CITY COUNCIL AGENDA REQUEST FORM

Today's date: 11 / 29 / 16

Date of meeting 12 / 07 / 16

(City Council meetings are held the 1st and 3rd Wednesday of each month.)

Name of Citizen, Organization, Elected Official, or Department Head making request:
Treasurer Shannon Syth

Address: 1123 Lake Street

Phone number and email address: 208-263-3557

Authorized by: Shannon Syth
name of City official *City official's signature*
(Department Heads, City Council members, and the Mayor are City officials.)

Subject: Sewer Revenue Refunding Bond Ordinance - Laura McAloon, Bond Counsel

Summary of what is being requested: Approval and authorization for the Mayor to sign the 2016 Sewer Revenue Refunding Bond Ordinance and Term Sheet from Columbia Bank

The following information MUST be completed before submitting your request to the City Clerk:

1. Would there be any financial impact to the city? **Yes** ☑ **or No** ☐
   If yes, in what way? Refinancing of the 2008 Sewer Revenue Bond has reduced the interest rate and term resulting in a substantial savings to the Sewer Utility

2. Name(s) of any individual(s) or group(s) that will be directly affected by this action: — Have they been contacted? **Yes or No**

3. Is there a need for a general public information or public involvement plan? **Yes** ☐ **or No** ☑
   If yes, please specify and suggest a method to accomplish the plan:

4. Is an enforcement plan needed? **Yes** ☐ **or No** ☑ Additional funds needed? **Yes** ☐ **or No** ☑

5. Have all the affected departments been informed about this agenda item? **Yes** ☑ **or No** ☐

This form must be submitted no later than 6 working days prior to the scheduled meeting. All pertinent paperwork to be distributed to City Council must be attached.

ITEMS WILL NOT BE AGENDIZED WITHOUT THIS FORM

CITY OF SANDPOINT
AGENDA REPORT

DATE: November 29, 2016

TO: MAYOR AND CITY COUNCIL

FROM: Shannon Syth, Treasurer

SUBJECT: Bond Ordinance 2016 Sewer Revenue Refunding Bond

DESCRIPTION/BACKGROUND: The City has determined that it is in the best interest of the City's Sewer Utility System to refinance the 2007 Sewer Revenue Promissory Note. Refinancing has provided the opportunity to clean up some land issues, decrease the interest rate, and accelerate the term of the debt resulting in a substantial savings to the utility.

The Council received a presentation from our Financial Advisor, Michael Keith of Piper Jaffray, at the November 16th City Council meeting to review the proposals received from five local banks and to substantiate the selection of Columbia Bank's proposal for the refinance.

Tonight is the next and final step in the process. The City's Bond Counsel, Laura McAloon will usher us through the Bond Ordinance process and answer any questions you may have regarding the documents provided in the packet and/or the process.

STAFF RECOMMENDATION: to approve and authorize Mayor to sign the Bond Ordinance to refinance the City's Sewer Revenue Promissory Note, Series 2007.

ACTION: to approve Ordinance #1339 authorizing the issuance of the sewer revenue refunding bond of the City, in the aggregate principal amount of $4,230,000 to provide the funds necessary to repay the City's outstanding Sewer Revenue Promissory Note, Series 2007 and providing for repayment of the Note; fixing the form, covenants and terms of the bond to be issued; reserving the right to issue future revenue bonds on parity with such bond upon compliance with certain conditions; and providing for other matters relating thereto.

WILL THERE BE ANY FINANCIAL IMPACT? Yes

HAS THIS ITEM BEEN BUDGETED?

ATTACHMENTS: Bond Ordinance #1339; Columbia Bank Term Sheet

CITY OF SANDPOINT
BONNER COUNTY, IDAHO

SEWER REVENUE REFUNDING BOND, 2016

ORDINANCE NO. 1339

AN ORDINANCE of the City of Sandpoint, Bonner County, Idaho, authorizing and providing for the issuance of the City's Sewer Revenue Refunding Bond, 2016, in the aggregate principal amount of $4,230,000, to provide the funds necessary to prepay the City's outstanding Sewer Revenue Promissory Note, Series 2007; providing for the prepayment of the Note; fixing the form, covenants and terms of the bond to be issued; reserving the right to issue future revenue bonds on a parity with such bond upon compliance with certain conditions; and providing for other matters relating thereto.

Approved: December 7, 2016

Prepared by:

WORKLAND & WITHERSPOON, PLLC
Spokane, Washington

CITY OF SANDPOINT
ORDINANCE NO. 1339
Table of Contents*

Page

Section 1. Definitions 3

Section 2. Authorization and Description of Bond 9

Section 3. Prepayment 10

Section 4. Revenue Fund and Priority of Application of Revenue of the System 10

Section 5. Bond Fund 11

Section 6. Application of Bond Proceeds; Refunding Plan; Appointment of Escrow Agent 12

Section 7. Bond Covenants 13

Section 8. Issuance of Future Parity Bonds 17

Section 9. Tax Covenants; Designation of the Bond as a "Qualified Tax Exempt Obligation". 18

Section 10. Transfer 21

Section 11. Lost or Destroyed Bond 21

Section 12. Events of Default 21

Section 13. Form of Bond 22

Section 14. Execution of the Bond 24

Section 15. Sale of Bond 25

Section 16. Severability 25

Section 17. General Authorization 25

Section 18. Validity of Issue 25

Section 19. Prior Acts 25

Section 20. Effective Date 26

* This Table of Contents and the cover page are provided for convenience of the reader only and are not a part of this ordinance.

