

**COEUR D'ALENE CITY COUNCIL
ADDENDUM AGENDA NO. 1
FOR THE MARCH 5, 2013
COUNCIL MEETING**



Addition of the following item:

J. OTHER BUSINESS

1. Res. No. 13-013 – Approval of Side Letter of Agreement to Loan Offer

Staff Report Submitted

2. Council Bill 13-1004 Supplemental Ordinance - 2009 D.E.Q. Loan Agreement

Staff Report Submitted

Posted March 1, 2013

FINANCE DEPARTMENT
Staff Report

DATE: March 5, 2013
FROM: Troy Tymesen, Finance Director
SUBJECT: Department of Environmental Quality (DEQ) Loan Completion

DECISION POINT:

To approve the final loan documents with DEQ for \$12,149,284 at 0.5% fixed interest rate for 20 years with no loan fees. The money has been used to finance improvements at the City's wastewater treatment plant as per the Council approved facility plan. Documents include the approval of the Side Letter of Agreement to the Loan and a Supplemental Ordinance.

HISTORY:

The construction work and design for the improvements of the wastewater treatment plant were in design since 1999. Thanks to the preparedness of the utility and the facility plan the City was awarded, through competition, access to this funding source. Council approved the DEQ loan in December 2009. The maximum dollar amount was \$13,000,000.

FINANCIAL ANALYSIS:

The wastewater utility in 2001 received judicial confirmation to upgrade the plant in aggregate to \$28,000,000.00. The first bonds were issued in 2007 for \$15,000,000.00 and acquired by DEQ. The City could take this bond issue to the open market in the form of a revenue bond, however the interest rate would not be 0.5% fixed for 20 years. The savings to the rate payer because of the low interest rate will be in excess of \$4,000,000 as compared to a rate of 3.75%.

PERFORMANCE ANALYSIS:

The funding source is from the Clean Water State Revolving Fund. The money originated from the American Recovery and Reinvestment Act (ARRA). There are several conditions subject to ARRA funding that the City has had to comply with.

DECISION POINT/RECOMMENDATION:

To approve the final loan documents with DEQ for \$12,149,284 at 0.5% fixed interest rate for 20 years with no loan fees. The money has been used to finance improvements at the City's wastewater treatment plant as per the Council approved facility plan. Documents include the approval of the Side Letter of Agreement to the Loan and a Supplemental Ordinance.

RESOLUTION NO. 13-013

A RESOLUTION OF THE CITY OF COEUR D'ALENE, KOOTENAI COUNTY, IDAHO AUTHORIZING A SIDE LETTER AGREEMENT WITH THE STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY ("DEQ") FOR LOAN OFFER, ACCEPTANCE AND AGREEMENT FOR WASTEWATER TREATMENT FACILITY DESIGN AND CONSTRUCTION DATED DECEMBER 18, 2009.

WHEREAS, in conjunction with Ordinance No. 3459, the Finance Director, Troy Tymesen, of the City of Coeur d'Alene has recommended that the City of Coeur d'Alene enter into a Side Letter Agreement with DEQ, for Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009 pursuant to terms and conditions set forth in an agreement, a copy of which is attached hereto as Exhibit "1" and by reference made a part hereof; and

WHEREAS, it is deemed to be in the best interests of the City of Coeur d'Alene and the citizens thereof to enter into such agreement; NOW, THEREFORE,

BE IT RESOLVED, by the Mayor and City Council of the City of Coeur d'Alene that the City enter into a Side Letter Agreement for Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009, in substantially the form attached hereto as Exhibit "1" and incorporated herein by reference with the provision that the Mayor, City Administrator, and City Attorney are hereby authorized to modify said agreement to the extent the substantive provisions of the agreement remain intact.

BE IT FURTHER RESOLVED, that the Mayor and City Clerk be and they are hereby authorized to execute such agreement on behalf of the City.

DATED this 5th day of March, 2013.

Sandi Bloem, Mayor

ATTEST:

Renata McLeod, City Clerk

Motion by _____, Seconded by _____, to adopt the foregoing resolution.

ROLL CALL:

COUNCIL MEMBER GOODLANDER Voted _____

COUNCIL MEMBER MCEVERS Voted _____

COUNCIL MEMBER GOOKIN Voted _____

COUNCIL MEMBER KENNEDY Voted _____

COUNCIL MEMBER ADAMS Voted _____

COUNCIL MEMBER EDINGER Voted _____

_____ was absent. Motion _____.

March 5, 2013

State of Idaho
Department of Environmental Quality
Boise, Idaho

Re: *Side Letter Agreement re Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009*

This Side Letter Agreement is entered into by the State of Idaho Department of Environmental Quality (“DEQ”) and the City of Coeur d’Alene, Idaho (the “City”) to amend and supplement the Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009, between the City and DEQ (the “Loan Offer”). As contemplated by the Loan Offer, the City agreed to issue a revenue bond to DEQ (the “DEQ Bond”) pursuant to the authorization under the City’s Ordinance No. 3029 adopted August 7, 2001 (“Ordinance 3029”), on parity with all other bonds issued thereunder. In an effort to consolidate bonded obligations supported by its wastewater system, on November 29, 2012, the City Council adopted a new governing ordinance, Wastewater Bond Ordinance No. 3453 (“Ordinance 3453”), under which all revenue bonds with respect to the City’s wastewater system will be issued, on parity, pursuant to supplemental ordinances thereunder, including the DEQ Bond under the Loan Offer.

