Agenda

CITY COUNCIL SPECIAL MEETING / WORKSHOP
Richland City Hall ~ 505 Swift Boulevard
Tuesday, March 25, 2014

City Council Special Meeting 6:00 p.m.

(Business Items - City Hall Council Chambers)

1. Roll Call

2. First Reading, By Title Only - Ordinance No. 08-14, Sale of Waterworks Utility Revenue Refunding Bonds
   - Brandon Suchy, Administrative Services Accountant II

3. First Reading, By Title Only - Ordinance No. 09-14, Sale of General Obligation Bonds for Fire Station No. 74 Construction
   - Brandon Suchy, Administrative Services Accountant II

4. Adjournment

City Council Regular Workshop 6:15 p.m.

(Discussion Only - City Hall Council Chamber)

1. Stormwater Outfall Retrofit Program (45 minutes)
   - Pete Rogalsky, Public Works Director

2. Duportail Bridge - TIGER Grant Application (15 minutes)
   - Pete Rogalsky, Public Works Director

3. Criminal Justice Sales Tax (15 minutes)
   - Chris Skinner, Police Services Director

Adjournment

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Council Agenda Coversheet

Richland

Council Date: 03/25/2014

Category: Items of Business

Agenda Item: SM2

Key Element: Key 1 - Financial Stability and Operational Effectiveness

Subject: ORDINANCE NO. 08-14, SALE OF WATERWORKS UTILITY REVENUE REFUNDING BONDS

Department: Administrative Services

Ordinance/Resolution: 08-14

Reference:

Document Type: Ordinance

Recommended Motion:

Give first reading, by title only, to Ordinance No. 08-14, Waterworks Utility Revenue Refunding Bonds.

Summary:

The Water Fund and Sewer Fund collectively have outstanding 2003 revenue bonds in the amount of $12,105,000, with ten years of debt service remaining. Due to current economic conditions, interest rates are such that there is an opportunity to refund the bonds at significant savings to the City. Anticipated net present value savings from refunding are $1,450,000, or approximately 12%, at current interest rates.

As noted in the proposed bond ordinance, the total anticipated bonds to be issued is not to exceed $12,500,000, which takes into account financing costs and current interest rates. Depending on the economic climate on the day of the bond sale, the actual bonds sold may be some lower amount. The refunding bonds will not extend the term of the original debt.

This ordinance enables Council to appoint the Administrative Services Director as the City's designated representative to approve the final terms of the sale and issuance of the bonds within designated parameters approved by Council. This allows the pricing of the bonds to be timed to best meet market conditions. The parameters are outlined in Exhibit A of the ordinance.

The ordinance will be brought to Council for approval on April 1, 2014, and the pricing is tentatively scheduled for April 23, 2014.

Fiscal Impact?

◉ Yes ○ No

First reading will establish the intent to issue the refunding bonds. The actual amount of the bonds is anticipated to be approximately $12.5 million. The annual principal and interest payments on the proposed bonds are expected to be approximately $98,000 less than on the original bonds in 2014 and $210,000 less starting in 2015.

Attachments:

1) ORD 08-14, Water & Sewer Refunding Bonds
2) Water and Sewer Refunding Overview

City Manager Approved: Hopkins, Marcia
Mar 20, 13:33:01 GMT-0700 2014

CITY OF RICHLAND

ORDINANCE NO. 08-14

AN ORDINANCE relating to the combined waterworks utility of the City, including the water, wastewater and stormwater systems; providing for the issuance, sale and delivery of not to exceed $12,500,000 aggregate principal amount of combined waterworks utility revenue refunding bonds to provide funds to pay the cost of a current refunding of all of the City's outstanding Water and Sewer Revenue Improvement and Refunding Bonds, 2003, and to pay the administrative costs of such refunding and the costs of issuance of such bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; and appointing the City's designated representative to approve the final terms of the sale of the bonds and providing for other related matters.

Passed: April 1, 2014

This document prepared by

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CITY OF RICHLAND, WASHINGTON

ORDINANCE NO. 08-14

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BE IT ORDAINED BY THE CITY OF RICHLAND as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. As used in this ordinance the following words shall have the following meanings:

(a) *"2003 Bonds"* means the City's $28,815,000 original principal amount Water and Sewer Revenue Improvement and Refunding Bonds, 2003, dated June 15, 2003, authorized by and issued for the purposes provided in Ordinance No. 25-03, passed by the City Council on June 17, 2003, and currently outstanding in the principal amount of $12,105,000, with a final maturity date of November 1, 2023.

(b) *"2004 Bonds"* means the City's $3,290,000 original principal amount Water and Sewer Revenue Bonds, 2004, dated December 1, 2004, authorized by and issued for the purposes provided in Ordinance No. 44-04, passed by the City Council on November 16, 2004, and currently outstanding in the principal amount of $100,000, with a final maturity date of December 1, 2014.

(c) *"2009 Bonds"* means the City's $21,975,000 original principal amount Water and Sewer Improvement and Refunding Revenue Bonds, 2009, dated June 16, 2009, authorized by and issued for the purposes provided in Ordinance No. 17-09, passed by the City Council on June 2, 2009, and currently outstanding in the principal amount of $16,805,000, with a final maturity date of December 1, 2038.

(d) *"2012 Bonds"* means the City's $7,540,000 original principal amount Water and Sewer Improvement and Refunding Revenue Bonds, 2012, dated June 5, 2012, authorized by and issued for the purposes provided in Ordinance No. 13-12, passed by the City Council on May 1, 2012, and currently outstanding in the principal amount of $7,430,000, with a final maturity date of November 1, 2034.

(e) *"Acquired Obligations"* means those United States Treasury Certificates of Indebtedness, Notes and Bonds-State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this ordinance.

(f) *"Annual Debt Service"* for the applicable series of Parity Bonds for any Fiscal Year means all the interest, plus all principal (except principal of Term Bonds due in any Term Bond Maturity Year which Term Bonds are subject to either mandatory prior redemption or sinking fund requirements), and plus all mandatory redemption installments and Sinking Fund Installments for that Fiscal Year, less all bond interest payable from the proceeds of any such bonds in that Fiscal Year Calculations of Annual Debt Service shall exclude Parity Bonds that have been defeased or are no longer outstanding.

(g) *"Assessment Bonds"* means the original principal amount of any issue of Parity Bonds equal to the total remaining unpaid principal amount (at the time of passage of the ordinance providing for the issuance and sale of those bonds) of ULID Assessments on any final assessment roll or rolls of one or more ULIDs formed in connection with the improvements being financed by that issue of Parity Bonds (or bonds being refunded by those Parity Bonds). The original principal amount of such issue of bonds in excess of Assessment Bonds shall be referred to as "bonds that are not Assessment Bonds." Assessment Bonds shall be allocated to each $5,000 of bonds in proportion to their percentage of the entire issue of bonds. When a bond of any issue of bonds containing Assessment Bonds is redeemed or purchased, and retired, the same percentage of that bond as the percentage of Assessment Bonds is to that total issue of bonds shall be treated as being redeemed or purchased, and retired.

(h) *"Authorized Denomination"* means $5,000 or any integral multiple thereof within a maturity of the Bonds.

(i) *"Average Annual Debt Service"* means the sum of the Annual Debt Service for the remaining Fiscal Years to the last scheduled maturity of the applicable series of Parity Bonds divided by the number of those Fiscal Years.

(j) *"Beneficial Owner"* means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(k) *"Bond"* means each bond authorized in Section 3.01 of this ordinance, and issued pursuant to and for the purposes provided in this ordinance.

(l) *"Bond Counsel"* means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the City with a nationally recognized standing as bond counsel in the field of municipal finance.

(m) *"Bond Fund"* means that special fund of the City known as the Water and Sewer Revenue Refunding Bond Fund, 1986, created by Ordinance No. 29-86 for the payment of the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

(n) *"Bond Purchase Agreement"* means an offer to purchase the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of the Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance. In the case of a competitive sale, the official notice of sale, the Purchaser's bid and the award by the City shall constitute the Bond Purchase Agreement for purposes of this ordinance.

(o) *"Bond Register"* means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

(p) *"Bond Registrar"* means the Fiscal Agent, or any successor bond registrar selected by the City.

(q) *"City"* means the City of Richland, Washington, a duly organized and legally existing charter city of the first class under the laws of the State.

(r) *"City Council"* means the legislative authority of the City, as duly and regularly constituted from time to time.

(s) *"Code"* means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(t) *"Contract Resource Obligation"* means an obligation of the City designated as a Contract Resource Obligation and entered into in accordance with Section 7.04 of this ordinance.

(u) *"Coverage Requirement"* means annual Net Revenue of the Waterworks Utility at least equal to 1.25 times actual Annual Debt Service on all outstanding Parity Bonds that are not Assessment Bonds, and ULID Assessments, plus Net Revenue remaining after satisfying the preceding clause, at least equal to Annual Debt Service on all outstanding Parity Bonds that are Assessment Bonds. For purposes of testing whether the Coverage Requirement is met, calculation of the coverage ratio shall be adjusted in accordance with Section 5.04 in any year in which there are deposits to or withdrawals from the Rate Stabilization Account.

(v) *"DTC"* means The Depository Trust Company, New York, New York, or its nominee.

(w) *"Designated Representative"* means the officer of the City appointed in Section 3.02 of this ordinance to serve as the City's designated representative in accordance with RCW 39.46.040(2).

(x) *"Final Terms"* means the terms and conditions for the sale of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

(y) *"Finance Director"* means the person who holds the office or has the official responsibilities of Finance Director of the City or successor office.

(z) *"Fiscal Agent"* means the fiscal agent of the State, as the same may be designated by the State from time to time.

(aa) "Fiscal Year" means a year beginning January 1 and ending December 31, or such other fiscal year as may later be fixed by law.

(bb) *"Future Parity Bonds"* means all combined waterworks utility revenue bonds of the City issued after the date of the issuance of the Bonds and having a lien and charge upon the Net Revenue of the Waterworks Utility and ULID Assessments on a parity with the lien and charge upon such Net Revenue and ULID Assessments of the Outstanding Parity Bonds and the Bonds for the payment of the principal thereof and interest thereon.

(cc) *"Government Obligations"* has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

(dd) *"Gross Revenue of the Waterworks Utility"* or *"Gross Revenue"* means all of the earnings and revenues received by the City from the maintenance and operation of the Waterworks Utility and all earnings from the investment of money on deposit in the Bond Fund. Gross Revenue excludes: ULID Assessments; government grants; City taxes; principal proceeds of bonds; earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund Waterworks Utility obligations until commingled with other earnings and revenues of the Waterworks Utility; and all amounts held in a special account for the purpose of paying a rebate to the United States Government under the Code.

(ee) *"Independent Consulting Engineer"* means either (1) an independent professional engineer experienced in the design, construction or operation of municipal utilities of comparable size and character to the Waterworks Utility, or (2) an independent certified public accountant or other professional consultant experienced in the development of rates and charges for municipal utilities of comparable size and character to the Waterworks Utility.

(ff) *"Interest Payment Date"* means each semiannual date fixed by the Designated Representative for the payment of interest on the Bonds.

(gg) *"Issue Date"* means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser in exchange for the purchase price of that Bond.

(hh) *"Letter of Representations"* means the Blanket Issuer Letter of Representations between the City and DTC, dated February 2, 1998, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(ii) *"MSRB"* means the Municipal Securities Rulemaking Board.

(jj) *“Maintenance and Operation Expense”* means all reasonable expenses incurred by the City in causing the Waterworks Utility to be operated and maintained in good repair, working order and condition, but shall not include any depreciation or City levied taxes or payments to the City in lieu of taxes. The cost of insurance shall be considered a Maintenance and Operation Expense.

(kk) *“Maximum Annual Debt Service”* means the maximum amount of Annual Debt Service which will mature or come due in the current Fiscal Year or any future Fiscal Year.

(ll) *“Net Revenue of the Waterworks Utility”* or *“Net Revenue”* means the Gross Revenue less the Maintenance and Operation Expense.

(mm) *“Official Statement”* means an offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

(nn) *“Outstanding Parity Bonds”* means the 2003 Bonds, the 2004 Bonds, the 2009 Bonds and the 2012 Bonds. Upon the issuance of the Bonds, Outstanding Parity Bonds shall not include the Refunded Bonds.

(oo) *"Owner"* means, without distinction, the Registered Owner and the Beneficial Owner.

