

ORDINANCE NO. 86-3

AN ORDINANCE AUTHORIZING AND PROVIDING FOR
THE ISSUING OF \$1,100,000.00 ELECTRIC SYSTEM REVENUE
BONDS FOR THE VILLAGE OF CHATHAM, SANGAMON COUNTY,
ILLINOIS FOR THE PURPOSE OF DEFRAYING THE COST OF PURCHASING
AN EXISTING ELECTRIC SUBSTATION SITE FROM
CENTRAL ILLINOIS LIGHT COMPANY AND FOR THE IMPROVEMENT
OF THAT SUBSTATION FACILITY IN THE VILLAGE OF CHATHAM

WHEREAS, the Village has owned and operated an electric system for many years for the purpose of providing electric power and energy to the citizens of the Village;

WHEREAS, the substation situated in the Village from which electric power and energy has been introduced into the Village electric system is owned by Central Illinois Light Company, the public utility company from whom the Village has purchased electric and power energy at wholesale;

WHEREAS, the Village has recently been able to contract with the Illinois Municipal Electric Agency to purchase electric power and energy from that public agency of which the Village is a member, securing the benefit of multiple potential sources of electric power and energy, and thereby the advantage of competitive prices, providing significant savings to the Village and its citizens;

WHEREAS, during the initial period of the purchase of electric power and energy by the Village from the Illinois Municipal Electric Agency, said power and energy will be transmitted to the Village of Chatham by Central Illinois Light Company at a wheeling rate established and approved by the Federal Energy Regulatory Commission, which rate includes a facilities charge to compensate Central Illinois Light

Company for its capital investment, costs of operation, maintenance and depreciation, and a reasonable profit on the ownership and operation of the electric substation situated in the Village of Chatham which is a necessary part of introducing the electric power and energy from the wholesale supplier into the Village electric system;

WHEREAS, it is in the best interest of the Village and its citizens that the Village acquire said electric substation to become a part of the Village electric system for the reason that so long as it is owned by Central Illinois Light Company, or any other third party, the Village will be charged, either as a part of the cost of electric power and energy, or as part of the wheeling rate for transmitting electric power and energy purchased from any other supplier, incremental charges for the capital investment in the substation, costs of operation, maintenance, and repair thereof, and reasonable profit on the ownership and operation of the substation, all of which the additional charges can be substantially reduced by the Village owning and operating the substation as a part of its electric system; and furthermore, the Village's ability in future years to obtain electric power and energy from different sources at favorable prices derived through competition will be enhanced if the Village is not dependent upon any third party owner of the substation, but owns and operates that substation as a part of its electric system;

WHEREAS, for the reasons set forth above, the Village Board and President of the Village of Chatham, Illinois, has found it advisable and in the best interest of the Village to purchase the real estate and substation thereon, from Central Illinois Light Company and to undertake the enhancement, enlargement and improvement of that substation from 34.5 kv to 138 kv capacity, all in accordance with preliminary plans and specifications therefor heretofore approved by the President and Board of Trustees of said Village and now on file in the office of the Village Clerk for inspection;

WHEREAS, the Village of Chatham has determined that it is desirable to provide for the purchase and improvement of the existing electric substation and the real property on which it is located in order to improve and enlarge its electric system, all in accordance with Division 119 of Article 11 of the Illinois Municipal Code, as amended;

WHEREAS, the total estimated cost of purchasing the existing substation is \$250,000.00, and costs of construction, improvement, enlargement and renewal, including all engineering costs, legal fees, expense and interest during the period of construction and contingencies as prepared by the engineers employed for that purpose is the sum of \$ _____;

WHEREAS, the Village of Chatham does not have sufficient funds available for said purpose, and in order to raise the funds required it will be necessary for the Village to borrow the sum of \$1,100,000.00 and in evidence thereof issue its

electric system revenue Bond in said amount for the purpose of paying the costs of acquiring and improving said part of the electric system, all in accordance with the provisions of Division 119 of the Illinois Municipal Code, as amended;

WHEREAS, by reason of the wide and relatively rapid fluctuation of interest rates during recent years, and the current uncertainties of the effect of pending federal income tax legislation on the corporate tax rates, the exemption from income tax of interest earned on municipal Bonds, and the deductability of interest paid by a financial institution for funds invested in municipal Bonds, it has been determined that in order to market a long-term Bond bearing lawful rates of interest, provision will have to be made for future adjustments of the interest rate to be paid on the Bond, within the limits of interest rates which the Village may lawfully pay, in the event any of the aforescribed contingencies occur affecting the net after tax return to the Bondholder; and further, by reason of the statutory limit on the rate of interest the Village may lawfully pay, in order to market such Bond, the principal of which is to be repaid over a term of 10 years, beginning one year and one month after issuance, in addition to the right of the Village to redeem the Bond prior to its maturity, a reciprocal right or option to the Bondholder to require redemption of the Bond prior to its maturity, after a reasonable time and with reasonable notice, must be included in the terms of the Bond.

