RESOLUTION NO. 4584

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDLANDS PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 1989-90 AND AUTHORIZING THE DELIVERY OF A NOTE TO SECURITY PACIFIC NATIONAL BANK

WHEREAS, in order for the City of Redlands, California (the "City") to meet obligations to be lawfully incurred within the fiscal year 1989-90, prior to receipt of income for that same fiscal year, it is necessary to temporarily borrow funds; and

WHEREAS, pursuant to Sections 53850 et seq. of the Government Code of the State of California, the City Council (this "City Council") of the City has determined that the sum of Two Million Nine Hundred and Seventy Thousand Dollars ($2,970,000) is needed for the requirements of the City to satisfy obligations to be incurred within the fiscal year 1989-90, and that it is necessary that said sum be borrowed for such purpose at this time by the issuance of temporary notes therefor in anticipation of the receipt of taxes, income, revenue, cash receipts and other moneys to be received by the City during or attributable to the fiscal year 1989-90; and

WHEREAS, the City desires to establish a line of credit with Security Pacific National Bank pursuant to a loan proposal letter attached hereto as Exhibit A (the "Loan

Proposal Letter") whereby the City shall execute a note (the "Note") under which the City shall borrow money for the purposes set forth above; and

WHEREAS, it appears, and this City Council hereby finds and determines, that said sum of $2,970,000, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the City for the general fund of the City attributable to the fiscal year 1989-90, and available for the payment of the Note and the interest thereon.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF REDLANDS AS FOLLOWS:

Section 1. Findings. That all of the recitals herein set forth are true and correct, and this City Council so finds and determines.

Section 2. Authorization of Borrowing. The borrowing of a sum not to exceed two million nine hundred and seventy thousand dollars ($2,970,000) pursuant to the line of credit with Security Pacific National Bank is hereby authorized and the Finance Director and the City Manager are hereby authorized and directed to execute the Loan Proposal Letter in the name of and on behalf of the City, such borrowing to be evidenced by the Note with such Note to be payable no later than June 30, 1990, with interest to date of payment, with such funds to be used in accordance with Sections 53850 through 53858 of the Government Code.

Section 3. Repayment Pledge. The Note shall be a general obligation of the City and shall be paid from taxes, income, revenue, cash receipts or other moneys of the City lawfully available therefor and received by the City during the 1989-90 Fiscal Year.

Section 4. Tax Covenants; Section 265 Designation. The City hereby covenants and agrees that it will make no use of the proceeds of the Note which would cause the Note to be an "arbitrage bond" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") or a "federally guaranteed obligation" under Section 149(b) of the Code or a "private activity bond" under Section 141 of the Code; and, to that end, so long as any of the Note remains unpaid, this City Council, with respect to the proceeds of the Note, and all City officers having custody or control of such proceeds, shall comply with all requirements of said sections and the regulations of the United States Department of Treasury thereunder, to the extent that such regulations are, at the time, applicable and in effect, so that the Note will not be an "arbitrage bond," "federally guaranteed obligation" or a "private activity bond."

The City hereby designates the Note, for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, as a qualified tax-exempt obligation.

The City hereby represents and covenants to the prospective owners of the Note that (i) the City has general taxing powers, (ii) 95 percent or more of the net proceeds of the Note are to be used for local governmental activities of the City, and (iii) the aggregate face amount of all tax-exempt bonds (other than "private activity bonds") issued by the City (and all subordinate entities of the City) during the 1989 calendar year shall not exceed $10,000,000; provided, however, that the City may issue tax-exempt bonds in excess of $10,000,000 during the 1989 calendar year if the City obtains an opinion of nationally recognized bond counsel to the effect that the issuance of such bonds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on the Note or the designation of the Note as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code.

Section 5. General Authorization. The City Treasurer, City Manager and Finance Director of the City and other appropriate officers of the City shall be, and each of them hereby is, authorized to execute any and all documents and do and perform any and all acts and things, from time to time, consistent with this Resolution necessary or appropriate to carry the same into effect and to carry out its purposes.

APPROVED and ADOPTED this 7th day of November, 1989.

