes shall not be transferrable without the consent of the City unless (i) the Direct Purchaser's corporate name is changed and the transfer is necessary to reflect such change, or (ii) the transferee is a successor in interest of the Direct Purchaser by means of a corporate merger, an exchange of stock, or a sale of assets. Notwithstanding the foregoing, Direct Purchase Notes may be transferred upon satisfaction of the requirements, if any, set forth in the applicable Sale Document and the Direct Purchase Notes.

(5) Place and Medium of Payment. Both principal of and interest on Direct Purchase Notes shall be payable in lawful money of the United States of America. Principal and interest on Direct Purchase Notes shall be payable by check, warrant, ACH transfer or by other means mutually acceptable to the Direct Purchaser and the City.

Section 4. Redemption and Purchase of Notes.

(a) *Redemption of Notes.* The Notes of each series shall be subject to mandatory redemption to the extent, if any, as set forth in the applicable Sale Document and as approved by the Designated Representative pursuant to Section 10. The Notes of each series shall be subject to optional redemption and/or prepayment on the dates, at the prices and under the terms set forth in the applicable Sale Document approved by the Designated Representative pursuant to Section 10.

(b) *Purchase of Notes.* The City reserves the right to purchase any of the Notes offered to it at any time at a price deemed reasonable by the Designated Representative.

(c) *Selection of Notes for Redemption.* If the Underwritten Notes of a series are held in book-entry only form, the selection of particular Underwritten Notes within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Underwritten Notes are no longer held by a depository, the selection of such Underwritten Notes to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c). If the City redeems at any one time fewer than all of the Underwritten Notes of a series having the same maturity date, the particular Underwritten Notes or portions of Underwritten Notes of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Note Registrar) in increments of \$5,000. In the case of an Underwritten Note of a denomination greater than \$5,000, the City and the Note Registrar shall treat each Underwritten Note as representing such number of separate Underwritten Notes each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Underwritten Note by \$5,000. In the event that only a portion of the principal sum of a Underwritten Note is redeemed, upon surrender of such Underwritten Note at the designated office of the Note Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Underwritten Note or Notes of like series, maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption or Prepayment.*

(1) Official Notice. Notice of any prepayment of Direct Purchase Notes shall be provided by the City to the Direct Purchaser as provided in the applicable Sale Document.

For so long as the Underwritten Notes of a series are held by a depository, notice of redemption (which notice may be conditional) shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Note Registrar will provide any notice of redemption to any Beneficial Owners. Unless waived by any Registered Owner of Underwritten Notes to be redeemed, official notice of any such redemption shall be given by the Note Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the

Underwritten Note or Notes to be redeemed at the address shown on the Note Register or at such other address as is furnished in writing by such Registered Owner to the Note Registrar.

All official notices of redemption shall be dated and shall state: (A) the redemption date; (B) the redemption price; (C) if fewer than all outstanding Underwritten Notes of such series are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Notes to be redeemed; (D) any conditions to redemption; (E) that (unless such notice is conditional) on the redemption date the redemption price will become due and payable upon each such Underwritten Note or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (F) the place where such Underwritten Notes are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Note Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the City shall deposit with the Note Registrar an amount of money sufficient to pay the redemption price of all the Underwritten Notes or portions of Underwritten Notes which are to be redeemed on that date. The City retains the right to rescind any redemption notice and the related optional redemption of Underwritten Notes by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Underwritten Notes for which the notice of optional redemption has been rescinded shall remain outstanding.

If notice of redemption has been given and not rescinded or revoked, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Underwritten Notes or portions of Underwritten Notes to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Note Registrar then holds sufficient funds to pay such Underwritten Notes at the redemption price, then from and after such date such Underwritten Notes or portions of Underwritten Notes shall cease to bear interest. Upon surrender of such Underwritten Notes for redemption in accordance with said notice, such Underwritten Notes shall be paid by the Note Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Underwritten Notes which have been redeemed shall be canceled by the Note Registrar and shall not be reissued.

If addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Underwritten Notes being redeemed; (B) the date of issue of the Underwritten Notes as originally issued; (C) the rate of interest borne by each Underwritten Note being redeemed; (D) the maturity date of each

Underwritten Note being redeemed; and (E) any other descriptive information needed to identify accurately the Underwritten Notes being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to the Continuing Disclosure Certificate and with such additional information as the City shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Underwritten Notes.

The foregoing notice provisions of this Section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Form of Notes. The Notes shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference.

Section 6. Execution of Notes. The Notes of each series shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

In case either of the officers who shall have executed the Notes shall cease to be an officer or officers of the City before the Notes so signed shall have been authenticated or delivered by the Note Registrar or issued by the City, such Notes 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. Any Note may be signed and attested on behalf of the City by such persons who at the date of the actual execution of such Note, are the proper officers of the City, although at the original date of such Note any such person shall not have been such officer of the City.

Only such Notes as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit A, manually executed by the Note 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 Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

Section 7. Project Fund; Application of Note Proceeds. The Administrative Services Director is hereby authorized to create a fund or account (the "Project Fund"), and subaccounts therein as necessary, for the purposes set forth in this section. A portion of the proceeds of the Notes net of any underwriter's discount and fees, shall be deposited in the Project Fund in the amounts specified in the closing memorandum prepared in connection with the issuance of the Notes. Such proceeds shall be used to pay and/or reimburse the City for the costs of the Projects and to pay costs of issuance of the Notes. The Administrative Services Director shall invest money in the Project Fund and the subaccounts contained therein in such obligations as may now or hereafter be permitted to cities of the State by law and which will mature prior to the date on which such money

shall be needed, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Upon completion of the Projects, Note proceeds (including interest earnings thereon) may be used for other capital projects of the City or shall be transferred to the Debt Service Fund.

Section 8. Tax Covenants. The City will take all actions necessary to assure the exclusion of interest on the Notes from the gross income of the owners of the Notes to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Notes, including but not limited to the following:

(a) *Private Activity Note Limitation.* The City will assure that the proceeds of the Notes are not so used as to cause the Notes to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Project.* The City will not sell or otherwise transfer or dispose of (i) any personal property components of the Projects financed with proceeds of the Notes other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4) or (ii) any real property components of the Projects financed with proceeds of the Notes, unless it has received an opinion of Note Counsel to the effect that such disposition will not adversely affect the treatment of interest on the Note as excludable from gross income for federal income tax purposes.

(c) *Federal Guarantee Prohibition.* The City will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Notes to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The City will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Notes.

(e) *No Arbitrage.* The City will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Notes which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Notes would have caused the Notes to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(f) *Registration Covenant.* The City will maintain a system for recording the ownership of each Note that complies with the provisions of Section 149 of the Code until all Notes have been surrendered and canceled.

(g) *Record Retention.* The City will retain its records of all accounting and monitoring it carries out with respect to the Notes for at least three years after the Notes mature or are redeemed (whichever is earlier); however, if the Notes are redeemed and

refunded, the City will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Notes.

(h) *Compliance with Federal Tax Certificate.* The City will comply with the provisions of the Federal Tax Certificate with respect to each series of Notes, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Notes.

Section 9. Debt Service Fund; Pledge. The City hereby authorizes the creation of a fund or account to be used for the payment of debt service on the Notes (the “Debt Service Fund”). No later than the date each payment of principal of or interest on the Notes becomes due, the City shall transmit sufficient funds, from the Debt Service Fund or from other legally available sources, to the Note Registrar for the payment of such principal or interest. Money in the Debt Service Fund may be invested in legal investments for City funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Any interest or profit from the investment of such money shall be deposited in the Debt Service Fund.

The City covenants that on or before the maturity date of the Notes of a series it will issue unlimited tax general obligation bonds, if and to the extent such bonds are approved by the voters, the Bonds, refunding bond anticipation notes, or a combination of the foregoing in an amount sufficient to pay the Notes of each series when due.

The Notes are general obligations 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 Notes 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 Notes by making full provision for the payment thereof.

Section 10. Sale of Notes.