(pp) *“Parity Bond Test”* means the conditions for issuing Future Parity Bonds (including the Bonds as Future Parity Bonds to the Outstanding Parity Bonds), as set forth in the applicable ordinances authorizing the Outstanding Parity Bonds and Exhibit B of this ordinance, which is incorporated by this reference.

(qq) *“Parity Bonds”* means the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

(rr) *“Permitted Investments”* means the following to the extent the same are legal for the investment of money of the City, and unless expressly provided, stripped securities are permitted only if they have been stripped by the agency itself: (1) any bonds or other obligations which as to principal and interest constitute direct obligations (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) of, or are unconditionally guaranteed by, the United States, including obligations of any of the federal agencies set forth in clause (2) below to the extent unconditionally guaranteed by the United States; (2) obligations of the Export-Import Bank of the United States, the Government National Mortgage Association, the Federal National Mortgage Association to the extent guaranteed by the Government National Mortgage Association, the Federal Financing Bank, the Farmers

Home Administration, the Federal Home Loan Bank (senior debt obligations) and the Federal Home Loan Mortgage Association, or any agency or instrumentality of the Federal Government which shall be established for the purposes of acquiring the obligations of any of the foregoing or otherwise providing financing therefor; (3) new housing authority bonds issued by public agencies or municipalities and fully secured as to payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States, or project notes issued by public agencies or municipalities and fully secured as to payment of both principal and interest by a requisition or payment agreement with the United States; (4) direct and general obligations of any State of the United States, to the payment of the principal of and interest on which the full faith and credit of such State is pledged, and if, at the time of their purchase, such obligations are rated in one of the two highest rating categories by either Moody's Investors Service, Inc., or Standard & Poor's; (5) certificates of deposit, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of any State of the United States of America or any national banking association, if such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or (ii) issued by any bank or trust company or any savings and loan association which is a recognized qualified public depositary of the State of Washington under chapter 39.58 RCW, as it may be amended, or (iii) continuously and fully secured by such securities as are described in clauses (1) and (2) above, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and such securities are in possession of the City or a qualified trustee for the City; (6) any repurchase agreement with any bank or trust company organized under the laws of any State of the United States or any national banking association, which is secured by such securities as described in clauses (1) and (2) above with a market value determined weekly equal to 104% of the face amount of the repurchase agreement and which bank, trust company or national banking association has outstanding (or which has a related holding company, which has outstanding) long term obligations rated "A" or better by Moody's Investors Service, Inc., or "A-3" or better by Standard & Poor's, or whose commercial paper is rated "P-2" or better by Moody's Investors Service, Inc., or "A-2" or better by Standard & Poor's and which securities serving as such collateral are in possession of the City or a qualified trustee for the City; and (7) any other investments or investment agreements permitted under the laws of the State of Washington as amended from time to time and that are on the then approved investment list of, or otherwise approved by, the insurer of any Outstanding Parity Bonds. ***After all the Outstanding Parity Bonds are fully redeemed, refunded or defeased, the definition of "Permitted Investments" shall read as follows:*** *"Permitted Investments" means any investment that is permitted under state law as a legal investment for the money of the City at the time of such investment.*

(ss) *"Principal and Interest Account"* means the account of that name created in the Bond Fund for the payment of the principal of and interest on the Parity Bonds.

(tt) *"Principal Payment Date"* means each annual date fixed for the payment of principal of the Bonds, whether at maturity or in mandatory redemption payments for any Term Bonds.

(uu) *"Purchaser"* means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement, underwriter for a negotiated sale or awarded as the successful bidder in a competitive sale of the Bonds.

(vv) *"Rate Stabilization Account"* means the Waterworks Utility Rate Stabilization Account to be created and established pursuant to Section 5.04 of this ordinance.

(ww) *"Rating Agency"* means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the City.

(xx) *"Record Date"* means the Bond Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 3.04.

(yy) *"Redemption Date"* means the date fixed by the Designated Representative for redemption of the Refunded Bonds.

(zz) *"Refunded Bond Ordinance"* means Ordinance No. 25-03.

(aaa) *"Refunded Bonds"* means all of the following outstanding 2003 Bonds maturing on November 1 in the years and the amounts and bearing interest at the rates set forth below, the refunding of which has been provided for in this ordinance.

Maturity (Nov. 1)	Principal Amounts	Interest Rates	Maturity Years	Principal Amounts	Interest Rates
2014	$ 805,000	4.50%	2019	$1,585,000	4.75%
2015	840,000	4.50	2020	1,660,000	4.75
2016	885,000	4.50	2021	1,735,000	4.75
2017	110,000	4.50	2022	1,820,000	4.75
2018	1,515,000	4.75	2023	1,150,000	4.75

(bbb) *"Refunding Plan"* means (as further described in the Refunding Trust Agreement):

(1) the deposit with the Refunding Trustee of proceeds of the Bonds (together with other money of the City, if necessary);

(2) the purchase by the Refunding Trustee of the Acquired Obligations and the application of the principal of and interest on the Acquired Obligations (and any other cash balance) to the call, payment and redemption of the Refunded Bonds on the Redemption Date at a price of the principal amount being redeemed plus any accrued interest; and

(3) the payment of the costs of issuing the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

(ccc) *"Refunding Trust Agreement"* means a Refunding Trust Agreement between the City and the Refunding Trustee, dated as of the Issue Date, providing for the carrying out of the Refunding Plan.

(ddd) *"Refunding Trustee"* means the entity chosen to serve as refunding trustee pursuant to Section 6.02.

(eee) *"Registered Owner"* means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the City utilizes the book-entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

(fff) *"Reserve Account"* means the account of that name created in the Bond Fund to secure the payment of the principal of and interest on the Parity Bonds.

(ggg) *"Reserve Account Instrument"* means, by way of example and not of limitation, letters of credit, bond insurance policies and surety bonds, and must be rated Aaa by Moody's Investors Service, Inc., and AAA by Standard & Poor's. For so long as the 2003 Bonds are outstanding, a Reserve Account Instrument must be approved in writing by the 2003 Reserve Insurer. For so long as the 2004 Bonds are outstanding, a Reserve Account Instrument must be approved in writing by the 2004 Reserve Insurer. ***After all the outstanding 2003 Bonds and 2004 Bonds are fully redeemed, refunded or defeased,*** *"Reserve Account Instrument" shall mean, by way of example and not of limitation, letters of credit, bond insurance policies and surety bonds, the issuer of which (a "Reserve Insurer") must be rated at the time of delivery of such Reserve Account Instrument, in one of the two highest categories of each of Moody's Investors Service, Inc., and Standard & Poor's (without regard to any gradations within a single category).*

(hhh) *"Reserve Insurer"* means (1) with respect to the 2003 Bonds, MBIA Insurance Corporation of Armonk, New York, or its successor (the "2003 Reserve Insurer"); (2) with respect to the 2004 Bonds, Assured Guaranty Municipal Corp of New York, New York, or its successor (the "2004 Reserve Insurer"); and (3) with respect to any Future Parity Bonds, the issuer (or successor thereto) of each Reserve Account Instrument obtained in connection with the issuance of those Future Parity Bonds.

(iii) *"Reserve Requirement"* means the least of (1) Maximum Annual Debt Service on all bonds secured by the Reserve Account or an applicable subaccount therein, (2) 1.25 times Average Annual Debt Service on all bonds secured by the Reserve Account or an applicable subaccount therein, and (3) 10% of the issue price of all bonds secured by the Reserve Account or an applicable subaccount therein.

(jjj) *"Revenue Fund"* means, collectively, the Water Utility Fund, the Wastewater Utility Fund and the Stormwater Utility Fund established and created by City Ordinances Nos. 80, 77 and 9-98, respectively.

(kkk) *"Rule 15c2-12"* means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(lll) *"SEC"* means the United States Securities and Exchange Commission.

(mmm) *"Securities Depository"* means DTC, any successor thereto, any substitute securities depository selected by the City that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(nnn) "Separate Utility System" means any water, wastewater, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 7.03 of this ordinance.

(ooo) *"Sinking Fund Installment"* or *"Sinking Fund Installments"* means the amount required to be paid for the mandatory redemption of the principal of a Term Bond prior to maturity (or to be paid into a sinking fund account within the Bond Fund to be used for the redemption of a Term Bond at maturity), as set forth in the ordinance or Bond Purchase Agreement authorizing that Term Bond.

(ppp) *"State" means* the State of Washington.

(qqq) *"System of Registration"* means the system of registration for the City's bonds and other obligations set forth in Ordinance No. 1-87 of the City.

(rrr) *"Term Bond Maturity Year"* means any Fiscal Year in which Term Bonds are scheduled to mature.

(sss) *"Term Bond"* means each Bond designated as a Term Bond and subject to mandatory redemption in the years and amounts set forth in the Bond Purchase Agreement, and those Parity Bonds designated as Term Bonds in the ordinances or bond purchase agreements authorizing the issuance of those bonds.

(ttt) "*ULID*" means any utility local improvement district now existing or hereafter created for the acquisition or construction of additions, extensions or betterments of any portion of the Waterworks Utility, which additions, extensions or betterments are financed through the issuance of Parity Bonds. As used in this ordinance, the term ULID does not include any utility local improvement district created for the financing of additions, extensions or betterments by methods other than the issuance of Parity Bonds.

(uuu) "*ULID Assessments*" means the assessments levied in any ULID, including installment payments of any assessment as well as the interest and penalties (if any) thereon, less any prepaid assessments permitted by law to be paid into a construction fund or account.

(vvv) *"Undertaking"* means the undertaking to provide continuing disclosure entered into pursuant to Section 8.03 of this ordinance.

(www) *"Waterworks Utility"* means the combined water utility, wastewater utility and stormwater utility of the City as the same may be added to, improved and extended for as long as any of the Parity Bonds are outstanding, and may include any solid waste or other utility systems hereafter combined with the Waterworks Utility.

ARTICLE II

FINDINGS AND DETERMINATIONS

Section 2.01 Recitals and Findings.

(a) Pursuant to Ordinance No. 26-08 passed December 2, 2008, the City combined its previously combined water and wastewater utilities and its stormwater utility into a single utility known as the Waterworks Utility.

(b) Pursuant to Ordinance No. 29-86 passed December 1, 1986, the City issued and sold its Water and Sewer Revenue Refunding Bonds, 1986 (the "1986 Bonds") (all of which have been paid and retired), and reserved the right to issue waterworks utility revenue bonds having a lien and charge on the Net Revenue of the Waterworks Utility and ULID Assessments on a parity with the lien and charge upon such Net Revenue and ULID assessments of the 1986 Bonds for the payment of the principal thereof and interest thereon if the conditions set forth therein were met and complied with.

(c) The City has issued various water and sewer revenue bonds issued on a parity of lien and charge on the Net Revenue of the Waterworks Utility and ULID Assessments with the 1986 Bonds, of which the Outstanding Parity Bonds remain outstanding.

(d) Pursuant to Ordinance No. 25-03, the City issued the 2003 Bonds for the purpose of financing a plan of additions to the Waterworks Utility and refunding certain outstanding water and sewer revenue bonds of the City, and by that ordinance reserved the right to redeem the 2003 Bonds prior to their maturity at any time on or after November 1, 2013, at a price of par plus accrued interest to the date fixed for redemption. A portion of the 2003 Bonds were refunded by the 2012 Bonds. There are presently outstanding $12,105,000 aggregate principal amount of 2003 Bonds maturing on November 1 of each of the years 2014 through 2023, and bearing interest at rates from 4.50% to 4.75%.

Section 2.02 Issuance of Bonds; Parity Conditions Met. For the purpose of providing the funds necessary to carry out the Refunding Plan and achieve a debt service savings as set forth in Exhibit A(i), the City Council finds that it is in the best interests of the City and its ratepayers to issue and sell the Bonds to the Purchaser pursuant to the terms set forth in the Bond Purchase Agreement as approved by the City's Designated Representative consistent with this ordinance. The Bonds will be issued on a parity of lien with the Outstanding Parity Bonds if, as of the Issue Date, the Parity Bond Test is met. The Designated Representative is authorized and directed to provide a certificate so finding to the Purchaser if, in his or her determination, no default exists in the payment of the principal of and interest on any outstanding waterworks utility revenue bonds of the City, and that the amounts required to have been paid into the Bond Fund for the Outstanding Parity Bonds have been paid and maintained as required therein, and that all other conditions for the issuance of the Bonds as Future Parity Bonds under the Parity Bond Test will have been met and satisfied.