ORDINANCE NO. 1339

AN ORDINANCE of the City of Sandpoint, Bonner County Idaho, authorizing and providing for the issuance of the City's Sewer Revenue Refunding Bond, 2016, in the aggregate principal amount of $4,230,000, to provide the funds necessary to prepay the City's outstanding Sewer Revenue Promissory Note, Series 2007; providing for the prepayment of the Note; fixing the form, covenants and terms of the bond to be issued; reserving the right to issue future revenue bonds on a parity with such bond upon compliance with certain conditions; and providing for other matters relating thereto.

CITY OF SANDPOINT
BONNER COUNTY, IDAHO
SEWER REVENUE REFUNDING BOND, 2016

BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF SANDPOINT, Bonner County, Idaho, as follows:

WHEREAS, the City of Sandpoint, Bonner County, Idaho (the "City") is a municipal corporation duly organized and operating under and pursuant to the laws of the State of Idaho; and

WHEREAS, the City owns and operates a municipal sewer collection and treatment system (the "System") for the benefit of the residents of the City; and

WHEREAS, the City Council of the City (the "City Council") is authorized and empowered by the Revenue Bond Act of the State of Idaho, Sections 50-1027 through 50-1042 (the "Revenue Bond Act") to issue bonds to refinance outstanding revenue obligations of the City; and

WHEREAS, the City has outstanding its Sewer Revenue Promissory Note, Series 2007, pursuant to Resolution No. 07-74, adopted on September 19, 2007 (the "Note"), a Loan Agreement between the City and the Idaho Bond Bank Authority (the "Authority") dated as of November 1, 2007 (the "Loan Agreement"), and the Judicial Confirmation Findings of Fact,

Conclusions of Law and Judgment (CV-2007-00846), dated July 10, 2007 (the "Judicial Confirmation Order"); and

WHEREAS, Article VII of the Loan Agreement provides that the City may prepay its obligations under the Loan Agreement to effect the redemption of the then-outstanding bonds of the Authority related to the City's obligations under the Loan Agreement. Article VIII of the Loan Agreement provides that the City's obligations under the Loan Agreement shall cease, terminate and become void, and be discharged and satisfied upon the City's payment of money and/or Government Obligations, the interest on and principal of which will be sufficient, in the opinion of an independent certified public accountant, to pay when due the Repayment Installments of the City under the Loan Agreement. The following Repayment Installments remain outstanding on the Note:

Period Ending	**Principal Amount**	**Interest**
September 15, 2017	$415,000	4.125%
September 15, 2018	435,000	4.000
September 15, 2019	450,000	4.000
September 15, 2020	470,000	4.000
September 15, 2021	490,000	4.000
September 15, 2022	510,000	4.125
September 15, 2023	530,000	4.125
September 15, 2024	550,000	4.125
September 15, 2025	575,000	4.125
September 15, 2026	595,000	4.250
September 15, 2027	625,000	4.250

; and

WHEREAS, Columbia State Bank, Sandpoint, Idaho, has offered to purchase the City's Sewer Revenue Refunding Bond, 2016, on the terms and conditions set forth in its commitment letter dated November 11, 2016; and

WHEREAS, the Council desires to prepay the Note as allowed by the Loan Agreement with the proceeds of the revenue refunding bond authorized herein, together with other funds of the City, at substantial savings to the City and its System ratepayers; and

WHEREAS, the Council now deems it necessary and in the best interest of the City and its System ratepayers that it issue its Sewer Revenue Refunding Bond, 2016, to Columbia State Bank in order to realize savings from reduced interest rates and shortened repayment term; and

WHEREAS, the City now desires to issue its Sewer Revenue Refunding Bond, 2016, in the principal amount of $4,230,000 under the terms of this ordinance;

NOW, THEREFORE, THE MAYOR AND COUNCIL OF THE CITY OF SANDPOINT, BONNER COUNTY, IDAHO DOES ORDAIN as follows:

Section 1. **Definitions**. As used in this ordinance the following terms shall have the following meanings:

Annual Debt Service means, as the context requires, the total amount of debt service for any Future Parity Bond or series of Future Parity Bonds or other evidences of indebtedness payable from Revenue of the System in any Fiscal Year.

Authority means the Idaho Bond Bank Authority.

Average Annual Debt Service means the average amount of Annual Debt Service which will become due on any Future Parity Bonds for the period from the date of such calculation until the final maturity date of the Future Parity Bonds then outstanding.

Bank means Columbia State Bank, Sandpoint, Idaho or its successor or assigns as permitted herein.

Bank Offer means the Bank's offer to purchase the Bond pursuant to the Commitment Letter dated November 11, 2016, attached hereto as Exhibit "C."

Bond means the $4,230,000 principal amount of the City's Sewer Revenue Refunding Bond, 2016, issued pursuant to this ordinance.

Bond Fund means the "City of Sandpoint Sewer Revenue Bond Fund" created pursuant to Section 5 herein and to be maintained by the Treasurer for the payment of debt service on the Bond and any Future Parity Bonds.

Bond Register means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of the Bond.

Bond Registrar means the Treasurer of the City.

Bond Year means each one-year period that ends on the date selected by the City. The first and last Bond Years may be short periods. If no day is selected by the City before the earlier of the final maturity date of the Bond or the date that is five years after the date of issuance of the Bond, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bond.

City means the City of Sandpoint, Bonner County Idaho, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of Idaho.

City Clerk or Clerk means the de facto or de jure City Clerk of the City, or other officer of the City who is the custodian of the seal of the City and of the records of the proceedings of the City, or his/her successor in function, if any.

City Council means the City Council of the City, as the same shall be duly and regularly constituted from time to time.

Code means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder.

Continuing Covenant Agreement means an agreement entered into by the Treasurer and the Bank setting forth the City's and the Bank's certain terms and conditions.

Costs of Maintenance and Operation means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, but shall not include any payments for debt service or into any reserve accounts for bonds, depreciation or taxes levied or imposed by the City or payments to the City in lieu of taxes, or capital additions or capital replacements to the System.

