



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, General Accounting Supervisor
DATE: July 25, 2016
SUBJECT: Resolution No. 1622 Requesting Electric Refunding Bond Sale Authorization and Resolution No. 1624 Authorizing Amendment and Restatement of the Electric Master Bond Resolution
OBJECTIVE: Approval of Resolutions No. 1622 and 1624

Issue:

Board approval is required to issue Electric Utility revenue refunding bonds to achieve interest savings. By refunding all or parts of the 2005, 2006, 2008 and 2011A bonds, the Electric Utility is expected to generate approximately \$10.7 million present value savings. The Electric Utility's current financial challenge is debt service coverage and refunding bonds at a lower interest rate will mitigate upward rate pressure.

With the upcoming Electric Utility bond refunding, EWEB has the opportunity to update and modernize the Master Electric Bond Resolution to include terms relating to financial products and structuring/bond security methods that didn't exist in 1986 when the current Master Electric System Bond Resolution was adopted. Staff worked with EWEB's bond and disclosure counsels, financial advisor and underwriter to update resolution language so that EWEB is provided enhanced flexibility while continuing to maintain strong credit worthy covenants indicative of a Utility that is well-managed, both financially and operationally.

Background:

At the June 7, 2016 Board meeting, Commissioners approved Resolution No. 1617 requesting City Council action on the issuance and sale of Electric Utility System Revenue Refunding Bonds, Series 2016. The City Council adopted Resolution No. 5162 at its July 11, 2016 meeting which authorized the sale of refunding bonds not to exceed \$156 million. After City Council authorization, the Board is required to approve a resolution authorizing the bond issuance. Resolution No. 1622 provides that authorization.

This bond issuance will be the largest in EWEB's history and after issuance, the 2016 bondholders will represent approximately 50% of the outstanding Electric Utility bonds. The 1986 Master Resolution allows for amendments if 50% of the bondholders consent. Accordingly, EWEB will be able to implement an amended and restated Master Resolution of which most provisions will become effective within the next year.

Certain financial mechanisms have been introduced over the past twenty years which were not contemplated and therefore not considered under the original Master Electric System Resolution. For example, the introduction of tax-credit bonds like Build America Bonds or Clean Renewable Energy Bonds which are taxable bonds that are sold with a federal subsidy payment that is then paid back to the issuer. The existing Master Electric System Resolution doesn't contemplate how to account for such subsidy payments as they relate to the Additional Bonds Test (the test that determines whether or not EWEB generates enough revenue to support additional debt), Rate Covenant (the covenant with bondholders that states EWEB will charge rates and charges in order to generate a Debt Service Ratio of 1.0x), or Reserve Fund Requirement (the additional source of reserve funds that are held by EWEB as required by bondholders) sections of the Resolution.

Many comparable bond market participants, similar in size and scope to that of EWEB, have been building Debt Service Reserve Fund ("DSRF") sizing flexibility. The current Electric Utility DSRF requirement is to fund an amount equal to average annual debt service for all Parity Bonds (Parity Bonds are those that have the same priority of claim against pledged revenues) outstanding. This level of funding has provided healthy liquidity balances that have helped maintain the high Electric Utility System bond ratings. Updates to the Master Resolution maintain this same level of funding for the Series 2016 Bonds, but provide additional flexibility for future Electric System Bonds whereby the DSRF requirement can be determined on a Series-by-Series basis. This additional flexibility allows EWEB to decide the DSRF liquidity funding level at the time of the future borrowing, whether it be higher or lower than the existing requirement, within the IRS tax-maximum calculation.

Discussion

The amendments EWEB is considering primarily focus on modernizing existing Resolution sections to include additional flexibility. Substantive changes include:

a) Annual Debt Service Definition

Discussion: The definition of "Annual Debt Service" is modified to take into account provisions related to Tax Credit Subsidy Payments, Variable Interest Rate Bonds, Balloon Indebtedness, Capital Appreciation Bonds and Derivative Products, among other things. Even though EWEB currently doesn't use any of these products, these provisions have all become standard in the municipal market over time and simply allow for the future use if deemed in EWEB's interest.

b) Treatment of Federal Subsidies

Discussion: Updates the resolution to include defined terms for "Tax Credit Subsidy Bond" and "Tax Credit Subsidy Payments." For purposes of calculating the Annual Debt Service amount, any tax subsidy payment would be credited against the annual total.

c) Series by Series Debt Service Reserve Requirement

Discussion: The current resolution reserve requirement calculates the requirement based on all outstanding Series of Bonds. An update to this requirement allows EWEB to determine and calculate the Reserve Requirement for each additional future Series of bonds at the time of issuance.