(a) *Note Sale.* The Council has determined that it would be in the best interest of the City to delegate to the Designated Representative for a limited time the authority to determine the method of sale for the Notes in one or more series and to approve the final interest rates, maturity dates, redemption terms and principal maturities for each series of Notes. Notes may be issued pursuant to this ordinance at one time or from time to time as provided herein. The Designated Representative is hereby authorized to approve the issuance, from time to time, of one or more series of Notes and to determine whether the Notes of such series shall be sold in a private placement to a Direct Purchaser or to an Underwriter through a competitive public sale or a negotiated sale, as set forth below.

(b) *Direct Purchase.* If the Designated Representative determines that the Notes of a series are to be sold by private placement, the Designated Representative shall solicit proposals to purchase the Direct Purchase Notes and to select the Direct Purchaser

that submits the proposal that is in the best interest of the City. Direct Purchase Notes shall be sold to the Direct Purchaser pursuant to the terms of a Loan Agreement.

(c) *Negotiated Note Sale.* If the Designated Representative determines that the Notes of a series are to be sold by negotiated public sale, the Designated Representative shall solicit underwriting proposals and shall select the Underwriter whose proposal the Designated Representative believes is in the best interest of the City. Such Notes shall be sold to the Underwriter pursuant to the terms of a Note Purchase Contract.

(d) *Competitive Sale.* If the Designated Representative determines that the Notes of a series are to be sold at a competitive public sale, the Designated Representative shall: (1) establish the date of the public sale; (2) establish the criteria by which the successful bidder will be determined; (3) request that a good faith deposit in an amount not less than one percent of the principal amount of the offering accompany each bid; (4) cause notice of the public sale to be given; and (5) provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. The Designated Representative shall cause the notice of sale to be given and provide for such other matters pertaining to the public sale as he or she deems necessary or desirable. Such Notes shall be sold to the Underwriter pursuant to the terms of a Certificate of Award.

(e) *Sale Parameters.* The Designated Representative is hereby authorized approve the method of sale and the final interest rates, aggregate principal amount, principal maturities, and redemption rights for each series of Notes in the manner provided hereafter so long as:

(1) the aggregate principal amount (face amount) of all Notes issued pursuant to this ordinance does not exceed \$25,000,000;

(2) the final maturity date for each series of Notes is no later than 36 months from date of issuance of such series;

(3) the true interest cost for each series of Notes does not exceed 3.25%;

(4) the Notes of each series are sold (in the aggregate) at a price not less than 98%; and

(5) the coupon rate for each maturity of the Notes of each series does not exceed 5.00%.

Subject to the terms and conditions set forth in this section, the Designated Representative is hereby authorized to execute the applicable Sale Document for a series of Notes. Following the execution of the applicable Sale Document, the Designated Representative shall provide a report to the Council describing the final terms of the Notes approved pursuant to the authority delegated in this section.

The authority granted to the Designated Representative by this Section 10 shall expire one year after the effective date of this ordinance. If a Sale Document for the

Notes of a series has not been executed by such date, the authorization for the issuance of such series of Notes shall be rescinded, and such Notes shall not be issued nor their sale approved unless such Notes shall have been re-authorized by ordinance of the Council.

(f) *Delivery of Notes; Documentation.* The proper officials of the City, including the Administrative Services Director and the Designated Representative, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Notes to the purchaser thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Notes in accordance with the terms of the applicable Sale Document. Such documents may include, but are not limited to, documents related to a municipal Note insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Notes as provided therein, if such insurance is determined by the Designated Representative to be in the best interest of the City.

(g) *Preliminary and Final Official Statements.* The Administrative Services Director and the City Manager are each hereby authorized to deem final the preliminary Official Statement(s) relating to any Underwritten Notes for the purposes of the Rule. The Administrative Services Director and the City Manager are each further authorized to approve for purposes of the Rule, on behalf of the City, the final Official Statement(s) relating to the issuance and sale of any Underwritten Notes and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 11. Undertaking to Provide Ongoing Disclosure; Covenants.