Default Interest Rate means the fixed rate of 2.60% per annum. The Default Interest Rate shall be in effect upon the occurrence of an Event of Default pursuant to Section 12 of this ordinance.

Escrow Agent means the financial institution selected by the Treasurer pursuant to Section 6 of this ordinance.

Fiscal Year means the year commencing October 1 and ending the following September 30.

Future Parity Bonds or ***Parity Bonds*** means the Bond and any revenue bonds of the City issued after the date of issuance of the Bond and having a lien upon the money in the Revenue Fund for the payment of the principal thereof and interest thereon equal to the lien upon the money in such fund for the payment of the principal of and interest on the Bond.

Government Obligations means the state and local government securities and other direct, non-callable obligations of the United States of America acquired by the Escrow Agent under the terms of this ordinance and an escrow agreement to effect the prepayment of the Note and defeasance of the Repayment Installments.

Interest Rate means the fixed rate of 1.69% per annum, computed on an actual/360 day basis.

Loan Agreement means the Loan Agreement between the City and the Authority dated as of November 1, 2007, authorizing the issuance of the Note, and attached hereto as Exhibit "A."

Mayor means the *de facto* or *de jure* Mayor of the City, or any presiding officer or titular head of the City or his/her successor in functions, if any.

Maximum Annual Debt Service shall mean an amount equal to the greatest Annual Debt Service consisting of principal of and interest on all Parity Bonds.

Net Proceeds, when used with reference to the Bond, shall mean the face amount of the Bond, plus accrued interest and original issue premium, if any, and less original issue discount and proceeds deposited into any reserve account.

Net Revenue means Revenue of the System less Costs of Maintenance and Operation.

Note means the City of Sandpoint, Idaho, Sewer Revenue Promissory Note, Series 2007, issued in the principal amount of $8,700,000 on November 1, 2007, pursuant to the Loan Agreement, payable to the Authority, and attached hereto as Exhibit "B."

Private Person means any natural person engaged in a trade or business or any trust, estate, partnership, association, company or corporation.

Private Person Use means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Person Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management or incentive payment contract or other special arrangement) in such a manner as to set the Private Person apart from the general public. Use of property as a member of the general public includes attendance by the Private Person at municipal meetings or business rental of property to the Private Person on a day-to-day basis if the rental paid by such Private Person is the same as the

rental paid by any Private Person who desires to rent the property. Use of property by nonprofit community groups or community recreational groups is not treated as Private Person Use if such use is incidental to the governmental uses of property, the property is made available for such use by all such community groups on an equal basis and such community groups are charged only a de minimis fee to cover custodial expenses.

Rate Covenant means Net Revenue in each Fiscal Year at least equal to 125% of the amounts required in such Fiscal Year to be paid as scheduled debt service (principal and interest) on all Future Parity Bonds.

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

Repayment Installments means the payments the City is required to make to the Authority under the Loan Agreement and evidenced by the Note.

Revenue Fund means the "City of Sandpoint Sewer Revenue Fund" to be created and maintained pursuant to Section 5 of this ordinance into which all of the Revenue of the System is pledged to be deposited.

Revenue of the System or ***Revenue*** means all earnings, revenue and money received by the City from or on account of the operation of the System, including the income from investments of the money in the Revenue Fund and the Bond Fund or from any other investment thereof, except the income from investments irrevocably pledged to the payment of any other sewer revenue bonds pursuant to a plan of retirement or refunding. The words "Revenue of the System" also shall include any federal or state reimbursements of operating expenses to the extent such expenses are included as Costs of Maintenance and Operation of the System. Revenue of the System does not include proceeds of taxes levied and collected by the City.

System means the City's municipal sewer collection and treatment system, as the same may be added to, improved and extended for as long as the Bond and any Future Parity Bonds are outstanding. The term System also shall include any other utility that may in the future be combined with the System.

Treasurer means the Treasurer of the City, or his/her successor in functions, if any.

Rules of Interpretation. In this ordinance, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect;

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Words importing the singular number include the plural number and vice versa.

Section 2. Authorization and Description of Bond. For the purpose of prepaying the Note and defeasing the Repayment Installments, the City shall issue and sell its Sewer Revenue Refunding Bond, 2016 (the "Bond"). The Bond shall be designated "City of Sandpoint, Bonner County, Idaho, Sewer Revenue Refunding Bond, 2016, shall be fully registered as to both principal and interest, shall be issued in the principal amount of not to exceed $4,230,000, shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated its date of delivery, shall bear interest at the fixed rate of 1.69% per annum, and shall mature September 15, 2022. The Bond shall bear interest from its date of issuance or from its most recent interest payment date to which interest has been paid. Interest shall be calculated on an actual/360 basis and shall be payable semi-annually, commencing on March 15, 2017, and each September 15 and March 15 thereafter until paid in full. Principal shall be payable annually, commencing on September 15, 2017. The Bond will be held by the Bank in physical form, will not be rated and will not be assigned a CUSIP number.

Payments shall be applied first to interest and then to principal.

Both principal of and interest on the Bond shall be payable in lawful money of the United States of America to the owner or owners thereof at the address appearing on the registration books of the City maintained by the Treasurer. The Bond shall be payable solely from the Revenue of the System and shall not be a general obligation of the City.

The Bond shall be registered as to both principal and interest as long as any of the installments of the Bond remain unpaid, and the City shall maintain in the office of the City Treasurer books for the registration and transfer of the Bond. No transfer of the Bond so registered shall be valid unless made on said books upon the written request of the registered owner or the owner's duly authorized agent.

The Bond is not transferrable, except as set forth in Section 10 of this ordinance.

The proceeds of the Bond shall be expended, solely to prepay the Note, defease the Repayment Installments and pay the costs of issuing and selling the Bond, together with other funds of the City, as authorized herein.