d) Reserve Account Instruments

Discussion: The definition of Reserve Account Instrument is updated to allow EWEB to purchase a Reserve Credit Facility if it meets certain ratings criteria (within the three highest rating categories of either Moody's or S&P), and then protects EWEB should the rating on the Reserve Credit Facility drop sometime after bond issuance and during the life of the policy by only requiring the Instrument to be within the three highest rating categories at the time of issuance.

e) Replenishment of Debt Service Reserve Account Requirement Procedures

Discussion: The current resolution does not contemplate the use of Reserve Credit Instruments in lieu of cash or bond proceeds as a source of funds for the Debt Service Reserve Account Requirement. As such, the existing master resolution does not contemplate the repayment or replenishment timeline should the value of those Reserve Credit Instruments drop resulting in an underfunded Debt Service Reserve Account. The 2016 Resolution states that EWEB will replenish the Reserve Account in equal monthly installments over a period of 18 months.

f) Operating Expenses

Discussion: The definition of operating expenses has been updated to include language on "Contract Resource Obligations." The designation of a Contract Resource Obligation as an operating expense allows EWEB to pay that obligation prior to payment of debt service on Parity Bonds. The definition also now excludes extraordinary, non-recurring and potentially volatile non-cash expenses. Additionally, changes in accounting principles which would have led to default under the debt service coverage requirement are also excluded.

g) Trojan Nuclear Project

Discussion: Since all Trojan bonds have been paid, references to Trojan and other related language have been removed.

h) Rate Stabilization Fund

Discussion: The 1986 resolution does not include rate stabilization fund language. The amendment specifies how to handle deposits and withdrawals to and from the rate stabilization fund in the debt service coverage calculation.

i) Determination of Certain Provisions to be Dictated by Future Supplemental Resolutions or a Board Certificate of Determination

Discussion: The updated resolution allows EWEB to dictate certain provisions on a Series-by-Series basis going forward through the use of Supplemental Resolutions or Certificates of Determination. These provisions include the use or non-use of a Trustee in holding the Bond Fund and/or other Funds as dictated by the Board, and optional redemption provisions and procedures.

j) Requirements for Issuance of Bonds

Discussion: The current resolution dictates that when additional bonds that are not refunding bonds are issued a certificate is required to be filed using one of two options:

- 1) Certificate signed by an authorized officer showing that the average of the net revenues of the electric system (less the debt service on the then outstanding Bonds) for any 24 month period out of the preceding (backwards looking) 36 months in which such new bonds are issued, were equal to not less than 1.20 times the average annual debt service on the Bonds including the debt service on the new bonds being issued; or

- 2) Certificate signed by a Consulting Engineer showing that debt service coverage of the subsequent (*forward looking*) five fiscal years for the then outstanding bonds, in addition to the new bonds being issued shall be at least equal to 1.35 times the Debt Service.

The 2016 Resolution modifies and coordinates these calculations to industry standards stating that Net Revenues for any 12 of the previous 24 months must equal 1.20 times of Maximum Annual Debt Service on all then outstanding bonds and the new bonds being considered. The calculation for the Professional Utility Consultant is also modified to be *backwards looking* over the same 12 out of 24 month period and allows certain net revenue adjustments.

Since the Amended and Restated Resolution is a complete rewrite, the 1986 Master Resolution is included for your reference.

Recommendation

Management recommends and requests approval of Supplemental Bond **Resolution No. 1622** authorizing and approving the issuance, sale and delivery of Electric Utility System Revenue Refunding Bonds Series 2016 and **Resolution No. 1624** approving the proposed updates to the Electric Utility System Master Bond Resolution.

Requested Board Action

Approval of Resolutions No. 1622 and 1624.

RESOLUTION NO. 1622
August 2016

SUPPLEMENTAL BOND RESOLUTION

**A SUPPLEMENTAL BOND RESOLUTION AUTHORIZING AND APPROVING THE
ISSUANCE, SALE AND DELIVERY OF ELECTRIC UTILITY SYSTEM REVENUE
REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO
EXCEED \$156,000,000 FOR THE PURPOSE OF REFINANCING ELECTRIC UTILITY
SYSTEM IMPROVEMENTS; PROVIDING FOR RELATED MATTERS**

WHEREAS, ORS 287A.150 authorizes the City of Eugene (the “City”) to issue bonds payable solely from revenues generated by facilities, projects, utilities or systems owned or operated by the City; and the City, acting by and through the Eugene Water & Electric Board (“EWEB”), owns and operates an electric utility system and related facilities and systems;

WHEREAS, on June 16, 1986, EWEB adopted a resolution (the “Bond Resolution”) authorizing and providing for the issuance, from time to time, of City of Eugene, Oregon Electric Utility System Revenue Bonds to be equally and ratably secured by the pledge of revenues, funds and accounts thereunder;

WHEREAS, the Bond Resolution will be amended and restated by Resolution No. 1624 (the “Amended and Restated Bond Resolution”) upon consent of the holders of not less than a majority of Bonds then outstanding and any insurer of the outstanding Bonds;

