

**\$1,800,000**  
**City of West Linn**  
**Clackamas County, Oregon**  
**Limited Water System Revenue Bonds, Series 2000**

**DATED:** October 1, 2000

**DUE:** October 1, as shown below

**RATING**—Nonrated.

**BANK QUALIFIED**—The City has designated the Series 2000 Bonds as “qualified tax-exempt obligations” for banks, thrift institutions and other financial institutions. See “Tax Exemption” herein for a discussion of this designation.

**BOOK-ENTRY ONLY**—The Series 2000 Bonds will be issued as fully registered bonds in denominations of \$5,000, or integral multiples thereof, and will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2000 Bonds. Purchasers will not receive certificates representing their interest in the Series 2000 Bonds purchased.

**PRINCIPAL AND INTEREST PAYMENTS**—Interest on the Series 2000 Bonds will be paid on April 1, 2001 and semiannually thereafter on October 1 and April 1 of each year to the maturity or earlier redemption of the Series 2000 Bonds. The principal of and interest on the Series 2000 Bonds will be payable by the City’s Paying Agent, currently U.S. Bank Trust National Association, Portland, Oregon, to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2000 Bonds. Interest on the Series 2000 Bonds will be credited to the Bondowners by the DTC Participants. Principal of and interest on the Series 2000 Bonds will be payable to the persons in whose names such Series 2000 Bonds are registered, at the address appearing upon the registration books on the 15<sup>th</sup> day of the month preceding a payment date.

**MATURITY SCHEDULE**—

<u>Due</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Price or Yields</u>	<u>Due</u>	<u>Amounts</u>	<u>Interest Rates</u>	<u>Price or Yields</u>
2001	\$50,000	4.70%	4.70%	2006	\$65,000	5.40%	5.40%
2002	55,000	4.90%	4.90%	2007	70,000	5.45%	5.45%
2003	55,000	5.05%	5.05%	2008	75,000	5.50%	5.50%
2004	60,000	5.20%	5.20%	2009	80,000	5.55%	5.55%
2005	65,000	5.30%	5.30%	2010	80,000	5.60%	5.60%

\$485,000 5.75% Term Bond due October 1, 2015 @ 5.875%

\$660,000 6.00% Term Bond due October 1, 2020 @ 6.125%  
 (Plus accrued interest from the Dated date)

**REDEMPTION**—The Series 2000 Bonds are subject to redemption prior to their stated maturities as further described herein.

**SECURITY**—The Series 2000 Bonds are not general obligations of the City. Pledged Revenues are defined by the Resolution to mean Gross Revenues, the Water Fund, the Water Fund Debt Service Account, and the Water Debt Reserve Account, any unexpended interest earnings on any of the foregoing Bond proceeds, Reimbursement Fee Systems Development Charges on deposit in the Water SDC Reimbursement Fund and any amounts available under any Reserve Equivalent and any amounts subsequently pledged to pay the Bonds, including amounts in the Water SDC Fund.

**DELIVERY**—The Series 2000 Bonds are offered for sale to the Underwriter subject to the final approving legal opinion of Preston Gates & Ellis LLP, Portland, Oregon (“Bond Counsel”). Certain matters will be passed upon for the Underwriter by Ater Wynne LLP (“Underwriter’s Counsel”) It is expected that the Series 2000 Bonds will be available for delivery at the facilities of Depository Trust Company in New York, New York or to the Paying Agent on behalf of the Depository Trust Company on or about October 10, 2000.

*In the opinion of Preston Gates & Ellis LLP, Bond Counsel, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the Series 2000 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2000 Bonds is exempt from present personal income tax imposed by the State of Oregon.*

*This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

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**City Council**

Jill Thorn	Mayor
Dee Burch	President
Michael McFarland	Councilor
Tom Neff	Councilor
John Steele	Councilor

**Administration**

Scott Burgess	City Manager
William Gin	Finance Director
Dave Monson	Public Works Director

**Bond Counsel**

Preston Gates & Ellis LLP  
Portland, Oregon

**Financial Advisor**

Regional Financial Advisors, Inc.  
Portland, Oregon

**Paying Agent**

U.S. Bank Trust National Association  
Portland, Oregon

**Feasibility Consultant**

Economic and Engineering Services, Inc.  
Portland, Oregon

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*This Official Statement does not constitute an offer to sell the Series 2000 Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2000 Bonds and, if given or made, such information or representations must not be relied upon. The information set forth herein has been obtained from sources which are believed to be current and reliable, but it is not guaranteed as to accuracy or completeness and it is not to be construed as a representation by the Underwriter. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of the provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof.*

*In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.*

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# OFFICIAL STATEMENT

## City of West Linn Clackamas County, Oregon

### \$1,800,000 Limited Water System Revenue Bonds, Series 2000

City of West Linn, Clackamas County, Oregon (the "City"), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Oregon (the "State") furnishes this Official Statement in connection with the offering of \$1,800,000 aggregate principal amount of Limited Water System Revenue Bonds, Series 2000, dated October 1, 2000 (the "Series 2000 Bonds"). This Official Statement, which includes the cover page and appendices, provides information concerning the City and the Series 2000 Bonds.

Capitalized words or phrases have the meanings given to such words or phrases in the Resolution attached hereto as Appendix B.

### Description of the Bonds

#### Principal Amount, Date, Interest Rates and Maturities

The Series 2000 Bonds will be issued in the aggregate principal amount of \$1,800,000 and will be dated and bear interest from October 1, 2000. The Series 2000 Bonds will mature on the dates and in the principal amounts and will bear interest (payable semiannually on April 1 and October 1, first interest payable April 1, 2001) until the maturity or earlier redemption of the Series 2000 Bonds at the rates set forth on the cover of this Official Statement. Interest on the Series 2000 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

#### Redemption Provisions

*Optional Redemption.* The Series 2000 Bonds maturing in years 2001 through 2010, inclusive, are not subject to optional redemption prior to maturity. The Series 2000 Bonds maturing on and after October 1, 2011 are subject to redemption at the option of the City, in whole or in part on any date, on and after October 1, 2010 at the price of par, plus accrued interest, if any, to the date of redemption.

*Mandatory Redemption.* Unless previously called under the provisions for optional redemption, the Term Bonds maturing on October 1, 2015, and October 1, 2020, are subject to mandatory redemption by lot by the Paying Agent on October 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.

2015 Term Bond		2020 Term Bond	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$ 85,000	2016	\$ 115,000
2012	90,000	2017	125,000
2013	95,000	2018	130,000
2014	105,000	2019	140,000
2015	<u>110,000*</u>	2020	<u>150,000*</u>
	<u>\$ 485,000</u>		<u>\$ 660,000</u>

\* Final maturity.

*Notice of Redemption (DTC).* So long as the Series 2000 Bonds are in book-entry only form, the Paying Agent will notify DTC of an early redemption not less than 30 days prior to the date fixed for redemption, and will

provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the Series 2000 Bonds.

*Notice of Redemption (No DTC).* During any period in which the Series 2000 Bonds are not in book-entry only form, unless waived by any Owner of the Series 2000 Bonds to be redeemed, official notice of any redemption of Series 2000 Bonds will be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Bondowners of the Series 2000 Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Paying Agent.

### **Paying Agent and Registration Features**

The Series 2000 Bonds will be issued as fully registered obligations and, when issued, will be registered in the name of CEDE & Co. as Series 2000 Bond Owner and as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2000 Bonds. Individual purchases and sales of the Series 2000 Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers (“Beneficial Owners”) will not receive certificates representing their interest in the Series 2000 Bonds.

The principal of and interest on the Series 2000 Bonds will be payable by the City’s “Paying Agent”, currently U.S. Bank Trust National Association, Portland, Oregon, or such other or additional offices as may be specified to the City by the Paying Agent, to DTC, which, in turn, is obligated to remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2000 Bonds, as further described in Appendix E attached hereto. Interest on the Series 2000 Bonds will be credited to the Beneficial Owners by the DTC Participants.

### **Book-Entry Bonds**

DTC will act as securities depository for the Series 2000 Bonds. The ownership of one fully registered obligation for each maturity of the Series 2000 Bonds, as set forth on the cover of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix E attached hereto for additional information.

*Procedure in the Event of Revisions of Book-Entry Transfer System.* If DTC resigns as the securities depository and the City is unable to retain a qualified successor to DTC, or the City has determined that it is in the best interest of the City not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Series 2000 Bonds might be adversely affected if the book-entry system of transfer is continued, the City will execute, authenticate and deliver at no cost to the Beneficial Owners of the Series 2000 Bonds or their nominees, Series 2000 Bonds in fully registered form, in the denomination of \$5,000 or any integral multiple thereof within a maturity. Thereafter, the principal of the Series 2000 Bonds will be payable upon due presentment and surrender thereof at the principal office of the Series 2000 Bond Registrar; interest on the Series 2000 Bonds will be payable by check or draft mailed or by wire transfer (wire transfer will be made only if so requested in writing and if the registered owner owns at least \$1,000,000 par value of the Series 2000 Bonds) to the persons in whose names such Series 2000 Bonds are registered, at the address appearing upon the registration books on the 15<sup>th</sup> day of the month preceding an interest payment date, and the Series 2000 Bonds will be transferable as provided in the Resolution (defined below).

### **Authority for Issuance**

The City is authorized to issue revenue bonds pursuant to the terms and provisions of Oregon Revised Statutes 288.805 to 288.945 (the “Uniform Revenue Bond Act”), inclusive, and Resolution No. 00-41, adopted September 25, 2000, to finance the cost of construction of improvements to the City’s Water System and all costs incidental thereto. The City is authorized to pledge for the payment of the Series 2000 Bonds, the revenues as defined in Oregon Revised Statutes 288.805(7), generated from the City’s Water System and, as such, the Series 2000 Bonds are not general obligation bonds of the City.

*Charter Limitation.* The City’s issuance of revenue bonds for utilities is limited by Section 44 of the City Charter, which states, in part, that no utility rate increase may exceed 5 percent in any calendar year without voter approval (the “Charter Rate Limitation”). See “Rate Covenant” herein.

## **Purpose and Use of Proceeds**

### **Purpose**

The proceeds from the sale of the Series 2000 Bonds will be used to finance Water System improvements and pay the costs of issuance of the Series 2000 Bonds. The City will fund the Water Debt Reserve Account out of available funds of the City.

The Series 2000 Bonds are part of an overall financing program to provide for capital maintenance projects, including structural repairs, improved access and repair to the I-205 Transmission Main, booster pump station improvements and other improvements as described in the City's Water System Master Plan, dated April 12, 1999. These projects, along with other proposed future additions, betterments and extensions to the Water System are herein referred to as “the Projects.” The funds required for completion of the Projects will be provided from the proceeds of the Bonds, additional borrowings, other funds available to the City and all or certain system development charges.

The City currently has no outstanding debt associated with the Water System.

### **Sources and Uses of Funds**

The proceeds of the Series 2000 Bonds (less accrued interest) are estimated to be applied as follows:

#### Sources of Funds

Par Amount of Series 2000 Bonds	\$ 1,800,000
Less: Original Issue Discount	(15,446)
Plus: City Contribution	<u>154,580</u>
Total Sources of Funds	<u>\$ 1,939,134</u>

#### Uses of Funds

Project Requirements	\$ 1,647,598
Water Debt Reserve Account	154,580
Costs of Issuance	<u>136,956</u>
Total Uses of Funds	<u>\$ 1,939,134</u>

## **The City of West Linn and South Fork Water Board**

### **Overview**

In 1915, the Cities of West Linn and Oregon City entered into a contractual relationship to form a joint commission known today as the South Fork Water Board (“South Fork”) to provide water supply and treatment facilities for the two cities. This agreement has subsequently been updated, most recently in 1996. South Fork is an ORS 190 organization. Under the agreement, the debts and liabilities of South Fork, unless otherwise agreed or unless either city has expressly incurred the debt obligation on its own behalf, shall be shared equally by the two cities. The agreement could be amended to provide for a different distribution of debt. By statute, if the parties have not provided for a particular distribution of debt, it would be considered a joint and several liability of the parties to the agreement. The water source is the Clackamas River. South Fork operates a conventional water treatment plant. This plant is located on the south side of the Clackamas River near its confluence with the Willamette River. The South Fork system includes an intake, a water treatment plant, and a transmission pipeline to a pump station located on Division Street in Oregon City.

### **South Fork Indebtedness**

South Fork currently has outstanding revenue bond debt that is secured by the payments for water purchases made by the Cities and sales of water to other entities. These revenue bonds have standard rate covenants whereby rate increases may be necessary to meet required coverage tests. Such rate increases would likely be passed through to the Cities in the form of higher costs for water purchases.

### **Relationship Between South Fork Indebtedness and Series 2000 Bonds**

The City of West Linn's Series 2000 Bonds will be secured by a pledge of Pledged Revenues, which includes Gross Revenues of its Water Fund and other available funds (see "Security for the Series 2000 Bonds," herein). As such, payments made for debt service on the Series 2000 Bonds will be made prior to payments to South Fork for purchases of water and, effectively, prior to payments on South Fork's outstanding bonds.

Further, payments to South Fork may be made from any available resource of the Cities, including their respective general funds. Therefore, if funds in the Water Fund are insufficient to pay both debt service on the Series 2000 Bonds and any payments to South Fork, the City would be obligated to make payments on the Series 2000 Bonds first, and would be obligated to use other available resources to satisfy their obligation to South Fork, as necessary.

### **Impact of Charter Rate Limitation**

Section 44 of the City's Charter provides that utility rate increases may not increase by more than 5% in any calendar year without voter approval. (See "Authorization for Issuance" and "Rate Covenant," herein.) Should the City increase the rates in its Water Fund by the maximum amount and funds not be sufficient to pay both debt service on the Series 2000 Bonds and for the purchase of water, the City would be obligated to make payments on the Series 2000 Bonds first and to use other available resources to satisfy their obligation to South Fork, as necessary.

## **Security for the Series 2000 Bonds**

### **Pledged Revenues**

The City pledges the Pledged Revenues to the payment of principal and interest on all Bonds. The Pledged Revenues so pledged and hereafter received by the City shall immediately be subject to the lien of such pledge without any physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever to the fullest extent permitted by ORS 288.594(2).

Pledged Revenues are defined by the Resolution to mean Gross Revenues, the Water Fund, the Water Fund Debt Service Account, and the Water Debt Reserve Account, any unexpended interest earnings on any of the foregoing Bond proceeds, Reimbursement Fee Systems Development Charges on deposit in the Water SDC Reimbursement Fund and any amounts available under any Reserve Equivalent and any amounts subsequently pledged to pay the Bonds, including amounts in the Water SDC Fund.

Gross Revenues are defined by the Resolution to mean all fees and charges resulting from operation of the Water System from a current Fiscal Year, revenues from product sales and any interest earnings and other revenues required to be placed in the Water Fund under this Resolution; however, Gross Revenues do not include:

- any payments of improvement assessments levied against benefited properties;
- the proceeds of any grants;
- the proceeds of any borrowing for capital improvements except as provided in the Resolution;
- the proceeds of any liability or other insurance;
- the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Water System;
- proceeds of sales of assets pursuant to the Resolution;

- Reimbursement Fee Systems Development Charges;
- Improvement Fee Systems Development Charges;
- System Development charges collected for and on behalf of South Fork or any other governmental entity; and
- ad valorem taxes or other taxes imposed by the City.

### **Flow of Funds**

All Gross Revenues will be deposited to or maintained in the Water Fund. As long as any Bonds remain issued and outstanding, the Gross Revenues (and if the Gross Revenues are not sufficient, all other Pledged Revenues) received by the City each month will be credited to the following accounts and used solely for the following purposes in the following order of priority:

- Not later than the 25<sup>th</sup> day of each month (or the next business day if the 25<sup>th</sup> day is not a business day) (the “Deposit Date”), commencing with the first Deposit Date after the closing of the Series 2000 Bonds, the City will make a substantially equal monthly credit to the Water Debt Service Account so that an amount at least equal to the next scheduled Bond interest payment is credited to Water Debt Service Account on the Deposit Date immediately preceding that scheduled Bond interest payment date;
- Not later than the Deposit Date of each month, commencing with the first Deposit Date after the closing of the Series 2000 Bonds has been made, the City will make a substantially equal monthly credit to the Water Debt Service Account so that an amount at least equal to the next scheduled Bond principal payment is credited to Water Debt Service Account on the Deposit Date immediately preceding that scheduled Bond principal payment date;
- On the Deposit Date of each month which immediately precedes a scheduled Bond principal or interest payment date, the City shall credit to the Water Debt Service Account any amount which is required to make the balance in that account equal to the amount which is scheduled to be paid on that Bond principal or interest payment date;
- Not later than the Deposit Date of each month, the City shall credit to the Reserve Account the amount necessary to meet the Required Reserve, if any;
- Pay principal or interest on Subordinate Obligations,
- Pay Operating Expenses,
- Credit the Rebate Account,
- Pay Taxpayer Refunds. Taxpayer Refunds are defined by the Resolution to mean any refunds or other amounts payable by the City to any taxpayer, rate payer or other party as may be required by the terms of the Taxpayer Protection Initiative, if approved by the voters on November 7, 2000, or any other measure containing a substantially similar requirement as determined by the City; and
- For any lawful purpose, including paying for costs of acquiring property and equipment, making additions, betterments, improvements and repairs to and extensions to replacements of the Water System and redeeming or purchasing Bonds and Subordinate Obligations.

### **Funds and Accounts**

*Water Debt Service Account.* The City has created the Water Debt Service Account within the Water Fund. The City will hold amounts in the Water Debt Service Account in trust for the benefit of Bondowners, and shall use amounts in the Water Debt Service Account only to pay Bond principal and interest.

*Water Debt Reserve Account.* The City has created the Water Debt Reserve Account within the Water Fund. The City is required to maintain within the Water Debt Reserve Account the “Required Reserve”, which is defined by the Resolution to mean the lesser of Maximum Annual Debt service on all Outstanding Bonds or the amount described in the next sentence. If, at the time of issuance of a series of Bonds, the amounts required to be added to the Bond Reserve Account to make the balance in the Bond Reserve Account equal to the Maximum Annual Debt Service exceeds the Tax Maximum calculated with respect to that Series, then the Reserve Requirement

means the Reserve Requirement in effect on the date of the issuance of the Series of Bonds (calculated as if the series of Bonds were not Outstanding), plus the Tax Maximum for the series of Bonds.

The Tax Maximum is defined by the Resolution to mean for any series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such series during all Fiscal Years in which such series will be Outstanding, calculated as of the date of issuance of such series; or, ten percent of the proceeds of such Series, as "proceeds" is defined for purposes of Section 148(d) of the Code.

Amounts credited to the Water Debt Reserve Account will be held in trust for the benefit of Bondowners, and shall be used solely to pay Bond principal and interest, and only if the balance in the Water Debt Service Account is not sufficient to pay Bond principal and interest payments when due.

If the amount credited to the Water Debt Service Account is less than the amount required to pay Bond principal or interest, the City shall transfer from the Water Debt Reserve Account to the Water Debt Service Account an amount sufficient to make the balance in the Water Debt Service Account at least equal to the amount required to pay Bond principal and interest which is due.

The City covenants with the Bondowners that the City shall maintain a balance in the Reserve Account at least equal to the Required Reserve, credited from the Pledged Revenues. However, the City is not prohibited from depositing other funds in the Reserve Account.

In the event the amount credited to the Reserve Account is less than the Required Reserve, the City shall make substantially equal monthly payments in an amount which is sufficient to eliminate the deficiency within twelve months after the date of the deficiency. In the event the amount credited to the Reserve Account is more than the Required Reserve, any such excess may be credited any other account within the Water Debt Service Account.

### **Permitted Investments**

Monies in the Reserve Account and Construction Fund may only be invested in those investments authorized by Oregon Law for the City. Such investments shall be for a period of no more than five years or the final maturity of the Bonds, whichever is less.

The value of investments in each Reserve Account shall be determined as of November 15 and May 15 of each Fiscal Year. Investments credited to the Reserve Account which mature in one year or more shall be valued at the lesser of their cost or market value. If on the fifth business day after the date of the valuation the amount on deposit in the Reserve Account is in excess of the Reserve Requirement (with investments on deposit therein being valued as provided herein), the City shall withdraw such excess and transfer it to the Water Debt Service Account. If on the fifth business day after the date of the valuation the amount on deposit in the Reserve Account is less than the Reserve Requirement the City shall commence making credits to the Reserve Account as described above.

### **Rate Covenant**

In the Resolution, the City has covenanted that it will impose rates, fees and charges for the Water System each Fiscal Year which are sufficient to generate Net Operating Revenues, which are defined in the Resolution as the Gross Revenues less the Operating Expenses, at least equal to 130 percent of the Annual Debt Service for that Fiscal Year.

Operating Expenses are defined in the Resolution as all payments made from the Water Fund for expenses incurred for operation, maintenance and repair of the Project and the Water System, including but not limited to administrative expenses, payments for water purchased from South Fork, financial and auditing expenses, insurance premiums, taxes, legal and engineering expenses relating to operation and maintenance of the Water System, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Water System. Operating Expenses do not include: (a) debt service payments; (b) any rebates paid from Gross

Revenues under Section 148 of the Code; (c) depreciation and amortization of property, values or losses; (d) all amounts treated for accounting purposes as payments for capital expenditures; (e) capital transfers and outlays which include, without limitation, transfers to capital construction accounts and expenditures for renewals and replacements; (f) Taxpayer Refunds (except for purposes of the rate covenant, as described below); and (g) extraordinary and nonrecurring expenditures (such as expenditures for Water System damage or destruction and for damage or destruction of persons or property), and expenditures for professional and consultant services related to long range planning and borrowings to finance the Water System (such as expenditures for the services of a Qualified Consultant which are required by the Water Resolution, for Water System master planning, for ratemaking services, and for financial and engineering feasibility studies.

*Historical Review.* Compliance with the rate covenant shall be determined in good faith by the City no later than 30 days after the end of each Fiscal Year, based on the best financial information and estimates reasonably available to the City at that time. If that determination indicates that the City failed to generate Net Operating Revenues for the prior Fiscal Year which were at least 130% of the Annual Debt Service for that Fiscal Year, it shall not constitute an Event Of Default if the City takes all of the following actions:

- As quickly as feasible, the City raises rates up to the maximum allowed under the Charter Rate Limitation for the current calendar year.
- Within 20 days after the determination is made, the City obtains a report of a Qualified Consultant recommending changes in the schedule of rates and charges (including changes which require voter approval) or other actions which the Qualified Consultant reasonably projects will permit the City to produce Net Operating Revenues in that Fiscal Year which are at least 130 percent of the Annual Debt Service for the Fiscal Year in which the report is filed.
- Within 90 days after the report is filed, the City commences and diligently pursues implementation of the recommendations of the Qualified Consultant which do not require voter approval under the Charter Rate Limitation.
- Within 14 days after the report is filed, the City calls an election for the next available election date to authorize rates to be raised at least as high as those recommended by the Qualified Consultant, if the Qualified Consultant recommends rate increases that require voter approval under the Charter Rate Limitation.
- If the voters approve an increase in rates, the City implements a rate increase at least as great as that recommended by the Qualified Consultant as promptly as practicable after the county election official provides the City with an abstract of votes from the election. The failure of the voters to approve an increase in rates shall not in and of itself constitute an Event of Default.

*Projected Review.* Not later than 30 days after the City adopts its initial budget for each Fiscal Year, the City Official shall prepare and file with the Council a projection showing the expected Net Operating Revenues, adjusted for anticipated rate increases and changes in operations, and Annual Debt Service for the budgeted Fiscal Year. The City covenants to raise rates at the times and to the extent assumed in the projection, to the extent permitted by the Charter Rate Limitation.

- If the projection indicates that Net Operating Revenues will be less than 150 percent of Annual Debt Service, the City covenants to raise rates during that budgeted Fiscal Year as quickly as possible and to the greatest extent permitted by the Charter Rate Limitation.
- If the projection indicates that Net Operating Revenues will be less than 130 percent of Annual Debt Service the City shall take all necessary actions within its control to meet the 130 percent level, including calling an election to raise rates above the maximum allowed under the Charter Rate Limitation at the next available election.

### **Parity Obligations**

The City has covenanted in the Resolution that it will not issue Bonds or other obligations having a claim superior to the claim of the Bonds upon the Pledged Revenues.

All Parity Obligations will have a lien on the Pledged Revenues which is equal to the lien of the Bonds and all other Parity Obligations.

The City may issue Parity Obligations to provide funds for any purpose relating to the Water System which is authorized by law, but only upon the following conditions:

- No Default has occurred and is continuing; and
- At the time of the issuance of the Parity Obligations there is no deficiency in the Water Debt Service Account and the Debt Service Reserve Account; and
- The Resolution authorizing the issuance of the Parity Obligations requires that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the Required Reserve for all Outstanding Bonds, including the proposed Parity Obligations.

In addition, the City must obtain and have on file either:

- a certificate of a Qualified Consultant certifying that:
  - (1) the Gross Revenues for the Base Period, which is defined by the Resolution to be any 12 consecutive months during the 18 months preceding the date of issuance of a series of Parity Obligations, were equal to or exceeded 3.00 times the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; and,
  - (2) the Net Operating Revenues in the Base Period equaled or exceeded 1.25 times Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; or
- a certificate of a Qualified Consultant certifying that:
  - (1) the Gross Revenues for the Base Period equaled or exceeded 3.00 times the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; and,
  - (2) the Net Operating Revenues are projected to equal or exceed 1.25 times Maximum Annual Debt Service on all Bonds after such Parity Obligations are issued.

When making projections, the Qualified Consultant may include changes in rates and charges that are to be implemented subsequent to the Base Period if they do not exceed the Charter Limitation or any other applicable limitation on the ability of the City to increase rates, fees or charges without voter approval, and estimated changes in sales and users of the Water System.

Notwithstanding other provisions of the Resolution, the City may issue Parity Obligations to refund Outstanding Bonds if the required debt service of the refunding Bonds does not exceed the debt service for the refunded Bonds by more than \$5,000 in any Fiscal Year. Also, the City may issue bond anticipation notes or enter into similar financing agreements having a principal maturity of less than 18 months which are payable from Bond proceeds and Pledged Revenues.

### **Subordinate Obligations**

The City may issue Subordinate Obligations to provide funds for any purpose authorized by law, provided no default has occurred and is continuing and the City has received a certificate of a Qualified Consultant that certifies that Gross Revenues for any 12 consecutive months during the 18 months preceding the date of issuance of the Subordinate Obligations were equal to or exceeded 3.00 times the sum of the Maximum Annual Debt Service of the then Outstanding Subordinate Obligations and the proposed Subordinate Obligations; and that Net Operating Revenues in any 12 consecutive months immediately preceding the issuance of such Subordinate Obligations were equal to or exceeded 1.10 times Maximum Annual Debt Service on the Outstanding Subordinate Obligations and the Subordinate Obligations proposed to be issued.

All Subordinate Obligations shall have a lien on the Pledged Revenues which is subordinate to the lien of all Bonds, including Parity Obligations

### **Additional Covenants**

In the Resolution, the City has also covenanted as follows:

- That it will promptly pay principal and interest on the Bonds as they become due.
- That it will maintain complete books and records relating to the operation of the Water System, and all City funds and accounts in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Bondowners.
- That it will operate the Water System in a sound, efficient and economic manner.
- That it will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System is damaged or destroyed, such part will be restored to use unless there has been filed with the City a certificate providing the opinion of a Qualified Consultant that the insurance proceeds may be expended for other components of the Water System such that the covenants contained in the Resolution may still be met. To the extent the part is not so restored, or such certificate has not been filed, the monies collected from insurance proceeds will be applied to the payment or redemption of the Bonds on a pro rata basis, and for such purpose paid into the Water Debt Service Account. Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.
- That it will not sell, mortgage or dispose of any part of the Water System in excess of five percent (5.0%) of the Fix Assets, Net, of the Water System in service as stated in the City's Annual Financial Report for the previous Fiscal Year unless prior to such disposition there has been filed with the City a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenants. The certificate may include a proposal for the payment, redemption or other defeasance of a principal amount of Bonds. The City may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Water System.
- That it will not take any action or omit any action if it would cause the Series 2000 Bonds to become "arbitrage bonds" under Section 148 of the Code.
- That it will operate the facilities financed with the Bonds so that the Series 2000 Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.
- That it will comply with appropriate reporting requirements.
- That it will pay, when due, all rebates on the gross proceeds of the Series 2000 Bonds which are required under Section 148 of the Code.

### **Default**

Any one of the following shall constitute Events of Default:

- Failure to pay Bond principal or interest when due.
- Failure to comply with the rate covenant
- Failure to perform any other obligation of the City imposed by this Resolution or the Bonds, but only if the failure continues for a period of more than ninety (90) days after demand has been made on the City by the Bondowners representing more than 25% of all Bondowners to remedy the failure.

- If an order, judgment or decree shall be entered by any court of competent jurisdiction:
  - (1) appointing a receiver, trustee or liquidator for the City or the whole or any part of the Water System;
  - (2) approving a petition filed against the City seeking the bankruptcy, arrangement or reorganization of the City under any applicable law of the United States or the State; or
  - (3) assuming custody or control of the City or of the whole or any part of the Water System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed ( or, in case custody or control is assumed by said order, such custody or control shall not be otherwise terminated) within sixty (60) days from the date of the entry of such order, judgment or decree; or
- If the City shall:
  - (1) admit in writing its inability to pay its debts generally as they become due;
  - (2) file a petition in bankruptcy or seeking a composition of indebtedness under any state or federal bankruptcy or insolvency law;
  - (3) make an assignment for the benefit of its creditors;
  - (4) consent to the appointment of a receiver of the whole or any part of the Water System; or
  - (5) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the City or of the whole or any part of the Water System.

It shall not constitute an Event of Default under the Resolution if the default cannot practicably be remedied within 90 days after the City receives notice of the default or within 60 days, so long as the City promptly commences reasonable action to remedy the default after the notice is received, and continuous reasonable action to remedy the default until the default is remedied.

### **Remedies on Default**

Whenever any Event of Default exists, Bondowners representing 51 percent or more of outstanding Bonds, may, without any further demand or notice, exercise any remedy available at law or in equity, except that the Property shall not be subject to foreclosure or attachment and the Bonds shall not be subject to acceleration. Also, Bondowners representing 51 percent or more of the outstanding Bonds may appoint a commercial bank with a reported capital and surplus in excess of \$50 million as trustee (the "Trustee") to represent the interests of said Bondowners.

### **No Remedy Exclusive**

No remedy conferred upon or reserved to Bondowners is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Bondowners to exercise any remedy reserved to it in the Resolution it shall not be necessary to give any notice, other than such notice as may be required in the Resolution.

### **Trustee Duties Upon Default**

Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and upon written notice from the Bondowners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Resolution.

In addition, upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under the Resolution, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Gross Revenues

and other amounts pledged under the Resolution, pending such proceedings, with such powers as the court making such appointment may confer.

If an Event of Default has occurred and be continuing and if requested so to do by the Bondowners of at least 51% in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Resolution, Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Resolution, as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondowners.

No Bondowner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Resolution, unless:

- such Bondowner has previously given to the Trustee written notice of the occurrence of an Event of Default;
- the Bondowners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Resolution;
- said Bondowners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and
- the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

A waiver of any Event of Default by any Bondowner will not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Bondowner of any of the Bonds to exercise any right or power occurring upon any Event of Default will impair any such right to power or be construed to be a waiver of any such Event of Default.

Pursuant to the Resolution, if the Trustee takes any judicial or other action in an Event of Default the Trustee has full power in its direction with respect to any continuance, discontinuance, withdrawal, compromise, settlement or other disposition of such action, unless opposed by the written request of the Bondowners of a majority in aggregate principal amount of the Outstanding Bonds. The Trustee is appointed attorney-in-fact of the Bondowners for the purpose of bringing any suit action or proceedings in an Event of Default.

### **Resolution is Contract**

The covenants, representations, and warranties contained in this Resolution and each supplemental and amending resolution adopted pursuant to this Resolution and any covenants, representations, and warranties in the closing documents relating to each series of Bonds issued pursuant to this Resolution and such supplemental and amending resolutions shall constitute contracts with the Bondowners of each such series of Bonds, and shall be enforceable by the Bondowners.

**City of West Linn Water Fund  
Historical Operating Results  
(Years Ending June 30)**

	<b>Historical</b>				
	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000(1)</b>
<b>Revenues:</b>					
Revenue at Present Rates	\$ 1,932,669	\$ 1,542,510	\$ 1,527,901	\$ 1,754,388	\$ 1,876,576
Rate Increase Revenues (2)	-	-	-	-	44,100
Interest Income	67,460	45,730	47,242	24,173	60,219
Connection Charges	42,498	48,061	48,147	81,279	50,000
Other Revenues	12,572	25,976	35,456	44,708	28,000
<b>Total Revenues</b>	<b>\$ 2,055,199</b>	<b>\$ 1,662,277</b>	<b>\$ 1,658,746</b>	<b>\$ 1,904,548</b>	<b>\$ 2,058,895</b>
<b>Operating Expenses</b>					
Personnel Services	\$ 321,478	\$ 331,223	\$ 337,445	\$ 330,030	\$ 335,480
Materials and Services	579,665	292,150	294,926	436,376	283,722
Payments to South Fork	741,704	782,063	726,893	786,035	809,616
Payment in Lieu of Taxes	23,958	-	-	-	-
Administrative Charges	93,788	229,799	230,077	236,980	287,951
<b>Total Operating Expenses</b>	<b>\$ 1,760,593</b>	<b>\$ 1,635,235</b>	<b>\$ 1,589,341</b>	<b>\$ 1,789,421</b>	<b>\$ 1,716,769</b>
<b>Net Income Available for Other Uses</b>	<b>\$ 294,606</b>	<b>\$ 27,042</b>	<b>\$ 69,405</b>	<b>\$ 115,127</b>	<b>\$ 342,126</b>

(1) - Estimated - Unaudited.

(2) - Rate increase of 5% on January 1, 2000.

Source: Feasibility Report, Economic & Engineering Services

**City of West Linn Water Fund  
Projected Gross Revenue Debt Service Coverage  
(Years Ending June 30)**

	2001 (1)	2002	2003	2004	2005
<b>Revenues:</b>					
Revenue at Present Rates	\$ 1,914,108	\$ 1,952,390	\$ 1,991,437	\$ 2,031,266	\$ 2,071,892
Rate Increase Revenues (2)	142,936	250,704	368,076	495,772	634,567
Interest Income (3)	61,218	55,460	59,421	58,261	63,772
Connection Charges (4)	51,750	53,561	55,436	57,376	59,384
Other Revenues (4)	28,980	29,994	31,044	32,131	33,255
<b>Total Revenues</b>	<b>\$ 2,198,991</b>	<b>\$ 2,342,109</b>	<b>\$ 2,505,414</b>	<b>\$ 2,674,806</b>	<b>\$ 2,862,870</b>
<b>Debt Service</b>					
The Bonds, Series 2000	\$ 51,122	\$ 151,070	\$ 153,547	\$ 150,811	\$ 152,868
Future Bonds (5)	-	56,670	56,670	187,447	187,447
<b>Total Debt Service</b>	<b>\$ 51,122</b>	<b>\$ 207,740</b>	<b>\$ 210,217</b>	<b>\$ 338,258</b>	<b>\$ 340,315</b>
<b>Gross Revenue Debt Service Coverage (6) (7)</b>	<b>43.01</b>	<b>11.27</b>	<b>11.92</b>	<b>7.91</b>	<b>8.41</b>
<b>Total Revenues Less Debt Service</b>	<b>\$ 2,147,869</b>	<b>\$ 2,134,369</b>	<b>\$ 2,295,197</b>	<b>\$ 2,336,549</b>	<b>\$ 2,522,555</b>

(1) Budget.

(2) Rate increase of 5.0% effective January 1, 2001, 2002, 2003, 2004 and 2005.

(3) Based on fund balances and reinvestment rate.

(4) Projected based on 2000 budget and the rate of inflation.

(5) Assumes issuance of \$650,000 in 2002 and \$1.5 million in 2004.