Section 3. Prepayment. The City hereby reserves the right to prepay principal installments remaining unpaid at the price of par plus accrued interest, in whole, or in part at any time. Prepayments shall be applied first to interest and then to principal. Partial prepayments of principal shall be applied to the final unpaid principal installment.

Section 4. Revenue Fund and Priority of Application of Revenue of the System.

(a) *Revenue Fund*. There shall be established and maintained in the office of the Treasurer a special fund of the City designated as the "City of Sandpoint Sewer Revenue Fund" (the "Revenue Fund").

(b) *Priority of Application of Revenue of the System*. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City and the Revenue of the System deposited in such fund shall be used only for the following purposes and in the following order of priority:

First, to pay the Costs of Maintenance and Operation of the System;

Second, to pay the interest on any Future Parity Bonds;

Third, to pay the principal of any Future Parity Bonds;

Fourth, to make all payments required to be made into any reserve account, sinking fund or bond retirement account heretofore or hereafter created for the payment of the principal of or interest on Future Parity Bonds;

Fifth, to make all payments required to be made into any revenue bond redemption fund or revenue warrant redemption fund and bond fund or reserve account created

to pay and secure the payment of the principal of and interest on any revenue bonds or revenue warrants of the City having a lien upon the Revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on any Future Parity Bonds; and

Sixth, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, or for any other lawful City purposes.

Section 5. Bond Fund.

(a) *Bond Fund*. A special fund of the City designated as the "City of Sandpoint Sewer Revenue Bond Fund" (the "Bond Fund") shall be created and maintained in the office of the Treasurer and is to be drawn upon for the sole purpose of paying the principal of and interest on any Future Parity Bonds.

As long as any Future Parity Bonds remain outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay from the Revenue Fund into the Bond Fund in addition to amounts required to be paid therein on account of any other issue of Future Parity Bonds, those amounts necessary, after taking into consideration such other funds as are on hand in the Bond Fund and available for the payment of principal of and interest on the Bond, to pay the interest or principal and interest next coming due on the Bond. Such payments from the Revenue Fund shall be made on or before the day on which the regular annual payment of principal of and interest on the Bond and the semi-annual payments of interest on the Bond are due and payable in an amount equal to such regular payment.

The City covenants and agrees that in the event it issues any Future Parity Bonds that are term bonds, it will provide in each ordinance authorizing the issuance of the same for annual payments to be made from the Revenue Fund into the Bond Fund sufficient, together with

Revenue collected and deposited and such other money as is on hand and available therefor in such account, to amortize the principal of Future Parity Bonds that are term bonds on or before the maturity date thereof.

(b) *Sufficiency of Revenues*. The Council hereby finds that in fixing the amounts to be paid into the Bond Fund out of the Revenue of the System, it has exercised due regard for the Costs of Maintenance and Operation and has not obligated the City to set aside and pay into the Bond Fund a greater amount of such Revenue of the System than in its judgment will be available over and above the Costs of Maintenance and Operation and payment of debt service on any Future Parity Bonds.

Section 6. Application of Bond Proceeds; Refunding Plan; Appointment of Escrow Agent.

(a) *Application of Bond Proceeds.* The proceeds of the Bond will be used, together with other funds of the City, to prepay the Note, defease the Repayment Installments and pay costs of issuance and refunding.

(b) *Refunding Plan*. For the purpose of realizing a debt service savings and benefiting the ratepayers of the City, the Council of the City proposes to use the proceeds of the Bond to provide for the prepayment of the Note and to defease all Repayment Installments currently outstanding. The City hereby irrevocably sets aside sufficient funds out of the proceeds of the Bond to make the payments described in this section.

The City hereby irrevocably calls the following outstanding Repayment Installments of the Note for prepayment and defeasance on September 15, 2017, in accordance with the provisions of Article VII of the Loan Agreement and in accordance with the consent obtained from the Authority (the "Refunding Plan"):

Period Ending	Principal Amount	Interest
September 15, 2017	$415,000	4.125%
September 15, 2018	435,000	4.000
September 15, 2019	450,000	4.000
September 15, 2020	470,000	4.000
September 15, 2021	490,000	4.000
September 15, 2022	510,000	4.125
September 15, 2023	530,000	4.125
September 15, 2024	550,000	4.125
September 15, 2025	575,000	4.125
September 15, 2026	595,000	4.250
September 15, 2027	625,000	4.250

(c) *Appointment of Escrow Agent.* The City hereby selects Zions Bank, a division of ZB, National Association, Seattle, Washington to act as the Escrow Agent for the Refunded Bonds (the "Escrow Agent"). The Bond proceeds designated in the foregoing subsection together with a cash contribution from the City shall be transferred to the Escrow Agent in order to implement the Refunding Plan. A beginning cash balance, if any, and Government Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to prepay the Note and defease the Repayment Installments. The proceeds of the Bond remaining after acquisition of the Government Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Government Obligations and expenses of the issuance of the Bond and/or returned to the City for the payment of such expenses. The Treasurer is hereby authorized to select a certified public accountant who will confirm the accuracy of certain financial information regarding the funds to be deposited with the Escrow Agent and the implementation of the Refunding Plan.

Section 7. Bond Covenants.

(a) *Maintenance and Operation.* The City shall at all times maintain, preserve and keep the properties of the System in good repair, working order and condition and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and

betterments thereto, so that at all times the business carried on in connection therewith will be properly and advantageously conducted, and the City will at all times operate or cause to be operated said properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) *Rate Covenant*. The City will establish, maintain and collect such rates and charges, which shall be fair and nondiscriminatory, for service of its System and will maintain the Rate Covenant for so long as the Bond and any Future Parity Bonds are outstanding.