WHEREAS, once such consent is obtained, the Amended and Restated Bond Resolution shall apply to the Series 2016 Refunding Bonds authorized by this supplemental bond resolution (the “Supplemental Bond Resolution”);

WHEREAS, this Supplemental Bond Resolution is intended to and does hereby supplement the Bond Resolution;

WHEREAS, the Bond Resolution provides in part that the principal of, premium, if any, and interest on the bonds issued thereunder shall not be payable from any funds of the City nor constitute a general obligation of the City or create a charge upon the tax revenues or any other property or revenues of the City;

WHEREAS, on May 10, 2005, the City, acting by and through EWEB, issued its Electric Utility System Revenue Bonds, Series 2005 in the principal amount of \$10,575,000 (the “Series 2005 Bonds”). The Series 2005 Bonds maturing on and after August 1, 2016 are subject to redemption on or after August 1, 2015, at the option of EWEB, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption;

WHEREAS, on August 24, 2006, the City, acting by and through EWEB, issued its Electric Utility System Revenue Bonds, Series 2006 in the principal amount of \$12,850,000 (the “Series 2006 Bonds”). The Series 2006 Bonds maturing on and after August 1, 2017 are subject

to redemption on or after August 1, 2016 at the option of EWEB, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption;

WHEREAS, on July 17, 2008, the City, acting by and through EWEB, issued its Electric Utility System Revenue and Refunding Bonds, Series 2008 in the principal amount of \$84,405,000 (the “Series 2008 Bonds”). The Series 2008 Bonds maturing on and after August 1, 2019 are subject to redemption on or after August 1, 2018, at the option of EWEB, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption;

WHEREAS, on June 29, 2011, the City, acting by and through EWEB, issued its Electric Utility System Revenue and Refunding Bonds, Series 2011A in the principal amount of \$66,210,000 (the “Series 2011A Bonds”). The Series 2011A Bonds maturing on and after August 1, 2022 are subject to redemption on or after August 1, 2021, at the option of EWEB, in whole or in part at any time, at a price of 100% of the principal amount thereof, plus accrued interest to the date of redemption;

WHEREAS, on April 5, 2016 EWEB adopted Resolution No. 1611 authorizing the defeasance of all, a portion of, or none of the Series 2005 Bonds, Series 2006 Bonds, and Electric Utility System Revenue and Refunding Bonds, Series 2012 (the “Series 2012 Bonds”) with the proceeds of the sale of the Smith Creek Hydro Project and additional cash;

WHEREAS, a portion of the Series 2012 Bonds have been defeased with a portion of the proceeds of the Smith Creek Hydro Project in connection with the sale of the Smith Creek Hydro Project and additional funds of EWEB;

WHEREAS, approximately \$1.8 million of proceeds of the Series 2008 Bonds (the “Unspent 2008 Roosevelt Proceeds”) allocated to finance the Roosevelt Operations Center remain unspent and EWEB desires to defease a portion of the Series 2008 Bonds with the Unspent 2008 Roosevelt Proceeds;

WHEREAS, EWEB desires to defease additional Series 2012 Bonds with excess funds released from the Reserve Account (the “2012 Reserve Defeased Bonds”) ;

WHEREAS, ORS 287A.360 – 287A.375 authorizes the issuance of current and advance refunding bonds;

WHEREAS, EWEB has determined that present value savings may be achieved by issuing refunding bonds;

WHEREAS, by Resolution No. 1617 adopted June 7, 2016 (“Resolution No. 1617”), EWEB has determined that it is in the best interest of the City, acting by and through EWEB, to issue electric utility system revenue refunding bonds for the purpose of refunding all or a portion of the Series 2005 Bonds (the “Refunded Series 2005 Bonds”); all or a portion of the Series 2006 Bonds, (the “Refunded Series 2006 Bonds”); all or a portion of the Series 2008 Bonds, (the “Refunded Series 2008 Bonds”); all or a portion of the Series 2011A Bonds, (the “Refunded Series 2011A Bonds”), together with the Refunded Series 2005 Bonds, the Refunded Series 2006

Bonds, the Refunded Series 2008 Bonds and the Refunded Series 2011A Bonds are collectively referred to as the “Refunded Bonds”);

WHEREAS, by Resolution No. 1617, EWEB requested that the City Council adopt a resolution in part to authorize and set the terms for the issuance of electric utility system revenue refunding bonds (the “Series 2016 Refunding Bonds”) in the aggregate principal amount of not to exceed \$156,000,000 for the purpose of refunding the Refunded Bonds;