(6) Total revenues/total debt service.

(7) These coverage calculations consider only Gross Revenues, rather than Pledged Revenues, Pledged Revenues include Gross Revenues, System Development Charges and other funds.

Source: Feasibility Report, Economic & Engineering Services

**City of West Linn Water Fund  
Projected Net Revenue Debt Service Coverage  
(Years Ending June 30)**

	2001 (1)	2002	2003	2004	2005
<b>Revenues:</b>					
Revenue at Present Rates	\$ 1,914,108	\$ 1,952,390	\$ 1,991,437	\$ 2,031,266	\$ 2,071,892
Rate Increase Revenues (2)	142,936	250,704	368,076	495,772	634,567
Interest Income (3)	61,218	55,460	59,421	58,261	63,772
Connection Charges (4)	51,750	53,561	55,436	57,376	59,384
Other Revenues (4)	28,980	29,994	31,044	32,131	33,255
<b>Total Revenues</b>	<b>\$ 2,198,991</b>	<b>\$ 2,342,109</b>	<b>\$ 2,505,414</b>	<b>\$ 2,674,806</b>	<b>\$ 2,862,870</b>
<b>Operating Expenses</b>					
Personnel Services (5)	\$ 463,660	\$ 479,888	\$ 496,684	\$ 514,068	\$ 532,061
Materials and Services (4)	303,240	313,853	324,838	336,208	347,975
Payments to South Fork (6)	835,038	877,291	921,682	968,319	1,017,316
Transfers (4)	306,090	316,803	327,891	339,367	351,245
<b>Total Operating Expenses</b>	<b>\$ 1,908,028</b>	<b>\$ 1,987,836</b>	<b>\$ 2,071,096</b>	<b>\$ 2,157,962</b>	<b>\$ 2,248,597</b>
<b>Revenue Available for Debt Service</b>	<b>\$ 290,963</b>	<b>\$ 354,274</b>	<b>\$ 434,318</b>	<b>\$ 516,844</b>	<b>\$ 614,273</b>
<b>Debt Service</b>					
The Bonds, Series 2000	\$ 51,122	\$ 151,070	\$ 153,547	\$ 150,811	\$ 152,868
Future Bonds (7)	-	56,670	56,670	187,447	187,447
<b>Total Debt Service</b>	<b>\$ 51,122</b>	<b>\$ 207,740</b>	<b>\$ 210,217</b>	<b>\$ 338,258</b>	<b>\$ 340,315</b>
<b>Net Revenue Debt Service Coverage (8) (9)</b>	<b>5.69</b>	<b>1.71</b>	<b>2.07</b>	<b>1.53</b>	<b>1.81</b>
<b>Net Income Available for Other Uses</b>	<b>\$ 239,841</b>	<b>\$ 146,534</b>	<b>\$ 224,101</b>	<b>\$ 178,586</b>	<b>\$ 273,959</b>
<b>Water Fund Ending Balance</b>	<b>\$ 525,400</b>	<b>\$ 478,488</b>	<b>\$ 504,302</b>	<b>\$ 485,536</b>	<b>\$ 557,486</b>

(1) Budget.

(2) Rate increase of 5.0% effective January 1, 2001, 2002, 2003, 2004 and 2005.

(3) Based on fund balances and reinvestment rate.

(4) Projected based on 2001 budget and the rate of inflation.

(5) Projected based on 2001 budget and inflation. 2001 budget includes two new labor positions.

(6) Based on water sales, water losses and increase in SFWB rates.

(7) Assumes issuance of \$650,000 in 2002 and \$1.5 million in 2004.5

(8) (Total revenues-total operating expenses)/total debt service.

(9) These coverage calculations consider only Gross Revenues, rather than Pledged Revenues, Pledged Revenues include Gross Revenues, System Development Charges and other funds.

Source: Feasibility Report, Economic & Engineering Services

### Bonded Indebtedness

The City may issue revenue bonds for "... any public purpose, which are secured by revenues [including revenues of a public utility or system] either pledged or designated to be payable for such public purpose of the public body [including improvements, projects or facilities financed by the revenue bonds of the public utility or system] ..." pursuant to Oregon Revised Statutes 288.805 to 288.945 (the Uniform Revenue Bond Act).

ORS Chapter 287 limits the amount of general obligation bonds that an Oregon city may have outstanding at any time to three percent of the Real Market Value of the taxable property within the city. A lower limit may be applied by the city's charter. This statutory limitation does not apply to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility nor to bonds issued pursuant to application to pay assessments for improvements in installments under statutory or charter authority ("Bancroft Bonds") which are completely self-supporting.

The Series 2000 Bonds are revenue bonds, not subject to this debt limitation.

The City may issue tax anticipation notes in an amount which, in the aggregate, equal up to 80 percent of *ad valorem* taxes upon real and personal property which have been levied and are in the process of collection for the fiscal year in which the notes are issued, and 80 percent of other budgeted and unpledged revenues which it is estimated will be received from other sources during the tax year.

**Outstanding Long-Term Debt  
(As of July 1, 2000)**

<u>Revenue Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding*</u>
Series 2000 (this issue)	10/01/00	10/01/20	\$ 1,800,000	\$ 1,800,000
Total Revenue Bonds			<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
<u>General Obligation Bonds</u>				
Series 1993 Refunding	04/01/93	01/01/03	\$ 1,415,000	\$ 490,000
Series 1998	12/01/98	06/01/18	4,400,000	4,315,000
Series 1999	10/01/99	01/01/19	<u>3,600,000</u>	<u>3,600,000</u>
Total General Obligation Bonds			<u>\$ 9,415,000</u>	<u>\$ 8,405,000</u>
Total Bonds (2)			<u>\$ 11,215,000</u>	<u>\$ 10,205,000</u>

\* Borrowings do not include short-term internal fund borrowings.

Source: City of West Linn

**Short-Term Borrowing**

ORS 288.165(3) requires that obligations issued in anticipation of taxes or other revenues will not be issued in an amount greater than 80 percent of the amount budgeted to be received in the fiscal year in which the obligations are issued. The City does not have any notes outstanding at this time.

Source: City of West Linn Audited Financial Statements

## Projected Debt Service Requirements

Fiscal Year*	The Bonds		Total Debt Service
	Principal	Interest	
2001	\$ 0	\$ 51,123	\$ 51,123
2002	50,000	101,070	151,070
2003	55,000	98,548	153,548
2004	55,000	95,811	150,811
2005	60,000	92,863	152,863
2006	65,000	89,580	154,580
2007	65,000	86,103	151,103
2008	70,000	82,440	152,440
2009	75,000	78,470	153,470
2010	80,000	74,188	154,188
2011	80,000	69,728	149,728
2012	85,000	65,044	150,044
2013	90,000	60,013	150,013
2014	95,000	54,694	149,694
2015	105,000	48,944	153,944
2016	110,000	42,763	152,763
2017	115,000	36,150	151,150
2018	125,000	28,950	153,950
2019	130,000	21,300	151,300
2020	140,000	13,200	153,200
2020	150,000	4,500	154,500
	<u>\$ 1,800,000</u>	<u>\$ 1,295,478</u>	<u>\$ 3,095,478</u>

NOTE: Columns may not foot due to rounding.

\* Fiscal years ending June 30.

### Debt Payment Record

The City has promptly met principal and interest payments on outstanding bonds and other indebtedness in the past ten years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

### Future Financings

The City received voter approval at the May 16, 2000 ballot to issue \$3.9 million of general obligation bonds for library improvements. The City intends to issue these bonds in the fall of 2000. The Feasibility Report also projects additional water revenue bonds of \$650,000 in 2002 and \$1.5 million in 2004, the total of which with the 2000 Bonds is less than the City's authorization of \$5.4 million.

## The Water System

### Water Distribution System

The City of West Linn's Water System serves 7,496 customers through a water distribution system network comprised of over 104 miles of pipes in sizes up to 24 inches in diameter.

The Water System has a total storage capacity of 6 million gallons in its 6 storage reservoirs and tanks. Three pump stations connect the reservoirs to the City's transmission mains. The Water System also includes 17 pressure-reducing stations to maintain pressure within acceptable levels in areas of lower elevation.

There are approximately 7,000 water meters throughout the Water System. Of these, over 96 percent are residential, 5/8 X 3/4-inch meters. Most of the remaining meters are 1-inch, 1 1/2-inch and 2-inch meters that serve multifamily, apartments, commercial and public facilities.

Additional details on the City's Water System can be found in the Feasibility Report in Appendix A.

### Capital Improvements

*Capital Improvement Program.* The City has projected its capital improvements for additions and replacements for the Water System for the period of fiscal years 2000-2004 will result in requirements totaling approximately \$2.4 million. Projects in the capital improvement program ("CIP") include pipelines, reservoirs and pump stations. Provided below is a summary of the sources and uses funds of the CIP.

#### City of West Linn Capital Improvements Project

	Projected				
	2001	2002	2003	2004	2005
<b>Beginning Balance</b>	\$ 635,715	\$ 270,630	\$ 184,644	\$ 98,773	\$ 230,648
<b>Source:</b>					
Interest Income	\$ 21,526	\$ 10,813	\$ 6,731	\$ 7,824	\$ 14,609
System Development Charges	351,610	373,686	394,349	416,000	441,392
<b>Total Source</b>	<b>\$ 1,008,851</b>	<b>\$ 655,128</b>	<b>\$ 585,724</b>	<b>\$ 522,596</b>	<b>\$ 686,649</b>
<b>Application:</b>					
<b>Capital Improvements Projects</b>					
Bland Circle Reservoir No. 2	263,320	272,537	282,075	291,948	302,166
Horton Reservoir No. 2	283,647	0	0	0	0
Land Purchase	191,254	197,948	204,876	0	0
<b>Total Application</b>	<b>\$ 738,221</b>	<b>\$ 470,484</b>	<b>\$ 486,951</b>	<b>\$ 291,948</b>	<b>\$ 302,166</b>
<b>Ending Balance</b>	<b>\$ 270,630</b>	<b>\$ 184,644</b>	<b>\$ 98,773</b>	<b>\$ 230,648</b>	<b>\$ 384,483</b>

Source: Feasibility Report, Economic & Engineering Services

*Capital Maintenance Program.* In addition to the Capital Improvement Program, a Capital Maintenance Program ("CMP") is recommended for major maintenance and replacement needs of existing facilities. For the period of fiscal years 2000-2004, requirements totaling approximately \$4.3 million are projected. As shown, two additional borrowings of \$650,000 in 2002 and \$1.5 million in 2004 are anticipated to pay for the CMP projects. Provided in the following table is a summary of the sources and uses of funds of the CMP.

**City of West Linn  
Capital Maintenance Program**

	Projected				
	2001	2002	2003	2004	2005
<b>Beginning Balance</b>	\$ 143,406	\$ 322,822	\$ 553,182	\$ 682,530	\$ 451,302
<b>Source:</b>					
New Bond Issue	1,800,000	650,000	-	1,500,000	-
Interest Income	11,073	20,805	29,348	26,929	24,391
Transfers from Water Fund	300,000	100,000	100,000	100,000	100,000
<b>Total Source</b>	<b>\$ 2,254,479</b>	<b>\$ 1,093,627</b>	<b>\$ 682,530</b>	<b>\$ 2,309,459</b>	<b>\$ 575,693</b>
<b>Application:</b>					
Horton Reservoir Repair	-	-	-	59,384	-
Bolton Slide Stabilization	-	-	-	237,537	-
Reservoir Coatings	-	-	-	748,242	-
Reservoir Seismic Repair	-	-	-	213,784	-
PRV Vault Repair	-	-	-	95,015	-
Reservoir Corrosion Protection	-	60,979	-	-	-
Service Replacement	-	42,131	-	45,132	-
Meter Replacement	-	28,827	-	30,880	-
Bolton Reservoir Improvements	21,425	-	-	-	-
Horton PS Improvements	-	-	-	47,507	-
Lake Oswego Intertie Upgrade	-	83,154	-	-	-
Main Replacements	192,821	299,354	-	320,675	-
I-205 Main Catwalk & Fall Protection	1,565,000	-	-	-	-
Bond Issue Costs	152,412	26,000	-	60,000	-
<b>Total Application</b>	<b>\$ 1,931,657</b>	<b>\$ 540,445</b>	<b>\$ -</b>	<b>\$ 1,858,157</b>	<b>\$ -</b>
<b>Ending Balance</b>	<b>\$ 322,822</b>	<b>\$ 553,182</b>	<b>\$ 682,530</b>	<b>\$ 451,302</b>	<b>\$ 575,693</b>
Bond Reserve Fund	154,580	211,250	211,250	342,027	342,027
<b>Ending Balance without Bond Reserve Fund</b>	<b>\$ 168,242</b>	<b>\$ 341,932</b>	<b>\$ 471,280</b>	<b>\$ 109,275</b>	<b>\$ 233,666</b>

Source: Feasibility Report, Economic & Engineering Services

**Water Rates and Charges**

Water rates are set by the City Council and authorized by resolution pursuant to the West Linn Municipal Code Section 4.155. Current water rates were established by Resolution No. 00-03, adopted by the City Council on January 10, 2000 and became effective January 1, 2000. The City is authorized to increase water rates by no more than 5 percent annually after considering a recommendation from the City's Utility Advisory Board, if such a recommendation is provided. The rates which became effective January 1, 2000 do reflect a 5 percent increase from those established for calendar year 1999 by the City's Resolution No. 99-24.

The City currently bills its customers every other month. The units of measure used is one hundred cubic feet (“ccf”), which is equal to 748 gallons. The monthly charge by water meter size authorized by Resolution No. 00-03 is shown below:

**Monthly Water Rates—Effective January 1, 2000**

<b>Residential</b>	<b><u>First 700 Cubic Feet</u></b>	<b><u>All Use Over 700 Cubic Feet</u></b>
5/8" X 3/4" meter	\$10.85	\$1.24
3/4" meter	10.85	1.24
1" meter	12.86	1.24
Multi-family rate per dwelling unit	10.85	1.24
 <b>Other Users</b>		
5/8" X 3/4" meter	\$10.85	\$1.24
3/4" meter	10.85	1.24
1" meter	12.86	1.24
1 1/4" to 1 1/2" meter	15.45	1.24
2" meter	18.85	1.24
3" meter	24.85	1.24
4" meter	33.43	1.24
6" meter	49.72	1.24
8" meter	66.02	1.24
10" meter	82.87	1.24
 <b>Reduced Rate for Low-Income Households</b>		
5/8" X 3/4" meter	\$5.14	\$1.24
3/4" meter	5.14	1.24
 <b>Bulk Water Users</b>	 Bulk rate of \$2.28 per 1,000 gallons of water.	

The City's water rates in comparison with representative local, regional and national cities follows.

**Typical Monthly Water Bill Comparison (1)**

City	Residential		Commercial		
	5/8" Meter		1" Meter		
	10ccf		10ccf	20ccf	30ccf
<b>West Linn</b>	\$ 14.37	\$ 16.58	\$ 29.98	\$ 41.38	
<b>Oregon</b>					
Eugene	\$ 12.13	\$ 14.09	\$ 20.57	\$ 27.06	
West Linn	\$ 14.37	\$ 16.58	\$ 29.98	\$ 41.38	
Oak Lodge	\$ 14.50	\$ 17.50	\$ 29.00	\$ 40.50	
Portland	\$ 15.39	\$ 18.26	\$ 32.66	\$ 47.06	
Mt. Scott	\$ 17.00	\$ 17.00	\$ 31.00	\$ 45.00	
Salem	\$ 17.15	\$ 30.77	\$ 38.74	\$ 46.71	
Hillsboro	\$ 17.21	\$ 25.23	\$ 34.93	\$ 44.63	
Forest Grove	\$ 18.10	\$ 19.45	\$ 31.65	\$ 43.85	
Clackamas River	\$ 18.35	\$ 20.25	\$ 32.45	\$ 44.65	
Tualatin Valley	\$ 19.67	\$ 23.84	\$ 37.64	\$ 51.44	
Tualatin	\$ 19.70	\$ 24.95	\$ 37.75	\$ 50.55	
Gresham	\$ 20.01	\$ 25.29	\$ 36.49	\$ 47.69	
Beaverton	\$ 24.37	\$ 28.55	\$ 45.65	\$ 62.75	
Oregon City	\$ 27.60	\$ 27.60	\$ 44.90	\$ 62.20	
Willsonville	\$ 30.70	\$ 29.01	\$ 47.11	\$ 65.21	
Clackamas River	\$ 32.85	\$ 35.05	\$ 62.05	\$ 89.05	
<b>Pacific Northwest</b>					
Vancouver, WA	\$ 18.10	\$ 21.20	\$ 32.70	\$ 32.70	
Tacoma, WA					
October - May	\$ 13.95	\$ 27.04	\$ 34.88	\$ 42.72	
June - Septem	\$ 15.52	\$ 27.04	\$ 34.88	\$ 42.72	
Seattle, WA					
Sept. 16 - May	\$ 25.50	\$ 17.40	\$ 28.50	\$ 39.60	
May 16 - Sep	\$ 29.20	\$ 26.40	\$ 46.50	\$ 66.60	
Spokane, WA	\$ 12.64	\$ 15.15	\$ 20.95	\$ 26.75	
<b>National</b>					
Miami, FL	\$ 13.99	\$ 20.99	\$ 42.09	\$ 63.18	
San Francisco, CA	\$ 16.00	\$ 21.90	\$ 34.50	\$ 47.10	
Baltimore, MD	\$ 17.97	\$ 39.35	\$ 63.75	\$ 100.35	
Richmond, VA	\$ 19.50	\$ 34.62	\$ 46.56	\$ 58.50	
Indianapolis, IN	\$ 20.15	\$ 22.60	\$ 35.20	\$ 45.70	
Dallas, TX	\$ 20.75	\$ 14.87	\$ 31.97	\$ 45.97	

(1) Effective as of September 2000.

Source: Feasibility Report, Economic & Engineering Services

### Water System Development Charges

The West Linn Municipal Code Section 4.415 authorizes the City Council to establish a fee by resolution, known as a system development charge ("SDC"). The City has two distinct SDC schedules, both based on meter size. New development within the City is charged a lower rate than new development outside the City, but within the future urban area zone ("FUA"). SDC charges, which became effective November 1, 1999, follow:

#### System Development Charges

<u>Size of Meter</u>	<u>Meter Equivalency</u>	<u>City Water SDC</u>	<u>FUA Water SDC*</u>
5/8"	1	\$ 2,280	825
3/4"	1 1/2	3,420	1,238
1"	2 1/2	5,700	2,064
1 1/2"	5	11,399	4,127
2"	8	18,238	6,603
3"	16	36,477	13,206
4"	25	56,995	20,635
6"	50	113,991	41,270
8"	80	182,385	66,032
10"	125	284,976	103,175
Multi-family	0.707	1,612	534

\* This SDC is applied in addition to the City Water SDC for new development outside the City, but within the FUA.

**Customers**

The City currently has 7,496 accounts, up from 7,355 accounts in fiscal year 1998-99. The breakdown of water usage by customer follows:

**Water Usage Customer Breakdown  
(Customer Base as of June 30, 1999)**

<u>Rate Class</u>	<u>Number of Billing Units</u>			<u>EDU's</u>	<u>Total Water Use (100 Cu. Ft.)</u>
	<u>Meter Size</u>	<u>Meter Size</u>	<u>or</u>		
Apartments	0.6	19		101	9,463
	1.0	10		51	4,073
	1.5	19		246	20,405
	2.0	16		300	24,814
	3.0	6		469	67,172
	<u>6.0</u>	<u>0</u>		<u>0</u>	<u>0</u>
Total		70		1,167	125,927
Multi-Family	0.6	52		106	9,487
	0.8	0		0	0
	<u>1.0</u>	<u>3</u>		<u>7</u>	<u>973</u>
Total		55		113	10,460
Single-Family	0.6	6,901		n/a	990,643
	0.8	0		n/a	0
	1.0	75		n/a	22,916
	1.5	3		n/a	1,343
	<u>2.0</u>	<u>5</u>		<u>n/a</u>	<u>3,031</u>
Total		6,984		n/a	1,017,933
Public Facilities	0.6	13		n/a	2,310
	1.0	10		n/a	2,066
	1.5	2		n/a	77
	2.0	22		n/a	15,905
	3.0	5		n/a	22,700
	<u>6.0</u>	<u>1</u>		<u>n/a</u>	<u>191</u>
Total		53		n/a	43,249
Commercial	0.6	59		n/a	13,726
	0.8	0		n/a	0
	1.0	27		n/a	13,164
	1.5	22		n/a	15,658
	2.0	11		n/a	24,772
	<u>3.0</u>	<u>4</u>		<u>n/a</u>	<u>8,611</u>
Total		123		n/a	7,5931
Irrigation Meters	0.6	31		n/a	4,534
	0.8	0		n/a	0
	1.0	24		n/a	7,019
	1.5	7		n/a	6,733
	<u>2.0</u>	<u>8</u>		<u>n/a</u>	<u>19,138</u>
Total		70		n/a	37,424
<b>Total Number of Accounts</b>		<b><u>7,355</u></b>		<b>Total CCFs</b>	<b><u>1,310,924</u></b>

**Largest Water Users  
(As of June 30, 1999)**

<u>User</u>	<u>\$ Per Year</u>	<u>% of Total</u>
Linnwood Heights Apartments	\$ 50,515	2.9%
West Linn-Wilsonville School District	41,536	2.4
City of West Linn	37,698	2.1
West Linn Paper Company	21,722	1.2
Summerlinn Apartments	18,240	1.0
Cascade Summit Apartments	16,925	1.0
Hidden Village Apartments	11,927	0.7
Willamette Cove	9,869	0.6
Robinwood Shopping Center	8,438	0.5
West Linn Retail Center	<u>4,732</u>	<u>0.3</u>
	<u>\$ 221,602</u>	<u>12.6%</u>

**South Fork Water Board**

The City currently receives its water as a wholesale customer of the South Fork Water Board (“South Fork”). See the Feasibility Report, attached hereto as Appendix A, for additional information on the South Fork Water Board. The City maintains and operates the transmission and distribution system to its water customers.

**Intergovernmental Agreement**

The City Council of West Linn adopted Resolution No. 96-24 on July 22, 1996, which authorized the City to enter into an amendment to a pre-existing Intergovernmental Cooperative Agreement between the cities of Oregon City and West Linn, operating jointly as the South Fork Water Board (see the Feasibility Report attached hereto as Appendix A for additional information on South Fork Water Board and the Intergovernmental Agreement). South Fork was established for the purpose of operating, managing, maintaining and controlling the water supply and distribution of domestic water supply to the cities of Oregon City and West Linn and to its contractual surplus water purchasers. South Fork derives its revenues from the sale of water to the Cities of West Linn and Oregon City and to the Clackamas River Water-South (“Clackamas”). Under the Intergovernmental Cooperative Agreement, the cities of Oregon City and West Linn each pay South Fork for the water each city uses through a commodity rate. The debts and liabilities of South Fork, unless otherwise agreed or unless either City has expressly incurred the debt obligation on its own behalf, are to be shared equally by the two cities. Under the agreement, the Cities could amend their shares of the debt and liabilities of South Fork. Further, by statute, if the parties to an intergovernmental agreement do not decide on a distribution of debt, it will be considered a joint and several liability.

The Cities of West Linn and Oregon City are not obligated to purchase water from South Fork. To the extent water is purchased, the obligation of West Linn and Oregon City to pay for that water are binding pursuant to the Intergovernmental Agreement and are payable from any available resources of the cities including their respective general funds. Payment for purchases of water by West Linn is considered an “operation and maintenance expenses” and is defined as such in the Resolution.

**Water Source**

South Fork gets its water from the Clackamas River basin. It is estimated that the average flow in the Clackamas River is in excess of 1,550 cfs (1,000 mgd) and the minimum flow is approximately 450 cfs (290 mgd). In addition to South Fork, the City of Lake Oswego, Clackamas River Water, the North Clackamas County Water Commission and the City of Estacada all use the Clackamas River for drinking water. The Oregon Department of Environmental Quality (“DEQ”) indicated in 1994 that there are no major point source discharges (major domestic facilities are defined as discharging more than 1 million gallons per day (“mgd”) and/or serving a population greater than 10,000) to the Clackamas River; however, DEQ did identify 31 minor discharges from various agricultural, domestic and industrial classifications, 11 of which were stormwater industrial discharges and 4 of which were wastewater treatment plant effluents.

*Raw Water Quality.* The turbidity of the Clackamas River water is relatively low during the dry season (i.e., 1 to 2 NTU) and can fluctuate widely during the rainy periods of the year (maximum recorded turbidities during flooding in February 1996 were 500 NTU at river intakes). The pH of the Clackamas River also fluctuates throughout the year. Typically, the pH decreases during winter. Normal pH values range from 7.0 to 8.3. The temperature of the water during winter is normally 5° C and 21° C during summertime highs.

*Water Rights.* South Fork holds five water rights on the Clackamas River and its tributaries. These rights are the most senior municipal rights on the Clackamas River and its tributaries, except for a small intervening right on the Clackamas River held by the City of Gladstone. The total permitted withdrawal rate for all of the permits is 116.0 cubic feet per second (“cfs”) or 74.98 mgd. Maximum estimated withdrawals during the summertime is 80.0 cfs or 51.71 mgd. At the present time, South Fork has the right to withdraw at its new intake (see “Existing South Fork Facilities” below) up to 66.0 cfs or 42.6 mgd. South Fork is in the process of applying to the Oregon Water Resources Department for alternate points of diversion for some of its water rights on the South Fork of the Clackamas River and Memaloose Creek to maximize the usability and legal status of its present rights.

**Existing Facilities**

South Fork owns and operates water supply facilities consisting of two river intakes on the Clackamas River, both of which include a raw water pumping station, a water treatment plant located in the Park Place area of Oregon City, a finished water pumping station, and raw and finished water transmission pipelines. The intake diverts water from the River and pumps it to the water treatment plant. Design was for an ultimate nominal capacity of 42.6 mgd.

A 30-inch diameter finished water transmission main, approximately 8,200 feet in length, connects the water treatment plant to the Division Street Pump Station, located in the City of Oregon City. The station pumps finished water to Oregon City’s Reservoir No. 2 through a 24-inch diameter transmission main. The present firm pumping capacity at the station is 17.0 mgd.

**South Fork Indebtedness  
Outstanding Long-Term Debt  
(As of June 1, 2000)**

<u>Revenue Bonds</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 1994	01/01/94	02/01/14	\$ 3,000,000	\$ 2,415,000
Series 1994B	08/01/94	02/01/04*	4,300,000	535,000
Series 1998 Advance Refunding (Refunding of Series 1994B)	06/01/98	02/01/18	<u>3,600,000</u>	<u>3,495,000</u>
Bond Total			<u>\$ 7,685,000</u>	<u>\$ 6,445,000</u>

\* Redemption date.

Source: *South Fork Water Board*

The principal of and interest on South Fork's three revenue bond issues are secured on a *pari passu* basis by a pledge of revenues of South Fork after payment of operating and maintenance expenses. Projected operating results for South Fork and debt service coverage follows:

**South Fork Water Board  
Projected Operating Results  
(Years Ending June 30)**

	<u>2000 (1)</u>	<u>2001</u>	<u>2002</u>	<u>2003 (7)</u>	<u>2004</u>
Revenues					
Operating Revenues (2)	\$ 2,233,982	\$ 2,344,903	\$ 2,466,173	\$ 2,043,421	\$ 2,152,246
System Development Charges (3)	466,654	488,029	514,550	541,635	571,385
Miscellaneous Income (4)	1,545	1,591	1,639	1,688	1,739
Interest Income (5)	<u>114,454</u>	<u>125,066</u>	<u>169,573</u>	<u>190,970</u>	<u>166,454</u>
Total Revenue	\$ 2,816,635	\$ 2,959,590	\$ 3,151,935	\$ 2,777,714	\$ 2,891,824
Expenses					
Personnel Services (4)	\$ 487,577	\$ 502,204	\$ 517,270	\$ 532,789	\$ 548,772
Materials & Services (4)	403,265	415,363	427,824	440,659	453,878
Electricity (6)	360,000	381,204	403,715	333,016	350,515
Chemicals (6)	<u>80,000</u>	<u>84,712</u>	<u>89,714</u>	<u>74,004</u>	<u>77,892</u>
Total Operating & Maintenance Expenses	\$ 1,330,842	\$ 1,383,483	\$ 1,438,523	\$ 1,380,467	\$ 1,431,058
Balance Available for Debt Service	\$ 1,485,793	\$ 1,576,107	\$ 1,713,412	\$ 1,397,247	\$ 1,460,766
Debt Service Requirements					
Current Bond Payments	\$ 583,460	\$ 581,620	\$ 578,925	\$ 580,343	\$ 585,585
New Bond Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Service Requirements	\$ 583,460	\$ 581,620	\$ 578,925	\$ 580,343	\$ 585,585
Debt Service Coverage	2.55	2.71	2.96	2.41	2.49
Available for Capital Improvements	\$ 902,333	\$ 994,487	\$ 1,134,487	\$ 816,904	\$ 875,181

(1) Budget.

(2) Water sales to Oregon City, West Linn and Clackamas River Water. Includes assumed rate increases of 3.0% effective July 1, 2001, 2002, 2003, 2004.

(3) Based on SDC rate and number of new customers.

(4) Assumed to escalate at the rate of 3.0 percent annually.

(5) Based on average cash balances and a reinvestment rate of 4.75 percent.

(6) Electricity and chemical expenses are assumed to increase based on inflation and customer growth.

(7) The reduction in operating revenue in 2003 is due to termination of the contract with Clackamas River Water.

Source: *Feasibility Report, Economic & Engineering Services*

**South Fork Water Board  
Capital Funding  
(Years Ending June 30)**

	<u>2000 (1)</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Beginning Balance	\$ 1,577,512	\$ 1,056,730	\$ 2,017,778	\$ 2,822,307	\$ 3,006,882
Source of Funds					
Revenue Bond Issuance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest Earnings (2)	62,563	73,020	114,952	138,443	118,144
System Development Charges	<u>466,654</u>	<u>488,029</u>	<u>514,550</u>	<u>541,635</u>	<u>571,385</u>
Transfers from Operating Fund	400,000	400,000	400,000	300,000	200,000
Total Sources	\$ 929,218	\$ 961,049	\$ 1,029,502	\$ 980,079	\$ 889,529
Application of Funds					
Raw Water Pipeline	\$ 0	\$ 0	\$ 0	\$ 210,575	\$ 1,807,141
Transmission Line Isolation Valves	200,000	0	0	0	0
Finished Water Trans. WTP to Redland Rd.	900,000	0	0	0	0
Base Line Improvements	0	0	0	0	0
Install treatment plant filter to waste system	0	0	224,973	0	0
Backwash water handling facility	0	0	0	584,929	0
Addition of second backwash pump	0	0	0	0	121,665
Reservoir study for site location and purpose	250,000	0	0	0	0
Anchor Way Bridge Replacement	100,000	0	0	0	0
Issuance Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Applications	\$ 1,450,000	\$ 0	\$ 224,973	\$ 795,504	\$ 1,928,806
Ending Balance	\$ 1,056,730	\$ 2,017,778	\$ 2,822,307	\$ 3,006,882	\$ 1,967,605

(1) Budget.

(2) Based on average fund balances and a reinvestment rate of 4.75 percent.

Source: *Feasibility Report, Economic & Engineering Services*

## The City

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with a Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The mayor and Council vote on all ordinances and legislative matters. The five Council members are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

## City Council

The present members of the City Council, their occupations and the expiration of their respective terms of office follow:

<u>Council Member</u>	<u>Occupation</u>	<u>Term Expires</u>
Jill Thorn, Mayor	Office Manager/Computer Programmer	12/31/00
Dee Burch, Council President	Civil Engineer/ Business Manager	12/31/00
Michael McFarland	Public Utility Specialist, BPA	12/31/00
Tom Neff	Retired	12/31/00
John Steele	Computer System Analyst	12/31/00

## Key Administrative Officials

The City Manager is the City's chief administrative officer, who is appointed by the City Council for an indefinite term and serves at the pleasure of the Council. The City Manager appoints all other key administrative officials.

*Scott Burgess, City Manager.* Mr. Burgess has been with the City since August, 1993, when, as a management consultant, he was hired as the City's Interim City Manager. He was then hired by the City Council on a permanent basis in February 1994. Prior to his experience as a consultant, Mr. Burgess was the executive director of the Alaska Municipal League for over eight years. Mr. Burgess received his B.C.P. (City Planning) from the University of Virginia and his M.P.A. from Portland State University.

*William Gin, Finance Director.* Mr. Gin joined the City in January 1985 after working as the Assistant Finance Director/Accounting Department Manager for the City of Beaverton, Oregon. Previously, Mr. Gin worked as Accountant for the City of Tualatin, Oregon and Office Manager/Accountant in the heavy construction industry. He attended Portland State University/Portland Community College, specializing in Business Administration.

*Dave Monson, Public Works Director.* Mr. Monson has been in the business of utility engineering and management for 25 years. Before becoming Public Works Director/City Engineer for the City of West Linn in 1990, he held the same position in the City of Sweet Home, Oregon. Prior to employment with the City of Sweet Home, Mr. Monson was Public Works Director/City Engineer for the City of Florence, Oregon and was an engineering technician and project engineer for Parametrix, Inc. in Eugene, Oregon. Parametrix performed consulting engineering and acted as City Engineer for several Oregon communities.

The City's administrative offices are located at 22500 Salamo Road, West Linn, Oregon. The telephone number is (503) 657-0331.

## Employees

The City has 149 employees: 72 non-union employees and 77 union employees. The City maintains good relationships with the two bargaining units representing its employees.

<u>Collective Bargaining Unit</u>	<u>Employees</u>	<u>Contract Expires</u>
Clackamas County Peace Officers Association	22	3 years; June 30, 2005
American Federation of State, County and Municipal Employees	55	5 years; June 30, 2002

## City Financial Factors

### Financial Reporting

The financial statement of the City is prepared in accordance with generally accepted accounting principles (“GAAP”). In addition to presenting the financial position, results of operations, and changes in financial position of the City’s funds, the financial statement reconciles differences in reporting activities between the budgetary basis, as presented in the annual approved budget, and the basis according to GAAP as is used in the preparation of the financial report.

### Independent Audit Requirement

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, Oregon Revised Statutes 297.405 to 297.555. Municipalities having annual expenditures of less than \$500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Division of Audits or by independent public accountants certified by the State as capable of auditing municipal corporations.

The City audits for the fiscal years ended June 30, 1995 through 1999 were performed by Pauly, Rogers and Co., P.C., CPAs, Tigard, Oregon; prior audits were performed by Coopers and Lybrand L.L.P., Portland, Oregon. The audit reports indicate the financial statements fairly present the City’s financial condition and are in conformance with generally accepted accounting principles applied on a consistent basis. Pauly, Rogers and Co., P.C. was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 1998–99 fiscal year.

The audited financial statements of the City for the year ended June 30, 1999 are incorporated by reference to this Official Statement and will be filed with the four nationally recognized municipal securities information repositories (“NRMSIR”). Financial statements may be ordered by contacting the individual NRMSIRs, which are currently those listed at the addresses below, or by accessing the NRMSIR website, located at: <http://www.sec.gov/consumer/nrmsir.htm>.

Bloomberg Financial Markets  
Municipal Repository  
P.O. Box 840  
Princeton, NJ 08542-0840  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
munis@bloomberg.com

Muller Data  
Attn: Municipal Disclosure  
395 Hudson Street, Third Floor  
New York, NY 10014  
Phone: (800) 689-8466  
Fax: (212) 989-2078  
disclosure@muller.com

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
nrmsir@dpcdata.com  
[www.dpcdata.com/muniannuals/selectiontable.cfm](http://www.dpcdata.com/muniannuals/selectiontable.cfm)

Standard & Poor’s Kenny Repository  
55 Wall Street, 45<sup>th</sup> Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3977

Further, a five-year summary of the City’s Water Fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance follows.