(a) The City covenants to execute and deliver at the time of Closing of any Underwritten Notes a Continuing Disclosure Certificate. The Administrative Services Director and the City Manager are each hereby authorized to execute and deliver a Continuing Disclosure Certificate upon the issuance, delivery and sale of any Underwritten Notes with such terms and provisions as such individuals shall deem appropriate and in the best interests of the City.

(b) The City may agree to provide the Direct Purchaser certain financial or other information and agree to such additional covenants as determined to be necessary by the Designated Representative and as set forth in the Loan Agreement and approved by the Designated Representative pursuant to Section 10.

Section 12. Lost, Stolen or Destroyed Notes. In case any Note or Notes shall be lost, stolen or destroyed, the Note Registrar may authenticate and deliver a new Note or Notes of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Note Registrar in connection therewith and upon his/her filing with the City evidence satisfactory to the City that such Note was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City and/or the Note Registrar with indemnity satisfactory to the City and the Note Registrar.

Section 13. Defeasance. In the event that the City, in order to effect the payment, retirement or redemption of any Note, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Note in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on such Note. The owner of a Note so provided for shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Note shall be deemed to be not outstanding under this ordinance. The City shall give written notice of defeasance of the Note in accordance with the Continuing Disclosure Certificate.

Section 14. Severability; Ratification. 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 Notes. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 15. Payments Due on Holidays. If an interest and/or principal payment date for a series of Notes is not a business day, then payment shall be made on the next business day and no interest shall accrue for the intervening period.

Section 16. Corrections by Clerk. Upon approval of the City Attorney and Note Counsel and without further action of the Council, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 17. Effective Date of Ordinance. This ordinance shall take effect and be in force five (5) days from and after its passage, approval, and publication, as required by law. A summary of this ordinance, consisting of the title, may be published in lieu of publishing the ordinance in its entirety.

PASSED BY THE CITY COUNCIL ON _____, 2018.

Mayor Will Hall

ATTEST:

APPROVED AS TO FORM:

Jessica Simulcik-Smith
City Clerk

Pacifica Law Group LLP
Note Counsel

Date of Publication: _____, 2018

Effective Date: _____, 2018

Exhibit A

Form of Note

[DTC LANGUAGE][TRANSFER RESTRICTIONS]

UNITED STATES OF AMERICA

NO. _____

STATE OF WASHINGTON

CITY OF SHORELINE

LIMITED TAX GENERAL OBLIGATION BOND ANTICIPATION NOTE[S], 20[___]

INTEREST RATE: % MATURITY DATE: [CUSIP NO.:]

REGISTERED OWNER:

PRINCIPAL AMOUNT:

[The City of Shoreline, Washington (the “City”) hereby acknowledges itself to owe and for value received promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from the date of delivery, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above (the “Interest Rate”). Interest on this Note shall accrue from its dated date until paid and shall be computed per annum on the principal amount outstanding on the basis of a year of 360 days and twelve 30-day months. Principal of and accrued interest on this Note shall be payable on the dates set forth in the payment schedule attached hereto.] [The City of Shoreline, Washington (the “City”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest thereon from _____, 2018, or the most recent date to which interest has been paid or duly provided for until payment of this Note at the Interest Rate set forth above, payable on _____ 1, 20____, and semiannually thereafter on the first days of each succeeding _____ and _____. Both principal of and interest on this Note are payable in lawful money of the United States of America. The fiscal agent of the State of Washington has been appointed by the City as the authenticating agent, paying agent and registrar for the Notes of this issue (the “Note Registrar”). For so long as the Notes of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company (“DTC”) referred to in the Blanket Issuer Letter of Representations (the “Letter of Representations”) from the City to DTC.]

The Notes of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. ____ duly passed by the City Council on _____, 2018 (the “Note Ordinance”). Capitalized terms used in this Note have the meanings given such terms in the Note Ordinance.

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 or on behalf of the Note Registrar or its duly designated agent.