WHEREAS, by City Resolution No. 5162 adopted July 11, 2016 (“City Resolution No. 5162”) the Council authorized EWEB, on behalf of the City, to issue and sell the Series 2016 Refunding Bonds in one or more series, in the aggregate principal amount of not to exceed \$156,000,000, for the sole purposes of refunding the Refunded Bonds, funding any required reserves and paying costs of issuance and other costs related to the Series 2016 Refunding Bonds, subject to the restrictions that each series of bonds (i) mature not later than thirty (30) years from the date of issuance of such series; (ii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation at par, (iii) specify a net original issue discount or premium that does not exceed twenty percent (20%) of the aggregate principal amount thereof; and (iv) have an effective interest rate of not to exceed five and one-half percent (5.5%) per annum;

WHEREAS, pursuant to City Resolution No. 5162 and ORS 287A.300, the City Council authorized EWEB, or any individual designated by EWEB, to determine, with respect to the Series 2016 Refunding Bonds the form of bond and series designation, the manner of disbursement of proceeds of the Series 2016 Refunding Bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, obtain bond insurance or some other form of guaranty or security for the payment of the Series 2016 Refunding Bonds, denominations, form and authorized signatory, which, if any, of the Series 2005, Series 2006 Bonds, Series 2008 Bonds and Series 2011A Bonds will be refunded, the terms and form of necessary or desirable documents and other terms and conditions of the Series 2016 Refunding Bonds, subject to the requirement that prior to the issuance of any Series 2016 Refunding Bonds, EWEB (i) prepare a plan showing that the estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Series 2016 Refunding Bonds; (ii) provide a copy of this Supplemental Bond Resolution to the City; and (iii) provide to the City a resolution determining that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Series 2016 Refunding Bonds, exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter and ordinances of the City of Eugene and said resolution;

WHEREAS, the foregoing actions and events enable EWEB to proceed with the issuance and sale of the Series 2016 Refunding Bonds without further authorization or approval other than that provided by this Supplemental Bond Resolution;

WHEREAS, the Series 2016 Refunding Bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from revenues of the Electric Utility System which EWEB pledges to the payment of such Series 2016 Refunding Bonds pursuant to ORS 287A.310 and ORS 287A.325 and the aforesaid resolutions;

WHEREAS, EWEB has caused to be prepared a plan showing that EWEB's estimated Electric Utility System revenues are sufficient to pay the debt service on the Series 2016 Refunding Bonds as authorized by City Resolution No. 5162;

WHEREAS, capitalized terms not defined herein shall have the meanings assigned to such terms in the Bond Resolution.

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings. The Refunded Bonds are eligible for refinancing in accordance with EWEB Resolution No. 1617 and City Resolution No. 5162 through the issuance of the Series 2016 Refunding Bonds.

SECTION 2. Definitions. Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Bond Resolution which are defined in the Bond Resolution shall for all purposes of this Supplemental Bond Resolution have the respective meanings given to them in the Bond Resolution.

Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Bond Resolution or this Supplemental Bond Resolution, as the case may be are to the corresponding article, section or subdivision of the Bond Resolution only, or this Supplemental Bond Resolution only, as the case may be; (ii) the terms "herein", "hereunder," "hereby," "hereto," "hereof," and any similar terms refer to this Supplemental Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms "therein," "thereunder," "thereby," "thereto," "thereof," and any similar terms refer to the Bond Resolution and to the Bond Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term "heretofore" means before the time of effectiveness of this Supplemental Bond Resolution.

SECTION 3. Series 2016 Refunding Bonds Authorized. The Series 2016 Refunding Bonds shall be issued in the form of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple of \$5,000 and shall be numbered as determined by the Trustee. The Treasurer or the Assistant Treasurer of EWEB, or any such officer's designee (the "Authorized Representative"), is hereby authorized and directed, for and in the name and on behalf of EWEB and the City, to (1) issue and sell the "City of Eugene, Oregon Electric Utility System Revenue Refunding Bonds, Series 2016" or other designation as determined by the Authorized Representative, in one or more series, taxable or tax-exempt, in the aggregate principal amount of not to exceed \$156,000,000, for the purpose of (1) refunding all or a portion of the Series 2005 Bonds, (2) refunding all or a portion of the Series 2006 Bonds, (3) refunding all or a portion of the Series 2008 Bonds, (4) refunding all or a portion of the Series 2011A Bonds, (5) fund any required reserves and (6) pay costs of issuance. The Authorized Representative may determine, with respect to the Series 2016 Refunding Bonds, the form of bond and series designation, the manner of disbursement of proceeds of the Series 2016 Refunding Bonds, the maturity dates, principal amounts, redemption provisions, interest rates or

the method for determining a variable or adjustable interest rate, whether to issue as taxable or tax-exempt bonds, obtain bond insurance or some other form of guaranty or security for the payment of the Series 2016 Refunding Bonds, denominations, form, authorized signatory, and other necessary or desirable documents, and other terms and conditions of the Series 2016 Refunding Bonds because the same cannot be determined by EWEB at this time.

