

Bill No. 21 -2020

CITY OF ALLENTOWN,

Lehigh County, Pennsylvania

Ordinance

No. ____

File of the City Council

No. ____

Session of 20__

Moved by _____

March 18, 2020

AN ORDINANCE

OF COUNCIL OF THE CITY OF ALLENTOWN, LEHIGH COUNTY, PENNSYLVANIA (THE "CITY"), AUTHORIZING AND DIRECTING THE ISSUANCE OF A REVENUE NOTE, SERIES OF 2020, AS PERMITTED BY AND PURSUANT TO THE LOCAL GOVERNMENT UNIT DEBT ACT, 53 PA. C.S. § 8001 *et seq.*, AS AMENDED AND SUPPLEMENTED, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$7,035,000, WITH THE PROCEEDS THEREOF TO BE APPLIED FOR AND TOWARD THE FOLLOWING PROJECTS, EACH A PROJECT AS DEFINED IN THE DEBT ACT, INCLUDING, BUT NOT LIMITED TO, (I) THE CURRENT REFUNDING OF THE CITY'S OUTSTANDING SPECIAL REVENUE NOTE, SERIES OF 2016 (THE "REFUNDED NOTE" AND AS A PROJECT (THE "REFUNDING PROJECT"), (II) FINANCING THE ACQUISITION AND CONSTRUCTION OF CERTAIN IMPROVEMENTS TO THE CITY'S SEWER SYSTEM PURSUANT TO THE TERMS OF A CONCESSION LEASE AGREEMENT, DATED MAY 1, 2013, BETWEEN THE CITY AND THE LEHIGH COUNTY AUTHORITY (THE "CAPITAL PROJECT"), (III) FUNDING CAPITALIZED INTEREST ON THE CAPITAL PROJECT, (IV) FUNDING A DEBT SERVICE RESERVE FUND, AND (V)

PAYING THE COSTS OF ISSUING THE NOTE;;DETERMINING THAT SUCH DEBT SHALL BE NONELECTORAL DEBT OF THE CITY; DETERMINING THAT THE NOTE SHALL BE SOLD AT NEGOTIATED SALE; ACCEPTING A PROPOSAL FOR PURCHASE OF THE NOTE, AT NEGOTIATED SALE, AND AWARDING THE NOTE AND SETTING FORTH RELATED PROVISIONS; FIXING THE SUBSTANTIAL FORM, DATE, MATURITY DATE, INTEREST RATES, INTEREST PAYMENT DATES, PLACE OF PAYMENT OF PRINCIPAL AND INTEREST AND PREPAYMENT PROVISIONS OF THE NOTE; AUTHORIZING EXECUTION AND ATTESTATION OF THE NOTE; PROVIDING THAT THE NOTE, WHEN ISSUED, SHALL BE A REVENUE NOTE OF THE CITY; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO THE NOTE; DESCRIBING THE PROJECTS FOR WHICH THE DEBT OF THE CITY EVIDENCED BY THE REFUNDED NOTE WERE ORIGINALLY INCURRED AND REAFFIRMING THE ESTIMATED USEFUL LIFE OF SAID PROJECT; DESCRIBING THE CAPITAL PROJECT AND SPECIFYING A REASONABLE ESTIMATE OF THE USEFUL LIFE OF THE CAPITAL PROJECT; CREATING A SINKING FUND IN CONNECTION WITH THE NOTE AS REQUIRED BY SUCH DEBT ACT; APPOINTING A PAYING AGENT, REGISTRAR AND SINKING FUND DEPOSITORY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT OF ALL OBLIGATIONS OF THE NOTE WHEN DUE; RATIFYING PRIOR ADVERTISEMENT AND DIRECTING FURTHER ADVERTISEMENT; AUTHORIZING AND DIRECTING THE PREPARATION, EXECUTION AND FILING OF A TRANSCRIPT OF PROCEEDINGS, INCLUDING A DEBT STATEMENT, A BORROWING BASE CERTIFICATE AND EXCLUSIONARY PROCEEDINGS, AS APPROPRIATE, WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; DECLARING THAT THE DEBT TO BE INCURRED TOGETHER WITH OTHER INDEBTEDNESS OF THE CITY, NOT TO BE IN EXCESS OF ANY LIMITATION IMPOSED BY SUCH DEBT ACT UPON THE INCURRING OF DEBT BY THE CITY; SETTING FORTH CERTAIN COVENANTS RELATING TO THE NON-ARBITRAGE STATUS OF THE NOTE; DESIGNATING THE NOTE AS A QUALIFIED TAX-EXEMPT OBLIGATION UNDER SECTION 265 (B)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; CREATING A CLEARING ACCOUNT, PROJECT ACCOUNT AND CERTAIN OTHER FUNDS; SETTING FORTH CERTAIN PROVISIONS FOR THE PREPAYMENT AND RETIREMENT OF THE REFUNDED NOTE; AUTHORIZING THE PAYMENT OF EXPENSES; PROVIDING GUIDELINES FOR PERMITTED INVESTMENTS; AUTHORIZING AND DIRECTING APPROPRIATE OFFICERS OF THE CITY TO DO AND PERFORM CERTAIN SPECIFIED, REQUIRED OR APPROPRIATE ACTS AND THINGS; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT

HEREWITH; AND PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE.