This Note [is one of an authorized issue of Notes of like series, date, tenor, rate of interest and date of maturity, except as to number and amount, in the aggregate principal amount of \$_____ and] is issued pursuant to the Note Ordinance to provide a portion of the funds necessary (a) to pay costs to acquire sites for park and recreation purposes and for other capital expenditures described in the Parks, Recreation and Open Space Plan, and (b) to pay costs of issuance.

[insert description of redemption or prepayment terms]

The City has covenanted with the owner of this Note that it will issue and sell limited tax general obligation bonds in an aggregate principal amount sufficient, with such other moneys of the City available for such purposes as the Council may from time to time appropriate and set aside, to pay the principal of and interest on this Note when due, unless the City issues its unlimited tax general obligation bonds for this purpose with voter approval, and will thereupon redeem this Note. The City further covenants that it will levy taxes annually upon all the taxable property in the City within the levy limits permitted to cities without a vote of the electors and in amounts sufficient, with other monies 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. The pledge of tax levies for payment of principal of and interest on the Notes may be discharged prior to maturity of the Notes by making provision for the payment thereof on the terms and conditions set forth in the Note Ordinance.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Washington to exist and to have happened, been done and performed precedent to and in the issuance of this Note exist and have happened, been done and performed and that the issuance of this Note and the Notes of this issue 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 Shoreline, Washington, has caused this Note to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City to be imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 20____.

[SEAL]

CITY OF SHORELINE, WASHINGTON

By _____
/s/ manual or facsimile
Mayor

ATTEST:

/s/ manual or facsimile
City Clerk

[FOR UNDERWRITTEN NOTES]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This Note is one of the Notes described in the within-mentioned Note Ordinance and is one of the Limited Tax General Obligation Bond Anticipation Notes, 20____, of the City of Shoreline, Washington, dated _____, 20____.

WASHINGTON STATE FISCAL AGENT,
as Note Registrar

By _____

[FOR DIRECT PURCHASE NOTES]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This Note is the Limited Tax General Obligation Bond Anticipation Note, 20____, of the City of Shoreline, Washington, dated _____, 20____, described in the within-mentioned Note Ordinance.

[Administrative Services Director],
as Note Registrar

REGISTRATION CERTIFICATE

This Note is registered in the name of the Registered Owner on the books of the City, in the office of the Administrative Services Director of the City, as to both principal and interest. All payments of principal of and interest on this Note shall be made by the City as provided in the Note Ordinance.

Date of Registration	Name and Address of Registered Owner
_____, 20____	_____

PAYMENT SCHEDULE

Principal and interest on this Note shall be payable as set forth in the following schedule:

Date	Principal	Interest	Total Payment
------	-----------	----------	---------------

CERTIFICATE

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

1. The attached copy of Ordinance No. ____ (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on _____, 2018, as that ordinance appears in the minute book of the City; and the Ordinance will be in full force and effect five (5) days after its passage and publication as provided by law; and

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 the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

3. The Ordinance has not been amended, supplemented or rescinded since its passage and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2018.

City Clerk



February 28, 2018

Memorandum

To: Sara Lane
City of Shoreline, Washington

From: Fred Eoff
PFM Financial Advisors LLC

Re: Interim Funding Options

The City is embarking on the early phases of its Parks, Recreation and Open Space initiative. In the early stages it may be necessary, or preferable, to acquire certain properties for inclusion in this plan prior to the time at which a more complete financing is completed for overall funding and development. The goal with this Memorandum is to provide an initial overview of optional approaches available to the City to accomplish this objective.

General:

The City maintains a strong general credit rating based on internal strong financial operations and practices and positive demographic wealth and economic factors. S&P Global Ratings has for some time maintained a “AA+” rating for Shoreline. This rating will greatly facilitate and simplify the City’s efforts to arrange a favorable funding facility to achieve its property acquisition goals irrespective of which approach it chooses.

Option 1: Interim Line of Credit

In terms of investment of staff time the easiest option would be a credit facility in the form of a line of credit (LOC) arranged with a commercial bank. This type of facility has been used with increasing regularity in the last 3-5 years by many municipal borrowers. The number of banks who are interested in utilizing their capital in support of this type of loan has grown significantly and has had a positive effect on terms which the City can expect to achieve. It would not be unreasonable to expect to complete a LOC placement within 30 – 45 days.

