



BILL NO. 694ORDINANCE NO. 523

AN ORDINANCE RELATING TO A REFUNDING ESCROW AGREEMENT EXECUTED OCTOBER 29, 1976, BY AND BETWEEN THE COUNTY OF WASHOE, NEVADA AND THE SECURITY BANK OF NEVADA AUTHORIZING AND DIRECTING THE ESCROW HOLDER TO SUBSTITUTE UNITED STATES TREASURY NOTES AND BONDS--STATE AND LOCAL GOVERNMENT SERIES, WITH OTHER UNITED STATES TREASURY OBLIGATIONS IN THE ESCROW ACCOUNT CREATED PURSUANT TO THE REFUNDING ESCROW AGREEMENT; AUTHORIZING AND DIRECTING THE COUNTY OFFICIALS TO TAKE ALL NECESSARY ACTION TO REDEEM ALL OR A PORTION OF SUCH UNITED STATES TREASURY NOTES AND BONDS--STATE AND LOCAL GOVERNMENT SERIES; AND AUTHORIZING AND DIRECTING THE COUNTY OFFICIALS TO TAKE ALL ACTION NECESSARY OR APPROPRIATE TO EFFECTUATE THE TRANSACTIONS CONTEMPLATED HEREBY.

WHEREAS, the County of Washoe, Nevada (herein sometimes called "the County"), is a County; and

WHEREAS, the County authorized the issuance of General Obligation Refunding Bonds (the "Refunding Bonds") series September 1, 1976, for the purpose of refinancing and refunding certain outstanding bonds theretofore issued by the County; and

WHEREAS, the County escrowed the proceeds of the Refunding Bonds, together with certain monies made available by the County and provided for the investment of the monies so escrowed in direct obligations of the United States of America; and

WHEREAS, the treasury regulations applicable to obligations issued on the date of the issuance of the Refunding Bonds promulgated under Section 103(d), now Section 103(c), of the Internal Revenue Code of 1954, as amended, provide that the investment of less than a major portion of the proceeds of a bond issue in materially higher yielding obligations will not cause such bonds to be arbitrage bonds, as defined therein; and

WHEREAS, the Department of the Treasury, pursuant to Department Circular, Public Debt Series No. 372, Revised, dated November 21, 1972, further amending Department of the Treasury Circular, Public Debt Series No. 372, dated May 22, 1971, as amended (31 CFR Part 344), provided for the issuance of certain United States Treasury Certificates of Indebtedness--State and Local Government Series and United States Treasury Bonds--State and Local Government Series to

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provide states, municipalities and other government bodies with investments tailored to their needs under Section 103(a)(1) of the Internal Revenue Code of 1954, as amended (the "Code") and the regulations thereunder, such investments being offered by the Secretary of the Treasury under the authority of the Second Liberty Bond Act, as amended; and

WHEREAS, the aforementioned Circular, at Section 344.4(b), provides that a state, municipality or other government body may redeem the Treasury Obligations prior to maturity by notice given by the official authorized to redeem them; and

WHEREAS, a prior redemption of all or a portion of the United States Treasury Notes and Bonds--State and Local Government Series, and if necessary or desirable, sale of other obligations contained in the escrow fund created by the Escrow Agreement (the "Escrow Account") and the substitution therefor of certain direct obligations of, or obligations the principal and interest of which is fully guaranteed, by the United States of America with an aggregate yield to maturity greater than the yield on the United States Treasury Notes and Bonds--State and Local Government Series, and other obligations contained in the fund will effect a substantial financial savings to the County which will inure to the benefit of the County and its residents; and

WHEREAS, the immediate necessity to effectuate the transactions contemplated herein due to rapidly changing conditions in the market for United States treasury obligations and the possibility of a change in federal regulations which could limit the County's ability to consummate the proposed transactions requires the immediate authorization of the County officials to proceed with the transaction contemplated hereby; and

WHEREAS, the transaction contemplated hereby will require the Escrow Bank to purchase direct obligations of, or obligations fully guaranteed by, the United States of America (the "Substitute Securities") in principal amounts and bearing interest at rates such that the principal of and interest on such Substitute Securities to be purchased, together with the principal of and interest on any obligations presently held in the Escrow Account not redeemed or sold, will be sufficient to pay the principal of and interest on the Refunded Bonds as and when the same shall become due and payable, which Substitute Securities, together with other securities held, may not have a yield in excess of that permitted under applicable regulations under Section 103 of the Code; and

WHEREAS, it is inadvisable for the County to proceed with the sale or redemption of obligations held in the Escrow

Account without assurance of the availability of such Substitute Securities for sale to the Escrow Bank; and

WHEREAS, Boettcher & Company has agreed to provide such Substitute Securities for sale to the Escrow Bank; and