**Water Fund Balance Sheet**  
(Years Ending June 30)

	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
<b>Current Assets:</b>					
Equity in pooled cash & investments	\$ 453,997	\$ 392,587	\$ 336,995	\$ 405,497	\$ 191,111
Accounts receivable, Net	301,418	266,993	297,415	260,847	514,496
Accrued interest receivable	1,762	3,386	3,340	925	5,468
Inventory	72,637	72,637	69,995	71,171	64,502
<b>Total Current Assets</b>	<b>829,814</b>	<b>735,603</b>	<b>707,745</b>	<b>738,440</b>	<b>775,577</b>
<b>Ristricted Assets:</b>					
Equity in Pooled Cash and Investments	0	424,689	401,013	776,034	703,225
Accrued Interest Receivable	0	2,990	4,217	1,601	3,539
<b>Total Restricted Assests</b>	<b>0</b>	<b>427,679</b>	<b>405,230</b>	<b>777,635</b>	<b>706,764</b>
<b>Fixed Assests, Net</b>					
Investment in South Fork Water Board	9,834,807	8,831,707	8,915,468	8,798,019	8,496,827
	3,285,285	2,618,802	2,212,113	1,547,515	939,107
<b>Total Assets</b>	<b>13,949,906</b>	<b>12,613,791</b>	<b>12,240,556</b>	<b>11,861,609</b>	<b>10,918,275</b>
<b>Liabilities and Fund Equity</b>					
<b>Current Liabilities:</b>					
Accounts payable	132,961	138,304	93,153	369,773	88,136
Accrued interest payable	0	0	2,517	3,642	4,654
Meter connection deposits	37,709	26,771	19,679	11,573	12,701
Other accrued liabilities	28,338	23,775	31,341	27,164	23,742
Contract retainment payable	0	0	0	0	0
Current portion of bonds payable	0	0	105,000	100,000	90,000
Due to other governments	22,570	31,654	15,513	10,919	4,466
<b>Total Current Liabilities:</b>	<b>221,578</b>	<b>220,504</b>	<b>267,203</b>	<b>523,071</b>	<b>223,699</b>
Bonds payable, non-current portion	0	0	115,000	220,000	320,000
<b>Total Liabilities</b>	<b>221,578</b>	<b>220,504</b>	<b>382,203</b>	<b>743,071</b>	<b>543,699</b>
<b>Fund Equity:</b>					
Contributed capital	11,795,753	10,579,346	10,506,638	10,194,451	9,934,948
Retained earnings (deficit)	1,932,575	1,618,355	899,687	497,262	(30,755)
Retained earnings reserved for construction	0	195,586	452,028	426,825	470,383
<b>Total Fund Equity</b>	<b>13,728,328</b>	<b>12,393,287</b>	<b>11,858,353</b>	<b>11,118,538</b>	<b>10,374,576</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 13,949,906</b>	<b>\$ 12,613,791</b>	<b>\$ 12,240,556</b>	<b>\$ 11,861,609</b>	<b>\$ 10,918,275</b>

\* Does not include the Water SDC, Water Construction Fund or Horton Reservoir.

Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.

**Water Fund Statement of Revenues, Expenses and  
Changes in Retained Earnings  
(Years Ending June 30)**

	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
Operating Revenues:					
Charges for Services	\$ 1,754,388	\$ 1,527,901	\$ 1,542,510	\$ 1,932,669	\$ 2,140,960
Connection Fees	81,279	48,147	48,061	42,498	41,364
Other Operating Revenues	<u>44,708</u>	<u>35,456</u>	<u>25,976</u>	<u>12,572</u>	<u>3,621</u>
Total Operating Revenues	1,880,375	1,611,504	1,616,547	1,987,739	2,185,945
Operating Expenses:					
Salaries and Wages	330,030	337,445	331,223	321,478	311,441
System Repairs and Maintenance	87,285	80,923	82,663	61,162	56,066
Operating Supplies, Repairs and Services	267,245	140,550	135,205	110,367	90,389
South Fork Water Board Expenses	786,035	726,893	782,063	741,704	679,716
Utilities	60,363	53,185	56,444	54,638	56,910
Insurance	21,483	20,268	17,838	12,153	9,109
Payment in Lieu of Taxes	0	0		23,958	26,797
Administrative Charges from General Fund	236,980	230,077	229,799	435,133	432,654
Depreciation	<u>235,298</u>	<u>236,385</u>	<u>240,502</u>	<u>235,475</u>	<u>202,020</u>
Total Operating Expenses	<u>2,024,719</u>	<u>1,825,726</u>	<u>1,875,737</u>	<u>1,996,068</u>	<u>1,865,102</u>
Income From Operation	<u>(144,344)</u>	<u>(214,222)</u>	<u>(259,190)</u>	<u>(8,329)</u>	<u>320,843</u>
Non Operating Revenues (Expenses):					
Interest Income	24,173	47,242	45,730	67,460	47,579
Interest Expense	0	0	(23,510)	(33,169)	(40,024)
Net Income from Joint Ventures	666,483	406,689	664,598	508,042	365,776
Forgiveness of Debt	<u>0</u>	<u>222,517</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-Operating Revenues (Expenses)	<u>690,656</u>	<u>453,931</u>	<u>686,818</u>	<u>542,333</u>	<u>373,331</u>
Income Before Operating Transfers or Special Payments	546,312	462,226	427,628	534,004	694,174
Operating Transfers or Special Payments	<u>(427,678)</u>	<u>0</u>	<u>0</u>	<u>(49,545)</u>	<u>(52,549)</u>
Net Income	118,634	462,226	427,628	484,459	641,625
Retained Earning, beginning of year	<u>1,813,941</u>	<u>1,351,715</u>	<u>924,087</u>	<u>439,628</u>	<u>(201,997)</u>
Retained Earning, end of year	<u>\$ 1,932,575</u>	<u>\$ 1,813,941</u>	<u>\$ 1,351,715</u>	<u>\$ 924,087</u>	<u>\$ 439,628</u>

*Source: Audited Financial Statements. Certain categories may have been aggregated for purposes of presentation.*

### Budgetary Process and Controls

The City prepares an annual budget in accordance with the Oregon Local Budget Law. Chapter 294 of the Oregon Revised Statutes establishes standard procedures for all budget functions for all Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of five Council members and five lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted not later than June 30 of each fiscal year.

The budget may be amended during the applicable fiscal year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the City Council pursuant to ORS 294.480.

### Water Fund Budget (Years Ended June 30)

	<u>2001</u>	<u>2000</u>
<b>Resources</b>		
Beginning Balance	\$ 790,872	\$ 518,899
Current Year's Revenues:		
Water Sales	2,058,180	1,646,200
Bulk Water Sales	5,000	0
Meter Installation Charge	51,750	54,000
Customer Service Charges	7,500	7,000
Interest on Investments	34,242	22,000
Water Tower Rent	15,000	15,000
Misc. Revenues	590	4,000
Total Budget Resources	<u>\$ 2,963,134</u>	<u>\$ 2,267,099</u>
<b>Expenditures</b>		
Current:		
Personal Services	\$ 463,660	\$ 344,979
Materials & Services	1,122,894	1,098,888
Capital Outlay	369,946	28,624
Debt Service	127,100	0
Transfers to Other Funds	306,090	286,630
Contingencies	573,444	507,978
Total Budget Expenditures	<u>\$ 2,963,134</u>	<u>\$ 2,267,099</u>

Source: City of West Linn 2000-01 Proposed Budget

**Other Water Funds – Budget  
(Years Ended June 30)**

	<b>Water SDC Reimbursement Fund*</b>		<b>Water Bond Construction Fund</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Resources</b>				
Beginning Balance	\$ 194,127	\$ 124,927	\$ 425,000	\$ 0
Current Year's Revenues				0
Interest on Investments	100	6,400	0	0
System Development Fees	106,000	71,550	0	0
Bond Sale Proceeds	0	0	0	1,439,300
<b>Total Budget Resources</b>	<b>\$ 300,227</b>	<b>\$ 202,877</b>	<b>\$ 425,000</b>	<b>\$ 1,439,300</b>
<b>Expenditures</b>				
Current:				
Materials & Services	\$ 0	\$ 31,000	\$ 0	\$ 0
Capital Outlay	112,650	151,000	425,000	1,379,300
Debt Service	0	0	0	60,000
Contingencies	187,577	20,877	0	0
<b>Total Budget Expenditures</b>	<b>\$ 300,227</b>	<b>\$ 202,877</b>	<b>\$ 425,000</b>	<b>\$ 1,439,300</b>

	<b>Water SDC Fund</b>		<b>Water SDC Fund - Tanner Basin</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Resources</b>				
Beginning Balance	\$ 254,359	\$ 22,259	\$ 221,750	\$ 200,945
Current Year's Revenues				
Interest on Investments	1,000	5,000	8,000	9,900
System Development Fees	240,000	274,350	25,000	19,275
Developer Contributions	65,000	403,229	0	0
Bond Sale Proceeds	0	0	0	0
<b>Total Budget Resources</b>	<b>\$ 560,359</b>	<b>\$ 704,838</b>	<b>\$ 254,750</b>	<b>\$ 230,120</b>
<b>Expenditures</b>				
Current:				
Materials & Services	\$ 0	\$ 12,000	\$ 0	\$ 9,000
SDC Refund Payments	87,000	0	0	0
Capital Outlay	471,060	403,229	63,556	0
Transfers to Other Funds	2,299	0	0	0
Contingencies	0	289,609	191,184	221,120
<b>Total Budget Expenditures</b>	<b>\$ 560,359</b>	<b>\$ 704,838</b>	<b>\$ 254,740</b>	<b>\$ 230,120</b>

\* Included in Pledged Revenues.

Source: City of West Linn 2000-01 Proposed Budget

## Pension System

The Oregon Public Employees Retirement System collects contributions from both employers and employees for the purpose of funding retirement benefits. The system at June 30, 1999, covered approximately 194,311 state and local government Oregon employees and 78,859 retired employee-beneficiaries. The system is administered by the Oregon Public Employees' Retirement Board.

Employee contributions and employer contributions are collected and used to fund a full formula pension retirement allowance. The pension is based on a statutory formula and is set according to employee's final average salary and term of service. Such pensions are paid exclusively out of interest and principal accumulations from member and employer contributions.

The following figures (represented in millions) are as of June 30, 1999 (audited):

	<u>1999</u>	<u>1998</u>
Total system assets	\$ 38,653.3	\$ 35,484.8
Total system benefit and refund payments made	1,413.2	1,645.5
Total employer contributions	510.4	492.0
Total employee contributions	338.9	322.4
Total system investment income	3,473.1	4,847.1

Total annual payroll of members covered by the system (as of 12/31/97): \$5,161.6

The system's pension program is a defined plan, and requires periodic actuarial review. Under ORS 237, this review must be performed at least every two years. The Governmental Accounting Standards Board (GASB) requires actuarial review every two years, with an actuarial update between years.

Pursuant to ORS 238.435, a second tier of benefits for persons who established membership on or after January 1, 1996 ("Tier Two Members"), provides a lower benefit structure than is available to prior members ("Tier One Members"). Any potential reductions in employer contribution rates will not be realized until turnover has occurred and Tier Two Members replace Tier One Members. To establish membership in PERS, a person must work for six months in a qualifying position for a participating employer.

The City's employer contribution rate for the fiscal year ended June 30, 1999 was 7.88 percent of employee compensation. The rate changed to 8.09 percent of employee compensation as of July 1, 1999. The total pension contribution for fiscal year 1998-99 was \$658,269, comprised of \$383,088 in employer contributions and \$275,181 in employee contributions. The City in accordance with collective bargaining agreements paid the 6 percent employee contribution of \$275,181. The City's payroll for employees covered by PERS for the fiscal year ended June 30, 1999 was \$4,588,700; the City's total payroll was \$4,972,375.

## Investment Policy

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board.

Municipalities are also authorized to invest approximately \$32 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" and administrative regulations of the State Treasurer which may change from time to time. Eligible investments presently include all of those listed above, as well as repurchase agreements and reverse repurchase agreements. Currently, the State's investment portfolios are not leveraged and do not contain any derivative products.

## Insurance

The City covenanted with the Bondowners that it will at all times maintain insurance on the Project with responsible insurers as is customarily maintained with respect to works and properties of like character against

accident to, loss of or damage to such works or properties. If any useful part of the Project is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the physical Project will be used for repairing or rebuilding the damaged or destroyed Project, and to the extent not so applied, will be applied to the payment or redemption of the Bonds on a pro rata basis, and for such purpose paid into the Water Debt Service Account.

The J.G. Newman Company, through Northland Insurance, provides property, earthquake, flood and fire damage coverage for the City's Water System. Hartford Steam Boiler Inspection and Insurance Company insures motors, pumps and deep well pump units. The City's insurance broker is JBL&K Insurance of Portland, Oregon. The insurance policies are renewed annually.

### **Demographic Information**

The City of West Linn is located in Clackamas County. Clackamas County (the "County") is part of the Portland-Vancouver Primary Metropolitan Statistical Area ("Portland PMSA"), which also includes Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington. General economic information regarding the Portland-PMSA and Clackamas County follows.

#### **Population**

Since 1990, the County population has grown ten percent. Growth is attributed to the strong economic growth of the Portland area, with its diversification of industries. Clackamas County's population is projected to reach 338,247 in the year 2000 and 369,683 in the year 2005, according to the Office of Economic Analysis.

Shown below are recent population figures for the City, the County and the State.

<b>Population</b>			
<u>July 1</u>	<u>West Linn</u>	<u>Clackamas County</u>	<u>State of Oregon</u>
1999	22,835	326,850	3,300,800
1998	21,405	323,600	3,267,550
1997	20,415	317,700	3,217,000
1996	19,960	313,200	3,181,000
1995	19,370	308,600	3,132,000
 <u>April 1*</u>			
1990	16,367	278,850	2,842,321
1980	11,358	241,911	2,633,156

\* U.S. Census Count

Source: *Center for Population Research, Portland State University*

The Portland-Vancouver Primary Metropolitan Statistical Area ("Portland PMSA"), includes Clackamas, Columbia, Multnomah, Washington and Yamhill counties in Oregon and Clark County in Washington. General economic information regarding the Portland PMSA and Clackamas County follows.

#### **Economic Overview**

The early economy of the County grew as a result of fertile agricultural and timber lands and its access to the Willamette and Columbia rivers. The area then began developing as a suburb of Portland, but over the past two decades has developed its own economic base which includes metals fabrication, machinery, high technology firms, and retail trade and distribution. Despite its rapid development, the County still contains prime agricultural land and a strong agricultural economy.

The 2,000-acre *Clackamas Industrial Area* is the largest market location for manufacturing, distribution and warehousing firms. Many metals fabricators and other industrial support services and suppliers are located

here. Major employers include Fred Meyer Distribution Center, Safeway Food Distribution and Bread Plant, Ray's Food Service, Gem Top Manufacturing, and Oregon Iron Works.

The *Clackamas Town Center Area*, a regional suburban business center, is the primary market for retail, Class A office space, hotel, and apartment complex development in Portland's eastside. Major developments include the 1.2 million square-foot Clackamas Town Center Mall, Sunnyside Hospital (and several healthcare clinics), an 85-acre regional park and swim center, and two satellite educational campuses for the Oregon Institute of Technology and Clackamas Community College.

*Major Employers.* Clackamas County major employers include the following:

**Clackamas County  
Major Employers**

<u>Company</u>	<u>Location</u>	<u>Product</u>	<u>Employees</u>
Kaiser Permanente Hospital	Clackamas	Healthcare	2,800
Precision Castparts	Clackamas/Milwaukie	Metal castings	2,075
Mentor Graphics Corporation	Wilsonville	Software and electronic services	2000+
North Clackamas School District	Milwaukie	Education	1,530
Clackamas County	Oregon City	Government	1,400
Fred Meyer Distribution Center	Clackamas	Product warehouse	1,100
Oregon City School District	Oregon City	Education	766
Willamette Falls Hospital	Oregon City	Healthcare	720
SYSCO Food Service of Portland	Wilsonville	Food service distributors	535
Warn Industries Inc.	Milwaukie	Four-wheel drive parts/accessories	526
G.I. Joe's Inc.	Wilsonville	Automobile parts/supplies	337
TNT Reddaway Truck Line	Clackamas	Trucking	325

*Source:* North Clackamas County Chamber of Commerce web page April 2000; Clackamas Count as of 1999; and phone calls to employers.

*Agriculture.* Clackamas County ranks second in crop sales for Oregon counties and first in specialty crops (such as fruits and nuts) and egg/poultry sales. In addition, County farmers grow a wide variety of grass, tree and truck crops.

According to the 1997 Census of Agriculture, the market value of agricultural products sold in Clackamas County increased 83 percent to \$276,251,000 in 1997. Crop sales accounted for 78 percent of the market value, and livestock sales accounted for the remaining 22 percent of the market value. The average market value of agricultural products sold per farm increased 54 percent from \$47,927 in 1992 to \$73,765 in 1997. The number of acres harvested and gross farm sales in the County are as follows:

**Clackamas County  
Harvested Acreage and Gross Farm Sales**

<u>Year</u>	<u>Harvested Acreage</u>	<u>Gross Farm Sales (\$000)</u>		
		<u>Crop Sales</u>	<u>Animal Products Sales</u>	<u>Total Gross Farm Sales</u>
1999*	54,704	\$246,495	\$45,921	\$292,416
1998	60,759	221,847	39,916	261,763
1997	55,094	209,032	46,181	255,213
1996	63,043	198,926	44,626	243,552
1995	63,200	179,246	43,731	222,977
1994	62,790	175,740	44,182	219,922

\* Preliminary, subject to change.

*Source:* Oregon State University Extension Service, "Oregon County and State Agricultural Estimates," Special Report 790

A comparison between 1992 and 1997 of the number of acres in farm land, the average size of farms, and number of full-time farms in Clackamas County is shown below:

<b>Clackamas County Farm Profile</b>			
	<b><u>1992</u></b>	<b><u>1997</u></b>	<b><u>Percent Increase</u></b>
Land in farms (acres)	148,848	179,650	21%
Average size of farms (acres)	47	48	2
Full-time farms	1,154	1,346	17

Source: United States Department of Agriculture, Oregon Agricultural Statistics Service, 1997 Census of Agriculture

*Portland-Vancouver PMSA Economy.* The economy of the Portland metropolitan area is broad and widely diversified. Historically, the two major manufacturing industries locally were forest products and food products processing due to the abundance of forests and agricultural land in the State. In 1950, these two industries accounted for over 40 percent of all local manufacturing employment, and today account for about 15 percent of employment in manufacturing. Forest and food products manufacturing remain important sectors of the economy; however, growth in manufacturing has diversified to include machinery, electrical and electronic equipment, transportation equipment, primary and fabricated metals and other durable goods. Currently, manufacturing accounts for 15 percent of the total non-agricultural employment in the Portland PMSA.

Current 1999 information within the Portland PMSA shows total employment of 1,000,100 out of a civilian labor force of 1,047,200, a 95.5 percent employment rate. Recent statistics on the Portland PMSA labor force follow.

**Portland-Vancouver PMSA  
Labor Force Summary  
(by place of residence)**

	<b><u>1999(1)</u></b>	<b><u>1998(2)</u></b>	<b><u>1997</u></b>	<b><u>1999 Change from</u></b>	
				<b><u>1998</u></b>	<b><u>1997</u></b>
Civilian Labor Force (3)	1,047,200	1,046,900	1,024,800	300	22,400
Unemployment	47,100	44,800	44,000	2,300	3,100
Percent of Labor Force	4.5%	4.3%	4.3%	xxx	xxx
Total Employment (4)	1,000,100	1,002,100	980,800	-2,000	19,300

(1) Preliminary.

(2) Revised.

(3) Includes employed and unemployed individuals 16 years and older. Data are adjusted for multiple job holding and commuting.

(4) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agriculture, and labor disputants.

Source: State of Oregon Employment Department, 1999 and 1998 statistics are as of March 2000, 1997 statistics are as of April 2000.

Non-agricultural employment within the Portland PMSA follows.

**Portland-Vancouver PMSA  
1999 Non-Agricultural Employment**

<b><u>Category</u></b>	<b><u>Employed</u></b>	<b><u>Percent</u></b>
Manufacturing	145,100	15.4%
Non-Manufacturing	800,700	84.6
Total non-agricultural employment	945,800	100.0%

Machinery, electronics and other electrical equipment are the leading manufacturing employers within the Portland PMSA.

The Portland PMSA's non-manufacturing employment can be summarized as follows:

<b><u>Non-Manufacturing Employment Category</u></b>	<b><u>1999 Employed</u></b>	<b><u>Percent of Non-Manufacturing</u></b>
Trade	234,700	29.3%
Services	268,200	33.5
Government	122,700	15.3
Other	<u>175,100</u>	<u>21.9</u>
Total Non-Manufacturing	800,700	100.0%

Trade employment is primarily in retail establishments. Services and miscellaneous employment is quite diversified, but the two leading subcategories are business services and health services. Additional details on non-agricultural employment are as follows:

**Portland-Vancouver PMSA  
Nonagricultural Wage & Salary Employment  
(by place of work)**

	<u>1999(1)</u>	<u>1998(2)</u>	<u>1997</u>	<u>1999 Change from</u>	
				<u>1998</u>	<u>1997</u>
Total Employment	945,800	932,900	916,700	12,900	29,100
Manufacturing	145,100	149,200	147,300	-4,100	-2,200
Durable Goods	106,300	109,000	106,600	-2,700	-300
Nondurable Goods	38,800	40,200	40,700	-1,400	-1,900
Nonmanufacturing	800,700	783,700	769,400	17,000	31,300
Water Construction & Mining	53,400	54,400	55,100	-1,000	-1,700
Trans., Comm. & Utilities	55,100	53,900	52,400	1,200	2,700
Trade	234,700	231,300	227,700	3,400	7,000
Finance, Ins. & Real Est.	66,600	67,100	66,700	-500	-100
Services & Miscellaneous	268,200	259,300	252,500	8,900	15,700
Government	122,700	117,800	114,800	4,900	7,900
Labor-Management Disputes	100	100	400	0	-300

(1) Preliminary.

(2) Revised.

Source: State of Oregon Employment Department, 1999 and 1998 statistics are as of March 2000, 1997 statistics are as of April 2000.

*Unemployment.* In current years, unemployment rates in the Portland-Vancouver PMSA have been lower than those in the rest of the State and in the nation as can be seen in the following table.

**Average Annual Unemployment Rates**

<u>Year</u>	<u>Portland- Vancouver PMSA</u>	<u>State</u>	<u>U.S.A.</u>
1999	4.2%	5.7%	4.2%
1998	4.3	5.6	4.5
1997	4.3	5.8	4.9
1996	4.5	5.9	5.4
1995	3.7	4.8	5.6

Source: State of Oregon Employment Department; U.S. Department of Labor, Bureau of Labor Statistics.

## Transportation

Easy access to the freeway system has benefited areas along Interstate Highway 205 ("I-205"), which bisects the County and the City. This bypass link of Interstate Highway 5 runs between Wilsonville to the south and Clark County, Washington to the north. I-205 also connects Clackamas County to Portland International Airport. Most of the segments through Clackamas County were completed during the mid-1970s. At that time major retail and commercial developments occurred in the areas bordering the freeway.

The Port of Portland is coterminous with Clackamas, Multnomah and Washington counties, and it owns marine berthing, terminal and repair facilities; docks, piers, and storage and warehouse facilities; and other support facilities for incoming and outgoing marine commerce. The Port also operates Portland International Airport located approximately 20 miles northeast of the City on I-205.

## Economic Indicators

Following are additional economic indicators.

*Building Permits.* Historical building permits for new single family and multi-family residences follows:

<b>Year</b>	<b>New Single Family</b>		<b>New Multi Family</b>		<b>Total Valuation</b>
	<b>Number</b>	<b>Valuation</b>	<b>Number</b>	<b>Valuation</b>	
1999	94	\$ 22,993,769	6	\$ 847,538	\$ 23,841,307
1998	116	27,314,157	449	30,904,532	58,218,689
1997	190	42,948,292	168	12,056,938	55,005,230
1996	169	37,188,897	33	4,690,012	41,878,909
1995	215	46,920,071	19	2,464,340	49,384,411

Source: Oregon Building Permit Report, Center for Population Research and Census, Portland State University.

*Income.* Historical personal income and per capita income within Clackamas County and the State of Oregon follows:

<b>Year</b>	<b>Clackamas County</b>		<b>State of Oregon</b>	
	<b>Total Personal Income</b>	<b>Per Capita Income</b>	<b>Total Personal Income</b>	<b>Per Capita Income</b>
1997	\$9,300,277	\$28,149	\$77,579,043	\$23,920
1996	8,657,657	26,747	73,155,744	22,894
1995	7,909,262	25,036	67,907,586	21,618

Source: U.S. Department of Commerce, Economic Stats. Admin. Bureau of Economic Analysis, May 1999

*Property Values.* The following table represents relevant historic tax information for the City.

**Property Values  
(Fiscal Year Ending June 30)**

<b>Fiscal Year</b>	<b>Total Real Market Value</b>	<b>Assessed Value</b>	<b>AV as a % of RMV</b>
2000	\$1,972,934,840	\$1,539,223,380	80.2%
1999	1,799,640,840	1,403,783,260	78.0
1998	1,677,077,140	1,310,447,470	78.1
1997	1,523,490,300	1,523,490,300	100.0
1996	1,357,912,910	1,357,912,910	100.0

**Legislative Referrals**

Referrals are proposed laws that originate from the Legislature to be voted on by the people.

The Oregon Legislature referred a measure, known as Measure 88, to the November 2000 election. Under current law, joint-return personal income taxpayers generally may deduct up to \$3,000 of their federal income tax payments from their Oregon taxable income. If approved by the voters in the November 2000 election, Measure 88 would increase the deductible amount to \$5,000. The deductible amount also increases for other categories of taxpayers. The amendments would apply to tax years beginning on or after January 1, 2002.

By allowing a larger subtraction of federal personal income taxes from Oregon income, this Measure would reduce State General Fund revenue by approximately \$47 million in fiscal year 2001-02, \$120 million in fiscal year 2002-03 and approximately \$130 million per year thereafter. This impact will grow according to growth in overall income tax revenue. There would be no loss to the State’s General Fund in the current biennium. **The City believes voter approval of Measure 88 should not affect the City’s ability to pay the Obligations.**

**The Initiative and Referendum Process**

The Article IV, Section 1 of the Oregon Constitution reserves the initiative and referendum power to the people of the State of Oregon. The “referendum power” generally means the power of the people to require that a statewide vote be held on laws adopted by a governing body such as the State Legislative Assembly. The “initiative power” generally means the power to propose legislation for consideration by the state’s voters without action by a governing body. The initiative power allows the people of the State of Oregon to amend the Oregon Constitution or enact legislation by placing a measure before the voters of the state.

Any person may file a proposed initiative with the Oregon Secretary of State’s office. The Oregon Attorney General is required by law to draft a proposed ballot title for the initiative. Public comment on the draft ballot title is then solicited by the Secretary of State. After considering any public comments, the Attorney General will prepare a certified ballot title. Any elector that submitted written comments who is dissatisfied with the certified ballot title may petition the Oregon Supreme Court to revise the certified ballot title.

After the ballot title has been certified the proponents of the initiative gather signatures on the petition. A petition to initiate a constitutional amendment must receive signatures of electors numbering at least eight percent of the qualified voters (87,230 signatures for the November 7, 2000 election). A petition to initiate a statute must be receive signatures of electors numbering at least six percent of the qualified voters (65,422 signatures for the November 7, 2000 election). The number of qualified voters is equal to the total number of votes cast for all candidates for governor at the last regular gubernatorial election before the petition was filed the Secretary of State. Current law only allows initiative petitions to be submitted to voters at general elections in even numbered years.

Any elector may sign an initiative petition for any measure on which the elector is entitled to vote.

The initiative petition must be filed with the Secretary of State at least four months before the election at which it will be voted upon. As a practical matter, under current law proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

**Historical Initiative Petitions**

Over the past decade, an increasing number of initiative petitions that have qualified to appear on the ballot. According to the Elections Division of the Oregon Secretary of State, the number of initiative petitions that have qualified for the ballot and the number that have passed in the general elections in the years 1988, 1990, 1992, 1994, 1996, 1998 and 2000 are as follows:

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2000	18	*
1998	10	6
1996	16	4
1994	16	8
1992	7	0
1990	8	3
1988	5	3

*Source: Elections Division, Oregon Secretary of State; 2000 INITIATIVE LOG Elections Division as of July 14, 2000.*

**Initiative Petitions Which Have Qualified for the November 7, 2000 General Election**

Nineteen initiative petitions have qualified to be placed on the November 7, 2000, general election ballot. The following three measures may adversely affect the financial condition of the Water System. Measure 93 may affect Water System revenues directly; Measures 91, 7 and 8 may affect operations of the Water System indirectly. All Initiative Measures have an effective date of December 7, 2000.

**Measure 93**

Measure 93 limits future tax, fee and charge increases and requires refunds of certain past collections.

Measure 93 provides a number of exemptions which may be available for the revenues which are pledged to the Bonds. While the City can not predict with certainty how Measure 93 will be interpreted, **the City currently expects that Measure 93 will not materially and adversely affect the long-term financial condition of the Water System because Water System charges are likely to qualify for one or more of the measure’s exemptions. However, even if Water System charges fail to qualify for an exemption under the measure, the City expects that Measure 93 will not prevent the City from operating the Water System and paying the Bonds.**

*Basic Provisions.* Measure 93 (the “Measure”) amends the Oregon Constitution to require special, supermajority voter approval for new or increased state or local government taxes, fees and charges, and to require a refund of past collections, unless the measure exempts them.

Special, Supermajority Approval. The Measure requires approval of taxes, fees and charges by not less than the percentage of voters approving the Measure, and can be given only at the biennial general election or at one annual election if the legislature permits approval of statewide initiatives at that election. Current law only allows initiative petitions to be approved at biennial general elections. Simple majority approval is adequate to renew certain police, fire, and 911 levies and for gas tax increases. All ballots must state that approval will increase taxes, even if the ballot proposes fee and charge increases.

Retroactive Refund. Governments must refund taxes, fees and charges newly imposed or increased more than three percent after December 6, 1998 unless they are exempt, were originally approved by the

supermajority called for in the Measure, or are approved by a simple majority of voters at the first election after the Measure takes effect.

Exemptions. The Measure exempts the following fees and charges from its voter approval requirements: Peoples' utility and port district; mass transit; college and university; incurred charges and assessments for local improvements; increases which pass through certain wholesale inputs; fines or forfeitures; lottery revenue; certain fees paid to business and trade associations; interest earnings; investments; donations; asset sales; charges for anything provided by government which is available from the private sector if the governmental charge does not exceed the average private sector charge in that market; and inflationary increases after the effective date of the Measure in certain fees and charges which were in effect on December 6, 1998 or which receive special, supermajority voter approval.

Borrowings. The Measure appears to require voter approval of certificates of participation and similar financing techniques; it is not clear whether the Measure will restrict other kinds of borrowings.

Emergency Overrides. The Measure permits state and local governments to impose temporary charges for not more than one year without voter approval. State temporary charges must be: for a specific purpose, approved by a three-fourths vote of each house of the Legislative Assembly, and signed by the Governor. Local government taxes are permitted only if the Governor declares a local emergency, the local governing body approves the tax by a three-fourths vote, and the tax receives special, supermajority voter approval within 90 days after the declaration of emergency. The Measure may not permit emergency local fee and charge increases.

Attorney's Fees. The Measure requires governments to pay attorney's fees to taxpayers who successfully challenge a tax, fee, charge or bond issue; governments may receive attorney's fees when they prevail only if the suit is frivolous.

The Measure requires governments to repay collections made in violation of the Measure with interest.

A copy of Measure 93 is available at the website of the Oregon Secretary of State, at [www.sos.state.or.us](http://www.sos.state.or.us).

*The City's Obligation to Refund Gross Revenues.* At the November 3, 1998 general election, City voters approved a 3.7 percent water rate increase by a margin of 53.2 percent. The rate increase took effect on December 1, 1998, and the first billings reflecting that increase were mailed on February 1, 1999. The City believes that it will not owe a refund for this rate increase because the increased rate was in effect on December 6, 1998, the beginning of the retroactive period described in the Measure. In addition, if the Measure passes by a margin of 53.2 percent or less, the November 3, 1998 increase should not be subject to the Measure's refund requirement because that increase received supermajority voter approval. In estimating its maximum refund liability the City has assumed that no part of this 3.7 percent rate increase must be refunded.

On May 18, 1999, City voters approved a charter amendment (the "Charter Amendment"; see "Authorization for Issuance -- Charter Rate Limitation" herein) which allows an annual increase in water rates of 5 percent and requires voter approval for increases of more than five percent. The Charter Amendment was approved by a margin of 70.8 percent.

Pursuant to that Charter Amendment, the City has increased water rates by 5 percent on two occasions: first in September 1999 and again in March 2000.

Voter approval of the Charter Amendment may be sufficient to exempt the September 1999 and March 2000 increases from the refund requirement, however, the City has assumed in estimating its maximum refund liability that the portion of these increases which exceed three percent of the rates in effect on December 6, 1998, must be refunded.

If the City is required to refund revenues from prior water sales which increased by more than three percent after December 6, 1998, the refund is estimated by the City to not exceed \$250,000. The City believes that it

could pay a refund of this magnitude without materially and adversely affecting basic Water System operations and without impairing the ability of the City to pay the Bonds.

*Effect on Future Increases in Gross Revenues.* The Charter Amendment requires that the City obtain voter approval to increase its Water System rates more than five percent in a year. The City's Feasibility Study assumes that the City will make five percent rate increases each year for the foreseeable future. If the Measure prevents the City from increasing rates by five percent each year, the financial performance of the Water System may be materially worse than projected in the Feasibility Study.

However, the City does not expect that the limitations of the Measure on future increases in fees and charges will have a material adverse, long term effect on the ability of the City to increase rates by the amount permitted by the Charter Amendment for the following reasons:

- (1) The Measure exempts "incurred charges." "Incurred charges" are defined by the Oregon Constitution as charges which are avoidable by a property owner and do not exceed the actual cost of providing a good or service. The City believes that its Water System charges do not exceed the actual cost of providing water services. The City's current water rates may, therefore, already qualify as incurred charges; if they do not, the City could convert most of its Pledged Revenues to incurred charges after the Measure passes, and exempt most Water System charges from the Measure.
- (2) The approval by the City's voters of the Charter Amendment may exempt increases of five percent or less from the Measure.
- (3) Other exemptions in the Measure may apply to Water System charges; however, even if Water System charges are not exempt from the Measure, the Measure permits certain charges which do not exceed the actual cost of providing a good or service to increase by the rate of inflation. The City believes that the Pledged Revenues should qualify for this limited exemption.

In the worst reasonable case, the Measure could be interpreted to require the City to refund all increases of more than three percent between December 6, 1998 and the effective date of the Measure, to reduce rates on the effective date of the Measure to 103 percent of the rates in effect on December 6, 1998, and to limit future increases to the cost of inflation. The City has preliminarily modeled this worst case. The model shows that the financial performance of the Water System would be less than shown in the Feasibility Study and that the City may fail to comply with its rate covenant. However, the model indicates that the City still will be able to operate the Water System and pay the Bonds.

The City has covenanted that it will make all changes which are reasonably within its control and are necessary to permit the City to comply with its rate covenant. This obligates the City to alter its rates, fees and charges so that they become "incurred charges" or are otherwise exempt from the Measure's limits if the City is reasonably able to do so and that action is required to allow the City to comply with its rate covenant. The City expects that it will be able to do so, **and the City expects that the Measure will not have a material adverse and long term effect on the ability of the City to operate the Water System, comply with its rate covenant or pay the Bonds.**

*Case Law Under Contracts Clause of Federal Constitution.* The City expects to be able to exempt its Pledged Revenues from the limits of the Measure. The City also does not expect that the Measure will significantly impair its contractual obligations to Bondowners. However, if the Measure is interpreted in a way that does significantly impair those contractual obligations, existing case law under the Contracts Clause (Article I, Section. 10, paragraph 1 of the United States Constitution) supports the conclusion that the Measure will not be applied to the Pledged Revenues in a way that significantly impairs the City's contractual obligations to Bondowners.