The LOC is typically structured with drawdown capability allowing funds to be advanced in an amount, and at a flexible time, as needed for specific property acquisition. This significantly reduces interest expense when contrasted to a traditional bond financing with all proceeds delivered at transaction closing. If the City chooses to utilize a variable rate pricing the LOC can be fully flexible in terms of both drawdown and redemption. If in a fixed rate form, drawdown flexibility is possible but redemption prior to a specified maturity will usually come with costs as most banks will utilize swap hedging in support of the fixed rate and an early redemption may expose them to swap termination costs. We have seen them require early redemption call premiums to offset this potential cost.

Exhibit A models hypothetical costs associated with a LOC providing capacity for \$25,000,000 of property acquisitions over a three-year period. We assume the balance of draws on the LOC would be paid from a subsequent long-term financing.

Option 2: Short Term Note

The City could finance its projected acquisitions with a short-term note issued near the outset of the time during which it expected to need funding for property acquisitions. Proceeds of the Note would be invested as best as possible in anticipation of acquisitions. Investment income on the project fund effective offsets some of the interest cost on the Notes and reduces overall cost to the City. To optimize the sale of Notes it would be advisable to apply for a rating from S&P Global which will increase the staff workload somewhat over the LOC option. The timeframe from start to closure with



the Note option would be approximately 60 days dependent on timing of Council meeting schedules during the process period.

Transaction Cost Comparison

A summary of estimated transaction costs for each alternative are provided in the table below:

	<u>Option 1: LOC</u>	<u>Option 2: Notes</u>
Underwriter Fee		\$121,650
Bank Origination Fee	\$62,500	
Bank Counsel	10,000	
Bond Counsel	25,000	25,000
Financial Advisor	25,000	25,000
Disclosure Statement		8,000
Rating		10,000
Totals	\$122,500	\$189,650

City of Shoreline, Washington
PROS Project Interim Funding
Option 1: Line of Credit

Attachment B EXHIBIT A

Month	30-Day LIBOR	LOC Rate ¹	Acquisition Draws	LOC Funded Balance	Principal Redemption	Interest Expense	Undrawn Capacity Fee	Total Monthly Cost
6/1/18	1.85%	1.98%	\$5,122,500	\$5,122,500				
7/1/18	1.85%	1.98%		5,122,500		\$8,452	\$3,333	\$11,785
8/1/18	1.85%	1.98%		5,122,500		8,452	\$3,313	\$11,765
9/1/18	1.85%	1.98%		5,122,500		8,452	\$3,313	\$11,765
10/1/18	1.85%	1.98%		5,122,500		8,452	\$3,313	\$11,765
11/1/18	1.85%	1.98%		5,122,500		8,452	\$3,313	\$11,765
12/1/18	2.10%	2.18%	5,000,000	10,122,500		8,452	\$2,480	\$10,932
1/1/19	2.10%	2.18%		10,122,500		18,389	\$2,480	\$20,869
2/1/19	2.10%	2.18%		10,122,500		18,389	\$2,480	\$20,869
3/1/19	2.35%	2.38%		10,122,500		18,389	\$2,480	\$20,869
4/1/19	2.35%	2.38%		10,122,500		20,076	\$2,480	\$22,556
5/1/19	2.35%	2.38%		10,122,500		20,076	\$2,480	\$22,556
6/1/19	2.35%	2.38%	5,000,000	15,122,500		20,076	\$1,646	\$21,723
7/1/19	2.35%	2.38%		15,122,500		29,993	\$1,646	\$31,639
8/1/19	2.60%	2.58%		15,122,500		29,993	\$1,646	\$31,639
9/1/19	2.60%	2.58%		15,122,500		32,513	\$1,646	\$34,160
10/1/19	2.60%	2.58%		15,122,500		32,513	\$1,646	\$34,160
11/1/19	2.60%	2.58%		15,122,500		32,513	\$1,646	\$34,160
12/1/19	2.85%	2.78%		15,122,500		32,513	\$1,646	\$34,160
1/1/20	2.85%	2.78%		15,122,500		35,034	\$1,646	\$36,680
2/1/20	2.85%	2.78%		15,122,500		35,034	\$1,646	\$36,680
3/1/20	2.85%	2.78%		15,122,500		35,034	\$1,646	\$36,680
4/1/20	2.85%	2.78%	5,000,000	20,122,500		35,034	\$813	\$35,847
5/1/20	2.85%	2.78%		20,122,500		46,617	\$813	\$47,430
6/1/20	2.85%	2.78%		20,122,500		46,617	\$813	\$47,430
7/1/20	2.85%	2.78%		20,122,500		46,617	\$813	\$47,430
8/1/20	2.85%	2.78%		20,122,500		46,617	\$813	\$47,430
9/1/20	2.85%	2.78%		20,122,500		46,617	\$813	\$47,430
10/1/20	2.85%	2.78%	5,000,000	25,122,500		46,617	-\$20	\$46,597
11/1/20	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
12/1/20	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
1/1/21	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
2/1/21	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
3/1/21	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
4/1/21	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
5/1/21	2.85%	2.78%		25,122,500		58,200	-\$20	\$58,180
6/1/21	2.85%	2.78%		25,122,500	25,122,500	58,200	-\$20	\$25,180,680
			\$25,122,500		\$25,122,500	\$1,241,590	\$52,619	\$26,416,709