Section 2.03 Sufficiency of Gross Revenue; Due Regard. The City Council finds and determines that upon issuance of the Bonds the Gross Revenue and benefits to be derived from the operation and maintenance of the Waterworks Utility of the City at the rates to be charged for water, wastewater and stormwater service will be more than sufficient to meet all Maintenance and Operation Expense and to permit the setting aside into the Bond Fund out of the Gross Revenue of the Waterworks Utility of sufficient amounts to pay the principal of and interest on the Outstanding Parity Bonds and the Bonds as the same become due. The City Council declares that it has exercised due regard for Maintenance and Operation Expense (and the cost of maintenance and operation within the meaning of RCW 35.92.100 and 35.67.130) and the debt service requirements of the Outstanding Parity Bonds and that it has not obligated the City to set aside and pay into the Bond Fund a greater amount of the Gross Revenue of the Waterworks Utility than in its judgment will be available over and above such Maintenance and Operation Expense (and the cost of maintenance and operation within the meaning of RCW 35.92.100 and 35.67.130) and the debt service requirements of the Outstanding Parity Bonds.

ARTICLE III

AUTHORIZATION AND ISSUANCE OF BONDS; DESIGNATED REPRESENTATIVE

Section 3.01 Authorization of Bonds. For the purpose of providing funds with which to carry out the Refunding Plan, including paying the costs of issuance of the Bonds, the City shall issue the Bonds in the aggregate principal amount of not to exceed $12,500,000.

Section 3.02 Description of the Bonds; Appointment of Designated Representative. The Administrative Services Director is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit A, which is attached to this ordinance and incorporated by this reference.

Section 3.03 Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds*. Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

(b) *Bond Registrar; Duties*. The Fiscal Agent is appointed as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) *Bond Register; Transfer and Exchange.* The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Only Form.* DTC is appointed as initial Securities Depository. Each Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (1) to any successor Securities Depository; (2) to any substitute Securities Depository appointed by the City; or (3) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the City, the City may appoint a substitute Securities Depository. If (1) the Securities Depository resigns and the City does not appoint a substitute Securities Depository, or (2) the City terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

Neither the City nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the City nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 3.04 Redemption Provisions and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to redemption at the option of the City on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit A.

(b) *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit A and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Agreement. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the maturities to be redeemed. If fewer than all of the outstanding Bonds are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption.* Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Officer shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of redemption has been rescinded shall remain outstanding.

(f) *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(g) *Purchase of Bonds.* The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Section 3.05 Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

ARTICLE IV

FORM AND EXECUTION OF BONDS; MANNER OF PAYMENT

Section 4.01 Form of Bonds; Signatures and Seal. Each Bond shall be prepared in a form consistent with the provisions of this ordinance and State law. Each Bond shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on its Issue Date.

Section 4.02 Authentication. Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate Of

Authentication. This Bond is one of the fully registered City of Richland, Washington, Waterworks Utility Revenue Refunding Bonds, 2014." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 4.03 Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

ARTICLE V
PLEDGE; FLOW OF FUNDS; SPECIAL FUNDS AND ACCOUNTS

Section 5.01 Pledge of Revenues and Lien Position of Bonds. The Net Revenue of the Waterworks Utility and ULID Assessments are pledged to the payment of the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds, and the Outstanding Parity Bonds, the Bonds and such Future Parity Bonds, if any, shall constitute a lien and charge upon the Net Revenue of the Waterworks Utility and ULID Assessments prior and superior to any other charges whatsoever.

The Bonds shall not be or constitute a general obligation or a pledge of the faith, credit or taxing power of the City, the State or any political subdivision thereof or a lien upon any property owned by or situated within the City or the Waterworks Utility, except for the lien and charge upon the Net Revenue of the Waterworks Utility and ULID Assessments, as provided in this ordinance. The Owners of the Bonds never shall have the right to require or compel the City, the State or any political subdivision thereof to levy any tax to pay the principal of or premium, if any, or interest on the Bonds. No covenant or agreement contained in this ordinance shall be deemed to be a covenant or agreement of any member of the City Council, official, agent or employee of the City in his or her individual capacity, and neither the members of the City Council nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

Section 5.02 Flow of Funds. The Gross Revenue of the Waterworks Utility, except for earnings in the Bond Fund and except for ULID Assessments (which shall be paid into the Bond Fund as provided in Section 5.03), shall be credited to the Revenue

Fund of the City as it is collected. The Revenue Fund shall be held separate and apart from other funds and accounts of the City. Money in the Revenue Fund shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To pay the Maintenance and Operation Expense;

(b) To pay the interest on all Parity Bonds when due;

(c) To pay the principal of all Parity Bonds when due, including all Sinking Fund Installments with respect to the mandatory redemption of Term Bonds prior to maturity;

(d) To make all payments required to be made into any sinking fund account created to provide for the payment of Term Bonds at maturity;

(e) To make all payments required to be made into the Reserve Account or respecting any Reserve Account Instrument;

(f) To make all payments required to be made into any revenue bond redemption fund or warrant redemption fund and debt service account or reserve account created to pay, or secure the payment of, the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon the Net Revenue of the Waterworks Utility (or any component utility) junior and inferior to the lien thereon for the payment of the principal of and interest on any Parity Bonds; and

(g) Without priority, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the Waterworks Utility, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Waterworks Utility, or for any other lawful City purposes. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, “***deposits to the Rate Stabilization Account” ***shall be added to this subsection***.

Section 5.03 Bond Fund.

(a) *In General*. The Bond Fund is divided into two accounts, namely, the Principal and Interest Account and the Reserve Account. So long as any Parity Bonds are outstanding against the Bond Fund, the Finance Director shall set aside and pay into the Bond Fund all ULID Assessments upon their collection and, in addition to the requirements for the Outstanding Parity Bonds, out of the Net Revenue of the Waterworks Utility certain fixed amounts without regard to any fixed proportion, namely:

(1) Into the Principal and Interest Account amounts necessary to pay the principal of and interest on the Bonds as the same shall become due and payable; and

(2) Into the Reserve Account, an amount necessary, if any, to fund the Reserve Requirement on the Issue Date, after taking into account the capitalization of all or any part of the Reserve Requirement from proceeds

of the Bonds and the extent to which the Reserve Requirement is satisfied by any Reserve Account Instrument.

When the total amount in the Bond Fund equals the total amount of principal and interest for all outstanding Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Fund. The City may provide for the purchase, redemption or defeasance of Parity Bonds payable by the use of money on deposit in any account in the Bond Fund as long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining Parity Bonds outstanding. The City may transfer from any funds or accounts of the City legally available therefor, except bond redemption funds, refunding escrow funds or defeasance funds, any money therein to meet the required payments to be made into the Bond Fund. If the City fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding Parity Bonds may bring action against the City and compel such setting aside and payment.

(b) *Principal and Interest Account*. Money shall be deposited into the Principal and Interest Account in accordance with subsection (a) of this section and shall be used solely for the payment of principal of and interest on the Parity Bonds. If there is a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of principal (including Sinking Fund Installments) or interest, as the case may be, such deficiency shall be made up from the Reserve Account. The City may create sinking fund accounts or other accounts in the Principal and Interest Account for the payment or securing the payment of Parity Bonds as long as the maintenance of such accounts does not conflict with the rights of the owners of any Parity Bonds.

(c) *Reserve Account*. As long as any Parity Bonds are outstanding, the City shall maintain the Reserve Account at the total Reserve Requirement amount for all Parity Bonds, except for withdrawals therefrom as authorized herein. The City reserves the right to substitute for all or for a portion of the Reserve Account a Reserve Account Instrument which, when combined with any money or investments in the Reserve Account, equals an amount not less than the Reserve Requirement for all outstanding Parity Bonds. Deficiencies in the Principal and Interest Account shall be made from the Reserve Account as necessary to meet maturing installments of principal (including Sinking Fund Installments) or interest, as the case may be, by the withdrawal of cash and, after all cash has been depleted, then by draws on any Reserve Account Instrument available for that purpose.

The City may create subaccounts in the Reserve Account for the purpose of securing specific Parity Bonds and may deposit and maintain in each subaccount a Required Reserve for the specific bonds to be secured by that subaccount. If the City creates subaccounts within the Reserve Account, then any deficiency in the Principal and Interest Account to meet maturing installments of principal or interest shall be made up ratably from the Reserve Account and its subaccounts based on either the original issue price or then outstanding principal of the bonds secured by those respective account and subaccounts.

Any deficiency created in the Reserve Account by reason of any permitted withdrawals shall be made up within one year from the Net Revenue of the Waterworks Utility first available after making necessary provisions for the required payments into the Principal and Interest Account or from any other available funds of the City. Draws on a Reserve Account Instrument shall be repaid in accordance with the terms of the instrument. The money in the Reserve Account shall otherwise be held intact and may be applied to pay the principal of the last outstanding Parity Bonds, except that if the Reserve Account is fully funded, any money in excess of the Reserve Requirement may be withdrawn and expended for the purpose of Parity Bonds or for any other lawful Waterworks Utility purpose.

(d) *Investment of Funds*. All money in the Bond Fund may be kept in cash or invested in Permitted Investments maturing not later than the date when the funds are required for the payment of principal of or interest on the outstanding Parity Bonds (for investments in the Principal and Interest Account) or having a guaranteed redemption price prior to maturity and, in no event, maturing later than the last maturity of any remaining outstanding Parity Bonds (for investments in the Reserve Account). In no event shall any money in the Bond Fund or any other money reasonably expected to be used to pay principal of or interest on the Bonds be invested at a yield which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and applicable regulations thereunder. Earnings from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement of all Parity Bonds, and thereafter shall be deposited in the Principal and Interest Account. Notwithstanding the provisions for the deposit of interest earnings, any such earnings which are subject to a federal tax or rebate requirement may be withdrawn from the Bond Fund for deposit into a separate fund or account for that purpose.

Section 5.04 <u>Rate Stabilization Account</u>. The Finance Director is hereby authorized to establish a special account within the Revenue Fund, and such subaccounts therein as may be necessary or convenient, to be called the Waterworks Utility Rate Stabilization Account. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, this section shall be amended to add the following:*** *The Finance Director may, at any time consistent with the flow of funds set forth in Section 5.02 of this ordinance, deposit Net Revenue (and any other available money received by the Waterworks Utility, excluding principal proceeds of any Future Parity Bonds or other borrowing) into the Rate Stabilization Account (or any appropriate subaccount therein). The City may, upon authorization by ordinance, at any time withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue for the current Fiscal Year of the Waterworks Utility, except that the total amount withdrawn from the Rate Stabilization Account in any Fiscal Year of the Waterworks Utility may not exceed an amount equal to the total debt service of the Waterworks Utility in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the Fiscal Year for which the deposit or withdrawal will be included as Net Revenue for that Fiscal Year. Earnings from investments in the Rate Stabilization Account shall be deposited in that account and shall not be included as Net Revenue of the Waterworks Utility unless and until withdrawn from that account as* *provided herein. The City also may deposit earnings from investments in the Rate Stabilization Account into any Waterworks Utility fund or account as authorized by ordinance, and such deposits shall be included as Net Revenue in the Fiscal Year of deposit. No deposit of Net Revenue of the Waterworks Utility shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant Fiscal Year.*

ARTICLE VI

USE OF BOND PROCEEDS; REFUNDING OF REFUNDED BONDS

Section 6.01 Use of Proceeds. The proceeds of the Bonds shall be deposited, used and applied in accordance with the provisions of this Article VI to carry out the Refunding Plan.

Section 6.02 Appointment of Refunding Trustee. The Designated Representative is authorized and directed to appoint a financial institution to serve as Refunding Trustee and to perform the duties of Refunding Trustee under this ordinance.

Section 6.03 Use of Bond Proceeds for Refunding Plan; Acquisition of Acquired Obligations. On the Issue Date, the proceeds of the sale of the Bonds allocated to the Refunding Plan shall be deposited with the Refunding Trustee and used to discharge the obligations of the City relating to the Refunded Bonds under the Refunded Bond Ordinance by carrying out the Refunding Plan in accordance with the Refunding Trust Agreement. The Acquired Obligations shall be listed and more particularly described in an exhibit attached to the Refunding Trust Agreement, but are subject to substitution as set forth below. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to carry out the Refunding Plan shall be returned to the City for deposit in the Principal and Interest Account to pay interest on the Bonds on the next upcoming interest payment date.