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF CHATHAM, SANGAMON COUNTY, ILLINOIS, AS FOLLOWS:

1. The Project. It is considered in the best interest of the Village of Chatham, Sangamon County, Illinois, that the Village purchase from Central Illinois Light Company, subject to necessary approval of the Federal Energy Regulatory Commission of such sale by that public utility, the electric substation situated in the Village of Chatham to be incorporated in the Village electric system, all as described in the preamble of this Ordinance, and all in accordance with the preliminary plans and specifications therefor heretofore approved by the President and Board of Trustees of said Village and now on file in the office of the Village Clerk and available for inspection, all in accordance with provisions of Division 119 of Article 11 of the Illinois Municipal Code, as amended.

2. Estimated Costs. The President and Board of Trustees have heretofore estimated and do hereby estimate the cost of acquiring, constructing and improving said substation as a part of the Village electric system, as set out in the preamble of this Ordinance, the sum of \$1,100,000.00.

3. Funds Required. The Village does not have sufficient funds on hand available to pay the costs of acquiring and constructing said improvement to the electric system, and it will require the issuance by said Village of

Chatham of an Electric System Revenue Bond or Bonds in the principal amount of \$1,100,000.00.

4. Period of Usefulness. That the President and Board of Trustees, pursuant to the advice and guidance of engineers employed for that purpose, do hereby determine that the period of usefulness of such electric substation as incorporated into the Village electric system to be forty (40) years from the date of the Bonds herein authorized to be issued.

5. Bond or Bonds. For the purpose of defraying the cost of acquiring, improving, constructing and incorporating the electric substation into the Village electric system, there be issued a revenue Bond (hereinafter the "Bond" whether one or more Bonds are issued) of the Village of Chatham in the principal amount of \$1,100,000.00 designated "Village of Chatham Electric System Revenue Bond", said Bond to be dated May 1, 1986, to bear the date of authentication, be in fully registered form, and bear interest at a rate or rates not to exceed the maximum permitted by law which is the greater of 9% per annum or 125% of the rate for the most recent date shown in the twenty (20) G.O. Bonds Index of Average Municipal Bond Yield as published in the most recent edition of The Bond Buyer, published in New York, New York, at the time the contract is made for the sale of the Bond all according to the provisions of Paragraph 6602 of Chapter 17 of the Illinois Revised Statutes.

6. Interest Rate. The Bond shall provide that the rate of interest paid shall be adjusted from time to time for the reasons and by the corresponding formula set forth herein below in order to provide the purchaser of the Bond, so far as possible, net earnings substantially equivalent to that to be obtained by the initial interest rate, but at all times within the limits of the maximum statutory rate described hereinabove; interest shall be adjusted under the following circumstances pursuant to the formulae set forth below:

Definition of Terms

IR = Interest Rate

BIR = Base Interest Rate

TIR = Taxable Interest Rate

DDIR = Deduction Disallowance Interest Rate

CTR = Corporate Tax Rate

(A) In the event the maximum corporate tax rate should change, the interest rate shall be set, as is the initial rate, according to the following formula:

$$IR = \frac{BIR(1-CTR)}{.54}$$

(B) In the event the interest paid by the Village and received by the Bondholder becomes subject to Federal Income Tax in the hands of the holder, the interest rate shall be adjusted as follows:

$$TIR = \frac{IR}{1-CTR}$$

(C) In the event the Internal Revenue Code is revised in a manner so that banks and similar financial institutions may no longer deduct interest expense on funds involved in tax exempt public purpose or essential function Bonds issued pursuant to IRC 103, then the interest rate shall be adjusted as follows:

$$\text{DDR} = \text{IR} + \left(\begin{array}{l} \text{(The Continental Illinois} \\ \text{(National Bank and Trust} \\ \text{(Co. of Chicago prime rate} \end{array} \right) - 3.00 \text{) } \times \text{CTR}$$

Any such adjustment in the interest rate shall be effective only upon receipt of written notice by the Issuer and the Paying Agent from the holder of the Bond, supported by evidence of the occurrence of the event relied upon by the holder of the Bond to adjust the interest rate pursuant to any of the formulae stated hereinabove.

