

RESOLUTION NO. 123

RESOLUTION OF THE LOCKWOOD AREA/YELLOWSTONE COUNTY WATER AND SEWER DISTRICT RELATING TO ITS PHASE II SEWER SUBDISTRICT; APPROVING LEVIES OF SPECIAL ASSESSMENTS WITHIN THE PHASE II SEWER SUBDISTRICT FOR THE PURPOSE OF REPAYING SPECIAL ASSESSMENT BONDS THAT WILL BE ISSUED TO FINANCE A PORTION OF THE COST CERTAIN LOCAL IMPROVEMENTS CONSISTING OF EXTENDING A SEWER COLLECTION SYSTEM TO SERVE THE PHASE II SEWER SUBDISTRICT

WHEREAS, the Lockwood Area/Yellowstone County Water and Sewer District, Montana (the "District") is a county water and sewer district, validly organized pursuant to Title 7, Chapter 13, Parts 22 and 23, Montana Code Annotated (the "Act"); and

WHEREAS, the District was incorporated on January 23, 1997 and is located within the boundaries of Yellowstone County, a political subdivision of the State of Montana; and

WHEREAS, pursuant to Resolution No. 121, adopted by the Board of Directors of the District (the "Board") on June 17, 2014, the District, following a public hearing, created the Phase II Sewer Subdistrict; and

WHEREAS, the District now proposes to commence undertaking in earnest certain improvements to the sewer system of the District (the "System") consisting of the installation of sewer mains, manholes, service line stubouts, and other appurtenances to extend sewer service to the Phase II Sewer Subdistrict (collectively, the "Improvements"); and

WHEREAS, the District proposes to issue special assessment bonds in one or more series and to one or more purchasers in an aggregate principal amount not to exceed \$6,500,000 (the "Bonds") to pay for a portion of the costs of the Improvements; and

WHEREAS, the total estimated cost of the Improvements, including associated costs of financing, is approximately \$9,391,000 and costs in excess of the Bonds will be paid from the following sources: a Treasure State Endowment grant in the amount of \$750,000, a DNRC grant in the amount of \$100,000, a USDA Rural Development grant in the amount of \$1,890,380, money that the District has on hand and available therefor in the amount of \$3,000, and a contribution from Yellowstone County in the amount of \$147,620; and

WHEREAS, it will be necessary for the District to collect sufficient revenues to repay the Bonds; and

WHEREAS, the Board has determined that it is in the best interest of the District and owners of property in the Phase II Sewer Subdistrict and the potential users of the System to pay the capital costs of the Improvements through a special assessment to be levied against each tax code in the Phase II Sewer Subdistrict to be benefitted by the Improvements; and

WHEREAS, pursuant to Section 7-13-2333, M.C.A. and as provided in Sections 7-13-2280 through 7-13-2289, M.C.A., the District is authorized to levy special assessments against



property located in the Phase II Sewer Subdistrict and benefitted by the Improvements and pledge the collections of the special assessments, in whole or in part, with any other revenue of the District to the payment of its special assessment bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors (the "Board") of the District as follows:

Section 1. Passage of Resolution of Intention. This Board, on June 17, 2014, adopted Resolution No. 122 (the "Resolution of Intention"), pursuant to which this Board declared its intention to undertake certain local improvements consisting of extending a sewer collection system to serve the Phase II Subdistrict and to undertake to authorize special assessments to finance the cost thereof and incidental thereto through the issuance of special assessment bonds.

Section 2. Notice and Public Hearing. Notice of passage of the Resolution of Intention was duly published and mailed in all respects in accordance with law, and on August 13, 2014, this Board conducted a public hearing on the on the special assessments. At the hearing, this Board heard and passed on all protests made during the period ended 30 days after the first date of publication of the notice of passage of the Resolution of Intention (the "Protest Period"). The meeting of this Board at which this resolution is adopted is the first regular meeting of the Board following the expiration of the Protest Period.

Section 3. Protests. Within the Protest Period, up to 160 protests were duly filed. This Board has considered the protests submitted to the proposed assessments and other comments made at the public hearing. This Board hereby determines that the assessment of costs of the Improvements against the properties benefitted thereby as prescribed by the Resolution of Intention is equitable and in proportion to and does not exceed the special benefits derived from the Improvements by each tax code in the Phase II Sewer Subdistrict to be assessed therefor within the District, and the special assessments to be levied by this Resolution are in accordance with the methods and do not exceed the amounts prescribed by the Resolution of Intention. The protests are found to be less than 50% of the costs of the Improvements to be financed with the Bonds and therefore insufficient to defeat the proposed method of assessment described in the Resolution of Intention. The Board finds that under Section 7-13-2282, M.C.A., it is authorized to proceed with the assessment methodology and the assessments as described in the Resolution of Intention and this Resolution to pay the Bonds.

Section 4. Capital Costs: Assessments.

4.01. Estimated Costs of Capital Improvements. The total cost of the Improvements is estimated to be approximately \$9,391,000. Costs of Improvements to be assessed against the properties in the Phase II Sewer Subdistrict benefitted by the Improvements, including all incidental costs to be assessed against properties in the Phase II Sewer Subdistrict benefitted by the Improvements, is estimated to be \$6,500,000.