¹ Projected at 80% of 30-day LIBOR plus 0.50%

**City of Shoreline, Washington
PROS Project Interim Funding
Option 2: Short Term Note**

**Attachment B
Exhibit B**

Month	Acquisition Draws	Project Fund Balance	Project Fund Earnings ¹	Principal Redemption	Interest Expense	Total Monthly Cost
6/1/18	\$5,000,000	\$20,000,000				
7/1/18		20,000,000	\$25,000			(25,000)
8/1/18		20,000,000	\$25,000			(25,000)
9/1/18		20,000,000	\$25,000			(25,000)
10/1/18		20,000,000	\$25,000			(25,000)
11/1/18		20,000,000	\$25,000			(25,000)
12/1/18	5,000,000	15,000,000	\$25,000		365,100	340,100
1/1/19		15,000,000	\$18,750			(18,750)
2/1/19		15,000,000	\$18,750			(18,750)
3/1/19		15,000,000	\$18,750			(18,750)
4/1/19		15,000,000	\$18,750			(18,750)
5/1/19		15,000,000	\$18,750			(18,750)
6/1/19	5,000,000	10,000,000	\$18,750		365,100	346,350
7/1/19		10,000,000	\$12,500			(12,500)
8/1/19		10,000,000	\$12,500			(12,500)
9/1/19		10,000,000	\$12,500			(12,500)
10/1/19		10,000,000	\$12,500			(12,500)
11/1/19		10,000,000	\$12,500			(12,500)
12/1/19		10,000,000	\$12,500		365,100	352,600
1/1/20		10,000,000	\$12,500			(12,500)
2/1/20		10,000,000	\$12,500			(12,500)
3/1/20		10,000,000	\$12,500			(12,500)
4/1/20	5,000,000	5,000,000	\$12,500			(12,500)
5/1/20		5,000,000	\$6,250			(6,250)
6/1/20		5,000,000	\$6,250		365,100	358,850
7/1/20		5,000,000	\$6,250			(6,250)
8/1/20		5,000,000	\$6,250			(6,250)
9/1/20		5,000,000	\$6,250			(6,250)
10/1/20	5,000,000	0	\$6,250			(6,250)
11/1/20		0	\$0			0
12/1/20		0	\$0		365,100	365,100
1/1/21		0	\$0			0
2/1/21		0	\$0			0
3/1/21		0	\$0			0
4/1/21		0	\$0			0
5/1/21		0	\$0			0
6/1/21			\$0	24,340,000	365,100	24,705,100
	\$25,000,000		\$425,000	\$24,340,000	\$2,190,600	\$26,105,600

¹ Project fund income projected at:

1.50%