Therefore, the City and DEQ desire to amend and/or supplement certain provisions of the Loan Offer as follows:

1. Section III, General Conditions, is amended as follows:

a) The words “Ordinance No. 3029 adopted on August 7, 2001” in subsection A of Section III are replaced with “the Bond Ordinance.”

b) The words “Ordinance No. 3029” in subsection J of Section III are replaced with “the Bond Ordinance.”

2. Section IV, Project Management, is amended as follows: The words “Section 6 of Ordinances No. 3029” in subsection F of Section IV are replaced with “Section 6 of the Bond Ordinance.”

3. Subsection A of Section VI, Security Requirements, is amended by deleting the clause “prior to the initial draw on the loan,” in the second sentence thereof, which sentence now reads

as follows: “A copy of the note or bond and related ordinance shall be attached to this Agreement and incorporated herein by this reference.”

4. Subsection B of Section VI, Security Requirements, is deleted in its entirety and replaced with the following subsection B:

B. There will be a reserve fund to secure the Bond pursuant to the Bond Ordinance, funded in the amount equal to the lesser of (i) the maximum annual debt service of the Bond; (ii) 125% of average annual debt service on the Bond; or (iii) 10% of the face amount of the Bond. The Borrower has five years to satisfy the reserve account requirement by depositing equal annual payments into the reserve fund, with the first deposit on the first principal payment date under the Bond.

5. Section VIII, Repayment Terms and Schedule, is amended by deleting the clause “prior to the initial draw on the loan,” which now reads as follows: “This loan shall be repaid in a manner set forth in the promissory note or bond which shall be attached to this Agreement and incorporated herein by reference.”

Except as amended by this Side Letter, the Loan Offer remains in full force and effect and the City and DEQ ratify and confirm the same. By its signature hereunder, DEQ confirms acceptance of the amendments to the Loan Offer included herein.

Sincerely,

CITY OF COEUR D’ALENE, IDAHO

Sandi Bloem, Mayor

ATTEST

Renata McLeod, City Clerk

Acknowledged and Agreed to by:

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

By: _____
Its: _____

**CITY OF COEUR D'ALENE
KOOTENAI COUNTY, IDAHO**

SUPPLEMENTAL ORDINANCE NO. _____

COUNCIL BILL NO. 13-1004

A SUPPLEMENTAL ORDINANCE OF THE CITY OF COEUR D'ALENE, KOOTENAI COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF THE CITY'S SEWER REVENUE BOND, SERIES 2013, IN THE PRINCIPAL AMOUNT OF \$12,149,284 TO PROVIDE FUNDS NECESSARY TO FINANCE IMPROVEMENTS TO THE CITY'S SEWER SYSTEM; RATIFYING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND APPROVAL OF THE SIDE AGREEMENT THERETO PROVIDING FOR THE SALE OF THE SERIES 2013 BOND TO THE STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY; PLEDGING REVENUES FOR PAYMENT OF THE SERIES 2013 BONDS ON PARITY; FIXING THE FORM AND TERMS OF THE SERIES 2013 BOND; PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO; AND PROVIDING FOR THE EFFECTIVE DATE HEREOF.

Approved: _____, 2013

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SUPPLEMENTAL ORDINANCE NO. _____

COUNCIL BILL NO. 13-1004

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BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF COEUR D'ALENE, KOOTENAI COUNTY, IDAHO, AS FOLLOWS:

WHEREAS, the City of Coeur d'Alene, Kootenai County, Idaho (the "City") is a body politic and corporate duly organized, operating and existing under and pursuant to the provisions of the Constitution and the laws of the State of Idaho;

WHEREAS, the City Council (the "Council") of the City is authorized and empowered by the Revenue Bond Act, Idaho Code Sections 50-1027 through 50-1042, inclusive, and the Municipal Bond Law of the State of Idaho, being Idaho Code, Title 57, Chapter 2 (collectively, the "Act"), to authorize, issue, sell and deliver revenue bonds to finance the acquisition and construction of certain improvements and additions to the sewer system of the City (the "System");

WHEREAS, to finance improvements to the System, on August 7, 2001, the Mayor and Council of the City adopted Ordinance No. 3029 ("Ordinance No. 3029") providing for the issuance of the City's Sewer Revenue Bonds, Series 2001, and additional bonds thereunder up to the aggregate amount of \$28,000,000 pursuant to supplemental ordinances ("Ordinance No. 3029");