(c) *Maintain Revenue Fund Balance*. After making or providing for the payments from the Revenue Fund as required by Section 5(b) hereof, there shall be maintained in the Revenue Fund sufficient money to enable the City to meet the Costs of Maintenance and Operation of the System on a current basis.

(d) *Sale or Disposition of the System*. The City will not sell or otherwise dispose of the System in its entirety unless simultaneously with such sale or other disposition, provision is made for the payment into the Bond Fund of cash or Government Obligations sufficient together with interest to be earned thereon to pay the principal of and interest on any Future Parity Bonds, nor will it sell or otherwise dispose of any part of the useful operating properties of the System unless such facilities are replaced or provision is made for payment into the Bond Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of any Future Parity Bonds (defined as the total amount of the Future Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(2) An amount which will be in the same proportion to the net amount of any Future Parity Bonds (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(3) An amount which will be in the same proportion to the net amount of any Future Parity Bonds (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

The proceeds of any such sale or disposition of a portion of the properties of the System (to the extent required above) shall be paid into the Bond Fund.

Notwithstanding any other provision of this subsection (d), the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(e) *Liens or Encumbrances*. The City will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the System or the Revenue of the System, or any part thereof, prior or superior to the lien thereon for the payment of the Bond and any Future Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Revenue of the System, or any part thereof, or upon any funds in the hands of the City, prior to or superior to the lien of any Future Parity Bonds, or which might impair the security of Future Parity Bonds.

(f) *Insurance*. The City will keep the works, plants and facilities comprising the System insured, and will carry such other insurance, with responsible insurers, with policies

payable to the City, against risks, accidents or casualties, at least to the extent that insurance is usually carried by private corporations operating like properties, or will implement a self-insurance program with reserves adequate, in the judgment of the Council, to protect the City and the holders of the Bond and any Future Parity Bonds against loss. In the event of any loss or damage, the City will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose; or in the event the City should determine not to repair or reconstruct such damaged portion of the properties of the System, the proceeds of such insurance shall be paid into any reserve account to the extent that such transfer shall be necessary to make up any deficiency in said reserve account and the balance, if any, shall, at the option of the City, be used either for repairs, renewals, replacements, or capital additions to the System, for the redemption of the Bond and any Future Parity Bonds, or for deposit into the Bond Fund.

(g) *Books and Accounts*. The City shall keep proper books of account in accordance with any applicable rules and regulations prescribed by the State of Idaho. The City shall prepare, and any owner or holder of the Bond and any Future Parity Bonds may, upon written request, obtain copies of, balance sheets and profit and loss statements showing in reasonable detail the financial condition of the System as of the close of each year, and the income and expenses of such year, including the amounts paid into the Revenue Fund, the Bond Fund, and into any and all special funds or accounts created pursuant to the provisions of this ordinance, and the amounts expended for maintenance, renewals, replacements, and capital additions to the System.

(h) *Additions and Improvements*. The City will not expend any of the revenues derived by it from the operation of the System or the proceeds of any indebtedness payable from the Revenue of the System for any extensions, betterments or improvements to the System that

are not legally required or economically sound, and that will not properly and advantageously contribute to the conduct of the business of the System in an efficient manner.

(i) *No Free Service*. Unless permitted by law or City policy, the City will not furnish or supply or permit the furnishing or supplying of any commodity, service or facility furnished by or in connection with the operation of the System, free of charge to any person, firm or corporation, public or private, so long as the Bond and any Future Parity Bonds are outstanding and unpaid.

(j) *Continuing Covenant Agreement.* The Treasurer is hereby authorized to enter into a written agreement with the Bank setting forth the terms and conditions set forth in the Bank Offer, including but not limited to, the promise to provide Bank with audited financial statements for each fiscal year; a copy of the City's adopted budget within 90 days after each fiscal year end; and an annual certificate of compliance regarding the covenants set forth in the Bond Ordinance and in the Continuing Covenant Agreement.

Section 8. Issuance of Future Parity Bonds. Future Parity Bonds may be issued for any legal purpose, upon the following terms and conditions:

(a) *Limitations Upon Issuance of Future Parity Bonds*. Nothing contained in this ordinance shall be construed in such a manner as to prevent the issuance of Future Parity Bonds by the City or other additional obligations payable from the pledged revenues on a parity with, but not prior nor superior to, the lien of the Bond herein authorized; provided, however, that before any such Future Parity Bonds or other additional parity obligations are authorized or actually issued:

(1) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund.

(2) That at the time of the issuance of such Future Parity Bonds the City shall have on file a statement or report from the Treasurer or from an independent accountant showing that the Net Revenue of the System for the Fiscal Year preceding the year in which such Future Parity Bonds are to be issued was equal to at least 1.25 times the Maximum Annual Debt Service for any Parity Bonds then outstanding, plus Future Parity Bonds to be issued.

It is hereby provided, however, that the limitation or condition contained in subparagraph 2 of this section may be waived or modified by the written consent of the holders of 75% of all of any Parity Bonds then outstanding.

(b) *Subordinate Lien Bonds*. No provision of this ordinance or of any instrument appertaining thereto shall be deemed to limit or restrict the power of the City to issue bonds or warrants, or to make pledges of the revenues which shall be subordinate as to the lien of the Bond and which shall provide for compliance with the current provisions hereof prior to the application of any funds to said subordinate purpose.

(c) *Refunding*. The restrictions set forth above with respect to the issuance of Future Parity Bonds shall not apply if such additional bonds are issued for the sole purpose of refunding the Bond.

Section 9. Tax Covenants; Designation of the Bond as a "Qualified Tax Exempt Obligation."

(a) *Preservation of Tax Exemption for Interest on the Bond.* The City covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exemption from federal income taxation of the interest on the Bond and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exemption from federal income taxation of the interest on the Bond.