WHEREAS, the City of Allentown, in Lehigh County, Pennsylvania (the “**City**”) is existing under laws of the Commonwealth of Pennsylvania (the “**Commonwealth**”) and is a Local Government Unit, as defined in the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S. § 8001 *et seq.*, amended and supplemented (the “**Debt Act**”), and is governed by its City Council (the “**Council**”); and

WHEREAS, the City previously entered into a Concession Lease Agreement dated May 1, 2013 (“**Concession Lease Agreement**”) with the Lehigh County Authority (“**LCA**”) wherein, in order to maintain and operate the sewer systems, water systems and wastewater systems servicing the City in accordance with certain regulatory requirements, the City agreed to issue from time to time certain Administrative Order Bonds (as that term is defined in the Concession Agreement) to fund certain improvements to the City's sewer systems to comply with certain regulatory requirements; and

WHEREAS, pursuant to an ordinance enacted by the Council on July 27, 2016, the City heretofore issued an Administrative Order Bond to Lafayette Ambassador Bank (the “**2016 Lender**”), designated as its Special Revenue Note, Series of 2016, dated November 28, 2016, in the original principal amount of \$2,500,000 (the “**2016 Revenue Note**”), which 2016 Revenue Note is currently outstanding in the principal amount of \$2,258,000; and

WHEREAS, the proceeds of the 2016 Revenue Note were used to finance the acquisition and construction of certain improvements to the City's sewer systems to comply with certain regulatory requirements (the “**2016 Project**”); and

WHEREAS, in connection with the issuance of the 2016 Revenue Note, the City heretofore determined the estimated useful life of the 2016 Project to be at least forty (40) years; and

WHEREAS, Council desires to undertake a project consisting of (i) the current refunding of all of the outstanding 2016 Revenue Note, in order to reduce the total debt service pursuant to Section 8241(b)(1) of the Debt Act (the “**Refunding Project**”), (ii) the financing of the acquisition and construction of certain improvements to the City's sewer system to comply with certain regulatory requirements in order to fulfill its obligation under the Concession Lease Agreement (the “**Capital Project**”), (iii) funding capitalized interest of the Capital Project, (iv) funding a debt service reserve fund, and (v) paying the costs of issuance of the City's debt incurred to fund such project, all the foregoing collectively herein are referred to as the “**2020 Project**”, having an estimated total cost of at least \$7,035,000; and

WHEREAS, Council desires to combine all components of the 2020 Project for purposes of financing and incurrence of debt under the Debt Act; and

WHEREAS, Council has determined to incur nonelectoral debt in the principal amount not to exceed \$7,035,000 by issuance and sale of its Note, hereinafter identified, in accordance with provisions of the Debt Act, for the purpose of providing funds to be used, together with other moneys available for the purpose, for and toward funding a portion of the costs of the 2020 Project and paying the costs and expenses related to issuance of said Note; and

WHEREAS, Webster Public Finance Corporation (the “**Purchaser**”) has presented to Council a proposal (the “**Proposal**”), for the purchase of said Note; and

WHEREAS, Council desires to accept the Proposal of the Purchaser, to award said Note to the Purchaser and to incur nonelectoral debt, in the amount set forth herein, pursuant to provisions of the Debt Act.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED by Council, as follows:

Section 1. The 2020 Project. The description of the 2020 Project contained in the recitals to this Ordinance hereby is incorporated into this Section by reference as if set out here at length. The City hereby estimates that the Capital Project will be completed by December 31, 2023.

Section 2. Incurrence of Indebtedness. For the purpose of providing funds for and toward the payment of costs, as such term is used in the Debt Act, of the 2020 Project, the incurring of nonelectoral debt by the City in the principal amount not to exceed \$7,035,000 hereby is authorized. Such debt shall be evidenced by the issuance of revenue note of the City, designated generally as its “Revenue Note, Series of 2020”, in the principal amount not to exceed \$7,035,000 (the “**Note**”) to fund the costs and expenses of the 2020 Project. The Note will be an obligation of the City payable from payments received by the City from Lehigh County Authority (“LCA”) derived from service charges imposed on customers of LCA (“Service Charges”) allocable to debt service on the City’s Administrative Order Bonds under Section 4.16(b) of the Concession Lease Agreement.

Section 3. Approval of Negotiated Sale. Council hereby determines that the Note shall be sold at negotiated sale and hereby determines that a negotiated sale of the Note is in the best financial interest of the City.

Section 4. Acceptance of Proposal. Council accepts the Proposal of the Purchaser to purchase the Note; and the Note is awarded and sold to the Purchaser at a private sale at a dollar price of \$7,035,000 (100% of the aggregate principal amount of the Note). The proper officers of the City are authorized and directed to execute and deliver an acceptance of the Proposal to the Purchaser. One counterpart of the Proposal shall be filed with the records of the City.

Section 5. Interest Rates and Payment Installments. The Note shall bear interest from the date of delivery thereof to the date of maturity of the Note (the “**Maturity Date**”) at the tax-exempt, bank-qualified rate of interest equal to _____% *per annum*. Principal of and interest on the Note shall be payable in the amounts set forth at Schedule A, attached hereto and incorporated herein by reference, unless prepaid as provided herein. Interest shall be computed

on the basis of a three hundred sixty (360) day year consisting of a twelve (12), thirty (30) day months.