7. Payment of Interest and Principal. The Bond shall bear interest from its issuance date or from the most recent interest payment date to which interest has been paid with interest only paid for the first twelve (12) months (June 1, 1986 through May 1, 1987) and thereafter principal and interest in substantially equal monthly installments beginning June 1, 1987 for the next following 119 months with said payments of principal being determined by amortizing the repayment of the total principal at the initial interest rate for ten (10) years, and the amount of principal thereafter to be paid in each of said 120 installments to remain as fixed in said amortization schedule, notwithstanding that the monthly interest in fact due and payable may be adjusted from

time to time pursuant to the terms of the Bond. Interest on the Bond shall be paid by check or draft to the holder in whose name such Bond is registered at the close of business on the 15th day of the calendar month next preceding the interest payment date. Both the interest and principal on said Electric System Revenue Bond shall be payable in lawful money of the United State of America in such place and manner as may hereafter be agreed upon between the holder of said Bond and the President and Board of Trustees of said Village.

8. Redemption. The Bond shall be subject to mandatory redemption in whole prior to maturity from June 1, through August 31, 1991 and from each June 1 through August 31 thereafter at the option of the holder of the Bond (or all of the holders of the Bonds) provided that the holder (or holders) shall give the Village at least one hundred eighty (180) days prior written notice to exercise such option, which notice shall be irrevocable, unless the Village and the holder (or holders) of the Bond otherwise agree in writing.

The Bond shall further be subject to optional redemption by the Village prior to maturity in whole at any time, or in part at any interest or interest and principal payment date, by written notice from the Village to the holder of the Bond at least thirty (30) days prior to the redemption date stating that the Village intends to pay and thereby redeem the Bond in whole or in part, without premium, but with accrued interest thereon to the redemption date.

9. Authentication. The Bond shall be executed on behalf of the Village with the signature of the President and attested with the signature of the Village Clerk, and shall have impressed or imprinted thereon the Village seal or fascimile thereof. In case any officer whose signature shall appear on the Bond shall cease to be an officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if said officer had remained in office until delivery.

No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this ordinance unless and until fully executed as aforesaid by the Village President, Village Clerk and the Village seal imprinted thereon.

10. No Arbitrage. The proceeds of the Bond shall be used solely for the purpose for which the Bond was authorized. The Village recognizes that the initial purchasers and the owners from time to time of the Bond will have accepted it on, and paid therefor a price which reflects, the understanding that interest thereon is exempt from federal income taxation under laws in force at the time the Bond shall have been delivered. In this connection the Village agrees that it shall take no action which may render the interest on any Bond subject to federal income taxation and that the principal proceeds of the sale of the Bond shall be devoted to and used with due diligence for the completion of the project.

The President and Village Clerk are hereby authorized to execute on behalf of the Village an arbitrage certificate to assure the initial purchasers and the owners from time to time of the Bond that the proceeds of the Bond are not expected to be used in a manner which would or might result in the Bond being "arbitrage bond" under Section 103(c) of the Internal Revenue Code of 1954, as amended (the "Code"), or the regulations of the United State Treasury Department currently in effect or proposed. Such arbitrage certificate shall constitute a representation and certification of the Village, and no investment of Bond proceeds or of moneys accumulated to pay the Bond herein authorized shall be made in violation of the expectations prescribed by said arbitrage certificate.

The Village further recognizes that Section 103(j) of the Code requires the Bond to be issued and to remain in fully registered form in order that interest thereon is exempt from federal income taxation under laws in force at the time the Bond is delivered. In this connection the Village agrees that it will not take any action to permit the Bond to be issued in, or converted into, bearer or coupon form.

11. Registered Bond; Transfer of Interest. The Village shall cause books (the "Bond Register") for the registration and transfer of the Bond as provided in this Ordinance to be kept at the Village offices, for use in the transfer and exchange of the Bonds and any interest therein.

Any Bondholder who acts as nominee for any other owner of the Bond shall so inform the Village and the Paying Agent for the Bond, and entry of such ownership interests as identified shall be included in the Village books and records, and right to the principal of and interest on the Bond may be transferred only through such book entries.

Upon surrender or transfer of the Bond at the principal offices of the Village, duly endorsed by or accompanied by a written instrument or instruments of transfer in form satisfactory to the Village and Paying Agent, the Village shall execute and authenticate, date and deliver in the name of the transferee or transferees a new fully registered Bond with the same maturity and like principal amount. The execution by the Village of any fully registered Bond shall constitute full and due authorization of such Bond, and the Paying Agent and Trustee shall thereafter be authorized to pay interest and principal to the transferee and to treat the transferee as the holder of the Bond for all purposes.