Prior to the issuance of any Series 2016 Refunding Bonds, EWEB shall: (i) prepare a plan showing that the estimated Electric Utility System revenues are sufficient to pay the estimated debt service on the Series 2016 Refunding Bonds; and (ii) provide a copy of this Supplemental Bond Resolution to the City. Without the prior approval of the City Council and EWEB, the Series 2016 Refunding Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; and (ii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation, at par or with a net original issue discount or premium that does not exceed twenty percent (20.0%) of the aggregate principal amount thereof and have an effective interest rate of not to exceed five and one-half percent (5.5%) per annum. The Series 2016 Refunding Bonds shall be subject to a book-entry only system of ownership and transfer as provided for in Section 9 hereof. Any remaining terms of the Series 2016 Refunding Bonds shall be established as provided in Section 14 hereof.

The Bond Trustee (identified in Section 4 below) as Registrar shall endorse on the Bonds the date of their authentication. Interest on the Series 2016 Refunding Bonds shall be payable from the February 1 or August 1 next preceding the date of authentication to which interest shall have been paid; provided, however, that prior to the first payment date, such interest shall be payable from the dated date of the Series 2016 Refunding Bonds. The Series 2016 Refunding Bonds shall be dated the date of their delivery, shall mature on August 1 in each of the years and in the principal amounts as shown in the Official Statement, consistent with the authority provided or delegated to the Authorized Representative at the time of sale of the Series 2016 Refunding Bonds, and it is hereby ratified, confirmed and approved that the first maturity date of the Series 2016 Refunding Bonds shall be August 1, 2017, the first interest payment date shall be February 1, 2017, and the final maturity date of the Series 2016 Refunding Bonds shall be no later than August 1, 2046.

SECTION 4. Appointment of Bond Trustee and Registrar. In accordance with Section 7.1 of the Bond Resolution, EWEB hereby appoints U.S. Bank National Association as the initial Bond Trustee ("Bond Trustee") and Registrar ("Registrar") with respect to the Series 2016 Refunding Bonds.

SECTION 5. Security for Series 2016 Refunding Bonds. The Series 2016 Refunding Bonds shall not be general obligations of the City or EWEB, nor a charge upon the City's tax revenues, but shall be payable solely from the revenues and funds which EWEB pledges to the payment of the Series 2016 Refunding Bonds pursuant to ORS 287A.150 *et seq.* The Series 2016 Refunding Bonds shall be secured by a lien on the Revenues of the Electric Utility System that is equal in priority to the lien of the Outstanding Bonds and any Additional Bonds. The Outstanding Bonds (including the Series 2016 Refunding Bonds) shall be secured as set forth in the Bond Resolution.

SECTION 6. Application of Series 2016 Refunding Bond Proceeds. (a) The Series 2016 Refunding Bond proceeds shall be applied as follows:

(a) Accrued interest received on the Series 2016 Refunding Bonds, if any, from their date to the date of delivery and capitalized interest, if any, shall be paid to the Bond Trustee for deposit into the Interest Account in the Bond Fund to be applied to the payment of interest on the Series 2016 Refunding Bonds;

(b) A portion of the proceeds of the Series 2016 Refunding Bonds sufficient to refund the Refunded Bonds shall be deposited into the Escrow Account to refund the Refunded Bonds on the earliest practical call date for each series;

(c) A portion of the proceeds of the Series 2016 Refunding Bonds (amount to be determined by the Authorized Representative) shall be used to fund any reserve for the Series 2016 Refunding Bonds not funded with cash, surety bond or insurance policy;

(d) A portion of the proceeds of the Series 2016 Refunding Bonds (amount to be determined by the Authorized Representative) shall be applied to the payment of fees and expenses in connection with the issuance and sale of the Series 2016 Refunding Bonds.

SECTION 7. Funds.

(a) There is hereby created and established a separate special trust fund(s) of EWEB to be known as the “Escrow Account” to be held by the Bond Trustee, as escrow agent. Proceeds of the Series 2016 Refunding Bonds, together with excess funds released from the Reserve Account and other available moneys, if any, shall be deposited into the Escrow Account and be held as cash and/or invested in direct obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America, the principal of and interest on which will be sufficient to pay the principal of and interest on the Refunded Bonds, the 2012 Reserve Defeased Bonds and the Series 2008 Bonds defeased with the Unspent 2008 Roosevelt Proceeds on the dates of redemption as specified in written instructions to be delivered to the Bond Trustee by the Authorized Representative.

(b) There is hereby created and established a separate special trust fund of EWEB to be known as the “Series 2016 Costs of Issuance Fund” to be held by the Bond Trustee. Moneys in the Series 2016 Costs of Issuance Fund shall be applied solely to the reimbursement and payment of the costs of issuance of the Series 2016 Refunding Bonds. Moneys shall be paid out of the Series 2016 Cost of Issuance Fund in accordance with the Tax Certificate.