Section 6.04 Substitution of Acquired Obligations. The City reserves the right at any time to substitute cash or other direct, noncallable obligations of the United States of America ("Substitute Obligations") for any of the Acquired Obligations if the City obtains, (a) an opinion of Bond Counsel to the effect that the interest on the Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (b) a verification by a nationally recognized independent certified public accounting firm that such substitution will not impair the timely payment of the amounts required to be paid by the Refunding Plan. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the City to be used for any lawful City purpose.

Section 6.05 Refunding Trust Agreement; Administration of Refunding Plan. The Designated Representative is authorized and directed to execute a Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the carrying out of the Refunding Plan. The Refunding Trust Agreement shall, among other things, authorize and direct the Refunding Trustee to purchase the Acquired Obligations (or Substitute Obligations) and to make the payments required to be made by the Refunding Plan. All Acquired Obligations (or Substitute Obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Refunded Bond Ordinance, this ordinance, chapter 39.53 RCW and other applicable State law. All administrative costs (including without limitation all necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the Refunding Plan) and costs of issuance of the Bonds may be paid out of the amounts deposited with the Refunding Trustee or other available money of the City, in accordance with the Refunding Trust Agreement.

Section 6.06 Call for Redemption of the Refunded Bonds. The Designated Representative is authorized to call the Refunded Bonds for redemption on their Redemption Date in accordance with the Refunded Bond Ordinance and this ordinance. Such call for redemption shall identify the Refunded Bonds, the maturity dates, the Redemption Date and redemption price (expressed as a percentage of par, plus accrued interest), and shall be irrevocable after the Bonds are delivered to the Purchaser. The Designated Representative is authorized and directed to give or cause to be given such notices as required, at the times and in the manner required pursuant to the Refunded Bond Ordinance.

Section 6.07 City Findings with Respect to Refunding.

(a) Prior to approving the sale of the Bonds, the Designated Representative shall make the following determinations in writing if in his or her judgment the following conditions are met:

(1) The Redemption Date is the earliest practical date on which the Refunded Bonds may be called for redemption.

(2) The savings that will be effected (as measured by the difference between the principal and interest cost over the life of the Bonds and the principal and interest cost over the life of the Refunded Bonds but for such refunding) shall be equal to at least the percentage savings set forth in Exhibit A(i). In making such determination, the Designated Representative shall give consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds pending payment and redemption of the Refunded Bonds.

(3) The Refunding Plan to be effected by the issuance and sale of the Bonds will provide sufficient funds to discharge and satisfy the obligations of the City under the Refunded Bond Ordinance. In making such determination, the Designated Representative may rely upon a certification of the City's financial advisor.

(b) The City Council finds and determines that upon the determination made by the Designated Representative pursuant to subsection (a)(3) of this section, the Refunding Plan will discharge and satisfy the obligations, pledges, charges, trusts, covenants and agreements of the City under the Refunded Bond Ordinance as to the Refunded Bonds, and the Refunded Bonds shall no longer be deemed to be outstanding under the Refunded Bond Ordinance immediately upon the deposit of the money specified in the Refunding Plan with the Refunding Trustee.

ARTICLE VII

BOND AND TAX COVENANTS; FUTURE PARITY BONDS

Section 7.01 Bond Covenants. The City covenants and agrees with the owner of each Parity Bond at any time outstanding, as follows:

(a) It will establish, maintain and collect such rates and charges for water, wastewater and stormwater services so long as any Parity Bonds are outstanding which will make available for the payment of the principal of and interest on the Parity Bonds, when due and payable, Net Revenue (together with ULID Assessments, where applicable) in an amount equal to at least the Coverage Requirement.

(b) All ULID Assessments shall be paid into the Bond Fund and may be used to pay the principal of and interest on Parity Bonds without those ULID Assessments being particularly allocated to the payment of the principal of and interest on any particular issue or series of Parity Bonds.

(c) It will at all times maintain and keep the Waterworks Utility in good repair, working order and condition, and also will at all times operate the component utilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(d) It will not sell, lease, mortgage, or in any manner encumber or dispose of all of the property of the Waterworks Utility unless provision is made for the payment into the Bond Fund of an amount sufficient to pay the principal of and interest on any Parity Bonds then outstanding and that it will not sell, lease, mortgage, or in any manner encumber or dispose of any part of the property of the Waterworks Utility that is used, useful and material to the operation thereof, unless provision is made for replacement thereof, or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount of the Parity Bonds then outstanding as the Gross Revenue available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the Waterworks Utility sold, leased, encumbered or disposed of bears to the Gross Revenue available for debt service for the Parity Bonds from the entire Waterworks Utility for the same period, except that no payment need be made if the ratio determined is 2% or less of the Gross Revenue of the entire Waterworks Utility. Any such money so paid into the Bond Fund shall be used to retire such Parity Bonds at the earliest possible date.

(e) It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility, and it will furnish a Registered Owner upon written request, complete operating and income statements of the Waterworks Utility in reasonable detail covering any Fiscal Year not more than 90 days after the close of such Fiscal Year. Further, it will grant any Registered Owner of at least 25% of the outstanding Parity Bonds the right at all reasonable times to inspect the entire Waterworks Utility and all records, accounts and data of the City relating thereto. Upon request of any Registered Owner, it also will furnish a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington, or such other audit as is authorized by law in lieu thereof. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, this subsection (e) shall read as follows:*** It will, while any of the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Waterworks Utility. Upon request of any Registered Owner, it also will furnish a copy of the most recently completed audit of the City's accounts by the State Auditor of Washington, or such other audit as is authorized by law in lieu thereof.

(f) It will not furnish services of the Waterworks Utility to any customer whatsoever free of charge and will promptly take legal action to enforce collection of all delinquent accounts, except to the extent permitted by law to aid the poor and infirm.

(g) It will carry the type of insurance on its Waterworks Utility property in the amounts normally carried by similar utilities or, in lieu thereof, may self-insure or participate in a joint intergovernmental insurance assuring the same coverage as is carried by substantially similar utilities. If, as, and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain such insurance on all or such portion of the Waterworks Utility on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof, except that such war risk insurance shall be obtained only if in judgment of the City the premiums therefor are reasonable. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, this subsection (g) shall read as follows:*** *It will carry the type of insurance on its Waterworks Utility property in the amounts normally carried by similar utilities or, in lieu thereof, may self-insure or participate in a joint intergovernmental insurance assuring the same coverage as is carried by substantially similar utilities.*

(h) It will pay all Maintenance and Operation Expense and the debt service requirements of any Parity Bonds and otherwise meet the obligations of the City as set forth in this ordinance.

Section 7.02 Authorization of Future Parity Bonds; Subordinate Bonds. The City reserves the right to issue Future Parity Bonds if the Parity Bond Test is met and complied with at the time of the issuance of such Future Parity Bonds. If the Parity Bond Test is met and complied with at the time of the issuance of such Future Parity Bonds, then payments into the Bond Fund with respect to such Future Parity Bonds shall rank equally with the payments out of the Net Revenue required to be made into the Bond Fund by the Outstanding Parity Bond ordinances and this ordinance. Nothing herein contained shall prevent the City from issuing water and sewer revenue bonds or other obligations which are a charge upon the Net Revenue of the Waterworks Utility of the City or any component utility thereof or any Separate Utility System junior or inferior to the payments required to be made therefrom into the Bond Fund for the payment of any Parity Bonds, provided that such subordinate bonds may not be subject to acceleration under any circumstances.

Section 7.03 Separate Utility Systems. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, this section shall read as follows:*** *The City may create, acquire, construct, finance, own and operate one or more additional systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate Utility System, and any utility local improvement district assessments payable solely with respect to improvements to a Separate Utility System, shall not be included in the Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate Utility System. Neither the Gross Revenue nor the Net Revenue may be pledged to the payment of any obligations of a Separate Utility System except that the Net Revenue may be pledged on a basis subordinate to the lien of the Parity Bonds, provided that any such bonds which pledge Net Revenue on a subordinate basis may not be subject to acceleration under any circumstances.*

Section 7.04 Contract Resource Obligations. ***After all of the Outstanding Parity Bonds are fully redeemed, refunded or defeased, this section shall read as follows:*** *The City may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed or improved by the use of payments under such Contract Resource Obligations, of water supply, transmission or other commodity or service relating to the Waterworks Utility, as follows:*

(a) *The City may determine that, and may agree under a Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation (including payments prior to the time that water, wastewater or stormwater service is being provided, or during a suspension or* after *termination of supply or service) shall be a Maintenance and Operation Expense if the payments required to be made under the Contract Resource Obligation are not subject to acceleration and the following additional requirements are met at the time such a Contract Resource Obligation is entered into:*

(1) *No event of default has occurred and is continuing under the terms of any debt obligation of the City in respect of the Waterworks Utility; and*

(2) *There shall be on file a certificate of an independent licensed professional engineer or engineering firm stating that in his, her or its professional opinion: (i) the* payments *to be made by the City in connection with the Contract Resource Obligation are reasonable for the supply or transmission rendered; (ii) the source of any new supply, and any facilities to be constructed to provide the supply or transmission, are sound from a water or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility*

practice, and are likely to provide supply or transmission no later than a date set forth in the independent licensed professional engineer's certification; and (iii) the Net Revenue of the Waterworks Utility will be sufficient to meet the Coverage Requirement for each of the five Fiscal Years following the Fiscal Year in which the Contract Resource Obligation is incurred, where the calculation of Net Revenue (A) takes into account the adjustments to Gross Revenue permitted under the Parity Bond Test, and (B) adjusts the Maintenance and Operation Expense by the independent licensed professional engineer's estimate of the payments to be made in accordance with the Contract Resource Obligation.

(b) *Nothing in this section shall prevent the City from entering into other agreements for the acquisition of water supply, transmission or other commodity or service relating to the Waterworks Utility from existing facilities and from treating those payments as a Maintenance and Operation Expense. Nothing in this section shall prevent the City from entering into other agreements for the acquisition of water supply, transmission or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on the Net Revenue of the Waterworks Utility subordinate to that of the Parity Bonds.*

Section 7.05 <u>Tax Covenants</u>.

(a) *Preservation of Tax Exemption for Interest on Bonds.* The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that to the extent arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, it will take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds, including the calculation and rebate of any penalties that the City has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Bonds from being included in gross income for federal income tax purposes.

(b) *Post-Issuance Compliance*. The Finance Director is authorized and directed to review and update the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to present interest on the Bonds from being included in gross income for federal tax purposes.

ARTICLE VIII

OFFICIAL STATEMENT; CONTINUING DISCLOSURE

Section 8.01 Preliminary Official Statement Deemed Final. The Designated Representative shall review and, if acceptable to him or her, approve the preliminary Official Statement prepared in connection with the Bonds to the public or through a Purchaser acting as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of the Bonds of a preliminary Official Statement that has been approved by the Designated Representative and deemed final, if applicable, in accordance with this subsection.

Section 8.02 Approval of Final Official Statement. The City approves the preparation of a final Official Statement for the Bonds to be sold to the public in the form of the preliminary Official Statement, with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser, if required under Rule 15c2-12. The City authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivery to purchasers and potential purchasers of the Bonds.

Section 8.03 Undertaking to Provide Continuing Disclosure. If necessary to meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser acting as a participating underwriter for the Bonds, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Bonds in substantially the form attached as Exhibit C.

ARTICLE IX

AMENDMENTS; DEFAULTS AND REMEDIES

Section 9.01 Amendatory and Supplemental Ordinances.

(a) *General.* This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Bonds except as provided in this section.

(b) *Modifications Not Requiring Consent.* The City may from time to time and at any time, without the consent of or notice to the registered owners of any Parity Bonds, pass supplemental or amendatory ordinances as follows:

(1) to cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the registered owner of any Parity Bond;

(2) to impose upon the Bond Registrar (with its consent) for the benefit of the registered owners of the Parity Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect;

(3) to add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this ordinance as theretofore in effect;

(4) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;

(5) to authorize different denominations of the Bonds and to make correlative amendments and modifications to this ordinance regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; and

(6) to modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section.

Before any supplemental or amendatory ordinance pursuant to this subsection (b) may go into effect, the City must obtain an opinion of Bond Counsel, stating that such ordinance is authorized or permitted by this ordinance and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Parity Bonds then outstanding. Notice and a copy or summary of any such supplement or amendment shall be given to each Rating Agency but shall not be a precondition to the effectiveness of any such ordinance.

(c) *Modifications Requiring Consent.* In addition to modifications permitted under subsection (b), subject to the terms and provisions contained in this subsection (c) and not otherwise, the City may adopt supplemental or amendatory ordinances only upon obtaining consent of the registered owners of Parity Bonds, as follows:

(1) For the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any terms or provisions contained in this ordinance, except as set forth in subsection (c)(2) of this section, the registered owners of not less than 60% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve any supplemental or amendatory ordinance deemed necessary or desirable by the City.