(b) *Designation of the Bond as a "Qualified Tax-Exempt Obligation."* The City hereby designates the Bond as a "qualified tax-exempt obligation" for the purposes of Section 265(b)(3) of the Code, and makes the following findings and determinations:

(1) the Bond does not constitute a "private activity bond" within the meaning of Section 141 of the Code;

(2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the City and any entity subordinate to the City (including any entity that the City controls, that derives its authority to issue tax-exempt obligations from the City, or that issues tax-exempt obligations on behalf of the City) will issue during the calendar year in which the Bond is issued will not exceed $10,000,000; and

(3) the amount of tax-exempt obligations, including the Bond, 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 Bond is issued does not exceed $10,000,000.

(c) *Arbitrage Covenant*. Without limiting the generality of the foregoing, the City covenants that it will not take any action or fail to take any action with respect to the proceeds of sale of the Bond or any other funds of the City which may be deemed to be proceeds of the Bond pursuant to Section 148 of the Code and the regulations promulgated thereunder which, if such use had been reasonably expected on the dates of delivery of the Bond to the Bank, would have caused the Bond to be designated as an "arbitrage bond" within the meaning of such term as used in Section 148 of the Code.

The City represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not

be relied upon. The City will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bond.

(d) *Private Person Use Limitation for Bond*. The City covenants that for as long as the Bond is outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bond to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bond in a Bond Year to be directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City further covenants that, if:

(3) More than 5% of the Net Proceeds of the Bond are to be used for any Private Person Use; and

(4) More than 5% of the principal or interest payments on the Bond in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly:

(A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or

(B) derived from payments (whether or not made to the City) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the 5% limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local

governmental use of the Project, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bond used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the Project relates. The City further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax exemption of the interest on the Bond. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bond.

To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City's bond counsel that such modification or elimination will not adversely affect the tax exemption of interest on the Bond.

Section 10. Transfer. The Bond is not transferrable, except in whole by the Bank to another institutional investor within the meaning of the applicable federal securities laws, and any such transfer shall be noted on the bond registration books of the City.

Section 11. Lost or Destroyed Bond. In case the Bond shall be lost, stolen or destroyed, the City may execute and deliver a new bond of like date, number and tenor to the registered owner thereof in the manner provided by law and upon the owner's paying the expenses and charges of the City in connection therewith.

Section 12. Events of Default. Each of the following events is hereby declared to be an "Event of Default" under this ordinance:

(a) *Non-payment of Principal*. Payment of any installment of principal of the Bond is not made when the same becomes due and payable;

(b) *Non-payment of Interest*. Payment of any installment of interest on the Bond is not made when the same becomes due and payable;

(c) *Loss of Tax-Exempt Status*. The written determination by the Internal Revenue Service that the Bond is taxable.

Upon the occurrence of an Event of Default as set forth in this Section, the Default Interest Rate shall become immediately effective prospectively for all interest payment calculations and purposes. Further, the Default Interest Rate shall be retrospectively applied to all principal of and interest on the Bond. Within sixty (60) days of an Event of Default, the Bank shall recalculate all interest payments previously due and payable to the Bank, and the City shall promptly forward payment to the Bank of the difference in the initial Interest Rate and the Default Interest Rate due and payable.

Section 13. Form of Bond. The Bond shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R-1 $4,230,000

STATE OF IDAHO

CITY OF SANDPOINT
BONNER COUNTY, IDAHO
SEWER REVENUE REFUNDING BOND, 2016

REGISTERED OWNER:	Columbia State Bank
PRINCIPAL AMOUNT:	FOUR MILLION TWO HUNDRED THIRTY THOUSAND AND NO/100 DOLLARS
INTEREST RATE:	1.69% per annum
MATURITY DATE:	September 15, 2022

The City of Sandpoint, Bonner County, Idaho (the "City"), a municipal corporation duly organized and existing under the laws of the State of Idaho, 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, the principal of and interest on this bond as provided in Ordinance No. 1339 duly passed by the City Council on December 7, 2016 (the "Bond Ordinance"). Capitalized terms used in this bond have the meanings given such terms in the Bond Ordinance.

This bond shall bear interest at the fixed per annum rate of 1.69%. Upon an Event of Default, the interest rate will be adjusted prospectively and retrospectively to 2.60% per annum.

This bond is authorized in the principal amount of $4,230,000, and is issued pursuant to the Bond Ordinance for the purposes of prepaying and defeasing the City's Sewer Revenue Promissory Note, Series 2007 (the "Note"), and the Repayment Installments on the Note due thereunder, and paying costs of issuance.

This bond is subject to redemption prior to its stated maturity as stated in the Bond Ordinance.

This bond is not a general obligation of the City. The City hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Ordinance.

This bond is not a "private activity bond" as such term is defined in the Internal Revenue Code of 1986, as amended (the "Code"). This bond has been designated by the City as a "qualified tax-exempt obligation" for investment by financial institutions under Section 265(b)(3) of the Code. This bond is not transferrable, except to a qualified institutional investor.

The City does hereby pledge and bind itself to set aside from the Revenue Fund out of the Revenue of the System and to pay into the Bond Fund the various amounts required by the Bond Ordinance to be paid into and maintained in such Bond Fund and account, all within the times provided by the Bond Ordinance. To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Revenue Fund out of the Revenue of the System into the Bond Fund shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue of the amounts required to pay and secure the payment of any revenue bonds of the City hereafter issued on a parity with the bonds of this issue and superior to all other liens and charges of any kind or nature. Funds in the Revenue Fund will be applied in accordance with Section 4 of the Bond Ordinance.

The City has further bound itself to maintain the System in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rates and charges for as this bond is outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenue at least equal to the Rate Covenant, as described in the Bond Ordinance.

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

It is hereby certified that all acts, conditions, and things required by the Constitution and statutes of the State of Idaho to exist, to have happened, been done, and performed precedent to and in the issuance of this bond have happened, been done, and performed.