Carole Beswick
Mayor

ATTEST:

Lorrie Poyzer
City Clerk of the City of
Redlands, California



jrr0525

I, LORRIE POYZER, City Clerk of the City of Redlands, California, do hereby certify that the foregoing Resolution No. 4584 was regularly introduced and adopted by the City Council of the City of Redlands, California, at a regular meeting thereof held on the 7th day of November, 1989, by the following vote of the City Council:

AYES: Councilmembers Wormser, DeMirjyn, Cunningham, Larson; Mayor Beswick

NOES: None

ABSENT: None

and that said resolution has not been amended, superseded or repealed, and is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of November, 1989.

Lorrie Poyzer

City Clerk
City of Redlands, California

jrr0525

**SECURITY PACIFIC NATIONAL BANK**

GOVERNMENT SERVICES AND FINANCIAL INSTITUTIONS
DIVISION CREDIT ADMINISTRATION W26-70
BEAUDRY CENTER, 333 SOUTH BEAUDRY AVE., LOS ANGELES, CA 90017
(213) 345-2536

Daniel T. Jackson
Vice President

July 10, 1989

George Kaenel
Finance Director
City of Redlands
30 Cajon Street
Redlands, CA 92373

Dear Mr. Kaenel:

Security Pacific National Bank ("Bank") is please to provide the City of Redlands ("City") a proposal to extend the credit accomodation described below. This proposal is not meant to be, nor shall it be construed as an attempt to define all the terms and conditions of the transactions involved in this financing. Rather, it is intended only to outline certain basic points of business understanding around which the legal documentation is to be structured.

The general terms are as follows:

1. <u>Type and Purpose of Credit:</u> A one year term loan of credit to provide working capital to expire August 1, 1990.

2. <u>Principal Amount:</u> $4,000,000.

3. <u>Interest Rate:</u> Tax exempt rate of 85% of the Bank's cost of funds at the time of funding or tax exempt rate of 80% of the Bank's Prime rate.

   The Bank's cost of funds is to be tied to a 180 day NY CD rate. The current rate is 8.95%.

   The Prime rate is defined as the Bank's floating commercial rate, announced from time to time as its prime rate. Any changes in said interest rate, as a result of a change in the prime rate, will become effective on the effective day of the change in said prime rate.

4. <u>Term:</u> Interest payable quarterly, principal at maturity.

5. Prepayment Penalty: Yes.

6. Commitment Fee: 1/4 of 1% of the commitment.

7. Collateral: None.

8. Other Conditions:

   (a) Subject to review and analysis of all financial statements of the City. Need a copy of the 1986 financial statement along with the 1988-89 budget and 1989-1990 proposed budget.

   (b) In the event that the Bank loses its tax exempt status on this credit due to action taken by the City, including but not limited to the City's incurrence of additional debt, the interest rate shall convert to a tax exempt rate equal to 225 basis pint (2.25%) above the Bank's cost of funds at time of each funding or Prime plus 150 basis pints (1.50%).

   (c) Execution of all necessary and appropriate documentation.

   (d) Reimbursement of all expenses incurred by the Bank in connection with this transaction, not to exceed $10,000.

   (e) Opinion of City Counsel regarding the legality and enforceability of the City to enter into this transaction, including the governmental borrowing codes applicable to this transaction. Opinion shall also address the tax exempt nature of this indebtedness.

   (f) Council's Resolution authorizing this transaction, which further declares which officers have the legal authority to incur indebtedness on behalf of the City.

This proposal shall terminate at our option, if in our opinion, a material adverse change in the property, business prospects, and financial condition of the City prior to the expiration of this proposal. The City's acknowledgement of this letter shall constitute an acceptance of the foregoing terms and conditions. Unless accepted or terminated, this proposal expires on July 21, 1989.

Thank you for considering Security Pacific National Bank in meeting your financing needs. If I may be of further assistance to you, please feel free to call me.

Sincerely,

Daniel T. Jackson
Vice President

Acknowledged and accepted ______________________________, 1989.

City of Redlands

By: ______________________________
George Kaenel, Finance Director

By: ______________________________
John Holmes, City Manager