

RESOLUTION #PWC2004.05

RESOLUTION REQUESTING THE CITY OF FAYETTEVILLE, NORTH CAROLINA TO
DIRECT THE FILING OF AN APPLICATION FOR APPROVAL
BY LOCAL GOVERNMENT COMMISSION OF AN INSTALLMENT FINANCING
AGREEMENT TO FINANCE IMPROVEMENTS TO ITS WATER SYSTEM

BE IT RESOLVED by the Public Works Commission of the City of Fayetteville, North Carolina, (the "Commission"):

Section 1. The Commission does hereby find, determine and declare as follows:

(a) The Commission proposes to finance (i) water utility improvements within the Cumberland County Cedar Creek Business Center (the "Project"), pursuant to a Loan Agreement (the "Loan Agreement") and a Security Agreement ("Security Agreement") with the South River Electric Membership Corporation ("SREMC") under which SREMC will finance the Project, and the City will make payment in amounts sufficient to repay in ten annual installments the principal with respect to a Promissory Note in the maximum principal amount of up to \$396,000 (the "Note"), to be issued to the SREMC for the purposes of financing the Project. The Loan Agreement and the Note are non-recourse to the City, and the City's nominal obligations thereunder are payable from solely available funds of the Public Works Commission on a basis junior and subordinate to its outstanding revenue bonds and other obligations and subject to reimbursement by the County of Cumberland (the "County") of all such payments.

(b) The Project is necessary and expedient to provide utility service to its intended customers.

(c) Based on the interest free loan, the sums to fall due under the Loan Agreement are not excessive for its stated purposes; moreover, the estimated cost of the Project is not excessive.

(d) The Loan Agreement, under the circumstances presently obtaining, is preferable to a general obligation bond issue for this purpose. Under an Inter-Local Agreement with the County, the County has agreed to reimburse the Commission for all costs associated with the financing including the repayment of the principal of the loan evidenced by the Note .

(e) The estimated cost of financing the Project pursuant to the Loan Agreement compares reasonably with an estimate of similar cost for general obligation bond financing therefor. The primary difference in cost results from higher issuance costs, but this amount is insignificant when compared to the total cost of financing the Project.

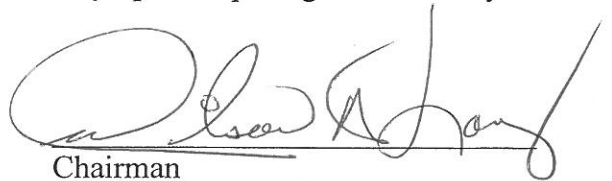
(f) The debt management policies of the Commission have been carried out in strict compliance with law, including the filing of all required audits and reports with the Local Government Commission, and the Commission is within its statutory debt limit and is not in default with respect to any of its outstanding indebtedness.

(g) Debt service to fall due under the Loan Agreement is not payable from City taxes but from available funds of the Public Works Commission that are to be fully reimbursed by the County of Cumberland.

(h) The Commission has made timely payment of all sums owed by it with respect to the payment of principal of and interest on all of its outstanding debt obligations and has received no notice from the Local Government Commission or any holder concerning the Commission's failure to make any required payment of debt service.


Section 2. The City Council of the City of Fayetteville, North Carolina is hereby requested to (1) approve the filing of an application and make the necessary findings of fact as required by the Local Government Commission and to request the Local Government Commission approve the proposed Loan Agreement and the Note pursuant to the provisions of Article 8 of Chapter 159 of the General Statutes of North Carolina, and to (2) direct the Commission's General Manager to complete all applications and execute all other documents required in connection with obtaining such approval.

Section 3. This resolution shall take effect immediately upon its passage this 13th day of October, 2004.



Chairman

Attest:



Secretary