City of Dover

COUNCIL RESOLUTION NO. 2012-04

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UP TO
$4,700,000 GENERAL OBLIGATION BOND
OF THE CITY OF DOVER FOR THE
CONSTRUCTION OF A NEW LIBRARY, STREET REPAVING PROGRAM AND
IMPROVEMENTS TO CITY HALL
AND AUTHORIZING ALL NECESSARY ACTION IN CONNECTION THEREWITH

WHEREAS, the City of Dover (the "City") is authorized pursuant to Section 50, Volume 77, Chapter 130, as amended ("the City Charter") to issue general obligation bonds for the municipal purposes of the City as set forth in a resolution authorizing such issuance; and

WHEREAS, pursuant to the City Charter, the City desires to issue a general obligation bond for the municipal purposes set forth herein (the "Bond");

WHEREAS, the City has approved certain capital construction projects and improvements and desires to issue the Bond to finance the costs of said improvements, including, but not limited to the following:

1. Construction of new Dover Library
2. Street Repaving Program
3. Improvements to City Hall, including installation of sprinkler system
4. Costs of Issuance of the Bond

(the "Projects").

NOW THEREFORE THE CITY OF DOVER HEREBY ORDAINS (AT LEAST THREE FOURTHS OF THE MEMBERS OF COUNCIL CONCURRING HEREIN):

Section 1. Amount and Purpose of the Bond. Acting pursuant to the City Charter, the City shall issue its general obligations in the maximum aggregate principal amount not to exceed $4,700,000 to finance or refinance a portion of the cost of the construction and equipping of the Projects, an estimate of which is appended hereto as Exhibit A.

The monies raised from the sale of the Bond (including the investment earnings thereon) after the payment of the costs of issuance, shall be expended only for the purposes authorized herein or as may otherwise be authorized by subsequent action by City Council. Authorized purposes include the costs of planning, constructing, acquiring and equipping the Projects or any portion thereof; interest on the Bond and any interim financing during the construction period and for a period of up to one year following the estimated date of completion; the costs of issuance of the Bond and any interim financing; the repayment of temporary loans incurred with respect to the Projects; and the reimbursement of authorized costs previously expended by the City from other funds.

Section 2. Terms of the Bond The Bond shall be sold to PNC Bank, National Association (the "Lender") pursuant to a proposal dated October 21, 2011 (the "Commitment"), a copy of which is appended hereto as Exhibit B, and the other terms and conditions to be contained in a Loan Agreement between the City and the Lender (the "Loan Agreement").

Section 3. Security for the Bond. The full faith and credit of the City shall be pledged to pay principal and interest on the Bond.

Section 4. Qualified Tax-Exempt Obligation. The Bond is hereby designated as a qualified tax-exempt obligation within the meaning of § 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of § 265(b)(3) of the Code, the Issuer and all entities that issue on behalf of the issuer do not reasonably anticipate issuing more than $10,000,000, inclusive of the Bond, of tax-exempt obligations in calendar year 2012.

Section 5. Details of the Bond. The Mayor and City Treasurer are authorized to determine the details of the Bond including the following: the date or dates of the Bond; provisions for either serial or term bond; sinking fund or other reserve fund requirements; due dates of the interest thereon; the form of the Bond; the denominations and designations of the Bond; registration, conversion and transfer provisions; provisions for the receipt, deposit and investment of the proceeds of the Bond; provisions for the replacement of a lost, stolen, mutilated or destroyed Bond; and provisions for issuing uncertificated obligations and all procedures appropriate for the establishment of a system of issuing uncertificated debt. The Bond shall be executed by the manual or facsimile signature of the Mayor and City Treasurer, shall contain an impression of the City Seal of a facsimile thereof and shall be attested by the manual signature of the City Clerk.

Section 6. Further Action. Each of the Mayor, the President of the City Council, the City Treasurer, the City Manager and the City Clerk are authorized and directed to take such other action on behalf of the City, as may be necessary or desirable to effect the adoption of this Resolution and the issuance and sale of the Bond and to provide for their security and to carry out the intent of this Resolution, including the publication of notices and advertisements and the execution and delivery of customary closing certificates.