Section 6. Appointment of Paying Agent, Registrar and Sinking Fund Depository. The City hereby appoints Webster Bank, having an office in Conshohocken, Pennsylvania, as paying agent (“**Paying Agent**”) and registrar (“**Registrar**”) for the Note and sinking fund depository (“**Sinking Fund Depository**”) with respect to the Sinking Fund created pursuant to Section 11. The appropriate officers of the City are authorized and directed to contract with Webster Bank, for its services as Sinking Fund Depository, Paying Agent and Registrar at such charges, if any, as shall be appropriate and reasonable for such services. The City may, by resolution, from time to time appoint a successor Paying Agent, Sinking Fund Depository or Registrar to fill a vacancy or for any other reason.

Section 7. Payment Dates. The Note shall be fully registerable as to principal and interest and shall be dated as of the date of issuance and delivery thereof, anticipated to be on or about April 29, 2020. The principal of the Note shall be payable annually on each December 1, beginning December 1, 2020, through and including the Maturity Date, and interest on the Note shall be payable semi-annually, on June 1 and December 1 of each year commencing on December 1, 2020 (each an “**Interest Payment Date**”), through and including the Maturity Date, all as provided in the form of Note attached hereto as Exhibit B.

The principal of and interest on the Note shall be payable in lawful moneys of the United States of America to the registered owner at the office of the Paying Agent, or such other office from time to time designated by written notice to the then registered owner.

If the date for payment of the principal of or interest on the Note shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the municipality where the office of the Paying Agent is located are authorized by law or executive order to close, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or on a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the date fixed for such payment.

Section 8. Execution of Note. The Note shall be executed in the name of and in behalf of the City by the manual signatures of the Mayor and the President or Vice President of Council and the official seal of the City shall be affixed thereunto and the manual signature of the City Clerk shall be affixed thereunto in attestation thereof; and said officers are authorized to execute and to attest, as applicable, the Note.

Section 9. Revenue Pledge Covenant. The Note is hereby declared to be a revenue obligations of the City. The Note will be obligations of the City payable from payments received by the City from Lehigh County Authority (“LCA”) derived from service charges imposed on customers of LCA (“Service Charges”) allocable to debt service on the City’s Administrative Order Bonds under Section 4.16(b) of the Concession Lease Agreement. The City hereby covenants to and with the Purchaser and its successors or assigns as holder of the Note that the City shall direct LCA to impose Service Charges sufficient to pay the principal and interest on the Note.

The City does hereby irrevocably assign and pledge to the Purchaser and its successors or assigns as holder of the Note, all right, title and interest of the City in and to the income and revenues to be derived from the payments received by the City from LCA from Service Charges allocable to debt service on the City's Administrative Order Bonds, including the Note, under Section 4.16(b) of the Concession Lease Agreement.

The maximum amounts of the debt service for each fiscal year of the City in which such sums are payable are set forth in Exhibit A, attached hereto and incorporated herein.

Section 10. Prepayments. The principal amount of and interest due on the Note shall be subject to prepayment prior to maturity, at the option of the City, as a whole or, from time to time, in part, on any date after December 1, 2025, upon payment of the principal amount to be redeemed together with accrued interest thereon to the date fixed for prepayment and without any premium or penalty. The principal amount of and interest due on the Note shall be subject to prepayment prior to maturity, at the option of the City, as a whole or, from time to time, in part, on any date after December 1, 2023, upon payment of the principal amount to be redeemed together with accrued interest thereon to the date fixed for prepayment, together with a 1% prepayment penalty. Any partial prepayment of principal may be credited against such stated installments of principal on the Note as the City may designate in writing to the Purchaser at the time of prepayment; otherwise a partial prepayment shall be applied against the principal installments last, by date, due and payable. Any prepayments may be made by the City upon thirty (30) days written notice to the registered owner hereof.

Section 11. Creation of Sinking Fund.

(a) **Deposit.** There hereby is established with the Sinking Fund Depository a sinking fund to be known as “City of Allentown, Revenue Note, Series of 2020 Sinking Fund” (the “**Sinking Fund**” or the “**2020 Sinking Fund**”). The City covenants to deposit, and the Treasurer is hereby authorized and directed to deposit (1) on or before each Interest Payment Date, so long as the Note remains outstanding, amounts sufficient to pay the interest due on such dates on the Note then outstanding, and (2) on or before December 1, 2020, and on or before each December 1st thereafter, through and including the Maturity Date, amounts sufficient to pay the principal of the Note due on each such date.

The City shall maintain a minimum balance of \$150,000 in the Sinking Fund. When applying amounts in the Sinking Fund to payments of principal and interest on the Note, the Paying Agent shall first withdraw amounts on deposit in the Sinking Fund in the order of

deposits to such Fund (oldest deposits withdrawn first) necessary to pay in full the principal or interest then due. If any funds shall remain on deposit in the Sinking Fund for a period exceeding thirteen (13) months, such funds may not be invested at a yield that exceeds the yield on the Note pending their application to payment of principal or interest on the Note.