IN WITNESS WHEREOF, the City of Sandpoint, Bonner County, Idaho, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of its Mayor, countersigned with the manual or facsimile signature of its Treasurer and to be attested by the manual signature of its Clerk, as of this [___ day of _____].

CITY OF SANDPOINT
BONNER COUNTY, IDAHO

_____/s/ manual or facsimile signature____
Mayor

_____/s/ manual or facsimile signature____
Treasurer

ATTEST:

_____/s/ manual signature_____
Clerk

[SEAL]

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

CERTIFICATE OF AUTHENTICATION

This bond is described in the within-mentioned Bond Ordinance and the Sewer Revenue Refunding Bond, 2016, of the City of Sandpoint, Bonner County, Idaho, dated [_____], 2016.

TREASURER, CITY OF SANDPOINT,
IDAHO, BONNER COUNTY, IDAHO,
as Registrar

By ___/s/ manual signature_____
Treasurer

Section 14. Execution of the Bond. The Bond shall be signed on behalf of the City with the manual or facsimile signature of the Mayor, countersigned with the manual or facsimile signature of its Treasurer and shall be attested by the manual signature of its Clerk with the Seal

of the City affixed thereon. The Bond shall not be authentic or valid for any purpose until authenticated by the manual signature of the Treasurer of the City as Bond Registrar.

Section 15. Sale of Bond. The Bond shall be sold to the Bank pursuant to the terms and conditions set forth herein and in the Bank Offer.

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

Section 17. General Authorization. The Mayor, Clerk and Treasurer and all other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable in order to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance.

Section 18. Validity of Issue. The Bond is issued pursuant to the Revenue Bond Act, Idaho Code §§ 50-1027 to 50-1042, inclusive, and pursuant to the Judicial Confirmation Order. This recital is conclusive evidence of the validity of the Bond and the regularity of its issuance.

Section 19. Prior Acts. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 20. Effective Date. This ordinance shall be effective after its adoption and publication once in the official newspaper of the City of its summary as attached hereto as Attachment "A", as required by Idaho Code § 50-901A.

PASSED AND APPROVED this 7th day of December, 2016.

CITY OF SANDPOINT
Bonner County, Idaho

By: _____
Mayor

ATTEST:

_____
Clerk

(S E A L)

Attachment "A"

SUMMARY OF ORDINANCE NO. 1339

AN ORDINANCE of the City of Sandpoint, Bonner County, Idaho, authorizing and providing for the issuance of the City's Sewer Revenue Refunding Bond, 2016, in the aggregate principal amount of $4,230,000, to provide the funds necessary to prepay the City's outstanding Sewer Revenue Promissory Note, Series 2007; providing for the prepayment of the Note; fixing the form, covenants and terms of the bond to be issued; reserving the right to issue future revenue bonds on a parity with such bond upon compliance with certain conditions; and providing for other matters relating thereto.

CITY OF SANDPOINT
BONNER COUNTY, IDAHO
SEWER REVENUE REFUNDING BOND, 2016

Section 1. Definitions. Defines certain capitalized terms used in the Ordinance.

Section 2. Authorization and Description Bond. Authorizes the City's Sewer Revenue Refunding Bond, 2016 (the "Bond"), in an amount of $4,230,000 to provide funds, together with other funds of the City, to prepay and defease the Note and Repayment Installments thereunder. Describes the Bond and its terms of repayment and provides details regarding payments.

Section 3. Prepayment. Allows the City to prepay and redeem principal installments of the Bond, under certain terms and conditions.

Section 4. Revenue Fund and Priority of Application of Revenue of the System. Creates the Revenue Fund, and sets forth the priority of payments from the Revenue Fund.

Section 5. Bond Fund. Creates the Bond Fund, for the purpose of guaranteeing the payment of Parity Bonds.

Section 6. Application of Bond Proceeds; Refunding Plan; Appointment of Escrow Agent. Sets forth how the proceeds of the Bond will be applied and the plan and procedures for prepayment of the Note, including the appointment of an escrow agent.

Section 7. Bond Covenants. Provides for certain financial and operating covenants of the City in the operation of the System.

Section 8. Issuance of Future Parity Bonds. Provides for the terms and conditions on the issuance of Future Parity Bonds.

Section 9. Tax Covenants; Designation of the Bond as a Qualified Tax-Exempt Obligation. Includes covenants to comply with federal tax requirements and contains special designations under the Internal Revenue Code and execute a Continuing Covenant Agreement with the Bank.

Section 10. Transfer. Provides for limitations on and a method of transfer or exchange of the Bond.

Section 11. Lost or Destroyed Bond. Makes provision in case the Bond is lost, stolen or destroyed.

Section 12. Events of Default. Provides that the Default Interest Rate shall apply upon certain events of default.

Section 13. Form of Bond. Describes the form of the Bond.

Section 14. Execution of the Bond. Authorizes procedures for execution and authentication of the Bond by the appropriate officials of the City.

Section 15. Sale of Bond. Provides that the Bond shall be sold to the Bank.

Section 16. Severability. Provides that other covenants and agreements in the Ordinance are not affected if one is made invalid.

Section 17. General Authorization. Authorizes Mayor, Clerk and Treasurer of the City to take appropriate steps to carry out the terms and provisions of, and complete the transactions contemplated by the ordinance.

Section 18. Validity of Issue. Provides that the Bond is issued and is valid pursuant to Idaho Code and the Judicial Confirmation Order.

Section 19. Prior Acts. Provides that all acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 20. Effective Date. Provides that the ordinance shall take effect from and after its passage and publication of the summary thereof as required by law.