Section 7. Effective Date. This Resolution shall become effective immediately upon its passage. The City Clerk is hereby directed to publish once in a newspaper published in the City a notice in substantially the following form:

"NOTICE IS HEREBY GIVEN that the City Council of The City of Dover, Delaware on _____________, 2012 pursuant to Chapter 130, Volume 77, Delaware Laws, as amended, adopted a resolution entitled as follows:

"RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UP TO $4,700,000 GENERAL OBLIGATION BOND OF THE CITY OF DOVER FOR THE CONSTRUCTION OF A NEW LIBRARY, STREET REPAVING PROGRAM AND IMPROVEMENTS TO CITY HALL AND AUTHORIZING ALL NECESSARY ACTION IN CONNECTION THEREWITH"

"The purpose of the issuance and sale of said bond is to provide funds (approximately $4,700,000) to pay a portion of the costs of certain projects including, but not limited to: (1) construction of a new library; (2) street repaving program, (3) improvements to City Hall including installation of sprinkler system, and (4) pay costs of issuance of said bond.

"Any action or proceeding to contest the validity of said resolution or any of its provisions must be commenced within thirty (30) days after publication of this notice. After expiration of such period of limitation, no right of action or defense founded upon the invalidity of said resolution or any of its provisions shall be asserted, nor shall the validity of said resolution or any of its provisions be open to question in any court upon any ground whatsoever, except in an action or proceeding commenced within such period."

By order of the City Council of the City of Dover.

Traci A. McDowell
City Clerk

ADOPTED this 23rd day of April, 2012.

CITY OF DOVER, DELAWARE

Attest:

Traci A. McDowell
Clerk, Dover City Council

President, Dover City Council

APPROVED by the Mayor of the City of Dover on the 23rd day of April, 2012.

Carlton E. Carey Sr.
Mayor

P.O. Box 475, Dover, DE 19903-0475
Community Excellence Through Quality Service

Exhibit A

Estimated Costs of Projects

Projects	Estimated Costs
Construction of New Library	$2,700,000
Street Paving Program	1,750,000
Installation of City Hall Sprinkler System	220,000
Costs of Issuance of Bond	30,000
TOTAL	$4,700,000

Exhibit B
PNC Commitment

Appendix

PRELIMINARY MEMORANDUM OF TERMS AND CONDITIONS FOR

The City of Dover
October 2011

This Preliminary Memorandum of Terms and Conditions is not a commitment or an offer to lend and does not create any obligation on the part of the Bank. The Bank will not be deemed to extend any commitment to the Borrower unless and until a formal commitment letter is issued. This outline is only a brief description of the principal terms of suggested facilities and is intended for discussion purposes only.

Borrower(s): The City of Dover, Delaware ("Borrower")

Lender: PNC Bank, National Association ("Bank")

Credit Facilities $4,700,000 Non-Revolving Construction Line / Term Loan

Purpose: To provide fully bank qualified tax exempt construction and permanent financing, the proceeds of which are to fund the construction of a $2,700,000, 42,000 square foot public library, $1,750,000 for the street paving program, and $250,000 for renovations to City Hall.

Maturity: At Borrowers option, 3 year, 5 year or 7 year term loan commencing at the expiration of the construction period.

Amortization: Interest only for up to 18 months during the construction period. Monthly principal installments based upon twenty (20) year mortgage style amortization to begin 30 days after the final draw date, with any remaining balance due at maturity.

Interest Rates: Interest rates shown below are the tax exempt equivalent of:
3 Year Term: Daily LIBOR + 1.00%
5 Year Term: Daily LIBOR + 1.20%
7 Year Term: Daily LIBOR + 1.40%

Three Year Rate: [(1 month fully absorbed LIBOR, fluctuating daily ("Daily LIBOR") + 1.00%) x 65%] + .018. Based upon the current Daily LIBOR of .24% the indicative rate would be 0.83%.