If, on any date, money on deposit in the Sinking Fund is insufficient to pay the debt service due, the Paying Agent shall withdraw from the Debt Service Reserve Fund (see Section 17(c) herein) and transfer to the Sinking Fund an amount sufficient to make such payment.

Should the amounts covenanted to be paid into the Sinking Fund be, at any time, in excess of the net amounts required at such time for the payment of interest on and principal of the Note, including the minimum balance, of that Sinking Fund, whether by reason of funds already on deposit in such Sinking Fund, or by reason of the option deposits as described in subsection (c) below, or for some similar reason, the amounts covenanted to be paid may be reduced to the extent of the excess.

To the extent of any deficiency in the Sinking Fund, the City covenants to increase Service Charges sufficient to enable it make transfers to the Sinking Fund in amounts sufficient to eliminate such deficiency as soon as possible; provided, however, that such deficiency shall be eliminated within twelve months of the date of such deficiency.

(c) Application of Funds. All sums in the Sinking Fund shall be applied exclusively to the payment of principal and interest covenanted in Section 9 hereof to be paid as the same from time to time become due and payable and the balance of said moneys over and above the sum so required shall remain in the Sinking Fund, to be applied to the reduction of future required deposits; subject, however, to investment or deposit at interest as authorized by law and as permitted by Section 20 hereof. The Sinking Fund shall be kept as a separate account at the Sinking Fund Depository. The Sinking Fund Depository, without further authorization other than as herein contained, shall pay from the moneys in the Sinking Fund, the principal of and interest on the Note as and when due to the registered owner thereof.

(d) Optional Deposits. Notwithstanding the foregoing, in the case of optional prepayment of the Note as permitted by Section 10 hereof, the Treasurer hereby is authorized and directed to deposit from time to time before the optional prepayment date funds which shall be sufficient when they, either alone or together with the interest to be earned thereon, if any, will equal the principal of the Note so prepaid and the interest thereon to the date of prepayment.

Section 12. Cost and Realistic Useful Life. Reasonable cost estimates have been obtained for the 2020 Project with the assistance of professional engineers and other persons qualified by experience. The overall cost of the 2020 Project is at least \$7,035,000.

The estimated useful life of the Capital Project is at least forty (40) years. The useful life of the 2016 Project, as hereinbefore set forth, hereby is reaffirmed. The remaining useful life of the 2016 Project, which was originally funded with the 2016 Revenue Note, which 2016 Revenue Note is now being refunded with a portion of the Note, is presently not less than thirty-

six (36) years. Therefore, the principal installments of the Note are in accordance with § 8142(a)(2) of the Debt Act.

In accordance with Section 8142(b)(1) of the Debt Act, the principal installments of the Note have been fixed so as to amortize the Note on at least an approximately level annual debt service plan during the term of the Note.

Section 13. Advertising. The action of the officers of the City in advertising a summary of this Ordinance, as required by law, is ratified and confirmed. The proper officers of the City or any of them, are authorized and directed to advertise a notice of enactment of this Ordinance in a newspaper of general circulation in the City within 15 days after final enactment. The City Clerk hereby is directed to make a copy of this Ordinance available for inspection by any citizen during normal office hours.

Section 14. Filing with Department of Community and Economic Development. The Mayor, President or Vice President of Council and the City Clerk, which shall include their duly qualified successors in office, if applicable, are authorized and directed to prepare, verify and file with the Department of Community and Economic Development, in accordance with the Debt Act, a transcript of proceedings relating to the issuance of the Note, including, the Debt Statement and Borrowing Base Certificate required by Section 8110 of the Debt Act, and to take other necessary action to authorize, prepare and file all necessary documents with the Department of Community and Economic Development including, if necessary or desirable, any statements required to exclude any portion of the debt evidenced by the Note from the appropriate debt limit as self-liquidating debt or subsidized debt.

It is declared that the debt to be incurred hereby is within the limitation imposed by the Debt Act upon the incurring of such debt by the City.

Section 15. Approval. The appropriate officers of the City are authorized and directed to deliver the Note, upon execution and attestation thereof as provided for herein, to the Purchaser, but only upon receipt of proper payment of the balance due therefor, and only after the Department has certified its approval of the required filing pursuant to Section 8204 of the Debt Act or such approval of the required filing shall be deemed to have occurred, as provided in Section 8206 of the Debt Act.

Section 16. Internal Revenue Code Covenants.

(a) **General.** The City hereby covenants with the registered owners, from time to time, of the Note that no part of the proceeds of the Note will be used, at any time, directly or indirectly, in a manner which, if such use had been reasonably expected on the date of issuance of the Note, would have caused the Note to be an “arbitrage bond” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the Regulations thereunder proposed or in effect at the time of such use and applicable to the Note, and that it will comply with the requirements of that section and the Regulations throughout the term of the Note.

(b) Rebate. The City covenants, if it does not satisfy any rebate exception under the Code, that it will rebate to the United States Department of Treasury, at the times and in the manner required by the Code, all investment income derived from investing the proceeds of the Note in an amount which exceeds the amount which would have been derived from the investment of proceeds of the Note at a yield not in excess of the yield of the Note.