(2) Unless approved in writing by the registered owners of all the Parity Bonds then outstanding, nothing contained in this section shall permit, or be construed as permitting:

(i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount or redemption price of any outstanding Parity Bond or a change in the method or redemption price of any outstanding Parity Bond or a change in the method of determining the rate of interest thereon, or

(ii) a preference or priority of any Parity Bond over any other Parity Bond, or

(iii) a reduction in the aggregate principal amount of Parity Bonds, except upon the written consent of the registered owners of the affected Parity Bonds and as to which no additional consent shall be required.

Before any supplemental or amendatory ordinance pursuant to this subsection (c) may go into effect, the Bond Registrar shall cause notice of such ordinance to be given by first class United States Mail to all registered owners of the then outstanding Parity Bonds and to each Rating Agency. Such notice shall briefly summarize the proposed amendment or supplement and shall state that a copy thereof is available from the City. Receipt of notice by a Rating Agency shall not be a precondition to the effectiveness of any such ordinance.

The supplemental or amendatory ordinance may go into effect in substantially the form described in the notice if, within two years after the mailing of notice to the registered owners of the Parity Bonds, the City has obtained (i) the required consents, in writing, of the registered owners of the requisite proportion of the then-outstanding Parity Bonds, and (ii) an opinion of Bond Counsel, stating that such amendment or supplement is permitted by this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms and will not adversely affect the exemption from federal income taxation of the interest on the tax-exempt Parity Bonds then outstanding.

As long as the Securities Depository is the registered owner of any Parity Bond(s), if it declines to give any consent provided for in this subsection (c), the required consent may be obtained from the beneficial owner(s) of such Parity Bond(s).

(d) *Effect of Modifications*. Upon receipt of the required opinion under subsection (b), or consents and opinion under subsection (c), this ordinance shall be modified in accordance with the supplemental or amendatory ordinance, and the respective rights, duties and obligations under this ordinance of the City, the Bond Registrar and all owners of Parity Bonds then outstanding shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments. Furthermore, no owner of a Parity Bond shall have any right to object to the passage of such supplemental or amendatory ordinance, or to object to any of its terms or provisions or its operation, or in any manner to question the propriety of its passage, or to enjoin or restrain the City from taking any action pursuant thereto.

Section 9.02 Defaults and Remedies. ***If any provision in this Section 9.02 is determined by a court of competent jurisdiction to act as a material limitation on the rights and remedies of owners of Outstanding Parity Bonds under the ordinances authorizing such Outstanding Parity Bonds, such provision shall go into effect only upon the redemption, refunding or defeasance of all Outstanding Parity Bonds:***

(a) *Events of Default*. The following shall constitute "Events of Default" with respect to the Bonds:

(1) If a default is made in the payment of the principal of or interest on any of the Bonds when the same shall become due and payable; or

(2) If the City defaults in the observance and performance of any other of the covenants, conditions and agreements on the part of the City set forth in this ordinance or any covenants, conditions or agreements on the part of the City contained in any Parity Bond authorizing ordinance and such default or defaults have continued for a period of six months after they have received from the Bondowners' Trustee (as defined below) or from the registered owners of not less than 25% in principal amount of the Parity Bonds, a written notice specifying and demanding the cure of such default. However, if the default in the observance and performance of any other of the covenants, conditions and agreements is one which cannot be completely remedied within the six months after written notice has been given, it shall not be an Event of Default with respect to the Bonds as long as the City has taken active steps within 90 days after written notice has been given to remedy the default and is diligently pursuing such remedy.

(3) If the City files a petition in bankruptcy or is placed in receivership under any state or federal bankruptcy or insolvency law.

(b) *Bondowners' Trustee*. So long as such Event of Default has not been remedied, a bondowners' trustee (the "Bondowners' Trustee") may be appointed by the registered owners of 25% in principal amount of the Parity Bonds then outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the City. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State of Washington or the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties. If any Event of Default is, in the sole judgment of the Bondowners' Trustee, cured and the Bondowners' Trustee furnishes to the City a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the City, the Bondowners' Trustee and the registered owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred. The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the registered owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

(c) *Suits at Law or in Equity*. Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may (and, upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding, must) take such steps and institute such suits, actions or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the City, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this ordinance or in any of the Parity Bonds.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the owners of the Parity Bonds and all such rights of action upon or under any of the Parity Bonds or the provisions of this ordinance may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit, action or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the owners of those Parity Bonds, subject to the provisions of this ordinance. The respective owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of those Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the registered owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any registered owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any registered owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the registered owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the City is a party.

(d) *No Acceleration*. Nothing contained in this section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on the Parity Bonds, and the remedy of acceleration is expressly denied to the owners of the Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

(e) *Application of Money Collected by Bondowners' Trustee*. Any money collected by the Bondowners' Trustee at any time pursuant to this section shall be applied in the following order of priority:

(1) First, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys.

(2) Second, to the payment to the persons entitled thereto of all installments of interest then due on the Parity Bonds in the order of maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference.

(3) Third, to the payment to the persons entitled thereto of the unpaid principal amounts of any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

(f) *Duties and Obligations of Bondowners' Trustee*. The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this ordinance, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this ordinance. The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct. The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Bond until his or her title thereto, if disputed, has been established to its reasonable satisfaction. The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

(g) *Suits by Individual Bondowners Restricted*. Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

(1) an Event of Default has happened and is continuing; and

(2) a Bondowners' Trustee has been appointed; and

(3) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and

(4) the registered owners of 25% in principal amount of the then outstanding Parity Bonds have made, after the occurrence of such Event of Default, written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and

(5) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and

(6) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner or beneficial owner of any Parity Bond shall have any right in any manner whatever by his or her action to affect or impair the obligation of the City to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

ARTICLE X

MISCELLANEOUS

Section 10.01 Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the City sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and, except as hereinafter provided, in the Net Revenue of the Waterworks Utility, ULID Assessments, funds and accounts obligated to the payment of the defeased Bonds, other than the right to receive the funds so set aside and pledged, shall cease and become void. Thereafter, the Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the City may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose, subject only to the rights of the owners of any other Parity Bonds then outstanding.

Unless otherwise specified by the City in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

If the refunding or defeasance plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the defeased Bonds included in that refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the Coverage Requirement for the issuance of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 10.02 Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell the Bonds by negotiated sale, by private placement or by competitive sale in accordance with a notice of sale consistent with this ordinance, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate City officials and staff, Bond Counsel and other advisors. In determining the method of sale of the Bonds and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City.

(b) *Procedure for Negotiated Sale.* If the Designated Representative determines that the Bonds are to be sold by negotiated sale or private placement, the Designated Representative shall select one or more Purchasers with which to negotiate such sale. The Bond Purchase Agreement for the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute and deliver the Bond Purchase Agreement on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(c) *Procedure for Competitive Sale.* If the Designated Representative determines that the Bonds are to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this ordinance. Bids for the purchase of the Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the City, the winning bid and accept the winning bidder's offer to purchase the Bonds, with such adjustments to the aggregate principal amount and principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this ordinance. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in the City's best interest to do so. If all bids are rejected, the Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of the City, within the parameters set forth in this ordinance.

(d) *Preparation, Execution and Delivery of the Bonds.* The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the Bond Purchase Agreement, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 10.03 General Authorization and Ratification. The Designated Representative and other appropriate officers of the City are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this ordinance, and to do everything necessary for the prompt delivery of the Bonds to the Purchaser (including approving additional terms, conditions or covenants relating to bond insurance or credit enhancement, as set forth in Exhibit A) and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this ordinance in furtherance of the purposes described in this ordinance and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 10.04 Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 10.05 Effective Date of Ordinance. This ordinance shall take effect and be in force on the day following the date of its publication in the official newspaper of the City.

PASSED by the City Council of the City of Richland, Washington, at a regular open public meeting thereof, this ______ day of April, 2014, and signed in authentication of its passage this ______ day of April, 2014.

____
DAVID ROSE
Mayor

ATTEST:

____
MARCIA HOPKINS
City Clerk

APPROVED AS TO FORM:

____
HEATHER KINTZLEY
City Attorney

Date Published: _______________

EXHIBIT A
DESCRIPTION OF THE BONDS

(a)	Principal Amount.	The Bonds may be issued in one or more series and shall not exceed the aggregate principal amount of $12,500,000.
(b)	Date or Dates.	Each Bond shall be dated its Issue Date, which date may not be later than two years after the effective date of this ordinance.
(c)	Denominations, Name, etc.	The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
(d)	Interest Rate(s).	Each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later, as set forth in the Bond Purchase Agreement. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.0%, and the true interest cost to the City for any Series may not exceed 4.0%.
(e)	Payment Dates.	Interest shall be payable at fixed rates semiannually on dates acceptable to the Designated Representative as set forth in the Bond Purchase Agreement. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments annually thereafter on dates acceptable to the Designated Representative as set forth in the Bond Purchase Agreement.
(f)	Final Maturity.	The final maturity of the Bonds shall not extend more than six months beyond the final maturity date of the Refunded Bonds.
(g)	Redemption Rights.	The Designated Representative may approve in the Bond Purchase Agreement provisions for the optional and mandatory redemption of Bonds, subject to the following:

(1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Agreement; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

(2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Agreement.

(h) Price. The purchase price for the Bonds may not be less than 98% or more than 125% of the stated principal amount of the Bonds.

(i) Refunding Plan The Designated Representative shall have the authority described in Article VI with respect to authorizing the refunding and carrying out the Refunding Plan. The refunding of the Refunded Bonds shall produce a net present value savings equal to at least 3.0% of the principal amount of the Refunded Bonds.

(j) Other Terms and Conditions. The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the City, consistent with this ordinance.

Exhibit B

Parity Bond Test

As set forth in Section 7.02 of this Ordinance No. 08-14, the City may issue Future Parity Bonds on a parity with the Bonds and the Outstanding Parity Bonds if and only if the following conditions are met and complied with at the time of issuance of those proposed Future Parity Bonds:

(a) No default exists in the payment of the principal of or interest on any outstanding revenue bonds payable from the Net Revenue of the Waterworks Utility, and the amounts required to have been paid into the Bond Fund shall have been paid and maintained as required therein.

(b) The ordinance providing for the issuance of the proposed Future Parity Bonds provides for payment of the principal of and interest on such Future Parity Bonds out of the Principal and Interest Account and for the satisfaction of the Reserve Requirement for the then-outstanding Parity Bonds and the proposed Future Parity Bonds. The Reserve Requirement shall be satisfied by the payment of Net Revenue of the Waterworks Utility into the Reserve Account to fund the Reserve Requirement by five equal annual installments after any initial payment therein from the proceeds of those Future Parity Bonds so that by no later than the fifth anniversary date of the date of issuance of such bonds the full Reserve Requirement therefor is deposited in the Reserve Account. In the case of Future Parity Bonds to be issued for the purpose of refunding Parity Bonds, the Reserve Requirement shall be satisfied by retaining the money in the Reserve Account for the Parity Bonds to be refunded as a reserve for the refunding bonds, and money in any other reserve account or fund for the Parity Bonds being refunded shall be transferred to the Reserve Account. If the amounts so retained or transferred are not sufficient to satisfy the Reserve Requirement, then the Reserve Requirement shall be accumulated in the same manner and within the same time as provided for other Future Parity Bonds.

(c) The ordinance authorizing the issuance of the proposed Future Parity Bonds either (1) provides that Term Bonds shall be redeemed from money in the Principal and Interest Account in specified mandatory redemption amounts on periodic mandatory redemption dates prior to maturity; or (2) provides for creation of a sinking fund account in the Bond Fund into which the City shall make regular payments for the redemption of such Term Bonds at or prior to their maturity.