The Contracts Clause states "No State shall ... pass any ... Law impairing the Obligation of Contracts ....." This provision has been applied by federal and state courts to invalidate state laws (including initiative petitions like the Measure) that would have impaired contractual undertakings made by municipal entities, such as the Bonds and the Resolution. However, not every impairment of a contractual undertaking violates the Contracts Clause.

To find that a state law violates the Contracts Clause, a court must determine: (1) that the change in state law impairs that contractual relationship; and, (2) that the impairment is substantial. Even if the impairment of the contractual undertaking is substantial, a court may decline to protect the contractual undertaking if the court determines that the impairment is justified as a reasonable and necessary exercise of the State's sovereign power.

Courts which have considered the effect of legislative limitations (such as the Measure) on increases in rates which secure obligations such as the Bonds generally hold that the Contracts Clause prevents those legislative limitations from being enforced if enforcement would prevent the issuer from complying with a rate covenant of the type which secures the Bonds. Courts reliably hold that the Contracts Clause prevents these legislative limitations from being enforced in a way that causes a payment default on obligations such as the Bonds. The City therefore expects that the Contracts Clause will prevent the Measure from being enforced in a way that prevents the City from paying the Bonds.

*Summary of Measure 93.* The Measure is complex, it has ambiguous terms, it has not been construed by any court, and there are no statutes implementing it. Its effect on the Pledged Revenues can not, therefore, be estimated precisely. However, **the City believes that the Measure will not prevent the City from operating the Water System and paying the Bonds.**

### **Measure Allowing Deduction of Federal Income Taxes from Oregon Taxable Income**

Measure 91 will appear on the November 7, 2000, general election ballot. It will, if approved, reduce State income tax revenues substantially. This reduction in State income tax revenues may result in a corresponding reduction of payments to the City and the approval of Measure 91 may have an adverse effect on the financial condition of the City. However, the City receives no funds from the State of Oregon in connection with the Water System. Measure 91 would not, therefore, directly affect the Pledged Revenues and should not prevent the City from operating the Water System, complying with its rate covenant or paying the Bonds.

Measure 91 is an initiative petition to amend the Oregon Constitution; it allows Oregon personal income taxpayers to deduct the full amount of federal income taxes from their Oregon taxable income. Under current law, personal income taxpayers generally may deduct no more than \$3,000. If approved by the voters, Measure 91 applies retroactively to tax years beginning January 1, 2000. The State budgets for two year period (a "biennium"), and is not generally permitted to have its expenditures exceed its revenues. The State would, therefore, be forced to reduce expenditures during a period of seven months (from November, 2000 to June 30, 2001) to make up for revenue losses generated over eighteen months (from January 1, 2000 to June 30, 2001). The State's Legislative Revenues Office has preliminarily estimated that Measure 91 would result in a loss to the State General Fund of \$938 million in revenues for the period ending on June 30, 2001, and \$2.033 billion for the biennium ending June 30, 2003. These amounts are approximately 15 percent of the State's budget. If these reductions were distributed proportionally, State payments to the City in connection with the Water System for this fiscal year would be reduced by 15 percent, and the reduction would be made in the final seven months of this fiscal year.

A copy of Measure 91 is available at the website of the Oregon Secretary of State, at [www.state.or.us](http://www.state.or.us).

### **Measure Limiting State Appropriations**

Measure 8 also may reduce State revenues which are paid to the City. Measure 8, which also will appear on the November 7, 2000, general election ballot, places a substantial new limit on State expenditures. This reduction in State expenditures may result in a corresponding reduction of payments to the City, and Measure 8, if approved by the voters may have an adverse effect on the financial condition of the City. As was the case with Measure 91 above, however, Measure 8 would not limit City expenditures or affect the Pledged Revenues and should not prevent the City from operating the Water System, complying with its rate covenant or paying the Bonds.

Measure 8 is an initiative petition to amend the Oregon Constitution; it limits appropriations for most State government expenditures in each biennium to 15 percent of the State's total personal income for the two calendar years ending before the beginning of the biennium, beginning July 1, 2001. Appropriation limits may

be increased for a biennium, but only after a declaration of an emergency by the Governor and by a three-fourths majority vote in both houses of the Legislature. Revenues received in excess of the appropriation limits, other than earnings from dedicated investment funds received by the State in excess of the appropriation limits, must be returned to taxpayers. According to the State's Legislative Revenue Office, had this measure been in place for the current biennium, appropriations for State government expenditures would have exceeded Measure 8's limit by \$4.7 billion, or 16.6 percent of the State's budget for the current biennium. Measure 8 may, therefore, reduce State payments to the City in future fiscal years by at least 16.6 percent.

A copy of Measure 8 is available at the website of the Oregon Secretary of State, at [www.state.or.us](http://www.state.or.us)]

### **Measure Requiring Compensation for Property Value Reductions**

Measure 7 is an initiative to amend the Oregon Constitution and has qualified for the November ballot. If approved by the voters, Measure 7 would require State and local governments to compensate private, real property owners for a reduction in the fair market value in an owner's property due to a regulation that restricts the use of the property. Measure 7 states that compensation is "due [to a] property owner if the regulation was adopted, first enforced or applied after the current owner of the property became the owner."

A fiscal impact committee, made up of the Secretary of State, Treasurer, the director of the Department of Administrative Services and the director of the Department of Revenue, has estimated the local government impact of the Measure to be \$3.8 billion a year. The City has not estimated the fiscal impact of the Measure on the City; however, if Measure 7 is approved, it is likely to have a material adverse impact on the financial condition of the City. However, **the City expects that the Measure will not have a material adverse and long term effect on the ability of the City to operate the Water System, comply with its rate covenant or pay the Bonds.**

### **Tax Exemption**

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the execution and delivery of the Series 2000 Bonds in order for interest on the Series 2000 Bonds to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Series 2000 Bonds to be included in gross income for federal income tax purposes retroactive to the issue date of the Series 2000 Bonds. These requirements include limitations on the use of proceeds of the Series 2000 Bonds, limitations on the investment of proceeds of the Series 2000 Bonds prior to expenditure and a requirement that excess arbitrage earned on the investment of proceeds of the Series 2000 Bonds be rebated on a periodic basis to the United States under certain circumstances. The City has covenanted in the transaction documents that they will comply with these requirements (the "Tax Covenants.")

In the opinion of Bond Counsel, under existing law and assuming compliance by the City with certain tax covenants described herein, interest on the Series 2000 Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of determining the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Series 2000 Bonds is exempt from present personal income tax imposed by the State of Oregon.

However, Bond Counsel notes that interest on the Series 2000 Bonds owned by corporations will be taken into account for purposes of determining the alternative minimum tax imposed on 75 percent of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss).

Bond Counsel expresses no opinion on any other federal, state or local tax consequences arising with respect to ownership of the Series 2000 Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Series 2000 Bonds may affect the tax status of the Series 2000 Bonds.

Although Bond Counsel has rendered an opinion that the interest on the Series 2000 Bonds is excluded from gross income for federal income tax purposes, prospective purchasers of the Series 2000 Bonds should be aware

that ownership of the Series 2000 Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, property and casualty insurance companies, certain S corporations, recipients of Social Security and Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2000 Bonds. Prospective purchasers of the Series 2000 Bonds should consult their tax advisors with respect to all such possible collateral consequences and as to the treatment of interest on the Series 2000 Bonds under the tax laws of any state other than Oregon.

*Financial Institutions.* The City has designated the Series 2000 Bonds as qualified tax-exempt obligations for banks, thrift institutions and other financial institutions so that such financial institutions will not be denied a deduction of 100 percent of their interest expenses allocable to the Series 2000 Bonds. However, corporate tax preference rules reduce by 20 percent the amount that may be deducted by such financial institutions for interest on funds allocable to tax-exempt obligations such as the Series 2000 Bonds.

## **Legal and Miscellaneous**

### **Approval of Counsel**

Legal matters incident to the authorization, issuance and sale of Series 2000 Bonds by the City are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix C. Bond Counsel has reviewed this document only to confirm that the portions of it describing the Series 2000 Bonds and the authority to issue them conform to the Series 2000 Bonds and the applicable laws under which they are issued.

### **Litigation**

There is no litigation pending questioning the validity of the Series 2000 Bonds nor the power and authority of the City to issue the Series 2000 Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2000 Bonds.

### **Conflicts of Interest**

All or a portion of the fees of the Underwriter and Bond Counsel are contingent upon the issuance and sale of the Series 2000 Bonds. In addition, Bond Counsel from time to time serves as counsel to the Underwriter with respect to bonds issued by issuers other than the City. None of the City Council members or other officers of the City have any conflict of interest in the issuance of the Series 2000 Bonds that is prohibited by applicable law.

### **Continuing Disclosure Undertaking**

The Securities and Exchange Commission has published amendments to Rule 15c2-12 (the "Rule") that require at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Series 2000 Bonds, if material. Pursuant to the Rule, the City has agreed to provide to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any, audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the Municipal Securities Rulemaking Board and to any state information repository, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule. The City has not failed to comply with any prior undertaking under the Rule since July 3, 1995, the date on which the Rule became effective. A copy of the City's Continuing Disclosure Certificate is attached hereto as Appendix F.

### **Underwriting**

The Series 2000 Bonds are being purchased by Seattle-Northwest Securities Corporation, the Underwriter. The purchase contract provides that the Underwriter will purchase all of the Series 2000 Bonds, if any are purchased, at a price of 96.6971 percent of the par value of the Series 2000 Bonds, plus accrued interest. The Series 2000 Bonds will be reoffered at an average price of 99.1419 percent of the par value of the Series 2000 Bonds. After the initial public offering, the public offering prices may be varied from time to time.

**Concluding Statement**

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Underwriter or the City. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The information contained herein should not be construed as representing all conditions affecting the City or the Series 2000 Bonds. Additional information may be obtained from the City. The statements relating to the Resolution are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The agreements of the City are set forth in such documents, and the information assembled herein is not to be construed as a contract with the Bondowners of the Series 2000 Bonds. Information with respect to the City set forth in this Official Statement has been supplied by the City, and the Underwriter has relied on the City with respect to the accuracy and sufficiency of such information.

# **Appendix A**

## **Feasibility Report**



Economic and Engineering Services, Inc.

October 5, 2000

Project No. 496070

City of West Linn  
2042 8<sup>th</sup> Avenue  
West Linn, OR 97068

RE: **Consulting Engineers Report**  
**City of West Linn, Clackamas - County, Oregon**  
**Limited Water System Revenue Bonds, Series 2000**

Ladies and Gentlemen:

Presented herein is a summary of our analyses, investigations and studies with respect to the proposal by the City of West Linn, Clackamas County, Oregon (the "City") to issue \$1.8 million Limited Water Revenue Bonds, Series 2000 (the "Series 2000 Bonds"). The proceeds of the Series 2000 Bonds are to be used to: (i) fund improvements to the City's water system, and (ii) pay the cost of issuance for the Bonds. The Bonds are being issued pursuant to the City's Resolution No. 00-41, authorizing the issuance of the Bonds (the "Bond Resolution"). See Appendix B entitled "Resolution", in the Official Statement (to which this report is hereby authorized to be attached). Capitalized terms used herein shall have the same meaning as set forth in the Bond Resolution unless otherwise denoted.

The Series 2000 Bonds are part of an overall financing program to provide for capital maintenance projects, including repairs to the City's transmission main, reservoir rehabilitation and general distribution main replacements. These projects, along with other proposed future additions, betterments and extensions to the water system are herein referred to as "the Projects". The funds required for completion of the Projects will be provided from the proceeds of the Series 2000 Bonds, additional borrowings, other funds available to the City and system development charges.

The City currently has no outstanding debt associated with the water system.

This report summarizes our work to the date of the report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

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Portland, Oregon 97204-3620  
Telephone 503-223-3000

Fax 503-274-6248

Bellevue - Olympia - Portland - Vancouver, B.C.

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City of West Linn  
October 5, 2000



THE CITY

## Introduction

The City is a municipal corporation of the State of Oregon and was incorporated in 1913. The City is located in Clackamas County and is approximately 12 miles south of the City of Portland, Oregon. The City's current population is approximately 22,835 and is the 20th largest city in the state of Oregon. The City currently serves approximately 7,500 customers as of May 2000 and receives operating revenues from the sale of water of approximately \$1.9 million per year.

The City currently receives its water as a wholesale customer of the South Fork Water Board (SFWB). SFWB is an ORS 190 entity, jointly owned by the City and the City of Oregon City. The source water is the Clackamas River.

The City's facilities consist of a transmission main from the SFWB treatment plant, related pump stations, reservoirs, and distribution mains. The City currently serves all water customers within its boundary which is congruent with the City's boundary.

Table 1 displays selected operating and financial data regarding the City's water operations as of June 30, 1999.

**Table 1**  
**City of West Linn**  
**Water Fund**  
**Selected Operating and Financial Data**  
**Fiscal Year Ending June 30, 1999**

Number of Customers	7,354
Water Sales	1,210,024 ccf
Supply Capacity <sup>(1)</sup>	20 mgd
Operating Revenue	\$ 1,690,375
Net Investment in Plant <sup>(2)</sup>	\$13,120,092
Total Retained Earnings	\$1,932,575
Ratio of Current Assets to Current Liabilities <sup>(3)</sup>	3.75
Debt/Equity Ratio <sup>(4)</sup>	0%

(1) SFWB Plant Capacity

(2) Includes \$2.6 million investment in SFWB.

(3) Current Assets Divided by Current Liabilities

(4) Debt / (Debt + Equity)

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**Service Area**

The City's water service area is approximately 22 square miles. Services are provided to all residential, commercial, public and industrial consumers within the City limits. The City's population increased from approximately 14,000 in 1991 to 22,835 in 1999.

**Organization**

The City operates under the council-manager form of government. Policymaking and legislative authorities are vested in the governing council, which consists of a mayor and four-member council. The council members serve two (2) year terms. The City Manager is appointed by the Council and is responsible for the administrative operation of the City.

Table 2 provides the names of the Council Members, their terms and occupations.

Table 2 City of West Linn City Council				
Name	Position	Term		Occupation
		Beginning	Term Ending	
<b>City Council</b>				
Jill Thom	Chair, Mayor	Jan. 1999	Dec. 2000	Computer Programmer
Dee Burch	Councilor	Jan. 1999	Dec. 2000	Civil Engineer
Tom Neff	Councilor	Jan. 1999	Dec. 2000	Retired
Michael McFarland	Councilor	Jan. 1999	Dec. 2000	Public Utilities Specialist- BPA
John Steele	Councilor	Jan. 1999	Dec. 2000	Computer Systems Analyst

The City employs approximately 120 full time employees. 80 employees are represented by local union AFSCME 350-1 and local union CCPOA, the remainder are not represented by bargaining unit. The current labor contracts between the City and its union employees expire on June 30, 2002 (AFSCME), and June 30, 2005 (CCPOA). The City's management believes that employee relationships are satisfactory. There have been no strikes at the City.

The water system is operated by the Water Operations Supervisor, a water quality control person and four water distribution system operating personnel. The Water Operations Supervisor reports to the Operations Manager, who has responsibility for sanitary service, stormwater, solid waste and recycling, transportation and vehicle maintenance in addition to water operators. Engineering support is provided by the Engineering Division of Public Works. Overall system management responsibility extends from the Public Works Director to the City Manager and the City Council.



Scott Burgess, City Manager. Mr. Burgess has been with the City since August 1993, when, as a management consultant, he was hired as the City's Interim City Manager. He was then hired by the City Council on a permanent basis in February 1994. Prior to his experience as a consultant, Mr. Burgess was the executive director of the Alaska Municipal League for over eight years. Mr. Burgess received his B.C.P. (City Planning) from the University of Virginia in 1973 and his M.P.A. from Portland State University in 1982.

Dave Monson, Public Works Director. Mr. Monson has been in the business of utility engineering and management for 25 years. Before becoming Public Works Director/City Engineer for the City of West Linn in 1990, he held the same position in the City of Sweet Home, Oregon for seven years. Previous to employment with the City of Sweet Home, Mr. Monson was Public Works Director/City Engineer for the City of Florence, Oregon for two and a half years. Before employment with the City of Florence, Mr. Monson was an engineering technician and project engineer for Parametrix, Inc. in Eugene, Oregon. Parametrix performed consulting engineering and acted as City Engineer for several Oregon communities.

Wille Gin, Finance Director. Mr. Gin joined the City in January 1985 after working as the Assistant Finance Director/Accounting Department Manager for the city of Beaverton, Oregon. Previously, Mr. Gin worked as an accountant for the City of Tualatin, Oregon and Office Manager/Accountant in the heavy construction industry. He attended Portland State University/Portland Community College, specializing in Business Administration.

Dennis Koelmeier, Operations Manager. Mr. Koelmeier has been with the City since June of 1975. Mr. Koelmeier first worked in the City's engineering department until 1985 when he accepted his current position as Operations Manager. He has an Associates Degree from Clackamas Community College and is currently enrolled at Portland State University.

Jim Whynot, Water Division Supervisor. Mr. Whynot joined the City as Water Division Supervisor in April 1988. Prior to joining the City, Mr. Whynot worked for the City of Gresham, Oregon from 1994 in new construction and maintenance of the cities water system. Mr. Whynot started his career in the water industry in 1990 at Clairmount Water District in Oregon.

**Facilities**

The City owns, operates and maintains all storage and distribution systems within its service territory. The City's water system includes a master meter from the South Fork Water Board system, a single 34" transmission line from the Division St. Pump Station which crosses the Willamette River on the I-205 bridge, approximately 100 miles of distribution and transmission pipelines, six reservoirs, three pump stations, 17 pressure reducing valves, and other facilities. The City also maintains an emergency intertie with the City of Lake Oswego from its water treatment plant which is located in the City.



### South Fork Water Board

In 1915, the cities of West Linn and Oregon City entered into a contractual relationship to form a joint commission known today as the South Fork Water Board to provide water supply and treatment facilities for the two cities. This agreement has subsequently been updated, most recently in 1996. The SFWB is an ORS 199 organization. The water source is the Clackamas River. The SFWB operates a conventional water treatment plant. This plant is located on the south side of the Clackamas River near its confluence with the Willamette River. The SFWB system includes an intake, a water treatment plant, and a transmission pipeline to a pump station located on Division Street in Oregon City.

### Water Rate Legislation

The City in October 1994 increased its water rates by 98.3% in order to cover costs associated with increase wholesale costs from SFWB, increased operation and maintenance costs and provide funding for capital maintenance projects. Voters in the November 1996 ballot placed a referendum on the ballot which provided for a roll back of the rates to their pre October 1994 level and required a vote of the people for any subsequent rate increases. The referendum was passed.

The City subsequently initiated an initiative to increase water rates by 31% in 1996. The measure was defeated.

In 1996, the City placed two initiatives on the ballot. The first was to provide for an initial increase in rates of 3.7% and subsequent increases indexed to the consumer price index, to pay for increased operation and maintenance costs (O & M initiative). The other was a provision to provide for a one time 32% increase in water rates to provide for funding of capital maintenance projects (CMP initiative). The O & M initiative increase was passed by the voters. The CMP initiative was defeated by the voters. In 1996, the City Council placed an initiative on the ballot, the ("Charter Rate Limitation") which provided authority for City Council to increase water, sewer and stormwater rates by up to five percent (5%) per calendar year without voter approval. The initiative subsequently passed.

### Rates and Charges for Service

Under the terms of the Bond Resolution, the City has pledged Pledged Revenues for the payment of principal and interest on the Series 2000 Bonds. Revenues means the Gross Revenues, amounts in the Water Fund, the Water Debt Service Account and the Water Debt Reserve Account, (including any unexpended interest earnings) unexpended Bond Proceeds, Reimbursement Fee Systems Development Charges on deposit in the Water SDC Reimbursement Fund and any amounts available under any Reserve Equivalent and any amounts subsequently pledged to pay the Bonds, including amounts in the Water SDC Fund.

Gross Revenues means all fees and charges resulting from the operation of the Water System from a current fiscal year, revenues from product sales and any interest earning and other revenues required to be placed in the Water Fund under the Resolution. Gross Revenues does not include: (i) payments of improvement assessments levied against benefited properties; (ii) proceeds of any grants; (iii) the



proceeds of any borrowing for capital improvements except as provided for in the Bond Resolution (iv) proceeds of any liability or other insurance; (v) the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Water System; (vi) proceeds of sales of assets pursuant to the Bond Resolution; (vii) Reimbursement Fee System Development Charges; (viii) Improvement Fee System Development Charges; (ix) System Development Charges collected for and on behalf of South Fork or other governmental entity; and (x) ad valorem taxes or other taxes imposed by the City.

The City has covenanted to impose fees and charges for the Water System each Fiscal Year, which are sufficient to generate Net Operating Revenues at least equal to 130% of the Annual Debt Service for the Fiscal Year. Compliance with this covenant shall be determined in good faith by the City no later than 30 days after the end of each Fiscal Year, based on the best financial information and estimates reasonably available to the City at that time. If that determination indicates that the City failed to generate Net Operating Revenues for the prior Fiscal Year which were at least 130% of the Annual Debt Service for that Fiscal Year, it shall not constitute an Event Of Default if the City takes all of the following actions:

- (A) As quickly as feasible, the City raises rates up to the maximum allowed under the Charter Rate Limitation for the current calendar year.
- (B) Within 30 days after the determination is made, the City Official obtains a report of a Qualified Consultant recommending changes in the schedule of rates and charges (including changes which require voter approval) or other actions which the Qualified Consultant reasonably projects will permit the City to produce Net Operating Revenues in that Fiscal Year which are at least 130% of the Annual Debt Service for the Fiscal Year in which the report is filed.
- (C) Within 90 days after the report is obtained by the City Official, the City commences and diligently pursues implementation of the recommendations of the Qualified Consultant which do not require voter approval under the Charter Rate Limitation.
- (D) Within 14 days after the report is obtained by the City Official, the City calls an election for the next available election date to authorize rates to be raised at least as high as those recommended by the Qualified Consultant, if the Qualified Consultant recommends rate increases that require voter approval under the Charter Rate Limitation.
- (E) If the voters approve an increase in rates, the City implements a rate increase at least as great as that recommended by the Qualified Consultant as promptly as practicable after the county election official provides the City with an abstract of votes from the election. The failure of the voters to approve an increase in rates shall not in and of itself constitute an Event of Default.

Not later than 30 days after the City adopts its budget for each Fiscal Year, the City Official shall prepare and file with the Council a projection showing the expected Net Operating Revenues, adjusted for anticipated rate increases and changes in operations, and Annual Debt Service for the budgeted Fiscal Year. The City covenants to raise rates at the times and to the extent assumed in the projection, to the extent permitted by the Charter Rate Limitation.

- (A) If the projection indicates that Net Operating Revenues will be less than 150% of Annual Debt Service, the City covenants to raise rates during that budgeted Fiscal Year as quickly as possible and to the greatest extent permitted by the Charter Rate Limitation.



- (B) If the projection indicates that Net Operating Revenues will be less than 130% of Annual Debt Service the City shall take all necessary actions within its control to meet the 130% level, including calling an election to raise rates above the maximum allowed under the Charter Rate Limitation at the next available election.

Net Operating Revenue means Gross Revenues less the Operating Expenses.

Operating Expenses means all payments made from the Water Fund for expenses incurred for operation, maintenance and repair of the Project and the Water system, including but not limited to administrative expenses, payments for water purchased from South Fork, financial and auditing expenses, insurance premiums, taxes, legal and engineering expenses relating to operation and maintenance of the Water System, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Water System. However, operating Expenses do not include: (i) debt service payments; (ii) any rebates paid from Gross Revenues under Section 148 of the Code; (iii) depreciation and amortization of property, values or losses; (iv) all amounts treated for accounting purposes as payments for capital expenditures; (v) capital transfers and outlays which include, without limitation, transfers to capital construction accounts and expenditures for renewals and replacements; (vi) Taxpayer Refunds (except for purposes of Section R); and (vii) extraordinary and nonrecurring expenditures (such as expenditures for Water System damage or destruction and for damage or destruction of persons or property), and expenditures for professional and consultant services related to long range planning and borrowing to finance the Water System (such as expenditures for the services of a Qualified Consultant which are required by this Resolution), for Water System master planning, for ratemaking services, and for financial and engineering feasibility studies.

The City has maintained rates for services which have been sufficient to provide payment for Operating Expenses, repairs and provide for a margin for capital additions to the water system. During the historical five-year period studied herein, the City has increased its rates for water service by 3.7% effective December 1, 1998, 5% on July 1, 1999 and by 5% on January 10, 2000 to be effective January 1, 2000. The summary of the rate adjustments for the water system is provided in Table 3.

In addition to rates for water service, the City also collects system development charges as defined under Chapter 449, Oregon law codified as ORS 223.297 - 223.314. System development charges are collected from new customers connecting to the water system to pay for the cost of facilities required to provide service. The City imposes a SDC for the City's water system. The City also collects a wholesale water SDC for the SPWB. Wholesale SDCs are collected by the City and subsequently remitted to the SPWB. A portion of the City SDC is Pledge Revenue for payment of the Series 2000 Bonds. A summary of SDC imposed by the City for the last five years is provided in Table 3.



**Table 3**  
**City of West Linn**  
**Summary of Water Rate Adjustments and**  
**System Development Charges**

Fiscal Year Ending	% Change in Water Rates	Retail System Development Charges (per ERU)		SPWB Wholesale System Development Charges (per ERU) <sup>(1)</sup>
		City	EUA <sup>(2)</sup>	
1995 <sup>(3)</sup>	(86.3%)	948	2,182	344
1996	0.0%	948	2,182	705
1997	0.0%	2,865	3,183	1,165
1998 <sup>(4)</sup>	3.7%	1,572	2,858	1,220
1999	0.0%	2,290	3,119	1,220
2000 <sup>(5)</sup>	5.0%, 5.0%	2,290	3,105	1,250

- (1) Imposed by SPWB.  
(2) Future urban EUA.  
(3) Rollback of September 1994 rate increase.  
(4) Effective December 31, 1998.  
(5) 5% increase July 1, 1999 and 5% increase January 1, 2000.

A summary of the current rates charged by the City is provided in Table 4.



**Table 4**  
City of West Linn  
Water Rates <sup>(1)</sup>

Monthly Water Rates-Residential	First 700 Cubic Feet	All Use Over 700 Cubic Feet
5/8" by 3/4" meter	\$10.85	\$1.24
3/4" meter	\$10.85	\$1.24
1" meter	\$12.86	\$1.24
Multi-family rate per dwelling unit	\$10.85	\$1.24
<b>Monthly Water Rates-Other Users</b>		
5/8" by 3/4" meter	\$10.85	\$1.24
3/4" meter	\$10.85	\$1.24
1" meter	\$12.86	\$1.24
1 1/4" to 1 1/2" meter	\$15.43	\$1.24
2" meter	\$18.05	\$1.24
3" meter	\$24.85	\$1.24
4" meter	\$33.43	\$1.24
6" meter	\$49.72	\$1.24
8" meter	\$66.02	\$1.24
10" meter	\$82.87	\$1.24
<b>Monthly Water Rates-Reduced Rate For Low-income Households</b>		
	\$5.14	\$1.24
	\$5.14	\$1.24

(1) Effective January 1, 2000

### Connection Charges

The City imposes two types of connection charges to provide new service to customers. These include system development charges and meter installation charges. System development charges are imposed upon all new customers (except firelines) seeking connection to the water system. The system development charges essentially cover the cost of infrastructure necessary to provide service to new customers. In addition to the SDC imposed by the City for transmission, storage and distribution, SFWB also imposes a wholesale SDC on the City's customers. This SDC covers the cost of water treatment and conveyance to the City's meter. This charge is collected by the City and then remitted to SFWB. The



meter installation charge covers the City's actual charge for placement of a meter and service line to the new customer.

System development charges are imposed based on the meter's size. One equivalent residential unit (ERU) is defined as a 5/8" x 3/4" meter. Other meter sizes are assigned equivalent residential units based on the safe operating capacity established by American Water Works Association for displacement-type meters. A summary of the City's current system development charges is provided in Table 5.

**Table 5**  
City of West Linn  
System Development Charges

Meter Size	Retail Charge		SFWB Wholesale Charge
	City Zone	FUA Zone <sup>(1)</sup>	
<i>Retail</i>			
5/8" x 3/4"	2,280	3,105	1,250
3/4"	3,420	4,050	1,875
1"	5,700	7,783	3,125
1 1/2"	11,399	15,526	6,250
2"	18,238	24,842	10,000
3"	36,477	49,683	18,750
4"	54,935	77,690	31,250
6"	113,991	155,261	62,500
8"	182,385	248,417	100,000
10"	294,976	388,151	143,750

(1) Future urban area

### Water Rate Comparison

The City's charges for water service are one of the lowest compared to other water purveyors in the Clackamas County and the Portland Metropolitan area. In some instances, the rates are higher than other water purveyors and in some instances they are lower depending on the type of customer and amount of water usage.

A comparison of water rates for various municipalities within the Pacific Northwest and nationwide is provided on Table 6.



Table 6

City of West Linn  
Typical Monthly Water Bill Comparison (1)

City	Residential 5/8" Meter		Commercial 1" Meter	
	10cfd	30cfd	30cfd	30cfd
<b>West Linn</b>	<b>\$ 14.27</b>	<b>\$ 16.86</b>	<b>\$ 36.90</b>	<b>\$ 41.36</b>
<b>Oregon</b>				
Eugene	\$ 12.13	\$ 14.99	\$ 38.57	\$ 27.06
West Linn	\$ 14.27	\$ 16.55	\$ 39.58	\$ 41.36
Oak Lodge	\$ 14.50	\$ 17.50	\$ 39.00	\$ 40.50
Portland	\$ 15.29	\$ 18.26	\$ 32.66	\$ 47.06
Mt. Scott	\$ 17.00	\$ 17.00	\$ 31.00	\$ 45.00
Salem	\$ 17.15	\$ 30.77	\$ 36.74	\$ 45.71
Hillsboro	\$ 17.21	\$ 25.23	\$ 34.50	\$ 44.60
Forest Grove	\$ 18.10	\$ 39.45	\$ 31.68	\$ 43.85
Clackamas River - N	\$ 18.35	\$ 30.25	\$ 32.45	\$ 44.85
Tualatin Valley	\$ 19.67	\$ 23.84	\$ 37.64	\$ 51.44
Tualatin	\$ 19.70	\$ 24.95	\$ 37.75	\$ 50.55
Greensboro	\$ 20.01	\$ 25.29	\$ 36.49	\$ 47.69
Beaverton	\$ 24.37	\$ 28.55	\$ 48.68	\$ 62.70
Oregon City	\$ 27.60	\$ 27.60	\$ 44.90	\$ 62.20
Wilsonville	\$ 30.70	\$ 29.01	\$ 47.11	\$ 65.21
Clackamas River - S	\$ 32.85	\$ 35.85	\$ 62.05	\$ 83.05
<b>Pacific Northwest</b>				
Vancouver, WA	\$ 18.10	\$ 21.30	\$ 32.70	\$ 32.70
Tacoma, WA				
October - May	\$ 13.95	\$ 27.64	\$ 34.88	\$ 42.72
June - September	\$ 15.52	\$ 27.04	\$ 34.88	\$ 42.72
Seattle, WA				
Sept. 16 - May 15	\$ 25.50	\$ 17.40	\$ 25.50	\$ 29.60
May 16 - Sep 15	\$ 29.20	\$ 26.40	\$ 45.50	\$ 66.60
Spokane, WA	\$ 12.84	\$ 15.15	\$ 20.95	\$ 26.75
<b>National</b>				
Miami, FL	\$ 33.99	\$ 20.99	\$ 43.69	\$ 62.19
San Francisco, CA	\$ 36.00	\$ 21.90	\$ 34.50	\$ 47.10
Baltimore, MD	\$ 37.97	\$ 39.35	\$ 69.75	\$ 100.35
Richmond, VA	\$ 39.50	\$ 34.62	\$ 46.56	\$ 59.50
Indianapolis, IN	\$ 39.15	\$ 22.40	\$ 35.20	\$ 45.70
Dallas, TX	\$ 28.75	\$ 14.87	\$ 31.97	\$ 45.97

(1) Effective as of September 2000.



**WATER QUALITY**

**Introduction**

Under Oregon's Water Quality Act of 1981, regulatory guidance is established for assuring safe drinking water for all water systems which serve the public. Oregon's law is based on regulatory promulgation from the U.S. Environmental Protection Agency (USEPA), as stipulated under the Federal Safe Drinking Water Act (SDWA) of 1974 and its 1985 and 1996 amendments. The State is expected to adopt the federal law and accept the primary responsibility for its implementation and enforcement. A list of existing rules affecting the City and the associated regulated parameters is outlined in Table 7.

Table 7  
Safe Drinking Water Act Amendments of 1985 and 1996

Rule	Parameters Regulated	Effective Date of Rule
Phase I	Volatile Organic Compounds	January 1989
Total Coliform Rule	Bacteriological, Disinfection	December 1990
Surface Water Treatment Rule	Turbidity, Disinfection, Bacteriological, Trihalomethanes (THMs)	December 1990
Phase II, Phase V	Inorganics, Volatile Organic Compounds, Synthetic Organic Compounds	January 1993
Lead and Copper Rule	Lead and Copper	December 1992
Radionuclides	Radionuclides (exclusive of radon)	Interim - 1992 Final by November 2000
Enhanced Surface Water Treatment Rule	Pathogens and disinfection by-products	November 1996 (Stage 1) By November 2000 (Long Term 1)
Consumer Confidence Reports	Annual report to consumers on service water quality	First reports due by October 1999
Information Collection Rule	Monitoring and data reporting for disinfection by-products and pathogens	May 1996



**Compliance**

Within the regulatory process, public water suppliers in Oregon are responsible for taking all reasonable precautions to assure the water delivered to water users does not exceed maximum contaminant levels (MCLs), to assure that water system facilities are free of public health hazards, and to assure that water system operations and maintenance is performed as required under Oregon Administrative Rules (OAR) 33-061.

Part of these regulatory requirements include a periodic sanitary survey conducted by the State of Oregon to review the operating condition of the water system. The most recent survey was completed by the State in April, 1995 and concluded that (Letter dated April 28, 1995 from Karl Salls, to Lyle Ulrich):

"The system appears to be in excellent operation condition. I have no recommendations at this time for improving the operation or reducing the risk of contamination. You're all doing a great job."

Among the items cited in the survey as important were the covering of the Bolton Reservoir and the installation of emergency generators at the Willamette Pump Station. The Bolton Reservoir has since been covered. The building provisions for the emergency generator at the Willamette Pump Station have been installed, and the generator is budgeted for purchase in fiscal year 2000/2001.

The City completes all the distribution system monitoring which is required by the State as well as additional tests which are needed to confirm adequate system operation:

- Distribution coliform samples are taken twice a month from twelve sites spread throughout the City. Two violations have occurred since 1995 due to inadequate reporting.
- Chlorine residuals are taken along with the coliform monitoring. One chlorine residual and one pH measurement is taken in the distribution system daily. Chlorine residuals typically range from 0.7 to 1.2 mg/L, with the low in 1996 of 0.3 mg/L. This is well above the regulatory requirement of maintaining a 0.2 mg/L.
- Synthetic organic compounds, pesticides, herbicides, asbestos, inorganic contaminants and radionuclides have all been monitored for as required by the State. A voluntary battery of ten (10) asbestos tests were conducted in March 1999. One (1) of the tests results exceeded the State level. A repeat sample and four (4) additional tests since March 1999 were conducted at the site and resulted in no detection of asbestos.
- West Linn has received approval along with Oregon City and the SPWB for consolidated monitoring and compliance with the Lead and Copper Rule. The systems have qualified for reduced levels of monitoring based on the low levels found in previous samplings. Ongoing pH monitoring is being used to assure operational adequacy of the corrosion treatment.
- Over the period of 1992 through 1996, total Trihalomethane levels in the distribution system of West Linn ranged from 15 to 40 ug/L, with most of the values in the range of 20-30 ug/L. Current regulatory requirements are 100 ug/L, but this limit will likely drop to 80 ug/L in 1998. It is possible that the limit will reduce even further sometime between the years 2000 and 2002.
- The City does not have data on Haloacetic Acids (HAA's) which are not currently regulated, but which will likely become regulated.