4.02. Property to be Assessed. All property capable of being serviced by the Improvements within the boundaries of the Phase II Sewer Subdistrict will benefit from the Improvements and will be assessed for the Improvements. Exhibit A hereto (which is hereby incorporated herein and made a part hereof) contains a description of each tax code in the Phase



II Sewer Subdistrict to be assessed and the name of the owner of such tax code, if known. The estimated total principal amount of the assessment against each tax code and the dates when semi-annual payments of principal of and interest on the assessment becomes delinquent are also provided in Exhibit A.

4.03. Assessment Methodology. Each tax code in the Phase II Sewer Subdistrict will be assessed an equal amount based upon the total cost of the Improvements and costs incidental thereto to be financed by the Bonds, which is estimated to be \$6,500,000. By dividing this estimated cost equally among all tax codes currently in the Phase II Sewer Subdistrict, the total principal amount of the assessment per tax code in the Phase II Sewer Subdistrict is estimated not to exceed \$10,124.61.

If an increase occurs in the number of tax codes within the boundaries of the Phase II Sewer Subdistrict following the adoption of this Resolution and during the term of the Bonds, the Board will recalculate the amount assessable to each tax code. The recalculation will be based on the amount of the outstanding principal of and interest on the Bonds for the fiscal year and the District will spread the assessments across the Phase II Sewer Subdistrict based on the number of benefited tax codes within the boundaries of the District as of the July 1 following the action that resulted in the increase in the number of tax codes.

The lien of the special assessments to pay or finance the costs of the Improvements and incidental costs is not extinguished or diminished by the combination or consolidation of multiple tax codes into fewer tax codes after the date of adoption of this Resolution or during the term of the Bonds; accordingly, the area consisting of the combined or consolidated tax codes will be assessed in an amount equal to the amount it would have been assessed had the combination or consolidation of tax codes not occurred.

4.04. Assessment Methodology Equitable and Consistent with Benefit. Pursuant to the Resolution of Intention, which constituted the preliminary resolution setting forth its intention to levy special assessments within the District, this Board determined to levy special assessments to pay the costs of the Improvements on the basis or bases therein provided as authorized by the Act.

Section 5. Levy of Assessments. The special assessments for the costs of the Improvements shall be levied and assessed against each tax code in the Phase II Sewer Subdistrict in accordance with the method of assessments referred to in Section 1.03. Such assessments shall be payable over a term not exceeding 40 years, each in equal semiannual installments of principal, plus interest, or substantially equal semiannual payments of principal and interest, as this Board shall prescribe in the resolution authorizing the issuance of the Bonds. Property owners have the right to prepay assessments as provided by law. Assessments collected in excess of amounts then owing on the Bonds will be applied to prepay the Bonds.

Exhibit A to this Resolution (which is hereby incorporated herein and made a part hereof) contains a description of each tax code in the Phase II Sewer Subdistrict to be assessed and the name of the owner of such tax code, if known, the amount of each partial payment of the special assessment, and the day when each such partial payment shall become delinquent (the "Assessment Roll").



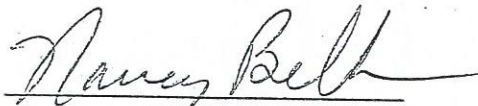
Section 6. Certification of Assessments. A copy of this resolution, including Exhibit A hereto, certified by the Secretary shall be delivered to the County Clerk and Recorder within two days after the adoption hereof and no later than August 15, 2014.

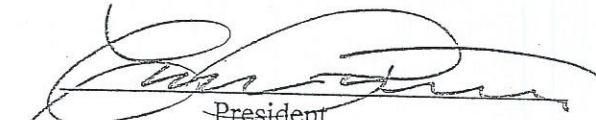
Section 7. Further Actions. Officers of the District and the County are further authorized and directed to take all actions as may be required by law to assure that the special assessments levied by this resolution are duly certified, assessed and collected in accordance with law.

Section 8. Timing of Initial Special Assessments; Subsequent Resolution. Passage of this resolution is necessary for the District to commence work on the Improvements in earnest because in the absence of the authority to levy special assessments, the funding agencies that will purchase the Bonds lack the assurances they need to commit to provide financing. With the authority to levy special assessments, the District can instruct its engineer to perform complete design services for the Improvements and to prepare bid packages for the construction of the Improvements, which design work will take several months. Construction of the Improvements will take more than one year and could take more than two years. In addition, because of the requirements of funding agencies, interim financing in the form of one or more series of bond anticipation notes is expected to be required. Because one or more series of the Bonds may not be issued until substantial completion of the Improvements, the initial levy of the special assessments authorized hereby may not be made on the tax rolls for approximately two or three years. By this Resolution, the Board is authorized to levy the special assessments as and when needed to pay debt service on the Bonds in accordance with this Resolution; provided, however, the actual levy of assessments to pay debt service on the Bonds will be made pursuant to a subsequent resolution when the form, amounts, and details of the Bonds are known, at which time the details of the assessments, including, without limitation, the interest rate thereon, will be fixed.

ADOPTED by the Board of Directors of the Lockwood Area/Yellowstone County Water and Sewer District, Montana, this 13th day of August, 2014.

Attest:

  
Secretary

  
President