WHEREAS, on November 29, 2001, the District Court of the First Judicial District of the State of Idaho, in and for the County of Kootenai in Case No. CV-01-6145, issued Findings of Fact, Conclusions of Law and Judgment finding, among other things, that the City has the authority to issue revenue bonds in the total aggregate amount of \$28,000,000, and that such obligations when executed pursuant to Ordinance No. 3029, are valid and binding obligations of the City (the "Judicial Confirmation");

WHEREAS, Ordinance No. 3029 provided for supplemental ordinances under which all or a portion of the principal amount of bonds issued thereunder could be separately sold and delivered as appropriate for the improvements to the System;

WHEREAS, pursuant to the Judicial Confirmation, on December 1, 2007, the City issued its Sewer Revenue Bonds, Series 2007, in a single maturity in the principal amount of \$15,000,000 payable from the net revenues of the System (the “2007 Bond”) pursuant to Ordinance No. 3323 adopted by the Council on November 20, 2007 (“Ordinance No. 3323”), supplementing Ordinance No. 3029, which 2007 Bond was subsequently refunded by the City’s Sewer Revenue Refunding Bond, Series 2012, authorized under Supplemental Ordinance No. 3454 adopted by the Council on November 29, 2012;

WHEREAS, pursuant to resolution of the Council adopted December 15, 2009, the City entered into that certain State of Idaho Department of Environmental Quality Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009 (the “Loan Agreement”) wherein the City agreed to issue and sell its sewer revenue bonds in the principal amount of up to \$13,000,000 to the Idaho Department of Environmental Quality (the “Purchaser”), evidencing the remaining bonding authority under Ordinance No. 3029;

WHEREAS, on November 29, 2013, the Council adopted Wastewater Bond Ordinance No. 3453 (the “Master Wastewater Bond Ordinance”) providing for the issuance and sale of revenue bonds to finance or refinance Projects, as defined thereunder, including the projects confirmed under Ordinance No. 3029, by adoption of supplemental ordinances thereto;

WHEREAS, the Council has determined to adopt this Supplemental Ordinance No. ____ supplementing the Master Wastewater Bond Ordinance (this “Supplemental Ordinance”) to authorize the issuance and sale of a revenue bond in the principal amount of \$12,149,284, representing the remaining bonding authorization under Ordinance No. 3029, to finance, together with other available funds of the City, the acquisition and construction of certain improvements to the City’s System, as more specifically described herein;

WHEREAS, Section 50-1036, Idaho Code, authorizes the negotiated private sale of revenue bonds and pursuant to Section 57-215, Idaho Code, the City’s Notice of Negotiated Private Bond Sale was published on _____, 2013, in *The Coeur d’Alene Press*, a newspaper of general distribution in the City;

WHEREAS, the City desires to (i) enter into a Side Letter Agreement to the Loan Agreement dated _____, 2013, with the Purchaser with respect to certain provisions under the Loan Agreement (the “Side Agreement”), (ii) authorize the execution and delivery of the Side Agreement, (iii) ratify the remaining terms and provisions of the Loan Agreement (the Loan Agreement together with the Side Agreement hereinafter sometimes collectively referred to as the “Loan Agreement”), and (iv) authorize the issuance of the City’s 2013 Bond and confirm the sale thereof to the Purchaser;

WHEREAS, the City desires to provide for the details of the 2013 Bond, the payment thereof, and other matters relating thereto.

NOW, THEREFORE, THE MAYOR AND CITY COUNCIL OF THE CITY OF COEUR D'ALENE, KOOTENAI COUNTY, IDAHO, FURTHER ORDAIN AS FOLLOWS:

ARTICLE I

Section 101. Definitions. Except as provided in this Section, all defined terms contained in this Supplemental Ordinance shall have the same meanings as set forth in the Master Wastewater Bond Ordinance. As used in this Supplemental Ordinance, in addition to the terms defined in the WHEREAS clauses of this Supplemental Ordinance or if the context shall otherwise require, the following terms shall have the following meanings:

2013 Bond means the City's Sewer Revenue Bond, Series 2013, in the principal amount of \$12,149,284, authorized by this Supplemental Ordinance to evidence the loan under the Loan Agreement.

Payment Date(s) shall mean interest payment dates on _____ and _____ of each year, commencing _____, 201__, and annual principal payment dates commencing _____, 201__, until payment of the 2013 Bond upon maturity or prior redemption thereof.

Project means the upgrade to the City's System including a new sludge digester, a digester control building, a digester gas handling building, an administration/lab building and a maintenance shop building. The construction of the maintenance shop building was financed with other available funds of the City, not 2013 Bond proceeds.

Reserve Account Requirement means the lesser of (i) maximum annual debt service on the 2013 Bond; (ii) 125% of average annual debt service on the 2013 Bond; or (iii) 10% of the face amount of the 2013 Bond, as required by the Loan Agreement to secure payment of the 2013 Bond.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms as used in this Supplemental Ordinance refer to this Supplemental Ordinance.