The City conducts a water quality customer complaint program. When customers call with complaints, a complaint form is completed which records the type of complaint, location, and other pertinent information. A field investigation must be conducted if warranted. The City also maintains a cross-connection control program. It has adopted standards by ordinance and maintains an annual program of testing and inspection of backflow using State certified testers.

**Future Regulations**

There are several proposed and pending regulations that could have an impact on the cost of existing water supplies utilized by the City. These regulations have not been finalized and therefore the exact impact on the City's operations and cost of water cannot be determined at this time. However, the potential impacts are associated with the proposed rules shown in Table B:

Regulation	Regulation	Timeline
Radon	Radon	Final published by 2000
Sulfate	Sulfate	A determination to regulate by August 6, 2001
Arsenic	Arsenic	Final by January 1, 2001
Disinfection By-Products	THMs, HAA5, Disinfectants	Expected in 2002 (Stage 2) Phase 1 compliance 2002 for large systems, 2004 for small systems
Filter Backwash Recycling Rule	Particles and Pathogens	By August 2000
Unregulated Contaminants Monitoring	Enhanced monitoring of unregulated contaminants	Passed August 1999

The City consistently monitors the change in regulations and evaluates the subsequent impact and costs associated with these regulations.



## REGIONALIZATION

### Introduction

The City through SPWB actively participates in studies with other water purveyors to assure an adequate long-term water supply at the least cost to its customers. With regard to regional water supply, the City was a participant in a two-phase Water Source Options Study undertaken by water purveyors in the Portland metropolitan area as well as Clark County, Washington.

### Regional Water Studies

The City was a participant in the Water Source Option Study undertaken by water purveyors in the Portland/Vancouver Metropolitan area. The regional water study was undertaken in two phases. Phase I of the project was authorized in December 1990 and was subsequently completed in February 1992. The purpose of Phase I was to establish a refined water demand forecast for the region, extending to the year 2050. Phase II of the study was started in 1993 and was completed in 1995. The purpose of Phase II was to identify and assess water supply options for the Portland/Vancouver region and provide cost estimates and other factors related to the determination of final water supply options for the Portland/Vancouver Metropolitan area.

The findings of the Phase II study showed that various options were available for regional supply. These included: Bull Run Dam No. 3, further development of the Clackamas River Watershed Basin, Aquifer Storage Recovery, and the Columbia Southshore Wellfield. No decisions were made with respect to which future resource development should be undertaken. The SPWB facilities were considered an integral part of the overall regional supply capacity.

An additional finding of the Phase II study was the need to begin review and development of a regional transmission strategy. This would provide linkage between the major watersheds within the Portland/Vancouver metropolitan area and allow for movement of water among these watersheds to meet future demands as well as provide for reliability of service.

In 1999, the regional purveyors began a study to look at the regional transmission alternatives. This study includes defining various routes available, sizing and cost of those facilities, financial and institutional matters related to the regional system and water quality blending concerns. This study is currently ongoing and no decisions or conclusions have been reached at this time.

The City is committed to, and will continue to be committed to, the regionalization efforts to assure long-term, safe, low cost water supplies for the Portland/Vancouver Metropolitan area.



## Regional Water Providers Consortium

The City through SPWB is currently a member of the Regional Water Providers Consortium (Consortium). The Regional Water Providers Consortium is a group of cities and water utilities in the Portland/Vancouver metropolitan area. Its purpose is to foster regional development of water supply and conservation issues. The Consortium funds various studies which are of a regional nature and is currently funding an update of the Regional Conservation Plan. The Regional Conservation Plan will be used to determine various conservation measures to be utilized on a regional basis. The plan also identifies those areas for conservation which are better done from a regional perspective as opposed from an individual utility perspective.

The Regional Water Providers Consortium is also the entity providing funding and direction for the regional transmission and storage option study. As discussed previously, this study is examining various regional transmission and storage options to maximize reliability and provide movement of water within the various watershed basins in the Portland/Vancouver metropolitan area.



## SOUTH FORK WATER BOARD

### Introduction

The Cities of West Linn and Oregon City are co-owners of the South Fork Water Board ("South Fork") (see "South Fork Water Board, herein"), an intergovernmental entity that owns a water treatment, supply and transmission system. The City purchases water from South Fork on a wholesale basis. The Cities pay for these water purchases from their respective Water Fund as an operations and maintenance expense.

### Governance

The SFWB is governed by a six-member Board of Commissioners. The Board of Commissioners consists of three City Councilors from the City of West Linn and three City Commissioners from the City of Oregon City. The Commissioners elect a chairman and vice-chairman.

### South Fork Indebtedness

South Fork currently has outstanding revenue bond debt that is secured by the payments for water purchases made by the Cities. These revenue bonds have standard rate covenants whereby rate increases may be necessary to meet required coverage tests. Such rate increases would likely be passed through to the Cities in the form of higher costs for water purchases.

### Relationship Between South Fork Indebtedness and Series 2000 Bonds

The City of West Linn's Series 2000 Bonds will be secured by a pledge of gross revenues of its Water Fund and other available funds. As such, payments made for debt service on the Series 2000 Bonds will be made prior to payments to South Fork for purchases of water, and effectively, prior to payments on South Fork's outstanding bonds.

Further, payments for purchases of water may be made from any available resource of the Cities, including their respective general funds. Therefore, if funds in the Water Fund are insufficient to pay both debt service on the Series 2000 Bonds and for the purchase of water, the City would be obligated to make payments on the Series 2000 Bonds first, and would be obligated to use other available resources to satisfy their obligation to South Fork, as necessary.

### Impact of Charter Rate Limitation

Section 44 of the City's Charter provides that utility rate increases may not increase by more than 5% in any calendar year without voter approval. Should the City increase the rates in its Water Fund by the maximum amount, and funds not be sufficient to pay both debt service on the Series 2000 Bonds and for the purchase of water, the City would again be obligated to make payments on the Series 2000 Bonds first, and to use other available resources to satisfy their obligation to South Fork, as necessary.



### Facilities

The SFWB owns and operates water supply facilities consisting of two river intakes on the Clackamas River, both of which include a raw water pumping station, a water treatment plant located in the Park Place area of Oregon City, a finished water pumping station, and raw and finished water transmission pipelines. The SFWB also has a system control and data acquisition (SCADA) system to provide for system operation and control.

The SFWB recently (1996) completed construction of a new intake and raw water pumping station on the south bank of the Clackamas River directly north of the water treatment plant. The new intake is located on South Clackamas River Drive approximately 500 feet downstream of the old intake. The intake diverts water from the river and pumps it to the water treatment plant. The intake screens, structure, mechanical, piping and electrical systems were designed for an ultimate nominal capacity of 42.6 mgd.

The raw water pumping station contains four vertical turbine pumps with space for a fifth pump. The present firm pumping capacity of the station with one of the largest pumps out of service is approximately 21 mgd. The intake structure is equipped with fish screens to prevent fish from entering the pump station wet well. Under present regulatory requirements, up to 82 cfs or 53 mgd can be passed through the screens.

The SFWB's old intake and raw water pump station is located approximately 500 feet upstream of the new intake on the south bank of the Clackamas River. Presently, the SFWB is maintaining the facility in operating condition as an emergency standby intake facility to backup the new intake.

A raw water transmission main connects the new and old intakes to the water treatment plant. As part of the original system development in 1954, a 27-inch concrete cylinder pipe raw water transmission main approximately 1,800 feet in length was constructed between the old intake and the water treatment plant. This main is presently in service.

The SFWB water treatment plant (WTP) is located along Hunter Avenue on a bluff to the south of the Clackamas River intake/pump station. The WTP, which has a rated production capacity of 20 mgd, was originally constructed in 1958 and improvements/modifications were made in 1975 and in 1986. Historically, the maximum day treated water production has been 18.3 mgd on August 11, 1986.

### Rate Setting

The SFWB charges the City of Oregon City and West Linn for all water used on a dollar per CCF basis. The SFWB also sells water on a surplus basis to the Clackamas River Water District (CRW). The SFWB currently has a contract for the sale of water to CRW which expires June 30, 2002. Rates for CRW are set pursuant to generally accepted rate making practices under the terms of the contract.

The SFWB sets rates based on generally accepted financing practices. Rates are set in order to assure payment of operation and maintenance expenses, debt service, debt service coverage, provide for working cash capital and provide for renewal and replacements to the system. Rates are generally set



annually based on the budget process undertaken by SFWB and are enacted by resolution by the Commission.

The SFWB's projected operating results for fiscal years 2001 through 2005 are provided in Table 9. The projected operating results for SFWB were prepared by Economic and Engineering Services, Inc. in May 1999 as part of the SFWB budgeting process. The SFWB's rates are designed to provide for payment of operation and maintenance expenses, debt service, debt service coverage and provide funds for capital improvements.

Payments to SFWB by the City for water use are based on the intergovernmental agreement. The obligation of the City for payment for water to SFWB is a full bill and credit of the City of West Linn. To the extent that inadequate funds are available from the City's water fund, then other sources of funds from the City would be utilized to pay for SFWB charges.

Table 9  
South Fork Water Board  
Projected Operating Results

	2000 (1)	2001	2002	2003 (2)	2004
<b>Revenues</b>					
Operating Revenues (2)	\$2,222,862	\$1,944,969	\$1,466,172	\$1,942,421	\$1,952,545
System Development Charges (3)	488,654	488,508	514,550	541,655	571,240
Maintenance Items (4)	1,242	1,591	1,609	1,686	1,739
Interest Income (5)	774,454	125,885	352,573	196,222	385,454
<b>Total Revenues</b>	<b>\$3,486,992</b>	<b>\$2,566,853</b>	<b>\$2,334,904</b>	<b>\$2,177,924</b>	<b>\$2,906,978</b>
<b>Expenses</b>					
Personnel Services (6)	\$471,827	\$502,204	\$517,376	\$522,768	\$548,772
Materials & Services (6)	452,855	470,363	427,824	440,859	452,824
Electricity (7)	362,000	361,204	400,718	320,828	388,512
Chemicals (8)	30,000	34,712	38,714	74,884	77,882
<b>Total Operating &amp; Maintenance Expenses</b>	<b>\$1,256,682</b>	<b>\$1,368,483</b>	<b>\$1,484,622</b>	<b>\$1,369,339</b>	<b>\$1,468,990</b>
<b>Balance Available for Debt Service</b>	<b>\$1,445,760</b>	<b>\$1,218,370</b>	<b>\$1,710,432</b>	<b>\$1,287,247</b>	<b>\$1,468,166</b>
<b>Debt Service Requirements</b>					
Current Bond Payments	\$502,400	\$551,220	\$778,225	\$598,740	\$668,580
New Bond Payments	-	-	-	-	-
<b>Total Debt Service Requirements</b>	<b>\$ 502,400</b>	<b>\$ 551,220</b>	<b>\$ 778,225</b>	<b>\$ 598,740</b>	<b>\$ 668,580</b>
<b>Debt Service Coverage</b>	<b>2.88</b>	<b>2.21</b>	<b>2.19</b>	<b>2.14</b>	<b>2.19</b>
<b>Available for Capital Improvements</b>	<b>\$ 943,360</b>	<b>\$ 667,150</b>	<b>932,207</b>	<b>688,507</b>	<b>800,186</b>

(1) Budget  
(2) Water sales to Oregon City, West Linn and Clackamas River Water. Includes rate increase of 3.0% effective July 1, 2001, 2002, 2003, 2004.  
(3) Based on 300,000 and number of new customers.  
(4) Assumed to increase at the rate of 2.0 percent annually.  
(5) Based on average peak flow rate and a replacement rate of 4.52 percent.  
(6) Electricity and chemical expenses are assumed to increase based on inflation and customer growth.  
(7) The reduction in operating revenue in 2003 is due to termination of the contract with Clackamas River Water.

### Facilities Planning

The SFWB undertakes an extensive process for facilities planning. The SFWB completed a water master plan in September 1997. This water master plan outlined requirements for improvements to the system as well as needed expansions in order to serve growth.



Provided in Table 10 is a summary of the capital improvement funding for the SFWB for the fiscal years 2001 to 2005.

The SFWB currently maintains a policy of utilizing income from the operating fund and system development charges to build up capital reserves prior to construction of major capital improvements. The next major capital improvement for the SFWB will be an upgrade to the water treatment plant in approximately 2009.

Table 10

South Fork Water Board  
Capital Funding

	2000 (1)	2001	2002	2003	2004
<b>Existing Balance</b>	<b>\$1,871,415</b>	<b>\$1,884,730</b>	<b>\$1,917,779</b>	<b>\$1,934,807</b>	<b>\$1,966,883</b>
<b>Source of Funds</b>					
Debt Issued	\$0	\$0	\$0	\$0	\$0
Interest Savings (2)	\$2,540	71,249	114,202	158,441	118,114
System Development Charges	428,154	449,829	514,356	542,420	571,240
Transfers from Operating Fund	400,000	400,000	400,000	300,000	398,000
<b>Total Source</b>	<b>\$830,694</b>	<b>\$820,078</b>	<b>\$1,028,558</b>	<b>\$999,070</b>	<b>\$987,354</b>
<b>Application of Funds</b>					
New Water Pumps	\$0	\$0	\$0	\$210,275	\$1,817,140
Transmission Line Isolation Valves	288,000	-	-	-	-
Finished Water Treat. RTP in Redland Rd	368,000	-	-	-	-
Raw Line Improvements	-	-	254,215	-	-
Local treatment plant flow to waste system	-	-	-	384,029	-
Backwash water handling facility	-	-	-	-	121,882
Address of second backwash pump	250,000	-	-	-	-
Reservoir study for site location and purpose	100,000	-	-	-	-
Anchor Way Bridge Replacement	-	-	-	-	-
Insurance Costs	-	-	-	-	-
<b>Total Application</b>	<b>\$1,496,000</b>	<b>\$0</b>	<b>\$224,215</b>	<b>\$768,304</b>	<b>\$1,939,026</b>
<b>Ending Balance</b>	<b>\$1,884,730</b>	<b>\$1,871,779</b>	<b>\$1,934,807</b>	<b>\$1,966,883</b>	<b>\$1,966,883</b>

(1) Budget  
(2) Based on average bond balances and a replacement rate of 4.75 percent.



## Water Rights

The South Fork Water Board holds five water rights on the Clackamas River and its tributaries. These rights are the most senior municipal rights on the river and its tributaries except for a small intervening right on the Clackamas River held by the City of Gladstone. All of the SFWB's rights pre-date a major instream right held by the Oregon Water Resources Department (OWRD). The total permitted withdrawal rate for all of the permits is 116.0 cubic feet per second (cfs) or 74.98 million gallons per day (mgd). During periods of low natural streamflows (summertime), the permitted withdrawals cannot be accomplished, as there are insufficient streamflows to support the authorized withdrawal amounts. It is estimated that the actual maximum withdrawal rate for all five rights during such periods is 60.0 cfs or 51.71 mgd. At the present time, the SFWB has the right to withdraw at the new intake up to 66.0 cfs or 42.6 mgd. The SFWB is presently in the process of applying to OWRD for alternate points of diversion for some of its water rights on the South Fork of the Clackamas River and Memorial Creek. The SFWB is pursuing these actions to maximize the usability and legal status of its present rights.

## Endangered Species Listing

Currently on the Clackamas, steelhead are listed as a threatened species under the Endangered Species Act. Cutthroat Trout may also be listed as threatened under the Endangered Species Act in the near future. The impact of these threatened species on the raw water rights and operations of the SFWB plant cannot be determined at this time. The SFWB and other water purveyors are currently working with federal and state agencies to find solutions for restoration of these threatened species on the Clackamas River.

## Joint Projects

The SFWB recently entered into an intergovernmental agreement with Clackamas River Water (CRW) and the North Clackamas County Water Commission (NCCWC) which consists of Mt. Scott Water District, Oak Lodge Water District and Damascus Water District to construct a 24-inch pipeline interconnecting the SFWB water treatment plant with the NCCWC water treatment plant. This will allow the movement of water between CRW, NCCWC and SFWB. The purpose for construction of the transmission line is to provide for better utilization and coordination of water resources within the Clackamas River Basin and provide for minimization of cost to all the participants. The impact on SFWB rates is not known at this time. However, it is anticipated that the Project will enable the SFWB to provide for greater outside water sales and hence lower rates to Oregon City and West Linn.



## WATER DISTRIBUTION SYSTEM

### Introduction

The City currently serves a retail population of approximately 22,835 people within its primary service territory, covering an area of approximately 22 square miles. This is provided through a distribution system of pipes ranging from 4- to 24-inch in diameter, seven (7) pressure zones, six (6) reservoirs with a capacity of six million gallon (mgd) and three (3) pump stations capable of supplying approximately 8,750 gallons per minute (gpm).

### Service Area

The City's current water service territory is congruent with the current city boundaries. The City's system consists of six (6) main pressure zones. Additionally, the City maintains PRV's which provide for a total of thirteen (13) sub zones in order to meet pressure requirements.

### Transmission Mains

The City connection to the SFWB system occurs on the discharge side of the Division Street Pump Station, through a master meter currently owned by the SFWB and a 24-inch diameter transmission main. West Linn's data management system and the SFWB's SCADA system record daily total flows as well as instantaneous minimum and maximum daily flows. As part of the recent pump station upgrading, the SFWB constructed a pressure control station on the supply main to the City directly across Division Street from the station. This system limits the maximum pressure of the SFWB's supply at its point of delivery to the City so that the City gravity system is not over pressurized during operation of the pump station.

The 24-inch diameter transmission main proceeds across the Interstate 205 Bridge from the Division Street Pump Station and connects to the city's distribution system at the west end of the bridge. The transmission system was designed to have a capacity of approximately 13 million gallons per day.

The distribution system network is comprised of over 104 miles of pipes in sizes up to 24-inches in diameter. The pipe types include asbestos cement, cast iron, ductile iron, copper, steel, polyvinyl chloride, and galvanized iron. The oldest pipes in the system probably date back to 1915 when the SFWB was first developed. Table 11 summarizes the amount of pipeline which is present in the system by the diameter of the pipe.



**Table 11**  
**Summary of Pipeline Sizes**

Diameter	Lineal Feet in System	% of Total Pipeline
Less than 6-inch	70,145	13.0
6	253,812	46.9
8	106,300	20.0
10	33,780	6.2
12	16,503	3.0
14	14,742	2.7
16	9,659	1.8
18	16,159	3.0
20	3,447	0.6
24	14,626	2.7
<b>Total</b>	<b>548,575</b>	<b>100</b>

### Reservoirs and Tanks

The system has a total storage capacity of six million gallons spread across six storage reservoirs and tanks. Table 12 summarizes information about these reservoirs.

**Table 12**  
**Summary of Reservoir Capacities**

Name	Year Built	Capacity (million gallons)	Type	Overflow Elevation (ft)	Diameter (ft)	Height (ft)
Bolton	1913	2.5	Concrete on grade, with liner and cover	440		
Horton	1974	1.5	Steel, On Grade	730.5	80	40
Rosemont	1991	0.4	Steel Tower	860	83	110
Bland Circle	1981	0.5	Steel, On Grade	585	43	48
Wilamette	1970	0.6	Steel, On Grade	351	48	43
View Drive	1967	0.5	Steel, On Grade	328	60	24

The Bolton Reservoir, located on Skyline Drive, was constructed in 1913 as part of the original supply from the SPWB. It is a concrete slab-on grade reservoir with 2:1 (horizontal: vertical) side slopes. A liner was installed in 1989. Prior to the liner placement the floor panels were patched on an ongoing basis. Areas of exposed rebar in the floor were patched just prior to the Hypalon liner placement. A Hypalon cover was placed over the reservoir in 1995. The floating cover is equipped with an access hatch. Piping serving the reservoir consists of an 18-inch steel inlet/outlet pipe. An old 10-inch connection was

abandoned due to a landslide northeast of the reservoir. The reservoir water surface is normally below the hydraulic grade line of the transmission line from the SPWB. All electrical and telemetry associated with the reservoir is at the Bolton Pump Station. The reservoir supplies water to the Bolton Pump Station in addition to its own Bolton Pressure Zone service area.

The Horton Reservoir is located at the intersection of Horton Road and Santa Anita Drive. It is a ground level steel reservoir. The inlet pipe is 14-inch diameter and extends from the distribution system to the reservoir. A 14-inch outlet/suction pipe extends from the wall of the reservoir to the adjacent Horton Pump Station. This pipe exits the reservoir and goes up to the Horton Pump Station at four to five feet above the floor elevation of the reservoir. This configuration reduces the effective pump storage by approximately 190,000 gallons. A 10-inch pipe connects the inlet and suction pipes. The existing light for the reservoir site has been abandoned and a street light provides lighting for the reservoir. Telemetry consists of a level transducer located in the pump station instead of in the reservoir itself. The level has to be mathematically adjusted to read true water elevation. The reservoir is filled by the Bolton Pump Station and supplies water to the Horton Pump Station in addition to its own Horton Pressure Zone service area.

The Rosemont Tower is an elevated steel, spheroid tower located on Suncrest Drive. It supplies water to the Rosemont Pressure Zone service area. The enclosed area of the reservoir pedestal is used to house all electrical and telemetry systems for the reservoir. The apron also houses radio broadcasting equipment for fire and emergency calls. Piping for the elevated reservoir includes a single 18-inch ductile iron pipe from Suncrest Drive, a steel inlet/outlet and an overflow pipe inside the reservoir. The pipes extend vertically up into the spheroid. All visible piping systems appear to be in good condition and operating properly. Site access is through a small landscaped area. Site security is provided at the base of the pedestal with a locking door.

The Bland Circle Reservoir is a ground level steel reservoir located on Bland Circle and serves the Bland Pressure Zone. It is supplied by the Wilamette Pump Station from the Wilamette Reservoir. A 10-inch common inlet/outlet pipe serves the reservoir. A 10-inch gate valve is used to isolate the reservoir.

The Wilamette Reservoir is a ground level steel reservoir located on Salamo Road in the Wilamette area. Flow to the reservoir is through a 10-inch pipe. The reservoir serves the Wilamette Pressure Zone and the Wilamette Pump Station. A new altitude valve and vault were constructed on the inlet/outlet pipe to control flow into the reservoir. A 16-inch suction pipe extends out the south side of the reservoir and serves as the main suction for the pump station. A 14-inch by 10-inch cross has also been cut into the 10-inch inlet/outlet pipe and provides suction for the adjacent pump station if the reservoir is taken out of service. Site lighting is provided by a light mounted on the roadway above the reservoir and pump station. A chain link security fence extends only partially around the site.

The View Drive Reservoir is a ground level steel reservoir on View Drive in the Robinwood area. It serves the Robinwood Pressure Zone. Piping includes a common 10-inch inlet/outlet pipe which connect to a valve box near the reservoir. The vault contains two 10-inch pipes which tee off from the inlet/outlet pipe. One of the pipe runs includes an altitude valve to close the reservoir when full. The other pipe includes a check valve to allow water to flow out the reservoir when the pressure in the system drops. The tank flow is regulated using an adjacent PRV and altitude valve located in the distribution system. Site



improvements include a short gravel access and parking area and a chain link security fence. Limited access exists around the reservoir.

### Pump Stations

The water system includes three pump stations. Information about those stations is summarized in Table 13. The nominal firm capacity is the capacity of the pump station with the largest pump out of service. The actual firm capacity may be less than the nominal capacity due to the fact that the rated flow of each pump individually may not be achieved when all pumps are in operation.

The Bolton Pump Station is located adjacent to the Bolton Reservoir and was constructed in the early 1970's. The facility consists of four (4) vertical turbine pumps mounted in the floor above a concrete clearwell. The clearwell of the station and the Bolton Reservoir are interconnected and supplied from an 18-inch transmission main which is connected to the 24-inch diameter transmission main from the SFWB. Above grade portions of the stations are frame construction, with a wood truss roof and composition shingles. The roofing was upgraded in 1992. Upgrades to the pumps were performed in 1983. The station pumps water to the Horton Reservoir through a 14-inch diameter transmission main. The level in the Horton Reservoir controls the pumps. The 6-inch pump discharge pipes include a plug valve for isolation and an angle pump control valve that provides the necessary startup head for the pumps.

Improvements to expand the Bolton Pump Station to meet future demands were completed in March 1996. These improvements consisted of constructing a new pump station at the site of the existing pump station. This new pump station was initially equipped with two, 1,500 gpm pumps, along with space for future addition of two more 1,500 gpm pumps. The pump station also included an emergency, standby diesel generator to provide power in case of a power failure.



Table 13  
City of West Linn  
Summary of Existing Pump Station Capacities

Name	Pump Configuration (gpm)	Total Installed Capacity (gpm)	Nominal Firm Capacity (gpm)*
Bolton**	3 @ 750; 1 @ 500; 2 @ 1,500	5,750	4,250
Horton	3 @ 1,000; 2 @ 1,500	5,000	3,500
Willamette	3 @ 500	1,500	1,000

\* Actual firm capacity may be less than nominal firm capacity because rated pump flow may not be achieved when all pumps are in operation.

\*\* Includes capacity of both existing and new Bolton Pump Stations

The Horton Pump Station is a concrete and frame structure located adjacent to the Horton Reservoir. Upgrades to the pump station completed in April 2000 included moving one of the existing 1,000 gpm pumps and installation of two (2) new 1,500 wpm pumps. A generator backup is also budgeted to be installed in August 2000. A new composition roof was installed on the structure in 1996. The station pumps to the Rosemont Tower. The level in the tower controls the operation of the pumps. Suction for the station is taken from the Horton Reservoir at a point four to five feet above the reservoir floor. Site improvements include the graded parking area around the pump station and the gravel access road. The back wall of the pump station serves as a retaining wall to support the back slope of the site.

The Willamette Pump Station is a concrete structure constructed in 1994 and located adjacent to the Willamette Reservoir. It pumps water to the Bland Circle reservoir that controls the operation of the pumps. The station has three vertical turbine pumps, which sit in pump cans mounted in the floor. The roofing system is a pitched truss support system with ribbed metal roofing. Suction for the station is taken directly off of the Willamette Reservoir, through a 16-inch pipe. A 14-inch pipe directly off of the reservoir inlet/outlet pipe can provide secondary suction flow.

### Other Facilities

The system includes thirty (30) pressure reducing stations, creating thirteen (13) sub zones. These stations reduce the pressure from the main zones within the system to acceptable levels in areas of lower elevation. These areas would have unacceptably high pressures if operated directly off the pressures of the main zones.

### Instrumentation and Controls

The City recently completed installation of a new System Control and Data Acquisition (SCADA) system. This system is used to control and monitor the pumps, tanks, and other components of the water system. The SCADA system records flows, pressures, elevations and other information that is useful in controlling daily operations and understanding how the system works.



### Meters

There are approximately 7,500 water meters as of May 2000 water throughout the water system. Over 95% of these meters are residential, 5/8 x 3/4-inch meters. Most of the remaining meters are 1-inch, 1 1/2-inch, and 2-inch meters which serve multifamily, apartments, commercial, and public facilities. There are less than twenty meters system-wide that are 3-inches or greater in size.

### Organization and Management

The West Linn system is operated by the Water Operations Supervisor, a water quality control person, and four water distribution system operating personnel. The Water Operations Supervisor reports to an Operations Manager, who has responsibility for sanitary sewers, storm water, solid waste and recycling, transportation, and vehicle maintenance in addition to water operations. Engineering support is provided by the Engineering division of Public Works, which also supports the other operating functions of the City. Overall system management responsibility extends from the Public Works director to the city Manager and the City Council.

The water system is classified by the State Health Division as a Water Distribution System - Level 3. The State requires that the operator of such a system have a Level 3, Water Distribution operator certification. The current Water Operations Supervisor has this level of certification. Other members of the water operations staff have Level 1 and Level 2 certification. One of the operations personnel are also certified as Cross Connection Control Testers and three of them are certified as Inspectors.



## HISTORICAL AND PROJECTED OPERATING RESULTS

### Customers and Water Sales

During the five-year period, 1995 to 1999, the number of customers served by the City increased from 6,603 to 7,354. This represents an annual compound growth of 2.73% per year. During the five-year period, 1995-1999, water sales increased from 1,138,075 ccf to 1,310,604 ccf. This represents an annual compound increase of 3.60%.

For the projection period of fiscal years 2000-2004, the City has assumed increases in total customers of 2.0% per year. Additionally, water sales have been projected to increase at an annual compound growth rate of 2.00% per year over this period.

The historical and projected number of customers for the various customer classes is shown in Table 14.



**Table 14**  
**City of West Linn**  
**Historical and Projected Customers**

**Number of Customers**

	Historical				
	1996	1997	1998 (1)	1999	2000 (2)
<b>Single Family</b>	6,458	6,664	6,945	6,984	7,224
<b>Multi-Family &amp; Apartments</b>	220	221	224	225	226
<b>Commercial</b>	302	308	307	322	324
<b>Irrigation</b>	58	60	62	70	71
<b>Public Facilities</b>	51	51	52	55	54
<b>Total Customers</b>	<b>6,810</b>	<b>7,001</b>	<b>7,290</b>	<b>7,354</b>	<b>7,581</b>
<b>Year to Year Growth (%)</b>	<b>0</b>	<b>2.67%</b>	<b>2.11%</b>	<b>2.27%</b>	<b>2.90%</b>
<b>Additional Services</b>					
<b>Single Family</b>	311	150	350	338	140
<b>Multi-Family &amp; Apartments</b>	-	1	2	1	2
<b>Commercial</b>	2	2	2	15	2
<b>Irrigation</b>	2	2	2	8	1
<b>Public Facilities</b>	-	-	1	1	1
<b>Total Additional Services</b>	<b>315</b>	<b>152</b>	<b>355</b>	<b>353</b>	<b>145</b>
	Projected				
	2001	2002	2003	2004	2005
<b>Single Family</b>	7,288	7,411	7,589	7,720	7,864
<b>Multi-Family &amp; Apartments</b>	131	134	137	140	143
<b>Commercial</b>	138	139	132	135	138
<b>Irrigation</b>	72	73	74	75	77
<b>Public Facilities</b>	55	56	57	58	59
<b>Total Customers</b>	<b>7,683</b>	<b>7,813</b>	<b>7,991</b>	<b>8,118</b>	<b>8,281</b>
<b>Year to Year Growth (%)</b>	<b>2.02%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
<b>Additional Services</b>					
<b>Single Family</b>	140	140	140	151	154
<b>Multi-Family &amp; Apartments</b>	2	2	2	2	2
<b>Commercial</b>	2	2	2	2	2
<b>Irrigation</b>	1	1	1	1	2
<b>Public Facilities</b>	1	1	1	1	1
<b>Total Additional Services</b>	<b>145</b>	<b>145</b>	<b>145</b>	<b>155</b>	<b>158</b>

(1) Data not available - Estimated based on annual growth rate from 1996 to 1999.  
(2) Estimated.



**Revenues**

The City receives approximately 90% of its operating revenue from water service charges. Additional revenues are obtained through interest earnings, system development charges and miscellaneous fees.

**Water Sales**

As shown in Table 15, the City's revenues from sales of water have decreased from approximately \$1.9 million in 1996 to approximately \$1.9 million in 2000. This decrease was brought about by the roll back in water rates approved by the voters in November 1995. The projection of water service revenues at present rates for the period of 2001-2005 is based on the anticipated growth in customers and water sales, and rate increases 3.7% on December 1, 1998 and of 5% effective July 1, 1999. The rate increase passed January 10, 2000 to be effective January 1, 2000 is shown as a rate increase in the historical operating results.



**Table 16**  
City of West Linn  
Historical and Projected Revenue at Current Rates

	Historic				
	1996 (1)	1997 (1)	1998	1999	2000 (2)
Water Rate Revenue	\$ 1,582,683	\$ 1,542,533	\$ 1,697,961	\$ 1,754,368	\$ 1,878,878

  

	Projected				
	2001	2002	2003	2004	2005
Water Rate Revenue (2)	\$ 1,914,108	\$ 1,952,358	\$ 1,991,437	\$ 2,031,268	\$ 2,071,897
Projected increase in water rates	2.00%	2.00%	2.00%	2.00%	2.00%

(1) Reduction in 1996 and 1997 due to rate rollback in November 1996.  
(2) 2000 revenues estimated and adjusted for 2.7% increase on December 1, 1999 and 5% increase on July 1, 2000.  
(3) Projected revenues based on current rates and customer growth.



**System Development Charges**

The City receives system development charge (SDC) fees for new connections. For the purposes of the projected operating results, SDCs have been projected based on the increase in customers. Provided in Table 16 is a summary of the projected SDC revenue for the years 2001-2005.

**Table 16**  
City of West Linn  
Projected SDC Revenue

Meter Size (Inches)	Projected				
	2001	2002	2003	2004	2005
Number of Customers	7,651	7,604	7,568	8,179	8,382
Change in Number of Customers	249	153	158	159	163
FY0's	349	182	156	159	163
SDC Rate	2,360	2,442	2,528	2,818	2,768
SDC Revenue					
Reimbursement Fee (1)	\$ 58,508	\$ 62,181	\$ 65,620	\$ 69,222	\$ 73,448
Improvement Fee (2)	285,130	311,965	328,720	346,778	367,944
Total	\$ 343,638	\$ 374,146	\$ 394,340	\$ 416,000	\$ 441,392

(1) 26.84% of SDC revenue is a reimbursement fee available for payment of the Series 2000 Bonds.  
(2) Not available for payment of the Series 2000 Bonds.



**Capital Improvements Program**

The City has projected its capital improvements for additions and replacements for the water system for the period of fiscal years 2001-2005 will result in requirements totaling approximately \$2.4 million. Projects in the CIP include pipelines, reservoirs and pump stations. Provided in Table 17 is a summary of the sources and uses funds of the CIP.

	2001	2002	Projected 2003	2004	2005
<b>Beginning Balance</b>	\$ 635,716	\$ 270,630	\$ 184,644	\$ 98,773	\$ 230,648
<b>Source:</b>					
Interest Income	\$ 21,526	\$ 10,813	\$ 6,731	\$ 7,824	\$ 14,609
System Development Charges	351,610	373,686	394,349	416,000	441,392
<b>Total Source</b>	\$ 1,008,851	\$ 655,128	\$ 585,794	\$ 522,696	\$ 696,849
<b>Application:</b>					
Capital Improvements Projects					
Bland Circle Reservoir No. 2	353,920	272,537	282,075	291,948	302,166
Horton Reservoir No. 2	283,647	-	-	-	-
Land Purchase	191,254	197,948	204,876	-	-
<b>Total Application</b>	\$ 728,821	\$ 470,484	\$ 486,951	\$ 291,948	\$ 302,166
<b>Ending Balance</b>	\$ 270,630	\$ 184,644	\$ 98,773	\$ 230,648	\$ 230,648

**Capital Maintenance Program**

In addition to the Capital Improvement Program, a Capital Maintenance Program (CMP) is recommended for major maintenance and replacement needs of existing facilities. For the period of fiscal years 2001-2005, requirements totaling approximately \$4.3 million are projected. As shown, two additional borrowings of \$650,000 in 2002 and \$1.5 million in 2004 are anticipated to pay for the CMP projects. Provided in Table 18 is a summary of the sources and uses of funds of the CMP.