Five Year Rate: [(1 month fully absorbed LIBOR, fluctuating daily ("Daily LIBOR") + 1.20%) x 65%] + .018. Based upon the current Daily LIBOR of .24% the indicative rate would be 0.96%.

Seven Year Rate: [(1 month fully absorbed LIBOR, fluctuating daily ("Daily LIBOR") + 1.40%) x 65%] + .018. Based upon the current Daily LIBOR of .24% the indicative rate would be 1.09%.

Interest will be calculated on the daily outstandings on a 360 day year for the actual number of days elapsed and will be due monthly in arrears for Daily LIBOR borrowings; and on the last day of each interest period for all other LIBOR borrowings.

OPTION CHOSEN

At the end of the construction period, Bank will offer a non synthetic fully bank qualified tax exempt fixed rate that may be selected at the option of the Borrower. The Borrower may also elect to enter into a forward rate commitment with the Bank at the time of closing.

~~Interest Rate Protection:~~

No swaps per Debt Policy

~~In lieu of a non synthetic fixed rate, the Borrower may at its option, enter into and maintain an interest rate protection agreement (the "Hedge Agreement"), which conforms to ISDA standards and has terms and is with a counterparty satisfactory to the Bank, enabling the Borrower to protect itself against fluctuations in interest rates with respect to all or a portion of the principal amount of the Credit Facility. If the Bank is the counterparty to the Hedge Agreement, all obligations of the Borrower to the Bank arising pursuant thereto shall be secured by the Collateral (as described below). If the Bank is not the counterparty, such Hedge Agreement shall be unsecured.~~

~~The indicative rate for a forward starting swap in current market conditions would be the following, using a 3 year, 5 year and 7 year loan term, each with 20 year amortization:~~

~~3 year forward swap: 1.94%~~
~~5 year forward swap: 2.42%~~
~~7 year forward swap: 2.75%~~

Prepayment: If interest is accruing at a variable rate, the Borrower may prepay the note in full or in part at any time without penalty. Customary yield protection and fixed rate prepayment cost recovery provisions will be included in the definitive loan documents.

Default Rate: 3% over the effective interest rate.

Commitment/ Closing Fee: None.

Expenses: All expenses incurred by the Bank, including appraisal, environmental, searches, construction consultant, recording of UCC filings and other security interests, and audit and reasonable legal fees (inside and outside), and any other expenses in reference to structuring, documenting, closing, monitoring or enforcing the Credit Facilities, shall be for the account of the Borrower and payable at closing and otherwise on demand.

Conditions

Precedent: Customary for financing of this nature in form and substance satisfactory to the Bank:

(1) Documentation in form and substance satisfactory to the Bank including without limitation such documents that may be required to be prepared by bond counsel, and opinions of bond counsel and such other legal opinions as are deemed necessary by the Bank or are customary for transactions of this type.

(2) Closing certificate as to accuracy of representation and warranties, compliance with covenants and absence of Event of Default or Potential Event of Default.

(3) Satisfactory legal opinion.

(4) Certified resolutions and incumbency certificate.

(5) No material adverse change.

(6) No material litigation.

(7) Payment of all fees and expenses subject to reimbursement.

(8) Other conditions precedent as appropriate for transactions of this nature.

Reporting Covenants:

(a) Annual audited consolidated financial statements of the Borrower within one hundred twenty (120) days of year end.

Covenants: Affirmative and negative covenants, including financial covenants, will be specified by the Bank for inclusion in the Loan Documents. Specific covenants are expected to include:

(a) The Borrower will use the proceeds from the sale of the existing library to pay down principal on the credit facility.

(b) The Borrower will maintain a credit rating above BBB-.

Documentation: Loan Documents in form and substance satisfactory to the Bank must be executed and delivered containing representations, warranties, covenants, indemnities, conditions to lending, events of default and other provisions as are appropriate in the Bank's opinion and specified by the Bank.

Governing Law: Delaware.

Miscellaneous: Waiver of jury trial. Confession of Judgment.