WHEREAS, the undertaking by Boettcher & Company to provide such Substitute Securities for sale to the Escrow Bank will require Boettcher & Company to assume a substantial risk in the market for obligations of the United States during a period of extreme volatility in such market; and

WHEREAS, in order to fairly and equitably compensate Boettcher & Company for the risks to be incurred in connection with its undertaking to provide such Substitute Securities and its undertaking to pay the fees and expenses described above, it will be necessary to pay Boettcher & Company a fee for its services in selecting appropriate Substitute Securities, purchasing such Substitute Securities for resale to the Escrow Bank and securing the services of legal counsel, accountants and other necessary professionals; and

WHEREAS, it is the intention and desire of the County, and the Board of Commissioners does hereby find and determine that it is in the best interests of the County and its residents to undertake the restructuring of the Escrow Account as contemplated hereby.

NOW THEREFORE, THE BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF WASHOE IN THE STATE OF NEVADA DO ORDAIN:

SECTION 1.

The County Officials, with the advice of Boettcher & Company, are hereby authorized and directed to proceed with all due speed to effect the prior redemption of all or a portion of the United States Treasury Notes and Bonds--State and Local Government Series and to substitute in place thereof direct obligations of having in the aggregate a yield greater than the yield on the United States Treasury Notes and Bonds--State and Local Government Series and the other obligations presently contained in the Escrow Account.

SECTION 2.

The County officials and the Escrow Bank are authorized and directed to execute all appropriate documents to effect the redemption of the United States Treasury Notes and Bonds--State and Local Government Series and to otherwise authorize the sale or redemption of securities contained in the Escrow Account Created pursuant to the Escrow Agreement in order to consummate the transaction contemplated hereby.

SECTION 3.

The Escrow Bank is hereby requested and authorized to take all actions and to execute all documents necessary to effect the redemption or sale of the United States Treasury Notes and Bonds--State and Local Government Series, as directed by the County officials and to substitute therefor Substitute Securities to be purchased by the Escrow Bank from Boettcher & Company.

SECTION 4.

Consummation of the transactions contemplated hereby shall be conditioned upon receipt of (i) an opinion of legal counsel, selected by Boettcher & Company and acceptable to the County, to the effect that such transaction, if reasonably expected on the date of issuance of the Refunding Bonds, would not have caused the Refunding Bonds to be arbitrage bonds within the meaning of Section 103(d), now Section 103(c) of the Code, and the regulations thereunder applicable to obligations issued on the date of issuance of the Refunding Bonds, and (ii) a report of a firm of certified public accountants, selected by Boettcher & Company, to the effect that, upon completion of such sale or redemption and substitution, the principal of and interest on the securities held in the Escrow Account will be sufficient to pay the principal of and interest on the Refunded Bonds, as and when the same shall become due and payable.

SECTION 5.

The officials of the County are hereby authorized to approve the payment to Boettcher & Company of its customary fee plus expenses and out-of-pocket costs incurred in connection with the transactions contemplated hereby, said fee and other associated costs to be payable solely from the proceeds of redemption of the securities currently held in the Escrow Account and the County shall have no obligation to pay any such fee from any other source.

SECTION 6.

All proceeds from the sale or redemption of the United States Treasury Notes and Bonds--State and Local Government Series, in excess of the amounts necessary for payment of the purchase price of the Substitute Securities and the payment of the fee to Boettcher & Company provided above shall be transferred to the County to be used for any lawful purpose; provided, however, that pending such use, any monies received from the Escrow Account shall not be invested at a yield in excess of the yield on Refunding Bonds or used to replace other monies invested at a yield in excess of the yield on Refunding Bonds

unless the County shall have first received an opinion of counsel with a national reputation for expertise in the issuance of municipal bonds and the taxation of the interest therein to the effect that investment of such monies at higher yields, if reasonably expected on the date of issuance of the Refunding Bonds, would not have caused such bonds to be arbitrage bonds.

SECTION 7.

This instrument pertains to the payment of the Refunded Bonds, shall be adopted as if an emergency exists, and shall be effective immediately upon adoption.

Proposed on the 24th day of November, 1981.

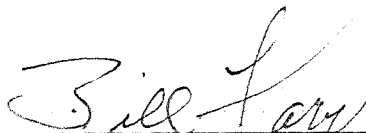
Proposed by Commissioners Farr, Ferrari, Brown, Underwood and Williams.

Passed on the 24th day of November 1981.

Vote: Ayes: Commissioners: Farr, Ferrari, Brown, Underwood and Williams.

Nays: Commissioners: None.

Absent: Commissioners: None.



CHAIRMAN

BOARD OF WASHOE COUNTY COMMISSIONERS  
WASHOE COUNTY, NEVADA

ATTEST:



WASHOE COUNTY CLERK

This ordinance shall be in force and effect from and after the 5th day of December 1981.