	2001	2002	Projected 2003	2004	2005
<b>Beginning Balance</b>	\$ 143,406	\$ 322,822	\$ 553,182	\$ 682,530	\$ 451,302
<b>Source:</b>					
New Bond Issue	1,800,000	650,000	-	1,500,000	-
Interest Income	11,073	20,805	29,348	26,929	24,391
Transfers from Water Fund	300,000	100,000	100,000	100,000	100,000
<b>Total Source</b>	\$ 2,254,479	\$ 1,095,827	\$ 682,530	\$ 2,306,459	\$ 575,699
<b>Application:</b>					
Horton Reservoir Repair	-	-	-	59,384	-
Bolton Slide Stabilization	-	-	-	237,537	-
Reservoir Coatings	-	-	-	748,242	-
Reservoir Seismic Repair	-	-	-	213,784	-
PRV Vault Repair	-	-	-	95,015	-
Reservoir Corrosion Protection	-	60,979	-	-	-
Service Replacement	-	42,131	-	45,132	-
Meter Replacement	-	28,827	-	30,880	-
Bolton Reservoir Improvements	21,425	-	-	-	-
Horton PS Improvements	-	-	-	47,507	-
Lake Oswego Inter tie Upgrade	-	83,154	-	-	-
Main Replacements	192,821	299,354	-	320,675	-
1-205 Main Catwalk & Fall Protection	1,565,000	-	-	-	-
Bond Issue Costs	192,412	26,000	-	60,000	-
<b>Total Application</b>	\$ 1,931,857	\$ 540,445	\$ -	\$ 1,858,157	\$ -
<b>Ending Balance</b>	\$ 322,822	\$ 553,182	\$ 682,530	\$ 451,302	\$ 575,699
Bond Reserve Fund	154,580	211,250	211,250	342,027	342,027
<b>Ending Balance without Bond Reserve Fund</b>	\$ 168,242	\$ 341,932	\$ 471,280	\$ 109,275	\$ 233,666



**Historical and Projected Coverage**

The historical operating results for the City for the fiscal years 1996 through 2000 are shown in Table 19. Projected coverage for the City for the fiscal years 2001-2005 for the Gross Revenues Test is shown in Table 20 and the Net Revenue Test is shown in Table 21. Future revenues have been projected based on customer growth and increases in water sales. Future expenses have been projected based on increases associated with inflation, customer growth and water sales. Interest earnings are calculated based on funds held by the City and the reinvestment rate.

	Historical				
	1996	1997	1998	1999	2000(1)
<b>Revenues</b>					
Revenue of Present Rates	\$ 1,832,888	\$ 1,545,110	\$ 1,597,961	\$ 1,754,269	\$ 1,976,876
Rate Increase Revenue (2)	-	-	-	-	44,280
Interest Income	47,460	46,730	47,843	24,773	90,219
Connection Charges (3)	42,898	48,654	48,147	41,279	50,000
Other Revenues	11,478	35,825	30,480	44,700	39,000
<b>Total Revenues</b>	<b>\$ 2,466,199</b>	<b>\$ 2,082,277</b>	<b>\$ 2,085,749</b>	<b>\$ 2,269,249</b>	<b>\$ 2,686,284</b>
<b>Operating Expenses</b>					
Personnel Services	\$ 221,478	\$ 211,200	\$ 207,445	\$ 208,030	\$ 205,480
Materials and Services	279,880	295,150	284,908	426,279	283,722
Depreciation-Sewer Park	141,784	185,060	788,880	788,055	898,619
Payment in Lieu of Taxes	10,358	-	-	-	-
Administrative Charges	50,788	339,739	220,277	236,949	281,963
<b>Total Operating Expenses</b>	<b>\$ 1,706,288</b>	<b>\$ 2,031,250</b>	<b>\$ 2,098,541</b>	<b>\$ 2,399,414</b>	<b>\$ 2,171,784</b>
<b>Net Income Available for Other Uses</b>	<b>\$ 759,911</b>	<b>\$ 50,027</b>	<b>\$ 987,208</b>	<b>\$ 869,835</b>	<b>\$ 514,500</b>

(1) - Estimated - Unaudited.  
(2) - Rate increase of 2% on January 1, 2000.



Table 20  
City of West Linn  
Projected Gross Revenue Debt Service Coverage

	2001 (1)	2002	2003	2004	2005
<b>Revenues</b>					
Revenue of Present Rates	\$ 1,974,186	\$ 1,982,280	\$ 1,991,437	\$ 2,001,265	\$ 2,011,892
Rate Increase Revenue (2)	142,285	280,764	268,879	495,712	634,867
Interest Income (3)	61,218	55,480	59,421	58,265	53,772
Connection Charges (4)	81,750	55,561	55,436	57,078	58,394
Other Revenues (5)	25,890	25,854	25,444	25,132	25,250
<b>Total Revenues</b>	<b>\$ 2,185,989</b>	<b>\$ 2,394,199</b>	<b>\$ 2,395,617</b>	<b>\$ 2,617,452</b>	<b>\$ 2,883,375</b>
<b>Debt Service</b>					
The Bonds, Series 2000	\$ 51,122	\$ 15,078	\$ 13,247	\$ 156,851	\$ 182,868
Future Bonds (3)	-	56,679	56,678	183,447	187,447
<b>Total Debt Service</b>	<b>\$ 51,122</b>	<b>\$ 71,757</b>	<b>\$ 70,925</b>	<b>\$ 340,298</b>	<b>\$ 370,315</b>
<b>Gross Revenue Debt Service Coverage (6) (7)</b>	<b>43.04</b>	<b>33.37</b>	<b>33.92</b>	<b>7.68</b>	<b>7.81</b>
<b>Total Revenues Less Debt Service</b>	<b>\$ 2,134,867</b>	<b>\$ 2,322,442</b>	<b>\$ 2,324,692</b>	<b>\$ 2,277,154</b>	<b>\$ 2,513,060</b>

(1) Budget  
(2) Rate increase of 5.0% effective January 1, 2001, 2002, 2003, 2004 and 2005.  
(3) Based on fund balances and reinvestment rate.  
(4) Projected based on 2000 budget and the rate of inflation.  
(5) Assesses increases of \$655,000 in 2003 and \$1.2 million in 2004.  
(6) Total revenues/total debt service.  
(7) These coverage calculations consider only Gross Revenues, rather than *Finalized Revenues*.  
*Finalized Revenues* include Gross Revenues, System Development Charges and other funds.



**Table 21**  
City of West Linn  
Projected Net Percentage Debt Service Coverage

	2001 (1)	2002	2003	2004	2005
<b>Revenues:</b>					
Services at Present Rates	\$ 1,314,358	\$ 1,512,890	\$ 1,661,427	\$ 1,821,258	\$ 1,971,889
Rate Increase Revenues (2)	142,000	250,704	368,078	493,772	624,987
Interest Income (3)	61,238	55,450	58,421	58,281	53,712
Concessions Charges (4)	51,790	55,964	55,436	57,278	58,894
Other Revenues (4)	28,890	29,854	31,644	33,121	35,355
<b>Total Revenues</b>	<b>\$ 1,588,266</b>	<b>\$ 1,913,858</b>	<b>\$ 2,095,614</b>	<b>\$ 2,374,608</b>	<b>\$ 2,695,877</b>
<b>Operating Expenses</b>					
Personnel Services (5)	\$ 482,880	\$ 479,648	\$ 496,684	\$ 514,969	\$ 532,055
Materials and Services (6)	302,240	313,053	324,408	338,208	341,075
Payments to South Park (6)	328,020	328,800	327,881	328,287	321,245
Travel (6)	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,095,020</b>	<b>\$ 1,097,648</b>	<b>\$ 1,171,098</b>	<b>\$ 1,177,867</b>	<b>\$ 1,194,897</b>
<b>Revenues Available for Debt Service</b>	<b>\$ 493,246</b>	<b>\$ 816,210</b>	<b>\$ 924,516</b>	<b>\$ 1,196,739</b>	<b>\$ 1,500,980</b>
<b>Debt Service</b>					
The Bonds, Series 2000	\$ 51,180	\$ 51,270	\$ 50,947	\$ 50,211	\$ 50,869
Future Bonds (7)	-	36,870	36,870	37,147	37,447
<b>Total Debt Service</b>	<b>\$ 51,180</b>	<b>\$ 88,140</b>	<b>\$ 87,817</b>	<b>\$ 87,358</b>	<b>\$ 88,316</b>
<b>Net Revenues Debt Service Coverage (8) (9)</b>	<b>9.64</b>	<b>9.26</b>	<b>10.53</b>	<b>13.60</b>	<b>16.99</b>
<b>Net Income Available for Other Uses</b>	<b>\$ 1,037,020</b>	<b>\$ 1,827,648</b>	<b>\$ 1,907,797</b>	<b>\$ 1,786,841</b>	<b>\$ 1,607,061</b>
<b>Water Fund Ending Balance</b>	<b>\$ 503,490</b>	<b>\$ 470,490</b>	<b>\$ 444,240</b>	<b>\$ 418,238</b>	<b>\$ 392,490</b>

(1) Budget  
(2) Rate increase of 3.0% effective January 1, 2001, 2002, 2003, 2004 and 2005.  
(3) Based on fund balances and investment rate.  
(4) Projected based on 2001 budget and the rate of inflation.  
(5) Projected based on 2001 budget and inflation. 2001 budget includes two new labor positions.  
(6) Based on 2001 rates, water losses and increase in SPWS rates.  
(7) Assumes issuance of \$500,000 in 2002 and \$1.5 million in 2004.  
(8) Total revenues-total operating expenses-total debt service.  
(9) These coverage calculations consider only Gross Revenues, rather than Net Revenues. Net Revenues include Gross Revenues, System Development Charges and other funds.



**Affordability Analysis**

No current guidelines exist for affordability analysis to help communities assess the affordability of a proposed water plant or program. However, the Environmental Protection Agency has established informal guidelines to help communities to assess the affordability of a proposed sewage plant or program. The threshold of community affordability of sewer rates is 1.5% of median household income. Median household income represents the middle value of the distribution of incomes ranging from the lowest to the highest, with half of all income above and half of all income below the median. It is important to note that this EPA affordability indicator is intended to measure a community's ability to afford sewer rates and it is not intended to be used as a measure for each individual household. Furthermore, the 1.5% relates only to annualized sewer costs and is non-inclusive of other public utilities. For the purpose of the analysis presented herein, a comparison of the average annual homeowner cost to median income is provided for information purposes only. Presented in Table 22 is a comparison of the City's typical residential annual water cost as a percentage of median household income. For the purpose of the presentation, various assumptions regarding median household income growth are provided for the projection.

**Table 22**  
City of West Linn  
Proposed Water Rates as a Percent of Median Household Income  
For the Fiscal Year Ending June 30

	2001	2002	2003	2004	2005
<b>Monthly User Charge (1)</b>	15.20	16.06	16.87	17.73	18.58
<b>Annual Homeowner Cost</b>	181.58	192.76	202.46	212.52	222.95
<b>Median Household Effective Buying Income (2)</b>					
Growth at 0% per year	47,600	47,600	47,600	47,600	47,600
Growth at 2% per year	48,136	49,349	51,636	54,067	56,044
Growth at 3% per year	49,240	51,492	54,067	56,776	59,689
Growth at 4% per year	49,974	52,473	55,216	58,221	61,006
<b>Annual Water Costs as a Percent of Household Income</b>					
Growth at 0% per year	0.38%	0.42%	0.42%	0.47%	0.47%
Growth at 2% per year	0.38%	0.39%	0.40%	0.40%	0.41%
Growth at 3% per year	0.37%	0.37%	0.37%	0.37%	0.37%
Growth at 4% per year	0.37%	0.36%	0.35%	0.35%	0.34%

(1) Residential Customers, 10 CC FWS#04  
(2) 1990 median household income for Chickasaw County escalated at 0.0% inflation per year



### PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this report and the opinions that follow, we have made certain assumptions with respect to conditions that may occur in the future. In addition, we have used and relied upon certain information and assumptions provided to us by sources that we believed to be reliable. We believe the use of such information and assumptions is reasonable for the purpose of this report. However, some assumptions will inevitably not materialize as stated herein or will vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others. The principal considerations and assumptions made by us and the principal information and assumptions provided to us by others include the following:

- Economic development in the City's service area will continue in the future.
- Retail water sales are projected to increase at 2.0% percent annually.
- Annual customer growth of 4.0% annually was provided by the City.
- Capital improvement costs were provided by the City.
- Operating results for fiscal year 2000 were based on the budget prepared by City staff and adopted by the City Council.
- The reinvestment rate for funds held by the City was assumed at 4.75 percent.
- The inflation rate was assumed at 3.5 percent.
- Projections of operation expenses were assumed to increase from the fiscal year 2000 budget level at the rate of inflation and include a 25% increase in fiscal year 2002.
- Future parity bonds will be issued at an interest rate of 6.0 percent and have a 20 year term.
- Historical operating results were provided by the City.



### OPINIONS

Based on our analyses and studies and the considerations and assumptions set forth in this report, we are of the opinion that:

- The City is currently in compliance with water quality regulations under the Safe Drinking Water Act.
- The funds available from the Series 2000 Bonds, additional borrowings together with other money available to the City will be sufficient to complete construction of the Project.
- The City's revenues from water service, including a rate increase of 5%, 5%, 5%, 5% and 5% effective January 1, 2001, January 1, 2002, January 1, 2003, January 1, 2004, and January 1, 2005 respectively, will be sufficient during the fiscal year period 2001 through 2005 to pay the costs of operation and maintenance expenses, pay debt service, meet coverage requirements, pay a portion of the Project and maintain minimum cash balances.
- The City's system is currently operated and maintained in a manner consistent with sound engineering practices to assure continuous operation of the system. The City's current planning and construction practices will assure adequate facilities for maintenance of the system and growth.

Very Truly Yours,

/s/

Economic and Engineering Services, Inc.

# **Appendix B**

## **Resolution**

RESOLUTION NO. 00-41

OF THE

CITY OF WEST LINN  
CLACKAMAS COUNTY, OREGON

LIMITED WATER SYSTEM REVENUE BONDS  
SERIES 2000

DATED: SEPTEMBER 25, 2000

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**Resolution No.00-41**

**A RESOLUTION OF THE CITY OF WEST LINN, CLACKAMAS COUNTY,  
OREGON, AUTHORIZING THE ISSUANCE OF LIMITED WATER SYSTEM  
REVENUE BONDS, SERIES 2000**

The City Council of the City of West Linn, Clackamas County, Oregon, resolves as follows:

**Section 1. Findings.**

The City Council finds it advantageous to issue revenue bonds of the City pursuant to the Uniform Revenue Bond Act of the State of Oregon, and has met all the appropriate requirements of the Act, to finance the costs of certain water facility improvements pursuant to the City of West Linn's Water Master Plan, 1999, together with other necessary improvements to the water storage, transmission and distribution system of the City (the Project as herein defined).

**Section 2. Definitions.**

As used in this Resolution, the following words shall have the following meanings:

"Annual Debt Service" means the amount of Bond principal and interest which is scheduled to be paid in a Fiscal Year, plus any amount the City is required to credit to the Reserve Account pursuant to Section 7.2(D).

"Audit" means the audit required by ORS 297.425.

"Auditor" means a person authorized by the State Council of Accountancy to conduct municipal audits pursuant to ORS 297.670.

"Base Period" means any 12 consecutive months during the 18 months preceding the date of issuance of a series of Parity Obligations.

"Bond Purchase Agreement" or "Purchase Agreement" means the agreement for the sale of the Bonds between the City and the Underwriter.

"Bond Purchaser" means the initial bond purchaser of the Bonds.

"Bond Registrar" or "Registrar" means the paying agent and registrar designated by the City.

"Bondowner" means a registered owner of a Bond.

"Bonds" means the Series 2000 Bonds and any Parity Obligations issued pursuant to, or as defined by, this Resolution.

"Certificate of City" or "City Certificate" means a certificate executed on behalf of the City by the City Official.

"Charter Rate Limitation" means Section 44 of the City of West Linn Charter as it exists on the date of adoption of this Resolution which states, in part, that no utility rate increase may exceed 5% in any calendar year without voter approval.

"City Council" or "Council" means the City Council of the City of West Linn, Clackamas County, Oregon.

"City" means the City of West Linn, Clackamas County, Oregon.

"City Official" means the Finance Director, City Manager, or a designee of the Council.

"Closing" means the date the Bonds are exchanged for the purchase price pursuant to the Bond Purchase Agreement.

"Code" means the Internal Revenue Code of 1986, rules and regulations promulgated thereunder and amendments thereto.

"Default" or "Event of Default" means any event specified in Section 15 of this Resolution.

"Deposit Date" means the 25<sup>th</sup> day of each month (or the next business day if the 25<sup>th</sup> day of the month is not a business day).

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon Law.

"Gross Revenues" means all fees and charges resulting from operation of the Water System from a current Fiscal Year, revenues from product sales and any interest earnings and other revenues required to be placed in the Water Fund under this Resolution; however, Gross Revenues does not include:

- any payments of improvement assessments levied against benefited properties;
- the proceeds of any grants;
- the proceeds of any borrowing for capital improvements except as herein provided;
- the proceeds of any liability or other insurance;
- the proceeds of any casualty insurance which the City intends to utilize for repair or replacement of the Water System;
- proceeds of sales of assets pursuant to Section 10 of this Resolution;
- Reimbursement Fee Systems Development Charges;
- Improvement Fee Systems Development Charges;
- System Development charges collected for and on behalf of South Fork or any other governmental entity; and
- ad valorem taxes or other taxes imposed by the City.

"Improvement Fee Systems Development Charge" means a fee imposed by the City pursuant to ORS 223.297 et. seq. or as it may be amended.

"Maximum Annual Debt Service" means the largest Annual Debt Service calculated on all Outstanding Bonds on the date of the calculation.

"Net Operating Revenues" means the Gross Revenues less the Operating Expenses.

"Operating Expenses" means all payments made from the Water Fund for expenses incurred for operation, maintenance and repair of the Project and the Water System, including but not limited to administrative expenses, payments for water purchased from South Fork, financial and auditing expenses, insurance premiums, taxes, legal and engineering expenses relating to operation and maintenance of the Water System, payments and reserves for pension, retirement, health, hospitalization, and sick leave benefits, and any other similar expenses to be paid to the extent properly and directly attributable to operations of the Water System. However, operating Expenses do not include: (a) debt service payments; (b) any rebates paid from Gross Revenues under Section 148 of the Code; (c) depreciation and amortization of property, values or losses; (d) all amounts treated for accounting purposes as payments for capital expenditures; (e) capital transfers and outlays which include, without limitation, transfers to capital construction accounts and expenditures for renewals and replacements; (f) Taxpayer Refunds (except for purposes of Section 9); and (g) extraordinary and nonrecurring expenditures (such as expenditures for Water System damage or destruction and for damage or destruction of persons or property), and expenditures for professional and consultant services related to long range planning and borrowings to finance the Water System (such as expenditures for the services of a Qualified Consultant which are required by this Resolution), for Water System master planning, for ratemaking services, and for financial and engineering feasibility studies.

"ORS" means the Oregon Revised Statutes.

"Outstanding Bonds" means all Bonds authorized and delivered pursuant to this Resolution except Bonds theretofore canceled or defeased pursuant to Section 19 of this Resolution.

"Parity Obligations" means any revenue bonds or other obligations of the City which comply with the provisions of Section 13 of this Resolution for the issuance of Parity Obligations.

"Permitted Indebtedness" means Parity Obligations and Subordinate Obligations.

"Permitted Investments" means those investments authorized by Oregon Law for the City.

"Pledged Revenues" means the Gross Revenues, amounts in the Water Fund, the Water Debt Service Account and the Water Debt Reserve Account, (including any unexpended interest earnings) and unexpended Bond proceeds, Reimbursement Fee Systems Development Charges on deposit in the Water SDC Reimbursement Fund and any amounts available under any Reserve Equivalent and any amounts subsequently pledged to pay the Bonds, including amounts in the Water SDC Fund.

"Projects" means structural repairs, improved access and repair to the I-205 Transmission Main, booster pump station improvements and other improvements as described in the City's Water Master Plan, 1999, which will be financed with the proceeds of the Series 2000 Bonds and Parity Obligations.

"Qualified Consultant" means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Resolution.

"Rebate Account" means the Rebate Account created in the Water Fund for deposit of rebate amounts, if any, required to be paid to the Internal Revenue Service.

"Record Date" means the fifteenth (15th) day of the month preceding each interest payment date.

"Registrar" means the Registrar and paying agent as established in Section 12 of this Resolution.

"Reimbursement Fee Systems Development Charge" means a fee imposed by the City pursuant to ORS 223.297 et seq. or as it may be amended in connection with the Water System.

"Required Reserve" means the lesser of Maximum Annual Debt service on all Outstanding Bonds or the amount described in the next sentence. If, at the time of issuance of a series of Bonds, the amounts required to be added to the Bond Reserve Account to make the balance in the Bond Reserve Account equal to the Maximum Annual Debt Service exceeds the Tax Maximum calculated with respect to that Series, then the Reserve Requirement means the Reserve Requirement in effect on the date of the issuance of the Series of Bonds (calculated as if the series of Bonds were not Outstanding), plus the Tax Maximum for the series of Bonds.

"Reserve Equivalent" means an insurance policy or letter of credit issued by a municipal bond insurance company or a commercial bank having a credit rating (when the policy or letter of credit is issued) of at least Aa or AA as determined by Moody's Investors Services or Standard & Poor's Corporation, or their successors, in which the insurance company or commercial bank agrees to unconditionally provide the City with funds in an amount which, when combined with available Bond proceeds or other available funds, that have been previously deposited into the Reserve Account, equals the Required Reserve.

"Resolution" means this Resolution.

"Series 2000 Bonds" means the City's Limited Water System Revenue Bonds, Series 2000, issued pursuant to the Resolution.

"South Fork" means the South Fork Water Board which was created by an agreement between the Cities of Oregon City and West Linn as most recently modified on July 22, 1996, which provided, in part, for the joint ownership and control of a water treatment and transmission system.

"South Fork Water System" means that water system owned and operated by South Fork.

"South Fork System Development Charges" means those South Fork System Development Charges collected by the City for and on behalf of South Fork.

"Subordinate Obligations" means any obligations of the City payable from Water Fund which comply with the provisions of Section 14 of this Resolution.

"Tax Maximum" means for any series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such series during all Fiscal Years in which such series will be Outstanding, calculated as of the date of issuance of such series; or, ten percent of the proceeds of such Series, as "proceeds" is defined for purposes of Section 148(d) of the Code.

"Taxpayer Refunds" means any refunds or other amounts payable by the City to any taxpayer, rate payer or other party as may be required by the terms of the Taxpayer Protection Initiative, if approved by the voters on November 7, 2000, or any other measure containing a substantially similar requirement as determined by the City.

"Term Bonds" means the Bonds payable at or before their specified maturity date or dates from mandatory sinking fund payments established for that purpose and calculated to retire such bonds on or before their specified maturity date or dates.

"Water Bond Construction Fund" or "Construction Fund" means the Water Bond Construction Fund heretofore created and to be maintained pursuant to Section 6 to hold funds to be used to pay for the Project.

"Water Debt Service Account" means the Water Debt Service Account to be created and to be maintained pursuant to Section 8 by the City to hold funds to be used to pay Bond principal and interest and premiums if any.

"Water Debt Reserve Account" or "Reserve Account" means that account herein created and to be maintained pursuant to Section 8 hereof.

"Water Fund" means the Water Fund heretofore created and to be maintained pursuant to Section 7 to which Gross Revenues are to be deposited.

"Water System" or "System" means the entirety of the City's water storage, pumping, transmission and distribution facilities, but does not include the South Fork Water System.

"Water SDC Fund" means the Water SDC Fund heretofore created and to be maintained and to which Improvement Fee Systems Development Charges are deposited.

"Water SDC Reimbursement Fund" means the Water SDC Reimbursement Fund heretofore created and to be maintained to which Reimbursement Fee Systems Development Charges are deposited.

### **Section 3. The Series 2000 Bonds.**

3.1 Pursuant to the authority of ORS 288.805 to 288.945, the City Council hereby authorizes and directs the issuance of the City of West Linn, Clackamas County, Oregon Limited Water

System Revenue Bonds, Series 2000, in the aggregate principal amount of not to exceed \$1,800,000 (One Million Eight Hundred Thousand Dollars) (the "Series 2000 Bonds"). The City Official, on behalf of the City, and without further action by the City Council, may:

- (A) Participate in the preparation and authorize the distribution of a preliminary official statement or other disclosure document for the Series 2000 Bonds;
- (B) Appoint a paying agent to provide services in connection with the Series 2000 Bonds;
- (C) Select one or more underwriters for the Series 2000 Bonds and negotiate the terms of, and execute, a Bond Purchase Agreement with those underwriters;
- (D) Establish the principal amount, interest rates, redemption terms, payment dates and other terms of the Series 2000 Bonds, provided that the Series 2000 Bonds are sold at a true interest cost of not to exceed 8%, and
- (E) Issue, sell and deliver the Series 2000 Bonds, and execute and deliver any related certificates or documents and take any other actions which are reasonably required to issue the Series 2000 Bonds in accordance with this resolution.

#### Section 4. Redemption.

4.1 **Optional.** The City reserves the right to redeem all or any portion of the Series 2000 Bonds as determined by the City Official.

4.2 **Mandatory.** Certain Term Bonds, if any, may be subject to mandatory partial redemption prior to maturity, by lot, as determined by the Registrar, beginning in the years set forth in the Purchase Agreement, in the principal amounts and in the years as set forth in any sale agreement developed by the City Official.

4.3 **Notice.** Unless waived by any holder of Series 2000 Bonds to be redeemed, official notice of any such redemption shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Series 2000 Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar. Notice shall also be published in one issue of a business and financial newspaper published in Portland, Oregon, at least 30 days prior to the date fixed for redemption. Failure to give such notice, or a defect therein, shall not affect the validity of the redemption.

4.4 In the case where The Depository Trust Company ("DTC") is acting as securities depository for the Bonds and less than all Bonds of a maturity are to be redeemed, the Registrar shall notify DTC not more than 45 days prior to the date fixed for redemption of the maturity to be redeemed. DTC shall determine by lot the principal of the maturity of Bonds to be redeemed of each DTC participant's interest in such maturity to be redeemed.

4.5 All official notices of redemption shall be dated and shall state:

- (A) the redemption date,
- (B) the redemption price,
- (C) if less than all outstanding Series 2000 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2000 Bonds to be redeemed,
- (D) that on the redemption date the redemption price will become due and payable upon each such Series 2000 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (E) the place where such Series 2000 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Registrar.

4.6 The City shall deposit with the Registrar, on or before the date that notice is given pursuant to Section 4.3 and 4.4 of this Resolution, an amount of money sufficient to pay the redemption price of all the Bonds or portions of Series 2000 Bonds which are to be redeemed on that date.

4.7 Official notice of redemption having been given as aforesaid, the Series 2000 Bonds or portions of Series 2000 Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Series 2000 Bonds or portions of Series 2000 Bonds shall cease to bear interest. Upon surrender of such Series 2000 Bonds for redemption in accordance with said notice, such Series 2000 Bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Series 2000 Bond, there shall be prepared for the registered owner a new Series 2000 Bond or Bonds of the same maturity in the amount of the unpaid principal. All Series 2000 Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

4.8 In addition to the foregoing notice, further notice shall be given by the City as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

- (A) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus
  - (1) the CUSIP numbers of all Series 2000 Bonds being redeemed,
  - (2) the date of issue of the Series 2000 Bonds as originally issued;





(C) Within 90 days after the report is obtained by the City Official, the City commences and diligently pursues implementation of the recommendations of the Qualified Consultant which do not require voter approval under the Charter Rate Limitation.

(D) Within 14 days after the report is obtained by the City Official, the City calls an election for the next available election date to authorize rates to be raised at least as high as those recommended by the Qualified Consultant, if the Qualified Consultant recommends rate increases that require voter approval under the Charter Rate Limitation.

(E) If the voters approve an increase in rates, the City implements a rate increase at least as great as that recommended by the Qualified Consultant as promptly as practicable after the county election official provides the City with an abstract of votes from the election. The failure of the voters to approve an increase in rates shall not in and of itself constitute an Event of Default.

9.2 Not later than 30 days after the City adopts its budget for each Fiscal Year, the City Official shall prepare and file with the Council a projection showing the expected Net Operating Revenues, adjusted for anticipated rate increases and changes in operations, and Annual Debt Service for the budgeted Fiscal Year. The City covenants to raise rates at the times and to the extent assumed in the projection, to the extent permitted by the Charter Rate Limitation.

(A) If the projection indicates that Net Operating Revenues will be less than 150% of Annual Debt Service, the City covenants to raise rates during that budgeted Fiscal Year as quickly as possible and to the greatest extent permitted by the Charter Rate Limitation.

(B) If the projection indicates that Net Operating Revenues will be less than 130% of Annual Debt Service the City shall take all necessary actions within its control to meet the 130% level, including calling an election to raise rates above the maximum allowed under the Charter Rate Limitation at the next available election.

#### Section 10. General Covenants.

10.1 The City hereby covenants and agrees with the owners of all outstanding Bonds as follows:

(A) That it will, to the extent the Pledged Revenues are sufficient, promptly cause the principal and interest on the Bonds to be paid as they become due.

(B) That it will maintain complete books and records relating to the operation of the Water System, and all City funds and accounts in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year, and an audit report prepared by the Auditor and made available for the inspection of Bondowners.

(C) That it will not issue Bonds or other obligations having a claim superior to the claim of the Bonds upon the Pledged Revenues.

(D) That it will promptly deposit into all funds and accounts all sums required to be so deposited.

(E) That it will operate the Water System in a sound, efficient and economic manner.

(F) The City will at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System is damaged or destroyed, such part will be restored to use unless there has been filed with the City a certificate providing the opinion of a Qualified Consultant that the insurance proceeds may be expended for other components of the Water System such that the covenants contained in Section 9 may still be met. To the extent the part is not so restored, or such certificate has not been filed, the monies collected from insurance proceeds will be applied to the payment or redemption of the Bonds on a pro rata basis, and for such purpose paid into the Water Debt Service Account.

(1) Any such insurance must be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the City, or in the form of self-insurance by the City. The City shall establish such fund or funds or reserves as are necessary to provide for its share of any such self-insurance.

(G) The City will not sell, mortgage or dispose of any part of the Water System in excess of five percent (5.0%) of the Fix Assets, Net, of the Water System in service as stated in the City's Annual Financial Report for the previous Fiscal Year unless prior to such disposition there has been filed with the City a certificate of a Qualified Consultant stating that such disposition will not impair the ability of the City to comply with the rate covenants contained in Section 9. The certificate may include a proposal for the payment, redemption or other defeasance of a principal amount of Bonds.

(H) The City may dispose of any portion of the Water System that has become unserviceable, inadequate, obsolete, or unfit to be used or no longer necessary for use in the operation of the Water System.

(I) The covenants, representations, and warranties contained in this Resolution and each supplemental and amending resolution adopted pursuant to this Resolution and any covenants, representations and warranties in the closing documents relating to each series of Bonds issued pursuant to this Resolution and such supplemental and amending resolutions shall constitute contracts with the Bondowners of each such series of Bonds, and shall be enforceable by them.

#### Section 11. Maintenance of Tax-Exempt Status.

11.1 The City covenants for the benefit of the owners of the Series 2000 Bonds to comply with all provisions of the Code which are required for Bond interest to be excluded from gross income

for federal taxation purposes (except for taxes on corporations), unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest paid on the Series 2000 Bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

- (A) The City will not take any action or omit any action if it would cause the Series 2000 Bonds to become "arbitrage bonds" under Section 148 of the Code.
- (B) The City shall operate the facilities financed with the Bonds so that the Series 2000 Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.
- (C) The City shall comply with appropriate reporting requirements.
- (D) The City shall pay, when due, all rebates on the gross proceeds of the Series 2000 Bonds which are required under Section 148 of the Code.

11.2 The covenants contained in this Section and any covenants in the closing documents for the Bonds shall constitute contracts with the owners of the Bonds, and shall be enforceable by them.

#### Section 12. Authentication, Registration and Transfer.

12.1 No Series 2000 Bond shall be entitled to any right or benefit under this Resolution unless it shall have been authenticated by an authorized officer of the Registrar. The Registrar shall authenticate all Series 2000 Bonds to be delivered at closing, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Resolution.

12.2 All Bonds shall be in registered form. The City hereby appoints U.S. Bank Trust National Association to serve as Registrar for the Bonds. A successor Registrar may be appointed for the Series 2000 Bonds by ordinance or Resolution of the City. The Registrar shall provide notice to Bondowners of any change in the Registrar not later than the Bond payment date following the change in Registrar.

12.3 The ownership of all Bonds shall be entered in the Bond register maintained by the Registrar and the City and Registrar may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.

12.4 The Registrar shall mail each interest payment on the interest payment date (or the next business day if the payment date is not a business day) to the name and address of the Bondowner, as that name and address appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Registrar shall have any further liability to any party for such payment.

12.5 Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different authorized denominations, and Bonds may be transferred to other owners if the Bondowner submits the following to the Registrar:

- (A) written instructions for exchange or transfer satisfactory to the Registrar, signed by the Bondowner or his attorney in fact and guaranteed or witnessed in a manner satisfactory to the Registrar; and
- (B) the Bonds to be exchanged or transferred.

12.6 The Registrar shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following the payment date.

12.7 The Registrar shall not be required to exchange or transfer any Bonds which have been designated for redemption if such Bonds are submitted to it during the fifteen-day period preceding the designated redemption date.

12.8 For purposes of this Section, Bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in Section 12.5.

12.9 The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Bondowners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

#### Section 13. Parity Obligations.

13.1 The City may issue Parity Obligations to provide funds for any purpose relating to the Water System which is authorized by law, but only upon the following conditions:

- (A) No Default has occurred and is continuing; and
- (B) At the time of the issuance of the Parity Obligations there is no deficiency in the Water Debt Service Account and the Debt Service Reserve Account; and
- (C) The Resolution authorizing the issuance of the Parity Obligations requires that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the Required Reserve for all Outstanding Bonds, including the proposed Parity Obligations.

13.2 In addition, the City must obtain and have on file either:

- (A) a certificate of a Qualified Consultant certifying that:
  - (1) the Gross Revenues for the Base Period were equal to or exceeded 3.00 times the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; and,
  - (2) the Net Operating Revenues in the Base Period equaled or exceeded 1.25 times Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Obligations treated as Outstanding; or



(F) It shall not constitute an Event of Default under this Section 15.1 and subsection 9.1(A) if the default cannot practicably be remedied within 90 days after the City receives notice of the default, pursuant to this Section 15.1, or within 60 days pursuant to subsection 9.1(A), so long as the City promptly commences reasonable action to remedy the default after the notice is received, and continuous reasonable action to remedy the default until the default is remedied.

**Section 16. Remedies on Default.**

16.1 Whenever any Event of Default exists, Bondowners representing 51 percent or more of outstanding Bonds, may, without any further demand or notice, exercise any remedy available at law or in equity, except that the Property shall not be subject to foreclosure or attachment and the Bonds shall not be subject to acceleration.

16.2 Whenever any Event of Default exists, Bondowners representing 51 percent or more of the outstanding Bonds may appoint a commercial bank with a reported capital and surplus in excess of \$50 million as trustee (the "Trustee") to represent the interests of said Bondowners.

**Section 17. No Remedy Exclusive.**

No remedy herein conferred upon or reserved to Bondowners is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Bondowners to exercise any remedy reserved to it in this Section it shall not be necessary to give any notice, other than such notice as may be required in this Section.

**Section 18. Trustee Duties Upon Default.**

18.1 Upon the occurrence and during the continuance of any Event of Default, the Trustee may, and upon written notice from the Bondowners of not less than a majority in aggregate principal amount of the Bonds at the time outstanding may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Resolution.

18.2 In addition, upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under the Resolution, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged under the Resolution, pending such proceedings, with such powers as the court making such appointment may confer.

18.3 If an Event of Default has occurred and be continuing and if requested so to do by the Bondowners of at least 51% in aggregate principal amount of Outstanding Bonds and

indemnified as provided in the Resolution, Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Resolution, as the Trustee, being advised by counsel, deems most expedient in the interest of the Bondowners.