(c) Qualified Tax-Exempt Obligation Designation. The City hereby determines for purposes of the Code that the Note shall be and hereby is designated as a “qualified tax exempt obligation” to the extent the Note is acquired by any “financial institution”, as defined in Section 265(b)(3) of the Code, and the applicable regulations and rulings thereunder and corresponding provisions of any Federal tax laws from time to time proposed or enacted and at the time applicable or proposed to be applicable.

The City hereby reasonably anticipates that the total amount of qualified tax exempt obligations (other than non 501(c)(3) private activity bonds) which will be issued by it and all subordinate entities during the calendar year 2020 will not exceed \$10,000,000, within the meaning of Section 265(b)(3) of the Code, and the applicable regulations and rulings thereunder and corresponding provisions of any Federal tax laws from time to time proposed or enacted and at the time applicable or proposed to be applicable.

(d) Filing. The City will file with the IRS Form 8038-G and any other forms or information required by the Code to be filed in order to permit the interest on the Note to be excluded from gross income for federal income tax purposes.

Section 17. Clearing Account, Project Account and Debt Service Reserve Fund.

(a) Clearing Account. The City hereby creates with the Paying Agent a special fund to be known as the City of Allentown 2020 Clearing Account (the “**Clearing Account**”) which shall be held as a trust fund for the benefit of the City until disbursed in accordance with the provisions hereof. The City shall deliver the net proceeds (including accrued interest, if any) derived from the sale of the Note to the Paying Agent for deposit to the Clearing Account. Upon written directions from the City signed by the Mayor, President or Vice President of Council, the Paying Agent shall (1) pay out of the Clearing Account the costs and expenses of the issuance of the Note, (2) transfer to the 2016 Lender an amount of Note proceeds sufficient to prepay all of the outstanding 2016 Revenue Note together with accrued interest thereon to the date set for prepayment, and (3) deposit the remaining proceeds of the Note to the 2020 Project Account as described in subsection (b) below. The written directions from the City shall state the names of the respective payees, the purpose for which the expenditure has been incurred, or the purpose of the transfer, whichever is applicable, and shall contain a certification that each item of expense for which the payment has been requested has been properly incurred and is then unpaid, and that each transfer which is requested is in accordance with the provisions of this Ordinance.

(b) Project Account. The City hereby creates a special account to be known as the City of Allentown 2020 Project Account (the “**Project Account**”) to be established with the Purchaser in the name of the City (the “**Project Account Depository**”), subject to clearance or collection, moneys, checks, drafts, Note, bills of exchange, acceptances, or other orders for the

payment of moneys which may at any time come into its possession, with or without endorsement thereof by the City, payment thereof to the depository being hereby guaranteed. The 2020 Project Account Depository is authorized and directed to honor and pay, and to charge to the 2020 Project Account, all checks, drafts, bills of exchange, acceptances, Note or orders for the payment of money when drawn on or addressed to said depository and signed and countersigned on behalf of the City by the authorized officer or officers of the City. The signatures of any or all of the foregoing officers shall be manual.

(c) Debt Service Reserve Fund. The City hereby creates a special account to be known as the City of Allentown 2020 Debt Service Reserve Fund (the “**Debt Service Reserve Fund**”) to be established in the name of the City with the Purchaser. On the day of closing, the City shall deposit in the Debt Service Reserve Fund the sum of \$_____, initially funded with proceeds of the Note. The foregoing sum to be deposited in the Debt Service Reserve Fund shall be on the condition that, so long as the Note shall be outstanding hereunder, at such time as the balance in the Debt Service Reserve Fund shall equal \$_____, no further deposits shall be required to be made therein unless said balance thereafter shall for any reason be less than \$_____.]

The Paying Agent, without further direction from the City, shall apply moneys in the Debt Service Reserve Fund toward payment of principal and interest from time to time becoming payable on Note to the extent that the Sinking Fund at any time shall be deficient for such purpose.

Money in the Debt Service Reserve Fund at any time which shall not be required to maintain the Debt Service Reserve Fund at the amount at the time required shall be transferred, subject to provisions of Section 8.02, to the Sinking Fund.

To the extent of any deficiency in the Debt Service Reserve Fund, the City covenants to increase Service Charges sufficient to enable it make transfers to the Debt Service Reserve Fund in amounts sufficient to eliminate such deficiency as soon as possible; provided, however, that such deficiency shall be eliminated within twelve months of the date of such deficiency.

Moneys (and investments) in the Debt Service Reserve Fund, in such amounts as may be required hereunder, shall be held by the Purchaser, in trust, for benefit of owners of Note for which such shall be a reserve and shall be and are pledged irrevocably as security for payment of principal of and interest on such Note until disbursed as herein authorized.

Section 18. Prepayment of the 2016 Revenue Note. The City hereby elects to exercise its option to prepay the 2016 Revenue Note, concurrently with the issuance of the Note, at a price of 100% of the principal amount outstanding plus accrued interest thereon to the date fixed for prepayment. The City further directs the payment from proceeds derived from the Note of the principal of the 2016 Revenue Note, together with accrued interest thereon to and including the date of issuance of the Note, which date shall be the date fixed for prepayment.