SECTION 8. Reserve Account. In connection with the issuance of the Series 2016 Refunding Bonds, the Authorized Representative is hereby authorized to calculate the Reserve Account Requirement in accordance with the provisions of the Bond Resolution and to make any payments in connection therewith. The Authorized Representative is hereby authorized to execute any agreement (including, but not limited to, an agreement to purchase a reserve fund surety bond) in connection therewith. Any deficiency in the Reserve Account of the Bond Fund upon issuance of the Series 2016 Refunding Bonds shall be funded with proceeds of the Series 2016 Refunding Bonds, cash, surety bond, insurance policy, or a combination thereof, in accordance with Section 6.4 of the Bond Resolution.

SECTION 9. Book-Entry System of Ownership. During any time that the Series 2016 Refunding Bonds are held in a book-entry only system (the “Book-Entry System”), the registered owner of all of the Series 2016 Refunding Bonds shall be The Depository Trust Company, New York, New York (“DTC”), and the Series 2016 Refunding Bonds shall be registered in the name of Cede & Co., as nominee for DTC. EWEB has entered into a Blanket Issuer Letter of Representations (the “Letter”) wherein EWEB represents that it will comply with the requirements stated in DTC’s Operational Arrangements as they may be amended from time to time.

Under the Book-Entry System, the Series 2016 Refunding Bonds shall be initially issued in the form of a single fully registered certificate, one for each series and maturity of the Series 2016 Refunding Bonds. Upon initial issuance, the ownership of such Series 2016 Refunding Bonds shall be registered by the Registrar on the registration books in the name of Cede & Co., as nominee of DTC. EWEB and the Registrar may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016 Refunding Bonds registered in its name for the purposes of payment of the principal of, redemption price of, and premium, if any, or interest on the Series 2016 Refunding Bonds, selecting the Series 2016 Refunding Bonds or portions thereof to be redeemed, if any, giving notice as required under Section 10 of this Resolution, registering the transfer of Series 2016 Refunding Bonds, obtaining any consent or other action to be taken by the Bondholders and for all other purposes whatsoever; and neither the Registrar nor EWEB shall be affected by any notice to the contrary. The Registrar shall not have any responsibility or obligation to any person claiming a beneficial ownership interest in the Series 2016 Refunding Bonds under or through DTC or any participant in DTC (a “Participant”), or any other person which is not shown on the registration books of the Registrar as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2016 Refunding Bonds; any notice or direction which is permitted or required to be given to or received from Bondholders under this Resolution; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Series 2016 Refunding Bonds; or any consent given or other action taken by DTC as Bondholder; nor shall any DTC Participant or any such person be deemed to be a third party beneficiary of any Bondholders’ rights under this Resolution. The Registrar shall pay from moneys available hereunder all principal of and premium, if any, and interest on the Series 2016 Refunding Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge EWEB’s obligations with respect to the principal of and premium, if any, and interest on the Series 2016 Refunding Bonds to the extent of the sum or sums so paid. So long as the Series 2016 Refunding Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Registrar to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Registrar of DTC’s written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to transfers of Series 2016 Refunding Bonds, the term “Cede & Co.,” in this Resolution shall refer to such new nominee of DTC.

At any time it determines that it is in the best interests of the Bondholders or EWEB, EWEB may notify the Registrar, and the Registrar will subsequently notify DTC, whereupon

DTC will notify the DTC Participants, of the availability through DTC of Bond certificates. In such event, the Registrar shall issue, transfer and exchange, at EWEB's expense, Bond certificates as requested in writing by DTC in appropriate amounts at the principal office of the Bond Trustee as described in Section 4.7 of the Bond Resolution. DTC may determine to discontinue providing its services with respect to the Series 2016 Refunding Bonds at any time by giving written notice to the Registrar and discharging its responsibilities with respect thereto under applicable law. If DTC resigns as securities depository for the Series 2016 Refunding Bonds, Bond certificates shall be delivered pursuant to this Section 10. Under such circumstances (if there is no successor securities depository), the Registrar shall be obligated to deliver Bond certificates as described in this Resolution, provided that the expense in connection therewith shall be paid by EWEB. In the event Bond certificates are issued, the provisions of this Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of, premium, if any, and interest on such Series 2016 Refunding Bonds. Whenever DTC requests the Registrar to do so, the Registrar will cooperate with DTC in taking appropriate action after written notice (a) to make available one or more separate certificates evidencing the Series 2016 Refunding Bonds to any DTC Participant having Series 2016 Refunding Bonds credited to its DTC account, or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2016 Refunding Bonds.

EWEB will not be responsible or liable for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC, its Participants or persons acting through such Participants or for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owner of the Series 2016 Refunding Bonds.