(d) Unless waived or modified by written consent of the registered owners representing 75% of the then-outstanding principal of the Parity Bonds, the City must have on file either:

(1) a certificate of the Finance Director of the City, supported by the Waterworks Utility financial statements, demonstrating that the Net Revenue of the Waterworks Utility, together with ULID Assessments, for any twelve consecutive months of the twenty-four months immediately preceding the month of delivery of the proposed Future Parity Bonds will be equal to the Coverage Requirement of the then-outstanding Parity Bonds and the proposed Future Parity Bonds; or

(2) a certificate of an Independent Consulting Engineer to the effect that the annual Net Revenue of the Waterworks Utility available for debt service on all then-outstanding Parity Bonds and the proposed Future Parity Bonds, together with ULID Assessments, will be at least equal to the Coverage Requirement for each Fiscal Year. The Independent Consulting Engineer's certificate, in estimating the Net Revenue of the Waterworks Utility available for debt service, shall use the historical Net Revenue of the Waterworks Utility for any twelve consecutive months out of the twenty-four months immediately preceding the month of delivery of the Future Parity Bonds. Such Net Revenue of the Waterworks Utility may be adjusted to reflect any changes in rates in effect and being charged or expressly committed by ordinance of the City Council to be made in the future; may include income derived from customers of the Waterworks Utility that have become customers during the twelve consecutive month period or thereafter adjusted to reflect one year's net revenue from such customers; may include revenues from any customers to be connected to the Waterworks Utility who have paid the required connection charges; may include the revenue to be derived from any person, firm, corporation or municipal corporation under any executed contract for water and/or sewer service which revenue was not included in the historical Net Revenue of the Waterworks Utility; and may include the engineer's estimate of the Net Revenue of the Waterworks Utility to be derived by the City from customers with improved property available to connect to any additions to and improvements and extensions of the Waterworks Utility to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the Waterworks Utility then under construction and not fully connected to the facilities of the Waterworks Utility when such additions, improvements and extensions are completed. The Independent Consulting Engineer's certificate required by this subparagraph (d)(2) in setting forth the estimate of ULID Assessments shall divide the unpaid amount of each assessment roll of ULID Assessments by the number of years in which installments of such ULID Assessments may be paid without becoming delinquent, and there shall be added to each year the interest that will be collected on such installments. In computing the installments of ULID Assessments previously levied that will be collected in each year, the following formula shall be used: (i) all delinquent ULID Assessments or installments shall be deducted from each assessment roll; and (ii) the balance remaining after the deductions provided in subparagraph (i) immediately above shall then be divided by the number of years in which installments of ULID Assessments may be paid without being delinquent and there shall be added to each year the interest that will be collected on such installments.

(e) No engineer's certificate or certificate of Finance Director will be required under subsection (d) if either: (1) the proposed Future Parity Bonds are issued to refund Parity Bonds and Annual Debt Service in any year on the Future Parity Bonds to be issued is not increased by more than $5,000 over the Annual Debt Service for that year of the Parity Bonds being refunded; or (2) the principal amount of the proposed Future Parity Bonds does not exceed by more than 5% the amount of ULID Assessments levied for improvements being financed by those Future Parity Bonds to be issued and pledged to be paid into the Bond Fund.

Prior: Ordinance No. 29-86, Section 8.01
Ordinance No. 25-03, Section 9.01
Ordinance No. 44-04, Section 8.01
Ordinance No. 17-09, Section 9.01
Ordinance No. 13-12, Section 9.01

[Form of]
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

City of Richland, Washington
Waterworks Utility Revenue Refunding Bonds, 2014

The City of Richland, Washington (the "City"), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the "Bonds"), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance No. 08-14 of the City (the "Bond Ordinance").

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (b) ("annual financial information");

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in paragraph (a):

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the City, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (2) a statement of authorized, issued and outstanding bonded debt secured by Net Revenues of the Waterworks Utility; (3) debt service coverage ratios; and (4) [customer statistics for the water utility, the wastewater utility and the stormwater utility of the City to be specified as of the Issue Date with reference to the City's Comprehensive Annual Financial Reports and the Preliminary Official Statement];

(ii) Shall be provided not later than the last day of the ninth month after the end of each Fiscal Year of the City (currently, a Fiscal Year ending December 31), as such Fiscal Year may be changed as required or permitted by State law, commencing with the City's Fiscal Year ending December 31, 2013; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the City or other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Officer or his or her designee is the person designated, in accordance with the Bond Ordinance, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;

(iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the City in carrying out this Undertaking; and

(v) Effecting any necessary amendment of this Undertaking.

CERTIFICATION

I, the undersigned, City Clerk of the City of Richland, Washington (the "City"), hereby certify as follows:

1. The attached copy of Ordinance No. 08-14 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on April 1, 2014, as that ordinance appears on the minute book of the City.

2. A quorum of the members of the City Council was present throughout the meeting and a majority of the members voted in the proper manner for the passage of the Ordinance.

Dated: ____________, 2014.

CITY OF RICHLAND, WASHINGTON

____

Marcia Hopkins
City Clerk

PFM
The PFM Group
Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

1200 Fifth Avenue
Suite 1220
Seattle, WA 98101

Susan Musselman
musselmans@pfm.com
360-445-0238

Overview of Proposed Water and Sewer Revenue Refunding Bonds, 2014

The City of Richland (the "City") is proposing a current refunding of all of the City's outstanding Water and Sewer Revenue Improvement and Refunding Bonds, 2003 (the "2003 Bonds"), in the amount of $12,105,000, for the purpose of achieving debt service savings.

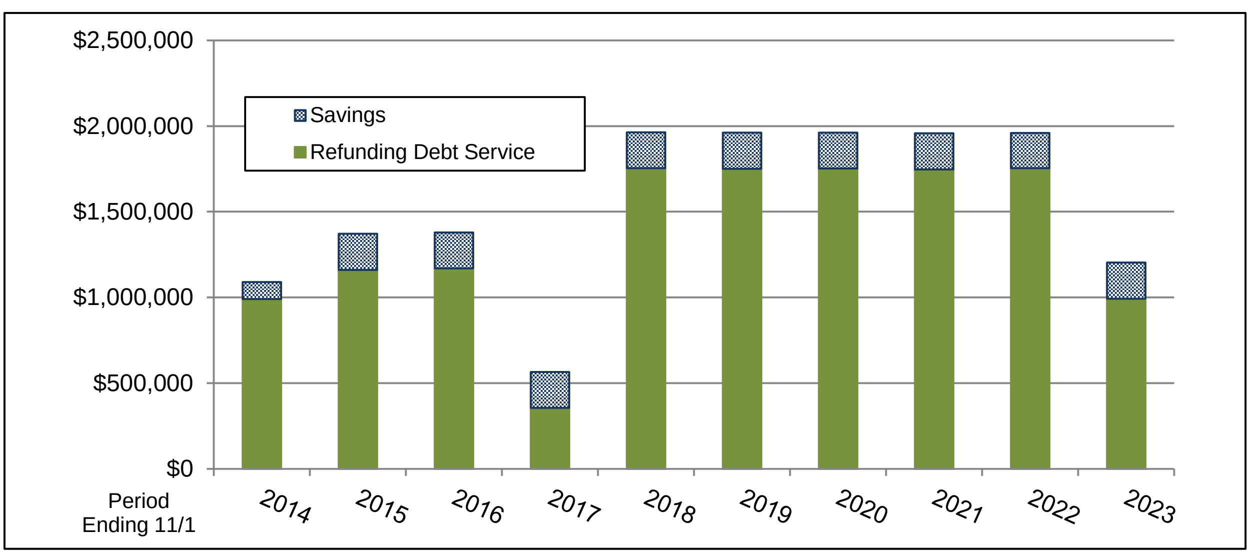
The 2003 Bonds were issued on June 30, 2003 and were comprised of a new money portion, used to make various capital improvements to the Waterworks Utility, and a refunding portion, used to refund on a current basis certain maturities of the City's Water and Sewer Refunding Revenue Bonds, 1993, Issue No. 2, and the City's Water and Sewer Revenue Bonds, 1995.

A portion of the 2003 Bonds were advance refunded by the City's Water and Sewer Improvement and Refunding Revenue Bonds, 2012. The remaining 2003 Bonds may be prepaid on any date.

Water and Sewer Improvement and Refunding Bonds, 2003	
Original Par	$28,815,000
Outstanding Par	$12,105,000
Callable Par	$12,105,000
Callable	Anytime
Interest	4.50% - 4.75%
Final Maturity	11/1/2023

The outstanding 2003 Bonds have a weighted average interest rate of 4.70%. At current market rates, the City can now refinance the bonds at a yield of approximately 2.30%, resulting in average annual savings as shown below:

Water and Sewer Refunding Bonds, 2014	
Net PV Savings	$1,450,000
Net PV Savings (%)	12.00%
Average Annual Savings (2014)	$98,000
Average Annual Savings (2015 - 2023)	$210,000
Estimated Interest Rate	2.30%



Council Agenda Coversheet

Richland

Council Date: 03/25/2014 | Category: Items of Business | Agenda Item: SM3

Key Element: Key 1 - Financial Stability and Operational Effectiveness

Subject: ORDINANCE NO. 09-14, SALE OF GENERAL OBLIGATION BONDS FOR FIRE ST NO. 74 CONSTRUCTION

Department: Administrative Services | Ordinance/Resolution: 09-14 | Reference:

Document Type: Ordinance

Recommended Motion:

Give first reading, by title only, to Ordinance No. 09-14, Fire Station No.74 Construction General Obligation Bond.

Summary:

The 2014-2030 Capital Improvement Plan includes a project to construct a new fire station in the City View area of Richland in 2014. The estimated cost of this project is approximately $3.5 million.

As noted in the proposed bond ordinance, the total anticipated bonds to be issued is not to exceed $3,625,000, which takes into account financing costs and current interest rates. Depending on the economic climate on the day of the bond sale, the bond amount may be some lower amount. The term of the bonds and annual debt service are designed to be covered by the increase in Electric Utility tax that became effective January 1, 2014.

This ordinance enables Council to appoint the Administrative Services Director as the City's designated representative to approve the final terms of the sale and issuance of the bonds within designated parameters approved by Council. This allows the pricing of the bonds to be timed to best meet market conditions. The parameters are outlined in Exhibit A of the ordinance.

The ordinance will be brought to Council for approval on April 1, 2014, and the pricing is tentatively scheduled for April 23, 2014

Fiscal Impact? (●) Yes ( ) No

First reading will establish the intent to issue the general obligation bonds. The actual amount of the bonds is anticipated to be approximately $3.625 million. The annual principal and interest payments on the proposed bonds will be funded from the increase in Electric Fund Utility Tax that is paid to the General Fund. Debt service was anticipated in the 2014 budget.

Attachments:

1) ORD 09-14, LTGO Bond

City Manager Approved: Hopkins, Marcia
Mar 20, 13:32:48 GMT-0700 2014

CITY OF RICHLAND, WASHINGTON

ORDINANCE NO. 09-14

AN ORDINANCE of the City of Richland, Washington, relating to contracting indebtedness; providing for the issuance, sale and delivery of not to exceed $3,625,000 aggregate principal amount of limited tax general obligation bonds to provide funds to construct and equip a new fire station and to pay the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

Passed April 1, 2014

This document prepared by:

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400

TABLE OF CONTENTS*

**The cover page, table of contents and section headings of this ordinance are for convenience of reference only, and shall not be used to resolve any question of interpretation of this ordinance.*

CITY OF RICHLAND, WASHINGTON

ORDINANCE NO. 09-14

AN ORDINANCE of the City of Richland, Washington, relating to contracting indebtedness; providing for the issuance, sale and delivery of not to exceed $3,625,000 aggregate principal amount of limited tax general obligation bonds to provide funds to construct and equip a new fire station and to pay the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; appointing the City's designated representative to approve the final terms of the sale of the bonds; and providing for other related matters.

BE IT ORDAINED BY THE CITY OF RICHLAND as follows:

Section 1. Definitions. As used in this ordinance, the following capitalized terms shall have the following meanings:

(a) "*Authorized Denomination*" means $5,000 or any integral multiple thereof within a maturity.

(b) "*Beneficial Owner*" means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(c) "*Bond*" means each bond issued pursuant to and for the purposes provided in this ordinance.

(d) "*Bond Counsel*" means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the City with a nationally recognized standing as bond counsel in the field of municipal finance.

(e) "*Bond Fund*" means the Limited Tax General Obligation Bond Fund, 2014, of the City created for the payment of the principal of and interest on the Bonds.

(f) "*Bond Purchase Agreement*" means an offer to purchase the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of the Bonds, which offer is authorized to be accepted by the Designated Representative on behalf of the City, if consistent with this ordinance. In the case of a competitive sale, the official notice of sale, the Purchaser's bid and the award by the City shall constitute the Bond Purchase Agreement for purposes of this ordinance.

(g) "*Bond Register*" means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

(h) "*Bond Registrar*" means the Fiscal Agent, or any successor bond registrar selected by the City.

(i) "*City*" means the City of Richland, Washington, a municipal corporation duly organized and legally existing charter city of the first class under the laws of the State.