Section 19. Payment of Expenses. All expenses incurred in connection with issuance of the Note, shall be paid out of the proceeds derived from the issuance of the Note and the proper officers and officials are authorized to sign and deliver requests for payment of such expenses.

Section 20. Investment. Any moneys in the 2020 Project Account may be invested or deposited as permitted by applicable law for funds of the City or as permitted under the Debt Act. As to the 2020 Project Account, proper officers of the City shall designate such investments in such combination as to provide safety of principal, liquidity to any construction draws and maximum investment income.

Any moneys in the Debt Service Reserve Fund, and the Sinking Fund not required for prompt expenditure may, at the direction of the City, be invested in bonds or obligations which are direct obligations of, or are fully guaranteed as to principal and interest by, the United States of America or may be deposited at interest in time accounts or certificates of deposit or other interest bearing accounts of any bank or bank and trust company, savings and loan association or building and loan association. To the extent that such deposits are insured by the Federal Deposit Insurance Corporation or similar Federal agency, they need not be secured. Otherwise, such deposits shall be secured as public deposits or as trust funds in accordance with the Debt Act. Any such investments or deposits shall mature or be subject to redemption at the option of the holder, or be subject to withdrawal at the option of the depositor, not later than the date upon which such moneys are required to be paid to the registered owners of the Note.

Section 21. Additional Covenants of the City.

(a) This City covenants that it shall provide the following information to the Purchaser annually, so long as the Note is outstanding (i) beginning with fiscal year ending December 31, 2020, audited annual financial statements of the City (or unaudited annual financial statements if the audited annual financial statement are not yet available, within 270 days after the end of the City's fiscal year, including a statement of debt and compliance with statutory debt limits to the extent included in the Township's audited financial statements; (ii) beginning with fiscal year ending December 31, 2020, the City's net assessed valuation of the City's top ten taxpayers of the City to the extent included in the disclosure of City's general information required under Rule 15c2-12 promulgated by the Securities and Exchange Commission; (iii) approved budgets of City within thirty (30) days of approval beginning with approved budgets for fiscal year ending December 31, 2020; (iv) monthly collection report, showing monthly Service Charges received and aggregate year to date Service Charges received; and (v) any other financial information as the Purchaser may reasonably request.

(b) With respect to the Sewer Utility System, as defined in the Concession Agreement, the City shall establish rates and charges at sufficient levels in each fiscal year of the City during which the Note is outstanding to produce Service Charges that shall equal at least 100% of the principal, sinking fund and interest requirements due during such year on all outstanding Administrative Order Bonds, including the Note, and to replenish any draws on the Debt Service Reserve Fund within one fiscal year as described herein.

(c) Per Section 4.16(b) of the Concession Agreement, the Annual Debt Service payable with respect to the repayment of the Administrative Order Bonds will be allocated to the Municipal Customers that are parties to Sewer Service Agreements and to retail customers of the Sewer Utility System.

(d) Not less than 30 days prior to the first day of each Reporting Year the City shall prepare and submit to the Concessionaire a report setting forth for that Reporting Year, the Annual Debt Service, the Aggregate Municipal Customer Share, the Net Service Payment, the Municipal Customer Share of each Municipal Customer, and the portion of each Municipal Customer payment to be withheld by the City as a period payment of the Municipal Customer Share for the Reporting Year.

(e) If the Annual Debt Service requirements for any Reporting Year are changed during the Reporting Year, the City shall prepare and submit to the Concessionaire a revised report and the revised report shall supersede each prior report.

(f) Any moneys collected by the Concessionaire by virtue of the imposition of Service Charges to fund Net Debt Service Charges pursuant to Section 7.1(l) of the Concession Agreement are the property of the City and the Concessionaire shall promptly pay such moneys to, or upon the order of, the City.

(g) The City shall seek approval from the Purchaser prior to entering into any supplement or amendment to the Concession Agreement pertaining to the imposition of Service Charges, and prior to issuing any additional Administrative Order Bonds thereunder. The City also agrees that no senior lien on the Service Charges will be permitted while the Note is outstanding.

The capitalized terms used in this Section 21, which are defined in the Concession Agreement, and not otherwise defined herein, are used in the same manner and with the same meaning as so defined therein.

Section 22. General Authorization. The officers and officials of the City including the Mayor and President of Council and the City Clerk, hereby are authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effect the execution, issuance, sale and delivery of the Note, all in accordance with this Ordinance.

Section 23. Authorization of Officers. Any authorization granted to, power conferred on, or direction given to the Mayor, the President of Council and the City Clerk, shall be deemed to run to the Acting Mayor, Vice President of the Council or Assistant or Acting City Clerk, respectively, as if such latter titles had been expressly included in the text hereof which grants such authorization, confers such power or gives such direction.

Section 24. Form of Note. The form of Note shall be substantially in the form attached hereto as Exhibit B, which form hereby is incorporated herein and, together with such changes as shall be deemed appropriate by the officers of the City executing the same, hereby is approved.

Section 25. Severability. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining

provision, section, sentence, clause or part of this Ordinance, it being the intent of the City that such remainder shall be and shall remain in full force and effect.

Section 26. Repealer. All ordinances or parts of ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

Section 27. Effective Date. This Ordinance shall become effective in accordance with Section 8003 of the Debt Act.