ARTICLE II

Section 201. Authority for Supplemental Ordinance. This Supplemental Ordinance is adopted pursuant to the provisions of the Act and the Master Wastewater Bond Ordinance.

Section 202. Finding and Purpose. The Council hereby finds, determines and declares it advisable and in the interests of the City to issue a revenue bond under the Master Wastewater Bond Ordinance for the purpose of acquiring and constructing a portion of the Project. In compliance with the Master Wastewater Bond Ordinance, the 2013 Bond is hereby authorized to

be issued and sold to the Purchaser in exchange for the loan under the Loan Agreement to provide funds with which to finance a portion of the Project.

Section 203. Authorization of 2013 Bond, Principal Amount, Designation; Confirmation of Pledged Revenues. In accordance with and subject to the terms, conditions and limitations established by the Act, and contained in the Master Wastewater Bond Ordinance and this Supplemental Ordinance, a revenue bond of the City is hereby authorized to be issued in the aggregate principal amount of \$12,149,284. Such 2013 Bond shall be designated the City's "Sewer Revenue Bond, Series 2013." The 2013 Bond is secured by the pledge of the Pledged Revenues under Section 7(d) of the Master Wastewater Bond Ordinance equally and ratably with all Parity Bonds issued under the Master Wastewater Bond Ordinance, which pledge is hereby confirmed.

Section 204. Issue Date. The 2013 Bond shall be dated as of the date of its delivery.

Section 205. 2013 Bond Details. The 2013 Bond shall be issued in fully registered form only, without coupons, in a single denomination of \$12,149,284 in substantially the form attached as Exhibit A hereto. The 2013 Bond shall bear interest on the unpaid principal balance at the rate of one-half percent (0.50%) per annum, calculated on the basis of a 360-day year and twelve 30-day months, from the date of the first draw under the Loan Agreement, or the most recent date to which interest has been paid. Amortized installments of principal and interest thereon shall be payable on the Payment Dates until maturity on _____, 2033, or prior redemption thereof pursuant to the amortization schedule provided by the Purchaser and attached to the 2013 Bond as Schedule 1. The final installment of principal and interest may be in such greater or lesser amount as is necessary to fully pay the 2013 Bond on the date of maturity thereof or date of redemption prior to maturity.

Section 206. Optional Redemption. The 2013 Bond shall be subject to redemption prior to maturity in whole or in part on any date, at par, in such amount as available in the Bond Fund to pay the same over and above amounts to pay principal and interest due on the next Payment Date for the Series 2013 Bond.

Section 207. Sale of 2013 Bond; Approval of Loan Agreement. The 2013 Bond herein authorized, when executed, shall be issued to the Purchaser or its lawful designee(s), at an aggregate purchase price equal to the par amount of the 2013 Bond, \$12,149,284, pursuant to the terms and conditions set forth in the Loan Agreement. The City hereby acknowledges prior receipt of the amount of \$12,149,284, representing the aggregate amount of prior draws received by the City under the Loan Agreement.

The sale of the 2013 Bond herein authorized to the Purchaser is hereby ratified and confirmed upon the terms and conditions set forth in the Loan Agreement and Side Agreement thereto. The Council hereby determines that the provisions of the Loan Agreement are in compliance with the Act, the prior execution and delivery of the Loan Agreement by the City is hereby ratified, and the officials of the City are hereby authorized to execute and deliver the Side Agreement to the Loan Agreement. Authorized officials of the City are, and each of them is,

hereby authorized to do or perform all such acts as may be necessary or advisable to comply with the Loan Agreement and to carry the same into effect. To the extent the provisions of this Supplemental Ordinance and the Loan Agreement shall be found to be in conflict, the provisions of the Loan Agreement shall govern.

Section 208. Execution of 2013 Bond. The 2013 Bond shall be executed on behalf of the City by the Mayor and Treasurer of the City and attested to by the City Clerk, and the corporate seal of the City shall be impressed or printed thereon, if any. The certificate of the Treasurer of the City attached to the 2013 Bond shall be signed by the Treasurer of the City, with the seal of the City impressed or printed thereon, if any. The said officials and each of them are hereby authorized and instructed to execute the 2013 Bond accordingly.

Section 209. Registration of 2013 Bond. The Treasurer of the City shall act as Bond Registrar with respect to the 2013 Bond and shall keep, or cause to be kept the Bond Register to record the registration and transfer of the 2013 Bond, which shall be open to inspection by the City. The 2013 Bond is not issued as a book-entry-only bond under The Depository Trust Company.

ARTICLE III

Section 301. Creation of Accounts and/or Subaccounts under Funds.