(j) "*City Council*" means the legislative authority of the City, as duly and regularly constituted from time to time.

(k) "*Code*" means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(l) "*DTC*" means The Depository Trust Company, New York, New York, or its nominee.

(m) "*Designated Representative*" means the officer of the City appointed in Section 4 of this ordinance to serve as the City's designated representative in accordance with RCW 39.46.040(2).

(n) "*Final Terms*" means the terms and conditions for the sale of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants.

(o) "*Finance Director*" means the person who holds the office or has the official responsibilities of Finance Director of the City or successor office.

(p) "*Fiscal Agent*" means the fiscal agent of the State, as the same may be designated by the State from time to time.

(q) "*Government Obligations*" has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

(r) "*Issue Date*" means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser in exchange for the purchase price of that Bond.

(s) "*Letter of Representations*" means the Blanket Issuer Letter of Representations between the City and DTC, dated February 2, 1998, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(t) "*MSRB*" means the Municipal Securities Rulemaking Board.

(u) *"Official Statement"* means an offering document, disclosure document, private placement memorandum or substantially similar disclosure document provided to purchasers and potential purchasers in connection with the initial offering of the Bonds in conformance with Rule 15c2-12 or other applicable regulations of the SEC.

(v) "*Owner*" means, without distinction, the Registered Owner and the Beneficial Owner.

(w) "*Project*" means the construction and equipping of a new fire station, and other capital purposes, as deemed necessary and advisable by the City. Incidental costs incurred in connection with carrying out and accomplishing the Project, consistent with RCW 39.46.070, may be included as costs of the Project. The Project includes acquisition, construction and installation of all necessary furniture, equipment, apparatus, accessories, fixtures and appurtenances. [The term "land" includes all real property and all appurtenant improvements, structures and interests therein.]

(x) "*Project Account*" means the fund or account designated or created by the Finance Director for the purpose of carrying out the Project.

(y) "*Purchaser*" means the corporation, firm, association, partnership, trust, bank, financial institution or other legal entity or group of entities selected by the Designated Representative to serve as purchaser in a private placement, underwriter or placement agent in a negotiated sale or awarded as the successful bidder in a competitive sale of the Bonds.

(z) "*Rating Agency*" means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the City.

(aa) "*Record Date*" means the Bond Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar's close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 9.

(bb) "*Registered Owner*" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the City utilizes the book-entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

(cc) "*Rule 15c2-12*" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(dd) "*SEC*" means the United States Securities and Exchange Commission.

(ee) "*Securities Depository*" means DTC, any successor thereto, any substitute securities depository selected by the City that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(ff) "*State*" means the State of Washington.

(gg) "*System of Registration*" means the system of registration for the City's bonds and other obligations set forth in Ordinance No. 1-87 of the City.

(hh) "*Term Bond*" means each Bond designated as a Term Bond and subject to mandatory redemption in the years and amounts set forth in the Bond Purchase Agreement.

(ii) "*Undertaking*" means the undertaking to provide continuing disclosure entered into pursuant to Section 15 of this ordinance.

Section 2. Findings and Determinations. The City takes note of the following facts and makes the following findings and determinations:

(a) *Authority and Description of Project*. The City is in need of constructing and equipping a new fire station to be located within the City. The City Council therefore finds that it is in the best interests of the City to carry out the Project.

(b) *Plan of Financing*. Pursuant to applicable law, including without limitation chapters 35.37, 39.36, 39.44 and 39.46 RCW and the Richland City Charter, the City is authorized to issue general obligation bonds for the purpose of financing the Project. The total expected cost of the Project is approximately $3,486,492, which is expected to be made up of proceeds of the Bonds and other available money of the City.

(c) *Debt Capacity*. The maximum amount of indebtedness authorized by this ordinance is $3,625,000. Based on the following facts, this amount is to be issued within the amount permitted to be issued by the City for general municipal purposes without a vote:

(1) The assessed valuation of the taxable property within the City as ascertained by the last preceding assessment for City purposes for collection in the calendar year 2014 is $5,369,208,018.

(2) As of January 1, 2014, the City has limited tax general obligation indebtedness, consisting of bonds, notes, public works trust fund loans and City guarantees outstanding in the principal amount of $34,850,898, which is incurred within the limit of up to 1½% of the value of the taxable property within the City permitted for general municipal purposes without a vote.

(3) As of January 1, 2014, the City has unlimited tax general obligation indebtedness for capital purposes only outstanding in the principal amount of $17,815,000 for general municipal purposes, and no other unlimited tax general obligation debt outstanding. The indebtedness described in this paragraph has been incurred with the approval of the requisite proportion of the City's qualified voters at an election meeting the minimum turnout requirements, within the limit of up to 2½% of the value of the taxable property within the City for general municipal purposes (when combined with the outstanding limited tax general obligation indebtedness), 2½% for utility purposes and 2½% for open space, parks and economic development purposes.

(d) *The Bonds*. For the purpose of providing the funds necessary to carry out the Project and to pay the costs of issuance and sale of the Bonds, the City Council finds that it is in the best interests of the City and its taxpayers to issue and sell the

Bonds to the Purchaser, pursuant to the terms set forth in the Bond Purchase Agreement as approved by the City's Designated Representative consistent with this ordinance.

Section 3. Authorization of Bonds. The City is authorized to borrow money on the credit of the City and issue negotiable limited tax general obligation bonds evidencing indebtedness in the amount of not to exceed $3,625,000 to provide funds necessary to carry out the Project and to pay the costs of issuance and sale of the Bonds. The proceeds of the Bonds allocated to paying the cost of the Project shall be deposited as set forth in Section 8 of this ordinance and shall be used to carry out the Project, or a portion of the Project, in such order of time as the City determines is advisable and practicable.

Section 4. Description of the Bonds; Appointment of Designated Representative. The Administrative Services Director is appointed as the Designated Representative of the City and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most advantageous to the City, and to approve the Final Terms of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit A, which is attached to this ordinance and incorporated by this reference.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds*. Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

(b) *Bond Registrar; Duties*. The Fiscal Agent is appointed as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the City at all times. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the City's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this ordinance and the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

(c) *Bond Register; Transfer and Exchange*. The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Only Form*. DTC is appointed as initial Securities Depository. Each Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (1) to any successor Securities Depository; (2) to any substitute Securities Depository appointed by the City; or (3) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the City, the City may appoint a substitute Securities Depository. If (1) the Securities Depository resigns and the City does not appoint a substitute Securities Depository, or (2) the City terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

Neither the City nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the City nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 6. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures and Seal*. Each Bond shall be prepared in a form consistent with the provisions of this ordinance and State law. Each Bond shall be signed by the Mayor and the City Clerk, either or both of whose signatures may be manual or in facsimile, and the seal of the City or a facsimile reproduction thereof shall be impressed or printed thereon. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the City authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the City, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the City as though that person had continued to be an officer of the City authorized to sign bonds. Any Bond also may be signed on behalf of the City by any person who, on the actual date of signing of the Bond, is an officer of the City authorized to sign bonds, although he or she did not hold the required office on its Issue Date.

(b) *Authentication*. Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance: "Certificate Of Authentication. This Bond is one of the fully registered City of Richland, Washington, [Name of Series]." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

Section 7. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the City is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Funds and Accounts; Deposit of Proceeds.

(a) *Bond Fund*. The Bond Fund is created as a special fund of the City for the sole purpose of paying principal of and interest on the Bonds. Bond proceeds in excess of the amounts needed to pay the costs of the Project and the costs of issuance, if any, shall be deposited into the Bond Fund. All amounts allocated to the payment of the principal of and interest on the Bonds shall be deposited in the Bond Fund as necessary for the timely payment of amounts due with respect to the Bonds. The principal of and interest on the Bonds shall be paid out of the Bond Fund. Until needed for that purpose, the City may invest money in the Bond Fund temporarily in any legal investment, and the investment earnings shall be retained in the Bond Fund and used for the purposes of that fund.

(b) *Project Account*. The Project Account has been previously created as an account of the City for the purpose of paying the costs of the Project. Proceeds received from the sale and delivery of the Bonds shall be deposited into the Project Account and used to pay the costs of the Project and costs of issuance of the Bonds. Until needed to pay such costs, the City may invest those proceeds temporarily in any legal investment, and the investment earnings shall be retained in the Project Account and used for the purposes of that account, except that earnings subject to a federal tax or rebate requirement (if applicable) may be withdrawn from the Project Account and used for those tax or rebate purposes.

Section 9. Redemption Provisions and Purchase of Bonds.

(a) *Optional Redemption*. The Bonds shall be subject to redemption at the option of the City on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit A.

(b) *Mandatory Redemption*. Each Bond that is designated as a Term Bond in the Bond Purchase Agreement, consistent with the parameters set forth in Exhibit A and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Agreement. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the City and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The City shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption*. If fewer than all of the outstanding Bonds are to be redeemed at the option of the City, the City shall select the maturities to be redeemed. If fewer than all of the outstanding Bonds are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption*. Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the Finance Director shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) *Rescission of Optional Redemption Notice*. In the case of an optional redemption, the notice of redemption may state that the City retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of redemption has been rescinded shall remain outstanding.

(f) *Effect of Redemption*. Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(g) *Purchase of Bonds*. The City reserves the right to purchase any or all of the Bonds offered to the City at any time at any price acceptable to the City plus accrued interest to the date of purchase.

<u>Section 10</u>. <u>Failure To Pay Bonds</u>. If the principal of any Bond is not paid when the Bond is properly presented at its maturity or date fixed for redemption, the City shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

<u>Section 11</u>. <u>Pledge of Taxes</u>. The Bonds constitute a general indebtedness of the City and are payable from tax revenues of the City and such other money as is lawfully available and pledged by the City for the payment of principal of and interest on the Bonds. For as long as any of the Bonds are outstanding, the City irrevocably pledges that it shall, in the manner provided by law within the constitutional and statutory limitations provided by law without the assent of the voters, include in its annual property tax levy amounts sufficient, together with other money that is lawfully available, to pay principal of and interest on the Bonds as the same become due. The full faith, credit and resources of the City are pledged irrevocably for the prompt payment of the principal of and interest on the Bonds and such pledge shall be enforceable in mandamus against the City.

<u>Section 12</u>. <u>Tax Covenants</u>.

(a) *Preservation of Tax Exemption for Interest on Bonds*. The City covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the City treated as proceeds of the Bonds that will cause interest on the Bonds to be included in gross income for federal income tax purposes. The City also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

(b) *Post-Issuance Compliance*. The Finance Director is authorized and directed to review and update the City's written procedures to facilitate compliance by the City with the covenants in this ordinance and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bonds from being included in gross income for federal tax purposes.

Section 13. Refunding or Defeasance of the Bonds. The City may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the "defeased Bonds"); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the City sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the City may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the City in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

Section 14. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds*. The Designated Representative is authorized to sell the Bonds by negotiated sale, by private placement or by competitive sale in accordance with a notice of sale consistent with this ordinance, based on the assessment of the Designated Representative of market conditions, in consultation with appropriate City officials and staff, Bond Counsel and other advisors. In determining the method of sale of the Bonds and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the City.

(b) *Procedure for Negotiated Sale or Private Placement*. If the Designated Representative determines that the Bonds are to be sold by negotiated sale or private placement, the Designated Representative shall select one or more Purchasers with which to negotiate such sale. The Bond Purchase Agreement for the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Agreement on behalf of the City, so long as the terms provided therein are consistent with the terms of this ordinance.

(c) *Procedure for Competitive Sale*. If the Designated Representative determines that the Bonds are to be sold by competitive sale, the Designated Representative shall cause the preparation of an official notice of bond sale setting forth parameters for the Final Terms and any other bid parameters that the Designated Representative deems appropriate consistent with this ordinance. Bids for the purchase of the Bonds shall be received at such time or place and by such means as the Designated Representative directs. On the date and time established for the receipt of bids, the Designated Representative (or the designee of the Designated Representative) shall open bids and shall cause the bids to be mathematically verified. The Designated Representative is authorized to award, on behalf of the City, the winning bid and accept the winning bidder's offer to purchase the Bonds, with such adjustments to the aggregate principal amount and principal amount per maturity as the Designated Representative deems appropriate, consistent with the terms of this ordinance, and such award shall constitute the Bond Purchaser Agreement. The Designated Representative may reject any or all bids submitted and may waive any formality or irregularity in any bid or in the bidding process if the Designated Representative deems it to be in the City's best interest to do so. If all bids are rejected, the Bonds may be sold pursuant to negotiated sale or in any manner provided by law as the Designated Representative determines is in the best interest of the City, within the parameters set forth in this ordinance.