DULY ENACTED, AND ORDAINED, by the Council of the City, in lawful session duly assembled, this 1st day of April 2020.

CITY OF ALLENTOWN,
Lehigh County, Pennsylvania

By: _____
(Vice) President of the Council

ATTEST:

City Clerk

(SEAL)

DULY EXAMINED AND APPROVED this ____ day of _____, 2020.

Mayor

EXHIBIT A

Maximum Debt Service Schedule

And

Minimum Principal Installments

EXHIBIT B

FORM OF NOTE

\$7,035,000

\$7,035,000

**UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF LEHIGH
CITY OF ALLENTOWN
Revenue Note, Series of 2020**

The **CITY OF ALLENTOWN**, Lehigh County, Pennsylvania (the “City”), a municipality existing under laws of the Commonwealth of Pennsylvania, for value received, acknowledges itself to be indebted to and promises to pay to **WEBSTER PUBLIC FINANCE CORPORATION** (the “Bank”), or registered assigns, on the above stated maturity date, the maximum principal sum of **SEVEN MILLION THIRTY-FVIE THOUSAND AND 00/100 Dollars \$7,035,000**), payable in the stated minimum principal installments set forth in the Payment Record attached hereto and incorporated herein, on December 1 of each year, beginning December 1, 2020, through and including December 1, 2034 (the “Maturity Date”), unless this Note shall have been prepaid, in whole or in part, as herein permitted, and to pay interest at the tax-exempt interest rate set forth above on the unpaid principal balance advanced and outstanding, calculated on the basis of a year of 360 days comprised of twelve (12) thirty (30) day months, with interest payment in semi-annual installments, initially on June 1, 2020, and on each June 1 and December 1 (for convenience, each an “Interest Payment Date”) thereafter, from the immediately preceding Interest Payment Date to which has been paid, unless: (a) this Note is registered as of an Interest Payment Date, in which event this Note shall bear interest from such Interest Payment Date; or (b) this Note is registered prior to June 1, 2020, in which event this Note shall bear interest from the Date of Issuance; or (c) as shown by the records of the Paying Agent, interest on this Note shall be in default, in which event this Note shall bear interest from the date on which interest was last paid, until the principal sum thereof is paid.

The Note shall bear interest at the tax-exempt, bank qualified rate of _____% per annum, from the date of delivery of this Note to the Maturity Date, at which time, if not previously paid pursuant to the prepayment provisions set forth herein, all outstanding principal, together with all accrued, but unpaid, interest shall be due and payable without demand by the Bank.

Payments of principal hereof, in whole or in part, and of interest hereon shall be made in any coin or currency of the United States of America which, at time of payment, shall be legal tender for payment of public and private debts, at the office of Webster Bank (the “**Paying Agent**” which term shall include any duly appointed alternate or successor paying agent), in Conshohocken, Pennsylvania. So long as Webster Bank shall be the registered owner hereof,

payment of any part of the principal of and interest on this Note by or in behalf of the City shall be valid and effective to satisfy and discharge fully the obligations of the City or its Paying Agent, with respect to such payments of principal and interest, without surrender hereof to the Paying Agent for appropriate notation upon the Payment Record attached hereto and made part hereof. So long as the registered owner hereof shall not be Webster Bank, payment of any part of the principal of and interest on this Note shall be made only upon surrender hereof by the registered owner at the office of the Paying Agent (or the office of any successor paying agent) for appropriate notations with respect to such payments and any unrecorded prior payments upon such Payment Record. Notations upon such Payment Record with respect to payments of principal and interest shall satisfy and discharge fully the obligations of the City with respect to such payments of principal and interest, and such notations upon such Payment Record shall be conclusive and binding upon the registered owner hereof. Final payment of principal and interest appertaining hereto shall be made only upon complete surrender hereof to the Paying Agent.

If the date for payment of the principal of or interest on this Note shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the municipality where the office of the Paying Agent is located are authorized by law or executive order to close, then the date of such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or on a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the date fixed for such payment.

The principal amount of and interest due on this Note shall be subject to prepayment prior to maturity, at the option of the City, as a whole or, from time to time, in part, on any date after December 1, 2025, upon payment of the principal amount to be redeemed together with accrued interest thereon to the date fixed for prepayment and without any premium or penalty. The principal amount of and interest due on this Note shall be subject to prepayment prior to maturity, at the option of the City, as a whole or, from time to time, in part, on any date after December 1, 2023, upon payment of the principal amount to be redeemed together with accrued interest thereon to the date fixed for prepayment, together with 1% prepayment penalty. Any partial prepayment of principal may be credited against such stated installments of principal on this Note as the City may designate in writing to the registered owner hereof at the time of prepayment; otherwise a partial prepayment shall be applied against the principal installments last, by date, due and payable. The registered owner hereof, by acceptance hereof, agrees that any such prepayment may be made by the City upon thirty (30) days written notice to the registered owner hereof.

This Note is issued in accordance with provisions of the Local Government Unit Debt Act, 53 Pa. C.S. § 8001 *et seq.*, as amended and supplemented (the “**Debt Act**”), and by virtue of a duly enacted Ordinance (the “**Ordinance**”) of Council. The Debt Act, as such shall have been in effect when this Note was authorized, and the Ordinance shall constitute a contract between the City and the registered owner, from time to time, of this Note. A copy of the Ordinance, duly certified by the City Clerk, is on file at the principal office of the City.