- (a) The following accounts and/or subaccounts under certain funds created and/or ratified under the Master Wastewater Bond Ordinance are hereby created on the accounting records of the City:
 - (i) 2013 Debt Service Account, a subaccount under the Bond Fund created under the Master Wastewater Bond Ordinance, to be held by the City for payment of principal and interest of the 2013 Bond;
 - (ii) 2013 Reserve Account, a subaccount under the Debt Service Reserve Account established under the Bond Fund created under the Master Wastewater Bond Ordinance, to be held by the City for deposit of the Reserve Account Requirement, as required by the Loan Agreement.
- (b) There shall be deposited into the 2013 Debt Service Account funds as the City shall designate as irrevocably available to pay principal and interest on the 2013 Bond. The City shall make disbursements from the 2013 Debt Service Account in accordance with Section 401 below and pursuant to the Loan Agreement.
- (c) There shall be deposited into the 2013 Reserve Account the amount to satisfy the Reserve Account Requirement pursuant to the Loan Agreement, to be funded by the City in five (5) equal annual installments, the first installment to be deposited on the first principal Payment Date

under the 2013 Bond. Once fully funded and for so long as the 2013 Bond remains outstanding, the City covenants to maintain the amount in the 2013 Reserve Account in the amount of the Reserve Account Requirement, except for withdrawals authorized therefrom pursuant to the provisions of the Master Wastewater Bond Ordinance.

Section 302. Delivery of 2013 Bond. Upon compliance with the provisions of Section 13 of the Master Wastewater Bond Ordinance and provisions of the Loan Agreement, the Finance Director or other authorized official of the City is hereby instructed to make delivery of the 2013 Bond to the Purchaser.

ARTICLE IV

Section 401. Pledge of Revenues. The City covenants and agrees that to pay the principal of and interest on the 2013 Bond falling due to and including _____, 2033, the City shall appropriate from the Revenue Fund such amounts sufficient, together with funds then on deposit in the 2013 Debt Service Account, to satisfy the principal and interest installments on the 2013 Bond.

The Pledged Revenues of the City are hereby pledged for the prompt payment of the principal and interest installments on the 2013 Bond on the Payment Dates thereof on parity with the outstanding Parity Bonds, pursuant to the amortization schedule provided by the Purchaser, which is attached as Schedule 1 to the 2013 Bond.

ARTICLE V

Section 501. Effect of Supplemental Ordinance. To the extent that this Supplemental Ordinance amends or supplements the Master Wastewater Bond Ordinance, the Master Wastewater Bond Ordinance shall be treated as so amended or supplemented

Section 502. Ratification. All proceedings, resolutions, ordinances, and actions of the Council, the City, and their officers, agents and employees taken in connection with the authorization, sale and issuance of the 2013 Bond are hereby in all respects ratified, confirmed and approved.

Section 503. Severability. It is hereby declared that all parts of this Supplemental Ordinance are severable, and if any section, paragraph, clause or provision of this Supplemental Ordinance shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of any such section, paragraph, clause or provision shall not affect the remaining sections, paragraphs, clauses or provisions of this Supplemental Ordinance.

Section 504. Conflict. All resolutions, orders and regulations or parts thereof heretofore adopted or passed which are in conflict with any of the provisions of this Supplemental Ordinance are, to the extent of such conflict, hereby repealed.

Section 505. Captions. The table of contents and captions or headings herein are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or sections of this Supplemental Ordinance.

Section 506. Savings Clause. Except as amended by this Supplemental Ordinance, the Master Wastewater Bond Ordinance shall remain in full force and effect.

Section 507. Effective Date. This Supplemental Ordinance shall take effect from and after its passage and publication of the summary substantially in the form attached hereto as Exhibit B, in the manner as required by law.

ADOPTED by the City Council of the City of Coeur d'Alene, Kootenai County, Idaho, at a regular meeting thereof held this ____ day of _____, 2013.

CITY OF COEUR D'ALENE, KOOTENAI
COUNTY, IDAHO

Sandi Bloem, Mayor

ATTEST:

Renata McLeod, City Clerk

**EXHIBIT A
FORM OF BOND**

UNITED STATES OF AMERICA

No. R-1

\$12,149,284

STATE OF IDAHO
CITY OF COEUR D'ALENE, KOOTENAI COUNTY

SEWER REVENUE BOND, SERIES 2013

<u>INTEREST RATE:</u> 0.50%	<u>MATURITY DATE:</u>	<u>DATED DATE:</u>	<u>CUSIP NO:</u> N/A
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REGISTERED OWNER: **STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL
QUALITY, BOISE, IDAHO**

PRINCIPAL AMOUNT: **TWELVE MILLION ONE HUNDRED FORTY-NINE
THOUSAND TWO HUNDRED EIGHTY-FOUR AND
NO/100 DOLLARS**

The City of Coeur d'Alene, Kootenai County, Idaho, a body politic and corporate organized and existing under and by virtue of the laws of the State of Idaho (herein called 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, the principal sum of Twelve Million One Hundred Forty-Nine Thousand Two Hundred Eighty-Four and No/100 Dollars (\$12,149,284) pursuant to the State of Idaho Department of Environmental Quality Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009, together with the Side Letter Agreement thereto dated _____, 2013 (collectively, the "Loan Agreement") between the City and the State of Idaho Department of Environmental Quality (the "Lender"), plus interest accruing on the outstanding principal at the rate of one-half percent (0.50%) per annum on the basis of a 360-day year and twelve 30-day months. [verify payment dates] Payments of accrued interest hereon are payable semiannually on _____ and _____ of each year, commencing _____, 201__, and annual payments of principal are due commencing _____, 201__, based on the outstanding principal under this Sewer Revenue Bond, Series 2013 (this "Bond"), amortized over twenty (20) years, with interest accruing on the amount of the advances commencing the date of each such advance, and with the final payment of the outstanding principal and accrued interest thereon due and payable on the Maturity Date above.