12. Payment from Electric System Revenue. Said Bond, together with all of the interest thereon, shall be payable solely from the revenues derived from the Village of Chatham electric system, including all improvements and extensions thereto, and such Bond shall not in any event or in any manner constitute an indebtedness of the Village of Chatham within the meaning of any constitutional provision or any constitutional or statutory limitation.

After the issuance of the Bond, pursuant to this Ordinance, and until the Bond is fully paid, sufficient revenue from the operation of the Village electric system to pay the cost of maintenance and operation of the electric system, and the principal and interest on all other obligations, if any, payable from the revenues of the electric system, including the Bond issued hereunder, shall be deposited in a separate fund, designated as the "Electric Light Fund of the Village of Chatham, Chatham, Illinois". Said fund shall be used only to (1) pay the cost of maintenance and operation of the electric system, (2) pay principal and interest on obligations, in whatever form, of the Village theretofore issued that are payable by their terms from this revenue, and (3) pay the Bond issued under Division 119 of Chapter 24 of the Illinois Revised Statutes.

13. Related Documents and Agreements. The President and Village Clerk are hereby authorized to execute on behalf of the Village a Deed of Trust or Mortgage on that portion of the electric system to be expanded and improved with the proceeds of the Bond, a Trust Indenture providing procedures for payment of and security for the Bond, and such other documents as are reasonably necessary to effect the issuance and sale of the Bond.

14. Publication and Effective Date. After this Ordinance has been adopted and approved it, shall be published in a newspaper published and having a general circulation in the Village. This Ordinance shall be in effect after

the expiration of ten (10) days of the date of said publication.

PASSED by the President and Board of Trustees of the Village of Chatham, Illinois on the _____ day of _____, 1986.

AYE _____

NAY _____

Village Clerk of the
Village of Chatham, Illinois

APPROVED by the President of the Village of Chatham, Illinois this _____ day of _____, 1986.

President of the Village
of Chatham, Illinois

ATTEST:

Village Clerk of the Village
of Chatham, Illinois

Charles H. Northrup
Philip E. Hanna
George W. Cullen
Thomas L. Cochran
Patrick V. Reilly
William S. Hanley
R. Gerald Barris
Stephen A. Tagge
Michael A. Myers
C. Clark Germann
T. Kent Cochran
Gary A. Brown
Stephen R. Kaufmann
Mary Jane Lynk

Craig S. Burkhardt
Mark D. Northrup
Michael C. Connelly

Sorling, Northrup, Hanna, Cullen
and Cochran, Ltd.

Attorneys at Law

Suite Eight Hundred

Illinois Building

Post Office Box 5131

Springfield, Illinois 62705

Area Code 217

Telephone 544-1144

Carl A. Sorling
of Counsel
Sorling, Catron and Hardin
(1945-1975)
B. Lacey Catron, Jr.
(1944-1959)
John H. Hardin
(1945-1978)

May 13, 1986

Village President
Village Board of Trustees
Village Offices
Chatham, IL 62629

RE: Electric System Revenue Bond Ordinance

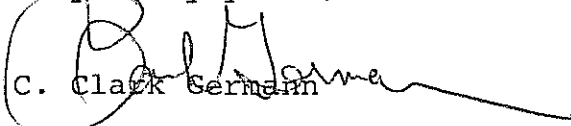
Gentlemen:

Enclosed is a revised Ordinance authorizing the issuance of an Electric System Revenue Bond to borrow monies to finance the purchase of the CILCO substation and the improvements to be made thereto. You have earlier passed a similar Ordinance as 86- 3.

This revised Ordinance does not change the amount borrowed or any other basic terms, but has some revisions to take into account the recently negotiated variable interest rate, certain mechanical changes to accommodate that change, a revision to the interest deduction disallowance equation to recognize that there may be a "sliding scale" of gradual disallowance, and clarification of the optional partial redemption after a certain time and in a permitted manner by a holder of part or all of the Bond.

Normally, we would simply amend the earlier Ordinance, but since a Bond Ordinance adopted under Division 119 of the Municipal Code must be published 10 days prior to its effective date (and the one passed had not been) we should have the final Ordinance contained in one document rather than a cumbersome revised or amended Ordinance under two different numbers. To effect that, I enclose an Ordinance to rescind the earlier Ordinance, and then the revised Ordinance should be passed in its place. We need to be able to close as early as June 2, 1986, therefore, the very latest this Ordinance can be published in the Chatham paper will be Thursday, May 22, 1986. In order to make that deadline I believe it should be passed today, May 13, 1986. Since these are merely mechanical and technical revisions to the earlier Ordinance, (which is not yet effective by reason of never having been published), I see no reason for the revised Ordinance not to be acted upon immediately.

Very truly yours,


C. Clark Germann

CCG:jc
Enclosures