SECTION 10. Redemption Provisions. The Series 2016 Refunding Bonds shall be subject to optional and mandatory redemption as determined by the Authorized Representative. Notice of any redemption of Series 2016 Refunding Bonds shall be provided for in the manner set forth in the Bond Resolution. Any notice of optional redemption to the Registrar or to the Bondholders may state that the optional redemption is conditional upon receipt by the Registrar of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Registrar to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Notice of Redemption (Book-Entry). So long as the Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption no fewer than 20 calendar days nor more than 60 calendar days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds. Official written notice of redemption will be given by the EWEB to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to DTC. EWEB reserves the right to rescind any redemption notice as allowed in the Resolution.

Notice of Redemption (No Book-Entry). During any period in which the Bonds are not in book-entry only form, unless waived by any Bondholder of the Bonds (as defined herein) to be

redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of EWEB by mailing a copy of an official redemption notice by first class mail, postage prepaid, no fewer than 30 calendar days nor more than 60 calendar days prior to the date fixed for redemption, to the Bondholders of the Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Bondholder to the Paying Agent. Official written notice of redemption will be given by EWEB to the Paying Agent at least five calendar days prior to the date the notice is scheduled to be sent to Bondholders of the Bonds. EWEB reserves the right to rescind any redemption notice as allowed in the Resolution.

SECTION 11. General Provisions for Issuance of Series 2016 Refunding Bonds. Principal, premium, if any, and interest on the Series 2016 Refunding Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts and shall be payable by wire transfer or such other method determined by the Authorized Representative.

Each Series 2016 Refunding Bond shall be executed in the name of EWEB with the manual or facsimile signature of the President or Vice President of the EWEB Board and Treasurer or Assistant Treasurer of EWEB and attested with the manual or facsimile signature of the Secretary or Assistant Secretary of the EWEB Board.

The Series 2016 Refunding Bonds shall be authenticated by the Bond Trustee or Registrar. Upon such authentication of a Series 2016 Refunding Bond, the Registrar shall endorse on such Series 2016 Refunding Bond the date of such authentication. No order or direction of EWEB, or any other documents shall be necessary to authorize authentication of a Series 2016 Refunding Bond delivered in accordance with the provisions of the Bond Resolution upon transfers or redemption. Only such of the Series 2016 Refunding Bonds as shall have endorsed thereon a certificate of authentication as hereinafter provided, duly executed by the Registrar, shall be entitled to a right or benefit under the Bond Resolution or be secured thereby, and no Series 2016 Refunding Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar. Authentication by the Registrar upon a Series 2016 Refunding Bond shall be conclusive evidence that such Series 2016 Refunding Bond has been duly issued under the Bond Resolution and is entitled to the benefits and security of the Bond Resolution.

In case any person whose authorized signature for the Registrar appears on any Series 2016 Refunding Bond ceases to be authorized to sign for the Registrar before the delivery of such Series 2016 Refunding Bond, his/her signature shall nevertheless be valid and sufficient for all purposes as if he/she had remained so authorized. In case any of the Series 2016 Refunding Bonds have been authenticated by the Registrar but not delivered, a successor Registrar may adopt the certificate of authentication of the predecessor Registrar. In case any of the Series 2016 Refunding Bonds have not been authenticated, any successor Registrar may authenticate the same in its own name.

The Series 2016 Refunding Bonds, the certificates of authentication and the forms of assignment pertaining thereto shall be in substantially the forms set forth in Section 12.1 of the Bond Resolution, with necessary or appropriate variations, omissions and insertions as are incidental to their numbers, denominations, maturities, interest rates, registration provisions,

redemption provisions and other details thereof and of their form or as are otherwise permitted or required by law or by the Bond Resolution, including this Supplemental Bond Resolution.

SECTION 12. Findings and Determinations: Authority for Supplemental Resolution: Bonds are “Bonds” under the Bond Resolution. EWEB hereby finds and determines:

(a) The Series 2016 Refunding Bonds are issued under the authorization of Section 3.1 of the Bond Resolution and are “Bonds” within the meaning of the quoted words as defined and used in the Bond Resolution.

(b) Any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Series 2016 Refunding Bonds exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter of the City of Eugene, the Bond Resolution, and City Resolution No. 5162.

(c) Except for supplemental resolutions, the Bond Resolution has not been amended, supplemented, or repealed since adoption thereof. This Supplemental Bond Resolution supplements the Bond Resolution, constitutes and is a “Supplemental Resolution” within the meaning of the quoted words as defined and used in the Bond Resolution and is adopted pursuant to and under authority of the Bond Resolution.

(d) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 9.2 of the Bond Resolution, nor does there exist any condition which, after passage of time, would constitute such an “Event of Default.”