The principal and interest payments on this Bond shall be payable in lawful money of the United States of America, to the Registered Owner hereof, at the address of such Registered Owner shown on the registration books of the City. Any Registered Owner of this Bond subsequent to its original Registered Owner is hereby placed on notice of all payments of principal and interest on this Bond prior to its transfer and all subsequent Registered Owners hereof hereby acknowledge that they have ascertained the actual unpaid amount of this Bond as of the date of transfer to them and hereby release the City from all obligations as to all principal and interest paid by the City prior to such date.

The Bond is subject to redemption at par, in whole or in part, on any date prior to the stated Maturity Date.

This Bond is issued for the purpose of financing the Cost of Acquisition of certain improvements (the "Project") to the City's sewer system (the "System"), pursuant to the Revenue Bond Act of the State of Idaho, being Section 50-1027 to 50-1042, inclusive, Idaho Code, and the Municipal Bond Law of the State of Idaho, being Idaho Code, Title 57, Chapter 2, and as authorized by the judicial confirmation of the Project under the City's Ordinance No. 3029 adopted August 7, 2001, and the City's Wastewater Bond Ordinance No. 3453 adopted November 29, 2012 ("Ordinance No. 3453"), as supplemented by the City's Supplemental Ordinance No. ____ adopted _____, 2013 (the "Supplemental Ordinance," and collectively with Ordinance No. 3453, the "Bond Ordinance"). *Capitalized terms used but not otherwise defined herein shall have the meanings as set forth in Ordinance No. 3453 and the Supplemental Ordinance.*

The Treasurer of the City is acting as the Bond Registrar, authenticating agent and paying agent for this Bond (the "Bond Registrar").

This Bond is payable solely from the special fund of the City defined as the "Bond Fund" under the Bond Ordinance, and the 2013 Debt Service Account created thereunder. The City has irrevocably obligated and bound itself to pay into the Bond Fund out of the Revenue of the System or from such other moneys as may be provided therefor certain amounts necessary to pay and secure the payment of the principal and interest on this Bond on parity with all Parity Bonds issued under the Bond Ordinance. This Bond is not a general obligation of the City. The City hereby covenants and agrees with the owner of this Bond that it will keep and perform all the covenants of this Bond and of the Bond Ordinance to be by it kept and performed, and reference is hereby made to the Bond Ordinance for a complete statement of such covenants.

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 and the 2013 Reserve Account thereunder the various amounts required by the Bond Ordinance to be paid into and maintained in such 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 prior first charge thereon, equal in rank to the lien and charge of the Parity Bonds, and the amounts required to pay and secure the payment of Additional Bonds (as defined in the Ordinance) of the City hereafter issued on a parity of lien with the Parity Bonds, including this Bond, and superior

to all other liens and charges of any kind or nature, except the Operation and Maintenance Expenses of the System.

The pledge of Revenue of the System and other obligations of the City under the Bond Ordinance may be discharged at or prior to the maturity or redemption of this Bond upon the making of provision for the payment thereof on the terms and conditions set forth 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 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 Coeur d'Alene, Kootenai County, Idaho, has caused this Bond to be signed with the facsimile or manual signatures of the Mayor and the City Treasurer, to be attested by the facsimile or manual signature of the City Clerk, all as of this [____ day of _____, 20__].

CITY OF COEUR D'ALENE, KOOTENAI
COUNTY, IDAHO

By: [FACSIMILE OR MANUAL]_____
Sandi Bloem, Mayor

By: [FACIMILE OR MANUAL]_____
Troy Tymesen, City Treasurer

ATTEST:

[FACSIMILE OR MANUAL]_____
Renata McLeod, Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This Bond is the Sewer Revenue Bond, Series 2013, of the City of Coeur d'Alene, Kootenai County, Idaho, in the principal amount of \$12,149,284, dated [_____2013], as described in the within-mentioned Bond Ordinance.

_____,
Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name of Transferee: _____

Address: _____

Tax Identification No.: _____

the within Bond and hereby irrevocably constitutes and appoints _____
_____ of _____
to transfer said bond on the books kept for registration thereof with full power of substitution in
the premises.

Dated: _____

[FACSIMILE OR MANUAL]
Registered Owner

NOTE: The signature on this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed by an “eligible guarantor institution” that is a member of or a participant in a “signature guarantee program” (e.g., the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Signature Program).