18.4 No Bondowner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Resolution, unless:

(A) such Bondowner has previously given to the Trustee written notice of the occurrence of an Event of Default;

(B) the Bondowners of a majority in aggregate principal amount of all the Bonds then outstanding have requested the Trustee in writing to exercise its powers under the Resolution;

(C) said Bondowners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and

(D) the Trustee has refused or failed to comply with such request for a period of 60 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

18.5 A waiver of any Event of Default by any Bondowner will not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Bondowner of any of the Bonds to exercise any right or power occurring upon any Event of Default will impair any such right to power or be construed to be a waiver of any such Event of Default.

18.6 Pursuant to the Resolution, if the Trustee takes any judicial or other action in an Event of Default the Trustee has full power in its direction with respect to any continuance, discontinuance, withdrawal, compromise, settlement or other disposition of such action, unless opposed by the written request of the Bondowners of a majority in aggregate principal amount of the Outstanding Bonds. The Trustee is appointed attorney-in-fact of the Bondowners for the purpose of bringing any suit action or proceedings in an Event of Default.

**Section 19. Amendment of Resolution.**

19.1 This Resolution may be amended without the consent of any Bondowners for any one or more of the following purposes:

(A) To add to the covenants and agreements of the City in this Resolution any other covenants and agreements thereafter to be observed by the City, or to surrender any right or power herein reserved to or conferred upon the City which in the opinion of a nationally recognized bond counsel, filed with the City Council, does not adversely affect the interests of the Bondowners.

(B) To cure any ambiguity or formal defect contained in this Resolution, if that cure does not, in the opinion of a nationally recognized bond counsel, filed with the City Council, adversely affect the interests of the Bondowners.

(C) To issue Parity Obligations in accordance with Section 13 hereof.

19.2 This Resolution may be amended for any other purpose only upon consent of Bondowners of not less than 51% in aggregate principal amount of the Bonds outstanding; provided, however, that no amendment shall be valid without the consent of Bondowners of 100 percent of the aggregate principal amount of the Bonds outstanding which:

(A) Extends the maturity of any Bond, reduces the rate of interest upon any Bond, extends the time of payment of interest on any Bond, reduces the amount of principal payable on any Bond, or reduces any premium payable on any Bond, without the consent of the affected Bondowner; or

(B) Reduces the percent of Bondowners required to approve amendatory Resolutions.

#### Section 20. Defeasance.

The lien of the Bonds upon the Water Fund may be defeased, and the Bonds shall be deemed paid, if the City places in irrevocable escrow direct obligations of, or obligations guaranteed by, the United States which are calculated to be sufficient, without reinvestment, to pay principal, interest and any premium on the Bonds as they become due, either at maturity or on prior redemption.

#### Section 21. Designation of Bonds as Qualified Tax-Exempt Obligations.

The City Official may designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code if such Bonds so qualify under the Code.

#### Section 22. Additional Actions.

22.1 The preparation and distribution of the Preliminary Official Statement and the Official Statement to be used in connection with the sale of the Series 2000 Bonds, and the inclusion therein of the sections describing the activities and finances of the City, are authorized, approved and confirmed. The City Official is authorized, empowered and directed to execute the Official Statement for and on behalf of the City for distribution to the public.

22.2 The City Official is authorized and empowered to obtain a rating of the Series 2000 Bonds from Standard & Poor's Corporation, Moody's Investor Services, Inc., or such other similar credit rating City as they shall determine.

22.3 The City Official is authorized and empowered to obtain a policy of insurance, a letter of credit, or any other form of enhancement of credit under the Bonds, to provide further assurance to Bondowners of the payment of the principal and interest on the Bonds, and the payment of the

sum or charge (if any) for the investment from the proceeds of the Bonds is authorized and approved and to enter into a Trust Agreement in accordance with this Resolution.

22.4 The City Official is authorized to execute and deliver on behalf of the City any and all additional certificates, documents or other papers and other acts (including, without limitation, the filing of any documents) as they may deem necessary or appropriate in order to implement the intent and purpose of this Resolution.

#### Section 23. Resolution is Contract

The covenants, representations, and warranties contained in this Resolution and each supplemental and amending resolution adopted pursuant to this Resolution and any covenants, representations, and warranties in the closing documents relating to each series of Bonds issued pursuant to this Resolution and such supplemental and amending resolutions shall constitute contracts with the Bondowners of each such series of Bonds, and shall be enforceable by the Bondowners.

DATED this 25<sup>th</sup> day of September, 2000.

City of West Linn  
Clackamas County, Oregon

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Manager

**Exhibit A**  
**(Form of Bond)**

No. R-\_\_\_\_\_ \$\_\_\_\_\_

United States Of America  
State Of Oregon  
City of West Linn  
Clackamas County, Oregon  
Limited Water System Revenue Bonds  
Series 2000

Dated Date: <<Dated Date>>  
Interest Rate: \_\_\_\_\_ %  
Maturity Date: \_\_\_\_\_ 1, \_\_\_\_\_  
CUSIP Number: \_\_\_\_\_

Registered Owner: \_\_\_\_\_ Dollars \_\_\_\_\_  
Principal Amount: \_\_\_\_\_

City of West Linn, Clackamas County, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the registered owner hereof, or registered assigns, the principal amount as indicated above on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of June and the first day of December in each year until maturity or prior redemption, commencing June 1, 2001. Principal and interest payments shall be received by Code & Co., as nominee of The Depository Trust Company, or its registered assigns, on each payment date. Such payments shall be made payable to the order of "Code & Co."

This Bond is not a general obligation or liability of the City, and is payable solely from the Pledged Revenues of the Water System as provided in Resolution No. \_\_\_\_\_ of the City (the "Resolution"). The City covenants and agrees with the owner of this Bond that it will keep and perform all of the covenants in this Bond and in the Resolution. The City has pledged the Pledged Revenues of the Water System to the payment of principal and interest on this Bond on a parity with its outstanding Parity Obligations as required by the Resolution.

This Bond is one of a series of \$\_\_\_\_\_ aggregate principal amount of Limited Water System Revenue Bonds, Series 2000, of the City, and is issued by the City for the purpose of financing Water System improvements in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Bondowners. Records of Bond ownership will be maintained by the Registrar and The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, but different authorized denominations, as provided in the Bond Resolution.

Any transfer of this Bond must be registered, as provided in the Resolution, upon the bond register kept for that purpose at the principal corporate trust office of the Registrar. This Bond may be registered only by surrendering it, together with a written instrument of transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the

Resolution. The City and the Registrar may treat the person in whose name this Bond is registered on the bond register as its absolute owner for all purposes, as provided in the Resolution.

[insert term bond provisions, if applicable]

Notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Bond Resolution. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The issuer's paying agent and registrar, which is currently U.S. Bank Trust National Association, in Portland, Oregon (the "Registrar"), will notify The Depository Trust Company promptly of any Bonds called for redemption.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Code & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Code & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL, since the registered owner hereof, Code & Co., has an interest herein.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; that the issue of which this Bond is a part, and all other obligations of such City, are within every debt limitation and other limits prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the City Council has caused this bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its City Manager as of the date indicated above.

City of West Linn, Clackamas County, Oregon

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Manager

This Bond shall not be valid unless properly authenticated by the Registrar in the space indicated below.

Dated: \_\_\_\_\_

**Certificate of Authentication**

This is one of City's \$\_\_\_\_\_ Limited Water System Revenue Bonds, Series 2000, issued pursuant to the Resolution described herein.

U.S. Bank Trust National Association, as Registrar

\_\_\_\_\_  
Authorized Officer

**Assignment**

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto: \_\_\_\_\_

(Please insert social security or other identifying number of assignee)

this bond and does hereby irrevocably constitute and appoint \_\_\_\_\_ as attorney to transfer this bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed

\_\_\_\_\_  
(Bank, Trust Company or Brokerage Firm)

\_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the face of this bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common  
TEN ENT -- as tenants by the entirety  
JT TEN -- as joint tenants with right of survivorship and not as tenants in common  
OREGON CUSTODIANS use the following:  
\_\_\_\_\_ CUST UL OREG \_\_\_\_\_ MIN  
as custodian for (name of minor)  
OR UNIF TRANS MIN ACT  
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

# **Appendix C**

## **Form of Bond Counsel Opinion**

October 10, 2000

City of West Linn  
22500 Salamo Road, #600  
West Linn, OR 97068

Seattle-Northwest Securities Corporation  
1000 S.W. Broadway, Suite 1800  
Portland, OR 97205

Subject: \$1,800,000 City of West Linn, Clackamas County, Oregon  
Limited Water System Revenue Bonds, Series 2000

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of West Linn, in Clackamas County, Oregon (the "Issuer") of its Limited Water System Revenue Bonds, Series 2000 (the "Bonds"), which are dated October 1, 2000, and are in the aggregate principal amount of One Million Eight Hundred Thousand Dollars (\$1,800,000) pursuant to ORS 288.805 to 288.945, the Uniform Revenue Bond Act (the "Act"), and authorizing Resolution No. 00-41 of the Issuer, adopted September 25, 2000 (the "Resolution").

We have examined the law, a duly certified transcript of proceedings of the Issuer, prepared in part by us, and other documents which we deem necessary to render this opinion.

We have relied on the certified proceedings and other certifications of public officials regarding questions of fact material to our opinion and have not undertaken to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Bonds, except to the extent stated in the official statement, and we express no opinion relating thereto, except to the extent stated in the official statement.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City, and constitute valid and legally binding special obligations of the Issuer.
2. The Bonds are not general obligations of the Issuer but are payable solely from the Issuer's Pledged Revenues, as pledged and provided in the Resolution. The Act creates a valid lien on the funds pledged by the Resolution and on a parity with other bonds, if any, issued under the Resolution.
3. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The Bonds are not private activity bonds.
4. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations, but is taken into account in the computation of adjusted current earnings for purposes of the corporate alternative minimum tax under Section 55 of the Code.
5. Under the Code, the Issuer is required to comply with certain requirements relating to the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds. The Issuer has covenanted to comply with these requirements and our opinion assumes such compliance.

Failure to comply with these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

6. The Issuer has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

7. Interest on the Bonds is exempt from State of Oregon personal income taxes.

Except as stated herein, we express no opinion regarding any federal, state or local tax consequences arising with respect to ownership of the Bonds. Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral tax consequences.

The opinions set forth above are qualified only to the extent that certain rights and remedies of the Bondowners may be limited or rendered ineffective by applicable bankruptcy, insolvency, reorganization, moratorium or other laws or judicial decisions or principles of equity relating to or affecting the enforcement of creditors’ rights or contractual obligations generally.

Our opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

PRESTON GATES & ELLIS LLP

Lawyers

# **Appendix D**

## **Financial Statements**

The City's Auditor has not performed any further review of the City's general purpose financial statements since the date of the audit contained herein.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

• 12700 SW 72ND AVENUE • TIGARD, OREGON 97223  
• (503) 620-2632 • FAX (503) 684-7523

March 21, 2000

To the Honorable Mayor and  
Members of the City Council  
City of West Linn  
West Linn, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the City of West Linn, Oregon, as of and for the year ended June 30, 1999 as listed in the table of contents. The general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of West Linn, Oregon, as of June 30, 1999 and the results of its operations, and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary data of combining and individual fund and account group statements and other financial schedules, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Pauly, Rogers and Co., P.C.*

**City of West Linn, Oregon**

**General Purpose Financial Statements**

City of West Linn, Oregon  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
	<b>ASSETS AND OTHER DEBITS</b>			
Equity in Pooled Cash and Investments	\$ 2,524,367	\$ 7,315,823	\$ 106,061	\$ 4,170,574
Cash Held by County Treasurer	32,328	20,481	2,517	-
Cash with Fiscal Agent	-	-	350	-
Property Taxes Receivable	213,065	138,051	17,083	-
Accounts Receivable, Net	229,864	75,291	-	115,645
Contracts Receivable	-	-	-	-
Accrued Interest Receivable	9,287	28,105	309	17,018
Security Deposits	11,960	-	-	-
Due from Other Governments	103,647	169,318	-	-
Inventory	-	-	-	-
Prepaid Expenditures	-	-	15,181	-
Restricted Assets:	-	-	-	-
Equity in Pooled Cash and Investments	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Fixed Assets, Net	-	-	-	-
Investment in South Fork Water Board	-	-	-	-
Amount to be Provided for Bonded Debt Service	-	-	-	-
Amount Available for Bonded Debt Service	-	-	-	-
<b>Total Assets and Other Debits</b>	<b>\$ 3,124,318</b>	<b>\$ 7,745,069</b>	<b>\$ 141,501</b>	<b>\$ 4,303,237</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts Payable	\$ 137,086	\$ 379,802	-	\$ 157,858
Accrued Salaries and Payroll Taxes	440,599	73,956	-	-
Accrued Liabilities	5,884	-	-	-
Accrued Interest Payable	-	-	-	-
Due to Other Governments	37,531	-	-	-
Deposits Payable	417,930	-	-	-
Contract Retainage Payable	-	-	-	148
Deferred Revenue	412,941	131,394	\$ 16,259	-
Matured Interest Payable	-	-	350	-
Bonds Payable	-	-	-	-
<b>Total Liabilities</b>	<b>1,451,971</b>	<b>565,152</b>	<b>16,609</b>	<b>158,004</b>
Fund Equity and Other Credits:				
Contributed Capital	-	-	-	-
Investment in General Fixed Assets	-	-	-	-
Retained Earnings Reserve for Construction	-	-	-	-
Retained Earnings Unreserved	-	-	-	-
Fund Balances:				
Reserved for Prepaid Expenditures	-	-	-	71,790
Reserved for Endowments	-	-	-	168,021
Reserved for System Development	3,370,656	-	-	3,370,656
Unreserved:				
Designated for Debt Service	-	-	124,892	-
Undesignated	1,672,347	3,789,261	-	4,145,233
<b>Total Fund Equity and Other Credits</b>	<b>1,672,347</b>	<b>7,159,917</b>	<b>124,892</b>	<b>4,145,233</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,124,318</b>	<b>\$ 7,745,069</b>	<b>\$ 141,501</b>	<b>\$ 4,303,237</b>

The accompanying notes are an integral part of the general purpose financial statements.

	Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1999	June 30, 1998	June 30, 1999	June 30, 1998
Equity in Pooled Cash and Investments	\$ 2,161,352	\$ 384,461	\$ 167,440	-	-	\$ 16,830,078	\$ 13,075,402
Cash Held by County Treasurer	-	-	-	-	-	55,326	49,808
Cash with Fiscal Agent	-	-	-	-	-	350	18,960
Property Taxes Receivable	-	-	-	-	-	368,199	323,437
Accounts Receivable, Net	677,103	-	-	-	-	1,097,703	856,925
Contracts Receivable	-	-	-	-	-	-	57,807
Accrued Interest Receivable	-	-	-	-	-	59,633	96,038
Security Deposits	5,111	1,222	581	-	-	11,960	-
Due from Other Governments	-	-	-	-	-	272,965	203,345
Inventory	79,819	21,030	-	-	-	100,849	100,849
Prepaid Expenditures	-	-	-	-	-	15,181	71,790
Restricted Assets:	-	-	-	-	-	-	424,689
Equity in Pooled Cash and Investments	-	-	-	-	-	-	2,980
Accrued Interest Receivable	-	-	-	-	-	-	-
Fixed Assets, Net	18,398,860	34,714	-	\$ 11,856,465	-	30,290,039	27,072,991
Investment in South Fork Water Board	3,285,285	-	-	-	-	3,285,285	2,618,802
Amount to be Provided for Bonded Debt Service	-	-	-	-	\$ 124,892	124,892	873,079
Amount Available for Bonded Debt Service	-	-	-	-	4,950,108	4,950,108	96,921
<b>Total Assets and Other Debits</b>	<b>\$ 24,607,530</b>	<b>\$ 441,427</b>	<b>\$ 168,021</b>	<b>\$ 11,856,465</b>	<b>\$ 5,075,000</b>	<b>\$ 57,462,568</b>	<b>\$ 46,543,134</b>
Liabilities:							
Accounts Payable	\$ 277,531	\$ 12,822	-	-	-	\$ 965,097	\$ 600,026
Accrued Salaries and Payroll Taxes	-	-	-	-	-	514,555	209,214
Accrued Liabilities	-	-	-	-	-	38,766	412,066
Accrued Interest Payable	-	752	-	-	-	-	-
Due to Other Governments	-	-	-	-	-	300,214	894,800
Deposits Payable	262,683	-	-	-	-	455,639	724,939
Contract Retainage Payable	37,709	-	-	-	-	1,418	53,871
Deferred Revenue	1,270	-	-	-	-	560,594	432,929
Matured Interest Payable	-	-	-	-	-	350	350
Bonds Payable	-	-	-	-	\$ 5,075,000	5,075,000	970,000
<b>Total Liabilities</b>	<b>611,323</b>	<b>13,674</b>	<b>-</b>	<b>-</b>	<b>5,075,000</b>	<b>7,911,633</b>	<b>4,098,215</b>
Fund Equity and Other Credits:							
Contributed Capital	21,351,204	61,135	-	\$ 11,856,465	-	21,412,339	20,195,932
Investment in General Fixed Assets	-	-	-	-	-	11,856,465	9,724,729
Retained Earnings Reserve for Construction	-	-	-	-	-	-	296,830
Retained Earnings Unreserved	-	-	-	-	-	3,011,721	2,349,198
Fund Balances:							
Reserved for Prepaid Expenditures	-	-	-	-	-	-	71,790
Reserved for Endowments	-	-	-	-	-	-	168,021
Reserved for System Development	3,370,656	-	\$ 168,021	-	-	3,370,656	3,421,405
Unreserved:							
Designated for Debt Service	-	-	-	-	-	124,892	96,921
Undesignated	1,672,347	3,789,261	-	-	-	9,606,841	6,118,412
<b>Total Fund Equity and Other Credits</b>	<b>1,672,347</b>	<b>7,159,917</b>	<b>124,892</b>	<b>11,856,465</b>	<b>-</b>	<b>49,550,935</b>	<b>42,444,919</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 24,607,530</b>	<b>\$ 441,427</b>	<b>\$ 168,021</b>	<b>\$ 11,856,465</b>	<b>\$ 5,075,000</b>	<b>\$ 57,462,568</b>	<b>\$ 46,543,134</b>

The accompanying notes are an integral part of the general purpose financial statements.

**City of West Linn, Oregon**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**All Governmental Fund Types**  
*For the Year Ended June 30, 1999*

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	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	1998	1999
<b>REVENUES:</b>						
Taxes	\$ 2,894,807	\$ 2,048,274	\$ 254,839		\$ 5,198,920	\$ 4,858,478
Intergovernmental Revenues	243,736	1,895,738			1,939,474	1,877,949
Franchise Fees	1,038,693	51,770			1,090,463	925,851
Licenses and Permits	1,112,166	-			1,112,166	963,898
Charges for Services	1,583,018	400,587			1,983,605	784,565
Fines and Forfeitures	327,079	-			327,079	240,930
Recycling revenues	-	1,371,876			-	43,820
Systems Development Fees	-	-			-	1,341,567
Interest Earnings	100,009	394,936	5,377	\$ 152,707	653,029	656,639
Miscellaneous	197,407	21,562	130	289,079	508,178	361,544
<b>Total Revenues</b>	<b>7,493,913</b>	<b>5,985,743</b>	<b>260,346</b>	<b>441,786</b>	<b>12,809,912</b>	<b>11,887,079</b>
<b>EXPENDITURES:</b>						
Current:						
General Government	3,351,167	510,079		2,823,477	6,784,723	2,125,823
Cultural and Recreation	1,627,902	140,812			1,768,514	2,146,003
Public Safety	2,027,093	2,557,669			4,584,762	4,191,529
Highways and Streets	-	2,272,413			2,272,413	1,402,200
Sanitation	-	726,260			726,260	1,233,371
Debt Service:						
Principal	-	-	295,000		295,000	275,000
Interest	-	-	27,966		27,966	61,877
<b>Total Expenditures</b>	<b>7,006,162</b>	<b>6,207,033</b>	<b>322,966</b>	<b>2,823,477</b>	<b>16,488,667</b>	<b>11,435,803</b>
Excess of Revenues Over (Under) Expenditures	487,751	(221,290)	(62,649)	(2,481,691)	(3,649,755)	431,276
Other Financing Sources (Uses):						
Proceeds of Debt	-	-	-	4,996,185	4,996,185	-
Reimbursements From Other Funds	-	180,598	90,820	973,293	1,244,511	-
Special Payments	-	(870,290)	-	-	(870,290)	-
Interfund Transfers In	458,335	663,068	-	201,000	1,322,403	674,464
Interfund Transfers Out	(663,068)	(458,335)	-	(201,000)	(1,322,403)	(674,464)
<b>Total Other Financing Sources (Uses)</b>	<b>(208,733)</b>	<b>(282,869)</b>	<b>90,820</b>	<b>5,969,478</b>	<b>5,570,496</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	281,018	(504,159)	27,971	3,487,787	3,292,617	431,276
Fund Balances, June 30, 1998	1,391,329	7,664,076	96,921	657,446	9,809,772	9,378,496
<b>Fund Balances, June 30, 1999</b>	<b>\$ 1,672,347</b>	<b>\$ 7,159,917</b>	<b>\$ 124,892</b>	<b>\$ 4,145,233</b>	<b>\$ 13,102,389</b>	<b>\$ 9,809,772</b>

The accompanying notes are an integral part of the general purpose financial statements.



City of West Linn, Oregon  
 Combined Statement of Revenues, Expenses and  
 Changes in Retained Earnings  
 All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type	(Memorandum Only)	
			Non-Expendable Trust	1999	1998
<b>OPERATING REVENUES:</b>					
Charges for Services (Net of \$1,036,713 of Sewer Charges Remitted to Tri-City Service District)	\$ 2,911,262	\$ 380,185		\$ 3,291,427	\$ 3,012,045
Connection Fees (Net of \$350,196 of Sewer Connection Fees Remitted to Tri-City Service District)	81,279	-		81,279	48,147
Other Operating Revenues	44,732	-	\$ -	44,732	48,844
<b>Total Operating Revenues</b>	<b>3,037,273</b>	<b>380,185</b>	<b>-</b>	<b>3,417,438</b>	<b>3,106,836</b>
<b>OPERATING EXPENSES:</b>					
Salaries and Wages	478,915	117,208	-	596,123	631,123
System Repairs and Maintenance	196,298	-	-	196,298	286,104
Operating Supplies, Repairs and Services	352,893	157,977	10,000	520,870	208,284
Gasoline and Diesel Fuel	-	48,213	-	48,213	60,828
South Fork Water Board Expenses	786,035	-	-	786,035	726,893
Utilities	70,817	-	-	70,817	81,196
Insurance	48,899	2,590	-	51,489	33,786
Administrative Charges from General Fund	528,882	47,076	-	575,938	529,087
Depreciation	478,934	5,331	-	484,265	479,420
<b>Total Operating Expenses</b>	<b>2,931,253</b>	<b>378,395</b>	<b>10,000</b>	<b>3,319,648</b>	<b>3,016,681</b>
Operating Income (Loss)	106,020	1,770	(10,000)	97,790	90,155
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest Income	102,778	17,564	8,318	128,660	159,922
Net Income from Joint Venture	666,483	-	-	666,483	406,689
Forgiveness of Debt	-	-	-	-	222,517
<b>Total Non-Operating Revenues (Expenses)</b>	<b>769,261</b>	<b>17,564</b>	<b>8,318</b>	<b>795,143</b>	<b>789,128</b>
Income (Loss) Before Operating Transfers	875,281	19,334	(1,682)	892,933	879,283
<b>SPECIAL PAYMENTS</b>	<b>(427,678)</b>	<b>-</b>	<b>-</b>	<b>(427,678)</b>	<b>-</b>
Net Income (Loss)	447,603	19,334	(1,682)	465,255	879,283
<b>RETAINED EARNINGS/FUND BALANCE, June 30, 1998</b>	<b>2,197,400</b>	<b>347,384</b>	<b>169,703</b>	<b>2,714,487</b>	<b>1,835,203</b>
<b>RETAINED EARNINGS/FUND BALANCE, June 30, 1999</b>	<b>\$ 2,645,003</b>	<b>\$ 366,718</b>	<b>\$ 168,021</b>	<b>\$ 3,179,742</b>	<b>\$ 2,714,486</b>

The accompanying notes are an integral part of the general purpose financial statements.

City of West Linn, Oregon  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Nonexpendable Trust Fund

For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type	(Memorandum Only)	
			Non-Expendable Trust	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Received from Customers	\$ 2,943,204	380,166		\$ 3,323,370	\$ 4,856,148
Payments to Suppliers	(983,335)	(211,311)	\$ (10,000)	(1,204,646)	(1,255,606)
Payments to Employees for Services	(478,916)	(117,208)		(596,124)	(634,434)
Payment in Lieu of Taxes	44,732	-		44,732	-
Payments - Quasi External	(473,960)	(47,076)		(521,036)	(559,110)
Payments to Tri-City Service District	(795,119)	-		(795,119)	(1,215,866)
<b>Net Cash Provided by (Used by) Operating Activities</b>	<b>256,606</b>	<b>4,571</b>	<b>(10,000)</b>	<b>251,177</b>	<b>991,130</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Special Payments	(427,678)	-	-	(427,678)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of Capital Assets	(341,721)	(11,849)	-	(353,570)	(1,320,995)
Contributed Capital	-	-	-	-	366,291
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(341,721)</b>	<b>(11,849)</b>	<b>-</b>	<b>(353,570)</b>	<b>(955,704)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest Earnings	116,834	18,803	8,923	144,560	-
Net Increase (Decrease) in Pooled Cash and Investments	(395,959)	11,525	(1,077)	(385,511)	35,426
Equity in Pooled Cash and Investments - June 30, 1998	2,557,311	372,936	168,517	3,098,764	2,889,819
Equity in Pooled Cash and Investments - June 30, 1999	\$ 2,161,352	\$ 384,461	\$ 167,440	\$ 2,713,253	\$ 2,925,245
<b>Comprised as Follows:</b>					
Equity in Pooled Cash and Investments:					
Restricted	\$ 2,161,352	\$ 384,461	\$ 167,440	\$ 2,713,253	\$ 424,689
Unrestricted	-	-	-	-	2,674,075
<b>Total Equity in Pooled Cash and Investments</b>	<b>\$ 2,161,352</b>	<b>\$ 384,461</b>	<b>\$ 167,440</b>	<b>\$ 2,713,253</b>	<b>\$ 3,098,764</b>

The accompanying notes are an integral part of the general purpose financial statements.

City of West Linn, Oregon  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Nonexpendable Trust Fund, Continued  
 For the Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary	Totals	
	Enterprise	Internal Service	Fund Type Non-Expendable Trust	(Memorandum Only)	
	1999	1998		1999	1998
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY)					
OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 106,020	\$ 1,770	\$ (10,000)	\$ 97,790	\$ 90,156
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	478,934	5,331	-	484,265	479,420
Interest Received	-	-	-	-	746
Changes in Assets and Liabilities:					
Accounts Receivable	(65,280)	-	(65,280)	21,724	-
Due from Other Governments	-	-	-	-	4,217
Contract Receivable	57,607	-	57,607	5,581	5,581
Accounts Payable	104,942	(953)	103,989	27,596	27,596
Other Accrued Liabilities	4,522	(1,577)	2,945	(13,908)	(13,908)
Contract Retainage Payable	-	-	-	-	52,601
Due to Other Governments	(388,476)	-	(388,476)	325,996	-
Deposits Payable	10,938	-	10,938	7,092	7,092
Contract Receivable	(52,601)	-	(52,601)	801	-
Total Adjustments	150,586	2,801	-	153,387	911,966
Net Cash Provided by (Used by) Operating Activities	\$ 256,606	\$ 4,571	\$ (10,000)	\$ 251,177	\$ 1,002,122
NONCASH CAPITAL ACTIVITY:					
Fixed Assets Contributed by Developers				\$ 31,846	

The accompanying notes are an integral part of the general purpose financial statements.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Summary of Significant Accounting Policies:**

The general purpose financial statements of the City of West Linn, Oregon (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**The Financial Reporting Entity**

The City of West Linn, Oregon was incorporated in 1913 and operates under the provision of its own charter and applicable State law with a Manager-Council form of government. The Mayor, who serves a two-year term, chairs City Council meetings. The Mayor and Council vote on all ordinances and legislative powers of the City and determine matters of policy. The City Manager is appointed by the City Council. Other City department heads are appointed by the City Manager.

The City of West Linn provides a full range of municipal services to the community which includes police and fire protection, emergency medical services, traffic control and improvement, street maintenance and improvement, water, sewer and storm drain service, planning and zoning regulation (building inspection and regulation), community library service, municipal court and parks and recreation.

Generally accepted accounting principles require that these financial statements present the City of West Linn (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 14, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City of West Linn has no component units.

**Joint Venture -**

The South Fork Water Board (SFWB) operates a water distribution system jointly with the City and the City of Oregon City. Revenues earned by SFWB are expended for the continued operation and maintenance of facilities within the municipal boundaries of these cities. Upon dissolution of the SFWB, the net assets will be shared 50 percent to each city. The SFWB is governed by a five member board composed of three appointees from Oregon City and two from West Linn. As more fully discussed in the notes, the City's net investment and its share of the operating results of the SFWB are reported in the City's Water Revenue Fund (an Enterprise Fund). Complete financial statements for the SFWB can be obtained from the City of Oregon City Finance Department, 320 Warner-Milne Road, Oregon City, Oregon 97045.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The financial statements of the General, Special Revenue, Debt Service and Capital Projects funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The Enterprise, Internal Service and Nonexpendable Trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The financial statements of the General, Special Revenue, Debt Service, Capital Projects and Agency funds are maintained using the modified accrual basis of accounting under which revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Exceptions to the modified accrual basis of accounting for these funds are revenues for grants that are recorded as earned and interest on general long-term debts that are recorded as due.

Those revenues susceptible to accrual are property taxes and assessment liens receivable (which are collected within 60 days after year end) interest revenue, state, county and local shared revenue and federal and state grants.

The accrual basis of accounting is utilized by the Enterprise, Internal Service and Nonexpendable Trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Proprietary Funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of operations.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds, except the Deferred Compensation Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". The investments of the Deferred Compensation Fund are held separately from those of other City funds.

For purposes of the statement of cash flows, the Proprietary and Nonexpendable Trust Funds consider cash to include cash and investments in the common pool since it has the general characteristics of demand deposit accounts in that the Proprietary and Nonexpendable Trust Funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty.

Investments, included in cash and investments, are carried at cost, which approximate market value, except for investments in the Deferred Compensation Fund, which are stated at market value.

**Receivables**

Uncollected property taxes receivable which have been collected within sixty days following year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. Uncollected taxes are deemed to be substantially collectible or recoverable through liens. Property taxes become a lien against the property and are levied as of July 1 each year and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. All property taxes are due from property owners within the City.

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. Under the provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. The limitation specifies \$10.00 is the maximum allowable tax for each \$1,000 of property real market value imposed on by local governments other than the public school system. Although the aggregate of nonschool local government taxes in the City does not currently exceed \$10.00 per \$1,000 of assessed value, this limitation may effect the availability of future tax revenues for the City.

Assessments receivable are recognized at the time owners are assessed for property improvements. Assessments receivable expected to be collected within sixty days following year end are considered measurable and available and are recognized as revenues. All other assessments receivable are offset by deferred revenue and, accordingly, have not been recorded as revenue.

Receivables for the Proprietary Fund Types are recorded as revenue as earned, including services earned but not billed. The Proprietary Fund Type receivables relate to billing for residential and commercial customers utilizing the City's water and sewer services.

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all fund types as earned.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Inventory**

Inventories of operating supplies and repair parts in the Proprietary Funds are valued at the lower of cost or market (average cost) and charged against operations as used.

**Fixed Assets**

General fixed assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are stated at historical cost. In case of donations or gifts, fixed assets are stated at fair market value at the date of donation.

Maintenance and repairs are charged to expenditures in various governmental funds as incurred and not capitalized. Depreciation is not recorded on general fixed assets. Upon disposal, the General Fixed Assets Account Group is relieved of the related cost; proceeds from sales of general fixed assets are recorded as revenues of the appropriate fund.

Expenditures for public domain fixed assets (streets, sidewalks, curbs and gutters, lighting systems, and similar assets) that are immovable and of value only to the City as a governmental unit are reported as expenditures as incurred and not capitalized.

Fixed assets in the Proprietary Fund Types are stated at cost or, in the case of donations or gifts, at the appraised market value at the time received. Maintenance and repairs are expensed as incurred. Replacements that improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation and resulting gains or losses are reflected in operations. Depreciation on contributed fixed assets is recorded as an expense of operations and charged to retained earnings. Depreciation is recognized beginning with the month the asset is placed in service.

Depreciation is computed over the asset's estimated useful lives as follows:

Building and improvements	50 years
Water system	50 years
Equipment	5 - 30 years

**Capitalized Interest**

Interest costs are capitalized in the Proprietary Fund Types as part of the costs of fixed assets during the period of construction based on the related weighted average net borrowing costs incurred. Interest earned on temporary investments acquired with the proceeds of such borrowed funds from the date of borrowing until the assets are ready for their intended use is used to reduce the interest costs capitalized on the constructed assets. During fiscal 1999 no interest was capitalized.

City of West Linn, Oregon  
Notes to General Purpose Financial Statements

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

**Investment in South Fork Water Board**

Investment in South Fork Water Board is accounted for using the equity method.

**Long-term Debt**

Long-term debt directly related and expected to be paid from the Enterprise Funds is included in such funds. All other unmatured long-term debt is recorded in the General Long-term Debt Account Group. Repayment of General Long-term Debt Account Group liabilities will be made from the Governmental Fund Types.

**Compensated Absences**

Earned but unpaid vacation pay is recorded as an expense or expenditure in the Proprietary Fund Types and Governmental Fund Types when earned. The entire amount of \$309,387 accrued in the Governmental Fund Types and included in other accrued liabilities is recognized as expenditures in the funds because the City has provided currently available financial resources for these expenditures. Earned but unpaid sick pay does not vest and is recorded as an expense or expenditure when paid.

**Contributed Capital**

Contributed capital in the Proprietary Fund Types represents the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. Such contributions are recorded directly to contributed capital and, accordingly, are not recognized as revenue. The following transactions are recorded as contributions in the Proprietary Fund Types:

- Fixed assets contributed by developers.
- Fixed assets contributed from other funds.
- Contributions from customers for the acquisition of fixed assets (mainly connection fees).
- Residual equity transfers from other funds.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as Special Payments in the reimbursing fund and as Reimbursements From Other Funds in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Reservations of Fund Balance**

Reserves for endowments and system development represent portions of fund balances legally segregated for specific future use.

City of West Linn, Oregon  
Notes to General Purpose Financial Statements

1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:

**Budget**

A budget is prepared and legally adopted for each governmental fund type in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budgetary basis of accounting for all budgeted funds is the same as generally accepted accounting principles basis for the governmental fund types except for certain interfund transactions which are described in Note 3. A budget is also prepared and legally adopted for all other fund types in accordance with the provisions of the Oregon Local Budget Law.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The resolution establishes a departmental level of control for the General Fund. For all other fund types the levels of control are personal services, materials and services, capital outlay, contingency and transfers. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires hearings before the public, publication in newspaper and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the level of control. Such transfers require approval by the City Council. The City adopted two supplemental budgets and made one appropriation transfer during the year ended June 30, 1999. Appropriations lapse as of year end.

Expenditures of the various funds were within authorized appropriations, except for the Street Fund which was overexpended in Special Payments by \$8,519; Solid Waste Recycling Program Fund which was overexpended in Special Payments by \$10,577; Street Serial Levy Fund which was overexpended in Special Payments by \$133,535; Police Serial Levy Fund which was overexpended in Special Payments by \$18,295; Fire Serial Levy Fund which was overexpended in Materials and Services by \$18,367 and Special Payments by \$756; System Development Fund which was overexpended in Materials and Services by \$6,274 and Special Payments by \$171,026; Bolton Pump Station Construction Fund which was overexpended in Special Payments by \$3,273; and Sewer Fund which was overexpended in Special Payments by \$33,859. In addition the Arts Commission Fund has a negative fund balance of \$297.

