

RESOLUTION NO. 3069-2007

RESOLUTION OF THE FORT BRAGG CITY COUNCIL

and

RESOLUTION NO. ID 292-2007

RESOLUTION OF THE FORT BRAGG MUNICIPAL IMPROVEMENT DISTRICT BOARD

**AUTHORIZING CITY MANAGER TO EXECUTE AN INTERFUND LOAN AGREEMENT BY
AND BETWEEN THE CITY OF FORT BRAGG AND FORT BRAGG MUNICIPAL
IMPROVEMENT DISTRICT NO. 1 REGARDING THE WASTEWATER TREATMENT PLANT-
HEADWORKS SCREEN PROJECT**

WHEREAS, on April 9, 2007, the Fort Bragg Municipal Improvement District Board awarded a contract to K.G. Walters Construction inc. for the Headworks Screen Project; and

WHEREAS, the General Fund, General Fund Reserve, and General Fund Capital Reserve Funds have unencumbered cash balances sufficient to fully fund the loan and not violate City Council policy on reserve fund balances; and

WHEREAS, the Headworks Screen Project cost of \$799,400 will now be funded with \$250,000 from Wastewater Capital Reserves and an interfund loan for \$550,000 from General Fund Reserves (Funds 110, 114 and 115) to be repaid from any and all unencumbered Wastewater enterprise capital fees and revenues on a quarterly basis.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Fort Bragg does hereby authorize an interfund loan of \$550,000 from the General Fund Reserves (Funds 110, 114 and 115) to the Municipal Improvement District No. 1.

The above and foregoing Resolution was introduced by Council/Board Member Turner, seconded by Council/Board Member Melo, and passed and adopted at a regular meeting of the City Council of the City of Fort Bragg/District Board of the Fort Bragg Municipal Improvement District No. 1 held on the 23rd day of April, 2007, by the following vote:

AYES: Council/District Members Turner, Courtney, Gjerde, Melo, and Mayor Hammerstrom.

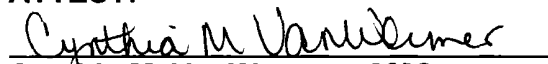
NOES: None.

ABSENT: None.

ABSTAIN: None.


DOUG HAMMERSTROM,
Mayor/Chair

ATTEST:


Cynthia M. VanWormer, CMC
City/District Clerk

INTERFUND LOAN AGREEMENT
BY AND BETWEEN THE CITY OF FORT BRAGG AND MUNICIPAL
IMPROVEMENT DISTRICT NO. 1
REGARDING THE WASTEWATER TREATMENT PLANT-HEADWORKS SCREEN
PROJECT

In accordance with Resolution No. 2627-2003 of the Fort Bragg City Council Approving and Adopting Interfund Loan Policy, the following Agreement is hereby approved as of April 23, 2007 between the City as lender and MID #1 as borrower.

Amount: \$550,000

Interest Rate: 4.75%

Term: Commencing May 1, 2007 and terminating May 1, 2012

Collateral (security): Pledge of all Wastewater enterprise capital fees and revenues, on a basis subordinate to the outstanding 2003 Wastewater revenue bonds and any additional debt issued on parity with the 2003 bonds.

Repayment conditions: Any and all unencumbered Wastewater enterprise capital fees and revenues available as of July 31, October 31, January 31 and April 30 of each fiscal year shall be paid quarterly commencing July 31, 2007 to the General Fund and applied first to repay accrued interest and then to amortize the principal balance outstanding. The loan may be prepaid in part or in full on any date. Any unpaid balance as of May 1, 2012 shall be immediately due and payable in full. As noted above, all loan repayments are subordinate to payment requirements on outstanding 2003 bonds and parity debt.

Rate Covenant: The MID hereby covenants to set user rates at a level sufficient to generate Net Revenues after bonded debt service in an amount equal to quarterly interest due on the loan plus \$15,000 for principal amortization.

Covenant to Refinance: In the event the MID issues federally tax-exempt securities prior to retirement of the loan, the MID Board covenants to refund the full amount of the loan outstanding at such time and should the loan not be fully retired by May 1, 2012, the MID and City covenants to use their best efforts to issue refunding securities sufficient to retire the loan.

FEASIBILITY ANALYSIS must demonstrate that the Wastewater funds have the capacity to repay the debt, the General Fund has the capacity after funding the loan to make its own operating and capital needs, and the loan does not violate other loan/debt covenants.

WASTEWATER FUND CAPACITY TO REPAY. The MID expects to repay a substantial amount upon project completion from monies currently on deposit in the Capital Projects fund.

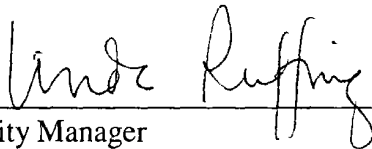
The Rate Covenant should produce revenues sufficient to pay all interest accruing on the loan plus \$300,000 towards principal amortization.

GENERAL FUND CAPACITY TO LEND. The General Fund, General Fund Reserve, and General Fund Capital Reserve Funds (110, 114, 115) have unencumbered cash balances sufficient to fully fund the loan and not violate City Council policy on reserve fund balances.

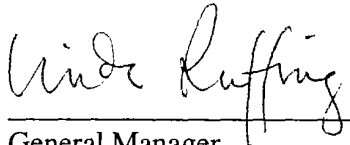
COMPLIANCE WITH BOND COVENANTS. All provisions of this loan shall be subordinated to covenants, pledges, and security interests of any bonded debts outstanding, including parity debt subsequently issued.

This agreement may be amended with the consent of both the City Council and the MID provide the amendments are consistent with the City's Interfund Loan Policy. This Agreement was approved by Resolutions of the City Council and MID at their joint meeting of April 23, 2007.

ACKNOWLEDGED:



City Manager



~~General Manager~~
District