Schedule 1

**City of Coeur d'Alene, Kootenai County, Idaho
Sewer Revenue Bond, Series 2013**

EXHIBIT B

**CITY OF COEUR D'ALENE
KOOTENAI COUNTY, IDAHO**

[To be updated when Supplemental Ordinance is final]

Summary of Supplemental Ordinance No. _____, passed _____, 2013

A SUPPLEMENTAL ORDINANCE OF THE CITY OF COEUR D'ALENE, KOOTENAI COUNTY, IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF THE CITY'S SEWER REVENUE BOND, SERIES 2013, IN THE PRINCIPAL AMOUNT OF \$12,149,284 TO PROVIDE FUNDS NECESSARY TO FINANCE IMPROVEMENTS TO THE CITY'S SEWER SYSTEM; RATIFYING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND APPROVAL OF THE SIDE AGREEMENT THERETO PROVIDING FOR THE SALE OF THE SERIES 2013 BOND TO THE STATE OF IDAHO DEPARTMENT OF ENVIRONMENTAL QUALITY; PLEDGING REVENUES FOR PAYMENT OF THE SERIES 2013 BONDS ON PARITY; FIXING THE FORM AND TERMS OF THE SERIES 2013 BOND; PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO; AND PROVIDING FOR THE EFFECTIVE DATE HEREOF.

Section 101 (Definitions) defines certain capitalized terms used in the Supplemental Ordinance.

Section 201 (Authority for Supplemental Ordinance) provides that the Supplemental Ordinance is adopted pursuant to the provisions of the Revenue Bond Act, Idaho Code Sections 50-1027 through 50-1042, inclusive, and the Municipal Bond Law of the State of Idaho, being Idaho Code, Title 57, Chapter 2 (collectively, the "Act"), and the Master Wastewater Bond Ordinance No. 3453 (the "Master Ordinance").

Section 202 (Finding and Purpose) provides findings and determinations required to finance certain improvements to the sewer system (the "Project") of the City of Coeur d'Alene, Kootenai County, Idaho (the "City") with proceeds of issuance and sale of the City's Sewer Revenue Bond, Series 2013 (the "2013 Bond") pursuant to the Master Ordinance and Loan Agreement with the Idaho Department of Environmental Quality.

Section 203 (Authorization of 2013 Bond, Principal Amount, Designation; Confirmation of Pledged Revenues) authorizes the 2013 Bond in the principal amount of \$12,149,284; provides the designation of the 2013 Bond, and security of payment thereof from Pledged Revenues.

Section 204 (Issue Date) provides that the issue date shall be the date of issuance of the 2013 Bond.

Section 205 (2013 Bond Details) provides that the 2013 Bond shall be issued in a single denomination and shall bear interest and be payable pursuant to the Loan Agreement and form of the 2013 Bond as set forth in Exhibit A to the Supplemental Ordinance.

Section 206 (Optional Redemption) provides that the 2013 Bond is subject to redemption prior to maturity in whole or in part at par on any date.

Section 207 (Sale of 2013 Bond, Approval of Loan Agreement) provides for issuance and sale of the 2013 Bond to the Purchaser pursuant to the Loan Agreement and Side Agreement thereto.

Section 208 (Execution of 2013 Bond) provides for the manner of execution of the 2013 Bond.

Section 209 (Registration of 2013 Bond) provides that the Treasurer of the City shall act as Bond Registrar for the 2013 Bond.

Section 301 (Creation of Accounts and/or Subaccounts under Funds) creates the following: 2013 Debt Service Account under Bond Fund for payment of debt service on the 2013 Bond; 2013 Reserve Account under the Debt Service Reserve Account to secure payment of the 2013 Bond.

Section 302 (Delivery of 2013 Bond) authorizes delivery of the 2013 Bond to the Purchaser in exchange for prior draws received by the City aggregating \$12,149,284, the principal amount of the 2013 Bond.

Section 401 (Pledge of Revenues) provides for pledge of Pledged Revenues of the City to pay debt service on the 2013 Bond on parity with the outstanding Parity Bonds under the Master Ordinance..

Section 501 (Effect of Supplemental Ordinance) provides that the Master Ordinance is amended and supplemented as provided by the Supplemental Ordinance.

Section 502 (Ratification) ratifies, confirms and approves all proceedings, resolutions, and ordinances in connection with the sale and issuance of the 2013 Bond.

Section 503 (Severability) provides that other covenants and agreements in the Supplemental Ordinance are not affected if one is made invalid.

Section 504 (Conflict) repeals all resolutions, orders and regulations or parts thereof conflicting with the Supplemental Ordinance.

Section 505 (Captions) provides that table of contents and captions and hearings are for convenience only.

Section 506 (Savings Clause) provides that except as amended by the Supplemental Ordinance, the Master Ordinance shall remain in full force and effect.

Section 507 (Effective Date) provides that the Supplemental Ordinance shall take effect from and after its passage and publication of this summary as required by law.