Exhibit “A”

Copy of Loan Agreement with the Authority

Exhibit “B”

Copy of Note Payable to the Authority

Exhibit “C”

Copy of Bank Offer

Columbia Bank

November 11, 2016

City of Sandpoint
Shannon Syth
1123 Lake Street
Sandpoint, ID 83864

Re: $4,230,000 Sewer Revenue Refunding Bond Series 2016 (the Bond)

Columbia State Bank (Bank) would like to present our commitment for the Sewer Revenue Refunding Bond (Bond.)

Borrower: The City of Sandpoint (the City)

Purpose: To refund all of the City's outstanding Sewer Revenue Promissory Note, Series 2007, and to pay costs of issuance for the Bond. The refinancing will allow the City to restructure and accelerate the debt service on its outstanding debt.

Loan Type: Sewer revenue Refunding Bond, Series 2016 ("Bond") – Tax Exempt Bank Qualified.

Amount: $4,230,000

Maturity: September 15, 2022

Repayment: Interest is due semiannually beginning March 15, 2017 and September 15, 2017. Principal is to be paid annually beginning September 15, 2017. Estimated principal reductions are as follows:

Maturity Date	Amount
09/15/2017	$530,000
09/15/2018	715,000
09/15/2019	730,000
09/15/2020	740,000
09/15/2021	750,000
09/15/2022	765,000

Prepayment: There will be no penalty for pre-payment.

Rate:	Subject to The City maintaining the bond as a tax-exempt obligation, rate will be fixed at 1.69%. Rate would remain fixed until maturity. In the event of nonpayment or if the loan is later deemed by the IRS to be or becomes taxable for any reason, the interest rate will be adjusted both prospectively and retrospectively to the taxable rate of 2.60%. If the facility is not closed by December 31, 2016, rate is subject to change. Computed on an actual/360 basis.
Fees:	There shall be no origination fee. The City will pay Bank's counsel fees necessary to close the transaction satisfactory to the Bank. Bank counsel fees not to exceed $7,000. All Bank fees are due at closing.
Out of Pocket Costs	Without limitation, Borrower shall reimburse Bank for all out of pocket expenses (e.g., attorney fees and other customary loan closing charges and fees) incurred in connection with the Credit Facility detailed herein regardless if this transaction closes or is funded.
Disbursements:	$4,230,000 will be disbursed at closing.
Collateral:	Bond is a revenue obligation payable from and secured by a first priority pledge of gross revenues of the wastewater collection and sewer treatment system of the City of Sandpoint, with payment of Operation and Maintenance Expenses of the System first, except in the event of a default under the Bond.
Rate Covenant:	The City agrees to continue to collect charges for service of its wastewater system for as long the Bond and any additional bonds is outstanding, and shall maintain net revenues of at least 125% of maximum annual debt service for the Bond and any additional bonds.
Conditions:	Documents to be prepared by City's Bond Counsel. In addition to any other conditions required by the Bank, the Bank and its attorney shall have reviewed and approved the resolution and signed Minutes of the City authorizing issuance of the Bond; shall have received an opinion from bond counsel satisfactory to the Bank and its attorney that the resolution is duly adopted, the Bond is duly issued, the Bond is valid, binding, enforceable obligation of the City; that the City is qualified to issue the Bond as a tax exempt financing such that City of Sandpoint will be required to file an IRS Form 8038 with the Internal Revenue Service in connection with this Bond. The opinion letter shall also state whether or not the Bond is a "qualified tax exempt obligation" under applicable IRS regulations. The Interest Rate stated above is

calculated and is contingent upon City of Sandpoint at all times qualifying as an issuer of tax exempt financing.

Representations and Warranties:	Usual and customary for transactions of this type.
Covenants:	Usual and customary covenants for transactions of this type, including a covenant regarding issuance of additional bonds.
Reporting Requirements:	Annually:
	CPA-prepared Audited financial statements for the City no later than 260 days after fiscal year-end.
	Copy of the City budget once approved, and no later than 90 days after FYE.
	Such other financial information as may be reasonably requested by the Bank from time to time.
	Annual Certificate of Compliance will be provided to the bank evidencing adherence to the Rate Covenant terms and conditions on all parity debt.
Closing:	Anticipated closing December 14th, 2016.

Bond documents will be in standard form customarily required by the Bank for municipal funding and may include additional terms and conditions not discussed above. At the date of closing, the financial condition and credit of the City and all other features of this transaction will be as represented to the Bank without material or adverse change.

This Commitment Letter will expire on December 31, 2016, unless extended in writing by the Bank.

This Summary of Terms and Conditions contain confidential and proprietary loan structuring and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the credit facilities contained in this summary of Terms and Conditions or as may be required by law, the contents of the Summary of Terms and Conditions may not be disclosed in whole or in part to any other person or entity without our prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed credit facilities.

Oral agreements, promises or commitments to: (1) loan money, (2) extend credit, (3) modify or amend any terms of a loan, (4) release any guarantor, (5) forebear from enforcing repayment of a loan or the exercise of any remedy under the loan documents, or (6) make any other financial accommodation relating to a loan are all unenforceable under Idaho law.

Ms. Syth, Columbia Bank very much appreciates the opportunity to provide this Commitment Letter to the City of Sandpoint, and looks forward to our ongoing relationship.

Sincerely,

Columbia State Bank

Hugh D. Gavin
VP, Commercial Banking Officer

Accepted and Agreed:

The City of Sandpoint

By: _____ Date: 11/29/16

Printed Name: Shelby Rognstad

Title: Mayor

CERTIFICATE

I DO HEREBY CERTIFY that I am the duly chosen, qualified and acting Clerk of the City of Sandpoint, Bonner County, Idaho (the "City"), and keeper of the records of the City Council (the "Council"); and

I HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. 1339 of the City (the "Ordinance"), as finally passed at a regular meeting of the Council held on the 7th day of December, 2016, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of December, 2016.

_____

City Clerk