A portion of the second supplemental budget enclosed by the City Council for the Street Serial Levy Fund was executed in error and is not included in the budget amounts for that fund.

The budget for the Governmental Fund Types includes capital outlay expenditures in each program for capital outlays applicable to that program.

**Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and results of operations. However, comparative data have not been presented for all statements because their inclusion would make certain statements unduly complex and difficult to understand.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**Totals (Memorandum Only) Columns**

The Totals (Memorandum Only) columns on the general purpose financial statements represent an aggregate of the columnar statements by fund type and account group. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

**1. The Reporting Entity and Summary of Significant Accounting Policies, Continued:**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. Description of Funds and Account Groups:**

The City uses funds and account groups to report on its financial position, results of its operations and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not reported in the funds.

**Governmental Fund Types**

**General Fund**

The General Fund accounts for the financial operations of the City not accounted for in any other fund. The principal sources of revenue are property taxes, shared state revenues, franchise fees and licenses and permits. Primary expenditures are for general government, public safety and cultural and recreation.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**Special Revenue Funds**

These funds account for revenue derived from specific tax or other earmarked revenue sources, including federal and state grand awards, which are legally restricted to finance particular functions or activities. Funds included in this category are:

- Street Fund
- State Revenue Sharing Fund
- Library Levy Fund
- 911 Emergency Communications Fund
- Cable TV / Public Access Fund
- Street Improvement Fund
- Solid Waste Recycling Program Fund
- Street Serial Levy Fund
- Police Serial Levy Fund
- Fire Serial Levy Fund
- Arts Commission Fund
- Public Education Government Fund
- System Development Fund
- Storm Drain Fund

**2. Description of Funds and Account Groups, Continued:**

**Debt Service Fund**

The Debt Service Fund accounts for payment of general obligation bond principal and interest. Its principal revenue source is property taxes.

**Capital Projects Fund**

The Capital Development Fund accounts for resources used for the acquisition or construction of capital facilities and equipment.

**Proprietary Fund Types**

**Enterprise Funds**

These funds account for the financial operation of self-supporting activities that render services on a user charge basis to the general public. Included are the following:

- Water Fund (includes the combined activity of three budgetary funds)
- Sewer Fund

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**Internal Service Funds**

The Vehicle/Equipment Maintenance Fund accounts for the maintenance of the City's vehicles and equipment. Charges are made to other City funds to recover the costs of providing services.

The Insurance Fund accounts for all costs incurred by the City under its insurance programs, primarily unemployment insurance claims up to policy deductible limits. Funding sources are revenues from investment income, proceeds from insurance claims and charges to other funds.

**Fiduciary Fund Types**

**Nonexpendable Trust Fund**

The Caufield Trust Fund accounts for an endowment held by the City under terms of a bequest. The principal of the Trust Fund may not be expended.

**2. Description of Funds and Account Groups, Continued:**

**Account Groups**

**General Fixed Assets Account Group**

This account group accounts for the City's investment in fixed assets with the exception of those assets held by the Proprietary Fund Types.

**General Long-term Debt Account Group**

This account group accounts for the City's general long-term bonded debt other than debt recorded in the Proprietary Fund Types.

**3. Reconciliation of Generally Accepted Accounting Principles Basis to Budgetary Basis:**

The budget of the City is prepared differently from generally accepted accounting principles. Therefore, the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis and is adjusted to the Combined Statement of Revenues, Expenditures and Changes in fund Balances - All Governmental Fund Types presented on a generally accepted accounting principles basis.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**3. Reconciliation of Generally Accepted Accounting Principles Basis to Budgetary Basis, Continued:**

The following is a reconciliation of the difference between the budgetary basis and generally accepted accounting principles basis of expenditures and other financing sources and uses:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Expenditures - budgetary basis	\$ 6,827,436	\$ 6,279,305
Reimbursement of expenditures budgeted as operating transfers in	(1,179,308)	(841,134)
Expenditures budgeted as operating transfers out	<u>841,794</u>	<u>963,643</u>
Expenditures - generally accepted accounting principles basis	<u>\$ 6,489,922</u>	<u>\$ 3,430,484</u>
Other financing sources (uses) - budgetary basis	\$ 793,849	\$ (213,129)
Expenditures budgeted as operating transfers out	841,794	963,643
Reimbursement of expenditures budgeted as operating transfers in	<u>(1,179,308)</u>	<u>(841,134)</u>
Other financing sources (uses) - generally accepted accounting principles basis	<u>\$ 456,335</u>	<u>\$ (90,620)</u>

**4. Equity in Pooled Cash and Investments:**

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Equity in Pooled Cash and Investments".

Cash and Investments, carried at cost except for certain agency investments, are comprised of the following at June 30, 1999:

Cash on hand	\$ 2,050
Demand Deposits with Financial Institutions	133,591
Time deposit	11,960
Cash with Agent	32,159
Investments	<u>16,662,279</u>
Total	<u>\$ 16,842,039</u>

Cash and investments are reflected on the Combined Balance Sheet as Follows:

Equity in Pooled Cash and Investments	\$ 16,830,079
Security Deposits	<u>11,960</u>
Total	<u>\$ 16,842,039</u>

**City of West Linn, Oregon**  
**Notes to General Purpose Financial Statements**

**4. Equity in Pooled Cash and Investments, Continued:**

**Deposits**

Deposits with financial institutions include bank demand deposits and time deposits. The total bank balance per the bank statements is \$165,565. All of these deposits were covered by federal depository insurance. The balance was fully collateralized in accordance with state law. Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the outstanding certificates of participation issued by the pool manager.

**Investments**

The City's investments are categorized as follows:

- (1) Insured or registered, or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its agent; but not in the City's name.

At June 30, 1999 the carrying amount and market value of the investments were:

	Categories			Carrying Amount
	1	2	3	
U.S. Government Securities	\$ 1,299,726			\$1,299,726
Corporate Bonds	5,073,111			5,073,111
U.S. Government Agency Securities	<u>251,765</u>			<u>251,765</u>
	<u>\$ 6,624,602</u>	<u>\$ -</u>	<u>\$ -</u>	6,624,602

Investments not subject to categorization:

Oregon State Treasurer's Local Government Investment Pool, Variable Interest Rate	<u>10,037,677</u>
Total Investments	<u>\$16,662,279</u>

**5. Contracts Receivable:**

Contracts receivable represents amounts due from certain property owners for payments arising from sewer connection services provided to these property owners. The contract is collateralized by a lien against the benefited property and, therefore, an allowance for uncollectible amounts is not deemed necessary.

**City of West Linn, Oregon**  
**Notes to General Purpose Financial Statements**

**6. Fixed Assets:**

The changes in fixed assets for the fiscal year ended June 30, 1999 are as follows:

	Internal Service Funds		
	Balance June 30, 1998	Additions	Balance June 30, 1999
Buildings	\$ 26,328		\$ 26,328
Equipment	84,231	\$ 11,849	96,080
Vehicles	<u>26,003</u>		<u>26,003</u>
Totals	136,562	11,849	148,411
Less Accumulated Depreciation	<u>(108,366)</u>	<u>(5,331)</u>	<u>(113,697)</u>
Totals	<u>\$ 28,196</u>	<u>\$ 6,518</u>	<u>\$ 34,714</u>
	Enterprise Funds		
	Balance June 30, 1998	Additions	Balance June 30, 1999
Land and Land Improvements	\$ 489,188	\$ 1,000	\$ 490,188
Buildings and Improvements	1,893,164		1,893,164
Water and Sewer System	18,034,472	3,800,447	21,834,919
Equipment	977,580	30,775	1,008,355
Vehicles	236,713	20,865	257,578
Construction in Progress	<u>2,263,113</u>	<u>(2,263,113)</u>	
Totals	23,894,230	1,589,974	25,484,204
Less Accumulated Depreciation	<u>(6,606,410)</u>	<u>(478,934)</u>	<u>(7,085,344)</u>
Totals	<u>\$17,287,820</u>	<u>\$ 1,111,040</u>	<u>\$18,398,860</u>

**City of West Linn, Oregon**  
**Notes to General Purpose Financial Statements**

**6. Fixed Assets, Continued:**

	General Fixed Assets Account Group			
	Balance June 30, 1998	Additions	Transfers	Balance June 30, 1999
Land and Land Improvements	\$ 2,776,209	\$ 1,365,069	\$ 26,051	\$ 4,167,329
Buildings and Improvements	2,071,481	53,628		2,125,109
Equipment	2,439,940	536,803		2,976,743
Vehicles	1,844,196	64,140		1,908,336
Leasehold Improvements	36,443	-		36,443
Construction in Progress	556,460	112,095	(26,051)	642,504
<b>Totals</b>	<b>\$ 9,724,729</b>	<b>\$ 2,131,736</b>	<b>\$ -</b>	<b>\$11,856,465</b>

**7. Deferred Compensation Plans:**

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. There are four separate plans. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The June 30, 1999, deferred compensation assets include the accumulation of amounts deferred since the inception of the plan and investment earnings thereon, less participant withdrawals. The assets of the plans are held by the plan administrator for the sole benefit of the participants and are not considered assets and liabilities of the City.

**8. Long Term Debt:**

**General Obligation Bonds**

General obligation bonds consist of the unmatured balance of four issues with interest rates ranging from 2.6% to 4.7% (original issue \$6,840,000). Maturities of bond principal and interest are as follows:

Fiscal Year	Principal		Matured and Paid	Outstanding June 30, 1999	Future Interest
	Outstanding June 30, 1998	Issued			
1999	\$ 180,000	\$ -	\$ 180,000	\$ -	\$ -
2000	185,000	85,000		270,000	313,675
2001	195,000	165,000		360,000	207,696
2002	210,000	175,000		385,000	192,321
2003	85,000	180,000		265,000	175,871
2004 - 2019		3,795,000		3,795,000	1,483,531
	<b>\$ 855,000</b>	<b>\$4,400,000</b>	<b>\$ 180,000</b>	<b>\$ 5,075,000</b>	<b>\$ 2,373,094</b>

Principal and interest on general obligation bonds are payable solely from general tax revenues.

**City of West Linn, Oregon**  
**Notes to General Purpose Financial Statements**

**8. Long Term Debt, Continued:**

On October 1, 1999 the City issued General Obligation Bonds, Series 1999 for \$3,600,000

**Water System Revenue Bonds**

Water System Revenue bonds consist of the unmatured balance of one bond issue with interest rates of 6.00% per annum (original issue \$1,025,000). The Debt Service Fund assumed responsibility for repayment of these bonds in the year ended June 30, 1998. The bonds matured as follows:

Fiscal Year	Principal		Outstanding June 30, 1999
	Outstanding June 30, 1998	Matured and Paid	
1999	\$ 115,000	\$ 115,000	\$ -

**Contracts Payable**

As prescribed in Resolution 98-32, the City entered into a lease-financing agreement with Bank of America, to finance the acquisition of a city-wide management information system, LAN/WAN systems, other computer equipment and software in an aggregate principal amount of not more than \$600,000. In February 1999, the City made the first of twenty-eight quarterly payments of \$24,971.81. Commitments under the 1998 Financing Agreement are as follows:

Fiscal Year	Payments	Principal Portion	Interest Portion	Balance at June 30 year end
1999	\$ 49,944	\$ 37,094	\$ 12,850	\$ 562,906
2000	99,887	76,640	23,247	486,266
2001	99,887	80,028	19,859	406,238
2002	99,887	83,567	16,320	322,671
2003	99,887	87,262	12,625	235,409
2004	99,887	91,120	8,767	144,289
2005	99,887	95,149	4,738	49,141
2006	49,944	49,141	803	-
	<b>\$ 699,210</b>	<b>\$ 600,001</b>	<b>\$ 99,209</b>	

City of West Linn, Oregon  
Notes to General Purpose Financial Statements

9. Pension Plan:

The City is a member of the State of Oregon Public Employees Retirement System (PERS) an agent multiple-employer defined benefit public employee retirement system. All employees of the City are covered by the plan after six months of employment. The Public Employees Retirement Plan is a defined benefit pension plan to which employees and employer both contribute. Benefits are established by State statutes and consist of a retirement benefit paid for life upon a qualifying retirement, which is generally age 58. Benefits fully vest on reaching 5 years of service. The plan requires, and it is the policy of the City, to fund all current and prior service pension costs. The total pension contribution for fiscal year 1999 was \$658,269. This was comprised of \$383,088 in employer contributions and \$275,181 of employee contributions. The 6 percent employee contribution of \$275,181 was paid by the City in accordance with collective bargaining agreements.

The City's payroll for employees covered by PERS for 1998-99 was \$4,588,700. The City's total payroll was \$4,972,375.

The rate of employee contribution to the plan is established by law and is currently six percent of employee compensation.

The rate of employer contribution to the plan is set periodically by the Public Employees Retirement Board, based upon actuarial evaluations. Under the plan, a contribution rate is determined for each employer. The City's employer contribution rate for fiscal year 1999 was 7.88 percent of employee compensation. The rate will change to 8.09 percent effective July 1, 1999.

The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Recent action taken by the Oregon Supreme Court with regard to House Bill 3349 (1995), the legislative remedy to certain income tax issues, may necessitate an increase in employer contributions. This potential increase in employer contributions has not been included in the above rates.

GASB Statement No. 27 disclosures are based on the actuarial assumptions and methods contained in the December 31, 1997 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

The significant actuarial assumptions used in the December 31, 1997 valuation include (1) a rate of return on present and future investments of 8% per year, (2) projected salary increases of 4% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and service, (3) projected automatic cost of living benefit increases of 2% per year, and (4) demographic assumptions that have been chosen to best estimate emerging experience of the system members.

City of West Linn, Oregon  
Notes to General Purpose Financial Statements

9. Pension Plan, Continued:

Contribution information for the years ended June 30, 1999, 1998 and 1997 were as follows:

Year Ended June 30	Employer Contributions			Employee Contributions		Total Contributions
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Paid by Employer	Paid by Employees	
1999	\$383,088	100%	\$-0-	\$275,181	\$ 0	\$658,269
1998	424,923	100%	-0-	305,232	1,168	731,323
1997	322,029	100%	-0-	280,866	1,005	603,900

Funding Status:

The information presented below is the latest available as the PERS only performs actuarial valuations on a biennial basis. Prior actuarial valuation information under the new standards is not available as PERS only converted the following information to the new standards.

Dec. 31 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Actuarial Assets in Excess of, -Less than, Accrued Liability	Funded Percent	Covered Payroll	Overfunded, -Underfunded Actuarial Liability as a % of Payroll
1997	\$ 15,423,979	\$ 14,598,019	\$ 825,960	106%	\$ 5,245,167	16%
1995	\$ 10,263,057	\$ 10,628,586	\$ -365,529	97%	\$ 4,367,416	-8%
1993	\$ 7,691,288	\$ 7,519,019	\$ 172,269	102%	\$ 3,659,167	5%

Trend information showing the system's progress in accumulating sufficient assets to pay benefits when due may be found in the June 30, 1997 stand-alone audit report of the Oregon Public Employees Retirement System. A copy of that report may be obtained by writing PERS, P.O. Box 23700, Tigard, OR 97281-3700.

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**10. Contributed Capital:**

Changes in contributed capital are as follows:

	Enterprise Funds		Internal Service Fund	Total
	Water Fund	Sewer Fund	Vehicle Maintenance Fund	
Balance, June 30, 1998	\$ 10,547,500	\$ 9,555,451	\$ 61,135	\$20,164,086
Contributed by Developers	<u>1,248,253</u>			<u>1,248,253</u>
Balance, June 30, 1999	<u>\$ 11,795,753</u>	<u>\$ 9,555,451</u>	<u>\$ 61,135</u>	<u>\$21,412,339</u>

**11. Segment Information:**

The City maintains two enterprise funds which provide water and sewer services. Segment information as of and for the year ended June 30, 1999 is as follows:

	Water Fund	Sewer Fund	Total
Operating Revenues	\$ 1,880,375	\$ 1,156,898	\$3,037,273
Depreciation Expense	235,298	243,636	478,934
Operating Income (Loss)	(144,344)	250,364	106,020
Operating Transfers Out	(427,678)	-	(427,678)
Net Income	118,634	328,969	447,603
Fixed Assets (Net)	9,834,807	8,564,053	18,398,860
Investment in South Fork Water Board	3,285,285	-	3,285,285
Contributed Capital	11,795,753	9,555,451	21,351,204
Total Assets	13,949,906	10,657,624	24,607,530
Total Working Capital	608,236	1,703,826	2,312,062
Total Fund Equity	13,728,328	10,267,879	23,996,207

The investment in South Fork Water Board (SFWB) is accounted for on the equity method. Significant financial information for the SFWB as of and for the year ended June 30, 1999 is as follows:

Operating Revenues	\$ 3,059,499
Operating Income	1,531,837
Net Income	1,332,966
Total Assets	13,336,903
Total Working Capital	1,987,645
Bonds Payable	6,422,954
Contributed Capital	877,788
Total SFWB Equity	6,570,571

**City of West Linn, Oregon  
Notes to General Purpose Financial Statements**

**12. Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except for unemployment compensation, the City purchases commercial insurance to minimize its exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 1998 to 1999. Workers compensation claims are insured through incurred loss retrospective policies. Except as discussed in the following paragraph, settled claims have not exceeded this commercial coverage for any of the past three years.

The City is self-insured for unemployment compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Insurance Fund has recorded the following changes in the balance of claims liabilities for the years ended June 30, 1999 and 1998 as follows:

	1999	1998
Unpaid claims, beginning of year	\$ -	\$ 1,148
Incurred claims	3,150	932
Claim Payments	<u>(3,150)</u>	<u>(2,080)</u>
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

**13. Commitments and Contingencies:**

The City has an agreement with the Tri-City Service District to treat sewage wastewater. Pertinent terms of this agreement are as follows:

- The City will process and review all permit applications for hookup and inspection thereof; operate and maintain local collection facilities; bill and collect user charges, and bill and collect connection charges.
- The City will collect and remit all connection and user charges to the District, except for a portion to reimburse administrative costs and maintain the City's sewer system.
- Should the District fail to perform services outlined in this agreement, the City can terminate the agreement upon 30 days written notice.

The City entered into a Cooperative Improvement Agreement with the State of Oregon Department of Transportation (ODOT) in fiscal year 1997 for a street improvement project with total estimated costs of approximately \$1,575,000. ODOT will pay up to \$746,000 of the total project costs; the balance to complete the project is solely the responsibility of the City. Actual construction on the project commenced late in fiscal year 1998.

**City of West Linn, Oregon**  
**Notes to General Purpose Financial Statements**

**14. Property Tax Limitations:**

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

Also, the State of Oregon has a second limit on property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit.

This second limit has reduced the amount of operating property tax revenues available to the City for its 1997-98 fiscal year, and thereafter. This reduction will be accomplished by rolling assessed property values back to their 1995-96 values less 10% and limiting future assessment value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

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**15. Subsequent Events:**

On June 15, 1999, the City entered into a ten-year agreement with Koss-Brod-Goodrich and Associates, Inc. to lease a two-story building with underground parking and storage situated at 22500 Salamo Road, in the Cascade Summit Shopping Center. This structure is to be utilized as the new City Hall by the City of West Linn. The lease provides two early termination dates, after three years and after five years. Both of these early termination options would require substantial payments by the City. In addition, the lease provides the City the option to purchase the building, at any time during the first three years, for \$3,750,000.

The City is to pay a monthly base rent plus the tenant's share of all costs for operating, managing, administering, maintaining, repairing, replacing or improving the common areas and areas adjacent thereto, as defined by the lease. Monthly base rent is \$27,130 for months 1-30, \$28,758 for months 31-60, \$30,482 for months 61-90, and \$32,317 for months 91-120.

<u>Fiscal Year</u>	<u>Annual Base Rent</u>
1999-2000	\$ 216,748
2000-2001	325,567
2001-2002	330,450
2002-2003	345,101
2003-2004	345,101
Thereafter	1,873,303

### Enterprise Funds

These funds account for the financial operation of self-supporting activities that render services on a user charge to the general public. Funds included in this fund category are:

- < **Water Fund** - accounts for the City's water utility operations.
- < **Sewer Fund** - accounts for the City's sewer utility operations.

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**City of West Linn, Oregon  
Enterprise Funds  
Combining Balance Sheet**  
June 30, 1999

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Equity in Pooled Cash and Investments	\$ 453,997	\$ 1,707,355	\$ 2,161,352
Accounts Receivable, Net	301,418	375,685	677,103
Accrued Interest Receivable	1,762	3,349	5,111
Inventory	<u>72,637</u>	<u>7,182</u>	<u>79,819</u>
Total Current Assets	<u>829,814</u>	<u>2,093,571</u>	<u>2,923,385</u>
<b>Fixed Assets, Net</b>			
Investment in South Fork Water Board	9,834,807	8,564,053	18,398,860
	<u>3,285,285</u>	<u>-</u>	<u>3,285,285</u>
Total Assets	<u>\$ 13,949,906</u>	<u>\$ 10,657,624</u>	<u>\$ 24,607,530</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 132,961	\$ 144,570	\$ 277,531
Meter Connection Deposits	37,709	-	37,709
Other Accrued Liabilities	28,338	3,792	32,130
Contract Retainage Payable		1,270	1,270
Due to Other Governments	<u>22,570</u>	<u>240,113</u>	<u>262,683</u>
Total Current Liabilities	<u>221,578</u>	<u>389,745</u>	<u>611,323</u>
<b>Fund Equity:</b>			
Contributed Capital	11,795,753	9,555,451	21,351,204
Retained Earnings (Deficit)	<u>1,932,575</u>	<u>712,428</u>	<u>2,645,003</u>
Total Fund Equity	<u>13,728,328</u>	<u>10,267,879</u>	<u>23,996,207</u>
Total Liabilities and Fund Equity	<u>\$ 13,949,906</u>	<u>\$ 10,657,624</u>	<u>\$ 24,607,530</u>

**City of West Linn, Oregon  
Enterprise Funds  
Combining Statement of Revenues, Expenses and  
Changes in Retained Earnings**  
For the Year Ended June 30, 1999

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for Services (Net of \$1,036,713 of Sewer Charges Remitted to Tri-City Service District)	\$ 1,754,388	\$ 1,156,874	\$ 2,911,262
Connection Fees (Net of \$350,196 of Sewer Connection Fees Remitted to Tri-City Service District)	81,279		81,279
Other Operating Revenues	<u>44,708</u>	<u>24</u>	<u>44,732</u>
Total Operating Revenues	<u>1,880,375</u>	<u>1,156,898</u>	<u>3,037,273</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	330,030	148,865	478,915
System Repairs and Maintenance	87,285	109,013	196,298
Operating Supplies, Repairs and Services	267,245	85,448	352,693
South Fork Water Board Expenses	786,035	-	786,035
Utilities	60,363	10,454	70,817
Insurance	21,483	19,216	40,699
Administrative Charges from General Fund	236,980	289,882	526,862
Depreciation	<u>235,298</u>	<u>243,636</u>	<u>478,934</u>
Total Operating Expenses	<u>2,024,719</u>	<u>906,534</u>	<u>2,931,253</u>
Operating Income (Loss)	<u>(144,344)</u>	<u>250,364</u>	<u>106,020</u>
<b>NON-OPERATING REVENUES:</b>			
Interest Income	24,173	78,605	102,778
Net Income from Joint Venture	<u>666,483</u>	<u>-</u>	<u>666,483</u>
Total Non-Operating Revenues	<u>690,656</u>	<u>78,605</u>	<u>769,261</u>
Income Before Special Payments	546,312	328,969	875,281
SPECIAL PAYMENTS	<u>(427,678)</u>	<u>-</u>	<u>(427,678)</u>
Net Income	<u>118,634</u>	<u>328,969</u>	<u>447,603</u>
RETAINED EARNINGS, June 30, 1998	<u>1,813,941</u>	<u>383,459</u>	<u>2,197,400</u>
RETAINED EARNINGS, June 30, 1999	<u>\$ 1,932,575</u>	<u>\$ 712,428</u>	<u>\$ 2,645,003</u>

**City of West Linn, Oregon**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
*For the year ended June 30, 1999*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Received from Customers	\$ 1,812,179	\$ 1,131,025	\$ 2,943,204
Paid to Suppliers	(437,155)	(546,180)	(983,335)
Payments to Employees for Services	(330,030)	(148,886)	(478,916)
Payment to Tri-City Service District	(795,119)	-	(795,119)
Other Operating Revenues	44,708	24	44,732
Payments - Quasi-External	(236,980)	(236,980)	(473,960)
Net Cash provided by Operating Activities	<u>57,603</u>	<u>199,003</u>	<u>256,606</u>
Cash Flows from Noncapital Financing Activities:			
Special Payments	(427,678)	-	(427,678)
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(21,991)	(319,730)	(341,721)
Cash Flows from Investing Activities:			
Interest Earnings	28,787	88,047	116,834
(Decrease) in Pooled Cash and Investments	(363,279)	(32,680)	(395,959)
Equity in Pooled Cash and Investments, June 30, 1998	<u>817,276</u>	<u>1,740,035</u>	<u>2,557,311</u>
Equity in Pooled Cash and Investments, June 30, 1999	<u>\$ 453,997</u>	<u>\$ 1,707,355</u>	<u>\$ 2,161,352</u>

Continued on page 63

**City of West Linn, Oregon**  
**Enterprise Funds**  
**Combining Statement of Cash Flows, Continued**  
*For the year ended June 30, 1999*

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (144,344)	\$ 250,364	\$ 106,020
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	235,298	243,636	478,934
Changes in Assets and Liabilities:			
Accounts Receivable	(34,425)	(30,855)	(65,280)
Contract Receivable	-	57,607	57,607
Accounts Payable	(5,343)	110,285	104,942
Other Accrued Liabilities	4,563	(41)	4,522
Due to Other Governments	(9,084)	(379,392)	(388,476)
Meter Connections Deposits	10,938	-	10,938
Contract Retainage Payable	-	(52,601)	(52,601)
Total Adjustments	<u>201,947</u>	<u>(51,381)</u>	<u>150,586</u>
Net Cash Provided by Operating Activities	<u>\$ 57,603</u>	<u>\$ 199,003</u>	<u>\$ 256,606</u>
NONCASH CAPITAL ACTIVITY:			
Fixed Assets Contributed by developers	<u>\$ 1,248,115</u>	<u>\$ -</u>	<u>\$ 1,248,115</u>

Continued from page 62

**City of West Linn, Oregon  
Water Fund  
Schedule of Revenues and Expenditures -  
Budget and Actual**

For the Year Ended June 30, 1999

	Original and Supplemental Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Service Charges and Other Fees:			
Water Sales	\$ 1,653,450	\$ 1,754,388	\$ 100,938
Water Connection Fees	66,600	81,279	14,679
Miscellaneous Revenues:			
Customer Service Charges	6,500	7,706	1,206
Interest Earnings	1,200	24,173	22,973
Other Revenues	5,000	37,002	32,002
<b>Total Revenues</b>	<b>1,732,750</b>	<b>1,904,548</b>	<b>171,798</b>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	413,276	413,276	-
	<u>\$ 2,146,026</u>	<u>\$ 2,317,824</u>	<u>\$ 171,798</u>
<b>EXPENDITURES:</b>			
Personal Services	\$ 344,496	\$ 330,030	\$ 14,466
Materials and Services	1,248,263	1,182,848	65,415
Capital Outlay	60,603	8,528	52,075
Debt Service	1,500	-	1,500
Contingency	156,072	-	156,072
<b>Total Expenditures</b>	<b>1,813,734</b>	<b>1,521,406</b>	<b>292,328</b>
<b>SPECIAL PAYMENTS:</b>			
General Fund:			
Accounting/Financial Services	82,088	70,322	11,766
Planning/Development Services	3,260	6,965	(3,705)
Public Works Support Services	75,324	52,291	23,033
Administrative Services	33,009	32,059	950
Engineering Services	70,827	73,854	(3,027)
Project Design/Inspection	10,500	1,488	9,012
Vehicle/Equipment Maintenance Fund	27,355	23,158	4,197
M.I.S. Fund	29,869	29,869	-
<b>Total Special Payments</b>	<b>332,292</b>	<b>290,007</b>	<b>42,286</b>
<b>Total Expenditures and Special Payments</b>	<b>\$ 2,146,026</b>	<b>\$ 1,811,413</b>	<b>\$ 334,614</b>

**City of West Linn, Oregon  
Horton Reservoir Fund  
Schedule of Revenues and Expenditures  
Budget and Actual**

For the Year Ended June 30, 1999

	Original and Supplemental Budget	Actual	Variance Favorable (Unfavorable)
<b>BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION</b>			
	<u>\$ 427,678</u>	<u>\$ 427,678</u>	<u>\$ -</u>
<b>SPECIAL PAYMENTS</b>			
Bolton Pump Station Construction Fund	\$ 388,100	\$ 388,100	\$ -
Tanner Basin Water SDC Fund	39,578	39,578	-
<b>Total Special Payments</b>	<b>\$ 427,678</b>	<b>\$ 427,678</b>	<b>\$ -</b>

**City of West Linn, Oregon**  
**Water Fund**  
**Reconciliation of Revenues and Expenditures (Budgetary)**  
**to Revenues and Expenses (GAAP)**  
*For the Year Ended June 30, 1999*

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis Funds:		
Water Fund	\$ 1,904,548	\$ 1,521,406
Horton Reservoir Fund	-	-
Revenues and Expenditures - Budgetary Basis	<u>1,904,548</u>	<u>1,521,406</u>
Adjustments:		
Net Income from Joint Venture	666,483	
Depreciation Expense		235,298
Expenditures Capitalized		(21,992)
Expenses Budgeted as Special Payments		<u>290,007</u>
Revenues and Expenses - GAAP Basis	<u>\$ 2,571,031</u>	<u>\$ 2,024,719</u>
Comprised as follows:		
Operating Revenues, Expenses	\$ 1,880,375	\$ 2,024,719
Non-operating Revenues:		
Net Income from Joint Venture	666,483	
Interest Income, Expense	<u>24,173</u>	
	<u>\$ 2,571,031</u>	<u>\$ 2,024,719</u>

**City of West Linn, Oregon**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual**  
*For the Year Ended June 30, 1999*

	<u>Original and Supplemental Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Service Charges and Other Fees:			
Sewer Users' Charges	\$ 2,082,000	\$ 2,204,263	\$ 122,263
Sewer Connection Fees	302,000	350,196	48,196
Miscellaneous Revenues:			
Interest Earnings	50,000	78,605	28,605
Other Revenues		<u>24</u>	<u>24</u>
Total Revenues	<u>2,434,000</u>	<u>2,633,088</u>	<u>199,088</u>
BEGINNING FUND BALANCE AVAILABLE FOR APPROPRIATION	<u>1,383,964</u>	<u>1,383,964</u>	<u>-</u>
	<u>\$ 3,817,964</u>	<u>\$ 4,017,052</u>	<u>\$ 199,088</u>
	<u>Original and Supplemental Appropriation</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES:			
Personal Services	\$ 219,729	\$ 148,886	\$ 70,843
Materials and Services	1,612,881	1,559,678	53,203
Capital Outlay	549,840	293,304	256,536
Contingency	1,091,026	-	1,091,026
Total Expenditures	<u>3,473,476</u>	<u>2,001,868</u>	<u>1,471,608</u>
SPRCIAL PAYMENTS:			
General Fund:			
Accounting/Financial Services	66,075	63,341	2,734
Planning/Development Services	3,260	6,965	(3,705)
Public Works Support Services	51,692	98,237	(46,545)
Administrative Services	39,787	41,544	(1,757)
Engineering Services	37,574	52,292	(14,718)
Project Design/Inspection	79,950	27,503	52,447
Vehicle/Equipment Maintenance Fund	25,784	48,099	(22,315)
M.I.S. Fund	40,366	40,366	-
Total Special Payments	<u>344,488</u>	<u>378,347</u>	<u>(33,859)</u>
Total Expenditures and Special Payments	<u>\$ 3,817,964</u>	<u>\$ 2,380,215</u>	<u>\$ 1,437,749</u>

**City of West Linn, Oregon**  
**Sewer Fund**  
**Reconciliation of Revenues and Expenditures (Budgetary)**  
**to Revenues and Expenses (GAAP)**  
*For the Year Ended June 30, 1999*

	<u>Revenues</u>	<u>Expenditures</u>
Revenues and Expenditures	\$ 2,633,088	\$ 2,001,868
Sewer Users' Charges and Connection Fees Remitted to Tri-City Service District	(1,397,585)	(1,397,585)
Expenditures Capitalized		(319,732)
Depreciation		243,636
Expenses Budgeted as Other Financing Uses		<u>378,347</u>
<b>Revenues and Expenses</b>	<b><u>\$ 1,235,503</u></b>	<b><u>\$ 906,534</u></b>
Comprised as follows:		
Operating Revenues, Expenses	\$ 1,156,898	\$ 906,534
Non-operating Revenues - Interest Income	<u>78,605</u>	
	<b><u>\$ 1,235,503</u></b>	<b><u>\$ 906,534</u></b>

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# **Appendix E**

## **Book Entry Only System**

**Sample Offering Document Language Describing Book-Entry-Only Issuance**  
**(Prepared by DTC—bracketed material may be applicable only to certain issues)**

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$200 million, one certificate will be issued with respect to each \$200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Ownership of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
- [6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]
7. Neither DTC nor Cede & Co. will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Depository as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions and dividend payments on the Securities will be made to Cede & Co., as nominee of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from City or Agent, on payable date in accordance with their respective holdings shown

on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or Depository, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividends to Cede & Co. is the responsibility of Depository, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Depository, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Depository. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Depository's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Depository. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Depository may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Depository believes to be reliable, but Depository takes no responsibility for the accuracy thereof.

# **Appendix F**

**Form of Continuing Disclosure Certificate**

## CONTINUING DISCLOSURE CERTIFICATE

**\$1,800,000**  
**City of West Linn**  
**Clackamas County, Oregon**  
**Limited Water System Revenue Bonds**  
**Series 2000**

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of West Linn, in Clackamas County, Oregon (the "Issuer") in connection with the issuance of the its Limited Water System Revenue Bonds, Series 2000 (the "Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the "Rule"). This Certificate constitutes the Issuer's written undertaking for the benefit of the owners of the Bonds as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds, including persons holding Bonds through nominees or depositories.

"Commission" means the Securities and Exchange Commission.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"NRMSIR" means a nationally recognized municipal securities information repository.

"Official Statement" means the final official statement for the Bonds dated October 3, 2000.

"Rule" means the Commission's Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule, the following annual financial information and operating data for the prior fiscal year (commencing in 2001 for the fiscal year ended June 30, 2000):

A. The Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type included in the official statement for the Bonds under the heading "Appendix D: Audited 1999 Financial Statements";

B. Financial information or operating data of the type set forth in the Official Statement under the following captions:

- Historical Operating Results
- Historical Gross Revenue Debt Service Coverage
- Historical Net Revenue Debt Service Coverage
- Projected Debt Service Requirements
- Water Rates and Charges
- Water System Development Charges
- Largest Water Users

The annual information and operating data described above shall be provided on or before 9 months after the end of the Issuer's fiscal year. The Issuer's current fiscal year ends June 30. The Issuer may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing such annual financial information and operating data, the Issuer may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the appropriate SID, if any, notice of its failure to provide the annual financial information described in this Section 3 on or prior to the date set forth in the preceding paragraph.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer's audited annual financial statement prepared in accordance with the Oregon Local Budget Law (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

Section 4. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves for the Bonds reflecting financial difficulties;
4. Unscheduled draws on credit enhancements for the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
7. Modifications to the rights of Bond owners;
8. Optional redemption of Bonds prior to their maturity;
9. Defeasance of the Bonds;
10. Release, substitution or sale of property securing repayment of the Bonds; and
11. Rating changes.

Section 5. Termination/Modification. The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3 or 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the owners of the Bonds or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 4 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 6. Bond Owner's Remedies Under This Certificate. The right of any Bond Owner or Beneficial Owner of Bonds to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder.

Section 7. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 10th day of October, 2000.

**City of West Linn, Oregon**

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City Official