Exhibit A: Sets forth the form of the 2013 Bond.

Exhibit B: Sets forth this summary for publication.

The full text of Supplemental Ordinance No. ____ is available at the office of the City Clerk of the City of Coeur d'Alene, Idaho, and will be provided to any citizen upon personal request during normal business hours.

Approved this ____ day of _____, 2013.

CITY OF COEUR D'ALENE, KOOTENAI
COUNTY, IDAHO

Sandi Bloem, Mayor

ATTEST:

Renata McLeod, City Clerk

CERTIFICATION OF COUNSEL

I, the undersigned, the legal advisor to the City of Coeur d'Alene, Idaho, hereby certify that I have read the attached Summary of Supplemental Ordinance No. _____ of the City, and that the same is true and complete and provides adequate notice to the public of the contents of said ordinance.

Dated as of this ____ day of _____, 2013.

By: _____

CERTIFICATE OF THE CLERK

I DO HEREBY CERTIFY that I am the duly chosen, qualified and acting Clerk of the City of Coeur d'Alene, Kootenai County, Idaho (the "City"), and keeper of the records of the City Council (the "City Council"); and

I HEREBY CERTIFY:

1. That the attached Supplemental Ordinance is a true and correct copy of Supplemental Ordinance No. _____ of the City (the "Supplemental Ordinance"), as finally passed at a regular meeting of the City Council held on the ____ day of _____, 2013, 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 City Council voted in the proper manner for the passage of the Supplemental Ordinance; that all other requirements and proceedings incident to the proper passage of the Supplemental 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 ____ of _____, 2013.

Renata McLeod, Clerk

March 5, 2013

State of Idaho
Department of Environmental Quality
Boise, Idaho

Re: *Side Letter Agreement re Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009*

This Side Letter Agreement is entered into by the State of Idaho Department of Environmental Quality (“DEQ”) and the City of Coeur d’Alene, Idaho (the “City”) to amend and supplement the Loan Offer, Acceptance and Agreement for Wastewater Treatment Facility Design and Construction dated December 18, 2009, between the City and DEQ (the “Loan Offer”). As contemplated by the Loan Offer, the City agreed to issue a revenue bond to DEQ (the “DEQ Bond”) pursuant to the authorization under the City’s Ordinance No. 3029 adopted August 7, 2001 (“Ordinance 3029”), on parity with all other bonds issued thereunder. In an effort to consolidate bonded obligations supported by its wastewater system, on November 29, 2012, the City Council adopted a new governing ordinance, Wastewater Bond Ordinance No. 3453 (“Ordinance 3453”), under which all revenue bonds with respect to the City’s wastewater system will be issued, on parity, pursuant to supplemental ordinances thereunder, including the DEQ Bond under the Loan Offer.

Therefore, the City and DEQ desire to amend and/or supplement certain provisions of the Loan Offer as follows:

1. Section III, General Conditions, is amended as follows:
 - a) The words “Ordinance No. 3029 adopted on August 7, 2001” in subsection A of Section III are replaced with “the Bond Ordinance.”
 - b) The words “Ordinance No. 3029” in subsection J of Section III are replaced with “the Bond Ordinance.”
2. Section IV, Project Management, is amended as follows: The words “Section 6 of Ordinances No. 3029” in subsection F of Section IV are replaced with “Section 6 of the Bond Ordinance.”
3. Subsection A of Section VI, Security Requirements, is amended by deleting the clause “prior to the initial draw on the loan,” in the second sentence thereof, which sentence now reads

as follows: “A copy of the note or bond and related ordinance shall be attached to this Agreement and incorporated herein by this reference.”

4. Subsection B of Section VI, Security Requirements, is deleted in its entirety and replaced with the following subsection B:

B. There will be a reserve fund to secure the Bond pursuant to the Bond Ordinance, funded in the amount equal to the lesser of (i) the maximum annual debt service of the Bond; (ii) 125% of average annual debt service on the Bond; or (iii) 10% of the face amount of the Bond. The Borrower has five years to satisfy the reserve account requirement by depositing equal annual payments into the reserve fund, with the first deposit on the first principal payment date under the Bond.

5. Section VIII, Repayment Terms and Schedule, is amended by deleting the clause “prior to the initial draw on the loan,” which now reads as follows: “This loan shall be repaid in a manner set forth in the promissory note or bond which shall be attached to this Agreement and incorporated herein by reference.”

Except as amended by this Side Letter, the Loan Offer remains in full force and effect and the City and DEQ ratify and confirm the same. By its signature hereunder, DEQ confirms acceptance of the amendments to the Loan Offer included herein.

Sincerely,

CITY OF COEUR D’ALENE, IDAHO

Sandi Bloem, Mayor

ATTEST

Renata McLeod, City Clerk

Acknowledged and Agreed to by:

STATE OF IDAHO
DEPARTMENT OF ENVIRONMENTAL QUALITY

By: _____
Its: _____