It hereby is certified that: (i) all acts, conditions and things required to be done, to happen or to be performed as conditions precedent to and in issuance of this Note or in creation

of the debt of which this Note is evidence have been done, have happened or have been performed in due and regular form and manner, as required by law; and (ii) the debt represented by this Note, together with any other indebtedness of the City, if any, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by the City.

The Note is payable from payments received by the City from Lehigh County Authority (the “Authority”) derived from service charges imposed on customers of the Authority (“Service Charges”) allocable to debt service on the City’s Administrative Order Bonds under Section 4.16(b) of the Concession Lease Agreement, dated as of May 1, 2013, between the City and the Authority (the “Lease”).

The City has covenanted in the Ordinance with the registered owners, from time to time, of this Note that the City, as appropriate, shall include the amount of debt service, for each fiscal year of the City in which sums are payable, in its budget for that fiscal year, shall appropriate such amounts from the Service Charges to the payment of such debt service and duly and punctually shall pay or shall cause to be paid the principal of this Note and the interest thereon at the dates and place and in the manner stated herein, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the City has pledged and does pledge payments received by the City from the Authority derived from Service Charges allocable to the debt service on the City’s Administrative Order Bonds under Section 4.16(b) of the Lease.

The City, in the Ordinance, has established a sinking fund with the Paying Agent, as the sinking fund depository, into which funds for the payment of the principal of and the interest on this Note shall be deposited not later than the date fixed for disbursement thereof. The City has covenanted in the Ordinance to make payments out of such sinking fund or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of this Note.

This Note, immediately upon execution and delivery hereof by the City, shall be registered, both as to principal and interest, in the name of the owner, on records of the City to be kept for that purpose by the Paying Agent, such registration to be noted hereon by a duly authorized representative of the Paying Agent. After such registration, no transfer hereof shall be valid unless made by the registered owner hereof in person or by his duly authorized attorney and similarly noted upon said records and hereon. Rights of any registered owner hereof, subsequent to the initial registered owner hereof, shall not exceed rights of the predecessor registered owner hereof.

This Note is issuable only in the form of a fully registered Note, without coupons.

The City has designated, under and for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, this Note as a “qualified tax-exempt obligation”, as such phrase is defined in Section 265(b)(3)(B) of such Code.

IN WITNESS WHEREOF, the CITY OF ALLENTOWN, Lehigh County, Pennsylvania, as provided by the Debt Act and in the Ordinance, has caused this Note to be executed in its name by the manual or facsimile signature of the Mayor of the City and the seal to be affixed hereto and the manual or facsimile signature of the City Clerk to be affixed hereto in attestation thereof, and to be delivered as of this __ day of _____, 2020.

CITY OF ALLENTOWN,
Lehigh County, Pennsylvania

By: _____
Mayor

ATTEST:

City Clerk
(SEAL)

REGISTRATION RECORD

NOTHING TO BE WRITTEN HERE EXCEPT BY A DULY AUTHORIZED
REPRESENTATIVE OF WEBSTER BANK,
CONSHOHOCKEN, PENNSYLVANIA (THE "PAYING AGENT")

DATE OF REGISTRY	NAME OF REGISTERED OWNER	REGISTERED BY AUTHORIZED REPRESENTATIVE OF THE PAYING AGENT
April 29, 2020	Webster Public Finance Corporation 100 Westminster St, Suite 1110 Providence, RI 02903	

PAYMENT RECORD

[illegible]

CERTIFICATE

I, the undersigned, City Clerk of Allentown, in Lehigh County, Pennsylvania (the “City”), certify that: the foregoing is a true and correct copy of an Ordinance which was duly enacted by the Council of the City, at a meeting duly held on April 1, 2020, at which meeting a quorum was present; said Ordinance has been certified and recorded by me, as City Clerk, in the book provided for the purpose of such recording; the total number of members of the Council of the City is seven (7); the vote of the members of the Council of the City, upon enactment of said Ordinance, the yeas and nays having been called, duly was recorded by me, as City Clerk, as follows:

	Yea	Nay	Abstain	Absent
Daryl L. Hendricks	_____	_____	_____	_____
Julio A. Guridy	_____	_____	_____	_____
Candida Affa	_____	_____	_____	_____
Cecilia Ce-Ce Gerlach	_____	_____	_____	_____
Cynthia Mota	_____	_____	_____	_____
Joshua Siegel	_____	_____	_____	_____
Ed Zucal	_____	_____	_____	_____

said Ordinance has been advertised, as required by law, in a newspaper of general circulation in the City; and said Ordinance has not been amended, altered or repealed as of the date of this Certificate.

I further certify that the Council of the City met the advance notice and public comment requirements of the Sunshine Act, 65 Pa.C.S. §701 *et seq.*, by advertising the time and place of said meeting, by posting prominently a notice of said meeting at the principal office of the City or at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment at said meeting, all in accordance with such Act.

IN WITNESS WHEREOF, I set my hand and affix the official seal of the City, this __ day of April, 2020.

(SEAL)

City Clerk