(d) *Preparation, Execution and Delivery of the Bonds*. The Bonds will be prepared at City expense and will be delivered to the Purchaser in accordance with the Bond Purchase Agreement, together with the approving legal opinion of Bond Counsel regarding the Bonds.

<u>Section 15</u>. <u>Official Statement; Continuing Disclosure</u>.

(a) *Preliminary Official Statement Deemed Final*. The Designated Representative shall review and, if acceptable to him or her, approve the preliminary Official Statement prepared in connection with the Bonds to the public or through a Purchaser acting as a placement agent. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, if applicable, the Designated Representative is authorized to deem that preliminary Official Statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The City approves the distribution to potential purchasers of the Bonds of a preliminary Official Statement that has been approved by the Designated Representative and deemed final, if applicable, in accordance with this subsection.

(b) *Approval of Final Official Statement*. The City approves the preparation of a final Official Statement for the Bonds to be sold to the public in the form of the preliminary Official Statement that has been approved and deemed final in accordance with subsection (a), with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final Official Statement to the Purchaser, if required under Rule 15c2-12. The City authorizes and approves the distribution by the Purchaser of the final Official Statement so executed and delivered to purchasers and potential purchasers of the Bonds.

(c) *Undertaking to Provide Continuing Disclosure*. If necessary to meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to the Purchaser acting as a participating underwriter for the Bonds, the Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Bonds in substantially the form attached as Exhibit B.

Section 16. Supplemental and Amendatory Ordinances. The City may supplement or amend this ordinance for any one or more of the following purposes without the consent of any Owners of the Bonds:

(a) To add covenants and agreements that do not materially adversely affect the interests of Owners, or to surrender any right or power reserved to or conferred upon the City.

(b) To cure any ambiguities, or to cure, correct or supplement any defective provision contained in this ordinance in a manner that does not materially adversely affect the interest of the Beneficial Owners of the Bonds.

Section 17. General Authorization and Ratification. The Designated Representative and other appropriate officers of the City are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this ordinance, and to do everything necessary for the prompt delivery of the Bonds to the Purchaser and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this ordinance in furtherance of the purposes described in this ordinance and not inconsistent with the terms of this ordinance are ratified and confirmed in all respects.

Section 18. Severability. The provisions of this ordinance are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this ordinance to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this ordinance in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 19. Effective Date of Ordinance. This ordinance shall take effect and be in force on the day following the date of its publication in the official newspaper of the City.

PASSED by the City Council of the City of Richland, Washington, at a regular open public meeting thereof, this ______ day of ____________, 2014, and signed in authentication of its passage this ______ day of _______.

____
DAVID ROSE
Mayor

ATTEST:

____
MARCIA HOPKINS
City Clerk

APPROVED AS TO FORM:

____
HEATHER KINTZLEY
City Attorney

Date Published: _______________

EXHIBIT A
DESCRIPTION OF THE BONDS

(a)	Principal Amount.	The Bonds shall not exceed the aggregate principal amount of $3,625,000.
(b)	Date or Dates.	Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this ordinance.
(c)	Denominations, Name, etc.	The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
(d)	Interest Rate(s).	Each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 5.0%, and the true interest cost to the City for the Bonds may not exceed 5.0%.
(e)	Payment Dates.	Interest shall be payable at fixed rates semiannually on dates acceptable to the Designated Representative, commencing no later than twelve months following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments annually thereafter, on dates acceptable to the Designated Representative.
(f)	Final Maturity.	The Bonds shall mature no later than the date that is twenty-one years after the Issue Date.
(g)	Redemption Rights.	The Designated Representative may approve in the Bond Purchase Agreement provisions for the optional and mandatory redemption of Bonds, subject to the following:

(1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the City prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Agreement; or (B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

(2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Agreement.

(h) Price. The purchase price for the Bonds may not be less than 98% or more than 120% of the stated principal amount of the Bonds.

(i) Other Terms and Conditions.

(1) The Bonds may not be issued if it would cause the indebtedness of the City to exceed the City's legal debt capacity on the Issue Date.

(2) The Designated Representative may determine whether it is in the City's best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the City, consistent with this ordinance.

[Form of]
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

City of Richland, Washington
Limited Tax General Obligation Bonds, 2014

The City of Richland, Washington (the "City"), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the "Bonds"), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Ordinance No. 09-14 of the City (the "Bond Ordinance").

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

(i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (b) ("annual financial information");

(ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(iii) Timely notice of a failure by the City to provide required annual financial information on or before the date specified in paragraph (b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide in paragraph (a):

(i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the City, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (2) principal amount of general obligation bonds outstanding at the end of the applicable fiscal year; (3) assessed valuation for that fiscal year; and (4) property tax levy amounts and rates for that fiscal year;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City's fiscal year ending December 31, 2013; and

(iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the City and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The City's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the City learns of any failure to comply with this Undertaking, the City will proceed with due diligence to cause such noncompliance to be corrected. No failure by the City or other obligated person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the City or other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The Finance Director or his or her designee is the person designated, in accordance with the Bond Ordinance, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

(i) Preparing and filing the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;

(iii) Determining whether any person other than the City is an "obligated person" within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;

(iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the City in carrying out this Undertaking; and

(v) Effecting any necessary amendment of this Undertaking.

CERTIFICATION

I, the undersigned, City Clerk of the City of Richland, Washington (the “City”), hereby certify as follows:

1. The attached copy of Ordinance No. 09-14 (the “Ordinance”) is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on April 1, 2014, as that ordinance appears on the minute book of the City.

2. A quorum of the members of the City Council was present throughout the meeting and a majority of the members voted in the proper manner for the passage of the Ordinance.

Dated: ____________, 2014.

CITY OF RICHLAND, WASHINGTON

____

Marcia Hopkins
City Clerk

Council Workshop Coversheet

Council Date: 03/25/2014

Agenda Item : W1

Key Element: Key 2 - Infrastructure & Facilities

Subject: STORMWATER WATER QUALITY TREATMENT RETROFIT PROGRAM

Department: Public Works

Document Type: Discussion

Summary:

The purpose of this workshop is to solicit Council direction on two issues:

1. Approach to grant funding opportunities for a stormwater water quality treatment retrofit program; and
2. Approach to the Leslie Groves Infiltration Facility project.

In the late 1990's, the federal government published the National Pollution Discharge Elimination System (NPDES) Phase II rule, which required many local governments with less than 100,000 population to manage water quality for stormwater. Richland was subject to this rule and formed its Stormwater Utility to provide a revenue stream to address the anticipated regulatory compliance burden. The Washington State Department of Ecology (Ecology) accepted responsibility for implementing the NPDES Phase II permit program. In 2007, Ecology issued the first NPDES Phase II permit for eastern Washington cities. Richland is covered by that permit.

The City's current NPDES permit requires the City to actively mitigate water quality impacts from stormwater through several programs. The permit requires that new construction include water quality mitigation features, which must be guided by technical guidance developed at a state, regional, or local level. The City is currently using the Stormwater Management Manual for Eastern Washington to guide design of new private development and capital improvements. This manual was funded and developed by Ecology in collaboration with at least ten eastern Washington communities, including Richland, to support implementation of the NPDES permit. City staff considers use of this manual as a preferred method to compliance with NPDES permit requirements as it allows the City to avoid the cost and resource-consuming effort of preparing and routing a Richland-specific technical manual through Ecology's review process.

The NPDES permit program is intended to change through an adaptive management process. The first five-year permit required startup of several programs. The second five-year permit requires monitoring and assessment of program effectiveness. Staff anticipates that Ecology will use reports of program effectiveness to guide future changes to the permit. At present ,Richland is in full compliance with our permit, including the provisions that require new construction to include water quality mitigating features. Staff believes that the City's largest exposure to future regulatory requirements are its numerous untreated outfalls that deliver untreated runoff to the Columbia and Yakima Rivers and the Amon Wasteway.

Through two engineering evaluations, City staff has identified opportunities to apply Ecology-recommended water quality mitigation features to a number of drainage systems. Staff used the first study to develop grant applications to Ecology for two such drainage system retrofits. Studies currently underway are preparing several new concepts that could be used to seek Ecology grant funds. Ecology has been designating federal and state water quality funding sources for stormwater water quality retrofit projects for the past five years, but there is no obligation for the federal or state governments to fund these projects. Staff believes leveraging these state funds to address the City's largest financial and regulatory exposure is a good idea.

The retrofit projects being developed involve changes to public spaces. Staff will present maps and drawings describing the retrofit projects. Staff will seek Council direction regarding further development of the retrofit projects, including participating in upcoming grant funding opportunities.

The first of the grant-funded retrofit projects to move to construction is the Leslie Groves Infiltration Facility. Through its public outreach process the City has learned about community concerns regarding this project. Staff and its planning consultant will present an overview of the project and a summary of the concerns received. Council guidance on the path forward is needed.

Attachments:

Post Council Status: Pending

City Manager Approved: Johnson, Cindy
Mar 18, 16:47:47 GMT-0700 2014

Council Workshop Coversheet

Council Date: 03/25/2014

Agenda Item : C2

Key Element: Key 2 - Infrastructure & Facilities

Subject: DUPORTAIL BRIDGE - TIGER GRANT APPLICATION

Department: Public Works

Document Type: Discussion

Summary:

The purpose of the workshop is to solicit Council direction on the financial proposal to include in an upcoming grant application for the Duportail Bridge.

The federal government has announced a competitive grant funding opportunity that could provide significant funding for the Duportail Bridge. The "Transportation Investment Generating Economic Recovery" (TIGER) program will distribute up to $600 million for eligible projects and can cover up to eighty percent (80%) of project costs.

Funding a project of this magnitude is a challenging and complex process because there are numerous funding sources and programs that can contribute, each with constraints and conditions. The 2014 - 2030 Capital Improvement Plan (CIP) includes one possible funding package that includes a mixture of local, state and federal funds. This adopted plan does not include a TIGER grant because at the time of CIP preparation it was not known if any more TIGER programs would be offered.

City staff is preparing three alternative funding scenarios that could be included in our application. Staff will share those alternatives at the workshop and seek Council direction on the financial approach to include in the upcoming grant application. Staff intends to propose a Council resolution at a regular Council meeting in April to authorize the grant application.

Attachments:

Post Council Status: Pending

City Manager Approved: Hopkins, Marcia
Mar 20, 13:33:20 GMT-0700 2014

Council Workshop Coversheet

Council Date: 03/25/2014

Agenda Item : W3

Key Element: Key 7 - Housing and Neighborhoods

Subject: CRIMINAL JUSTICE SALES TAX

Department: Police Services

Document Type: Presentation

Summary:

On March 4, 2014, Benton County Commissioners adopted a resolution that would place a 0.3% Criminal Justice Sales Tax on the ballot in August of 2014. As you recall from a recent Council Pre-Meeting, the Benton County Criminal Justice Sales Tax Citizens Advisory Committee (Advisory Committee) was formed in September 2012. It was comprised of county residents approved by the Benton County Board of Commissioners. Their stated purpose was to operate fully independent of the Benton County Law and Justice Council, and/or any government entities represented by that council, to analyze and review all aspects of the Benton County public safety system. They were to make a recommendation to county commissioners on whether or not a criminal justice sales tax should be submitted to voters. If their analysis identified the need for a sales tax, they were asked to provide a recommendation on whether it should be 0.1%, 0.2%, or 0.3%.

In August 2013, the Advisory Committee recommended to county commissioners that a criminal justice sales tax in the amount of 0.3% is needed to meet the county's current and future criminal justice needs. They recommended a ballot measure in that amount be placed before the voters of Benton County. The committee identified that a sales tax at that rate would generate a total annual funding source of from $9 million to $9.6 million. The City of Richland was projected to receive approximately $1.2 million in revenue.

During the Advisory Committee's analysis, the Richland Police Department was asked to provide a proposed strategy on how they would utilize additional revenue. A gap analysis was conducted on existing police services as well as projected needs for future growth of the city. It was identified that comprehensive approach to police services to include both enforcement and crime prevention capabilities were in the best interest of public safety. This workshop will allow for discussion of the proposed Criminal Justice Sales Tax and the Richland Police Department's proposed plan for the additional revenue.

Attachments:

Post Council Status: Pending

City Manager Approved: ECM Admin
Mar 21, 12:45:53 GMT-0700 2014