(e) The Series 2016 Refunding Bonds: (i) shall be entitled to the benefits, security and protection of the Bond Resolution, equally and ratably with one another and with any other Bonds heretofore or hereafter issued thereunder; (ii) shall be payable as provided in the Bond Resolution solely from the Revenues and other moneys specified in the Bond Resolution on a parity with one another and with all Bonds heretofore or hereafter issued under the Bond Resolution; and (iii) shall be equally and ratably secured under the Bond Resolution with one another and with all Bonds hereafter issued thereunder, without priority by reason of series, number, date of adoption of the supplemental resolution providing for the issuance thereof, date of Bonds, date of sale, date of execution, date of issuance, date of delivery, or otherwise, by the liens, pledges, charges and assignments created by the Bond Resolution.

(f) No Renewal and Replacement Fund Requirement under Section 6.5 of the Bond Resolution is established for the Series 2016 Refunding Bonds authorized under this Supplemental Bond Resolution.

(g) The Board hereby affirms the covenants contained in Article VIII of the Bond Resolution.

SECTION 13. Tax-Exempt Status and Covenant as to Arbitrage. EWEB covenants to use the proceeds of tax-exempt Series 2016 Refunding Bonds, and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), so that interest paid on the Series 2016 Refunding Bonds which are issued as tax-exempt bonds, will not be

includable in gross income of the Bondholders for federal income tax purposes. Without limitation on the foregoing, EWEB specifically covenants with respect to tax-exempt Series 2016 Refunding Bonds:

- (a) to comply with the “arbitrage” provisions of Section 148 of the Code, and to pay any rebates to the United States on the gross proceeds of the Series 2016 Refunding Bonds; and
- (b) comply with all reporting requirements.

An Authorized Representative may enter into covenants on behalf of EWEB to protect the tax-exempt status of the Series 2016 Refunding Bonds which are issued as tax-exempt bonds.

SECTION 14. Delegation and Approval for Establishment of Terms and Sale of the Series 2016 Refunding Bonds. Subject to the provisions of Section 3 herein, and as provided in City Resolution No. 5162 and Resolution No. 1617, all actions heretofore taken or to be taken in connection with the Series 2016 Refunding Bonds are hereby approved in all respects including, without limitation, actions taken or to be taken by an Authorized Representative and the Authorized Representative is hereby delegated to:

- (a) establish the principal and interest payment dates, principal amounts, taxable or tax-exempt, optional and mandatory redemption provisions and premium, if any, interest rates, denominations and place of payment and all other terms for the Series 2016 Refunding Bonds;
- (b) make the determinations required by Section 3.3 of the Bond Resolution;
- (c) award the sale of the Series 2016 Refunding Bonds in accordance with ORS 287A.300, including entering into a bond purchase contract for a negotiated sale;
- (d) approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2016 Refunding Bonds;
- (e) obtain ratings of the Series 2016 Refunding Bonds and expend Series 2016 Refunding Bond proceeds to pay for such ratings;
- (f) take such actions as are necessary to qualify the Series 2016 Refunding Bonds for the Book-Entry System of DTC;
- (g) approve, execute and deliver a Continuing Disclosure Certificate pursuant to Rule 15c2-12 of the Securities and Exchange Commission;
- (h) approve, execute and deliver the Series 2016 Refunding Bond closing documents and certificates;
- (i) enter into covenants regarding the use of the proceeds of the Series 2016 Refunding Bonds to maintain the tax-exempt status of the Series 2016 Refunding Bonds which are issued as tax-exempt bonds; and

(j) execute and deliver a certificate specifying the actions taken pursuant to this Section 14, and any other certificates, documents or agreements that an Authorized Representative determines are desirable to issue, sell and deliver the Series 2016 Refunding Bonds in accordance with this Supplemental Bond Resolution.

SECTION 15. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Refunding Bonds by those who shall own the same from time to time, the provisions of this Supplemental Bond Resolution shall be part of the contract of EWEB with the Bondholders and shall be deemed to be and shall constitute a contract between EWEB and the Bondholders. The covenants, pledges, representations and warranties contained in this Supplemental Bond Resolution, the Bond Resolution and in the closing documents executed in connection with the Series 2016 Refunding Bonds including without limitation EWEB's covenants and pledges contained in Section 13 hereof and the other covenants and agreements herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondholders, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Refunding Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Bond Resolution or the Bond Resolution.

SECTION 16. Consent of Bondholders of Series 2016 Refunding Bonds. By purchasing the Series 2016 Refunding Bonds, the initial Bondholders of the Series 2016 Refunding Bonds are deemed to have consented to the Amended and Restated Bond Resolution.

SECTION 17. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Bond Resolution.

SECTION 18. Effect of Bond Resolution. Except as expressly amended or supplemented hereby, the Bond Resolution shall remain in full force and effect as if the same were fully set forth herein.

SECTION 19. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 20. References to Statutes in Bond Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Bond Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

SECTION 21. Effective Date. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 2nd day of August, 2016.

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its August 2, 2016 Board Meeting.

Assistant Secretary